Performance Summary March 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

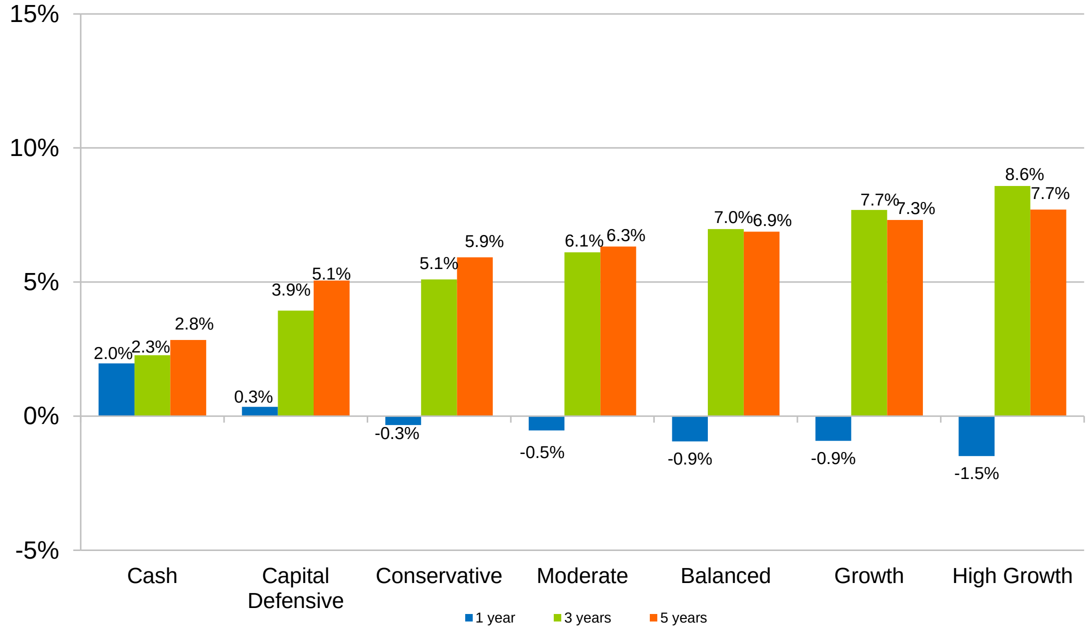
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 March 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	1.4	2.0	2.3	2.8	3.0	3.7
Capital Defensive	0.8	0.7	1.2	0.3	3.9	5.1	5.9	4.6
Conservative	1.3	0.5	0.9	-0.3	5.1	5.9	7.2	4.6
Moderate	1.7	0.4	1.0	-0.5	6.1	6.3	7.9	n.a.
Balanced	2.1	0.1	0.7	-0.9	7.0	6.9	8.7	4.3
Growth	2.3	-0.1	0.7	-0.9	7.7	7.3	9.3	4.3
High Growth	2.7	-0.6	0.2	-1.5	8.6	7.7	10.0	4.3

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 March 2016



Key drivers of performance during March 2016 included:

- The global monetary policy environment remained accommodative, with key policy announcements from the US Federal Reserve, European Central Bank and People's Bank of China.
- A recovery in commodity prices provided the basis for strong performance in commodity-related corporate sectors and emerging market assets.
- Economic data releases were encouraging, with fears of a global recession receding as a result.

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 31 March 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	1.7	2.2	2.6	3.2
Australian Government	-0.4	2.3	4.4	1.6	5.0	6.4
Australian Inflation-Linked	0.4	1.8	3.3	-1.0	5.0	7.9
Global Treasuries(1)	0.7	4.3	7.5	5.4	6.6	8.0
Global Inflation-Linked(1)	1.6	4.5	4.6	2.5	3.6	7.3
Credit						
Global Credit(1),(2)	2.0	3.6	5.1	2.9	5.6	8.0
Global High Yield(1)	4.1	3.6	0.5	1.5	5.3	8.7
Emerging Market Debt(4)	3.3	5.2	4.7	4.4	2.4	6.0
Property						
Australian Listed Property	2.5	6.4	14.1	11.4	16.3	15.8
Equities(3)						
Australian Equities	4.8	-2.6	-3.0	-9.3	5.3	5.4
Global Equities	5.3	-2.0	-3.9	-4.6	8.9	8.4
US Equities	6.8	1.3	1.5	1.8	11.8	11.6
European Equities	1.9	-4.9	-7.0	-10.6	5.9	5.4
Japanese Equities	4.5	-12.4	-16.4	-11.6	11.2	11.2
Asia (ex Japan) Equities	8.0	0.2	-10.9	-10.3	2.2	1.7
Emerging Market Equities	8.4	2.8	-8.1	-7.4	2.3	1.7
Global Small Companies	6.8	-1.4	-5.6	-4.7	9.5	8.6
Currency (5)						
Australian Dollar vs Developed Market Basket	5.9	3.6	-0.7	-0.5	-8.2	-4.3

(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 March 2016 are summarised below.

Equity Markets

Global equity markets posted strong gains in March. Accommodative policy measures coupled with an ongoing rebound in commodity prices provided support for equity markets, while economic data releases provided further encouragement. Against this backdrop, most risk assets performed strongly, a result driven in large part by emerging markets and commodity-linked sectors, both of which meaningfully outperformed.

Global monetary policy remained accommodative, with several key policy announcements occurring over the month. In China, bank reserve ratios were cut by 0.5%, while in Europe, the European Central Bank announced several key policy measures including further cuts to interest rates and an expansion in both the size and scope of its unconventional policy measures. The US Federal Reserve also met this month, and while they did not announce any changes to monetary policy, a survey of Fed members suggested a likely slower pace of future interest rate increases than was previously communicated.

A rebound in commodity prices provided a supportive environment for risk assets. After reaching multi-year lows in February, strong performance from iron ore and oil provided a tailwind for emerging markets and commodity-linked segments of the equity market. This effect was most prevalent in oil which rose more than 10% as supply cuts by several major producers began to have their desired effect. Iron ore also enjoyed a meaningful rally amidst a rebound in Chinese steel prices and a fall in inventories.

Broadly positive economic data added to positive investor sentiment. Encouraging labour market and business confidence data in the US and Europe provided signs that supportive policy measures are beginning to have their desired effect, while in Australia, Q4 economic growth and February retail sales both exceeded market expectations. On the other hand, Asian data was broadly softer, with the Japanese economy contracting in the December quarter and indications that Chinese manufacturing is continuing to contract.

Debt Markets

Global government bond markets posted modest positive returns in March, with bond yields ending the month little changed in most major markets. While renewed investor optimism and the release of better-than-expected economic data placed upward pressure on yields (downward pressure on prices), a series of accommodative policy announcements later in the month saw a retracement of earlier losses. Inflation-linked bonds materially outperformed nominal bonds this month, as a recovery in commodity prices saw a meaningful increase in investors' expectations of future inflation.

Non-government debt markets moved in unison with other risk assets, staging a meaningful recovery over the month. The risk premium that investors demand for holding corporate bonds and emerging market debt contracted sharply during the month, as fears of a global recession receded and concerns around the viability of commodity-linked issuers subsided with crude oil prices rising off of multi-year lows.

Currency

Currency markets performed in a similar fashion to risk assets, with money flowing into commodity-linked currencies. The Australian dollar was a major beneficiary from this thematic, finishing the month more than 7% higher against the US dollar. Likewise, emerging market currencies also staged a recovery, with particularly strong performance from the Brazilian real and Russian ruble. The US dollar was broadly weaker against all major currencies, as the Federal Reserve reiterated a more cautious approach to policy normalisation than has been previously communicated.

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