

Performance Summary



SA Metropolitan Fire Service Super Scheme – Members
December 2023

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 investment options offered under the Scheme.

Performance

The table and chart below show Funds SA's Taxable investment option returns based on the post-tax unit pricing model.

Table 1: Taxable investment option returns to 31 December 2023

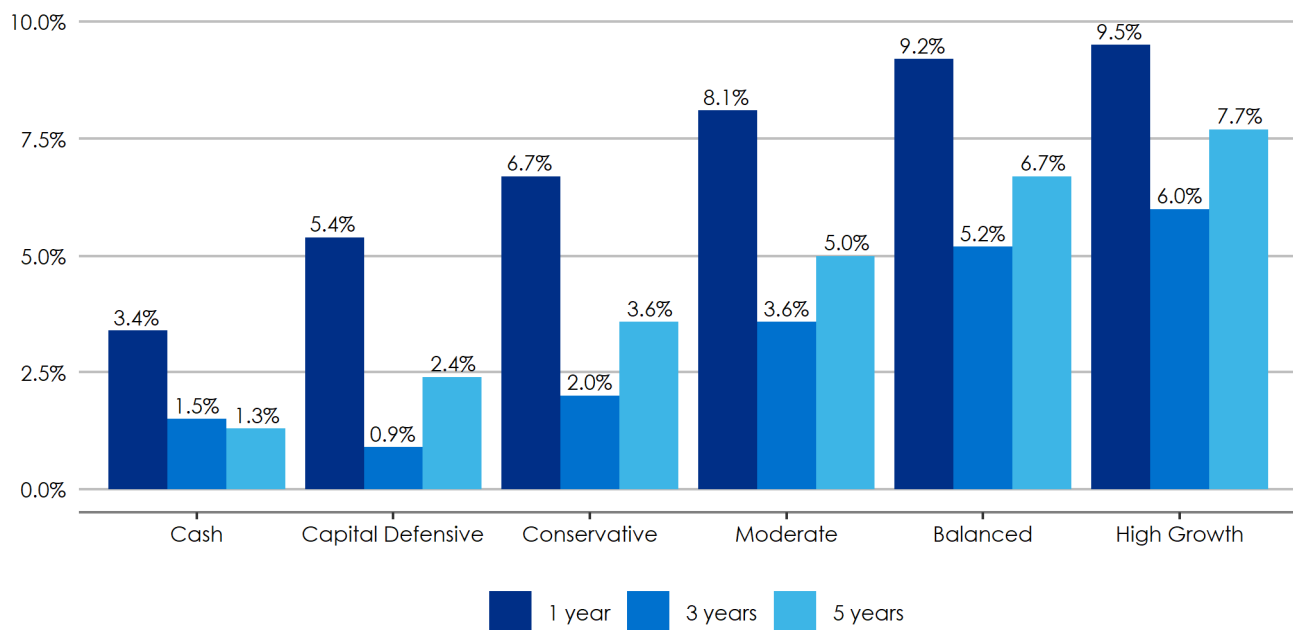
Returns are net of fees and tax

Investment option	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.3	0.9	1.9	3.4	1.5	1.3	1.4	1.6
Capital Defensive	1.7	2.8	3.0	5.4	0.9	2.4	2.6	3.0
Conservative	2.0	3.3	3.2	6.7	2.0	3.6	3.7	4.1
Moderate	2.5	3.9	3.3	8.1	3.6	5.0	4.9	5.2
Balanced	2.8	4.1	3.4	9.2	5.2	6.7	6.2	6.4
High Growth	2.7	4.1	3.2	9.5	6.0	7.7	7.3	7.5

Note: The Taxable investment options were established in March 2005, with the exception of the Moderate investment option (established in June 2006).

Chart 1: Taxable investment options annualised returns to 31 December 2023

Returns are net of fees and tax



Key drivers of performance:

- All investment options generated positive returns for the month and finished the calendar year with positive performance.
- For the conservative options, Fixed Interest followed by Australian Equities asset classes were the key contributors to performance. For the growth options, the equities asset classes were the strongest contributors for the month.
- The equities and Fixed Interest asset classes benefited from economic data supporting expectations for an economic slowdown rather than recession, and US Federal Reserve comments indicating interest rates may be cut during 2024.
- Bond yields fell sharply, and credit spreads tightened during the month leading to positive performance across the Fixed Interest asset classes.
- Within Australian Equities, the Materials sector rose on the back of higher iron ore prices. Interest rate sensitive sectors including Australian Real Estate Investment Trusts (A-REITs) and Technology were buoyed by declining bond yields.
- The Property asset class was negative over the month due to lower valuations across the unlisted assets, partially offset by positive performance from AREITs.

Effective asset allocation

The effective asset allocation of the Funds SA Taxable investment options is shown in the table below.

Table 2: Effective asset allocation as at 31 December 2023

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities	0.0	5.3	10.4	18.7	25.6	30.1
International Equities	0.0	5.5	12.1	19.9	25.9	31.5
Private Markets	0.0	1.1	2.1	3.0	5.1	7.1
Property	0.0	5.8	6.6	6.5	8.2	12.9
Infrastructure	0.0	4.5	4.1	3.6	5.2	5.1
Alternatives	0.0	3.8	3.8	2.8	1.9	0.0
Credit	0.0	3.2	7.1	7.2	6.2	7.3
Fixed Interest	0.0	52.0	37.2	25.3	13.4	0.0
Cash	100.0	18.8	16.7	13.1	8.5	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Foreign Currency	0.0	4.5	9.6	15.7	21.1	25.4
Foreign Currency Hedge*	0.0	1.1	2.6	4.3	4.8	6.1

Due to rounding, the sum of the individual numbers within the table may not equal the totals quoted.

* The partial foreign currency hedge is the exposure converted back into Australian Dollars from investing in International Equities to achieve the Foreign Currency strategic allocation.

All other asset classes that have international investments are typically fully currency hedged.

Financial market snapshot

The table below summarises broad financial market performance.

Table 3: Major market index returns to 31 December 2023

Market Index	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities	7.2	8.4	7.5	12.1	9.0	10.3	8.5	7.9
International Equities	1.7	5.0	4.6	21.6	10.2	12.5	11.0	11.0
Australian Unlisted Property	-3.5	-2.9	-4.4	-7.2	3.5	2.7	4.9	7.0
Credit	3.0	5.5	6.3	11.0	0.9	3.1	3.0	4.1
Global Fixed Interest	3.8	5.8	2.9	5.1	-4.8	-0.2	1.1	2.7
Australian Fixed Interest	1.6	2.6	4.0	5.8	0.4	1.6	1.9	2.3
Cash	0.4	1.1	2.1	3.9	1.7	1.4	1.5	1.8
Foreign Currency (AUD v. Developed Markets)	2.1	3.9	1.4	-1.2	-3.9	-1.4	-1.6	-2.0

Note:

Returns hedged to the Australian Dollar: Global Fixed Interest, Credit.

Equity returns are expressed in AUD.

Financial market commentary

The calendar year ended in positive territory, defying much of the pessimistic commentary.

Inflation and interest rate expectations have been the prevailing influence on financial markets and provided a positive effect during December. Similar to November, fixed interest and equity markets experienced very positive returns in December.

Economic data showed inflation continuing to decline in the US, Europe, UK and Australia. Optimism that rates could be cut in 2024 led to sharp bond yield falls, fuelled by the US Federal Reserve minutes projecting the possibility of lower interest rates toward the end of 2024.

Investor confidence in the 'soft landing' scenario continued to improve, whereby inflation returns to target, and economic growth slows without triggering a recession, resulting in positive returns for most equity markets.

In Australian equity markets, the Healthcare, A-REITs, and Technology sectors all performed well. The Materials sector was also strong, underpinned by higher commodity prices, in particular iron ore which reach multi-year highs. The US and European equity markets led the way for international equity markets.

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