Performance Summary September 2018

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

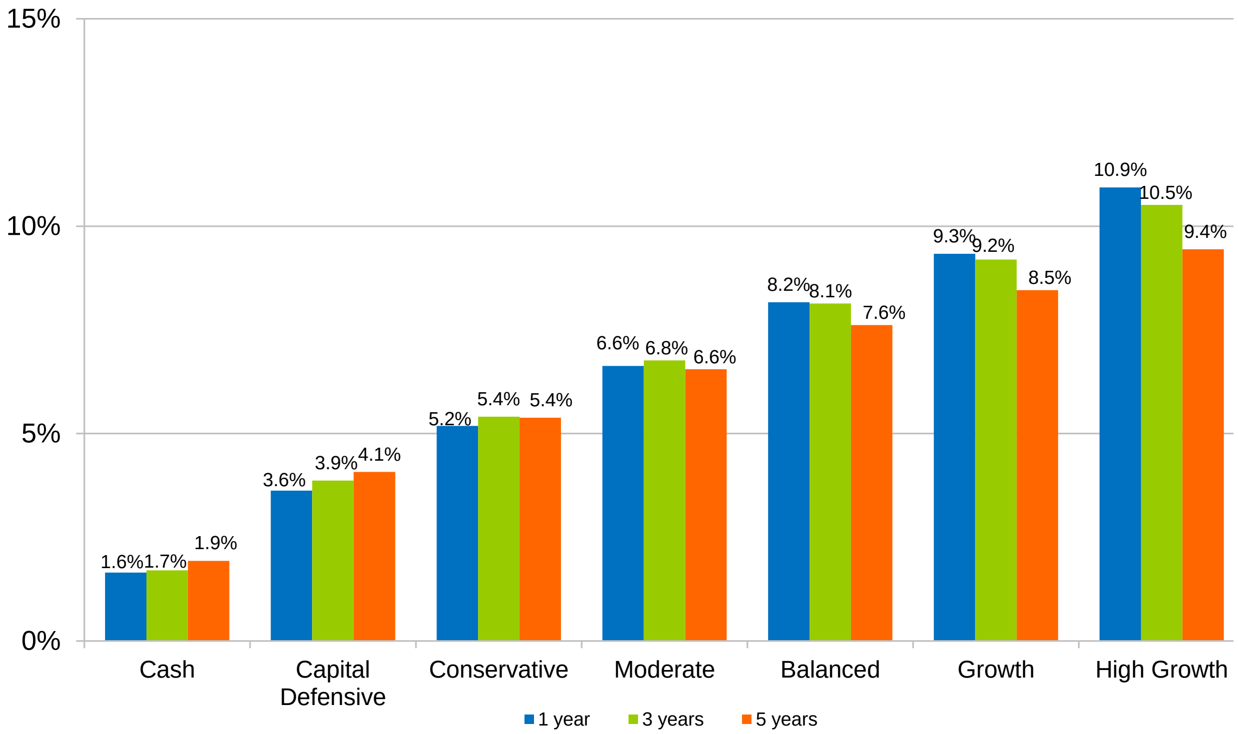
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 September 2018 [1]

	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	1.7	1.9	2.3	2.8
Capital Defensive	0.1	0.7	0.7	3.6	3.9	4.1	4.6	4.8
Conservative	0.0	1.1	1.1	5.2	5.4	5.4	6.3	5.7
Moderate	0.0	1.4	1.4	6.6	6.8	6.6	7.5	6.2
Balanced	0.0	1.7	1.7	8.2	8.1	7.6	8.8	6.6
Growth	0.0	1.9	1.9	9.3	9.2	8.5	9.7	7.1
High Growth	-0.1	2.3	2.3	10.9	10.5	9.4	11.0	7.7

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 2018



Key drivers of performance during September 2018 included:

- Global government bonds underperformed equities.
- Australian equities underperformed most of their global counterparts.
- Emerging market bonds outperformed developed markets.

This environment proved to be favourable for portfolios with relatively larger allocations to Japanese 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 2018-2019 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
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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 2018

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % pa	10 Years % pa
Cash and fixed income								
Australian Cash	0.2	0.5	0.5	1.9	1.9	2.2	2.6	3.2
Australian Government	-0.6	0.5	0.5	3.9	2.6	4.1	4.2	5.1
Australian Inflation-Linked	-0.7	-0.4	-0.4	4.5	2.2	4.7	4.8	5.0
Global Treasuries(1)	-0.4	-0.4	-0.4	1.3	3.0	4.7	5.1	6.3
Global Inflation-Linked(1)	-0.8	-0.9	-0.9	2.2	4.7	5.3	5.3	6.7
Credit								
Global Credit(1),(2)	-0.3	0.7	0.7	0.3	4.1	5.1	6.0	7.9
Global High Yield(1)	1.4	2.1	2.1	1.0	8.5	7.1	9.9	11.5
Emerging Market Debt(4)	1.8	1.9	1.9	-2.9	5.7	4.6	5.4	7.3
Property								
Australian Listed Property	-1.5	2.0	2.0	13.2	10.3	12.6	15.3	6.5
Equities(3)								
Australian Equities	-1.2	1.5	1.5	14.0	12.2	8.2	11.2	7.7
Global Equities	0.7	5.3	5.3	12.3	13.5	10.9	13.9	9.1
US Equities	0.6	7.7	7.7	17.9	17.3	13.9	16.9	12.0
European Equities	0.3	1.2	1.2	2.0	8.7	7.3	10.6	6.8
Japanese Equities	5.7	6.3	6.3	11.2	10.8	10.8	15.5	7.1
Asia (ex Japan) Equities	-1.4	-1.0	-1.0	2.3	12.7	7.8	9.1	8.8
Emerging Market Equities	-1.1	0.1	0.1	3.0	12.6	7.6	8.7	8.1
Global Small Companies	-1.3	2.7	2.7	11.5	14.3	11.3	15.3	11.2
Currency (5)								
Australian Dollar vs Developed Market Basket	0.8	-1.9	-1.9	-7.0	1.0	-3.7	-3.0	-0.4

(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 2018 are summarised below.

Equity Markets

Equity market performance was mixed during September. The Reserve Bank of Australia continued to leave interest rates on hold, while the United States Federal Reserve raised interest rates to 2.25%. Domestic equities generated a negative return, underperforming most of its global counterparts.

Trade tensions continued between the United States and the rest of the world, with more Trump initiated tariffs, and retaliatory tariffs from China. A last minute deal was reached for the North American Free Trade Agreement (NAFTA) between the United States and Canada, as they resolved key issues. Notwithstanding these concerns, the global economic backdrop remained supportive with ongoing solid economic growth.

Australian equities in aggregate underperformed most of their global counterparts with variations at the sector level. The energy and material sectors posted strong positive returns due to increases in commodity and oil prices. While healthcare posted negative returns as Australian Prime Minister

Scott Morrison announced a royal commission into the aged care sector due to allegations of misconduct within the industry.

Japanese equities outperformed most of their global counterparts, as employment opportunities reached the highest levels in decades and banks continued to see strong loans growth reflecting a stronger economy. The depreciation of the Yen and the United States Federal Reserve increasing interest rates, both were supportive for Japanese equities.

Debt Markets

Global government bond markets were negative and underperformed equities in a month where the economic data showed signs of further improvement and interest rate policy expectations continued to factor in further tightening in the US. Non-government bond performance was mixed, highly rated corporates posted a negative return, whilst emerging market debt and high yield bonds posted positive returns over the period.

Currency

The US dollar continued to rise over the period, as trade tariffs and expectations for the United States Federal Reserve to raise interest rates continued to support its attractiveness. The Australian dollar also rose due to increases in commodity prices.

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