Performance Summary

SA Metropolitan Fire Service Super Scheme - Members
May 2021

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 investment options offered under the Scheme.

Performance

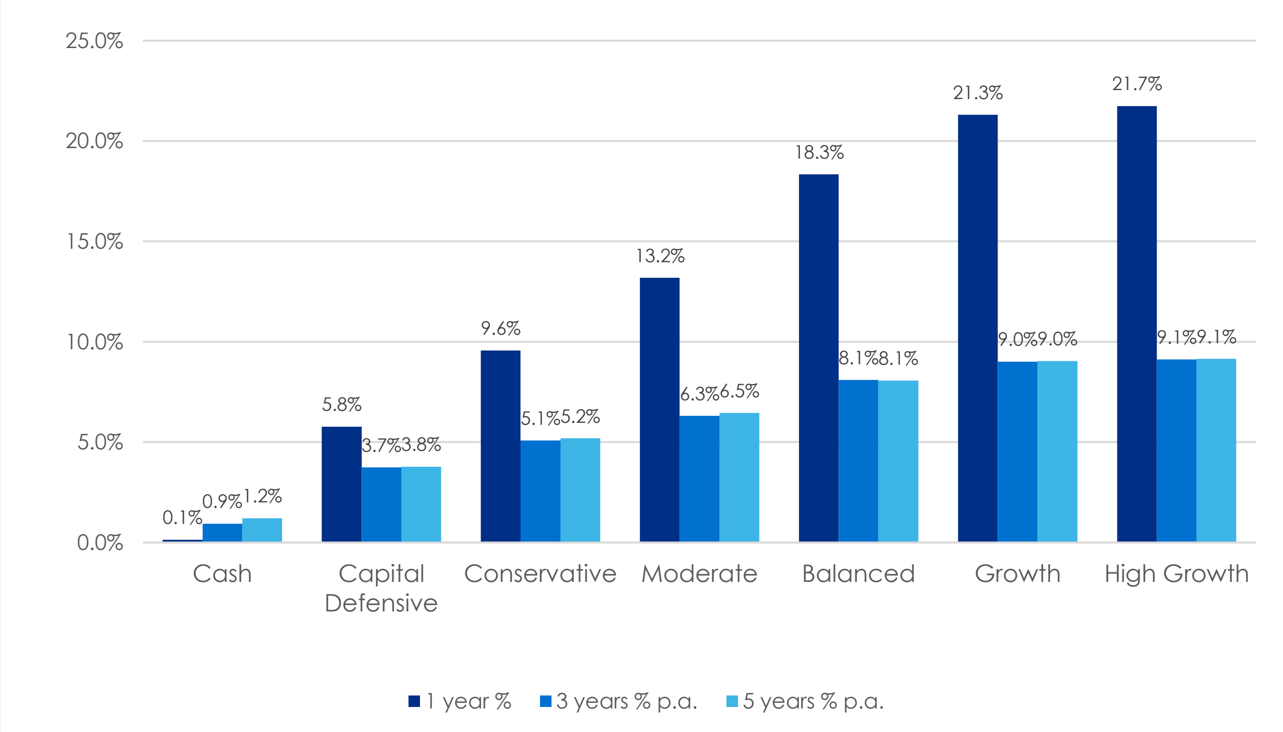
The table and chart below show Funds SA's Taxable investment option returns based on the post-tax unit pricing model.

Table 1: Taxable investment option returns, net of fees and tax to 31 May 2021

Investment option	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	0.0	0.1	0.1	0.9	1.2	1.5	2.0
Capital Defensive	0.5	1.8	5.2	5.8	3.7	3.8	3.7	4.4
Conservative	0.8	2.9	8.8	9.6	5.1	5.2	5.0	5.6
Moderate	1.1	4.2	12.2	13.2	6.3	6.5	6.1	6.6
Balanced	1.4	5.6	17.2	18.3	8.1	8.1	7.5	7.7
Growth	1.6	6.2	20.0	21.3	9.0	9.0	8.3	8.5
High Growth	1.6	6.3	20.3	21.7	9.1	9.1	8.9	9.1

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 option annualised returns, net of fees and tax to 31 May 2021



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Key drivers of performance during May 2021:

- Returns for May were positive across all investment options except the Cash investment option which was flat.
- Across all investment options, Australian Equities, International Equities, Diversified Strategies Income (DSI), and Diversified Strategies Growth (DSG) were key contributors.
- Share markets continued to benefit from central bank support and the post-COVID global economic rebound continues.
- Australian Equities outperformed International Equities as the Australian market reacted favourably to the release of the Federal Budget. International markets were slightly constrained due to inflation concerns and the potential premature tapering of central bank support.
- Performance for the defensive-oriented investment options, such as Capital Defensive, Conservative, and Moderate, were driven by their allocations to DSI. Within DSI, Credit and Absolute Return strategies provided positive returns for the asset class for the month.
- Within DSG, private markets continued to experience improved valuations as economic conditions continue to recover.
- Given the Reserve Bank of Australia (RBA) Cash Rate is very low and likely to be low for some time, it is expected the Cash investment option will return close to zero over the medium-term after fees and taxes.

Asset Allocation

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

Table 2: Asset allocation as at 31 May 2021

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	16.8	12.2	10.1	5.0	3.6	3.7
Short-Term Fixed Interest	0.0	29.1	16.8	5.8	0.9	0.0	0.0
Long-Term Fixed Interest	0.0	4.7	4.6	8.5	5.6	0.0	0.0
Inflation-Linked Securities Taxable	0.0	14.9	14.6	10.6	4.7	0.0	0.0
Diversified Strategies Income	0.0	17.4	18.1	12.0	8.1	11.8	11.8
Property Taxable	0.0	4.4	7.4	8.3	10.2	13.7	13.7
Australian Equities Taxable	0.0	5.7	12.2	18.2	26.9	27.6	27.6
International Equities Taxable	0.0	7.1	14.1	20.6	29.8	32.3	32.3
Diversified Strategies Growth Taxable	0.0	0.0	0.0	5.8	8.9	11.0	11.0
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 financial market performance.

Table 3: Major market index returns to 31 May 2021

Market index	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash and Fixed Income								
Australian Cash	0.0	0.0	0.1	0.1	1.0	1.3	1.6	2.2
Australian Government	0.3	1.9	-2.8	-2.7	4.1	3.2	4.1	4.7
Australian Inflation-Linked	0.9	4.0	3.8	5.3	5.4	4.1	4.6	5.7
Global Treasuries	0.2	0.0	-1.8	-1.7	3.5	2.8	4.2	5.2
Global Inflation-Linked	1.6	3.3	2.6	3.7	5.3	5.3	5.4	5.9
Credit								
Global Credit	0.4	0.1	1.7	3.3	5.2	4.4	4.7	6.0
Global High-Yield	0.6	1.7	11.9	14.2	5.1	6.2	5.5	7.5
Emerging Market Debt	1.1	1.9	5.9	9.0	5.8	5.0	4.3	5.4
Property								
Australian Listed Property	1.8	11.5	26.9	25.3	7.1	5.8	10.3	11.3
Equities								
Australian Equities	2.3	8.5	25.7	28.7	10.1	10.2	8.3	8.8
Global Equities	1.0	9.5	33.8	36.9	13.9	13.9	11.0	11.3
US Equities	0.7	10.7	37.6	40.3	18.0	17.2	14.1	14.4
European Equities	2.3	11.2	24.6	28.6	6.9	8.5	6.3	7.1
Japanese Equities	1.6	4.1	26.7	26.6	6.3	9.4	9.3	11.0
Asia (ex Japan) Equities	0.7	0.6	35.5	45.5	10.1	14.3	9.7	7.6
Emerging Market Equities	1.4	2.1	35.3	44.4	11.2	14.2	9.8	7.7
Global Small Companies	1.1	7.2	51.9	55.9	11.9	13.9	10.3	10.4
Currency								
Australian Dollar vs Developed Market Basket	-0.1	0.3	9.9	13.3	0.3	1.1	-2.0	-2.4

Note:

Returns hedged to the Australian Dollar: Global Treasuries, Global Inflation-Linked, Global Credit, Global High-Yield.

Equity returns are expressed in local currency.

Emerging Market Debt is hedged to the US Dollar.

Currency: A positive number represents appreciation of the Australian Dollar. A negative number represents a depreciation of the Australian Dollar.

Financial Market Commentary

Financial markets

Share markets globally continue to move higher in response to ongoing vaccine roll-outs and along with central banks and governments around the world continuing to provide record levels of fiscal and monetary support.

The Australian share market increased 2.3% over the month, predominately driven by Financials, reaching record highs in response to the exceptionally stimulatory Federal Budget. The budget was a big spending budget; the Government emphasised its intention to bolster the economic recovery, including a $1.9 billion vaccination roll-out program. The Government's drive for growth is strongly supported by the RBA, fiscal and monetary policy continue to be focused on boosting growth and driving the unemployment rate lower. The RBA noted that it expects the pickup in wages and inflation to be gradual and modest.

In the US, President Biden's stimulus continued to have a positive affect however performance of the S&P500 (the largest 500 companies in the US) was slightly constrained, gaining only 0.7% for the month. This was due to concerns around inflation and the potential premature tapering of the US Federal Reserve's (the Fed) bond-buying program. The Fed has downplayed inflation concerns, calling higher consumer prices "transitory" caused by pent-up demand and supply chain lags.

Vaccine rollouts in the UK and Europe continued to progress. Confidence around the re-opening of economy grew in the UK, with the Bank of England announcing plans to slow its quantitative easing program. The best performing European market for May was the German Dax, rising 1.9% and reaching record highs.

The RBA held the official cash rate at 0.10%, in line with the central bank's stance on interest rates and market expectations. Governor Philip Lowe noted the RBA's July meeting will consider whether to taper the quantitative easing program however the RBA does not expect to increase interest rates until at least 2024. Despite inflation concerns, the Fed continued to signal they do not intend to lift interest rates until after 2023, which is likely to continue to support equity markets. The European Central Bank (the ECB) is focused on keeping financing conditions easy, providing a positive backdrop for risk assets such as European equities.