



# Performance Summary November 2016

## 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.

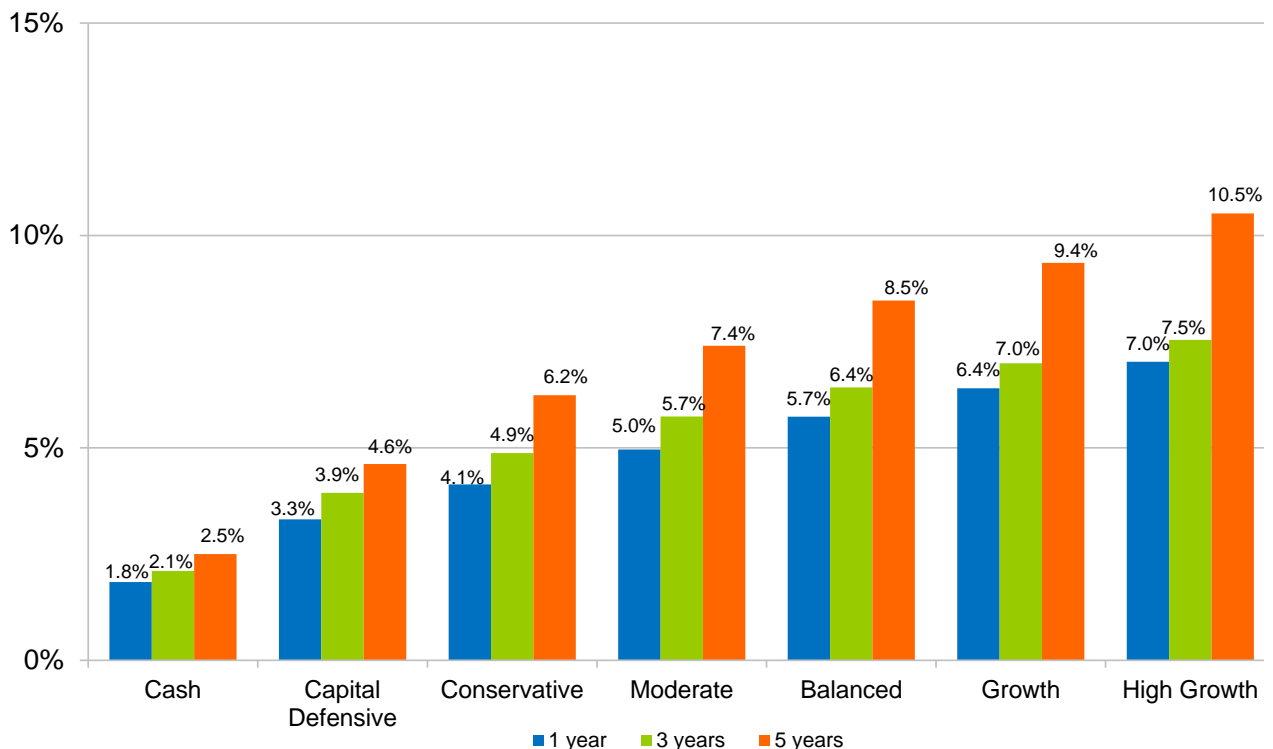
**Table 1: Multi-sector fund returns net of fees and tax to 30 November 2016<sup>1,2</sup>**

	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	0.7	1.8	2.1	2.5	3.0	3.5
Capital Defensive	-0.1	-0.3	1.0	3.3	3.9	4.6	5.3	4.4
Conservative	0.2	0.0	1.8	4.1	4.9	6.2	6.2	4.5
Moderate	0.4	0.1	2.3	5.0	5.7	7.4	6.6	4.5
Balanced	0.8	0.4	2.9	5.7	6.4	8.5	7.2	4.3
Growth	1.1	0.7	3.6	6.4	7.0	9.4	7.7	4.4
High Growth	1.6	1.1	4.3	7.0	7.5	10.5	8.2	4.4

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 30 November 2016**



Key drivers of performance during November 2016 included:

- The unexpected result of the US presidential election that caused relatively large moves in most markets as investors considered the implications for economic growth and inflation.
- An agreement by major oil producers to cut production saw crude oil prices rise.

This environment proved favourable for portfolios with larger exposures to 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 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 30 November 2016**

	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.
<b>Cash and fixed income</b>						
Australian Cash	0.1	0.4	0.8	2.1	2.4	2.8
Australian Government	-1.9	-4.0	-2.9	3.1	5.2	4.4
Australian Inflation-Linked	-2.2	-3.8	-1.9	1.0	6.2	5.1
Global Treasuries <sup>(1)</sup>	-1.5	-2.6	-2.4	4.9	6.3	6.5
Global Inflation-Linked <sup>(1)</sup>	-2.7	-3.1	0.6	8.2	7.0	6.1
<b>Credit</b>						
Global Credit <sup>(1),(2)</sup>	-2.0	-2.9	-0.8	5.6	6.0	7.3
Global High Yield <sup>(1)</sup>	-1.1	0.0	4.7	12.1	7.0	10.9
Emerging Market Debt <sup>(4)</sup>	-4.2	-5.2	-2.0	7.0	5.3	5.4
<b>Property</b>						
Australian Listed Property	0.7	-11.0	-8.8	10.3	14.9	16.4
<b>Equities<sup>(3)</sup></b>						
Australian Equities	2.8	1.1	5.8	10.1	5.4	10.4
Global Equities	2.6	2.1	6.8	3.8	6.7	12.3
US Equities	6.0	4.1	8.1	10.4	9.9	14.9
European Equities	-0.6	0.1	5.3	-2.5	4.0	9.6
Japanese Equities	5.6	11.0	19.1	-5.3	7.2	17.4
Asia (ex Japan) Equities	-1.6	-1.0	6.4	7.4	2.7	6.8
Emerging Market Equities	-2.2	-1.1	6.0	8.8	2.8	6.0
Global Small Companies	5.1	3.7	9.8	6.9	7.7	14.1
<b>Currency<sup>(5)</sup></b>						
Australian Dollar vs Developed Market Basket	-1.7	0.4	1.7	2.9	-4.1	-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 November 2016 are summarised below.

## Equity Markets

Australian and global equities rose in November as the surprise result of the US presidential election caused large price moves across investment markets. After a sharp sell off immediately following the election result, markets diverged as investors pondered the potential for 'winners' and 'losers' from a Trump administration and related policy changes.

The prospect of increasingly protectionist trade policies saw emerging market equities fall as those markets have been a major beneficiary of trade liberalisation. In contrast, tax cuts and prospect of infrastructure and stimulus spending saw domestically orientated US companies perform strongly. Banking stocks also performed strongly on the expectation that financial system regulations may be softened or wound back.

Investor expectations of global growth and inflation rose over the month, bolstering commodity linked corporate sectors. The improved growth outlook coupled with the prospect of infrastructure

spending in the US saw base metals continue their strong performance, while crude oil rose as the major oil producing nations reached an agreement to cut production levels.

## Debt Markets

Global government bond markets produced negative returns as interest rates rose globally. The surprise outcome of the US election and the subsequent rise in growth and inflation expectations resulted in a material increase in interest rates, albeit off of a relatively low level. Corporate bonds and emerging market bonds performed similarly over the month posting negative returns.

## Currency

Currency markets experienced heightened volatility as a result of the unexpected outcome of the US presidential election. An improvement in the growth and inflation outlook in the United States saw the US dollar rise, while concerns around the impact of changes in trade policy saw the emerging market currencies fall. The Australian dollar also fell amidst concerns of an economic slowdown in key East Asian markets.

## Disclaimer

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