Performance Summary February 2016

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 funds offered under the Scheme.

Performance

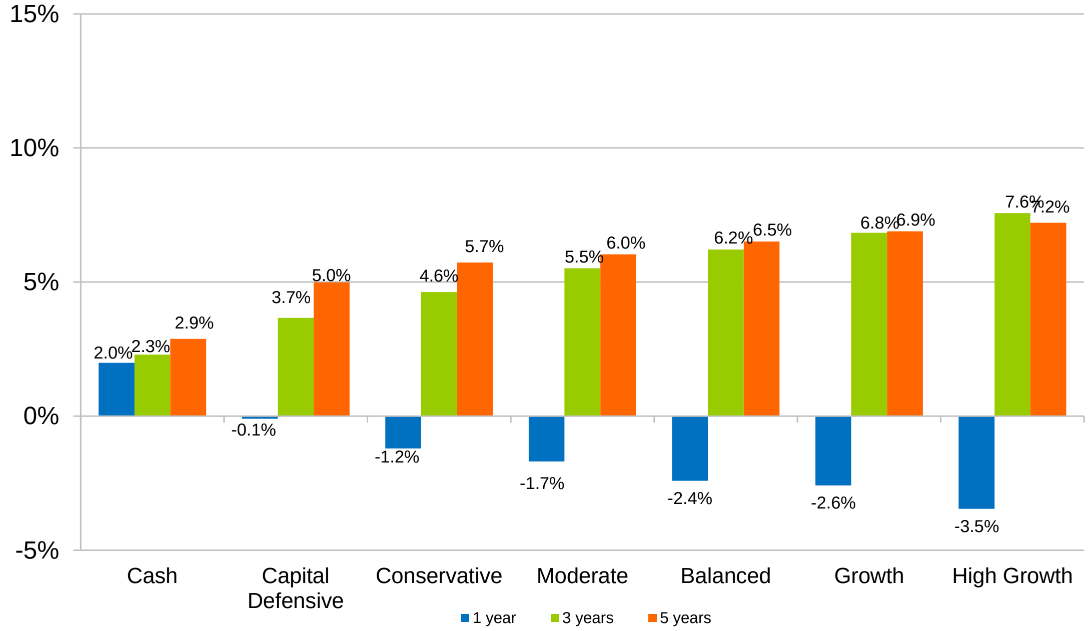
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 29 February 2016 [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	1.3	2.0	2.3	2.9	3.1	3.8
Capital Defensive	0.1	-0.2	0.4	-0.1	3.7	5.0	6.0	4.6
Conservative	-0.1	-0.9	-0.4	-1.2	4.6	5.7	7.3	4.7
Moderate	-0.1	-1.3	-0.7	-1.7	5.5	6.0	8.1	n.a.
Balanced	-0.3	-1.8	-1.3	-2.4	6.2	6.5	8.8	4.4
Growth	-0.4	-2.2	-1.6	-2.6	6.8	6.9	9.5	4.5
High Growth	-0.6	-2.9	-2.4	-3.5	7.6	7.2	10.1	4.5

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 29 February 2016



Key drivers of performance during February 2016 included:

- A continuation of the disappointing economic backdrop and heightened financial market volatility that negatively impacted risk assets in January before a partial rebound toward the end of the month.
- Volatility in commodity prices again drove the performance of commodity-related corporate sectors and emerging market assets.
- An elevated demand for safe haven assets, combined with a decline in inflation expectations and expectations of central bank policy action drove strong returns in government bond 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 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	30.0	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	16.0	12.0	9.0	6.0	0.0
Diversified Strategies Income	0.0	17.0	18.0	17.0	16.0	16.0	12.0
Property B	0.0	6.0	9.0	10.0	12.0	14.0	16.0
Australian Equities B	0.0	7.0	13.0	17.0	23.0	26.0	33.0
International Equities B	0.0	5.0	11.0	15.0	19.0	22.0	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 29 February 2016

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.6	1.5	2.2	2.6	3.3
Australian Government	1.3	3.1	4.8	2.8	5.1	6.6
Australian Inflation-Linked	0.5	1.3	2.9	-0.7	4.6	7.9
Global Treasuries(1)	1.4	3.6	6.8	5.7	6.7	7.9
Global Inflation-Linked(1)	0.5	1.3	3.0	2.2	3.6	7.2
Credit						
Global Credit(1),(2)	0.8	1.1	3.0	1.5	5.1	7.6
Global High Yield(1)	0.8	-2.5	-3.4	-2.3	4.2	8.0
Emerging Market Debt(4)	2.0	0.3	1.3	1.5	1.1	5.5
Property						
Australian Listed Property	2.8	8.0	11.3	6.6	14.3	14.8
Equities(3)						
Australian Equities	-1.7	-4.5	-7.4	-13.4	2.9	4.6
Global Equities	-1.5	-8.9	-8.7	-9.7	8.0	7.0
US Equities	-0.1	-6.6	-4.9	-6.2	10.8	10.1
European Equities	-1.9	-10.3	-8.7	-11.2	5.5	4.6
Japanese Equities	-9.4	-17.8	-20.0	-13.7	12.0	8.4
Asia (ex Japan) Equities	-0.5	-7.4	-17.5	-16.2	-0.8	1.2
Emerging Market Equities	0.1	-6.1	-15.2	-14.4	-0.7	0.9
Global Small Companies	-0.5	-10.2	-11.6	-9.6	8.4	7.4
Currency (5)						
Australian Dollar vs Developed Market Basket	0.2	-1.8	-6.2	-7.3	-9.3	-5.1

(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 February 2016 are summarised below.

Equity Markets

Global financial markets continued to exhibit increased volatility in February, particularly during the first half of the month. A combination of heightened risk aversion and the release of disappointing economic data saw equity markets move meaningfully lower at the start of the month. Despite this, markets staged a modest recovery in the second half of the month, bolstered by a recovery in commodity prices which pushed those sectors higher.

Global economic data broadly disappointed in February, with many data prints failing to meet market expectations. The release of lower-than-expected job creation and manufacturing data in the US provided some evidence that growth may be slowing in the world's largest economy, while manufacturing and inflation data in Europe and Japan was similarly soft. Chinese economic data released this month continued to point to an ongoing yet bumpy transition from an export-led to a consumer-led economy.

Events in commodities markets again contributed to market sentiment over the month, with ongoing volatility affecting commodity-linked assets. After falling to their lowest price since 2002, crude oil rebounded strongly later in February recovering all of the ground it has lost so far in 2016. Iron ore also rebounded strongly as the market anticipated a stimulatory policy response from China. Commodity-linked equity sectors and emerging markets were most impacted by this broad thematic, with these markets falling sharply early in the month, before subsequently recovering in unison with commodity prices.

Debt Markets

As financial market volatility remained elevated in February, so too did the demand for government bonds, with the early month sell-off in risky assets increasing the cautiousness of already-concerned investors. Placing additional downward pressure on bond yields (upward pressure on prices) was the adoption of negative interest rates in Japan, renewed expectations of further monetary policy easing in Europe, and a continued decline in inflation expectations. This backdrop was favourable for government bonds, with both global and domestic markets posting strong returns in February.

Non-government debt markets outperformed other risk assets in February. While the risk premium demanded for holding corporate bonds and emerging market debt ended the month largely unchanged, the aforementioned fall in government bond yields saw these markets post strong monthly returns.

Currency

February saw a modest reversal of recent US dollar strength, in what was a volatile month for currency markets. The two largest movers were the Japanese yen and British pound – the yen gaining over 7% relative to the US dollar amid widespread investor risk aversion, while the pound fell to a seven-year low as policy makers debated the implications of a potential British exit from the European Union. The Australian dollar ended the month modestly higher, recovering from early losses in line with a rebound in commodity prices.

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