Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

November 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 November 2022

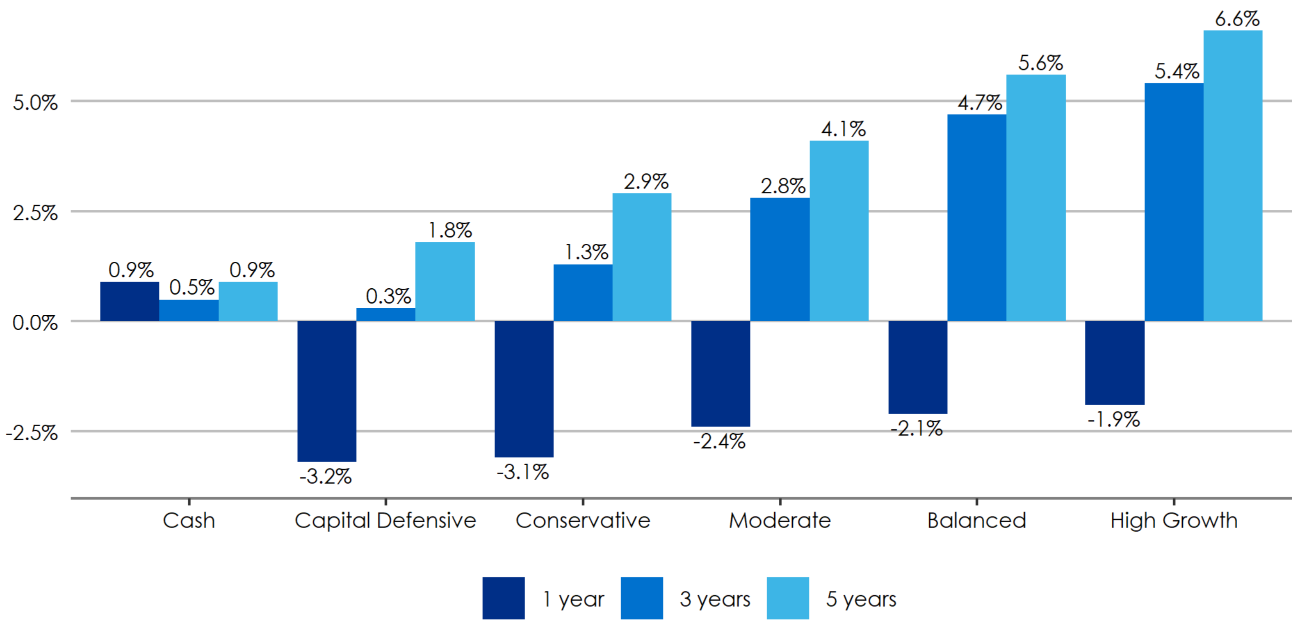
Returns are net of fees and tax

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	0.2	0.6	0.8	0.9	0.5	0.9	1.1	1.5
Capital Defensive	1.4	1.0	2.1	-3.2	0.3	1.8	2.5	3.0
Conservative	1.9	1.5	3.3	-3.1	1.3	2.9	3.7	4.4
Moderate	2.3	2.0	4.2	-2.4	2.8	4.1	5.0	5.8
Balanced	2.8	2.6	5.5	-2.1	4.7	5.6	6.5	7.2
High Growth	3.0	3.0	6.3	-1.9	5.4	6.6	7.8	8.8

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 30 November 2022

Returns are net of fees and tax



Key drivers of performance:

- All diversified investment options had a positive month with a distinct risk-on sentiment driving most financial markets higher.
- Risk assets including Australian and International Equities, and Credit within Diversified Strategies Income were key contributors to returns. These asset classes produced strong positive returns following a lower-than-expected US inflation print, speculation that inflation has now peaked and the pace of rate hikes may ease, and expectations for a quicker pace of reopening in China.
- Fixed Interest also contributed to returns as bonds also rallied following lower-than-expected inflation and the expectation that central banks will begin to slow the pace of tightening.
- The Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.25% from 2.60% to 2.85%.
- At the time of writing, the RBA had increased the OCR from 2.85% to 3.10% (6 December 2022). The market is pricing in an end to the tightening cycle by the second half of next 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 30 November 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	19.0	14.0	9.6	4.9	3.2
Fixed Interest	0.0	37.4	23.4	15.4	8.4	0.0
Inflation-Linked Securities Taxable	0.0	14.5	14.5	10.5	4.0	0.0
Diversified Strategies Income	0.0	12.8	15.8	10.8	7.3	6.9
Property Taxable	0.0	5.4	8.4	9.3	10.9	15.2
Australian Equities Taxable	0.0	5.3	11.3	18.3	26.2	28.2
International Equities Taxable	0.0	5.5	12.6	19.2	27.3	32.8
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.8	11.0	13.7
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 November 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	0.2	0.6	0.9	1.0	0.5	1.0	1.3	1.7
Australian Government	1.4	1.2	1.9	-8.1	-3.2	0.8	1.6	2.3
Australian Inflation-Linked	2.5	2.5	4.6	-5.9	-0.8	2.2	2.4	3.0
Global Treasuries	1.7	-1.5	-2.0	-10.8	-2.8	0.2	1.2	2.6
Global Inflation-Linked	2.5	-4.2	-3.7	-17.2	-1.3	1.0	2.5	2.8
Credit								
Global Credit	3.9	-1.6	-1.7	-14.9	-3.5	-0.1	1.6	2.6
Global High-Yield	4.0	0.8	4.0	-11.1	-1.9	0.2	3.3	4.2
Emerging Market Debt	6.9	0.5	2.5	-15.6	-4.0	-1.0	1.7	1.4
Property								
Australian Listed Property	5.8	0.5	8.2	-12.3	-0.9	4.7	6.7	9.2
Equities								
Australian Equities	6.5	5.7	13.4	4.3	6.0	8.2	9.4	9.3
Global Equities	5.7	3.8	8.2	-8.0	8.4	8.2	9.2	10.8
US Equities	5.6	3.6	8.6	-9.2	10.9	11.0	12.2	13.3
European Equities	7.0	6.6	8.8	-1.1	4.7	4.7	5.5	7.4
Japanese Equities	3.0	2.2	7.2	5.6	8.1	4.8	5.7	12.2
Asia (ex Japan) Equities	15.5	-2.4	-2.4	-13.8	2.3	1.4	6.0	5.2
Emerging Market Equities	11.7	-1.4	0.1	-12.2	3.1	2.6	6.8	5.6
Global Small Companies	6.5	3.2	9.3	-12.1	5.4	4.6	7.5	9.1
Currency								
Australian Dollar vs Developed Market Basket	3.7	-2.3	-2.4	-2.6	0.6	-1.6	-0.8	-3.3

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

November was a positive month, with a distinct risk-on sentiment driving most financial markets higher. The combination of: tentative indicators of peak inflation, speculation that central banks may slow the pace of interest rate increases, and optimism on the Chinese economy reopening in the near future were the driving forces behind the positivity.

Many central banks continued to raise interest rates and reiterated their commitment to bring inflation down to their respective targets. The US Federal Reserve (the Fed), the Bank of New Zealand, and the Bank of England all raised rates 0.75%. The Reserve Bank of Australia raised rates 0.25%. While some central banks, including the Fed and the European Central Bank, signalled further hikes will be needed to bring down inflation, the pace of rate hikes may ease.

Global bond markets rose 1.7% after data points indicated inflation may have peaked in various countries and peak interest rates could be lower than previously expected. This view was supported as the October U.S. Consumer Price Index delivered year-on-year inflation decline from 8.2% to 7.7%.

Australian equities and global equities gained 6.5% and 5.7% (in local currency terms), respectively. In Australia, gains were concentrated in the Energy and Materials sectors which significantly outperformed the broader market. Positive sentiment on the potential for China to relax COVID restrictions and reopen their economy supported commodity prices and large cap mining stocks. Globally, while Developed Markets performed strongly, the risk-on thematic was particularly prevalent in Emerging Markets which rose 11.7% following gridlocked US mid-term elections (which reduced the risk of policy and regulatory change), a weaker US Dollar, and expectations for a quicker pace of reopening in China.