Performance Summary July 2011

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 products offered under the Scheme.

Performance

Key drivers of multi-sector performance during July 2011 included:

- Global financial markets experienced heightened levels of volatility, as a sharp increase in investor risk aversion saw a sell-off in risk assets such as equities, with investors moving to "safe-haven" assets such as government bonds and the US dollar;
- European sovereign debt concerns again weighed heavily on markets, as investors failed to be convinced by the results of the latest round of stress testing of the European banking system; and
- A failure by US lawmakers to agree on a resolution that would increase the nation's debt ceiling until the last day of the month, saw investors becomes increasingly concerned that the August 2 deadline would not be met, while credit ratings agencies also issued warnings on the United States AAA-rating.

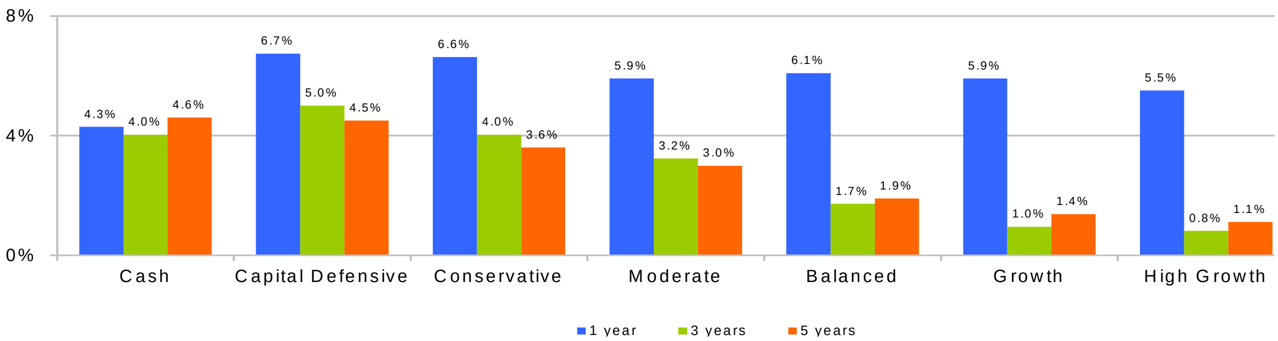
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector product returns net of fees to 31 July 2011 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.4	1.1	0.4	4.3	4.0	4.6
Capital Defensive	0.9	1.9	0.9	6.7	5.0	4.5
Conservative	0.2	0.5	0.2	6.6	4.0	3.6
Moderate	-0.7	-1.0	-0.7	5.9	3.2	3.0
Balanced	-1.1	-1.6	-1.1	6.1	1.7	1.9
Growth	-1.5	-2.2	-1.5	5.9	1.0	1.4
High Growth	-2.3	-3.4	-2.3	5.5	0.8	1.1

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 product annualised returns net of fees to 31 July 2011



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 July 2011	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	0.4	5.0	4.7	5.6
Australian Fixed Interest	1.7	3.5	1.7	7.0	8.0	6.8
Australian Inflation-Linked	4.0	5.5	4.0	12.6	5.9	5.2
Global Fixed Interest (1)	1.5	4.4	1.5	8.6	10.0	8.7
Global Inflation-Linked(1)	2.6	4.8	2.6	13.9	9.0	8.8
Property (2)						
Australian Listed Property	-6.4	-7.2	-6.4	-2.0	-10.1	-12.0
Global Listed Property	-0.4	-1.3	-0.4	18.3	0.7	-1.5
Equities(2)						
Australian Equities	-3.8	-7.6	-3.8	3.0	0.6	1.9
Global Equities	-2.7	-5.5	-2.7	12.1	-0.3	-0.1
US Equities	-2.0	-4.8	-2.0	19.7	2.9	2.4
Japanese Equities	-1.0	-1.5	-1.0	0.7	-12.4	-10.4
Asia (ex Japan) Equities	0.5	-2.8	0.5	13.3	8.2	10.9
European Equities	-4.5	-7.4	-4.5	5.8	0.0	-0.7
Global Small Companies	-2.9	-5.8	-2.9	19.3	4.1	2.5
Emerging Market Equities	-0.6	-4.1	-0.6	9.6	6.6	10.1
Currency (3)						
Australian Dollar vs MSCI Currency Basket	1.7	0.3	1.7	15.6	4.5	5.7
Australian Dollar vs USD	2.6	0.4	2.6	21.3	5.3	7.5

(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 July 2011 are summarised below.

Equity Markets

Global equity markets experienced heightened levels of volatility in July amid a sharp increase in investor risk aversion. Despite the month opening on a positive note following the passage of Greek austerity measures in late June and a generally positive start to corporate reporting season in the US, European sovereign debt concerns soon returned and intensified throughout the month. In addition, markets became increasingly concerned that an agreement to raise the US debt ceiling would not be reached in time for the August 2 deadline. Against this backdrop of heighted macroeconomic uncertainty, global equities finished the month 2.7% lower.

In the US, positive earnings results and the release of encouraging housing and manufacturing data saw equities rally to be nearly 3% higher by mid-month. In the final week of July, however, markets fell sharply as US lawmakers failed to agree on a resolution that would increase the nation's debt ceiling, with credit ratings agencies also issuing warnings on the United States AAA-rating, citing both the risk of a debt ceiling-related default in the short-term and the nation's longer-term fiscal sustainability.

Elsewhere, European markets suffered to a greater extent, as market scepticism over the rigour of the latest round of stress testing of the banking system clearly outweighed the positive lead following the finalisation of the European Union bailout package for Greece in late June. The resumption of the selling pressure on European financial stocks and the release of several stock-specific announcements saw major European markets fall by nearly 5% for the month.

In an extension of the theme of recent months, performance of the Australian equity market was again largely driven by offshore leads and again underperformed its global peers. After peaking early in the month on optimism over Greece and the start of US reporting season, the market sold-off later in the month amid European and US debt concerns, and a rise in China's consumer prices, given the local market's close ties to China. In addition, the announcement of the proposed carbon tax and the forecast of further weakness in the domestic retail sector, also weighed on the local market.

Debt Markets

The environment of uncertainty that hampered risk assets in July proved to be a positive for most government bond markets, allowing yields to fall around the world. Those traditional safe-haven markets, such as the United States and Germany performed the best due to the combination of uncertainty stemming from the European sovereign debt crisis and the struggle to raise the debt ceiling in the US, as well as broadening concerns over global economic growth. In most major regions, the majority of the rally was the result of falling real yields, triggering a strong outperformance of inflation-linked bonds relative to nominal bonds over this period.

In stark contrast to other risky assets, non-government debt sectors held up well over the month of July, despite the deteriorating macroeconomic backdrop and rising tensions within European debt markets. These sectors benefitted from both a further narrowing of the risk premium demanded for holding these assets as well as the rally in the underlying government bond yields. Against this backdrop all sectors posted strong positive returns.

Currency

As with other asset markets, currency market performance was dominated by strong investor risk aversion this month. Unsurprisingly given the broader macroeconomic backdrop, European currencies significantly underperformed those traditional safe-haven currencies, such as the Swiss Franc and the Japanese Yen. The Australian dollar, buoyed by higher commodity prices, held up remarkably well given the general rise in risk aversion, and gained 2.6% against the USD to close the month near US$1.10.

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