Performance Summary December 2015

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

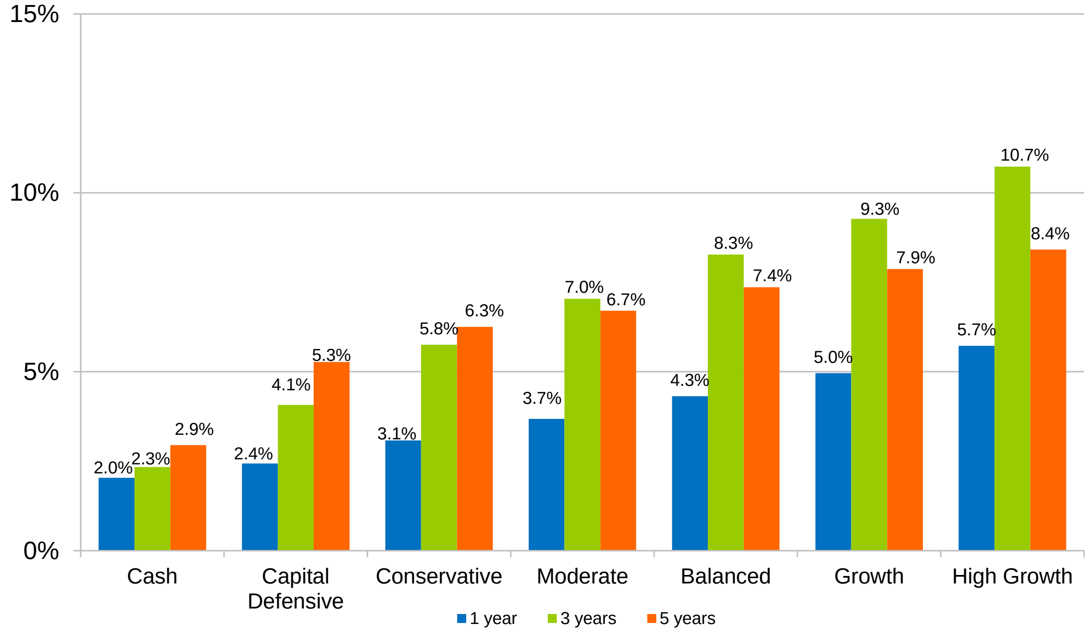
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 December 2015 [1, 2]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.2	0.5	0.9	2.0	2.3	2.9	3.1	3.9
Capital Defensive	-0.1	0.7	0.5	2.4	4.1	5.3	6.0	4.9
Conservative	0.0	1.3	0.4	3.1	5.8	6.3	7.2	5.0
Moderate	0.0	1.8	0.5	3.7	7.0	6.7	7.8	n.a.
Balanced	0.0	2.3	0.6	4.3	8.3	7.4	8.3	5.0
Growth	0.1	2.7	0.7	5.0	9.3	7.9	8.9	5.2
High Growth	0.3	3.4	0.8	5.7	10.7	8.4	9.5	5.3

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 31 December 2015



Key drivers of performance during December 2015 included:

- Central bank policy announcements were a key focus for investors, with the Bank of Japan and European Central Bank announcing further monetary stimulus, while the US Federal Reserve raised interest rates for the first time since 2006. These decisions reverberated market wide, affecting equity, fixed income and currency markets alike.
- Commodity prices continued to struggle, causing falls in commodity sensitive segments of the market, such as emerging markets.
- The Australia dollar recovered modestly, ending over the month ahead against most major global currencies.

Asset Allocation

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

Table 2: Targeted asset allocation for the 2015-2016 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 31 December 2015

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.5	1.1	2.3	2.6	3.4
Australian Government	0.4	-0.5	2.0	2.3	4.2	6.3
Australian Inflation-Linked	0.0	-0.4	1.5	1.6	4.6	8.2
Global Treasuries(1)	0.0	0.6	3.1	3.8	5.7	7.2
Global Inflation-Linked(1)	-1.5	-0.5	0.1	1.2	2.9	6.8
Credit						
Global Credit(1),(2)	-0.5	0.6	1.4	2.1	4.7	7.6
Global High Yield(1)	-2.1	0.2	-3.0	1.3	5.0	8.9
Emerging Market Debt(4)	-1.5	1.5	-0.5	1.2	-0.1	5.1
Property						
Australian Listed Property	4.0	6.0	7.2	14.4	15.9	15.3
Equities(3)						
Australian Equities	2.7	6.5	-0.4	2.8	9.0	6.7
Global Equities	-2.2	6.2	-2.0	2.1	13.0	9.6
US Equities	-1.6	7.0	0.2	1.4	15.1	12.6
European Equities	-3.8	5.2	-2.2	4.9	10.1	6.9
Japanese Equities	-1.9	9.9	-4.6	11.9	24.0	13.6
Asia (ex Japan) Equities	-0.2	3.4	-11.1	-5.6	2.4	1.8
Emerging Market Equities	-1.0	1.6	-10.6	-5.4	1.2	1.3
Global Small Companies	-2.7	4.6	-4.2	3.6	14.4	10.1
Currency (5)						
Australian Dollar vs Developed Market Basket	0.4	4.8	-4.1	-8.3	-8.6	-5.0

(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 market performance during December 2015 are summarised below.

Equity Markets

Global equity markets finished 2015 weakly, wrapping up their worst calendar year performance since 2011 and providing a sombre note to begin 2016 with. Global equity markets fell, but in a fragmented manner, with selected segments of the market performing significantly worse than others.

Central bank activity remained a major theme over the month, with the market digesting several key policy decisions. The European Central Bank (ECB) were first up in December, pushing interest rates even further into negative territory and extending its asset purchase program. However, equity markets were underwhelmed by this decision, having expected even more stimulus to that which was announced, which ultimately resulted in European equities being the worst performing region this month. Within the Asia-Pacific region, the Bank of Japan (BoJ) and Reserve Bank of New Zealand (RBNZ) both eased monetary policy, with the BoJ expanding both the size and scope of its asset purchase program, and the RBNZ cutting interest rates for the fourth time in 2015. Other central banks that came out over the month with easing biases were the Swiss and Norwegian central banks, both of whom signalled that they are prepared to ease further in 2016.

Diverging from the rest was the US Federal Reserve which raised interest rates for the first time since 2008. Equity markets reacted positively to this much anticipated move, with attention now turning to the likely timing of future interest rate increases, with current market estimates predicting a relatively gradual pace.

Emerging market equities outperformed their developed market counterparts at an aggregate level, although there was significant divergence at an individual country level. Chinese equities rebounded amid the release of better-than-expected inflation numbers, and encouraging signs that the rebalance of the economy towards the services sector continues. In contrast, Brazilian equities fell steeply as another major credit rating agency downgraded Brazilian government debt to below investment-grade status amidst worsening domestic economic conditions. The commodity-linked segments of the market also fell as the oil price pushed further downwards.

Australian equities also outperformed their global counterparts, as a combination of better than expected GDP growth and retail sales, and a fall in the unemployment rate provided a positive backdrop for the domestic market.

Debt Markets

December was a volatile month for government bond markets as investors focussed on major central bank policy decisions. Bond yields rose (prices fell) at the start of the month as investors were disappointed by the size of the stimulus package announced by the European Central Bank and in anticipation of a looming US Federal Reserve interest rate hike. However, as the month pushed on, markets retraced these early losses as falling oil prices saw a renewed demand for safe-haven assets such as government bonds.

Mirroring the trend observed in other risky assets such as equities, non-government debt markets fell this month. The most prevalent theme was the ongoing commodity price rout, which saw the commodity-linked emerging market debt and global high yield markets sell off sharply.

Currency

Currency markets were also driven by central bank activity over the month. The Euro was one of the largest movers, rising strongly as the European Central Bank announced less easing than the market had anticipated. The Australian dollar was more muted, with the Reserve Bank of Australia reiterating their easing bias while economic data was broadly positive.

Disclaimer