Performance Summary December 2013

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

Key drivers of performance during December 2013 included:

- After months of speculation, the US Federal Reserve decided to commence reducing its asset purchase program;
- Markets took the Fed's decision as a sign of confidence in the sustainably of the economic recovering, triggering gains in risk assets globally, including equities, non-government debt securities, and commodities;
- Global government bond markets suffered due to the potential impact of reduced monetary stimulus in the medium term, with strong investor demand for Australian government bonds helping limit the losses in the domestic market.

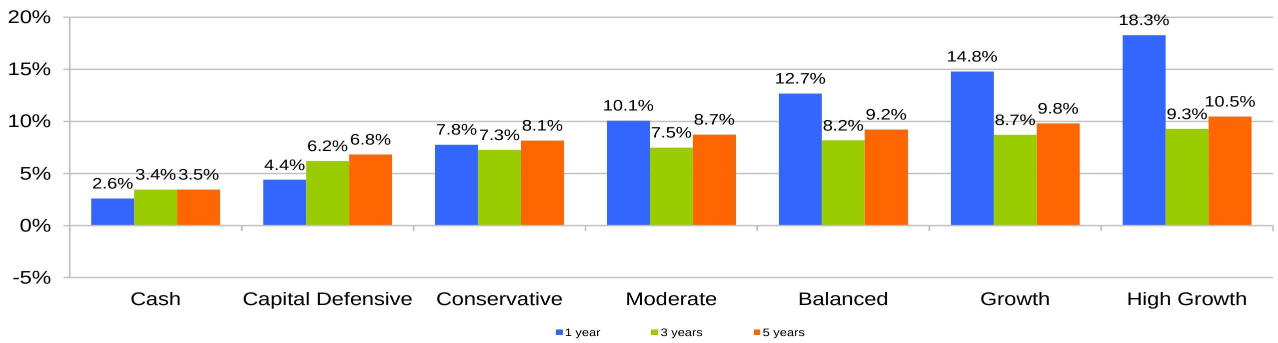
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 December 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	1.2	2.6	3.4	3.5	4.1
Capital Defensive	0.6	1.7	3.2	4.4	6.2	6.8	4.7
Conservative	0.9	2.5	4.9	7.8	7.3	8.1	4.3
Moderate	1.0	3.1	6.2	10.1	7.5	8.7	3.9
Balanced	1.2	3.7	7.7	12.7	8.2	9.2	3.3
Growth	1.4	4.2	8.8	14.8	8.7	9.8	3.1
High Growth	1.5	4.9	10.4	18.3	9.3	10.5	2.9

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 December 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 December 2013	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.2	0.6	1.3	2.9	3.9	4.0
Australian Fixed Interest	0.5	0.4	1.4	2.0	7.0	5.7
Australian Inflation-Linked	1.8	1.0	1.4	-1.6	8.4	6.6
Global Fixed Interest (1)	-0.4	0.8	2.3	2.3	7.9	8.2
Global Inflation-Linked(1)	-1.3	-0.9	0.2	-3.6	7.1	8.5
Property (2)						
Australian Listed Property	-1.3	-1.4	-1.3	7.3	11.9	8.8
Global Listed Property	0.7	0.4	1.0	8.6	10.9	15.8
Equities(2)						
Australian Equities	0.8	3.4	14.0	19.7	8.5	12.3
Global Equities	2.1	8.4	15.4	28.9	12.1	14.3
US Equities	2.5	10.5	16.3	32.4	16.2	17.9
Japanese Equities	3.6	9.5	15.7	55.0	15.4	10.8
Asia (ex Japan) Equities	-0.9	3.4	9.0	5.9	2.5	15.6
European Equities	1.0	6.0	14.6	21.6	8.4	11.7
Global Small Companies	2.5	8.0	18.6	34.9	13.4	19.3
Emerging Market Equities	-1.0	3.0	8.9	3.8	2.2	14.7
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-2.0	-4.1	-3.5	-12.9	-4.0	4.3
Australian Dollar vs USD	-2.1	-4.3	-2.3	-13.8	-4.4	5.1

(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 2013 are summarised below.

Equity Markets

Global equity markets finished the year on a generally positive note, as investors continue to react positively to the ongoing improvement in US economic data, and took the decision by the US Federal Reserve to start tapering its asset purchase program after months of speculation as a sign that the global recovery is continuing at a moderate pace.

Over the first half of the month, markets were largely unchanged, in spite of a string of stronger-than-expected US economic data releases. The Fed meeting in mid-December proved to be a key turning point, however, with markets recovering from this lacklustre performance to rally into the end of the month. The meeting saw the Fed announce that they would start tapering quantitative easing from January 2014 by reducing their monthly asset purchases by $10 billion, to $75 billion on the view that the US economy's expansion is sustainable. At the same time, the Fed reiterated their intention to maintain interest rates near zero for an extended period of time, at least as long as unemployment remains above 6.5% and inflation remains contained. Overall, investors generally took the tapering as a signal of confidence in a more sustainable economic recovery, with equity markets in the US reaching all-time highs during late December.

Australian equities generally followed the positive lead of offshore markets after the Fed announcement, with the commodity-related sectors reacting particularly strongly to the news. This was not enough, however, to prevent the domestic market again underperforming global markets, largely due to domestic economic data which was again mixed this month, and several company-specific announcements, such as profit downgrades by Qantas and QBE, and Westfield announcing another round of corporate restructuring, which dominated most of the headlines.

Debt Markets

Government bond yields finished the month materially higher in most major markets in reaction to the US Federal Reserve's long-awaited decision to begin tapering its asset purchase program. The release of stronger-than-expected global economic data placed further upward pressure on bond yields. The domestic market was the notable exception, however, with renewed investor demand for higher yielding Australian government bonds helping limit the upward movement in bond yields. As a result, the domestic market managed to post a modest positive return for the month, strongly outperforming offshore markets which posted losses.

As with other risk assets, non-government debt sectors reacted positively to the Fed tapering announcement, with investors generally taking it as a signal of confidence in the strength of the economic recovery. As a result, the risk premium demanded for holding these assets compressed throughout the month, with some market segments reaching levels not seen since the onset of the global financial crisis in 2008. Increases in underlying government bond yields globally, however, more than offset these gains in some sectors, such as global investment grade credit which posted modest losses as a result. Higher risk sectors such as global high yield and emerging market debt, on the other hand, posted solid gains for the month.

Currency

The Australian dollar weakened further in December, ending the year below US$0.90, against a backdrop of mixed domestic economic data and after RBA Governor Stevens' recent emphasis on the need for a weaker currency.

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