Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

October 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 October 2022

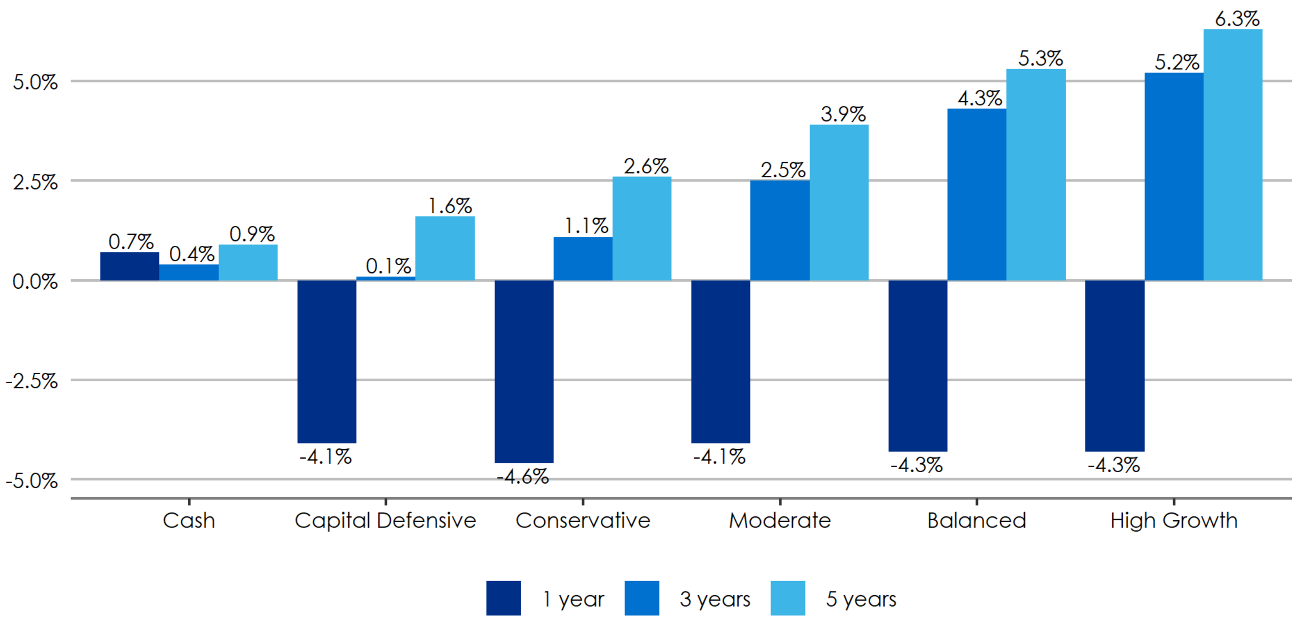
Returns are net of fees and tax

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	0.5	0.6	0.7	0.4	0.9	1.1	1.5
Capital Defensive	1.3	-1.2	0.7	-4.1	0.1	1.6	2.3	2.9
Conservative	2.0	-1.1	1.3	-4.6	1.1	2.6	3.4	4.3
Moderate	2.7	-0.9	1.9	-4.1	2.5	3.9	4.6	5.6
Balanced	3.5	-0.7	2.6	-4.3	4.3	5.3	6.0	6.9
High Growth	3.9	-0.5	3.1	-4.3	5.2	6.3	7.3	8.6

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 October 2022

Returns are net of fees and tax



Key drivers of performance:

- All diversified investment options had a strong positive month primarily driven by rising Australian and international equity markets. This was based on speculation that central banks may ease the pace of tightening, and positive earnings reports indicated resilient consumers.
- The Australian and International Equities asset classes were the key contributors to returns.
- In October, the Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.25% from 2.35% to 2.60%. At the time of writing, the RBA had increased the OCR from 2.60% to 2.85% (1 November 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 October 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	17.4	12.4	8.3	3.0	1.8
Fixed Interest	0.0	37.5	23.5	15.5	8.5	0.0
Inflation-Linked Securities Taxable	0.0	14.6	14.6	10.6	4.1	0.0
Diversified Strategies Income	0.0	13.1	16.1	11.1	7.7	6.6
Property Taxable	0.0	5.8	8.8	9.7	11.2	15.6
Australian Equities Taxable	0.0	5.6	11.6	18.4	26.4	28.3
International Equities Taxable	0.0	6.0	13.1	19.5	28.0	33.6
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.9	11.2	14.1
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 October 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								
Global Treasuries	-0.2	-5.6	-3.6	-11.3	-3.5	-0.1	1.0	2.5
Global Inflation-Linked	0.3	-10.4	-6.1	-17.0	-2.3	0.6	2.2	2.7
Credit								
Global Credit	-0.6	-8.2	-5.4	-17.9	-4.7	-0.9	1.0	2.3
Global High-Yield	1.9	-4.3	0.0	-15.9	-3.1	-0.7	2.5	3.9
Emerging Market Debt	0.1	-7.1	-4.1	-22.2	-6.2	-2.3	0.7	0.9
Property								
Australian Listed Property	9.9	-8.5	2.3	-13.9	-2.0	4.6	5.4	8.5
Equities								
Australian Equities	6.0	0.5	6.4	-2.6	4.9	7.2	8.3	8.7
Global Equities	7.1	-5.2	2.4	-14.2	7.6	7.4	8.5	10.4
US Equities	8.1	-5.9	2.8	-14.6	10.2	10.4	11.4	12.8
European Equities	6.1	-4.2	1.7	-9.8	3.1	3.0	4.8	7.0
Japanese Equities	5.3	0.4	4.1	-1.0	7.7	4.5	5.5	12.5
Asia (ex Japan) Equities	-5.4	-14.7	-15.5	-27.9	-2.3	-1.6	3.4	4.0
Emerging Market Equities	-2.6	-10.6	-10.4	-23.9	-0.5	0.2	4.7	4.6
Global Small Companies	8.2	-6.0	2.6	-21.6	4.4	3.8	6.6	8.6
Currency								
Australian Dollar vs Developed Market Basket	-0.1	-6.9	-5.9	-10.7	-1.1	-2.7	-1.0	-3.6

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

Global equity markets ended the month with strong gains. Equity markets interpreted the slowdown in the pace of rate hikes by the Reserve Bank of Australia (RBA) and Bank of Canada, along with messaging from others central banks, as an indication that the pace of tightening may begin to ease.

Australian equities and global equities gained 6.0% and 7.1% (in AUD terms), respectively. Domestically, banks were supported by several favourable earnings reports, and insurance companies were buoyed from the High Court dismissing the business interruption insurance appeal with insurers having no liability for COVID disruptions. Globally, the energy sector had very strong returns following OPEC's production cut announcement. Earnings season also kicked off in the US, with initial reports indicating a more resilient consumer, though strong headwinds from elevated labour and supply chain costs, and a weak economic outlook persisted. Emerging markets ended the month in negative territory, falling -2.6% (in AUD terms) following the closely watched 20th Party Congress that reinforced President Xi's authority.

Central banks continued to raise interest rates and reiterated their commitment to bring inflation down. The European Central Bank (ECB) raised rates 0.75%, The Bank of Canada raised rates 0.50%, and the RBA surprised the market by raising rates 0.25% instead of 0.50%. The RBA reasoned that "higher inflation and higher interest rates are putting pressure on household budgets, with the full effects of higher interest rates yet to be felt in mortgage payments". Comments like these were echoed by the Fed with bond yields falling in response. However, indicators are showing that inflation, particularly in the US, is relatively broad-based. Coupled with a tight labour market, there is consensus that tighter monetary policy will be needed to curb inflation.

Geopolitical risks and politics were also front of mind in October. The transition of power in the UK provided some stability to bond and currency markets. As expected, President Xi was reappointed at the 20th National Party Congress for his third term, and tensions between Russia and Ukraine continued.