Performance Summary June 2013

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 funds offered under the Scheme.

Performance

Key drivers of performance during June 2013 included:

- The market volatility experienced during May continued into June as the persistent rise in bond yields implied that the future path of US monetary policy would tighten much quicker than earlier expectations;
- Risks arising from China also added to the volatility as local policy makers allowed interbank borrowing costs to rise sharply with the aim of clamping down on speculative investing. This policy shift added to investor nervousness and heightened asset price volatility;
- Most risk orientated asset classes fell in June as markets continue to adjust to the higher yield environment, with equities catching up to the losses experienced by the debt asset classes. Emerging markets and commodity investment themes continue to underperform reflecting weaker fundamentals and poor investor sentiment; and
- Currency and commodity markets remained turbulent, with the US dollar rising against most currencies due to its perceived safety, while the Australian dollar remained one of the most volatile currencies given its linkages with Chinese growth.

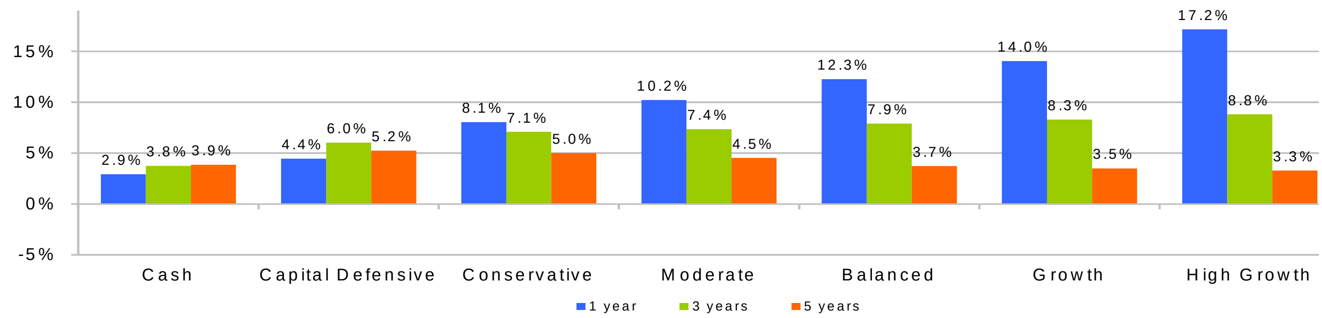
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 June 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	2.9	2.9	3.8	3.9	4.3
Capital Defensive	-0.8	0.0	4.4	4.4	6.0	5.2	4.8
Conservative	-1.0	0.4	8.1	8.1	7.1	5.0	4.5
Moderate	-1.0	0.5	10.2	10.2	7.4	4.5	4.0
Balanced	-1.0	0.8	12.3	12.3	7.9	3.7	3.4
Growth	-1.0	1.1	14.0	14.0	8.3	3.5	3.2
High Growth	-0.9	1.6	17.2	17.2	8.8	3.3	3.0

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 30 June 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 2012-2013 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 30 June 2013	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.2	0.8	3.3	3.3	4.3	4.5
Australian Fixed Interest	-1.0	0.4	2.8	2.8	6.8	7.8
Australian Inflation-Linked	-3.8	-3.7	-0.7	-0.7	8.3	6.3
Global Fixed Interest (1)	-1.2	-1.2	4.6	4.6	8.1	9.1
Global Inflation-Linked(1)	-3.9	-6.1	0.5	0.5	8.6	7.8
Property (2)						
Australian Listed Property	-1.0	3.2	24.0	24.0	13.4	0.3
Global Listed Property	-2.2	-1.6	19.9	19.9	17.7	5.9
Equities(2)						
Australian Equities	-2.4	-2.8	21.9	21.9	8.2	2.7
Global Equities	-2.4	1.7	21.4	21.4	13.1	3.5
US Equities	-1.3	2.9	20.6	20.6	18.5	7.0
Japanese Equities	0.2	10.4	51.5	51.5	12.8	-1.3
Asia (ex Japan) Equities	-4.8	-3.5	9.5	9.5	5.5	4.3
European Equities	-5.0	-0.8	18.8	18.8	8.4	2.2
Global Small Companies	-2.3	1.3	25.7	25.7	15.1	5.9
Emerging Market Equities	-5.0	-4.3	6.5	6.5	5.3	2.4
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-5.1	-11.8	-9.0	-9.0	2.1	-0.2
Australian Dollar vs USD	-4.5	-12.2	-10.7	-10.7	2.7	-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 June 2013 are summarised below.

Equity Markets

Global equity markets fell sharply in June as investors began to digest the implications of rising bond yields and the increased possibility that the US Federal Reserve would taper down its asset purchase program. Economic data from the US generally supported the view that the US is growing in line with the US Federal Reserve's growth expectation with durable goods and US homes sales rising. The US equity market outperformed most markets but still fell by 1.3% for the month of June as policy expectations overweighed positive fundamentals. Year to date the S&P500 was one of the best performing markets rising by over 20%.

European economic data continued to be weak with European growth posting a 1.1% fall during the year and most economies clearly in recession. Leading indicators such as the purchasing managers index were also weaker than expected which reinforced other weak data such as retail sales which was down 0.5% over the month. With the European Central Bank (ECB) content with its current policy, European stocks followed global leads but fell much more aggressively with the index down by 5% over the month and significantly underperforming global equities which were down 2.4%. European stocks and other higher yielding assets which had benefited from low US interest rates, appeared now to be at risk of reversing, placing yield seeking investments under pressure as investors reversed positions.

Asia also suffered with the index down 4.8% for the month (excluding Japan). In contrast, Japan performed relatively well and was slightly positive at 0.2%, as investors continued to believe that the new government will continue with its reformist policy and engineer a rise in inflation and growth which was expected to be positive for equities. Weak Chinese economic data and attempts of policy makers to curb speculative investing had major negative effects on the Chinese stock market, which fell by over 12% during the month. More broadly, emerging market equities and commodity related markets, such as Australian shares, fell by 5.4% and 2.4% respectively.

Debt Markets

Bond yields continued to rise during June with ten year bond yields rising by around 0.29% in Australia and 0.37% in the US. Concerns around the US Federal Reserve tapering its asset purchase program continued to cause bond indices to post negative returns, with both global and domestic inflation linked bonds posting a negative 3.9% return for the month. Nominal and shorter maturity indices such as domestic sovereign bonds fell by around 1.2%, despite the Reserve Bank of Australia clearly having an easing bias. The longer maturity nature of inflation linked bonds and the impact changing US policy expectations was having on real interest rates, caused large divergences in debt market performance.

Non-government debt markets also underperformed, with corporate investment grade and high yield debt falling by more than 2%. Emerging market debt attracted special attention as investor's divested assets from this asset class, which experienced losses of around 5% during the month. Emerging market fundamentals weakened along with their currencies, which weighed on the sector and re-enforced the negative sentiment that began last month.

Currency

As occurred in May, currency and commodity markets continued to exhibit rising volatility as investors adjusted their expectations to the changing policy environment and altered their risk exposures. With the US dollar rising, most commodities were under pressure with gold falling by 12% reflecting a fall in inflationary expectations and the rise in US real bond yields. Energy prices were the only commodity sector experiencing a rise, increasing by 2.4% over the month. Given weaker commodity prices and Chinese growth concerns, most commodity currencies fell during the month. The Australian dollar being one of the most liquid and tradable currencies, fell by around 5% against the developed market basket. Year to date, the Australian dollar has fallen by around 10% against the US dollar.

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