



Performance Summary November 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

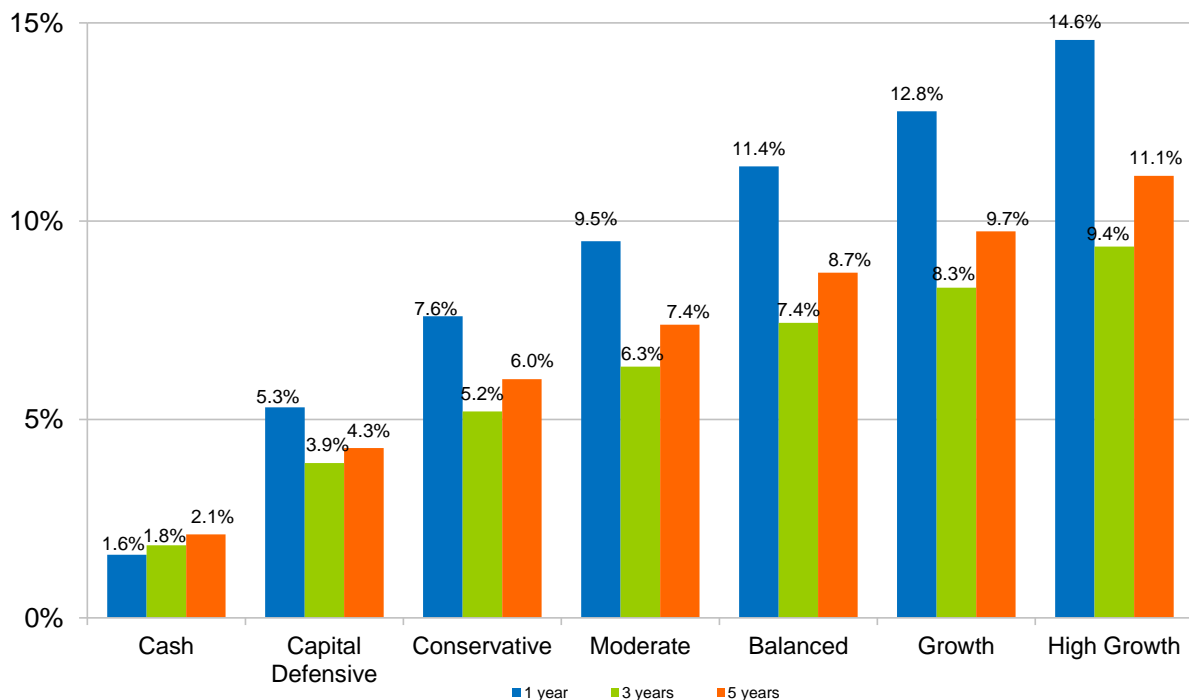
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 November 2017¹

	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	0.6	1.6	1.8	2.1	2.6	3.1
Capital Defensive	0.5	1.7	2.2	5.3	3.9	4.3	5.1	4.4
Conservative	0.8	2.6	3.1	7.6	5.2	6.0	6.3	4.5
Moderate	1.0	3.2	3.9	9.5	6.3	7.4	7.0	4.5
Balanced	1.2	4.0	4.7	11.4	7.4	8.7	7.9	4.3
Growth	1.4	4.5	5.4	12.8	8.3	9.7	8.6	4.3
High Growth	1.5	5.3	6.2	14.6	9.4	11.1	9.4	4.4

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 November 2017



Key drivers of performance during November 2017 included:

- The global economy showed further signs of improvement, buoying market sentiment.
- Central bank policy remained broadly supportive with key central banks reiterating a cautious approach to monetary policy normalisation.

This environment proved to be favourable for portfolios with relatively larger amounts of listed equities, both domestic and global.

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 November 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	0.7	1.8	2.1	2.4
Australian Government	1.1	1.9	1.9	4.1	3.6	3.8
Australian Inflation-Linked	2.0	2.4	2.6	4.9	3.2	3.8
Global Treasuries ⁽¹⁾	0.3	0.2	1.4	3.0	4.2	5.0
Global Inflation-Linked ⁽¹⁾	0.6	-0.1	2.1	4.4	5.1	4.6
Credit						
Global Credit ^{(1),(2)}	0.0	0.4	2.0	6.2	4.9	5.4
Global High Yield ⁽¹⁾	-0.3	1.1	2.8	10.7	8.1	8.4
Emerging Market Debt ⁽⁴⁾	-0.3	-0.1	2.3	10.2	5.6	3.8
Property						
Australian Listed Property	5.3	8.3	9.7	13.5	12.9	14.0
Equities⁽³⁾						
Australian Equities	1.7	5.8	6.6	14.7	8.8	10.5
Global Equities	1.6	6.6	8.3	20.4	9.0	13.5
US Equities	3.1	7.6	10.2	20.2	10.9	15.7
European Equities	-1.7	3.0	3.8	18.5	7.3	10.2
Japanese Equities	1.5	11.8	11.8	23.5	10.0	20.2
Asia (ex Japan) Equities	-0.2	4.3	10.8	30.9	9.4	9.3
Emerging Market Equities	-0.8	3.5	11.0	27.9	9.1	8.7
Global Small Companies	1.9	8.0	9.2	21.0	11.7	15.5
Currency⁽⁵⁾						
Australian Dollar vs Developed Market Basket	-1.9	-4.6	-2.3	-0.4	-3.2	-4.9

(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 November 2017 are summarised below.

Equity Markets

Equity markets (both global and domestic) rose in November. In a month with little negative news, markets dwelled on the positives, including the policy actions of central banks and the robust global economic backdrop.

Central bank policy remained broadly supportive. In a move that was anticipated by markets, the Banks of England increased interest rates. Despite the contractionary nature of this move, investors drew comfort from the accompanying statement which indicated that they would take a gradual approach to further rate increases. As expected, the US Federal Reserve left interest rates unchanged, however released a statement which indicated that they might be prepared to increase interest rates in December.

A strong global economic backdrop bolstered sentiment, and provided further support for risk assets. European economic releases were strong, particularly in manufacturing. Asian data was

mixed, with China showing signs of improvement, while Japan remained sluggish. Although US data was mixed, investors drew comfort from an increased likelihood that Donald Trump's tax package may be passed. Against this backdrop, US equities reached another record high.

Debt Markets

Government bond markets produced positive returns. The broadly supportive central bank policy environment bolstered the returns offered by government bonds. Corporate bonds posted negative returns as the risk premium that investors demand for bearing the additional risk expanded.

Currency

Currency markets were driven by similar themes to risk assets. The US Dollar fell, reversing some of its recent strength, while the Euro and British Pound rose as the likelihood of a Brexit deal increased.

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