Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

November 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 30 November 2023

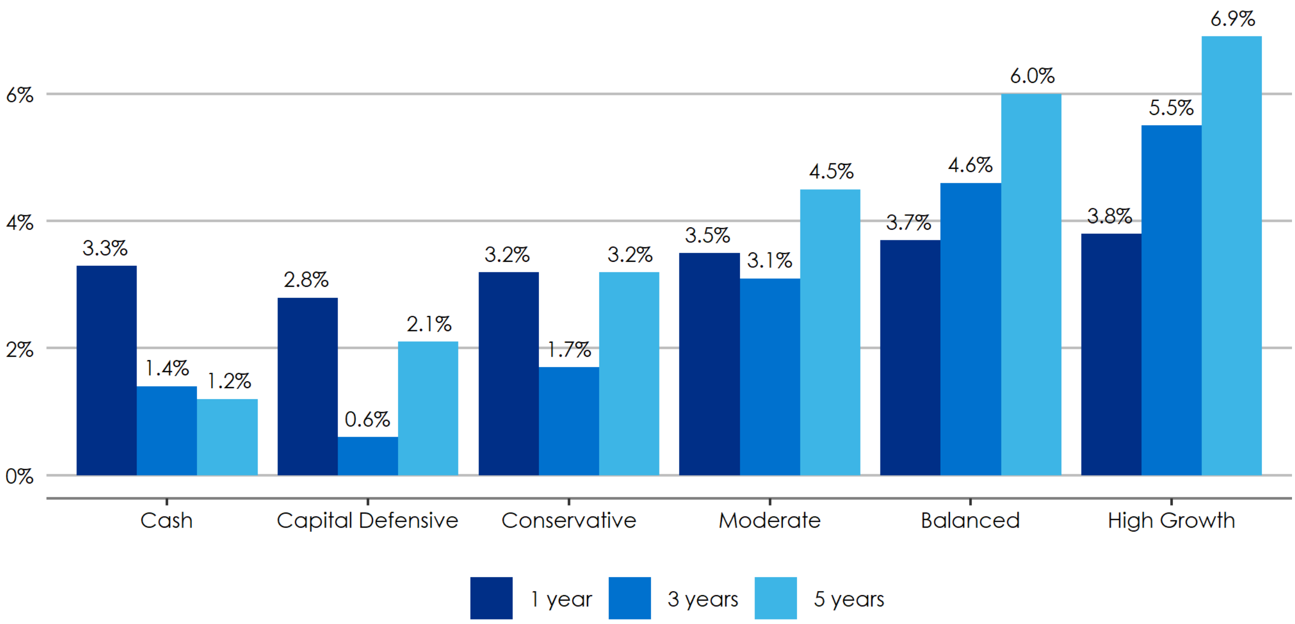
Returns are net of fees and tax

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	1.6	3.3	1.4	1.2	1.3	1.6
Capital Defensive	1.9	0.1	1.3	2.8	0.6	2.1	2.4	2.9
Conservative	2.3	-0.1	1.1	3.2	1.7	3.2	3.6	4.0
Moderate	2.9	-0.6	0.8	3.5	3.1	4.5	4.8	5.1
Balanced	3.2	-1.1	0.6	3.7	4.6	6.0	6.2	6.2
High Growth	3.4	-1.4	0.5	3.8	5.5	6.9	7.3	7.4

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 30 November 2023

Returns are net of fees and tax



Key drivers of performance:

- All diversified investment options had a positive month, retracing the negative returns from October.
- For the conservative investment options, Fixed Interest was a strong contributor, bond prices rose benefiting from falling bond yields.
- Australian and International Equities asset classes provided positive returns for all investment options.
- Bonds and Credit performed very well following lower-than-expected inflation leading to the expectation that central banks may be near the end of the tightening cycle.
- Investor optimism returned producing strong returns in equity markets.

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 30 November 2023

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities	0.0	5.1	10.0	18.0	25.2	29.1
International Equities	0.0	5.8	12.1	19.8	26.2	31.3
Private Markets	0.0	1.1	2.2	3.2	5.5	7.6
Property	0.0	6.0	6.8	6.8	8.6	13.5
Infrastructure	0.0	4.6	4.2	3.7	5.4	5.3
Alternatives	0.0	4.0	3.9	2.8	2.0	0.0
Credit	0.0	3.2	7.2	7.4	6.4	7.2
Fixed Interest	0.0	52.6	37.1	24.9	13.3	0.0
Cash	100.0	17.6	16.5	13.2	7.2	5.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Foreign Currency	**0.0**	**4.6**	**9.3**	**15.7**	**21.4**	**25.3**
Foreign Currency Hedge*	**0.0**	**1.1**	**2.6**	**4.1**	**4.8**	**6.0**

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 30 November 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	5.1	-1.8	0.2	1.1	7.0	8.7	8.1	7.2
International Equities	4.3	-0.8	2.8	13.3	9.5	11.2	11.4	11.2
Australian Unlisted Property	0.1	-1.5	-1.0	-4.3	5.3	3.7	5.8	7.5
Credit	3.3	1.7	3.2	7.9	0.4	2.2	2.8	3.9
Global Fixed Interest	4.1	-0.9	-0.8	-1.9	-6.1	-0.4	0.6	2.3
Australian Fixed Interest	1.4	0.6	2.4	3.8	-0.1	1.4	1.7	2.2
Cash	0.3	1.0	1.8	3.8	1.6	1.4	1.5	1.8
Foreign Currency (AUD v. Developed Markets)	3.6	2.0	-0.7	-3.0	-3.3	-2.7	-2.1	-2.4

Note:

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

Equity returns are expressed in AUD.

Financial market commentary

For the past year financial market performance has been driven by changes in reported inflation and changing expectations for both inflation and interest rates. November was no different, after a challenging October, November experienced very positive returns in fixed interest and equity markets. Investors seemed to increase their confidence in the 'soft landing' scenario, whereby inflation returns to target, and economic growth slows without triggering a recession.

Inflation pressure eased in the US, Europe and UK, with data indicating inflation fell faster than anticipated. While economic data was mixed in the US, economic growth continued to slow in Europe and the UK. This fuelled hope that interest rates may have peaked and central banks in these regions may be near the end of their interest rate tightening cycle. Bond yields fell across fixed interest markets as investors began to consider interest rate cuts in 2024.

Inflation in Australia remains above target prompting the Reserve Bank of Australia (RBA) increased the cash rate to 4.35% in early November. As the month progressed, fixed interest markets shifted expectations, from considering the risk of higher interest rates in the near term, to softening economic growth and the possibility of rate cuts late 2024. This resulted in local bond yields falling, following offshore markets.

At the time of writing the RBA left the cash rate unchanged at the December meeting, but reiterated further tightening will depend upon "data and the evolving assessment of risks" and that "the Board remains resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome".

As inflation slows and expectations the global interest rate tightening cycle is near it's end, bond yields have fallen. Investor confidence has improved and sentiment has changed from pessimistic to optimistic resulting in positive returns for most equity markets.

In Australia, the Healthcare sector rebounded following negative sentiment around weight loss drugs; interest rate sensitive sectors such as Technology and Real Estate also generated strong returns. While Emerging Market equities were positive, they underperformed Developed Market equities. Chinese equities were underwhelming as their Real Estate market continued to negatively impact consumer and investor sentiment. The broad US equity market (S&P500) posted its biggest monthly gain since July 2022, led by the Technology sector.

The US Dollar (USD) fell in value against most major currencies. Of note, the Australian Dollar was up against the USD to the end of November.