



Performance Summary March 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

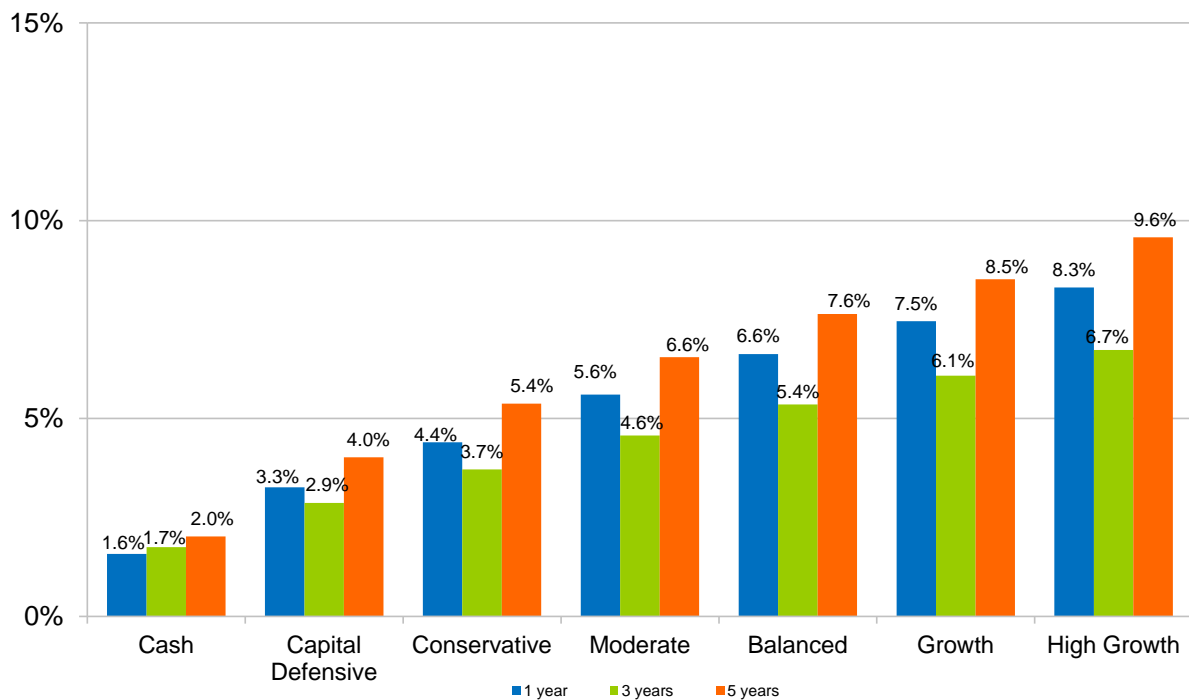
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 March 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	1.2	1.6	1.7	2.0	2.5	3.0
Capital Defensive	0.0	0.3	2.5	3.3	2.9	4.0	4.8	4.6
Conservative	-0.2	0.1	3.4	4.4	3.7	5.4	5.9	5.0
Moderate	-0.2	0.1	4.3	5.6	4.6	6.6	6.6	5.3
Balanced	-0.3	0.0	5.2	6.6	5.4	7.6	7.4	5.3
Growth	-0.5	0.0	5.9	7.5	6.1	8.5	8.0	5.6
High Growth	-0.8	-0.3	6.6	8.3	6.7	9.6	8.7	5.9

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 March 2018



Key drivers of performance during March 2018 included:

- Ongoing trade tensions weighed on market sentiment, causing risk assets such as equities to fall while fixed interest performed strongly.

This environment proved to be favourable for portfolios with relatively larger allocations to unlisted assets and fixed interest.

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	Conservative	Moderate	Balanced	Growth	High Growth
	%	Defensive %	%	%	%	%	%
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 March 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	0.1	0.4	1.3	1.7	2.0	2.3	2.8	3.5
Australian Government	1.2	1.0	2.2	3.3	2.1	3.9	5.2	5.6
Australian Inflation-Linked	1.2	0.9	2.8	3.6	1.1	3.8	6.2	5.5
Global Treasuries ⁽¹⁾	1.1	0.6	2.2	3.1	3.2	4.8	6.3	6.7
Global Inflation-Linked ⁽¹⁾	1.7	0.1	3.4	3.2	4.4	4.3	6.7	6.8
Credit								
Global Credit ^{(1),(2)}	0.3	-1.2	1.3	3.2	3.6	4.9	6.8	7.5
Global High Yield ⁽¹⁾	-0.3	-0.8	2.4	4.8	7.3	7.3	9.2	10.7
Emerging Market Debt ⁽⁴⁾	0.4	-1.8	1.1	3.3	5.5	3.9	6.0	6.8
Property								
Australian Listed Property	0.1	-6.2	3.1	-0.1	5.8	10.8	12.0	3.3
Equities⁽³⁾								
Australian Equities	-3.7	-3.8	4.5	2.9	3.9	7.6	7.1	5.2
Global Equities	-2.3	-2.2	7.0	9.9	7.1	10.7	9.8	6.7
US Equities	-2.5	-0.8	10.6	14.0	10.8	13.3	12.7	9.5
European Equities	-1.9	-4.3	0.2	2.0	2.9	7.7	6.8	4.6
Japanese Equities	-2.1	-4.8	7.9	15.0	5.1	12.6	12.2	5.3
Asia (ex Japan) Equities	-1.8	0.5	13.7	23.6	9.0	9.0	6.7	6.4
Emerging Market Equities	-1.8	0.8	14.8	22.4	9.4	8.6	6.3	5.8
Global Small Companies	-0.1	-1.5	8.8	12.4	8.6	12.0	10.7	8.8
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-1.5	-2.6	-1.9	-2.8	-0.5	-5.2	-3.2	-0.9

(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 March 2018 are summarised below.

Equity Markets

Ongoing trade tensions between the United States and the rest of the world provided a focal point of investor attention, weighing on risk assets such as equities. On March 1, the US announced tariffs on several foreign goods, which led to China and the European Union imposing tariffs on US goods in retaliation. Concerns of an escalation of this 'tit for tat' behaviour permeated through risk assets, with trade exposed countries and sectors bearing the brunt of the falls. This included commodity linked markets such as Australia and various emerging markets.

Debt Markets

Global government bond markets produced positive returns, with bond yields falling in response to heightened uncertainty emanating from global trade tensions. Non-government bonds and emerging market debt underperformed government bonds as the excess returns that investors demand for bearing the additional risk expanded meaningfully.

Currency

Currency markets responded to similar themes to risk assets over the month. Global trade tensions saw the Australian dollar fall, while the US dollar was mixed and ended the month largely unchanged.

Disclaimer

The information within this report has been prepared in good faith by Funds SA. However, Funds SA does not warrant the accuracy of the information and to the extent permitted by law, disclaims responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it whether that loss or damage is caused by any fault or negligence of Funds SA or otherwise. The information is not intended to constitute advice and persons should seek professional advice before relying on the information.