



# Performance Summary December 2017

## 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

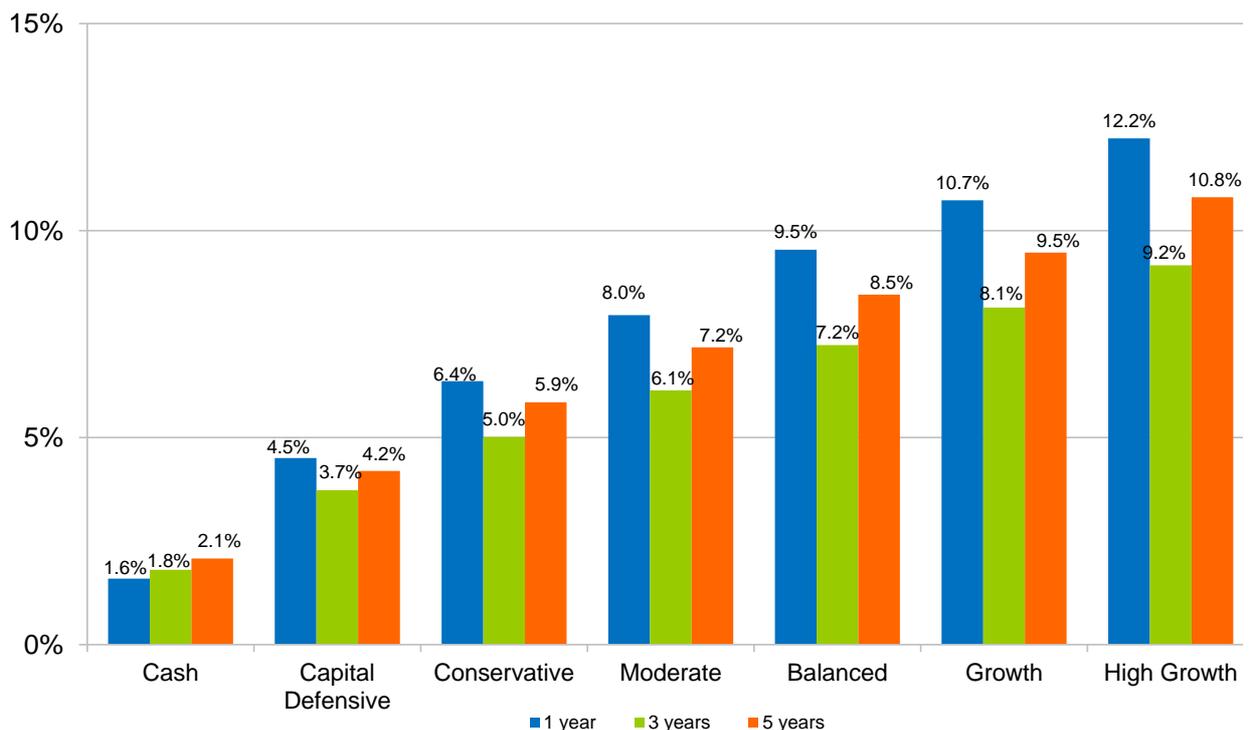
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

**Table 1: Multi-sector fund returns net of fees and tax to 31 December 2017<sup>1</sup>**

	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	0.8	1.6	1.8	2.1	2.6	3.1
Capital Defensive	0.1	1.5	2.3	4.5	3.7	4.2	5.0	4.4
Conservative	0.2	2.2	3.4	6.4	5.0	5.9	6.2	4.6
Moderate	0.3	2.8	4.2	8.0	6.1	7.2	6.9	4.6
Balanced	0.4	3.5	5.2	9.5	7.2	8.5	7.7	4.5
Growth	0.5	3.9	5.9	10.7	8.1	9.5	8.4	4.6
High Growth	0.7	4.6	6.9	12.2	9.2	10.8	9.1	4.7

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 December 2017**



Key drivers of performance during December 2017 included:

- The synchronised global growth environment bolstered investor sentiment, lifting risk assets and currencies alike.
- Central bank policy remained broadly supportive despite the US Federal Reserve increasing interest rates for the third time in 2017.

This environment proved to be favourable for portfolios with relatively larger amounts of listed equities, both global and domestic.

## Asset Allocation

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

**Table 2: Targeted asset allocation for the 2017-2018 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
<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 market performance.

**Table 3: Major market index returns to 31 December 2017**

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
<b>Cash and fixed income</b>						
Australian Cash	0.1	0.4	0.9	1.7	2.1	2.3
Australian Government	-0.7	1.6	1.2	3.5	2.8	3.7
Australian Inflation-Linked	-0.7	2.6	1.9	3.9	2.3	3.8
Global Treasuries <sup>(1)</sup>	0.1	0.9	1.6	2.8	3.9	5.0
Global Inflation-Linked <sup>(1)</sup>	1.1	2.6	3.2	4.0	5.5	4.8
<b>Credit</b>						
Global Credit <sup>(1),(2)</sup>	0.5	1.2	2.6	6.0	5.0	5.4
Global High Yield <sup>(1)</sup>	0.4	0.8	3.2	9.0	8.8	8.1
Emerging Market Debt <sup>(4)</sup>	0.6	0.5	2.9	9.3	6.8	3.8
<b>Property</b>						
Australian Listed Property	0.1	7.8	9.9	6.4	11.3	13.4
<b>Equities<sup>(3)</sup></b>						
Australian Equities	1.9	7.7	8.6	11.9	8.8	10.1
Global Equities	1.1	5.3	9.5	18.5	9.6	13.3
US Equities	1.1	6.6	11.4	21.8	11.4	15.8
European Equities	1.0	1.3	4.8	13.1	8.3	10.1
Japanese Equities	1.4	8.6	13.3	21.0	10.6	18.2
Asia (ex Japan) Equities	2.2	6.2	13.2	35.6	10.7	9.1
Emerging Market Equities	2.6	5.7	13.9	31.0	10.9	8.4
Global Small Companies	1.2	5.1	10.5	19.1	11.7	15.0
<b>Currency<sup>(5)</sup></b>						
Australian Dollar vs Developed Market Basket	3.1	-0.6	0.7	4.9	-1.1	-4.3

(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 December 2017 are summarised below.

## Equity Markets

Equity markets (both global and domestic) rose in December, reaching all time high levels. In a month where bad news was sparse, investor enthusiasm was buoyed by a synchronised global growth environment and supportive central bank policy.

The synchronised global growth environment bolstered investor sentiment. In Europe, industrial production beat expectations, while Japanese economic data releases continued to signal a pickup in economic activity in the Asia-Pacific region. The US remained the epicentre of the global recovery, with labour market conditions continuing their strong run. Additionally, the long awaited Trump tax reform package was passed, raising the prospect of improved US corporate earnings in the years ahead.

Central bank policy remained supportive over the month. In a move that was widely anticipated, the US Federal Reserve increased interest rates, while at the same time delivering an upbeat

assessment of the economy. Despite this, other central banks left policy rates unchanged, with the European Central Bank, Bank of England and Bank of Japan leaving policy rates unchanged at historically low levels.

## Debt Markets

Global government bond markets produced modest positive returns amid an environment of low inflation and accommodative central bank policy. The higher risk segments of the fixed income markets outperformed government bonds as investor perception of corporate creditworthiness improved marginally.

## Currency

Currency markets responded to similar themes to risk assets over the month. The synchronised global growth environment saw an improvement in currencies that have a stronger link to global growth. This benefitted emerging market currencies and the Australian Dollar.

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