Performance Summary November 2014

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

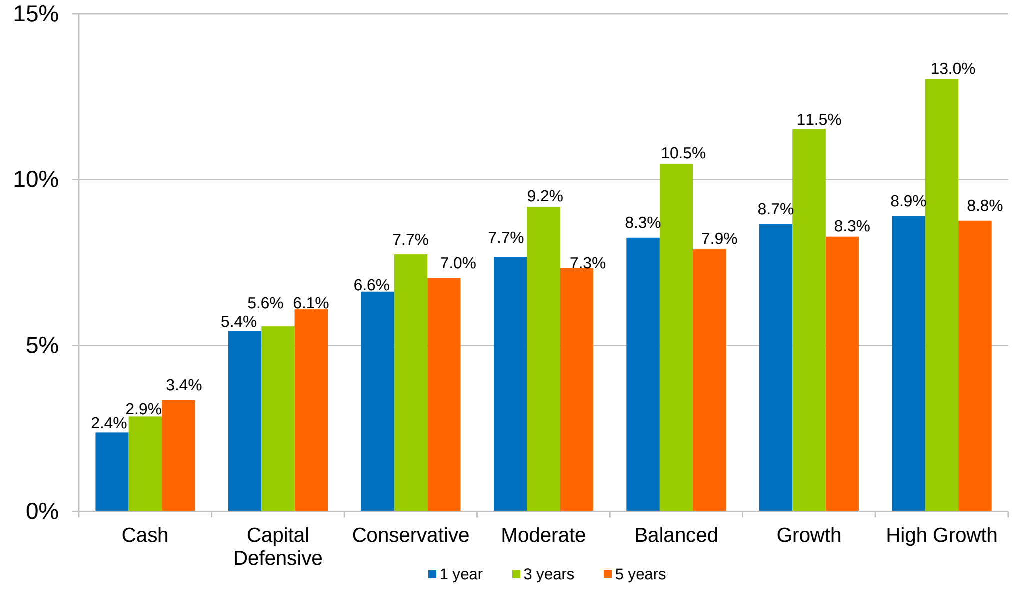
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 November 2014 [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	2.4	2.9	3.4	3.7
Capital Defensive	0.6	1.0	2.0	5.4	5.6	6.1	4.6
Conservative	0.7	1.1	2.5	6.6	7.7	7.0	4.1
Moderate	0.8	1.2	2.9	7.7	9.2	7.3	3.7
Balanced	0.7	1.3	3.3	8.3	10.5	7.9	3.0
Growth	0.7	1.3	3.4	8.7	11.5	8.3	2.7
High Growth	0.5	1.2	3.7	8.9	13.0	8.8	2.4

1. Returns are based on the post tax unit pricing model detailed in the SLA.
2. The taxable funds were established in March 2005, with the exception of the Moderate fund (established in June 2006)

Chart 1: Multi-sector fund annualised returns net of fees and tax to 30 November 2014



Key drivers of performance during November 2014 included:

- Policy divergence among major central banks remains a key driver of markets, with the US Federal Reserve laying the groundwork for potential interest rate increases in 2015 at the same time that additional stimulus measures are being announced in Europe, Japan and China.
- Maintenance of an overall accommodative global monetary policy environment provided a positive backdrop for equity markets.
- A softer economic outlook in Europe and China, and excess supply issues, weighed heavily on commodity prices.
- Falling government bond yields drove strong returns in government debt markets.

Asset Allocation

The targeted asset allocation of the multi-sector funds is shown in the table below.

Table 2: Targeted asset allocation for the 2014-2015 financial year

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	15.0	10.0	8.0	2.0	2.0	2.0
Short Term Fixed Interest	0.0	33.0	18.0	7.0	3.0	0.0	0.0
Long Term Fixed Interest	0.0	5.0	5.0	9.0	8.0	4.0	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 to 30 November 2014

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.7	1.1	2.7	3.2	3.9
Australian Government	1.5	2.2	3.7	8.9	5.0	6.3
Australian Inflation-Linked	2.7	2.4	4.4	14.2	6.9	8.7
Global Treasuries(1)	1.4	2.3	4.5	9.3	7.6	7.8
Global Inflation-Linked(1)	2.1	1.6	4.7	10.2	6.5	8.4
Credit						
Global Credit(1),(2)	0.9	1.3	3.3	9.7	9.4	9.3
Global High Yield(1)	-0.4	-1.0	-0.6	7.6	13.8	13.7
Emerging Market Debt(4)	-0.4	-1.2	-0.4	9.3	6.8	8.0
Property						
Australian Listed Property	0.0	1.1	7.8	19.8	19.0	11.8
Equities(3)						
Australian Equities	-3.2	-4.5	0.3	4.0	13.4	6.8
Global Equities	2.9	3.0	4.9	13.0	18.4	12.2
US Equities	2.7	3.7	6.4	16.9	20.9	16.0
European Equities	3.7	1.8	1.8	7.9	14.9	8.8
Japanese Equities	6.0	11.9	13.0	14.3	27.4	13.0
Asia (ex Japan) Equities	1.6	-0.5	3.9	8.1	11.6	7.1
Emerging Market Equities	1.1	-1.8	3.3	7.2	9.6	6.6
Global Small Companies	1.6	-0.2	0.0	8.3	18.8	14.9
Currency (5)						
Australian Dollar vs Developed Market Basket	-2.5	-6.2	-5.9	-3.1	-4.3	-0.3

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates, supranational agencies, and other government-related (e.g. government agencies, government guaranteed bank debt, etc)

(3) Local currency return

(4) Hedged to USD

(5) A positive number represents appreciation of the Australian dollar. A negative number represents depreciation.

Key factors impacting financial markets performance during November 2014 are summarised below.

Equity Markets

Most global equity markets moved higher in November, extending their rebound from mid-October lows. Central bank policy remains a crucial driver of markets, amid heightened speculation as to the impending announcement of additional stimulus measures from a number of major central banks.

The European Central Bank (ECB) moved toward additional monetary policy accommodation this month, with increased market speculation that the central bank will soon engage in corporate or sovereign bond purchases as part of ECB President Draghi’s pledge to raise inflation and inflation expectations as fast as possible. Meanwhile, the lacklustre outlook for the Japanese economy has bolstered talk of further action from the Bank of Japan, while China recommenced its easing program this month, with the People's Bank of China cutting interest rates for the first time since 2012. Even the US Federal Reserve, which has begun to lay the groundwork for potential interest rate increases in 2015, voiced dovish sentiments with concerns around the risks of falling inflation expectations and weakening global economic conditions. In all instances, investors very much focussed on the stimulus rather than the underlying reason for its announcement – weaker economic conditions – with equity markets reacting positively as a result.

Another key theme affecting markets was weakness in commodity prices. In particular, oil markets came under significant pressure, falling by over 15% in November – the largest monthly fall since December 2008. After exhibiting months of resilience to broader weakness in industrial metals and other commodities, oil markets finally reacted this month to both slower global demand and excess supply issues. A softer economic outlook in Europe and China were the major drivers from the demand side, while on the supply side, increased production from Libya and Iran, combined with increases in production in the US shale market, contributed to lower prices, while the decision by OPEC late in the month to leave supply unchanged saw prices fall sharply over the last few days of the month. While a lower oil price should have a longer-term positive effect on consumers and manufacturers if prices remain at these levels, it did cause sharp falls in energy-related equity sectors this month.

The Australian equity market meaningfully underperformed global markets this month, giving back most of October's gains. This weakness in the local market was largely driven by lower iron ore and oil prices, which had a significant impact on the local resource-heavy index.

Debt Markets

Global government bond markets posted strong returns in November, with bond yields finishing the month materially lower in all major markets. These moves were driven by growing concerns as to the growth prospects for the global economy, and declining inflation expectations, in large part driven by a sharp fall in oil prices and other economically-sensitive commodities. As a result, market speculation increased as to the need for additional stimulus measures from a number of major central banks. Australian government bonds outperformed global counterparts, as strong investor demand and rising expectations that the Reserve Bank may lower interest rates next year, placed further downward pressure on yields.

Non-government debt sectors underperformed government bonds this month, as the risk premium demanded for holding these securities increased in response to a softer global growth outlook. Strong gains from the falling underlying sovereign bond yield did mean that some sectors still managed to post positive returns, but those higher risk segments of the market or those with closer links to commodities, such as high yield corporates and emerging market debt, finished the month marginally lower.

Currency

The US dollar continued to strengthen against most currencies this month, amid growing expectations that the US Federal Reserve will raise interest rates well ahead of its counterparts in Japan and the Eurozone. Combined with this backdrop of broad-based US dollar strength, weaker commodity prices saw a further fall in the Australian dollar, finishing the month more than 3% lower against USD at around US$0.85.

Disclaimer