Performance Summary June 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

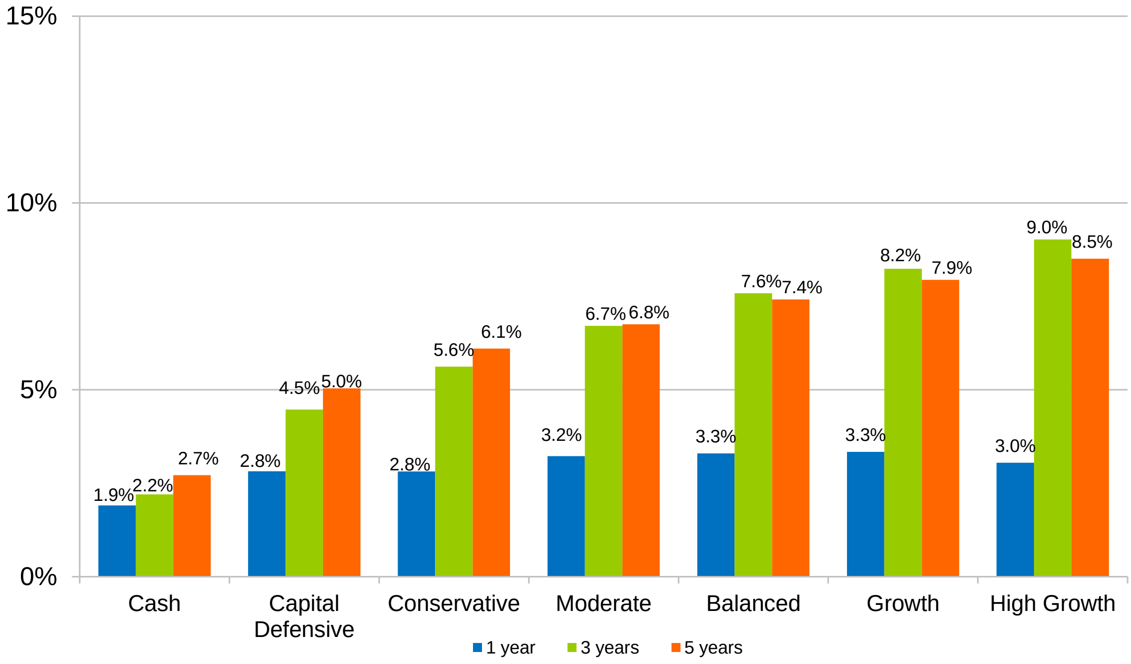
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 June 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	1.9	1.9	2.2	2.7	3.0	3.7
Capital Defensive	0.4	1.6	2.8	2.8	4.5	5.0	5.9	4.7
Conservative	0.1	1.9	2.8	2.8	5.6	6.1	7.0	4.8
Moderate	0.0	2.3	3.2	3.2	6.7	6.8	7.5	4.8
Balanced	-0.3	2.5	3.3	3.3	7.6	7.4	8.2	4.7
Growth	-0.5	2.7	3.4	3.4	8.3	8.0	8.7	4.7
High Growth	-0.9	2.9	3.1	3.1	9.0	8.5	9.2	4.8

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 2016



Key drivers of performance during June 2016 included:

- A surprise vote by the UK public to leave the European Union sparked a wave of negative sentiment which drove equity, bond and currency markets alike.
- A number of economic data releases which continued to highlight a muted global growth environment.

Heightened risk aversion featured heavily in this market environment. The main beneficiary of this were portfolios that held relatively larger amounts of fixed income securities.

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 30 June 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	2.2	2.2	2.5	3.1
Australian Government	1.8	3.3	7.9	7.9	6.2	6.6
Australian Inflation-Linked	0.8	1.2	4.6	4.6	6.7	7.5
Global Treasuries(1)	2.3	3.1	10.8	10.8	8.1	8.1
Global Inflation-Linked(1)	4.2	4.4	9.2	9.2	7.4	7.3
Credit						
Global Credit(1),(2)	1.9	3.3	8.5	8.5	7.5	8.0
Global High Yield(1)	1.3	5.5	6.0	6.0	7.6	9.3
Emerging Market Debt(4)	3.7	5.4	10.3	10.3	6.4	6.2
Property						
Australian Listed Property	3.5	9.2	24.6	24.6	18.5	18.0
Equities(3)						
Australian Equities	-2.4	4.0	0.9	0.9	7.7	7.2
Global Equities	-1.3	1.3	-2.7	-2.7	8.7	8.8
US Equities	0.3	2.5	4.0	4.0	11.7	12.1
European Equities	-2.0	1.2	-5.8	-5.8	6.6	5.6
Japanese Equities	-9.7	-7.4	-22.6	-22.6	4.9	10.0
Asia (ex Japan) Equities	1.6	1.0	-10.0	-10.0	3.8	2.2
Emerging Market Equities	1.7	0.8	-7.3	-7.3	4.1	2.4
Global Small Companies	-2.3	1.6	-4.1	-4.1	9.6	9.2
Currency (5)						
Australian Dollar vs Developed Market Basket	2.8	-2.7	-3.4	-3.4	-5.2	-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 June 2016 are summarised below.

Equity Markets

Global equities posted negative returns in May, and in doing so rounded out a difficult financial year. While investors continued to be aware of the prevailing low economic growth environment, it was the surprise referendum result on 23 June, in which the UK voted to leave the European Union (so-called ‘Brexit’) that sparked a wave of risk-off sentiment.

In a decision that surprised markets, the majority of the UK public voted to sever a more than forty year relationship with mainland Europe. Investors reacted to the uncertainty of exactly what the new paradigm would look like, with the potential economic implications of the vote influencing sentiment. While the prospect of a central bank response to the heightened geopolitical uncertainty acted to calm markets somewhat, the prospect of further political instability in the UK and Europe continues to weigh on investor sentiment.

Equity markets fell sharply on news of the vote, particularly those with a more apparent link to European trade and financial flows. Amongst the hardest hit were banking and insurance stocks, particularly in mainland Europe. Paradoxically, UK equities were amongst the strongest performers over the month, as a sharp depreciation in the British pound raised the prospect of an improved competitive position for UK exporters.

Debt Markets

Global government bond markets delivered strong returns over the month. The surprise UK referendum result sent a wave of risk aversion through markets, which saw increased investor demand for safe haven assets. Government bonds were a clear beneficiary of this thematic, with bond yields falling in all major markets. Non-government debt markets (corporate bonds and emerging market debt) also benefitted from the fall in underlying government bond yields, posting strong returns in an environment where the risk premium that investors demand for holding these assets was largely unchanged.

Currency

Currency markets reacted strongly to the decision by the UK to leave the European Union. While most major currencies traded in narrow band for much of the month, the announcement of the referendum result provided a catalyst for significant volatility. European currencies, particularly the British pound and the euro, sold off strongly against all major currencies. The major beneficiaries of these flows were the US dollar and Japanese yen, both of which rallied on the back of their status as perceived safe haven assets. The Australian dollar also rose modestly.

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