Performance Summary March 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 March 2011 included:

- A severe earthquake in Japan and the country's subsequent nuclear crisis saw a dramatic rise in risk aversion early in the month, with equities and non-government debt sectors experiencing sharp falls, before recovering later in the month;
- European sovereign debt concerns again weighed on markets as peripheral countries' credit ratings continue to be downgraded, and a mechanism to repair the current situation has yet to be finalised;
- Political unrest in Africa and the Middle East caused a further increase in commodities prices, supporting currencies of commodity producing countries; and
- Debt markets remained resilient, with both government and non-government debt sectors posting modest positive returns.

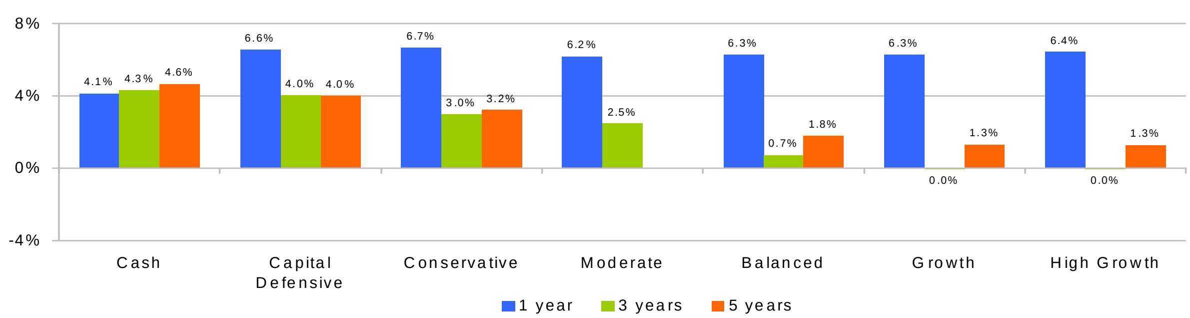
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

Table 1: Multi-sector product returns net of fees to 31 March 2011 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.4	1.0	3.2	4.1	4.3	4.6
Capital Defensive	0.5	1.8	4.6	6.6	4.0	4.0
Conservative	0.4	2.0	6.6	6.7	3.0	3.2
Moderate	0.3	2.2	8.2	6.2	2.5	n.a.
Balanced	0.4	2.4	9.4	6.3	0.7	1.8
Growth	0.3	2.6	10.3	6.3	0.0	1.3
High Growth	0.3	2.8	12.0	6.4	0.0	1.3

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 product annualised returns net of fees to 31 March 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 2010-2011 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	6.0	3.0	0.0
Inflation Linked Securities B	0.0	22.0	22.0	16.0	13.0	10.0	0.0
Diversified Strategies Income	0.0	15.0	15.0	10.0	10.0	10.0	8.0
Property B	0.0	4.0	6.0	8.0	8.0	12.0	14.0
Australian Equities B	0.0	4.0	14.0	25.0	29.0	33.0	41.0
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

Financial Market Snapshot

The table below summarises market performance.

Table 3: Major Market Index Returns

Index movements to 31 March 2011	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	3.7	4.9	5.0	5.7
Australian Fixed Interest	0.7	2.0	3.1	6.9	7.4	6.0
Australian Inflation-Linked	0.5	3.0	4.3	8.1	4.0	4.0
Global Fixed Interest (1)	0.3	1.0	3.9	7.4	8.2	7.8
Global Inflation-Linked(1)	1.1	2.4	6.8	10.1	7.1	7.8
Property (2)						
Australian Listed Property	-1.9	3.7	6.4	4.7	-14.6	-9.5
Global Listed Property	-2.1	2.6	23.8	16.2	-2.2	-1.9
Equities(2)						
Australian Equities	0.7	3.1	16.9	3.8	1.1	3.2
Global Equities	-1.3	3.6	22.6	8.9	-0.1	0.0
US Equities	0.0	5.9	30.6	15.6	2.4	2.6
Japanese Equities	-7.9	-2.6	5.3	-9.9	-9.2	-11.3
Asia (ex Japan) Equities	5.1	0.3	19.2	15.8	5.7	10.6
European Equities	-1.9	2.1	17.0	5.4	-0.4	-0.2
Global Small Companies	1.0	5.3	30.7	19.3	4.4	1.9
Emerging Market Equities	4.2	0.2	20.0	13.6	5.2	10.3
Currency (3)						
Australian Dollar vs MSCI Currency Basket	1.5	0.1	16.2	8.7	4.6	5.7
Australian Dollar vs USD	1.6	0.9	22.4	12.7	4.2	7.7

(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 March 2011 are summarised below.

Equity Markets

Global equity markets fell in March, with heavy losses experienced across the globe following the catastrophic Japanese earthquake and subsequent nuclear crisis. Unsurprisingly, Japanese equities were the worst performing market, finishing the month 8% lower after falling almost 17% in the days immediately following the disaster. Other major markets followed a similar path, rebounding strongly as the radiation risks from the damaged nuclear reactor moderated and the likely impact on global growth was determined to be minimal. Markets also had to contend with ongoing political unrest in Africa and the Middle East, further monetary tightening in China, and continuing European sovereign risk issues. Against this backdrop, the MSCI World Index of developed equity markets finished the month 1.3% lower.

The US market was again one of the strongest performing developed markets this month, as the release of generally positive economic data reinforced signs of economic recovery. From a sectoral perspective, energy and gold stocks were the biggest winners this month as geopolitical issues saw the oil price increase by a further 10%, while safe-haven flows lifted the price of gold to a new record high. Elsewhere, European equities underperformed amid continued deterioration in the periphery, with Portugal's credit rating downgraded twice as the nation failed to pass austerity measures, while the ECB signalled an imminent rise in interest rates. Asian and emerging markets, on the other hand, recovered some of their recent underperformance, with major markets China, India, and Korea all returning over 6%.

The Australian market posted a small positive return for the month, with offshore themes and corporate reporting season again the dominant drivers of performance. As with global markets, the energy sector was the strongest performer buoyed by a higher oil price and potentially increasing LNG demand from Asia to replace nuclear capacity in the wake of the Japanese disaster. Australia's two-speed economy was again highlighted this month, with the release of better-than-expected corporate results from the resource and banking sectors, while industrials and consumer-related sectors generally reported sluggish trading conditions.

Debt Markets

Despite most major bond markets ending the month with yields at broadly similar levels to where they began, most experienced significant intra-month volatility. Markets rallied strongly throughout the first half of the month in response to the events in Japan, as investors sought the relative safety of government bonds. As fears over the disaster's impact on global growth began to recede, however, global bond yields moved higher, reversing the earthquake-related moves and leaving yields close to where they started the month. European markets were the key exception as renewed sovereign debt concerns adversely impacted the peripheral Eurozone nations, while inflationary comments from the ECB also saw yields rise in "core" European countries such as Germany and France.

As with other risk assets, non-government debt sectors suffered amid a flight to quality early in March, before rebounding strongly with the general retracement in investor risk aversion. Against this backdrop, the risk premium demanded for holding these assets finished the month largely unchanged, with all sectors posting positive returns. Emerging markets debt outperformed other sectors, as these assets continue to benefit from an environment of strong global growth and easy monetary policy in the developed world despite continued inflationary pressures and geopolitical concerns in emerging markets.

Currency

Currency markets in March were characterised by the US dollar weakening against nearly all other currencies, as commodity prices continued to rise and the US Federal Reserve remains committed to its extremely accommodative monetary stance despite signs of recovery in US economic growth. The notable exception to this was, however, the Japanese yen, which steadily declined following a coordinated currency intervention by the world's major central banks in an attempt to stabilise the currency after the Japanese earthquake. The Australian dollar was again one of the best performing currencies this month, gaining 1.6% against the US dollar and 1.5% against the broader MSCI Currency Basket.

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