

Performance Summary



Police Super Investments – Members

31 October 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.

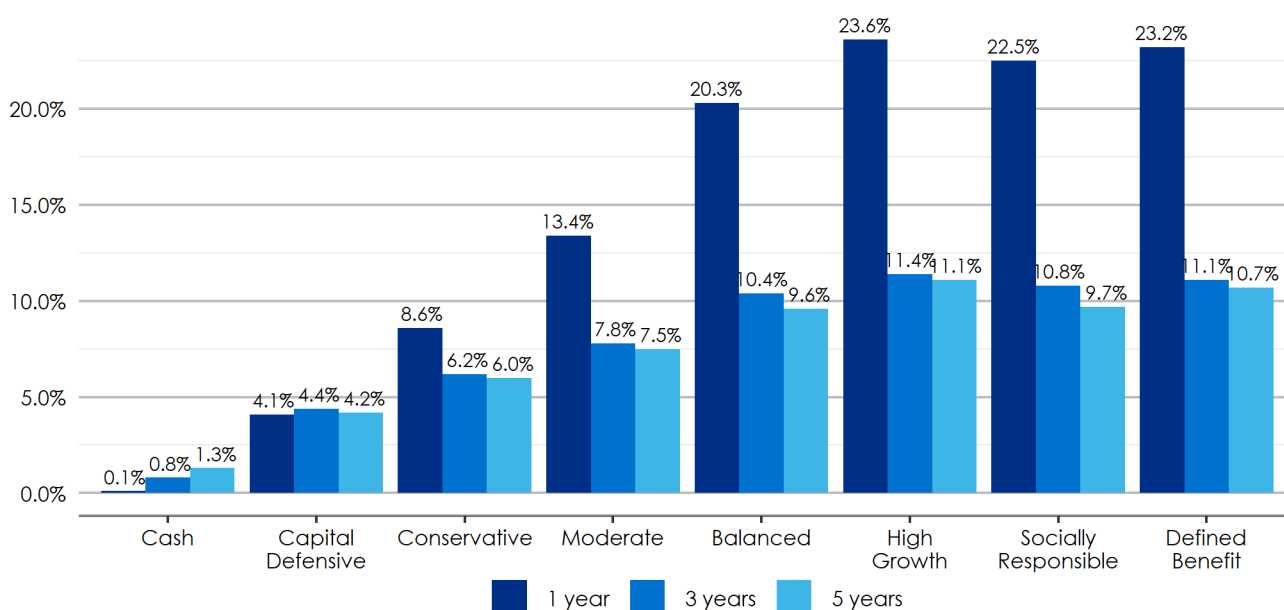
Performance

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 October 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	0.8	1.3	1.6	2.1
Capital Defensive	-1.0	-1.4	-0.7	4.1	4.4	4.2	4.3	5.1
Conservative	-0.6	-0.8	-0.1	8.6	6.2	6.0	5.7	6.7
Moderate	-0.2	-0.1	0.8	13.4	7.8	7.5	7.0	8.0
Balanced	0.2	0.6	1.7	20.3	10.4	9.6	8.7	9.6
High Growth	0.6	1.4	2.4	23.6	11.4	11.1	9.9	11.1
Socially Responsible	2.0	2.1	4.4	22.5	10.8	9.7	8.0	9.5
Defined Benefit Strategy	0.5	1.7	2.7	23.2	11.1	10.7	9.6	10.5

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



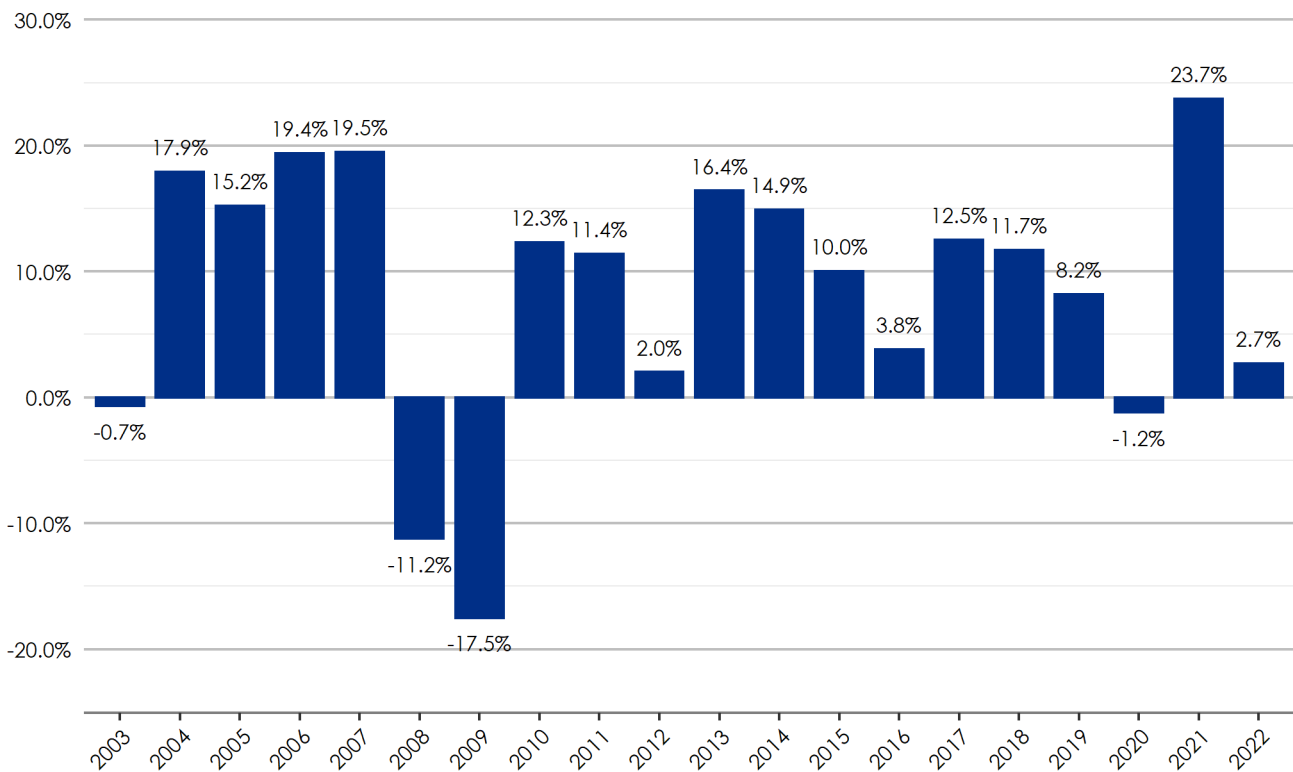
Key drivers of performance during October 2021:

- Returns for October were negative across the defensive-oriented investment options as the high allocation to Fixed Interest detracted from performance.
- Bond yields rose sharply towards the end of the month in response to the release of higher-than-expected inflation data and central banks signalling tightening, triggering notable underperformance from the Fixed Interest asset class.
- The growth-oriented investment options provided slightly positive returns as allocations to Fixed Interest were offset by small gains in growth assets.
- International Equities was a common contributor across the investment options as third quarter earnings results helped buoy sentiment.
- Diversified Strategies Growth (DSG) also added some value for more growth-orientated options as a result of September quarter valuations from Private Equity and rollforward valuations on Core Infrastructure.
- The Socially Responsible investment option had a strong month, exposure to equities and an overweight to Technology and Software sectors drove performance.
- The Reserve Bank of Australia 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 October 2021

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %	Defined Benefit %	Socially Responsible %
Cash	100.0	13.1	10.1	8.7	4.0	3.2	2.2	5.2
Fixed Interest	0.0	36.7	22.6	14.6	7.6	0.0	0.0	15.9
Inflation-Linked Securities Tax-Exempt	0.0	14.8	14.8	10.8	4.9	0.0	0.0	0.0
Diversified Strategies Income	0.0	17.0	18.0	11.9	7.9	6.5	14.1	0.0
Property Tax-Exempt	0.0	5.1	8.1	9.0	11.0	15.0	16.8	12.9
Australian Equities Tax-Exempt	0.0	6.2	11.1	17.1	24.0	26.9	20.9	30.3
International Equities Tax-Exempt	0.0	7.2	15.3	23.8	33.6	39.4	29.5	33.7
Diversified Strategies Growth Tax-Exempt	0.0	0.0	0.0	4.0	7.0	9.0	16.5	2.1
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 October 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	0.0	0.7	1.2	1.5	2.0
Australian Government	-3.8	-5.4	-3.5	-6.1	2.7	2.5	3.2	3.9
Australian Inflation-Linked	-2.3	-5.2	-2.7	-1.6	4.3	3.4	3.9	4.9
Global Treasuries	-0.3	-1.7	-0.2	-2.1	3.6	2.6	3.6	4.7
Global Inflation-Linked	1.8	0.1	4.0	5.7	7.0	4.6	5.6	5.8
Credit								
Global Credit	-0.1	-1.3	-0.1	1.0	5.6	3.9	4.5	5.7
Global High-Yield	-0.5	-0.5	-0.4	8.6	5.1	4.8	5.4	7.7
Emerging Market Debt	0.1	-1.0	-0.5	4.1	6.5	3.9	4.3	5.0
Property								
Australian Listed Property	0.6	4.9	5.4	31.8	10.6	9.5	10.3	13.1
Equities								
Australian Equities	0.1	0.8	1.9	28.6	12.3	11.0	8.6	10.0
Global Equities	5.5	4.3	6.1	40.4	17.7	15.2	11.8	13.3
US Equities	7.0	5.1	7.6	42.9	21.5	18.9	14.7	16.2
European Equities	3.7	2.8	4.3	39.1	10.7	9.0	7.6	9.2
Japanese Equities	-1.4	6.3	3.8	30.1	9.5	10.1	8.3	12.5
Asia (ex Japan) Equities	1.1	-0.5	-7.5	13.0	13.1	10.6	8.0	8.2
Emerging Market Equities	0.9	0.3	-5.7	16.5	13.2	10.8	8.4	8.2
Global Small Companies	3.5	2.5	1.7	44.9	16.1	14.1	10.9	12.2
Currency								
Australian Dollar vs Developed Market Basket	4.2	3.0	0.7	7.1	1.7	-0.5	-1.8	-2.5

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

Central banks remain in focus as markets concentrated on the big themes of inflation and economic growth. Government bonds experienced increased volatility and posted large negative returns in October. Global and domestic bond yields rose sharply over concerns of rising inflation and prospect of central bank's accelerating the path of interest rate hikes.

Fuelled by the release of higher-than-expected inflation data, the Australian bond market ran ahead of the Reserve Bank of Australia's (RBA) timing of holding the cash rate at 0.1% until 2024. By the end of the month, markets were pricing in the first interest rate rise as early as April 2022, as well as a sequence of rate hikes taking the cash rate to 1.50% by early 2023. The RBA reiterated that they did not expect to raise rates earlier than 2024. However, they did abandon their yield curve control policy but maintain that, in this cycle, they are justified in being patient to ensure a sustainable result.

Other central banks around the world behaved similarly. Tightening expectations increased and bond rates rose as the US Federal Reserve signalled Quantitative Easing (QE) tapering could start this year and finish in mid-2022. The Bank of Canada ended its bond purchase program earlier than expected, the Bank of England prepared the market for a November rate hike, and the European Central Bank while leaving policy settings unchanged, signalled that QE would be reduced.

While bond markets fell, global equity markets, particularly the US, had a positive month. Equity markets largely ignored concerns around global supply constraints and inflation pressures. Third quarter earnings results were positive and helped buoy sentiment.

Markets seemed less focused on COVID-19 as vaccine rollouts continued around the world. Over October, cases declined globally with vaccination coverage continuing to be successful in breaking the exponential case trajectory seen in many countries last year.

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