Performance Summary November 2013

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

Key drivers of performance during November 2013 included:

- The recent decision by the US Federal Reserve to delay winding down its asset purchase program continues to provide substantial support to most asset classes, though markets are again beginning to speculate as to the likely timing and impact of the end of quantitative easing;
- The release of improving economic data in the US and China drove positive performance from developed market equities and non-government debt securities; and
- Government bonds and emerging market suffered due to the potential impact of reduced monetary stimulus in the medium term.

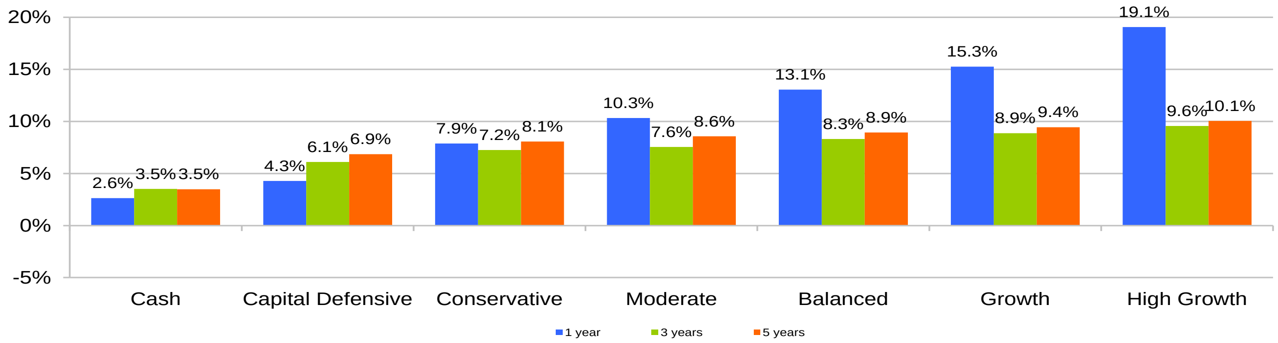
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 November 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	0.6	1.0	2.6	3.5	3.5	4.1
Capital Defensive	0.2	1.7	2.6	4.3	6.1	6.9	4.7
Conservative	0.3	2.5	4.0	7.9	7.2	8.1	4.3
Moderate	0.4	3.1	5.1	10.3	7.6	8.6	3.9
Balanced	0.5	3.7	6.3	13.1	8.3	8.9	3.4
Growth	0.6	4.3	7.3	15.3	8.9	9.4	3.2
High Growth	0.8	5.0	8.8	19.1	9.6	10.1	3.1

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 fund annualised returns net of fees and tax to 30 November 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 2013-2014 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	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

Index movements to 30 November 2013	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.2	0.6	1.1	2.9	4.0	4.0
Australian Fixed Interest	-0.1	0.3	0.9	1.6	6.8	5.9
Australian Inflation-Linked	-0.8	-0.1	-0.4	-4.0	7.7	6.4
Global Fixed Interest (1)	0.1	2.1	2.6	3.0	8.0	8.8
Global Inflation-Linked(1)	-0.8	1.5	1.6	-2.1	7.8	10.0
Property (2)						
Australian Listed Property	-2.7	0.8	0.0	11.8	12.9	6.7
Global Listed Property	-2.9	4.5	0.3	12.8	12.5	17.4
Equities(2)						
Australian Equities	-1.4	4.7	13.1	22.7	9.5	12.1
Global Equities	2.2	10.2	13.0	28.7	13.4	14.0
US Equities	3.0	11.2	13.4	30.3	17.7	17.6
Japanese Equities	5.6	14.6	11.6	64.9	15.6	10.6
Asia (ex Japan) Equities	0.8	8.5	9.9	10.1	4.0	17.1
European Equities	0.5	8.8	13.5	22.0	10.0	11.6
Global Small Companies	2.1	11.3	15.7	35.9	15.2	19.6
Emerging Market Equities	0.0	8.4	10.0	9.0	4.0	16.0
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-3.6	1.5	-1.5	-11.5	-1.8	5.8
Australian Dollar vs USD	-3.5	2.6	-0.2	-12.4	-1.6	7.0

(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 2013 are summarised below.

Equity Markets

Global equity markets were more subdued this month, despite investors continuing to grapple with ongoing speculation as to the timing and impact of the US Federal Reserve scaling back its asset purchase program and a backdrop of improving economic data.

In the US, economic data released this month continued the recent trend of gradual improvement, with key releases of employment and housing data both surpassing expectations. Further, economic growth data released in November suggested that the government slowdown in October did not stall the economic recovery, further buoying markets. In Europe, on the other hand, lower than expected inflation data highlighted the continued sluggishness in that region's economy, despite some recent data indicating modest improvement, and spurred the European Central Bank to cut official interest rates to 0.25%.

The release of this stronger economic data has led investors to increasingly contemplate the possibility of a December start to the US Fed tapering its quantitative easing program. While minutes from the Fed's latest meeting were far from conclusive, they did indicate that officials are actively reconsidering the role of the asset purchase program. Further, continued strong economic data has definitely bolstered the Fed's case for tapering, putting some pressure on global asset prices. Nevertheless, most major developed markets continued to trend higher over the month, with the US market in particular hitting new all-time highs mid-month.

In contrast to offshore markets, Australian equity market performance was poor in November, finishing the month 1.4% lower. This decline can be largely attributed to continuing declines in commodity prices, the release of mixed domestic economic data and a subdued corporate reporting season. The listed property sector again underperformed the broader market, as that sector continues to be impacted by higher bond yields and investors raising cash ahead of several significant capital raisings.

Debt Markets

Government bond yields finished the month higher in most major markets in reaction to the release of minutes of the recent US Federal Reserve meeting in which officials actively discussed reducing the reliance on its asset purchase program even in the absence of further improvements in economic data. The release of generally positive economic data placed further upward pressure on bond yields. The impact of these moves caused longer term securities such as inflation linked bonds to post negative returns, while nominal government bonds, particularly those with shorter maturities, still managed to post modest positive returns.

Non-government debt sectors performed solidly in October, with the majority of regions and sectors outperforming government bond markets. These sectors benefited from a generally positive economic outlook and renewed investor demand for yielding assets. The notable exception to this was emerging market debt, which was again negatively impacted by speculation of the US Federal Reserve scaling back its asset purchase program and some weakness in the currencies and fiscal positions of those countries.

Currency

US dollar strength dominated currency markets in November following the mid-month release of US Federal Reserve meeting minutes, which markets interpreted as suggesting that the Fed would begin scaling back its asset purchase program in coming months. Further, the Australian dollar weakened more than most other currencies following the release of weaker-than-expected employment data and renewed warnings from RBA Governor Stevens that the currency was overvalued. Against this backdrop, the AUD fell by over 3.5% against both the USD and broader developed market currency basket.

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