

Performance Summary

SA Metropolitan Fire Service Superannuation Scheme
August 2019



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 multi-sector funds offered under the Scheme.

Performance

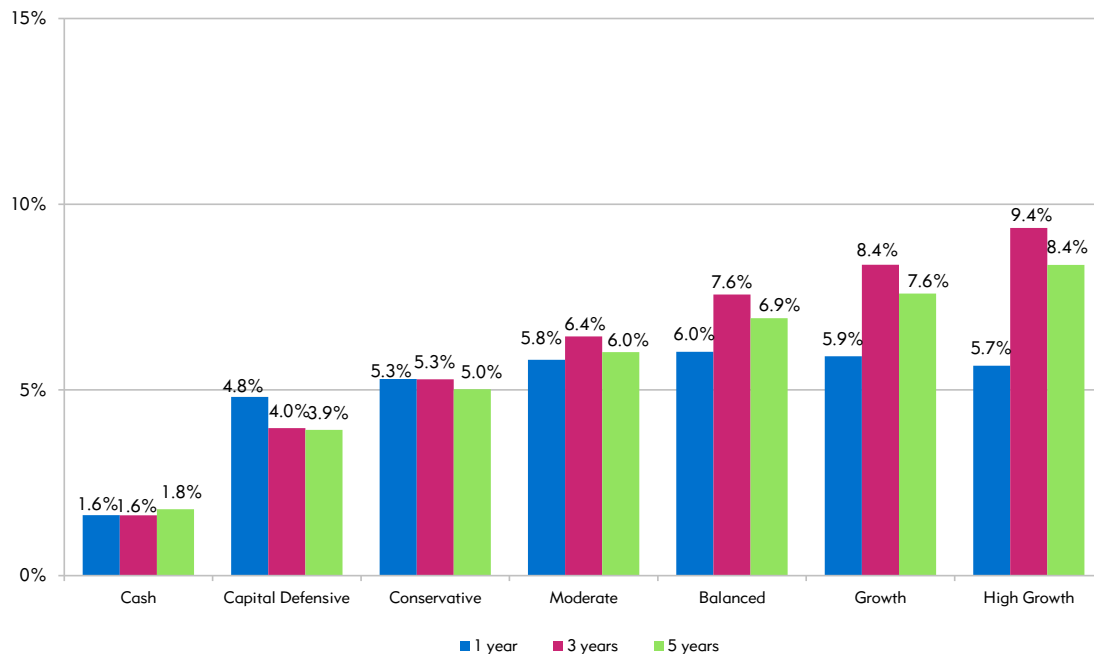
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 August 2019¹

	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.1	0.3	0.2	1.6	1.6	1.8	2.0	2.6
Capital Defensive	-0.1	1.6	0.6	4.8	4.0	3.9	4.3	5.2
Conservative	-0.3	2.2	0.6	5.3	5.3	5.0	5.8	6.2
Moderate	-0.2	2.7	0.8	5.8	6.4	6.0	7.0	6.9
Balanced	-0.4	3.1	0.8	6.0	7.6	6.9	8.2	7.6
Growth	-0.6	3.2	0.7	5.9	8.4	7.6	9.1	8.1
High Growth	-0.8	3.5	0.6	5.7	9.4	8.4	10.2	8.8

1. The taxable funds were established in March 2005, with the exception of the Moderate fund (established in June 2006)

Chart 1: Multi-sector fund annualised returns net of fees and tax to 31 August 2019



Key drivers of performance during August 2019 included:

- Global equities posted negative returns and underperformed government bonds
- Australian government bonds outperformed most of their global counterparts
- Australian dollar depreciated against most major currencies

This environment proved to be favourable for portfolios with relatively larger allocations to defensive assets such as government bonds.

Asset Allocation

The asset allocation mix of the multi-sector funds is shown in the table below.

Table 2: Asset allocation as at 31 August 2019

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	15.8	10.7	9.5	4.5	4.5	2.5
Short-Term Fixed Interest	0.0	29.7	17.7	6.7	2.7	0.0	0.0
Long-Term Fixed Interest	0.0	5.3	5.3	9.2	8.2	4.2	0.0
Inflation-Linked Securities B	0.0	14.7	15.6	11.6	8.6	5.6	0.0
Diversified Strategies Income	0.0	17.2	18.1	14.9	11.9	11.8	11.8
Property B	0.0	5.4	8.4	9.1	11.1	13.1	15.0
Australian Equities B	0.0	5.3	11.5	15.5	21.7	24.9	27.9
International Equities B	0.0	6.7	12.6	16.8	21.7	24.3	31.3
Diversified Strategies Growth	0.0	0.0	0.0	6.6	9.6	11.6	11.6
Total	100.0	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 market performance.

Table 3: Major market index returns to 31 August 2019

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % pa	10 Years % pa
Cash and fixed income								
Australian Cash	0.1	0.3	0.2	1.8	1.8	2.0	2.3	3.0
Australian Government	1.9	4.1	2.9	13.0	4.9	5.6	4.9	5.9
Australian Inflation-Linked	0.6	2.0	2.1	10.7	4.4	4.9	4.7	6.9
Global Treasuries ⁽¹⁾	2.6	4.6	3.3	10.6	3.8	5.3	5.5	6.5
Global Inflation-Linked ⁽¹⁾	2.8	5.3	4.7	11.2	4.5	5.9	5.4	7.4
Credit								
Global Credit ^{(1),(2)}	2.3	5.0	3.1	11.1	4.6	5.4	5.8	7.6
Global High-Yield ⁽¹⁾	-1.5	2.0	-0.7	6.4	5.3	5.7	7.5	10.7
Emerging Market Debt ⁽⁴⁾	0.5	4.8	1.7	13.1	4.1	4.7	4.4	7.1
Property								
Australian Listed Property	1.3	8.3	4.0	19.8	8.9	13.2	14.6	12.5
Equities⁽³⁾								
Australian Equities	-2.3	4.3	0.6	9.1	11.3	7.9	10.9	8.5
Global Equities	-1.9	5.1	-0.8	1.3	10.1	7.6	11.2	10.0
US Equities	-1.6	6.9	-0.2	2.9	12.7	10.1	13.4	13.4
European Equities	-1.7	3.5	-1.0	2.3	7.1	5.4	8.5	7.2
Japanese Equities	-3.2	0.3	-2.5	-10.2	6.5	5.6	13.2	6.6
Asia (ex Japan) Equities	-3.3	0.5	-4.6	-5.0	7.1	4.3	6.8	6.6
Emerging Market Equities	-2.5	1.1	-3.4	-2.4	7.7	4.7	6.7	6.8
Global Small Companies	-3.2	3.1	-2.3	-7.4	8.1	7.0	11.6	11.1
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-2.2	-2.9	-3.4	-5.6	-3.3	-5.2	-4.8	-1.5

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates, supranational agencies, and other government-related (e.g.

(3) Local currency return

(4) Hedged to USD

(5) A positive number represents appreciation of the Australian dollar. A negative number represents depreciation.

Key factors impacting financial market performance during August 2019 are summarised below.

Equity Markets

Equity market performance was negative in August, a change from the previous month's positive performance. Trade tensions between the US and China escalated during the month and the economic outlook continued to weaken. The US president announced an intention to impose a tariff on the remaining Chinese imports that were not yet subject to previous rounds of tariffs. This increased market volatility as China and the US had agreed to a ceasefire at the G20 meeting in May. China retaliated with increased tariffs on US imports, including agricultural goods, crude oil and cars. The US president then decided to escalate further by increasing both the existing and planned tariff rates.

The manufacturing sector of the US economy remains weak with indicators showing some of the lowest readings since the global financial crisis. The manufacturing weakness has begun to impacting business activity whilst consumer spending is still holding up. In Europe, the economic slowdown was confirmed by the release of weaker second-quarter growth data with the Germany economy contracting.

Debt Markets

Global government bond markets produced strong positive returns over the month with long duration securities outperforming. Corporate bonds and emerging market debt posted positive returns, while high yield bonds were negative reflecting the volatile equity market environment. Domestic bonds outperformed global bonds given concerns around growth in the Australian economy and the potential for continuing lowering of official interest rates.

Currency

The Australian dollar depreciated due to trade war concerns and the potential for the Reserve Bank of Australia to continue lowering interest rates.

Disclaimer

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