



Performance Summary June 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.

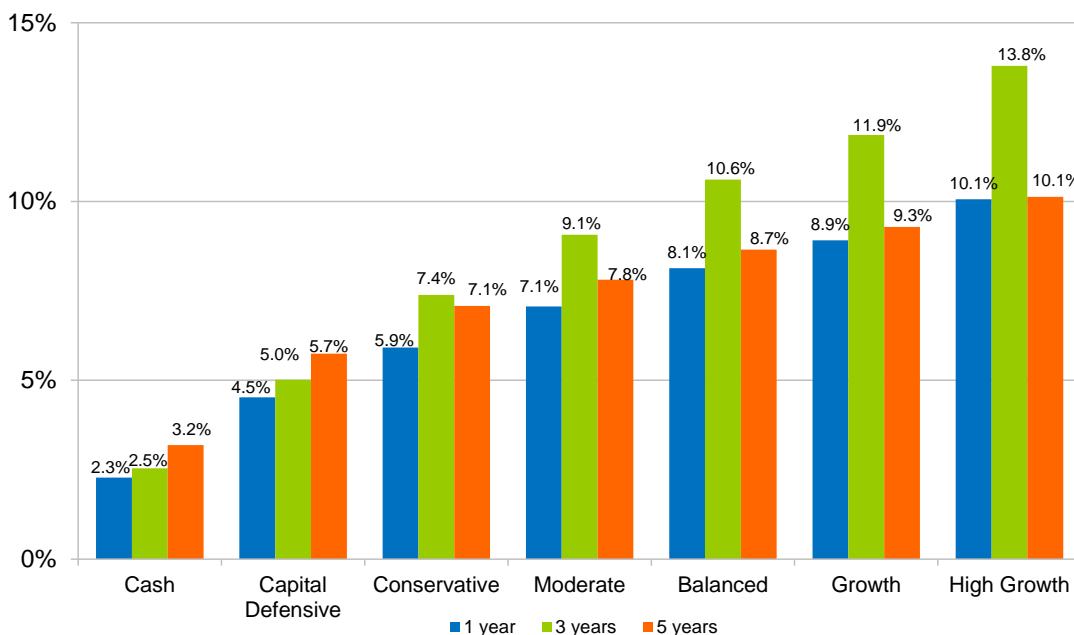
Table 1: Multi-sector fund returns net of fees and tax to 30 June 2015^{1, 2}

	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	2.3	2.3	2.5	3.2	3.4	4.0
Capital Defensive	-0.9	-0.9	4.5	4.5	5.0	5.7	5.3	5.3
Conservative	-1.3	-1.2	5.9	5.9	7.4	7.1	5.6	5.7
Moderate	-1.7	-1.5	7.1	7.1	9.1	7.8	5.6	n.a.
Balanced	-1.9	-1.7	8.1	8.1	10.6	8.7	5.4	6.0
Growth	-2.0	-1.6	8.9	8.9	11.9	9.3	5.5	6.2
High Growth	-2.3	-1.7	10.1	10.1	13.8	10.1	5.7	6.5

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 30 June 2015



Key drivers of performance during June 2015 included:

- Lack of agreement between Greece and its European creditors over a deal to extend the current bailout program dampened investor sentiment, causing a rise in market volatility and losses in risk assets such as listed equities.
- Chinese policymakers were hampered in their struggle with a weakening economy by a highly volatile, and falling, stock market.
- Higher government bond yields in all major markets drove negative returns in government and non-government debt markets alike.
- A fall in commodity prices placed further downward price pressure on commodity-related corporate sectors and emerging market assets.

Asset Allocation

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

Table 2: Targeted asset allocation for the 2014-2015 financial year

	Cash	Capital	Conservative	Moderate	Balanced	Growth	High
	%	Defensive	%	%	%	%	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 30 June 2015

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.6	2.6	2.6	2.9	3.6
Australian Government	-1.1	-2.7	5.8	5.8	3.7	5.9
Australian Inflation-Linked	-1.7	-4.1	6.7	6.7	4.9	8.1
Global Treasuries ⁽¹⁾	-1.0	-1.9	6.3	6.3	6.0	7.1
Global Inflation-Linked ⁽¹⁾	-1.5	-2.0	6.0	6.0	4.4	7.7
Credit						
Global Credit ^{(1),(2)}	-1.5	-2.0	4.4	4.4	6.6	8.2
Global High Yield ⁽¹⁾	-1.3	1.0	2.1	2.1	10.2	12.1
Emerging Market Debt ⁽⁴⁾	-1.7	-0.3	-1.6	-1.6	3.4	6.5
Property						
Australian Listed Property	-4.0	-2.3	20.2	20.2	18.3	14.2
Equities⁽³⁾						
Australian Equities	-5.3	-6.5	5.6	5.6	14.7	9.5
Global Equities	-2.9	-0.7	8.4	8.4	17.0	13.8
US Equities	-1.9	0.3	7.4	7.4	17.3	17.3
European Equities	-5.0	-3.9	7.0	7.0	15.2	10.4
Japanese Equities	-2.7	5.7	32.1	32.1	31.2	16.4
Asia (ex Japan) Equities	-3.4	0.7	8.6	8.6	10.8	7.8
Emerging Market Equities	-2.2	0.8	6.6	6.6	9.0	7.3
Global Small Companies	-1.6	0.9	9.6	9.6	20.0	15.9
Currency⁽⁵⁾						
Australian Dollar vs Developed Market Basket	0.1	0.2	-12.9	-12.9	-7.0	-1.3

(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 markets performance during June 2015 are summarised below.

Equity Markets

Global equity markets struggled in June, as Europe returned to centre stage with Greece and its creditors ultimately failing to agree to a deal to extend the current bailout program, which expired at month end. Equity markets sold off sharply in the final days of the month as negotiations around additional reforms to spending, tax, and pensions stalled, and it became apparent that Greece would miss a payment to the International Monetary Fund due at the end of the month. This resulted in a closure of the Greek banking system, after the ECB ruled out providing additional emergency liquidity support, and prompted the Greek government to call a referendum for 5 July for the Greek people to vote on whether the country should accept the most recently proposed reform package.

While the outcome of the referendum (at the time of writing it is now known that the Greek people have voted to reject the proposed reform package) does suggest a high degree of uncertainty in ensuing weeks, the ultimate resolution of Greece's debt woes remains substantially more important to Greece and the Greek people than it does to other countries in the Eurozone. Commentators are suggesting, and indeed current market pricing is reflective of this, that unlike during the 2010-2012 European debt crisis, the risk of contagion to other markets is substantially lower this time around. This is because the Greek debt is now predominantly held by the public sector (European Central Bank, International Monetary Fund, and European Union) rather than by the private sector (e.g. European banks), and because the European Central Bank has at its disposal a much broader range of policy tools that can be used to contain any contagion that does occur, than was the case in 2012.

Nevertheless, the fallout from the Greek saga has been wide ranging and did trigger market volatility to more sharply higher in June, although European equity markets perhaps unsurprisingly did underperform other markets. US equities performed relatively well, although still finished the month lower, on the back of positive economic data, with stronger labour market and manufacturing indicators providing some support to equity markets.

Developments in China were another focus for markets in June, as policymakers continue to struggle with a weakening economy, hampered by a declining growth rate, rising non-performing loans, and a highly volatile stock market. The Shanghai Composite lost over 17% from its mid-month peak (although this peak did represent a doubling in value over the past year), with large intraday moves. Policymakers announced more stimulus measures during the month, aimed at supporting the equity market and lifting economic growth back up towards the official target. However, this was insufficient to prevent Chinese equities from being one of the worst performing markets this month.

The Australian equity market fell by more than 5% in June and for the second consecutive month, underperformed most of its global peers. Offshore themes were again the major driver of returns, with concerns over the strength of the Chinese economy, and the resultant lower commodity prices, a significant headwind for the local resource-heavy index.

Debt Markets

Volatility in global debt markets picked up considerably in June, with the main driver being the near-daily developments in the difficult negotiations between Greece and its European creditors over how to deal with Greece's debt and bailout program. Government bond yields in most markets rose sharply at the start of the month upon the release of stronger than expected US economic data, before much of this was later reversed when it became apparent that Greece would miss a payment to the International Monetary Fund due at the end of the month. However, with yields ultimately finishing the month higher in most major markets, government bonds delivered a negative return for the month.

Non-government debt markets also posted negative returns in June. In addition to the headwind of rising government bonds yields, these markets were also adversely impacted by a modest widening of the risk premium demanded for holding these securities on the back of developments in Greece and to a lesser extent the weakness in the Chinese economy and equity market.

Currency

Currency market movements were generally more subdued in June than what was experienced in other markets. Most currencies finished the month slightly higher against the US dollar following relatively dovish commentary from the US Federal Reserve which saw investors push back their expectations as to the timing of future interest rate hikes. The Australian dollar had to overcome a further deterioration in iron ore prices and growing concerns around the Chinese economy in posting a small gain, assisted by improved domestic economic news flow, including better-than-expected economic growth and employment data.

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