Performance Summary October 2015

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

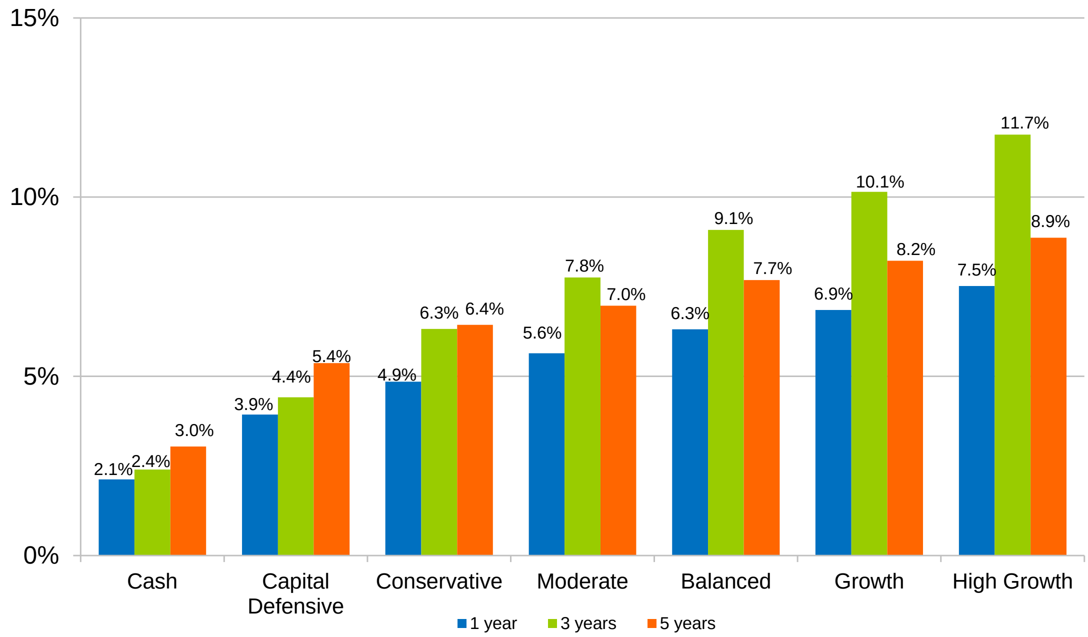
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 October 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	0.6	2.1	2.4	3.0	3.2	3.9
Capital Defensive	1.0	-0.2	0.8	3.9	4.4	5.4	6.1	5.2
Conservative	1.6	-0.7	0.7	4.9	6.3	6.4	7.1	5.5
Moderate	2.0	-0.9	0.8	5.6	7.8	7.0	7.5	n.a.
Balanced	2.5	-1.3	0.8	6.3	9.1	7.7	7.9	5.6
Growth	2.8	-1.4	0.8	6.9	10.1	8.2	8.3	5.8
High Growth	3.4	-1.9	0.8	7.5	11.7	8.9	8.8	6.0

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 October 2015



Key drivers of performance during October 2015 included:

- Global financial markets recovered during the month, with equity and fixed income markets both performing strongly.
- Significant action (and expected action) by global central banks drove risky assets higher, as expectations of further monetary stimulus by the European Central Bank and the Bank of Japan were only surpassed in significance by the announcement of further policy support by the People's Bank of China.
- US corporate earnings season dominated headlines, with most companies reporting muted earnings and revenue growth reflecting the impact of lower commodity prices and a higher US dollar.

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	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 31 October 2015

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.5	0.7	2.4	2.7	3.5
Australian Government	0.3	1.3	2.8	6.4	4.4	6.3
Australian Inflation-Linked	0.2	0.6	2.1	7.2	4.4	8.1
Global Treasuries[1]	0.4	1.4	2.9	6.1	6.0	7.0
Global Inflation-Linked[1]	0.5	-0.6	1.0	4.3	3.9	6.9
Credit						
Global Credit[1],[2]	0.8	0.6	1.7	3.7	5.2	7.4
Global High Yield[1]	3.3	-0.1	-0.1	2.2	7.3	9.6
Emerging Market Debt[4]	3.2	0.6	1.1	-0.5	1.3	4.7
Property						
Australian Listed Property	4.9	0.4	6.1	18.2	16.0	14.8
Equities[3]						
Australian Equities	4.4	-6.4	-2.3	-0.5	9.6	6.8
Global Equities	7.9	-2.9	-0.5	5.8	14.9	11.1
US Equities	8.4	-0.6	1.5	5.2	16.2	14.3
European Equities	7.3	-4.5	-0.2	8.7	12.3	7.8
Japanese Equities	10.8	-5.5	-3.8	19.2	30.7	16.1
Asia (ex Japan) Equities	6.5	-3.7	-8.4	-2.6	5.4	3.1
Emerging Market Equities	5.4	-3.0	-7.2	-3.1	4.4	2.7
Global Small Companies	5.5	-4.1	-3.5	7.5	16.5	12.2
Currency [5]						
Australian Dollar vs Developed Market Basket	1.8	-2.3	-6.8	-15.9	-9.4	-4.7

(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 markets performance during October 2015 are summarised below.

Equity Markets

Global equity markets performed strongly in October, continuing a trend that began in late September. This strong result came in spite of the heightened level of concern surrounding the strength of global economic growth, and a lacklustre start of the US corporate reporting season.

Developed market equities outperformed emerging markets, with European and Japanese equities the strongest performers. Both markets were bolstered by modest improvements in economic conditions in those regions, and the possibility of more monetary stimulus from the European Central Bank and the Bank of Japan, respectively. US equity markets also pushed ahead during October, despite an increasingly hawkish stance from the Federal Reserve who decided to keep interest rates on hold at their October meeting but flagged the possibility of a long-awaited rate hike at their December meeting.

Emerging market equities also performed strongly, although there was significant divergence at an individual country level. After being one of the weakest performing markets over the past four months, the Chinese stock market performed strongly in October as the People's Bank of China made further cuts to interest rates and bank reserve ratios. The fortunes of China were in stark contrast to those of Brazil, which underperformed its emerging market peers as the country continues to struggle in rebalancing away from a reliance on commodities.

Another major theme driving performance during October was US corporate earnings season. Thus far, three quarters of major US companies have reported, with large segments of the market reporting zero to negative earnings growth, and the majority of the market cautioning against a weaker outlook. The biggest driver of this lacklustre performance unsurprisingly came from commodity-linked sectors following recent falls in the price of oil and other commodities. Another common influence was US dollar strength which has seen companies with substantial global exposure reporting lower earnings growth than their less globally-linked peers.

Australian equity markets performed strongly despite the release of domestic economic data that was, on-balance, softer-than-expected. Within Australian equities, the best performer was the embattled energy sector, which outperformed amidst a stabilisation in the oil price and a flurry of corporate merger and restructuring activity.

Debt Markets

October was a relatively quiet month for government bond markets, with yields trading in a relatively tight range for much of the month. Most major markets moved in unison this month, trending higher over the first half of the month on the release of weaker-than-expected economic data, before selling off later in the month, following the US Federal Reserve's suggestion that a December interest rate hike may be possible.

Mirroring the trend observed in other risky assets such as equities, non-government debt markets staged a modest recovery after a tumultuous third quarter. The strongest gains were recorded by those parts of the market that struggled the most in the third quarter. Importantly this included global high yield corporate bonds which benefited from a stabilisation in the oil price and an easing of global growth concerns. Emerging market assets also broadly rallied on stabilising Chinese economic data and additional Chinese monetary stimulus.

Currency

Currency market movements this month were a little more subdued from a volatility perspective than in recent times, which benefitted the Australian dollar. The Australian dollar was broadly stronger against all major currencies, benefitting from the announcement of Chinese monetary stimulus, a stabilisation in commodity prices, and fading concerns around global economic growth prospects.

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