Performance Summary August 2012

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 2012 included:

- The announcement of several government and central bank policy initiatives to assist the European banking system helped to restore market confidence, resulting in a further rebound in risk assets, such as equities and non-government debt;
- The prospect of further policy stimulus from the US Federal Reserve and European Central Bank helped bond yields to remain low across major markets despite a reversal of recent investor risk aversion;
- The release of weak economic data in the US, Europe, and China has furthered concerns about the strength of the global economic recovery; and
- Uncertainty surrounding a longer-term solution to the European sovereign debt crisis remains a major risk, contributing to intra-month market volatility.

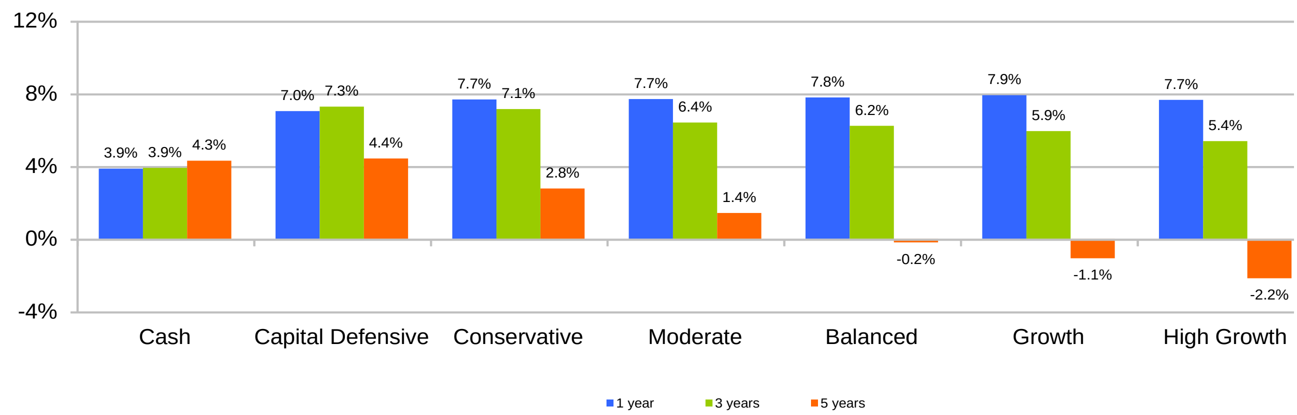
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector product returns net of fees to 31 August 2012 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.
Cash	0.3	0.8	0.5	3.9	3.9	4.3	4.6
Capital Defensive	0.5	1.4	1.3	7.0	7.3	4.4	5.4
Conservative	0.9	2.2	2.0	7.7	7.1	2.8	4.9
Moderate	1.1	2.7	2.5	7.7	6.4	1.4	n.a.
Balanced	1.3	3.2	2.8	7.8	6.2	-0.2	3.9
Growth	1.5	3.6	3.1	7.9	5.9	-1.1	3.8
High Growth	1.8	4.1	3.5	7.7	5.4	-2.2	3.4

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 2012



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	19.0	15.0	12.0	9.0	0.0
Diversified Strategies Income	0.0	15.0	17.0	16.0	15.0	15.0	12.0
Property B	0.0	5.0	9.0	10.0	12.0	14.0	16.0
Australian Equities B	0.0	4.0	12.0	16.0	22.0	25.0	33.0
International Equities B	0.0	2.0	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 2012	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.3	0.9	0.6	4.4	4.5	5.2
Australian Fixed Interest	0.6	0.8	1.0	9.5	8.6	8.1
Australian Inflation-Linked	-0.3	-0.5	1.2	13.8	12.0	7.5
Global Fixed Interest (1)	0.5	2.3	2.2	10.5	10.2	9.8
Global Inflation-Linked(1)	0.3	1.4	2.2	13.5	12.5	10.5
Property (2)						
Australian Listed Property	-0.1	10.0	5.4	21.5	7.8	-12.2
Global Listed Property	0.0	9.3	3.3	16.5	14.4	-2.1
Equities(2)						
Australian Equities	2.1	7.0	6.4	5.0	3.0	-3.0
Global Equities	2.0	7.8	3.4	11.4	7.2	-2.5
US Equities	2.3	7.9	3.7	18.0	13.6	1.3
Japanese Equities	-0.6	1.8	-5.0	-3.1	-7.3	-13.3
Asia (ex Japan) Equities	-0.4	3.9	1.7	1.3	6.0	0.5
European Equities	2.3	10.8	5.2	11.4	4.4	-3.8
Global Small Companies	3.0	6.1	2.9	7.7	9.9	-1.4
Emerging Market Equities	0.2	3.9	1.7	3.2	6.9	1.2
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-2.4	5.0	0.4	-0.7	6.6	4.2
Australian Dollar vs USD	-1.8	6.5	0.8	-3.5	7.0	4.9

(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 2012 are summarised below.

Equity Markets

Global equity markets continued higher for the third consecutive month, led by strong gains in European markets, where investors were buoyed by European leaders and the European Central Bank pledging to do whatever is necessary to preserve the Eurozone. Markets also received a further boost late in the month, with the US Federal Reserve Chairman signalling the potential for further stimulus measures as needed to boost that economy. Against this backdrop, the MSCI World Index of developed markets posted a gain of 2.0%.

The conclusion of the Q2 corporate earnings reporting season in the US also provided another focal point for markets this month, with results largely mixed. Overall, the majority of companies continued to report profits exceeding expectations, albeit against expectations that had been lowered over recent months amid a slower economic growth environment, although growth in sales revenue continues to disappoint.

Elsewhere, emerging market equities continued their recent trend of underperformance relative to developed markets, with China again one of the worst performers. Manufacturing and trade data released this month were both indicative of a further slowing of that economy, leading to a sharp sell-off in commodities, with iron ore prices in particular coming under significant selling pressure during August. Whilst this release of further disappointing data from China has increased the likelihood of monetary or fiscal stimulus, investors cautiously await meaningful announcements from Chinese authorities.

The Australian equity market was again one of the strongest performing developed markets in August, despite the heightened concerns as to the strength and sustainability of Chinese economic growth. From a sectoral perspective, all sectors posted gains over the month, with the exception being resource-related stocks, which were dragged lower by a sharp fall in the iron ore price. On the economic front, August saw the release of better-than-expected retail sales and employment data, providing a modest boost to market sentiment, while the RBA held interest rates unchanged, whilst maintaining an easing bias pending future developments in Europe and China.

Debt Markets

Global bond yields ended the month little changed, with some early positive sentiment seeing yields drift higher over the first half of the month, before a later reversal amid ongoing concerns out of Europe and the release of lacklustre global economic data. Increasing speculation about further quantitate easing in the US following Federal Reserve Chairman Bernanke's speech at the Jackson Hole summit also placed downward pressure on yields, while any rise in domestic yields was tempered by investors moving to price in the potential for future interest rate cuts by the RBA to combat the effects of weak growth in China.

As with other risk assets, non-government debt sectors benefitted substantially from some stabilisation in Eurozone financial conditions. The combination of broadly stable government bond yields and a compression of the risk premium demanded for holding these assets saw positive returns across all segments of the market, with those higher risk sectors, such as global high yield and emerging market debt, posting particularly strong gains.

Currency

In stark contrast to recent months, currency markets exhibited a degree of relatively stability in August. Optimism following the announcement of policy initiatives aimed at easing systemic financial pressures in Europe saw strong rallies across all major European currencies. The Australian dollar, on the other hand, was notably weak this month, reflecting softer economic growth in China and lower commodity prices. Against this backdrop, the AUD declined 1.8% against the USD and 2.4% against the broader MSCI Currency Basket.

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