



Performance Summary October 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

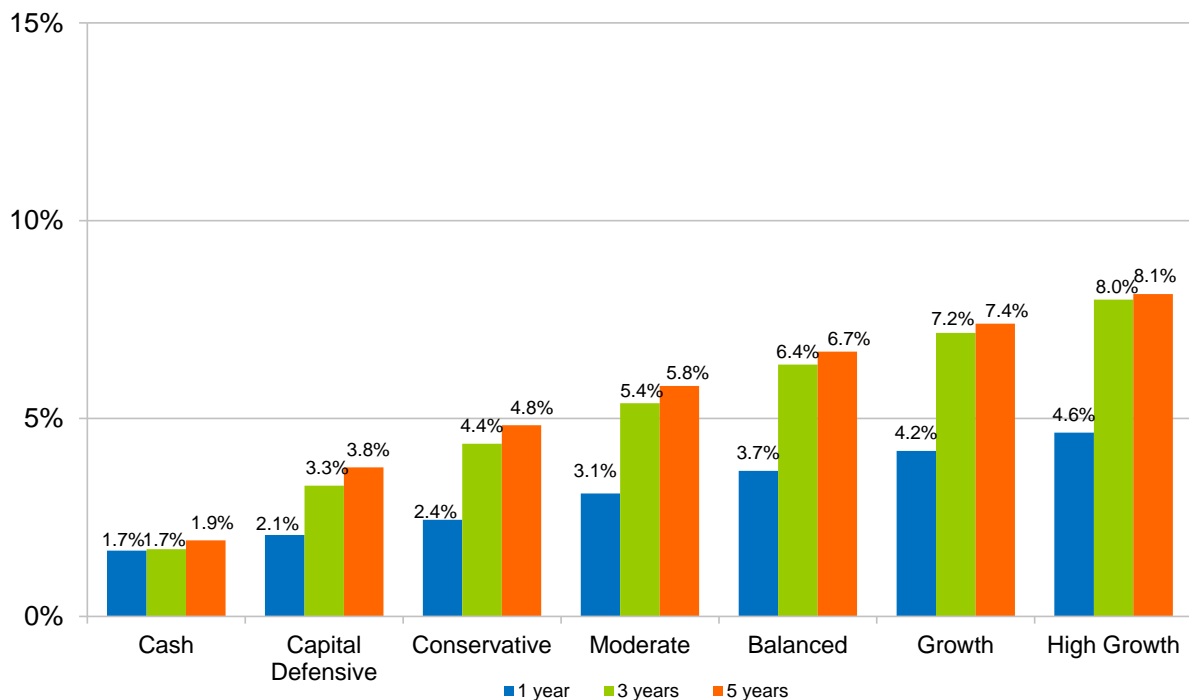
The table and chart below show Funds SA's multi-sector taxable fund returns based on the post tax unit pricing model detailed in the SLA.

Table 1: Multi-sector fund returns net of fees and tax to 31 October 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	0.6	1.7	1.7	1.9	2.3	2.7
Capital Defensive	-0.7	-0.3	0.1	2.1	3.3	3.8	4.4	5.2
Conservative	-1.4	-1.0	-0.4	2.4	4.4	4.8	5.8	6.2
Moderate	-1.9	-1.2	-0.5	3.1	5.4	5.8	6.9	6.9
Balanced	-2.4	-1.7	-0.8	3.7	6.4	6.7	7.9	7.4
Growth	-2.8	-1.9	-0.9	4.2	7.2	7.4	8.7	7.9
High Growth	-3.5	-2.4	-1.3	4.6	8.0	8.1	9.8	8.5

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 2018



Key drivers of performance during October 2018 included:

- Global government bonds outperformed equities.
 - Australian equities outperformed most of their global counterparts.
 - Emerging market bonds underperformed developed markets.
- This environment proved to be favourable for portfolios with relatively larger allocations to unlisted assets.

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 31 October 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	0.7	1.9	1.9	2.2	2.6	3.1
Australian Government	0.5	0.9	1.0	3.1	2.7	4.3	4.4	4.9
Australian Inflation-Linked	0.7	0.4	0.3	4.0	2.4	4.9	5.2	5.7
Global Treasuries ⁽¹⁾	0.1	-0.2	-0.4	0.9	2.9	4.5	5.2	6.3
Global Inflation-Linked ⁽¹⁾	0.0	-0.7	-0.8	1.3	4.6	5.0	5.2	7.6
Credit								
Global Credit ^{(1),(2)}	-0.8	-0.6	-0.1	-1.1	3.6	4.6	5.7	8.3
Global High Yield ⁽¹⁾	-1.4	-1.0	0.7	-1.2	6.8	6.2	8.8	14.0
Emerging Market Debt ⁽⁴⁾	-2.1	-2.3	-0.3	-5.2	3.9	3.6	4.4	8.8
Property								
Australian Listed Property	-3.1	-2.1	-1.2	7.3	7.4	11.3	14.2	9.3
Equities⁽³⁾								
Australian Equities	-6.2	-6.0	-4.7	2.9	8.2	6.0	9.1	8.5
Global Equities	-6.8	-4.9	-1.9	2.1	8.1	8.5	11.4	10.3
US Equities	-6.8	-3.3	0.3	7.3	11.5	11.3	14.0	13.2
European Equities	-5.4	-7.3	-4.2	-5.4	4.3	5.2	8.6	7.8
Japanese Equities	-9.3	-4.9	-3.5	-4.5	3.7	8.6	13.7	8.6
Asia (ex Japan) Equities	-9.9	-11.7	-10.8	-11.5	6.6	4.8	6.1	10.4
Emerging Market Equities	-7.8	-9.3	-7.7	-8.5	7.7	5.1	6.1	10.0
Global Small Companies	-9.6	-8.3	-7.1	-1.1	8.6	8.4	12.2	12.7
Currency⁽⁵⁾								
Australian Dollar vs Developed Market Basket	-1.7	-4.2	-3.6	-7.0	-0.1	-4.3	-4.3	0.9

(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 October 2018 are summarised below.

Equity Markets

Equity market performance was mostly negative as volatility returned in October. 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, but were however able to outperform most of their global counterparts.

Political tensions remained elevated around the globe. The US and China's standoff over tariffs continued, while in Europe, Brexit negotiations between the United Kingdom and Europe continued. Notwithstanding these issues, the global economic backdrop remained supportive for equity markets.

Brazilian equities outperformed most of their global counterparts posting strong positive returns, as market participants reacted positively to the election of Jair Bolsonaro as the Brazilian President.

Debt Markets

Global government bond markets were flat over the month, with the economic environment showing signs of further improvement, and investor expectations of monetary policy continuing to factor in further interest rate increases in the US. Non-government bonds produced negative performance, as the excess returns that investors demand for bearing the additional risk expanded meaningfully.

Currency

The US dollar continued to rise over the period, as trade tariffs and expectations for the United States Federal Reserve to raise interest rates continued to support its attractiveness. The Australian dollar fell due to the increasing interest rate differentials between Australia and the US.

Disclaimer

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