



Performance Summary July 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

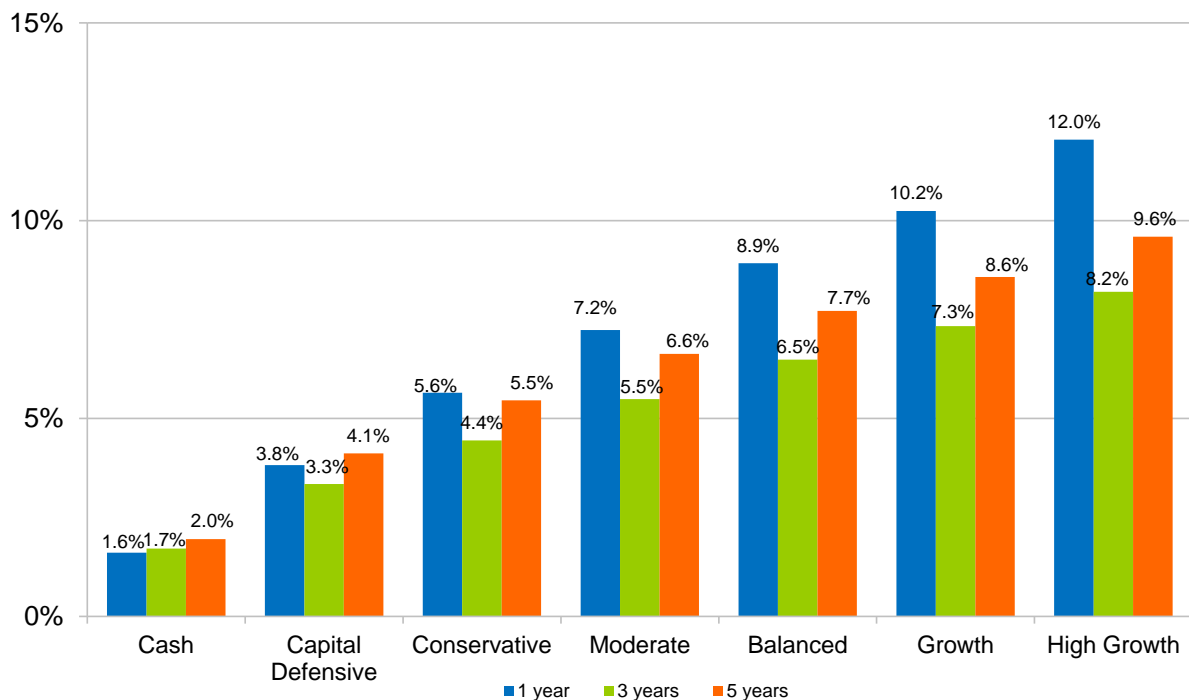
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 July 2018¹

	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	1.7	2.0	2.4	2.9
Capital Defensive	0.4	1.2	0.4	3.8	3.3	4.1	4.6	4.8
Conservative	0.6	1.7	0.6	5.6	4.4	5.5	6.1	5.5
Moderate	0.7	2.1	0.7	7.2	5.5	6.6	7.1	5.9
Balanced	0.9	2.5	0.9	8.9	6.5	7.7	8.1	6.1
Growth	1.0	2.9	1.0	10.2	7.3	8.6	8.9	6.5
High Growth	1.2	3.4	1.2	12.0	8.2	9.6	10.0	7.0

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 2018



Key drivers of performance during July 2018 included:

- Global equity markets performed well due to the strength of corporate earnings.
 - Government bonds underperformed as investor's favoured higher return seeking assets.
 - Australian equities underperformed most of their global counterparts.
- This environment proved to be favourable for portfolios with relatively larger allocations to 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 2018-2019 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 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	0.5	0.2	1.8	2.0	2.2	2.7	3.3
Australian Government	0.1	1.5	0.1	3.0	2.8	4.0	4.7	5.5
Australian Inflation-Linked	0.0	1.8	0.0	4.3	2.5	4.8	5.4	5.5
Global Treasuries ⁽¹⁾	-0.2	0.4	-0.2	2.0	3.4	4.9	5.7	6.6
Global Inflation-Linked ⁽¹⁾	-0.1	0.9	-0.1	3.6	4.6	5.5	5.7	6.7
Credit								
Global Credit ^{(1),(2)}	0.5	0.7	0.5	0.8	4.0	5.2	6.1	7.5
Global High Yield ⁽¹⁾	1.7	0.4	1.7	1.9	7.2	7.2	8.6	10.6
Emerging Market Debt ⁽⁴⁾	2.1	-0.1	2.1	-1.1	4.9	4.6	4.9	6.6
Property								
Australian Listed Property	1.0	6.3	1.0	14.5	8.3	12.6	14.9	6.7
Equities⁽³⁾								
Australian Equities	1.3	5.8	1.3	14.7	8.1	9.1	9.8	6.9
Global Equities	3.1	4.8	3.1	12.7	8.9	10.7	11.4	7.8
US Equities	3.7	6.9	3.7	16.2	12.5	13.1	14.2	10.7
European Equities	3.3	2.4	3.3	7.1	5.3	8.2	8.6	6.0
Japanese Equities	1.5	-1.1	1.5	10.3	3.4	11.0	13.1	4.8
Asia (ex Japan) Equities	1.0	-3.4	1.0	6.3	9.8	8.9	6.4	7.0
Emerging Market Equities	1.8	-2.8	1.8	7.5	10.1	8.9	6.6	6.3
Global Small Companies	1.3	4.5	1.3	14.2	10.2	11.8	12.2	9.7
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	0.6	-0.4	0.6	-6.2	0.5	-2.6	-4.0	-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 July 2018 are summarised below.

Equity Markets

Equity market performance was strong during July. The Reserve Bank of Australia continued to leave interest rates on hold whilst the US Federal Reserve opted to stay on hold after raising interest rates in its last month meeting. Trade tensions remained but ultimately the strength of corporate earnings was enough to push equity markets higher across the developed world. In the US most companies beat earnings expectations, with a key theme being robust sales growth which reflected strong economic growth. Domestic equities generated a positive return but underperformed its global counterparts.

Trade tensions increased between the United States and the rest of the world, with continued Trump tariffs, and retaliatory tariffs from China. The announcement of the US withdrawal from the Iran nuclear deal caused tension between the United States and Iran. Notwithstanding these concerns, the global economic backdrop remained supportive with ongoing solid economic growth.

Australian equities in aggregate underperformed most of their global counterparts due to a decrease in commodity prices and concerns around the housing market and banking sector.

Debt Markets

Global government bond markets underperformed in a month where the economic data showed signs of further improvement and interest rate policy expectations continued to factor in further tightening. Australian government bonds outperformed global marginally as domestic conditions did not warrant any change to official cash rates. Non-government bond performance was positive as the risk premiums that investors demand for holding these assets declined.

Currency

Currency market movements were more muted this month and driven by similar themes to risk assets. The Australian dollar rose slightly, and the US dollar was mostly flat over the period, as the US Federal Reserve did not raise interest rates further and reiterated a gradual approach to increasing interest rates.

Disclaimer

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