Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

March 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 March 2022

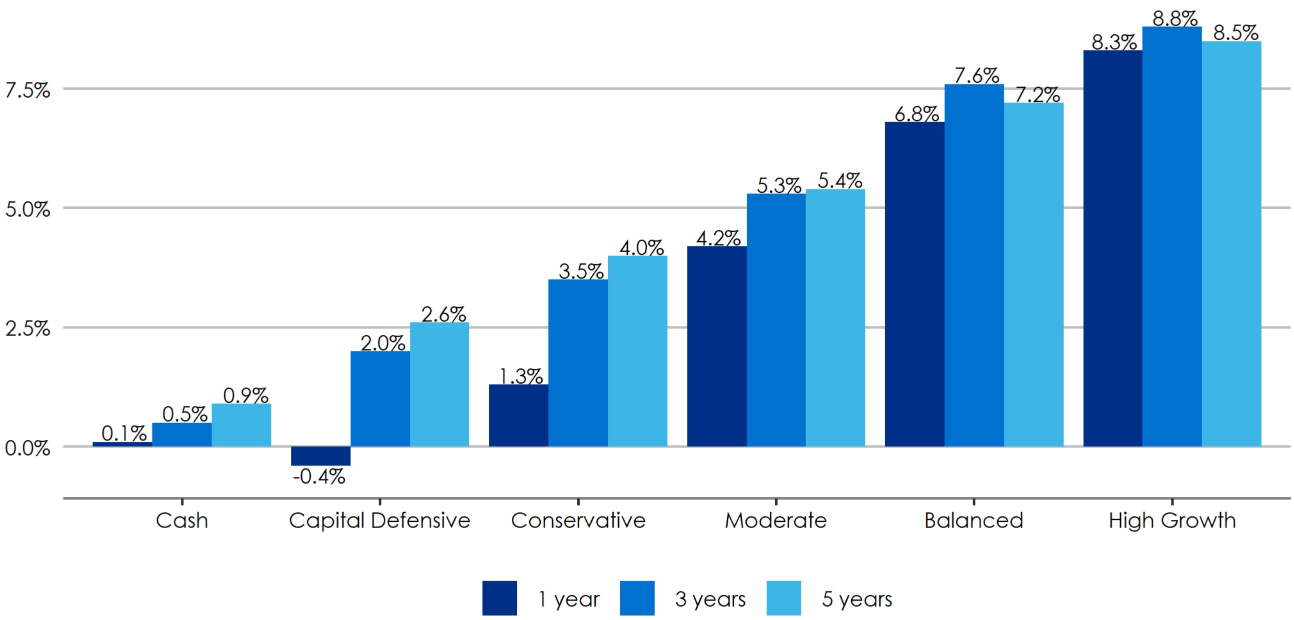
Returns are net of fees and tax

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	0.9	1.2	1.6
Capital Defensive	-0.8	-2.5	-2.0	-0.4	2.0	2.6	2.7	3.6
Conservative	-0.3	-2.7	-1.4	1.3	3.5	4.0	3.8	5.1
Moderate	0.2	-2.6	0.1	4.2	5.3	5.4	5.0	6.3
Balanced	0.8	-2.7	1.3	6.8	7.6	7.2	6.5	7.8
High Growth	1.3	-2.8	2.2	8.3	8.8	8.5	7.8	9.4

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 March 2022

Returns are net of fees and tax



Key drivers of performance:

- Across all investment options, the Australian Equities asset class was the largest contributor to returns. The Australian equity market was bolstered by strengthening commodity prices benefiting Resource and Energy sectors, prospect rising interest rates benefiting the Financials sector, and a strong reporting season.
- Returns across growth-oriented investment options were positive benefiting from higher allocations to Australian Equities.
- Returns for the defensive-oriented investment options were negative. Higher allocations to Fixed Interest detracted from performance as bond yields increased sharply with expectations that central banks may take more aggressive action in response to persistent inflation. Long-, Short-Term Fixed Interest and Inflation-Linked Securities asset classes were all negative for the month.
- International Equities was a detractor across all investment options as the Russian-Ukraine conflict and inflation concerns weighed heavily on international markets.
- The Reserve Bank of Australia kept the Official Cash Rate (OCR) at its historic low, however, the market is now pricing in a historically aggressive tightening cycle with the cash rate expected to increase from 0.10% to 2.00% by the end of the year.

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 March 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	12.6	9.6	8.3	3.7	4.4
Fixed Interest	0.0	38.5	24.5	16.5	9.5	0.0
Inflation-Linked Securities Taxable	0.0	14.8	14.8	10.8	4.8	0.0
Diversified Strategies Income	0.0	17.0	18.0	12.1	8.1	6.2
Property Taxable	0.0	5.1	8.2	9.0	11.0	15.4
Australian Equities Taxable	0.0	5.4	11.3	18.4	26.5	29.5
International Equities Taxable	0.0	6.6	13.6	19.0	26.9	32.8
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.0	9.6	11.6
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 March 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	1.0	1.3	1.8
Australian Government	-4.0	-6.3	-7.3	-5.5	-0.7	1.8	1.7	3.1
Australian Inflation-Linked	-4.2	-6.4	-4.7	-1.6	2.0	3.2	2.2	4.0
Global Treasuries	-2.1	-4.4	-4.3	-3.7	0.6	1.9	2.3	3.9
Global Inflation-Linked	-1.3	-3.1	2.1	4.9	4.9	4.3	4.5	5.0
Credit								
Global Credit	-2.3	-6.9	-6.9	-5.0	1.4	2.4	2.8	4.4
Global High-Yield	-0.6	-5.2	-5.6	-2.9	1.8	2.8	4.4	6.2
Emerging Market Debt	-1.1	-9.3	-9.7	-6.2	0.5	1.7	3.0	3.4
Property								
Australian Listed Property	1.4	-6.7	7.6	19.2	6.0	8.4	8.5	12.6
Equities								
Australian Equities	6.9	2.1	6.2	15.2	10.9	9.4	7.9	10.1
Global Equities	3.1	-4.6	3.8	11.6	15.0	12.3	10.4	11.9
US Equities	3.7	-4.6	6.5	15.6	18.9	16.0	14.0	14.6
European Equities	0.8	-5.4	1.3	7.9	8.0	6.0	5.3	8.1
Japanese Equities	4.6	-1.0	2.7	2.3	9.8	7.8	5.7	11.0
Asia (ex Japan) Equities	-2.0	-6.7	-15.8	-13.0	5.3	7.1	5.7	6.5
Emerging Market Equities	-2.0	-6.1	-13.0	-9.6	6.6	7.9	6.6	6.7
Global Small Companies	1.2	-6.4	-6.1	-0.7	11.6	9.7	8.8	10.3
Currency								
Australian Dollar vs Developed Market Basket	3.8	3.9	1.5	-0.2	1.9	-0.5	-0.2	-2.4

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

March was a volatile month for most investment markets. Concerns around inflation and the Russia-Ukraine conflict remained persistent, with further concern for supply chain disruptions, and worry the US Federal Reserve's (the Fed) interest rate actions will be more aggressive than anticipated to combat persistently high inflation.

The West continued to increase sanctions on Russia, restricting trade and the global supply of energy and food commodities. Higher energy costs have caused decreases in consumer confidence across Europe, the US, and Australia, as this contributes to the increased cost of living in these regions. While economic data is yet to be released, this could signal the beginning of weaker household consumption.

The Australian equity market (S&P/ASX 300) outperformed major international equity markets for the second month in a row, returning 6.9%. The war in Ukraine has squeezed the supply of various commodities, with the Resource and Energy sectors rallying on the back of rising prices. Additionally, Financials were supported by the prospect of rising interest rates. The market was as a whole was supported by a solid first half reporting season for FY2022 – around 90% of companies posted a profit and close to 80% of companies chose to pay dividends to investors.

While major international equity markets finished the month in positive territory, the simultaneous appreciation of the AUD resulted in negative performance for unhedged exposure. During the month investor sentiment was dampened amid unsuccessful peace talks between Russia and Ukraine, supply chain disruptions and rising energy prices continuing to boost current inflation.

Markets continued to ramp up expectations for the number of interest rate increases that would be delivered by central banks. To combat the escalating inflation, both the Fed and the Bank of England (BoE), and several emerging market central banks increased rates.

The Fed raised its funds rate by 0.25% to 0.50%, the upper bound of their target rate with Chair Powell noting the Fed plans to lift rates "steadily." The market has priced in close to 2% in cumulative hikes, to be near 2.5% by the end of 2022 following the March lift-off. The BoE increased its rate by 0.25% to 0.75% noting that "monetary policy will act to ensure that longer-term inflation expectations remain well anchored". The European Central Bank left its policy rates on hold, as was widely expected, but it did accelerate the pace of Quantitative Easing reduction.

The Reserve Bank of Australia (RBA) continued to hold the cash rate at 0.10% but echoed the sentiment of previous meetings noting "the war in Ukraine and the associated increase in energy prices has created additional uncertainty about the inflation outlook." The market is now pricing in a historically aggressive tightening cycle with the cash rate expected to increase from 0.10% to 2.00% by the end of the year.