



Performance Summary April 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.

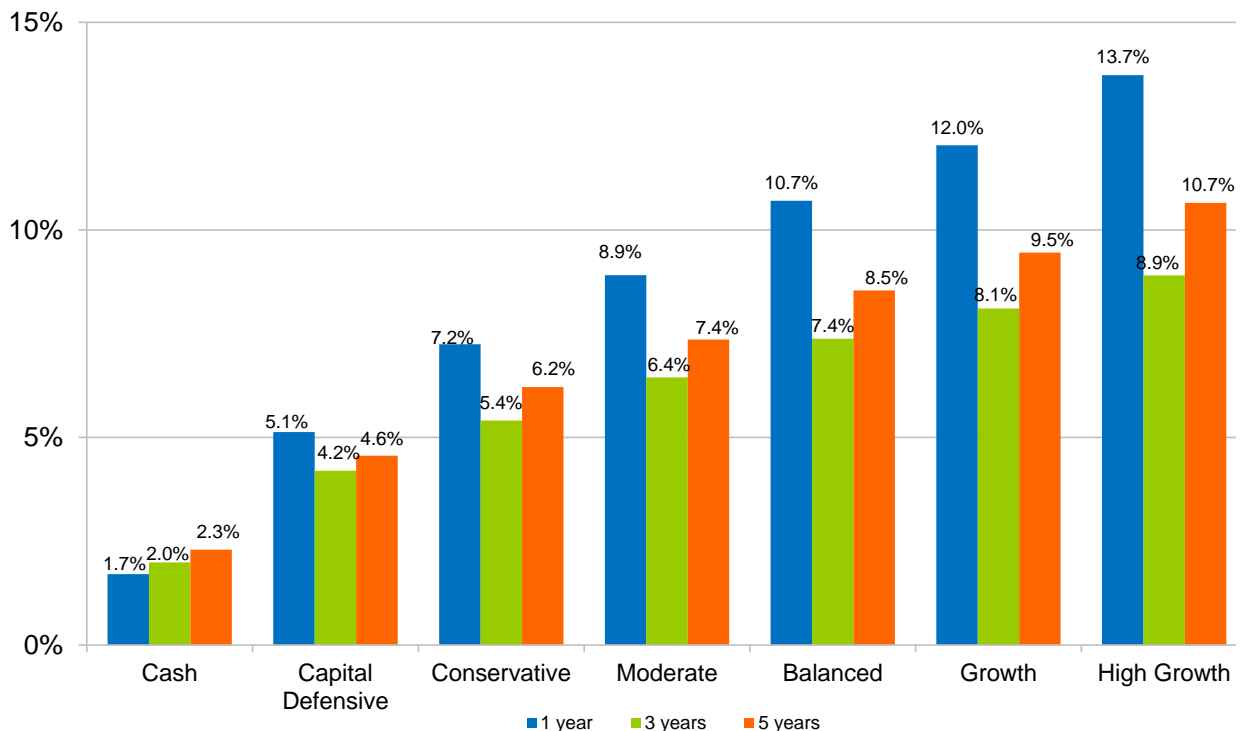
Table 1: Multi-sector fund returns net of fees and tax to 30 April 2017^{1, 2}

	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	1.4	1.7	2.0	2.3	2.8	3.3
Capital Defensive	0.6	1.9	4.0	5.1	4.2	4.6	5.2	4.4
Conservative	0.8	2.7	6.1	7.2	5.4	6.2	6.2	4.4
Moderate	1.0	3.3	7.5	8.9	6.4	7.4	6.8	4.4
Balanced	1.2	3.9	9.3	10.7	7.4	8.5	7.5	4.2
Growth	1.3	4.3	10.6	12.0	8.1	9.5	8.0	4.2
High Growth	1.4	5.0	12.4	13.7	8.9	10.7	8.6	4.3

1. Returns are based on the post tax unit pricing model detailed in the SLA.

2. 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 2017



Key drivers of performance during April 2017 included:

- Economic conditions remained broadly supportive for equity markets, providing a solid backdrop for corporate earnings.
- Political uncertainty remained elevated as geopolitical risk rose and the European political situation remained unclear.
- Falling commodity prices weighed on commodity linked corporate sectors.

This environment proved favourable for portfolios with larger exposures to listed equities (both global and domestic) and non-government bonds (corporate bonds and emerging market debt).

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

	Actual %	Strategic %	Variance %	Rebalancing Range %
Cash	2.5	2.0	0.5	0 to +20%
Short Term Fixed Interest	2.8	3.0	-0.2	0 to +5%
Long Term Fixed Interest	7.8	8.0	-0.2	± 5%
Inflation Linked Securities B	7.9	9.0	-1.1	± 5%
Diversified Strategies Income	16.0	16.0	0.0	± 5%
Property B	12.0	12.0	0.0	± 5%
Australian Equities B	23.9	23.0	0.9	± 5%
International Equities B	20.0	19.0	1.0	± 5%
Diversified Strategies Growth B	7.0	8.0	-1.0	± 5%
Total	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 2017

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.1	0.4	1.5	1.9	2.3	2.6
Australian Government	0.9	1.5	-1.0	2.1	5.0	4.2
Australian Inflation-Linked	1.2	1.8	0.8	3.3	5.4	4.8
Global Treasuries ⁽¹⁾	0.7	1.6	-1.2	1.8	5.8	5.8
Global Inflation-Linked ⁽¹⁾	1.4	2.2	4.5	9.6	7.3	5.8
Credit						
Global Credit ^{(1),(2)}	0.9	2.1	2.2	4.5	5.7	6.4
Global High Yield ⁽¹⁾	1.5	3.1	11.8	14.0	7.5	9.8
Emerging Market Debt ⁽⁴⁾	1.6	4.1	4.9	8.5	5.8	5.2
Property						
Australian Listed Property	2.6	7.5	-0.2	6.1	15.6	16.2
Equities⁽³⁾						
Australian Equities	1.0	6.6	16.8	17.5	7.3	10.8
Global Equities	1.2	5.3	17.1	17.6	8.6	12.2
US Equities	1.0	5.2	15.5	17.9	10.5	13.7
European Equities	1.5	7.9	19.8	19.5	6.9	11.1
Japanese Equities	1.3	1.4	25.1	16.2	11.6	16.0
Asia (ex Japan) Equities	2.3	7.4	18.2	20.5	6.9	6.5
Emerging Market Equities	2.3	6.1	17.2	18.3	6.9	6.1
Global Small Companies	1.6	4.9	19.7	19.8	9.5	13.6
Currency⁽⁵⁾						
Australian Dollar vs Developed Market Basket	-2.6	-1.3	2.0	0.9	-4.5	-4.7

(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 2017 are summarised below.

Equity Markets

Global and Australian listed equity markets posted modest positive returns in April. A continued improvement in economic conditions provided a supportive backdrop for equity markets, though heightened political uncertainty and falling commodity prices somewhat dragged on investor sentiment.

Economic conditions remained broadly supportive for equity markets. Inflation and unemployment data showed that Europe was continuing to improve, albeit off of a low base. US economic data was weaker than market expectations, however corporate earnings remain resilient. Domestically, the labour market showed strength as the number of jobs created rose to its highest level in over a year.

Heightened political uncertainty weighed on market sentiment. For the first half of the month, investor attention was focussed on geopolitical concerns amidst a US airstrike on Syria, and rising tensions on the Korean Peninsula. The middle of the month was marked by an uncertain European

political environment, as neither of the mainstream major parties made it past the first round of the French presidential election, while in the UK, Prime Minister Theresa May announced plans to dissolve parliament and hold an early general election. These concerns subsided by the end of the month as polls showed that the expected outcomes of the UK general election and run-off French presidential election are unlikely to produce adverse outcomes from an economic standpoint.

Falling commodity prices weighed on the market. Crude oil price fell as US oil production rose, while iron ore slumped as global inventories rose. Resulting from this, commodity linked corporate sector struggled.

Debt Markets

Global and Australian government bond markets produced positive returns as heightened uncertainty suppressed bond yields. Inflation linked bond markets performed strongly as expectations of inflation rose off the back of a supportive economic backdrop. Non-government debt markets (corporate and emerging market bonds) performed in line with other risk assets as the premium that investors demand for bearing this risk contracted modestly.

Currency

Currency market movements were driven by many of the same themes as risk assets. The Euro and British Pound ended the month stronger as political uncertainty began to subside, while the Australian dollar fell as commodity prices slumped.

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