

# Performance Summary

Police Super

August 2023



## Performance

The SA Police Superannuation Pension Scheme invests in the Funds SA Defined Benefit Strategy. Members of the Pension Scheme can also salary sacrifice into the Super SA Triple S Options.

This report outlines performance of the investment options to the end of the month.

### Table 1: Defined Benefit Strategy and Super SA Triple S investment options returns to 31 August 2023

Returns are net of fees and gross of tax

Investment option	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.4	1.1	0.7	3.5	1.3	1.3	1.5	1.8
Capital Defensive	0.4	1.0	1.3	4.1	1.2	2.3	2.9	3.7
Conservative	0.3	1.6	1.4	5.5	2.8	3.4	4.2	5.0
Moderate	0.1	2.1	1.5	6.9	4.9	4.5	5.5	6.2
Socially Responsible	0.0	1.9	1.1	9.2	7.6	6.0	6.9	7.1
Balanced	0.1	2.8	1.8	8.3	7.2	6.1	7.1	7.7
High Growth	0.0	3.2	1.9	9.2	8.4	6.6	8.3	8.8
Defined Benefit Strategy	0.2	2.6	1.7	7.3	9.0	6.9	8.3	8.6

Key drivers of performance:

- All diversified investment options delivered low, positive returns. Investment options with sizeable allocations to Fixed Interest produced the highest returns for the month.
- Unlisted growth assets were a positive contributor to performance. Infrastructure led the way, followed by Private Markets and Property.
- Returns within the Fixed Interest asset class were mixed. Rising bond yields for long dated bonds resulted in negative returns. However, this was offset by positive returns from falling bond yields for shorter dated bonds.
- The International Equities asset class delivered positive returns and benefitted from the fall in the Australian Dollar during the month, but this was partly offset by currency hedging.
- The Australian Equities asset class detracted from returns, weighed down by concerns of a meaningful slow-down within China's economy, the possibility of higher interest rates for longer than expected and emerging weakness in the domestic economy.

The following table shows the performance of Funds SA's Tax-Exempt investment options versus investment objective. These may differ from the Super SA Triple S option returns which are based on Super SA's unit pricing formulas.

**Table 2: Defined Benefit Strategy and Funds SA Tax-Exempt investment option returns versus investment objective to 31 August 2023**

Returns are net of fees and gross of tax

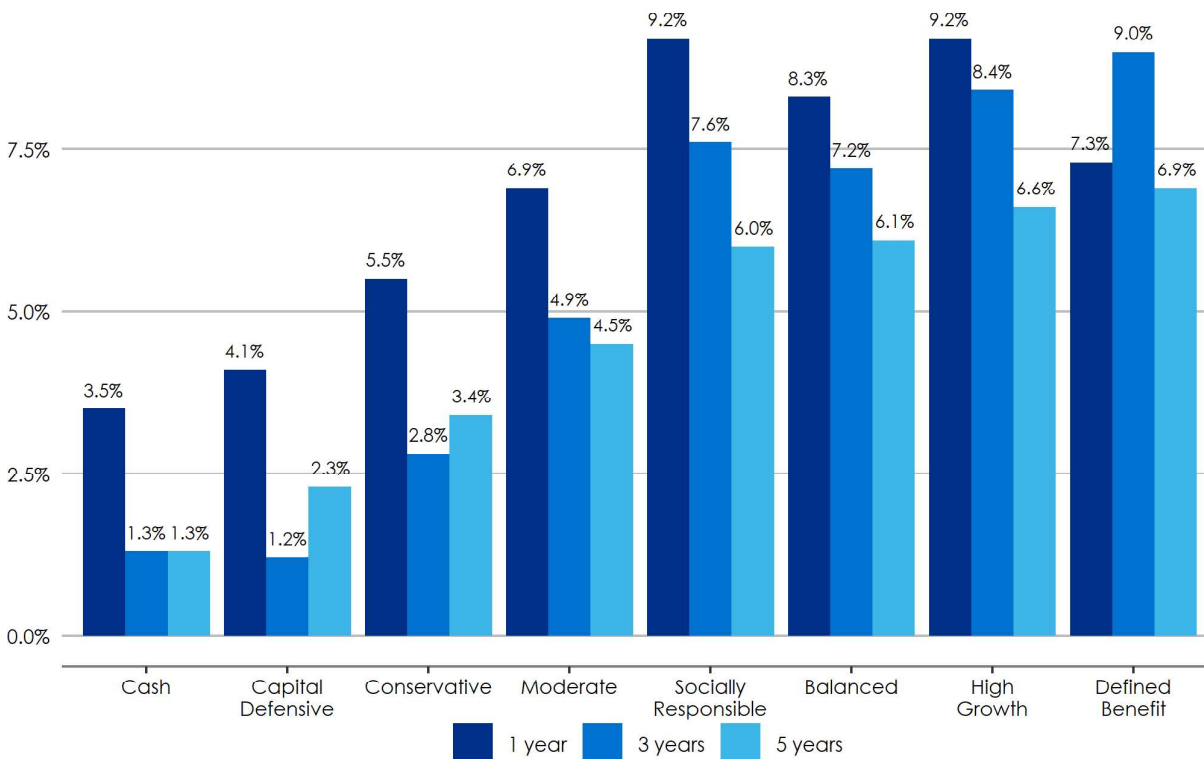
Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.
Cash	0+ years	RBA Cash Rate = 3.3	3.5
Capital Defensive	2+ years	(CPI + 0.5%) = 6.8	-1.2
Conservative	4+ years	(CPI + 1.5%) = 5.8	2.7
Moderate	6+ years	(CPI + 2.5%) = 6.1	5.2
Socially Responsible	10+ years	(CPI + 3.0%) = 6.1	7.1
Balanced	10+ years	(CPI + 3.5%) = 6.3	7.7
High Growth	10+ years	(CPI + 4.5%) = 7.3	8.8
Defined Benefit	10+ years	(CPI + 4.5%) = 7.2	8.6

Note: Investment objectives and investment option performance are expressed over the stated minimum investment horizon for each investment option. Where the investment objectives have changed over time, the objective return reflects a combination of the former and current investment objectives.

The Cash investment option performance is assessed over 1-year rolling periods.

**Chart 1: Defined Benefit Strategy and Super SA Triple S investment options annualised returns to 31 August 2023**

Returns are net of fees and gross of tax

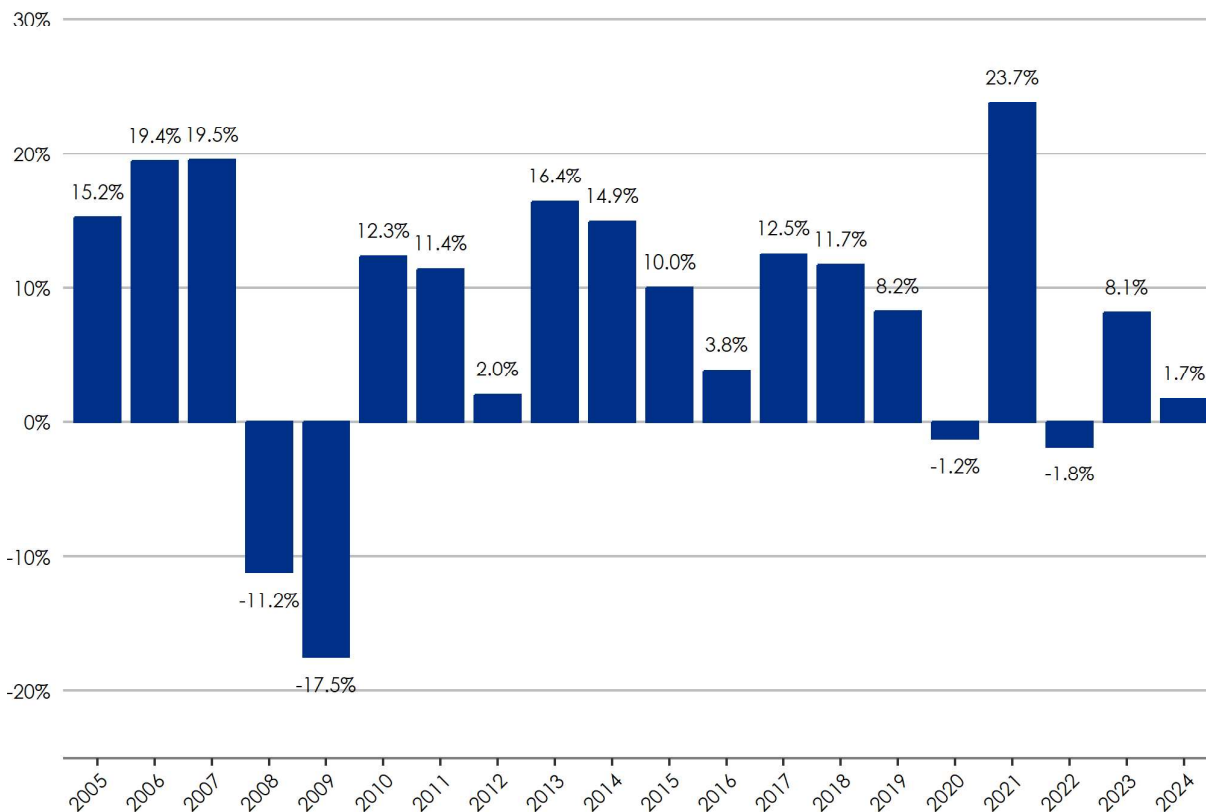


## Historical performance

The chart below shows the financial year returns of the Defined Benefit Strategy.

**Chart 2: Defined Benefit Strategy financial year returns**

Returns are net of fees and gross of tax



2024 is FYTD to 31 August 2023.

Note returns shown reflect investment in the Funds SA Growth Tax-Exempt investment options prior to the establishment of the customised Defined Benefit Strategy from 1 January 2017.

## Funds under management

The table below shows the value of Police Super schemes invested within the Defined Benefit Strategy.

**Table 3: Police Super investments as at 31 August 2023**

Funds under management	Defined Benefit Strategy \$m
Police Superannuation Fund - Old Scheme Division	653.8
Police Superannuation Scheme - Employer Contribution Account	1,748.9
<b>Total</b>	<b>2,402.8</b>

Due to rounding, the sum of individual numbers within the table may not equal the totals quoted.

## Effective asset allocation

The effective asset allocation of the investment options is shown in the table below.

**Table 4: Effective asset allocation as at 31 August 2023**

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Socially Responsible %	Balanced %	High Growth %	Defined Benefit %
Australian Equities	0.0	5.1	9.2	16.1	27.1	23.1	26.2	20.4
International Equities	0.0	5.4	13.0	22.0	29.5	29.6	34.6	27.6
Private Markets	0.0	1.2	2.3	3.6	1.5	5.4	6.9	13.6
Property	0.0	5.9	7.1	7.0	13.2	8.9	13.4	17.0
Infrastructure	0.0	7.9	7.5	4.8	3.5	6.0	5.1	4.8
Alternatives	0.0	4.0	4.0	3.0	0.0	2.0	0.0	7.7
Credit	0.0	3.1	7.1	7.3	0.0	6.4	7.3	6.2
Fixed Interest	0.0	49.0	34.4	22.6	16.7	11.6	0.0	0.0
Cash	100.0	18.4	15.4	13.6	8.6	7.1	6.5	2.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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 broad financial market performance.

**Table 5: Major market index returns to 31 August 2023**

Market Index	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities	-0.8	3.9	2.1	9.0	10.5	7.0	8.5	7.9
International Equities	1.2	6.6	3.6	20.8	12.1	9.9	11.8	12.2
Australian Unlisted Property	0.2	-2.8	0.5	-1.3	6.1	4.3	6.2	7.9
Credit	0.0	3.6	1.5	6.2	0.7	1.7	2.5	4.1
Global Fixed Interest	0.1	-1.7	0.0	-1.3	-5.4	-0.3	-0.1	2.6
Australian Fixed Interest	0.9	0.8	1.7	4.0	-0.1	1.3	1.5	2.2
Cash	0.4	1.0	0.7	3.4	1.2	1.2	1.4	1.7

Note:

Returns hedged to the Australian Dollar: Global Fixed Interest, Credit.

Equity returns are expressed in AUD.

## Financial market commentary

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Investment markets are absorbing the possibility that interest rates could be higher for longer and that China's economic outlook continues to weaken. This impacted both equity and bond markets.

Equity markets had a challenging month with the Australian equities market, and both international developed and emerging markets all falling. August was reporting season for many listed companies. While results for 2023 and guidance for 2024 were better than anticipated, economic data continues to weaken which led to analysts downgrading forward looking earnings. Emerging equity markets were impacted by weakness in China's economy and concern around their Property sector.

The Australian Dollar fell by circa 3.5% due two key factors. Firstly, the expected interest rate differential between Australia and the US has widened. Markets are pricing possible interest rate cuts by the Reserve Bank of Australia in 2024. By contrast, there is reduced expectation that the US Federal Reserve will cut interest rates in 2024, avoiding a deep recession. Secondly, concerns around China's economy, leading to a weaker outlook for Australian exports with lower commodity prices.

Bond market movements were mixed during the month, Australian bond and credit markets outperformed global equivalents.

In Australia, bond yield movements were subdued. Short-dated bonds delivered positive returns as the market repriced, removing expectations for additional rate rises by the RBA.

In early August, longer dated US bonds experienced a sharp sell-off but recovered some of the losses late in the month. A number of factors contributed to the decline – increased bond issuance, resilient economic data and continued debate that interest rates may stay elevated. The Bank of England raised its policy rate to 5.25% as expected and indicated economic data would be a key determinant for future action.

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