



# Performance Summary January 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

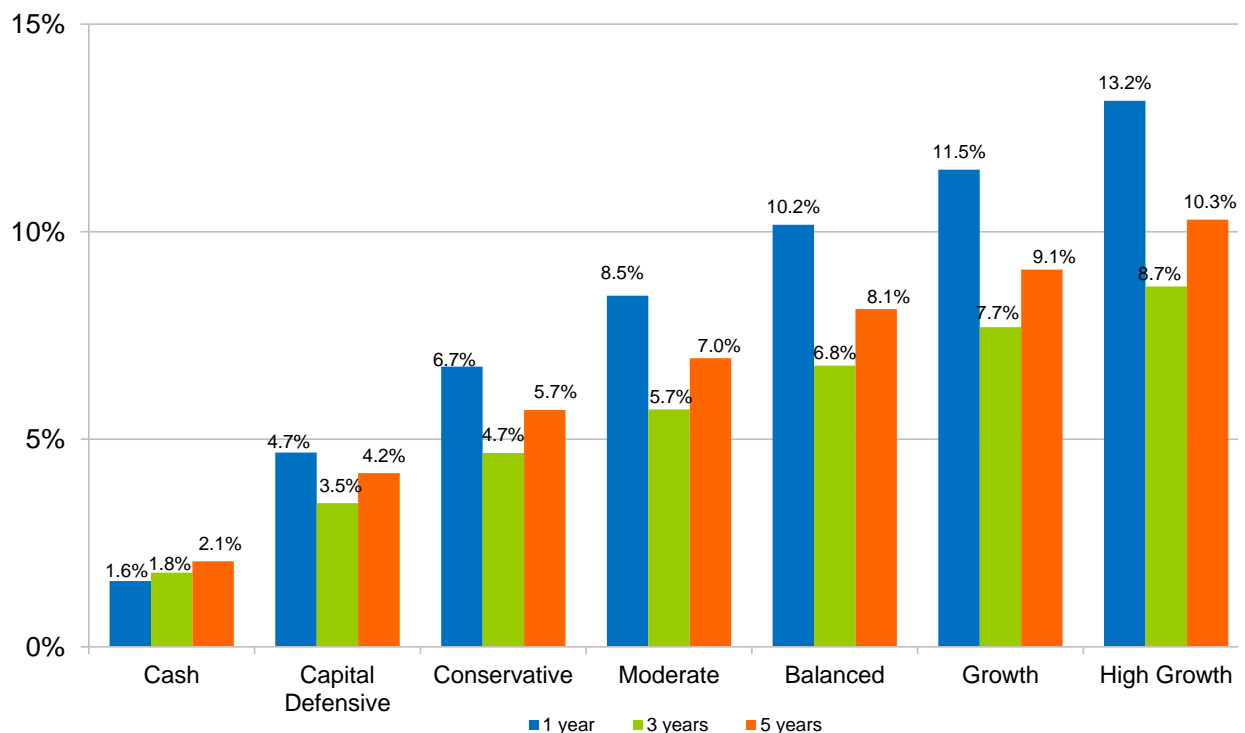
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

**Table 1: Multi-sector fund returns net of fees and tax to 31 January 2018<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	0.9	1.6	1.8	2.1	2.6	3.1
Capital Defensive	0.4	1.0	2.6	4.7	3.5	4.2	5.0	4.6
Conservative	0.5	1.5	3.8	6.7	4.7	5.7	6.1	5.0
Moderate	0.5	1.8	4.8	8.5	5.7	7.0	6.9	5.2
Balanced	0.6	2.2	5.8	10.2	6.8	8.1	7.7	5.2
Growth	0.6	2.6	6.6	11.5	7.7	9.1	8.4	5.5
High Growth	0.7	2.9	7.7	13.2	8.7	10.3	9.1	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 31 January 2018**



Key drivers of performance during January 2018 included:

- Strengthening synchronised global growth environment and US tax cuts bolstered investor sentiment, lifting risk assets and bond yields.
- Central bank policy remained supportive despite expectations that the US Federal Reserve will continue increasing interest rates during 2018.
- Domestic listed equities underperformed as growth and policy environment continues to lag global peers

This environment proved to be favourable for portfolios with relatively larger amounts of global listed 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 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 January 2018**

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
<b>Cash and fixed income</b>						
Australian Cash	0.2	0.4	1.0	1.7	2.0	2.3
Australian Government	-0.4	-0.1	0.7	2.4	2.0	3.7
Australian Inflation-Linked	-0.3	1.0	1.6	2.9	1.5	3.8
Global Treasuries <sup>(1)</sup>	-0.6	-0.2	0.9	2.8	2.9	4.9
Global Inflation-Linked <sup>(1)</sup>	-1.3	0.4	1.9	2.5	3.7	4.4
<b>Credit</b>						
Global Credit <sup>(1),(2)</sup>	-0.7	-0.1	1.9	5.0	3.9	5.4
Global High Yield <sup>(1)</sup>	0.5	0.6	3.7	7.9	8.8	7.9
Emerging Market Debt <sup>(4)</sup>	-0.2	0.2	2.7	7.6	6.6	4.0
<b>Property</b>						
Australian Listed Property	-3.2	2.0	6.3	8.1	7.5	11.7
<b>Equities<sup>(3)</sup></b>						
Australian Equities	-0.4	3.2	8.2	12.4	7.5	9.0
Global Equities	3.8	6.6	13.6	21.4	11.2	12.9
US Equities	5.7	10.2	17.8	26.4	14.7	15.9
European Equities	1.1	0.3	5.9	14.7	7.4	9.2
Japanese Equities	1.1	4.0	14.5	22.2	10.8	16.3
Asia (ex Japan) Equities	6.9	9.0	21.0	38.2	12.3	10.1
Emerging Market Equities	6.8	8.7	21.6	34.5	12.8	9.5
Global Small Companies	2.2	5.3	12.9	20.4	12.6	14.1
<b>Currency<sup>(5)</sup></b>						
Australian Dollar vs Developed Market Basket	1.7	2.8	2.4	2.7	0.7	-4.1

(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 January 2018 are summarised below.

### Equity Markets

Global equity markets rose strongly in January, reaching all-time highs in the US. Continued evidence of synchronised global growth, supportive policy, coupled with recent lowering of US corporate tax laws, fuelled the strong rise during the month.

Investor sentiment was buoyant as continued strong economic numbers were released in the US, Europe and Japan. In Europe, business confidence and industrial activity continued to improve the unemployment levels which has seen consumer confidence improve. Japanese and other Asian regions continue to outperform as strong links to Chinese growth has propelled local bourses higher over the period. Australian stocks were down slightly as continued strong employment growth was offset by poor retail sales and concerns that domestic households were susceptible to high debt levels and elevated property prices.

Central bank policy remained supportive over the month, however recent comments from major policy makers suggests rates would be moving higher over the year. This undermined interest rate sensitive sectors such as property trusts and utilities.

## Debt Markets

Global government bond markets underperformed as stronger growth and inflation, increased expectations that central bank policy will continue to tighten, which caused interest rates to rise. Not all debt sectors underperformed, as securities tied to stronger growth such high yield and emerging market debt, performed positively.

## Currency

Currency markets responded to similar themes over the month. The synchronised global growth environment saw an improvement in currencies that have a stronger link to global growth and commodities, such as emerging market currencies and the Australian Dollar. The US dollar continued to decline over the period.

## Disclaimer

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