Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

June 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 30 June 2022

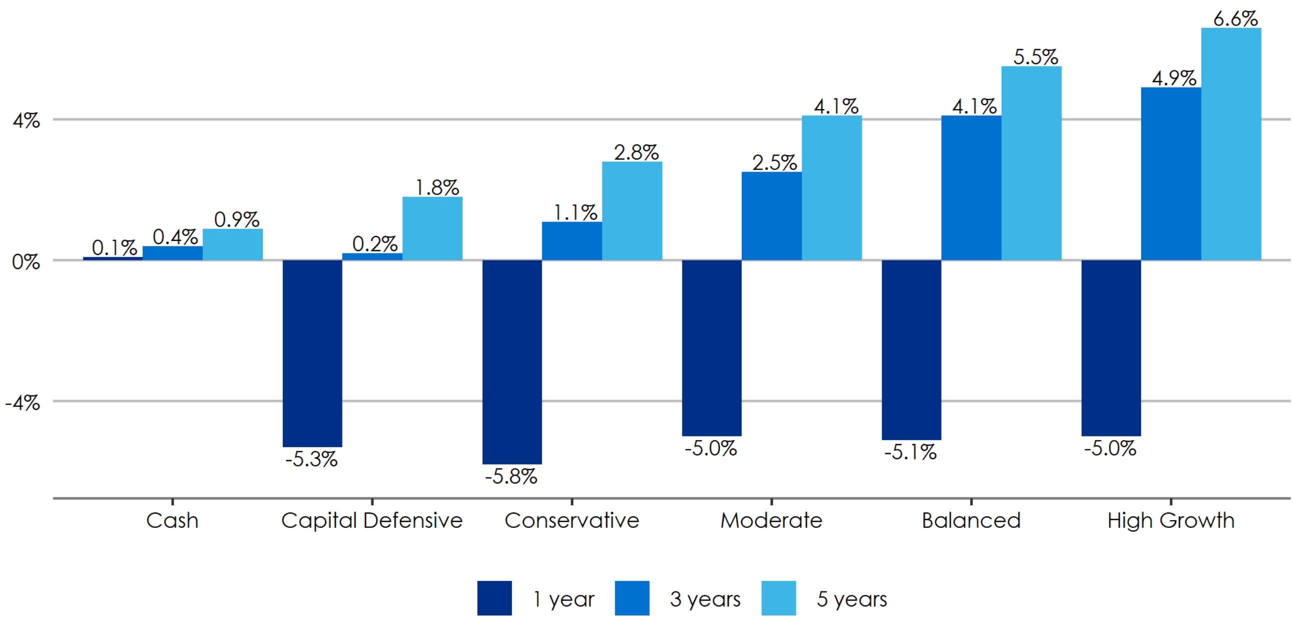
Returns are net of fees and tax

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	0.1	0.1	0.1	0.4	0.9	1.1	1.6
Capital Defensive	-1.7	-3.3	-5.3	-5.3	0.2	1.8	2.3	3.1
Conservative	-2.4	-4.5	-5.8	-5.8	1.1	2.8	3.3	4.5
Moderate	-2.9	-5.2	-5.0	-5.0	2.5	4.1	4.5	5.8
Balanced	-3.6	-6.3	-5.1	-5.1	4.1	5.5	5.7	7.2
High Growth	-4.1	-7.0	-5.0	-5.0	4.9	6.6	6.9	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 30 June 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 continued to navigate a range of challenges.
- The Australian and International Equities asset classes were large detractors across investment options. Equity markets experienced sharp declines amid concerns over inflation, the subsequent aggressive policy response from central banks, and recession fears.
- For the more defensive-oriented investment options, Credit was a significant detractor. Credit markets responded negatively to inflation worries, the prospect of substantially tighter monetary policy and recession fears, which led to global credit spreads widening significantly.
- Property and Diversified Strategies Growth offered small positive returns however this was not enough to offset the negative performance of other asset classes.
- The Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.50% from 0.35% to 0.85%. 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 0.85 to 1.35% (5 July 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 30 June 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	14.3	11.4	8.4	2.3	1.9
Fixed Interest	0.0	37.7	23.7	15.7	8.6	0.0
Inflation-Linked Securities Taxable	0.0	15.1	15.2	11.1	5.1	0.0
Diversified Strategies Income	0.0	16.7	17.7	11.9	8.0	6.7
Property Taxable	0.0	5.7	8.8	9.8	12.0	16.1
Australian Equities Taxable	0.0	5.0	10.8	17.7	25.6	28.6
International Equities Taxable	0.0	5.4	12.4	19.4	28.4	34.4
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.0	10.1	12.2
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 30 June 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	0.1	0.1	0.1	0.3	0.9	1.3	1.7
Australian Government	-1.3	-3.8	-10.8	-10.8	-3.0	0.8	1.6	2.2
Australian Inflation-Linked	-2.2	-5.9	-10.3	-10.3	-1.2	1.8	2.0	2.8
Global Treasuries	-1.2	-4.1	-8.2	-8.2	-1.6	0.9	2.0	3.1
Global Inflation-Linked	-3.6	-10.0	-8.1	-8.1	0.4	2.2	3.2	3.6
Credit								
Global Credit	-2.8	-6.8	-13.3	-13.3	-2.0	0.6	2.1	3.4
Global High-Yield	-7.4	-11.2	-16.2	-16.2	-3.0	-0.1	2.5	4.8
Emerging Market Debt	-5.5	-10.5	-19.2	-19.2	-4.3	-1.0	1.5	2.1
Property								
Australian Listed Property	-10.4	-17.5	-11.2	-11.2	-1.9	5.0	5.9	9.5
Equities								
Australian Equities	-9.0	-12.2	-6.8	-6.8	3.4	6.9	7.0	9.2
Global Equities	-7.8	-14.3	-11.1	-11.1	7.9	8.3	8.1	10.7
US Equities	-8.3	-16.1	-10.6	-10.6	10.6	11.3	11.1	13.0
European Equities	-7.7	-8.7	-7.5	-7.5	3.4	3.7	4.5	7.6
Japanese Equities	-2.2	-3.9	-1.3	-1.3	9.2	5.6	4.3	11.7
Asia (ex Japan) Equities	-3.0	-6.2	-21.0	-21.0	3.3	4.0	4.6	6.4
Emerging Market Equities	-4.5	-8.0	-19.9	-19.9	3.6	4.7	5.2	6.3
Global Small Companies	-10.3	-17.2	-22.2	-22.2	3.9	4.7	5.6	8.9
Currency								
Australian Dollar vs Developed Market Basket	-3.0	-5.9	-4.4	-4.4	0.3	-1.6	-1.1	-2.9

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

Financial markets were significantly challenged in June by the same factors that drove returns over the past 12 months:

- Inflation continues to rise,
- Rising interest rates,
- Sharp increases in bond yields have led to significant declines in bond prices, and
- Risk of recession.

Inflation in the US is at a new 41 year high of 9.1%, and while Australia is lower, we are still significantly higher than the 2-3% central bank target. The military conflict in Ukraine has caused food and energy prices to increase sharply, and supply chain constraints from the pandemic continue to contribute to higher good prices, while a shortage of workers is leading to higher labour prices.

Central banks have responded to higher inflation by aggressively raising rates. The US Federal Reserve (the Fed) raised US official interest rates by 0.75%; the biggest increase since 1994. In Australia, the RBA lifted the OCR from 0.50% to 0.85%.

Financial markets are concerned about the combination of rising interest rates and slowing economic growth increasing the risk of recession. Equity, credit, and bond markets have all experienced selling pressure. The US and Australian equity markets were down 8.3% and 9% respectively, with many other asset classes being influenced by the same challenges, recording negative returns and providing little cushioning.

US indicators are showing signs of slowing growth and consumer confidence around the world is falling. Locally, Westpac's Consumer Sentiment survey was released showing the slump in sentiment driven by rising inflation, the associated lift in interest rates, and a loss of confidence around the economic outlook both here and abroad.

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