

Performance Summary



Police Super Investments – Members

31 July 2021

Funds SA is responsible for investing the assets of the SA Police Superannuation Pension Scheme and the Super SA Triple S options, which members of the Pension Scheme can also salary sacrifice into. In this summary, Funds SA provides an overview of the performance of these investments.

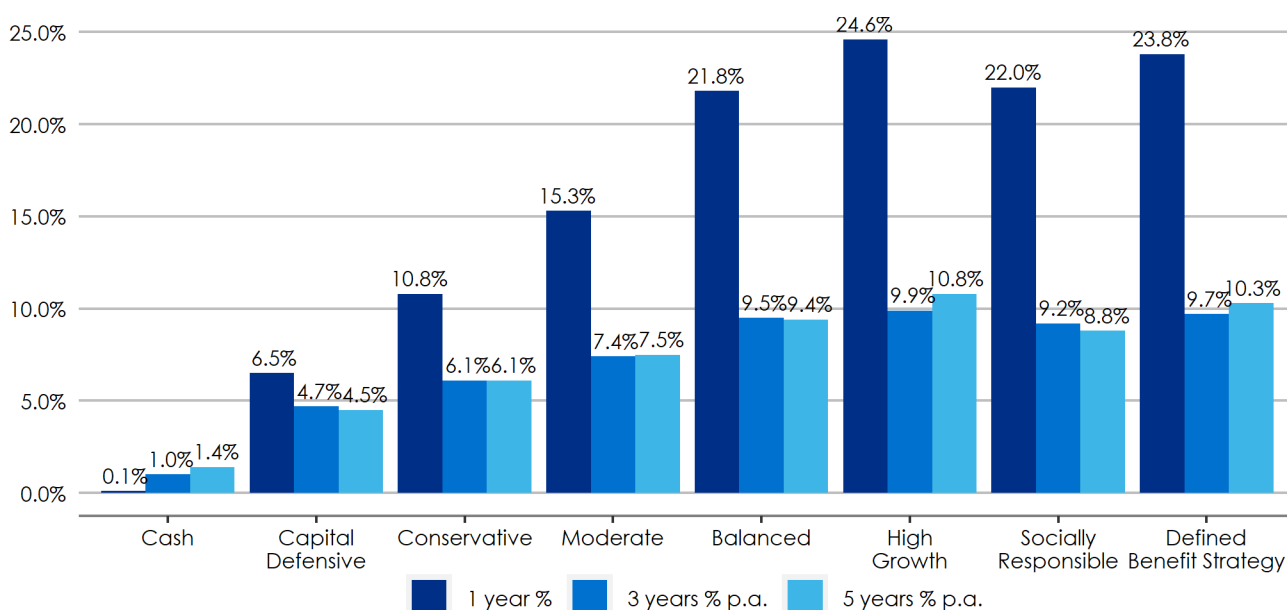
Performance

The Pension Scheme invests in the Funds SA Defined Benefit Strategy. The table and chart below show the Defined Benefit Strategy and Super SA Triple S option returns after deduction of all fees and costs.

Table 1: Defined Benefit Strategy and Super SA Triple S option returns, net of fees to 31 July 2021

| 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 | 0.0 | 0.0 | 0.0 | 0.1 | 1.0 | 1.4 | 1.7 | 2.3 |
| Capital Defensive | 0.7 | 1.7 | 0.7 | 6.5 | 4.7 | 4.5 | 4.7 | 5.5 |
| Conservative | 0.8 | 2.5 | 0.8 | 10.8 | 6.1 | 6.1 | 6.0 | 6.9 |
| Moderate | 0.9 | 3.5 | 0.9 | 15.3 | 7.4 | 7.5 | 7.2 | 8.1 |
| Balanced | 1.1 | 4.6 | 1.1 | 21.8 | 9.5 | 9.4 | 8.9 | 9.5 |
| High Growth | 1.0 | 4.8 | 1.0 | 24.6 | 9.9 | 10.8 | 10.0 | 10.8 |
| Socially Responsible | 2.2 | 6.2 | 2.2 | 22.0 | 9.2 | 8.8 | 8.0 | 9.1 |
| Defined Benefit Strategy | 0.9 | 4.8 | 0.9 | 23.8 | 9.7 | 10.3 | 9.6 | 10.2 |

Chart 1: Defined Benefit Strategy and Super SA Triple S option annualised returns, net of fees to 31 July 2021



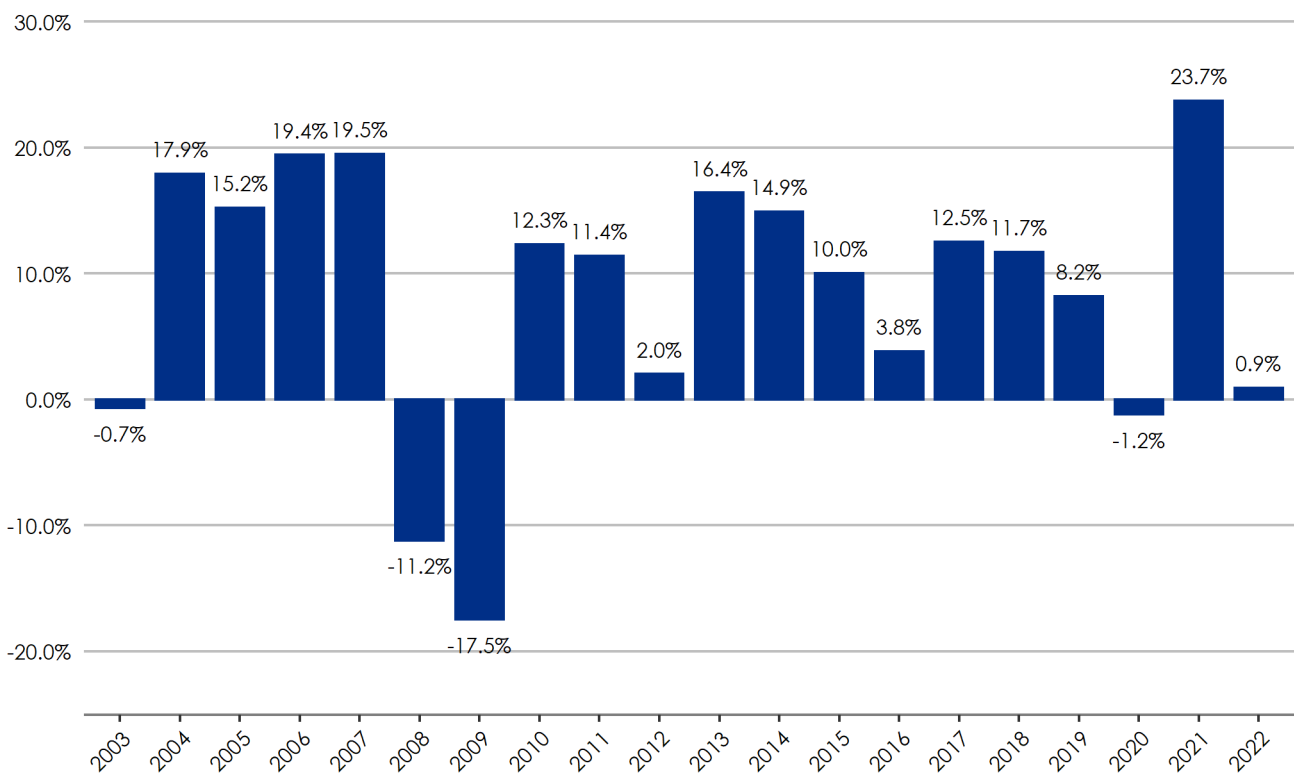
Key drivers of performance during July 2021:

- Returns for July were positive across all investment options except the Cash investment option which was flat.
- Long-Term Fixed Interest was a key contributor to the more defensive-oriented investment options, such as Capital Defensive, Conservative, and Moderate, as long-term bond yields fell following signals from the US Federal Reserve, and bond prices rose in response to increased demand for the asset.
- Across all investment options Australian Equities and International Equities were key contributors to performance, as developed markets benefited from the fall in bond yields and continued economic recovery.
- Diversified Strategies Income (DSI) was the key detractor across all investment options, with negative returns from Absolute Return managers driven by active interest rate positions.
- Within Diversified Strategies Growth (DSG), private markets maintained improved valuations as economic conditions continue to recover.
- Given the Reserve Bank of Australia (RBA) Cash Rate is very low, and likely to be low for some time, it is expected the Cash investment option will return close to zero over the medium-term after fees and taxes.

Historical Performance

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

Chart 2: Defined Benefit Strategy financial year returns, net of fees



Asset Allocation

The Pension Scheme is invested in a well diversified strategy, including more than 200 Australian shares, 1500 International shares and 130 properties. Investments are managed by over 40 investment managers globally.

The asset allocation of the Defined Benefit Strategy and Super SA Triple S options are shown in the table below.

Table 2: Asset allocation as at 31 July 2021

| | Cash % | Capital Defensive % | Conservative % | Moderate % | Balanced % | High Growth % | Defined Benefit % | Socially Responsible % |
|--|--------------|---------------------|----------------|--------------|--------------|---------------|-------------------|------------------------|
| Cash | 100.0 | 14.1 | 10.9 | 9.4 | 4.0 | 2.7 | 2.8 | 6.0 |
| Fixed Interest | 0.0 | 36.6 | 22.8 | 14.7 | 7.8 | 0.0 | 0.0 | 16.1 |
| Inflation-Linked Securities Tax-Exempt | 0.0 | 14.8 | 14.9 | 10.8 | 4.9 | 0.0 | 0.0 | 0.0 |
| Diversified Strategies Income | 0.0 | 16.7 | 17.7 | 11.8 | 7.9 | 6.9 | 13.7 | 0.0 |
| Property Tax-Exempt | 0.0 | 4.6 | 7.6 | 8.8 | 10.8 | 14.6 | 16.6 | 12.5 |
| Australian Equities Tax-Exempt | 0.0 | 6.1 | 11.1 | 17.0 | 24.1 | 27.1 | 21.0 | 29.2 |
| International Equities Tax-Exempt | 0.0 | 7.0 | 15.0 | 24.2 | 34.3 | 40.4 | 30.2 | 34.1 |
| Diversified Strategies Growth Tax-Exempt | 0.0 | 0.0 | 0.0 | 3.3 | 6.3 | 8.3 | 15.7 | 2.3 |
| Total | 100.0 | 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.

Note: The Diversified Strategies Income asset class comprises high yielding fixed interest and alternative investments, while the Diversified Strategies Growth asset class comprises mainly private equity and infrastructure.

Financial Market Snapshot

The table below summarises financial market performance.

Table 3: Major market index returns to 31 July 2021

| 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. |
|--|--------------|---------------|-----------|-------------|-------------------|-------------------|-------------------|--------------------|
| Cash and Fixed Income | | | | | | | | |
| Australian Cash | 0.0 | 0.0 | 0.0 | 0.1 | 0.9 | 1.3 | 1.6 | 2.1 |
| Australian Government | 2.0 | 3.3 | 2.0 | -0.2 | 4.9 | 3.2 | 4.3 | 4.8 |
| Australian Inflation-Linked | 2.6 | 4.3 | 2.6 | 4.0 | 6.2 | 4.2 | 4.8 | 5.6 |
| Global Treasuries | 1.4 | 2.0 | 1.4 | -0.8 | 4.1 | 2.6 | 4.2 | 5.2 |
| Global Inflation-Linked | 3.8 | 5.9 | 3.8 | 5.1 | 6.7 | 5.0 | 5.8 | 6.0 |
| Credit | | | | | | | | |
| Global Credit | 1.2 | 2.7 | 1.2 | 1.6 | 5.9 | 4.1 | 5.0 | 6.0 |
| Global High-Yield | 0.1 | 1.5 | 0.1 | 9.1 | 5.0 | 5.5 | 5.6 | 7.5 |
| Emerging Market Debt | 0.5 | 2.5 | 0.5 | 3.6 | 5.9 | 4.2 | 4.4 | 5.2 |
| Property | | | | | | | | |
| Australian Listed Property | 0.5 | 7.9 | 0.5 | 33.7 | 8.1 | 5.2 | 9.9 | 12.8 |
| Equities | | | | | | | | |
| Australian Equities | 1.1 | 5.8 | 1.1 | 29.1 | 9.7 | 10.1 | 8.4 | 9.8 |
| Global Equities | 1.7 | 5.2 | 1.7 | 34.7 | 14.2 | 14.2 | 11.6 | 12.2 |
| US Equities | 2.4 | 5.5 | 2.4 | 36.4 | 18.2 | 17.3 | 14.7 | 15.3 |
| European Equities | 1.5 | 5.5 | 1.5 | 30.4 | 6.9 | 8.8 | 7.2 | 8.1 |
| Japanese Equities | -2.4 | 0.1 | -2.4 | 30.1 | 5.6 | 10.0 | 8.0 | 10.8 |
| Asia (ex Japan) Equities | -7.0 | -5.7 | -7.0 | 17.4 | 8.7 | 11.5 | 7.8 | 7.1 |
| Emerging Market Equities | -6.0 | -3.9 | -6.0 | 18.5 | 9.4 | 11.6 | 8.2 | 7.4 |
| Global Small Companies | -0.8 | 0.8 | -0.8 | 44.5 | 11.6 | 13.0 | 10.3 | 10.8 |
| Currency | | | | | | | | |
| Australian Dollar vs Developed Market Basket | -2.2 | -4.6 | -2.2 | 2.6 | -0.7 | -0.8 | -2.6 | -3.0 |

Note:

Returns hedged to the Australian Dollar: Global Treasuries, Global Inflation-Linked, Global Credit, Global High-Yield.

Equity returns are expressed in local currency.

Emerging Market Debt is hedged to the US Dollar.

Currency: A positive number represents appreciation of the Australian Dollar. A negative number represents a depreciation of the Australian Dollar.

Financial Market Commentary

The global economy continued its recovery, supported by ongoing monetary and fiscal stimulus, and vaccine rollouts steadily enabling the easing of restrictions. Investor sentiment, however, was dampened amid concerns around the spread of the more-contagious Delta variant of COVID-19. Inflation continues to be flagged as a key risk to the positive outlook.

The US Federal Reserve has adopted a relatively more focused stance on managing inflation since June along with further discussions on tapering bond purchases, noting there is a limit to how hot they are willing to run the economy. In response, US 10-year bond yields continued their decline, falling 0.25% for the month, with flow-on effects to long-bonds globally. Bond prices were also pushed higher by technical factors, particularly from pension funds rebalancing out of equities and into bonds.

Developed markets benefited from the decline in bond yields however emerging markets fell driven by announcements of tighter regulation in China causing a sharp decline in share prices.

The Australian share market finished the month in positive territory, rising 1.1% despite simultaneous State led lockdowns in Sydney and Melbourne detracting from investor sentiment. Given Sydney and Melbourne account for a large portion of Australia's economic output and employment, the Delta outbreak and subsequent lockdowns are expected to put a drag on the economy. However, it is encouraging that lockdowns have prompted an acceleration of Australia's vaccine rollout.

The RBA held the Official Cash Rate at 0.10%, in line with the central bank's stance on interest rates, and consistent with market expectations. While the latest COVID-19 outbreak and lockdowns risk delaying progress towards the RBA's policy goals, governor Philip Lowe remains optimistic the Australian economy will recover in 2022.

The European Central Bank (ECB) adjusted its inflation target to 2% and continued to reiterate that interest rates will remain low for quite some time. Along with the launch of the European Union's Recovery Fund, this continues to provide a positive backdrop for European risk assets.

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