

Performance Summary

Police Super

July 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 July 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	1.0	0.4	3.2	1.2	1.3	1.5	1.8
Capital Defensive	0.9	0.2	0.9	2.6	1.3	2.3	2.9	3.7
Conservative	1.1	1.0	1.1	4.2	3.1	3.4	4.2	5.0
Moderate	1.4	1.7	1.4	6.0	5.4	4.7	5.5	6.2
Socially Responsible	1.1	1.8	1.1	7.8	8.4	6.3	6.9	7.1
Balanced	1.7	2.4	1.7	7.5	7.9	6.3	7.2	7.6
High Growth	1.9	2.9	1.9	8.6	9.4	6.9	8.3	8.8
Defined Benefit Strategy	1.6	2.3	1.6	6.8	9.8	7.1	8.2	8.6

Key drivers of performance:

- Australian and International equities were the strongest contributors to returns, supported by lower inflation and better than expected economic data.
- For the Capital Defensive investment option, Fixed Interest was the strongest contributor followed by the equity asset classes.
- The Australian Equities asset class outperformed the index from positive stock selection within the Materials and Consumer Discretionary sectors. This was partially offset by the asset classes underweight to Financials and Energy which were the strongest performing sectors within the index.
- US equity returns were the key driver for the International Equities asset class. The US Technology and Energy sectors were the strongest performers. Positive stock selection in China was offset by negative stock selection in the US and Europe.
- The Infrastructure asset class produced positive returns driven by strong operating performance and an uplift in valuations of unlisted assets in the data and communications sector.
- The Credit asset class benefitted from spreads narrowing.
- The Reserve Bank of Australia (RBA) chose not to change the Official Cash Rate in July or August and remains at 4.1%.

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 July 2023

Returns are net of fees and gross of tax

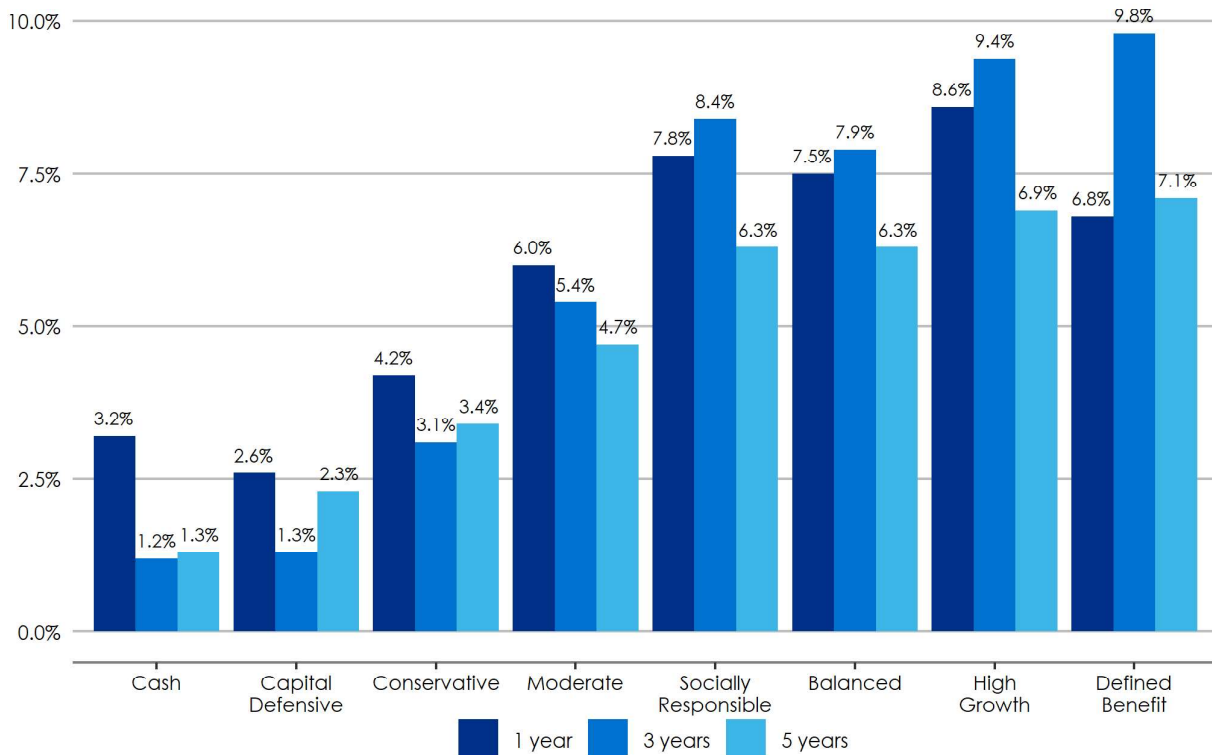
Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.
Cash	0+ years	RBA Cash Rate = 3.1	3.3
Capital Defensive	2+ years	(CPI + 0.5%) = 6.8	-1.2
Conservative	4+ years	(CPI + 1.5%) = 5.8	2.6
Moderate	6+ years	(CPI + 2.5%) = 6.1	5.3
Socially Responsible	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 July 2023

Returns are net of fees and gross of tax

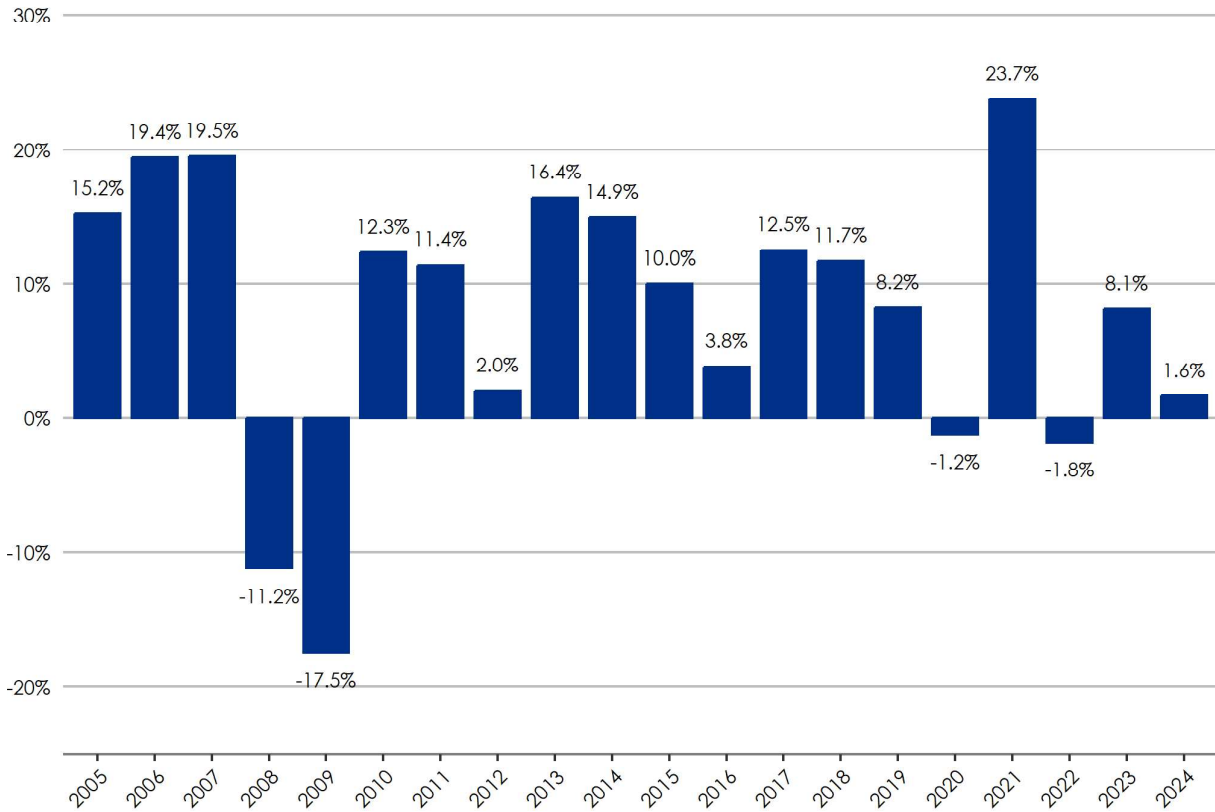


Historical performance

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 July 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 July 2023

Funds under management	Defined Benefit Strategy \$m
Police Superannuation Fund - Old Scheme Division	655.4
Police Superannuation Scheme - Employer Contribution Account	1,749.3
Total	2,404.7

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 July 2023

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Socially Responsible %	Balanced %	High Growth %	Defined Benefit %
Cash	100.0	17.3	14.9	12.8	7.3	7.7	6.5	2.5
Fixed Interest	0.0	36.6	20.7	14.7	17.1	6.7	0.0	0.0
Inflation-Linked Securities Tax-Exempt	0.0	7.9	7.9	4.9	0.0	4.8	0.0	0.0
Diversified Strategies Income	0.0	13.2	17.3	13.4	0.0	8.4	7.3	13.9
Property Tax-Exempt	0.0	6.1	8.0	8.0	13.2	8.9	13.5	16.9
Australian Equities Tax-Exempt	0.0	5.2	9.4	16.4	28.4	23.3	26.5	20.6
International Equities Tax-Exempt	0.0	5.4	12.9	21.9	29.1	29.1	34.5	27.9
Diversified Strategies Growth Tax-Exempt	0.0	8.4	9.0	7.9	4.8	11.2	11.8	18.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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 July 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	2.9	2.0	2.9	11.1	11.9	7.5	8.4	8.3
International Equities	2.4	6.5	2.4	17.0	12.7	10.4	11.8	11.9
Australian Unlisted Property	0.2	-2.9	0.2	-1.2	6.1	4.5	6.1	7.9
Credit	1.5	3.0	1.5	6.1	1.1	1.6	2.7	4.0
Global Fixed Interest	-0.1	-3.2	-0.1	-5.1	-5.9	-0.1	-0.1	2.6
Australian Fixed Interest	0.8	-0.4	0.8	2.2	-0.4	1.2	1.4	2.1
Cash	0.4	1.0	0.4	3.1	1.1	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

Reported economic data is lower yet stronger than expected. Inflation in particular was lower for the month. Both these factors supported strong equity and credit market returns. The sentiment rippling through financial markets is that central banks have managed to lower inflation without triggering a recession. However, the outlook for economic growth remains challenging and the risk of recession remains. Any negative economic data reports are likely to be a source of volatility for markets.

During the month the US Federal Reserve and the European Central Bank raised interest rates, but expectations central banks are close the end of the rate rising cycle are being reflected in financial market returns.

Bond markets produced mixed returns; riskier assets outperforming Government bonds. Government bonds with longer maturity profile didn't perform as well as bonds with shorter maturity profiles. Markets adjusted to consider interest rates may stay higher for longer and the end of the tightening cycle is near.

Emerging Markets performed strongly during the month. Chinese equities were higher after Beijing promised stimulus measures to boost economic growth by supporting real estate sales and other consumer sectors. China's stimulus announcement also supported developed market equity returns.

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In the US, Energy stocks delivered good performance on the back of oil price rises and optimism on the economic growth outlook. Technology stocks continued to driver strong performance.

With the Australian equity market, Financials and Materials rallied through the month. This was a reflection of a more resilient Australian economy supported by recent economic data, stimulus announcement from the Chinese government and higher commodity prices across a range of metals and energy related commodities.

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