Performance Summary

Police Super – Members

May 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.

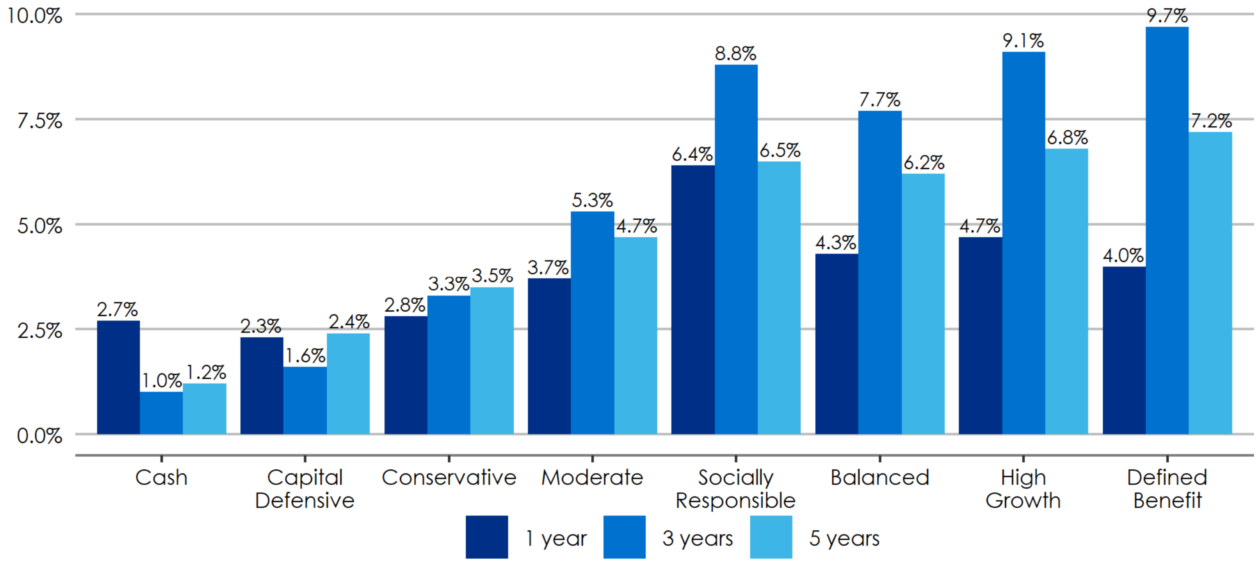
Table 1: Defined Benefit Strategy and Super SA Triple S investment options returns to 31 May 2023

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	0.9	2.7	2.7	1.0	1.2	1.4	1.8
Capital Defensive	-0.4	1.4	4.4	2.3	1.6	2.4	3.0	3.7
Conservative	-0.3	1.5	5.8	2.8	3.3	3.5	4.3	4.9
Moderate	-0.4	1.8	7.1	3.7	5.3	4.7	5.5	6.1
Socially Responsible	-0.1	3.7	11.3	6.4	8.8	6.5	6.8	7.2
Balanced	-0.3	1.8	8.5	4.3	7.7	6.2	7.1	7.6
High Growth	-0.3	1.8	9.4	4.7	9.1	6.8	8.2	8.7
Defined Benefit Strategy	-0.1	1.5	7.2	4.0	9.7	7.2	8.2	8.6

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

Returns are net of fees and gross of tax



Key drivers of performance:

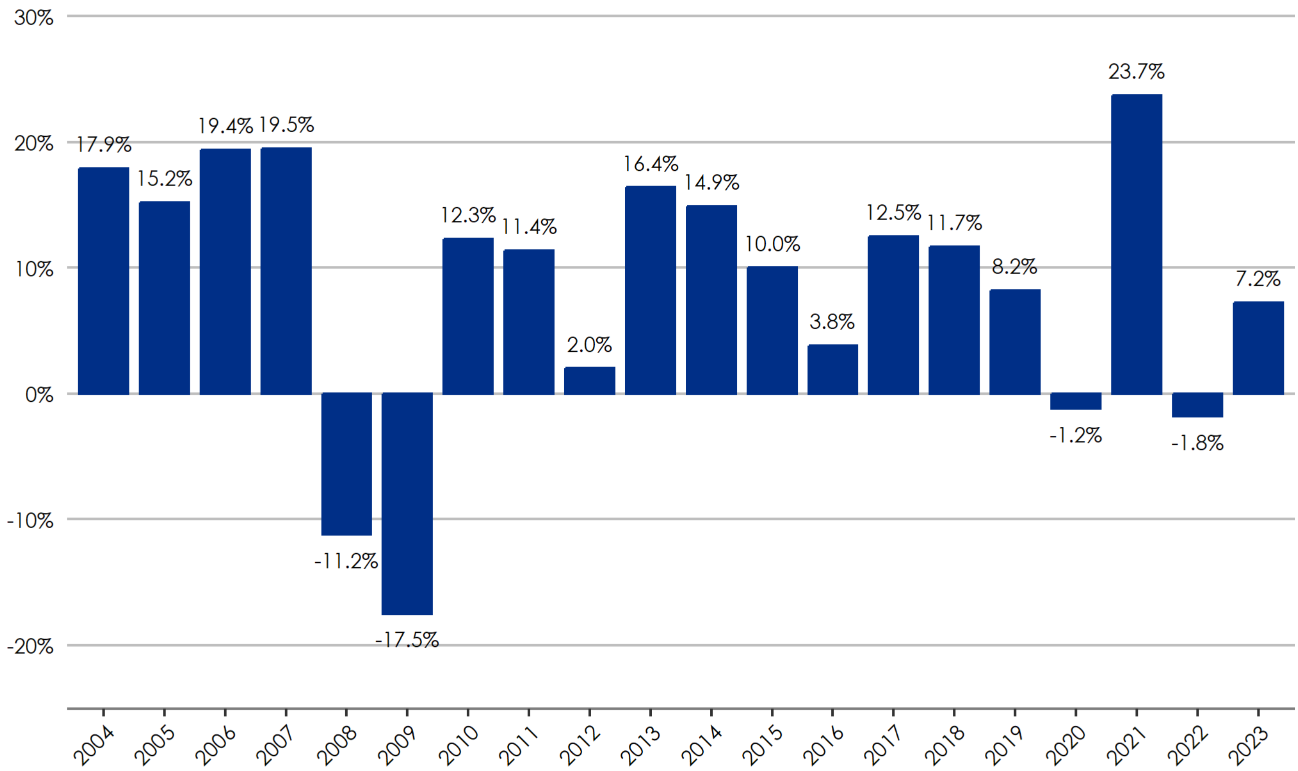
- All investment options delivered negative returns, except the Cash investment option which was slightly positive.
- Australian Equities asset class was a key detractor for all investment options. Primarily driven by a sell-off in Australian equities following the higher-than-expected April inflation print.
- For the lower risk investment options, Fixed Interest was also a detractor. Bond markets posted negative performance as yields adjusted to the expectation that interest rates may stay higher for longer.
- International Equities asset class was a positive contributor driven by gains in US Technology stocks.
- For the higher risk investment options, Diversified Strategies Growth also contributed positively as Private Markets and Core Infrastructure benefited from the receipt of March quarter valuations.
- The Reserve Bank of Australia (RBA) increased the Official Cash Rate (OCR) 0.25% from 3.60% to 3,85%. At the time of writing, the RBA had increased rates a further 0.25% to 4.10% (7 June 2023). The market is now pricing further tightening may be required and for monetary policy to stay restrictive for longer than previously expected.

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 May 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 May 2023

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Socially Responsible %	Balanced %	High Growth %	Defined Benefit %
Cash	100.0	18.6	15.7	12.3	7.4	8.1	6.3	2.4
Fixed Interest	0.0	37.1	21.0	15.1	17.1	7.0	0.0	0.0
Inflation-Linked Securities Tax-Exempt	0.0	8.9	8.9	6.0	0.0	4.9	0.0	0.0
Diversified Strategies Income	0.0	13.0	17.1	13.0	0.0	8.2	7.3	13.8
Property Tax-Exempt	0.0	6.3	8.6	8.5	13.8	9.5	14.2	17.7
Australian Equities Tax-Exempt	0.0	5.2	9.2	16.2	28.2	22.2	26.1	20.1
International Equities Tax-Exempt	0.0	5.5	13.0	21.9	28.4	29.0	34.6	27.6
Diversified Strategies Growth Tax-Exempt	0.0	5.4	6.4	7.0	5.1	11.1	11.6	18.4
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 May 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	0.9	2.6	2.6	0.9	1.1	1.3	1.7
Australian Government	-1.4	2.1	2.9	1.6	-3.4	0.9	1.1	2.3
Australian Inflation-Linked	-0.6	3.8	8.3	5.9	1.0	2.8	2.6	3.3
Global Treasuries	-0.4	2.2	-1.3	-2.5	-3.7	0.2	0.6	2.5
Global Inflation-Linked	-1.9	0.5	-6.0	-9.4	-3.5	0.3	1.6	2.5
Credit								
Global Credit	-1.0	1.7	-0.5	-3.3	-3.4	0.3	1.1	2.5
Global High-Yield	-0.6	0.0	5.9	-1.9	0.7	0.7	2.7	3.7
Emerging Market Debt	-0.9	1.0	4.8	-1.0	-2.4	0.2	1.3	1.9
Property								
Australian Listed Property	-1.8	-3.8	7.6	-3.6	8.1	4.4	4.3	7.9
Equities								
Australian Equities	-2.5	-1.0	12.4	2.4	11.3	7.4	8.3	8.1
Global Equities	-0.2	3.9	11.9	3.2	11.7	8.5	10.0	9.5
US Equities	0.4	5.7	12.2	2.9	12.9	11.0	12.4	12.0
European Equities	-3.0	-0.5	14.2	5.4	11.4	5.6	7.1	6.6
Japanese Equities	4.0	8.7	17.0	14.4	13.9	7.0	9.0	8.9
Asia (ex Japan) Equities	-1.5	-0.3	-2.0	-5.0	4.3	0.8	6.2	4.8
Emerging Market Equities	-1.0	0.5	0.2	-4.3	5.3	2.2	6.7	5.2
Global Small Companies	-2.9	-5.6	6.5	-4.4	9.1	3.2	6.9	7.2
Currency								
Australian Dollar vs Developed Market Basket	-1.5	-4.3	-6.5	-9.3	-0.4	-2.5	-1.2	-3.1

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

There were a range of themes that sent ripple effects through financial markets in May. Uncertainty relating to the US debt ceiling negotiations contributed to the rise in bond yields and lower equity markets. The receipt of economic data in China indicated a slowdown in growth and decreased investor optimism. Finally, recession fears increased in the Eurozone with falling consumer confidence and the regions reliance on Chinese growth.

Bonds weakened as inflation and interest rates continue to drive markets globally. The persistence of inflation in the developed world caused bond yields to rise as markets adjusted to the expectation that interest rates may stay higher for longer. Australian and global bonds fell 1.4% and 0.4%, respectively. Indeed, central banks continued to raise rates during May. Among those were the Reserve Bank of Australia, the US Federal Reserve, Bank of England, and the European Central Bank. At the time of writing (15 June) the US Federal paused their rate rising cycle for the first time in 15 months but signalled their willingness to increase rates in the future.

The Australian equity market's biggest sectors, Materials and Financial encountered declines through the month. Further sell offs in Australian equities occurred at the end of the month following the higher-than-expected April inflation print, with the Australian equity market ending the month 2.5% lower.

Global equites were also weak, falling 0.2% for the month as markets reacted to persistent sticky inflation and global interest rate rises. There was however a narrow rally in a few US Technology companies, those involved in Artificial Intelligence.