

# Performance Summary

SA Metropolitan Fire Service Superannuation Scheme  
March 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

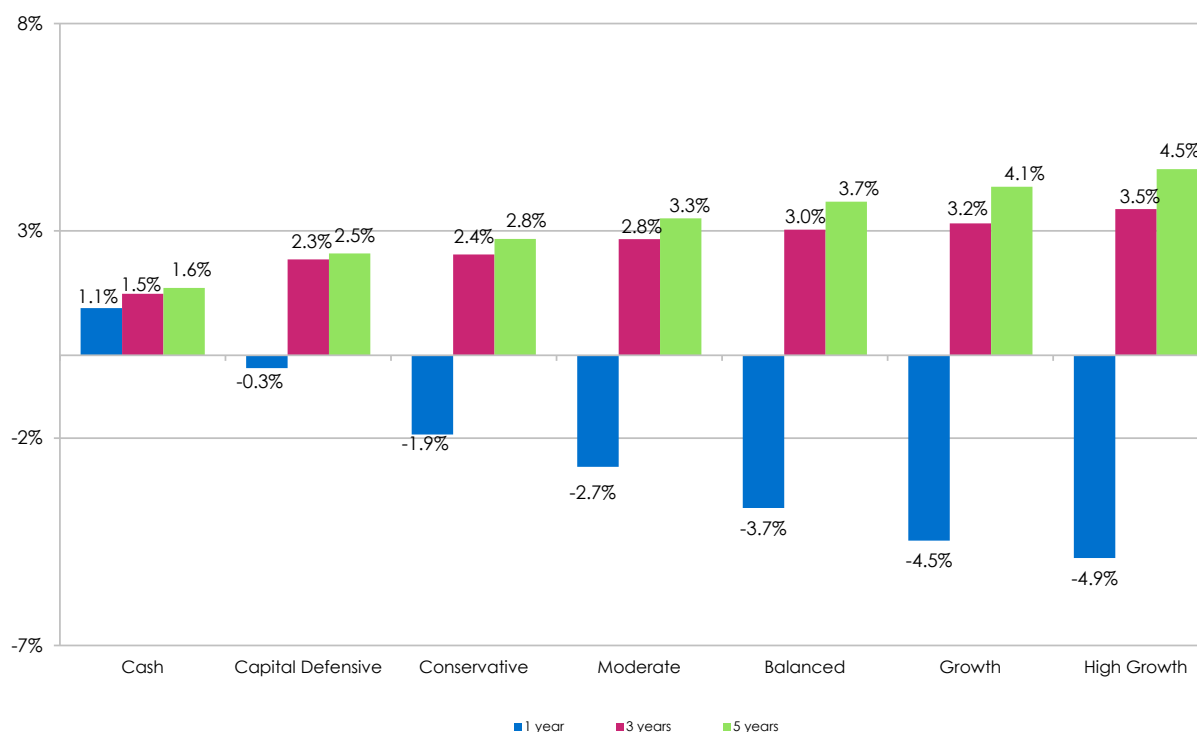
The table and chart below show Funds SA's Taxable funds returns based on the post tax unit pricing model detailed in the SLA.

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

|                   | 1 mth<br>% | 3 mths<br>% | FYTD<br>% | 1 year<br>% | 3 years<br>% p.a. | 5 years<br>% p.a. | 7 years<br>% p.a. | 10 years<br>% p.a. |
|-------------------|------------|-------------|-----------|-------------|-------------------|-------------------|-------------------|--------------------|
| Cash              | 0.1        | 0.2         | 0.7       | 1.1         | 1.5               | 1.6               | 1.9               | 2.4                |
| Capital Defensive | -4.0       | -3.8        | -2.1      | -0.3        | 2.3               | 2.5               | 3.4               | 4.4                |
| Conservative      | -6.4       | -6.6        | -4.2      | -1.9        | 2.4               | 2.8               | 4.2               | 5.1                |
| Moderate          | -7.7       | -8.3        | -5.4      | -2.7        | 2.8               | 3.3               | 5.1               | 5.5                |
| Balanced          | -9.2       | -10.2       | -6.7      | -3.7        | 3.0               | 3.7               | 5.8               | 6.0                |
| Growth            | -10.2      | -11.5       | -7.7      | -4.5        | 3.2               | 4.1               | 6.3               | 6.4                |
| High Growth       | -10.9      | -12.7       | -8.4      | -4.9        | 3.5               | 4.5               | 7.1               | 6.9                |

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 31 March 2020**



Key themes impacting performance during March 2020 included:

- The significant falls in share markets in reaction to the global spread of COVID-19.
- Concerns around interrupted supply chains and significantly lower levels of growth.
- Substantial support provided by governments and central banks around the world that buoyed markets towards month end.

This environment proved to be unfavourable for portfolios with relatively larger allocations to growth assets such as listed shares and non-government bonds.

## Asset Allocation

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

**Table 2: Asset allocation as at 31 March 2020**

|                                | Cash<br>%    | Capital<br>Defensive<br>% | Conservative<br>% | Moderate<br>% | Balanced<br>% | Growth<br>%  | High<br>Growth<br>% |
|--------------------------------|--------------|---------------------------|-------------------|---------------|---------------|--------------|---------------------|
| Cash                           | 100.0        | 18.6                      | 13.5              | 12.2          | 7.1           | 6.7          | 4.6                 |
| Short-Term Fixed Interest      | 0.0          | 30.4                      | 18.3              | 7.3           | 2.3           | 0.0          | 0.0                 |
| Long-Term Fixed Interest       | 0.0          | 2.2                       | 2.2               | 6.2           | 4.2           | 0.2          | 0.0                 |
| Inflation-Linked Securities    | 0.0          | 13.7                      | 13.7              | 9.7           | 5.6           | 0.6          | 0.0                 |
| Taxable                        |              |                           |                   |               |               |              |                     |
| Diversified Strategies Income  | 0.0          | 14.1                      | 15.1              | 10.9          | 7.0           | 8.5          | 8.4                 |
| Property Taxable               | 0.0          | 6.4                       | 9.3               | 9.8           | 11.7          | 13.7         | 15.0                |
| Australian Equities Taxable    | 0.0          | 4.9                       | 11.2              | 15.6          | 21.9          | 25.1         | 26.1                |
| International Equities Taxable | 0.0          | 9.3                       | 15.7              | 19.3          | 27.4          | 30.2         | 30.7                |
| International Passive Equities | 0.0          | 0.4                       | 1.1               | 1.6           | 2.5           | 2.8          | 2.9                 |
| Taxable                        |              |                           |                   |               |               |              |                     |
| Diversified Strategies Growth  | 0.0          | 0.0                       | 0.0               | 7.5           | 10.3          | 12.2         | 12.2                |
| Taxable                        |              |                           |                   |               |               |              |                     |
| <b>Total</b>                   | <b>100.0</b> | <b>100.0</b>              | <b>100.0</b>      | <b>100.0</b>  | <b>100.0</b>  | <b>100.0</b> | <b>100.0</b>        |

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 March 2020**

|  | 1 mth<br>% | 3 mths<br>% | FYTD<br>% | 1 Year<br>% | 3 Years<br>% p.a. | 5 Years<br>% p.a. | 7 Years<br>% pa | 10 Years<br>% pa |
|--|------------|-------------|-----------|-------------|-------------------|-------------------|-----------------|------------------|
| <b>Cash and fixed income</b>                 |            |             |           |             |                   |                   |                 |                  |
| Australian Cash                              | 0.1        | 0.3         | 0.8       | 1.2         | 1.7               | 1.8               | 2.1             | 2.8              |
| Australian Government                        | 0.2        | 4.1         | 4.4       | 8.0         | 6.4               | 4.4               | 5.1             | 5.9              |
| Australian Inflation-Linked                  | -5.3       | -2.0        | -0.9      | 2.8         | 4.2               | 2.5               | 4.0             | 6.1              |
| Global Treasuries <sup>(1)</sup>             | -0.2       | 3.3         | 4.5       | 7.2         | 4.9               | 4.3               | 5.1             | 6.2              |
| Global Inflation-Linked <sup>(1)</sup>       | -3.6       | 0.3         | 1.2       | 3.9         | 3.6               | 4.1               | 4.2             | 6.4              |
| <b>Credit</b>                                |            |             |           |             |                   |                   |                 |                  |
| Global Credit <sup>(1),(2)</sup>             | -6.4       | -3.7        | -1.0      | 2.4         | 3.5               | 3.6               | 4.5             | 6.4              |
| Global High-Yield <sup>(1)</sup>             | -14.3      | -15.5       | -13.5     | -11.2       | -1.1              | 2.7               | 4.0             | 7.2              |
| Emerging Market Debt <sup>(4)</sup>          | -12.6      | -11.8       | -8.7      | -5.3        | 0.4               | 2.8               | 2.5             | 4.8              |
| <b>Property</b>                              |            |             |           |             |                   |                   |                 |                  |
| Australian Listed Property                   | -35.2      | -34.3       | -34.0     | -31.3       | -4.8              | 0.5               | 5.4             | 7.2              |
| <b>Equities<sup>(3)</sup></b>                |            |             |           |             |                   |                   |                 |                  |
| Australian Equities                          | -20.8      | -23.4       | -20.9     | -14.5       | -0.6              | 1.4               | 4.7             | 4.8              |
| Global Equities                              | -12.8      | -20.1       | -12.8     | -9.6        | 1.9               | 3.4               | 7.0             | 7.3              |
| US Equities                                  | -12.4      | -19.6       | -10.8     | -7.0        | 5.1               | 6.7               | 9.6             | 10.5             |
| European Equities                            | -13.6      | -21.8       | -16.6     | -13.3       | -2.6              | -0.3              | 3.9             | 4.2              |
| Japanese Equities                            | -6.3       | -17.1       | -7.2      | -9.3        | 0.0               | 0.2               | 6.7             | 5.8              |
| Asia (ex Japan) Equities                     | -11.4      | -16.6       | -11.3     | -11.9       | 2.0               | 2.1               | 4.1             | 4.6              |
| Emerging Market Equities                     | -12.9      | -19.0       | -12.9     | -12.7       | 1.7               | 2.4               | 3.8             | 4.1              |
| Global Small Companies                       | -20.2      | -28.9       | -23.1     | -21.3       | -3.7              | 0.4               | 5.0             | 6.8              |
| <b>Currency<sup>(5)</sup></b>                |            |             |           |             |                   |                   |                 |                  |
| Australian Dollar vs Developed Market Basket | -5.7       | -12.3       | -12.2     | -13.6       | -7.4              | -4.3              | -6.5            | -3.4             |

(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 March 2020 are summarised below.

### Equity Markets

Equity market performance was negative in March with many markets recording their biggest decline for the year to date, following on from the previous month's negative performance. The outbreak of the Coronavirus continues to negatively impact equity markets causing one of the sharpest drawdowns on record.

The most important equity markets for Australian investors are Australia and the United States. Data in the table above shows the extent of the market declines in these markets over various periods ending 31 March 2020. Many markets recorded double digit declines for the month.

For the first three weeks of the month, equity markets suffered a significant drawdown, reflecting pessimism on the outbreak. Economic data releases showed the negative impact of the imposed lock down arrangements on the global economy. Towards the end of the month equity markets had a slight recovery off the lows, as the scale of the policy responses provided by governments and central banks around the world gathered pace.

For example, in the United States a historic US\$2 trillion fiscal stimulus package was announced. The package is to provide funding for payments and loans to individuals, businesses, municipalities, and states. The US central bank also reduced rates to near zero and introduced extremely large measures to ease the liquidity crunch in Fixed Interest and Credit markets. This includes unlimited Quantitative Easing, purchases of Corporate Bonds, Municipal Bonds, and other Credit market securities. These measures all combined to buoy the US equity market, particularly towards month end.

### Debt Markets

Global government bond markets produced slight negative returns over the month, outperforming non-government bonds which performed poorly. The Coronavirus outbreak continued to create uncertainty around global growth and demand for government bonds, causing US government bonds to outperform, posting a positive return. Central Banks around the world cut interest rates, many to near zero levels, and restarted their bond purchase programs.

Domestically, the Reserve Bank of Australia cut the Cash Rate to a historic low of 0.25%. The RBA has also been buying Commonwealth and State Government Bonds to improve financial market liquidity.

Corporate, high yield and emerging market bonds all posted large negative returns.

### Currency

The Australian dollar continued to depreciate as a result of the Coronavirus outbreak as commodity prices decreased and investors moved into safe-haven currencies such as the US Dollar.

Movements in currencies impact the returns recorded for international assets. When the Australian dollar falls the value of assets held offshore rises, positively benefiting returns. Thus, the declines in currency shown in the table above partly offset the negative share market returns.

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