



Performance Summary June 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

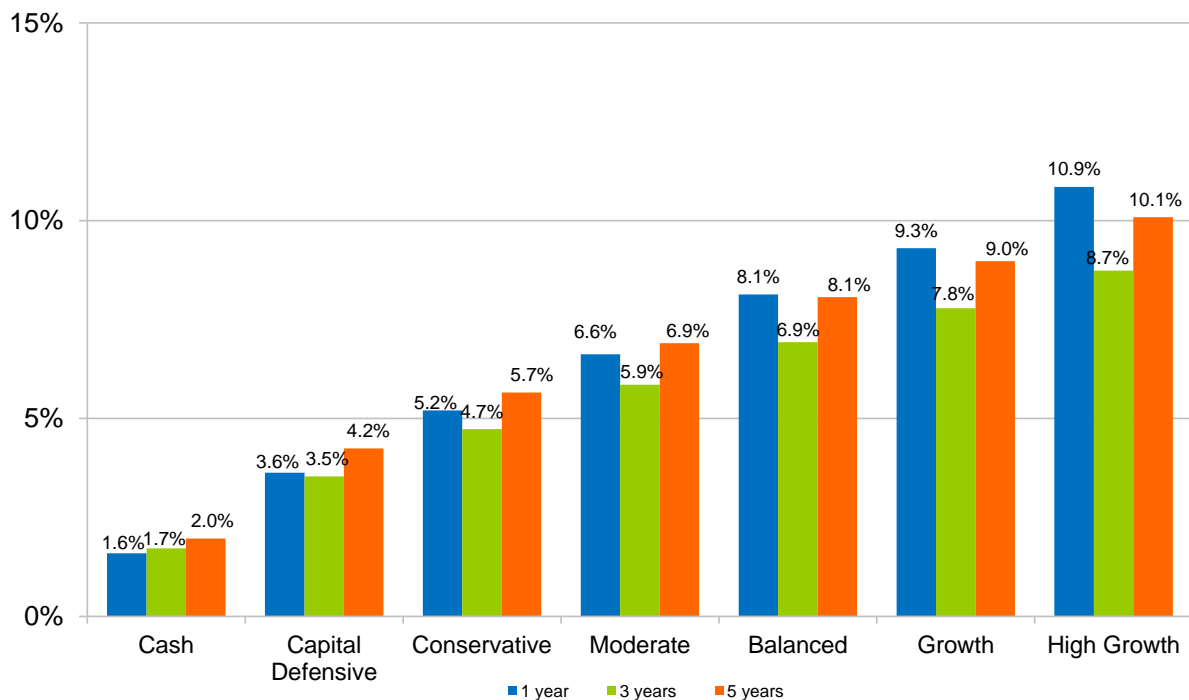
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 June 2018 ¹

	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	1.6	1.6	1.7	2.0	2.4	2.9
Capital Defensive	0.5	1.1	3.6	3.6	3.5	4.2	4.7	4.7
Conservative	0.8	1.7	5.2	5.2	4.7	5.7	6.0	5.3
Moderate	1.0	2.2	6.6	6.6	5.9	6.9	6.9	5.7
Balanced	1.2	2.8	8.1	8.1	6.9	8.1	7.8	5.9
Growth	1.3	3.2	9.3	9.3	7.8	9.0	8.6	6.2
High Growth	1.6	4.0	10.9	10.9	8.7	10.1	9.4	6.6

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 30 June 2018



Key drivers of performance during June 2018 included:

- Global equity and currency markets were volatile as heightened political tensions caused investors to re-evaluate the risk to global growth.
 - Government bonds performed well as investors sought the safety of defensive assets.
 - Australian equities outperformed most of their global counterparts.
- This environment proved to be favourable for portfolios with relatively larger allocations to domestic listed equities and 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
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 30 June 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	1.8	1.8	1.9	2.2	2.7	3.3
Australian Government	0.5	0.8	3.0	3.0	3.3	4.1	5.0	5.7
Australian Inflation-Linked	1.1	1.4	4.2	4.2	3.0	4.9	6.0	5.6
Global Treasuries ⁽¹⁾	0.3	0.3	2.5	2.5	4.0	5.1	5.9	6.8
Global Inflation-Linked ⁽¹⁾	0.4	0.3	3.7	3.7	5.2	5.7	6.1	6.7
Credit								
Global Credit ^{(1),(2)}	-0.2	-0.4	0.9	0.9	4.2	5.3	6.3	7.5
Global High Yield ⁽¹⁾	-0.4	-1.1	1.2	1.2	6.6	7.3	8.6	10.3
Emerging Market Debt ⁽⁴⁾	-1.0	-3.5	-2.4	-2.4	4.3	4.4	4.9	6.5
Property								
Australian Listed Property	2.3	9.8	13.2	13.2	10.0	12.2	13.6	6.1
Equities⁽³⁾								
Australian Equities	3.2	8.4	13.2	13.2	9.1	10.0	9.0	6.3
Global Equities	0.3	3.6	10.9	10.9	8.6	11.1	10.5	7.2
US Equities	0.6	3.4	14.4	14.4	11.9	13.4	13.2	10.2
European Equities	-0.3	4.1	4.3	4.3	5.7	8.7	7.4	5.4
Japanese Equities	-0.7	1.0	9.0	9.0	3.6	10.6	12.7	4.5
Asia (ex Japan) Equities	-3.6	-3.1	10.1	10.1	7.6	9.1	6.4	6.7
Emerging Market Equities	-2.4	-3.4	10.9	10.9	7.9	8.8	6.2	5.6
Global Small Companies	0.0	4.8	14.1	14.1	10.0	12.8	11.6	9.3
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-2.0	-2.1	-4.0	-4.0	-1.3	-3.2	-3.9	-1.7

(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 June 2018 are summarised below.

Equity Markets

Equity market performance was mixed during June. Global political uncertainty weighed on investor sentiment, with emerging market equities underperforming given their link to global trade and political uncertainty. Against this backdrop, global developed equities were able to generate a modest positive return, with domestic equities faring much better.

Increased trade tensions between the United States and the rest of the world sparked this concern with the imminent introduction of the Trump tariffs, and retaliatory tariffs from China, Canada and the European Union. Notwithstanding these concerns, the global economic backdrop remained supportive with ongoing solid economic growth supporting the corporate earnings environment.

Australian equities in aggregate outperformed most of their global counterparts, with most sectors performing well.

Debt Markets

Global government bond markets produced positive returns, with bond yields falling in response to increased trade tensions. Non-government bond performance was mixed, high yield bonds posted a modest positive return, while emerging market debt and highly rated corporates posted negative returns as the premium that investors demand for bearing the additional risk increased.

Currency

The Australian dollar fell due to the decrease in commodity prices, and the US dollar continued to rise over the period, seen as a safe currency.

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