Performance Summary May 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

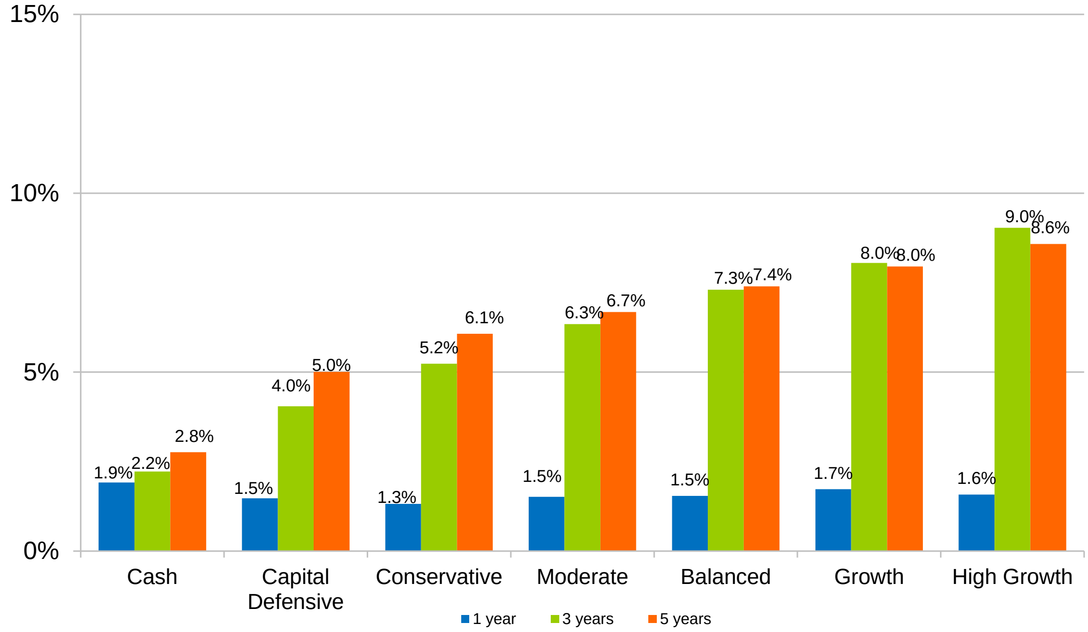
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 May 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	1.8	1.9	2.2	2.8	3.0	3.7
Capital Defensive	0.7	2.0	2.4	1.5	4.0	5.0	6.0	4.7
Conservative	1.0	3.1	2.7	1.3	5.2	6.1	7.2	4.9
Moderate	1.3	4.0	3.2	1.5	6.3	6.7	7.7	n.a.
Balanced	1.6	4.9	3.6	1.5	7.3	7.4	8.5	4.8
Growth	1.8	5.6	3.9	1.8	8.1	8.0	9.0	4.9
High Growth	2.1	6.6	4.1	1.6	9.1	8.6	9.6	5.0

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 May 2016



Key drivers of performance during May 2016 included:

- A number of economic data releases which continued to highlight a muted global growth environment.
- Policy uncertainty which reverberated through markets as investors contemplated the likely timing of the next interest rate increase in the US.
- An interest rate cut by the Reserve Bank of Australia which spurred strong performance in interest rate sensitive corporate sectors and government bond markets.

This environment proved supportive for portfolios that hold relatively larger amounts of equites and Australian government bonds.

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 May 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	2.1	2.3	2.5	3.1
Australian Government	1.4	1.1	6.0	4.8	5.2	6.3
Australian Inflation-Linked	1.6	0.8	3.7	2.0	5.0	7.3
Global Treasuries(1)	0.7	1.4	8.3	7.2	6.9	7.7
Global Inflation-Linked(1)	0.6	1.8	4.9	3.3	4.5	6.6
Credit						
Global Credit(1),(2)	0.3	3.3	6.5	4.9	5.9	7.6
Global High Yield(1)	0.7	8.4	4.6	3.3	6.1	9.0
Emerging Market Debt(4)	-0.3	5.0	6.3	4.5	3.4	5.7
Property						
Australian Listed Property	2.7	8.1	20.3	15.6	16.7	17.0
Equities(3)						
Australian Equities	3.1	11.7	3.4	-2.1	7.7	7.3
Global Equities	1.8	8.0	-1.4	-4.3	8.3	8.7
US Equities	1.8	9.1	3.7	1.7	11.1	11.7
European Equities	1.8	5.3	-3.9	-8.7	5.5	5.7
Japanese Equities	2.8	7.1	-14.3	-16.6	8.6	12.5
Asia (ex Japan) Equities	0.3	7.4	-11.4	-14.4	1.5	1.3
Emerging Market Equities	-0.8	7.4	-8.9	-10.9	1.7	1.7
Global Small Companies	2.4	11.0	-1.9	-3.4	9.6	9.3
Currency (5)						
Australian Dollar vs Developed Market Basket	-3.8	0.2	-6.0	-5.9	-7.6	-5.7

(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 May 2016 are summarised below.

Equity Markets

Global equity markets posted positive returns in May, and in doing so, recovered all of the ground they had lost so far in 2016. In what was a volatile month, investors grappled with a weak global growth environment and heightened policy uncertainty. Australian equities outperformed their global peers as an interest rate cut by the Reserve Bank of Australia, offset some of the negative sentiment associated with mixed economic indicators.

A number of economic data releases continued to highlight a muted global growth environment. In the US, inflation and retail sales managed to exceed the market's low expectations, however jobs growth disappointed, reinforcing the fragile economic outlook. European data was mixed over the month. A rebound in consumer confidence was a positive, but inflation and business conditions both disappointed. Asian data was mixed. Japan showed some signs of improvement as economic growth and household spending exceeded expectations, while China was broadly softer as manufacturing and services sector conditions came in below expectations. Domestic conditions were mixed as the labour market continued to show resilience, while capital expenditure slumped, further highlighting the rebalancing process that is occurring in the economy.

Policy uncertainty reverberated through markets over the month. Investors weighed the timing of the next interest rate increase by the US Federal Reserve, with the minutes of the last meeting indicating it is imminent if the pace of domestic economic improvement continues. In the United Kingdom, the likelihood, and implications of Britain voting to leave the Eurozone continue to be debated as polls showed an almost even split between the 'for' and 'against' camps. Meanwhile, Japanese policy makers surprised markets by delaying planned sales tax increases for 12 months, and in doing so acknowledged underlying economic weakness and the potential for further stimulus.

Australian equities performed strongly as the Reserve Bank of Australia cut interest rates for the first time in 12 months. In announcing its decision, the RBA noted some recent improvement in domestic and global economic conditions =, but were ultimately swayed to cut rates by a muted inflation outlook.

Debt Markets

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

Non-government debt markets were mixed over the month. Falling developed market interest rates, and a modest contraction in the risk premium that investors demand for holding corporate bonds, saw these asset classes perform strongly. Emerging market debt was the notable exception, as this sector reversed some of its previous strength in posting a small negative return for the month.

Currency

Currency markets were influenced by monetary policy over the month. The Australian dollar fell as the Reserve Bank of Australia cut interest rates, while the US dollar rose amid growing expectations that the US Federal Reserve will raise interest rates in coming months. The Japanese Yen fell, reversing some of its recent strength on rumours that the Bank of Japan may soon intervene to weaken the currency further.

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