# Performance Summary March 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 multi-sector performance during March 2013 included:

- Policy stimulus by the major central banks continued to provide a supportive backdrop to global financial markets, helping restore market confidence and providing support to risk assets, such as equities and non-government debt;
- Investor sentiment continued to be buoyed by the release of stronger-than-expected economic data in the US, despite some adverse developments in the ongoing Eurozone crisis; and
- Debt markets remained resilient despite improving economic data in the US and a rally in listed equities, with global government debt sectors posting positive returns.

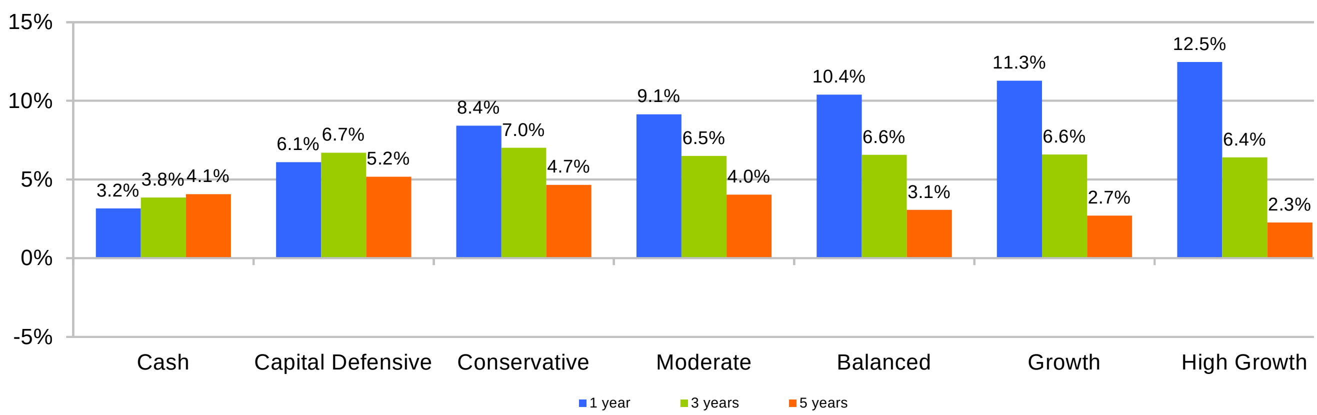
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

**Table 1: Multi-sector fund returns net of fees and tax to 31 March 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 | 2.2 | 3.2 | 3.8 | 4.1 | 4.4 |
| Capital Defensive | 0.0 | 1.1 | 4.4 | 6.1 | 6.7 | 5.2 | 4.8 |
| Conservative | 0.0 | 2.4 | 7.7 | 8.4 | 7.0 | 4.7 | 4.4 |
| Moderate | 0.0 | 3.1 | 9.7 | 9.1 | 6.5 | 4.0 | n.a. |
| Balanced | -0.1 | 3.8 | 11.4 | 10.4 | 6.6 | 3.1 | 3.2 |
| Growth | -0.1 | 4.4 | 12.8 | 11.3 | 6.6 | 2.7 | 2.9 |
| High Growth | -0.2 | 5.4 | 15.3 | 12.5 | 6.4 | 2.3 | 2.5 |

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 March 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 31 March 2013 | 1 month % | 3 months % | FYTD % | 1 Year % | 3 Years % pa | 5 Years % pa |
|---|---|---|---|---|---|---|
| **Cash and fixed income** | | | | | | |
| Cash | 0.2 | 0.7 | 2.5 | 3.6 | 4.4 | 4.7 |
| Australian Fixed Interest | -0.2 | 0.2 | 2.4 | 7.0 | 8.0 | 7.8 |
| Australian Inflation-Linked | -0.6 | 0.7 | 3.1 | 8.5 | 11.0 | 7.3 |
| Global Fixed Interest (1) | 0.7 | 1.3 | 5.9 | 8.6 | 9.8 | 9.3 |
| Global Inflation-Linked(1) | 1.6 | 2.5 | 7.0 | 9.9 | 12.0 | 9.4 |
| **Property (2)** | | | | | | |
| Australian Listed Property | -2.6 | 5.3 | 20.1 | 30.5 | 11.6 | -3.7 |
| Global Listed Property | 3.5 | 9.3 | 21.8 | 25.3 | 15.8 | 4.6 |
| **Equities(2)** | | | | | | |
| Australian Equities | -2.3 | 8.0 | 25.4 | 19.2 | 5.0 | 2.9 |
| Global Equities | 2.7 | 9.8 | 19.3 | 14.3 | 8.1 | 2.9 |
| US Equities | 3.8 | 10.6 | 17.2 | 14.0 | 12.7 | 5.8 |
| Japanese Equities | 6.8 | 21.4 | 37.3 | 23.7 | 3.6 | -1.6 |
| Asia (ex Japan) Equities | -1.3 | 0.7 | 13.4 | 7.3 | 5.7 | 3.8 |
| European Equities | 0.9 | 6.9 | 19.7 | 14.9 | 5.0 | 1.7 |
| Global Small Companies | 3.5 | 12.3 | 24.1 | 17.1 | 11.2 | 5.6 |
| Emerging Market Equities | -0.6 | 0.3 | 12.1 | 6.3 | 5.0 | 3.5 |
| **Currency (3)** | | | | | | |
| Australian Dollar vs MSCI Currency Basket | 2.1 | 2.3 | 3.2 | 2.6 | 4.1 | 3.5 |
| Australian Dollar vs USD | 1.8 | 0.4 | 1.7 | 0.6 | 4.3 | 2.7 |

(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 March 2013 are summarised below.

## Equity Markets

The recent strong performance of global equity markets continued through March, led by particularly strong gains in the US and Japan. Further developments in the ongoing Eurozone crisis did give investors some cause for concern, though overall, investors remain optimistic about the outlook for global economic growth and risky assets such as equities, assisting the MSCI World Index of developed equity markets to a monthly gain of 2.7%.

Equity markets started the month on a positive note, with most individual markets climbing higher to extend their strong start to 2013. Positive economic developments in the US, including the release of stronger-than-expected manufacturing and housing data, provided a further boost to investor sentiment and to equity markets in particular. The Japanese market was also again among the strongest performers in March, having now returned over 20% so far in 2013, helped higher by policymakers' commitment to further fiscal and monetary stimulus, and the impact of a weaker yen on the export-oriented economy.

Markets did come under some pressure, however, following developments in the ongoing Eurozone crisis, with the most notable event being the collapse, and subsequent bailout, of the Cypriot banking sector. All in all, Cypriot banks remained closed for almost two weeks, and only reopened under stringent capital controls following a deal with the European Union that included significant losses being forced onto bank depositors. Despite causing some concern as to the broader implications for other peripheral Eurozone countries, the mood in global markets remained resilient, with continued improvement in US economic data and investor belief in central bank liquidity driving confidence.

In contrast to most other markets, the Australian equity market posted a negative return in March, its first monthly loss since May 2012. Mining stocks were again the biggest laggard, with falling commodity prices and fresh concerns over how China will try to slow down the resurgent property market, both contributing to the sell-off. The consumer discretionary sector, on the other hand, continued to perform strongly as investor sentiment towards retailers continues to improve as companies report a stabilisation in sales and earnings.

## Debt Markets

Government bond yields in most markets finished March little changed, but did experience a degree of volatility throughout the month. Bond markets experienced an early-month sell-off driven by improving economic data in the US and a further rally in listed equities, but this was largely reversed later in the month with the banking crisis in Cyprus seeing renewed investor demand for "risk-free" government bonds. In Australia, however, bond yields continued to trend higher over the month on the back of improving domestic sentiment and the paring back of market expectations for future interest rate cuts by the domestic central bank. Against this backdrop, government bond markets posted positive returns globally, in both nominal and inflation-linked markets, materially outperforming the domestic market which posted modest losses.

As with other risk assets, non-government debt sectors generally performed well in March, with the risk premium demanded for holding these assets finishing the month largely unchanged across most sectors. These markets came under some pressure following the events in Cyprus, although any adverse impact was more than offset by an improvement in the global economic outlook and sustained investor demand for higher yielding assets. Consequently, all segments of the market, with the exception of emerging market debt, posted another strong monthly return in March.

## Currency

As with other financial markets, currency markets in March also responded to the broader macro themes of an improving economic growth outlook in the US and a general improvement in investor sentiment toward riskier assets. The Australian dollar was a major beneficiary of this environment, also benefiting from declining expectations of further RBA interest rate easing, following the central bank’s decision to maintain rates at 3% at its March meeting.  Against this backdrop, the AUD gained 1.8% against the USD and 2.1% against the broader MSCI Currency Basket.

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