Performance Summary December 2012

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 multi-sector performance during December 2012 included:

- Recent policy stimulus by the major central banks continued to provide a supportive backdrop to global financial markets, helping restore market confidence and providing support to risk assets, such as equities and non-government debt;
- Early signs of a breakthrough in negotiations to resolve US budget issues and the release of stronger-than-expected data in the US and China provided a further boost to investor sentiment globally;
- Debt markets remained resilient despite a reversal of the recent investor risk aversion that had been assisting the sector, with global government debt sectors posting positive returns; and
- Uncertainty surrounding a longer-term solution to the US budget issues remains a major risk, contributing to intra-month market volatility.

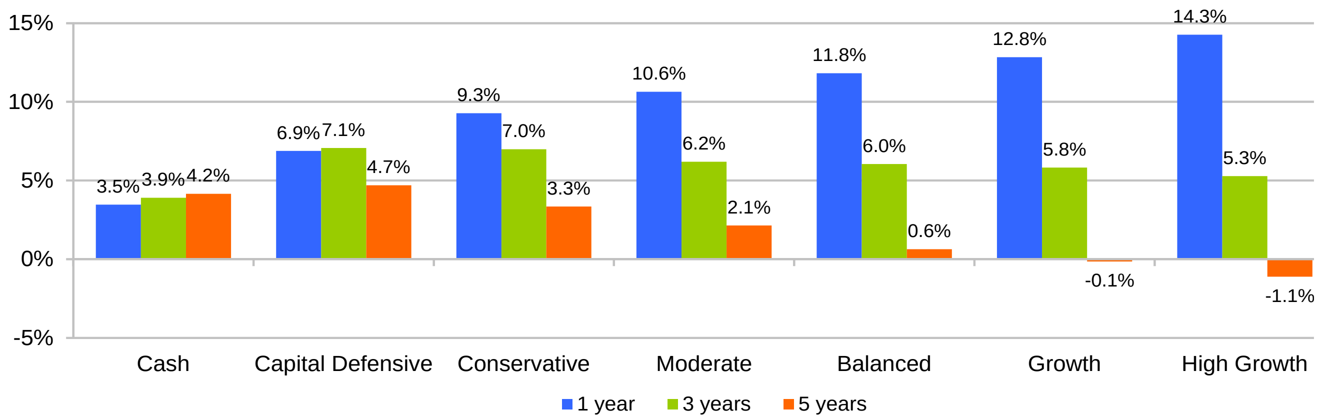
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 December 2012 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.
Cash	0.2	0.7	1.6	3.5	3.9	4.2	4.5
Capital Defensive	0.5	1.2	3.3	6.9	7.1	4.7	5.2
Conservative	1.0	2.0	5.2	9.3	7.0	3.3	4.7
Moderate	1.3	2.5	6.4	10.6	6.2	2.1	n.a.
Balanced	1.6	2.9	7.3	11.8	6.0	0.6	3.6
Growth	1.8	3.3	8.1	12.8	5.8	-0.1	3.5
High Growth	2.2	3.9	9.4	14.3	5.3	-1.1	3.1

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 fund annualised returns net of fees and tax to 31 December 2012



Asset Allocation

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

Table 2: Targeted asset allocation for the 2012-2013 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 December 2012	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.3	0.8	1.8	4.0	4.5	4.9
Australian Fixed Interest	0.2	0.2	2.2	7.7	8.3	8.3
Australian Inflation-Linked	-0.7	-0.9	2.3	8.7	11.7	7.8
Global Fixed Interest (1)	0.3	1.7	4.6	9.7	10.3	9.6
Global Inflation-Linked(1)	0.2	2.5	4.4	9.6	11.9	9.8
Property (2)						
Australian Listed Property	2.9	7.0	14.1	32.8	9.1	-8.7
Global Listed Property	4.6	7.1	11.5	29.8	14.3	1.1
Equities(2)						
Australian Equities	3.3	6.8	16.1	19.7	2.8	-1.8
Global Equities	1.9	2.9	8.7	15.7	6.4	-1.5
US Equities	0.9	-0.4	6.0	16.0	10.9	1.7
Japanese Equities	10.2	17.0	13.1	20.8	-0.1	-8.8
Asia (ex Japan) Equities	3.0	5.1	12.6	19.3	5.4	0.4
European Equities	1.4	5.1	11.9	15.6	3.8	-2.7
Global Small Companies	3.2	4.6	10.5	17.9	9.8	0.8
Emerging Market Equities	4.0	5.3	11.7	17.8	5.5	1.0
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-0.4	0.4	0.9	1.2	4.6	3.2
Australian Dollar vs USD	-0.5	-0.2	1.3	1.3	4.9	3.4

(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 2012 are summarised below.

Equity Markets

Global equity markets posted solid gains in December, driven higher by the release of some stronger-than-expected economic data in the US and China and the announcement of new policy measures from several of the major central banks. Tensions were intensified and market volatility heightened later in the month, however, as investors' attention turned squarely to the impending "fiscal cliff" of tax hikes and spending cuts due to be enacted in the US at the beginning of 2013. Against this backdrop, the MSCI World Index of developed equity markets finished the month 1.9% higher, with nearly all markets gaining over the month.

The month started on a positive note for equity markets, with the release of employment and housing data in the US and economic growth data in China which were all better than market expectations. A decision by the US Federal Reserve to extend previous stimulus measures also buoyed markets. The second half of the month, however, was more tumultuous with markets dominated by the US political debate over the "fiscal cliff". As the end of the year approached, equity markets weakened amid protracted political negotiations with investors becoming increasingly concerned over the ability of the Congress to actually come up with a resolution to the issue. In the dying hours of the month, however, markets staged a strong rally, encouraged by optimistic tones from President Obama and Congressional Republicans that some form of deal would be achieved, although a comprehensive fiscal plan for the future remains yet to be agreed upon.

Japanese stocks outperformed all others in December, returning over 10% for the month, following a decision to approve a second round of fiscal stimulus and the prospect of further central bank easing following a pledge by the newly elected Prime Minister to battle deflation and boost export competitiveness. Improving economic indicators and the resolution of the recent political leadership transition in China further assisted equities in the region, with Chinese stocks particularly strong this month, posting their strongest monthly return since 2010.

The Australian equity market also continued its recent strong run in posting a seventh consecutive monthly gain, outperforming most other developed markets this month. December saw a reversal of recent sectoral trends, with the market led higher by the materials sector, which benefited from higher iron ore prices and a stabilisation of the Chinese economy. On the other hand, those sectors perceived to be more defensive, such as consumer staples, health care and telecommunications, struggled to keep pace with the gains of the broader market.

Debt Markets

Global government bond markets came under pressure in December, as signs of improving economic data in the US and China and a rally in listed equities acted to diminish investor demand for "risk-free" securities. Consequently, government bond yields finished the month higher in most markets, although easy monetary and unconventional policy settings moderated these movements somewhat, such that most markets still managed to post a positive return. Australian government bonds, on the other hand, finished the month lower, with the close proximity to an improving Chinese economy causing domestic yields to rise more than in other high quality markets. With the majority of the domestic yield movement the result of rising real yields, inflation-linked bonds underperformed relative to nominal bonds over this period.

As with other risk assets, non-government debt sectors benefited substantially from some improvements in the global economic outlook and early signs of resolution in US budget negotiations. Against this backdrop, the risk premium demanded for holding these assets tightened further this month, leading to positive returns across all segments of the market, with those higher risk sectors, such as global high yield and emerging market debt, posting the strongest gains.

Currency

Currency markets in December were characterised by the US dollar weakening against nearly all major currencies as the announcement of further policy stimulus in the US and general improvement in global risk appetite saw a retracement of the flight-to-safety that had assisted the USD in recent times. Despite being boosted by these offshore factors, the local currency came under some pressure following the decision by the RBA to reduce official interest rates at its December meeting. Against this backdrop, the AUD fell 0.4% against both the USD and the broader MSCI Currency Basket.