



Performance Summary July 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

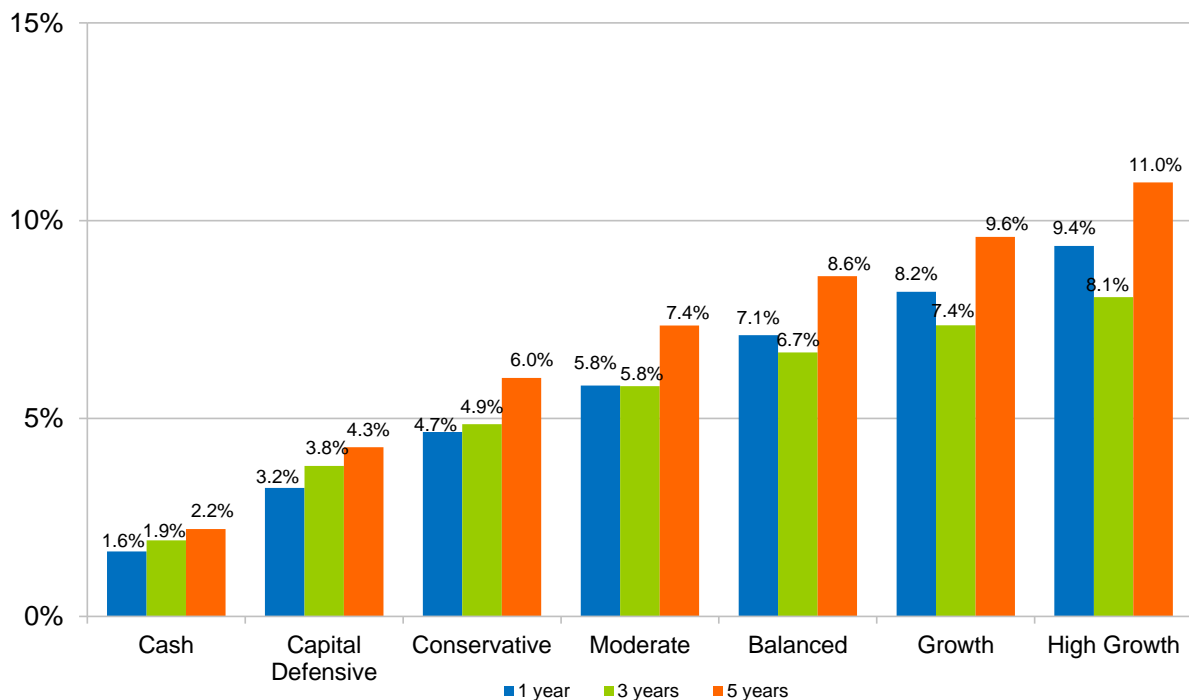
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 July 2017¹

	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	0.1	1.6	1.9	2.2	2.8	3.2
Capital Defensive	0.2	0.4	0.2	3.2	3.8	4.3	5.0	4.4
Conservative	0.2	0.3	0.2	4.7	4.9	6.0	6.2	4.5
Moderate	0.2	0.4	0.2	5.8	5.8	7.4	6.9	4.4
Balanced	0.1	0.3	0.1	7.1	6.7	8.6	7.7	4.2
Growth	0.1	0.4	0.1	8.2	7.4	9.6	8.3	4.2
High Growth	0.1	0.2	0.1	9.4	8.1	11.0	9.0	4.2

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 July 2017



Key drivers of performance during July 2017 included:

- A supportive policy environment, economic backdrop and broad based rise in commodity prices drove strong performance from risk assets.
 - The Australian dollar rose strongly, reaching its highest level in over a year.
- This environment proved to be favourable for portfolios that held relatively larger exposures to hedged developed market equities and non-government 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

	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
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 31 July 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	0.1	1.8	2.2	2.5
Australian Government	0.1	0.3	0.1	-1.6	4.1	3.6
Australian Inflation-Linked	-0.1	-0.6	-0.1	-2.0	3.7	3.6
Global Treasuries ⁽¹⁾	0.3	0.5	0.3	-1.1	5.1	5.2
Global Inflation-Linked ⁽¹⁾	0.0	-1.6	0.0	1.6	5.7	4.6
Credit						
Global Credit ^{(1),(2)}	0.7	1.7	0.7	2.3	5.5	5.9
Global High Yield ⁽¹⁾	1.0	1.9	1.0	11.1	7.5	9.5
Emerging Market Debt ⁽⁴⁾	0.7	1.2	0.7	4.6	4.8	4.5
Property						
Australian Listed Property	-0.2	-5.6	-0.2	-10.6	10.4	13.0
Equities⁽³⁾						
Australian Equities	0.0	-2.5	0.0	7.0	5.1	10.7
Global Equities	1.4	3.0	1.4	15.8	8.6	13.1
US Equities	2.1	4.1	2.1	16.0	10.9	14.8
European Equities	0.6	0.9	0.6	16.3	7.5	11.1
Japanese Equities	0.3	5.5	0.3	24.3	9.7	19.3
Asia (ex Japan) Equities	4.6	11.2	4.6	26.3	7.3	9.5
Emerging Market Equities	5.0	9.4	5.0	23.0	7.1	8.6
Global Small Companies	1.2	2.9	1.2	16.9	10.1	15.3
Currency⁽⁵⁾						
Australian Dollar vs Developed Market Basket	3.0	4.8	3.0	5.0	-3.3	-4.2

(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 July 2017 are summarised below.

Equity Markets

Global equity markets posted positive returns over July, buoyed by a strong economic backdrop and supportive fiscal and monetary policy settings in much of the world. On the other hand, domestic equities were flat, as a confluence of factors offset each other.

The economic backdrop remained strong over the month. Key European economic data releases showed that sentiment was improving, while data out of the United States demonstrated that the economic recovery remains resilient. This point was reiterated by US corporate reporting season, with most sectors showing strong revenue and profit growth.

A supportive policy environment continued to bolster equity markets. Messaging from several central banks continued to support risk assets as investors were assured that supportive policy measures would be removed gradually. Meanwhile, US equities continued to be supported by the hope that Trump would be able to pass the more business friendly aspects of his legislative agenda.

Domestic equities were flat over the month. On the positive side, a rise in iron ore and oil prices boosted the commodity sensitive parts of the market, while an improvement in economic outlook bolstered consumer orientated sectors. These positives were offset by a rise in the Australian dollar, which weighed on the currency sensitive, export orientated pockets of the market.

Debt Markets

Global government bond markets produced positive returns over the month. Driving this result was central bank commitment to a gradual approach to increasing interest rates, as well as a fall in investor expectations of future inflation. Corporate bonds and emerging market debt were especially strong over the month as the risk premiums that investors demand for holdings these assets declined.

Currency

Currency market movements were driven by similar themes to risk assets. The Australian dollar rose strongly as key commodity prices rose, a theme that also saw emerging market currencies appreciate. On the other hand, the US dollar continued its recent run of weakness, as the US Federal Reserve left interest rates on hold and reiterated their gradual approach to increasing interest rates.

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