Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

January 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 January 2022

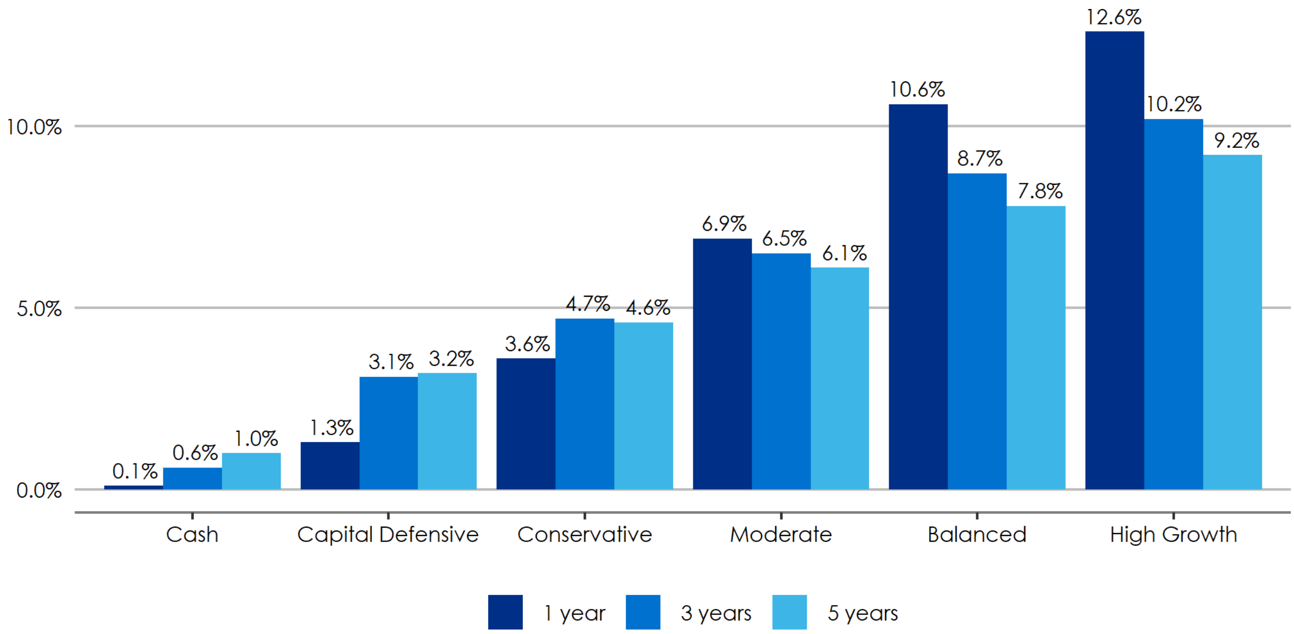
Returns are net of fees and tax

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	0.6	1.0	1.2	1.7
Capital Defensive	-0.9	0.1	-0.5	1.3	3.1	3.2	3.1	3.9
Conservative	-1.5	-0.1	-0.1	3.6	4.7	4.6	4.3	5.4
Moderate	-1.9	-0.1	0.8	6.9	6.5	6.1	5.6	6.7
Balanced	-2.5	-0.3	1.5	10.6	8.7	7.8	7.0	8.1
High Growth	-2.8	-0.3	2.1	12.6	10.2	9.2	8.4	9.8

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 January 2022

Returns are net of fees and tax



Key drivers of performance:

- Returns were negative across all investment options as market volatility increased, equity markets sold-off, and bond yields increased amid inflation concerns, incoming interest rate hikes, earnings uncertainty, and the Russia-Ukraine tensions.
- Across all investment options, the Australian and International Equities asset classes were the largest detractor.
- Diversified Strategies Growth added value for the more growth-orientated investment options. Receipt of positive December quarter valuations for Australian private equity funds was a key contributor.
- Within the Diversified Strategies Income asset class, Defensive and Growth alternatives contributed positive returns. Key contributors came from macro and absolute return strategies.
- The Reserve Bank of Australia kept the Official Cash Rate (OCR) very low, and consequently the Cash investment option is likely to be low for some time. It is expected that the Cash investment option will return close to zero over the medium-term after fees and taxes.

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 January 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	12.4	9.4	8.1	3.5	3.6
Fixed Interest	0.0	38.1	24.1	16.1	9.1	0.0
Inflation-Linked Securities Taxable	0.0	14.9	14.9	10.9	4.9	0.0
Diversified Strategies Income	0.0	17.1	18.1	12.2	8.2	6.5
Property Taxable	0.0	5.1	8.1	8.9	10.9	15.3
Australian Equities Taxable	0.0	4.5	10.4	17.5	25.5	28.6
International Equities Taxable	0.0	7.9	14.9	20.1	28.2	34.1
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.2	9.8	12.0
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 January 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	0.6	1.1	1.4	1.9
Australian Government	-1.0	1.4	-2.1	-3.5	2.2	3.1	2.7	3.6
Australian Inflation-Linked	-1.2	3.4	0.6	0.9	4.7	4.4	3.4	4.5
Global Treasuries	-1.4	-1.0	-1.3	-2.7	2.2	2.7	2.8	4.2
Global Inflation-Linked	-2.1	-0.8	3.1	4.0	6.2	4.7	4.6	5.1
Credit								
Global Credit	-2.6	-2.5	-2.6	-3.0	3.8	3.6	3.5	5.1
Global High-Yield	-2.3	-2.3	-2.8	-0.2	3.5	3.8	5.3	6.9
Emerging Market Debt	-2.9	-2.9	-3.4	-3.2	3.5	3.6	4.3	4.5
Property								
Australian Listed Property	-9.4	-0.9	4.5	19.9	7.6	8.8	8.3	12.4
Equities								
Australian Equities	-6.5	-4.5	-2.7	9.6	10.1	8.6	7.6	9.5
Global Equities	-4.9	-2.6	3.4	19.0	16.7	13.1	11.1	12.6
US Equities	-5.2	-1.6	5.9	23.3	20.7	16.8	14.6	15.4
European Equities	-3.1	-0.5	3.8	20.0	10.8	7.8	6.7	8.8
Japanese Equities	-4.7	-4.8	-1.2	7.3	9.3	7.0	6.6	12.1
Asia (ex Japan) Equities	-2.7	-5.1	-12.2	-9.7	8.3	9.1	6.8	7.3
Emerging Market Equities	-1.8	-3.5	-9.0	-5.3	9.1	9.6	7.8	7.5
Global Small Companies	-7.7	-9.0	-7.4	4.7	12.2	10.1	9.5	10.7
Currency								
Australian Dollar vs Developed Market Basket	-2.4	-5.4	-4.7	-5.8	-0.9	-1.6	-1.2	-3.2

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

January saw volatility return to markets. Equity and bond markets finished the month in negative territory as persistently high inflation and an aggressive repricing of how quickly central banks may raise interest rates led to a sharp sell-off in equity markets and a rise in government bond yields. Market expectations of the number of rate hikes from the U.S. Federal Reserve (the Fed) in 2022 increased from three at the start of January to more than five by month-end. These expectations were reflected into global stocks and had flow on effects to the Australian equity market. Market volatility is likely to persist until there is greater clarity on the direction of central banks.

Tensions between Russia and the U.S. over the Ukraine also created uncertainty in equity markets, further contributing to the sell-off. Value stocks outperformed growth stocks globally, mainly driven by a risk-off sentiment. Big tech stocks sold off, inflation, incoming rate hikes, supply chain issues and the Russia-Ukraine tensions all contributed.

While the COVID-19 pandemic seemed to take a back seat from a market perspective in January, the impact of the Omicron wave started to surface in global indicators including retail sales and manufacturing indices. It is however expected this will reverse as the impact of Omicron fades.

The Reserve Bank of Australia (RBA) continued to hold the OCR at 0.1% but ceased the bond purchase program and significantly lifted its inflation forecasts. The RBA also laid out a case for rate hikes based on wage growth. While the RBA expects inflation to be higher in the near term, it doesn't see wage growth approaching a sustained level until late 2022.