Performance Summary July 2016

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

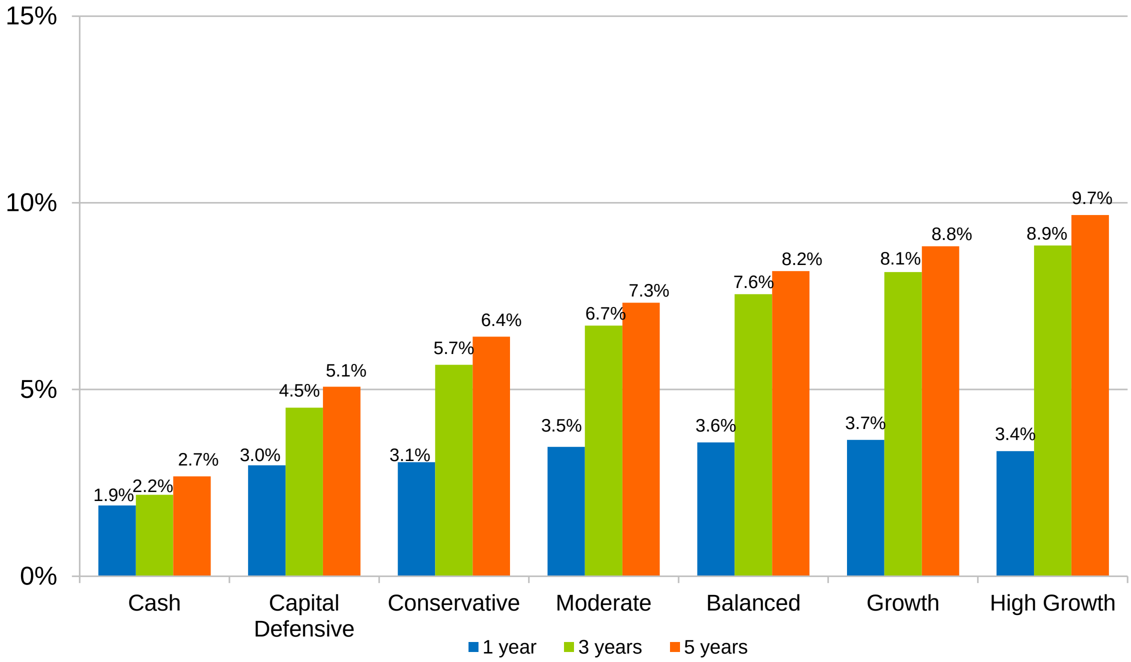
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 July 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	0.2	1.9	2.2	2.7	3.0	3.6
Capital Defensive	1.1	2.2	1.1	3.0	4.5	5.1	5.8	4.8
Conservative	1.7	2.8	1.7	3.1	5.7	6.4	6.9	5.0
Moderate	2.0	3.3	2.0	3.5	6.7	7.3	7.4	5.1
Balanced	2.4	3.8	2.4	3.6	7.5	8.2	8.0	5.0
Growth	2.6	4.0	2.6	3.7	8.2	8.8	8.5	5.1
High Growth	3.0	4.3	3.0	3.4	8.9	9.7	9.1	5.2

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 July 2016



Key drivers of performance during July 2016 included:

- The prospect of further stimulus measures being announced by major central banks following the UK's decision in late June to leave the European Union.
- Improving investor sentiment which produced a strong rebound in risk assets, such as listed equities.
- Strong global demand for higher yielding assets, which drove strong returns in non-government bonds and listed property markets.

This environment proved supportive for all portfolios, with those that hold relatively larger amounts of equites performing the best.

Asset Allocation

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

Table 2: Targeted asset allocation for the 2016-2017 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 31 July 2016

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.5	0.2	2.2	2.5	3.0
Australian Government	0.9	4.1	0.9	7.3	6.3	6.3
Australian Inflation-Linked	2.2	4.7	2.2	5.3	7.4	7.2
Global Treasuries(1)	0.4	3.5	0.4	9.7	8.0	7.9
Global Inflation-Linked(1)	1.2	6.1	1.2	8.9	7.5	7.0
Credit						
Global Credit(1),(2)	1.6	3.8	1.6	9.1	7.6	7.9
Global High Yield(1)	2.6	4.6	2.6	8.7	7.7	9.6
Emerging Market Debt(4)	1.6	5.0	1.6	11.6	6.7	6.2
Property						
Australian Listed Property	5.4	12.0	5.4	24.2	20.9	20.9
Equities(3)						
Australian Equities	6.4	7.0	6.4	2.9	8.1	9.4
Global Equities	4.1	4.6	4.1	-1.1	8.5	10.3
US Equities	3.7	5.8	3.7	5.6	11.2	13.4
European Equities	4.0	3.7	4.0	-6.2	6.0	7.4
Japanese Equities	6.2	-1.4	6.2	-19.3	7.1	11.6
Asia (ex Japan) Equities	4.1	6.1	4.1	-1.5	4.5	2.9
Emerging Market Equities	4.3	5.2	4.3	1.0	5.0	3.4
Global Small Companies	5.3	5.4	5.3	0.3	9.3	11.0
Currency (5)						
Australian Dollar vs Developed Market Basket	1.8	0.7	1.8	3.1	-3.8	-5.3

(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 July 2016 are summarised below.

Equity Markets

Global equity markets staged an impressive rebound in July as investor fears receded somewhat following the surprise referendum result on 23 June, in which the UK voted to leave the European Union. Following the referendum result, it became increasingly likely that a number of the world's central banks would announce further stimulus measures, or in the case of the US Federal Reserve, be forced to adopt a slower pace of future interest rate rises than initially expected.

The prospect of further easing of financial conditions provided a boost to investor sentiment, and produced a strong rebound in all major equity markets. From a sectoral perspective, those higher yielding segments of the market, such as listed property trusts, performed particularly well amid sustained demand for higher yielding assets. On the other hand, energy companies fared the worst, with falling crude oil prices weighing on that sector.

Debt Markets

Global government bond markets delivered positive returns over the month. Global policy uncertainty, coupled with a muted global growth outlook saw interest rates fall (bond prices rise) in most major markets, while growing expectation of future interest rate cuts by the Reserve Bank of Australia provided the catalyst for strong returns by Australian government bonds.

Non-government debt markets also performed well, as the risk premium that investors demand for holding these assets contracted modestly over the month. While falling crude oil prices weighed on the performance of commodity-linked issuers, the broader market was buoyed by the backdrop of accommodative monetary policy and sustained investor demand for higher yielding assets. This environment was particularly favourable for high yield corporates and emerging market debt.

Currency

Currency markets were relatively muted this month. The Australian dollar gained nearly 2% against the US dollar, following the release of softer-than-expected US economic growth data and increasingly cautious commentary from the US Federal Reserve about the likely timing and pace of future interest rate increases.

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