Performance Summary November 2011

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 products offered under the Scheme.

Performance

Key drivers of multi-sector performance during November 2011 included:

- European sovereign debt concerns remain the main destabilising factor for markets as ongoing policy and political uncertainty coupled with escalating debt financing costs raised the spectre of a liquidity crisis affecting not just banks but also sovereign states;
- A sharp increase in risk aversion resulted in assets such as equities and non-government debt underperforming, as investors moved allocations towards "safe-haven" assets such as US dollar government bonds; and
- The announcement of co-ordinated central bank action to provide liquidity to European banks helped to restore confidence which resulted in a strong rebound in risk assets in the final days of the month.

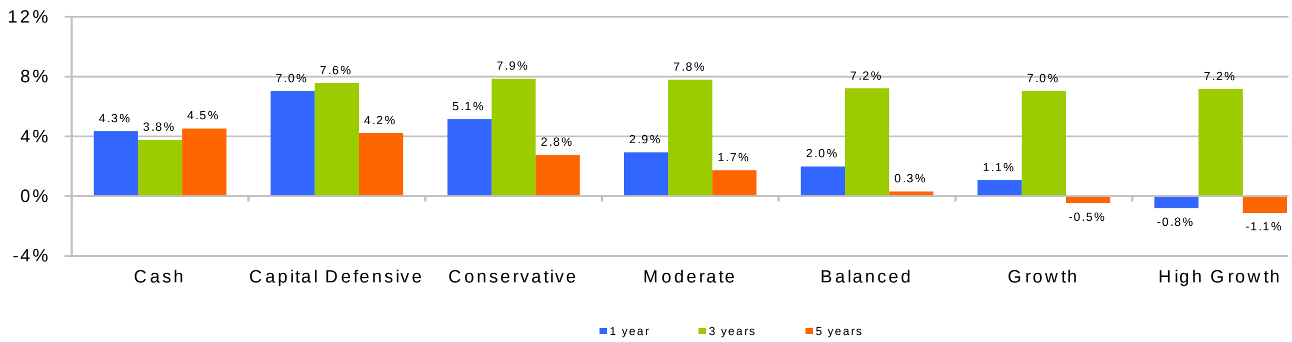
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector product returns net of fees to 30 November 2011 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.3	1.1	1.8	4.3	3.8	4.5
Capital Defensive	0.8	1.4	3.1	7.0	7.6	4.2
Conservative	0.3	1.1	1.2	5.1	7.9	2.8
Moderate	-0.3	0.7	-0.8	2.9	7.8	1.7
Balanced	-0.6	0.5	-1.9	2.0	7.2	0.3
Growth	-0.8	0.3	-2.9	1.1	7.0	-0.5
High Growth	-1.4	-0.1	-4.8	-0.8	7.2	-1.1

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 30 November 2011



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 30 November 2011	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	2.1	5.0	4.4	5.5
Australian Fixed Interest	1.7	2.1	5.8	10.5	6.5	7.2
Australian Inflation-Linked	4.2	3.8	10.0	16.6	8.3	6.1
Global Fixed Interest (1)	-0.2	1.2	4.4	9.8	10.0	8.5
Global Inflation-Linked(1)	1.1	3.2	6.3	14.2	13.6	8.8
Property (2)						
Australian Listed Property	2.7	1.7	-2.1	2.2	-0.5	-13.6
Global Listed Property	-4.0	-4.2	-9.3	0.7	16.4	-6.2
Equities(2)						
Australian Equities	-3.4	-3.0	-8.5	-6.3	8.1	-1.4
Global Equities	-1.3	0.7	-8.7	-0.7	9.5	-3.1
US Equities	-0.2	2.9	-4.7	7.8	14.1	-0.2
Japanese Equities	-4.9	-4.6	-13.9	-14.6	-2.9	-13.3
Asia (ex Japan) Equities	-6.4	-6.9	-15.0	-12.5	19.6	3.9
European Equities	-1.2	1.5	-12.3	-5.3	7.2	-3.8
Global Small Companies	-1.7	-1.6	-12.0	-1.2	16.5	-1.6
Emerging Market Equities	-4.1	-3.7	-11.5	-9.8	20.4	4.5
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-2.2	-2.1	-2.7	4.7	13.6	4.4
Australian Dollar vs USD	-3.2	-4.1	-4.0	7.1	16.4	5.4

(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 November 2011 are summarised below.

Equity Markets

Financial market activity was once again largely driven by macro news flow in November, particularly those relating to the European sovereign debt crisis. Whilst the MSCI World Index of developed markets finished the month only 1.3% lower, a strong rally in the final days of November masked significant market weakness over the majority of the month.

Equity markets came under pressure early in the month, as an agreement by European leaders to a 50% haircut for private holders of Greek sovereign debt, an expansion of the European Financial Stability Facility, and a recapitalisation plan for European banks, triggered a proposal by the then Greek Prime Minister to hold a referendum on previously-agreed austerity measures. The ensuing political turmoil saw the referendum cancelled and the resignation of the Prime Minister, while Italy and Spain also saw changes of government.

Global equities fell further in the second half of the month, as Italian and Spanish bond yields rose above 7%, prompting concerns over the ability of those nations to refinance expiring debt at manageable rates, while an under-subscribed German bond auction was evidence that investors were becoming wary of even German bonds. Market sentiment deteriorated further, as the US budget 'Super Committee' failed to reach agreement as to measures to reduce the deficit in that country, before rebounding sharply on the last day of the month following the announcement of co-ordinated central bank action to provide liquidity to European banks and a decision by authorities in China to lower bank reserve requirements.

In Australia, equity market performance followed other developed markets closely in November, driven largely by offshore themes. The domestic market finished the month 3.4% lower, though this underperformance relative to other markets was largely due to a rally on the last day of the month after the Australian market had closed. Those traditionally defensive sectors, such as telecommunications, healthcare, and utilities, were the strongest performers this month, while weaker commodity prices and fears of contagion from Europe saw the resources and financial sectors perform the worst.

Debt Markets

The prevailing environment of uncertainty that hampered risk assets in November once again proved to be a positive for government bond markets, though performance varied markedly across the developed-market universe. Bond yields in those traditional safe-haven markets, such as the United States, remained low, boosted by the flight to the relative safety of those markets. All euro-denominated sovereign markets, on the other hand, saw rising bond yields, with even core European markets such as Germany coming under stress with investors beginning to question the ability to these countries to finance future bailout efforts should they become necessary.

In the local market, government bonds produced extremely strong returns, and were in fact the best performer of any sovereign market in November. In response to the deteriorating global macroeconomic backdrop and a softening of the domestic economy, the RBA lowered interest rates at its November meeting. These actions triggered a strong rally in both the domestic nominal and inflation-linked bond markets.

As with other risk assets, non-government debt sectors suffered amid the general rise in investor risk aversion during November. These sectors were negatively impacted as the risk premium demanded for holding these assets widened substantially. Against this backdrop, global investment grade (-1.6%), global high yield (-2.3%), and emerging markets debt (-1.4%) all performed poorly. Australian investment grade, on the other hand, finished the month slightly higher (+0.3%), as the fall in underlying government bond yields acted to offset losses from widening risk premiums.

Currency

Currency markets in November 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 lost confidence in the ability and willingness of policy makers to resolve the sovereign debt and banking crisis, while lower commodity prices weighed on the exchange rates of commodity-linked currencies such as the Australian dollar. Against this backdrop, the AUD fell 3.2% against the USD and 2.2% against the broader MSCI Currency Basket.

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