Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

November 2021

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 2021

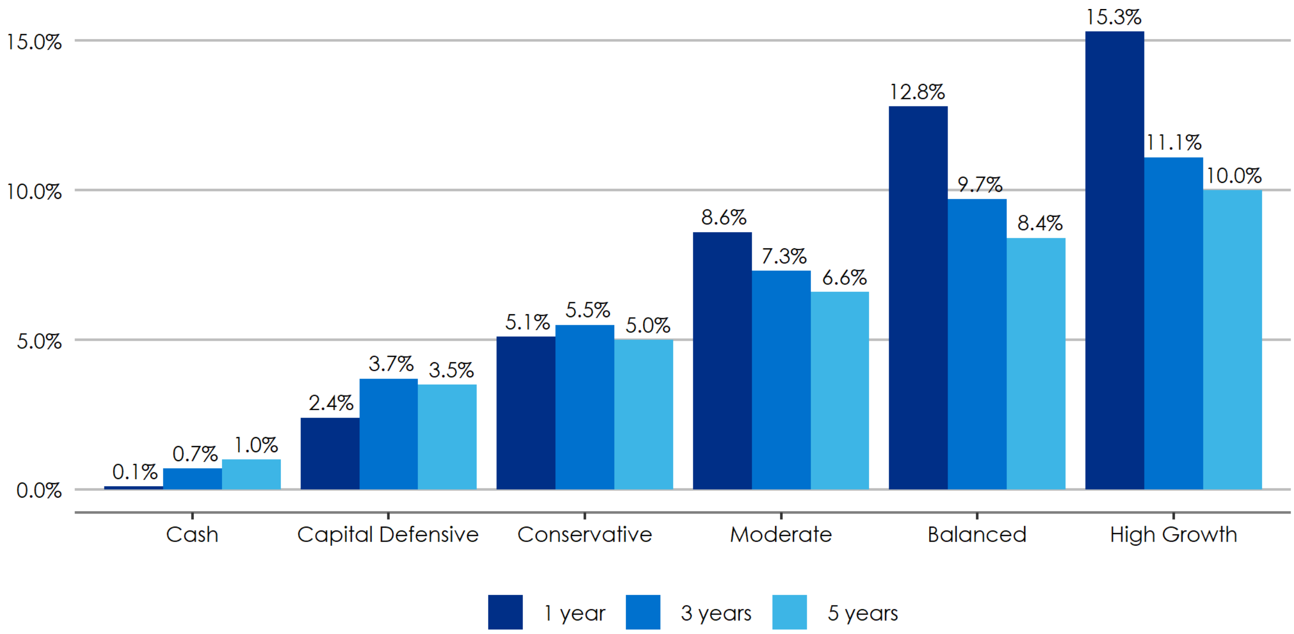
Returns are net of fees and tax

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	0.7	1.0	1.3	1.8
Capital Defensive	0.4	-1.0	-0.1	2.4	3.7	3.5	3.4	4.1
Conservative	0.4	-1.0	0.4	5.1	5.5	5.0	4.7	5.6
Moderate	0.5	-0.6	1.4	8.6	7.3	6.6	6.1	7.0
Balanced	0.5	-0.5	2.3	12.8	9.7	8.4	7.6	8.4
High Growth	0.5	-0.2	2.9	15.3	11.1	10.0	9.1	10.2

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 2021

Returns are net of fees and tax



Key drivers of performance:

- Returns for November were positive across all investment options with defensive asset classes and unlisted assets driving returns.
- After sharp bond yield increases in October, yields ended the month slightly lower as the market digested the news of a new covid variant and market participants priced in a slightly less aggressive tightening of monetary policy by global central banks.
- Fixed Interest and Inflation-Linked Securities asset classes were key positive contributors to performance for the more conservative investment options.
- The growth-oriented investment options benefited from allocations to unlisted assets, primarily Diversified Strategies Growth (DSG) and Property.
- DSG added value for the more growth-orientated investment options as a result of September quarter valuations from Private Equity and rollforward valuations on Core Infrastructure.
- There was a risk off sentiment toward the end of the month leading to Credit and Alternatives strategies within Diversified Strategies Income under-performing, and equity asset classes were flat for the month. International Equities provided some positive contribution from currency hedging activities.
- The Reserve Bank of Australia kept the Cash Rate very low, and it is likely to be low for some time. It is expected that the Cash investment option will return close to zero over the medium-term after fees and taxes.

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 2021

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	13.7	10.7	9.3	4.7	4.0
Fixed Interest	0.0	36.5	22.5	14.4	7.4	0.0
Inflation-Linked Securities Taxable	0.0	15.0	15.0	11.0	5.0	0.0
Diversified Strategies Income	0.0	16.9	18.0	12.0	8.0	6.3
Property Taxable	0.0	4.9	7.9	8.8	10.8	14.9
Australian Equities Taxable	0.0	5.1	11.1	18.3	26.3	29.4
International Equities Taxable	0.0	8.0	14.9	20.2	28.4	34.0
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.0	9.4	11.5
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.

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Financial market snapshot

The table below summarises financial market performance.

Table 3: Major market index returns to 30 November 2021

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	0.7	1.1	1.5	2.0
Australian Government	2.5	-3.2	-1.1	-3.5	3.5	3.4	3.4	3.9
Australian Inflation-Linked	2.4	-2.5	-0.4	0.2	5.1	4.4	3.8	4.7
Global Treasuries	1.1	-0.3	0.9	-1.1	3.8	3.1	3.6	4.8
Global Inflation-Linked	2.8	3.0	6.9	7.8	8.2	5.8	5.7	5.9
Credit								
Global Credit	0.2	-0.9	0.2	-0.6	5.8	4.4	4.4	5.8
Global High-Yield	-1.5	-2.8	-2.0	2.5	4.9	4.7	5.3	7.7
Emerging Market Debt	-1.4	-3.3	-1.9	-1.2	6.1	4.5	4.1	4.9
Property								
Australian Listed Property	4.0	2.6	9.6	21.4	12.1	10.2	10.9	13.3
Equities								
Australian Equities	-0.5	-2.3	1.3	16.0	12.9	10.3	9.1	10.3
Global Equities	-1.5	0.1	4.6	23.6	16.7	14.2	11.1	13.2
US Equities	-0.7	1.3	6.9	27.9	20.4	17.9	14.2	16.2
European Equities	-2.4	-1.8	1.8	19.2	10.1	8.6	6.7	9.1
Japanese Equities	-3.4	-0.5	0.2	12.5	7.9	8.1	6.9	12.6
Asia (ex Japan) Equities	-3.5	-5.7	-10.7	1.7	10.4	10.2	7.2	8.5
Emerging Market Equities	-3.2	-5.1	-8.8	4.7	10.9	10.6	7.7	8.3
Global Small Companies	-5.0	-4.9	-3.3	18.7	13.8	12.1	10.0	11.9
Currency								
Australian Dollar vs Developed Market Basket	-4.9	-1.9	-4.2	-2.1	-1.1	-1.2	-2.2	-2.8

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

The World Health Organisation labelled COVID-variant, Omicron, a 'variant of concern' in late November. The northern hemisphere winter has brought about a surge in COVID-19 cases and the reintroduction of restrictions in some countries, curtailing economic activity.

As countries assessed the risks and implications of the new variant, investors took a risk-averse approach. Most equity markets across the globe closed lower at the end of November. Energy and commodity prices declined on demand concerns, and the riskier segments of the fixed interest market also declined. The Australian Dollar fell over the month, providing a cushion against the impact of international equity declines.

Government bonds rallied, albeit with increased volatility as the market digested the news of Omicron variant and the potential for tighter central bank policy. The US Federal Reserve (the Fed) indicated a possible shift in their views on the economy and monetary policy settings stating that viewing inflation as 'transitory' was no longer appropriate. The Fed's December meeting will likely provide more light on their changing views however the impact of the Omicron variant is still front of mind.

The Reserve Bank of Australia (RBA) continued to hold the cash rate at 0.1% and announced the decision to discontinue the yield target for the April 2024 Australian Government Bond, reflecting improvement in the economy and better than expected progress toward the inflation target. While underlying inflation has returned to the target range of 2-3%, the RBA remains patient in its approach to lifting interest rates, explaining that they will also use wages growth as one of the guideposts in assessing the economy's progress.