Performance Summary May 2012

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 products offered under the Scheme.

Performance

Key drivers of multi-sector performance during May 2012 included:

- A worsening of sovereign debt concerns and heightened uncertainty surrounding upcoming elections in Europe weighed heavily on markets, despite recent efforts by global policy makers to restore market confidence and risk appetite;
- The release of weaker-than-expected economic data in the US, Australia and Europe has renewed concerns about the strength of the global economic recovery; and
- A dramatic rise in investor risk aversion saw a sell-off in risk assets such as equities and non-government debt, with investors preferring "safe-haven" assets such as government bonds.

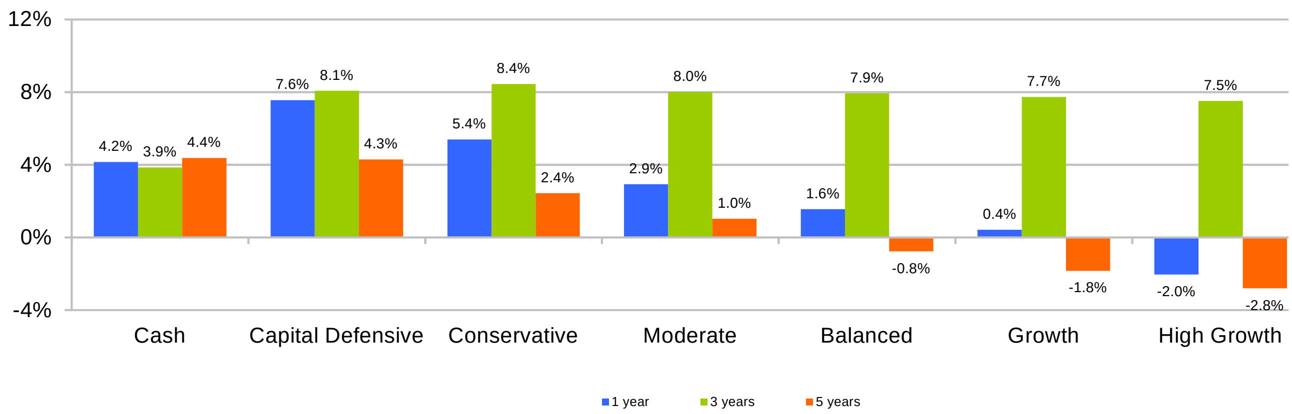
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector product returns net of fees to 31 May 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	1.0	3.8	4.2	3.9	4.4	4.7
Capital Defensive	0.8	2.0	7.3	7.6	8.1	4.3	5.6
Conservative	-0.1	1.3	5.4	5.4	8.4	2.4	5.2
Moderate	-1.2	0.3	3.3	2.9	8.0	1.0	n.a.
Balanced	-1.7	-0.2	1.9	1.6	7.9	-0.8	4.4
Growth	-2.3	-0.6	0.8	0.4	7.7	-1.8	4.2
High Growth	-3.4	-1.6	-1.5	-2.0	7.5	-2.8	4.1

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 May 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	21.0	16.0	12.0	9.0	0.0
Diversified Strategies Income	0.0	15.0	15.0	10.0	10.0	10.0	8.0
Property B	0.0	5.0	7.0	9.0	10.0	14.0	15.0
Australian Equities B	0.0	4.0	14.0	24.0	29.0	33.0	40.0
International Equities B	0.0	2.0	10.0	17.0	20.0	22.0	27.0
Diversified Strategies Growth B	0.0	0.0	0.0	0.0	6.0	6.0	8.0
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 May 2012	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	4.4	4.8	4.5	5.3
Australian Fixed Interest	3.1	5.6	12.6	13.2	8.4	8.1
Australian Inflation-Linked	5.6	7.3	21.1	20.7	13.2	8.1
Global Fixed Interest (1)	1.5	2.6	11.4	11.7	10.8	9.7
Global Inflation-Linked(1)	2.5	3.2	15.2	16.1	13.4	10.9
Property (2)						
Australian Listed Property	-1.2	3.5	6.4	5.6	12.4	-14.2
Global Listed Property	-4.6	0.3	0.9	-1.3	17.8	-6.1
Equities(2)						
Australian Equities	-6.7	-4.4	-7.5	-9.3	6.7	-4.3
Global Equities	-6.8	-6.6	-6.3	-7.8	8.4	-4.8
US Equities	-6.0	-3.5	1.3	-0.4	14.9	-0.9
Japanese Equities	-10.5	-13.3	-14.1	-13.2	-5.8	-15.1
Asia (ex Japan) Equities	-7.3	-9.4	-11.0	-13.3	7.8	2.0
European Equities	-6.5	-9.1	-13.1	-14.5	5.2	-6.7
Global Small Companies	-7.2	-7.2	-9.2	-10.8	12.7	-3.7
Emerging Market Equities	-6.5	-8.4	-8.8	-10.5	8.6	2.1
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-4.9	-8.0	-6.0	-5.5	6.4	2.7
Australian Dollar vs USD	-6.8	-10.2	-9.4	-9.0	6.6	3.2

(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 May 2012 are summarised below.

Equity Markets

The decline in global equity markets continued through May as sustained political and economic uncertainty in Europe, the release of some weak corporate earnings data in the US, and lingering concerns over an economic slowdown in China, combined to drive investor risk aversion to extremely high levels. Against this backdrop, the MSCI World Index of developed markets fell 6.8% for the month.

Global markets slumped early in the month, as hopes of an orderly resolution to Europe's sovereign debt crisis suffered a major blow following Greek elections which failed to elect a majority leader. Speculation that Greece would be forced to exit the Eurozone was then increased further following the election of a new President in France, whose party favours growth policies over those austerity measures currently being championed by Germany. Weighing heavily on market sentiment, these political developments continue to highlight the ongoing difficulty in implementing measures to resolve the Eurozone debt crisis.

The release of negative earnings announcements from several large US companies and significantly weaker-than-expected employment and manufacturing data in Europe also weighed on investor sentiment. Elsewhere, the Japanese market was again the weakest performing developed market, amid concerns over the impact of a stronger yen on that export-oriented economy, while emerging market equities also came under significant pressure in May as investors avoided riskier assets amid the environment of heightened risk aversion.

Despite gaining ground early in the month following a larger-than-expected cut to the official cash rate by the RBA, the Australian equity market was soon influenced by offshore leads, finishing the month 6.7% lower. Amid heightened investor risk aversion, those sectors perceived to be more defensive (telecommunications, utilities, and health care) were the strongest performers, while resource-related sectors underperformed following sharp falls in commodity prices and lingering concerns over global economic growth.

Debt Markets

A worsening of sovereign debt concerns in Europe and the release of softer-than-expected US economic data saw sustained investor demand for "risk-free" securities. Consequently, government bond yields continued to fall across most markets, driving exceptionally strong returns in global bond markets. May was a particularly strong month for the domestic bond market, as a moderation in local economic data and a surprise decision by the RBA to lower official cash rates by 0.5% combined with offshore developments helped drive yields lower. In addition, the domestic market continues to benefit from high demand from offshore investors attracted to the country's stronger fiscal position and economic fundamentals and higher yield relative to other developed markets. In most regions, the majority of the rally was the result of falling real yields, triggering a strong outperformance of inflation-linked bonds relative to nominal bonds over this period.

As with other risk assets, non-government debt sectors came under pressure in May, with the risk premium demanded for holding these assets increasing over the month amid renewed concerns over Eurozone financial conditions and a weakening in global economic data. Nevertheless, both domestic and global investment-grade corporate debt (+1.0% and +2.3%, respectively) managed to post positive returns, with the fall in the underlying government bond yields acting to more than offset losses from widening premiums. On the other hand, higher risk segments of the market, such as global high yield (-1.8%) and emerging markets debt (-2.5%), were relatively more impacted by widening risk premiums.

Currency

Currency markets in May were characterised by the US dollar strengthening against nearly all major currencies, as heightened macro uncertainty saw a flight to the relative safety of that currency. The Euro unsurprisingly fell sharply as investors again grew wary of the ability and willingness of policy makers to resolve the sovereign debt and banking crisis, while lower commodity prices and renewed fears over Chinese economic growth weighed heavily on the exchange rates of commodity-linked currencies such as the Australian dollar. Against this backdrop, the AUD fell 6.8% against the USD, to finish the month at US$0.97, and 4.9% against the broader MSCI Currency Basket.

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