



Performance Summary May 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.

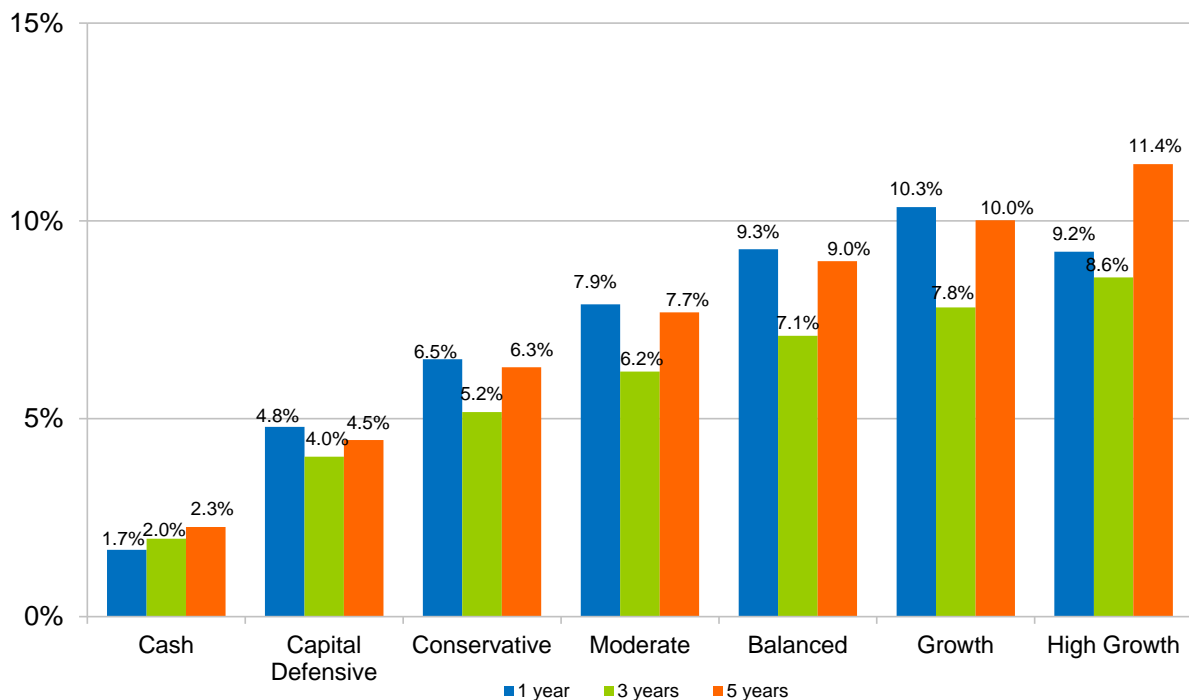
Table 1: Multi-sector fund returns net of fees and tax to 31 May 2017^{1,2}

	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	1.5	1.7	2.0	2.3	2.8	3.3
Capital Defensive	0.3	1.6	4.4	4.8	4.0	4.5	5.3	4.4
Conservative	0.3	2.1	6.4	6.5	5.2	6.3	6.4	4.4
Moderate	0.3	2.6	7.9	7.9	6.2	7.7	7.1	4.3
Balanced	0.3	3.0	9.6	9.3	7.1	9.0	7.9	4.0
Growth	0.2	3.2	10.9	10.3	7.8	10.0	8.5	4.0
High Growth	0.1	3.5	12.5	9.2	8.6	11.4	9.2	4.0

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 May 2017



Key drivers of performance during May 2017 included:

- Political uncertainty remained elevated despite a positive result in the French election.
- A credit rating downgrade and a proposed bank tax weighed down Australian financials.
- Falling commodity prices weighed on commodity linked corporate sectors.

This environment proved favourable for portfolios with larger exposures to global listed equities and government bonds, while domestic equities underperformed.

Asset Allocation

The targeted asset allocation of the multi-sector funds is shown in the table below.

Table 2: Targeted asset allocation for the 2016-2017 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 May 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	1.7	1.8	2.2	2.6
Australian Government	1.3	2.7	0.3	2.1	4.9	3.7
Australian Inflation-Linked	1.1	3.1	1.9	2.7	4.8	3.9
Global Treasuries ⁽¹⁾	0.5	1.2	-0.7	1.6	5.6	5.5
Global Inflation-Linked ⁽¹⁾	-0.3	1.1	4.2	8.5	6.5	5.2
Credit						
Global Credit ^{(1),(2)}	0.9	1.9	3.2	5.2	5.5	6.4
Global High Yield ⁽¹⁾	0.9	2.4	12.8	14.2	7.3	10.4
Emerging Market Debt ⁽⁴⁾	0.8	2.8	5.8	9.7	4.9	6.0
Property						
Australian Listed Property	-1.0	2.2	-1.2	2.3	15.2	16.3
Equities⁽³⁾						
Australian Equities	-2.7	1.4	13.6	10.8	6.0	11.7
Global Equities	1.5	3.6	18.8	17.2	8.3	14.1
US Equities	1.4	2.6	17.2	17.5	10.1	15.4
European Equities	2.6	7.8	23.0	20.5	7.1	13.2
Japanese Equities	2.3	2.9	27.9	15.5	11.2	19.1
Asia (ex Japan) Equities	4.0	9.1	22.9	24.8	7.1	9.0
Emerging Market Equities	2.5	6.9	20.1	22.2	6.7	8.1
Global Small Companies	0.4	2.7	20.1	17.4	9.1	15.4
Currency⁽⁵⁾						
Australian Dollar vs Developed Market Basket	-1.2	-4.3	0.8	3.6	-5.1	-4.0

(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 May 2017 are summarised below.

Equity Markets

Global listed equity markets posted positive returns in May, outperforming Australian listed equities which posted negative returns amidst a confluence of headwinds.

Political uncertainty remained elevated over the month. President Trump's dismissal of the head of the Federal Bureau of Investigation, coupled with a lingering Senate investigation into Russian involvement in the US election contributed to investor cautiousness, while in Europe, the political situation was more mixed. The beginning of the month saw a wave of optimism, with the reformist candidate, Emmanuel Macron, comfortably winning the run-off French presidential election. In contrast, the UK political situation looked more uncertain as the Conservative Party's lead in the polls narrowed materially.

Australian equities posted negative returns. Banking stocks led the falls, with a proposed bank levy, coupled with a credit rating downgrade heightening already cautious sentiment. Falling

commodity prices also weighed on the Australian market, as iron ore slumped amidst a build-up of steel inventories in Chinese ports.

Debt Markets

Government bond markets produced positive returns as heightened uncertainty suppressed bond yields. Inflation linked bond markets were an exception to this, posting modest negative returns as expectations of future inflation fell. Corporate bonds performed in line with other risk assets as the premium that investors demand for bearing this risk contracted modestly. Emerging market debt was an exception to this, with the risk premium remaining largely unchanged.

Currency

Currency movements were driven by many of the same themes as risk assets. The Euro appreciated as the result of the French election became known, while the British Pound depreciated as expectations about the result of the upcoming election became less certain. The Australian dollar fell modestly despite a fall in commodity prices.

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