



# Performance Summary September 2017

## SA Metropolitan Fire Service Superannuation Scheme

Funds SA is responsible for investing the assets of the SA Metropolitan Fire Service Superannuation Scheme. In this summary, Funds SA provides an overview of the performance of the multi-sector funds offered under the Scheme.

### Performance

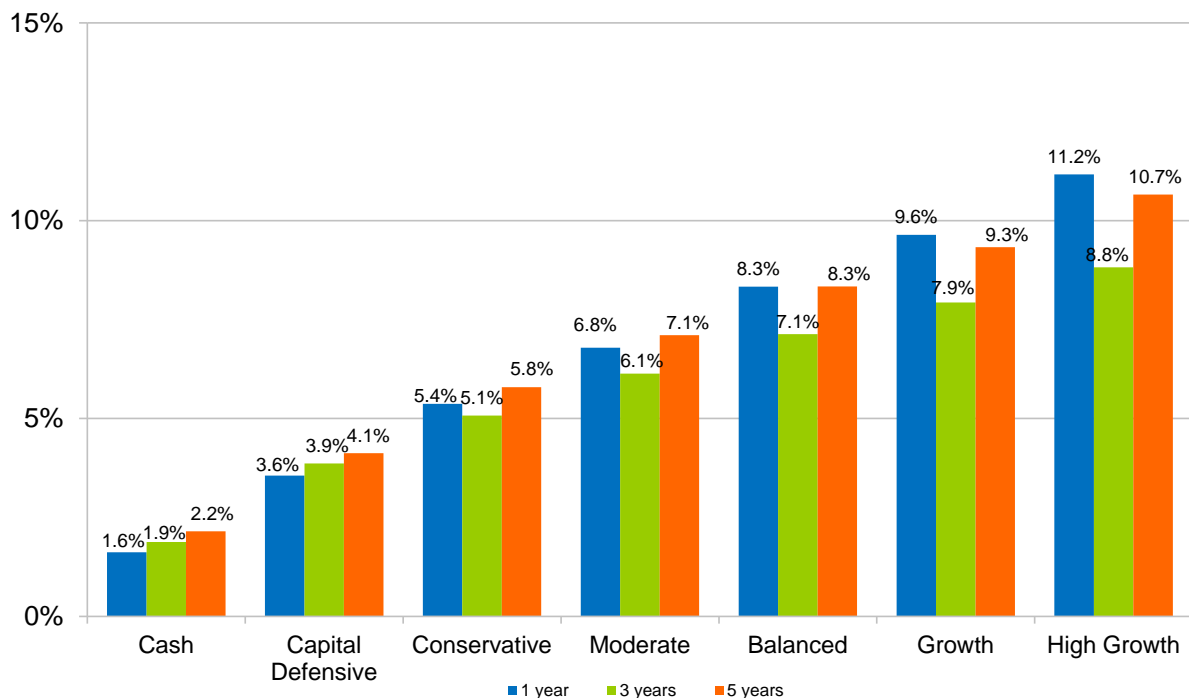
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

**Table 1: Multi-sector fund returns net of fees and tax to 30 September 2017<sup>1</sup>**

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.1	0.4	0.4	1.6	1.9	2.2	2.7	3.2
Capital Defensive	0.3	0.8	0.8	3.6	3.9	4.1	4.9	4.3
Conservative	0.5	1.1	1.1	5.4	5.1	5.8	6.0	4.3
Moderate	0.7	1.4	1.4	6.8	6.1	7.1	6.8	4.2
Balanced	0.9	1.6	1.6	8.3	7.1	8.3	7.6	3.9
Growth	1.1	1.9	1.9	9.6	7.9	9.3	8.2	3.9
High Growth	1.3	2.2	2.2	11.2	8.8	10.7	9.0	4.0

1. The taxable funds were established in March 2005, with the exception of the Moderate fund (established in June 2006)

**Chart 1: Multi-sector fund annualised returns net of fees and tax to 30 September 2017**



Key drivers of performance during September 2017 included:

- The global economy showed further signs of improvement, buoying risk assets such as equities.
- The US Federal Reserve continued on its path towards a normalisation of monetary policy. This environment proved to be favourable for portfolios with relatively larger amounts of global listed equities.

## Asset Allocation

The targeted asset allocation of the multi-sector funds is shown in the table below.

**Table 2: Targeted asset allocation for the 2017-2018 financial year**

	Cash	Capital Defensive	Conservative	Moderate	Balanced	Growth	High Growth
	%	%	%	%	%	%	%
Cash	100.0	15.0	10.0	8.0	2.0	2.0	2.0
Short Term Fixed Interest	0.0	30.0	18.0	7.0	3.0	0.0	0.0
Long Term Fixed Interest	0.0	5.0	5.0	9.0	8.0	4.0	0.0
Inflation Linked Securities B	0.0	15.0	16.0	12.0	9.0	6.0	0.0
Diversified Strategies Income	0.0	17.0	18.0	17.0	16.0	16.0	12.0
Property B	0.0	6.0	9.0	10.0	12.0	14.0	16.0
Australian Equities B	0.0	7.0	13.0	17.0	23.0	26.0	33.0
International Equities B	0.0	5.0	11.0	15.0	19.0	22.0	27.0
Diversified Strategies Growth B	0.0	0.0	0.0	5.0	8.0	10.0	10.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note that due to rounding, the sum of the individual numbers within the table may not equal the totals quoted.

# Financial Market Snapshot

The table below summarises market performance.

**Table 3: Major market index returns to 30 September 2017**

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
<b>Cash and fixed income</b>						
Australian Cash	0.1	0.4	0.4	1.8	2.1	2.4
Australian Government	-0.5	-0.4	-0.4	-2.0	3.7	3.3
Australian Inflation-Linked	-0.9	-0.7	-0.7	-1.2	3.3	3.1
Global Treasuries <sup>(1)</sup>	-0.6	0.7	0.7	-0.5	4.8	5.1
Global Inflation-Linked <sup>(1)</sup>	-1.6	0.6	0.6	-0.6	5.7	4.8
<b>Credit</b>						
Global Credit <sup>(1),(2)</sup>	-0.2	1.4	1.4	2.6	5.4	5.6
Global High Yield <sup>(1)</sup>	0.7	2.4	2.4	9.4	8.2	8.9
Emerging Market Debt <sup>(4)</sup>	0.0	2.4	2.4	4.2	6.1	4.3
<b>Property</b>						
Australian Listed Property	0.6	1.9	1.9	-2.0	12.5	13.2
<b>Equities<sup>(3)</sup></b>						
Australian Equities	0.0	0.8	0.8	9.0	7.1	9.9
Global Equities	2.3	3.9	3.9	17.9	8.9	12.8
US Equities	2.1	4.5	4.5	18.6	10.8	14.2
European Equities	2.7	3.5	3.5	17.7	7.9	10.9
Japanese Equities	4.3	4.3	4.3	28.1	9.9	20.0
Asia (ex Japan) Equities	0.4	6.6	6.6	23.1	9.3	8.9
Emerging Market Equities	0.5	7.7	7.7	22.2	8.9	8.3
Global Small Companies	3.9	5.1	5.1	19.5	11.7	14.9
<b>Currency<sup>(5)</sup></b>						
Australian Dollar vs Developed Market Basket	-1.0	1.3	1.3	2.1	-2.5	-4.1

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates, supranational agencies, and other government-related (e.g. government agencies, government guaranteed bank debt, etc)

(3) Local currency return

(4) Hedged to USD

(5) A positive number represents appreciation of the Australian dollar. A negative number represents depreciation.

Key factors impacting financial market performance during September 2017 are summarised below.

## Equity Markets

Global equity markets posted strong returns in September. In a month where geopolitical uncertainty abated, equity markets were bolstered by the economic environment which remained broadly supportive for risk assets such as equities. Economic data releases pointed to a recovery in growth globally, particularly in the US and Asia. This, along with a renewed hope that Donald Trump would be able to pass the more business friendly aspects of his reform agenda, saw equity markets push ahead on expectations that these factors would result in an improvement in corporate earnings. Against this backdrop the US Federal Reserve announced that they would begin the process of winding back unconventional monetary policy measures, while also raising the prospect that interest rates could be raised again by the end of the year.

## Debt Markets

Global government bond markets produced negative returns. In a month where the economic landscape showed signs of further improvement, interest rates rose globally amidst an increase in market expectations of future inflation. Corporate bonds outperformed government bonds as the risk premium that investors demand for bearing the additional risk contracted meaningfully.

## Currency

Currency market volatility fell over the month. The US Dollar continued its strong run amidst expectations of further monetary policy normalisation, while the Australian dollar was mixed. Emerging market currencies slumped as iron ore prices fell.

## Disclaimer

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