Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

July 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 July 2023

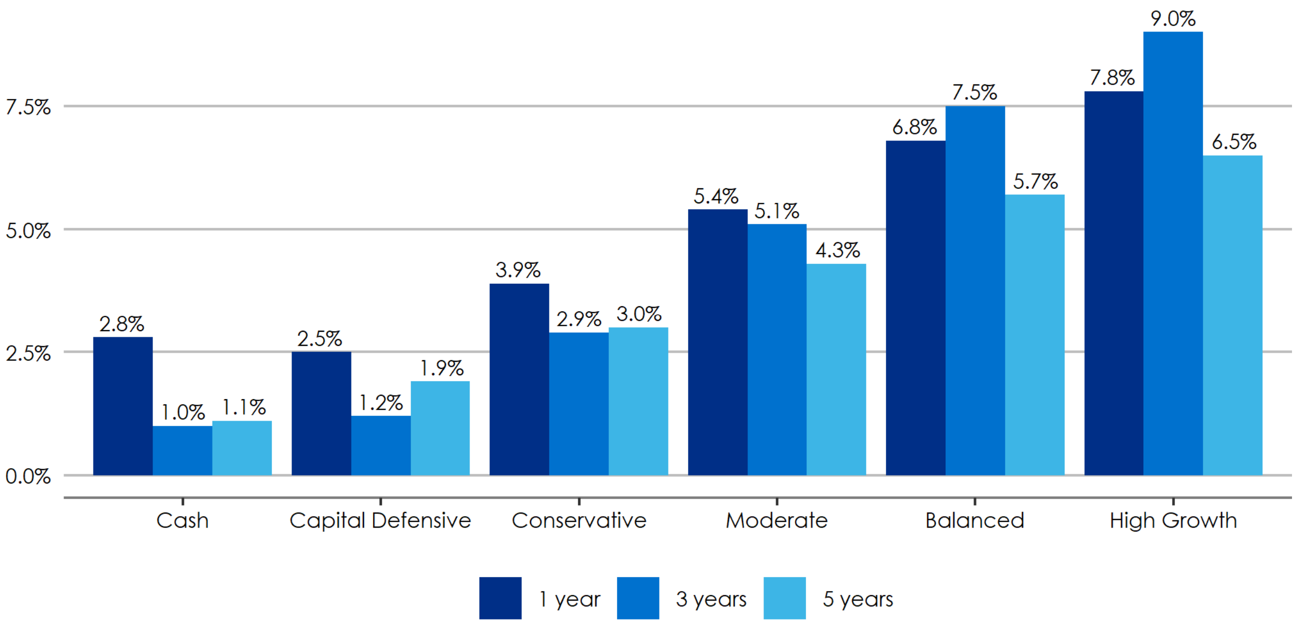
Returns are net of fees and tax

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	0.3	2.8	1.0	1.1	1.2	1.5
Capital Defensive	0.8	0.3	0.8	2.5	1.2	1.9	2.4	3.0
Conservative	1.0	0.9	1.0	3.9	2.9	3.0	3.6	4.2
Moderate	1.3	1.6	1.3	5.4	5.1	4.3	4.9	5.4
Balanced	1.6	2.2	1.6	6.8	7.5	5.7	6.4	6.7
High Growth	1.8	2.6	1.8	7.8	9.0	6.5	7.7	8.0

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 July 2023

Returns are net of fees and tax



Key drivers of performance:

- Australian and International equities were the strongest contributors to returns, supported by lower inflation and better than expected economic data.
- For the Capital Defensive investment option, Fixed Interest was the strongest contributor followed by the equity asset classes.
- The Australian Equities asset class outperformed the index from positive stock selection within the Materials and Consumer Discretionary sectors. This was partially offset by the asset classes underweight to Financials and Energy which were the strongest performing sectors within the index.
- US equity returns were the key driver for the International Equities asset class. The US Technology and Energy sectors were the strongest performers. Positive stock selection in China was offset by negative stock selection in the US and Europe.
- The Infrastructure asset class produced positive returns driven by strong operating performance and an uplift in valuations of unlisted assets in the data and communications sector.
- The Credit asset class benefitted from spreads narrowing.
- The Reserve Bank of Australia (RBA) chose not to change the Official Cash Rate in July or August and remains at 4.1%.

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 July 2023

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	19.1	16.8	13.4	9.5	6.5
Fixed Interest	0.0	36.9	20.9	14.9	7.0	0.0
Inflation-Linked Securities Taxable	0.0	8.8	8.8	5.8	4.8	0.0
Diversified Strategies Income	0.0	13.2	17.2	13.1	8.3	7.4
Property Taxable	0.0	6.0	8.0	8.0	8.8	13.5
Australian Equities Taxable	0.0	5.2	10.2	18.2	25.3	29.0
International Equities Taxable	0.0	5.6	12.1	20.1	26.2	31.5
Diversified Strategies Growth Taxable	0.0	5.2	5.9	6.5	10.2	12.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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 broad financial market performance.

Table 3: Major market index returns to 31 July 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	2.9	2.0	2.9	11.1	11.9	7.5	8.4	8.3
International Equities	2.4	6.5	2.4	17.0	12.7	10.4	11.8	11.9
Australian Unlisted Property	0.2	-2.9	0.2	-1.2	6.1	4.5	6.1	7.9
Credit	1.5	3.0	1.5	6.1	1.1	1.6	2.7	4.0
Global Fixed Interest	-0.1	-3.2	-0.1	-5.1	-5.9	-0.1	-0.1	2.6
Australian Fixed Interest	0.8	-0.4	0.8	2.2	-0.4	1.2	1.4	2.1
Cash	0.4	1.0	0.4	3.1	1.1	1.2	1.4	1.7

Note:

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

Equity returns are expressed in AUD.

Financial market commentary

Reported economic data is lower yet stronger than expected. Inflation in particular was lower for the month. Both these factors supported strong equity and credit market returns. The sentiment rippling through financial markets is that central banks have managed to lower inflation without triggering a recession. However, the outlook for economic growth remains challenging and the risk of recession remains. Any negative economic data reports are likely to be a source of volatility for markets.

During the month the US Federal Reserve and the European Central Bank raised interest rates, but expectations central banks are close the end of the rate rising cycle are being reflected in financial market returns.

Bond markets produced mixed returns; riskier assets outperforming Government bonds. Government bonds with longer maturity profile didn't perform as well as bonds with shorter maturity profiles. Markets adjusted to consider interest rates may stay higher for longer and the end of the tightening cycle is near.

Emerging Markets performed strongly during the month. Chinese equities were higher after Beijing promised stimulus measures to boost economic growth by supporting real estate sales and other consumer sectors. China's stimulus announcement also supported developed market equity returns.

In the US, Energy stocks delivered good performance on the back of oil price rises and optimism on the economic growth outlook. Technology stocks continued to driver strong performance.

With the Australian equity market, Financials and Materials rallied through the month. This was a reflection of a more resilient Australian economy supported by recent economic data, stimulus announcement from the Chinese government and higher commodity prices across a range of metals and energy related commodities.