



Performance Summary March 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.

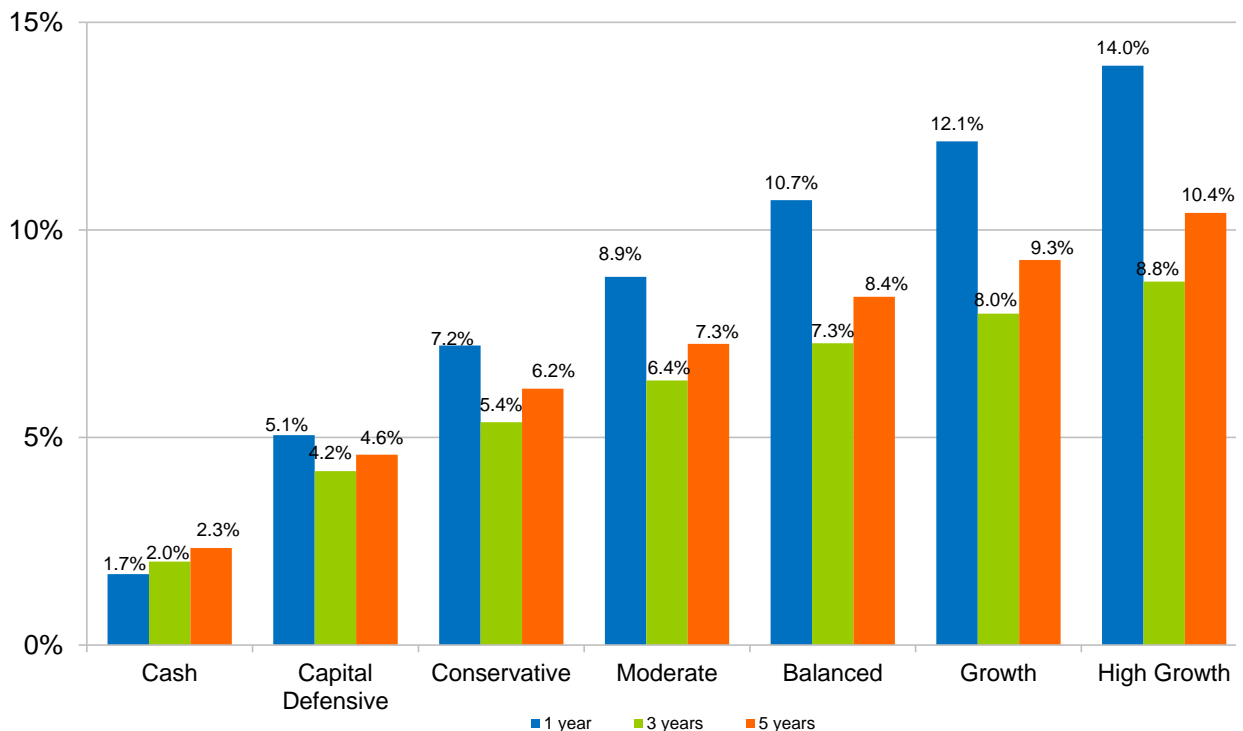
Table 1: Multi-sector fund returns net of fees and tax to 31 March 2017^{1, 2}

	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	1.3	1.7	2.0	2.3	2.9	3.4
Capital Defensive	0.7	1.5	3.4	5.1	4.2	4.6	5.3	4.4
Conservative	1.0	2.0	5.2	7.2	5.4	6.2	6.2	4.5
Moderate	1.2	2.3	6.5	8.9	6.4	7.3	6.7	4.4
Balanced	1.5	2.7	8.0	10.7	7.3	8.4	7.3	4.2
Growth	1.6	3.0	9.2	12.1	8.0	9.3	7.8	4.3
High Growth	1.9	3.3	10.8	14.0	8.8	10.4	8.4	4.3

1. Returns are based on the post tax unit pricing model detailed in the SLA.

2. 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 2017



Key drivers of performance during March 2017 included:

- Economic data releases in most major regions surprising on the upside.
- Political uncertainty remained elevated over the reform agenda in the US and upcoming European elections.
- An expected interest rate increase in US by the central bank was accompanied by a statement that reaffirmed their gradual approach.
- Concerns over Australian house prices and potential policy responses.

This environment proved favourable for portfolios with larger exposures to risk assets, including Australian and 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

	Actual %	Strategic %	Variance %	Rebalancing Range %
Cash	4.0	2.0	2.0	0 to +20%
Short Term Fixed Interest	1.7	3.0	-1.3	0 to +5%
Long Term Fixed Interest	7.1	8.0	-0.9	± 5%
Inflation Linked Securities B	8.0	9.0	-1.0	± 5%
Diversified Strategies Income	16.4	16.0	0.4	± 5%
Property B	11.7	12.0	-0.3	± 5%
Australian Equities B	24.1	23.0	1.1	± 5%
International Equities B	19.9	19.0	0.9	± 5%
Diversified Strategies Growth B	7.0	8.0	-1.0	± 5%
Total	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 2017

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
Cash and fixed income						
Australian Cash	0.2	0.4	1.4	1.9	2.3	2.6
Australian Government	0.5	1.2	-1.9	1.4	5.0	4.5
Australian Inflation-Linked	0.7	1.2	-0.4	0.8	5.5	4.8
Global Treasuries ⁽¹⁾	0.0	0.3	-1.9	1.2	5.8	5.9
Global Inflation-Linked ⁽¹⁾	0.0	0.9	3.1	7.6	7.3	5.6
Credit						
Global Credit ^{(1),(2)}	0.0	1.4	1.3	4.6	5.8	6.5
Global High Yield ⁽¹⁾	0.0	3.2	10.2	16.2	7.3	9.7
Emerging Market Debt ⁽⁴⁾	0.3	3.9	3.2	8.8	5.7	5.2
Property						
Australian Listed Property	0.7	-0.1	-2.7	6.3	16.8	16.9
Equities⁽³⁾						
Australian Equities	3.3	4.7	15.6	20.2	7.5	10.8
Global Equities	1.0	5.4	15.7	17.2	8.4	11.6
US Equities	0.1	6.1	14.4	17.2	10.4	13.3
European Equities	3.5	6.0	18.1	19.6	7.0	10.3
Japanese Equities	-0.7	0.3	23.5	14.3	9.9	14.3
Asia (ex Japan) Equities	2.6	10.2	15.6	16.7	6.1	6.0
Emerging Market Equities	2.0	7.8	14.5	15.5	6.0	5.5
Global Small Companies	0.8	4.4	17.8	19.7	8.3	13.0
Currency⁽⁵⁾						
Australian Dollar vs Developed Market Basket	-0.5	5.1	4.7	1.8	-3.7	-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.

Equity Markets

Global equity markets posted modest returns whilst Australian equities performed strongly. Economic data was broadly encouraging, maintaining its recent positive momentum, however this was partially offset by heightened political uncertainty.

Economic conditions remained broadly encouraging. In the USA, the labour market remained strong, and consumer confidence improved further. Amidst this backdrop, the US Federal Reserve raised interest rates in a move that was anticipated by the market, but released a statement that was perceived to be supportive of a more gradual approach to increasing interest rates. In Europe, business conditions improved, while Japanese economic growth numbers were revised upwards. Domestically, economic growth accelerated in the December quarter, while the unemployment rate unexpectedly rose. Against this backdrop, banking regulators stepped up their rhetoric on the housing market, releasing new policies aimed at slowing the riskier forms of home lending.

Heightened political uncertainty weighed on global equity markets. Investor enthusiasm towards Donald Trump waned over the month as his proposed health care changes failed to pass congress, and in doing so cast doubt over his ability to implement other parts of his reform agenda.

In Europe attention remained focussed on the upcoming presidential election in France, while in the United Kingdom, Prime Minister Theresa May triggered the articles necessary for the UK to leave the European Union.

Debt Markets

Global government bond markets were largely unchanged over the month whilst Australian debt markets performed well. Global interest rates pushed higher earlier in the month, but reversed their course after the US Federal Reserve increase interest rates, while Australian government bond yields fell off the back of falls in investor expectations of future inflation. Non-government debt markets (corporate and emerging market bonds) were mixed.

Currency

Currency markets were largely unchanged over the month. The US dollar was softer following the release of the statement accompanying the US Federal Reserve's interest rate increase, while the Euro and British Pound were flat amidst political uncertainty.

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