Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

July 2022

FUNDS SA

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 2022

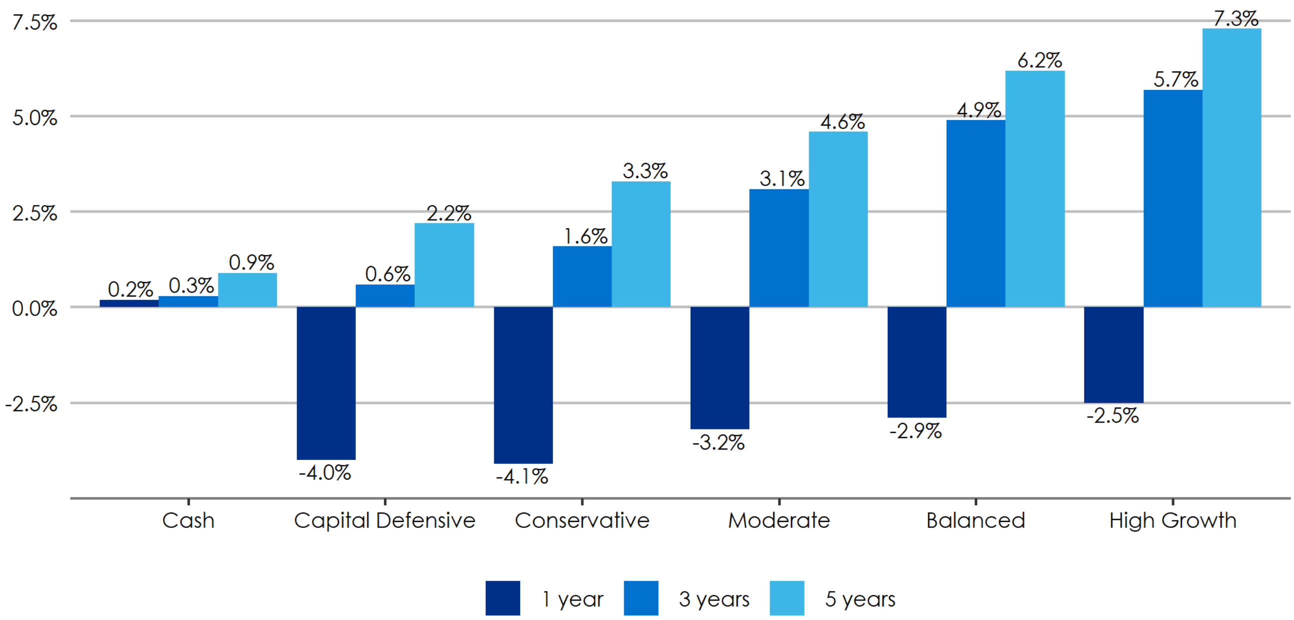
Returns are net of fees and tax

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	0.2	0.1	0.2	0.3	0.9	1.1	1.5
Capital Defensive	1.9	-0.4	1.9	-4.0	0.6	2.2	2.4	3.2
Conservative	2.4	-0.8	2.4	-4.1	1.6	3.3	3.5	4.6
Moderate	2.8	-1.2	2.8	-3.2	3.1	4.6	4.6	6.0
Balanced	3.4	-1.6	3.4	-2.9	4.9	6.2	5.9	7.4
High Growth	3.7	-1.9	3.7	-2.5	5.7	7.3	7.1	9.1

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 2022

Returns are net of fees and tax



Key drivers of performance:

- All investment options started the new financial year well, delivering positive performance for the month. Most financial markets posted positive returns despite many of the risks previously highlighted remaining.
- The Australian and International Equities asset classes were key contributors across all investment options. International and domestic equity markets responded positively to US Federal Reserve (the Fed) comments noting the pace of further rate hikes is likely to slow down at some point. Both markets were also boosted by better-than-expected earnings results.
- For the more defensive-oriented investment options, Fixed Interest was also a key contributor as bond yields declined generating positive returns.
- Within Diversified Strategies Income, Defensive Alternatives was the only detractor across all investment options.
- The Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.50% from 0.85% to 1.35%. The market is pricing an aggressive tightening cycle with the OCR expected to increase to 3% by the end of the year.
- At the time of writing, the RBA had increased the OCR from 1.35% to 1.85% (3 August 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 July 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	14.6	11.6	8.5	2.2	1.8
Fixed Interest	0.0	37.6	23.6	15.6	8.6	0.0
Inflation-Linked Securities Taxable	0.0	15.1	15.1	11.0	5.1	0.0
Diversified Strategies Income	0.0	16.8	17.8	11.8	7.8	6.8
Property Taxable	0.0	5.7	8.7	9.7	11.7	15.6
Australian Equities Taxable	0.0	5.1	11.2	18.1	26.3	29.1
International Equities Taxable	0.0	5.0	12.1	19.1	28.1	34.0
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.3	10.4	12.6
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 July 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	0.1	0.2	0.1	0.2	0.3	0.9	1.2	1.7
Australian Government	3.6	1.2	3.6	-9.4	-2.2	1.5	1.9	2.6
Australian Inflation-Linked	4.7	0.1	4.7	-8.5	-0.2	2.7	2.4	3.2
Global Treasuries	2.1	0.3	2.1	-7.6	-1.2	1.2	2.1	3.2
Global Inflation-Linked	4.8	-2.5	4.8	-7.2	1.4	3.1	3.7	3.9
Credit								
Global Credit	3.1	0.3	3.1	-11.7	-1.3	1.1	2.4	3.5
Global High-Yield	4.4	-3.6	4.4	-12.6	-1.9	0.6	3.2	5.0
Emerging Market Debt	3.2	-2.3	3.2	-17.1	-3.7	-0.5	1.9	2.0
Property								
Australian Listed Property	11.8	-8.4	11.8	-1.2	0.9	7.4	6.8	10.1
Equities								
Australian Equities	6.0	-6.2	6.0	-2.3	4.4	8.1	7.2	9.4
Global Equities	8.0	-0.7	8.0	-5.6	10.3	9.6	8.9	11.4
US Equities	9.2	0.4	9.2	-4.6	13.4	12.8	12.2	13.8
European Equities	6.1	-2.4	6.1	-3.2	5.2	4.8	4.7	7.9
Japanese Equities	3.7	2.2	3.7	4.9	10.3	6.4	4.5	12.6
Asia (ex Japan) Equities	-0.9	-3.7	-0.9	-15.8	3.5	2.8	5.2	6.1
Emerging Market Equities	0.2	-4.4	0.2	-14.6	4.0	3.8	5.9	6.2
Global Small Companies	9.1	-2.0	9.1	-14.5	6.9	6.1	6.9	9.9
Currency								
Australian Dollar vs Developed Market Basket	1.1	-0.4	1.1	-1.2	1.2	-2.0	-0.3	-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

Notwithstanding the current headwinds facing markets, equity markets took a break from the negative momentum seen in recent months, bouncing back into positive territory. The Australian and international equity markets rose 6.0% and 6.4% (unhedged, AUD), respectively, following comments by the US Federal Reserve (the Fed) indicating the pace of rate rises would eventually slow, and better-than-expected earnings results.

There are however tentative signs economic growth is slowing and inflation may be moderating. While economic conditions remain poor, positive expectations for earnings have continued to see investors favour equities over bonds, giving less attention to the economic conditions. The strength in equity markets versus the indicators of economic weakness reflects the relative change in market expectations that conditions are not as bad as originally thought.

Central banks continued to lift rates with most citing inflation as the key consideration behind the decision. The Bank of Canada shocked markets with a 1.00% hike to fight back fears of entrenched inflation and the Reserve Bank of Australia (RBA) and the Fed acted as expected, increasing rates by 0.50% and 0.75%, respectively. The Reserve Bank of New Zealand also increased rates by 0.50% following an Inflation print of 7.3%, the highest in 32 years.