Performance Summary

Police Super

February 2024

FUNDS SA

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 29 February 2024

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	3.0	4.2	2.0	1.6	1.7	1.9
Capital Defensive	0.5	2.7	4.2	5.3	1.4	2.5	3.1	3.6
Conservative	1.0	3.8	5.0	6.8	2.5	3.8	4.3	4.8
Moderate	1.6	5.1	6.0	8.5	4.3	5.2	5.6	6.0
Socially Responsible	2.2	6.7	7.1	11.9	7.5	7.3	7.4	6.9
Balanced	2.2	6.2	6.7	9.8	5.8	6.9	7.2	7.4
High Growth	2.6	6.8	7.2	10.4	6.6	7.6	8.2	8.4
Defined Benefit Strategy	2.3	5.3	5.6	8.1	6.8	7.5	8.1	8.2

Key drivers of performance:

- All investment options generated positive returns.
- The International Equities asset class accounted for the majority of the performance across all investment options. Strong returns from the asset class were largely driven by the US and Japanese equity markets.
- Emerging Market equities also had a strong month, driven by Chinese equities which rose 10% during the month on the back of support for a government buying program and new regulations on short selling.
- The International Equities asset class modestly underperformed the benchmark due to stock selection in the US Communication Services and Technology sectors, and the UK Financials and Staples sectors.
- The Australian Equities asset class delivered positive performance and outperformed the benchmark. This was driven by positive sector allocation, being overweight Technology. Also contributing was positive stock selection in Materials and Energy sectors driven by underweight positions in BHP, Fortescue, Woodside, and no holding in Whitehaven Coal.
- The Australian Dollar was down against the USD for the month to the end of February.

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 29 February 2024

Returns are net of fees and gross of tax

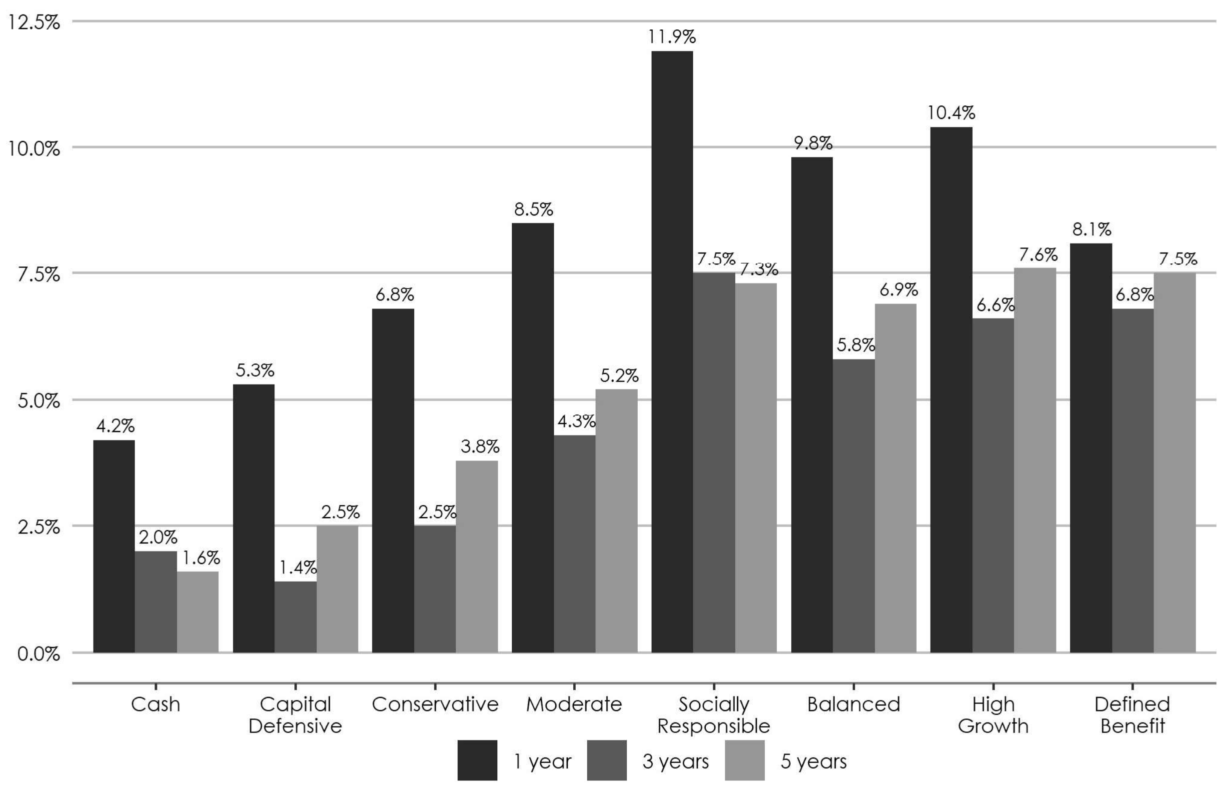
Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.
Cash	0+ years	RBA Cash Rate = 4.0	4.3
Capital Defensive	2+ years	(CPI + 0.5%) = 6.0	1.6
Conservative	4+ years	(CPI + 1.5%) = 5.9	3.1
Moderate	6+ years	(CPI + 2.5%) = 6.2	5.2
Socially Responsible	10+ years	(CPI + 3.0%) = 6.1	6.9
Balanced	10+ years	(CPI + 3.5%) = 6.3	7.4
High Growth	10+ years	(CPI + 4.5%) = 7.3	8.4
Defined Benefit	10+ years	(CPI + 4.5%) = 7.2	8.2

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 29 February 2024

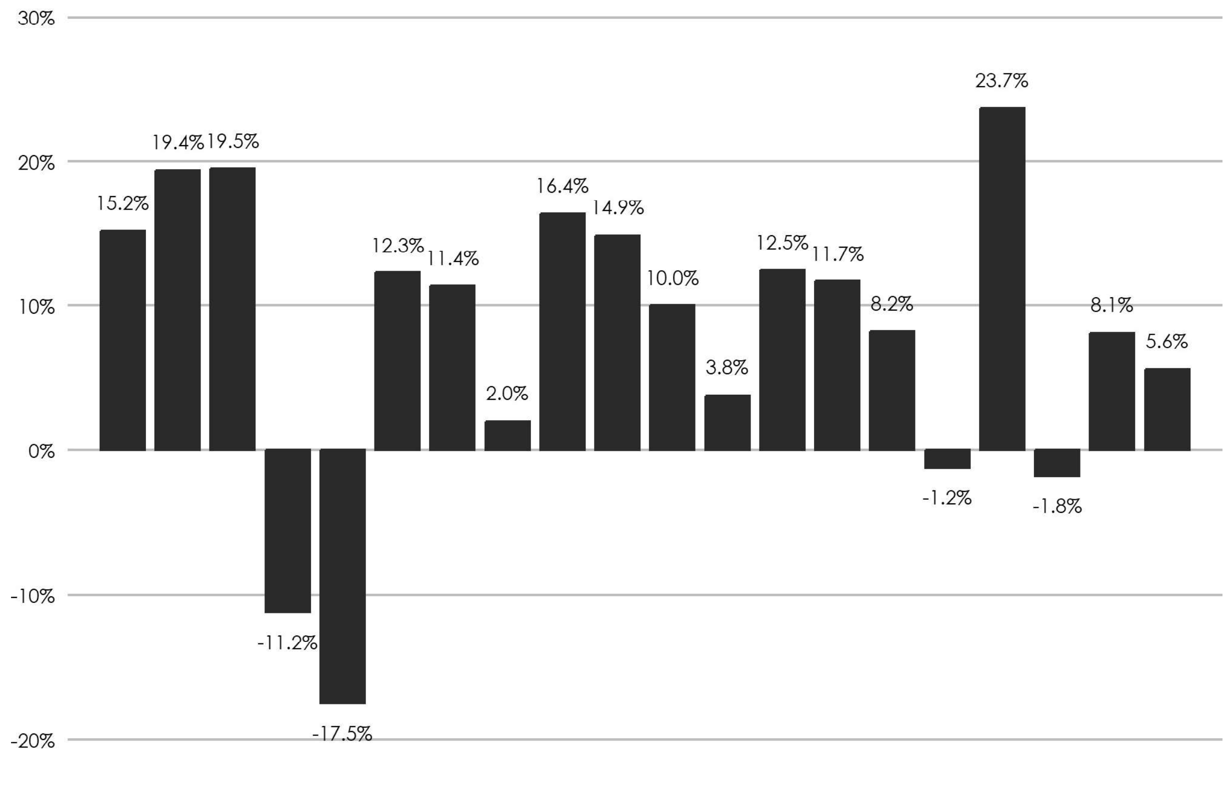
Returns are net of fees and gross of tax



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 29 February 2024.
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 29 February 2024

Funds under management	Defined Benefit Strategy $m
Police Superannuation Fund - Old Scheme Division	659.3
Police Superannuation Scheme - Employer Contribution Account	1,785.3
Total	**2,444.6**

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 29 February 2024

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Socially Responsible %	Balanced %	High Growth %	Defined Benefit %
Australian Equities	0.0	5.1	9.1	16.2	26.6	22.2	26.0	20.9
International Equities	0.0	5.6	13.1	22.1	30.2	29.0	34.6	27.4
Private Markets	0.0	1.3	2.4	3.5	1.7	5.2	6.4	13.6
Property	0.0	6.0	6.9	6.4	11.1	8.0	11.7	16.0
Infrastructure	0.0	11.1	10.0	7.0	4.5	5.9	4.7	4.9
Alternatives	0.0	4.1	4.0	3.0	0.0	1.9	0.0	7.7
Credit	0.0	2.8	6.9	6.9	0.0	5.9	6.9	5.8
Fixed Interest	0.0	45.8	33.7	24.2	15.8	12.8	0.0	0.0
Cash	100.0	18.2	14.0	10.7	10.2	9.0	9.7	3.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Foreign Currency	**0.0**	**4.3**	**9.5**	**15.3**	**20.8**	**21.0**	**25.1**	**19.7**
Foreign Currency Hedge*	**0.0**	**1.2**	**3.4**	**6.6**	**11.5**	**9.6**	**11.1**	**8.5**

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

* The partial foreign currency hedge is the exposure converted back into Australian Dollars from investing in International Equities to achieve the Foreign Currency strategic allocation.

All other asset classes that have international investments are typically fully currency hedged.

Financial market snapshot

The table below summarises broad financial market performance.

Table 5: Major market index returns to 29 February 2024

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	1.0	9.5	9.7	10.5	9.1	8.6	8.6	7.9
International Equities	6.0	12.0	15.1	27.8	13.2	12.5	12.7	12.0
Australian Unlisted Property	0.3	-2.9	-3.9	-7.2	3.5	2.7	4.9	6.9
Credit	0.8	3.7	7.1	9.5	1.1	2.2	2.7	4.0
Global Fixed Interest	-0.8	2.6	1.7	2.6	-3.3	-0.7	0.8	2.4
Australian Fixed Interest	0.1	2.1	4.6	5.3	0.7	1.5	1.9	2.3
Cash	0.3	1.1	2.9	4.1	2.0	1.5	1.6	1.8
Foreign Currency (AUD v. Developed Markets)	-1.2	-1.9	-2.6	-4.5	-5.4	-2.4	-2.9	-2.4

Note:

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

Equity returns are expressed in AUD.

Financial market commentary

International equity markets were very strong during February. The US corporate earnings season, where companies disclose earnings for the year-to-date and provide forward guidance, was better-than-expected. US technology stocks continued their upward valuation momentum, most of the Magnificent 7 technology stocks reporting earnings that were well received by the market. Data released indicated economic resilience continued into February, which may make the case for near-term interest rate cuts challenging.

Japanese equities continued to perform well with the Nikkei 225 index surpassing its previous peak in 1989. This was supported by both a positive earnings season and a view that corporate governance reforms are expected to improve corporate value. After decades of negative interest rates and extremely low inflation, inflation has started to rise which is supportive for economic growth prospects and future company earnings.

The Australian equity market delivered positive returns after inflation was lower than expected. Lower inflation helped reinforce the view that the cash rate has peaked in Australia.

Fixed Interest markets produced mixed results. Fixed interest markets started to reduce expectations for central banks to cut interest rates in 2024, pushing out the timing of potential cuts. Fixed Interest securities with higher interest rate sensitive generated negative performance.