Performance Summary

SA Metropolitan Fire Service Super Scheme - Members
February 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

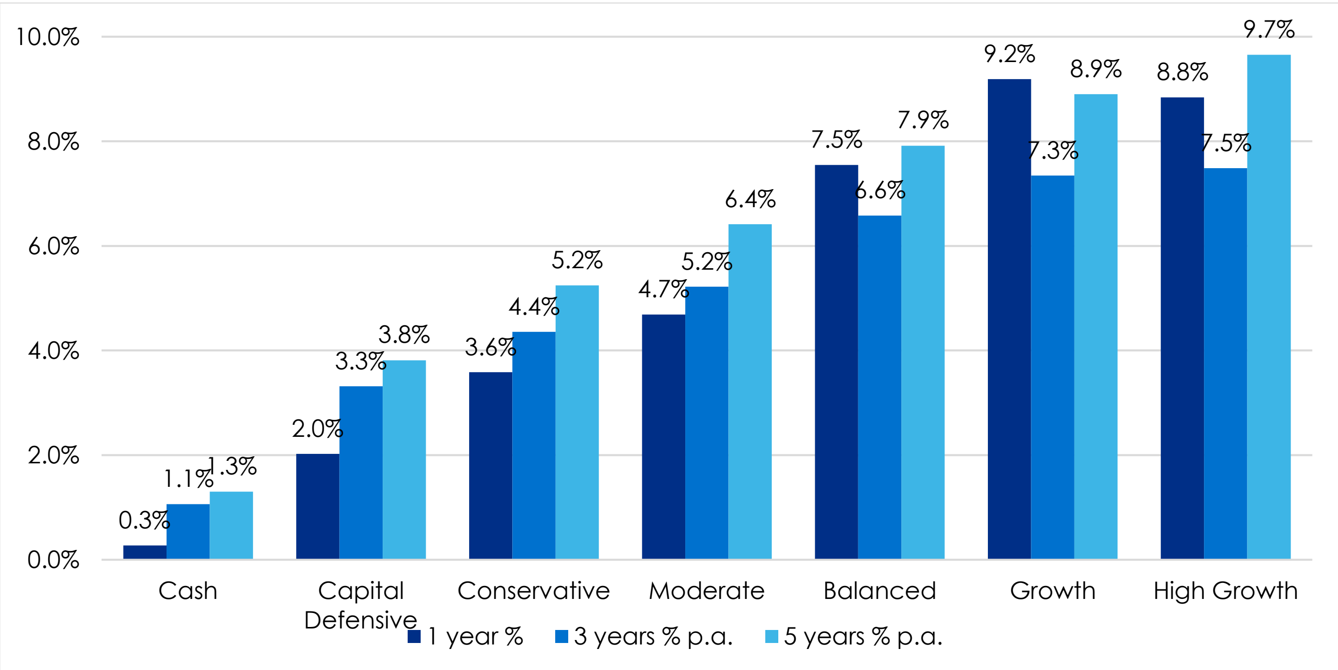
The table and chart below show Funds SA's Taxable investment option returns based on the post-tax unit pricing model.

Table 1: Taxable investment option returns, net of fees and tax to 28 February 2021

Investment option	1 mth %	3 mths %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.0	0.0	0.1	0.3	1.1	1.3	1.6	2.1
Capital Defensive	-0.4	0.3	3.3	2.0	3.3	3.8	3.7	4.4
Conservative	0.1	1.0	5.7	3.6	4.4	5.2	4.8	5.5
Moderate	0.4	1.5	7.7	4.7	5.2	6.4	5.8	6.2
Balanced	1.2	2.5	10.9	7.5	6.6	7.9	6.9	7.2
Growth	1.7	3.2	13.0	9.2	7.3	8.9	7.7	7.9
High Growth	1.7	3.3	13.2	8.8	7.5	9.7	8.3	8.4

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 option annualised returns, net of fees and tax to 28 February 2021



Key drivers of performance during February 2021:

- Investment option returns were positive for the growth orientated investment options but low or negative for the defensive investment options. The defensive investment options were impacted by negative performance across all fixed interest rated asset classes.
- Short-Term Fixed Interest, Long-Term Fixed Interest, Inflation-Linked Securities and Diversified Strategies Income asset classes all had negative returns due to the large increases in government bond yields during February.
- The Australian share market increased by 1.5%, led by a surge in financials, telecommunications and retail stocks after the Reserve Bank of Australia (RBA) continued the government bond-buying (Quantitative Easing) program.
- Continued improvement in the global economic outlook, and solid Q4 US earnings pushed US shares higher. European shares straddled 12-month highs, fuelled by government stimulus and aggressive monetary policy support. However, later in the month, global share markets were tempered by rising bond yields.

Asset Allocation

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

Table 2: Asset allocation as at 28 February 2021

Asset Class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	16.7	11.7	9.5	4.5	3.4	3.4
Short-Term Fixed Interest	0.0	29.1	17.1	6.1	1.1	0.0	0.0
Long-Term Fixed Interest	0.0	4.4	4.4	8.4	5.4	0.0	0.0
Inflation-Linked Securities Taxable	0.0	15.0	15.0	11.0	5.0	0.0	0.0
Diversified Strategies Income	0.0	16.7	17.7	11.7	7.7	11.5	11.5
Property Taxable	0.0	5.0	8.0	8.9	10.9	14.5	14.5
Australian Equities Taxable	0.0	5.8	11.7	17.8	26.7	27.3	27.3
International Equities Taxable	0.0	7.4	14.4	20.7	29.7	32.2	32.2
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.0	9.0	11.0	11.0
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 28 February 2021

Market index	1 mth %	3 mths %	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	0.2	1.2	1.4	1.7	2.4
Australian Government	-4.2	-5.2	-4.6	-4.6	4.0	3.0	4.1	4.8
Australian Inflation-Linked	-4.3	-4.1	-0.2	-2.1	4.6	3.4	4.6	5.7
Global Treasuries	-1.9	-2.3	-1.8	-1.2	3.9	3.1	4.5	5.5
Global Inflation-Linked	-2.7	-2.7	-0.7	1.2	4.7	5.0	5.4	6.1
Credit								
Global Credit	-1.5	-1.8	1.6	1.3	5.2	5.0	5.2	6.3
Global High-Yield	0.1	2.0	10.0	5.1	4.1	7.5	5.8	7.8
Emerging Market Debt	-2.6	-2.0	3.9	1.0	4.4	5.6	4.9	5.6
Property								
Australian Listed Property	-2.5	-5.9	13.8	-11.3	5.8	5.2	9.2	9.9
Equities								
Australian Equities	1.5	3.2	15.8	7.1	7.5	10.8	7.5	7.7
Global Equities	2.6	5.4	22.1	26.1	10.8	13.6	10.1	10.2
US Equities	2.8	5.6	24.3	31.3	14.1	16.8	13.0	13.4
European Equities	2.4	3.6	12.1	9.5	4.0	7.3	5.2	6.0
Japanese Equities	3.3	6.8	21.7	26.8	4.8	10.1	8.7	9.2
Asia (ex Japan) Equities	1.4	12.2	34.6	37.8	9.4	15.8	10.3	8.2
Emerging Market Equities	1.0	11.3	32.5	34.8	9.3	15.3	10.2	7.9
Global Small Companies	5.0	14.1	41.7	40.1	10.6	14.9	9.1	10.0
Currency								
Australian Dollar vs Developed Market Basket	1.1	4.6	9.8	16.3	-0.3	1.1	-1.4	-2.1

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

Financial markets

It was the moves in bond markets that took the headlines in February. Bond markets saw large rises in yields, particularly in longer dated bonds. This was primarily due to the large fiscal stimulus packages, particularly in the US, increasing bond supply and the market readjusted the inflation and growth outlook upwards. With that backdrop, the market also started questioning the commitment of central banks to maintain low interest rates for as long as previously indicated. In Australia, the RBA provided guidance that it doesn't expect to increase rates until 2024, however, the market has begun to price in rates rises in late 2022.

February was a turbulent month for global share markets. Share markets were positively driven by a reduction in COVID-19 numbers, vaccine optimism, stimulus prospects, central-bank support, and in the US a solid Q4 earnings season. However, the increase in longer-term interest rates weighed on fast-growing technology shares and other companies that have high price/earnings (P/E) multiples. This is because higher interest rates mean future cash flows are discounted at a higher rate. Conversely, the increase favoured bank shares by boosting lending margins.

The short lockdown in Victoria didn't halt Australia's economic recovery. The highlights were unemployment dropping to 6.4% and consumer confidence rising.

The AUD continued to rise against major currencies, with commodity prices having another strong month from increasing demand across a range of commodities.