Performance Summary July 2012

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 2012 included:

- The announcement of several government and central bank policy initiatives to assist the European banking system helped to restore market confidence, resulting in a rebound in risk assets, such as equities and non-government debt;
- The prospect of further policy stimulus from the US Federal Reserve and European Central Bank helped bond yields to remain low across major markets despite a reversal of recent investor risk aversion;
- The release of weak economic data in the US, Europe, and China has furthered concerns about the strength of the global economic recovery; and
- Uncertainty surrounding a longer-term solution to the European sovereign debt crisis remains a major risk, contributing to intra-month market volatility.

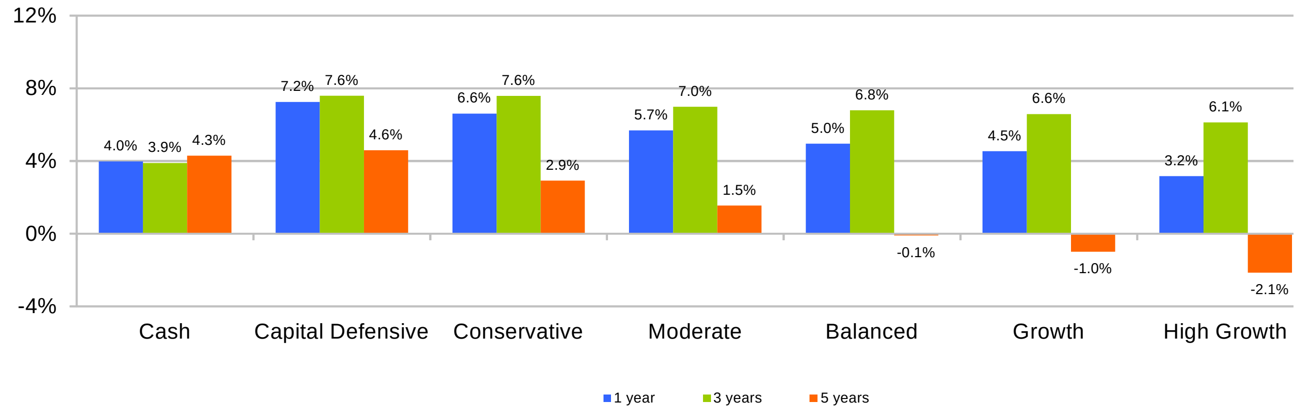
The table and chart below shows Funds SA’s multi-sector taxable product returns based on the post tax unit prices in the SLA.

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

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.
Cash	0.3	0.9	0.3	4.0	3.9	4.3	4.7
Capital Defensive	0.8	1.7	0.8	7.2	7.6	4.6	5.5
Conservative	1.1	1.2	1.1	6.6	7.6	2.9	5.0
Moderate	1.4	0.4	1.4	5.7	7.0	1.5	n.a.
Balanced	1.5	0.1	1.5	5.0	6.8	-0.1	3.9
Growth	1.6	-0.3	1.6	4.5	6.6	-1.0	3.8
High Growth	1.7	-1.2	1.7	3.2	6.1	-2.1	3.4

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 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	19.0	15.0	12.0	9.0	0.0
Diversified Strategies Income	0.0	15.0	17.0	16.0	15.0	15.0	12.0
Property B	0.0	5.0	9.0	10.0	12.0	14.0	16.0
Australian Equities B	0.0	4.0	12.0	16.0	22.0	25.0	33.0
International Equities B	0.0	2.0	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 31 July 2012	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.3	1.0	0.3	4.6	4.5	5.2
Australian Fixed Interest	0.4	3.3	0.4	11.0	8.6	8.1
Australian Inflation-Linked	1.5	5.4	1.5	16.3	12.7	8.0
Global Fixed Interest (1)	1.6	3.2	1.6	11.7	10.5	9.9
Global Inflation-Linked(1)	1.9	3.7	1.9	13.6	13.0	10.7
Property (2)						
Australian Listed Property	5.6	8.8	5.6	25.2	13.4	-10.8
Global Listed Property	3.4	4.4	3.4	10.8	18.1	-1.5
Equities(2)						
Australian Equities	4.2	-2.3	4.2	0.8	4.5	-3.0
Global Equities	1.3	-1.5	1.3	1.8	7.8	-2.9
US Equities	1.4	-0.8	1.4	9.1	14.1	1.1
Japanese Equities	-4.4	-8.4	-4.4	-11.2	-6.7	-14.2
Asia (ex Japan) Equities	2.1	-3.3	2.1	-7.7	5.2	0.5
European Equities	2.8	1.2	2.8	-1.5	5.6	-4.4
Global Small Companies	-0.1	-4.4	-0.1	-3.6	10.8	-2.2
Emerging Market Equities	1.6	-3.0	1.6	-4.8	6.9	0.9
Currency (3)						
Australian Dollar vs MSCI Currency Basket	2.9	2.3	2.9	-0.7	7.7	3.6
Australian Dollar vs USD	2.7	1.1	2.7	-4.2	8.2	4.2

(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 2012 are summarised below.

Equity Markets

Global equity markets posted modest gains in July, as investor confidence continued to improve following supportive comments from European policymakers at the end of June. Whilst the ongoing challenges faced by Europe continued to be the major driver of financial markets, the beginning of corporate earnings reporting season in the US provided another focal point, with the majority of companies reporting profits exceeding expectations, albeit against expectations that had been lowered over recent months amid a slower economic growth environment. Against this backdrop, the MSCI World Index of developed markets posted a gain of 1.4% for the month.

Financial markets started the month positively amid improvements in investor sentiment following the European Union summit in late June, at which a commitment was made to provide more direct assistance to Eurozone banks. As the month progressed, however, investors became increasingly wary as to exactly how this plan would be implemented, triggering a sharp increase in the borrowing costs of peripheral Eurozone sovereigns. Spain and Italy were hit particularly hard, with the long term sovereign bond yields of those nations increasing to beyond 7%, a level considered unsustainable in the long term, renewing pressure on policy makers to develop a tangible solution to the crisis. The month did end on a positive note, lifting equity markets back into positive territory, with European leaders and the European Central Bank pledging to do whatever is necessary to preserve the Eurozone.

The Australian equity market was one of the best performing developed markets in July, gaining over 4% following the generally positive lead from offshore and the release of some positive domestic economic data. From a sectoral perspective, all sectors posted solid gains over the month, with the notable exception being resource-related stocks, which continued to be weighed down by the prospect of a slower global economic growth environment, particularly given further evidence of a slowing Chinese economy, and further falls in commodity prices.

Debt Markets

Despite the announcement of several policy initiatives designed to ease Europe's sovereign debt issues and a rally in listed equities, global bond markets also posted positive returns this month with markets being driven by the release of weak global economic data. The prospect of further monetary stimulus from major central banks also helped in driving government bond yields lower in most markets. The domestic government bond market underperformed global markets in July, with the paring back of market expectations of further interest rate cuts in the near term limiting the decline in bond yields. In most regions, the majority of the yield movement was the result of falling real yields, leading to an outperformance of inflation-linked bonds relative to nominal bonds over this period.

As with other risk assets, non-government debt sectors benefitted substantially from some stabilisation in Eurozone financial conditions, with the combination of a decline in underlying government bond yields and a compression of the risk premium demanded for holding these assets leading to strong returns in all segments of the market.

Currency

With the exception of the euro, which suffered as a result of the release of weak economic data and increased speculation of further monetary stimulus, all major currencies gained against the US dollar following a retracement of the flight-to-safety that had assisted the USD in recent months and indications of future increases in policy stimulus in the US. The Australian dollar also benefited from a reduction in market expectations of aggressive cuts to domestic interest rates in coming months. Against this backdrop, the AUD gained 2.6% against the USD and 2.9% against the broader MSCI Currency Basket.

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