



Performance Summary July 2019

SA Metropolitan Fire Service Superannuation Scheme

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

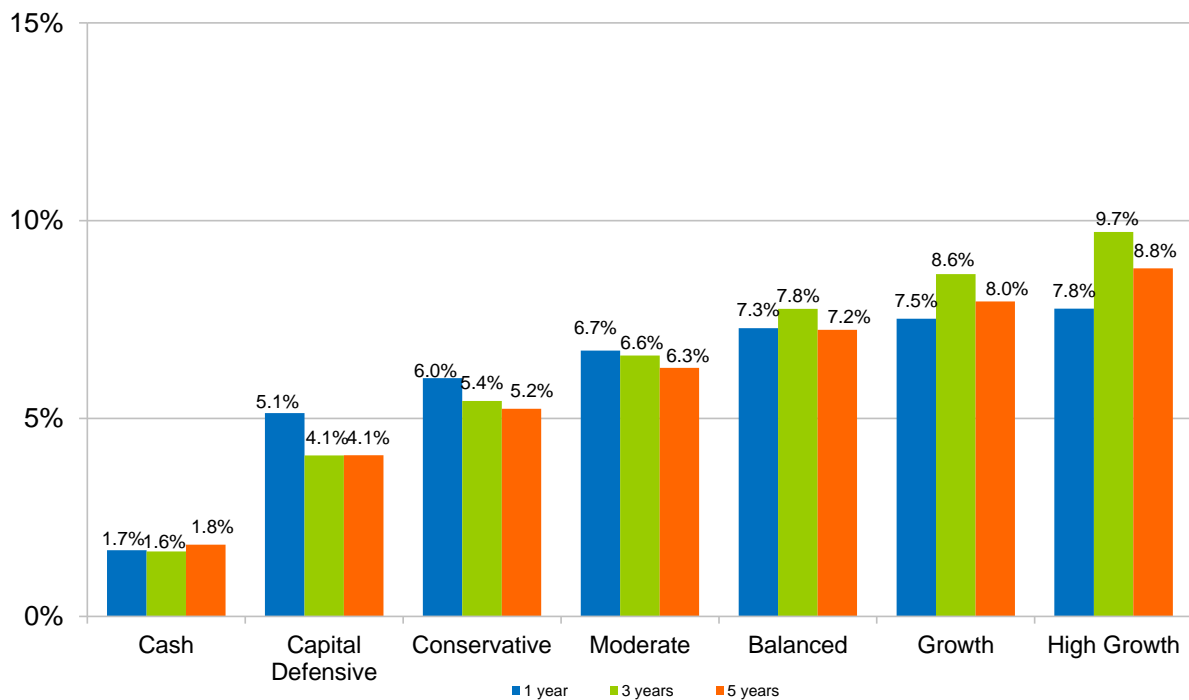
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 July 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	0.4	0.1	1.7	1.6	1.8	2.0	2.6
Capital Defensive	0.7	1.8	0.7	5.1	4.1	4.1	4.3	5.3
Conservative	0.9	2.3	0.9	6.0	5.4	5.2	6.0	6.4
Moderate	1.0	2.7	1.0	6.7	6.6	6.3	7.2	7.2
Balanced	1.2	3.0	1.2	7.3	7.8	7.2	8.5	8.0
Growth	1.3	3.1	1.3	7.5	8.6	8.0	9.4	8.5
High Growth	1.4	3.2	1.4	7.8	9.7	8.8	10.7	9.3

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 July 2019



Key drivers of performance during July 2019 included:

- Both listed equities and fixed interest performed strongly.
- Australian listed equities outperformed most of their global counterparts.
- Non-government bonds also performed positively.
- Australian dollar depreciated against most major currencies

This environment proved to be favourable for portfolios with relatively larger allocations to listed equities and other 'growth' assets.

Asset Allocation

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

Table 2: Asset allocation as at 31 July 2019

	Cash	Capital Defensive	Conservative	Moderate	Balanced	Growth	High Growth
	%	%	%	%	%	%	%
Cash	100.0	15.0	10.0	8.9	3.9	3.9	1.8
Short-Term Fixed Interest	0.0	30.4	18.3	6.8	2.8	0.0	0.0
Long-Term Fixed Interest	0.0	5.1	5.1	9.1	8.1	4.1	0.0
Inflation-Linked Securities B	0.0	14.7	15.7	11.7	8.7	5.4	0.0
Diversified Strategies Income	0.0	17.4	18.4	15.1	12.1	12.0	12.0
Property B	0.0	5.3	8.3	9.1	11.1	13.1	15.0
Australian Equities B	0.0	5.7	11.8	15.9	22.0	25.3	28.3
International Equities B	0.0	6.4	12.4	17.0	21.9	24.8	31.3
Diversified Strategies Growth B	0.0	0.0	0.0	6.4	9.4	11.4	11.4
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 market performance.

Table 3: Major market index returns to 31 July 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	0.4	0.1	1.9	1.8	2.1	2.3	3.0
Australian Government	1.0	4.2	1.0	11.9	4.3	5.4	4.7	5.8
Australian Inflation-Linked	1.5	4.4	1.5	10.4	4.1	5.1	4.6	7.0
Global Treasuries ⁽¹⁾	0.7	3.6	0.7	8.0	2.9	5.1	5.2	6.3
Global Inflation-Linked ⁽¹⁾	1.8	4.7	1.8	8.2	4.4	5.8	5.0	7.3
Credit								
Global Credit ^{(1),(2)}	0.8	3.8	0.8	9.1	4.0	5.2	5.6	7.6
Global High-Yield ⁽¹⁾	0.8	2.6	0.8	7.0	6.6	6.2	8.0	11.2
Emerging Market Debt ⁽⁴⁾	1.2	4.8	1.2	10.3	4.5	4.7	4.5	7.2
Property								
Australian Listed Property	2.6	9.3	2.6	21.3	7.5	13.3	14.4	14.1
Equities⁽³⁾								
Australian Equities	3.0	8.6	3.0	13.2	11.6	8.6	11.6	9.5
Global Equities	1.2	1.0	1.2	4.7	11.0	8.6	11.8	10.6
US Equities	1.4	1.7	1.4	8.0	13.4	11.3	14.0	14.0
European Equities	0.7	0.6	0.7	1.6	8.2	6.2	9.1	8.0
Japanese Equities	0.7	-3.2	0.7	-8.0	8.0	6.0	13.7	7.1
Asia (ex Japan) Equities	-1.4	-4.3	-1.4	-2.4	9.4	5.1	7.3	6.7
Emerging Market Equities	-0.9	-3.1	-0.9	-0.5	9.6	5.6	7.1	7.1
Global Small Companies	1.0	-0.2	1.0	-1.7	9.5	8.4	12.6	12.0
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-1.2	-2.4	-1.2	-6.7	-2.8	-4.6	-4.9	-1.2

(1) Australian dollar return (hedged)

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

(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 July 2019 are summarised below.

Equity Markets

Equity market performance was strong in July, continuing on from the previous month's positive performance. The US Federal Reserve lowered interest rates for the first time in 11 years, from 2.50 to 2.25. The interest rate change came as concerns over global growth and muted inflation continue. The European Central Bank stated that further stimulus may be required in the near term and that Christine Lagarde will take over from Mario Draghi as the European Central Bank leader in November. In the UK, Boris Johnson was appointed as the new prime minister causing market volatility to increase as the potential for a no deal Brexit increased.

The Reserve Bank of Australia cut interest rates for the second consecutive month, from 1.25 to 1.00, the decision was based on supporting employment growth and providing confidence that inflation will be consistent with the target in the medium term. This helped domestic equities generate strong positive returns and outperformed most of their global counterparts.

Debt Markets

Global government bond markets produced positive returns over the month with long duration securities outperforming. Corporate bonds, emerging market debt and high yield bonds all posted strong positive returns. 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 global growth concerns and in response to the Reserve Bank of Australia lowering interest rates. The US Dollar rose strongly against most currencies as the US Federal Reserve stated that the interest rate cut was not the beginning of an easing cycle for monetary policy. Precious metals such as Gold rose on the prospects of lower US interest rates and rising geo-political tension.

Disclaimer

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