Performance Summary February 2014

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 February 2014 included:

- A strong rebound in risk assets, such as equities and non-government debt, amid significant improvements in investor confidence despite slower economic growth expectations and a less supportive global monetary policy backdrop;
- Ongoing concerns over emerging market saw a more modest rebound in these markets compared to developed markets; and
- Government bond markets also posted modest positive returns, despite a strong rally in risk assets and continued tapering by the US Federal Reserve, as markets were dominated by weak economic data from the emerging world and geopolitical concerns.

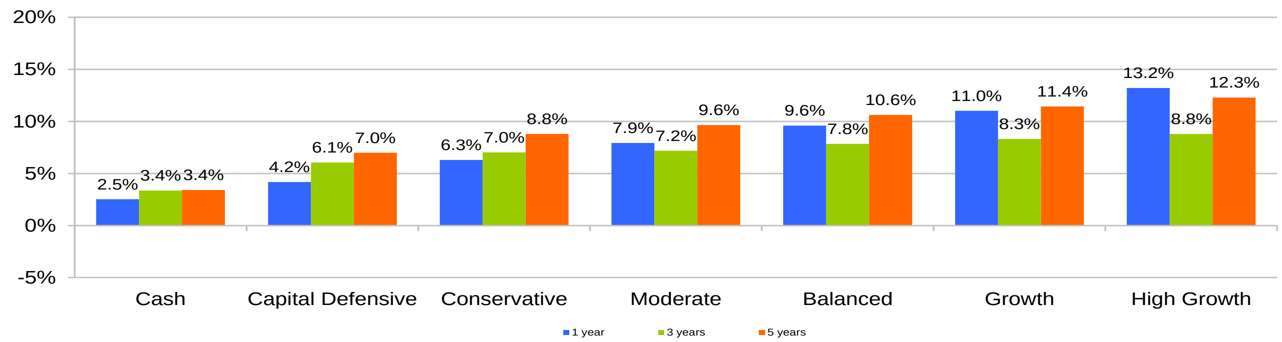
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 28 February 2014 [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	1.6	2.5	3.4	3.4	4.0
Capital Defensive	0.9	1.5	4.1	4.2	6.1	7.0	4.6
Conservative	1.3	1.9	5.9	6.3	7.0	8.8	4.2
Moderate	1.7	2.1	7.4	7.9	7.2	9.6	3.7
Balanced	2.0	2.3	8.8	9.6	7.8	10.6	3.1
Growth	2.2	2.5	9.9	11.0	8.3	11.4	2.9
High Growth	2.6	2.7	11.6	13.2	8.8	12.3	2.7

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 28 February 2014



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 28 February 2014	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.2	0.6	1.8	2.8	3.8	3.9
Australian Fixed Interest	0.3	2.0	2.9	3.1	7.0	6.0
Australian Inflation-Linked	1.1	3.6	3.3	-1.2	8.2	6.5
Global Fixed Interest (1)	0.7	2.0	4.7	4.1	8.5	8.8
Global Inflation-Linked(1)	0.4	1.2	2.7	-2.0	7.6	9.5
Property (2)						
Australian Listed Property	4.3	3.4	3.4	3.9	11.5	16.1
Global Listed Property	3.3	3.8	4.1	6.0	10.3	23.5
Equities(2)						
Australian Equities	4.9	2.6	16.0	10.2	8.2	14.9
Global Equities	4.2	2.9	16.3	21.5	10.6	18.4
US Equities	4.6	3.5	17.4	25.4	14.4	23.0
Japanese Equities	-0.5	-3.7	7.5	26.7	10.5	12.0
Asia (ex Japan) Equities	2.9	-2.2	7.5	2.4	3.6	16.7
European Equities	4.8	3.5	17.4	17.5	7.8	15.9
Global Small Companies	4.6	5.7	22.3	28.3	13.0	24.0
Emerging Market Equities	2.2	-3.3	6.4	0.9	2.6	15.5
Currency (3)						
Australian Dollar vs MSCI Currency Basket	1.3	-2.3	-3.7	-13.3	-3.7	5.5
Australian Dollar vs USD	2.6	-2.1	-2.2	-12.6	-4.2	7.0

(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 February 2014 are summarised below.

Equity Markets

After a slow start to 2014, global equity markets traded much stronger through February, with investor confidence improving despite the release of generally weaker-than-expected US economic data and a backdrop of less supportive US monetary policy.

In the US, equity markets finished the month over 4% higher, with investors focussing on a generally positive end to corporate reporting season, rather than the release of a series of underwhelming economic data. Most investors seem to have looked through the poor data, largely attributing it to the recent bouts of cold weather that have affected the country – a view seemingly supported by the US Federal Reserve, which has indicated that the current pace of tapering of its asset purchase program is set to continue in spite of recent weakness.

Elsewhere, European markets were among the strongest performing markets this month, against a backdrop of generally positive economic developments. The European Central Bank decided to keep interest rates on hold at its February meeting, the European Commission lifted its growth expectations for the Eurozone, and inflation in the region remains benign. Emerging markets, on the other hand, continue to underperform others, despite posting modest gains in February. Investor sentiment in relation to the emerging world continues to be impacted by concerns over the implication of less supportive US monetary policy on those countries with capital account deficits, softness in Chinese economic data, and political uncertainty in a number of countries.

The Australian equity market also performed strongly this month, finishing nearly 5% higher. The market was dominated by a reporting season where, on balance, earnings and outlook exceeded market expectations. This optimism was somewhat tempered, however, by news headlines from the likes of Qantas and Toyota taking decisive action to cut labour costs. Domestic economic data was again softer during February, with business investment declining and the labour market softening further, although this was not enough to perturb investors from pushing equity markets higher.

Debt Markets

Government bond yields finished the month largely unchanged across the major developed markets, leading to modest positive performance for the month. Yields had moved higher over the first half of the month, amid a continuation of the theme of economic recovery and the US Federal Reserve tapering its asset purchase program, before reversing course later in the month on concerns over economic growth in China and other emerging markets. Geopolitical uncertainty surrounding Ukraine placed further downward pressure on bond yields.

As with other risk assets, all non-government debt sectors rebounded strongly after a modest January. The combination of the risk premiums demanded for holding these assets narrowing through the month and stable or lower underlying government bond yields created a positive environment for these assets. After posting significant negative returns in January, emerging markets debt rebounded strongly in February and was the strongest performing sector, gaining over 3% for the month.

Currency

In what was quite a volatile month for currency markets, February saw the Australian dollar trade in a wide range before closing the month more than 2% higher against the US dollar, despite concerns over economic conditions in China. The Euro also rallied strongly on better-than-expected German and French growth data, as well as increased investor appetite for European risk assets. Notwithstanding the ongoing concerns surrounding emerging markets, many emerging currencies also posted strong gains this month, benefitting from investors seeking value in these higher-yielding currencies following significant depreciation over recent months.

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