

Performance Summary



SA Metropolitan Fire Service Super Scheme – Members
September 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 September 2022

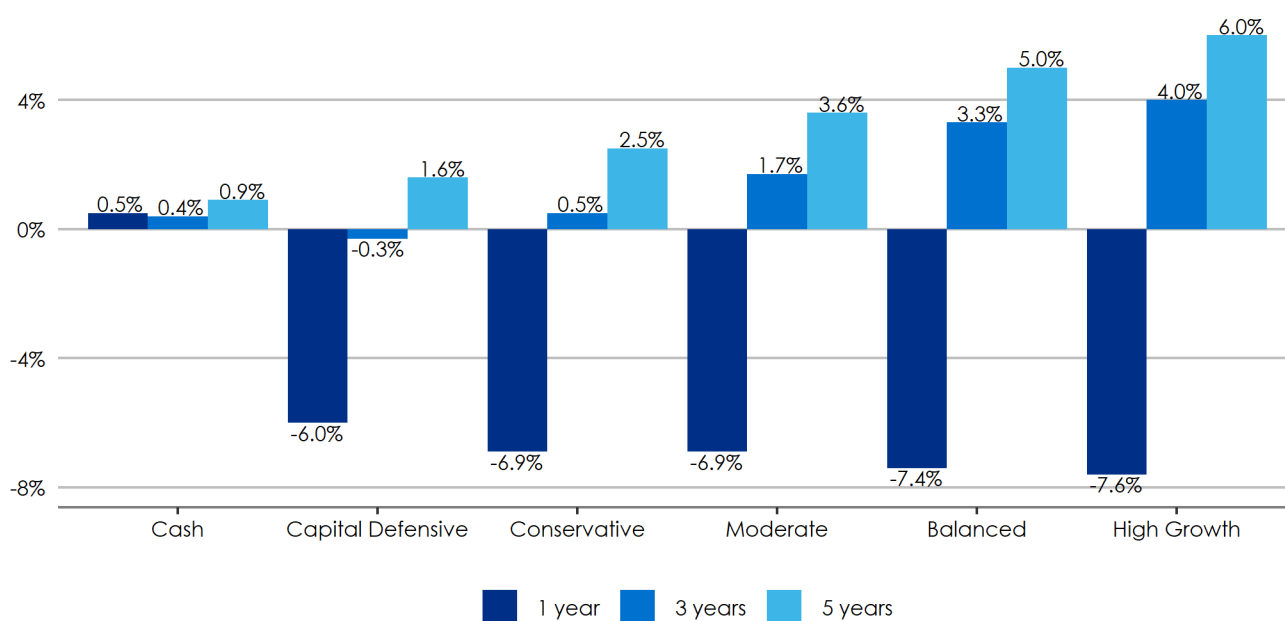
Returns are net of fees and tax

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	0.4	0.4	0.5	0.4	0.9	1.1	1.5
Capital Defensive	-1.6	-0.5	-0.5	-6.0	-0.3	1.6	2.2	2.8
Conservative	-2.4	-0.7	-0.7	-6.9	0.5	2.5	3.3	4.1
Moderate	-2.8	-0.8	-0.8	-6.9	1.7	3.6	4.5	5.4
Balanced	-3.5	-0.8	-0.8	-7.4	3.3	5.0	5.9	6.6
High Growth	-3.8	-0.8	-0.8	-7.6	4.0	6.0	7.2	8.3

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 September 2022

Returns are net of fees and tax



Key drivers of performance:

- Other than the Cash investment option, returns across all investment options were negative for the month as Australian and international equity markets declined and bond yields rose following high inflation data and investor fears that continued aggressive monetary policy would push economies into recession.
- The Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.50% from 1.85% to 2.35%. The market continues to price an aggressive tightening cycle with the OCR expected to increase to around 3% by the end of the year.
- At the time of writing, the RBA had increased the OCR from 2.35% to 2.60% (4 October 2022).

The asset allocation of the Funds SA Taxable investment options is shown in the table below.

Table 2: Asset allocation as at 30 September 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	18.5	13.5	9.5	2.9	1.6
Fixed Interest	0.0	37.7	23.7	15.7	8.7	0.0
Inflation-Linked Securities Taxable	0.0	15.0	15.0	11.0	5.0	0.0
Diversified Strategies Income	0.0	12.7	15.7	10.7	7.7	6.2
Property Taxable	0.0	5.9	9.0	9.9	11.4	15.9
Australian Equities Taxable	0.0	4.9	10.8	17.6	25.4	28.4
International Equities Taxable	0.0	5.4	12.4	18.7	27.3	33.3
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.9	11.6	14.5
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.

Financial market snapshot

The table below summarises financial market performance.

Table 3: Major market index returns to 30 September 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	0.4	0.4	0.5	0.4	0.9	1.2	1.7
Australian Government	-1.4	-0.7	-0.7	-11.8	-4.0	0.8	1.1	2.0
Australian Inflation-Linked	-3.8	-1.9	-1.9	-11.6	-2.5	1.5	1.4	2.3
Global Treasuries	-3.0	-3.4	-3.4	-11.4	-3.6	0.0	1.1	2.6
Global Inflation-Linked	-6.8	-6.3	-6.3	-15.7	-3.0	0.7	2.2	2.7
Credit								
Global Credit	-4.7	-4.8	-4.8	-17.5	-4.4	-0.6	1.3	2.5
Global High-Yield	-4.9	-1.9	-1.9	-17.9	-3.6	-0.9	2.7	3.9
Emerging Market Debt	-6.1	-4.2	-4.2	-22.2	-6.1	-2.3	1.1	1.0
Property								
Australian Listed Property	-13.6	-6.9	-6.9	-21.1	-4.6	3.1	4.7	8.0
Equities								
Australian Equities	-6.3	0.5	0.5	-8.0	2.7	6.8	8.1	8.4
Global Equities	-8.3	-4.4	-4.4	-15.5	5.8	6.5	8.6	9.6
US Equities	-9.2	-4.9	-4.9	-15.5	8.2	9.2	11.4	11.7
European Equities	-6.0	-4.1	-4.1	-11.8	1.2	2.2	4.9	6.5
Japanese Equities	-5.7	-1.1	-1.1	-7.2	7.6	4.5	6.2	12.0
Asia (ex Japan) Equities	-10.6	-10.7	-10.7	-22.9	0.7	0.4	5.2	4.5
Emerging Market Equities	-9.3	-8.0	-8.0	-21.1	1.4	1.5	5.9	4.8
Global Small Companies	-10.4	-5.2	-5.2	-24.9	2.6	2.4	6.3	7.7
Currency								
Australian Dollar vs Developed Market Basket	-5.8	-5.8	-5.8	-6.9	-0.6	-3.0	-0.7	-3.5

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

Bond and equity markets continued to decline in September as markets grappled with high inflation data and fears that continued aggressive monetary policy would push economies into recession. Market volatility was high and particularly pronounced at the end of the month as a number of events affected broad sentiment. Global equities and bonds fell 8.3% and 3.0%, respectively.

A higher-than-expected August CPI report sparked a big selloff in US equities and stoked fears of continued aggressive US Federal Reserve (Fed) monetary policy and a longer wait for any policy pivot. In the UK, the announcement of the UK Government's expansionary Fiscal Update also caused large selloffs in equity and bond markets. The UK Government's proposal to fund fiscal stimulus through debt was viewed by the market as irresponsible and at odds with the inflation combatting actions by the Bank of England (BoE). These events carried over to the Australian market, with the S&P/ASX 300 falling 6.3% by the end of the month.

Developed market central banks continued to hike aggressively to control inflation. The Fed announced its third consecutive 0.75% rate hike, the BoE decided to raise rates by 0.50% to 2.25%, and the RBA increased the OCR to 2.35%. The trade-off between economic growth and inflation is becoming more apparent, and the probability of a policy induced recession is increasing.

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