Performance Summary May 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 May 2011 included:

- The release of weaker-than-expected economic data in the US and several emerging markets has heightened concerns that the global economic recovery may be slowing;
- 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; and
- A surge in investor risk aversion caused a sell-off in risk assets, such as equities and commodities, as investors moved to "safe-haven" assets such as government bonds and the US dollar.

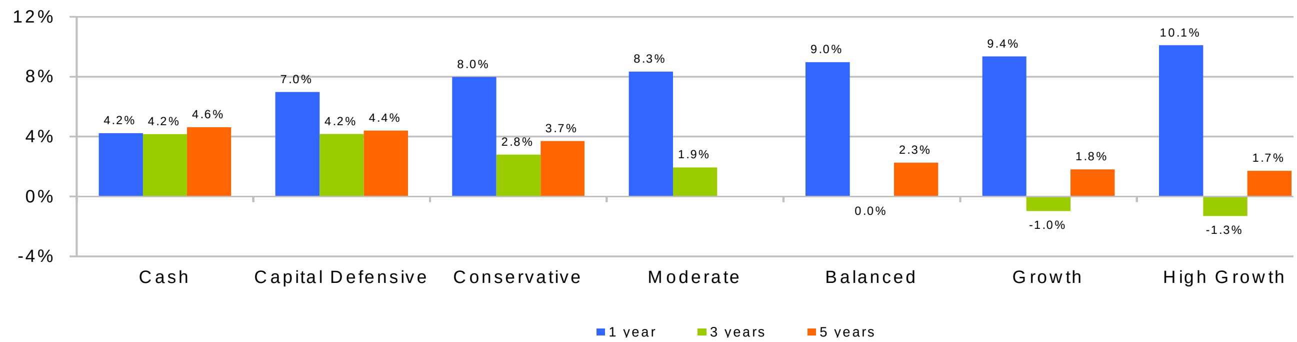
The table and chart below shows Funds SA's multi-sector taxable product returns based on the post tax unit prices in the SLA.

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

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.
Cash	0.3	1.1	3.9	4.2	4.2	4.6
Capital Defensive	0.6	1.9	6.0	7.0	4.2	4.4
Conservative	0.4	1.5	7.7	8.0	2.8	3.7
Moderate	0.1	0.8	8.8	8.3	1.9	n.a.
Balanced	-0.1	0.7	9.8	9.0	0.0	2.3
Growth	-0.3	0.4	10.4	9.4	-1.0	1.8
High Growth	-0.6	-0.1	11.6	10.1	-1.3	1.7

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 May 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

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 May 2011	1 month %	3 months %	FYTD %	1 Year %	3 Years % pa	5 Years % pa
Cash and fixed income						
Cash	0.4	1.2	4.6	5.0	4.9	5.6
Australian Fixed Interest	1.3	2.5	5.0	6.4	8.0	6.4
Australian Inflation-Linked	1.8	4.0	7.9	9.8	4.8	5.0
Global Fixed Interest (1)	2.6	4.3	8.0	9.4	9.8	8.6
Global Inflation-Linked(1)	1.3	4.6	10.5	11.6	8.5	8.5
Property (2)						
Australian Listed Property	0.0	-1.7	6.7	5.6	-13.0	-9.1
Global Listed Property	1.3	2.9	30.2	26.3	-2.0	0.5
Equities(2)						
Australian Equities	-2.0	-1.7	14.2	11.1	-1.7	3.2
Global Equities	-1.3	-0.3	23.8	18.6	-2.3	0.9
US Equities	-1.1	1.8	32.9	25.9	0.9	3.3
Japanese Equities	-1.6	-11.0	1.8	-2.8	-14.7	-10.4
Asia (ex Japan) Equities	-0.8	6.6	21.0	23.4	4.1	11.4
European Equities	-1.4	-0.1	19.1	16.2	-2.0	1.1
Global Small Companies	-1.1	2.1	32.0	26.0	1.9	3.1
Emerging Market Equities	-1.6	3.5	19.3	19.0	1.8	10.7
Currency (3)						
Australian Dollar vs MSCI Currency Basket	-1.9	3.4	18.3	17.8	3.3	5.7
Australian Dollar vs USD	-2.6	4.6	26.2	27.0	3.8	7.2

(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 May 2011 are summarised below.

Equity Markets

Global equity markets suffered in May, as investors grew increasingly concerned about the strength of the global economic recovery, driven by a series of weak economic data releases in the US and evidence of slowing growth in China. The re-emergence of European sovereign debt concerns also weighed on markets, triggering investors to reduce their exposure to risky assets, with equity markets selling off accordingly. Against this backdrop, the MSCI World Index of developed equity markets finished the month 1.3% lower.

In the US, a further softening in the economic data released this month and the announcement of several weaker-than-expected corporate earnings results weighed heavily on the market. In addition, uncertainty surrounding the resolution of the looming US government debt ceiling and nervousness in relation to the approaching end of the Federal Reserve's latest round of monetary policy easing were also a drag on sentiment. Nevertheless, US equities were again among the better performing markets, finishing the month 1.1% lower.

Elsewhere, European markets were heavily influenced by the weak lead from the US, in addition to growing concerns over the possibility of a sovereign default in the Eurozone following several sovereign credit rating downgrades and a lack of resolution among regulators over a possible bailout plan. Emerging markets also sold off in May, with these markets suffering from the twin concerns of rising inflation and slowing economic growth.

Locally, the equity market posted a loss of 2%, marginally underperforming other developed markets, with offshore themes again the dominant driver of performance. In particular, weak US and Chinese economic data, and the resultant sharp fall in commodity prices, saw resource stocks finish the month lower. The financial sector also represented a significant drag on the market, due to slowing domestic mortgage growth and concerns over the impact of the European sovereign debt crisis. Consistent with the sharp rise in investor risk aversion, those sectors perceived by the market to be more defensive, such as consumer staples, utilities, and telecommunications, performed the best.

Debt Markets

Global bond markets rallied strongly this month, with government bond yields falling sharply across all major markets. These moves were driven by the broad-based slowdown in economic growth indicators around the world and rising sovereign debt concerns in Europe, both of which weighed heavily on market sentiment with investors selling risk assets in favour of "safe-haven" government bonds. This environment was highly constructive for government bonds, with most markets posting strong monthly returns.

Despite the general weakening of investor sentiment toward risk assets, and the resultant widening in risk premiums demanded in these markets, most non-government debt sectors still managed to post positive returns as the impact of falling government bond yields more than offset losses from risk premiums widening. Against this backdrop, global investment-grade (+1.4%), global high yield (+0.9%) and emerging market debt (+1.2%) all performed solidly.

Currency

In a reversal of the trend of recent months, the US dollar strengthened against most major currencies in May, driven higher by its status as a safe-haven following the re-emergence of European sovereign debt concerns and a scaling back of global growth expectations. Not surprisingly given the macro themes, the Euro was among the worst performing currencies this month, falling amid fears of further contagion within the Eurozone. Against this backdrop, the Australian dollar came under pressure reflecting falling commodity prices and global growth concerns, finishing the month 2.6% lower against the US dollar and 1.9% lower against the broader MSCI Currency Basket.

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