Performance Summary April 2015

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

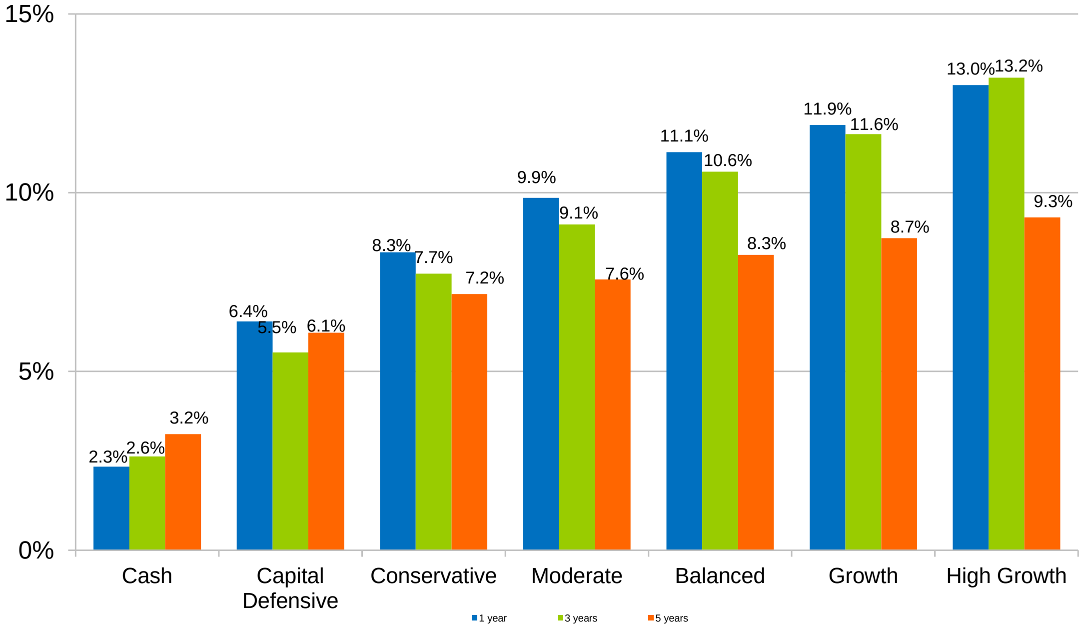
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 April 2015 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.2	0.5	1.9	2.3	2.6	3.2	3.5	4.1
Capital Defensive	-0.3	1.3	5.1	6.4	5.5	6.1	5.2	5.6
Conservative	-0.4	2.0	6.9	8.3	7.7	7.2	5.3	6.2
Moderate	-0.4	2.5	8.2	9.9	9.1	7.6	5.2	n.a.
Balanced	-0.4	3.1	9.5	11.1	10.6	8.3	4.9	6.6
Growth	-0.4	3.5	10.3	11.9	11.6	8.7	4.9	7.0
High Growth	-0.4	4.2	11.5	13.0	13.2	9.3	5.0	7.3

1. Returns are based on the post tax unit pricing model detailed in the SLA.
2. 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 April 2015



Key drivers of performance during April 2015 included:

- Improving European economic growth and inflation data triggered a sharp rise in government bonds yields, as the European Central Bank's aggressive policy easing appears to be having the desired effect on the region's economy.
- The release of soft economic data and dovish commentary from the US Federal Reserve saw markets pare back expectations as to the likely timing and magnitude of interest rate increases in the US.
- Higher government bond yields in all major markets drove negative returns in government and investment-grade corporate debt markets alike.
- A rebound in commodity prices saw a recovery in the price of commodity-related corporate sectors and emerging market assets.

Asset Allocation

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

Table 2: Targeted asset allocation for the 2014-2015 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	33.0	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	19.0	15.0	12.0	9.0	0.0
Diversified Strategies Income	0.0	16.0	17.0	16.0	15.0	15.0	12.0
Property B	0.0	6.0	9.0	10.0	12.0	14.0	16.0
Australian Equities B	0.0	6.0	12.0	16.0	22.0	25.0	33.0
International Equities B	0.0	4.0	10.0	14.0	18.0	21.0	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 April 2015

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.6	2.2	2.7	3.0	3.7
Australian Government	-1.5	-0.4	7.1	9.7	5.2	6.9
Australian Inflation-Linked	-1.9	0.6	9.1	13.8	7.0	9.2
Global Treasuries(1)	-0.5	-0.2	7.9	9.6	7.1	8.0
Global Inflation-Linked(1)	0.2	-0.5	8.3	10.6	5.8	8.5
Credit						
Global Credit(1),(2)	-0.3	-0.1	6.2	8.3	7.8	8.9
Global High Yield(1)	1.8	4.7	2.9	5.6	10.7	11.8
Emerging Market Debt(4)	2.0	3.7	0.7	4.5	4.5	7.1
Property						
Australian Listed Property	-1.0	0.6	21.9	26.0	20.0	13.3
Equities(3)						
Australian Equities	-1.6	5.1	11.1	10.2	14.2	8.3
Global Equities	1.0	6.5	10.3	14.3	16.6	11.4
US Equities	1.0	5.1	8.2	13.0	16.7	14.3
European Equities	0.4	7.8	11.7	13.2	16.2	9.4
Japanese Equities	3.3	14.0	29.1	40.4	28.4	12.2
Asia (ex Japan) Equities	6.0	9.0	14.4	20.9	10.7	8.1
Emerging Market Equities	5.7	9.4	11.8	17.8	9.0	7.1
Global Small Companies	0.1	7.6	8.7	13.6	17.9	12.9
Currency (5)						
Australian Dollar vs Developed Market Basket	2.4	1.7	-11.0	-9.6	-6.5	-2.4

(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 markets performance during April 2015 are summarised below.

Equity Markets

Global equity market performance was mixed in April, with significant divergence between regions.

Equity markets in Europe and the US continued to grind higher this month, managing to post modest positive returns despite several challenges. In Europe, data indicative of a steady improvement in economic conditions lifted markets higher over the first half of the month, as the European Central Bank's aggressive policy easing appears to be having the desired effect. Later in the month, however, investors began to increasingly focus on the lack of agreement over a Greek bailout extension, which caused a pause in the risk rally, while rising bond yields provided another headwind. By month end, European equities had reversed course, ending the month broadly in line with where they started. Meanwhile in the US, equity markets were resilient in the face of disappointing economic data, largely due to the harsh winter weather conditions and the recent strength of the US dollar, rising bond yields, and a mixed corporate earnings picture.

In contrast to the developing markets, emerging market equities proved highly resilient to global themes in April, gaining nearly 6% over the month. In addition to a strong rally in Chinese equities (+17%) following the announcement of further policy easing by the People's Bank of China, strong performance was also seen in Brazilian (+10%) and Russian (+4%) equities, as 2014's worst performing markets continue to rebound strongly.

The Australian equity market finished the month in negative territory, despite a strong recovery in commodity prices and the announcement of larger-than-expected policy stimulus in China. While these developments were constructive for the materials and energy sectors, a rebound in the Australian dollar weighed on those businesses with offshore earnings. Banks also suffered this month, amid lingering uncertainty about the Reserve Bank of Australia's future course on interest rates, as well as pressure from rising bad and doubtful debts and the threat of regulatory risk.

Debt Markets

Government bond yields finished April sharply higher in all major markets, with government bond markets producing negative returns as a result. While softer economic data in the US, which would usually be expected to lower bond yields, had little impact on markets, a trend of improving European economic data did move yields higher, as investors focussed on the seemingly positive impact of the European Central Bank's quantitative easing program. Furthermore, higher oil prices and some evidence of stabilising inflation in Europe appear to have left investors less concerned about the prospect of deflation, which placed further upward pressure on bond yields.

In Australia, the Reserve Bank of Australia disappointed market expectations by not cutting interest rates at their April meeting. This decision, coupled with a strong jobs report and slightly higher-than-expected inflation, saw domestic bond yields increase at an even faster rate than in offshore markets. Short maturity bonds, however, remained anchored by market expectations of an interest rate cut in early May.

Non-government debt sectors modestly outperformed government bonds in April, as the risk premium demanded for holding these securities narrowed in response to a recovery in commodity prices and a quiet period for new bond issuance. Further, those higher risk segments of the market, such as high yield corporate bonds and emerging market debt, actually managed to post positive absolute returns, despite the severe headwind of rising government bond yields.

Currency

Currency markets saw a sharp reversal of recent US dollar strength, with nearly all currencies gaining against the USD following the release of soft US economic data and relatively dovish commentary from the US Federal Reserve which saw investors push back their expectations as to the timing of future interest rate hikes. The euro was one of the strongest performing currencies this month (+4.5%), rebounding from a decade-low against the USD on strong offshore demand for European equities and improved European growth. The Australian dollar gained over 3%, benefitting from a rebound in the price of oil and other economically-sensitive commodities, and better domestic economic data that saw the Reserve Bank unexpectedly leave interest rates unchanged at its April meeting.

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