

# Performance Summary

Police Super  
October 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 October 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                     | 0.3       | 1.1        | 1.4    | 3.8      | 1.5            | 1.4            | 1.5            | 1.8             |
| Capital Defensive        | -0.8      | -1.5       | -0.6   | 2.7      | 0.5            | 2.1            | 2.6            | 3.4             |
| Conservative             | -1.2      | -2.4       | -1.3   | 3.2      | 1.9            | 3.2            | 3.8            | 4.4             |
| Moderate                 | -1.7      | -3.7       | -2.4   | 3.2      | 3.6            | 4.2            | 5.0            | 5.5             |
| Socially Responsible     | -1.7      | -4.9       | -3.8   | 4.8      | 6.0            | 5.8            | 6.4            | 6.1             |
| Balanced                 | -2.1      | -4.6       | -2.9   | 3.5      | 5.6            | 5.7            | 6.5            | 6.8             |
| High Growth              | -2.2      | -5.1       | -3.3   | 3.8      | 6.7            | 6.3            | 7.6            | 7.7             |
| Defined Benefit Strategy | -1.7      | -4.0       | -2.5   | 3.0      | 7.5            | 6.7            | 7.7            | 7.7             |

Key drivers of performance:

- All diversified investment options delivered negative returns. Equity and Fixed Interest asset classes all declined during the month.
- Australian and International Equities asset class returns were driven lower by conflict in the Middle East, higher bond yields and recessionary fears.
- The Fixed Interest asset class was impacted by rising bond yields due to inflation and central banks reiterating their determination to control inflation through monetary policy action.
- In November, the Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) to 4.35%.

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 October 2023**

Returns are net of fees and gross of tax

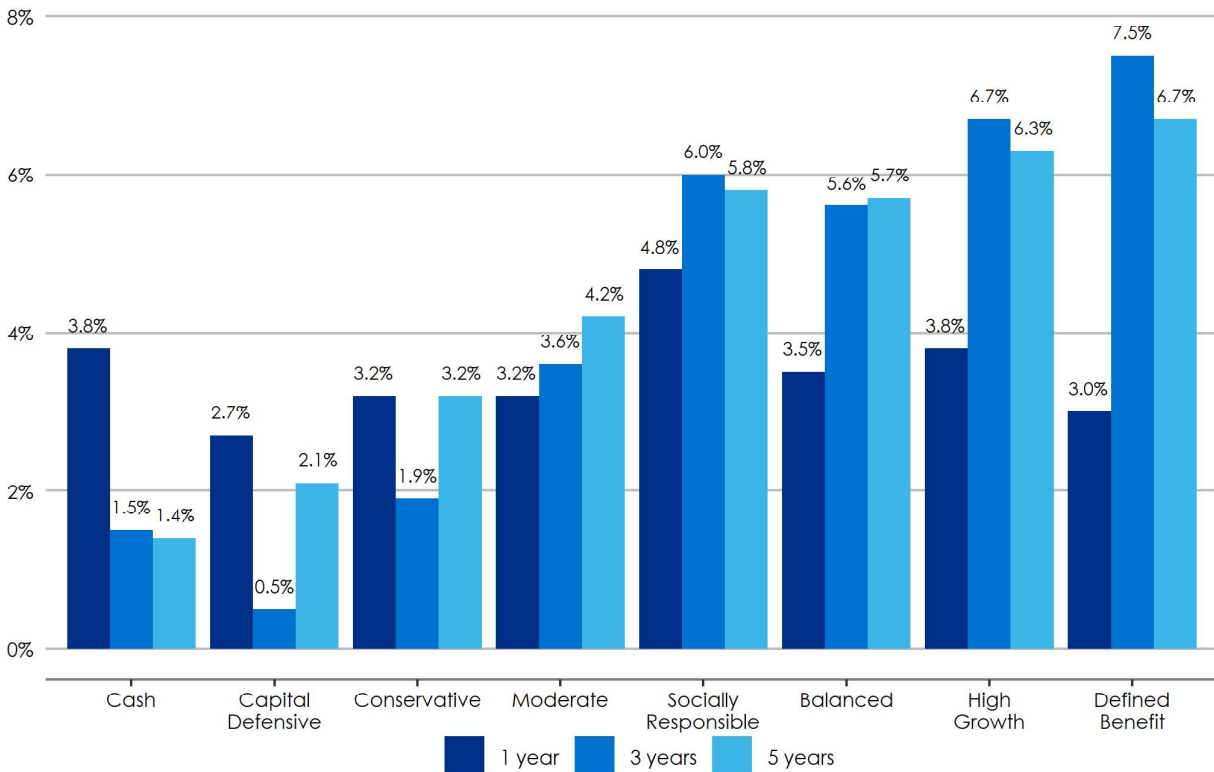
| Investment option    | Investment horizon | Investment objective % p.a. | Tax-Exempt investment option performance % p.a. |
|----------------------|--------------------|-----------------------------|---|
| Cash                 | 0+ years           | RBA Cash Rate = 3.6         | 3.8   |
| Capital Defensive    | 2+ years           | (CPI + 0.5%) = 6.8          | -1.2  |
| Conservative         | 4+ years           | (CPI + 1.5%) = 5.9          | 1.8   |
| Moderate             | 6+ years           | (CPI + 2.5%) = 6.2          | 4.1   |
| Socially Responsible | 10+ years          | (CPI + 3.0%) = 6.1          | 6.2   |
| Balanced             | 10+ years          | (CPI + 3.5%) = 6.3          | 6.8   |
| High Growth          | 10+ years          | (CPI + 4.5%) = 7.3          | 7.8   |
| Defined Benefit      | 10+ years          | (CPI + 4.5%) = 7.2          | 7.7   |

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 October 2023**

Returns are net of fees and gross of tax

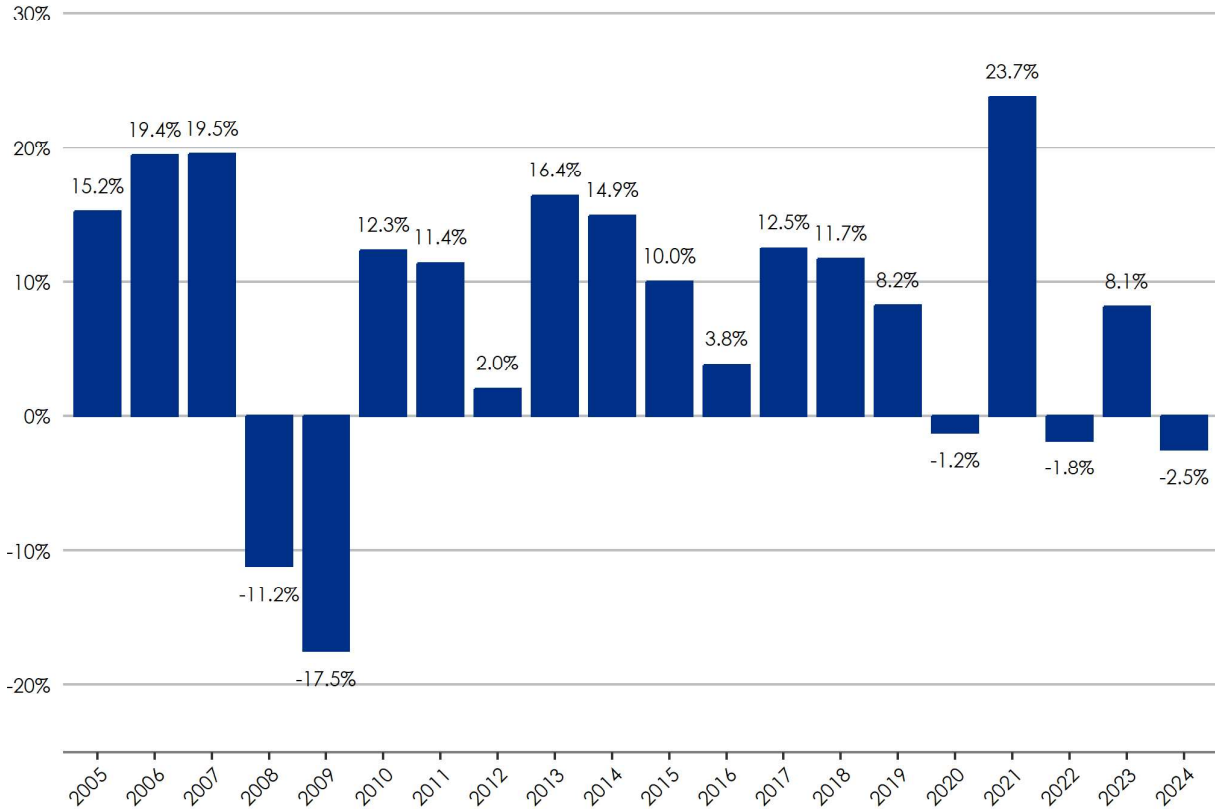


## Historical performance

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 October 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 October 2023**

| Funds under management                                       | Defined Benefit Strategy<br>\$m |
|--|---------------------------------|
| Police Superannuation Fund - Old Scheme Division             | 620.6                           |
| Police Superannuation Scheme - Employer Contribution Account | 1,666.8                         |
| <b>Total</b>   | <b>2,287.4</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 October 2023**

| Asset class                        | Cash<br>%    | Capital<br>Defensive<br>% | Conservative<br>% | Moderate<br>% | Socially<br>Responsible<br>% | Balanced<br>% | High<br>Growth<br>% | Defined<br>Benefit<br>% |
|------------------------------------|--------------|---------------------------|-------------------|---------------|------------------------------|---------------|---------------------|-------------------------|
| Australian Equities                | 0.0          | 4.9                       | 8.8               | 15.7          | 25.1                         | 21.6          | 25.4                | 19.7                    |
| International Equities             | 0.0          | 5.2                       | 12.6              | 21.5          | 30.4                         | 28.8          | 34.2                | 26.1                    |
| Private Markets                    | 0.0          | 1.2                       | 2.5               | 3.8           | 1.7                          | 5.9           | 7.4                 | 14.9                    |
| Property                           | 0.0          | 5.9                       | 7.0               | 7.0           | 13.0                         | 9.0           | 13.6                | 17.3                    |
| Infrastructure                     | 0.0          | 8.4                       | 8.0               | 5.0           | 3.6                          | 6.4           | 5.4                 | 5.2                     |
| Alternatives                       | 0.0          | 4.1                       | 4.2               | 3.2           | 0.0                          | 2.1           | 0.0                 | 8.2                     |
| Credit                             | 0.0          | 3.3                       | 7.4               | 7.5           | 0.0                          | 6.5           | 7.5                 | 6.3                     |
| Fixed Interest                     | 0.0          | 47.9                      | 35.2              | 24.0          | 16.8                         | 13.1          | 0.0                 | 0.0                     |
| Cash                               | 100.0        | 19.1                      | 14.4              | 12.2          | 9.4                          | 6.7           | 6.5                 | 2.4                     |
| <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>            |
| <b>Foreign Currency</b>            | <b>0.0</b>   | <b>4.2</b>                | <b>9.3</b>        | <b>15.6</b>   | <b>21.4</b>                  | <b>20.9</b>   | <b>24.5</b>         | <b>18.6</b>             |
| <b>Foreign Currency<br/>Hedge*</b> | <b>0.0</b>   | <b>1.1</b>                | <b>3.5</b>        | <b>6.4</b>    | <b>10.2</b>                  | <b>9.1</b>    | <b>10.5</b>         | <b>8.3</b>              |

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 31 October 2023**

| Market Index                                   | 1 month<br>% | 3 months<br>% | FYTD<br>% | 1 year<br>% | 3 years<br>% p.a. | 5 years<br>% p.a. | 7 years<br>% p.a. | 10 years<br>% p.a. |
|--|--------------|---------------|-----------|-------------|-------------------|-------------------|-------------------|--------------------|
| Australian Equities                            | -3.8         | -7.3          | -4.6      | 2.5         | 8.7               | 7.2               | 7.7               | 6.6                |
| International Equities                         | -1.1         | -3.8          | -1.5      | 11.7        | 10.4              | 10.0              | 11.3              | 11.3               |
| Australian Unlisted Property                   | 0.4          | -1.4          | -1.2      | -4.3        | 5.4               | 3.7               | 5.9               | 7.5                |
| Credit   | -0.8         | -1.5          | 0.0       | 8.1         | 0.4               | 1.4               | 2.1               | 3.6                |
| Global Fixed Interest                          | -2.1         | -4.7          | -4.8      | -3.8        | -7.4              | -1.1              | -0.4              | 1.9                |
| Australian Fixed Interest                      | -0.5         | 0.1           | 1.0       | 3.4         | -0.5              | 1.1               | 1.4               | 2.1                |
| Cash   | 0.3          | 1.0           | 1.4       | 3.7         | 1.5               | 1.3               | 1.5               | 1.7                |
| Foreign Currency<br>(AUD v. Developed Markets) | -1.7         | -4.9          | -4.2      | -3.1        | -3.2              | -2.8              | -2.9              | -3.0               |

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 endured a challenging month, with equity and fixed interest markets delivering negative performance.

Continuing the theme from prior months, bond markets continued to price in higher interest rates for longer. Resilient economic growth, persistent inflation and strong labour markets means that central banks are not ruling out further tightening. The increasing US debt level and Treasury issuance also contributed to bond yields rising.

There was a broad sell off across domestic, and global and emerging equity markets. The US economy has been more resilient than expected, however there are increasing fears for a global economic slowdown. Additionally, the conflict within the Middle East and concern hostilities may spread impacted negative investor sentiment.

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