

Performance Summary

SA Metropolitan Fire Service Superannuation Scheme
June 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

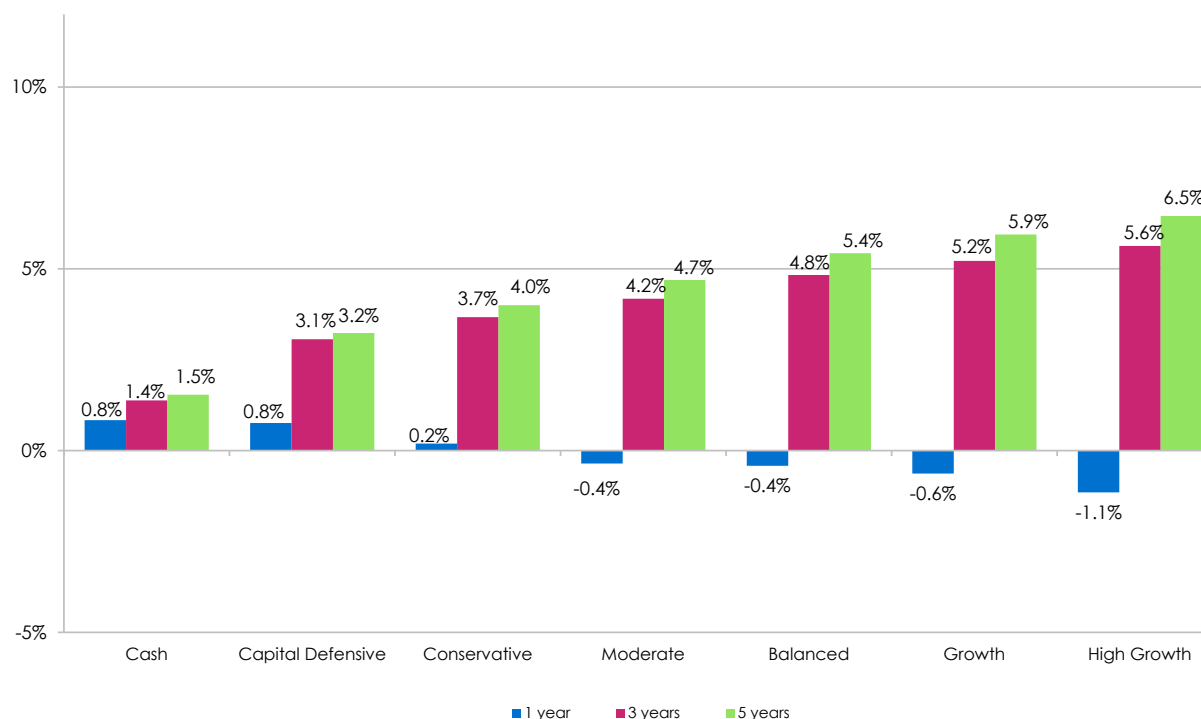
The table and chart below show Funds SA's Taxable funds returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Taxable funds returns net of fees and tax to 30 June 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	0.8	0.8	1.4	1.5	1.8	2.4
Capital Defensive	0.6	2.9	0.8	0.8	3.1	3.2	3.8	4.5
Conservative	0.7	4.6	0.2	0.2	3.7	4.0	4.9	5.5
Moderate	0.8	5.3	-0.4	-0.4	4.2	4.7	5.8	6.2
Balanced	1.0	6.8	-0.4	-0.4	4.8	5.4	6.7	7.0
Growth	1.1	7.6	-0.6	-0.6	5.2	5.9	7.3	7.6
High Growth	1.2	7.9	-1.1	-1.1	5.6	6.5	8.0	8.3

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

Chart 1: Taxable funds annualised returns net of fees and tax to 30 June 2020



Key drivers of performance during June 2020 included:

- Sharemarkets continued to rebound into June delivering small positive returns despite increased volatility mid-month.
- The push to re-open economies by progressively relaxing economic and social restrictions supported financial markets.
- Small but positive returns across defensive asset classes.

Returns across the investment options were mildly positive 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 30 June 2020

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	16.8	11.8	11.6	9.6	8.5	3.5
Short-Term Fixed Interest	0.0	29.8	17.8	6.8	1.8	0.0	0.0
Long-Term Fixed Interest	0.0	5.2	5.2	9.2	6.2	0.0	0.0
Inflation-Linked Securities Taxable	0.0	14.2	14.2	11.2	5.2	0.0	0.0
Diversified Strategies Income Property Taxable	0.0	16.3	17.3	11.1	7.1	11.9	10.9
Australian Equities Taxable	0.0	5.4	8.4	9.2	11.2	13.0	15.0
International Equities Taxable	0.0	4.8	10.7	15.3	22.3	24.1	26.1
International Passive Equities Taxable	0.0	7.2	13.6	17.4	24.6	28.1	30.1
Diversified Strategies Growth Taxable	0.0	0.3	1.0	1.7	2.6	2.8	2.8
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.6	9.5	11.5	11.5
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 30 June 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	0.1	0.8	0.8	1.5	1.7	2.0	2.7
Australian Government	0.1	-0.2	4.2	4.2	6.0	5.0	5.1	5.4
Australian Inflation-Linked	1.4	3.7	2.8	2.8	5.2	4.1	5.1	6.1
Global Treasuries ⁽¹⁾	0.1	0.8	5.3	5.3	4.9	4.8	5.4	6.0
Global Inflation-Linked ⁽¹⁾	1.1	5.7	6.9	6.9	5.6	5.7	5.9	6.7
Credit								
Global Credit ^{(1),(2)}	1.6	6.6	5.5	5.5	5.0	5.3	5.8	6.8
Global High-Yield ⁽¹⁾	2.1	11.4	-3.6	-3.6	1.8	4.7	5.8	8.3
Emerging Market Debt ⁽⁴⁾	2.9	11.2	1.5	1.5	3.3	5.1	5.0	5.8
Property								
Australian Listed Property	-1.2	20.2	-20.7	-20.7	2.3	4.7	7.7	9.4
Equities⁽³⁾								
Australian Equities	2.4	16.8	-7.6	-7.6	5.2	6.0	7.5	7.7
Global Equities	2.4	18.5	3.3	3.3	6.9	7.2	9.3	10.4
US Equities	2.0	20.5	7.5	7.5	10.7	10.7	12.1	14.0
European Equities	3.2	13.1	-5.7	-5.7	0.8	3.0	5.9	6.6
Japanese Equities	-0.1	11.1	3.1	3.1	1.4	1.2	6.8	8.6
Asia (ex Japan) Equities	7.4	15.5	2.4	2.4	4.1	5.0	6.8	6.4
Emerging Market Equities	6.7	16.8	1.7	1.7	4.9	5.5	6.8	6.4
Global Small Companies	2.3	23.6	-5.0	-5.0	2.2	4.5	8.0	10.1
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	3.5	12.3	-1.4	-1.4	-3.4	-2.0	-3.2	-1.6

(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 the COVID-19 pandemic continued to dominate markets with fears of a second wave contributing to increased volatility in the second half of the month. However, the focus remained on how countries would begin or continue to relax their lockdown measures and the flow-on affect to economies.

The US saw a rapid surge in COVID-19 cases across the country however there is a belief the economy will resist another significant lockdown despite the increase in new cases. US-China tensions continued with President Trump continuing to speculate about China's involvement in the international spread of COVID-19. Adding to tensions was the proposal of the changes to the Hong Kong security law. US sharemarkets reacted favourably to the US jobs report which beat market expectations and showed a record increase in US retail sales.

In Europe, governments began scaling back virus-related lockdown measures and German Chancellor Angela Merkel announced that governing parties agreed on a €130 billion stimulus package. Overall, the fiscal response by governments in Europe provided support to European sharemarkets.

While the number of reported COVID-19 cases in some emerging economies has been trending down, several countries including India and much of Latin America have been unable to get the virus under control.

The ASX posted its worst performance in a fiscal year since the GFC. The outbreak in Victoria dominated domestic news however Premier's across the other State's continue to relax social distancing measures, allowing more people in cafes, restaurants, and bars. GDP data for the March 2020 quarter was released showing the first contraction since 2011.

Debt Markets

Central banks continue to maintain historically low interest rates and flood markets with liquidity. The continued monetary support delivered small but positive returns across defensive asset classes for the month of June.

US Federal Reserve pledged to buy individual corporate bonds as part of an emergency lending program and the Bank of England kept interest rates unchanged at their record low levels and increased its quantitative easing program by £100 billion. Similarly, in Australia, the cash rate was maintained at a historic low of 0.25% with RBA Governor Philip Lowe noting it is likely that fiscal and monetary support will be required for some time.

Disclaimer

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