

Performance Summary

SA Metropolitan Fire Service Superannuation Scheme
February 2020



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

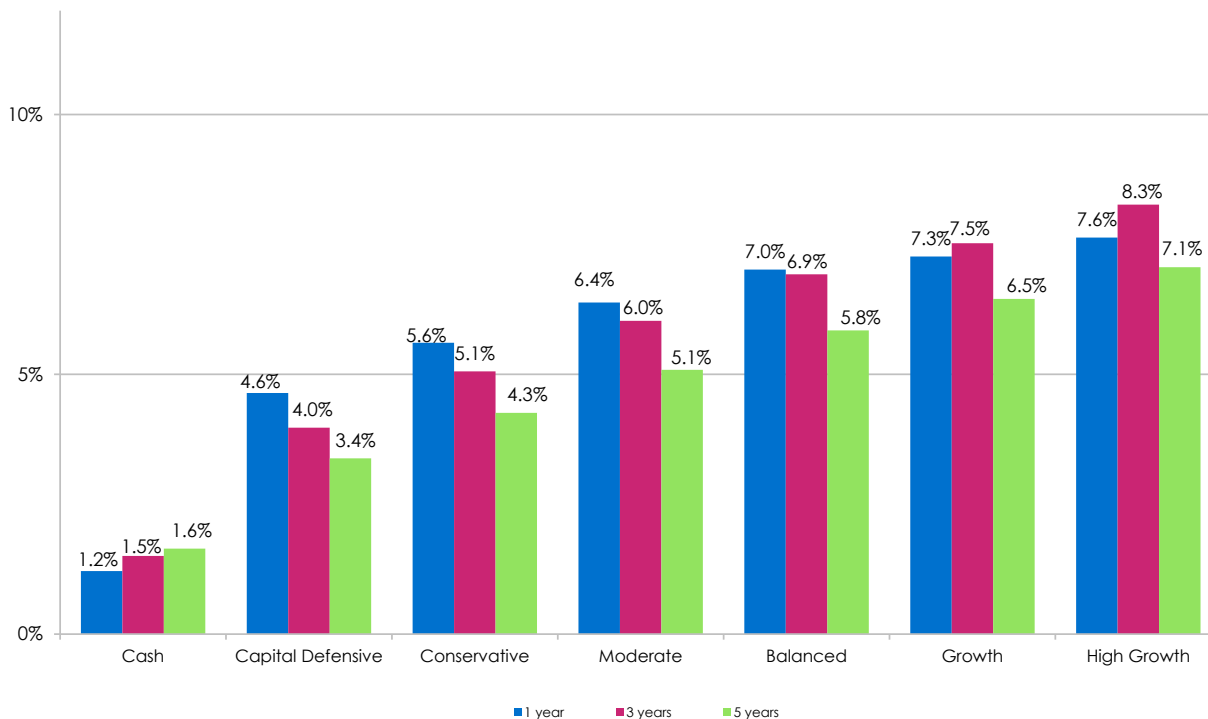
The table and chart below show Funds SA's Taxable funds returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Taxable funds returns net of fees and tax to 29 February 2020¹

	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	0.2	0.7	1.2	1.5	1.6	1.9	2.5
Capital Defensive	-0.8	0.1	2.0	4.6	4.0	3.4	4.0	4.9
Conservative	-1.6	-0.4	2.3	5.6	5.1	4.3	5.2	5.9
Moderate	-2.1	-0.7	2.5	6.4	6.0	5.1	6.3	6.6
Balanced	-2.8	-1.2	2.7	7.0	6.9	5.8	7.2	7.4
Growth	-3.3	-1.5	2.8	7.3	7.5	6.5	8.0	7.9
High Growth	-4.0	-1.9	2.8	7.6	8.3	7.1	8.9	8.6

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

Chart 1: Taxable funds annualised returns net of fees and tax to 29 February 2020



Key drivers of performance during February 2020 included:

- Global equities posted negative returns and underperformed government bonds
- Global Government bonds posted positive returns
- The 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 of the investment options is shown in the table below.

Table 2: Asset allocation as at 29 February 2020

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	15.8	10.8	9.8	4.7	4.8	2.7
Short-Term Fixed Interest	0.0	30.3	18.2	7.1	2.0	0.0	0.0
Long-Term Fixed Interest	0.0	5.0	5.0	9.1	8.1	3.0	0.0
Inflation-Linked Securities	0.0	15.2	15.3	11.2	8.2	5.2	0.0
Taxable							
Diversified Strategies Income	0.0	16.7	17.8	13.8	11.9	11.9	12.0
Property Taxable	0.0	5.3	8.3	9.3	11.4	13.4	15.5
Australian Equities Taxable	0.0	4.3	10.2	15.0	21.0	24.0	26.0
International Equities Taxable	0.0	6.9	13.1	17.4	21.9	24.6	30.0
International Passive Equities	0.0	0.5	1.2	1.6	2.1	2.4	3.0
Taxable							
Diversified Strategies Growth	0.0	0.0	0.0	5.5	8.6	10.7	10.7
Taxable							
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 financial market performance.

Table 3: Major market index returns to 29 February 2020

	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	0.2	0.7	1.3	1.7	1.9	2.1	2.8
Australian Government	1.0	1.7	4.2	10.1	6.5	4.6	5.0	5.8
Australian Inflation-Linked	0.0	1.2	4.7	10.4	6.4	3.7	4.7	6.6
Global Treasuries ⁽¹⁾	1.5	2.9	4.7	9.2	5.0	4.5	5.3	6.3
Global Inflation-Linked ⁽¹⁾	1.1	3.5	4.9	11.1	4.8	5.2	5.0	7.0
Credit								
Global Credit ^{(1),(2)}	0.9	3.0	5.8	11.7	5.8	5.1	5.6	7.2
Global High-Yield ⁽¹⁾	-1.7	0.7	1.0	4.4	4.2	5.9	6.4	9.3
Emerging Market Debt ⁽⁴⁾	-0.8	2.8	4.4	9.9	5.2	5.7	4.3	6.5
Property								
Australian Listed Property	-4.7	-3.0	1.7	12.3	10.3	9.1	11.7	12.0
Equities⁽³⁾								
Australian Equities	-7.8	-5.2	-0.1	8.7	8.6	6.2	7.9	7.9
Global Equities	-8.1	-6.2	0.0	5.3	7.1	6.2	9.5	9.5
US Equities	-8.2	-5.5	1.8	8.2	9.9	9.2	12.3	12.7
European Equities	-8.0	-8.0	-3.5	2.3	3.4	2.9	6.2	6.5
Japanese Equities	-9.8	-10.3	-0.9	-3.0	1.9	1.9	8.7	7.5
Asia (ex Japan) Equities	-2.1	-0.6	0.0	1.1	7.1	4.8	5.7	6.4
Emerging Market Equities	-3.8	-1.6	0.0	1.7	7.2	5.3	5.8	6.2
Global Small Companies	-8.8	-8.5	-3.6	-1.9	4.1	5.3	8.9	10.1
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-2.8	-4.1	-6.9	-8.2	-5.8	-3.4	-5.4	-2.6

(1) Australian dollar return (hedged)

(2) Includes obligations of corporates, supranational agencies, and other government-

(3) Local currency return

(4) Hedged to USD

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

Commentary

Key factors impacting financial market performance during February 2020 are summarised below.

Equity Markets

Equity market performance was negative in February, following on from the previous month's negative performance. The outbreak of the Coronavirus continued to impact markets globally, which sidelined investors' concerns around the trade war between China and the United States. For the first three weeks of the month, equity markets were all positive showing an optimistic take on the outbreak. Towards the end of the month the increase of confirmed cases outside of China caused a sharp sell off as investors started to price in the potential of a larger impact globally.

The virus outbreak has caused a large shock to the Chinese economy, with restrictions on travel and production implemented by authorities to try and contain the virus. Policymakers have responded with several measures including cutting interest rates on loans, tax payments and rent being waived, to try ease the financial pain for individuals and in particular small businesses. The combination of these measures helped Chinese equities outperform most other regions.

In the United States, economic data releases were mixed. The housing and labour market continued to show signs of strength. While both industrial production and manufacturing surveys started to show the impacts of the virus outbreak. This caused US equities to underperform Global equities.

Debt Markets

Global government bond markets produced positive returns over the month with long duration securities outperforming as the Coronavirus outbreak continued to create uncertainty around global growth and a flight to quality. The US Federal Reserve stated that the current policy is likely to remain appropriate while forecasting a potential interest rate cut to markets. Corporate bonds posted positive returns but underperformed government bonds, while high yield bonds and emerging market posted negative returns.

Currency

The Australian dollar continued to depreciate due to the Coronavirus outbreak in China, which is Australia's largest trading partner.

Disclaimer

The information within this report has been prepared in good faith by Funds SA. However, Funds SA does not warrant the accuracy of the information and to the extent permitted by law, disclaims responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it whether that loss or damage is caused by any fault or negligence of Funds SA or otherwise. The information is not intended to constitute advice and persons should seek professional advice before relying on the information.