Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

February 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 28 February 2022

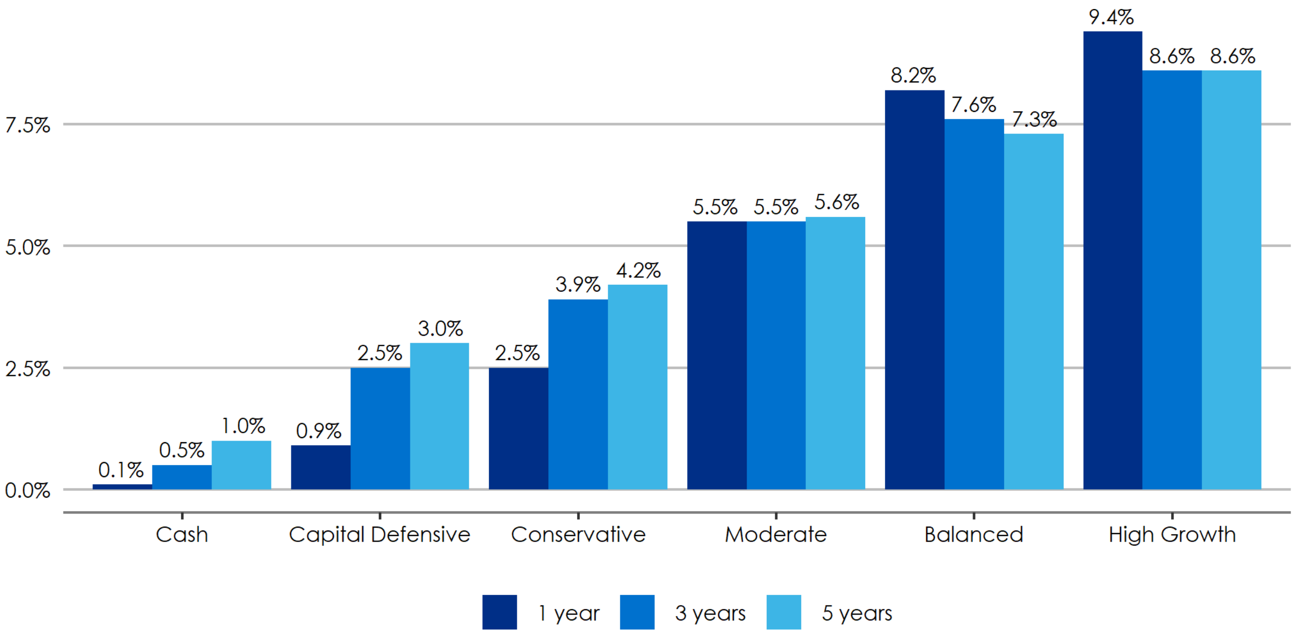
Returns are net of fees and tax

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	0.0	0.0	0.0	0.1	0.5	1.0	1.2	1.7
Capital Defensive	-0.8	-1.1	-1.2	0.9	2.5	3.0	2.8	3.8
Conservative	-1.0	-1.4	-1.1	2.5	3.9	4.2	3.9	5.2
Moderate	-0.9	-1.5	-0.1	5.5	5.5	5.6	5.1	6.4
Balanced	-1.0	-1.8	0.4	8.2	7.6	7.3	6.4	7.8
High Growth	-1.2	-2.0	0.8	9.4	8.6	8.6	7.7	9.5

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 28 February 2022

Returns are net of fees and tax



Key drivers of performance:

- Returns were negative across all investment options as inflation concerns and uncertainty surrounding the Russia-Ukraine conflict dominated markets.
- Across all investment options, the Australian Equities asset class was the largest contributor to returns. Across equity markets, Australia was a relative outperformer as the Australian Energy sector benefited from an increase in prices following Russia's invasion of Ukraine.
- International Equities was the largest detractor as the Russian-Ukraine conflict weighed heavily on international markets.
- Within the Diversified Strategies Income asset class, Credit was a key detractor. Negative performance was driven by sharp declines in Emerging Market Debt due to the Russian-Ukraine conflict.
- Diversified Strategies Growth added value for the more growth-orientated investment options. December quarter valuations, particularly for private equity funds specialising in the energy space was a key contributor.
- The Reserve Bank of Australia kept the Official Cash Rate (OCR) at its historic low.

Asset allocation

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

Table 2: Asset allocation as at 28 February 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	11.9	8.9	7.5	2.9	3.1
Fixed Interest	0.0	38.1	24.1	16.0	9.0	0.0
Inflation-Linked Securities Taxable	0.0	15.0	15.0	11.0	5.0	0.0
Diversified Strategies Income	0.0	17.2	18.2	12.2	8.2	6.5
Property Taxable	0.0	5.2	8.2	8.9	10.8	15.2
Australian Equities Taxable	0.0	5.3	11.3	18.5	26.5	29.7
International Equities Taxable	0.0	7.4	14.4	19.3	27.2	33.1
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.5	10.2	12.4
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 28 February 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	0.0	0.0	0.0	0.0	0.5	1.1	1.4	1.9
Australian Government	-1.3	-2.4	-3.4	-0.6	1.4	2.8	2.4	3.6
Australian Inflation-Linked	-1.2	-0.2	-0.6	4.3	4.1	4.2	2.9	4.5
Global Treasuries	-1.0	-3.1	-2.2	-1.9	1.9	2.3	2.7	4.1
Global Inflation-Linked	0.3	-3.2	3.4	7.2	6.4	4.6	4.9	5.1
Credit								
Global Credit	-2.2	-4.9	-4.7	-3.7	2.9	2.9	3.3	4.7
Global High-Yield	-2.3	-3.1	-5.0	-2.6	2.2	3.0	4.6	6.3
Emerging Market Debt	-5.5	-6.9	-8.7	-6.1	1.4	2.0	3.3	3.6
Property								
Australian Listed Property	1.5	-3.2	6.1	24.9	7.5	8.2	8.0	12.3
Equities								
Australian Equities	2.1	-2.0	-0.7	10.2	8.7	8.6	6.9	9.5
Global Equities	-2.7	-3.8	0.6	12.8	14.4	11.8	9.8	11.8
US Equities	-3.0	-3.9	2.7	16.4	18.2	15.2	13.2	14.6
European Equities	-3.1	-1.3	0.5	13.5	8.4	6.6	5.3	8.0
Japanese Equities	-0.7	-2.1	-1.9	3.1	8.2	6.7	5.3	10.8
Asia (ex Japan) Equities	-2.1	-3.8	-14.0	-12.8	6.7	8.1	6.1	6.5
Emerging Market Equities	-2.4	-2.6	-11.2	-8.5	7.9	8.7	6.9	6.7
Global Small Companies	0.3	-4.0	-7.2	0.0	10.9	9.7	8.6	10.2
Currency								
Australian Dollar vs Developed Market Basket	2.6	2.2	-2.2	-4.2	0.7	-1.4	-0.9	-3.1

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 concerns and the war in Ukraine were the main themes dominating markets in February. At the beginning of the month, US Treasuries sold off following January CPI inflation numbers and hawkish Fed commentary, and stocks sold off following reports of an imminent Russian invasion of Ukraine. Markets ramped up expectations for the number of interest rate increases that would be delivered by central banks. However, by the end of the month, the attention of investors had become consumed by the invasion of Ukraine as markets tried to understand the impact of sanctions against Russia.

The Russia-Ukraine tensions have created a major new source of uncertainty for markets. The attack on Ukraine has come at a time where equity markets were already in a risk-off phase following January's equity market sell off as persistently high inflation and interest rates dominated the market narrative. Most international equity markets continued to sell off as news of the Russian invasion of Ukraine weighed heavily. The Australian equity market was a relative outperformer (S&P/ASX 300 +2.1%) as the Energy sector increased 8.4% in response to the conflict. Further bolstered by strong performance in the Materials and Financial sectors, this was more than enough to offset the losses in other areas of the Australian market.

While markets have shifted from pricing in an aggressive start to the tightening cycle by the US Federal Reserve (the Fed), bond yields continued to increase leading to negative returns in fixed income assets. Inflation is still a focus, but central banks are also concerned with low growth, particularly in an environment where inflation has been driven by a supply shock as energy prices and disruptions to supply chains puts upward pressure on prices.

The Reserve Bank of Australia (RBA) left its policy settings unchanged, although echoed the sentiment of markets noting the additional uncertainty posed by the Russian-Ukraine conflict. While energy prices (oil, coal, and gas) have shot up since Russia invaded Ukraine, the RBA reiterated they will not increase the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range.