Performance Summary July 2013

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

Key drivers of performance during July 2013 included:

- The market volatility experienced during May and June moderated somewhat, as the US Federal Reserve took steps to reassure investors that any change to monetary policy would occur at a moderate pace, and only when permitted by an improvement in economic activity;
- Most risk-oriented asset classes rebounded in July as a result, recovering some of the losses experienced over recent months;
- Emerging markets and commodity investment themes continue to underperform reflecting weaker fundamentals and poor investor sentiment; and
- Currency markets were also generally less volatile in July, although the Australian dollar remained one of the most volatile currencies, and continued to fall against other major currencies, given its close linkages with Chinese growth.

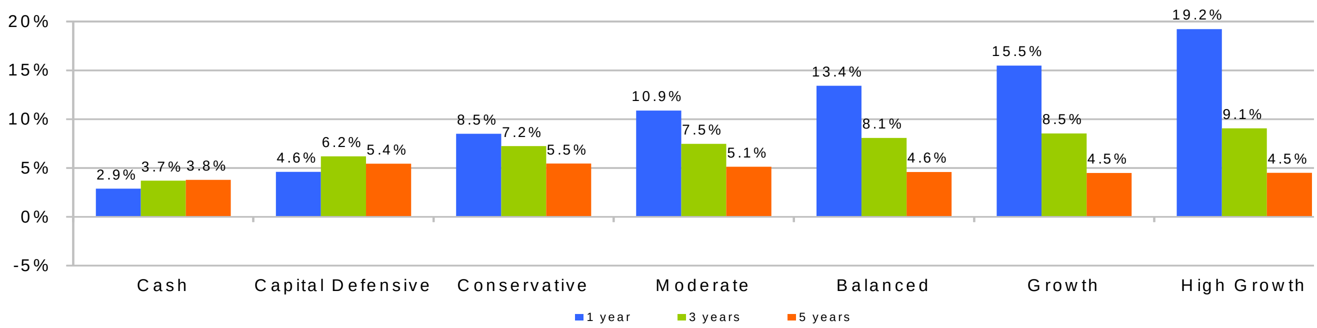
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 July 2013 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.
Cash	0.2	0.7	0.2	2.9	3.7	3.8	4.3
Capital Defensive	1.0	-0.1	1.0	4.6	6.2	5.4	5.0
Conservative	1.5	0.4	1.5	8.5	7.2	5.5	4.7
Moderate	2.0	0.7	2.0	10.9	7.5	5.1	4.4
Balanced	2.5	1.3	2.5	13.4	8.1	4.6	3.9
Growth	2.9	1.8	2.9	15.5	8.5	4.5	3.8
High Growth	3.5	2.6	3.5	19.2	9.1	4.5	3.7

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 fund annualised returns net of fees and tax to 31 July 2013



Asset Allocation

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

Table 2: Targeted asset allocation for the 2013-2014 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	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

Index movements to 31 July 2013	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.3	0.7	0.3	3.2	4.3	4.4
Australian Fixed Interest	0.9	-0.3	0.9	3.3	7.0	7.6
Australian Inflation-Linked	0.3	-5.3	0.3	-1.9	8.7	6.3
Global Fixed Interest (1)	0.6	-1.9	0.6	3.6	7.9	9.0
Global Inflation-Linked(1)	1.0	-6.5	1.0	-0.5	8.8	7.9
Property (2)						
Australian Listed Property	-0.7	-5.3	-0.7	16.6	12.7	1.2
Global Listed Property	0.3	-8.4	0.3	16.3	15.1	5.7
Equities(2)						
Australian Equities	5.3	-1.9	5.3	23.2	8.5	4.8
Global Equities	4.7	3.7	4.7	25.5	12.7	4.9
US Equities	5.1	6.1	5.1	25.0	17.7	8.3
Japanese Equities	-0.3	-2.4	-0.3	58.1	12.3	-1.1
Asia (ex Japan) Equities	2.1	-2.6	2.1	9.4	4.6	5.1
European Equities	5.9	3.0	5.9	22.2	8.4	3.8
Global Small Companies	6.0	6.0	6.0	33.4	15.3	7.7
Emerging Market Equities	1.5	-2.8	1.5	6.1	3.8	3.8
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-2.3	-13.2	-2.3	-13.6	-0.3	-0.4
Australian Dollar vs USD	-2.0	-13.5	-2.0	-14.7	-0.3	-0.9

(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 2013 are summarised below.

Equity Markets

Global equity markets rebounded strongly in July, amid a moderation of the investor fears about the timing and pace of the US Federal Reserve's winding down of its asset purchase program that had driven markets lower during May and June. Economic data released during July was also generally supportive for equity markets, with manufacturing and employment data stronger-than-expected in both the US and Europe.

The US equity market continued its recent run of strong performance this month, with the S&P500 again posting new highs in July. As well as being buoyed by the release of economic data that continues to support the notion of a steadily improving US economy, a solid start to the corporate reporting season also helped lift markets higher. Elsewhere, European equities strongly outperformed other markets this month, amid some signs of improvement in the Eurozone and UK economies. The European Central Bank left interest rates at 0.5%, noting that rates are likely to remain at these levels or lower for an extended period, which was also positive for equity markets. Emerging market equities also edged higher in July although again underperformed developed markets. Despite commodity prices moving higher through the month, something which would ordinarily be considered as positive for emerging market equities, investor concerns over the strength of several large emerging economies (e.g. China and Brazil) limited the gains in equities.

Locally, the Australian equity market largely followed the lead of offshore markets, posting its largest monthly gain since October 2011. While domestic economic data was generally weaker during the month, increased speculation that the RBA would cut official interest rates at its August meeting, and the strong performance of mining stocks driven by higher commodity prices, saw the overall market perform well.

Debt Markets

After fears about the implications of the US Federal Reserve winding down its asset purchase program had driven bond yields significantly higher through May and June, global bond markets stabilised in July, with the market consolidating around end of June levels.

In the US, investor concerns were softened somewhat by a more supportive stance from the Fed, who through public comments and a more dovish statement conveyed that the process of winding down asset purchases would occur at a moderate pace, and only as permitted by an improvement in economic activity. The release of solid US economic data and strong equity market performance, however, more than offset these improvements in sentiment, causing bond yields to still move slightly higher over the month. In Australia, on the other hand, bond yields finished the month lower across all maturities, with further signs of a weaker domestic economy triggering a rally in longer-maturity bonds, while increased expectations of a cut to the official cash rate at the RBA's August meeting, saw the short-end of the yield curve drift lower.

As with other risk assets, non-government debt sectors also posted strong returns in July. After widening over the past few months, the risk premium demanded for holding these assets tightened across all sectors in July, which led to these markets moving higher, helping to recover some of the losses experienced during May and June. The recent theme of investors divesting holdings of these assets does, however, continue to weigh on the sector.

Currency

Recent volatility in currency markets abated somewhat during July, as investors became relatively less concerned about the changing central bank policy environment. Commodity-influenced currencies continued their recent underperformance, however, with the Australian dollar continuing to encounter selling pressure from investors given its close link to the Chinese economy. Against this backdrop, the AUD fell 2.3% against the development market currency basket, hitting new multi-year lows against most major currencies, including closing the month below US$0.90 for the first time since August 2010.

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