Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

August 2022

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 August 2022

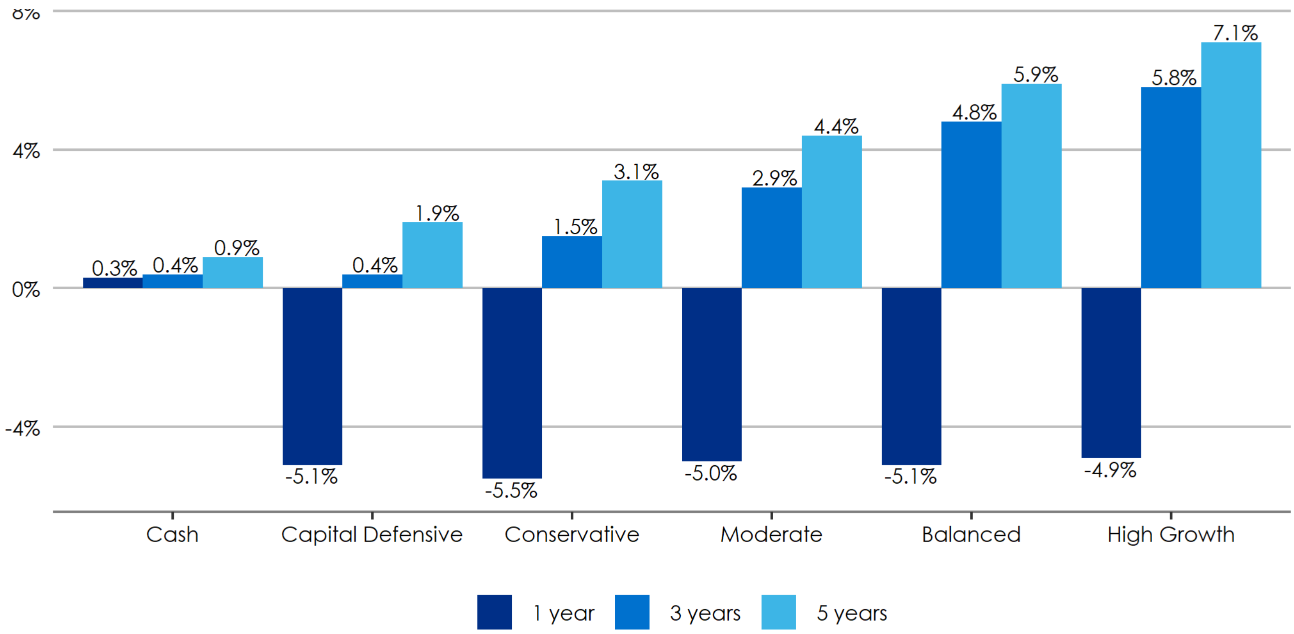
Returns are net of fees and tax

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	0.1	0.3	0.2	0.3	0.4	0.9	1.1	1.5
Capital Defensive	-0.8	-0.6	1.1	-5.1	0.4	1.9	2.4	3.1
Conservative	-0.7	-0.8	1.7	-5.5	1.5	3.1	3.6	4.5
Moderate	-0.7	-0.8	2.1	-5.0	2.9	4.4	4.9	5.8
Balanced	-0.6	-0.9	2.8	-5.1	4.8	5.9	6.3	7.2
High Growth	-0.5	-1.0	3.2	-4.9	5.8	7.1	7.6	8.9

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 August 2022

Returns are net of fees and tax



Key drivers of performance:

- Aside from the Cash investment option, returns across all other investment options were negative as investment markets were challenged by central banks' commitment to bring inflation under control, the energy crisis unfolding in Europe, and increased the risk of recession.
- Fixed Interest and International Equities were key detractors across all investment options as bond and equity markets sold off following aggressive comments made by US Federal Reserve (Fed) Chair Powell, reiterating their determination to control inflation.
- Australian Equities was the main contributor across all investment options as the Australian market reacted favourably to better-than-expected end of financial year earnings results.
- The Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.50% from 1.35% to 1.85%. The market continues to price an aggressive tightening cycle with the OCR expected to increase to over 3% by the end of the year.
- At the time of writing, the RBA had increased the OCR from 1.85% to 2.35% (6 September 2022).

Asset allocation

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

Table 2: Asset allocation as at 31 August 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	14.0	11.0	8.7	3.2	1.9
Fixed Interest	0.0	38.0	24.0	15.8	8.8	0.0
Inflation-Linked Securities Taxable	0.0	15.0	15.0	10.9	4.9	0.0
Diversified Strategies Income	0.0	16.6	17.6	11.7	7.7	6.5
Property Taxable	0.0	5.7	8.8	9.4	10.9	15.4
Australian Equities Taxable	0.0	5.1	11.1	18.2	26.3	29.4
International Equities Taxable	0.0	5.5	12.5	18.9	27.5	33.6
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.5	10.7	13.2
Total	**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.

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Financial market snapshot

The table below summarises financial market performance.

Table 3: Major market index returns to 31 August 2022

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.
Cash and Fixed Income								
Australian Cash	0.2	0.3	0.3	0.4	0.4	0.9	1.2	1.7
Australian Government	-2.7	0.7	-0.6	-12.1	-3.7	1.0	1.4	2.2
Australian Inflation-Linked	-2.6	2.0	-0.2	-10.5	-1.2	2.1	1.9	2.9
Global Treasuries	-2.6	-0.5	-1.7	-9.8	-2.8	0.5	1.7	2.9
Global Inflation-Linked	-4.2	0.5	-3.1	-11.1	-1.0	1.8	3.2	3.4
Credit								
Global Credit	-3.1	-0.1	-2.8	-14.2	-3.1	0.3	2.0	3.1
Global High-Yield	-1.2	3.1	-4.5	-14.3	-1.8	0.2	3.2	4.6
Emerging Market Debt	-1.2	2.0	-3.7	-18.8	-4.2	-1.1	1.8	1.7
Property								
Australian Listed Property	-3.6	7.7	-3.5	-10.5	-0.8	6.2	6.9	9.7
Equities								
Australian Equities	1.2	7.2	-2.4	-3.7	5.6	8.2	8.6	9.3
Global Equities	-3.5	4.2	-3.9	-11.3	9.7	8.8	9.4	10.8
US Equities	-4.1	4.8	-3.9	-11.2	12.4	11.8	12.5	13.1
European Equities	-3.9	2.0	-5.8	-8.9	4.4	4.0	5.3	7.2
Japanese Equities	1.1	4.9	2.5	2.7	11.9	6.7	5.9	12.8
Asia (ex Japan) Equities	0.9	-0.1	-3.1	-16.7	5.0	2.7	6.7	6.3
Emerging Market Equities	1.2	1.4	-3.1	-15.4	5.3	3.6	7.1	6.3
Global Small Companies	-2.9	5.9	-5.0	-19.0	7.0	5.5	7.3	9.2
Currency								
Australian Dollar vs Developed Market Basket	-1.1	0.0	-3.0	-2.1	1.5	-2.1	0.0	-3.0

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

Inflation and central banks were once again front of mind for investors. Central banks became determined and steadfast in their resolve to curb inflation despite the rising risk of recession. Central banks have been explicit in prioritising bringing inflation back to target and are clearly willing to sacrifice economic growth to do so. Of particular significance for markets were hawkish comments made by US Federal Reserve (Fed) Chair Powell at the Jackson Hole Symposium. Powell noted the Fed's fight against inflation is likely to require a sustained period of below-trend growth, and there will very likely be some softening of labour market conditions. This led to a selloff in both bonds and equities with global treasuries falling 2.6% and global equities falling 3.5% by the end of the month.

Prior to Jackson Hole, global markets were broadly supportive and looked past many of the short-term risks including the energy crisis in Europe and the possibility of recession. Both the S&P500 and MSCI World ex-Australia continued their rally from July for most of August, gaining 1.9% and 1.1% (unhedged, AUD), respectively, before both markets sold off toward the end of the month. However, the S&P/ASX300 ended the month in positive territory as the Australian equity market reacted favourably to better-than-expected end of financial year earnings results, gaining 1.2%.

The level of uncertainty in the global economy continues to be high. The US is facing a low growth environment and possible recession as interest rates have continued to rise by 0.75% at each Fed meeting. The energy crisis in Europe is intensifying, there is little sign of a ceasefire in Ukraine, and China continues to extend COVID lockdowns.