



Performance Summary February 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

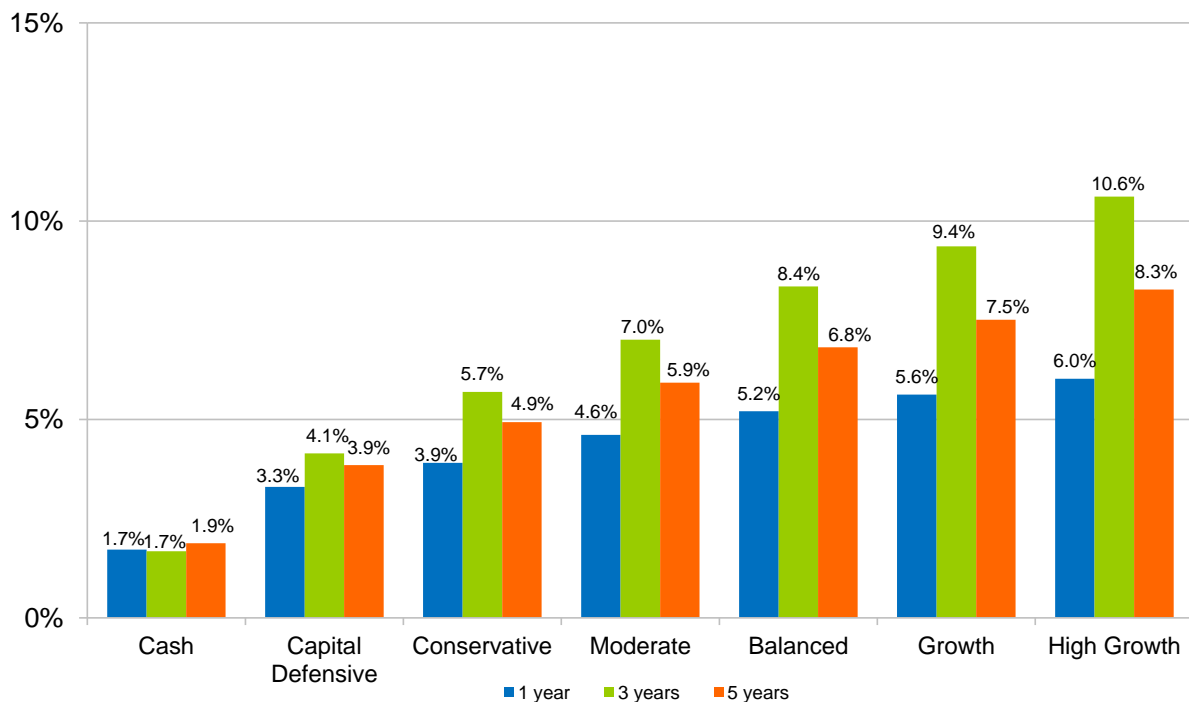
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 28 February 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	1.2	1.7	1.7	1.9	2.2	2.6
Capital Defensive	0.8	2.3	2.2	3.3	4.1	3.9	4.3	5.4
Conservative	1.4	3.1	2.4	3.9	5.7	4.9	5.7	6.8
Moderate	1.8	3.5	2.6	4.6	7.0	5.9	6.8	7.8
Balanced	2.2	4.0	2.7	5.2	8.4	6.8	7.9	8.7
Growth	2.5	4.3	2.8	5.6	9.4	7.5	8.7	9.5
High Growth	3.1	4.9	2.8	6.0	10.6	8.3	9.8	10.3

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 28 February 2019



Key drivers of performance during February 2019 included:

- Global equities outperformed government bonds.
- Australian equities outperformed most of their global counterparts.
- Non-government bonds outperformed government bonds.

This environment proved to be favourable for portfolios with relatively larger allocations to equities.

Asset Allocation

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

Table 2: Targeted asset allocation for the 2018-2019 financial year

	Cash	Capital Defensive	Conservative	Moderate	Balanced	Growth	High Growth
	%	%	%	%	%	%	%
Cash	100.0	15.0	10.0	8.0	2.0	2.0	2.0
Short-Term Fixed Interest	0.0	30.0	18.0	7.0	3.0	0.0	0.0
Long-Term Fixed Interest	0.0	5.0	5.0	9.0	8.0	4.0	0.0
Inflation-Linked Securities B	0.0	15.0	16.0	12.0	9.0	6.0	0.0
Diversified Strategies Income	0.0	17.0	18.0	17.0	16.0	16.0	12.0
Property B	0.0	6.0	9.0	10.0	12.0	14.0	16.0
Australian Equities B	0.0	7.0	13.0	17.0	23.0	26.0	33.0
International Equities B	0.0	5.0	11.0	15.0	19.0	22.0	27.0
Diversified Strategies Growth B	0.0	0.0	0.0	5.0	8.0	10.0	10.0
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 28 February 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	0.2	0.5	1.4	2.0	1.9	2.1	2.5	3.0
Australian Government	1.0	3.7	5.0	7.1	3.4	4.8	4.6	4.7
Australian Inflation-Linked	0.5	2.9	3.1	5.7	3.1	4.9	4.6	5.7
Global Treasuries ⁽¹⁾	-0.1	2.3	2.5	4.0	2.6	4.7	5.0	6.1
Global Inflation-Linked ⁽¹⁾	-0.4	1.8	0.3	2.2	4.3	5.2	4.5	7.3
Credit								
Global Credit ^{(1),(2)}	0.4	3.2	3.0	3.0	4.2	4.7	5.5	8.1
Global High-Yield ⁽¹⁾	1.5	4.7	4.5	3.0	9.4	6.2	8.2	14.0
Emerging Market Debt ⁽⁴⁾	0.6	6.6	5.8	2.4	5.8	4.8	4.5	8.4
Property								
Australian Listed Property	1.8	9.7	8.1	18.9	8.9	13.2	14.4	14.7
Equities⁽³⁾								
Australian Equities	6.0	9.9	2.4	6.8	12.9	7.3	9.9	11.0
Global Equities	3.3	2.1	1.3	2.5	12.5	8.1	10.6	13.1
US Equities	3.2	1.4	3.8	4.7	15.3	10.7	13.1	16.7
European Equities	3.6	3.6	-1.7	0.3	8.3	4.9	7.8	10.3
Japanese Equities	2.3	-3.0	-5.4	-6.4	9.5	7.8	12.0	9.9
Asia (ex Japan) Equities	2.3	6.6	-1.1	-5.9	14.3	7.3	6.5	11.9
Emerging Market Equities	1.1	5.7	0.5	-4.7	14.2	7.6	6.2	11.5
Global Small Companies	14.4	3.3	-3.1	1.4	13.4	7.7	11.4	15.5
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-2.1	-3.2	-3.6	-7.1	-0.4	-3.2	-4.7	1.1

(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 February 2019 are summarised below.

Equity Markets

Equity market performance was positive in February continuing the previous month's strong performance. Trade negotiations between the US and China continued, key areas of contention included tariffs and intellectual property. There was enough progress in the negotiations for the US to not impose the increase in tariffs that was planned for 1 March. In the US President Trump signed a bill that would provide funding to the federal government, ending the partial government shutdown. These outcomes drove bond yields and the US dollar higher and growth assets, such as listed equities, higher.

The Reserve Bank of Australia again left interest rates on hold, though noted that the probability of an interest rate increase or decrease is now more evenly balanced. This helped Domestic equities generate a strong positive return and outperformed most of their global counterparts. All sectors posted positive returns, with the exception of consumer staples which due to weaker sales posted a negative return.

Debt Markets

Global government bond markets produced slight negative returns over the month. Non-government bond performance was positive, with corporate bonds, emerging market debt and high yield bonds posting strong positive returns as the excess returns that investors demand for bearing the additional risk decreased meaningfully. Domestic bonds outperformed global given concerns around Australian residential property market increases the chances of an official interest rate cut in Australia.

Currency

The Australian dollar fell as specific ports in China announced they will cap overall coal imports for 2019, whilst lower domestic interest rates lowered the attractiveness of the domestic currency.

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