Performance Summary October 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 October 2013 included:

- A temporary resolution to US government fiscal issues saw a resumption of the upward trend in risk assets, such as equities and non-government debt securities;
- A decision in September by the US Federal Reserve to delay winding down its asset purchase program, continues to provide substantial support to most asset classes; and
- Investor sentiment continued to be buoyed by the release of generally positive economic data in the US and China.

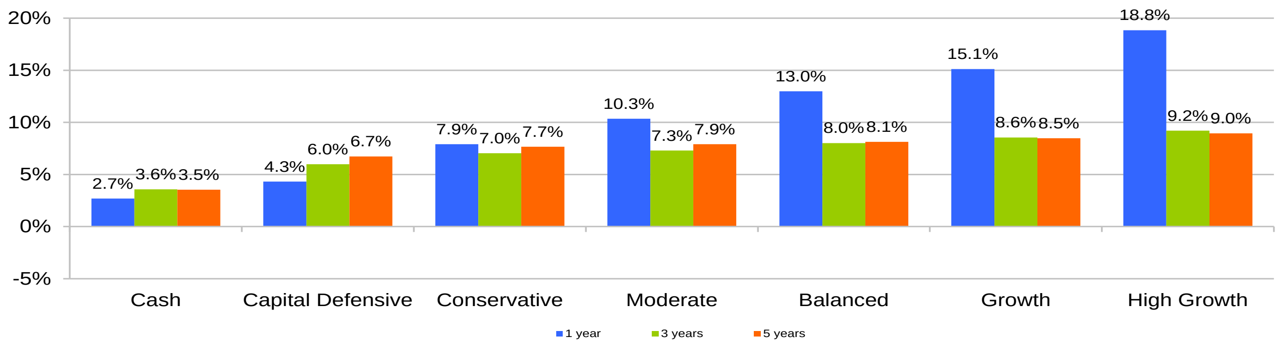
The table and chart below shows Funds SA's multi-sector taxable funds returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 October 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	0.8	2.7	3.6	3.5	4.2
Capital Defensive	0.8	1.4	2.4	4.3	6.0	6.7	4.7
Conservative	1.2	2.0	3.6	7.9	7.0	7.7	4.4
Moderate	1.6	2.6	4.6	10.3	7.3	7.9	4.1
Balanced	1.9	3.2	5.8	13.0	8.0	8.1	3.5
Growth	2.1	3.6	6.6	15.1	8.6	8.5	3.4
High Growth	2.5	4.3	7.9	18.8	9.2	9.0	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 October 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 31 October 2013	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.2	0.7	0.9	3.0	4.1	4.1
Australian Fixed Interest	-0.1	0.1	1.0	1.7	6.7	6.5
Australian Inflation-Linked	0.1	0.2	0.5	-3.6	7.8	6.5
Global Fixed Interest (1)	1.1	1.9	2.6	3.7	7.7	9.4
Global Inflation-Linked(1)	1.2	1.4	2.3	0.2	7.6	10.3
Property (2)						
Australian Listed Property	2.6	3.5	2.8	13.4	13.1	7.3
Global Listed Property	2.6	2.9	3.2	17.1	12.6	14.4
Equities(2)						
Australian Equities	3.9	8.9	14.6	24.8	9.6	11.0
Global Equities	4.0	5.6	10.6	27.8	12.5	12.1
US Equities	4.6	4.8	10.1	27.2	16.6	15.2
Japanese Equities	0.0	6.0	5.7	64.5	15.7	8.5
Asia (ex Japan) Equities	3.5	6.8	9.0	12.0	3.7	16.2
European Equities	4.4	6.6	12.9	24.5	8.6	10.4
Global Small Companies	3.2	6.9	13.3	35.3	15.0	17.2
Emerging Market Equities	4.0	8.4	10.0	10.7	3.7	15.0
Currency (3)						
Australian Dollar vs MSCI Currency Basket	1.4	4.6	2.2	-7.6	-0.7	6.4
Australian Dollar vs USD	1.3	5.5	3.5	-8.7	-1.1	7.5

(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 October 2013 are summarised below.

Equity Markets

Global equity markets were focused squarely on the US for much of the month, with political rather than economic developments the major driver of performance. The US government was shut down for the first few weeks of October after Congress failed to pass a new budget by 30 September, during which time markets became increasingly focussed on the mid-October deadline to raise the so-called “debt-ceiling” – the limit on the debt that can be issued by the US government without congressional approval – or risk being unable to fund itself and potentially default on its debt obligations.

While the government shutdown itself had only modest impact on market sentiment, investors became increasingly concerned as to the growing risk of Congressional inaction triggering a debt-ceiling-related default as that debate dragged on, leading to increased market volatility and a pull-back in equity markets. A resolution to the debate was reached at the eleventh hour in mid-October, funding the government into January 2014 and lifting the debt ceiling into February, which saw a strong rebound in equity markets globally. Equity markets also benefited from dampened expectations of the US Federal Reserve scaling back its asset purchase program in coming months.

Corporate reporting season in the US looks to be modestly positive, with the majority of companies beating analyst estimates on earnings, providing further support to equity markets. These trends have been a little more encouraging than prior quarters, though this continues to be driven largely by cost-cutting rather than sales growth, as well as continued downward revisions in analyst earning predictions.

In Australia, equity market performance was largely driven by offshore themes, with domestic performance mirroring that of offshore markets. Stronger economic data out of China also gave investors comfort that Australia’s major trading partner will remain a driver of demand, helping to offset sustained weakness in the domestic economy.

Debt Markets

Government bond yields finished the month lower in most major markets, in reaction to the release of some weak US economic data, heightened political uncertainty in the US, and expectations for continued asset purchases from major central banks. Shorter-dated US treasury yields did temporarily spike higher on the possibility that the US fiscal impasse would see the government run out of money and possibly default on its obligations, but this had largely reversed by month end. Australian government bond yields, on the other hand, rose slightly over the month, as investors responded to the release of stronger-than-expected inflation data and recent central bank commentary that seemed to suggest a more neutral stance to future interest rate policy than in previous months.

Non-government debt sectors performed solidly in October, with the majority of regions and sectors outperforming government bond markets. These sectors benefited from the eventual resolution of the US debt ceiling issue, an extension of central bank liquidity, and renewed investor demand for yielding assets, such as non-government debt securities. A modest compression of the risk premium demanded for holding these assets and lower underlying government bond yields globally saw strong returns to non-government debt sectors.

Currency

The Australian dollar continued to climb in October, finishing the month up 1.5% against both the US dollar and the broader basked of developed market currencies. The AUD was lifted higher by fiscal issues in the US dragging down the USD, signs of improvement in the Chinese economy, and recent RBA commentary indicating a more neutral stance to future interest rate policy than in previous months. The last week of October did, however, see some retracement of the AUD, amid some concerns surrounding bad debts in China and warnings from RBA Governor Stevens that the currency was overvalued.

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