Performance Summary August 2013

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 funds offered under the Scheme.

Performance

Key drivers of performance during August 2013 included:

- Speculation as to the timing and scale of the winding down of the US Federal Reserve's asset purchase program continues to dominate financial markets, which has in turn led to higher global government bond yields;
- Most risk-oriented asset classes, such as equities and non-government debt sectors, fell as markets continue to adjust to the prospect of a higher yield environment;
- Concerns over the potential for further conflict in the Middle East weighed on investor sentiment and caused a sharp rise in oil prices, placing further downward pressure on risk-oriented assets and limiting losses in government bond markets; and
- Emerging markets themes continue to underperform reflecting weaker fundamentals and poor investor sentiment.

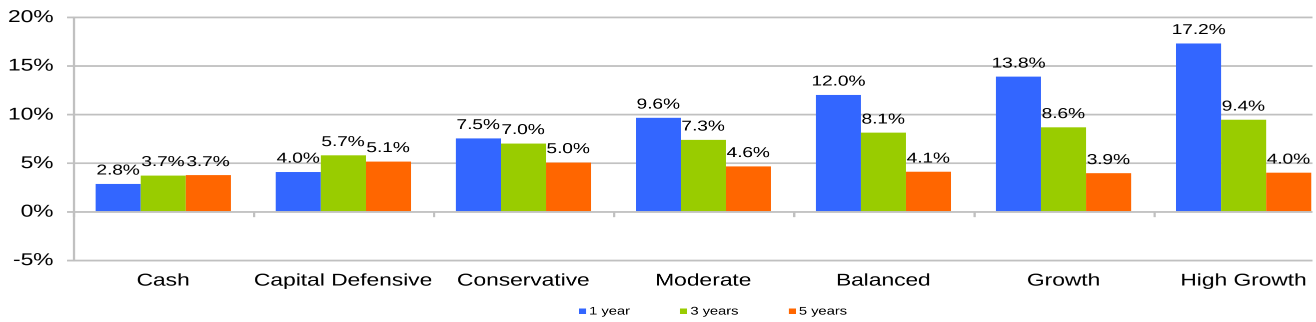
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 August 2013 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.
Cash	0.2	0.6	0.4	2.8	3.7	3.7	4.2
Capital Defensive	-0.1	0.1	0.9	4.0	5.7	5.1	4.8
Conservative	-0.1	0.5	1.5	7.5	7.0	5.0	4.5
Moderate	-0.1	0.9	1.9	9.6	7.3	4.6	4.1
Balanced	0.0	1.4	2.5	12.0	8.1	4.1	3.6
Growth	0.0	1.9	2.9	13.8	8.6	3.9	3.5
High Growth	0.1	2.7	3.6	17.2	9.4	4.0	3.3

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 fund annualised returns net of fees and tax to 31 August 2013



Asset Allocation

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

Table 2: Targeted asset allocation for the 2013-2014 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	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

Index movements to 31 August 2013	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.2	0.7	0.5	3.2	4.2	4.3
Australian Fixed Interest	-0.3	-0.5	0.5	2.3	6.3	7.1
Australian Inflation-Linked	-0.6	-4.1	-0.3	-2.2	7.5	5.7
Global Fixed Interest (1)	-0.2	-0.8	0.5	2.8	7.1	8.7
Global Inflation-Linked(1)	-0.9	-3.9	0.0	-1.7	7.3	7.3
Property (2)						
Australian Listed Property	-0.1	-1.7	-0.8	16.7	11.4	-0.7
Global Listed Property	-4.4	-6.2	-4.1	11.2	13.1	4.6
Equities(2)						
Australian Equities	2.5	5.3	7.9	23.6	9.8	4.5
Global Equities	-2.1	0.1	2.6	20.5	13.2	4.2
US Equities	-2.9	0.7	2.0	18.7	18.4	7.3
Japanese Equities	-2.3	-2.4	-2.6	55.5	13.4	-0.9
Asia (ex Japan) Equities	-0.8	-3.6	1.3	9.0	4.6	5.8
European Equities	-1.5	-0.9	4.3	17.7	8.6	3.0
Global Small Companies	-1.9	1.6	4.0	27.1	16.2	7.0
Emerging Market Equities	-0.1	-3.7	1.5	6.2	4.2	4.8
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-0.6	-7.8	-2.9	-12.1	-0.1	0.9
Australian Dollar vs USD	-0.8	-7.1	-2.7	-13.8	0.0	0.7

(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 2013 are summarised below.

Equity Markets

Global equity markets trended lower in August, as the themes from recent months continued to dominate financial markets. Markets continue to speculate about the timing and pace of the US Federal Reserve's winding down of its asset purchase program, with consequent moves higher in US government bond yields continuing to affect global market sentiment. Deterioration in the Syrian conflict later in the month also weighed on markets, as the prospect of Western involvement saw oil prices rise sharply and raised investor concerns as to the impact of higher energy prices on global economic growth.

The US equity market finished the month lower, despite continued improvement in both manufacturing and labour market data. While the pace of improvement remains only modest, recent commentary from the US Federal Reserve indicated the Fed was becoming more comfortable with the prospect of a near-term reduction in asset purchases, in combination with a commitment that interest rates would remain low for the foreseeable future. With financial markets significantly buoyed by central bank asset purchases over the past several years, speculation as to the timing, scale and market reaction to any reduction continues to be a key driver of investor confidence.

In Europe, economic data also trended more positively this month, with economic growth returning to positive territory after 18 months of negative growth. This was mirrored in generally positive results from manufacturing surveys across the region, which generally surprised on the high side. While the region continues to face significant deleveraging and government debt headwinds, this recent improvement in economic data momentum has been viewed by investors as a positive development. European equity markets nevertheless followed global leads to finish August slightly lower, as investors contemplated the effect of higher global interest rates and the potential for further conflict in the Middle East.

Locally, the Australian equity market outperformed global peers in August to finish the month over 2% higher. The domestic company reporting season was of greater focus than offshore leads, as corporate earnings were shown to be broadly in-line with market expectations, with companies continuing to focus on cost cutting in the context of a low growth environment. Resource-related stocks were among the strongest performers, driven by higher commodity prices and the release of Chinese economic data which pointed to some preliminary signs of improvement in that region.

Debt Markets

Global bond yields resumed their upward trend in August, amid improving market sentiment following the release of accelerating, but still modest, US economic data, and the prospect of tighter monetary policy in the US. This backdrop saw government bonds in most markets sell-off over the first half of the month, with yields reaching new two-year highs, before concerns over potential Western intervention in the Syrian conflict saw bond markets rebound, to end the month only slightly lower. The domestic bond market behaved in a similar manner, with offshore leads the predominant driver of performance.

Non-government debt markets also struggled in August, with almost all sectors posting a negative return for the month. While the risk premium demanded for holding these assets finished the month largely unchanged across most sectors, losses caused by a rise in underlying government bond yields saw the overall return on these assets drift into negative territory. Emerging market debt is the notable exception, with this sector again experiencing sharp losses this month. Economic fundamentals in these markets continue to weaken along with their currencies, while investors continue to divest holdings of these assets, all of which continues to weigh heavily on the sector.

Currency

Currency markets in August were dominated by the broader macro themes of changing expectations of US monetary policy, rising risk aversion in emerging market currencies, and increased chances of Western intervention in the Syrian conflict. The combination of these factors saw the US dollar strengthen against nearly all other currencies, with emerging market currencies faring the worst. Against this backdrop, the Australian dollar also came under pressure, although was somewhat boosted by early signs of improvement in the Chinese economy. As such, the AUD finished the month of August only slightly weaker against both the USD and the broader MSCI Currency Basket.

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