



Performance Summary April 2018

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

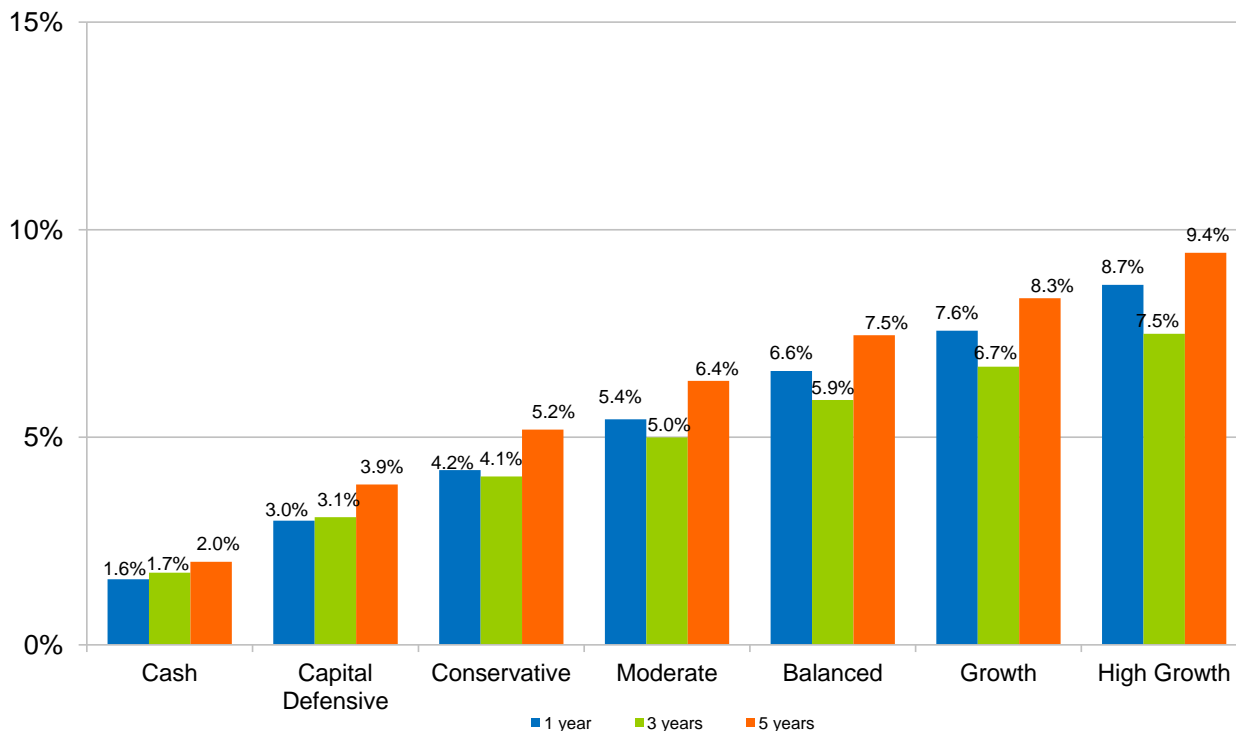
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 April 2018 ¹

	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	1.3	1.6	1.7	2.0	2.5	3.0
Capital Defensive	0.3	0.2	2.9	3.0	3.1	3.9	4.7	4.5
Conservative	0.6	0.2	4.1	4.2	4.1	5.2	5.9	4.9
Moderate	0.8	0.4	5.2	5.4	5.0	6.4	6.6	5.2
Balanced	1.1	0.6	6.4	6.6	5.9	7.5	7.5	5.2
Growth	1.4	0.7	7.3	7.6	6.7	8.3	8.2	5.4
High Growth	1.8	0.8	8.5	8.7	7.5	9.4	8.9	5.7

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 30 April 2018



Key drivers of performance during April 2018 included:

- Trade tensions eased, causing risk assets such as equities to perform well while fixed interest produced negative returns.
- The favourable global economic backdrop bolstered corporate conditions.
- Commodity prices rose, causing Australian equities to post strong positive returns.

This environment proved to be favourable for portfolios with relatively larger allocations to listed equities and Australian listed property.

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	Conservative	Moderate	Balanced	Growth	High Growth
	%	Defensive	%	%	%	%	%
		%	%	%	%	%	%
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 30 April 2018

	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	0.4	1.5	1.8	2.0	2.3	2.8	3.4
Australian Government	-0.6	0.9	1.6	1.9	2.4	3.5	5.0	5.6
Australian Inflation-Linked	-0.5	0.7	2.3	1.8	1.6	3.3	5.9	5.4
Global Treasuries ⁽¹⁾	-0.3	0.9	1.8	2.1	3.3	4.5	6.1	6.7
Global Inflation-Linked ⁽¹⁾	-0.7	0.7	2.6	1.0	4.1	3.9	6.3	6.9
Credit								
Global Credit ^{(1),(2)}	-0.5	-1.1	0.8	1.8	3.5	4.4	6.5	7.4
Global High Yield ⁽¹⁾	0.1	-1.2	2.5	3.4	6.7	6.9	8.9	10.3
Emerging Market Debt ⁽⁴⁾	-1.5	-3.0	-0.4	0.2	4.3	3.0	5.6	6.5
Property								
Australian Listed Property	4.3	1.1	7.5	1.6	7.6	10.0	12.7	3.3
Equities⁽³⁾								
Australian Equities	3.8	0.2	8.4	5.7	5.8	7.5	7.7	5.2
Global Equities	1.9	-3.9	9.1	10.8	7.4	10.5	9.8	6.3
US Equities	0.4	-5.8	11.0	13.3	10.6	13.0	12.3	9.0
European Equities	4.9	-0.7	5.1	5.5	4.4	8.3	7.1	4.5
Japanese Equities	3.6	-2.3	11.9	17.7	5.3	10.7	13.0	4.4
Asia (ex Japan) Equities	1.3	-4.8	15.2	22.4	7.3	9.1	6.5	5.6
Emerging Market Equities	1.2	-4.5	16.1	21.1	7.8	8.9	6.4	5.2
Global Small Companies	1.6	-2.1	10.6	12.4	9.1	12.1	10.6	8.4
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-1.1	-5.2	-3.0	-1.3	-1.6	-5.3	-3.9	-1.5

(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 April 2018 are summarised below.

Equity Markets

Most major equity markets posted positive returns during April as the factors that weighed on sentiment from the previous month subsided. Domestic equities fared better, largely off the back of rising commodity prices.

The trade and geo-political tensions that concerned investors in recent months subsided, providing more certainty and boosting sentiment in equity markets. This, coupled with the favourable global economic backdrop bolstered US corporate earnings. A key theme amongst these companies was robust sales growth and a more favourable tax regime.

Australian equities in aggregate outperformed most of their global counterparts, but with great variation at the industry level. In a month where commodity prices rose meaningfully, resources stocks posted strong returns. Offsetting this however was financial stocks, which underperformed as the ongoing Royal Commission raised questions regarding some of the business practices in the sector.

Debt Markets

Global government bond markets produced negative returns, with bond yields rising in response to the favourable global economic backdrop and an easing of trade tensions. Non-government bond performance was mixed, with emerging market debt and highly rated corporates posting negative returns. On the other hand, high yield bonds posted a modest positive return as the premium that investors demand for bearing the additional risk contracted.

Currency

Currency markets responded to similar themes to risk assets over the month. An easing of global trade tensions easing saw the US dollar rise, while the Australian dollar was mixed, ending the month largely unchanged.

Disclaimer

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