



Performance Summary October 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

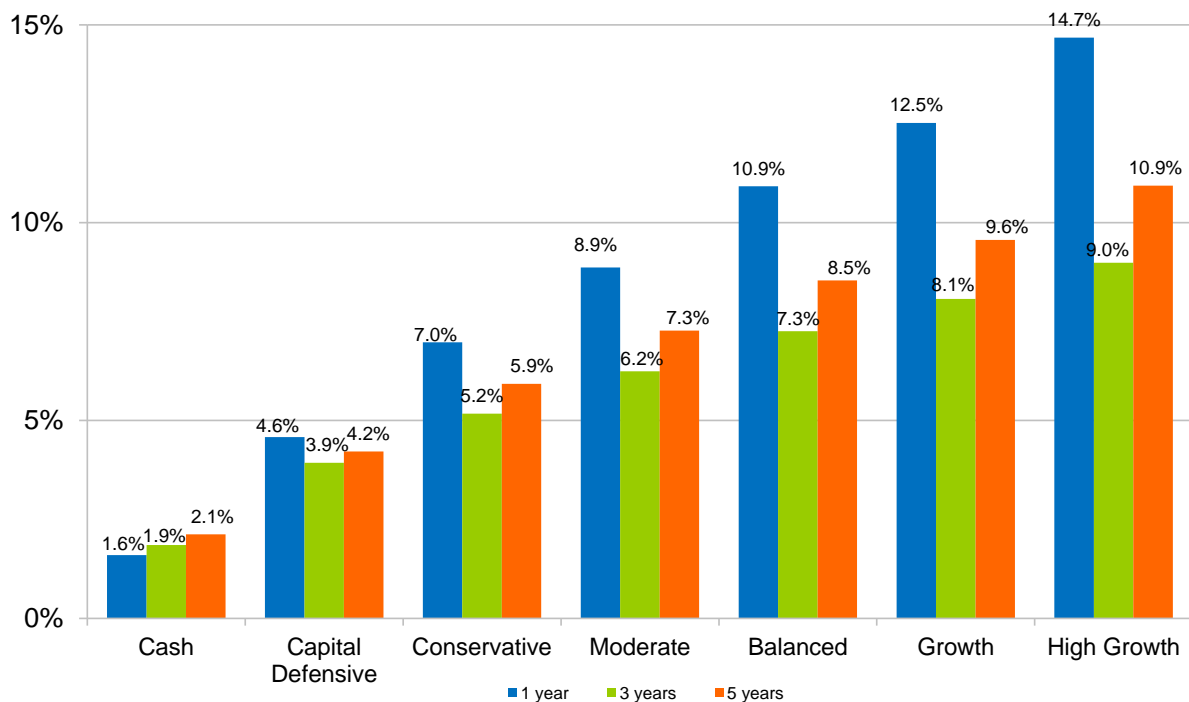
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 October 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	0.5	1.6	1.9	2.1	2.7	3.2
Capital Defensive	0.8	1.4	1.6	4.6	3.9	4.2	5.0	4.3
Conservative	1.2	2.1	2.3	7.0	5.2	5.9	6.1	4.3
Moderate	1.5	2.7	2.9	8.9	6.2	7.3	6.8	4.2
Balanced	1.8	3.3	3.5	10.9	7.3	8.5	7.7	4.0
Growth	2.0	3.8	4.0	12.5	8.1	9.6	8.4	4.0
High Growth	2.4	4.5	4.6	14.7	9.0	10.9	9.1	4.0

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 October 2017



Key drivers of performance during October 2017 included:

- The global economy showed further signs of improvement, buoying market sentiment.
- US company reporting season started strongly, with a broad based rise in corporate profitability.

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 31 October 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	0.6	1.8	2.1	2.4
Australian Government	1.2	0.7	0.8	1.0	3.8	3.6
Australian Inflation-Linked	1.3	0.7	0.5	0.6	3.4	3.3
Global Treasuries ⁽¹⁾	0.4	0.9	1.1	1.1	4.6	5.1
Global Inflation-Linked ⁽¹⁾	0.9	1.5	1.5	0.9	5.6	4.8
Credit						
Global Credit ^{(1),(2)}	0.6	1.3	2.0	4.0	5.2	5.5
Global High Yield ⁽¹⁾	0.7	2.1	3.1	9.9	8.0	8.8
Emerging Market Debt ⁽⁴⁾	0.2	1.9	2.6	5.9	5.5	4.2
Property						
Australian Listed Property	2.2	4.4	4.2	8.6	10.9	12.5
Equities⁽³⁾						
Australian Equities	4.0	4.8	4.8	15.9	7.0	10.2
Global Equities	2.5	5.1	6.6	21.7	9.4	13.4
US Equities	2.3	4.8	6.9	23.6	10.8	15.2
European Equities	2.1	5.0	5.6	19.8	9.2	11.1
Japanese Equities	5.6	9.8	10.1	28.5	11.6	21.1
Asia (ex Japan) Equities	4.2	6.1	11.0	29.0	10.1	9.9
Emerging Market Equities	3.9	6.6	11.9	26.2	9.8	9.2
Global Small Companies	2.0	5.9	7.2	24.9	11.6	15.4
Currency⁽⁵⁾						
Australian Dollar vs Developed Market Basket	-1.7	-3.4	-0.4	-0.2	-3.4	-4.4

(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 October 2017 are summarised below.

Equity Markets

Equity markets globally posted strong returns in October. A risk-on tone featured heavily in markets, with investors drawing comfort from signs of a pickup in economic growth and a strong start to US company reporting season.

Sings of a pickup in global economic growth bolstered investor sentiment. US economic growth data showed that the economy expanded faster than anticipated, while economic conditions in Europe remained broadly supportive, with elevated consumer and business sentiment pointing towards a very strong economic growth figure. Domestic data was mixed, with the labour market showing further strength, while retail sales grew, albeit at a lower rate than expected. Against this backdrop central bank policy makers continued on the slow path to policy normalisation, with the European Central Bank announcing plans to unwind some of their unconventional monetary policy measures.

US company reporting season started strongly. The majority of companies that reported showed profit growth ahead of market expectations. Financials stocks were particularly strong, with banks showing revenue growth and an improvement in profit margins. Industrial and tech names also fared well amidst the improved economic growth environment.

Debt Markets

Government bond markets produced modest positive returns. Bond yields were largely unchanged, despite the robust economic growth environment and central bank willingness to unwind unconventional monetary policy measures. Corporate bonds outperformed government bonds as the risk premium that investors demand for bearing the additional risk contracted meaningfully.

Currency

Currency market volatility fell over the month. The US Dollar continued its strong run amidst expectations of further monetary policy normalisation, while the Euro and British Pound were mixed. The Australian dollar weakened as iron ore prices fell.

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