

Performance Summary

SA Metropolitan Fire Service Superannuation Scheme
July 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

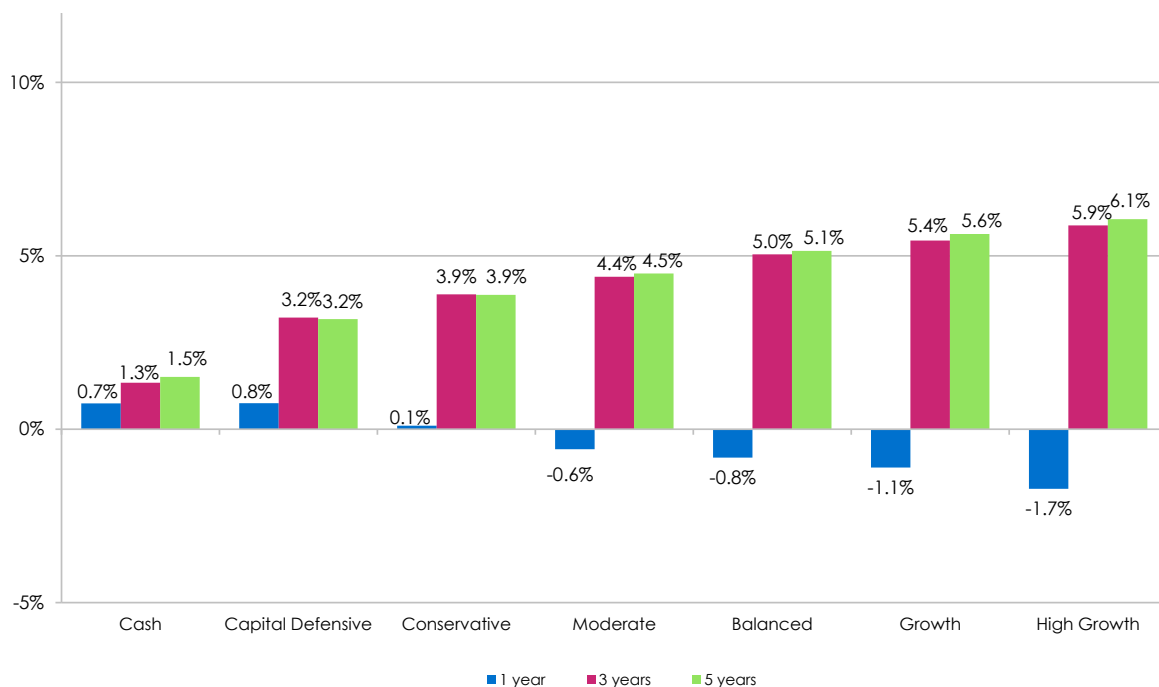
The table and chart below show Funds SA's Taxable investment option returns based on the post-tax unit pricing model.

Table 1: Taxable investment option returns net of fees and tax to 31 July 2020¹

	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	0.7	2.4	0.7	0.8	3.2	3.2	3.8	4.5
Conservative	0.8	3.3	0.8	0.1	3.9	3.9	4.8	5.5
Moderate	0.8	3.5	0.8	-0.6	4.4	4.5	5.6	6.1
Balanced	0.8	4.1	0.8	-0.8	5.0	5.1	6.4	6.9
Growth	0.8	4.5	0.8	-1.1	5.4	5.6	7.0	7.4
High Growth	0.8	4.7	0.8	-1.7	5.9	6.1	7.6	8.1

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 July 2020



Key drivers of performance during July 2020 included:

- The share market rebound extended to July delivering small positive returns despite continued volatility.
- July provided further evidence that economic activity has improved since lockdowns were lifted and this continues to provide support to financial markets.
- Defensive asset classes delivered slightly positive returns and most growth asset classes delivered small positive returns.

All investment options delivered small positive returns during the month, reflecting the small, positive returns achieved across most asset classes.

Asset Allocation

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

Table 2: Asset allocation as at 31 July 2020

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	16.0	11.0	10.9	8.9	7.9	2.9
Short-Term Fixed Interest	0.0	29.7	17.7	6.7	1.7	0.0	0.0
Long-Term Fixed Interest	0.0	5.1	5.1	9.2	6.2	0.0	0.0
Inflation-Linked Securities	0.0	15.3	15.3	12.3	6.3	0.0	0.0
Taxable							
Diversified Strategies Income	0.0	16.4	17.4	11.2	7.2	12.2	11.2
Property Taxable	0.0	5.2	8.3	9.1	11.1	13.1	15.2
Australian Equities Taxable	0.0	4.6	10.6	15.2	22.1	24.1	26.1
International Equities Taxable	0.0	7.6	14.6	19.2	27.2	31.3	33.3
Diversified Strategies Growth	0.0	0.0	0.0	6.3	9.3	11.3	11.3
Taxable							
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 July 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	1.5	1.7	2.0	2.6
Australian Government	0.3	0.5	0.3	3.5	6.1	4.7	5.0	5.5
Australian Inflation-Linked	3.1	7.0	3.1	4.4	6.3	4.4	5.5	6.5
Global Treasuries ⁽¹⁾	0.8	0.8	0.8	5.3	5.1	4.7	5.4	5.9
Global Inflation-Linked ⁽¹⁾	1.8	4.5	1.8	6.9	6.2	5.8	6.1	6.9
Credit								
Global Credit ^{(1),(2)}	2.3	5.2	2.3	7.1	5.6	5.6	6.0	6.8
Global High-Yield ⁽¹⁾	3.5	10.7	3.5	-1.0	2.6	5.5	6.0	8.3
Emerging Market Debt ⁽⁴⁾	3.7	12.8	3.7	4.1	4.3	5.8	5.4	5.8
Property								
Australian Listed Property	0.6	6.4	0.6	-22.2	2.6	3.7	7.9	9.3
Equities⁽³⁾								
Australian Equities	0.6	7.8	0.6	-9.7	5.4	5.2	6.8	7.3
Global Equities	3.4	10.8	3.4	5.5	7.6	7.3	9.1	10.2
US Equities	5.6	12.9	5.6	12.0	12.0	11.5	12.2	13.8
European Equities	-1.5	5.7	-1.5	-7.7	0.1	1.8	4.8	5.9
Japanese Equities	-3.9	2.3	-3.9	-1.7	-0.1	0.0	6.2	8.0
Asia (ex Japan) Equities	8.1	15.2	8.1	12.2	5.2	7.7	7.7	6.7
Emerging Market Equities	8.2	16.2	8.2	11.1	5.9	8.1	7.8	6.6
Global Small Companies	3.2	12.9	3.2	-2.9	2.9	5.0	7.6	9.8
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	2.4	7.8	2.4	2.2	-3.7	-0.6	-2.5	-1.9

(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

Sharemarkets

The impact of COVID-19 continued to dominate share markets globally. Many economies continued to lift their lockdown measures which increased consumer spending and confidence, however, easing lockdown restrictions has also led to a rise in new COVID-19 infections in most regions.

Domestically, Victoria enforced Stage 4 'Stay At Home' restrictions. In response to the Victorian lockdown, economists downgraded Australia's economic forecasts, prompting Treasurer, Josh Frydenberg, to announce there would be "another phase of income support" along with the extension of JobKeeper and JobSeeker payments to the end of March 2021, albeit with tightened eligibility criteria and lowered rates. The combination of these factors saw the Australian Stock Exchange (ASX) experience increased volatility throughout the month, however, finished in positive territory.

In the US, daily new infections continued to rise throughout most of July. As a result, many States have begun to partly reverse or pause their reopening plans and this has affected consumer behaviour in those areas. There are continued concerns around the structural damage from the pandemic. The US economy is experiencing a second wave of corporate layoffs, along with major US companies declaring bankruptcy. US Q2 GDP fell by an annualised rate of 32.9% compared with the previous quarter. This confirms the largest decline in GDP since the Second World War, however investors have been more focused on the recovery. The US Q2 earnings season is underway, with expectations of roughly a 45% year-on-year earnings decline. With over 55% of companies having reported, earnings have come in a little stronger than expected, a positive for share markets.

Europe looked to have managed the virus better than many other regions in Q2, though concerns around rising cases remain. European Union (EU) leaders held a two-day summit to discuss the proposed EU recovery fund. After five days of deliberation, there was unanimous agreement to an unprecedented €750 billion "Next Generation EU" (NGEU) recovery fund - to support member countries' recovery from the pandemic-induced recession, and multinational financial framework (MFF) - the regular EU Budget - amounting to around €1.1 trillion over seven years. Financial markets responded well to the news.

Chinese markets reacted favourably to the containment of COVID-19 with China becoming the first major economy to return to positive annual economic growth following the COVID-19 outbreak.

Debt Markets

The Reserve Bank of Australia (RBA) held cash rates at 0.25%. The July policy statement highlighted uncertainty about the speed of Australia's economic recovery and the uncertain nature of the health situation, affecting consumption and investment plans. The RBA noted it will maintain its accommodative approach, as long as required.

Other central banks including the US Federal Reserve and the European Central Bank left monetary policy unchanged.

Disclaimer

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