

# Performance Summary

Police Super  
September 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 30 September 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	1.1	3.7	1.4	1.4	1.5	1.8
Capital Defensive	-1.1	0.2	0.2	5.0	0.9	2.1	2.7	3.5
Conservative	-1.5	-0.1	-0.1	6.8	2.4	3.1	4.0	4.7
Moderate	-2.1	-0.7	-0.7	8.1	4.3	4.1	5.1	5.9
Socially Responsible	-3.2	-2.1	-2.1	10.2	6.7	5.4	6.5	6.6
Balanced	-2.6	-0.9	-0.9	9.8	6.5	5.5	6.7	7.2
High Growth	-2.9	-1.1	-1.1	10.6	7.6	6.0	7.8	8.2
Defined Benefit Strategy	-2.4	-0.8	-0.8	7.9	8.2	6.4	7.8	8.2

Key drivers of performance:

- All diversified investment options delivered negative returns. Equity and Fixed Interest asset classes all declined during the month.
- International and Australian Equities asset class returns were driven lower by bond market movement and recessionary fears, contributing to negative investor sentiment.
- The Fixed Interest asset class was impacted by rising bond yields due to inflation and central bank comments reiterating their determination to control inflation through monetary policy action.
- The Property asset class returns were also a detractor, revaluations were lower, particularly within the Office sector.

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 30 September 2023**

Returns are net of fees and gross of tax

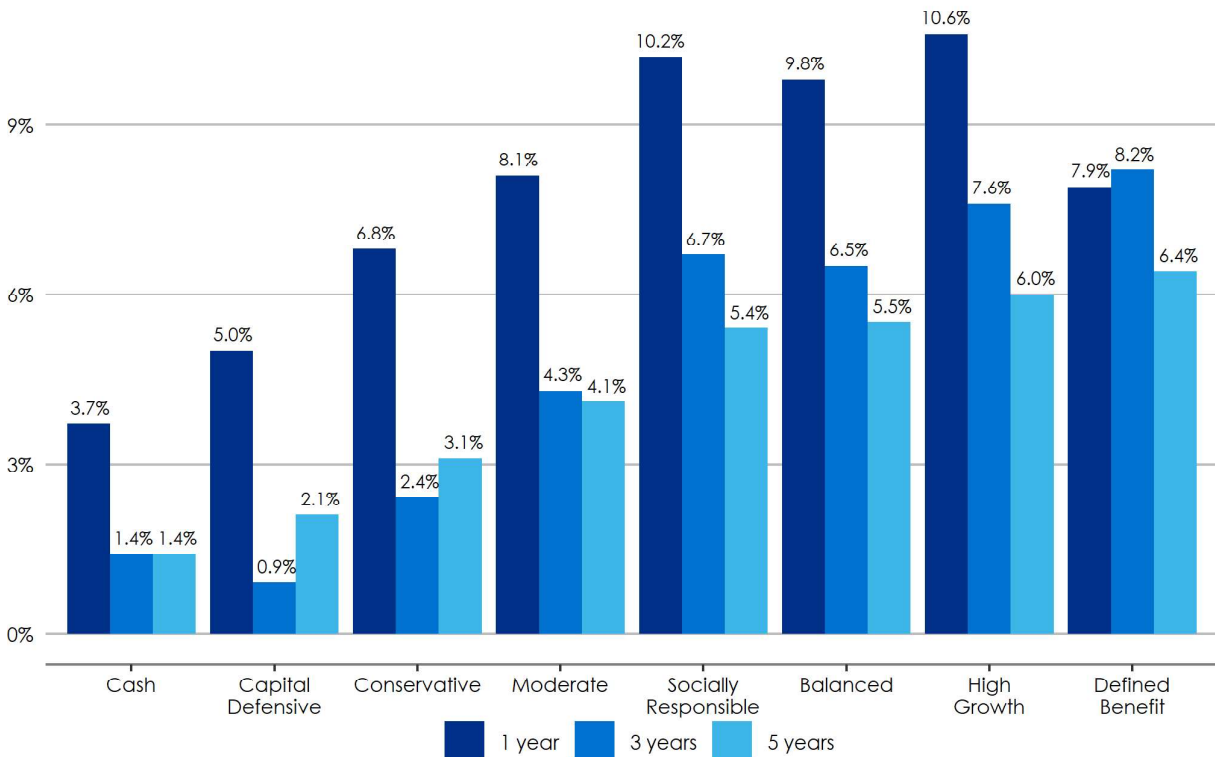
Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.
Cash	0+ years	RBA Cash Rate = 3.5	3.7
Capital Defensive	2+ years	(CPI + 0.5%) = 6.8	-1.3
Conservative	4+ years	(CPI + 1.5%) = 5.8	2.1
Moderate	6+ years	(CPI + 2.5%) = 6.2	4.7
Socially Responsible	10+ years	(CPI + 3.0%) = 6.1	6.6
Balanced	10+ years	(CPI + 3.5%) = 6.3	7.2
High Growth	10+ years	(CPI + 4.5%) = 7.3	8.3
Defined Benefit	10+ years	(CPI + 4.5%) = 7.2	8.1

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 30 September 2023**

Returns are net of fees and gross of tax

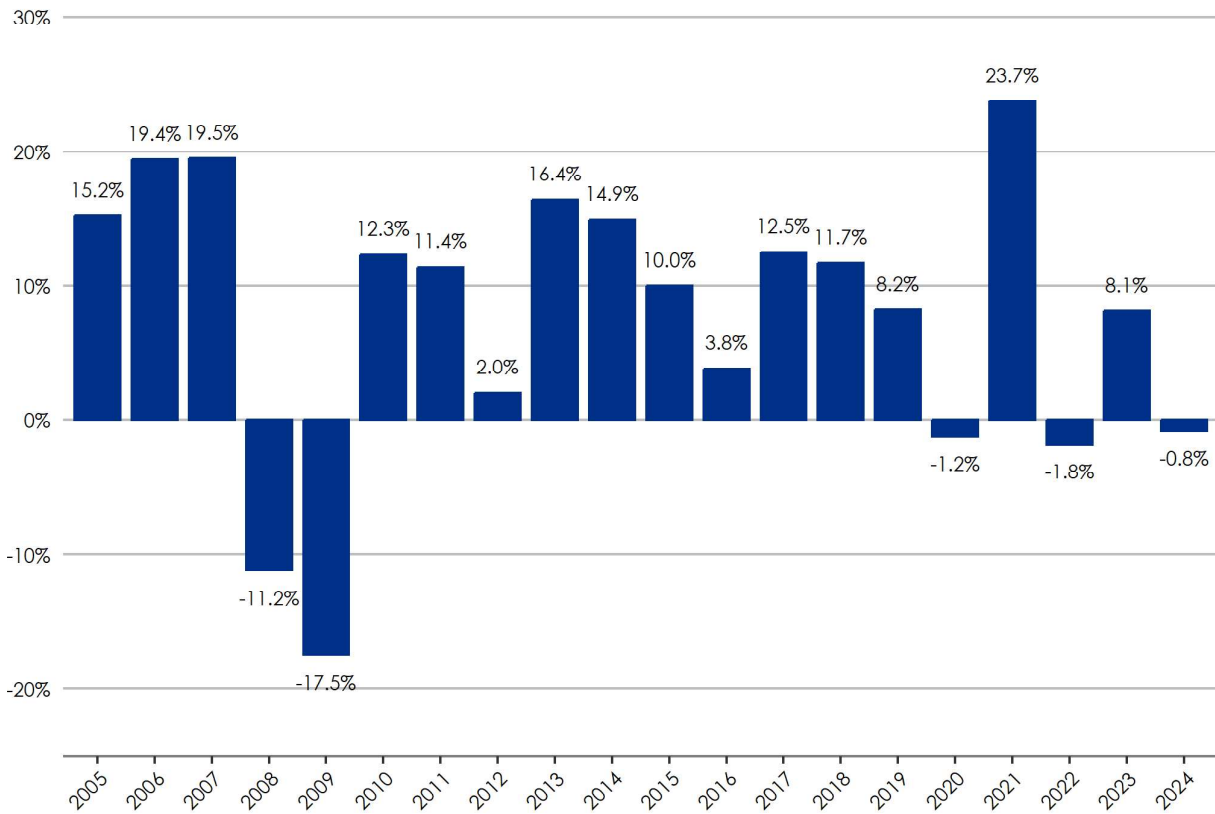


## Historical performance

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 30 September 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 30 September 2023**

Funds under management	Defined Benefit Strategy \$m
Police Superannuation Fund - Old Scheme Division	634.3
Police Superannuation Scheme - Employer Contribution Account	1,699.9
<b>Total</b>	<b>2,334.1</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 30 September 2023**

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Socially Responsible %	Balanced %	High Growth %	Defined Benefit %
Australian Equities	0.0	5.0	9.0	15.9	26.0	22.1	25.9	20.4
International Equities	0.0	5.3	12.7	21.5	30.2	28.6	34.2	27.1
Private Markets	0.0	1.2	2.4	3.7	1.7	5.6	7.2	14.4
Property	0.0	5.9	7.0	6.9	12.9	8.8	13.4	17.1
Infrastructure	0.0	8.2	7.8	5.0	3.5	6.2	5.3	5.1
Alternatives	0.0	4.1	4.2	3.1	0.0	2.1	0.0	8.0
Credit	0.0	3.2	7.3	7.5	0.0	6.5	7.4	6.3
Fixed Interest	0.0	49.0	34.5	22.8	16.9	11.7	0.0	0.0
Cash	100.0	18.0	15.1	13.7	8.8	8.4	6.7	1.7
<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>

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 30 September 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	-0.8	-0.8	12.9	10.8	6.6	8.0	7.4
International Equities	-3.8	-0.4	-0.4	20.4	10.7	9.0	11.3	11.7
Australian Unlisted Property	-2.0	-1.6	-1.6	-4.4	5.3	3.7	5.7	7.5
Credit	-0.7	0.7	0.7	10.3	0.7	1.4	2.3	3.8
Global Fixed Interest	-2.8	-2.7	-2.7	-1.2	-6.7	-0.7	-0.5	2.2
Australian Fixed Interest	-0.3	1.4	1.4	4.4	-0.3	1.3	1.4	2.1
Cash	0.3	1.1	1.1	3.6	1.4	1.3	1.4	1.7
Foreign Currency (AUD v. Developed Markets)	0.1	-2.7	-2.7	-0.7	-2.3	-1.7	-2.0	-2.7

Note:

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

Equity returns are expressed in AUD.

## Financial market commentary

Investment markets endured a challenging month, with equity and fixed interest markets delivering negative performance due to sharply rising bond yields.

Bond yields rose significantly despite most developed market central banks keeping interest rates on hold during September. Continuing the theme from August, bond markets priced in higher interest rates for longer on the back of expectations for resilient economic growth and sticky inflation. US treasury issuance increased during the month and Japanese investors continued to move away from holding US treasuries, both contributing to higher bond yields. The US 10-year Treasury yield rose to its highest level since 2007.

There was a broad sell off across domestic, and most global and emerging equity markets. In addition to high bond yields, negative investor sentiment, continued weakness in China's economy and concern around their Property sector, and higher energy prices, all contributed to the equity market sell off.

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