Performance Summary December 2011

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 products offered under the Scheme.

Performance

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

- European sovereign debt concerns remain the main driver of markets, as ongoing policy uncertainty and escalating debt financing costs raised the threat of the liquidity crisis significantly affecting banks and sovereign states;
- A decision by the European Central Bank to offer term liquidity to European banks helped to restore confidence, resulting in a rebound in risk assets later in the month;
- Positive economic news in the US provided a boost to investor sentiment globally; and
- Shift in policy towards supporting growth within emerging markets, particularly China, raised hopes of a turnaround in the performance of growth and risk assets.

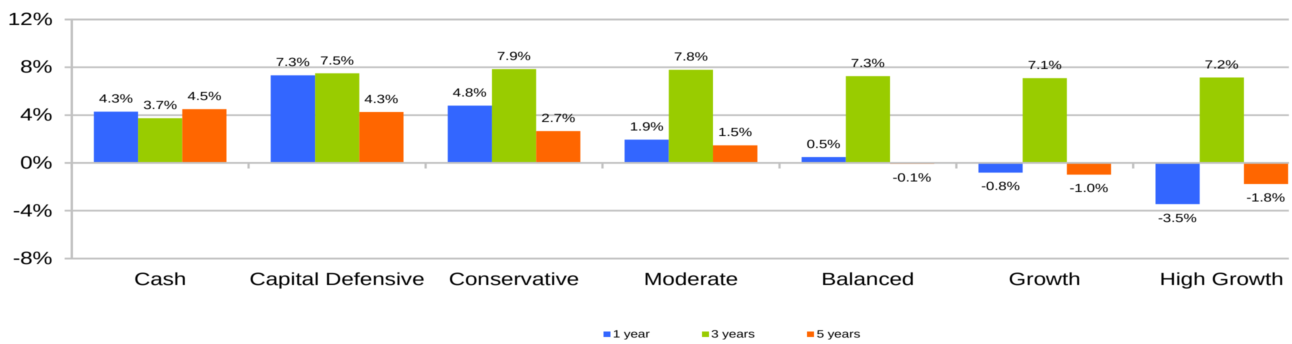
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

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

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.3	1.0	2.1	4.3	3.7	4.5
Capital Defensive	0.6	2.0	3.7	7.3	7.5	4.3
Conservative	0.5	2.4	1.7	4.8	7.9	2.7
Moderate	0.3	2.6	-0.5	1.9	7.8	1.5
Balanced	0.1	2.6	-1.9	0.5	7.3	-0.1
Growth	-0.1	2.7	-3.0	-0.8	7.1	-1.0
High Growth	-0.4	2.7	-5.2	-3.5	7.2	-1.8

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 December 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 December 2011	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	2.5	5.0	4.4	5.5
Australian Fixed Interest	0.8	1.9	6.7	11.4	6.3	7.4
Australian Inflation-Linked	1.9	4.3	12.2	19.0	8.8	6.8
Global Fixed Interest (1)	1.9	2.0	6.4	11.9	9.7	9.0
Global Inflation-Linked(1)	2.5	4.3	8.9	16.3	12.6	9.7
Property (2)						
Australian Listed Property	-2.6	3.8	-4.6	-1.6	2.3	-15.2
Global Listed Property	1.1	6.0	-8.3	-3.2	14.0	-6.6
Equities(2)						
Australian Equities	-1.4	2.1	-9.8	-11.0	7.7	-2.4
Global Equities	0.6	7.8	-8.2	-5.5	9.3	-3.4
US Equities	1.0	11.8	-3.7	2.1	14.1	-0.2
Japanese Equities	0.1	-4.1	-13.8	-18.0	-3.8	-14.2
Asia (ex Japan) Equities	0.9	3.5	-14.2	-14.9	17.8	3.3
European Equities	1.0	7.5	-11.4	-9.3	7.3	-4.3
Global Small Companies	-0.3	7.8	-12.2	-8.4	14.9	-2.1
Emerging Market Equities	-0.1	4.3	-11.6	-13.6	18.4	3.6
Currency (3)						
Australian Dollar vs MSCI Currency Basket	0.7	5.9	-2.1	0.3	11.9	4.4
Australian Dollar vs USD	-0.2	5.5	-4.2	0.0	13.7	5.4

(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 December 2011 are summarised below.

Equity Markets

Global equity markets finished December largely unchanged, despite another month of heightened volatility, as trading activity and volumes decreased significantly into the calendar year end. Once again, concerns over the European sovereign debt situation was the major driver of market sentiment and performance, as investors looked to the European Union summit in early December to provide a meaningful plan for solving the region's current fiscal and banking system problems.

Equity markets rebounded briefly following the European summit, where the 17 Eurozone nations all agreed to tighten budget controls and the IMF made a commitment to again increase funding to the region. Markets subsequently came under pressure, however, following another round of credit rating downgrades for the region's sovereigns and banks, and some discouraging comments from the European Central Bank, both in relation to the region's economic outlook and a reaffirmation of the bank's policy that any increased activity from the central bank would be limited. The release of weaker-than-expected Chinese economic data also weighed on markets, with commodities and commodity-related stocks suffering significant losses.

Over the second half of the month, however, equity prices were boosted following a decision from the ECB that would see European banks afforded access to inexpensive funding such that debt maturing over the next three years can now be refinanced, helping to reduce investors' short-term contagion fears in the process. The release of a steady stream of better-than-expected economic data in the US, including the emergence of some encouraging trends in employment and housing numbers, also buoyed equity markets, with US equities again among the strongest performing markets this month. Further, easing the Chinese bank's reserve requirements was seen as a signal that policy is beginning to shift in China towards supporting lending and growth which was a catalyst for stocks in that country to perform strongly.

The Australian equity market, on the other hand, was among the worst performing developed markets in December, with the local market's close ties to a slowing Chinese economy weighing heavily on investor sentiment early in the month. On a sectoral basis, those sectors perceived to be more defensive (telecommunications, utilities, and health care) outperformed, while resource-related sectors were weighed down by weaker commodity prices and growth concerns. On the economic front, the RBA reduced interest rates for the second consecutive month, amid a slowing domestic economy and downside risks from the European debt crisis.

Debt Markets

The prevailing environment of uncertainty once again proved to be a positive for government bond markets, with yields continuing to fall in all major markets. Eurozone sovereigns delivered the strongest returns following the introduction of emergency bank funding measures by the ECB, while those traditional safe-haven markets, such as the United States and Germany, continue to benefit from investor demand for "risk-free" securities amid the uncertainty stemming from the European sovereign debt crisis. The Australian bond market also delivered a solid return in December, as the combination of some slightly weaker local economic data and offshore developments driving long-term yields lower. In addition, the domestic market continues to benefit from high demand from offshore investors attracted to the country's stronger fiscal position and economic fundamentals and higher yield relative to other developed markets.

As with other risk assets, non-government debt sectors experienced a substantial degree of volatility in December, before ultimately benefitting from increased investor optimism following several policy announcements later in the month. As a result, the risk premium demanded for holding these assets tightened over the month, with those higher risk sectors, such as global high yield and emerging market debt, posting the strongest gains.

Currency

Currency markets in December again saw the US dollar outperform most currencies, with signs of improvement in US economic data supporting that currency. The Australian dollar held up well despite weaker commodity prices and the RBA's decision to reduce interest rates, falling only 0.2% against the USD, while gaining 0.7% against the broader MSCI Currency Basket.

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