



Performance Summary November 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

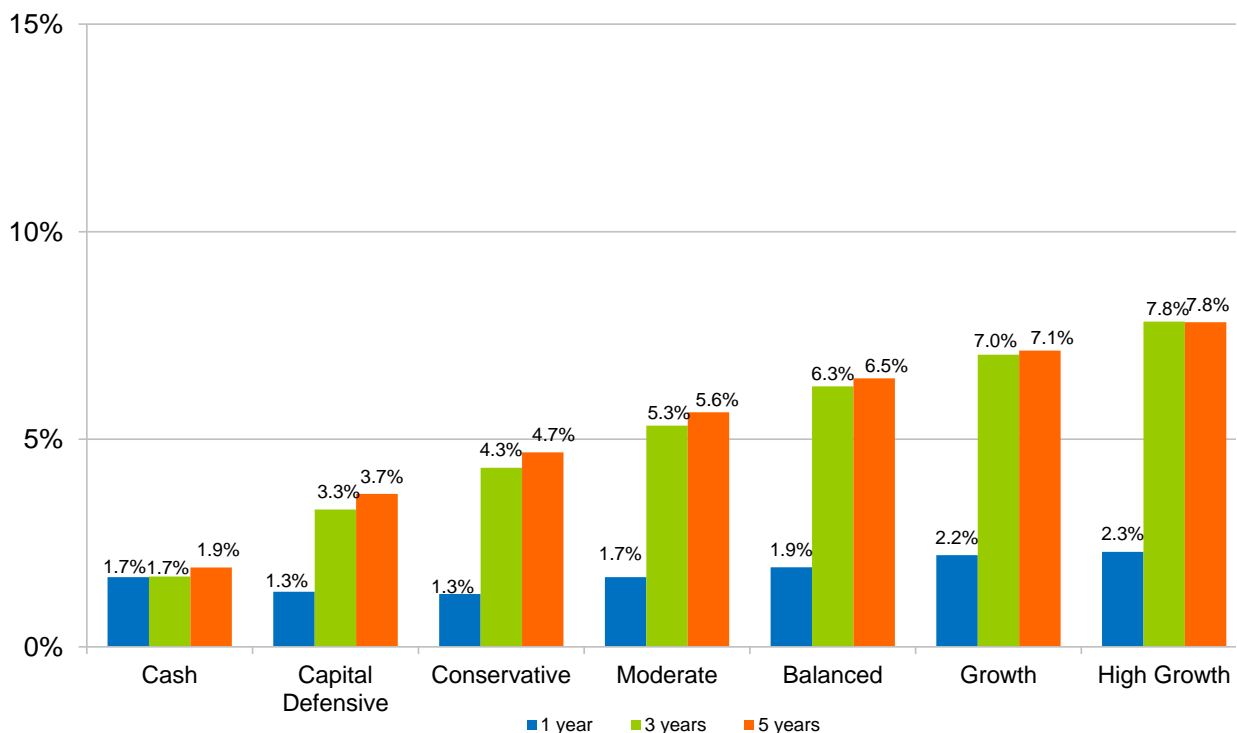
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 30 November 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	0.7	1.7	1.7	1.9	2.2	2.7
Capital Defensive	-0.2	-0.8	-0.1	1.3	3.3	3.7	4.2	5.3
Conservative	-0.4	-1.7	-0.7	1.3	4.3	4.7	5.7	6.4
Moderate	-0.4	-2.2	-0.9	1.7	5.3	5.6	6.9	7.1
Balanced	-0.5	-2.9	-1.3	1.9	6.3	6.5	7.9	7.7
Growth	-0.6	-3.4	-1.5	2.2	7.0	7.1	8.8	8.3
High Growth	-0.7	-4.3	-2.0	2.3	7.8	7.8	9.9	8.9

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 2018



Key drivers of performance during November 2018 included:

- Global equities outperformed government bonds.
 - Australian equities underperformed most of their global counterparts.
 - Government bonds outperformed non-government bonds.
- This environment proved to be favourable for portfolios with relatively larger allocations to listed global 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 2018-2019 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 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	0.8	1.9	1.9	2.2	2.5	3.1
Australian Government	0.3	0.2	1.3	2.4	3.2	4.4	4.0	4.6
Australian Inflation-Linked	-0.2	-0.1	0.2	1.7	2.5	5.0	4.6	5.7
Global Treasuries ⁽¹⁾	0.6	0.3	0.3	1.3	3.0	4.6	5.2	6.0
Global Inflation-Linked ⁽¹⁾	-0.7	-1.4	-1.5	0.0	4.1	5.1	5.0	7.5
Credit								
Global Credit ^{(1),(2)}	-0.1	-1.2	-0.2	-1.3	3.4	4.6	5.9	8.0
Global High Yield ⁽¹⁾	-0.9	-0.9	-0.2	-1.7	6.8	5.9	9.0	14.7
Emerging Market Debt ⁽⁴⁾	-0.4	-0.9	-0.8	-5.4	3.7	4.0	4.4	8.4
Property								
Australian Listed Property	-0.3	-4.9	-1.5	1.6	8.4	11.9	13.7	9.3
Equities⁽³⁾								
Australian Equities	-2.2	-9.3	-6.8	-1.0	7.7	5.8	9.3	8.9
Global Equities	1.2	-5.0	-0.7	1.6	8.3	8.2	11.8	11.1
US Equities	2.0	-4.4	2.4	6.3	12.2	11.1	14.4	14.3
European Equities	-0.9	-5.9	-5.1	-4.6	3.3	4.9	8.6	8.2
Japanese Equities	1.1	-3.0	-2.4	-4.8	3.6	7.7	14.7	9.1
Asia (ex Japan) Equities	4.0	-7.5	-7.2	-7.7	9.0	5.5	7.7	11.1
Emerging Market Equities	3.0	-6.1	-4.9	-5.0	9.7	5.7	7.2	10.7
Global Small Companies	0.9	-10.0	-6.3	-2.1	8.2	8.2	12.6	13.7
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	3.3	2.4	-0.4	-2.1	0.1	-3.0	-3.5	1.3

(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 2018 are summarised below.

Equity Markets

Equity market performance was mostly positive in November. The Reserve Bank of Australia again left interest rates on hold, while the US Federal Reserve kept interest rates on hold after the increase in September. Domestic equities generated a negative return, underperforming most of their global counterparts.

Political tensions around the globe de-escalated during November. There was no further tariff increases following a meeting between the US and China, while in Europe, a withdrawal proposal was agreed upon between the United Kingdom and European Union.

Australian equities underperformed most of their global counterparts posting negative returns, as commodity prices decreased and concerns mounted over the slowdown in the housing sector

Debt Markets

Global government bond markets were positive over the month, with the economic environment showing signs of slowing. Non-government bonds underperformed, as the excess returns that investors demand for bearing the additional risk increased meaningfully.

Currency

The US dollar fell over the period, as trade tariffs were not increased by the US and the change in rhetoric by Federal Reserve Chair Powell during the November Federal Reserve meeting. The Australian dollar rose due to trade balance data being much stronger than expected.

Disclaimer

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