Performance Summary February 2015

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

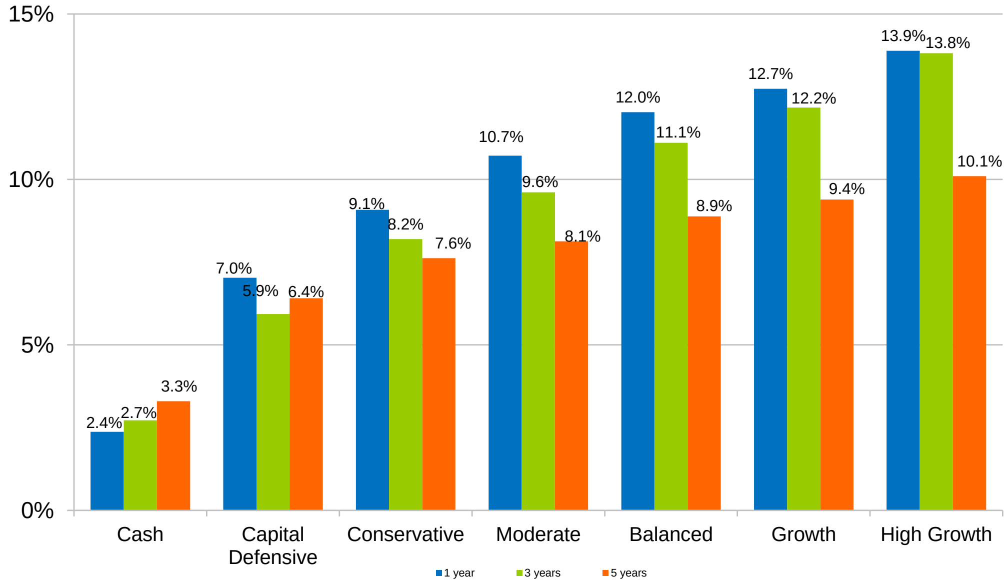
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 28 February 2015 [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	2.4	2.7	3.3	3.6
Capital Defensive	1.3	3.0	5.0	7.0	5.9	6.4	5.3
Conservative	2.0	4.2	6.8	9.1	8.2	7.6	5.5
Moderate	2.4	5.0	8.1	10.7	9.6	8.1	5.4
Balanced	2.9	5.9	9.4	12.0	11.1	8.9	5.1
Growth	3.3	6.3	10.0	12.7	12.2	9.4	5.1
High Growth	4.0	7.3	11.3	13.9	13.8	10.1	5.2

1. Returns are based on the post tax unit pricing model detailed in the SLA.
2. The taxable funds were established in March 2005, with the exception of the Moderate fund (established in June 2006)

Chart 1: Multi-sector fund annualised returns net of fees and tax to 28 February 2015



Key drivers of performance during February 2015 included:

- Central bank easing was a key driver of strong equity market performance, with central banks in a number of countries including Australia and China either cutting interest rates or otherwise easing monetary policy during the month.
- Risk assets such as equities and non-government debt securities were also supported by the anticipation of significant liquidity support from the upcoming implementation of the European Central Bank quantitative easing program.
- A rebound in oil prices after a number of sharp monthly falls also supported risk assets, and in particular emerging market assets, but also prompted an increase in inflation expectations, which adversely impacted government bond markets.
- Rising government bond yields drove negative returns in government and lower-risk non-government debt markets.

Asset Allocation

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

Table 2: Targeted asset allocation for the 2014-2015 financial year

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	15.0	10.0	8.0	2.0	2.0	2.0
Short Term Fixed Interest	0.0	33.0	18.0	7.0	3.0	0.0	0.0
Long Term Fixed Interest	0.0	5.0	5.0	9.0	8.0	4.0	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 to 28 February 2015

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.7	1.8	2.7	3.1	3.8
Australian Government	0.3	4.0	7.9	11.2	6.4	7.0
Australian Inflation-Linked	1.8	5.9	10.5	16.6	8.1	9.6
Global Treasuries(1)	-0.6	2.7	7.4	10.3	7.3	8.1
Global Inflation-Linked(1)	-1.9	2.0	6.8	11.1	5.5	8.9
Credit						
Global Credit(1),(2)	-0.3	2.5	5.9	9.7	8.2	9.4
Global High Yield(1)	2.7	1.5	0.9	5.4	10.6	12.8
Emerging Market Debt(4)	1.2	-1.3	-1.7	4.9	4.3	7.2
Property						
Australian Listed Property	3.7	16.4	25.5	34.9	23.1	14.9
Equities(3)						
Australian Equities	6.9	12.6	13.0	14.2	15.8	9.5
Global Equities	5.9	4.5	9.6	14.7	16.4	12.8
US Equities	5.7	2.3	8.8	15.5	18.0	16.2
European Equities	6.1	8.0	10.0	12.6	14.5	10.1
Japanese Equities	8.0	8.3	22.4	28.5	24.8	13.4
Asia (ex Japan) Equities	1.9	2.9	6.9	13.8	7.4	8.1
Emerging Market Equities	3.3	2.2	5.6	13.3	6.3	7.2
Global Small Companies	6.1	7.1	7.1	9.7	17.3	15.1
Currency (5)						
Australian Dollar vs Developed Market Basket	0.6	-6.4	-11.9	-7.2	-7.9	-1.7

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates, supranational agencies, and other government-related (e.g. government agencies, government guaranteed bank debt, etc)

(3) Local currency return

(4) Hedged to USD

(5) A positive number represents appreciation of the Australian dollar. A negative number represents depreciation.

Key factors impacting financial markets performance during February 2015 are summarised below.

Equity Markets

Global equity markets performed strongly in February, as headwinds from Greece and Ukraine and the potential for higher US interest rates failed to curb a broad-based rally in risk assets. As each hurdle was avoided in the short-term, including a four month extension of the current Greek bailout and less hawkish commentary from the US Federal Reserve (Fed), markets increasingly turned their attention to the upcoming implementation of the European Central Bank (ECB) quantitative easing (QE) program and the liquidity support that it will provide. Equity markets were also supported by a rebound in oil prices, with a sharp reduction in the US oil rig count and the announcement of further monetary policy easing in China providing support to commodity prices.

The US equity market rebounded after a poor start to the year, hitting all-time highs during February. Markets were well supported by the release of more robust economic data and less hawkish commentary from the Fed, as well as a strong end to the US Q4 corporate reporting season. European equities were among the strongest performing markets this month, surging higher ahead of the implementation of ECB QE in March, despite renewed concerns over Greece which weighed on markets early in the month. Elsewhere, Japanese equities enjoyed a strong rally amid continued monetary policy easing, while Chinese equity market performance was more subdued against a backdrop of soft economic data, before rallying later in the month in response to the People's Bank of China cutting official interest rates.

The Australian equity market continued its strong start to 2015, gaining nearly 7% this month. The market was driven higher following a strong corporate reporting season and a somewhat surprising decision from the Reserve Bank of Australia to cut interest rates from 2.50% to 2.25%. The prospect of lower interest rates boosted investor sentiment and fuelled another leg in the ongoing 'search for yield' trade. In addition, a weaker Australian dollar enhanced the appeal of globally exposed companies with investors attracted to the expected positive impact of currency translation benefits. Materials and energy stocks also performed strongly, as commodity prices rebounded through the month.

Debt Markets

The recent rally in global bond markets came to a halt in February, with government bond yields trending higher in most major markets. The largest rise in yields occurred in the US and UK, where positive momentum in economic data prompted a rise in real yields and a stabilisation in oil prices saw inflation expectations rise with the market beginning to view the current oil-related downward pressures on inflation as temporary. Movements in core Eurozone sovereign yields were more muted, with expectations of ECB QE the dominant force in those markets. In the Australian market, longer-dated bond yields moved marginally higher in line with offshore markets, while shorter-dated bond yields actually fell in response to a surprise cut in official interest rates and growing expectations of further cuts in coming months.

Relatively dovish commentary from the Fed and a rebound in oil prices set a strong tone for non-government debt sectors in February. Against this backdrop, the risk premium demanded for holding these securities generally tightened across all segments of the market. However, losses from higher underlying sovereign bond yields did mean that some sectors posted negative returns. Those lower risk segments of the market the hardest hit, while higher risk sectors such as high yield corporate bonds and emerging market debt posted strong monthly returns.

Currency

Currency market movements were generally more subdued in February than in recent months. The US dollar again moved higher against other major currencies this month, although lost some of its momentum following relatively dovish commentary from the US Federal Reserve. The Australian dollar finished flat for the month, stabilising on higher commodity prices, despite a surprise decision by the RBA to cut interest rates at its February meeting and growing market speculation of further cuts in coming months.

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