SUPER INFO
SPRING 2022

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Thank you Veronica Varga

Photo: Nicky Tsokkos and Veronica Varga

After 19 years of unwavering service to the Super Scheme's Board, Managers and most importantly members, Veronica retired on 30 June 2022.

Veronica has put in a tremendous personal effort behind the scenes to ensure the Scheme's day to day operations and administration have always been kept up to date and operating effectively. It is all the little things that have added up to a very large body of work over the years so that the Manager and Board have been able to place members to their best advantage.

Tasks such as convening Board meetings, processing member documentation, administering insurance claims and the myriad of other duties to make the Scheme run like clockwork do not just happen unless there is a high level of commitment and professionalism. Veronica has displayed those qualities consistently for many years and the Scheme is very much indebted to her for her contribution – all with a calm and often humorous demeanour.

With Veronica's departure we are very pleased to welcome Nicky Tsokkos to take over the role of Member Services Officer to work with Darren Royals. We are very fortunate to have someone of Nicky's experience and superannuation background become available. Nicky will have some big shoes to fill, but members can be assured that the high level of personal service provided over the years by Veronica will be maintained. Please welcome Nicky if you see her about the Adelaide station.

All the best Veronica and a big thank you from all those you have supported so strongly for all those years.

Garry Powell

Chairperson

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 to 30 June 2022

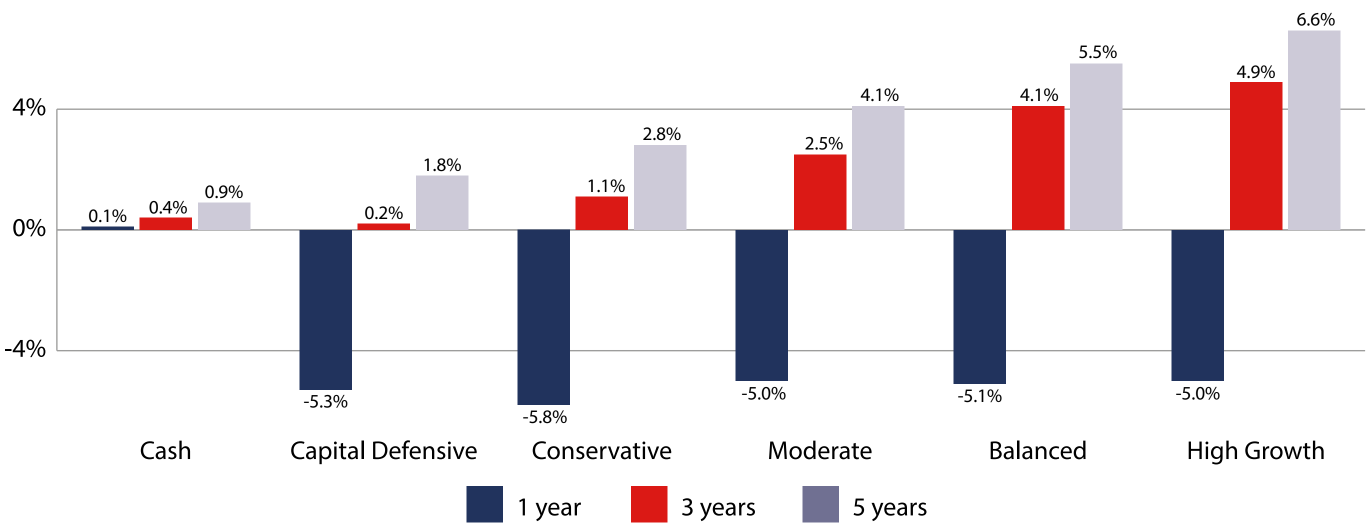
Returns are net of fees and tax

Investment option	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.0	0.1	0.1	0.1	0.4	0.9	1.1	1.6
Capital Defensive	-1.7	-3.3	-5.3	-5.3	0.2	1.8	2.3	3.1
Conservative	-2.4	-4.5	-5.8	-5.8	1.1	2.8	3.3	4.5
Moderate	-2.9	-5.2	-5.0	-5.0	2.5	4.1	4.5	5.8
Balanced	-3.6	-6.3	-5.1	-5.1	4.1	5.5	5.7	7.2
High Growth	-4.1	-7.0	-5.0	-5.0	4.9	6.6	6.9	8.9

Note: 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 options annualised returns to 30 June 2022

Returns are net of fees and tax



Key drivers of performance:

- Aside from the Cash investment option, returns across all other investment options were negative as investment markets continued to navigate a range of challenges.
- The Australian and International Equities asset classes were large detractors across investment options. Equity markets experienced sharp declines amid concerns over inflation, the subsequent aggressive policy response from central banks, and recession fears.
- For the more defensive-oriented investment options, Credit was a significant detractor. Credit markets responded negatively to inflation worries, the prospect of substantially tighter monetary policy and recession fears, which led to global credit spreads widening significantly.
- Property and Diversified Strategies Growth offered small positive returns however this was not enough to offset the negative performance of other asset classes.
- The Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.50% from 0.35% to 0.85%. The market is pricing an aggressive tightening cycle with the OCR expected to increase to 3% by the end of the year.
- At the time of writing, the RBA had increased the OCR from 0.85 to 1.35% (5 July 2022).

Asset Allocation

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

Table 2: Asset allocation as at 30 June 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	14.3	11.4	8.4	2.3	1.9
Fixed Interest	0.0	37.7	23.7	15.7	8.6	0.0
Inflation-Linked Securities Taxable	0.0	15.1	15.2	11.1	5.1	0.0
Diversified Strategies Income	0.0	16.7	17.7	11.9	8.0	6.7
Property Taxable	0.0	5.7	8.8	9.8	12.0	16.1
Australian Equities Taxable	0.0	5.0	10.8	17.7	25.6	28.6
International Equities Taxable	0.0	5.4	12.4	19.4	28.4	34.4
Diversified Strategies Growth Taxable	0.0	0.0	0.0	6.0	10.1	12.2
Total	**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 Commentary

Financial markets were significantly challenged in June by the same factors that drove returns over the past 12 months:

- Inflation continues to rise,
- Rising interest rates,
- Sharp increases in bond yields have led to significant declines in bond prices, and
- Risk of recession.

Inflation in the US is at a new 41 year high of 9.1%, and while Australia is lower, we are still significantly higher than the 2-3% central bank target. The military conflict in Ukraine has caused food and energy prices to increase sharply, and supply chain constraints from the pandemic continue to contribute to higher good prices, while a shortage of workers is leading to higher labour prices. Central banks have responded to higher inflation by aggressively raising rates. The US Federal Reserve (the Fed) raised US official interest rates by 0.75%; the biggest increase since 1994. In Australia, the RBA lifted the OCR from 0.50% to 0.85%. Financial markets are concerned about the combination of rising interest rates and slowing economic growth increasing the risk of recession. Equity, credit, and bond markets have all experienced selling pressure. The US and Australian equity markets were down 8.3% and 9% respectively, with many other asset classes being influenced by the same challenges, recording negative returns and providing little cushioning.

US indicators are showing signs of slowing growth and consumer confidence around the world is falling. Locally, Westpac's Consumer Sentiment survey was released showing the slump in sentiment driven by rising inflation, the associated lift in interest rates, and a loss of confidence around the economic outlook both here and abroad.

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