



Performance Summary May 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

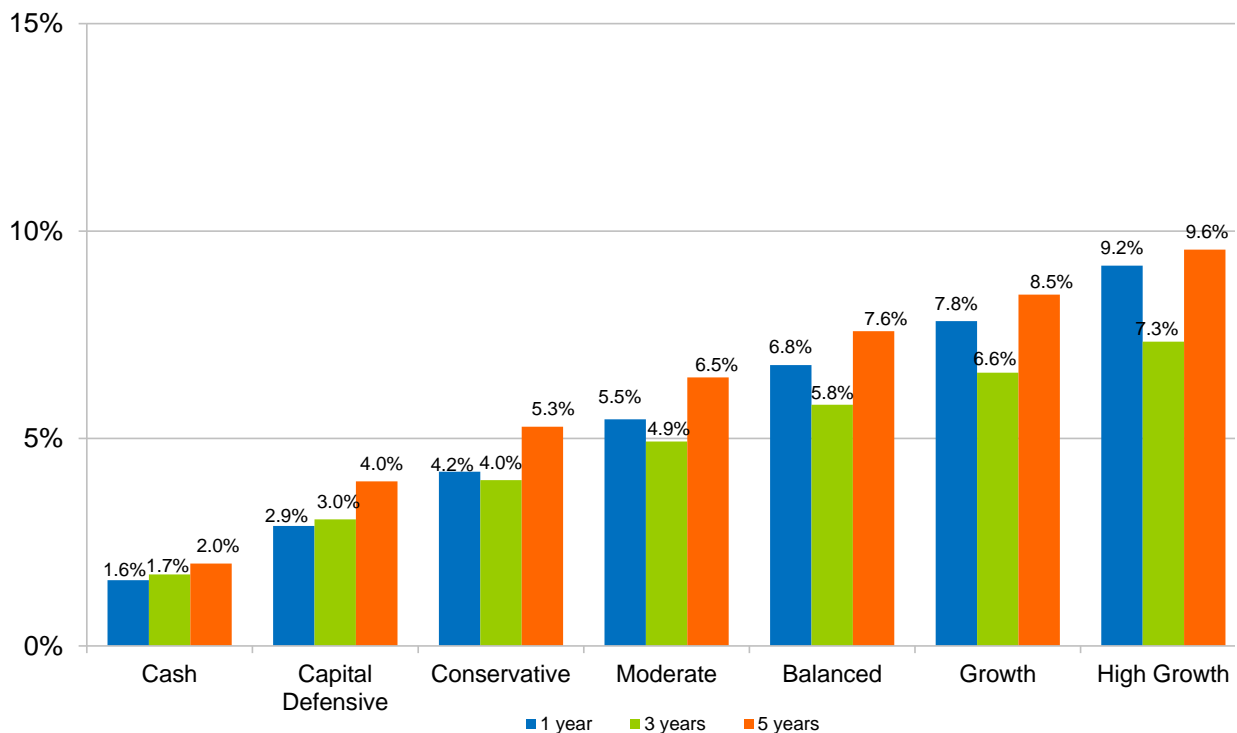
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 May 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	1.5	1.6	1.7	2.0	2.4	3.0
Capital Defensive	0.2	0.6	3.1	2.9	3.0	4.0	4.7	4.6
Conservative	0.3	0.7	4.4	4.2	4.0	5.3	5.9	5.0
Moderate	0.4	1.0	5.6	5.5	4.9	6.5	6.7	5.2
Balanced	0.4	1.2	6.9	6.8	5.8	7.6	7.6	5.2
Growth	0.5	1.4	7.9	7.8	6.6	8.5	8.3	5.4
High Growth	0.6	1.6	9.1	9.2	7.3	9.6	9.1	5.7

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 May 2018



Key drivers of performance during May 2018 included:

- Trade and political tensions rose, causing low risk assets such as government bonds to perform well while high yield bonds and emerging market debt produced negative returns.
- The favourable global economic backdrop bolstered corporate conditions.
- Commodity prices rose, causing Australian equities to post positive returns.

This environment proved to be favourable for portfolios with relatively larger allocations to government bonds and listed property.

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 31 May 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	1.6	1.8	2.0	2.2	2.8	3.4
Australian Government	0.8	1.4	2.5	1.3	2.7	3.8	5.0	5.7
Australian Inflation-Linked	0.8	1.5	3.1	1.5	2.1	3.9	5.8	5.5
Global Treasuries ⁽¹⁾	0.3	1.1	2.1	1.8	3.5	4.8	5.9	6.8
Global Inflation-Linked ⁽¹⁾	0.6	1.6	3.3	1.9	4.6	4.8	6.2	6.9
Credit								
Global Credit ^{(1),(2)}	0.3	0.2	1.1	1.2	3.7	4.8	6.3	7.5
Global High Yield ⁽¹⁾	-0.8	-1.0	1.7	1.7	6.3	6.8	8.6	10.1
Emerging Market Debt ⁽⁴⁾	-1.1	-2.2	-1.5	-1.7	4.1	3.6	5.2	6.4
Property								
Australian Listed Property	3.0	7.5	10.7	5.7	7.7	11.5	13.1	4.6
Equities⁽³⁾								
Australian Equities	1.2	1.1	9.7	10.0	6.1	8.8	8.2	5.1
Global Equities	1.3	0.9	10.5	10.5	7.4	10.5	10.2	6.3
US Equities	2.4	0.2	13.7	14.4	11.0	13.0	12.9	9.1
European Equities	-0.5	2.4	4.6	2.2	4.0	7.7	7.2	4.4
Japanese Equities	-1.8	-0.4	9.8	13.0	2.9	10.8	13.0	3.9
Asia (ex Japan) Equities	-0.8	-1.3	14.3	16.8	7.7	8.8	6.5	5.8
Emerging Market Equities	-2.2	-2.9	13.6	15.5	7.9	8.2	6.3	4.7
Global Small Companies	3.2	4.7	14.1	15.6	9.4	12.3	11.3	8.4
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	0.9	-1.7	-2.1	0.8	-0.6	-3.8	-3.5	-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 May 2018 are summarised below.

Equity Markets

Major equity markets posted mixed returns during May, largely due to heightened political risk. The US administration's approach to global trade, North Korea and Iran remain uncertain, while Italy's new populist government added to market concerns. Domestic equities fared better, posting a positive return largely off the back of rising commodity prices.

Despite the increased political risk, the global economic backdrop is still relatively supportive. The ongoing strength of global growth was evident in corporate earnings reports. There is still little sign of inflation, and so any interest rate increases look to remain gradual.

Debt Markets

Global government bond markets produced positive returns, with bond yields falling in response to heightened political risk in Italy. Non-government bond performance was mixed. Highly rated corporates posted a modest positive return, while emerging market debt and high yield bonds

posting negative returns as the premium that investors demand for bearing the additional risk increased.

Currency

Currency markets responded to similar themes to risk assets over the month. The Australian dollar rose due to the increase in commodity prices, and the US dollar continued to rise over the period, seen as a safe currency.

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