Performance Summary January 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

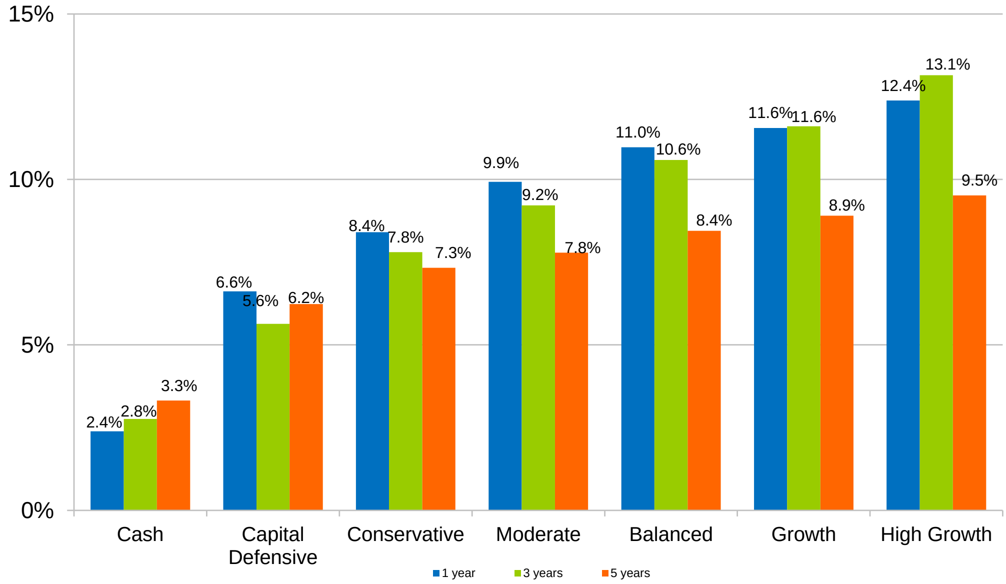
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 January 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	1.4	2.4	2.8	3.3	3.6
Capital Defensive	1.2	2.4	3.7	6.6	5.6	6.2	5.1
Conservative	1.5	2.9	4.7	8.4	7.8	7.3	5.1
Moderate	1.7	3.4	5.6	9.9	9.2	7.8	4.9
Balanced	1.9	3.6	6.2	11.0	10.6	8.4	4.5
Growth	1.9	3.6	6.5	11.6	11.6	8.9	4.5
High Growth	2.0	3.8	7.1	12.4	13.1	9.5	4.4

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 31 January 2015



Key drivers of performance during January 2015 included:

- Central bank easing was a key driver of markets, with 13 central banks either cutting interest rates or otherwise easing monetary policy during the month. This led to gains in risk assets such as equities and drove government bond yields lower.
- The recent collapse in commodity prices continued unabated, which in turn placed further downward price pressure on commodity-related corporate sectors and emerging market assets.
- Falling government bond yields drove strong returns in government and non-government debt markets alike.

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 31 January 2015

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.3	0.7	1.6	2.7	3.1	3.8
Australian Government	2.0	5.3	7.6	11.2	5.9	7.0
Australian Inflation-Linked	1.9	6.8	8.5	15.8	7.3	9.2
Global Treasuries(1)	2.3	4.8	8.1	11.7	7.7	8.4
Global Inflation-Linked(1)	3.9	6.0	8.8	13.7	6.3	9.2
Credit						
Global Credit(1),(2)	2.6	3.8	6.3	11.2	8.8	9.6
Global High Yield(1)	0.6	-1.6	-1.7	5.0	10.9	12.3
Emerging Market Debt(4)	0.3	-2.9	-2.9	7.0	4.8	7.3
Property						
Australian Listed Property	7.4	12.3	21.1	35.7	22.6	14.4
Equities(3)						
Australian Equities	3.2	1.9	5.7	12.1	14.0	8.5
Global Equities	-0.5	1.5	3.5	12.9	16.0	11.9
US Equities	-3.0	-0.6	2.9	14.2	17.5	15.6
European Equities	3.9	5.5	3.6	11.2	13.9	9.0
Japanese Equities	0.5	6.3	13.3	18.3	26.0	11.5
Asia (ex Japan) Equities	2.5	2.6	4.9	14.9	8.7	7.8
Emerging Market Equities	1.4	0.1	2.2	12.0	6.7	6.4
Global Small Companies	-0.3	2.6	1.0	8.2	16.8	14.3
Currency (5)						
Australian Dollar vs Developed Market Basket	-3.8	-9.3	-12.5	-6.5	-7.6	-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 January 2015 are summarised below.

Equity Markets

Global equity markets in January were driven by similar themes to that of recent months – central bank policy and sharply falling oil and commodity prices.

The major change to central bank policy this month was the formal announcement by the European Central Bank (ECB) of its much anticipated quantitative easing program. The announcement exceeded most market expectations in terms of both the size and scope of the program. A purchase program totalling EUR 1.1 trillion has now been announced, which will include purchases of both sovereign and agency bonds, and will continue until the Eurozone sees a sustained improvement in inflation. The ECB was joined by 12 other central banks in either cutting interest rates or otherwise eased monetary conditions during the month. The immediate reaction to these announcements was generally positive, with equity markets moving higher as a result.

The collapse in commodity prices from late-2014 continued in January and was further exacerbated by a surging US dollar. Crude oil plunged for a seventh consecutive month, and at one point during the month was down over 16%, before rallying 7% on the final day of the month on news of the sharpest weekly drop in US oil rig count in nearly 30 years. Copper and iron ore also plunged further and are now at their lowest levels since mid-2009. Gold was a notable exception to the downward trend in commodities, rising 8% during the month, aided by the announcement of further quantitative easing by the ECB and the Swiss National Bank's shock decision to abandon the currency floor against the euro which they had held since 2011.

The US equity market was one of the weakest performing developed markets, finishing the month more than 3% lower. Headwinds included the release of weaker-than-expected Q4 2014 economic growth data, the faltering global economic growth picture, lower-than-expected retail sales, and a strong US dollar eroding corporate profits. European and Asian equites, on the other hand, had a strong start to the year supported by lower oil prices and accommodative monetary policy.

The Australian equity market also started 2015 on a strong note, rising by over 3% in January. Falling domestic interest rate expectations fuelled another leg in the ongoing 'search for yield' trade, with those high-yielding and/or interest-rate sensitive sectors such as listed property, telecommunications and utilities, all outperforming. In addition, a weaker Australian dollar boosted the appeal of globally exposed companies with investors attracted to the expected positive impact of currency translation benefits. On the other hand, materials and energy stocks saw further declines in their share prices, as the downward trajectory in commodity prices extended through January.

Debt Markets

Central bank easing was the key theme in global bond markets this month, resulting in lower government bond yields in all major markets. The European Central Bank formally announced its much anticipated quantitative easing program and was careful not to disappoint the market both in terms of the size of the program and the inclusion of sovereign bond purchases. In addition, Canada, Denmark and India joined nine other central banks in either cutting interest rates or otherwise easing monetary conditions during the month. The US Federal Reserve is the only major central bank that appears to want to buck this trend, but even there the market has recently pushed back expectations as to the timing for the first rate hike, amid a decline in inflation expectations and concerns over global growth prospects following further falls in oil prices and other economically-sensitive commodities.

January was another challenging month for non-government debt sectors, as plummeting commodity prices led investors to question global growth estimates, with the risk premium demanded for holding these securities increasing as a result. However, strong gains from the falling underlying sovereign bond yield did mean that most sectors managed to post positive returns, with those lower risk segments of the market the best performers.

Currency

The US dollar continued to strengthen against most currencies this month, amid growing expectations that the US Federal Reserve will raise interest rates in 2015 at the same time that additional stimulus measures will be required in many other regions. Weaker commodity prices meant that commodity-linked currencies, including the Australian dollar, were the hardest hit this month. The euro also suffered as the region's inflation rate fell into negative territory and the European Central Bank announced a large-scale and open-ended quantitative easing program late in the month. The Swiss franc was a notable outperformer, spiking higher after the Swiss central bank shocked markets by abandoning their currency floor against the euro which they had held since September 2011.

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