Performance Summary March 2015

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

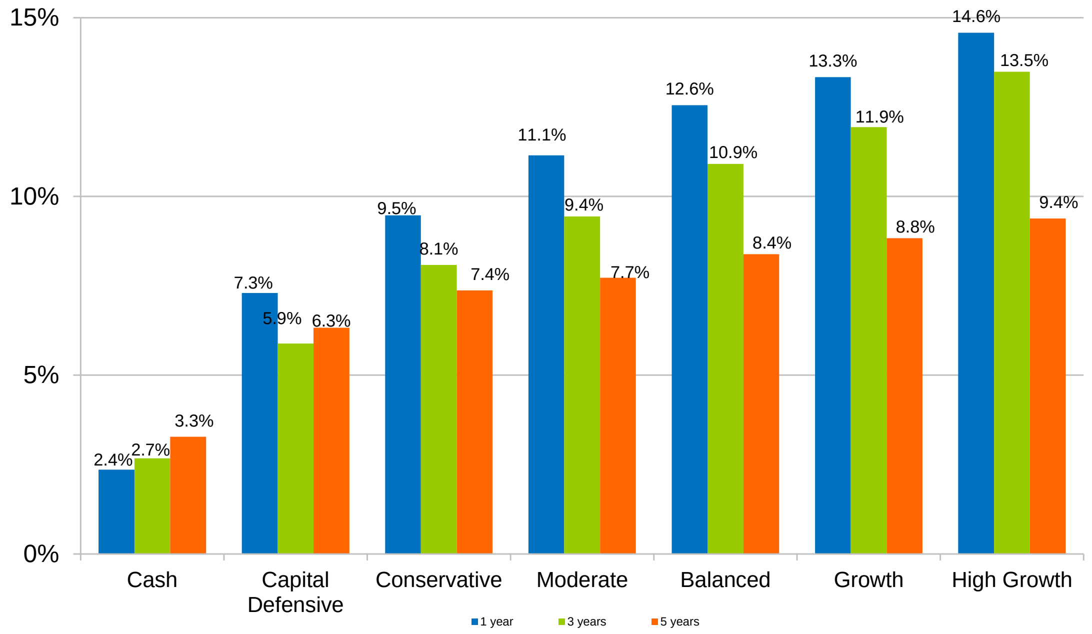
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 March 2015 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.2	0.6	1.8	2.4	2.7	3.3	3.6	4.1
Capital Defensive	0.4	2.8	5.5	7.3	5.9	6.3	5.4	5.7
Conservative	0.4	3.9	7.2	9.5	8.1	7.4	5.6	6.2
Moderate	0.5	4.7	8.7	11.1	9.4	7.7	5.6	n.a.
Balanced	0.6	5.5	10.0	12.6	10.9	8.4	5.3	6.5
Growth	0.6	5.9	10.7	13.3	11.9	8.8	5.3	6.8
High Growth	0.6	6.7	12.0	14.6	13.5	9.4	5.5	7.1

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 March 2015



Key drivers of performance during March 2015 included:

- European equities were the best performing assets, driven higher by the significant liquidity support from the commencement of the European Central Bank quantitative easing program.
- The release of soft economic data and dovish commentary from the US Federal Reserve saw markets pare back expectations as to the likely timing and magnitude of interest rate increases in the US.
- A further fall in commodity prices placed further downward price pressure on commodity-related corporate sectors and emerging market assets.
- Stable to lower government bond yields drove modest positive 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 March 2015

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.7	2.0	2.7	3.0	3.8
Australian Government	0.8	3.1	8.7	12.3	6.5	7.3
Australian Inflation-Linked	0.7	4.4	11.3	17.5	8.2	9.8
Global Treasuries(1)	1.0	2.7	8.4	11.0	7.6	8.2
Global Inflation-Linked(1)	1.3	3.2	8.2	11.9	6.1	8.8
Credit						
Global Credit(1),(2)	0.6	2.8	6.6	9.9	8.3	9.3
Global High Yield(1)	0.2	3.4	1.1	4.8	10.5	12.0
Emerging Market Debt(4)	0.5	2.1	-1.3	4.1	4.4	6.8
Property						
Australian Listed Property	-2.0	9.2	23.1	34.4	22.6	14.4
Equities(3)						
Australian Equities	-0.1	10.3	12.9	13.9	15.3	8.3
Global Equities	-0.4	4.9	9.2	14.0	15.6	11.3
US Equities	-1.6	1.0	7.1	12.7	16.1	14.5
European Equities	1.3	11.6	11.3	14.7	15.1	9.0
Japanese Equities	2.1	10.9	25.0	31.3	24.4	11.6
Asia (ex Japan) Equities	0.9	5.4	7.9	14.2	8.5	7.1
Emerging Market Equities	0.2	4.9	5.8	11.3	6.8	5.9
Global Small Companies	1.3	7.2	8.5	11.5	17.3	13.6
Currency (5)						
Australian Dollar vs Developed Market Basket	-1.3	-4.5	-13.1	-12.0	-7.3	-2.6

(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 March 2015 are summarised below.

Equity Markets

Global equity market performance was mixed in March, with significant divergence between regions.

European equity markets were among the strongest performing markets this month, including the German DAX index which finished more than 5% higher. The European Central Bank (ECB) initiated its bond purchasing program at the start of the month, resulting in a sustained rally across European assets, despite renewed concerns over the situation in Greece. The US market, on the other hand, finished the month lower, following the release of a series of soft economic data and amid uncertainty over the likely timing and severity of interest rate hikes. Elsewhere, Japanese equities continued to grind higher amid continued monetary policy easing, while Chinese equity market performance was more subdued against a backdrop of soft economic data, before rallying later in the month amid the prospect of further policy easing by the People's Bank of China.

The Australian equity market finished the month largely unchanged, despite further falls in commodity prices and concerns over Chinese economic growth. While these developments weighed heavily on the materials and energy sectors, which both posted losses in excess of 6%, other segments of the market continued to benefit from a solid corporate reporting season and the prospect of lower domestic interest rates which boosted investor sentiment and fuelled another leg in the ongoing 'search for yield' trade.

Debt Markets

Government bond yields moved higher in most major markets during the first week of March, amid improving sentiment following the release of another strong US jobs report and some stability in the oil price. However, global bond yields soon resumed a downward trend following the release of soft economic data in the US, a dovish US Federal Reserve meeting that included significant downward revisions to the Fed's growth and inflation forecasts, and ongoing demand for bonds as part of the European Central Bank's quantitative easing program. All in all, bond yields in most majors markets ended the month unchanged to slightly lower, with government bond markets producing solid returns as a result.

Non-government debt sectors modestly underperformed government bonds in March, as the risk premium demanded for holding these securities widened in response to falling commodity prices and the release of soft economic data, and ongoing uncertainty surrounding negotiations between the newly elected Greek government and European officials. Nevertheless, most segments of the market still managed to post small positive returns, assisted by stable or lower underlying government bond yields.

Currency

US dollar strength continued to be the dominant theme driving currency markets. The US dollar again moved higher against other major currencies this month, although did lose some of its momentum later in the month following relatively dovish commentary from the US Federal Reserve. The Australian dollar finished the month 2.4% lower against the US dollar and 1.3% lower against the MSCI developed market currency basket, driven by lower commodity prices and growing speculation of further domestic interest rate cuts in coming months.

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