Performance Summary May 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 May 2013 included:

- Fixed interest volatility came to the fore as concerns surrounding the potential reduction to US policy stimulus caused bond yields to rise sharply, leading investors to reduce risk in many debt and currency markets;
- Equity market performance was mixed but generally positive, reflecting the performance of local fundamentals which suggested the US economy continues on a sustainable recovery path while select emerging and Australian share markets fell in sympathy with weaker economic data reports and souring investor sentiment towards commodity related investment themes; and
- Currency markets were turbulent, reflecting the expectation of government policy shifts and weak growth from select economies. The Australian dollar fell sharply due to these forces while the Japanese Yen began to retrace some of the losses it made in earlier months.

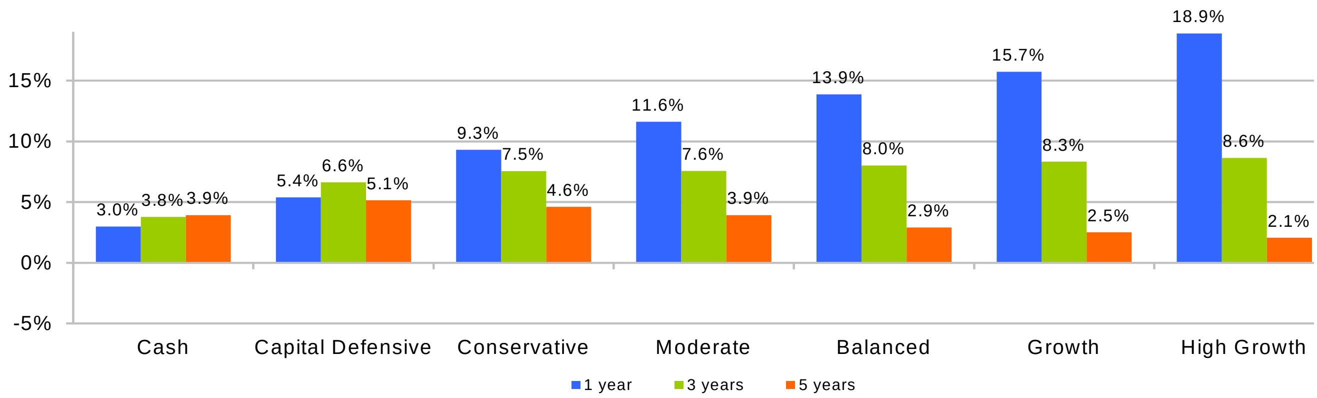
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 May 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	2.7	3.0	3.8	3.9	4.3
Capital Defensive	-0.3	0.9	5.3	5.4	6.6	5.1	5.0
Conservative	-0.2	1.3	9.1	9.3	7.5	4.6	4.7
Moderate	-0.2	1.6	11.4	11.6	7.6	3.9	n.a.
Balanced	-0.1	1.8	13.4	13.9	8.0	2.9	3.7
Growth	-0.1	2.0	15.2	15.7	8.3	2.5	3.5
High Growth	0.1	2.3	18.2	18.9	8.6	2.1	3.3

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 May 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 May 2013	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.3	0.8	3.0	3.3	4.4	4.5
Australian Fixed Interest	-0.1	1.3	3.9	3.7	7.7	8.1
Australian Inflation-Linked	-1.8	-0.5	3.3	1.6	10.4	7.1
Global Fixed Interest (1)	-1.3	0.7	5.9	6.1	9.0	9.4
Global Inflation-Linked(1)	-3.6	-0.7	4.5	3.7	10.4	9.0
Property (2)						
Australian Listed Property	-3.7	1.5	25.2	30.6	13.3	-1.9
Global Listed Property	-6.6	4.1	22.5	29.6	17.4	3.8
Equities(2)						
Australian Equities	-4.5	-2.7	24.9	25.6	8.2	1.6
Global Equities	1.4	7.1	24.4	29.8	12.4	2.2
US Equities	2.3	8.2	22.2	27.3	16.9	5.4
Japanese Equities	-2.3	17.7	51.2	62.1	11.0	-2.7
Asia (ex Japan) Equities	0.3	0.1	15.0	17.5	8.0	2.8
European Equities	2.5	5.4	25.1	31.7	9.4	1.2
Global Small Companies	2.3	7.3	28.7	32.7	14.2	4.6
Emerging Market Equities	0.8	-0.1	12.1	14.6	7.0	1.4
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-6.4	-5.2	-4.2	0.1	3.7	0.9
Australian Dollar vs USD	-7.6	-6.3	-6.5	-1.2	4.6	0.1

(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 2013 are summarised below.

Equity Markets

Global equity markets continued to trend higher in May, despite the turbulence in debt markets. Economic data from the US showed that consumer confidence was lifting and US housing picked up. The US equity market rose by around 2.3% for the month despite the Federal Reserve beginning to openly discuss the prospect of tapering its US$85billion per month asset purchase program.

European data continued to be weak, with European growth posting a -0.2% fall in the March quarter. This was the sixth consecutive quarterly decline in growth since September 2011, indicating that European banking strains and budget tightening have weighed heavily on the economy. Notwithstanding these results, European stocks rose by around 2.5% in May, shrugging off the poor economic data, with investors focusing more on prospective growth after the European Central Bank cut rates by 0.25% to 0.5% at its May meeting.

The strong themes that supported markets in April essentially reversed in May, as the earlier spectacular rise of Japanese shares began to weigh heavily and investors sought to take profit, causing the index to fall by around 2.3% in May. Chinese growth continued to weaken as policy makers refrained from adding stimulus to support the economy citing the much needed requirement to rebalance away from export led growth and towards internal consumption. As a result, Chinese stocks and related commodity exposed share markets suffered, with Chinese, Brazilian and Australian indices down 2.9%, 4.3% and 4.5% respectively during May.

Related to the China slowing theme, Australian small company stocks continued their dismal performance, falling by another 5.3% and bringing the year to date losses to around 43%. Fortunately, the broader domestic indices have offset these yearly losses as the performance of large financial stocks has continued to be well supported by the domestic monetary policy easing cycle. The Reserve Bank of Australia (RBA) cut official rates by another 0.25% to 2.75% in May in an attempt to offset the impact of declining resource investments and lower commodity prices.

Debt Markets

As highlighted above, concerns around the US Federal Reserve tapering its asset purchase program caused bond yields to rise sharply over the month, resulting in most bond indices posting negative returns. Indices with the longest maturities suffered the most, with the global inflation linked bond market falling by 3.6%, while emerging market debt also suffered partially as a result of the negative sentiment towards China and commodity prices. In Australia, long term sovereign bond yields rose in sympathy with global markets while shorter term securities were largely unchanged reflecting the actions of the RBA which cut official cash rates again. The impact of these forces caused longer term securities such as domestic inflation linked bond indices to print negative returns while Australian nominal government bonds, with shorter maturities, performed relatively well.

Non-government debt markets also underperformed, although depending upon the specific market, performance diverged markedly. Local corporate bond markets posted small positive returns while global corporate debt indices exhibited losses. In contrast, local emerging markets suffered the most, losing 7% during the month reflecting the currency losses that occurred as investors withdrew funds from unhedged local bond markets.

Currency

Volatility in currency markets was also prevalent as investors altered their expectations to the changing policy environment and altered their risk exposures. The Australian dollar had previously benefited from sustained investor demand for higher yielding currencies, however increasing expectations of further RBA interest rate cuts and the poor sentiment towards China negatively impacted the Australian dollar during the month. Conversely, given the prospects of the Federal Reserve tapering off its accommodative policy measures which signal that the US economy is improving, the US dollar performed strongly. Against this backdrop, the Australian dollar fell by

7.6% against the US dollar and 6.4% against the broader developed MSCI Currency Basket for the month.

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