

Performance Summary



Police Super – Members

March 2023

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.

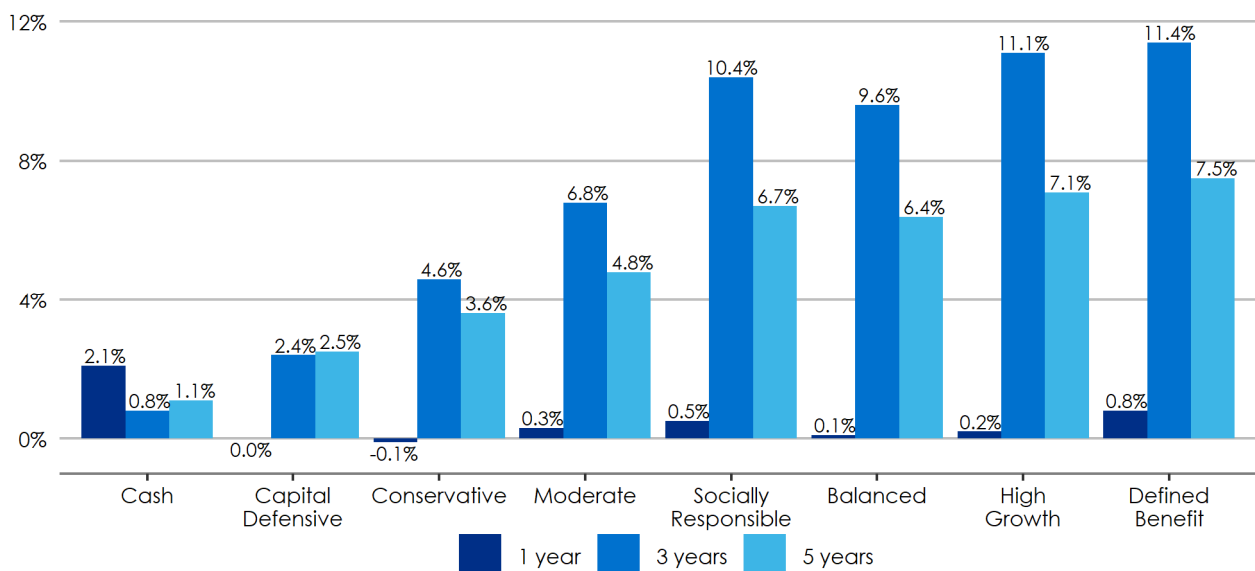
Table 1: Defined Benefit Strategy and Super SA Triple S investment options returns to 31 March 2023

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	0.8	2.0	2.1	0.8	1.1	1.4	1.8
Capital Defensive	1.2	2.9	4.2	0.0	2.4	2.5	3.2	3.8
Conservative	1.0	3.3	5.3	-0.1	4.6	3.6	4.5	5.0
Moderate	1.1	3.9	6.4	0.3	6.8	4.8	5.8	6.3
Socially Responsible	1.9	6.0	9.3	0.5	10.4	6.7	7.1	7.4
Balanced	0.9	4.3	7.6	0.1	9.6	6.4	7.4	7.7
High Growth	0.7	4.4	8.2	0.2	11.1	7.1	8.6	9.0
Defined Benefit Strategy	0.4	3.5	6.1	0.8	11.4	7.5	8.6	8.8

Chart 1: Defined Benefit Strategy and Super SA Triple S investment options annualised returns to 31 March 2023

Returns are net of fees and gross of tax



Key drivers of performance:

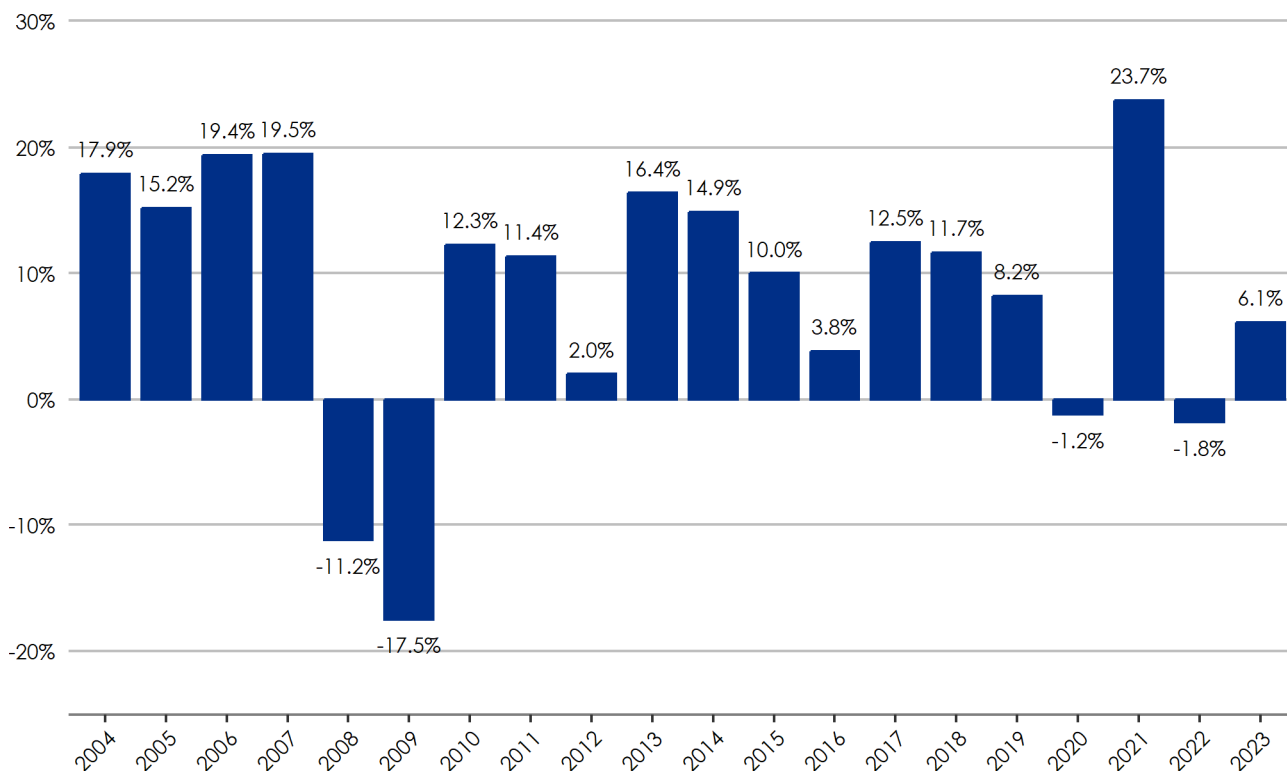
- All investment options generated positive returns.
- International Equities was a key contributor across all investment options. International equity markets rallied following swift actions from regulators to resolve instability in the global banking sector.
- Fixed Interest delivered positive returns as yields fell following a market repricing. This bolstered performance for the lower risk investment options (Capital Defensive, Conservative, and Moderate). The higher risk investment options also benefited however to a lesser extent due to smaller allocations to the asset classes.
- Property detracted across all investment options due to negative performance of listed Australian property and revaluation activity in Office and Diversified funds.
- Australian Equities was a consistent detractor across the investment options. The Australian equity market declined as the global banking turmoil had spill over effect to the Australian Financial and Real Estate sectors.
- The Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.25% from 3.35% to 3.60%. At the time of writing, the RBA left the OCR unchanged at 3.60% (4 April 2023).

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

Returns are net of fees and gross of tax



2023 is FYTD to 31 March 2023.

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 March 2023

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Socially Responsible %	Balanced %	High Growth %	Defined Benefit %
Cash	100.0	19.6	15.3	10.7	7.2	8.5	6.5	2.4
Fixed Interest	0.0	37.0	22.1	14.0	17.1	7.1	0.0	0.0
Inflation-Linked Securities Tax-Exempt	0.0	10.4	10.6	9.5	0.0	4.3	0.0	0.0
Diversified Strategies Income	0.0	10.8	14.7	11.7	0.0	7.9	6.8	13.6
Property Tax-Exempt	0.0	6.2	8.8	8.8	13.3	9.6	14.4	17.7
Australian Equities Tax-Exempt	0.0	5.3	9.3	16.3	27.9	22.6	26.3	20.1
International Equities Tax-Exempt	0.0	5.4	13.2	22.3	29.2	29.1	34.7	28.5
Diversified Strategies Growth Tax-Exempt	0.0	5.2	6.1	6.7	5.3	10.8	11.3	17.7
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.

Note: The Diversified Strategies Income asset class comprises Investment-Grade Credit, Credit, Defensive Alternatives, and Growth Alternatives, while the Diversified Strategies Growth asset class comprises Private Equity and Core Infrastructure.

Financial market snapshot

The table below summarises general financial market performance. The market indices used in the table below are different to the indices that Funds SA uses to target and measure the performance of its asset classes and investment options. As a result, the table below is not reflective of Funds SA performance and should not be used for comparison purposes.

Table 3: Major market index returns to 31 March 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.
Cash and Fixed Income								
Australian Cash	0.3	0.8	2.0	2.0	0.7	1.1	1.3	1.7
Australian Government	3.5	4.9	4.4	0.4	-3.0	1.3	1.6	2.6
Australian Inflation-Linked	4.1	6.7	8.7	2.3	1.9	2.9	2.7	3.4
Global Treasuries	2.4	2.6	-1.1	-5.2	-3.4	0.2	0.8	2.5
Global Inflation-Linked	3.3	3.2	-3.3	-13.0	-1.1	0.8	2.1	2.5
Credit								
Global Credit	2.0	2.4	-0.2	-7.0	-1.8	0.3	1.3	2.6
Global High-Yield	0.4	2.3	6.3	-5.6	3.8	0.7	3.4	3.9
Emerging Market Debt	1.4	2.2	5.2	-5.9	0.3	-0.2	1.5	1.8
Property								
Australian Listed Property	-6.8	0.3	4.2	-14.0	14.2	5.2	4.6	8.0
Equities								
Australian Equities	-0.2	3.3	13.3	-0.6	16.6	8.6	9.4	8.1
Global Equities	2.5	7.4	10.3	-5.5	16.7	8.9	10.2	9.8
US Equities	3.7	7.5	10.0	-7.7	18.6	11.2	12.4	12.2
European Equities	0.1	8.6	15.0	5.0	15.1	6.6	7.7	7.1
Japanese Equities	1.7	7.2	9.5	5.3	15.4	6.0	8.4	9.2
Asia (ex Japan) Equities	2.9	4.5	1.1	-5.2	8.0	1.5	6.5	5.2
Emerging Market Equities	2.2	3.8	1.9	-6.2	9.2	2.3	6.8	5.4
Global Small Companies	-2.4	4.5	10.1	-8.8	17.7	4.5	7.9	7.8
Currency								
Australian Dollar vs Developed Market Basket	-1.6	-2.2	-3.9	-9.5	3.4	-2.0	-1.6	-3.6

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

Financial markets were highly volatile during the month stemming from the failure of some US regional banks and the takeover of Credit Suisse by UBS. However, by month end financial markets had settled and global bond and equity markets returned 2.4% and 2.5%, respectively. Inflation and central bank actions, however, remain the key drivers of market movements.

Inflation pressures continued to persist, and many developed market central banks raised rates. The Reserve Bank of Australia, the US Federal Reserve, and the Bank of England raised rates 0.25%. Communication from these central banks was unanimous in their intent to address inflation, however, many were cognisant of tensions in markets following the collapse of Silicon Valley Bank (SVB), Signature Bank, and Silvergate Bank in the US, and Credit Suisse in Europe. Initially, markets fell following the collapse of the banks amid fears of potential global contagion. However, markets rallied after regulators acted quickly to provide confidence to depositors, investors, and markets.

There are signs that monetary policy tightening is slowing economic growth and dampening inflation. This, coupled with the bank collapses, saw expectations for monetary policy change significantly over the month with the market pricing in a rate cut cycle late this year.

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