Performance Summary

SA Metropolitan Fire Service Superannuation Scheme
August 2020

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

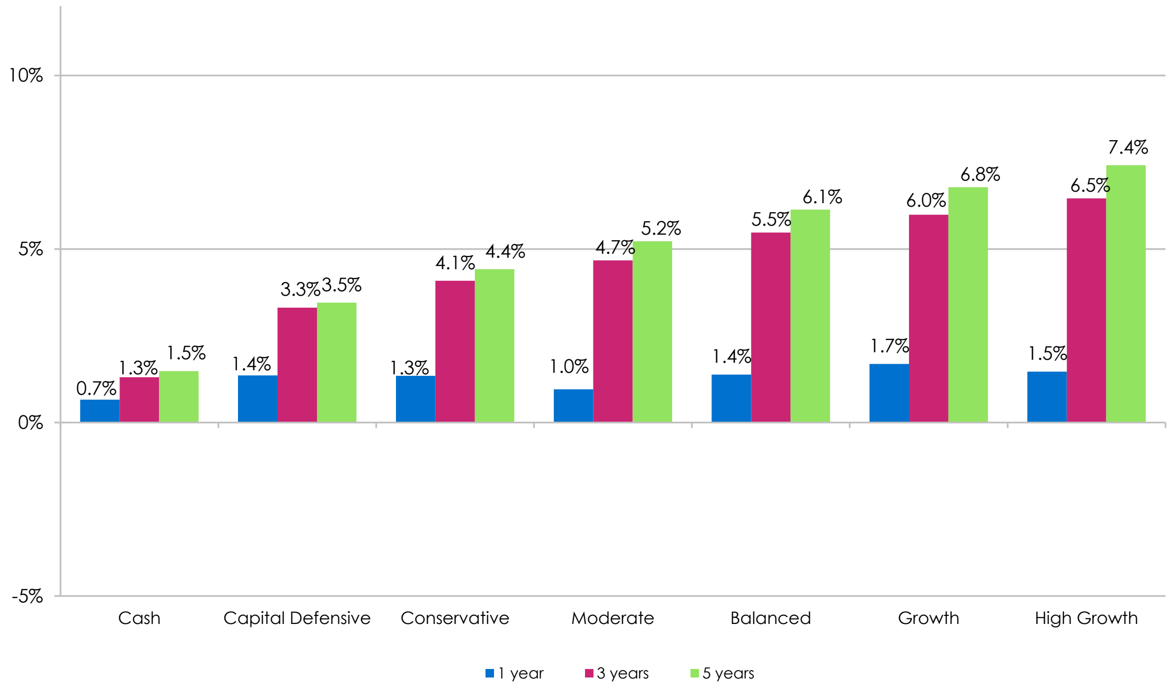
The table and chart below show Funds SA's Taxable investment option returns based on the post-tax unit pricing model.

Table 1: Taxable investment option returns net of fees and tax to 31 August 2020 [1]

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.0	0.1	0.0	0.7	1.3	1.5	1.7	2.3
Capital Defensive	0.5	1.8	1.2	1.4	3.3	3.5	3.9	4.4
Conservative	1.0	2.6	1.8	1.3	4.1	4.4	4.9	5.5
Moderate	1.3	3.0	2.1	1.0	4.7	5.2	5.8	6.3
Balanced	1.9	3.6	2.6	1.4	5.5	6.1	6.7	7.1
Growth	2.3	4.2	3.0	1.7	6.0	6.8	7.3	7.7
High Growth	2.4	4.5	3.2	1.5	6.5	7.4	8.0	8.4

1. The taxable funds were established in March 2005, with the exception of the Moderate fund (established in June 2006)

Chart 1: Taxable investment option annualised returns net of fees and tax to 31 August 2020



All investment options delivered positive returns during the month, with the more growth-oriented investment options benefiting the most from the share market rally.

Key drivers of performance during August 2020 included:

- Share markets continued to rally; based on the expectation that interest rates are likely to remain low for an extended period and economic growth and company earnings were better than expected.
- Investor confidence grew as potential COVID-19 vaccines provided promising early trial results.
- Growth asset classes delivered positive returns for August.
- Most defensive asset classes continued to deliver small positive returns.

Asset Allocation

The asset allocation of the investment options is shown in the table below.

Table 2: Asset allocation as at 31 August 2020

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	15.2	10.1	9.9	8.0	7.0	1.7
Short-Term Fixed Interest	0.0	29.5	17.5	6.5	1.5	0.0	0.0
Long-Term Fixed Interest	0.0	5.0	5.0	8.9	5.9	0.0	0.0
Inflation-Linked Securities Taxable	0.0	15.1	15.1	12.1	6.1	0.0	0.0
Diversified Strategies Income	0.0	16.2	17.2	11.0	7.0	12.0	11.0
Property Taxable	0.0	5.1	8.1	8.9	11.0	12.9	14.9
Australian Equities Taxable	0.0	6.3	12.3	17.0	24.0	25.8	27.9
International Equities Taxable	0.0	7.7	14.7	19.4	27.3	31.2	33.3
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.2	9.2	11.2	11.2
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 financial market performance.

Table 3: Major market index returns to 31 August 2020

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % pa	10 Years % pa
Cash and fixed income								
Australian Cash	0.0	0.0	0.0	0.7	1.4	1.7	1.9	2.6
Australian Government	-0.8	-0.4	-0.5	0.7	5.8	4.4	5.0	5.2
Australian Inflation-Linked	-1.0	3.6	2.1	2.8	5.9	4.1	5.5	6.1
Global Treasuries[(1)]	-0.9	-0.1	-0.2	1.7	4.4	4.5	5.3	5.6
Global Inflation-Linked[(1)]	-0.9	1.9	0.8	3.0	5.1	5.8	6.1	6.4
Credit								
Global Credit[(1),(2)]	-0.7	3.2	1.6	3.9	5.0	5.6	5.9	6.5
Global High-Yield[(1)]	1.4	7.1	4.9	1.9	2.8	6.0	6.2	8.3
Emerging Market Debt[(4)]	0.3	7.0	4.0	3.8	3.8	6.1	5.8	5.6
Property								
Australian Listed Property	7.9	7.3	8.6	-17.2	4.7	6.2	9.1	9.8
Equities[(3)]								
Australian Equities	3.0	6.2	3.7	-4.8	6.2	7.6	6.9	7.7
Global Equities	6.3	12.5	9.9	14.4	9.7	10.2	10.4	11.2
US Equities	7.2	15.5	13.2	21.9	14.5	14.5	13.8	15.2
European Equities	2.7	4.5	1.2	-3.5	1.0	3.9	5.4	6.4
Japanese Equities	8.2	3.9	4.0	10.0	2.7	3.2	7.8	9.4
Asia (ex Japan) Equities	3.2	19.7	11.5	19.7	5.8	10.3	8.3	7.2
Emerging Market Equities	2.2	18.0	10.6	16.4	5.9	10.0	8.2	7.0
Global Small Companies	0.0	5.6	3.2	0.3	2.9	6.2	7.9	10.3
Currency[(5)]								
Australian Dollar vs Developed Market Basket	3.1	9.3	5.5	7.7	-2.5	0.5	-2.0	-1.4

(1) Australian dollar return (hedged)
(2) Includes obligations of corporates, supranational agencies, and other government-
(3) Local currency return
(4) Hedged to USD
(5) A positive number represents appreciation of the Australian dollar. A negative number represents depreciation.

Commentary

Share markets

Share markets globally continued to rally in August as investor confidence increased due to Q2 earnings beating expectations, a potential COVID-19 vaccine, and continued accommodative monetary policy. Positive economic data such as travel app usage, point to positive global growth over Q3 despite many countries, including Australia, confirming they are in recession.

COVID-19 continues to be the predominant driver of the current economic outlook. New daily cases in the US continued to decline however rising case counts in some global hotspots, such as South Korea, France, Germany, Italy, and Spain, were of increasing concern. Cases around the globe climbed to over 25 million, up from 10 million at the start of July. Improved testing and tracing capabilities has allowed policymakers the ability to manage second waves with targeted measures, instead of new lockdowns. This approach has been favoured by policymakers across Europe.

In the US, economic data points to solid growth in August. Housing remains strong, with new home construction, existing home sales, and homebuilder sentiment all beating expectations. The S&P 500 saw the biggest rally in 34 years with healthcare and information technology sectors continuing to be the standouts.

Risk assets in Europe continued to benefit from the €750 billion European Union (EU) recovery fund, and economic data in China showed positive signs for manufacturing, indicating continued expansion and recovery.

Debt Markets

The Reserve Bank of Australia (RBA) held cash rates at 0.25% and expanded its term funding facility for ADIs (Authorised Deposit-Taking Institutions). Governor, Philip Lowe, stated "(the expansion of funding) will help keep interest rates low for borrowers and support the provision of credit by providing ADIs greater confidence about continued access to low-cost funding."

The US Federal Reserve announced a shift to average inflation targeting. This means the Fed will be slower to raise rates, and allow inflation to increase modestly before taking action, supporting economic growth. The announcement reinforced that monetary policy will remain accommodative for an extended period of time and provided a boost to share markets.