Performance Summary January 2012

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 products offered under the Scheme.

Performance

Key drivers of multi-sector performance during January 2012 included:

- 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, such as equities and non-government debt;
- Positive economic news in the US and China provided a further boost to investor sentiment globally;
- Easier monetary policy from the US Federal Reserve and European Central Bank helped bond yields to remain stable across all major markets despite growth data improving; and
- Uncertainty surrounding a longer-term solution to the European sovereign debt crisis remains a major risk, contributing to intra-month market volatility.

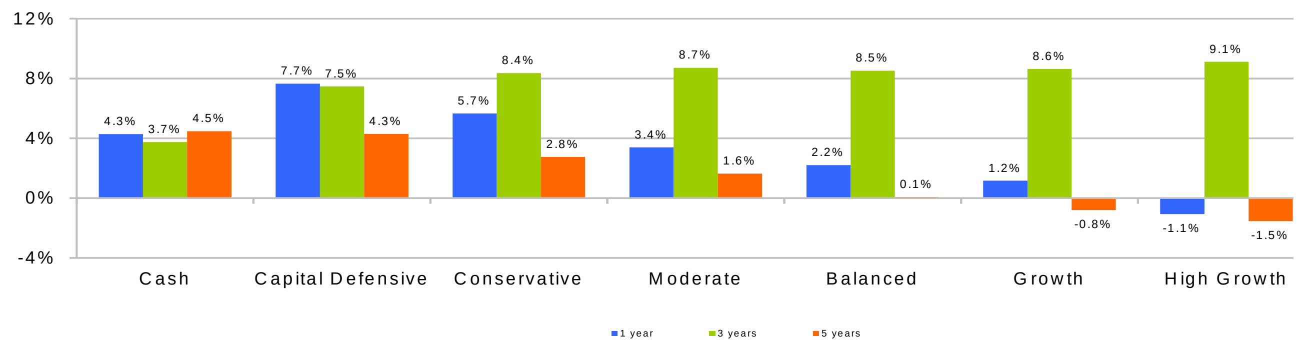
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector product returns net of fees to 31 January 2012 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.3	1.0	2.5	4.3	3.7	4.5
Capital Defensive	0.9	2.4	4.7	7.7	7.5	4.3
Conservative	1.5	2.3	3.2	5.7	8.4	2.8
Moderate	2.2	2.2	1.7	3.4	8.7	1.6
Balanced	2.5	2.0	0.6	2.2	8.5	0.1
Growth	2.8	1.9	-0.2	1.2	8.6	-0.8
High Growth	3.3	1.5	-2.0	-1.1	9.1	-1.5

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 January 2012



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 January 2012	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	2.9	5.0	4.4	5.5
Australian Fixed Interest	0.1	2.7	6.8	10.5	5.9	7.3
Australian Inflation-Linked	1.1	7.3	13.4	19.0	7.9	7.0
Global Fixed Interest (1)	1.3	3.1	7.8	13.3	10.4	9.3
Global Inflation-Linked(1)	2.1	5.8	11.2	18.9	13.2	10.3
Property (2)						
Australian Listed Property	5.4	5.4	0.5	1.4	7.7	-14.7
Global Listed Property	6.2	3.1	-2.6	1.4	21.2	-6.5
Equities(2)						
Australian Equities	5.1	0.1	-5.2	-6.5	11.3	-1.8
Global Equities	4.3	3.6	-4.2	-3.3	13.7	-3.0
US Equities	4.5	5.3	0.6	4.2	19.2	0.3
Japanese Equities	3.5	-1.5	-10.8	-16.1	0.0	-14.0
Asia (ex Japan) Equities	8.5	2.4	-6.9	-6.9	22.2	5.1
European Equities	3.4	3.1	-8.4	-8.0	10.9	-4.0
Global Small Companies	6.6	4.5	-6.4	-3.1	20.1	-1.4
Emerging Market Equities	7.4	3.0	-5.0	-5.2	22.4	5.2
Currency (3)						
Australian Dollar vs MSCI Currency Basket	2.8	1.2	0.7	6.1	16.2	5.2
Australian Dollar vs USD	3.7	0.2	-0.7	6.6	18.7	6.5

(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 January 2012 are summarised below.

Equity Markets

Global equity markets performed strongly in January, with a general easing of global credit conditions and the release of positive economic news supporting a marked increase in investor risk appetite. The introduction of liquidity measures from the European Central Bank (ECB) was the most significant factor in driving the rally, which came in spite of another round of credit rating downgrades for several European sovereigns and no agreement being reached on Greek debt negotiations. Of particular note was the extension of the ECB's Long Term Refinancing Operations, which by providing European banks access to sufficient inexpensive three-year funding such that debt maturing over the next three years can now be refinanced, had the positive impact of markedly reducing investor fears of a Lehman-like event in the near term.

In the US, the release of economic data indicating a continuation of the modest recovery and commentary from the Federal Reserve highlighting the possibility of further quantitative easing in coming months combined to support risk assets globally. In addition, equity market performance was provided a further boost by a positive start to Q4 corporate earnings reporting season in the US, with the majority of companies continuing to beat earnings estimates. Elsewhere, an improvement in Chinese economic data allayed fears of a sharp slowdown in that economy, which led to strong gains in commodities and commodity-related stocks.

The Australian equity market was one of the best performing developed markets in January, as higher commodity prices and the local market's close ties to an improving Chinese economy led to some strong gains in resource-related stocks. Other sectors perceived to be of higher risk, such as industrials and consumer discretionary, also performed strongly, while the more defensive segments of the market (IT, telecommunications, and health care) underperformed. On the economic front, data released this month continues to point to a softening in domestic conditions outside the mining sector, with retail sales and employment data both weaker-than-expected.

Debt Markets

Despite some modest improvement in the global economic outlook and a strong rally in risk assets, government bond yields actually finished the month broadly unchanged or slightly lower in most developed markets, on account of easier monetary policy from the US Federal Reserve and European Central Bank. Eurozone sovereigns delivered the strongest returns this month following the introduction of emergency bank funding measures by the ECB, while the Australian market underperformed amid investor concern that strong demand for commodities as a result of monetary and fiscal easing in China may present upside risks to inflation. In most major regions, this muted movement in nominal bond yields masked sharp falls in real yields, which were offset by an increase in inflation expectations. As a result, inflation-linked bonds significantly outperformed nominal bonds over this period.

As with other risk assets, non-government debt sectors benefitted from increased investor optimism following the stabilisation in Eurozone financial conditions and the release of positive economic news. As a result, the risk premium demanded for holding these assets tightened significantly over the month, with those higher risk sectors, such as global high yield and emerging market debt, posting particularly strong gains.

Currency

In a reversal of the theme of recent months, the US dollar fell against nearly all other currencies in January, driven by an unwinding of the flight-to-safety trade, and a commitment by the Federal Reserve to maintain exceptionally low interest rates through to 2014. Commodity currencies such as the Australia dollar were the biggest beneficiary, buoyed by stronger commodity prices and improving risk appetite. Against this backdrop, the AUD gained 3.7% against the USD and 2.8% against the broader MSCI Currency Basket.

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