



# Performance Summary August 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

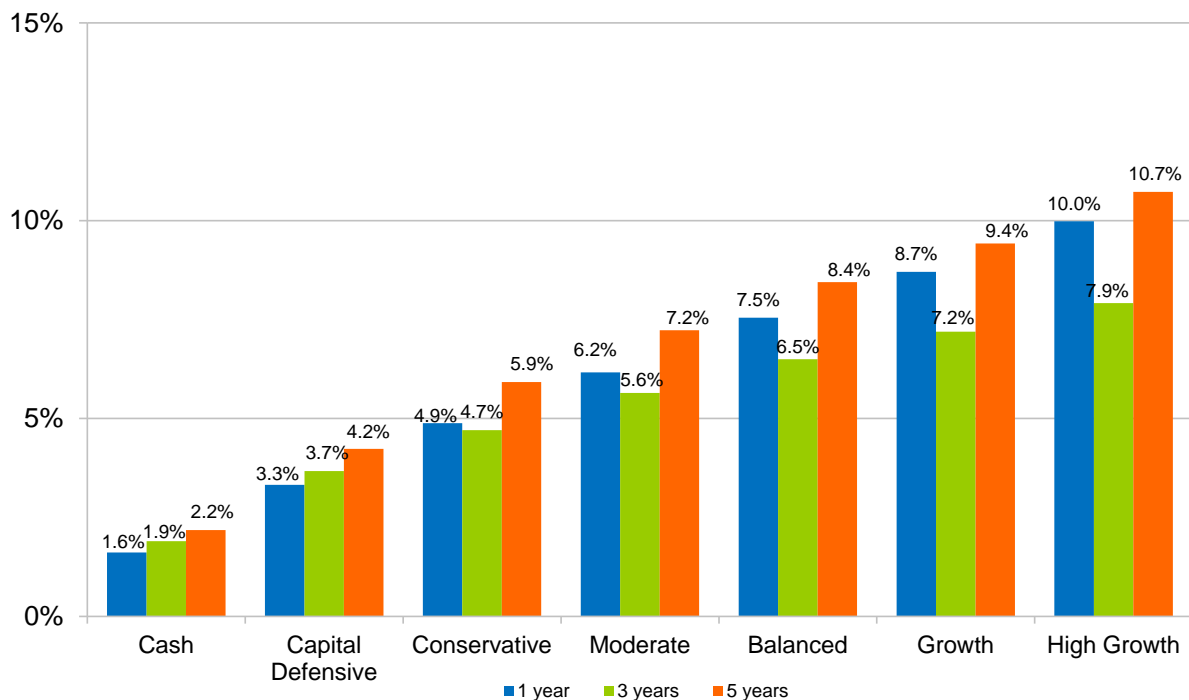
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

**Table 1: Multi-sector fund returns net of fees and tax to 31 August 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	0.3	1.6	1.9	2.2	2.7	3.2
Capital Defensive	0.3	0.3	0.5	3.3	3.7	4.2	4.9	4.3
Conservative	0.4	0.4	0.6	4.9	4.7	5.9	6.1	4.3
Moderate	0.5	0.5	0.7	6.2	5.6	7.2	6.9	4.3
Balanced	0.6	0.7	0.7	7.5	6.5	8.4	7.8	4.0
Growth	0.7	0.8	0.8	8.7	7.2	9.4	8.5	4.0
High Growth	0.7	0.9	0.8	10.0	7.9	10.7	9.3	4.1

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 August 2017**



Key drivers of performance during August 2017 included:

- Heightened geopolitical risk weighed on markets, supporting safe haven assets such as gold.
- Australian company reporting season was solid but also painted a mixed picture of the operating landscape.

This environment proved to be favourable for portfolios with relatively larger amounts of Australian equities and global government bonds.

## 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 August 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	0.3	1.8	2.2	2.5
Australian Government	-0.1	-1.0	0.1	-2.0	3.7	3.5
Australian Inflation-Linked	0.4	-1.3	0.2	-1.4	3.2	3.7
Global Treasuries <sup>(1)</sup>	1.0	1.0	1.3	0.1	5.0	5.4
Global Inflation-Linked <sup>(1)</sup>	2.2	0.9	2.2	1.2	5.7	5.0
<b>Credit</b>						
Global Credit <sup>(1),(2)</sup>	0.9	1.7	1.6	2.7	5.2	5.9
Global High Yield <sup>(1)</sup>	0.6	1.7	1.6	9.5	7.3	9.2
Emerging Market Debt <sup>(4)</sup>	1.7	2.1	2.4	4.5	5.2	4.6
<b>Property</b>						
Australian Listed Property	1.5	-3.2	1.4	-6.7	10.3	13.3
<b>Equities<sup>(3)</sup></b>						
Australian Equities	0.7	1.0	0.8	9.5	5.2	10.4
Global Equities	0.1	1.6	1.6	15.4	7.7	12.7
US Equities	0.3	3.0	2.4	16.2	9.5	14.3
European Equities	0.1	-1.6	0.7	15.1	6.8	10.6
Japanese Equities	-0.3	2.9	0.0	22.7	10.0	19.4
Asia (ex Japan) Equities	1.5	8.6	6.2	24.2	7.7	9.9
Emerging Market Equities	2.1	9.1	7.2	22.2	7.2	9.1
Global Small Companies	-0.1	2.4	1.1	16.2	8.8	14.6
<b>Currency<sup>(5)</sup></b>						
Australian Dollar vs Developed Market Basket	-0.7	5.4	2.4	4.9	-3.8	-3.9

(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 August 2017 are summarised below.

## Equity Markets

Global equity markets posted modest positive returns in August, despite heightened geopolitical uncertainty. Domestic equities outperformed their global counterparts despite a mixed company reporting season.

Geopolitical uncertainty reverberated through markets. The earlier part of the month was punctuated by an elevation in the rhetoric between North Korea and the United States, with North Korea threatening to attack the US territory of Guam, while the US threatened to retaliate. Tensions escalated later in the month, with North Korea conducting several missile tests, one of which flew over the Japanese island of Hokkaido. These tensions led to a large, albeit short lived spike in financial market volatility which supported safe haven assets such as gold.

Domestic equities outperformed their global counterparts over the month. Company reporting season punctuated events. Resource companies surprised on the upside, with increases in earnings driven by a prolonged rise in the price of key commodities. On the other hand, industrial

companies had their earnings downgraded, with margin pressure impacting on company profitability, and in doing so demonstrating the challenging operating environment that faces much of the business sector.

## Debt Markets

Global government bond markets produced positive returns over the month as heightened geopolitical uncertainty led to increased demand for safe haven assets. Australia government bonds were an exception to this, posting negative returns amidst a rise in investor expectations of future inflation. Corporate bonds posted positive returns despite a modest rise in the risk premium that investors demand for bearing the additional risk. Emerging market bonds were strong performers as rising commodity prices and lower global yields supported valuations.

## Currency

Currency market movements were driven by similar themes to risk assets. The Euro and Japanese Yen were stronger as geopolitical uncertainty spurred investors to search for safe haven assets. The US Dollar continued its recent run of weakness, while the Australian dollar reversed some of its recent gains but remained near recent highs.

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