Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

March 2025

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 to 31 March 2025

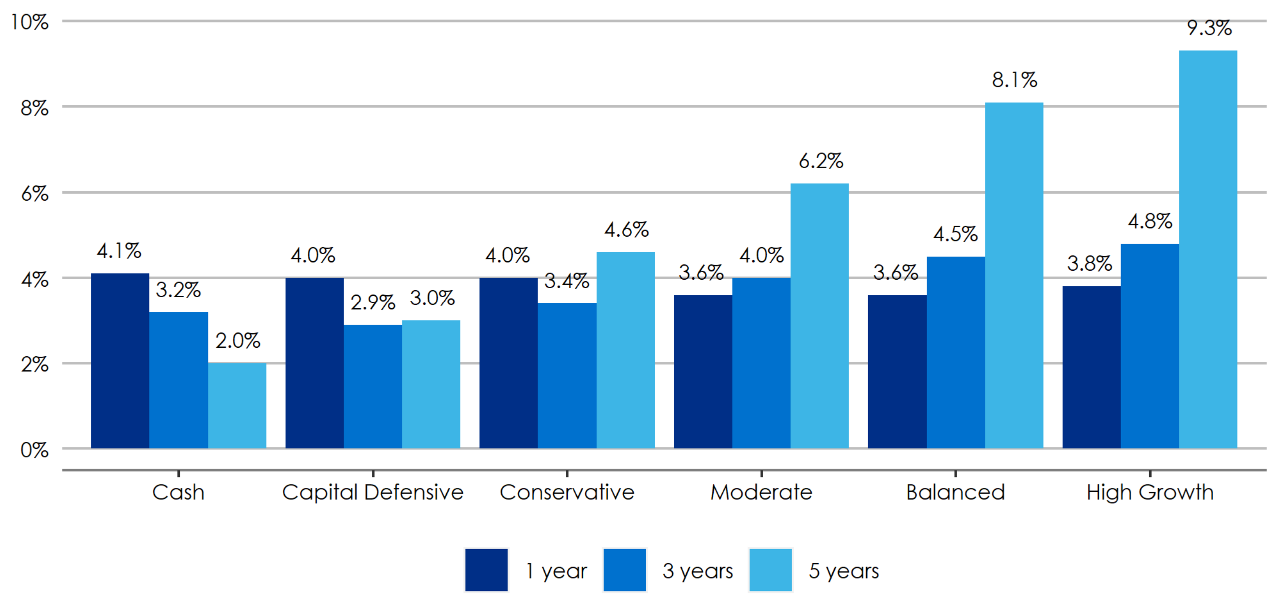
Returns are net of fees and tax

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	0.3	1.0	3.1	4.1	3.2	2.0	1.8	1.8
Capital Defensive	-0.3	0.8	4.0	4.0	2.9	3.0	2.7	2.7
Conservative	-0.9	0.2	4.2	4.0	3.4	4.6	3.7	3.7
Moderate	-1.7	-0.4	4.1	3.6	4.0	6.2	4.8	4.7
Balanced	-2.4	-1.1	4.2	3.6	4.5	8.1	6.1	5.9
High Growth	-3.0	-1.6	4.7	3.8	4.8	9.3	6.9	6.9

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 31 March 2025

Returns are net of fees and tax



Key drivers of performance:

- Except for Cash, all investment option returns were negative in March due to declines in listed equity markets.
- The bright spots throughout the month were Infrastructure, Private Markets, Property all of which finished in positive territory in March.
- The Australian and International Equities asset classes fell more than 4.0% over the month and were the dominant drivers of investment option returns. Listed equity markets continued to adjust to the increasing uncertainty and unpredictability relating to tariff announcements by the President of the United States.
- Australian Equities underperformed its benchmark by 0.9%. Exposure to James Hardie Industries (JHX.AX, -24%) was a major detractor after announcing a bid for a United States building products company. Consumer discretionary sectors, in particular companies that manufacture their goods in South-east Asia (tariffs related) also hurt the asset class.
- International Equities underperformed its benchmark by 0.4% with overweight exposures to US non-semiconductor related Technology stocks, European luxury discretionary goods, and United States airlines the major detractors.
- Overall, the Fixed Interest asset classes provided positive returns, those asset classes with domestic exposure and shorter maturities benefited for falling yields (prices rose). However, assets with global exposure, longer maturities and greater sensitivity to credit spreads generated negative returns as investors reassessed the operating and macro risk that may face companies in the months ahead. This decline was after an extended period of gains as global credit spreads retreated from their all-time tights.
- Infrastructure and Private Markets all produced good returns from positive asset revaluations.
- In the case of Property, positive returns were driven by stabilising valuations. After a period of decline, core office markets have begun to stabilise with early indications of improvement in the premium markets.

Effective asset allocation

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

Table 2: Effective asset allocation as at 31 March 2025

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities	0.0	4.4	9.4	16.8	25.3	30.3
International Equities	0.0	8.1	15.2	24.2	32.8	39.8
Private Markets	0.0	1.0	2.1	2.9	4.9	6.4
Property	0.0	6.3	6.2	6.7	7.6	9.0
Infrastructure	0.0	9.6	8.7	7.8	7.8	6.8
Alternatives	0.0	3.0	3.3	2.7	1.9	0.0
Credit	0.0	2.0	6.2	6.8	5.6	7.4
Fixed Interest	0.0	46.3	34.2	23.6	10.6	0.0
Cash	100.0	19.3	14.7	8.5	3.6	0.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Foreign Currency	**0.0**	**4.7**	**9.8**	**14.4**	**20.0**	**25.9**
Foreign Currency Hedge*	**0.0**	**3.5**	**5.5**	**8.9**	**11.6**	**12.7**

Notes: Due to rounding, the sum of the individual numbers within the table may not equal the totals quoted.

* The partial foreign currency hedge is the exposure converted back into Australian Dollars from investing in International Equities to achieve the Foreign Currency strategic allocation. All other asset classes that have international investments are typically fully currency hedged.

Financial market snapshot

The table below summarises broad financial market performance.

Table 3: Major market index returns to 31 March 2025

Market Index	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities	-3.3	-2.9	3.9	2.6	5.3	13.2	8.6	7.1
International Equities	-4.2	-1.9	11.8	12.3	13.9	14.8	12.5	11.2
Australian Unlisted Property	0.5	1.2	1.0	-3.7	-2.9	0.7	2.3	4.9
Credit	-0.6	0.9	5.9	7.0	4.5	6.1	3.2	4.1
Global Fixed Interest	-0.2	0.8	2.9	1.6	-0.8	-2.4	0.6	1.2
Australian Fixed Interest	0.3	1.5	5.1	5.5	3.9	1.9	2.4	2.3
Cash	0.3	1.1	3.3	4.5	3.6	2.1	2.0	2.0
Foreign Currency (AUD v. Developed Markets)	-0.4	-0.2	-7.8	-5.3	-6.4	-0.3	-3.2	-2.2

Note: Returns hedged to the Australian Dollar: Global Fixed Interest, Credit. Equity returns are expressed in AUD.

Financial market commentary

March saw international equities markets tumble as the new United States administration continued its push to tear up long-standing global trade conventions and reduce government spend by US$1 trillion. Having hit Mexico and Canada with tariffs in recent months to stop the flow of fentanyl, the President then hit international auto makers (including parts) with a 25% tariff, effectively a direct strike on the German, South Korean and Chinese auto companies.

Longer term government bonds fell on fears tariffs may lead to higher inflation and a recession. Gold, as the standard bearer for safe-haven assets, rose by 9.3%. The US dollar was higher versus the major global crosses including the Australian dollar, which finished the month at 0.6231.

Economic data releases during the month were benign and largely irrelevant as investors tried to dissect global politics for economic meaning. The market's fear gauge, the CBOE VIX index, jumped 13.5% highlighting growing investor uncertainty. The prospect of major developed economies entering a period of stagflation (lower growth coupled with persistent inflation) appeared to be of increasing concern to investor and commentators alike.

Equities

The United States markets suffered large losses over the month and led international markets lower. The S&P500 index had its biggest monthly decline since the early days of COVID, falling 5.8%. The NASDAQ fell 8.2% with large technology stocks bearing the brunt, in particular the Magnificent Seven companies which fell between 5% and 15% over the period. Of great interest to many, was what may be the beginning of the Artificial Intelligence (AI) capital expenditure unwind. Semiconductor, software, and data centres names were hit hard on fears that, as uncertainty and business risk increase, corporates may not be as willing or even able to continue their rapid pace of AI related investment. The broad-based Russell 200 index fell 7.0%. Precious metals, staples and healthcare all performed well.

European developed market equities suffered muted falls relative to United States with the United Kingdom's FTSE 100 index -2.6%, the German DAX -4.0%, and France's CAC40 -4.0%. Emerging Europe fared much better with peripheral markets like Hungary, Poland, and the Czech Republic all finishing the month higher.

Asian equities were mixed in March, markets with close ties to China such as Hong Kong and India closed higher, along with China's Shanghai Composite index. Taiwan's TAIEX index was -10.0% on the back of the pain in the technology complex (semiconductors) while Japan's NIKKEI and South Korea's KOSPI indices dropped 4.0% and 2.0% respectively.

Australia wasn't left out. The S&P/ASX300 index fell 4.0%. The hardest sectors were technology -9.1%, consumer discretionary -6.2%, and real estate -4.8%. Utilities backed the trend, rising 1.5%.

Fixed Income

Government bond yields rose (prices fell) in March. Both the United States 10-year treasury bond and the Australian Government 10-year bond closed 0.06% higher to yield 4.2% and 4.4% respectively. The Australian yield curve steepened driven by a combination of rising long bond yields (fears of tariff induced inflation) and falling short-dated yields (increasing probability that the RBA rate may cut the official cash rate) during the month. Based on interest rate futures closing prices at 31 March, the market has priced a 70% probability for a 0.25% cut to the cash rate at the RBA meeting on May.

Investment grade credit also fell in value in the month as credit spreads (the difference between the corporate and government bond yields of similar tenure) widening. This is a measure of corporate risk. As mentioned above, the increasing global uncertainty is increasing investor concerns on company earnings and leverage. The Bloomberg Global High Yield index fell 1.5%.

Asset allocation

We have adjusted portfolios by reducing global equities and to a lesser extent, Australian equities to bring the asset allocation in line with the Strategic Asset Allocation target. The proceeds have been used to increase exposures to Cash, Property and Alternative asset classes.

We are comfortable with the recent adjustments to take some risk out of investment options and we do not believe a change in investment strategy is required.

In periods of rapid and large market movements and uncertainty, many investors make the mistake of trading their investments based on emotions. This is not Funds SA's investment style.

Funds SA's investment team will continue to monitor and review the portfolios as global markets shift, and will continue to rebalance portfolios to maintain the current asset allocation. The allocation to defensive assets including fixed income (bonds) has worked well in volatile periods. In the Balanced options, fixed income, cash, alternatives and credit assets make up approximately 20% of the option while property, infrastructure and private equity assets account for around 22%. Total equities exposure in the option is approximately 57% and is most exposed to the current volatility.