Performance Summary August 2011

SA Metropolitan Fire Service Superannuation Scheme

FUNDS SA

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 products offered under the Scheme.

Performance

Key drivers of multi-sector performance during August 2011 included:

- Global financial markets experienced heightened levels of volatility, as a sharp increase in investor risk aversion following the US debt limit impasse and the subsequent downgrade of the credit rating of United States sovereign debt, saw a sell-off in risk assets such as equities, with investors ironically moving to "safe-haven" assets such as government bonds and the US dollar;
- The release of weaker-than-expected economic data in the US and Europe has renewed concerns about the strength of the global economic recovery; and
- European sovereign debt concerns again weighed heavily on markets as peripheral countries' credit ratings continue to be downgraded, and a mechanism to repair the current situation has yet to be finalised.

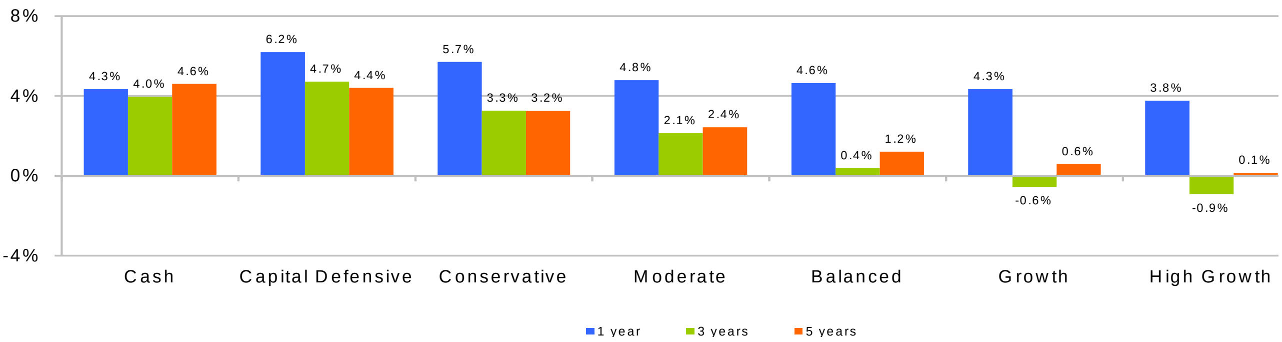
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector product returns net of fees to 31 August 2011 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.4	1.1	0.7	4.3	4.0	4.6
Capital Defensive	0.7	1.9	1.6	6.2	4.7	4.4
Conservative	-0.1	0.0	0.1	5.7	3.3	3.2
Moderate	-0.8	-1.8	-1.5	4.8	2.1	2.4
Balanced	-1.4	-2.8	-2.4	4.6	0.4	1.2
Growth	-1.7	-3.6	-3.2	4.3	-0.6	0.6
High Growth	-2.4	-5.3	-4.7	3.8	-0.9	0.1

1. Returns are based on the post tax unit prices in the SLA.
2. The taxable products were established in April 2005, with the exceptions of the Moderate product (established in July 2006)

Chart 1: Multi-sector product annualised returns net of fees to 31 August 2011



Asset Allocation

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

Table 2: Targeted asset allocation for the 2011-2012 financial year

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	25.0	15.0	8.0	3.0	2.0	2.0
Short Term Fixed Interest	0.0	23.0	13.0	7.0	5.0	2.0	0.0
Long Term Fixed Interest	0.0	5.0	5.0	9.0	5.0	2.0	0.0
Inflation Linked Securities B	0.0	21.0	21.0	16.0	12.0	9.0	0.0
Diversified Strategies Income	0.0	15.0	15.0	10.0	10.0	10.0	8.0
Property B	0.0	5.0	7.0	9.0	10.0	14.0	15.0
Australian Equities B	0.0	4.0	14.0	24.0	29.0	33.0	40.0
International Equities B	0.0	2.0	10.0	17.0	20.0	22.0	27.0
Diversified Strategies Growth B	0.0	0.0	0.0	0.0	6.0	6.0	8.0
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

Index movements to 31 August 2011	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.3	0.8	5.0	4.6	5.6
Australian Fixed Interest	2.0	4.3	3.7	7.1	8.0	7.0
Australian Inflation-Linked	1.9	5.6	6.0	11.7	5.8	5.3
Global Fixed Interest (1)	1.7	3.4	3.2	8.2	10.1	8.7
Global Inflation-Linked(1)	0.4	3.8	3.0	10.8	8.4	8.5
Property (2)						
Australian Listed Property	2.9	-4.5	-3.7	-2.6	-12.1	-12.1
Global Listed Property	-4.9	-7.4	-5.3	11.6	-1.1	-3.2
Equities(2)						
Australian Equities	-2.0	-7.6	-5.7	2.1	-1.4	0.8
Global Equities	-6.8	-10.7	-9.3	8.1	-2.9	-2.0
US Equities	-5.4	-8.9	-7.4	18.5	0.5	0.8
Japanese Equities	-8.9	-8.8	-9.8	-3.2	-14.0	-12.7
Asia (ex Japan) Equities	-9.2	-11.0	-8.7	3.7	6.3	7.9
European Equities	-9.5	-15.0	-13.6	-2.2	-4.0	-3.1
Global Small Companies	-7.8	-12.2	-10.6	14.5	0.7	0.3
Emerging Market Equities	-7.6	-9.9	-8.1	2.4	5.5	7.7
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-2.3	-0.1	-0.6	14.3	6.1	5.3
Australian Dollar vs USD	-2.5	0.5	0.0	20.3	7.5	7.0

(1) Australian dollar return (hedged)

(2) Local currency return

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

Key factors impacting financial markets performance during August 2011 are summarised below.

Equity Markets

Global financial markets in August experienced high levels of volatility and dramatic shifts in investor sentiment not seen since the GFC. This turbulence was initially triggered by the decision from a major credit rating agency to downgrade the United States sovereign debt rating despite a last minute agreement to raise the debt ceiling, based on concerns that political impediments would prevent a longer-term fiscal solution from being reached. This announcement triggered sharp falls in global equity markets, which were exacerbated by the release of a series of weaker-than-expected global economic data and lingering European sovereign debt concerns. Several announcements by policy makers later in the month did, however, have the desired effect in calming markets and helping pare some of the losses, though the MSCI World Index of developed markets still finished the month 6.8% lower.

In the US, news of the sovereign debt downgrade saw equities fall by over 13% in the first 6 trading days of the month. The release of bleak manufacturing data prompted renewed concerns about the potential of a double-dip recession, further weighing on market sentiment. In response to these concerns, the Federal Reserve announced a commitment to maintain record low interest rates until mid-2013, as well as declaring that while no further economic stimulus is required at this point in time, that the Fed stands willing and able to do so, should market conditions deteriorate further. This announcement, combined with another strong corporate reporting season, saw US equities rebound sharply to close the month 5.4% lower.

Elsewhere, European equities were again among the worst performing markets this month, as continued concerns over the sovereign debt situation in Europe saw a resumption of the selling pressure on financial stocks, while increased intervention in debt markets by the European Central Bank did little to ease investor worries. Further weighing on equity markets was the release of weaker-than-expected economic sentiment data in Germany, with Europe’s largest economy beginning to exhibit signs of a slowdown. Emerging market equities also suffered during August, as the heightened macro uncertainty saw an outflow from those asset classes perceived to be most risky, with Chinese equities among the hardest hit, as inflation in that economy acceleration to the fastest pace in three years.

In Australia, equities followed the offshore lead, dropping 10% during the first week of the month, before staging a remarkable turnaround to finish only 2% lower, with focus shifting from global macro events to the domestic corporate reporting season and expectations of a possible policy shift from the RBA. With the majority of companies reporting this month, results were broadly in line with expectations, though continued to highlight Australia’s two-tiered economy. High commodity prices and sustained resilience of the Chinese economy saw a growth in earnings for resource-related stocks, whilst industrial and consumer-oriented sectors generally reported sluggish trading conditions due to the strong Australian dollar and a slowdown in consumer spending.

Debt Markets

The environment of heightened macro uncertainty that hampered risk assets in August proved to be a positive for government bond markets, with yields falling significantly in most markets. Those traditional safe-haven markets, such as the United States and Germany, performed the best due to the combination of uncertainty stemming from the European sovereign debt crisis and broadening concerns over global economic growth. In the local market, a softer tone from the RBA at its August meeting in deciding to leave the cash rate unchanged despite the release of relatively strong Q2 CPI figures, triggered a sharp fall in short-end yields, while offshore developments flowed through to long-end yields.

As with other risk assets, non-government debt sectors suffered amid the flight to quality early in August, before recovering some of these losses by month end amid the general retracement in investor risk aversion. These sectors were negatively impacted as the risk premium demanded for holding these assets widened to levels not seen since early 2009. The broad-based fall in government bond yields acted to partially offset these losses, such that many sectors still managed to post a positive return. Against this backdrop, global (+0.3%) and Australian (+1.6%) investment-grade corporate debt outperformed the higher risk sectors of emerging markets (-0.4%) and global high yield (-3.6%).

Currency

The Australian dollar finished August lower against most major currencies, as the increased macro uncertainty saw a flight to the relative safety of the US dollar and away from commodity-currencies such as the AUD. The local currency briefly fell below parity against the USD early in the month, as the prospect of slower global growth combined with market expectations of future interest rate cuts by the RBA, before a rebound in risk assets later in the month saw a partial retracement of these losses. All things considered, the AUD fell by 2.5% for the month against the USD and 2.3% against the broader MSCI Currency Basket.