

# Performance Summary

SA Metropolitan Fire Service Superannuation Scheme  
January 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

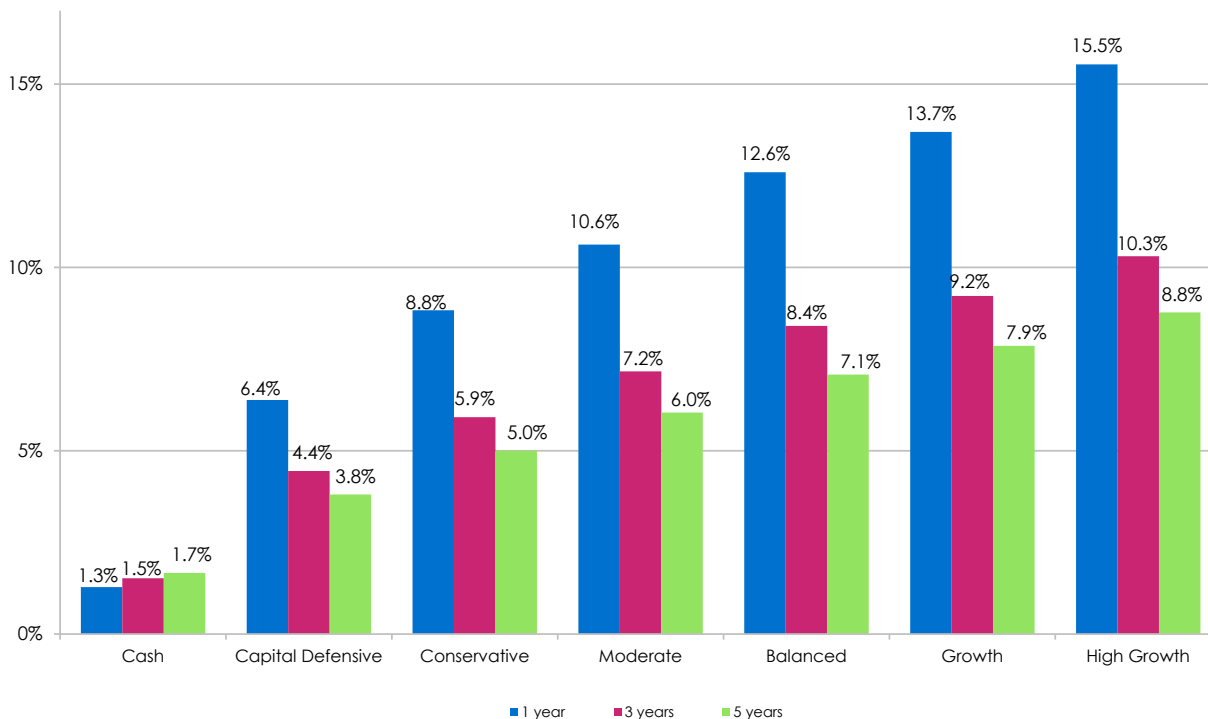
The table and chart below show Funds SA's Taxable funds returns based on the post tax unit pricing model detailed in the SLA.

**Table 1: Taxable funds returns net of fees and tax to 31 January 2020<sup>1</sup>**

	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	0.6	1.3	1.5	1.7	1.9	2.5
Capital Defensive	1.0	1.7	2.8	6.4	4.4	3.8	4.2	5.0
Conservative	1.3	2.5	3.9	8.8	5.9	5.0	5.6	6.2
Moderate	1.6	3.0	4.8	10.6	7.2	6.0	6.8	6.9
Balanced	1.9	3.7	5.7	12.6	8.4	7.1	8.0	7.8
Growth	1.9	4.1	6.3	13.7	9.2	7.9	8.8	8.4
High Growth	2.1	4.6	7.1	15.5	10.3	8.8	9.9	9.1

<sup>1</sup>. 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 31 January 2020**



Key drivers of performance during January 2020 included:

- Global equities posted negative returns and underperformed government bonds
- Government bonds posted strong positive returns with Australia outperforming
- Domestic equities delivered positive returns outperforming global equities
- 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 31 January 2020**

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	16.1	11.1	10.1	5.0	5.0	2.8
Short-Term Fixed Interest	0.0	30.2	18.2	6.2	2.2	0.0	0.0
Long-Term Fixed Interest	0.0	4.7	4.7	8.8	7.8	3.7	0.0
Inflation-Linked Securities Taxable	0.0	14.1	15.1	11.1	8.1	5.1	0.0
Diversified Strategies Income Property Taxable	0.0	16.5	17.5	14.5	11.5	11.4	11.2
Australian Equities Taxable	0.0	5.2	8.2	9.2	11.2	13.1	14.9
International Equities Taxable	0.0	5.6	11.5	16.0	22.0	24.7	27.4
International Passive Equities Taxable	0.0	7.1	12.4	17.2	21.7	24.1	30.1
Diversified Strategies Growth Taxable	0.0	0.6	1.2	1.7	2.2	2.5	3.1
Diversified Strategies Growth Taxable	0.0	0.0	0.0	5.3	8.3	10.4	10.4
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 31 January 2020**

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % pa	10 Years % pa
<b>Cash and fixed income</b>								
Australian Cash	0.1	0.2	0.6	1.4	1.7	1.9	2.1	2.8
Australian Government	2.8	1.5	3.1	10.1	6.2	4.4	5.0	5.7
Australian Inflation-Linked	3.5	2.8	4.7	11.0	6.3	4.1	5.0	6.6
Global Treasuries <sup>(1)</sup>	2.0	1.0	3.1	7.6	4.8	4.1	5.2	6.2
Global Inflation-Linked <sup>(1)</sup>	2.9	1.8	3.8	9.5	4.7	4.6	4.8	6.9
<b>Credit</b>								
Global Credit <sup>(1),(2)</sup>	2.1	2.2	4.9	11.2	5.9	4.8	5.6	7.2
Global High-Yield <sup>(1)</sup>	0.3	2.6	2.7	7.8	5.3	6.9	6.8	9.6
Emerging Market Debt <sup>(4)</sup>	1.7	3.5	5.3	11.5	6.2	6.2	4.4	6.7
<b>Property</b>								
Australian Listed Property	6.3	4.1	6.7	19.9	13.6	11.0	13.0	12.7
<b>Equities<sup>(3)</sup></b>								
Australian Equities	4.9	6.0	8.3	25.0	12.4	9.4	10.0	9.0
Global Equities	-0.3	5.2	8.9	18.4	11.2	9.3	11.1	10.6
US Equities	0.0	6.7	10.9	21.7	14.5	12.4	13.9	14.0
European Equities	-1.6	2.4	4.9	15.3	7.3	5.9	7.7	7.4
Japanese Equities	-1.9	1.3	9.8	10.0	5.8	5.7	10.9	8.5
Asia (ex Japan) Equities	-3.9	2.1	2.2	5.7	8.7	5.7	6.0	6.7
Emerging Market Equities	-3.3	2.9	4.0	6.9	9.2	6.8	6.2	6.6
Global Small Companies	-2.3	4.0	5.7	23.0	8.2	8.5	10.7	11.3
<b>Currency<sup>(5)</sup></b>								
Australian Dollar vs Developed Market Basket	-4.4	-2.8	-4.2	-7.5	-4.3	-2.7	-5.1	-2.2

(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

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

### Equity Markets

Equity market performance was negative in January, changing from the previous month's positive performance. The outbreak of the Coronavirus originating in China weighed on markets globally, due to uncertainty around how the situation will develop. Currently 26 countries outside of China have reported cases of the virus.

In the United States, the 'Phase One' trade deal with China was signed, which meant an easing in tensions. The majority of tariffs will remain in place and the issues to be negotiated in the next phase are unlikely to be resolved easily. Tensions flared up between the US and Iran, as a US airstrike resulted in the death of an Iranian military commander, in response Iran fired a series of missiles at Iraqi bases hosting US troops, the situation then swiftly de-escalated. The US Federal Reserve left interest rates on hold as the economy is in line with their outlook for moderate growth and a strong labour market. The combination of these issues resulted in US equities unchanged for the month.

The United Kingdom officially exited the European Union on the 31st of January. The UK and EU are now required to negotiate a free trade agreement during the transition, as a result risk of a hard Brexit remains. These developments along with weak global sentiment provided poor equity returns for the UK.

In Australia, economic data had a positive surprise on markets, this included a decline in the unemployment rate and an uptick in inflation, which caused Australian equities to post a positive return, outperforming global equities.

### Debt Markets

Global government bond markets produced positive returns over the month with long duration securities outperforming as the Coronavirus outbreak created uncertainty around global growth and a flight to quality. The US Federal Reserve remained on hold and stated that the current policy is likely to remain appropriate. Corporate bonds, high yield bonds and emerging market debt all posted positive returns but underperformed government bonds.

### Currency

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

### Disclaimer

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