Performance Summary September 2011

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 products offered under the Scheme.

Performance

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

- Global financial markets continued to experience heightened levels of volatility, as a mechanism to repair the problems related to excess sovereign debt levels in Europe and related banking stress has yet to be credibly resolved;
- The release of lacklustre economic data in the US and Europe, and moves by Chinese authorities to tighten policy has raised concerns of a protracted global slowdown; and
- A general rise in investor risk aversion saw a sharp sell-off in risk assets such as equities, commodities, and non-government debt securities, with investors preferring “safe-haven” assets such as government bonds and the US dollar.

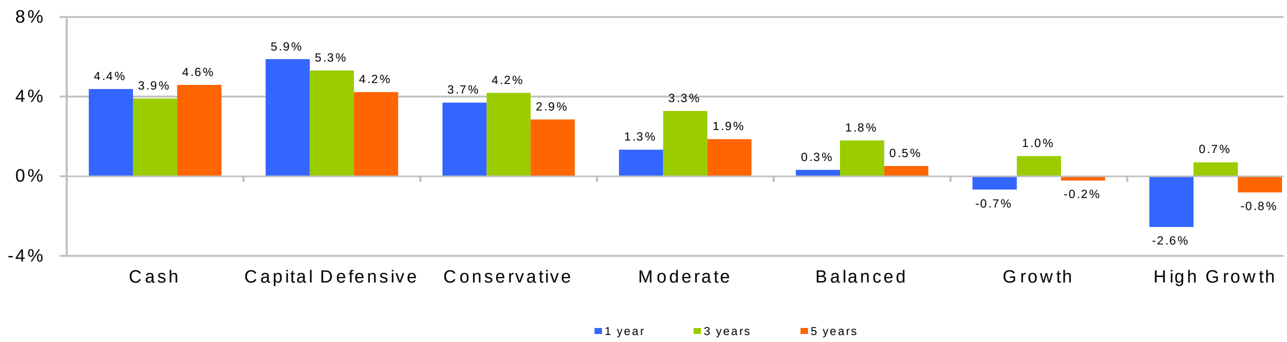
The table and chart below shows Funds SA’s multi-sector taxable product returns based on the post tax unit prices in the SLA.

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

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.4	1.1	1.1	4.4	3.9	4.6
Capital Defensive	0.1	1.7	1.7	5.9	5.3	4.2
Conservative	-0.8	-0.7	-0.7	3.7	4.2	2.9
Moderate	-1.5	-3.0	-3.0	1.3	3.3	1.9
Balanced	-2.0	-4.4	-4.4	0.3	1.8	0.5
Growth	-2.4	-5.5	-5.5	-0.7	1.0	-0.2
High Growth	-3.1	-7.7	-7.7	-2.6	0.7	-0.8

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 September 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 September 2011	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	1.2	5.0	4.5	5.6
Australian Fixed Interest	0.9	4.6	4.6	9.0	7.8	7.0
Australian Inflation-Linked	1.5	7.6	7.6	12.6	5.4	5.4
Global Fixed Interest (1)	1.1	4.3	4.3	9.1	10.7	8.8
Global Inflation-Linked(1)	1.4	4.4	4.4	11.9	10.1	8.8
Property (2)						
Australian Listed Property	-4.6	-8.1	-8.1	-6.3	-11.7	-13.6
Global Listed Property	-8.7	-13.5	-13.5	-3.1	-1.5	-5.5
Equities(2)						
Australian Equities	-6.3	-11.6	-11.6	-8.7	-0.1	-0.7
Global Equities	-6.1	-14.8	-14.8	-5.0	-1.3	-3.6
US Equities	-7.0	-13.9	-13.9	1.1	1.2	-1.2
Japanese Equities	-0.4	-10.2	-10.2	-7.3	-10.1	-12.6
Asia (ex Japan) Equities	-9.2	-17.1	-17.1	-13.4	8.2	5.2
European Equities	-4.6	-17.6	-17.6	-11.4	-1.5	-4.4
Global Small Companies	-9.0	-18.6	-18.6	-4.5	2.1	-1.9
Emerging Market Equities	-7.7	-15.2	-15.2	-12.4	7.5	5.6
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-6.9	-7.5	-7.5	0.0	6.1	4.1
Australian Dollar vs USD	-9.2	-9.2	-9.2	0.4	7.2	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 September 2011 are summarised below.

Equity Markets

The heightened volatility that has afflicted global financial markets over recent months continued unabated in September. European sovereign debt issues remained very much at the forefront of investors' minds, as governments continue to seek a long-term solution to the problem of excess sovereign debt levels and stagnant growth across much of Europe. The release of weak US economic data and concerns over slowing growth in China also contributed to an environment in which risk assets, including all major equity markets, came under significant selling pressure. Against this backdrop of heightened macroeconomic uncertainty, the MSCI World Index of developed equity markets finished the month 6.1% lower.

In the US, the economic backdrop remains unsupportive for equities, with persistently high levels of unemployment and housing market weakness continuing to impede a more meaningful economic recovery. In addition, the announcement from the Federal Reserve that they were extending the duration of their Treasury portfolio in an attempt to further reduce already low long-term borrowing costs did little to curtain the sell-off in risk assets.

European stocks declined amid uncertainty as to what a sovereign debt default would mean for the banking sector. Of most concern to investors was the upcoming European Union vote on the next tranche of bailout funds for Greece, as that country continues to struggle to meet its austerity targets and political opposition against the bailout continues to gather momentum in Germany.

Elsewhere, September again saw significant underperformance from Asian equity markets, as this region continues to suffer from its close linkages to the Chinese economy, as well as the broader rise in investor risk aversion. Although Chinese economic data released this month remains broadly supportive of growth in that economy, market expectations continue to be pared back as government efforts to tighten policy to stem risks associated property speculation are unnerving market and escalating fears of a protracted global slowdown.

The Australian equity market performed broadly in line with its developed market peers this month, falling 6.3%, although there was substantial dispersion amongst sectors. Amid a general flight from risk, those sectors perceived by the market to be more defensive, such as telecommunications and consumer staples, significantly outperformed the broader market, and in fact finished the month in positive territory. The previously resilient resources sector, on the other hand, was the worst performing sector this month, as a deteriorating global growth outlook and sharp falls in commodity prices weighed heavily on stocks in this sector. On the economic front, the release of weaker business confidence data and an unexpected increase in the unemployment rate continues to highlight the softness in the non-resource sectors of the economy. The RBA left official interest rates on hold at 4.75%, with the accompanying commentary indicating a shift to a more neutral stance.

Debt Markets

The prevailing environment of uncertainty that hampered risk assets in September once again proved to be a positive for government bond markets, with yields falling significantly in most markets. Those traditional safe-haven markets, such as the United States and Germany, again performed the best due to the combination of uncertainty stemming from the European sovereign debt crisis and broadening concerns over global economic growth. In the local market, a softer tone from the RBA at its September meeting in deciding to leave the cash rate unchanged for the ninth successive meeting, saw another rally in short-term yields, while global developments flowed through to drive long-term yields lower.

Global risk aversion also unsurprisingly triggered a sell-off in non-government debt sectors, with those same macro factors which drove sharp declines in equities also weighing on these markets. These sectors were negatively impacted as the risk premium demanded for holding these assets widened further to be now back at levels not seen since early 2009. The broad-based fall in government bond yields acted to partially offset these losses, lifting investment-grade corporate debt into positive territory. Those riskier sectors such as global high yield (-3.9%) and emerging markets (-4.2%), however, fared significantly worse amid sharp reductions in market liquidity. Predictably, US corporate bonds outperformed their European counterparts during this time.

Currency

The Australian dollar finished September lower against most major currencies, as the uncertainty over the European sovereign debt situation and a scaling back of global growth expectations saw a flight to the relative safety of the US dollar and away from commodity-currencies such as the AUD. By month's end, the local currency had fallen 9.2% against the USD, to close below parity at $0.97, and 6.9% against the broader MSCI Currency Basket. However, the fall in the AUD has the benefit of significantly reducing the losses associated with global equities, which have exposures to foreign currency.