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**Government
of South Australia**

FUNDS SA

2024-25 Annual Report

FUNDS SA

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To:

Hon Stephen Mulligan MP

Treasurer

This annual report will be presented to Parliament to meet the statutory reporting requirements of the *Superannuation Funds Management Corporation of South Australia Act 1995* (SA) and the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

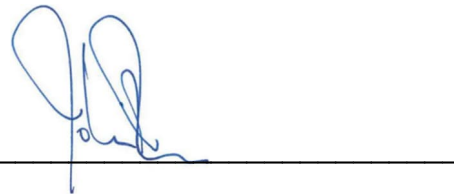
Submitted on behalf of the Superannuation Funds Management Corporation of South Australia (**Funds SA**) by:

John Piteo

Chief Executive Officer

Date: 11 September 2025

Signature:



From the Chief Executive



I am pleased to report all Funds SA investment options delivered solid returns over the 1-year to 30 June 2025. Returns ranged from 4.7% for the Cash investment option (Tax-Exempt and Taxable) to 11.2% for the High Growth Tax-Exempt investment option. The Balanced Tax-Exempt and Taxable investment options returned 9.9% and 9.8%, respectively.

Investment performance

Growth-oriented options, such as High Growth, Balanced, and Socially Responsible, benefited from strong returns in both International and Australian Equities.

Defensive options also delivered positive outcomes, supported by Fixed Interest and Credit asset classes. Our long-term strategies continue to perform well, with the Defined Benefit Strategy returning 7.9% per annum over the past decade, exceeding its target of 7.3% (i.e. CPI + 4%) over that period, and delivering 8.0% per annum since inception in 1995.

Importantly, our Indirect Cost Ratios remain at the lower end of target ranges. The Balanced Tax-Exempt option, for example, delivered an ICR of 0.66%, well within its target range of 0.65 – 0.70%. These results reinforce our commitment to disciplined investment management and delivering value for our clients.

Renewed leadership

This year marks a pivotal moment in Funds SA's journey. With a renewed leadership team and a clear strategic direction, we are entering a new era, one grounded in the same values that have guided us for three decades: trust, resilience, and a commitment to delivering for South Australians. The appointment of Dr Guy Debelle as Chair and Con Michalakakis as Chief Investment Officer, alongside my own role as CEO, signals a strong and united leadership team focused on long-term performance and stewardship of our \$48 billion portfolio.

This transition is more than a change in roles. It's a reflection of our ambition to evolve and continue delivering strong investment outcomes for our clients. We've also strengthened our executive and investment teams, promoting internal talent and building capability to support our future aspirations. I'm proud of how far we've come, and I'm confident in where we're heading. Together, we remain focused on maximising opportunities, managing risk, and shaping a secure financial future for South Australians today and for generations to come.

Investment Strategy Review

In our pursuit of strong, sustainable, long-term returns for our clients we made some meaningful changes to our investment strategy during the financial year, including:

- reducing active risk across our portfolio
- broadening the growth drivers across the portfolios, with a sharper focus on growth strategies with low correlation to listed equities
- embracing a deeper partnership model with our asset consultant, JANA.

Within the Australian and International Equities assets classes, active risks have been reduced in favour of passive or low risk quantitative strategies. The fee budget (passive strategies are typically lower fee relative to active) has been reallocated to other growth strategies with low or no correlation with listed equities.

While some of the changes will take time to implement, they are already showing promising signs, reflected in Funds SA's recent performance outcomes.

AI-forward strategy

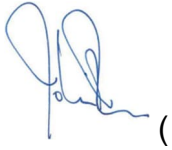
Funds SA launched our "AI-forward" strategy, an organisation-wide initiative designed to embrace AI as a strategic enabler, one that amplifies human capability, enhances decision-making, and fosters innovation across our operations.

The AI Forward intent is not about technology for its own sake - it's about people. The initiative is designed to uplift AI literacy across the entire organisation, ensuring that every employee is equipped to engage confidently with emerging tools. This people-first approach is central to embedding AI capability into the organisation's culture and the way we work.

Rather than relying on a few champions, Funds SA is committed to raising the baseline. As part of this shift, AI-related priorities will be included in all staff Performance & Development Plans from this year onward. They will focus on skill and literacy uplift, safe governance frameworks, productivity gains, trialling new capabilities and fostering a culture of shared learning and collaboration.

30-years of demonstrated financial leadership

This year, we proudly celebrate three decades of growth, innovation, and stewardship at Funds SA. Over the past 30 years, we've built a strong legacy of navigating market cycles, adapting to change, and delivering long-term value for our clients and government partners. Our success is underpinned by the deep expertise of our people, robust systems, and proven processes that support sustainable investment practices. Through fit-for-purpose strategies, expert portfolio management, and responsible stewardship, we've consistently demonstrated financial leadership. As we look back with pride and forward with purpose, our commitment remains clear: to help our clients grow and sustain their investments for the next 30 years and beyond.

A handwritten signature in blue ink, appearing to read 'John Piteo', followed by an opening parenthesis '('.

John Piteo

Chief Executive Officer

Funds SA

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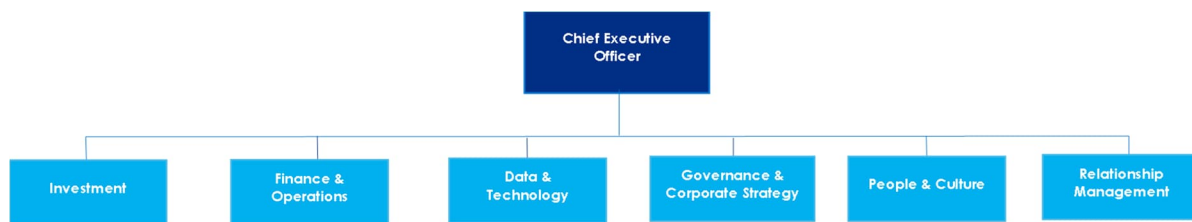
Overview: about the agency

Our strategic focus

Our Purpose	<p>Funds SA was established in July 1995 under the <i>Superannuation Funds Management Corporation of South Australia Act 1995</i> (SA) (Funds SA Act). It became the successor organisation to the South Australian Superannuation Fund Investment Trust.</p> <p>Funds SA's role as set down in the Funds SA Act is to invest and manage certain South Australia's public sector superannuation funds, and nominated funds of approved authorities, pursuant to strategies formulated by Funds SA.</p>
Our Vision	Deliver superior investment outcomes to clients
Our Values	<p>Client-centricity</p> <ul style="list-style-type: none"> • Our client's best interests are at the centre of our decisions • We recognise our work drives positive client experiences and outcomes • We communicate the value of what we do <p>Collaboration</p> <ul style="list-style-type: none"> • We work across teams to define challenges, find solutions and reach shared goals • We engage with peers and the industry to achieve results • We share timely insights and involve others when impact is broad <p>Courage</p> <ul style="list-style-type: none"> • We constructively question the status quo in pursuit of improvements • We embrace setbacks as opportunities for continuous learning and improvement • We contribute positively, listen openly and engage with mutual respect • We are prepared to take appropriate risk to achieve outcomes <p>Curiosity</p> <ul style="list-style-type: none"> • We ask 'why' to deepen understanding and uncover opportunities

	<ul style="list-style-type: none"> • We own our learning and use initiative to learn through cross-team connection and sharing • We volunteer for new challenges and use feedback to improve • We make time to think creatively and welcome bold ideas
Our functions, objectives and deliverables	<p><u>Objective:</u></p> <p>Funds SA's objective is to achieve the highest return possible on investment of the funds whilst having proper regard for:</p> <ul style="list-style-type: none"> • the need to maintain the risks relating to investment at an acceptable level; • the need for liquidity in the funds; and • such other matters as are prescribed by regulation. <p><u>What we will be known for:</u></p> <ol style="list-style-type: none"> 1. Superior Investment Performance 2. Strong Partnership and Client Relationships 3. Business Excellence

Our organisational structure



Changes to the agency

During 2024-2025 the following changes to the agency's structure and objectives as a result of internal reviews.

Board changes

- Departure of Paul Laband as the Chair of the Funds SA Board
- Appointment of Guy Debelle as the Chair of the Funds SA Board
- Departure of Judith Smith and Jane Jeffreys as Directors of the Funds SA Board
- Appointment of Melinda OLeary, Anna Shave and Dr Sarah Pearson as Directors of the Funds SA Board

Executive changes

- Appointment of Con Michalakis as Chief Investment Officer
- Departure of Matthew Kempton as Deputy Chief Investment Officer and Director of Equities
- Appointment of Emma James as Executive Director, Data & Technology
- Appointment of Craig Hamilton as Executive Director, Finance & Operations
- Appointment of Judy Wilson as Head of Relationship Management

Our Minister (s)

The Treasurer, the Hon Stephen Mullighan MP, (**Minister**) is the responsible minister for Funds SA.

Section 21 of the Funds SA Act states that Funds SA 'is subject to the direction and control of the Minister', noting that the Minister is precluded under section 21(2)(b) of the Funds SA Act from making a direction to Funds SA in relation to an investment decision, dealing with property or the exercise of a voting right.

From 25 November 2022, section 21 of the Funds SA Act was amended to allow the Minister to direct Funds SA 'in relation to divestment of Russian assets' and, on 30 November 2022, the Minister directed Funds SA 'to divest from Russian assets, in a prudent manner that is consistent with [Funds SA's] pre-existing and overall objectives having regard to market conditions.' The Minister further directed that, when giving effect to this direction, Funds SA 'must act consistently with its

responsibilities to the entities for whom it invests and manages funds and in accordance with applicable sanctions laws’.

Funds SA commenced divestment of Russian assets in March 2022 and continues to do so in accordance with the above direction. Funds SA must review the operation of the direction annually, and report on the review to the Minister and within this Annual Report.

Our Executive team

Mr John Piteo, Chief Executive Officer

John Piteo is responsible for the leadership and strategic direction of Funds SA.

Mr Con Michalakis, Chief Investment Officer

Con Michalakis leads the Funds SA investment team, with responsibility for the development and implementation of investment strategy, portfolio management, and management of the Funds SA investment options.

Ms Judy Wilson, Head of Relationship Management

Judy Wilson is responsible for client and stakeholder engagement, strategy and communications. Her role supports the positioning of Funds SA as a trusted and respected funds management organisation.

Ms Jacki Kittel, Executive Director, People and Culture

Jacki Kittel is responsible for Funds SA’s People and Culture strategy, and the design and execution of Corporate Strategy.

Mr Tony Burrill, Executive Director, Governance and Corporate Strategy

Tony Burrill is responsible for the implementation of Funds SA’s enterprise risk management framework, corporate governance, legal and compliance function and corporate strategy. He also coordinates the secretarial functions to the Board and Audit and Risk Committee and oversees Funds SA’s internal audit function.

Ms Emma James, Executive Director, Data and Technology

Emma James is responsible for enterprise technology and the investment data and analytics architecture.

Mr Craig Hamilton, Executive Director, Finance & Operations

Craig Hamilton is responsible for the functions and activities in the investment operations, fund accounting, corporate finance, asset servicing and tax areas.

Legislation administered by the agency

Superannuation Funds Management Corporation of South Australia Act 1995 (SA).

Other related agencies (within the Minister’s area/s of responsibility)

- Department of Treasury and Finance

- Lifetime Support Authority
- South Australian Government Finance Authority

The agency's performance

Performance at a glance

Funds SA Tax-Exempt investment option investment returns, periods to 30 June 2025, returns net of fees and gross of tax.

Investment option	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.	20 years % p.a.
Cash	4.7	4.1	2.5	2.2	2.1	2.7	3.4
Capital Defensive	7.4	5.6	3.3	3.4	3.7	4.8	5.0
Conservative	8.1	6.8	4.8	4.5	4.8	6.0	5.7
Moderate	9.1	8.1	6.5	5.6	6.0	7.1	n.a.
Socially Responsible	10.7	10.0	8.8	7.1	6.8	7.9	n.a.
Balanced	9.9	9.3	8.3	7.0	7.3	8.3	7.1
High Growth	11.2	10.2	9.4	7.7	8.3	9.4	7.7
Defined Benefit	9.3	8.0	8.9	7.3	7.9	8.9	7.4
LSA Strategy	9.5	8.1	9.0	7.4	7.5	n.a.	n.a.
SAFA Investment Strategy	9.3	8.0	8.1	6.8	7.4	8.5	n.a.

Funds SA Taxable investment option investment returns, periods to 30 June 2025, returns net of fees and gross of tax.

Investment option	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.
Cash	4.7	4.1	2.5	2.2	2.1	2.7
Capital Defensive	7.2	5.5	3.3	3.3	3.5	4.6
Conservative	7.9	6.7	4.7	4.3	4.6	5.7
Moderate	8.7	7.9	6.5	5.6	5.8	6.8
Socially Responsible	10.7	10.0	8.8	7.1	6.8	7.9
Balanced	9.8	9.2	8.4	7.0	7.2	8.0
High Growth	11.1	10.0	9.5	7.7	8.2	9.1
University of Adelaide	6.1	8.4	8.6	7.0	n.a.	n.a.

Agency specific objectives and performance

The object of Funds SA in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- (a) the need to maintain the risks relating to investment at an acceptable level; and
- (b) the need for liquidity in the funds; and
- (c) such other matters as are prescribed by regulation.

Through the investment return on the Defined Benefit strategy, Funds SA has made a positive contribution to the management of the State's liabilities associated with the defined benefit scheme.

Agency objectives	Indicators	Performance
Investment of Defined Benefit funds.	<p>The objective of the Defined Benefit investments is stated below:</p> <p>The Defined Benefit investment option is structured for investors with an investment horizon of at least 10 years. Over this period, it aims to earn a return averaging 4.5% in excess of the rate of inflation. There is no guarantee, however, that the objective will be met. This is because financial markets are volatile and future returns may vary from returns earned in the past. Indeed, for funds with exposure to growth assets there is a material likelihood that returns may be negative in any particular year.</p>	<p>The Defined Benefit Strategy has returned 7.9% p.a. over the past 10 years, 0.6% above the target return for the period. Since inception in 1995, the Strategy has returned 8.0% p.a. However, annual returns may be volatile.</p>

Funds SA investment option performance vs. investment objective, for periods 30 June 2025, returns are net of fees and gross of tax*

Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.	Taxable investment option performance % p.a.
Cash	0+ years [^]	RBA Cash Rate = 4.2	4.7	4.7
Capital Defensive	2+ years	(CPI + 0.5%) = 3.5	6.4	6.2
Conservative	4+ years	(CPI + 1.5%) = 6.1	3.2	3.2
Moderate	6+ years	(CPI + 2.5%) = 6.3	5.3	5.3
Socially Responsible	10+ years	(CPI + 3.0%) = 6.2	6.8	6.8
Balanced	10+ years	(CPI + 3.5%) = 6.4	7.3	7.2

Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.	Taxable investment option performance % p.a.
High Growth	10+ years	(CPI + 4.5%) = 7.4	8.3	8.2
Defined Benefit	10+ years	(CPI + 4.5%) = 7.3	7.9	n.a.
LSA Strategy	10+ years	6.25%	7.5	n.a.
SAFA Investment Strategy	4+ years	(CPI + 1.5%) = 8.2	5.0	n.a.

*Investment objective and investment option performance are expressed over the stated investment horizon for each investment option. Note where elements of the investment objectives have changed over time, the investment objective series reflects a combination of the former and current objectives.

^The Cash investment option performance is assessed over 1-year rolling period. The investment objective reflects the Reserve Bank of Australia (RBA) Cash Rate over a 1-year rolling period.

The University of Adelaide Strategy was established in May 2016, with a customised strategy implemented March 2022. The University of Adelaide Strategy does not have the history to meet the investment horizon of 10+ years, therefore is not included in the table above.

The SAFA Strategy adopted a conservative investment strategy from 23 December 2024. Prior to this date, the investment objective was CPI+4% measured over 8 years.

Employment opportunity programs

Program name	Performance
Online Diversity Training	<p>Funds SA has 3 mandatory courses and an extra 2 optional courses offered via the SBS online learning portal. These engaging and contemporary courses include:</p> <ul style="list-style-type: none"> • Core Inclusion • Appropriate Workplace Behaviour • Cultural Diversity • Gender Equity • First Nations People
Flexible Working Arrangements	<p>Funds SA continues to support a range of flexible working arrangements, underpinned by Policy and Procedure.</p> <p>Employees are able to access part-time hours, flexibility in start and finish times, working from home, amongst others.</p>

Agency performance management and development systems

Performance management and development system	Performance
<p>Funds SA is committed to effective performance management and development that supports meaningful, regular conversations between managers and staff that lead to optimising and continuously improving performance.</p>	<p>Funds SA has a robust Performance Management process that is embedded in the business.</p> <p>Performance discussions are conducted biannually, achieving a 100% completion rate for Mid-Year Reviews completed in January/February of all Funds SA staff. Annual Performance reviews are currently in progress with similar completion rates anticipated.</p>
<p>Leadership and Professional Development</p>	<p>Funds SA delivered a range of leadership and professional development activities in 2024-25, including:</p> <ul style="list-style-type: none"> • Myers-Briggs Type Indicator: Assisting employees new to the organisation to better understand themselves and how others in the organisation work. • Speak with Impact: Training to help participants become better communicators through effective voice training. • Leadership Coaching: Goals-focused coaching for key leadership roles to drive individual and team achievements. • Performance Management Process: Coaching for new Managers on the updated Performance Management process and templates. • Board and Business Writing Workshop: Workshops driving increased quality, clarity and structure of Board and Investment Committee papers. • Values workshops: Engaging with employees and leaders to define behaviours that underpin the values and the employee value proposition.

Work health, safety and return to work programs

Program name	Performance
Wellbeing Program	<p>Funds SA actively supports health and wellbeing across the organisation with a Wellbeing Program. Activities under the 2024-25 program included:</p> <ul style="list-style-type: none"> • Positive Wellbeing in the Workplace series, facilitated by Bakjac Consulting. This program included sessions for all employees based on individual wellbeing, and team wellbeing for leaders. • Coordination of a Culture Survey and focus groups, gaining critical feedback on employee wellbeing, amongst other key culture themes. • Support for the “Corporate Cup”, a be active program for runners and walkers that encourages teamwork and physical activity. • The provision of voluntary general health clinics, skin checks and flu vaccinations for all staff across the reporting period, encouraging employees to consider their personal physical health. • Utilisation of an ergonomic service provider, to ensure workstations for all staff are appropriately set-up. <p>A Wellbeing Wednesday email distributed monthly, providing communication regarding nutrition, physical and mental health.</p>
Work Health and Safety Policies and Programs, Employee Assistance Programs (EAP) and other Wellness offerings.	<p>Funds SA is committed to maintaining a healthy and safe work environment. This is supported by an effective hazard and incident reporting processes, and a Work Health and Safety policy framework.</p> <p>WHS Risk Management practices are integrated into normal operations and encompass workplace inspections, First Aid Officer and Fire Warden programs, Employee Assistance programs (EAP) and a Wellbeing program. In 2024-2025, there were no workplace injuries, no lost time or notifiable incidents, and no improvement or prohibition notices were served.</p>

Workplace injury claims	Current year 2024-25	Past year 2023-24	% Change (+ / -)
Total new workplace injury claims	0	0	0%
Fatalities	0	0	0%
Seriously injured workers*	0	0	0%
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	0	0	0%

*number of claimants assessed during the reporting period as having a whole person impairment meeting the relevant threshold under the Return to Work Act 2014 (Part 2 Division 5)

Work health and safety regulations	Current year 2024-25	Past year 2023-24	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	0	0	0%
Number of provisional improvement, improvement and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	0	0	0%

Return to work costs**	Current year 2024-25	Past year 2023-24	% Change (+ / -)
Total gross workers compensation expenditure (\$)	0	0	0%
Income support payments – gross (\$)	0	0	0%

**before third party recovery

Executive employment in the agency

Executive classification	Number of executives
Executive	45

Data for previous years is available at: [Funds SA Annual Reporting Information - Dataset - data.sa.gov.au](https://data.sa.gov.au/dataset/funds-sa-annual-reporting-information).

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Financial performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2024-2025 are attached to this report.

Statement of Comprehensive Income	2024-25 Budget \$000s	2024-25 Actual \$000s	Variation \$000s	Past year 2023-24 Actual \$000s
Total Income	23,262	24,707	1,445	22,834
Total Expenses	25,913	23,318	(2,595)	23,897
Net Result	(2,651)	1,389	4,040	(1,063)
Total Comprehensive Result	(2,651)	1,389	4,040	(1,063)

Statement of Financial Position	2024-25 Budget \$000s	2024-25 Actual \$000s	Variation \$000s	Past year 2023-24 Actual \$000s
Current assets	N/A	17,997	N/A	17,194
Non-current assets	N/A	2,910	N/A	1,077
Total assets	N/A	20,907	N/A	18,271
Current liabilities	N/A	3,335	N/A	4,175
Non-current liabilities	N/A	4,226	N/A	2,139
Total liabilities	N/A	7,561	N/A	6,314
Net assets	N/A	13,346	N/A	11,957
Equity	N/A	13,346	N/A	11,957

N/A – these items are not budgeted.

Consultant disclosure

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken, and the actual payments made for the work undertaken during the financial year.

Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
All consultancies below \$10,000 each - combined	Various	\$ 15,000

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
Burgess Paluch	Recruitment	\$ 39,000
Robert Walters	Recruitment	\$ 52,000
Morton Philips	Recruitment	\$ 51,000
EGM Recruitment	Recruitment	\$ 16,000
Reward Co-Lab	Human Resources consulting	\$ 24,000
Crown Solicitor's Office	Legal advisory	\$ 13,000
Thomson Geer	Legal advisory	\$ 35,000
Brennan IT	Technology projects	\$ 156,000
	Total	\$ 386,000

Data for previous years is available at: [Funds SA Annual Reporting information consultants](#)

See also the [Consolidated Financial Report of the Department of Treasury and Finance](#) for total value of consultancy contracts across the South Australian Public Sector.

Contractors disclosure

The following is a summary of external contractors that have been engaged by the agency, the nature of work undertaken, and the actual payments made for work undertaken during the financial year.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various	\$ 37,000

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
Callum Morris	Employment matters, temporary staff	\$ 43,000
Toohey Services Pty Ltd	Employment matters, temporary staff	\$ 202,000

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Contractors	Purpose	\$ Actual payment
Robert Walters	Employment matters, temporary staff	\$ 164,000
EGM Consulting Pty Ltd	Employment matters, temporary staff	\$ 96,000
Banton Australia	Employment matters, temporary staff	\$ 15,000
Kenber Pty Ltd	Employment matters, temporary staff	\$ 147,000
Jeffrey Su Consulting	Employment matters, temporary staff	\$ 50,000
Kapital Consulting	Employment matters, temporary staff	\$ 44,000
Advance Business Consulting	IT implementation services	\$ 41,000
Protecht	IT implementation services	\$ 30,000
Solutions Plus	IT implementation services	\$ 12,000
Security Centric	Cyber security testing	\$ 56,000
ICML Pty Ltd	Staff coaching services	\$ 21,000
The Trustee for Leading Teams	Staff coaching services	\$ 10,000
Carmana Consulting	Staff coaching services	\$ 10,000
Bakjac Consulting	Staff coaching services	\$ 17,000
Brennan IT	IT support services	\$ 183,000
Rimes	IT implementation services	\$ 523,000
Factset UK	IT implementation services	\$ 1,464,000
KPMG	Internal audit	\$ 171,000
	Total	\$ 3,299,000

Data for previous years is available at: [Funds SA Annual Reporting information consultants](#)

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. [View the agency list of contracts](#).

The website also provides details of [across government contracts](#).

Risk management

Fraud detected in the agency

There have been no instances of fraud detected for the financial year 2024-25.

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented to control and prevent fraud

Funds SA has a Fraud and Corruption Control Framework in place for which employees periodically receive training.

Public interest disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Public Interest Disclosure Act 2018*:

Nil

Note: Disclosure of public interest information was previously reported under the *Whistleblowers Protection Act 1993* and repealed by the *Public Interest Disclosure Act 2018* on 1/7/2019.

Reporting required under any other act or regulation

Act or Regulation	Requirement
<i>Superannuation Funds Management Corporation of South Australia Act 1995 (SA)</i>	<p>Section 21 – Direction of Minister</p> <p>(3) Despite subsection (2)(b), a Ministerial direction may include a direction to the Corporation in relation to divestment of Russian assets.</p> <p>(4) However, any action taken by the Corporation in accordance with a direction under subsection (3) must be taken prudently and consistently with the Corporation's responsibilities to the entities for whom it invests and manages funds.</p> <p>(5) The Corporation must review the operation of subsections (3) and (4) annually (with the first such review to take place not more than 12 months following the commencement of this subsection).</p> <p>(6) A report on a review undertaken for the purposes of subsection (5) must be provided to the Minister and included in the annual report of the Corporation.</p> <p>Section 29 – Progress reports in relation to performance plan</p> <p>(1) Within 1 month after 31 December in each financial year the Corporation must prepare and give to the Minister—</p> <p>(a) a report on its progress in achieving the target for the rate of return on investment and management of the public sector superannuation funds set out in the relevant performance plan for that year; and</p> <p>(b) separate reports in relation to each approved authority on its progress in achieving the target for the rate of return on investment and management of the nominated funds of the approved authority set out in the performance plan for the authority for that year.</p> <p>(2) Within 1 month after the end of each financial year the Corporation must prepare and give to the Minister—</p> <p>(a) a report on the extent to which it has achieved the target for the rate of return on investment and management of the public sector superannuation funds set out in the relevant performance plan for that year; and</p>

Act or Regulation	Requirement
	<p>(b) separate reports in relation to each approved authority on the extent to which it has achieved the target for the rate of return on investment and management of the nominated funds of the approved authority set out in the performance plan for the authority for that year.</p> <p>(3) The Corporation must give a copy of each report prepared under subsections (1)(a) and (2)(a) to each of the superannuation boards.</p> <p>(4) The Corporation must give a copy of each report prepared in respect of an approved authority under subsections (1)(b) and (2)(b) to the approved authority to which the report relates.</p> <p>(5) If, during a financial year, the Corporation is of the opinion that the target in relation to the public sector superannuation funds or the nominated funds of an approved authority for that year is not achievable or a strategy set out in a performance plan should be modified or abandoned because a factor affecting or influencing the investment or management of the public sector superannuation funds or the nominated funds of an approved authority has changed or a new factor has arisen, the Corporation must prepare a report in relation to the matter.</p> <p>(6) A report under subsection (5) must—</p> <ul style="list-style-type: none"> (a) describe the factor concerned; and (b) explain why the target is not achievable or the strategy should be modified or abandoned; and (c) be prepared and given to— <ul style="list-style-type: none"> (i) the Minister; and (ii) if the report relates to the public sector superannuation funds—each of the superannuation boards; and (iii) if the report relates to an approved authority—the relevant approved authority, as soon as practicable after the Corporation forms its opinion on those matters. <p>Section 30—Annual reports</p> <p>(1) The Corporation must, on or before 30 September in each year, prepare and give to the Minister a report</p>

Act or Regulation	Requirement
	<p>on the performance of its function during the preceding financial year.</p> <p>(2) The report must—</p> <ul style="list-style-type: none"> (a) include each performance plan for the financial year and the Corporation's reports under section 29 for that year; and (c) include the audited accounts and financial statements of the Corporation and the funds; and (d) include a copy of the valuations of the funds made as at the end of the relevant financial year; and (e) set out the Corporation's views as to the factors that will affect or influence the investment and management of the funds in the current year; and (f) set out any disclosure made during the preceding financial year by a director of an interest in a matter decided or under consideration by the board of the Corporation; and (g) include the prescribed information relating to the remuneration of the chief executive officer and other executives of the Corporation; and (h) include any other information required by or under the provisions of this or any other Act. <p>(3) The Corporation must give a copy of the report to each of the superannuation boards and each approved authority.</p> <p>(4) The Minister must cause a copy of the report to be laid before both Houses of Parliament within 12 sitting days after his or her receipt of the report.</p>

Section 21(6) - Direction in relation to divestment of Russian Assets

- On 30 November 2022, the Treasurer formally directed Funds SA to divest from Russian Assets, in a prudent manner that is consistent with Funds SA's pre-existing and overall objectives having regard to market conditions.
- Funds SA is managing divestment of Russian assets in a prudent and commercial manner.
- Current value of Russian assets is estimated at \$139k, representing less than 0.0003 percent of Funds SA's total funds under management of \$46.4 billion.

- It is currently very difficult to divest the remaining Russian assets due to sanctions restrictions and lack of liquidity in the global marketplace.

Section 29(1) - Half-Yearly Performance Report for the six months ended 31 December 2024

See Attachment [2].

Section 29(2) - Half-Yearly Performance Report for the twelve months ended 30 June 2025

See Attachment [3].

Section 29(5) Reports

Nil

Section 30(2)(a) - Performance Plans for the financial year 2024-25

See Attachment [1].

Section 30(2)(c) - Audited Accounts for the financial year 2024-25

See Appendix: Financial Statements.

Section 30(2)(d) – Valuations as at 30 June 2025

See Appendix: Financial Statements.

Section 30(2)(e) - Factors that will affect or influence the investment and management of the funds in the current year

There are a number of themes and risks associated with financial markets that Funds SA has considered in the investment and management of the investment options for the coming year, including:

- The emergence of artificial intelligence and its potentially far-reaching implications for economies and society.
- Geopolitical tensions, instability and de-globalisation.
- Developed world aging demographic challenges and implications for the labour market.
- Fiscal policy challenges for many developed market economies, particularly the US.

- Higher inflation pressures and persistent inflation uncertainty.
- Shorter economic and market cycles with more interim volatility and divergence in economic and market outcomes across regions.
- Increasing climate and sustainability risks and opportunities. The clean energy transition and the increasing importance of climate change, biodiversity loss and associated policy action may impact on financial markets.

Funds SA has developed a clearly articulated investment philosophy that is at the centre of how investment strategy is developed, implemented and monitored.

- We believe that taking investment risk gets rewarded over longer term investment horizons.
- We believe asset allocation is the key driver of risk and return.
- We believe that markets regularly exhibit inefficiencies that can be exploited and adopt active management where appropriate.
- We believe that diversification is the most effective way to manage investment risks.
- We believe that integrating environmental, social and governance (ESG) considerations into investment decisions and undertaking stewardship activities support long-term investment outcomes.
- We believe that a strong governance approach leads to better investment outcomes.

Section 30(2)(f) – Disclosure by a Director of an interest decided or under consideration by the board

Nil

Section 30(2)(g) – prescribed information on remuneration

See Appendix: Financial Statements.

Section 30(2)(h) – other information

Nil

Reporting required under the *Carers' Recognition Act 2005*

Funds SA is not a 'reporting organisation' for the purposes of the *Carer's Recognition Act 2005* (SA).

Public complaints

Number of public complaints reported

Funds SA did not receive any complaints during the 2024-25 Financial Year.

Funds SA established its complaints handling framework during 2016-17. Since its establishment, Funds SA has received no complaints.

Data for previous years is available at: [Funds SA Annual Reporting information - complaints](#)

Service Improvements

Funds SA has not received any complaints and as such, Funds SA has not made any service improvements as a result of a complaint.
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Compliance Statement

Funds SA is compliant with Premier and Cabinet Circular 039 – complaint management in the South Australian public sector	Y
Funds SA has communicated the content of PC 039 and the agency's related complaints policies and procedures to employees.	Y

Appendix: Audited financial statements 2024-25

Attachments: 1, 2, and 3

Attachment 1

Performance Plans for the financial year 2024-25

Attachment 2

Performance Report for the six months ended 31 December 2024

Attachment 3

Performance Report for the twelve months ended 30 June 2025



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To the Chairman, Board of Directors Superannuation Funds Management Corporation of South Australia

Opinion

I have audited the financial report of the Superannuation Funds Management Corporation of South Australia for the financial year ended 30 June 2025.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Superannuation Funds Management Corporation of South Australia as at 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2025
- a Statement of Financial Position as at 30 June 2025
- a Statement of Changes in Equity for the year ended 30 June 2025
- a Statement of Cash Flows for the year ended 30 June 2025
- Schedule 1: Asset Class Funds Under Management for the year ended 30 June 2025
- notes, comprising material accounting policy and other explanatory information
- a Certificate from the Chairman, Board of Directors, the Chair of Audit and Risk Committee, the Chief Executive Officer and the Executive Director, Finance and Operations.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Superannuation Funds Management Corporation of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive Officer and Board of Directors for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

The Board of Directors is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28 of the *Superannuation Funds Management Corporation of South Australia Act 1995*, I have audited the financial report of the Superannuation Funds Management Corporation of South Australia for the financial year ended 30 June 2025.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Superannuation Funds Management Corporation of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and Board of Directors about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Blaskett
Auditor-General

23 September 2025

Funds SA
Financial Statements for the year ended 30 June 2025

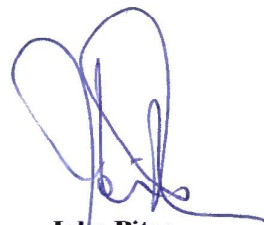
Certification of the Financial Statements

We certify that the:

- financial statements of Funds SA:
 - are in accordance with the accounts and records of Funds SA;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant Australian Accounting Standards; and
 - present a true and fair view of the financial position of Funds SA as at 30 June 2025 and the results of its operations and cash flows for the financial year.
- internal controls employed by Funds SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe Funds SA will be able to pay its debts as and when they become due and payable.



Craig Hamilton
Executive Director, Finance & Operations

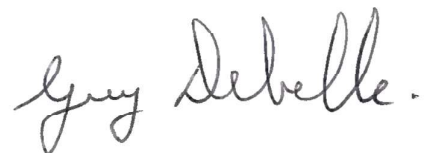


John Piteo
Chief Executive Officer

Approved by a resolution of the Board of Directors dated 11th September 2025.



Christopher Hall
Chair of Audit and Risk Committee



Guy Debelle
Chairman, Board of Directors

Funds SA
Financial Statements for the year ended 30 June 2025

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2025

	Note No.	2025 \$'000	2024 \$'000
Income			
Administration fee revenue	2.1	24,251	22,465
Interest		403	368
Other income		53	1
Total Income		24,707	22,834
Expenses			
Employee related costs	3.3	15,222	15,601
Supplies and services	4.1	7,211	7,478
Depreciation	4.3	855	811
Lease interest expense	4.4	30	7
Total Expenses		23,318	23,897
Net Surplus/(Deficit)		1,389	(1,063)
Total Comprehensive Result		1,389	(1,063)
The Net Surplus and Comprehensive Result are attributable to the SA Government as owner			

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Funds SA
Financial Statements for the year ended 30 June 2025
STATEMENT OF FINANCIAL POSITION
As at 30 June 2025

	Note No.	2025 \$'000	2024 \$'000
Current Assets			
Cash and cash equivalents	5.1	10,268	9,893
Receivables	5.2	6,980	6,381
Other assets	6.3	749	920
Total Current Assets		17,997	17,194
Non-Current Assets			
Property, plant and equipment	6.1	399	529
Right of use assets	7.1	2,511	548
Investments in Funds SA Unit Trusts	12	0	0
Total Non-Current Assets		2,910	1,077
Total Assets		20,907	18,271
Current Liabilities			
Payables	8.1	1,504	1,966
Employee related liabilities	3.4	1,430	1,731
Lease liabilities	7.2	401	478
Total Current Liabilities		3,335	4,175
Non-Current Liabilities			
Employee related liabilities	3.4	2,101	2,007
Lease liabilities	7.2	2,125	132
Total Non-Current Liabilities		4,226	2,139
Total Liabilities		7,561	6,314
Net Assets		13,346	11,957
Equity			
Retained earnings		13,346	11,957
Total Equity		13,346	11,957

The total equity is attributable to the SA Government as owner

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Funds SA
Financial Statements for the year ended 30 June 2025

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2025

	Retained Earnings
	\$'000
Balance at 30 June 2023	13,020
Total comprehensive result for 2023-24	(1,063)
Balance at 30 June 2024	11,957
Total comprehensive result for 2024-25	1,389
Balance at 30 June 2025	13,346
Changes in equity are attributable to the SA Government as owner	

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Funds SA
Financial Statements for the year ended 30 June 2025

STATEMENT OF CASHFLOWS

For the year ended 30 June 2025

	Note No.	2025 \$'000	2024 \$'000
Cash flows from Operating Activities			
Cash inflows			
Fees and charges		26,170	24,434
Interest received		406	360
Other Income		8	-
Cash generated from operations		26,584	24,794
Cash outflows			
Employee benefit payments		(15,438)	(14,711)
Supplies and services		(8,169)	(7,673)
GST paid to the ATO		(1,845)	(1,618)
Lease interest payments		(30)	(7)
Cash used in operations		(25,482)	(24,009)
Net cash provided by operating activities	9	1,102	785
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(277)	(67)
Cash used in investing activities		(277)	(67)
Net cash used in investing activities		(277)	(67)
Cash flows from financing activities			
Cash outflows			
Repayment of lease principal		(450)	(497)
Cash used in financing activities		(450)	(497)
Net cash used in financing activities		(450)	(497)
Net increase (decrease) in cash and cash equivalents		375	221
Cash and cash equivalents at the beginning of the financial year		9,893	9,672
Cash and cash equivalents at the end of the financial year	5.1	10,268	9,893

The above Statement of Cashflows should be read in conjunction with the accompanying notes.

Funds SA

Financial Statements for the year ended 30 June 2025

SCHEDULE 1: ASSET CLASS FUNDS UNDER MANAGEMENT

This schedule provides information in relation to assets under Funds SA's management as at balance date. The disclosure of this information is voluntary. The basis of valuation of asset class investments is fair value as required under *AASB13 Fair Value Measurement*. The sources of valuations are provided below.

This schedule provides the following information:

- Statement of Income and Expenses of Assets Under Management
- Statement of Net Assets Under Management
- Fair Value of Financial Assets and Liabilities
- Financial Instruments and Management of Portfolio Risk

Income and Expenses Descriptions

Rent, Interest & Dividends

Rent

Rent received on the directly held real estate assets covered by Funds SA's Internally Managed Inflation Linked Securities.

Interest

Interest received on a range of directly held securities including cash at bank, term deposits, promissory notes, bonds and other debt related securities.

Dividends / Distributions

Dividends are received on directly held Australian and International shareholdings.

Distributions are received from investments in listed and unlisted unit trusts and private equity investments.

Realised Gains / (Losses)

Realised gains / (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.

Unrealised Gains / (Losses)

Unrealised gains / (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period and held at balance date.

Expenses

Fees and charges directly invoiced and paid by each asset class or investment option for the reporting period, including accrued expenses. Expenses include directly paid fund manager base and performance fees, Funds SA administration fees, custody costs, asset consulting fees, legal fees, tax and audit costs.

Funds SA

Financial Statements for the year ended 30 June 2025

Investment Valuation Sources

Discretely Managed Portfolios

Discretely Managed Portfolios

Portfolios managed by external fund managers. Funds SA's custodian, Northern Trust, has valued each portfolio using market prices applicable at balance date.

Managed Funds and Private Equity

Pooled Funds / Unlisted Unit Trusts

Investments in pooled funds and other unlisted unit trusts have been valued by Funds SA's custodian in accordance with the valuations supplied by the relevant fund managers. Valuations used are the net asset values of the pooled funds and other unlisted units trusts at balance date.

Private Equity

The value of private equity investments is generally based on the most recent valuations supplied by the relevant fund managers (adjusted for cashflows). Investments included in this category include funds, co-investments and some private company debt securities.

Currency Hedge and Derivative Overlays

The values of the currency hedge and derivative overlays, as at balance date, are supplied by Funds SA's custodian and represents either the payable or receivable associated with closing out the contracts in place on balance date offset by any cash collateral posted.

Internally Managed Investments

Internally Managed Inflation Linked Securities

These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, ICE Data Services.

Investment Option Overlay

Funds SA have implemented currency hedging, futures and total return swaps. This is undertaken to enable more precise implementation of asset allocation decisions for specific investment options.

The balance of this line item in Schedule 1 reflects the unsettled profit and loss on derivative contracts and currency hedge contracts as at balance date, as well as cash and accrued expenses posted at the Investment Option level.

Other Client Funds

Funds SA has an ANZ bank account to meet the Southern State Superannuation Scheme's daily liquidity requirements. The funds are held by Funds SA to meet the requirements of the *Southern State Superannuation Act 2009*. This account does not form part of Funds SA assets under management and is excluded from the portfolio of assets disclosed in Schedule 1 and Note 13 below. The balance of the funds held at 30 June 2025 was \$39.97 million.

Funds SA
Financial Statements for the year ended 30 June 2025

STATEMENT OF INCOME AND EXPENSES OF ASSETS UNDER MANAGEMENT

For the year ended 30 June 2025

Asset class	Rent, Interest & Dividends \$'000	Realised gains / (losses) \$'000	Unrealised gains / (losses) \$'000	Expenses \$'000	TOTAL \$'000
Australian Equities Tax-Exempt	229,910	132,539	401,355	(31,609)	732,195
Australian Equities Passive Tax-Exempt	3,467	47	9,257	(92)	12,679
Australian Equities Taxable	50,870	29,393	89,972	(7,243)	162,992
Australian Equities Passive Taxable	1,306	-	2,761	(70)	3,997
International Equities Tax-Exempt	205,982	440,633	1,320,268	(54,190)	1,912,693
International Equities Passive Tax-Exempt	7,948	596	64,179	(382)	72,341
International Equities Taxable	36,653	80,694	257,251	(10,836)	363,762
International Equities Passive Taxable	1,697	132	15,133	(262)	16,700
Property Tax-Exempt	857	3,881	88,728	(2,231)	91,235
Property Taxable	166	767	17,091	(469)	17,555
Private Markets Tax-Exempt	160,888	(134,629)	121,134	(2,890)	144,503
Private Markets Taxable	24,801	(20,753)	10,209	(460)	13,797
Core Infrastructure Tax-Exempt	97,877	(58,007)	214,872	(2,131)	252,611
Core Infrastructure Taxable	23,778	(16,491)	55,633	(587)	62,333
Defensive Alternatives	25,165	(38,491)	(45,074)	(618)	(59,018)
Credit	143,185	(25,122)	106,269	(10,597)	213,735
Investment Grade Credit	8,803	(6,331)	11,377	(538)	13,311
Growth Alternatives	542	(22,362)	71,322	(735)	48,767
Inflation Linked Securities Tax-Exempt	22,297	192	(4,462)	(260)	17,767
Inflation Linked Securities Taxable	9,279	8,017	6,240	(862)	22,674
Long Term Fixed Interest	88,188	(534)	57,078	(4,164)	140,568
Short Term Fixed Interest	39,760	10,012	16,492	(1,268)	64,996
Cash	63,425	90,066	13,191	(1,572)	165,110
Socially Responsible	7,584	6,093	28,025	(593)	41,109
Investment Option Overlays	1,018	(363,595)	50,607	(4,507)	(316,477)
TOTAL	1,255,446	116,747	2,978,908	(139,166)	4,211,935

Funds SA
Financial Statements for the year ended 30 June 2025

STATEMENT OF INCOME AND EXPENSES OF ASSETS UNDER MANAGEMENT

For the year ended 30 June 2024

Asset class	Rent, Interest & Dividends \$'000	Realised gains / (losses) \$'000	Unrealised gains / (losses) \$'000	Expenses \$'000	TOTAL \$'000
Australian Equities Tax-Exempt	256,818	161,746	405,333	(33,278)	790,619
Australian Equities Passive Tax-Exempt	3,501	(211)	6,625	(87)	9,828
Australian Equities Taxable	57,732	36,817	91,713	(7,684)	178,578
Australian Equities Passive Taxable	1,060	-	2,086	(67)	3,079
International Equities Tax-Exempt	169,770	412,869	665,368	(52,611)	1,195,396
International Equities Passive Tax-Exempt	14,434	(5,605)	120,463	(735)	128,557
International Equities Taxable	27,387	64,348	127,181	(9,694)	209,222
International Equities Passive Taxable	3,595	24,819	8,965	(302)	37,077
Property Tax-Exempt	8,589	21,591	(341,187)	(2,516)	(313,523)
Property Taxable	1,636	4,113	(65,240)	(526)	(60,017)
Private Markets Tax-Exempt	118,441	(45,643)	53,884	(2,974)	123,708
Private Markets Taxable	15,379	(6,740)	7,227	(504)	15,362
Core Infrastructure Tax-Exempt	22,912	(6,951)	190,524	(1,477)	205,008
Core Infrastructure Taxable	4,749	(1,487)	43,416	(402)	46,276
Defensive Alternatives	3,852	-	26,990	(597)	30,245
Credit	171,275	(19,795)	122,443	(11,347)	262,576
Investment Grade Credit	7,191	(287)	1,927	(567)	8,264
Growth Alternatives	1,529	3,229	18,391	(9,301)	13,848
Inflation Linked Securities Tax-Exempt	14,494	12,627	(24,337)	(111)	2,673
Inflation Linked Securities Taxable	12,187	21,510	12,974	(1,857)	44,814
Long Term Fixed Interest	56,300	(3,336)	(17,158)	(2,781)	33,025
Short Term Fixed Interest	39,311	10,168	13,300	(1,423)	61,356
Cash	54,105	85,887	8,669	(1,473)	147,188
Socially Responsible	6,901	6,233	16,493	(608)	29,019
Investment Option Overlays	(3,251)	(50,594)	50,083	(3,530)	(7,292)
TOTAL	1,069,897	725,308	1,546,133	(146,452)	3,194,886

Funds SA

Financial Statements for the year ended 30 June 2025

STATEMENT OF NET ASSETS UNDER MANAGEMENT

As at 30 June 2025

	Discretely Managed Portfolios	Managed Funds and Private Equity	Internally Managed Investments	Currency Hedge and Derivative Overlays	Other Assets	Liabilities	Total
Asset class	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Equities Tax-Exempt	7,902,899	-	-	4,752	2,172	(5,858)	7,903,965
Australian Equities Passive Tax-Exempt	106,461	-	-	-	19	(32)	106,448
Australian Equities Taxable	1,751,184	-	-	1,241	578	(1,387)	1,751,616
Australian Equities Passive Taxable	-	33,159	-	-	657	(29)	33,787
International Equities Tax-Exempt	11,650,519	270	-	6,757	13,712	(10,072)	11,661,186
International Equities Passive Tax-Exempt	462,894	-	-	-	110	(143)	462,861
International Equities Taxable	2,259,877	-	-	2,001	14,989	(2,094)	2,274,773
International Equities Passive Taxable	109,912	-	-	-	15	(92)	109,835
Property Tax-Exempt	-	3,345,272	-	-	494	(597)	3,345,169
Property Taxable	-	644,173	-	-	113	(134)	644,152
Private Markets Tax-Exempt	-	2,860,936	-	25,545	8,017	(663)	2,893,835
Private Markets Taxable	-	363,810	-	5,415	2,817	(154)	371,888
Core Infrastructure Tax-Exempt	-	2,872,863	-	17,317	574	(519)	2,890,235
Core Infrastructure Taxable	-	679,734	-	5,824	413	(156)	685,815
Defensive Alternatives	-	984,562	-	1,247	527	(158)	986,178
Credit	2,146,184	425,171	-	45,319	522	(2,942)	2,614,254
Investment Grade Credit	235,964	-	-	-	144	(156)	235,952
Growth Alternatives	-	1,006,575	-	21,629	266	(206)	1,028,264
Inflation Linked Securities Tax-Exempt	-	-	226,718	-	(64)	(121)	226,533
Inflation Linked Securities Taxable	420,969	-	-	-	82	(246)	420,805
Long Term Fixed Interest	2,477,957	-	-	-	1,239	(990)	2,478,206
Short Term Fixed Interest	646,972	-	-	-	112	(253)	646,831
Cash	3,647,370	-	-	-	4,790	(436)	3,651,724
Socially Responsible	275,970	42,568	-	463	816	(156)	319,661
Investment Option Overlays	-	106	-	50,619	37,304	(799)	87,230
TOTAL	34,095,132	13,259,199	226,718	188,129	90,418	(28,393)	47,831,203

Funds SA

Financial Statements for the year ended 30 June 2025

STATEMENT OF NET ASSETS UNDER MANAGEMENT

As at 30 June 2024

Asset class	Discretely Managed Portfolios	Managed Funds and Private Equity	Internally Managed Investments	Currency Hedge and Derivative Overlays	Other Assets	Liabilities	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Equities Tax-Exempt	7,536,093	-	-	-	1,322	(6,841)	7,530,574
Australian Equities Passive Tax-Exempt	93,714	-	-	-	27	(31)	93,710
Australian Equities Taxable	1,716,021	-	-	-	399	(1,619)	1,714,801
Australian Equities Passive Taxable	-	29,735	-	-	5	(32)	29,708
International Equities Tax-Exempt	10,227,210	313,408	-	-	14,555	(10,932)	10,544,241
International Equities Passive Tax-Exempt	390,374	-	-	-	92	(167)	390,299
International Equities Taxable	1,954,001	66,146	-	-	804	(2,141)	2,018,810
International Equities Passive Taxable	93,006	-	-	-	5	(83)	92,928
Property Tax-Exempt	-	3,226,264	-	-	1,197	(647)	3,226,814
Property Taxable	-	617,662	-	-	194	(148)	617,708
Private Markets Tax-Exempt	-	2,619,661	-	30,123	4,257	(642)	2,653,399
Private Markets Taxable	-	359,894	-	4,178	2,821	(173)	366,720
Core Infrastructure Tax-Exempt	-	2,016,524	-	7,589	3,714	(367)	2,027,460
Core Infrastructure Taxable	-	431,095	-	1,860	1,457	(107)	434,305
Defensive Alternatives	-	847,199	-	-	227	(192)	847,234
Credit	1,887,445	843,783	-	26,805	615	(3,206)	2,755,442
Investment Grade Credit	187,413	-	-	-	357	(129)	187,641
Growth Alternatives	333,855	209,076	-	767	17	(2,387)	541,328
Inflation Linked Securities Tax-Exempt	-	-	230,988	-	605	(518)	231,075
Inflation Linked Securities Taxable	813,263	-	-	-	176	(410)	813,029
Long Term Fixed Interest	2,421,953	-	-	-	1,133	(868)	2,422,218
Short Term Fixed Interest	1,011,827	-	-	-	116	(377)	1,011,566
Cash	2,886,872	-	-	-	382,421	(402)	3,268,891
Socially Responsible	248,561	30,892	-	1,238	63	(139)	280,615
Investment Option Overlays	-	181	-	50,356	43,907	(330)	94,114
TOTAL	31,801,608	11,611,520	230,988	122,916	460,486	(32,888)	44,194,630

Funds SA

Financial Statements for the year ended 30 June 2025

Fair Value Hierarchy

In accordance with the disclosure requirements under *AASB 13 Fair Value Measurement*, Funds SA has adopted the fair value hierarchy disclosures for the funds under management as at 30 June 2025. This requires the disclosure of investments using a fair value hierarchy that reflects the subjectivity of the inputs used in valuing the investments.

The fair value hierarchy adopted by Funds SA has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Other - Although not specifically required by AASB 13, 'Other' includes accrued expenses and GST payable (to the ATO) / receivable (from the ATO) for each asset class and is included for completeness purposes only.

As per AASB 13 paragraph 73, "the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement". For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the investment.

The determination of what constitutes 'observable' requires judgement. Funds SA considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

The table below sets out Funds SA's investments measured at fair value according to the fair value hierarchy at 30 June 2025.

Inflation Linked Securities in the below table includes the externally and internally managed inflation linked securities from both the Inflation Linked Securities Tax-Exempt and Inflation Linked Securities Taxable asset classes.

There were no transfers of assets between Levels 1, 2 or 3 during the year ended 30 June 2025.

Funds SA

Financial Statements for the year ended 30 June 2025

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As at 30 June 2025

Financial assets and liabilities through profit or loss	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Other \$'000	Total \$'000
Australian Equities Tax-Exempt	7,906,149	1,332	-	(3,516)	7,903,965
Australian Equities Passive Tax-Exempt	106,417	44	-	(13)	106,448
Australian Equities Taxable	1,752,259	281	-	(924)	1,751,616
Australian Equities Passive Taxable	14	33,801	-	(28)	33,787
International Equities Tax-Exempt	11,637,263	(37)	-	23,960	11,661,186
International Equities Passive Tax-Exempt	461,748	-	-	1,113	462,861
International Equities Taxable	2,271,838	(8)	-	2,943	2,274,773
International Equities Passive Taxable	109,708	-	-	127	109,835
Property Tax-Exempt	454	-	3,345,272	(557)	3,345,169
Property Taxable	96	-	644,173	(117)	644,152
Private Markets Tax-Exempt	19,323	24,524	2,850,651	(663)	2,893,835
Private Markets Taxable	2,818	5,414	363,810	(154)	371,888
Core Infrastructure Tax-Exempt	559	17,313	2,872,863	(500)	2,890,235
Core Infrastructure Taxable	410	5,823	679,734	(152)	685,815
Defensive Alternatives	527	985,809	-	(158)	986,178
Credit	157,116	2,460,059	-	(2,921)	2,614,254
Investment Grade Credit	9,678	226,383	-	(109)	235,952
Growth Alternatives	269	1,028,199	-	(204)	1,028,264
Inflation Linked Securities	332,213	88,750	226,718	(343)	647,338
Long Term Fixed Interest	1,982,272	496,682	-	(748)	2,478,206
Short Term Fixed Interest	6,099	640,932	-	(200)	646,831
Cash	3,218,021	434,115	-	(412)	3,651,724
Socially Responsible	265,296	11,745	42,568	52	319,661
Investment Option Overlays	38,133	49,468	106	(477)	87,230
Total	30,278,680	6,510,629	11,025,895	15,999	47,831,203

Funds SA
Financial Statements for the year ended 30 June 2025

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As at 30 June 2024

Financial assets and liabilities through profit or loss	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Other \$'000	Total \$'000
Australian Equities Tax-Exempt	7,534,649	294	-	(4,369)	7,530,574
Australian Equities Passive Tax-Exempt	93,698	23	-	(11)	93,710
Australian Equities Taxable	1,715,861	67	-	(1,127)	1,714,801
Australian Equities Passive Taxable	3	29,736	-	(31)	29,708
International Equities Tax-Exempt	10,211,473	313,144	-	19,624	10,544,241
International Equities Passive Tax-Exempt	389,281	-	-	1,018	390,299
International Equities Taxable	1,950,588	66,142	-	2,080	2,018,810
International Equities Passive Taxable	92,796	-	-	132	92,928
Property Tax-Exempt	1,153	76,936	3,149,328	(603)	3,226,814
Property Taxable	176	14,920	602,742	(130)	617,708
Private Markets Tax-Exempt	5,437	36,430	2,612,174	(642)	2,653,399
Private Markets Taxable	2,821	4,178	359,894	(173)	366,720
Core Infrastructure Tax-Exempt	3,674	7,610	2,016,525	(349)	2,027,460
Core Infrastructure Taxable	1,444	1,867	431,095	(101)	434,305
Defensive Alternatives	227	847,199	-	(192)	847,234
Credit	98,085	2,660,481	-	(3,124)	2,755,442
Investment Grade Credit	14,333	173,409	-	(101)	187,641
Growth Alternatives	15,858	527,856	-	(2,386)	541,328
Inflation Linked Securities	1,064,669	(250,670)	230,988	(883)	1,044,104
Long Term Fixed Interest	2,406,672	16,161	-	(615)	2,422,218
Short Term Fixed Interest	16,158	995,708	-	(300)	1,011,566
Cash	2,881,241	388,010	-	(360)	3,268,891
Socially Responsible	249,665	-	30,892	58	280,615
Investment Option Overlays	42,345	51,698	181	(110)	94,114
Total	28,792,307	5,961,199	9,433,819	7,305	44,194,630

Funds SA

Financial Statements for the year ended 30 June 2025

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

Level 3 Financial Assets and Liabilities	Opening Balance - 1 July 2024	Purchases	Disposals	Unrealised Gains / (Losses)	Closing Balance - 30 June 2025
	\$'000	\$'000	\$'000	\$'000	\$'000
Property Tax-Exempt	3,149,328	399,748	(290,016)	86,212	3,345,272
Property Taxable	602,742	76,675	(51,851)	16,607	644,173
Private Markets Tax-Exempt	2,612,174	316,391	(171,776)	93,862	2,850,651
Private Markets Taxable	359,894	22,624	(23,531)	4,823	363,810
Core Infrastructure Tax-Exempt	2,016,525	654,365	(21,651)	223,624	2,872,863
Core Infrastructure Taxable	431,095	205,627	(14,627)	57,639	679,734
Inflation Linked Securities	230,988	-	-	(4,270)	226,718
Socially Responsible	30,892	11,046	(1,685)	2,315	42,568
Investment Option Overlays	181	-	-	(75)	106
Total	9,433,819	1,686,476	(575,137)	480,737	11,025,895

Level 1

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include listed equities and developed market nominal sovereign bonds. Level 1 also includes cash at bank, term deposits, bank bills, promissory notes and interest receivable on these investments.

Level 2

Investments that trade in markets that are not considered to be sufficiently active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, certain non-US sovereign bonds, over-the-counter derivatives (including the foreign currency hedge overlay) and certain unlisted unit trusts where the nature of the underlying investments allows for ready transaction of units at the observable price.

Level 3

Investments classified within Level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these investments, Funds SA has used industry standard valuation techniques to derive fair value. Level 3 investments include certain directly held non traded index-linked securities and unlisted unit trusts where the underlying investments have been valued using an appraisal methodology and the unit price is provided for predominantly valuation rather than transactional purposes.

Funds SA

Financial Statements for the year ended 30 June 2025

Other

Although not specifically required by AASB 13, 'Other' includes other asset class assets and liabilities that do not fit into the Level 1-3 categories, this includes accrued expenses, payables and receivables (including GST and withholding tax reclaims) for each asset class and is included in the above disclosure for completeness purposes only.

Financial Instruments and Management of Portfolio Risk

Use of derivative financial instruments

Derivatives can be defined as financial contracts whose values depend on, or are derived from other underlying assets, liabilities, reference rates or indices.

Funds SA's key uses of derivatives includes managing portfolio risk and facilitating the implementation of investment strategies efficiently and cost effectively. Funds SA use a variety of derivative instruments, such as over the counter contracts, including currency forward rate agreements, options, swaps and exchange-traded futures. Derivatives are an authorised investment within overlay accounts via an execution agent and in certain mandates managed by Funds SA's external investment managers, for the purposes described above.

The fair value of all derivative positions as at 30 June 2025 is incorporated within the Statement of Net Assets Under Management in Schedule 1.

The following is a description of the main types of portfolio risk arising from the use of financial instruments and includes information on how Funds SA manages each type of risk.

Market Risk

Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short / medium term.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and sub-markets; and
- ensuring asset allocations for different investment options are consistent with the time horizon of each.

Liquidity Risk

Liquidity risk is the risk of being unable to meet obligations as they fall due or incurring significant transaction costs in meeting such obligations. Liquidity risk also includes the potential opportunity cost associated with not being able to maintain asset allocation at strategic weights.

Three types of liquidity risk are inherent in Funds SA's investment activities. The first is the risk that client redemption requests are unable to be satisfied due to the inability to liquidate investments. The second is the risk that significant transaction costs will be incurred in liquidating investments to meet clients' cash redemption requirements. The third is that investment returns may be below expectations due to the portfolio's asset positioning being negatively impacted.

Funds SA

Financial Statements for the year ended 30 June 2025

Funds SA manages liquidity risk as follows:

- by giving careful consideration to the expected net cashflow position of Funds SA's clients. The allocation to cash and highly liquid assets in the strategic asset allocation of each investment option is set at a level sufficient to manage expected cash redemptions;
- a large proportion of each investment option is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities;
- reporting and monitoring the liquidity of the fund on a daily basis to ensure prospective client cash outflows and switches can be met;
- by undertaking portfolio management and rebalancing activities, and
- by undertaking regular stress testing on liquidity positions to identify sources of liquidity strain before they are realised.

Currency Risk

Funds SA's foreign currency risk arises from its investment in assets denominated in foreign currencies.

Funds SA manage an allocation to foreign currencies at the investment option level. The total investment option allocation to foreign currencies is in the long term strategic asset allocation documented in Funds SA's Investment Policy Statement for each option. Foreign currency exposure outside of the desired allocation is hedged back to Australian dollars.

Interest Rate Risk

Interest rate risk is the risk that a movement in interest rates will cause the value of interest rate sensitive securities to underperform expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations for different investment options are consistent with the time horizon of each; and
- the use of specialist external investment managers to manage Funds SA's cash and fixed interest portfolios.

Funds SA

Financial Statements for the year ended 30 June 2025

Counterparty risk

Counterparty risk, or credit risk is the risk that financial counterparties are unable to perform their contractual obligations.

Funds SA manages and mitigates this risk through Funds SA's Counterparty Risk Policy utilising the following measures:

- Ensuring Funds SA's investment managers and execution agents have strong counterparty risk controls, such as ensuring the mandates include adequate guidelines in relation to counterparty management;
- Regular independent monitoring of counterparty credit ratings using external credit assessment institutions;
- Regular compliance monitoring and oversight of the exposures within portfolios through daily mandate compliance monitoring and the monthly monitoring and reporting of unrealised profits and losses and net exposures with appropriate investigation and escalation in the event of any breach or issues;
- Regular monitoring of the custodian to ensure trades with counterparties are appropriately captured, reported and monitored;
- Ongoing due diligence of investment managers and execution agents, including regular engagements and meetings with the managers, covering both investments and operations; and
- Variation margins are executed on a regular basis as per the agreements, initial margins are executed where required, and funding for margin calls are segregated from the Investments decision function.

Funds SA
Financial Statements for the year ended 30 June 2025

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Funds SA

Financial Statements for the year ended 30 June 2025

Note 1 About Funds SA

1.1 Reporting entity

The financial report covers the Superannuation Funds Management Corporation of South Australia (Funds SA or the Corporation) as an individual reporting entity. Funds SA is a statutory authority of the State of South Australia, established pursuant to the *Superannuation Funds Management Corporation of South Australia Act 1995* (hereinafter referred to as the Funds SA Act).

In accordance with *AASB 1054 Australian Additional Disclosures*, Funds SA has applied Australian Accounting Standards that are applicable to for-profit entities.

1.2 Objective

Under Section 5 of the Funds SA Act, the functions of Funds SA are:

- (a) to invest and manage -
 - (i) the public sector superannuation funds; and
 - (ii) the nominated funds of approved authorities, pursuant to strategies formulated by the Corporation;
- (ab) to invest and manage other funds (if any) established by the Corporation for the purposes of the operation of any Act pursuant to strategies formulated by the Corporation;
- (b) such other functions as are assigned to the Corporation by this or any other Act.

Under Section 7 of the Funds SA Act, the objective of the Corporation in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for -

- (a) the need to maintain the risks relating to investment at an acceptable level; and
- (b) the need for liquidity in the funds; and
- (c) such other matters as are prescribed by regulation.

1.3 Purpose of the financial statements

The purpose of the financial statements is to discharge Funds SA's reporting obligations in respect of its financial affairs under Section 26(1) of the Funds SA Act, and in respect of each of the funds, as required by Section 26(2) of the Funds SA Act.

As at 30 June 2025, Funds SA managed the following funds:

Public Sector Superannuation Funds:

- South Australian Superannuation Scheme:
 - South Australian Superannuation Fund (Old Scheme Division)
 - South Australian Superannuation Fund (New Scheme Division)
 - South Australian Superannuation Scheme - Employer Contribution Accounts
- Police Superannuation Scheme:
 - Police Superannuation Fund (Old Scheme Division)
 - Police Superannuation Scheme - Employer Contribution Account

Funds SA

Financial Statements for the year ended 30 June 2025

Purpose of the financial statements (continued)

- Southern State Superannuation Scheme:
 - Southern State Superannuation Fund
- Super SA Retirement Investment Fund:
 - Super SA Flexible Rollover Product
 - Super SA Income Stream
- Parliamentary Superannuation Scheme
- Judges' Pension Scheme
- Governors' Pension Scheme

Eligible Superannuation Funds:

- South Australian Ambulance Service Superannuation Scheme
- South Australian Metropolitan Fire Service Superannuation Scheme

Nominated Funds of Approved Authorities:

- South Australian Government Financing Authority
- Adelaide Cemeteries Authority
- Lifetime Support Authority
- Health Services Charitable Gifts Board
- The University of Adelaide Endowment Fund
- Legal Services Commission
- Construction Industry Training Board
- Adelaide University Research Fund
- Adelaide University Student Support Fund
- Flinders University Student Support Fund

Other (Established by the Public Corporation (Southern Select Super Corporation) Regulations 2012)

- Super SA Select

1.4 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

All amounts in the financial statements and accompanying notes are rounded to the nearest thousand dollars (\$'000).

Funds SA

Financial Statements for the year ended 30 June 2025

Basis of preparation (continued)

Funds SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accruals basis. The Statement of Cashflows has been prepared on a cash basis.

Cashflows are included in the Statement of Cashflows on a gross basis. However, the GST components of cash flows arising from investing and financing activities are recoverable from, or payable to, the ATO are classified as operating cash flows.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2025 and the comparative information presented.

1.5 Format and content of Funds SA's financial statements

The Statement of Financial Position does not incorporate the funds under management as assets of Funds SA. The Statement of Comprehensive Income does not incorporate the investment revenue and expenses.

The financial statements of the client funds are disclosed separately under Note 13 in accordance with section 26(2) of the Funds SA Act.

Unit trusts under Funds SA's Master Trust Deed have not been consolidated into Funds SA's Statement of Financial Position as they form part of the funds under management. Accordingly, they are incorporated within the financial information in Schedule 1.

1.6 Impact of new and revised accounting standards and policies

Funds SA has assessed the impact of new and changed Australian Accounting Standards for the 2024-25 reporting period and determined that there was no effect on Funds SA.

1.7 Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

1.8 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

1.9 Assets and liabilities

Assets and liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Assets and liabilities that are to be consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Funds SA

Financial Statements for the year ended 30 June 2025

1.10 Insurance

Funds SA has arranged, through South Australian Government Financing Authority (SAFA), to insure all major risks of Funds SA. The excess payable under this arrangement varies depending on each class of insurance held.

1.11 Taxation

Funds SA is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

Income, expenses and assets are recognised net of the amount of GST, except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- payables and receivables, which are stated with the amount of GST included.

1.12 Significant transactions with related entities

Related party transactions

Funds SA is controlled by the SA Government. Related parties of Funds SA include all key management personnel and their close family members, all public authorities that are consolidated into the whole of government financial statements and other interests of the Government. Related party transactions are further disclosed at note 3.1.

Significant transactions with SA Government related entities

Significant transactions with SA Government related entities are identified throughout this report and in addition Funds SA has incurred expenses of \$681,000 (\$686,000) relating to Payroll tax. This amount is paid to Revenue SA, an entity within the SA Government.

Asset class funds under management

Funds SA's significant transactions with SA Government related client entities are disclosed in note 13. This relates to receipts and payments with Funds SA's clients.

Funds SA, in its capacity as manager of the funds under management, may enter into significant transactions with the SA Government as part of its ordinary investment activities. These transactions are reported through Schedule 1 and are arm's length in nature.

Funds SA

Financial Statements for the year ended 30 June 2025

Note 2 Income

2.1 Administration fee revenue

	2025	2024
	\$'000	\$'000
Administration fee revenue	24,251	22,465
Total administration fee revenue	24,251	22,465

The administration fee revenue is derived from the provision of funds management services to Funds SA clients. The administration fee rate is determined annually based upon cost recovery of Funds SA's budgeted administration expenses for the upcoming financial year. The fee is calculated as a percentage of average funds under management, for each quarter and is charged in arrears. The market value of the funds under management depends upon the performance of the underlying investments, which are linked to the performance of global financial markets. Funds SA's management of market risk in relation to the administration fee revenue is disclosed at note 11.1.

Payment terms are 30 days from the issue date of the invoice. Funds SA's performance obligations in its contracts with customers are satisfied on an ongoing basis. The revenue is recognised when it is probable that the flow of economic benefits to Funds SA will occur and can be reliably measured in accordance with *AASB15 Revenue From Contracts With Customers*.

Funds SA

Financial Statements for the year ended 30 June 2025

Note 3 Board, committees and employees

3.1 Key management personnel

The key management personnel are the Minister, the governing board of directors and executive management who have responsibility for the strategic direction and management of Funds SA. Total compensation for key management personnel was \$3,591,000 in 2024-25 and \$3,247,000 in 2023-24.

The following persons held positions of authority and responsibility for planning, directing and controlling the activities of Funds SA, directly or indirectly during the financial year.

John Piteo	Chief Executive Officer
Richard Friend	Chief Investment Officer (ceased 9 July 2024)
Matthew Kempton	Acting Chief Investment Officer (ceased 2 February 2025)
Con Michalakos	Chief Investment Officer (commenced 3 February 2025)
Jacki Kittel	Executive Director, People & Culture
Tony Burrill	Executive Director, Governance & Strategy
Tony Keenan	Executive Manager, Corporate Engagement (ceased 30 August 2024)
Judy Wilson	Head of Relationship Management (commenced 16 September 2024)
Craig Hamilton	Executive Director, Finance & Operations
Emma James	Executive Director, Data & Technology

Refer to note 3.2 for the list of governing board directors.

Key management personnel remuneration

	2025	2024
	\$'000	\$'000
Salaries and other short-term employee benefits	3,138	2,835
Post-employment benefits	355	304
Other long-term benefits	98	110
Total	3,591	3,249

Transactions with key management personnel and other related parties

Apart from the remuneration for key management personnel, Funds SA does not have material transactions with key management personnel, their close family members and/or their controlled or jointly controlled entities.

Funds SA

Financial Statements for the year ended 30 June 2025

3.2 Board and committee members

The following persons held the position of board director during the 2024-25 financial year.

Director	Funds SA Board	Sub-Committees ⁽¹⁾	
		Audit and Risk Committee	Human Resources Committee
Paul Laband ⁽²⁾	Chair	✓	✓
Guy Debelle ⁽³⁾	Chair	✓	✓
Jane Jeffreys ⁽⁴⁾	✓	-	Chair
Bill Griggs	✓	-	✓
Judith Smith ⁽⁵⁾	✓	✓	-
Christopher Hall	✓	Chair	-
Elizabeth Dabars	✓	-	✓
Melinda OLeary ⁽⁶⁾	✓	-	Chair
Anna Shave ⁽⁷⁾	✓	✓	-
Sarah Pearson ⁽⁸⁾	✓	✓	-

⁽¹⁾ **Sub-Committees**

Funds SA has established 2 sub-committees where directors receive remuneration for their membership.

⁽²⁾ Ceased as a Director 23 April 2025.

⁽³⁾ Commenced 1 July 2024. Commenced as Chair 24 April 2025.

⁽⁴⁾ Ceased as a Director 1 December 2024.

⁽⁵⁾ Ceased as a Director 18 June 2025.

⁽⁶⁾ Commenced 5 December 2024.

⁽⁷⁾ Commenced 24 April 2025.

⁽⁸⁾ Commenced 19 June 2025.

Board and committee remuneration

	Number of board directors	
The number of governing board directors whose remuneration received or receivable falls within the following bands:	2025	2024
\$1 - \$19,999	2	-
\$20,000 - \$39,999	2	1
\$40,000 - \$59,999	-	5
\$60,000 - \$79,999	5	-
\$80,000 - \$99,999	1	1
Total number of governing directors	10	7

Funds SA

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3.2 Board and committee members (continued)

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$522,000 (2023-24: \$363,000).

3.3 Employee related expenses	2025	2024
	\$'000	\$'000
Salaries and wages	12,475	12,765
Board and committee fees	468	327
Employee leave entitlements	78	408
Superannuation	1,500	1,393
Other employee related expenses	701	708
Total employee related expenses	15,222	15,601

Employee related expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

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3.3 Employee related expenses (continued)

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:

	2025	2024
\$166 001 to \$172 000	NA	1
\$172 001 to \$192 000	7	2
\$192 001 to \$212 000	5	5
\$212 001 to \$232 000	5	2
\$232 001 to \$252 000	2	2
\$252 001 to \$272 000	2	-
\$272 001 to \$292 000	-	3
\$292 001 to \$312 000	1	3
\$312 001 to \$332 000	1	1
\$332 001 to \$352 000	1	1
\$352 001 to \$372 000	2	2
\$372 001 to \$392 000	1	-
\$412 001 to \$432 000	2	2
\$432,001 to \$452,000	-	1
\$552 001 to \$572 000	1	-
\$572 001 to \$592 000	-	2
\$652 001 to \$672 000	1	-
Total number of employees	31	27

Employee benefits expenses (continued)

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$8,514,000 (\$8,051,000 for 2023-24).

Funds SA

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3.4 Employee related liabilities

	2025	2024
	\$'000	\$'000
Current		
Accrued Salaries and Wages	48	371
Annual leave	1,078	1,012
Long service leave	79	142
Skills and experience retention leave	23	11
Employment on-costs	202	195
Total current employee related liabilities	1,430	1,731
Non-Current		
Long service leave	1,901	1,820
Employment on-costs	200	187
Total non-current employee related liabilities	2,101	2,007
Total employee related expenses	3,531	3,738

Employee related liabilities accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months and are measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Funds SA

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3.4 Employee benefits liability (continued)

Employment on-costs

Employment benefits on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave and are settled when the respective employee benefits that they relate to are discharged. These on-costs primarily relate to the balance of leave owing to employees. Estimates as to the proportion of long service leave estimated to be taken as leave, rather than paid on termination, affects whether certain on-costs are recognised as a consequence of long service leave liabilities.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave expected to be taken as leave has remained at 44% in 2024 in 2025. This rate is used in the employment on-cost calculation.

Long service leave

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has remained at 4.25% in 2025.

The actuarial assessment performed by the Department of Treasury and Finance maintained the salary inflation rate at 3.5% for long service leave liability in 2025.

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$300 and employee benefits expense of \$300. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions including the long-term discount rate.

This calculation is consistent with Funds SA's experience of employee retention and leave taken. Based on a survey of staff, the portion of the long service leave provision expected to be taken within 12 months of the reporting date is classified as current. The remaining portion of the long service leave provision is classified as non-current.

Funds SA
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Note 4 Expenses

4.1 Supplies and services

	2025	2024
	\$'000	\$'000
Information technology expenses	4,366	4,202
Human resource expenses	194	372
Contractors and temporary staff	760	1,082
Board expenses	210	122
Staff development	222	158
Subscriptions and publications	481	406
Internal audit fees	171	164
External audit fees ⁽¹⁾	145	142
Travel and accommodation	347	523
Legal and advisory expenses	77	66
Tenancy outgoings	81	82
Office supplies and printing	77	62
Other	80	97
Total supplies and services	7,211	7,478

⁽¹⁾ Audit fees paid / payable to the Audit Office of South Australia relating to work performed under the Public Finance Audit Act were \$145,000 (\$142,000). No other services were provided by the Audit Office of South Australia.

Supplies and services generally represent day-to-day running costs incurred in the normal operations of Funds SA. These items are recognised as an expense in the reporting period in which they are incurred.

Funds SA

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4.2 Consultants

The number and dollar amount of Consultancies paid/payable (included in supplies & services expense):	2025		2024	
	No.	\$'000	No.	\$'000
Consultants	12	401	12	412
Total	12	401	12	412

4.3 Depreciation

	2025	2024
	\$'000	\$'000
Depreciation		
Computer and office equipment	128	98
Leasehold improvements	278	275
Right of use asset – Office lease – 25 Grenfell Street Adelaide	449	438
Total depreciation	855	811

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

Review of accounting estimates

Assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Funds SA

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4.3 Depreciation (continued)

Useful life

Depreciation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of Asset	Useful Life (Years)
Leasehold improvements	Remaining Term of Lease
Computer and office equipment:	
▪ Computers and hardware	3 – 5 years
▪ Office furniture	10 years
Right of use assets	Term of lease

4.4 Lease interest expense

	2025	2024
	\$'000	\$'000
Interest expense on lease liabilities	30	7
Total lease interest expense	30	7

Funds SA
Financial Statements for the year ended 30 June 2025

Note 5 Financial Assets

5.1 Cash and cash equivalents

Cash is measured at nominal value.

	2025	2024
	\$'000	\$'000
Cash at bank	10,267	9,892
Cash on hand	1	1
Total cash and cash equivalents	10,268	9,893

5.2 Receivables

Receivables arise in the normal course of providing services to clients. Receivables and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost. As at 30 June 2025 there are no indications of impairment.

	2025	2024
	\$'000	\$'000
Debtors*	6,980	6,381
Total receivables	6,980	6,381

*Debtors includes \$6,764,000 (\$6,248,000) from administration fee revenue receivable as at 30 June 2025.

Funds SA's management of credit risk is disclosed at note 11.1.

Funds SA
Financial Statements for the year ended 30 June 2025

Note 6 Non-financial assets

6.1 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

The following table shows the carrying amount and movement of property, plant and equipment during the year ended 30 June 2025

	Leasehold improvements \$'000	Computer and office equipment \$'000	Property, Plant and Equipment Total \$'000
Gross carrying amount	1,931	1,116	3,047
Accumulated depreciation	(1,820)	(828)	(2,648)
Carrying amount	111	288	399
Reconciliation 2024-25			
Carrying amount at the beginning of the financial year	389	140	529
Additions	-	278	278
Disposals	-	(2)	(2)
Depreciation	(278)	(128)	(406)
Carrying amount at the end of the financial year	111	288	399

PROPERTY, PLANT AND EQUIPMENT

The following table shows the carrying amount and movement of property, plant and equipment during the year ended 30 June 2024

	Leasehold improvements \$'000	Computer and office equipment \$'000	Property, Plant and Equipment Total \$'000
Gross carrying amount	1,940	1,048	2,988
Accumulated depreciation	(1,551)	(908)	(2,459)
Carrying amount	389	140	529

Funds SA

Financial Statements for the year ended 30 June 2025

Reconciliation 2023-24

Carrying amount at the beginning of the financial year	651	183	834
Additions	14	54	68
Depreciation	(276)	(97)	(373)
Carrying amount at the end of the financial year	389	140	529

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs involved with the acquisition. Subsequently these assets are recognised at historical cost less accumulated depreciation, which is deemed to approximate fair value. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued. Detail about Funds SA's approach to fair value is set out in note 6.2 below.

Property, plant and equipment with a value equal to or in excess of \$1,000 is capitalised. Property, plant and equipment is assessed for impairment on an annual basis.

Property, plant and equipment includes \$531,236 of fully depreciated assets that are still in use as at 30 June 2025.

6.2 Fair Value Hierarchy

Funds SA categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in their valuation at 30 June 2025.

During the 2024-25 year, Funds SA had no valuations categorised into Level 1 or Level 2 and there were no transfers of assets between any of the fair value hierarchy levels.

Unobservable inputs used to derive Level 3 fair values are explained in Schedule 1. Although unobservable inputs were used in determining fair value, and are subjective, Funds SA considers that the overall valuation would not be materially affected by changes to existing assumptions. There were no changes in valuation techniques during 2024-25. The reconciliation of fair value measurements using significant unobservable inputs (Level 3) is represented by the reconciliation of property, plant and equipment above.

6.3 Other assets

Other assets include prepayments, these are prepaid amounts that relate to a benefit to be consumed in a later reporting period.

	2025	2024
	\$'000	\$'000
Prepayments	749	920
Total other assets	749	920

Funds SA
Financial Statements for the year ended 30 June 2025

Note 7 Leases

7.1 Right of use assets

	2025	2024
	\$'000	\$'000
Office lease – 25 Grenfell Street Adelaide		
Right of use assets	2,631	2,618
Accumulated depreciation	(120)	(2,070)
Total office lease – 25 Grenfell Street Adelaide	2,511	548
Total right of use assets	2,511	548

Right of use assets are measured by applying the cost model.

Funds SA has an office lease of floor space in a building located at 25 Grenfell Street, Adelaide. The current office lease is for a non-cancellable period of 5 years from August 2020, ending 30 September 2025. At 30 June 2025 a new lease is currently being negotiated commencing 1 October 2025 for an additional 5 year term. In March 2025 Funds SA signed a non-binding Heads of Agreement with the lease manager. At 30 June 2025 it is reasonably certain that the proposed lease will be formalised. The terms of this new lease are being treated as a lease modification to the existing lease commencing 1 April 2025. Fixed rent reviews occur annually and rental payments are monthly in advance.

Depreciation of the right of use assets is disclosed in note 4.3. The lease liabilities related to the right of use assets are presented in note 7.2 below.

Impairment

The right of use assets leased by Funds SA have been assessed for impairment. There was no indication of impairment. Accordingly, as at the reporting date, no impairment loss or reversal of impairment loss was recognised.

Funds SA
Financial Statements for the year ended 30 June 2025

7.2 Lease liabilities

	2025	2024
	\$'000	\$'000
Current		
Office lease – 25 Grenfell Street Adelaide		
Lease liability	401	478
Total current lease liabilities	401	478
Non-Current		
Office lease – 25 Grenfell Street Adelaide		
Lease liability	2,125	132
Total non- current lease liabilities	2,125	132
Total lease liabilities	2,526	610

Current lease liabilities represent the present value of future lease payments due in 12 months. Non-current lease liabilities represent lease payments not due within 12 months. The right of use assets related to these lease liabilities are presented at note 7.1 above. The lease liabilities represent the non-cancellable period of the lease only, lease extension options, discussed at note 7.3, are not reflected in the lease liabilities. Total cash outflows relating to the repayment of leases for the reporting period were \$522,000 (\$545,000). Lease interest payments are disclosed at note 4.4.

7.3 Office lease term

The lease term of the office lease is based on the remaining non-cancellable period of the modified lease agreement ending 30 September 2030. At 1 April 2025, following the negotiation of the new lease, the lease was modified, extending the term for an additional 5 years and recalculating the lease liability and right of use asset.

7.4 Maturity analysis

Contractual Maturities					
30 June 2025					
	Carrying Amount	Total Contractual Maturities			
	(Discounted) 30 June 2025	(Undiscounted) 30 June 2025	Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
Lease liabilities	2,526	2,833	500	2,185	148

The maturity analysis is based on undiscounted cash payments expected over the remaining assessment of the lease term.

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Financial Statements for the year ended 30 June 2025

Note 8 Liabilities

Employee benefit liabilities are disclosed in note 3.4.

8.1 Payables

	2025	2024
	\$'000	\$'000
Current		
Creditors	243	637
GST payable	1,074	1,005
Accrued expenses	187	324
Total current payables	1,504	1,966
Total payables	1,504	1,966

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of Funds SA.

Accrued expenses represent goods and services provided by suppliers during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

Interest rate and credit risk

All payables are measured at their nominal amount and are normally settled within 15 days from the date of the invoice or date the invoice is first received.

Funds SA
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Note 9 Cash flow reconciliation

	2025	2024
	\$'000	\$'000
Reconciliation of Net Cash provided by Operating Activities to Surplus:		
Net surplus	1,389	(1,063)
Add non-cash items		
Depreciation	855	811
Gain on Lease Modification	(45)	-
Changes in Assets / Liabilities		
(Increase) in receivables	(599)	(276)
(Increase) in other assets	171	(176)
Increase / (decrease) in payables	(462)	589
Increase in employee benefits	(207)	900
Net cash (used)/ provided by operating activities	1,102	785

Funds SA

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Note 10 Outlook

10.1 Unrecognised contractual commitments

Commitments include operating commitments arising from contractual sources and are disclosed at their nominal value. Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

Funds SA has the following expenditure commitments as at 30 June 2025:

Expenditure Commitments

	2025	2024
	\$'000	\$'000
Within one year	841	870
Later than one year but not longer than five years	-	-
Total expenditure commitments	841	870

Funds SA's expenditure commitments are for agreements in relation to:

- Contracts with investment system providers, FactSet and Rimes.

10.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Funds SA is not aware of any contingent assets or liabilities.

10.3 Impact of standards and statements not yet effective

Funds SA has assessed the impact of new and changed Australian Accounting Standards and Interpretations not yet effective and have concluded that there will be no significant impacts to Funds SA.

10.4 Events after the reporting period

There were no significant events after the reporting period.

Funds SA

Financial Statements for the year ended 30 June 2025

Note 11 Financial Instruments

11.1 Financial risk management

Financial risk management in relation to the client funds under management is disclosed in Schedule 1.

Financial risk management in relation to Funds SA's corporate activities is disclosed below.

Funds SA's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk and market risk

The administration fee that Funds SA charges to its clients to cover its administration expenses is calculated as a percentage of average funds under management valued at market value. The market value of these funds depends upon the valuation of the underlying investments, which are linked to the performance of global financial markets.

Funds SA manages this risk in three ways:

- Firstly, its administration fee is set at a level that conservatively allows for periods of prolonged low market values of funds under management; and
- Secondly, Funds SA has the ability to increase the administration fee should this action be necessary to cover administration expenses.
- Thirdly, Funds SA maintains adequate cash reserves to absorb corporate deficits should they arise over the short-term.

As Funds SA has the ability to amend the administration fee to ensure all administration expenses and liabilities of Funds SA are able to be satisfied as and when they fall due, the market risk is deemed to be immaterial and therefore a sensitivity analysis has not been undertaken.

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 15 days. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Credit risk

Receivables are normally settled within 30 days. Receivables and other assets are non-interest bearing. Based on past history, it is not anticipated that counterparties will fail to discharge their obligations as all counterparties are SA Government related entities. The carrying amount of receivables approximates fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

11.2 Maturity analysis

Cash, receivables and payables all have a maturity of less than 12 months. Lease liabilities relate to Funds SA's office lease and have a maturity greater than 12 months, refer to note 7.4. The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these financial instruments, refer to the table provided at note 11.3 below.

Funds SA

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11.3 Classification of financial instruments

Funds SA measures all financial instruments at amortised cost, the carrying amount is disclosed below.

	Carrying Amount 30 June 2025 \$'000	Carrying Amount 30 June 2024 \$'000
Financial assets		
Receivables	6,980	6,381
Financial liabilities		
Payables	218	702
Lease liabilities	2,526	610

The receivable and payable amounts disclosed above exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Audit Office of South Australia audit fees).

Funds SA

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Note 12 Investments in Funds SA Unit Trusts

Funds SA have 32 unit trusts to manage the investments of Funds SA's clients. A consolidated list of Funds SA's unit trusts is provided below.

Legal Name of Trust	Date established	Settled Sum
High Growth B Unit Trust	20 June 2008	\$10
Balanced B Unit Trust	20 June 2008	\$10
Moderate B Unit Trust	20 June 2008	\$10
Conservative B Unit Trust	20 June 2008	\$10
Capital Defensive B Unit Trust	20 June 2008	\$10
Cash Option B Unit Trust	20 June 2008	\$10
Australian Equities B Unit Trust	20 June 2008	\$10
International Equities B Unit Trust	20 June 2008	\$10
Property B Unit Trust	20 June 2008	\$10
Diversified Strategies Growth B Unit Trust	20 June 2008	\$10
Defensive Alternatives Unit Trust	20 June 2008	\$10
Fixed Interest A&B Unit Trust	20 June 2008	\$10
Inflation Linked Securities A&B Unit Trust	20 June 2008	\$10
Cash A&B Unit Trust	20 June 2008	\$10
Socially Responsible Investment Asset Class Trust	12 February 2010	\$10
Short Term Fixed Interest A&B Unit Trust	8 June 2010	\$10
Funds SA Property Holdings Trust	22 March 2016	\$10
Australian Equities Passive B Unit Trust	29 May 2019	\$10
International Equities Passive B Unit Trust	29 May 2019	\$10
Socially Responsible Investment Option Trust	10 December 2020	\$10
DSG A Holdings Trust	15 February 2021	\$10
DSG B Holdings Trust	15 February 2021	\$10
Core Infrastructure Unit Trust	1 July 2021	\$10

Funds SA

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Investments in Funds SA Unit Trusts (continued)

Legal Name of Trust	Date established	Settled Sum
Credit Unit Trust	1 July 2021	\$10
Investment Grade Credit Unit Trust	1 July 2021	\$10
Core Infrastructure A Holdings Trust	17 December 2021	\$10
Property Holdings 2 Trust	17 December 2021	\$10
University of Adelaide Strategy Unit Trust	17 December 2021	\$10
Core Infrastructure B Holdings Trust	22 June 2023	\$10
Private Credit Unit Trust	4 September 2024	\$10
Property Holdings 3 Trust	13 December 2024	\$10
Property Holdings 4 Trust	13 December 2024	\$10
	Total	\$320

Funds SA

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Note 13 Client Funds Under Management

Operation of Investment Portfolio

Funds SA operates a multi-layered unitisation structure to facilitate the administration of different investment strategies applying to the various client funds. For the year ending 30 June 2025, Funds SA managed a number of different investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash
- Socially Responsible
- Lifetime Support Authority Strategy⁽¹⁾
- Defined Benefit Strategy
- SAFA Investment Strategy⁽¹⁾
- University of Adelaide Strategy⁽¹⁾

⁽¹⁾ These investment options are customised strategies available to the South Australian Government Financing Authority (SAFA), Lifetime Support Authority, and University of Adelaide only.

Each client fund holds units in an investment option, which in turn holds units in each of the asset classes according to the strategic asset allocation for the investment option. Units are issued and redeemed periodically as transactions occur at unit prices calculated having regard to the market value of underlying investments.

Under section 26(2) of the Funds SA Act, Funds SA is required to “prepare separate financial statements in a form approved by the Minister in respect of each fund or authority in respect of each financial year”. In compliance with the Funds SA Act, the format of these financial statements has been approved by the Minister.

These client fund financial statements are explained and disclosed below:

- Each client fund’s allocation of total net investment income is disclosed in the Statement of Receipts and Payments. The amounts disclosed in the payments and receipts include client placements and redemptions in investment options inclusive of switches between investment options.
- The interest which each client fund holds in the unitised investment portfolio is disclosed in the Statement of Funds Under Management - by Investment Option.
- The indirect interest which each client fund holds in the asset classes and investment option overlays is disclosed in the Statement of Funds Under Management - by Asset class and Other Assets. The exposure to the asset classes in the client fund financial statements is notional in nature and not a direct holding. Other assets represent the clients notional exposure to Investment Option Overlays, which contains the unsettled profit and loss on derivative overlay trades and currency hedge contracts as well as cash and accrued expenses at the investment option level.
- Australian Equities Tax-exempt, Australian Equities Passive Tax-exempt, International Equities Tax-exempt, International Equities Passive Tax-exempt, Property Tax-exempt, Private Markets Tax-exempt, Core Infrastructure Tax-exempt, Growth Alternatives Tax-exempt and Inflation Linked Securities Tax-exempt asset classes are available to untaxed clients only, whereas Australian Equities Taxable, Australian Equities Passive Taxable, International Equities Taxable, International Equities Passive Taxable, Property Taxable, Private Markets Taxable and Core

Funds SA

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Client Funds Under Management (continued)

Infrastructure Taxable asset classes are available to taxable clients only. All other asset classes are available to both untaxed and taxable clients.

Note 13 provides financial statements in respect of each client fund under the management of Funds SA for the 2024-25 financial year.

The valuation of the investments of each client fund under management has been valued at fair value in accordance with *AASB 13 Fair Value Measurement*. Funds SA considers fair value to be the Net Asset Value of units held in each investment option and asset class. Net Asset Value excludes any impacts of buy and sell spreads applicable to each investment option and asset class and is consistent with the valuation methodology adopted in Schedule 1 above.

Funds SA

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13(a) South Australian Superannuation Scheme – Employer Contribution Accounts

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	2,481,398	2,544,294
Add: Receipts	555,867	682,388
Net Investment Income	217,983	163,604
	<u>773,850</u>	<u>845,992</u>
Less: Payments	<u>(763,051)</u>	<u>(908,888)</u>
Funds Under Management at 30 June	2,492,197	2,481,398

Statement of Funds Under Management - by Investment Option

Investment Option

Defined Benefit Strategy	<u>2,492,197</u>	<u>2,481,398</u>
Funds Under Management at 30 June	2,492,197	2,481,398

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	482,237	523,039
International Equities Tax-Exempt	737,541	677,502
Property Tax-Exempt	332,739	361,510
Private Markets Tax-Exempt	370,125	351,654
Core Infrastructure Tax-Exempt	187,813	128,363
Defensive Alternatives	49,191	51,849
Credit	145,048	150,247
Growth Alternatives	149,033	141,787
Cash	34,853	92,148
Investment Option Overlay	<u>3,617</u>	<u>3,299</u>
Funds Under Management at 30 June	2,492,197	2,481,398

Funds SA
Financial Statements for the year ended 30 June 2025

13(b) South Australian Superannuation Fund – Old Scheme Division

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	1,534,601	1,579,767
Add: Receipts	4,030	28,400
Net Investment Income	136,561	99,476
	<u>140,591</u>	<u>127,876</u>
Less: Payments	<u>(129,352)</u>	<u>(173,042)</u>
Funds Under Management at 30 June	1,545,840	1,534,601

Statement of Funds Under Management - by Investment Option

Investment Option

Defined Benefit Strategy	<u>1,545,840</u>	<u>1,534,601</u>
Funds Under Management at 30 June	1,545,840	1,534,601

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	299,118	323,469
International Equities Tax-Exempt	457,476	418,996
Property Tax-Exempt	206,389	223,573
Private Markets Tax-Exempt	229,578	217,478
Core Infrastructure Tax-Exempt	116,495	79,385
Defensive Alternatives	30,512	32,066
Credit	89,969	92,919
Growth Alternatives	92,441	87,687
Cash	21,618	56,988
Investment Option Overlay	<u>2,244</u>	<u>2,040</u>
Funds Under Management at 30 June	1,545,840	1,534,601

Funds SA

Financial Statements for the year ended 30 June 2025

13(c) South Australian Superannuation Fund – New Scheme Division

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	455,789	470,611
Add: Receipts	51,937	18,503
Net Investment Income	42,668	35,028
	<u>94,605</u>	<u>53,531</u>
Less: Payments	<u>(98,063)</u>	<u>(68,353)</u>
Funds Under Management at 30 June	452,331	455,789

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth Tax-Exempt	30,919	99
Balanced Tax-Exempt	350,145	395,163
Moderate Tax-Exempt	23,871	21,993
Conservative Tax-Exempt	22,640	18,133
Capital Defensive Tax-Exempt	12,363	9,939
Cash Tax-Exempt	10,256	8,098
Socially Responsible Investment	2,137	2,364
	<u>452,331</u>	<u>455,789</u>
Funds Under Management at 30 June	452,331	455,789

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	91,537	91,075
Australian Equities Passive Tax-Exempt	1,655	1,599
International Equities Tax-Exempt	132,716	131,942
International Equities Passive Tax-Exempt	7,033	6,444
Property Tax-Exempt	32,685	30,976
Property Taxable	209	234
Private Markets Tax-Exempt	22,484	22,100
Core Infrastructure Tax-Exempt	36,177	29,017
Defensive Alternatives	8,148	9,929
Credit	24,097	28,098
Investment Grade Credit	2,610	2,490
Growth Alternatives	6,725	-
Inflation-Linked Securities Tax-Exempt	7,760	14,281
Long-Term Fixed Interest	31,753	36,299
Short-Term Fixed Interest	8,167	15,081
Cash	36,435	33,633
Socially Responsible	1,518	1,535
Investment Option Overlay	622	1,056
	<u>452,331</u>	<u>455,789</u>
Funds Under Management at 30 June	452,331	455,789

Funds SA

Financial Statements for the year ended 30 June 2025

13(d) Southern State Superannuation Fund

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	25,569,286	23,926,824
Add: Receipts	1,974,579	1,396,087
Net Investment Income	2,511,212	1,937,532
	<u>4,485,791</u>	<u>3,333,619</u>
Less: Payments	<u>(2,275,929)</u>	<u>(1,691,157)</u>
Funds Under Management at 30 June	27,779,148	25,569,286

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth Tax-Exempt	4,092,864	3,540,773
Balanced Tax-Exempt	21,491,668	20,086,106
Moderate Tax-Exempt	638,311	617,345
Conservative Tax-Exempt	461,540	426,637
Capital Defensive Tax-Exempt	231,233	185,394
Cash Tax-Exempt	609,127	468,418
Socially Responsible Investment	254,405	244,613
	<u>27,779,148</u>	<u>25,569,286</u>
Funds Under Management at 30 June	27,779,148	25,569,286

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	5,957,828	5,441,862
Australian Equities Passive Tax-Exempt	104,344	91,717
International Equities Tax-Exempt	8,636,356	7,775,711
International Equities Passive Tax-Exempt	454,141	382,507
Property Tax-Exempt	2,026,062	1,854,978
Property Taxable	24,918	24,262
Private Markets Tax-Exempt	1,467,077	1,330,621
Core Infrastructure Tax-Exempt	2,121,975	1,518,032
Defensive Alternatives	451,846	455,565
Credit	1,480,742	1,621,210
Investment Grade Credit	55,944	58,806
Growth Alternatives	426,466	-
Inflation-Linked Securities Tax-Exempt	411,367	668,554
Long-Term Fixed Interest	1,750,109	1,755,344
Short-Term Fixed Interest	174,443	577,144
Cash	2,012,877	1,790,687
Socially Responsible	180,806	158,846
Investment Option Overlay	41,847	63,440
	<u>27,779,148</u>	<u>25,569,286</u>
Funds Under Management at 30 June	27,779,148	25,569,286

Funds SA**Financial Statements for the year ended 30 June 2025****13(e) Super SA Retirement Investment Fund – Super SA Flexible Rollover Product****Statement of Receipts and Payments**

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	2,061,699	1,971,610
Add: Receipts	529,504	410,054
Net Investment Income	186,258	144,699
	<u>715,762</u>	<u>554,753</u>
Less: Payments	<u>(577,408)</u>	<u>(464,664)</u>
Funds Under Management at 30 June	2,200,052	2,061,699

Statement of Funds Under Management - by Investment Option

Investment Option		
High Growth Taxable	301,109	272,196
Balanced Taxable	1,164,655	1,116,248
Moderate Taxable	231,193	225,950
Conservative Taxable	180,143	180,402
Capital Defensive Taxable	87,172	79,219
Cash Taxable	176,876	132,667
Socially Responsible Investment	58,904	55,017
	<u>2,200,052</u>	<u>2,061,699</u>
Funds Under Management at 30 June	2,200,052	2,061,699

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class		
Australian Equities Taxable	427,035	410,575
Australian Equities Passive Taxable	8,231	7,384
International Equities Taxable	553,651	478,548
International Equities Passive Taxable	26,783	23,090
Property Taxable	143,335	140,144
Private Markets Taxable	83,675	83,988
Core Infrastructure Taxable	151,784	98,711
Defensive Alternatives	67,801	40,995
Credit	117,838	124,145
Investment Grade Credit	23,146	22,931
Inflation-Linked Securities Taxable	41,864	70,152
Long-Term Fixed Interest	143,752	143,457
Short-Term Fixed Interest	65,643	86,072
Cash	296,903	291,620
Socially Responsible	41,863	35,727
Investment Option Overlay	6,748	4,160
	<u>2,200,052</u>	<u>2,061,699</u>
Funds Under Management at 30 June	2,200,052	2,061,699

Funds SA

Financial Statements for the year ended 30 June 2025

13(f) Super SA Retirement Investment Fund – Super SA Income Stream

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	5,175,873	4,839,306
Add: Receipts	1,199,876	1,128,920
Net Investment Income	472,480	360,756
	<u>1,672,356</u>	<u>1,489,676</u>
Less: Payments	<u>(1,187,268)</u>	<u>(1,153,109)</u>
Funds Under Management at 30 June	5,660,961	5,175,873

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth Taxable	515,807	472,132
Balanced Taxable	2,674,546	2,481,121
Moderate Taxable	1,177,671	1,069,001
Conservative Taxable	672,733	633,614
Capital Defensive Taxable	209,878	177,497
Cash Taxable	277,807	213,896
Socially Responsible Investment	132,519	128,612
Funds Under Management at 30 June	5,660,961	5,175,873

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	1,064,491	996,223
Australian Equities Passive Taxable	20,704	18,018
International Equities Taxable	1,387,806	1,168,821
International Equities Passive Taxable	66,796	55,932
Property Taxable	372,239	343,205
Private Markets Taxable	205,075	199,082
Core Infrastructure Taxable	413,879	249,584
Defensive Alternatives	188,509	118,094
Credit	318,836	324,326
Investment Grade Credit	88,441	83,010
Inflation-Linked Securities Taxable	132,183	211,081
Long-Term Fixed Interest	409,965	390,141
Short-Term Fixed Interest	235,749	265,159
Cash	644,630	659,987
Socially Responsible	94,181	83,518
Investment Option Overlay	17,477	9,692
Funds Under Management at 30 June	5,660,961	5,175,873

Funds SA

Financial Statements for the year ended 30 June 2025

13(g) Parliamentary Superannuation Scheme

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	280,100	273,295
Add: Receipts	6,788	13,522
Net Investment Income	25,784	18,508
	<u>32,572</u>	<u>32,030</u>
Less: Payments	<u>(19,684)</u>	<u>(25,225)</u>
Funds Under Management at 30 June	292,988	280,100

Statement of Funds Under Management - by Investment Option

Investment Option		
High Growth Tax-Exempt	20,015	18,019
Balanced Tax-Exempt	37,626	32,193
Moderate Tax-Exempt	1,940	1,733
Conservative Tax-Exempt	1,787	580
Capital Defensive Tax-Exempt	313	92
Cash Tax-Exempt	1,588	1,480
Socially Responsible Investment	1,818	1,523
Defined Benefit Strategy	227,901	224,480
	<u>292,988</u>	<u>280,100</u>
Funds Under Management at 30 June	292,988	280,100

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class		
Australian Equities Tax-Exempt	58,126	59,434
Australian Equities Passive Tax-Exempt	235	195
International Equities Tax-Exempt	87,866	78,371
International Equities Passive Tax-Exempt	1,051	846
Property Tax-Exempt	35,117	36,952
Property Taxable	178	151
Private Markets Tax-Exempt	37,280	34,794
Core Infrastructure Tax-Exempt	21,886	14,652
Defensive Alternatives	5,410	5,431
Credit	16,761	17,186
Investment Grade Credit	169	99
Growth Alternatives	14,569	12,827
Inflation-Linked Securities Tax-Exempt	764	1,088
Long-Term Fixed Interest	3,400	3,049
Short-Term Fixed Interest	478	910
Cash	7,943	12,687
Socially Responsible	1,292	989
Investment Option Overlay	463	439
	<u>292,988</u>	<u>280,100</u>
Funds Under Management at 30 June	292,988	280,100

Funds SA
Financial Statements for the year ended 30 June 2025

13(h) Judges' Pension Scheme

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	332,720	332,531
Add: Receipts	270	1,740
Net Investment Income	30,232	21,147
	<u>30,502</u>	<u>22,887</u>
Less: Payments	<u>(12,350)</u>	<u>(12,698)</u>
Funds Under Management at 30 June	350,872	332,720

Statement of Funds Under Management - by Investment Option

Investment Option

Defined Benefit Strategy	350,872	332,720
Funds Under Management at 30 June	350,872	332,720

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	67,893	70,132
International Equities Tax-Exempt	103,837	90,843
Property Tax-Exempt	46,846	48,473
Private Markets Tax-Exempt	52,109	47,152
Core Infrastructure Tax-Exempt	26,442	17,212
Defensive Alternatives	6,926	6,952
Credit	20,421	20,146
Growth Alternatives	20,982	19,012
Cash	4,907	12,356
Investment Option Overlay	509	442
Funds Under Management at 30 June	350,872	332,720

Funds SA
Financial Statements for the year ended 30 June 2025

13(i) Governors' Pension Scheme

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	2,380	2,664
Add: Receipts	1,504	-
Net Investment Income	206	161
	<u>1,710</u>	<u>161</u>
Less: Payments	<u>(476)</u>	<u>(445)</u>
Funds Under Management at 30 June	<u>3,614</u>	<u>2,380</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Defined Benefit Strategy	<u>3,614</u>	<u>2,380</u>
Funds Under Management at 30 June	<u>3,614</u>	<u>2,380</u>

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	699	502
International Equities Tax-Exempt	1,070	650
Property Tax-Exempt	483	347
Private Markets Tax-Exempt	537	337
Core Infrastructure Tax-Exempt	272	123
Defensive Alternatives	71	50
Credit	210	144
Growth Alternatives	216	136
Cash	51	88
Investment Option Overlay	<u>5</u>	<u>3</u>
Funds Under Management at 30 June	<u>3,614</u>	<u>2,380</u>

Funds SA
Financial Statements for the year ended 30 June 2025

13(j) South Australian Ambulance Service Superannuation Scheme

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	301,980	293,313
Add: Receipts	9,720	13,630
Net Investment Income	28,832	23,187
	<u>38,552</u>	<u>36,817</u>
Less: Payments	<u>(31,455)</u>	<u>(28,150)</u>
Funds Under Management at 30 June	309,077	301,980

Statement of Funds Under Management - by Investment Option

Investment Option

Balanced Taxable	<u>309,077</u>	<u>301,980</u>
Funds Under Management at 30 June	309,077	301,980

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	73,502	73,872
Australian Equities Passive Taxable	1,442	1,323
International Equities Taxable	95,563	84,869
International Equities Passive Taxable	4,647	4,101
Property Taxable	22,404	21,071
Private Markets Taxable	14,523	14,758
Core Infrastructure Taxable	23,203	16,307
Defensive Alternatives	11,371	6,323
Credit	18,586	19,086
Inflation-Linked Securities Taxable	5,896	9,395
Long-Term Fixed Interest	24,062	24,194
Short-Term Fixed Interest	240	6,378
Cash	12,762	19,550
Investment Option Overlay	<u>876</u>	<u>753</u>
Funds Under Management at 30 June	309,077	301,980

Funds SA
Financial Statements for the year ended 30 June 2025

13(k) Police Superannuation Scheme – Employer Contribution Account

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	1,789,642	1,726,660
Add: Receipts	58,983	53,835
Net Investment Income	162,819	113,397
	<u>221,802</u>	<u>167,232</u>
Less: Payments	<u>(117,450)</u>	<u>(104,250)</u>
Funds Under Management at 30 June	1,893,994	1,789,642

Statement of Funds Under Management - by Investment Option

Investment Option

Defined Benefit Strategy	1,893,994	1,789,642
Funds Under Management at 30 June	1,893,994	1,789,642

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	366,486	377,228
International Equities Tax-Exempt	560,507	488,629
Property Tax-Exempt	252,871	260,730
Private Markets Tax-Exempt	281,284	253,621
Core Infrastructure Tax-Exempt	142,733	92,579
Defensive Alternatives	37,384	37,395
Credit	110,232	108,362
Growth Alternatives	113,261	102,260
Cash	26,487	66,459
Investment Option Overlay	2,749	2,379
Funds Under Management at 30 June	1,893,994	1,789,642

Funds SA
Financial Statements for the year ended 30 June 2025

13(l) Police Superannuation Fund – Old Scheme Division

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	655,440	648,264
Add: Receipts	-	-
Net Investment Income	58,901	42,006
	<u>58,901</u>	<u>42,006</u>
Less: Payments	<u>(38,955)</u>	<u>(34,830)</u>
Funds Under Management at 30 June	675,386	655,440

Statement of Funds Under Management - by Investment Option

Investment Option

Defined Benefit Strategy	<u>675,386</u>	<u>655,440</u>
Funds Under Management at 30 June	675,386	655,440

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	130,686	138,156
International Equities Tax-Exempt	199,875	178,956
Property Tax-Exempt	90,172	95,490
Private Markets Tax-Exempt	100,304	92,886
Core Infrastructure Tax-Exempt	50,897	33,906
Defensive Alternatives	13,331	13,696
Credit	39,308	39,687
Growth Alternatives	40,388	37,452
Cash	9,445	24,340
Investment Option Overlay	<u>980</u>	<u>871</u>
Funds Under Management at 30 June	675,386	655,440

Funds SA

Financial Statements for the year ended 30 June 2025

13(m) South Australian Government Financing Authority (SAFA – Insurance Fund 1)

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	697,771	607,744
Add: Receipts	-	75,000
Net Investment Income	64,943	45,027
	<u>64,943</u>	<u>120,027</u>
Less: Payments	-	(30,000)
Funds Under Management at 30 June	762,714	697,771

Statement of Funds Under Management - by Investment Option

Investment Option

SAFA Strategy	762,714	697,771
Funds Under Management at 30 June	762,714	697,771

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	53,668	139,936
International Equities Tax-Exempt	100,980	198,574
Property Tax-Exempt	76,447	76,653
Private Markets Tax-Exempt	64,154	58,318
Core Infrastructure Tax-Exempt	36,884	20,234
Defensive Alternatives	19,406	17,878
Credit	53,613	48,167
Investment Grade Credit	45,619	-
Growth Alternatives	45,159	42,801
Inflation-Linked Securities Tax-Exempt	30,518	40,691
Long-Term Fixed Interest	69,106	28,461
Short-Term Fixed Interest	107,791	
Cash	58,799	25,056
Investment Option Overlay	570	1,002
Funds Under Management at 30 June	762,714	697,771

Funds SA
Financial Statements for the year ended 30 June 2025

13(n) South Australian Government Financing Authority (SAFA – Insurance Fund 2)

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	9,561	8,990
Add: Receipts	20,000	-
Net Investment Income	1,432	571
	<u>21,432</u>	<u>571</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	30,993	9,561

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative Tax-Exempt	<u>30,993</u>	<u>9,561</u>
Funds Under Management at 30 June	30,993	9,561

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	2,772	809
Australian Equities Passive Tax-Exempt	65	21
International Equities Tax-Exempt	4,392	1,400
International Equities Passive Tax-Exempt	206	62
Property Tax-Exempt	2,250	595
Private Markets Tax-Exempt	699	212
Core Infrastructure Tax-Exempt	3,404	1,007
Defensive Alternatives	915	400
Credit	2,074	668
Investment Grade Credit	1,747	599
Growth Alternatives	228	-
Inflation-Linked Securities Tax-Exempt	887	393
Long-Term Fixed Interest	2,726	771
Short-Term Fixed Interest	4,377	1,348
Cash	4,194	1,268
Investment Option Overlay	57	8
	<u>30,993</u>	<u>9,561</u>
Funds Under Management at 30 June	30,993	9,561

Funds SA
Financial Statements for the year ended 30 June 2025

13(o) South Australian Government Financing Authority (SAFA – Insurance Fund 3)

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	31,741	53,749
Add: Receipts	15,000	-
Net Investment Income	3,064	2,992
	<u>18,064</u>	<u>2,992</u>
Less: Payments	<u>-</u>	<u>(25,000)</u>
Funds Under Management at 30 June	49,805	31,741

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative Tax-Exempt	49,805	31,741
Funds Under Management at 30 June	49,805	31,741

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	4,455	2,686
Australian Equities Passive Tax-Exempt	104	68
International Equities Tax-Exempt	7,057	4,647
International Equities Passive Tax-Exempt	331	207
Property Tax-Exempt	3,616	1,975
Private Markets Tax-Exempt	1,123	705
Core Infrastructure Tax-Exempt	5,470	3,343
Defensive Alternatives	1,470	1,329
Credit	3,333	2,216
Investment Grade Credit	2,808	1,989
Growth Alternatives	367	-
Inflation-Linked Securities Tax-Exempt	1,425	1,305
Long-Term Fixed Interest	4,381	2,560
Short-Term Fixed Interest	7,034	4,475
Cash	6,739	4,208
Investment Option Overlay	92	28
Funds Under Management at 30 June	49,805	31,741

Funds SA
Financial Statements for the year ended 30 June 2025

13(p) South Australian Government Financing Authority (SAFA – Insurance Fund 4)

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	84,825	94,726
Add: Receipts	-	-
Net Investment Income	3,930	5,099
	<u>3,930</u>	<u>5,099</u>
Less: Payments	<u>(59,000)</u>	<u>(15,000)</u>
Funds Under Management at 30 June	29,755	84,825

Statement of Funds Under Management - by Investment Option

Investment Option

Capital Defensive Tax-Exempt	<u>29,755</u>	<u>84,825</u>
Funds Under Management at 30 June	29,755	84,825

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	1,510	3,815
Australian Equities Passive Tax-Exempt	45	109
International Equities Tax-Exempt	2,022	5,984
International Equities Passive Tax-Exempt	99	233
Property Tax-Exempt	1,814	4,840
Private Markets Tax-Exempt	310	1,019
Core Infrastructure Tax-Exempt	3,555	9,831
Defensive Alternatives	648	3,432
Credit	869	2,453
Investment Grade Credit	1,717	5,382
Growth Alternatives	227	-
Inflation-Linked Securities Tax-Exempt	1,077	4,281
Long-Term Fixed Interest	3,030	6,883
Short-Term Fixed Interest	7,763	22,245
Cash	5,028	14,293
Investment Option Overlay	<u>41</u>	<u>25</u>
Funds Under Management at 30 June	29,755	84,825

Funds SA

Financial Statements for the year ended 30 June 2025

13(q) Adelaide Cemeteries Authority

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	11,759	10,885
Add: Receipts	-	10,885
Net Investment Income	1,207	874
	<u>1,207</u>	<u>11,759</u>
Less: Payments	-	(10,885)
Funds Under Management at 30 June	12,966	11,759

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth Taxable	8,445	7,600
Balanced Taxable	982	895
Moderate Taxable	2,179	2,003
Conservative Taxable	1,360	1,261
	<u>12,966</u>	<u>11,759</u>
Funds Under Management at 30 June	12,966	11,759

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	3,228	2,850
Australian Equities Passive Taxable	58	49
International Equities Taxable	4,052	3,306
International Equities Passive Taxable	200	165
Property Taxable	927	1,069
Private Markets Taxable	641	638
Core Infrastructure Taxable	919	584
Defensive Alternatives	344	132
Credit	812	893
Investment Grade Credit	148	140
Inflation-Linked Securities Taxable	158	262
Long-Term Fixed Interest	388	355
Short-Term Fixed Interest	349	341
Cash	683	949
Investment Option Overlay	59	26
	<u>12,966</u>	<u>11,759</u>
Funds Under Management at 30 June	12,966	11,759

Funds SA
Financial Statements for the year ended 30 June 2025

13(r) Motor Accident Commission Compulsory Third Party Fund

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	0	10,027
Add: Receipts	-	-
Net Investment Income	-	117
	-	117
Less: Payments	-	(10,144)
Funds Under Management at 30 June	-	-

Statement of Funds Under Management - by Investment Option

Investment Option

Capital Defensive Tax-Exempt	-	-
Funds Under Management at 30 June	-	-

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	-	-
Australian Equities Passive Tax-Exempt	-	-
International Equities Tax-Exempt	-	-
International Equities Passive Tax-Exempt	-	-
Property Tax-Exempt	-	-
Private Markets Tax-Exempt	-	-
Core Infrastructure Tax-Exempt	-	-
Defensive Alternatives	-	-
Credit	-	-
Investment Grade Credit	-	-
Inflation-Linked Securities Tax-Exempt	-	-
Long-Term Fixed Interest	-	-
Short-Term Fixed Interest	-	-
Cash	-	-
Investment Option Overlay	-	-
Funds Under Management at 30 June	-	-

Funds SA

Financial Statements for the year ended 30 June 2025

13(s) South Australian Metropolitan Fire Service Superannuation Scheme

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	545,032	514,922
Add: Receipts	51,810	76,638
Net Investment Income	53,045	39,209
	104,855	115,847
Less: Payments	(79,351)	(85,737)
Funds Under Management at 30 June	570,536	545,032

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth Taxable	378,789	363,333
Balanced Taxable	17,261	13,878
Moderate Taxable	10,735	9,540
Conservative Taxable	142,245	133,447
Capital Defensive Taxable	5,211	6,262
Cash Taxable	16,295	18,572
Funds Under Management at 30 June	570,536	545,032

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	131,936	121,200
Australian Equities Passive Taxable	2,352	2,117
International Equities Taxable	167,192	142,400
International Equities Passive Taxable	8,205	7,112
Property Taxable	39,224	48,945
Private Markets Taxable	26,695	28,163
Core Infrastructure Taxable	40,980	27,407
Defensive Alternatives	14,405	6,363
Credit	34,491	40,124
Investment Grade Credit	9,620	8,889
Inflation-Linked Securities Taxable	6,534	13,532
Long-Term Fixed Interest	15,750	13,588
Short-Term Fixed Interest	22,576	21,680
Cash	48,210	62,352
Investment Option Overlay	2,366	1,160
Funds Under Management at 30 June	570,536	545,032

Funds SA
Financial Statements for the year ended 30 June 2025

13(t) Super SA Select

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	42,117	35,095
Add: Receipts	15,806	14,139
Net Investment Income	4,441	2,786
	<u>20,247</u>	<u>16,925</u>
Less: Payments	<u>(5,388)</u>	<u>(9,903)</u>
Funds Under Management at 30 June	56,976	42,117

Statement of Funds Under Management - by Investment Option

Investment Option

Balanced Taxable	52,513	39,135
Cash Taxable	4,463	2,982
	<u>56,976</u>	<u>42,117</u>
Funds Under Management at 30 June	56,976	42,117

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	12,488	9,573
Australian Equities Passive Taxable	245	171
International Equities Taxable	16,236	10,999
International Equities Passive Taxable	790	531
Property Taxable	3,806	2,731
Private Markets Taxable	2,468	1,913
Core Infrastructure Taxable	3,942	2,113
Defensive Alternatives	1,932	819
Credit	3,158	2,473
Inflation-Linked Securities Taxable	1,002	1,218
Long-Term Fixed Interest	4,088	3,135
Short-Term Fixed Interest	41	827
Cash	6,630	5,516
Investment Option Overlay	150	98
	<u>56,976</u>	<u>42,117</u>
Funds Under Management at 30 June	56,976	42,117

Funds SA
Financial Statements for the year ended 30 June 2025

13(u) Lifetime Support Authority

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	1,698,608	1,478,290
Add: Receipts	119,000	115,000
Net Investment Income	167,449	105,318
	<u>286,449</u>	<u>220,318</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	1,985,057	1,698,608

Statement of Funds Under Management - by Investment Option

Investment Option

Lifetime Support Authority Strategy	<u>1,985,057</u>	<u>1,698,608</u>
Funds Under Management at 30 June	1,985,057	1,698,608

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Tax-Exempt	386,948	358,432
International Equities Tax-Exempt	629,497	492,045
Property Tax-Exempt	237,679	229,722
Private Markets Tax-Exempt	266,770	242,500
Core Infrastructure Tax-Exempt	136,229	79,776
Defensive Alternatives	69,261	34,168
Credit	121,738	100,891
Growth Alternatives	118,201	97,366
Cash	13,822	61,190
Investment Option Overlay	<u>4,912</u>	<u>2,518</u>
Funds Under Management at 30 June	1,985,057	1,698,608

Funds SA
Financial Statements for the year ended 30 June 2025

13(v) Health Services Charitable Gifts Board – Pool Investment

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	135,617	124,852
Add: Receipts	2,000	6,000
Net Investment Income	12,384	9,765
	<u>14,384</u>	<u>15,765</u>
Less: Payments	<u>(2,000)</u>	<u>(5,000)</u>
Funds Under Management at 30 June	148,001	135,617

Statement of Funds Under Management - by Investment Option

Investment Option

Balanced Taxable	59,671	54,347
Moderate Taxable	87,766	80,731
Cash Taxable	564	539
	<u>148,001</u>	<u>135,617</u>
Funds Under Management at 30 June	148,001	135,617

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	29,065	27,469
Australian Equities Passive Taxable	567	492
International Equities Taxable	37,547	31,929
International Equities Passive Taxable	1,818	1,518
Property Taxable	9,868	8,286
Private Markets Taxable	5,273	5,001
Core Infrastructure Taxable	11,296	6,272
Defensive Alternatives	5,671	3,600
Credit	9,323	9,353
Investment Grade Credit	2,485	2,513
Inflation-Linked Securities Taxable	4,600	6,531
Long-Term Fixed Interest	12,195	11,631
Short-Term Fixed Interest	6,184	6,877
Cash	11,596	13,929
Investment Option Overlay	513	216
	<u>148,001</u>	<u>135,617</u>
Funds Under Management at 30 June	148,001	135,617

Funds SA
Financial Statements for the year ended 30 June 2025

13(w) Health Services Charitable Gifts Board – Ray and Shirl Norman Cancer Research Trust

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	7,796	7,601
Add: Receipts	20	3
Net Investment Income	748	605
	<u>768</u>	<u>608</u>
Less: Payments	<u>(393)</u>	<u>(413)</u>
Funds Under Management at 30 June	<u>8,171</u>	<u>7,796</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Balanced Taxable	<u>8,171</u>	<u>7,796</u>
Funds Under Management at 30 June	<u>8,171</u>	<u>7,796</u>

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	1,943	1,906
Australian Equities Passive Taxable	38	34
International Equities Taxable	2,528	2,191
International Equities Passive Taxable	123	106
Property Taxable	592	544
Private Markets Taxable	384	381
Core Infrastructure Taxable	613	421
Defensive Alternatives	301	163
Credit	491	493
Inflation-Linked Securities Taxable	156	243
Long-Term Fixed Interest	636	625
Short-Term Fixed Interest	6	165
Cash	337	505
Investment Option Overlay	<u>23</u>	<u>19</u>
Funds Under Management at 30 June	<u>8,171</u>	<u>7,796</u>

Funds SA
Financial Statements for the year ended 30 June 2025

13(x) Health Services Charitable Gifts Board – DE Brown Trust

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	247	245
Add: Receipts	-	-
Net Investment Income	19	16
	<u>19</u>	<u>16</u>
Less: Payments	<u>(26)</u>	<u>(14)</u>
Funds Under Management at 30 June	240	247

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative Taxable	<u>240</u>	<u>247</u>
Funds Under Management at 30 June	240	247

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	24	23
Australian Equities Passive Taxable	1	0
International Equities Taxable	35	33
International Equities Passive Taxable	2	1
Property Taxable	14	15
Private Markets Taxable	5	5
Core Infrastructure Taxable	23	14
Defensive Alternatives	10	10
Credit	15	18
Investment Grade Credit	15	15
Inflation-Linked Securities Taxable	9	22
Long-Term Fixed Interest	22	20
Short-Term Fixed Interest	35	38
Cash	<u>30</u>	<u>33</u>
Funds Under Management at 30 June	240	247

Funds SA
Financial Statements for the year ended 30 June 2025

**13(y) Health Services Charitable Gifts Board – P F Beinke Charitable Trust – Flinders Medical
Centre (Pastoral Care Account)**

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	277	261
Add: Receipts	-	4
Net Investment Income	22	16
	<u>22</u>	<u>20</u>
Less: Payments	<u>(12)</u>	<u>(4)</u>
Funds Under Management at 30 June	287	277

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative Taxable	<u>287</u>	<u>277</u>
Funds Under Management at 30 June	287	277

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	28	26
Australian Equities Passive Taxable	1	1
International Equities Taxable	45	37
International Equities Passive Taxable	2	2
Property Taxable	17	16
Private Markets Taxable	6	6
Core Infrastructure Taxable	28	16
Defensive Alternatives	11	11
Credit	18	20
Investment Grade Credit	18	17
Inflation-Linked Securities Taxable	11	25
Long-Term Fixed Interest	26	23
Short-Term Fixed Interest	41	40
Cash	<u>35</u>	<u>37</u>
Funds Under Management at 30 June	287	277

Funds SA

Financial Statements for the year ended 30 June 2025

13(z) **Health Services Charitable Gifts Board – P F Beinke Charitable Trust – Royal Adelaide Hospital (The Chapel Fund)**

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	282	264
Add: Receipts	-	4
Net Investment Income	22	17
	<u>22</u>	<u>21</u>
Less: Payments	<u>(1)</u>	<u>(3)</u>
Funds Under Management at 30 June	303	282

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative Taxable	303	282
Funds Under Management at 30 June	303	282

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	30	26
Australian Equities Passive Taxable	1	1
International Equities Taxable	45	38
International Equities Passive Taxable	2	2
Property Taxable	18	17
Private Markets Taxable	6	6
Core Infrastructure Taxable	30	16
Defensive Alternatives	12	12
Credit	19	21
Investment Grade Credit	19	17
Inflation-Linked Securities Taxable	12	26
Long-Term Fixed Interest	28	23
Short-Term Fixed Interest	44	39
Cash	<u>37</u>	<u>38</u>
Funds Under Management at 30 June	303	282

Funds SA

Financial Statements for the year ended 30 June 2025

13(aa) Health Services Charitable Gifts Board – P F Beinke Charitable Trust – Daw Park
Repatriation Hospital (Pastoral Care Chapel Account)

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	261	266
Add: Receipts	-	4
Net Investment Income	21	16
	<u>21</u>	<u>20</u>
Less: Payments	<u>(14)</u>	<u>(25)</u>
Funds Under Management at 30 June	268	261

Statement of Funds Under Management - by Investment Option

Investment Option

Conservative Taxable	268	261
Funds Under Management at 30 June	268	261

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	26	25
Australian Equities Passive Taxable	1	1
International Equities Taxable	40	35
International Equities Passive Taxable	2	2
Property Taxable	16	15
Private Markets Taxable	5	5
Core Infrastructure Taxable	26	15
Defensive Alternatives	11	11
Credit	17	19
Investment Grade Credit	17	16
Inflation-Linked Securities Taxable	11	24
Long-Term Fixed Interest	24	21
Short-Term Fixed Interest	39	37
Cash	<u>33</u>	<u>35</u>
Funds Under Management at 30 June	268	261

Funds SA
Financial Statements for the year ended 30 June 2025

13(ab) The University of Adelaide Endowment Trust

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	255,549	234,944
Add: Receipts	2,000	-
Net Investment Income	5,571	20,605
	7,571	20,605
Less: Payments	(167,442)	-
Funds Under Management at 30 June	95,678	255,549

Statement of Funds Under Management - by Investment Option

Investment Option

University of Adelaide Strategy	95,678	255,549
Funds Under Management at 30 June	95,678	255,549

Statement of Funds Under Management – by Asset Class and Other Assets

Australian Equities Taxable	-	64,639
International Equities Taxable	-	88,105
Property Taxable	23,272	24,346
Private Markets Taxable	31,605	31,346
Core Infrastructure Taxable	35,102	31,161
Cash	5,661	15,582
Investment Option Overlay	38	370
Funds Under Management at 30 June	95,678	255,549

Funds SA
Financial Statements for the year ended 30 June 2025

13(ac) Legal Services Commission

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	8,552	8,129
Add: Receipts	11,000	-
Net Investment Income	909	423
	<u>11,909</u>	<u>423</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	<u>20,461</u>	<u>8,552</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Capital Defensive Taxable	<u>20,461</u>	<u>8,552</u>
Funds Under Management at 30 June	<u>20,461</u>	<u>8,552</u>

Statement of Funds Under Management – by Asset Class and Other Assets

Australian Equities Taxable	1,011	379
Australian Equities Passive Taxable	28	12
International Equities Taxable	1,575	586
International Equities Passive Taxable	45	19
Property Taxable	1,222	448
Private Markets Taxable	191	94
Core Infrastructure Taxable	2,205	552
Defensive Alternatives	616	352
Credit	583	252
Investment Grade Credit	1,220	518
Inflation-Linked Securities Taxable	814	597
Long-Term Fixed Interest	2,135	1,031
Short-Term Fixed Interest	5,320	2,233
Cash	3,467	1,465
Investment Option Overlay	<u>29</u>	<u>14</u>
Funds Under Management at 30 June	<u>20,461</u>	<u>8,552</u>

Funds SA

Financial Statements for the year ended 30 June 2025

13(ad) Construction Industry Training Fund

Statement of Receipts and Payments

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	23,729	23,802
Add: Receipts	-	-
Net Investment Income	2,475	1,927
	<u>2,475</u>	<u>1,927</u>
Less: Payments	-	(2,000)
Funds Under Management at 30 June	26,204	23,729

Statement of Funds Under Management - by Investment Option

Investment Option

High Growth Taxable	18,869	16,983
Moderate Taxable	7,335	6,746
Funds Under Management at 30 June	26,204	23,729

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Australian Equities Taxable	6,808	6,015
Australian Equities Passive Taxable	120	103
International Equities Taxable	8,459	6,914
International Equities Passive Taxable	421	348
Property Taxable	1,890	2,208
Private Markets Taxable	1,337	1,335
Core Infrastructure Taxable	1,784	1,130
Defensive Alternatives	664	206
Credit	1,650	1,826
Investment Grade Credit	208	210
Inflation-Linked Securities Taxable	289	404
Long-Term Fixed Interest	631	608
Short-Term Fixed Interest	513	479
Cash	1,300	1,891
Investment Option Overlay	130	52
Funds Under Management at 30 June	26,204	23,729

Funds SA**Financial Statements for the year ended 30 June 2025****13(ae) Adelaide University Research Fund****Statement of Receipts and Payments**

	2025 \$'000	2024 \$'000
Funds Under Management at 1 July	-	-
Add: Receipts	200,000	-
Net Investment Income	9,316	-
	<u>209,316</u>	<u>-</u>
Less: Payments	-	-
Funds Under Management at 30 June	<u>209,316</u>	<u>-</u>

Statement of Funds Under Management - by Investment Option**Investment Option**

Cash Tax-Exempt	<u>209,316</u>	<u>-</u>
Funds Under Management at 30 June	<u>209,316</u>	<u>-</u>

Statement of Funds Under Management – by Asset Class and Other Assets**Asset class**

Cash	209,254	-
Investment Option Overlay	<u>62</u>	<u>-</u>
Funds Under Management at 30 June	<u>209,316</u>	<u>-</u>

Funds SA
Financial Statements for the year ended 30 June 2025

13(af) Adelaide University Student Support Fund

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	-	-
Add: Receipts	120,000	-
Net Investment Income	5,590	-
	<u>125,590</u>	<u>-</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	<u>125,590</u>	<u>-</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Cash Tax-Exempt	<u>125,590</u>	<u>-</u>
Funds Under Management at 30 June	<u>125,590</u>	<u>-</u>

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Cash	125,553	-
Investment Option Overlay	<u>37</u>	<u>-</u>
Funds Under Management at 30 June	<u>125,590</u>	<u>-</u>

Funds SA
Financial Statements for the year ended 30 June 2025

13(ag) Flinders University Student Support Fund

Statement of Receipts and Payments

	2025	2024
	\$'000	\$'000
Funds Under Management at 1 July	-	-
Add: Receipts	40,000	-
Net Investment Income	1,417	-
	<u>41,417</u>	<u>-</u>
Less: Payments	<u>-</u>	<u>-</u>
Funds Under Management at 30 June	<u>41,417</u>	<u>-</u>

Statement of Funds Under Management - by Investment Option

Investment Option

Cash Tax-Exempt	<u>41,417</u>	<u>-</u>
Funds Under Management at 30 June	<u>41,417</u>	<u>-</u>

Statement of Funds Under Management – by Asset Class and Other Assets

Asset class

Cash	41,405	-
Investment Option Overlay	12	-
Funds Under Management at 30 June	<u>41,417</u>	<u>-</u>

OFFICIAL



Public Sector Superannuation Funds Performance Plan

2024-2025

October 2024



Government
of South Australia

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1. Introduction

This Performance Plan (Plan) is prepared in accordance with section 20 of the *Superannuation Funds Management Corporation of South Australia Act 1995* (SA) (Funds SA Act) and sets out Funds SA's approach to the investment and management of the State's public sector superannuation funds administered by Super SA and Police Super for the 2024-25 financial year.

Pursuant to the Funds SA Act, this Plan details:

- the target for the rate of return on investment and management of the funds;
- strategies for the achievement of that target;
- the factors that, in the opinion of Funds SA, will affect or influence the investment and management of the funds during the year;
- the anticipated operating costs to be incurred by Funds SA during the financial year; and
- such other matters that Funds SA thinks should be included in the Plan.

The Plan is the primary document for communicating with, and seeking feedback from, Funds SA's key stakeholders regarding planned initiatives and proposed strategies for managing the funds over the coming year.

References to additional information is included in Section 6.

Background

Funds SA's function is to invest and manage public sector superannuation funds¹. The South Australian Superannuation Board, Police Superannuation Board, and South Australian Parliamentary Superannuation Board are responsible for administering the State's public sector superannuation funds.

Funds SA invests and manages the following public sector superannuation funds administered by Super SA:

1. Southern State Superannuation Scheme, comprising:
 - Southern State Superannuation Fund (Triple S).
2. South Australian Superannuation Scheme, comprising:
 - SA Superannuation Fund – Old (Pension Scheme) and New (Lump Sum member accumulation component) Scheme Divisions; and
 - SA Superannuation Scheme – Employer Contribution Account.
3. Super SA Retirement Investment Fund, comprising:
 - Super SA Flexible Rollover Product; and
 - Super SA Income Stream (including the Transition to Retirement Income Stream (TRIS)).
4. Parliamentary Superannuation Scheme (including the PSS3 Accumulation Division).
5. Judges' Pension Scheme.
6. Governors' Pension Scheme.

¹ Detailed in the *Superannuation Act 1988*, the *Southern State Superannuation Act 2009*, the *Southern State Superannuation Regulations 2009*, the *Parliamentary Superannuation Act 1974*, the *Judges' Pensions Act 1971*, the *Governors' Pensions Act 1976*, the *Police Superannuation Act 1990* and the Funds SA Act.

Separate Performance Plans detail the investment arrangements for the SA Ambulance Service Superannuation Scheme and Super SA Select.

Funds SA invests and manages the following public sector superannuation funds administered by SA Police Super:

1. Police Superannuation Scheme, comprising:
 - Police Superannuation Fund – Old Scheme Division (Member contribution accounts); and
 - Police Superannuation Scheme – Employer Contribution Account.

Tax status

Funds SA offers a suite of Tax-Exempt and Taxable investment options designed to accommodate the varying tax statuses across clients.

The schemes listed above, except for the Super SA Flexible Rollover Product, Income Stream, and TRIS, are constitutionally protected and do not pay income tax. These schemes invest in Funds SA's Tax-Exempt investment options.

The Super SA Flexible Rollover Product, Income Stream, and TRIS schemes are subject to differing tax provisions and therefore invest in Funds SA's Taxable investment options.

Investment offerings

Investment choice

Members of certain State superannuation schemes have investment choice, enabling an individual to choose investments according to their risk appetite.

Investment choice is available for the following schemes/products:

- Southern State Superannuation Scheme (Triple S);
- South Australian Superannuation Scheme – Lump Sum member accumulation component only;
- Super SA Flexible Rollover Product;
- Super SA Income Stream (including TRIS); and
- Parliamentary Superannuation Scheme – PSS3 Accumulation Division only.

The State's public sector superannuation funds offer the following Funds SA investment options: Cash, Capital Defensive, Conservative, Moderate, Socially Responsible, Balanced, and High Growth.

Default strategy

Super SA determines the default investment option for those members who have not selected an investment option. The current default for each scheme is outlined below.

Triple S

The current default option for Triple S is Funds SA's Balanced Tax-Exempt investment option.

Lump Sum Scheme

The current default option for the Lump Sum Scheme member accumulation component is Funds SA's Balanced Tax-Exempt investment option.

Super SA Flexible Rollover Product and Income Stream (including TRIS)

The default option for the Super SA Flexible Rollover Product is Funds SA's Balanced Taxable investment option.

The default option for the Income Stream (including TRIS) is 60% of the Funds SA Moderate Taxable investment option and 40% of the Funds SA Conservative Taxable investment option.

Parliamentary Superannuation Scheme – PSS3 Accumulation Division only

The default option for the Parliamentary Superannuation Scheme – PSS3 Accumulation Division is Funds SA's Balanced Tax-Exempt investment option.

Defined Benefit

Funds SA invests and is responsible for the investment strategy of the State's defined benefit liability assets relating to the various schemes below:

- South Australian Superannuation Fund (excluding the Lump Sum Scheme member accumulation component);
- South Australian Superannuation Scheme – Employer Contribution Accounts;
- Parliamentary Superannuation Scheme (PSS1 & PSS2);
- Judges' Pension Scheme;
- Governors' Pension Scheme;
- Police Superannuation Fund; and
- Police Superannuation Scheme – Employer Contribution Account.

Since 1 July 1994, the State Government has undertaken a program that is intended to progressively fund its accumulated superannuation liabilities. This program has been set out over a 40-year period, with the intention of achieving full funding of accumulated superannuation liabilities by the year 2034. The Government's Past Service Liability (PSL) payments (which are invested in the South Australian Superannuation Scheme – Employer Contribution Accounts and the Police Superannuation Scheme – Employer Contribution Account) and investment returns earned on the assets managed by Funds SA are expected to close the unfunded superannuation liability gap by 2034.

2. Investment objectives

The investment objectives shown in Table 1 have been developed having regard to the long-term performance and characteristics of financial markets, and the capital market assumptions provided by Funds SA's specialist investment advisor (JANA²).

There is a reasonable probability that the target returns for each investment option will be achieved over its stated time horizon based on the investment strategies employed. Details of the statistical modelling undertaken are contained in Section 3. However, there is no guarantee the target returns will be met because financial markets are volatile and past performance is not a reliable indicator of future performance.

Additional objectives are taken into consideration when developing the investment strategy, such as, returns relative to the superannuation industry, superannuation regulations relating to performance and specific fee targets.

Table 1: Investment objectives*

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure **	Estimated number of negative annual returns likely over any 20-year period
Cash	RBA cash rate	0+ years	Very low	Less than 0.5
Capital Defensive	CPI + 0.5%	2+ years	Low	0.5 to less than 1
Conservative	CPI + 1.5%	4+ years	Medium	2 to less than 3
Moderate	CPI + 2.5%	6+ years	Medium to High	3 to less than 4
Socially Responsible	CPI + 3.0%	10+ years	High	4 to less than 6
Balanced	CPI + 3.5%	10+ years	High	4 to less than 6
High Growth	CPI + 4.5%	10+ years	High	4 to less than 6
Defined Benefit	CPI + 4.5%	10+ years	High	4 to less than 6

*The Tax-Exempt and Taxable investment options have common labels and investment objectives.

** The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow members to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a member may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

² JANA Investment Advisers were reappointed as Funds SA's primary asset consultant in 2023. JANA provides Funds SA with investment consulting on a broad range of investment strategy and research topics.

3. Investment strategy

Funds SA undertakes a formal Investment Strategy Review on an annual basis to assess the appropriateness of the Long-Term Strategic Asset Allocation (LTSAA) of the investment options. The objective is to construct LTSAA's that, if held over the long-term, have a reasonable likelihood of achieving the investment objectives – target return, risk, liquidity, and fees.

The Funds SA 2024-25 Investment Strategy Review focused on the following:

- The investment environment and the implications for investment strategy.
- Reviewing the investment objectives and investment risk appetite.
- The competitive positioning of investment options within the superannuation industry.

Resulting from the 2024-25 Investment Strategy Review, the Funds SA Board has approved LTSAA changes aimed at improving investment performance. The most significant changes are:

- Decreasing the allocation to the Property asset class and increasing the allocation to the Infrastructure asset class.
- Within the Fixed Interest asset class, reallocating from the Inflation-Linked Securities sub-asset class to Long-Term Fixed Interest sub-asset class.

Funds SA has been progressively seeking to increase its allocation to Infrastructure since changes were made to the 2022-23 LTSAA. The continued build toward those and this year's revised LTSAA's will take time.

The Funds SA Board will continue to approve revised target asset allocations on a quarterly basis as we progressively build towards the LTSAA targets, which will include the LTSAA changes outlined within this Performance Plan. This may incorporate the need to allocate to liquid asset classes as a proxy position whilst we seek out appropriate investment opportunities to fill the unlisted asset class allocations.

When making asset allocation changes, Funds SA will do so having regard to market conditions and investment opportunities. Advising target asset allocations on a quarterly basis will assist superannuation clients in updating member disclosures and providing Your Future Your Super (YFYS) information.

Specific 2024-25 changes approved by the Funds SA Board are shown in Tables 2 and 3 and summarised as follows:

Relevant to most investment options:

- Within the Fixed Interest asset class, reduce the allocation to the Inflation-Linked Securities sub-asset class to zero, with the allocation moving to Long-Term Fixed Interest sub-asset class.

Moderate investment option:

- Reduce the allocation to Fixed Interest and Private Markets asset classes and increase the allocation to the Infrastructure asset class.

Socially Responsible investment option:

- Add the Credit asset class to the LTSAA. Reduce the allocation to listed Equities, Property and Fixed Interest asset classes, and increase the allocation to Private Markets and Infrastructure asset classes.

Balanced investment option:

- Reduce allocation to Property and Credit asset classes, and increase the allocation to the Infrastructure asset class.

High Growth investment option:

- Reduce the allocation to Private Markets and Property asset classes, and increase the allocation to listed Equities and Infrastructure asset classes.

Asset allocation

The LTSAA is the primary determinant of whether investment objectives can be met. The LTSAA represents a strategy that has a reasonable chance of meeting investment objectives given constraints (e.g. fees, liquidity, and risk appetite).

Tables 2 and 3 detail the LTSAA's for Funds SA's investment options. The number in brackets represents the change in allocation from 2023-24.

Table 2: LTSAA for Tax-Exempt investment options

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Socially Responsible# %	Balanced %	High Growth %
Australian Equities	0	5	9	16	26 (-2)*	22	28 (+2)
International Equities	0	7	15	24	30 (-1)*	33	41 (+2)
Private Markets	0	1	2	2 (-1)	5 (+2)	5	6 (-1)
Property	0	6	7	7	8 (-5)*	8 (-1)	8 (-6)
Infrastructure	0	11	10	9 (+2)	9 (+4)	9 (+2)	8 (+3)
Alternatives	0	4	4	3	n.a.	2	0
Credit	0	3	7	7	5 (+5)	5 (-1)	7
Fixed Interest	0	45	32	22 (-1)	14 (-3)	13	0
Cash	100	18	14	10	3	3	2
Total	100	100	100	100	100	100	100
Growth assets	0	25	40	55	70	72	85
Foreign currency	0	5	10	16	23	21	25

The Socially Responsible Tax-Exempt investment option is a commonly held investment option within the Socially Responsible Taxable investment option. The Socially Responsible Tax-Exempt and Taxable investment options have the same asset allocation and invest in the same Taxable asset classes. The asterisks '**' represent asset classes that are partly or wholly constructed to meet the Socially Responsible investment option requirements.

Table 3: LTSAA for Taxable investment options

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Socially Responsible %	Balanced %	High Growth %
Australian Equities	0	5	10	18	26 (-2)*	25	31 (+2)
International Equities	0	7	14	22	30 (-1)*	30	38 (+2)
Private Markets	0	1	2	2 (-1)	5 (+2)	5	6 (-1)
Property	0	6	7	7	8 (-5)*	8 (-1)	8 (-6)
Infrastructure	0	11	10	9 (+2)	9 (+4)	9 (+2)	8 (+3)
Alternatives	0	4	4	3	n.a.	2	0
Credit	0	3	7	7	5 (+5)	5 (-1)	7
Fixed Interest	0	45	32	22 (-1)	14 (-3)	13	0
Cash	100	18	14	10	3	3	2
Total	100	100	100	100	100	100	100
Growth Assets	0	25	40	55	70	72	85
Foreign currency	0	5	10	16	23	21	25

The asterisks '**' represent asset classes that are partly or wholly constructed to meet the Socially Responsible investment option requirements.

Asset class ranges

Asset class ranges are used as an investment management tool, variation in asset class returns and illiquidity of some asset classes means the asset allocation can fluctuate through time. Asset class ranges allow for active asset allocation decisions to adjust the portfolio within risk tolerances to take advantage of investment opportunities.

The allowable ranges for the individual asset classes are +/- 10% from the LTSAA. As the Fixed Interest asset class includes four sub-asset classes, the asset class range for Fixed Interest is +/- 20% from the LTSAA. Cash can have an allocation between 0 and 20%.

Table 4: Asset class ranges for investment options*

Asset class	Range %
Australian Equities	±10
International Equities	±10
Private Markets	±10
Property	±10
Infrastructure	±10
Alternatives	±10
Credit	±10
Fixed Interest	±20
Cash	0 to 20
Foreign currency	±10

*Note where the LTSAA of a particular asset class is less than 10% (or 20% for Fixed Interest), the low point of the asset class range is 0%. That is, the allocation to any particular asset class cannot be negative.

The aggregate allocation to growth assets is managed within the following ranges:

Table 5: Growth range for investment options

Funds SA investment option	Growth range %
Cash	n.a.
Capital Defensive	10 – 40
Conservative	25 – 55
Moderate	40 – 70
Socially Responsible	55 - 85
Balanced	57 - 87
High Growth	70 – 100

Extreme market conditions may impact the ability to effectively implement strategy and can cause asset allocations to drift outside ranges nominated. Although such times are infrequent, once such conditions are present, the allocation ranges may be temporarily suspended. Funds SA will notify clients of such moves should this occur.

Asset allocation ranges for member disclosure

Asset class ranges are provided for disclosure to members, as detailed in the table below.

The ranges provide flexibility in the event of a significant market dislocation.

Table 6: Asset allocation ranges for disclosure to members for Tax-Exempt investment options

Asset class	Capital Defensive %	Conservative %	Moderate %	Socially Responsible# %	Balanced %	High Growth %
Australian Equities	0 – 15	0 – 20	5 – 30	15 – 40	10 – 40	10 – 40
International Equities	0 – 20	5 – 25	10 – 35	20 – 45	20 – 45	20 – 55
Private Markets	0 – 15	0 – 15	0 – 15	0 – 15	0 – 15	0 – 20
Property	0 – 20	0 – 20	0 – 20	0 – 25	0 – 25	0 – 30
Infrastructure	0 – 25	0 – 20	0 – 20	0 – 20	0 – 20	0 – 20
Alternatives	0 – 15	0 – 15	0 – 15	n.a.	0 – 15	0 – 10
Credit	0 – 15	0 – 20	0 – 20	0 – 15	0 – 20	0 – 20
Fixed Interest	25 – 65	10 – 55	0 – 45	0 – 40	0 – 35	0 – 20
Cash	0 – 30	0 – 25	0 – 20	0 – 20	0 – 20	0 – 20

The Socially Responsible Tax-Exempt investment option is a commonly held investment option within the Socially Responsible Taxable investment option. The Socially Responsible Tax-Exempt and Taxable investment options have the same asset allocation and invest in the same Taxable asset classes.

Table 7: Asset allocation ranges for disclosure to members for Taxable investment options

Asset class	Capital Defensive %	Conservative %	Moderate %	Socially Responsible %	Balanced %	High Growth %
Australian Equities	0 – 15	0 – 25	5 – 30	15 – 40	10 – 40	10 – 45
International Equities	0 – 20	0 – 25	10 – 35	20 – 45	20 – 45	20 – 50
Private Markets	0 – 15	0 – 15	0 – 15	0 – 15	0 – 15	0 – 20
Property	0 – 20	0 – 20	0 – 20	0 – 25	0 – 25	0 – 30
Infrastructure	0 – 25	0 – 20	0 – 20	0 – 20	0 – 20	0 – 20
Alternatives	0 – 15	0 – 15	0 – 15	n.a.	0 – 15	0 – 10
Credit	0 – 15	0 – 20	0 – 20	0 – 15	0 – 20	0 – 20
Fixed Interest	25 – 65	10 – 55	0 – 45	0 – 40	0 – 35	0 – 20
Cash	0 – 30	0 – 25	0 – 20	0 – 20	0 – 20	0 – 20

Socially Responsible Investment option (SRI option)

Socially responsible considerations are core to the SRI option's investment approach. In this context, socially responsible investing means targeting investments that contribute to the betterment of society such as education, healthcare, and climate change solutions. At the same time, where possible, avoiding investments that have the potential to cause or contribute to social harm such as tobacco, alcohol, gambling, fossil fuels, weapons, nuclear power, and adult entertainment.

Funds SA has responsibility for setting and implementing the investment option's socially responsible investment criteria (SRI Criteria). The SRI Criteria is a combination of investment exclusions, targeting socially responsible investment investments and/or inclusion of a best-in-class environmental, social, and governance (ESG) approach.

Investment exclusions

The SRI option seeks to avoid listed companies that have the potential to cause or contribute to social harm. It excludes certain industries or companies that engage in certain business activities from its universe of possible investments, making them uninvestable for this option.

Revenue and product involvement (i.e., manufacturing, supply, and distribution) thresholds apply in some cases so that companies with multiple business activities are not excluded for very low involvement. However, Funds SA maintains low revenue thresholds so these activities can generally be avoided. The investment exclusions do not apply to derivatives that may have an indirect exposure to these types of companies.

Targeting socially responsible investments

In addition to avoiding companies operating in areas of negative social impact, the SRI option is focused on investments that contribute to solving large issues such as climate change, healthcare, education, and the provision of community and social infrastructure. We align our investments with generally recognised socially responsible investing and ESG principles determined through our membership of industry bodies including the United Nations-supported Principles for Responsible Investment (UN PRI) and other sources.

Inclusion of a best-in-class ESG approach

Manager selection: Funds SA identifies investment managers that have deep expertise in understanding ESG criteria and can demonstrate its application into investment decisions.

Listed Equities - Best-in-class ESG approach: Within the SRI option's listed equities portfolio, the best in-class ESG approach means prioritising investment in companies that are at the top of their sector according to external ESG ratings provided by MSCI ESG Ratings LLC.

For more information about how the socially responsible investment criteria are applied to each asset class, and more detail relating to exclusions, please refer to the Socially Responsible Investment option section on our website, [SRI option investment approach](#).

The table below outlines the main investment exclusions applied to the Australian and International Listed Equities portfolio in the SRI option only.

Table 8: Socially Responsible investment characteristics

Main equities exclusions
Tobacco
Alcohol
Gambling
Fossil Fuels
Controversial and conventional weapons
Firearms
Nuclear Power
Adult Entertainment

Defined Benefit investment strategy

From 1 January 2017, a customised Defined Benefit investment strategy was established targeting the long-term return of CPI + 4.5% and a higher allocation to unlisted assets relative to the High Growth investment option.

Following Funds SA's 2024 Investment Strategy Review, the Funds SA Board approved the recommendation to reduce the allocation to the Property asset class and increase the allocation to the Infrastructure asset class, shown below.

Table 9: Defined Benefit LTSAA, asset class, growth asset and foreign currency ranges

Asset class	LTSAA %	Ranges %
Australian Equities	20	± 5
International Equities	30	± 5
Private Markets	11	± 5
Property	12 (-6)	± 5
Infrastructure	11 (+6)	± 5
Alternatives	8	± 5
Credit	6	± 5
Cash	2	0 to 20
Total	100	
Growth assets	80	70-100
Foreign Currency	19	± 5

It should be noted that extreme market conditions may impact the ability to effectively implement strategy and cause asset allocations to drift outside the ranges nominated. Although such times are infrequent, once such conditions are present, the allocation ranges may be temporarily suspended. Funds SA will notify clients of such moves should this occur.

During 2024-25, Funds SA will undertake a full review of the Defined Benefit scheme including the sensitivities around its projected liabilities, cashflow profile and investment strategy as we look forward to 2034 when the scheme is planned to be fully funded. A key input into this review will be to understand the member cashflow profile.

Expected performance characteristics

Quantitative analysis of the proposed investment strategies for the investment options has been undertaken using JANA's 10-year investment forecasts of risk and return.

The following tables show the expected average outcomes for each investment option. Note, in the event of extreme market environments actual outcomes may differ significantly from the expected outcomes stated below.

Except for the Cash and Capital Defensive options, the expected returns and the probability of the investment options achieving their CPI+% investment objectives over their investment horizons for the remaining investment options, have decreased from last year. This is primarily due to changes in JANA's Capital Market Assumptions (CMAs) and revised excess return assumptions. The lower probability is also exacerbated by a higher level of inflation, with JANA CMAs currently forecasting inflation to be 3% over the 10-year modelling period.

Table 10: Forecast risk/return profiles of Tax-Exempt investment options

	Cash ³	Capital Defensive	Conservative	Moderate	Socially Responsible*	Balanced	High Growth
Target return (p.a.)	RBA cash rate	CPI + 0.5%	CPI + 1.5%	CPI + 2.5%	CPI + 3.0%	CPI + 3.5%	CPI + 4.5%
Investment horizon (years)	0 +	2 +	4 +	6 +	10 +	10 +	10 +
Expected return	4.2%	6.0%	6.3%	6.6%	6.4%	7.0%	7.3%
Standard deviation	0.5%	3.2%	4.9%	7.0%	9.3%	9.3%	11.6%
95% confidence interval for nominal return over 1-year ⁴	3.2% to 5.2%	-0.3% to 12.3%	-3.3% to 15.9%	-7.1% to 20.3%	-11.8% to 24.6%	-11.2% to 25.2%	-15.4% to 30.0%
Probability of achieving objective over investment horizon	--	87%	80%	70%	61%	62%	52%
Standard Risk Measure ⁵	Very Low	Low	Medium	Medium to High	High	High	High
Estimated number of negative annual returns (x years in 20)	Less than 0.5	0.5 to less than 1	2 to less than 3	3 to less than 4	4 to less than 6	4 to less than 6	4 to less than 6
Probability of a negative return in any year	0%	3%	10%	17%	24%	22%	26%

Source: JANA. Based on JANA modelling as at 31 March 2024 using 10-year capital market assumptions. *The Socially Responsible Tax-Exempt investment option is a commonly held investment option within the Socially Responsible Taxable investment option.

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow members to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a member may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

³ For the Cash investment option, forecast risk return statistics have been calculated assuming an investment horizon of 1-year.

⁴ Represents the expected range of return outcomes for each investment option over a 1-year period. Note there is approximately a 5% chance that returns could lie outside this range.

⁵ As per ASFA/FSC guidance using JANA 10-year assumptions, calculated over 20 years, gross of tax.

Table 11: Forecast risk/return profile of the Defined Benefit Tax-Exempt investment option

	Defined Benefit
Target return (p.a.)	CPI + 4.5%
Investment horizon (years)	10 +
Expected return	7.5%
Standard deviation	9.9%
95% confidence interval for nominal return over 1-year ⁶	-11.9% to 26.9%%
Probability of achieving objective over investment horizon	55%
Standard Risk Measure ⁷	High
Estimated number of negative annual returns (x years in 20)	4 to less than 6
Probability of a negative return in any year	22%

Source: JANA. Based on JANA modelling as at 31 March 2024 using 10-year capital market assumptions.

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow members to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a member may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

⁶ Represents the expected range of return outcomes for each investment option over a 1-year period. Note there is approximately a 5% chance that returns could lie outside this range.

⁷ As per ASFA/FSC guidance using JANA 10-year assumptions calculated over 20 years and are gross of tax.

Table 12: Forecast risk/return profiles of the Income Stream investment options

	Cash ⁸	Capital Defensive	Conservative	Moderate	Socially Responsible	Balanced	High Growth
Target return (p.a.)	RBA cash rate	CPI + 0.5%	CPI + 1.5%	CPI + 2.5%	CPI + 3.0%	CPI + 3.5%	CPI + 4.5%
Investment horizon (years)	0 +	2 +	4 +	6 +	10 +	10 +	10 +
Expected return	4.2%	6.0%	6.4%	6.8%	6.7%	7.3%	7.7%
Standard deviation	0.5%	3.2%	4.9%	7.0%	9.3%	9.3%	11.6%
95% confidence interval for nominal return over 1-year ⁹	3.2% to 5.2%	-0.3% to 12.3%	-3.2% to 16.0%	-6.9% to 20.5%	-11.5% to 24.9%	-10.9% to 25.5%	-15.0% to 30.4%
Probability of achieving objective over investment horizon	--	88%	82%	72%	65%	66%	56%
Standard Risk Measure ¹⁰	Very Low	Low	Medium	Medium to High	High	High	High
Estimated number of negative annual returns (x years in 20)	Less than 0.5	0.5 to less than 1	2 to less than 3	3 to less than 4	4 to less than 6	4 to less than 6	4 to less than 6
Probability of a negative return in any year	0%	3%	9%	15%	20%	19%	22%

Source: JANA. Based on JANA modelling as at 31 March 2024 using 10-year capital market assumptions. Data is gross of tax, inclusive of excess return assumptions and includes the benefit of franking credits.

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow members to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a member may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

⁸ For the Cash investment option, forecast risk return statistics have been calculated assuming an investment horizon of 1-year.

⁹ Represents the expected range of return outcomes for each investment option over a 1-year period. Note there is approximately a 5% chance that returns could lie outside this range.

¹⁰ As per ASFA/FSC guidance using JANA 10-year assumptions calculated over 20 years, gross of tax.

Table 13: Forecast risk/return profiles of the Flexible Rollover and TRIS Taxable investment options

	Cash ¹¹	Capital Defensive	Conservative	Moderate	Socially Responsible	Balanced	High Growth
Target return (p.a.)	RBA cash rate	CPI + 0.5%	CPI + 1.5%	CPI + 2.5%	CPI + 3%	CPI + 3.5%	CPI + 4.5%
Investment horizon (years)	0 +	2 +	4 +	6 +	10 +	10 +	10 +
Expected return	3.6%	5.2%	5.6%	5.9%	5.9%	6.4%	6.7%
Standard deviation	0.4%	2.8%	4.4%	6.4%	8.7%	8.6%	10.7%
95% confidence interval for nominal return over 1-year ¹²	2.8% to 4.4%	-0.3% to 10.7%	-3.0% to 14.2%	-6.6% to 18.4%	-11.2% to 23.0%	-10.5% to 23.3%	-14.3% to 27.7%
Probability of achieving objective over investment horizon	--	82%	73%	62%	52%	53%	45%
Standard Risk Measure ¹³	Very Low	Low	Medium	Medium to High	High	High	High
Estimated number of negative annual returns (x years in 20)	Less than 0.5	0.5 to less than 1	2 to less than 3	3 to less than 4	4 to less than 6	4 to less than 6	4 to less than 6
Probability of a negative return in any year	0%	3%	10%	18%	25%	23%	26%

Source: JANA. Based on JANA modelling as at 31 March 2024 using 10-year capital market assumptions. Data is subject to 15% superannuation tax and includes the benefit of franking credits.

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow members to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a member may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

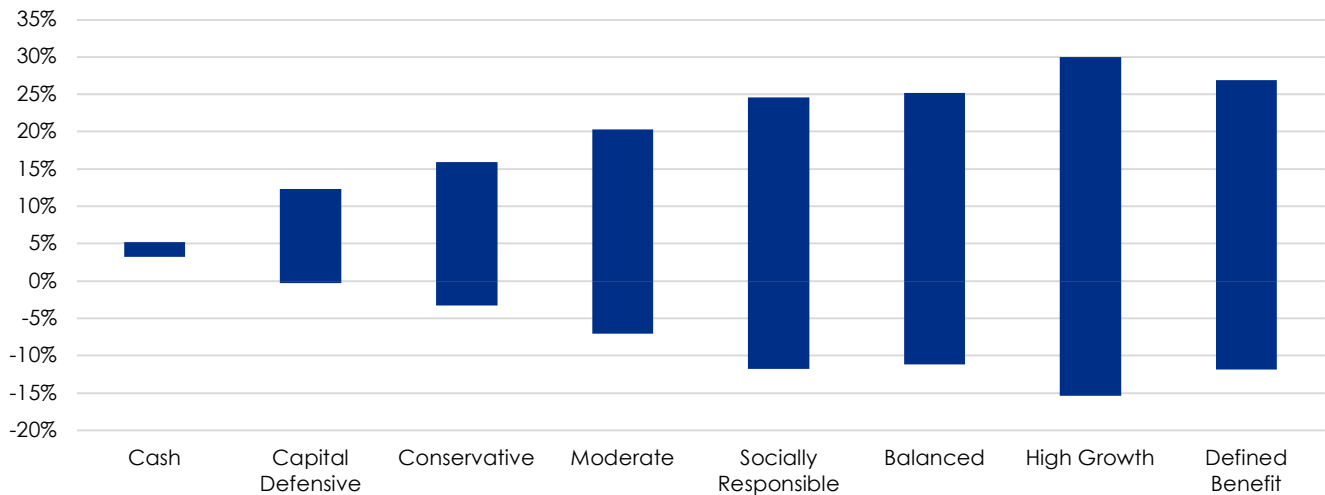
¹¹ For the Cash investment option, forecast risk return statistics have been calculated assuming an investment horizon of 1-year.

¹² Represents the expected range of return outcomes for each investment option over a 1-year period. Note there is approximately a 5% chance that returns could lie outside this range.

¹³ As per ASFA/FSC guidance using JANA 10-year assumptions, calculated over 20 years.

The following chart for the Tax-Exempt investment options shows the range of expected return outcomes over a one-year period is wider as the option's risk increases.

Chart 1: Expected range of returns over a one-year period for the Tax-Exempt investment options



Source: JANA

Asset class strategies

Integral to the strategic asset allocation process is the development of investment strategies for each asset class, including the engagement of external investment managers.

Descriptions of the asset classes and their underlying investments are provided below. Information regarding external investment managers appointed by Funds SA can be found on our [website](#).

Table 14: Funds SA asset classes

Asset class	Investments
Australian Equities	Equity exposure to companies listed or about to be listed on the Australian Securities Exchange. Active and passive asset classes are used.
International Equities	Equity exposure to companies listed on international stock exchanges. Includes exposure to emerging markets and small companies. Active and passive asset classes are used.
Private Markets	Investment opportunities with expected returns in excess of long-term expectation for listed equities, not classifiable within the other asset classes.
Property	Exposure to Australian listed and unlisted property across the office, retail, and industrial sectors. Includes a range of assets from the premium end of the property market providing long-term cashflows from quality tenants held for the long-term and through investment cycles. May also include an exposure to some sectors with a higher risk and return expectation such as development and refurbishment opportunities with a shorter investment horizon.
Infrastructure	Investment opportunities in assets or companies which display one or more of the following characteristics: provide an essential service that is important to the functioning of society at large or a specific community; have stable or predictable cash flow generation; have a long useful

	economic life or operate under long-term concessions; display monopoly-like characteristics or have high barriers to entry into their market; and provide an element of inflation protection.
Asset class	Investments
Alternatives	<p>Growth Alternatives</p> <p>Absolute return strategies being liquid alternative investments that can take both long and short positions across a wide range of financial market instruments to generate returns. The strategy is designed as a liquid alternative to growth assets such as equities.</p> <p>Defensive Alternatives</p> <p>Absolute return strategies being liquid alternative investments that can take both long and short positions across a wide range of financial market instruments to generate returns. The strategy is designed as a liquid alternative to defensive assets such as fixed interest.</p>
Credit	<p>Sub-Investment Grade Credit</p> <p>Investments in debt securities that are issued by companies, asset backed and mortgage-backed structures, and entities other than developed market governments. These instruments are primarily subject to movement in credit spreads, which may result in both positive and negative valuation changes.</p>
Fixed Interest	<p>Exposure to debt instruments providing principal repayment at maturity, and coupon payments at regular intervals until maturity. These instruments are primarily subject to movement in bond yields, which may result in both positive and negative valuation changes.</p> <p>Includes investments in:</p> <p>Investment Grade Credit</p> <p>Investments in publicly traded debt securities issued by predominately global high quality non-government borrowers.</p> <p>Inflation-Linked Securities</p> <p>Exposure to debt securities providing a fixed rate of return in excess of an index related to the general level of prices in the economy, such as the Consumer Price Index or Average Weekly Earnings. These instruments are subject to movement in real yields, which may result in both positive and negative valuation changes.</p> <p>Long-Term Fixed Interest</p> <p>Investments in domestic and global government issued debt securities of a long maturity.</p> <p>Short-Term Fixed Interest</p> <p>Investments include short maturity debt securities issued predominantly by Australian high quality corporate and financial entities.</p>
Cash	Exposure to Australian short-term interest rate sensitive debt instruments, such as bank bills, that provide a high level of liquidity with minimal risk of capital loss.
Foreign currency	Exposure to foreign currency is a component of owning international assets. The amount of foreign currency in the investment option is managed to a foreign currency target.

To efficiently manage tax differences across clients, Tax-Exempt and Taxable asset classes have been established for Australian Equities, International Equities, Property, Private Markets, Infrastructure, and Inflation-Linked Securities. The investment options are managed to consistent investment objectives. The remaining asset classes are common to all clients.

Responsible investment initiatives

Complementing the asset class strategies are a range of initiatives to enhance Funds SA's responsible investment approach across the investment platform.

Funds SA defines responsible investment as a financial outcomes focused approach, that complements traditional investment analysis through Environmental, Social and Governance (ESG) integration and stewardship. Since launching its Responsible Investment program in 2019, Funds SA has made considerable progress in implementing new initiatives to manage ESG risks and capture opportunities in its investments.

Over the coming 12 months Funds SA is focused on the following responsible investment initiatives:

- Ongoing integration of ESG analysis and stewardship activities through investment manager monitoring, company engagement, and proxy voting.
- Taking action to respond to the risks of climate change, including the launch of an updated Climate Risk Response Plan that considers:
 - Alignment of Funds SA's investments to Net Zero Emissions by 2050.
 - Engagement with companies operating in areas of climate risk and opportunity.
 - Understanding the interconnections of climate change with other ESG risks.
- Increasing our understanding of country-level ESG risks and opportunities.
- Ongoing enhancement of our responsible investment reporting.

4. Factors affecting 2024-25 investment strategy

There are a number of themes and risks associated with financial markets that we have considered in the investment and management of the investment options for the coming year including:

- The emergence of artificial intelligence and its potentially far-reaching implications for economies and society.
- Geopolitical instability and de-globalisation.
- Developed world aging demographic challenges and implications for the labour market.
- Fiscal policy challenges for many developed market economies post COVID.
- Structurally higher inflation and the ongoing risk of stagflation with central banks navigating a narrow path toward their inflation targets.
- Uncertainty around the level of global economic growth.
- The clean energy transition and the increasing importance of climate change impacts on financial markets.
- More volatile business cycles and increased price volatility across asset classes.

Funds SA has developed a clearly articulated investment philosophy that is at the centre of how investment strategy is developed, implemented and monitored.

- We believe that taking investment risk gets rewarded over longer term investment horizons.
- We believe asset allocation is the key driver of risk and return.
- We believe that markets regularly exhibit inefficiencies that can be exploited and adopt active management where appropriate.
- We believe that diversification is the most effective way to manage investment risks.
- We believe that integrating ESG considerations into investment decisions and undertaking stewardship activities support long-term investment outcomes.
- We believe that a strong governance approach leads to better investment outcomes.

In accordance with our belief that markets are inefficient at times and that this inefficiency can be used to produce better outcomes, Fund SA implements active asset allocation decisions. This process aims to increase risk-adjusted returns over time, by varying asset class positions away from the LTSAA to either manage risk or generate excess returns. Our process has been developed based on fundamental research with key pillars of valuation, sentiment and momentum signals.

5. Investment management costs

Funds SA applies standard industry guidelines in calculating and disclosing its investment management costs; namely:

- Schedule 10 to the *Corporations Regulations 2001* (Cth) as modified by ASIC Corporations (Disclosure of Fees and Costs) Instrument 2019/1070; and
- ASIC Regulatory Guide 97: Disclosing fees and costs in PDSs and other periodic statements (RG97) dated September 2020.

Funds SA's investment management costs comprise fees paid directly to investment managers, including: performance fees; transactional costs incurred by investment managers in implementing their particular mandates; investment management fees and costs incurred through interposed investment vehicles (including performance fees); asset consulting fees; custodian fees; legal and tax advisory fees; and Funds SA's corporate expenses.

Funds SA's investment management costs are presented as an Indirect Cost Ratio (ICR). The ICR expresses investment management costs as a percentage of average funds managed. Separate ICRs are calculated for each investment option.

Funds SA operates on a cost recovery basis, with all costs incurred fully reflected in the asset class unit prices.

Target ICRs for 2024-25

Since 2019, Funds SA has materially lowered the target ICRs in order to position the investment options more favourably from a peer competitive stance. The target ICR for the Balanced Tax-Exempt option has progressively decreased from 0.90% (in 2019) to 0.73% (in 2023). This has been achieved through a range of targeted initiatives including changes to the Equities asset class strategy, the introduction of co-investments in Private Markets, asset allocation changes and continual re-negotiation of fee arrangements with investment managers and other service providers.

For the 2024-25 year, the flagship Balanced Tax-Exempt option's target ICR is 0.65 - 0.70%, which is 0.05% lower than the prior year's target of 0.70 - 0.75%.

For 2024-25 and moving forward, ICR targets will be expressed as a range rather than a specific single number target (with the exception of Cash). The reason for this is that there are two components of the RG97 methodology which are dependent on the performance and transactional activity by underlying investment managers and are beyond the direct control of Funds SA. These components are performance fees and transactional costs. Performance fees are subject to a 5-year averaging methodology under RG97, hence adopting a range of expected fee outcomes is a prudent approach. Similarly, transactional costs are very much influenced by the transactional activity undertaken by underlying managers (e.g. asset purchases and sales) and, as such, activity cannot be estimated with sufficient confidence, therefore adopting a range of expected fee outcomes is also prudent.

Table 15: Tax-Exempt investment option target ICRs

Funds SA investment option	2024-25 Target ICR	2023-24 Target ICR
Cash	0.05%	0.05%
Capital Defensive	0.40 - 0.45%	0.40%
Conservative	0.45 - 0.50%	0.50%
Moderate	0.55 - 0.60%	0.60%
Socially Responsible	0.40 - 0.45%	0.50%
Balanced	0.65 - 0.70%	0.70% (0.70 - 0.75%)
High Growth	0.80 - 0.85%	0.85%
Defined Benefit	1.10 - 1.15%	1.15%

Table 16: Taxable investment option target ICRs

Funds SA investment option	2024-25 Target ICR	2023-24 Target ICR
Cash	0.05%	0.05%
Capital Defensive	0.40 - 0.45%	0.40%
Conservative	0.45 - 0.50%	0.50%
Moderate	0.55 - 0.60%	0.60%
Socially Responsible	0.40 - 0.45%	0.50%
Balanced	0.70 - 0.75%	0.75% (0.75 - 0.80%)
High Growth	0.80 - 0.85%	0.85%

Buy/sell spreads

Buy/sell spreads are applied to the applications and redemptions of assets undertaken by Funds SA's clients. A buy/sell spread is an allowance for transaction costs such as brokerage and stamp duty, incurred in buying and selling the underlying assets of the investment options.

The purpose of the buy/sell spread is to protect existing clients bearing the costs associated with new and additional investments and withdrawals. It is not a management fee paid to Funds SA.

Buy/sell spreads vary depending on the types of assets held. The transaction cost approach and buy/sell spreads are detailed in the Investment Administration Operational Process Document available via the Secure Login on the Funds SA website.

6. Other matters

Key documents

Heads of Government Agreement (HOGA)

The HOGA, which was signed by the Premier of South Australia and the Assistant Treasurer of the Commonwealth of Australia requires superannuation schemes that are exempt from Commonwealth superannuation legislation to apply national standards to superannuation, without distinguishing between public and private sector employees.

Memorandum of Agreement

The Memorandum of Agreement agreed between Funds SA and each of its clients summarises the operational arrangements between the organisations. This document is reviewed periodically.

Client Related Policies and Documents

Asset Valuation and Unit Pricing Policy

The purpose of this document is to ensure assets under management are valued appropriately and describe the way in which unit pricing is undertaken to ensure the equitable treatment of all clients.

Cost Recovery Policy

This policy details the Funds SA Administration Fee for each financial year and the manner in which it is applied.

Illiquid Assets Allocation Policy

This policy details the way in which Funds SA manages the allocations to illiquid asset classes (including Property and Diversified Strategies Growth).

Investment Administration Operational Process Document

This document describes the way in which Funds SA undertakes unit pricing, unit registry and cashflow processes in the course of administering the funds under its management. It also includes the transaction cost approach which details the buy/sell spreads for investment options and asset classes, and the manner and circumstances in which spreads are applied.

Tax Policy

This policy documents the processes that Funds SA applies in administering and managing its tax compliance and reporting obligations for both the Corporation and the Funds SA Unit Trusts established under the Funds SA Investment Trusts Master Trust Deed.

Governance Framework Document

This document details the key elements of Funds SA's governance structure and sets out the responsibilities of committees along with the various Board approved policies and procedures that guide Funds SA in pursuit of its goals.

Investment Implementation Framework Document

This document details Funds SA's approach to implementing and managing investment strategies, reviewing and monitoring investment strategies and investment managers, and Funds SA's risk and compliance structure.

The above policies and documents are available via the Secure Login on the Funds SA website.

Funds SA Responsible Investment Policy

This document outlines the manner in which our responsible investment program is implemented, including investment exclusions, in line with the objectives of the Funds SA Act. Funds SA is also a signatory to the UN-supported Principles for Responsible Investment.

Funds SA Socially Responsible Investment option investment approach document

This document describes the investment approach for the Socially Responsible Investment (SRI) option managed by Funds SA. It sets out the criteria that Funds SA applies when looking at new investments and how investment in certain assets is avoided.

The [Responsible Investment policy](#) and the [SRI investment approach document](#) are available on the Funds SA website, along with the [Funds SA Climate Change Position Statement](#), and [Climate Risk Response Plan](#).

Funds SA Director and Management Profiles

Profiles of Directors and key management personnel can be found on the [Funds SA website](#).

Funds SA Disclaimer

The information within this document has been prepared in good faith by Funds SA based on information available as at the date of this document. However, Funds SA does not warrant the accuracy of the information and to the extent permitted by law, disclaims responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it whether that loss or damage is caused by any fault or negligence of Funds SA or otherwise. Past performance is not a reliable indicator of future performance. Any forward-looking statements contained in this document are not a guarantee of future performance, and actual results or performance may vary materially. Forward-looking statements in the document are predictions only and may be affected by inaccurate assumptions and/or known and unknown risks and uncertainties and other factors which may be beyond the control of Funds SA. The information is not intended to constitute advice and persons should seek professional advice before relying on the information.

Lifetime Support Authority Performance Plan

2024-2025

October 2024



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1. Introduction

This Performance Plan (Plan) is prepared in accordance with section 20A of the *Superannuation Funds Management Corporation of South Australia Act 1995* (SA) (Funds SA Act) and sets out Funds SA's approach to the investment and management of the Lifetime Support Authority's (the LSA) investments for the 2024-25 financial year.

Pursuant to the Funds SA Act, this Plan details:

- the target for the rate of return on investment and management of the funds;
- strategies for the achievement of that target;
- the factors that, in the opinion of Funds SA, will affect or influence the investment and management of the funds during the year;
- the anticipated operating costs to be incurred by Funds SA during the financial year; and
- such other matters that Funds SA thinks should be included in the Plan.

The Plan is the primary document for communicating with, and seeking feedback from, Funds SA's key stakeholders regarding planned initiatives and proposed strategies for managing the funds over the coming year.

References to additional information is included in Section 6.

Background

LSA is a body corporate established under the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* (SA) (LSS Act). The LSA is an instrumentality of the Crown and holds its property on behalf of the Crown. Liabilities incurred or assumed by the LSA are guaranteed by the Treasurer.

The LSA delivers the Lifetime Support Scheme (LSS) which commenced on 1 July 2014. Through the LSS, LSA plan and fund person-centred treatment, care, and support services for people who are very seriously injured in motor vehicle accidents in South Australia, regardless of fault.

The LSS is funded by a levy collected on vehicle registrations. The amount collected each year is actuarially estimated, to fund the present and likely future liabilities of people who become participants in the LSS due to motor vehicle injuries suffered and other matters including the payment of duty.

On 20 June 2014, a regulation proclaiming the LSA a Prescribed Public Authority for the purposes of the Funds SA Act came into operation. This entitled the LSA to seek approval from the Minister of Finance to transfer nominated funds to Funds SA for investment and management purposes.

The LSA commenced investing with Funds SA on 1 July 2014.

The LSA is able to invest assets of the LSS under section 42 of the LSS Act with Funds SA, subject to approval from the Treasurer. The LSA is able to determine how much of the assets from the LSS to transfer to Funds SA for investing (Invested Funds), from time-to-time.

Evolution of the LSA's investment strategies

A tailored long-term strategic asset allocation (the LSA Strategy) was implemented from 1 January 2017 and gradually increased exposure to growth assets and the risk/return profile to better meet the investment objective.

Following the Funds SA 2024 Investment Strategy Review, an adjustment to the LSA Strategy's Long-Term Strategic Asset Allocation (LTSAA) was recommended. The change is to, over time, increase the allocation to the Infrastructure asset class and reduce the allocation to the Property asset class.

In constructing the LSA Strategy, Funds SA's pooled asset classes are used to attain the benefits of scale offered by Funds SA's centralised asset management model.

Prior to the establishment of the LSA Strategy, the LSA invested in the:

- Funds SA Conservative Tax-Exempt investment option (from 1 July 2014 to 31 March 2015); and the
- Funds SA Moderate Tax-Exempt investment option (from 1 April 2015 to 31 December 2016).

The LSA's decision to initially adopt relatively low levels of investment risk reflected a lower tolerance for the risk of negative returns in the early years of operation (combined with other measures including reinsurance). Commencing with a conservative investment strategy and incrementally moving towards a growth-oriented strategy is consistent with the very long-term investment horizon of the LSA.

Through the LSA's quarterly Finance and Investment Committee (the Committee), the LSA and Funds SA monitor and discuss investment performance, asset allocation and are actively involved in detailed periodic reviews of the LSA Strategy.

Tax status

The LSA Strategy is included within Funds SA's Tax-Exempt investment option suite on the basis that it is an entity of the Crown.

We note, from 1 July 2019, the LSA is subject to an Income Tax Equivalent regime, per a determination by the Treasurer. The LSA's status as a Crown entity is considered to be unaltered by this determination, and accordingly the LSA may continue to invest in the Funds SA Tax-Exempt investment option.

Key roles – LSA and Funds SA

The LSA is responsible for setting the investment objective, risk preferences, and liquidity profile appropriate to the Invested Funds and provides information to Funds SA on the nature and structure of the LSA's financial position. Detailed periodic Investment Strategy Reviews are undertaken in a collaborative manner between the LSA and Funds SA. Funds SA may provide strategic investment advice to the LSA as required.

Funds SA is responsible for setting and implementing an investment strategy that targets the LSA's investment objective for the Invested Funds having regard for the LSA's stated target return, risk preferences, liquidity profile and the LSA's financial position.

The following table summarises the roles of the LSA and Funds SA.

Table 1: Investment model relating to the Invested Funds

Investment activity	LSA	Funds SA
Setting investment objectives (risk, return, timeframe, liquidity)	Responsible	
Investment strategy review:		Responsible*
Determining asset allocation		Responsible
Determining asset class objectives		Responsible
Determining manager line-up and implementation		Responsible

*Note Funds SA will annually review the LSA Strategy as part of the Performance Plan process. Further to this, the LSA may require that Funds SA conduct an Investment Strategy Review at any point in time.

2. Investment objectives

As part of the Funds SA 2024 Investment Strategy Review, LSA considered its investment risk appetite. This provides explicit guidance to Funds SA of the investment objective and risk parameters within which to construct the LSA Strategy.

The return objective and resulting portfolio characteristics for the Invested Funds continue to be appropriate.

Investment objective and resulting portfolio characteristics

Table 2: Investment objectives and investment risk appetite

Category	Measure	Comment
Nominal return objective	Minimum of 6.25% p.a. (net) over rolling 10-year+ periods	Considers long-term investment return expectations for the purpose of LSS levy setting.
Investment risk: Probability of achieving the nominal return objective	The probability must exceed 55%.	The LSA Strategy should have a reasonable probability of achieving the return objective.

At the time the Performance Plan is developed, should the modelled outcomes for the nominal return objective or the probability of achieving the nominal return objective be lower than the stated measure, Funds SA and LSA will discuss the options available to determine if any changes are warranted for the investment objective or investment strategy.

In order to achieve the above noted return objective and probability of achieving the return objective, the LSA Strategy is likely to exhibit the following characteristics:

Table 3: LSA Strategy characteristics

Portfolio Characteristic	Measure	Comment
Risk	High	The LSS can invest in a high-risk investment strategy due to very long-term liabilities and strong regular cash inflows. This enables the LSA Strategy to comfortably invest through the market cycle to generate higher returns over time.
Liquidity	Very Low (defined as the requirement to withdraw cash from Funds SA)	Cash flow is very strong in early years of scheme, relative to the size of the LSS balance.
Timeframe	10 years +	Horizon is very long with scheme 40 years away from maturity.

Table 4: Investment objectives and characteristics

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns likely over any 20-year period
LSA Strategy	6.25	10+ years	High	4 to less than 6

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow clients to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a client may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

Based on modelling provided within this Performance Plan, there is a 70% probability that the target return for the investment option will be achieved over its stated time horizon based on the investment strategies employed. Details of the statistical modelling undertaken are contained in Section 3. However, there is no guarantee the target return will be met because financial markets are volatile and past performance is not a reliable indicator of future performance.

3. Investment strategy

The annual Funds SA Investment Strategy Review considers all Funds SA investment options to assess the appropriateness of the LTSAA. The objective is to construct a LTSAA that, if held over the long-term (rolling 10-year periods), has a reasonable likelihood of achieving the investment objectives – target return, risk, liquidity, and fees.

Asset allocation

Following the Funds SA 2024 Investment Strategy Review, an adjustment to the LSA Strategy's LTSAA was recommended. The change is to, over time, increase the allocation to the Infrastructure asset class and reduce the allocation to the Property asset class allocation.

The current LSA Strategy LTSAA has a relatively large Property allocation at 18% and a relatively low Infrastructure allocation at 5%. We believe it is sensible to balance the weighting between the two asset classes and set an Infrastructure target of 11% and Property of 12%.

The benefits of this change in strategy are improved inflation protection and greater portfolio diversification, acknowledging that in the long-term, Infrastructure and Property have similar risk/return profiles.

Because of the asset classes' similarity in risk/return profiles, Property is the logical funding source. By redirecting cash inflows to other asset classes rather than allocating to Property, it should be relatively easy to achieve a medium-term target of 12%. Funds SA has not been allocating any LSA cash inflows to Property in the current downturn which has allowed the allocation to fall, thereby making the 12% target readily achievable in the medium-term.

Funds SA is actively building the investments in the Infrastructure asset class. Increasing the Infrastructure allocation from 5% to 11% may be achieved over the medium-term (3-5 years) given the illiquid nature of the asset class. It is important to focus on purchasing quality assets as it is expected that they will be held for long periods of time.

The investment strategy has been developed having regard to the long-term performance and characteristics of financial markets, and the capital market assumptions provided by specialist investment advisor, JANA¹. The LSA strategy is considered appropriate for the following reasons:

- The strategy is tailored to the long-term liability structure and liquidity (cash flow) profile of the LSS.
- The LSS is in the early stages of growth, a key focus is having implementation flexibility to source illiquid growth assets for the LSA Strategy over the next 10-year period.
- A growth-asset orientated strategy provides the potential for higher returns but also higher risk.
- The LSA Strategy is in a good position to endure poor investment market conditions given strong cash flow. The LSA Strategy's recovery may be shorter and stronger, as certain assets may be bought at lower valuations and held through the market recovery period.
- Potential liquidity risks are expected to be manageable given the LSA's strong cash flow and long-term investment horizon.
- Funds SA notes that the LSA is seeking the highest net-of-fee return, so does not consider fees to be a constraint in the construction of the LSA Strategy.

¹ JANA Investment Advisers were appointed as Funds SA's primary asset consultant in 2017. JANA provides Funds SA with investment consulting on a broad range of investment strategy and research topics.

The following table details the LTSAA for the LSA Strategy.

Table 5: LTSAA for the LSA Strategy

Asset class	LSA Strategy LTSAA %
Australian Equities ²	20
International Equities ³	30
Private Markets	11
Property	12
Infrastructure	11
Alternatives	8
Credit	6
Cash	2
Total	100
Growth Allocation	80
Foreign currency	19

Asset class ranges

Asset class ranges are used as an investment tool, as the variation in asset class returns and illiquidity of some asset classes means the asset allocation can fluctuate through time.

The allowable ranges for the individual asset classes are +/-10% from LTSAA, except Cash which is 0 to 20%, as illustrated in the table below.

A range of +/-10% provides flexibility and supports implementation of the longer term (over 10 years) LSA Strategy.

- Any active asset allocation decisions are made in consultation with the LSA.
- As the LSS is still in the early stages of its growth phase, a key focus is on sourcing the assets to build the portfolio over the next 10-year period. This is particularly relevant for illiquid assets, specifically the Private Markets, Property, and Infrastructure asset classes where there are extended periods when purchasing assets at reasonable prices is challenging.
- The investment outcomes will likely be enhanced by focusing on building the long-term LSA Strategy by materially increasing the holdings of illiquid assets at times when they are available at reasonable prices and assessed to be more attractive than listed equities.

Asset allocation should be considered in the context of any asset class position within its **allowable range** rather than against a single point LTSAA target.

² Active exposure to Australian Equities

³ Active exposure to International Equities

Table 6: Asset class ranges for the LSA Strategy

Asset class	2024-25 Range	LSA Strategy
	%	2024-25 LTSAA Range
Australian Equities	±10	10 – 30
International Equities	±10	20 – 40
Private Markets	±10	1 - 21
Property	±10	2 - 22
Infrastructure	±10	1 - 21
Alternatives	±10	0 - 18
Credit	±10	0 -16
Cash	0 to 20	0 – 20
Foreign currency	±10	9 – 29

The aggregate allocation to growth assets is managed within the following ranges:

Table 7: Growth ranges for the LSA Strategy

Funds SA investment option	Growth range
	%
LSA Strategy	70 – 100

Extreme market conditions may impact the ability to effectively implement strategy and cause asset allocations to drift outside rebalancing ranges. Although such times are infrequent, once such conditions are present, the allocation ranges may be temporarily suspended. Funds SA will notify all clients of such moves should this occur.

Expected performance characteristics

Quantitative analysis of the LSA Strategy has been undertaken using JANA's 10-year investment forecasts of risk and return.

The following table shows the expected average outcomes for the LSA Strategy. Note, in the event of extreme market environments actual outcomes may differ significantly from the expected outcomes stated below.

Table 8: Forecast risk/return profile of the LSA Strategy

LSA Strategy	
Target return objective	6.25%
Investment horizon (years)	10+
Expected nominal return	7.5%
Standard deviation	9.9%
Inflation rate	3.0%
95% confidence interval for nominal return over 1 year ⁴	-11.9% to 26.9%
Probability of achieving objective over investment horizon	70%
Standard Risk Measure ⁵	High
Estimated number of negative annual returns (x years in 20)	4 to less than 6
Probability of a negative return in any year	22%

Source: JANA. Modelling is based on a 10-year period using Capital Market Assumptions (including excess return assumptions) as at 31 March 2024. The inflation rate is based on headline inflation.

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow clients to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a client may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

⁴ The '95% confidence interval for nominal return over 1 year' represents the expected range of return outcomes for the LSA strategy over a one-year period. Noted that there is approximately a 5% chance that the return could lie outside of this range.

⁵ As per ASFA/FSC guidance using JANA 10-year assumptions calculated over 20 years, gross of tax.

Asset class strategies

Integral to the strategic asset allocation process is the development of investment strategies for each asset class, including the engagement of external investment managers.

Descriptions of the asset classes and their underlying investments are provided below. Information regarding external investment managers appointed by Funds SA can be found on our [website](#).

Table 9: Funds SA asset classes

Asset class	Investments
Australian Equities	Equity exposure to companies listed or about to be listed on the Australian Securities Exchange. The active asset class is used.
International Equities	Equity exposure to companies listed on international stock exchanges. Includes exposure to emerging markets and small companies. The active asset class is used.
Private Markets	Investment opportunities with expected returns in excess of long-term expectation for listed equities, not classifiable within the other asset classes.
Property	Exposure to Australian listed and unlisted property across the office, retail and industrial sectors. Includes a range of assets from the premium end of the property market providing long-term cashflows from quality tenants and which are held for the long-term and through investment cycles. May also include an exposure to some sectors with a higher risk and return expectation such as development and refurbishment opportunities with a shorter investment horizon.
Infrastructure	Investment opportunities in assets or companies which display one or more of the following characteristics: provide an essential service that is important to the functioning of society at large or a specific community; have stable or predictable cash flow generation; have a long useful economic life or operate under long-term concessions; display monopoly-like characteristics or have high barriers to entry into their market; and provide an element of inflation protection.
Alternatives	<p>Growth Alternatives</p> <p>Absolute return strategies being liquid alternative investments that can take both long and short positions across a wide range of financial market instruments to generate returns. The strategy is designed as a liquid alternative to growth assets such as equities.</p> <p>Defensive Alternatives</p> <p>Absolute return strategies being liquid alternative investments that can take both long and short positions across a wide range of financial market instruments to generate returns. The strategy is designed as a liquid alternative to defensive assets such as fixed interest.</p>
Credit	<p>Sub-Investment Grade Credit</p> <p>Investments in debt securities that are issued by companies, asset-backed and mortgage-backed structures, and entities other than developed market governments. These instruments are subject to movement primarily in credit spreads, which may result in valuation changes.</p>
Cash	Exposure to Australian short-term interest rate sensitive debt instruments, such as bank bills, that provide a high level of liquidity with minimal risk of capital loss.
Foreign currency	Exposure to foreign currency is a component of owning international assets. The amount of foreign currency in the investment option is managed to a foreign currency target.

Complementing the asset class strategies are a range of initiatives to enhance Funds SA's Responsible Investment approach across the investment platform.

Responsible investment initiatives

Funds SA defines responsible investment as a financial outcomes focused approach, that complements traditional investment analysis through Environmental, Social and Governance (ESG) integration and stewardship. Since launching its Responsible Investment program in 2019, Funds SA has made considerable progress in implementing new initiatives to manage ESG risks and capture opportunities in its investments.

Over the coming 12 months Funds SA is focused on the following responsible investment initiatives:

- Ongoing integration of ESG analysis and stewardship activities through investment manager monitoring, company engagement, and proxy voting.
- Taking action to respond to the risks of climate change, including the launch of an updated Climate Risk Response Plan that considers:
 - Alignment of Funds SA's investments to Net Zero Emissions by 2050.
 - Engagement with companies operating in areas of climate risk and opportunity.
 - Understanding the interconnections of climate change with other ESG risks.
- Increasing our understanding of country-level ESG risks and opportunities.
- Ongoing enhancement of our responsible investment reporting.

4. Factors affecting 2024-25 investment strategy

There are a number of themes and risks associated with financial markets that we have considered in the investment and management of the investment options for the coming year including:

- The emergence of artificial intelligence and its potentially far-reaching implications for economies and society.
- Geopolitical instability and de-globalisation.
- Developed world aging demographic challenges and implications for the labour market.
- Fiscal policy challenges for many developed market economies post COVID.
- Structurally higher inflation and the ongoing risk of stagflation with central banks navigating a narrow path toward their inflation targets.
- Uncertainty around the level of global economic growth.
- The clean energy transition and the increasing importance of climate change impacts on financial markets.
- More volatile business cycles and increased price volatility across asset classes.
- Portfolio diversification remains important to managing risk and accessing broad sources of returns.

Funds SA has developed a clearly articulated investment philosophy that is at the centre of how investment strategy is developed, implemented and monitored.

- We believe that taking investment risk gets rewarded over longer term investment horizons.
- We believe asset allocation is the key driver of risk and return.
- We believe that markets regularly exhibit inefficiencies that can be exploited and adopt active management where appropriate.
- We believe that diversification is the most effective way to manage investment risks.
- We believe that integrating ESG considerations into investment decisions and undertaking stewardship activities support long-term investment outcomes.
- We believe that a strong governance approach leads to better investment outcomes.

5. Investment management costs

Funds SA applies standard industry guidelines in calculating and disclosing its investment management costs; namely:

- Schedule 10 to the *Corporations Regulations 2001* (Cth) as modified by ASIC Corporations (Disclosure of Fees and Costs) Instrument 2019/1070; and
- ASIC Regulatory Guide 97: Disclosing fees and costs in PDSs and other periodic statements (RG97) dated September 2020.

Funds SA's investment management costs comprise fees paid directly to investment managers, including: performance fees; transactional costs incurred by investment managers in implementing their particular mandates; investment management fees and costs incurred through interposed investment vehicles (including performance fees); asset consulting fees; custodian fees; legal and tax advisory fees; and Funds SA's corporate expenses.

Funds SA's investment management costs are presented as an Indirect Cost Ratio (ICR). The ICR expresses investment management costs as a percentage of average funds managed. Separate ICRs are calculated for each investment option.

Funds SA operates on a cost recovery basis, with all costs incurred fully reflected in the asset class unit prices.

Target ICRs for 2024-25

For 2024-25 and moving forward, ICR targets will be expressed as a range rather than a specific single number target. The reason for this is that there are two components of the RG97 methodology which are dependent on the performance and transactional activity by underlying investment managers and are beyond the direct control of Funds SA. These components are performance fees and transactional costs. Performance fees are subject to a 5-year averaging methodology under RG97, hence adopting a range of expected fee outcomes is a prudent approach. Similarly, transactional costs are very much influenced by the transactional activity undertaken by underlying managers (e.g. asset purchases and sales) and, as such, activity cannot be estimated with sufficient confidence, therefore adopting a range of expected fee outcomes is also prudent.

Table 10: LSA Strategy target ICR

Funds SA investment option	2024-25 Target ICR	2023-24 Target ICR
LSA Strategy	1.10 – 1.15%	1.15%

Buy/sell spreads

Buy/sell spreads are applied to the applications and redemptions of assets undertaken by Funds SA's clients. A buy/sell spread is an allowance for transaction costs such as brokerage and stamp duty, incurred in buying and selling the underlying assets of the investment option.

The purpose of the buy/sell spread is to protect existing clients bearing the costs associated with new and additional investments and withdrawals. It is not a management fee paid to Funds SA.

Buy/sell spreads vary depending on the types of assets held. The transaction cost approach and buy/sell spreads are detailed in the Investment Administration Operational Process Document available via the Secure Login on the Funds SA website.

6. Other matters

Key documents

Memorandum of Agreement

The Memorandum of Agreement agreed between Funds SA and each of its clients summarises the operational arrangements between the organisations. This document is reviewed periodically.

Memorandum of Administrative Agreement

A Memorandum of Administrative Arrangement between the LSA, Funds SA and the Under Treasurer aims to clearly delineate and acknowledge the respective roles and responsibilities with respect to the management of the Invested Funds and provides a dispute resolution process which the parties agree to accommodate and utilise in good faith.

Client Related Policies and Documents

Asset Valuation and Unit Pricing Policy

The purpose of this document is to ensure assets under management are valued appropriately and describe the way in which unit pricing is undertaken to ensure the equitable treatment of all clients.

Cost Recovery Policy

This policy details the Funds SA Administration Fee for each financial year and the manner in which it is applied.

Illiquid Assets Allocation Policy

This policy details the way in which Funds SA manages the allocations to illiquid asset classes (including Property and Diversified Strategies Growth).

Investment Administration Operational Process Document

This document describes the way in which Funds SA undertakes unit pricing, unit registry and cashflow processes in the course of administering the funds under its management. It also includes the transaction cost approach which details the buy/sell spreads for investment options and asset classes, and the manner and circumstances in which spreads are applied.

Tax Policy

This policy documents the processes that Funds SA applies in administering and managing its tax compliance and reporting obligations for both the Corporation and the Funds SA Unit Trusts established under the Funds SA Investment Trusts Master Trust Deed.

Governance Framework Document

This document details the key elements of Funds SA's governance structure and sets out the responsibilities of committees along with the various Board approved policies and procedures that guide Funds SA in pursuit of its goals.

Investment Implementation Framework Document

This document details Funds SA's approach to implementing and managing investment strategies, reviewing and monitoring investment strategies and investment managers, and Funds SA's risk and compliance structure.

The above policies and documents are available via the Secure Login on the Funds SA website.

Funds SA Responsible Investment Policy

This document outlines the manner in which our responsible investment program is implemented, including investment exclusions, in line with the objectives of the Funds SA Act. Funds SA is also a signatory to the UN-supported Principles for Responsible Investment.

The policy is available on the [Funds SA website](#), along with the [Funds SA Climate Change Position Statement](#), and [Climate Risk Response Plan](#).

Funds SA Director and Management Profiles

Profiles of Directors and key management personnel can be found on the [Funds SA website](#).

Funds SA Disclaimer

The information within this document has been prepared in good faith by Funds SA based on information available as at the date of this document. However, Funds SA does not warrant the accuracy of the information and to the extent permitted by law, disclaims responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it whether that loss or damage is caused by any fault or negligence of Funds SA or otherwise. Past performance is not a reliable indicator of future performance. Any forward-looking statements contained in this document are not a guarantee of future performance, and actual results or performance may vary materially. Forward-looking statements in the document are predictions only and may be affected by inaccurate assumptions and/or known and unknown risks and uncertainties and other factors which may be beyond the control of Funds SA. The information is not intended to constitute advice and persons should seek professional advice before relying on the information.

SAFA Insurance Investments Performance Plan

2024-2025

October 2024



Government
of South Australia

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1. Introduction

This Performance Plan (Plan) is prepared in accordance with section 20A of the *Superannuation Funds Management Corporation of South Australia Act 1995* (SA) (Funds SA Act) and sets out Funds SA's approach to the investment and management of the South Australian Government Financing Authority's (SAFA) insurance investments for the 2024-25 financial year.

Pursuant to the Funds SA Act, this Plan details:

- the target for the rate of return on investment and management of the funds;
- strategies for the achievement of that target;
- the factors that, in the opinion of Funds SA, will affect or influence the investment and management of the funds during the year;
- the anticipated operating costs to be incurred by Funds SA during the financial year; and
- such other matters that Funds SA thinks should be included in the Plan.

The Plan is the primary document for communicating with, and seeking feedback from, Funds SA's key stakeholders regarding planned initiatives and proposed strategies for managing the funds over the coming year.

References to additional information is included in Section 6.

Background

SAFA acts as the captive insurer for the South Australian Government. It provides comprehensive insurance protection, insuring the risks of South Australian Government Agencies, and provides insurance advice and assistance to those agencies. SAFA is also responsible for reinsuring those risks in the Australian and International insurance markets, where appropriate, and provides reinsurance to the private insurance market for South Australian Building Indemnity Insurance risks.

The normal commercial insurance operations are transacted through SAFA Insurance Fund 1 (Fund 1), which is funded by premiums from agencies and investment income. Fund 1 covers claims arising from insurable events that occurred from 1 July 1994.

SAFA Insurance Fund 2 (Fund 2) is used to fund liabilities arising from insurable incidents that occurred prior to 1 July 1994 that survive the *Limitation of Actions Act*, as well as a number of specific classes of risk that do not relate to SAFA's normal insurance activities.

Since 1 July 2013, SAFA has been underwriting the risk relating to building indemnity insurance through reinsurance arrangements with private insurers. Premium income is collected from the private insurers net of commission, claims and other expenses and is allocated to SAFA Insurance Fund 3 (Fund 3), which has been set aside solely for the administration of building indemnity insurance by SAFA.

SAFA Insurance Fund 4 (Fund 4) relates to a National Redress Scheme associated with people that have experienced institutional child sexual abuse.

On 23 November 2006, a regulation declaring SAFA as a Prescribed Public Authority for the purposes of the Funds SA Act came into effect. The regulation enabled SAFA to seek approval from the Treasurer to transfer its insurance investments to Funds SA for investment and management purposes.

Fund 1, Fund 2, Fund 3 and Fund 4 are referred to as 'SAFA insurance investments'.

The initial investment dates for each Fund are as follows:

- Fund 1 - 11 May 2007.
- Fund 2 - 31 August 2007.
- Fund 3's surplus funds – 26 March 2014.
- Fund 4 – 15 May 2020.

Tax Status

SAFA insurance investments are not subject to Commonwealth income tax and accordingly, assets are invested in Funds SA's Tax-Exempt investment options.

2. Investment objectives

SAFA's financial objectives

The principal financial objectives of SAFA in relation to its captive insurance function are to:

- protect the State's finances from a very large property loss or civil liability claim, or a series of large losses or claims in a particular year;
- provide comprehensive insurance protection for Government portfolio groups, agencies and authorities at competitive and stable premiums;
- reduce the overall cost of risk to Government portfolio groups, agencies and authorities and the State; and
- invest the insurance funds in accordance with an acceptable investment strategy to ensure the insurance function's ongoing performance capability and financial viability.

SAFA Insurance Fund 1 (Fund 1)

The liabilities of Fund 1 have an estimated undiscounted average mean term of 6.7 years. These liabilities are expected to increase, on average, at a rate greater than the rate of inflation.

As at 30 June 2024, 57% of the outstanding claim liabilities of Fund 1 related to medical malpractice claims which had an estimated undiscounted mean term to settlement of 9.0 years, 26% related to long tail claims (mostly civil liability claims other than medical malpractice) which had an estimated undiscounted mean term to settlement of 4.4 years and the remaining 17% related to short tail claims (mostly property claims) which had an estimated undiscounted mean term to settlement of 2.3 years.

In their actuarial review of Fund 1 liabilities as at 30 June 2024, Finity Consulting Pty Ltd (Finity) noted that the valuation models adopted make allowance for inflation, to the extent that it has been present in past trends. Finity has, however, made allowance for superimposed inflation¹, reflecting that the nature of superimposed inflation is that it tends to occur in "waves" and so may or may not be fully represented in the claims experience to date. A rate of 3% has been adopted for superimposed inflation.

Fund 1 was initially invested in the Funds SA Growth Tax-Exempt investment option (Growth option). Effective 1 July 2019, Fund 1 adopted a tailored strategy, the Funds SA SAFA Investment Strategy (SAFA Investment Strategy). The genesis of the SAFA Investment Strategy was the Growth option as reflected in the 2018-19 Performance Plan. Having a tailored investment strategy will provide flexibility into the future.

SAFA have indicated they will consider their investment risk appetite for the SAFA Investment Strategy during the 2024-24 financial year. Should there be a desire to reduce the overall risk of the investment strategy, the SAFA Investment Strategy could be changed to reflect a more conservative strategy, similar to the Funds SA Conservative investment option. Within this Plan, we've provided an alternative SAFA Investment Strategy for consideration.

SAFA Insurance Fund 2 (Fund 2)

The average term of the liabilities of Fund 2 is shorter than for Fund 1, with an estimated undiscounted mean term of 1.9 years. The cash flows are also likely to be more variable and subject to more volatility.

Fund 2 invests in the Funds SA's Conservative Tax-Exempt investment option.

¹Superimposed inflation refers to the level of inflation of claims costs in excess of normal inflation and it arises from such things as precedent setting court awards, changes in administrative procedures and changes in claimant behaviour.

SAFA Insurance Fund 3 (Fund 3)

Building indemnity insurance is volatile and tends to fluctuate based on the general economic cycle and the state of the building industry. Finity has calculated that the liabilities of Fund 3 have an estimated undiscounted mean term of 2.05 years, with claims able to be made up to six or seven years from the date of the policy and payable even later.

Fund 3 invests in the Funds SA's Conservative Tax-Exempt investment option, as its investment horizon best matches the payment horizon of the building indemnity insurance product.

SAFA Insurance Fund 4 (Fund 4)

This fund relates to a National Redress Scheme associated with people that have experienced institutional child sexual abuse. In April 2020, SAFA received approval from the Treasurer to invest nominated funds of Fund 4 with Funds SA.

Fund 4 invests in the Funds SA Capital Defensive Tax-Exempt investment option.

Funds SA investment objectives

The investment objectives have been developed having regard to the long-term performance and characteristics of financial markets, and the capital market assumptions provided by Funds SA's specialist investment advisor (JANA²).

There is a reasonable probability that the target returns for each investment option will be achieved over its stated time horizon based on the investment strategies employed. Details of the statistical modelling undertaken are contained in Section 3. However, there is no guarantee that the target returns will be met because financial markets are volatile and past performance is not a reliable indicator of future performance.

For the Capital Defensive and Conservative options, additional objectives are taken into consideration when developing the investment strategy, such as, returns relative to the superannuation industry, superannuation regulations relating to performance and specific fee targets.

The SAFA Investment strategy seeks to produce the highest net-of-fee return possible, so does not consider fees to be a constraint in the construction of the SAFA Investment Strategy.

Table 1: Investment objectives

SAFA Fund	Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns likely over any 20-year period
Fund 1	SAFA Investment Strategy	CPI + 4.0%	8+ years	Medium to High	3 to less than 4
Fund 2 & 3	Conservative	CPI + 1.5%	4+ years	Medium	2 to less than 3
Fund 4	Capital Defensive	CPI + 0.5%	2+ years	Low	0.5 to less than 1

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow clients to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a client may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

² JANA Investment Advisers were reappointed as Funds SA's primary asset consultant in 2023. JANA provides Funds SA with investment consulting on a broad range of investment strategy and research topics.

Consideration for an alternative lower risk SAFA Investment Strategy

The alternative SAFA Investment Strategy continues to have a net-of-fee return focus and is not considered to have fee constraints. The alternative SAFA Investment Strategy is broadly based on the Conservative investment option, and has the same target return and investment horizon.

Table 2: Alternative lower risk SAFA Investment Strategy - investment objectives

SAFA Fund	Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns likely over any 20-year period
Fund 1	SAFA Investment Strategy	CPI + 1.5%	4+ years	Low to Medium	1 to less than 2

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow clients to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a client may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

3. Investment strategy

Funds SA undertakes a formal Investment Strategy Review on an annual basis to assess the appropriateness of the Long-Term Strategic Asset Allocation (LTSAA) of the investment options. The objective is to construct LTSAA that, if held over the long-term, have a reasonable likelihood of achieving the investment objectives – target return, risk, liquidity, and fees.

The Funds SA 2024-25 Investment Strategy Review focused on the following:

- The investment environment and the implications for investment strategy.
- Reviewing the investment objectives and investment risk appetite.
- The competitive positioning of investment options within the superannuation industry.

Resulting from the 2024-25 Investment Strategy Review, the Funds SA Board has approved LTSAA changes, with the aim to improve performance. Changes are summarised as follows:

Capital Defensive and Conservative:

- Within the Fixed Interest asset class, take the allocation to the Inflation-Linked Securities sub-asset class to zero, with the allocation moving to Long-Term Fixed Interest sub-asset class. The overall allocation to Fixed Interest isn't changing.

SAFA Investment Strategy

The SAFA Investment Strategy is distinct from the other Funds SA investment options. The SAFA Investment Strategy does not participate in active asset allocation decisions by the Funds SA investment team.

Resulting from the 2024-25 Investment Strategy Review, the following changes have been made:

- Within the Fixed Interest asset class, take the allocation to the Inflation-Linked Securities sub-asset class to zero, with the allocation moving to Long-Term Fixed Interest sub-asset class. The overall allocation to Fixed Interest isn't changing.
- Decrease the allocation to the Property asset class and increase the allocation to the Infrastructure asset class.

The current SAFA Investment Strategy LTSAA has a relatively large Property allocation at 14% and a relatively low Infrastructure allocation at 3%. We believe it is beneficial to adjust the weighting between the two asset classes, moving Property to 12% and Infrastructure to 5%.

The benefits of this change in strategy are improved inflation protection and greater portfolio diversification, acknowledging that in the long-term, Infrastructure and Property have similar risk/return profiles.

Funds SA has not been allocating any cash inflows to Property in the current downturn which has allowed the allocation to fall, thereby making the 12% target readily achievable in the short-to-medium-term.

Funds SA is actively building the investments in the Infrastructure asset class. Increasing the Infrastructure allocation from 3% to 5%, may be achieved over the short-to-medium-term (1-3 years) given the illiquid nature of the asset class. It is important to focus on purchasing quality assets as it is expected that they will be held for long periods of time.

Asset Allocation

The LTSAA is the primary determinant of whether investment objectives can be met. The LTSAA represents a strategy that has a reasonable chance of meeting investment objectives given constraints (e.g. fees, liquidity, and risk appetite).

The following table details the LTSAA for the investment options. The number in brackets represents the change in allocation from 2023-24.

Table 3: LTSAA for Tax-Exempt investment options

Asset class	Capital Defensive %	Conservative %	SAFA Investment Strategy %
Australian Equities	5	9	19
International Equities	7	15	29
Private Markets	1	2	7
Property	6	7	12 (-2)
Infrastructure	11	10	5 (+2)
Alternatives	4	4	9
Credit	3	7	7
Fixed Interest	45	32	10
Cash	18	14	2
Total	100	100	100
Growth assets	25	40	75
Foreign currency	5	10	19

Consideration for an alternative lower risk SAFA Investment Strategy

Should there be a desire to reduce the overall risk of the investment strategy, the SAFA Investment Strategy could be changed to reflect a more conservative strategy.

The alternative SAFA Investment Strategy is broadly based on the Conservative investment option. However, key asset allocation differences between the Conservative option and the alternative SAFA Investment Strategy include: a higher allocation to illiquid asset classes, higher allocation to Alternatives and lower allocation to listed Equities.

Table 4: Alternative lower risk SAFA Investment Strategy – LTSAA

The number in brackets represents the change in allocation from 2023-24 SAFA Investment Strategy.

Asset class	SAFA Investment Strategy %
Australian Equities	7 (-12)
International Equities	12 (-17)
Private Markets	7
Property	10 (-4)
Infrastructure	7 (+4)
Alternatives	9
Credit	7
Fixed Interest	32 (+22)
Cash	9 (+7)
Total	100
Growth assets	40 (-35)
Foreign currency	10 (-9)

Asset class ranges

Asset class ranges are used as an investment management tool, variation in asset class returns and illiquidity of some asset classes means the asset allocation can fluctuate through time.

Asset class ranges allow for active asset allocation decisions to adjust the portfolio within risk tolerances to take advantage of investment opportunities. The SAFA Strategy does not participate in active asset allocation decisions.

For Capital Defensive and Conservative options, the allowable ranges for the individual asset classes are +/- 10% from the LTSAA. As the Fixed Interest asset class includes four sub-asset classes, the asset class range for Fixed Interest is +/- 20% from the LTSAA. Cash can have an allocation between 0 and 20%.

For the SAFA Investment Strategy, the allowable ranges for the individual asset classes are +/- 5%. As the Fixed Interest asset class includes four sub-asset classes, the asset class range for Fixed Interest is +/- 10% from the LTSAA. Cash can have an allocation between 0 and 20%, as illustrated in the table below.

Table 5: Asset class ranges for investment options*

Asset class	Capital Defensive & Conservative %	SAFA Investment Strategy %
Australian Equities	±10	± 5
International Equities	±10	± 5
Private Markets	±10	± 5
Property	±10	± 5
Infrastructure	±10	± 5
Alternatives	±10	± 5
Credit	±10	± 5
Fixed Interest	±20	± 10
Cash	0 to 20	0 to 20
Foreign currency	±10	±5

*Note: For the Capital Defensive and Conservative investment options, where the LTSAA of a particular asset class is less than 10% (or 20% for Fixed Interest), the low point of the asset class range is 0%. For the SAFA Investment Strategy, where the LTSAA of a particular asset class is less than 5%, the low point of the asset class range is 0%. That is, the allocation to any particular asset class cannot be negative.

The aggregate allocation to growth assets is managed within the following ranges:

Table 6: Growth ranges for investment options

Funds SA investment option	Growth range %
Capital Defensive	10 – 40
Conservative	25 – 55
SAFA Investment Strategy	60 - 80

Consideration for an alternative lower risk SAFA Investment Strategy

If the alternative SAFA Investment Strategy were to be implemented, consideration should be given to participation in active asset allocation decisions by the Funds SA investment team. If active asset allocation were to be applied to the SAFA Investment Strategy, it would be recommended to change the allowable asset class ranges. For individual asset classes, move from +/- 5% from the LTSAA to +/- 10% from the LTSAA. For Fixed Interest move from +/- 10% from the LTSAA to +/- 20% from the LTSAA. Cash can have an allocation between 0 and 20%.

Table 7: Alternative lower risk SAFA Investment Strategy - Asset class ranges*

Asset class	SAFA Investment Strategy %
Australian Equities	±10
International Equities	±10
Private Markets	±10
Property	±10
Infrastructure	±10
Alternatives	±10
Credit	±10
Fixed Interest	±20
Cash	0 to 20
Foreign currency	±10

*Note: For the Capital Defensive and Conservative investment options, where the LTSAA of a particular asset class is less than 10% (or 20% for Fixed Interest), the low point of the asset class range is 0%. For the SAFA Investment Strategy, where the LTSAA of a particular asset class is less than 5%, the low point of the asset class range is 0%. That is, the allocation to any particular asset class cannot be negative.

The aggregate allocation to growth assets would also change, as illustrated in the table below.

Table 8: Alternative lower risk SAFA Investment Strategy - growth ranges

Funds SA investment option	Growth range %
SAFA Investment Strategy	25 - 55

For any stated asset allocation, extreme market conditions may impact the ability to effectively implement strategy and can cause asset allocations to drift outside nominated ranges. Although such times are infrequent, once such conditions are present, the allocation ranges may be temporarily suspended. Funds SA will notify clients of such moves should this occur.

Expected performance characteristics

Quantitative analysis of the proposed investment strategies for the investment options has been undertaken using JANA's 10-year investment forecasts of risk and return.

The following tables show the expected average outcomes for each investment option. Note, in the event of extreme market environments actual outcomes may differ significantly from the expected outcomes stated below.

The expected return and the probability of achieving the SAFA Investment Strategy's CPI+% investment objectives over their investment horizons, has decreased from last year. This is primarily due to changes in JANA's Capital Market Assumptions (CMAs) and revised excess return assumptions. The lower probability is also exacerbated by a higher level of inflation, with JANA's CMAs currently forecasting inflation to be 3% over the 10-year modelling period.

Table 9: Forecast risk/return profiles of Funds SA's Tax-Exempt investment options

	Capital Defensive	Conservative	SAFA Investment Strategy
Target return (p.a.)	CPI + 0.5%	CPI + 1.5%	CPI + 4.0%
Investment horizon (years)	2 +	4 +	8 +
Expected return	6.0%	6.3%	7.1%
Standard deviation	3.2%	4.9%	8.9%
95% confidence interval for nominal return over 1-year ³	-0.3% to 12.3%	-3.3% to 15.9%	-10.3% to 24.5%
Probability of achieving objective over investment horizon	87%	80%	57%
Standard Risk Measure ⁴	Low	Medium	Medium to High
Estimated number of negative annual returns (x years in 20)	0.5 to less than 1	2 to less than 3	3 to less than 4
Probability of a negative return in any year	3%	10%	21%

Source: JANA. Based on JANA modelling as at 31 March 2024 using 10-year capital market assumptions, inclusive of excess return assumptions.

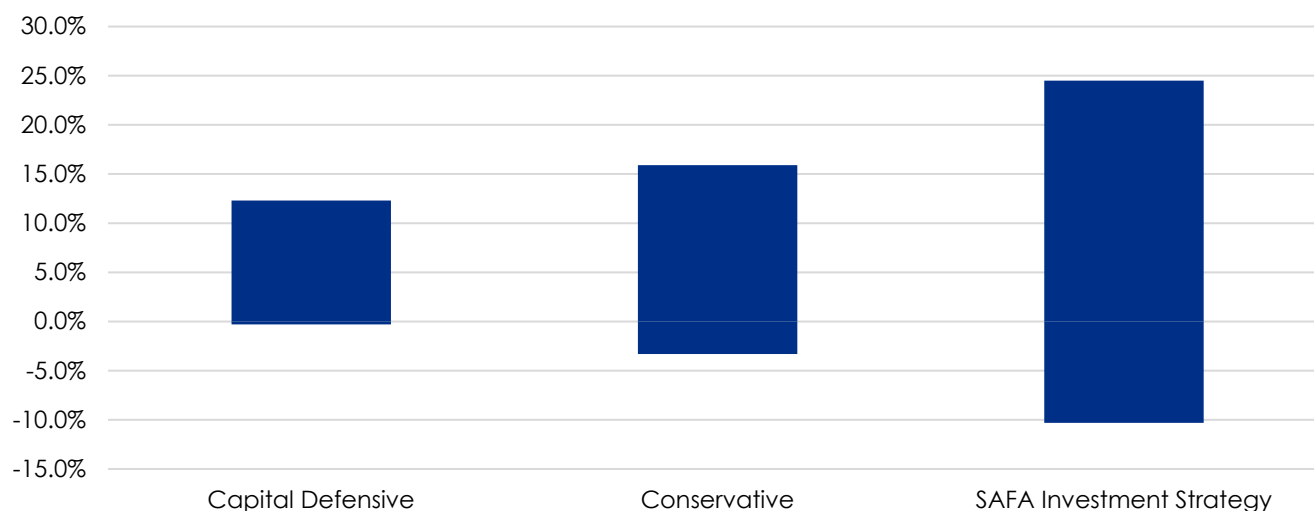
Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow clients to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a client may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

³ Represents the expected range of return outcomes for each investment option over a 1-year period. Note there is approximately a 5% chance that returns could lie outside this range.

⁴ As per ASFA/FSC guidance using JANA 10-year assumptions, calculated over 20 years and are gross of tax.

The following chart for the Tax-Exempt investment options shows the range of expected return outcomes over a one-year period widens as the option's risk increases.

Chart 1: Expected range of returns over a one-year period – Tax-Exempt investment options



Source: JANA

Consideration for an alternative lower risk SAFA Investment Strategy

Table 10: Alternative lower risk SAFA Investment Strategy - forecast risk/return profile

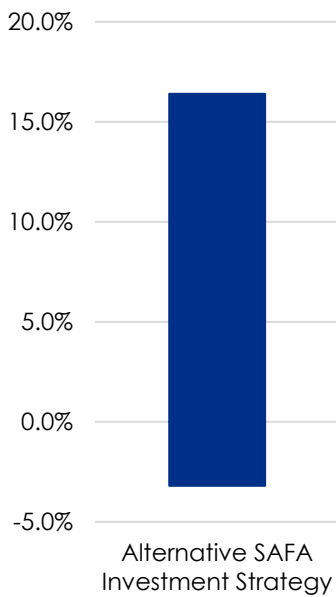
SAFA Investment Strategy	
Target return (p.a.)	CPI + 1.5%
Investment horizon (years)	4 +
Expected return	6.6%
Standard deviation	5.0%
95% confidence interval for nominal return over 1-year ⁵	-3.2% to 16.4%
Probability of achieving objective over investment horizon	82%
Standard Risk Measure ⁶	Low to Medium
Estimated number of negative annual returns (x years in 20)	3 to less than 4
Probability of a negative return in any year	9%

Source: JANA. Based on JANA modelling as at 31 March 2024 using 10-year capital market assumptions, inclusive of excess return assumptions.

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow clients to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a client may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

⁵ Represents the expected range of return outcomes for each investment option over a 1-year period. Note there is approximately a 5% chance that returns could lie outside this range.

⁶ As per ASFA/FSC guidance using JANA 10-year assumptions, calculated over 20 years and are gross of tax.

Chart 2: Alternative SAFA Investment Strategy - Expected range of returns over a one-year period

Asset class strategies

Integral to the strategic asset allocation process is the development of investment strategies for each asset class, including the engagement of external investment managers.

Descriptions of the asset classes and their underlying investments are provided below. Information regarding external investment managers appointed by Funds SA can be found on our [website](#).

Table 11: Funds SA asset classes

Asset class	Investments
Australian Equities	Equity exposure to companies listed or about to be listed on the Australian Securities Exchange. Active and passive asset classes are used.
International Equities	Equity exposure to companies listed on international stock exchanges. Includes exposure to emerging markets and small companies. Active and passive asset classes are used.
Private Markets	Investment opportunities with expected returns in excess of long-term expectation for listed equities, not classifiable within the other asset classes.
Property	Exposure to Australian listed and unlisted property across the office, retail and industrial sectors. Includes a range of assets from the premium end of the property market providing long-term cashflows from quality tenants and which are held for the long-term and through investment cycles. May also include an exposure to some sectors with a higher risk and return expectation such as development and refurbishment opportunities with a shorter investment horizon.
Infrastructure	Investment opportunities in assets or companies which display one or more of the following characteristics: provide an essential service that is important to the functioning of society at large or a specific community; have stable or predictable cash flow generation; have a long useful economic life or operate under long-term concessions; display monopoly-like characteristics or have high barriers to entry into their market; and provide an element of inflation protection.

Asset class	Investments
Alternatives	<p>Growth Alternatives</p> <p>Absolute return strategies being liquid alternative investments that can take both long and short positions across a wide range of financial market instruments to generate returns. The strategy is designed as a liquid alternative to growth assets such as equities.</p> <p>Defensive Alternatives</p> <p>Absolute return strategies being liquid alternative investments that can take both long and short positions across a wide range of financial market instruments to generate returns. The strategy is designed as a liquid alternative to defensive assets such as fixed interest.</p>
Credit	<p>Sub-Investment Grade Credit</p> <p>Investments in debt securities that are issued by companies, asset-backed and mortgage-backed structures, and entities other than developed market governments. These instruments are subject to movement primarily in credit spreads, which may result in valuation changes.</p>
Fixed Interest	<p>Exposure to debt instruments providing principal repayment at maturity, and coupon payments at regular intervals until maturity. These instruments are primarily subject to movement in bond yields, and credit spreads, which may result in both positive and negative valuation changes. Includes investments in:</p> <p>Investment Grade Credit</p> <p>Investments in publicly traded debt securities issued by predominately global high quality non-government borrowers.</p> <p>Inflation-Linked Securities</p> <p>Exposure to debt securities providing a fixed rate of return in excess of an index related to the general level of prices in the economy, such as the Consumer Price Index or Average Weekly Earnings. These instruments are subject to movement in real yields and credit spreads, which may result in both positive and negative valuation changes.</p> <p>Long-Term Fixed Interest</p> <p>Investments in domestic and global government issued debt securities of a long maturity.</p> <p>Short-Term Fixed Interest</p> <p>Investments include short maturity debt securities issued predominantly by Australian high quality corporate and financial entities.</p>
Cash	<p>Exposure to Australian short-term interest rate sensitive debt instruments, such as bank bills, that provide a high level of liquidity with minimal risk of capital loss.</p>
Foreign currency	<p>Exposure to foreign exchange is a component of owning international assets. The amount of foreign currency in the investment option is managed to a foreign exchange target.</p>

Complementing the asset class strategies are a range of initiatives to enhance Funds SA's Responsible Investment approach across the investment platform.

Responsible investment initiatives

Funds SA defines responsible investment as a financial outcomes focused approach, that complements traditional investment analysis through Environmental, Social and Governance (ESG) integration and stewardship. Since launching its Responsible Investment program in 2019, Funds SA has made considerable progress in implementing new initiatives to manage ESG risks and capture opportunities in its investments.

Over the coming 12 months Funds SA is focused on the following responsible investment initiatives:

- Ongoing integration of ESG analysis and stewardship activities through investment manager monitoring, company engagement, and proxy voting.
- Taking action to respond to the risks of climate change, including the launch of an updated Climate Risk Response Plan that considers:
 - Alignment of Funds SA's investments to Net Zero Emissions by 2050.
 - Engagement with companies operating in areas of climate risk and opportunity.
 - Understanding the interconnections of climate change with other ESG risks.
- Increasing our understanding of country-level ESG risks and opportunities.
- Ongoing enhancement of our responsible investment reporting.

4. Factors affecting 2024-25 investment strategy

There are a number of themes and risks associated with financial markets that we have considered in the investment and management of the investment options for the coming year including:

- The emergence of artificial intelligence and its potentially far-reaching implications for economies and society.
- Geopolitical instability and de-globalisation.
- Developed world aging demographic challenges and implications for the labour market.
- Fiscal policy challenges for many developed market economies post COVID.
- Structurally higher inflation and the ongoing risk of stagflation with central banks navigating a narrow path toward their inflation targets.
- Uncertainty around the level of global economic growth.
- The clean energy transition and the increasing importance of climate change impacts on financial markets.
- More volatile business cycles and increased price volatility across asset classes.

Funds SA has developed a clearly articulated investment philosophy that is at the centre of how investment strategy is developed, implemented and monitored.

- We believe that taking investment risk gets rewarded over longer term investment horizons.
- We believe asset allocation is the key driver of risk and return.
- We believe that markets regularly exhibit inefficiencies that can be exploited and adopt active management where appropriate.
- We believe that diversification is the most effective way to manage investment risks.
- We believe that integrating ESG considerations into investment decisions and undertaking stewardship activities support long-term investment outcomes.
- We believe that a strong governance approach leads to better investment outcomes.

In accordance with our belief that markets are inefficient at times and that this inefficiency can be used to produce better outcomes, Fund SA implements active asset allocation decisions. This process aims to increase risk-adjusted returns over time, by varying asset class positions away from the LTSAA to either manage risk or generate excess returns. Our process has been developed based on fundamental research with key pillars of valuation, sentiment and momentum signals.

5. Investment management costs

Funds SA applies standard industry guidelines in calculating and disclosing its investment management costs; namely:

- Schedule 10 to the *Corporations Regulations 2001* (Cth) as modified by ASIC Corporations (Disclosure of Fees and Costs) Instrument 2019/1070; and
- ASIC Regulatory Guide 97: Disclosing fees and costs in PDSs and other periodic statements (RG97) dated September 2020.

Funds SA's investment management costs comprise fees paid directly to investment managers, including performance fees; transactional costs incurred by investment managers in implementing their particular mandates; investment management fees and costs incurred through interposed investment vehicles (including performance fees); asset consulting fees; custodian fees; legal and tax advisory fees; and Funds SA's corporate expenses.

Funds SA's investment management costs are presented as an Indirect Cost Ratio (ICR). The ICR expresses investment management costs as a percentage of average funds managed. Separate ICRs are calculated for each investment option.

Funds SA operates on a cost recovery basis, with all costs incurred fully reflected in the asset class unit prices.

Target ICRs for 2024-25

For 2024-25 and moving forward, ICR targets will be expressed as a range rather than a specific single number target. The reason for this is that there are two components of the RG97 methodology which are dependent on the performance and transactional activity by underlying investment managers and are beyond the direct control of Funds SA. These components are performance fees and transactional costs. Performance fees are subject to a 5-year averaging methodology under RG97, hence adopting a range of expected fee outcomes is a prudent approach. Similarly, transactional costs are very much influenced by the transactional activity undertaken by underlying managers (e.g. asset purchases and sales) and, as such, activity cannot be estimated with sufficient confidence, therefore adopting a range of expected fee outcomes is also prudent.

Table 12: Tax-Exempt investment option target ICRs

Funds SA investment option	2024-25 Target ICR	2023-24 Target ICR
Capital Defensive	0.40 – 0.45%	0.40%
Conservative	0.45 – 0.50%	0.50%
SAFA Investment Strategy	0.90 – 0.95%	0.95%

Consideration for an alternative lower risk SAFA Investment Strategy

Table 13: Alternative lower risk SAFA Investment Strategy - target ICR

Funds SA investment option	2024-25 Target ICR	2023-24 Target ICR
SAFA Investment Strategy	0.75 – 0.80%	0.95%

Buy/sell spreads

Buy/sell spreads are applied to the applications and redemptions of assets undertaken by Funds SA's clients. A buy/sell spread is an allowance for transaction costs such as brokerage and stamp duty, incurred in buying and selling the underlying assets of the investment option.

The purpose of the buy/sell spread is to protect existing clients bearing the costs associated with new and additional investments and withdrawals. It is not a management fee paid to Funds SA.

Buy/sell spreads vary depending on the types of assets held. The transaction cost approach and buy/sell spreads are detailed in the Investment Administration Operational Process Document available via the Secure Login on the Funds SA website.

6. Other matters

Key documents

Memorandum of Agreement

The Memorandum of Agreement agreed between Funds SA and each of its clients summarises the operational arrangements between the organisations. This document is reviewed periodically.

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The purpose of this document is to ensure assets under management are valued appropriately and describe the way in which unit pricing is undertaken to ensure the equitable treatment of all clients.

Cost Recovery Policy

This policy details the Funds SA Administration Fee for each financial year and the manner in which it is applied.

Illiquid Assets Allocation Policy

This policy details the way in which Funds SA manages the allocations to illiquid asset classes (including Property and Diversified Strategies Growth).

Investment Administration Operational Process Document

This document describes the way in which Funds SA undertakes unit pricing, unit registry and cashflow processes in the course of administering the funds under its management. It also includes the transaction cost approach which details the buy/sell spreads for investment options and asset classes, and the manner and circumstances in which spreads are applied.

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This policy documents the processes that Funds SA applies in administering and managing its tax compliance and reporting obligations for both the Corporation and the Funds SA Unit Trusts established under the Funds SA Investment Trusts Master Trust Deed.

Governance Framework Document

This document details the key elements of Funds SA's governance structure and sets out the responsibilities of committees along with the various Board approved policies and procedures that guide Funds SA in pursuit of its goals.

Investment Implementation Framework Document

This document details Funds SA's approach to implementing and managing investment strategies, reviewing and monitoring investment strategies and investment managers, and Funds SA's risk and compliance structure.

The above policies and documents are available via the Secure Login on the Funds SA website.

Funds SA Responsible Investment Policy

This document outlines the manner in which our responsible investment program is implemented, including investment exclusions, in line with the objectives of the Funds SA Act. Funds SA is also a signatory to the UN-supported Principles for Responsible Investment.

The policy is available on the [Funds SA website](#), along with the [Funds SA Climate Change Position Statement](#), and [Climate Risk Response Plan](#).

Funds SA Director and Management Profiles

Profiles of Directors and key management personnel can be found on the [Funds SA website](#).

Funds SA Disclaimer

The information within this document has been prepared in good faith by Funds SA based on information available as at the date of this document. However, Funds SA does not warrant the accuracy of the information and to the extent permitted by law, disclaims responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it whether that loss or damage is caused by any fault or negligence of Funds SA or otherwise. Past performance is not a reliable indicator of future performance. Any forward-looking statements contained in this document are not a guarantee of future performance, and actual results or performance may vary materially. Forward-looking statements in the document are predictions only and may be affected by inaccurate assumptions and/or known and unknown risks and uncertainties and other factors which may be beyond the control of Funds SA. The information is not intended to constitute advice and persons should seek professional advice before relying on the information.

The University of Adelaide Performance Plan

2024-2025

October 2024



Government
of South Australia

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1. Introduction

This Performance Plan (Plan) is prepared in accordance with section 20A of the *Superannuation Funds Management Corporation of South Australia Act 1995* (SA) (Funds SA Act) and sets out Funds SA's approach to the investment and management of certain assets of the University of Adelaide's Endowment Fund for the 2024-25 financial year.

Pursuant to the Funds SA Act, this Plan details:

- the target for the rate of return on investment and management of the funds;
- strategies for the achievement of that target;
- the factors that, in the opinion of Funds SA, will affect or influence the investment and management of the funds during the year;
- the anticipated operating costs to be incurred by Funds SA during the financial year; and
- such other matters that Funds SA thinks should be included in the Plan.

The Plan is the primary document for communicating with, and seeking feedback from, Funds SA's key stakeholders regarding planned initiatives and proposed strategies for managing the funds over the coming year.

References to additional information is included in Section 6.

Background

The University of Adelaide (the University) was established in 1874 and is administered under the *University of Adelaide Act 1971* (SA).

The University established an Endowment Fund (the Fund) which consists of gifts, bequests and donations made to the University. The Fund seeks to invest these funds to provide income for a variety of purposes including the funding of research projects, prizes to students and scholarships.

For the purposes of investing with Funds SA, the University has been brought into the ambit of the definition of 'public authority' as defined within the Funds SA Act. On 10 March 2016, a regulation declaring the University as a Prescribed Public Authority for the purposes of the Funds SA Act came into operation. The intention of this regulation was to entitle the University to seek approval from the Treasurer to place a certain amount of its investments with Funds SA.

Evolution of the University's investment

The University commenced investing with Funds SA 18 May 2016 in the Funds SA High Growth Taxable investment option.

During 2021-22, Funds SA, the University, and their investment advisor, worked collaboratively to develop a tailored investment strategy for the University. Their investment advisor considered the University's investments managed externally to Funds SA as part of the development process. Funds SA were not privy to the details of the University's investments managed externally.

The Funds SA University of Adelaide Strategy (UoA Strategy) was developed to meet the following requirements:

- To achieve a return of CPI + 5% p.a. over rolling 10-year periods.
- Increased allocation to unlisted assets, particularly Private Markets and Core Infrastructure.
- No allocation to Credit, or Defensive or Growth Alternatives.
- Preference for active equity exposure.
- No participation in active asset allocation.

The UoA Strategy was implemented effective 1 March 2022 and is part of the Taxable suite of Funds SA investment options available to the University.

In March 2024, the University informed Funds SA of their intent to restructure the investment strategy for the Endowment Fund and implement a new Strategic Asset Allocation to meet their specific Responsible Investment requirements.

It is expected that all assets in the Funds SA International and Australian Equities Taxable asset classes will be redeemed from the UoA Strategy in July or August 2024.

The remaining assets with Funds SA will be in the illiquid, unlisted asset classes comprising Private Markets, Infrastructure and Property, and are expected to remain within the UoA Strategy for the 2024-25 financial year.

The University will undertake a review with their consultant during the 2024-25 financial year to determine the role of these illiquid asset classes and the allocation to cash, within the context of the Endowment Fund investment strategy.

Tax status

Funds SA has been advised by the University that the Australian Taxation Office has endorsed the University as a deductible gift recipient under Subdivision 30-BA of the *Income Tax Assessment Act 1997* (Commonwealth), as a public university (see item 2.1.1 in subdivision 30-B, and item 1 of the table in section 30-15), with effect from 1 July 2000.

Funds SA has further been advised that the Australian Taxation Office has also endorsed the University as a tax concession charity to access:

- the income tax exemption under subdivision 50-B of the *Income Tax Assessment Act 1997* (Commonwealth), as a charitable institution, with effect from 1 July 2000; and
- GST concessions under division 176 of the *A New Tax System (Goods and Services Tax) Act 1999* (Commonwealth), as a charitable institution, with effect from 1 July 2005.

The UoA Strategy is suitable for investment of the funds under the trusteeship of the University. The UoA Strategy does not pay income tax itself (because of the distribution policy that has been adopted by that option). The University in its trusteeships of these funds should (by virtue of their status) remain entitled to claim available refunds of franking credits.

Key roles – the University and Funds SA

Given the changes taking place within the UoA Strategy, there are no specified investment objectives for the remaining assets within the investment option. Regarding this Performance Plan, the University's responsibility for setting the investment objective, risk preferences and liquidity profile are redundant. The remaining assets play a completion role for the broader investment strategy of the Endowment Fund.

As the future approach to the illiquid, unlisted asset classes becomes clearer, periodic investment reviews may be required, and any work required will be undertaken in a collaborative manner by Funds SA.

2. Investment objectives

The University has indicated its intent to redeem all listed equities from the UoA Strategy, therefore an investment objective is no longer relevant. The remaining assets will be referred to as UoA Investments and will exhibit the following characteristics.

Table 1: UoA Investments characteristics

Strategy characteristic	Measure	Comment
Risk	Medium	While the Standard Risk Measure has changed from High, to Medium, to High, this is reflective of the volatility of the UoA Investments, not the illiquidity risk which is deemed High.
Liquidity	Very Low	Reflects the illiquid, unlisted nature of the remaining assets.
Timeframe	10 years+	Reflects the illiquid, unlisted nature of the remaining assets.

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow clients to compare investment options based on the estimated expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a client may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

While there are no investment objectives for the UoA Investments, we have provided details of the statistical modelling undertaken in Section 3. This provides some guidance of expected return outcomes over a 10-year period. However, there is no guarantee the stated expected return will be met because financial markets are volatile and past performance is not a reliable indicator of future performance.

3. Investment strategy

Asset allocation

The asset allocation of the UoA Investments is the result of expected redemptions of the Funds SA International and Australian Equities Taxable asset classes. Asset allocation is based on Assets Under Management (AUM) value as at 30 April 2024. This no longer represents an investment strategy, but simply residual assets.

Table 2: Asset allocation of UoA Investments, as at 30 April 2024 (excluding Equities asset classes)

Asset class	Allocation
	%
Private Markets	32
Property	26
Infrastructure	30
Cash	12
Total	100
Growth Assets	60

As the University will undertake a review of the role of the remaining illiquid asset classes and the allocation to cash, it is not relevant to include asset class ranges.

The allocation to Cash and Infrastructure could be readily reduced during 2024-25. However, the allocation to Private Markets and Property could not be readily reduced. We expect redemptions from the Cash asset class during 2024-25, this will change the asset allocation percentage noted in the table above.

Expected performance characteristics

Quantitative analysis of the remaining assets under management with Funds SA as at 30 April 2024 (excluding the imminent equities redemptions) has been undertaken using JANA's 10-year investment forecasts of risk and return. The following table shows the expected average outcomes for the remaining UoA Investments. While the Standard Risk Measure has changed from High to Medium-to-High, this is reflective of the volatility of the UoA Investments, not the illiquidity risk which is deemed High.

Note, in the event of extreme market environments, actual outcomes may differ significantly from the expected outcome stated below.

Table 3: Forecast risk/return profile of the UoA Investments based on asset allocation as at 30 April 2024 (excluding equities)

UoA Investments	
Investment horizon (years)	10 +
Expected nominal return	7.8%
Standard deviation	8.9%
95% confidence interval for nominal return over 1-year ¹	-9.6% to 25.2%
Standard Risk Measure ²	Medium to High
Estimated number of negative annual returns (x years in 20)	3 to less than 4
Probability of a negative return in any year	13.5%

Source: JANA. Based on JANA modelling as at 31 March 2024 using 10-year capital market assumptions. Data is gross of tax, inclusive of alpha and includes the benefit of franking credits.

¹ Represents the expected range of return outcomes for each investment option over a one-year period. Note there is approximately a 5% chance that returns could lie outside this range.

² As per ASFA/FSC guidance using JANA 10-year assumptions, calculated over 20 years, gross of tax.

Note: The Standard Risk Measure is based on industry guidance and assigns risk labels to investment options that allow clients to compare investment options based on the expected number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk. For example, it does not detail the likely size of a negative return or the potential for a positive return to be less than a client may require to meet their financial goals. Clients should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

Asset class strategies

Each asset class has its own investment strategy, including the engagement of external investment managers.

Descriptions of the asset classes and their underlying investments are provided below. Information regarding external investment managers appointed by Funds SA can be found on our [website](#).

Table 4: Funds SA asset classes

Asset class	Investments
Private Markets	Investment opportunities with expected returns in excess of long-term expectation for listed equities, not classifiable within the other asset classes.
Property	Exposure to Australian listed and unlisted property across the office, retail and industrial sectors. Includes a range of assets from the premium end of the property market providing long-term cashflows from quality tenants and which are held for the long-term and through investment cycles. May also include an exposure to some sectors with a higher risk and return expectation such as development and refurbishment opportunities with a shorter investment horizon.
Infrastructure	Investment opportunities in assets or companies which display one or more of the following characteristics: provide an essential service that is important to the functioning of society at large or a specific community; have stable or predictable cash flow generation; have a long useful economic life or operate under long-term concessions; display monopoly-like characteristics or have high barriers to entry into their market; and provide an element of inflation protection.
Cash	Exposure to Australian short-term interest rate sensitive debt instruments, such as bank bills, that provide a high level of liquidity with minimal risk of capital loss.

Complementing the asset class strategies are a range of initiatives to enhance Funds SA's Responsible Investment approach across the investment platform.

Responsible investment initiatives

Funds SA defines responsible investment as a financial outcomes focused approach, that complements traditional investment analysis through Environmental, Social and Governance (ESG) integration and stewardship. Since launching its Responsible Investment program in 2019, Funds SA has made considerable progress in implementing new initiatives to manage ESG risks and capture opportunities in its investments.

Over the coming 12 months Funds SA is focused on the following responsible investment initiatives:

- Ongoing integration of ESG analysis and stewardship activities through investment manager monitoring, company engagement, and proxy voting.
- Taking action to respond to the risks of climate change, including the launch of an updated Climate Risk Response Plan that considers:
 - Alignment of Funds SA's investments to Net Zero Emissions by 2050.
 - Engagement with companies operating in areas of climate risk and opportunity.
 - Understanding the interconnections of climate change with other ESG risks.
- Increasing our understanding of country-level ESG risks and opportunities.
- Ongoing enhancement of our responsible investment reporting.

4. Factors affecting 2024-25 investments

There are a number of themes and risks associated with financial markets that we have considered in the investment and management of the investment options for the coming year including:

- The emergence of artificial intelligence and its potentially far-reaching implications for economies and society.
- Geopolitical instability and de-globalisation.
- Developed world aging demographic challenges and implications for the labour market.
- Fiscal policy challenges for many developed market economies post COVID.
- Structurally higher inflation and the ongoing risk of stagflation with central banks navigating a narrow path toward their inflation targets.
- Uncertainty around the level of global economic growth.
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- More volatile business cycles and increased price volatility across asset classes.

Funds SA has developed a clearly articulated investment philosophy that is at the centre of how investment strategy is developed, implemented and monitored.

- We believe that taking investment risk gets rewarded over longer term investment horizons.
- We believe asset allocation is the key driver of risk and return.
- We believe that markets regularly exhibit inefficiencies that can be exploited and adopt active management where appropriate.
- We believe that diversification is the most effective way to manage investment risks.
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- We believe that a strong governance approach leads to better investment outcomes.

5. Investment management costs

Funds SA applies standard industry guidelines in calculating and disclosing its investment management costs; namely:

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Funds SA's investment management costs comprise fees paid directly to investment managers, including: performance fees; transactional costs incurred by investment managers in implementing their particular mandates; investment management fees and costs incurred through interposed investment vehicles (including performance fees); asset consulting fees; custodian fees; legal and tax advisory fees; and Funds SA's corporate expenses.

Funds SA's investment management costs are presented as an Indirect Cost Ratio (ICR). The ICR expresses investment management costs as a percentage of average funds managed. Separate ICRs are calculated for each investment option.

Funds SA operates on a cost recovery basis, with all costs incurred fully reflected in the asset class unit prices.

Target ICRs for 2024-25

For 2024-25 and moving forward, ICR targets will be expressed as a range rather than a specific single number target. The reason for this is that there are two components of the RG97 methodology which are dependent on the performance and transactional activity by underlying investment managers and are beyond the direct control of Funds SA. These components are performance fees and transactional costs. Performance fees are subject to a 5-year averaging methodology under RG97, hence adopting a range of expected fee outcomes is a prudent approach. Similarly, transactional costs are very much influenced by the transactional activity undertaken by underlying managers (e.g. asset purchases and sales) and, as such, activity cannot be estimated with sufficient confidence, therefore adopting a range of expected fee outcomes is also prudent.

Table 5: UoA Investments, target ICR

Funds SA investment option	2024-25 Target ICR	2023-24 Target ICR
UoA Investments	1.60 – 1.80%	1.15%

Based on the AUM value as at 30 April 2024 and the asset allocation outlined within this document.

Buy/sell spreads

Buy/sell spreads are applied to the applications and redemptions of assets undertaken by Funds SA's clients. A buy/sell spread is an allowance for transaction costs such as brokerage and stamp duty, incurred in buying and selling the underlying assets of the investment options.

The purpose of the buy/sell spread is to protect existing clients bearing the costs associated with new and additional investments and withdrawals. It is not a management fee paid to Funds SA.

Buy/sell spreads vary depending on the types of assets held. The transaction cost approach and buy/sell spreads are detailed in the Investment Administration Operational Process Document available via the Secure Login on the Funds SA website.

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The policy is available on the [Funds SA website](#), along with the [Funds SA Climate Change Position Statement](#), and [Climate Risk Response Plan](#) and investment approach for the [Socially Responsible Investment \(SRI\) option](#).

Funds SA Director and Management Profiles

Profiles of Directors and key management personnel can be found on the [Funds SA website](#).

Funds SA Disclaimer

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Performance Report

Funds SA investment options

For the six months ended 31 December 2024



EXECUTIVE SUMMARY

This is a legislated, semi-annual report and provides an update on important developments for the Corporation, and an overview of the performance of Funds SA's investment options for the six-month period ended 31 December 2024.

Corporate updates

- Appointment of Con Michalakakis as Chief Investment Officer, commencing in his new role on 3rd February 2025.
- Appointment of Guy Debelle and Melinda OLeary as Directors to the Funds SA Board.

Summary of market environment

- US equities, driven by 'big tech', led developed markets upward. Markets leveraged to China's economy surged after government's announcements regarding stimulus packages. European equities lagged.
- Global bond yields fluctuated. Early declines in 10-year yields due to falling inflation expectations were followed by increases due to strong US economic data and anticipated inflation under the new President-elect.
- The US dollar strengthened, and gold prices climbed.
- Credit markets thrived with tightening spreads, supported by a steepening yield curve. Short-term yields fell, while long-term yields rose.
- Geopolitical risks, including Middle East and Russia-Ukraine conflicts, influenced investment markets. Major elections in the UK, France, and the US led to new governments. Energy markets fell due to weaker oil prices.
- Australian property, particularly the Office sector, showed marginal weakness by December, signalling a slowdown in earlier declines and some positive trends.

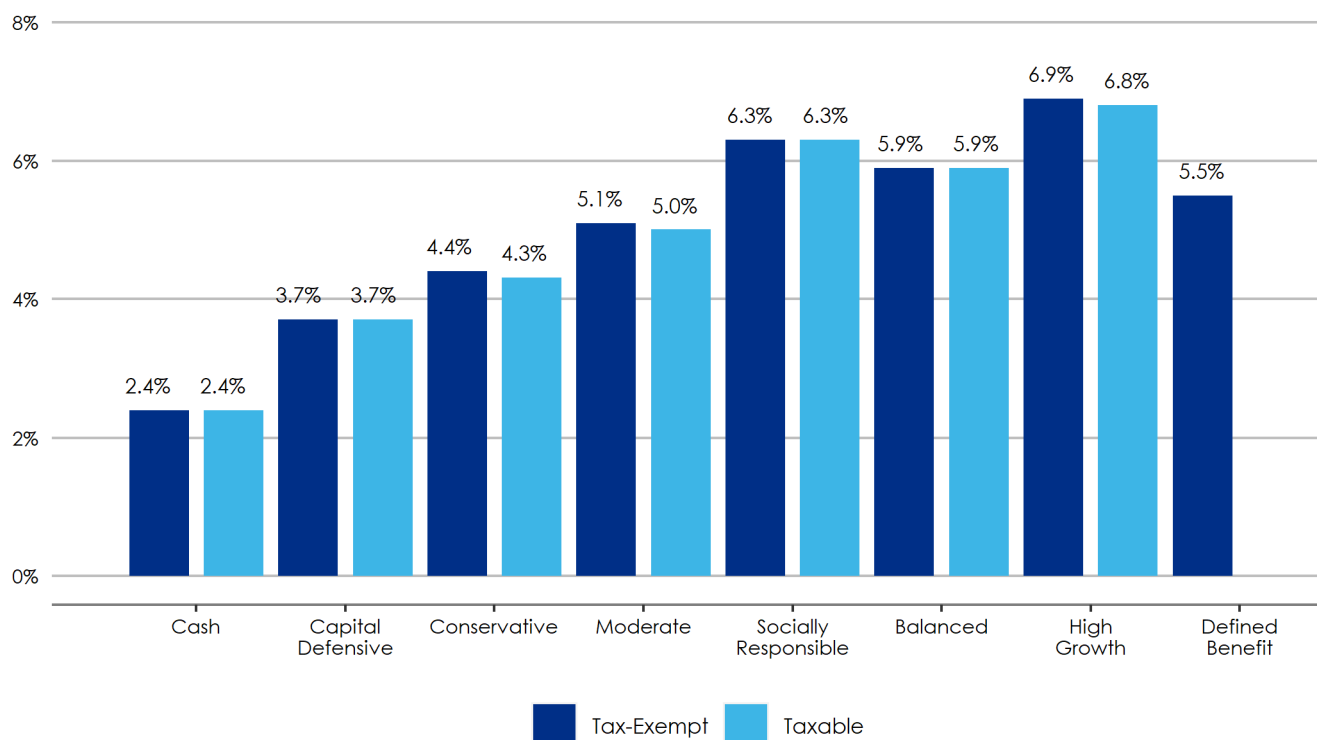
Funds SA's investment option performance

All investment options delivered positive returns for the six months to 31 December 2024. Returns for the period ranged from 2.4% for the Cash investment option to 6.9% for the High Growth Tax-Exempt investment option. The Balanced Taxable and Tax-Exempt investment options returned 5.9%.

- International and Australian Equities drove higher performance for all options.
- Fixed Interest (and in particular the Short-Term Fixed Interest asset class) was key for conservative options.
- Infrastructure saw robust returns from valuation uplifts.
- Alternatives and Property slightly detracted from diversified options' performance, though Property valuation declines have slowed.
- Long-term performance remains positive. Since inception, the Balanced Tax-Exempt investment option returned 7.9% p.a., and the State's Defined Benefit Strategy returned 8.0% p.a.
- All investment options outperformed their respective investment objectives, except for the Conservative option and Moderate option. This is discussed in further detail in Section 1 (page 12).

The foreign currency exposures within the investment options contributed positively to returns, although this was partially offset by the foreign currency hedging program.

Chart 1: Tax-Exempt and Taxable investment option returns for the six months ended 31 December 2024, returns net of fees and gross of tax



Funds under management¹

- Funds SA's total funds under management increased over the six-month period, from \$44.1 billion (bn) as at 1 July 2024 to \$46.4bn as at 31 December 2024. This was the result of net investment earnings of \$2.5bn and net investor outflows of \$279 million.

Investment management costs

- The realised Indirect Cost Ratios (ICRs) for all diversified investment options were at the bottom end of their target ranges.
- The Balanced Tax-Exempt investment option's ICR was 0.31%, which is below the target of 0.33% for the six-month period.
- Additional detail relating to investment management costs can be found in the Investment Management Costs section.

¹ All funds under management (FUM) values provided are based on Redemption value (RED).

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Section 1

Performance Report



Economic environment and financial markets

Listed equities

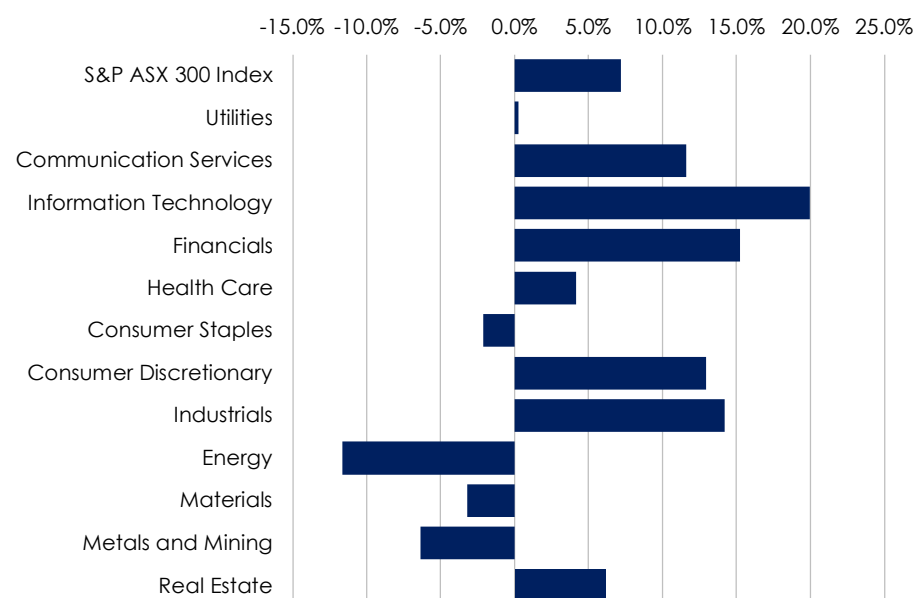
Developed market equities continued to move higher during the second half of the 2024 calendar year. The MSCI World index returned 6.1% for the 6-months to 31 December 2024. US equities once again led the global equity benchmarks, with the S&P 500 and NASDAQ indices increasing by 7.7% and 8.9%, respectively. Big tech and the Artificial Intelligence (AI) thematic were the dominant underlying drivers, with US semiconductor companies at the top of the list, along with the perennial performers including Apple Inc. and Tesla.

Developed Markets outperformed Emerging Markets by a considerable margin over the period and Growth continued its dominance over Value investment approaches. Global small cap companies performed largely in line with the major large cap indices following a significant period of underperformance in the prior period.

North Asian equities experienced a resurgence late in the calendar year, following multiple announcements from the Chinese government concerning economic stimulus packages. These measures were implemented to address the negative wealth effects resulting from property market declines in recent years. The China Shanghai Composite index was 12.9% higher, the Hang Seng 13.2% and Singapore's FTSE Straits Times 10.1%. Southeast Asian equities markets were hampered by a higher US dollar and only managed marginal gains. Japan's NIKKEI 225 index eked out a miserly 0.8% gain.

Australian equities performed strongly with the S&P/ASX 300 rising 5.3%. Information Technology, Financials, Industrials, and Consumer Discretionary contributed double-digit gains while Energy, Materials, and Metals and Mining detracted.

Chart 2: S&P/ASX 300 index and GICS* sector performance for 6-months to 31 December 2024



Source: S&P/ASX 300 index and MSCI, Funds SA.

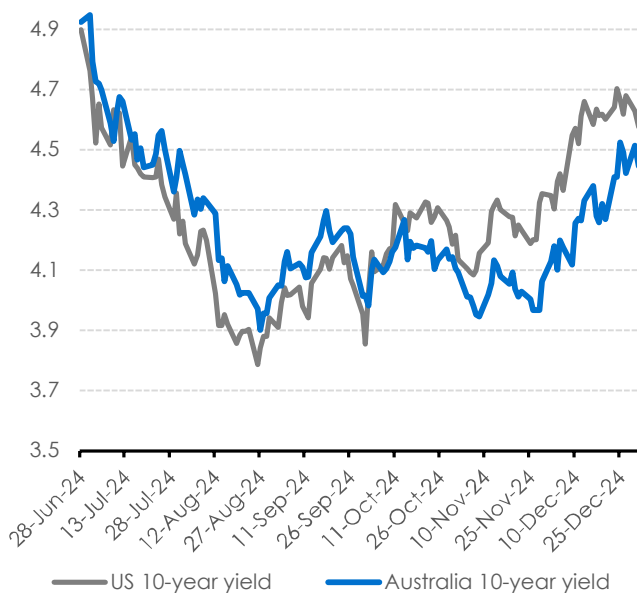
Notes: *GICS – Global Industry Classifications Standard

European equity indices were the poorest performers over the 6-month period. The MSCI Europe index declined 2.0% driven by weakness in France's CAC index and large falls across the Nordic markets. Two European Central Bank policy rate cuts over the period failed to halt the increasing divergence between European and US economic performance. The threat of Trump's trade tariffs also weighed on market sentiment.

Fixed income

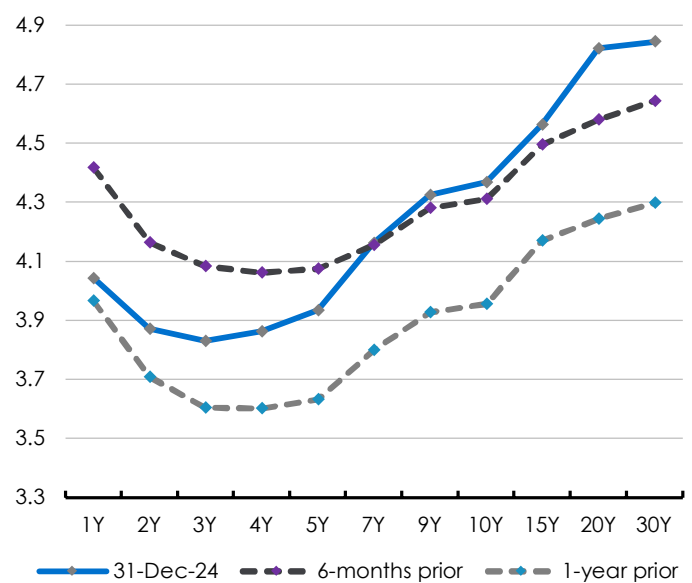
Government bonds were volatile. Investors anticipated that inflation outcomes would enable Central Banks to significantly reduce monetary policy, resulting in a flattening of the yield curve as Australian and US government 10-year bond yields decreased (prices increased). These gains diminished rapidly due to strong US economic data and investor concerns that the policy initiatives of both US presidential candidates might lead to inflation and a further decline in the US fiscal position. These fears were reflected in 10-year yields, moving significantly higher from 3.8% (26 August) to 4.6% (31 December). Australian 10-year government bond yields closely followed and moved from 3.9% to 4.4% over the same period. The Australian government bond universe still managed to post positive performance for the 6 months to 31 December as evidenced by the *Bloomberg AusBond Government Bond Index (0+Years)* 2.5% gain.

Chart 3: Australian and US 10-year bond yields



Source: FactSet, Funds SA

Chart 4: Australian government bond yield curve



Credit

Credit continued its first half strength into the second half of the 2024 calendar year, with the *Bloomberg Global High Yield Index* posting a 3.9% increase. The strength was driven by the declines in the nominal government bond yields in the 0 – 5-years maturities as yield curves steepened and the ongoing spread tightening (investors pay a price for credit securities typically based on a credit spread above a benchmark yield of same duration). Credit spreads were near all-time lows at the end of the period indicating investor appetite for credit risk.

Currency

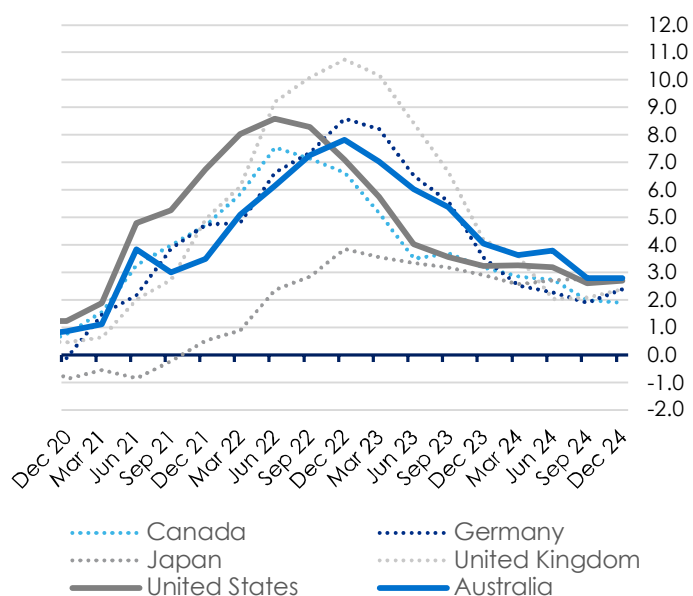
Driven predominantly by moves in the US yield curve, the US dollar rallied hard against most global currencies. The chart below illustrates the extreme price moves from 28 September through to 31 December where the Australian dollar fell -10.3%.

Chart 5: Australian dollar performance relative to the US dollar

Source: FactSet, Funds SA

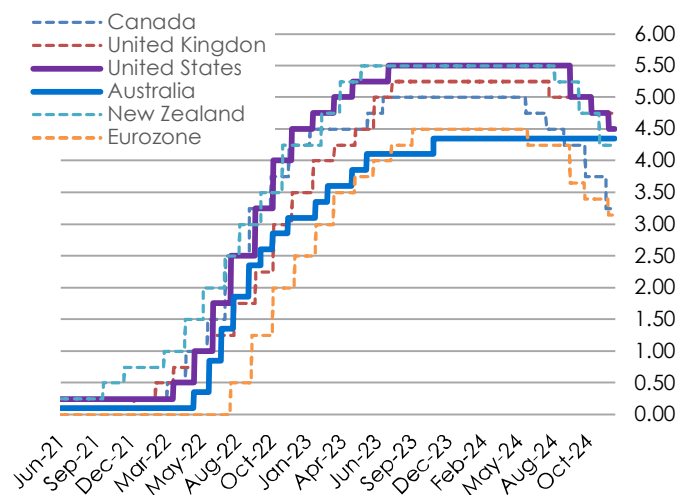
Inflation and monetary policy

The big inflation declines amongst the major developed countries occurred in the first half of the calendar year 2024 as shown in the chart below. Australia's most recent headline quarterly Consumer Price Index (CPI) release for the quarter ended 30 September 2024 was an annualised 2.8%. The Reserve Bank of Australia (RBA) manages to an inflation target that excludes any components with volatile prices and this measure of underlying inflation for the quarter was 3.5% and remains outside of the RBA's 2% - 3% target band making it challenging for the RBA's Board to deliver rate cuts despite market expectations.

Chart 6: Developed market inflation

Source: FactSet, Funds SA.

Note: Australian December quarter CPI release not available at the time of writing.

Chart 7: Central Bank target policy rates

Investment strategy

Funds SA's overarching investment objective is to achieve the highest possible return on invested capital while managing investment risks and liquidity.

The investment strategy of Funds SA investment options includes: an investment return objective, a risk objective (calculated in accordance with industry standards), asset allocation targets, and authorised investments. The asset classes are the building blocks for the investment options.

The pillars of Funds SA's investment philosophy are:

- Taking investment risk over the longer term gets rewarded.
- Asset allocation is the key driver of risk and return.
- Markets regularly exhibit inefficiencies that can be exploited.
- Diversification is the most effective way to manage investment risks.
- Integration of ESG considerations into investment decisions and undertaking stewardship activities supports long-term investment outcomes.
- Strong governance leads to better investment outcomes.

Over the past six months there have been various investments undertaken to execute on our long-term investment strategies, and a range of steps taken to improve performance, specifically relative to superannuation peers.

Specific asset class activities

Private Markets

Our FUM size has enabled us to participate in co-investment opportunities that have attractive return and cost profiles, in sectors including education, insurance and data infrastructure.

Infrastructure

We continue to build this asset class and have increased participation in co-investments which have already added significant value to the investment options.

As an example: A recent co-investment, Cyan Renewables, which provides transportation services for offshore wind projects and other parts of the maritime economy.

Australian and International Equities

We have introduced more passive and benchmark aware investment strategies to the listed equities asset classes to reduce benchmark and peer relative risk. 12 months ago, this may have accounted for 10%, it is now more like 20-30% exposure. We still utilise active management and believe active management provides returns over time but aim to generate less risk from this active exposure.

Property

The Property asset class has endured a challenging valuation period, predominately driven by the Office sector. Having developed a partnership with alternative real-estate manager HMC Capital, we have participated in several investment opportunities such as Brandon Park and Kellyville shopping centres with a further two to settle in the first quarter of calendar year 2025.

Fixed Interest

We've increased the use of active management tools as the volatility of the asset class has increased, such as taking advantage of sharp, short-term movements in the yield curve.

Alternatives

Following a review of the Growth Alternatives sub-asset class, the strategy was changed from investing in individual hedge funds, to a fund-of-fund allocator model in July 2024. As part of this, the allocations to Bridgewater, Brandywine and GMO were terminated, with Man FRM and Blackstone appointed as replacements.

Process improvements

- We have increased the use of active management within the investment options, with the expectation of generating additional, incremental returns that assist in generating stronger performance.
- Recalibration of the risk appetite and target required to achieve the performance objectives.
- Improved systems and added additional asset allocation service providers to enhance our data and information.
- Engaged experienced senior investment professionals with extensive experience to the team.
- We continue to have significant interaction with our asset consultants and peers which provides invaluable insights to investment strategies and activities across the industry. This provides a qualitative view to the quantitative information we use as inputs and helps us size positioning appropriately.

The aim of some of the activities noted above is to broaden the return drivers across the investment options. We believe active management and diversification can add value and expect performance improvement to be incremental over time.

Moving into 2025, Funds SA remains constructive on global growth and expects that US growth will continue to be resilient. Portfolio exposures to growth assets are neutral relative to their respective SAA's across the investment options. There is a modest overweight exposure to the listed equity asset classes based on the view that China stimulus will provide a positive backdrop for Australian Equities asset and resilient US growth will support the International Equities asset class.

After a challenging period, the Investment Team is actively investing and looking for investment opportunities in the broader property market. Across the Fixed Interest asset classes, the active positioning is neutral. However, for Credit, tightness in corporate bond spreads have given reason to move to a small underweight exposure.

Investment option performance

All diversified investment options delivered positive performance for the six-month period.

Investment options with higher allocations to listed growth assets benefited from the strong International and Australian Equities asset class returns.

The Capital Defensive, Conservative and Moderate investment options also benefited from positive returns from Fixed Interest due to higher allocations. Infrastructure was also a large contributor to the returns for these options. The foreign currency exposures within the investment options contributed positively to returns, although this was partially offset by the foreign currency hedging program.

Most diversified investment options marginally underperformed their benchmarks for the six-month period. The major drivers were the relative performance of the International Equities, Private Markets, and Alternatives asset classes.

Absolute and relative performance is discussed in more detail in Sections 2 and 3.

Table 1: Tax-Exempt investment option investment returns, periods to 31 December 2024, returns net of fees and gross of tax

Investment option	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.	20 years % p.a.
Cash	2.4	4.7	3.3	2.1	2.0	2.1	2.7	3.4
Capital Defensive	3.7	5.8	1.9	2.4	3.1	3.6	4.9	5.0
Conservative	4.4	7.3	2.6	3.5	4.3	4.7	5.9	5.7
Moderate	5.1	9.0	3.5	4.9	5.5	6.0	6.8	n.a.
Socially Responsible	6.3	10.1	3.6	6.6	7.0	6.8	7.2	n.a.
Balanced	5.9	10.8	4.2	6.5	6.9	7.4	8.0	7.2
High Growth	6.9	12.4	4.8	7.2	7.7	8.4	8.8	7.8
Defined Benefit	5.5	9.9	4.3	6.8	7.4	8.0	8.5	7.5

Table 2: Taxable investment option investment returns, periods to 31 December 2024, returns net of fees and gross of tax

Investment option	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.
Cash	2.4	4.7	3.3	2.1	2.0	2.1	2.7
Capital Defensive	3.7	5.5	2.0	2.3	3.0	3.4	4.6
Conservative	4.3	7.0	2.6	3.4	4.1	4.5	5.7
Moderate	5.0	8.6	3.6	4.9	5.4	5.8	6.6
Socially Responsible	6.3	10.1	3.6	6.6	7.0	6.8	7.2
Balanced	5.9	10.4	4.3	6.6	6.9	7.2	7.7
High Growth	6.8	12.1	4.8	7.2	7.7	8.3	8.6

Performance relative to investment objective

The primary return measure for each investment option is the investment objective as defined in the Performance Plan. The objectives include:

- a target return expressed as a margin over inflation;
- a time horizon over which there is a reasonable likelihood of achieving the target return; and
- a risk dimension expressed as the possible frequency of a negative annual return in any 20-year period.

The following table shows the return earned by each investment option against the respective investment objective, expressed over the relevant time horizon.

Table 3: Investment options vs investment objectives, for periods ended 31 December 2024, returns net of fees and gross of tax*

Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.	Taxable investment option performance % p.a.	Estimated number of negative annual returns over any 20-year period
Cash	0+ years	RBA Cash Rate = 4.4	4.7	4.7	Less than 0.5
Capital Defensive	2+ years	(CPI + 0.5%) = 3.9	6.0	5.8	0.5 to less than 1
Conservative	4+ years	(CPI + 1.5%) = 6.1	3.4	3.4	2 to less than 3
Moderate	6+ years	(CPI + 2.5%) = 6.2	6.1	6.1	3 to less than 4
Socially Responsible	10+ years	(CPI + 3.0%) = 6.1	6.8	6.8	4 to less than 6
Balanced	10+ years	(CPI + 3.5%) = 6.3	7.4	7.2	4 to less than 6
High Growth	10+ years	(CPI + 4.5%) = 7.3	8.4	8.3	4 to less than 6
Defined Benefit	10+ years	(CPI + 4.5%) = 7.2	8.0	n.a.	4 to less than 6

*Investment objective and investment option performance are expressed over the stated investment horizon for each investment option. Note where elements of the investment objectives have changed over time, the investment objective series reflects a combination of the former and current objectives. See the "disclaimers" section for more information about the Standard Risk Measure.

^The Cash investment option performance is assessed over 1-year rolling period. The investment objective reflects the RBA Cash Rate over a 1-year rolling period.

- All investment options outperformed their respective investment objectives, except for the Conservative option and Moderate option.
- There were two significant factors contributing the outcomes for the Conservative and Moderate options.
 1. High Consumer Price Index (CPI) in 2022 and 2023, increased the investment objective, particularly for those with shorter investment horizons. In table 3, the Conservative option reflects a CPI component of 4.6% and the Moderate option reflects a CPI component of 3.7%. This is the actual CPI over the time horizon for the investment option and was an unusual anomaly induced by supply shortages coming out of the COVID pandemic period. Having a higher CPI component makes it challenging to meet the return objective without increasing the investment risk.
 2. The negative performance during 2022 continues to have an impact as the return rolls through time. The table below shows the annual 1-year performance for each option over

the relevant investment horizon. The Conservative option has a 4-year investment horizon and the Moderate option has a 6-year investment horizon.

Table 4: Annual 1-year performance as at 31 December, returns net of fees and gross of tax

Year	Conservative Tax-Exempt	Moderate Tax-Exempt	Conservative Taxable	Moderate Taxable
2024	7.3	9.0	7.0	8.6
2023	7.6	9.1	7.5	8.9
2022	-6.5	-6.6	-5.9	-6.0
2021	5.7	9.6	5.7	9.9
2020	n.a.	4.2	n.a.	4.0
2019	n.a.	12.6	n.a.	12.1

Asset class performance

Funds SA asset class performance

Funds SA has established a range of asset classes that are the building blocks for the investment options. Each investment option invests in common asset classes according to the Long-Term Strategic Asset Allocation (LTSA), detailed in Sections 2 and 3.

Asset class performance relative to benchmark was mixed over the six months

Funds SA measures the performance of each asset class against a specific benchmark. The benchmarks are the relevant market index or blend of indices for that asset class. Where no reasonable market index is available, the index is expressed as a margin over cash. The benchmark for each asset class is included in Appendix 1.

The benchmarks for the Private Markets, Infrastructure, and Alternatives asset classes have a significant cash-plus component; performance for these asset classes is best considered over the longer term to be consistent with the cash-plus benchmark. In times of market volatility there can be a short-term mismatch between asset valuations and the benchmark.

Australian Equities - Tax-Exempt and Taxable

The asset classes provided positive returns for the six-month period but underperformed the benchmark.

Positive relative contribution from strong security selection in the Health Care, Real Estate and Information Technology sectors. Relative benchmark underperformance was driven by being underweight Financials.

Table 5: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities Tax-Exempt						
Australian Equities						
Portfolio return	6.5	10.3	5.8	8.1	8.4	8.5
Benchmark return	6.9	11.4	7.1	8.0	8.4	8.5
Excess return	-0.4	-1.1	-1.3	0.1	-0.1	-0.0
Australian Equities Passive						
Portfolio return	6.8	11.2	6.9	n.a.	n.a.	n.a.
Benchmark return	6.9	11.4	7.1	n.a.	n.a.	n.a.
Excess return	-0.1	-0.2	-0.1	n.a.	n.a.	n.a.
Australian Equities Taxable						
Australian Equities						
Portfolio return	6.5	10.2	5.7	8.0	8.4	8.5
Benchmark return	6.9	11.4	7.1	8.0	8.4	8.5
Excess return	-0.4	-1.2	-1.4	0.1	-0.1	0.0
Australian Equities Passive						
Portfolio return	6.8	11.1	6.8	n.a.	n.a.	n.a.
Benchmark return	6.9	11.4	7.1	n.a.	n.a.	n.a.
Excess return	-0.1	-0.3	-0.2	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

International Equities - Tax-Exempt and Taxable

The asset classes delivered very strong positive performance but underperformed the benchmark.

Over the period the asset class strategy was adjusted to reduce benchmark relative risk, with the aim to produce less volatile performance outcomes.

Positive stock selection in Emerging Market countries including Argentina, India and Taiwan added value, as did the US. Underweight exposure to Denmark and Japan also contributed positively. However, this was offset by underweight positions in several large-cap US technology stocks.

International Passive Equities - Tax-Exempt and Taxable

The Tax-Exempt asset class performed in line with the benchmark and the Taxable asset class slightly underperformed the benchmark. The return difference between the Tax-Exempt and Taxable Passive asset classes is due to currency hedging and the different hedge ratios applied to each asset class until August 2023. From August 2023 returns are in Australian dollars and unhedged.

Table 6: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
International Equities Tax-Exempt						
International Equities						
Portfolio return	13.3	26.2	7.6	11.4	11.2	11.5
Benchmark return	14.0	29.8	10.4	12.5	12.2	12.1
Excess return	-0.7	-3.6	-2.8	-1.1	-1.0	-0.6
International Equities Passive						
Portfolio return	14.0	30.0	8.0	11.0	n.a.	n.a.
Benchmark return	14.0	29.8	7.9	10.9	n.a.	n.a.
Excess return	0.0	0.1	0.1	0.1	n.a.	n.a.
International Equities Taxable						
International Equities						
Portfolio return	13.2	25.9	7.5	11.3	11.1	11.3
Benchmark return	14.0	29.8	10.6	12.5	12.3	12.1
Excess return	-0.8	-3.9	-3.1	-1.2	-1.2	-0.8
International Equities Passive						
Portfolio return	13.7	29.4	10.6	12.4	n.a.	n.a.
Benchmark return	14.0	29.8	10.6	12.6	n.a.	n.a.
Excess return	-0.2	-0.4	0.0	-0.1	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

The returns for International Equities, International Equities Passive and their related benchmarks were partially hedged prior to August 2023. From August 2023 returns are unhedged.

Private Markets - Tax-Exempt and Taxable

The Private Markets asset classes produced positive returns but underperformed against the cash-plus benchmark. More recently there have been signs of upwards trends in valuations supported by stabilising public market valuations and growing earnings.

The Buyouts/Secondaries and Non-Core Infrastructure sub-asset classes were the largest positive contributors, with valuation increases in several key assets (including co-investments). The Venture Capital/Growth Equity segment also had valuation increases, driven by strong performance in underlying businesses. The Other Opportunities segment (consisting largely of US and European commercial real estate) detracted value as the outlook for these assets remained difficult.

New investment activity over the period included three new co-investments in sectors including education, insurance and data infrastructure. A small follow-on to an existing co-investment in the health care space was also completed, allowing the company to pursue an attractive growth opportunity.

Table 7: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years* % p.a.	7 years* % p.a.	10 years* % p.a.
Private Markets Tax-Exempt*						
Portfolio return	3.2	7.4	5.5	9.9	10.0	10.7
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	-0.9	-1.0	-1.7	3.9	4.1	4.7
Private Markets Taxable*						
Portfolio return	2.1	5.9	4.3	9.9	9.8	10.3
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	-2.0	-2.6	-2.9	3.9	3.9	4.3

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

* The Private Markets asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of the Diversified Strategies Growth asset class excluding the Infrastructure assets held by Funds SA prior to 2021.

Property - Tax-Exempt and Taxable

Whilst the pace of valuation declines in the Office sector have slowed, further declines were evident in the six months to December 2024. There are early indications of growth in retail with positive leasing spreads and tightening yields in certain parts of the sector and industrial continuing to benefit from low vacancy in key markets. Underperformance relative to the benchmark was primarily due to an overweight exposure to the Office sector.

During the period, the asset class exited its allocation to listed Australia Real Estate Investment Trusts (AREITs) and added to its retail exposure via HMC Capital with two further shopping centre acquisitions.

Table 8: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Property Tax-Exempt						
Portfolio return	-0.3	-5.5	-3.3	-0.3	2.4	5.4
Benchmark return	-0.2	-6.4	-2.6	0.2	2.3	5.2
Excess return	-0.1	0.8	-0.8	-0.5	0.2	0.2
Property Taxable						
Portfolio return	-0.3	-5.5	-3.3	-0.3	2.4	5.2
Benchmark return	-0.2	-6.4	-2.6	0.2	2.3	5.2
Excess return	-0.1	0.8	-0.7	-0.5	0.1	0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Infrastructure - Tax-Exempt and Taxable

The asset classes produced strong positive returns and significantly outperformed the cash-plus benchmark.

Favourable valuation changes across a number of assets, including airports and registry infrastructure drove returns. A recent co-investment, Cyan Renewables, also contributed positively as the underlying business grew. Cyan provides transportation services for offshore wind projects and other parts of the maritime economy.

Significant new investment activity occurred during the period. We added several large, single asset exposures including a data centre platform and several assets in the transportation sector.

As an example: In December 2024, Ardian (one of our investment managers) acquired a 22.6% stake in London Heathrow Airport, becoming Heathrow's largest shareholder. Funds SA participated in the acquisition by co-investing alongside global alternatives investment manager, Ardian.

As the international gateway to the UK, Heathrow is Europe's leading airport and the fourth busiest airport globally. Ardian is fully committed to facilitating growth while promoting the airport's transition to net-zero emissions.

Table 9: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Infrastructure Tax-Exempt*						
Portfolio return	6.7	12.4	9.2	7.6	8.1	9.1
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	2.5	4.0	2.0	1.6	2.2	3.1
Infrastructure Taxable*						
Portfolio return	7.5	13.9	9.5	7.8	8.2	9.0
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	3.4	5.4	2.3	1.8	2.3	3.0

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

* The Infrastructure asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of Infrastructure assets held by Funds SA prior to 2021.

Alternatives

The Alternatives asset class is comprised of the Growth Alternatives and Defensive Alternatives sub-asset classes. The types of strategies used are absolute return strategies being liquid alternative investments that can take both long and short positions across a wide range of financial market instruments to generate returns.

Growth Alternatives

The strategy is designed as a liquid alternative to growth assets such as equities.

Following a review of this asset class strategy, the strategy was changed from investing in single name hedge funds to a fund-of-fund model in July 2024. As part of this, the allocations to Bridgewater, Brandywine and GMO were terminated, with Man FRM and Blackstone appointed as replacements.

The asset class delivered positive returns but underperformed the cash-plus benchmark due to an allocation to European equity long/short and global macro strategies.

Defensive Alternatives

This strategy is designed as a liquid alternative to defensive assets such as fixed interest.

The asset class provided negative returns and underperformed the cash-plus benchmark. The allocation to 'trend following' strategies detracted value due to long energy, long Japanese equities and short yen positions.

During the period, the allocation to the investment manager Ardea was terminated following a period of poor performance.

Table 10: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Alternatives						
Growth Alternatives						
Portfolio return	2.1	5.2	3.0	n.a.	n.a.	n.a.
Benchmark return	4.1	8.5	7.2	n.a.	n.a.	n.a.
Excess return	-2.1	-3.3	-4.2	n.a.	n.a.	n.a.
Defensive Alternatives						
Portfolio return	-0.6	2.4	3.8	n.a.	n.a.	n.a.
Benchmark return	3.2	6.5	5.2	n.a.	n.a.	n.a.
Excess return	-3.8	-4.1	-1.4	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Credit

The asset class produced robust positive returns, in line with the benchmark.

Credit markets benefited from falling yields in the 0 – 5 years maturities and credit spreads sharply tightening, as markets priced a soft economic landing scenario. The overweight to Emerging Market Debt and underweight to loans added value due to the higher interest rate sensitivity.

During the period, Wellington was terminated as part of the allocation reduction to Emerging Markets Debt. Following the Credit Annual Review, the asset class benchmark was changed from 40/40/20 Global High Yield, Leveraged Loans, Emerging Markets Debt to 50% Bloomberg Global High Yield Corporate/50% Global Leveraged Loans, with Emerging Markets Debt becoming an off-benchmark allocation.

Table 11: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Credit						
Portfolio return	4.9	8.8	2.8	n.a.	n.a.	n.a.
Benchmark return	4.9	8.1	2.8	n.a.	n.a.	n.a.
Excess return	0.0	0.6	0.1	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Fixed Interest

The Fixed Interest asset class is comprised of Investment Grade Credit, Inflation-Linked Securities, Long-Term Fixed Interest and Short-Term Fixed Interest sub-asset classes.

Investment Grade Credit

The asset class produced positive returns and slightly underperformed the benchmark. The market priced for a soft-landing scenario leading to falling bond yields and tighter credit spreads. Interest rate cuts from central banks cuts and strong corporate fundamentals were supportive factors keeping defaults at low levels. Active management detracted due to security selection in water utilities and curve positioning.

Inflation-Linked Securities - Tax-Exempt and Taxable

Both asset classes generated positive returns and outperformed the benchmark. Returns were driven by the move lower in front end nominal yields, while domestic inflation expectations declined on the back of continued disinflation.

During the period, the asset class benchmark for the Tax-Exempt asset class was changed to be consistent with the Taxable asset class. The mandates with investment managers First Sentier and Ardea were terminated over the period and replaced by Macquarie.

Long-Term Fixed Interest

The asset class delivered positive performance but underperformed the benchmark. Income earned from bonds was the key driver of returns.

Longer dated bond yields moved higher over the 6-month period as concerns over debt discipline, structural inflation and a higher neutral policy rate increased.

Underperformance relative to the benchmark was driven by short US dollar and long Columbian and Mexican bond positions.

Short-Term Fixed Interest

The asset class delivered solid performance and outperformed the benchmark.

Shorter dated bond yields ended the period lower as markets increased their expectation for interest rate cuts. The expectation for more rate cuts by the RBA, however, has been tempered by a strong labour market and inflation remaining above target.

Australian investment grade spreads tightened in line with global investment grade credit, as markets priced that defaults would remain low. Along with falling nominal yields, this led to a positive performance for the asset class. Relative outperformance was driven by positive credit selection, Residential Mortgage-Backed Securities (RMBS) allocation and overweight duration positioning.

Table 12: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Fixed Interest						
Investment Grade Credit						
Portfolio return	2.7	2.3	n.a.	n.a.	n.a.	n.a.
Benchmark return	2.8	2.5	n.a.	n.a.	n.a.	n.a.
Excess return	-0.1	-0.2	n.a.	n.a.	n.a.	n.a.
Short-Term Fixed Interest						
Portfolio return	3.7	5.6	2.8	2.2	2.6	2.6
Benchmark return	3.5	5.2	2.5	1.8	2.3	2.3
Excess return	0.2	0.5	0.3	0.3	0.3	0.2
Inflation-Linked Securities Tax-Exempt						
Portfolio return	2.3	2.2	0.4	1.8	3.1	3.0
Benchmark return	2.1	1.8	1.2	2.0	2.8	2.7
Excess return	0.2	0.3	-0.7	-0.2	0.4	0.3
Inflation-Linked Securities Taxable						
Portfolio return	2.3	2.4	1.5	2.0	2.7	2.6
Benchmark return	2.2	2.2	1.9	2.3	2.8	2.8
Excess return	0.1	0.1	-0.4	-0.3	-0.1	-0.1
Long-Term Fixed Interest						
Portfolio return	1.5	-0.2	-3.4	-1.8	0.5	1.3
Benchmark return	2.1	1.0	-3.4	-1.7	0.7	1.6
Excess return	-0.6	-1.2	0.0	-0.2	-0.2	-0.2

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Cash

The asset class outperformed the benchmark. Money market yields fell over the period, as the market shifted from pricing in the possibility of a rate hike, to pricing that the RBA would begin their cutting cycle. However, with a resilient labour market and inflation still above its target, there is uncertainty around the expectation for the timing of the first cut.

Table 13: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.4	4.7	3.3	2.1	2.0	2.1
Benchmark return	2.2	4.5	3.2	2.0	1.9	1.9
Excess return	0.1	0.3	0.2	0.1	0.1	0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Investment management costs

Each Performance Plan includes a targeted cost range for each investment option. Funds SA's investment management costs are presented as a percentage of average funds under management and referred to as an Indirect Cost Ratio (ICR).

The primary objective is to achieve the investment option's investment objectives over the long-term, net of all fees and costs. Managing costs is an important element of this objective, however, it does not drive the investment strategy and should not be looked at in isolation.

ICRs for the 2024-25 financial year-to-date

Funds SA's realised and target fee for the six-month period are detailed in the tables below.

The ICRs achieved for all options were at the bottom end of the target range. The ICR target range allows for some flexibility as some components within the ICR are beyond the direct control of Funds SA, namely performance fees and transaction costs.

Each investment option also has a specific realised and target ICR, with the variance shown in the 'Difference' column. The annual target range is included for reference.

Factors contributing to ICR outcomes

- Some asset classes had higher than forecast transaction costs. This was most notable in the Property asset class with acquisitions made by managers over the period typically attract higher transactions costs (e.g. stamp duty) relative to other asset classes.
- This was offset by lower-than-expected performance fees, interposed cost and transaction costs within the Private Markets, Alternatives and Infrastructure asset classes.

Table 14: Tax-Exempt investment option realised and target ICRs for the 6-month period*

Investment option	6-month Base fees %	6-month Performance fees %	6-month Transaction costs %	6-month Realised %	6-month Target %	Difference %	Annual target range %
Cash	0.02	0.00	0.00	0.02	0.03	0.00	0.05
Capital Defensive	0.15	0.02	0.03	0.20	0.20	0.00	0.40 - 0.45
Conservative	0.17	0.03	0.04	0.24	0.22	0.01	0.45 - 0.50
Moderate	0.19	0.03	0.04	0.26	0.27	-0.01	0.55 - 0.60
Socially Responsible	0.17	0.02	0.03	0.22	0.20	0.02	0.40 - 0.45
Balanced	0.22	0.05	0.05	0.31	0.33	-0.02	0.65 - 0.70
High Growth	0.24	0.06	0.05	0.35	0.40	-0.05	0.80 - 0.85
Defined Benefit	0.33	0.12	0.06	0.51	0.55	-0.04	1.10 - 1.15

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses. Transaction costs include: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Table 15: Taxable investment option realised and target ICRs for the 6-month period*

Investment option	6-month Base fees %	6-month Performance fees %	6-month Transaction costs %	6-month Realised %	6-month Target %	Difference %	Annual target range %
Cash	0.02	0.00	0.00	0.02	0.03	-0.01	0.05
Capital Defensive	0.14	0.02	0.03	0.19	0.20	-0.01	0.40 – 0.45
Conservative	0.17	0.03	0.04	0.23	0.22	0.01	0.45 – 0.50
Moderate	0.18	0.03	0.04	0.26	0.27	-0.01	0.55 – 0.60
Socially Responsible	0.17	0.02	0.03	0.22	0.20	0.02	0.40 – 0.45
Balanced	0.21	0.05	0.05	0.31	0.35	-0.04	0.70 – 0.75
High Growth	0.24	0.06	0.06	0.37	0.40	-0.03	0.80 – 0.85

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses. Transaction costs include: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Section 2

Funds SA Tax-Exempt investment options



Cash Tax-Exempt

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$837.1 million	31 March 2000	0.02%	0.03%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Cash	RBA Cash Rate	0+ years	Very Low	Less than 0.5

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	2.4	4.7	3.3	2.1	2.0	2.1
Benchmark return**	2.2	4.5	3.2	2.0	1.9	1.9
Excess return	0.2	0.2	0.1	0.1	0.1	0.2

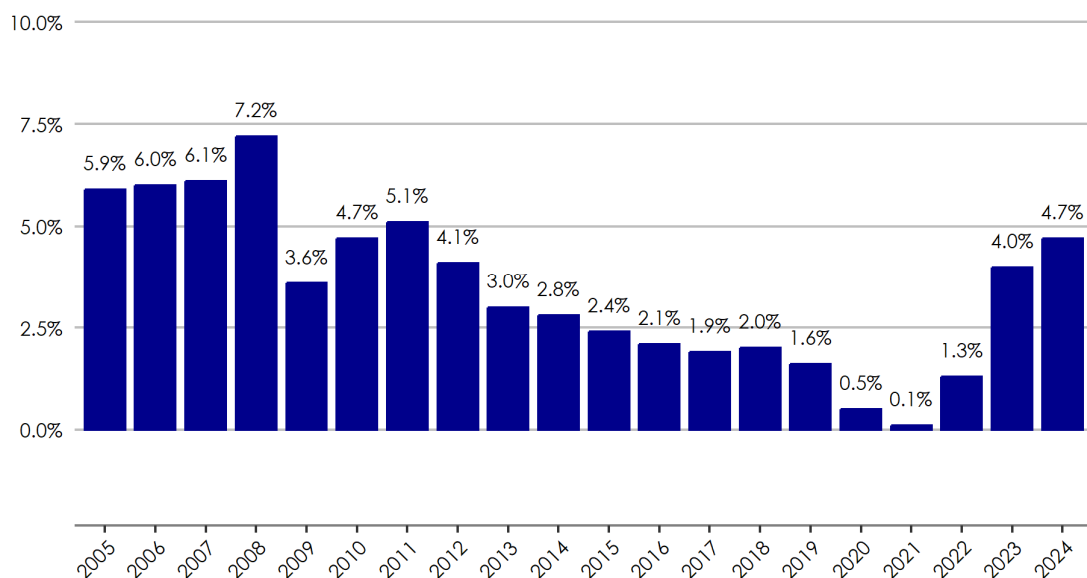
*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

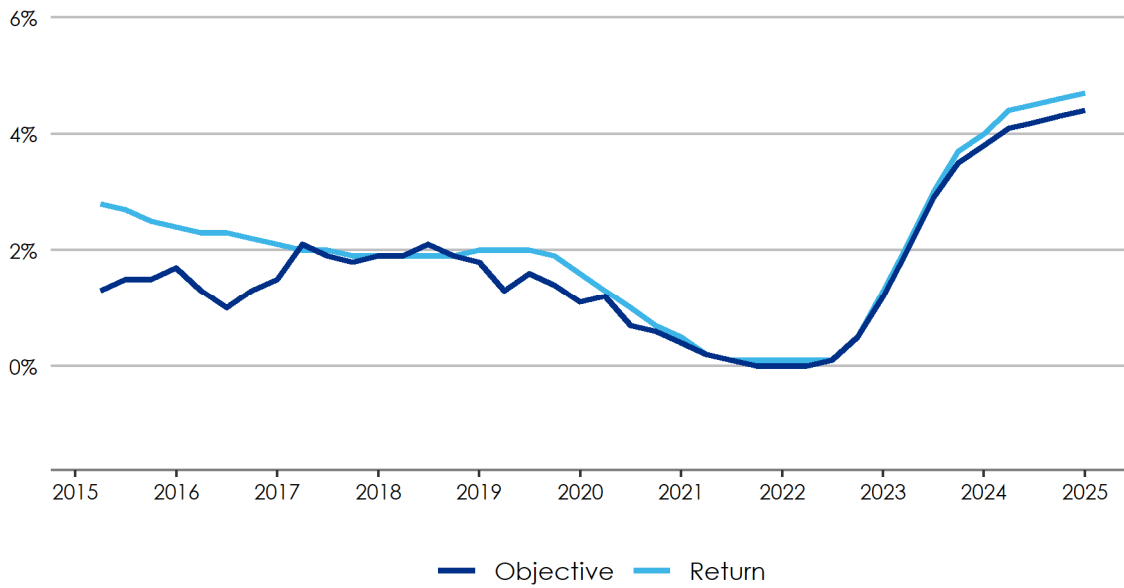
The Cash investment option marginally outperformed the benchmark. Money market yields fell over the period, as the market shifted from pricing in the possibility of a rate hike, to pricing that the RBA would begin their cutting cycle. However, with a resilient labour market and inflation still above target, there is uncertainty around the expectation for the timing of the first cut.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective
1-year rolling returns, net of fees and gross of tax to 31 December 2024



Effective asset allocation

Cash Tax-Exempt investment option effective asset allocation as at 31 December 2024

Asset class	Effective %	Strategic %	Variance %
Cash	100.0	100.0	0.0
Total	100.0	100.0	
Compliance with 2024-25 Performance Plan asset class ranges		Complies	

Capital Defensive Tax-Exempt

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$255.4 million	31 August 2004	0.20%	0.20%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Capital Defensive	CPI + 0.5%	2+ years	Low	0.5 to less than 1

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	3.7	5.8	1.9	2.4	3.1	3.6
Benchmark return**	3.7	5.9	2.3	2.7	3.3	3.7
Excess return	0.0	-0.1	-0.4	-0.3	-0.2	-0.1

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

Absolute performance

Positive performance for the past six months was driven by strong performance from the Fixed Interest, International Equities and Infrastructure asset classes.

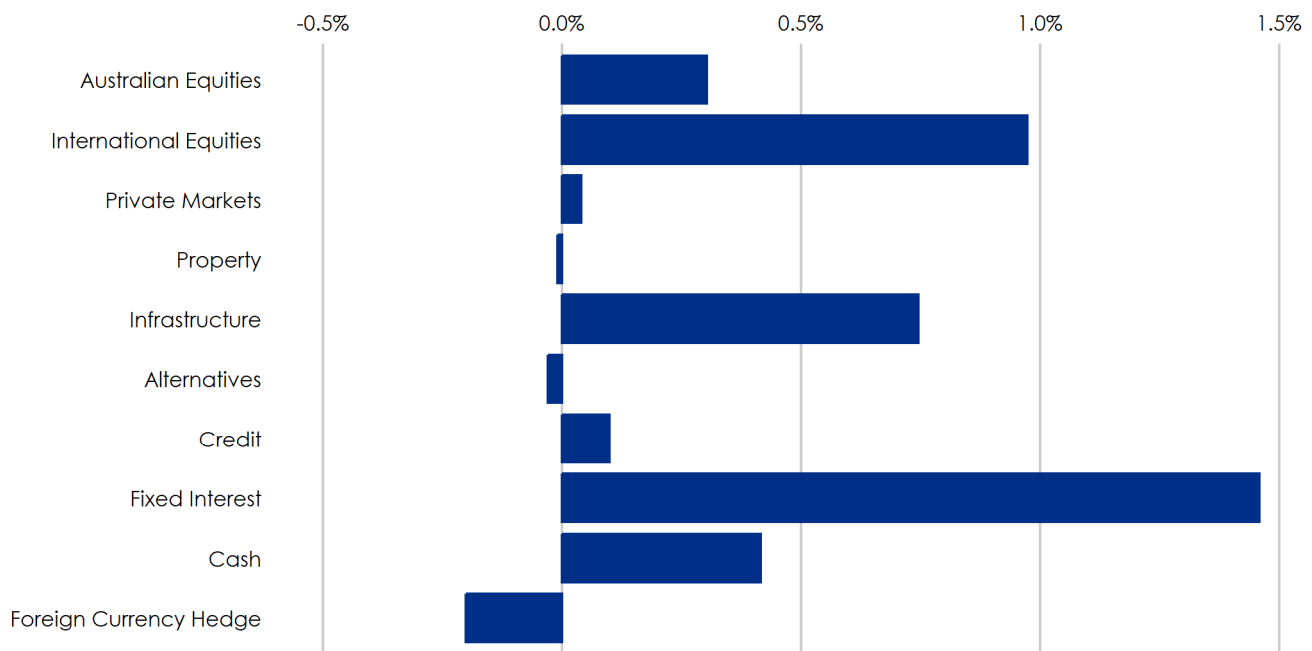
Within Fixed Interest, Short-Term Fixed Interest was the strongest contributor benefiting from income earned from bonds, falling bond yields and Australian credit spreads tightening over the period.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher.

The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

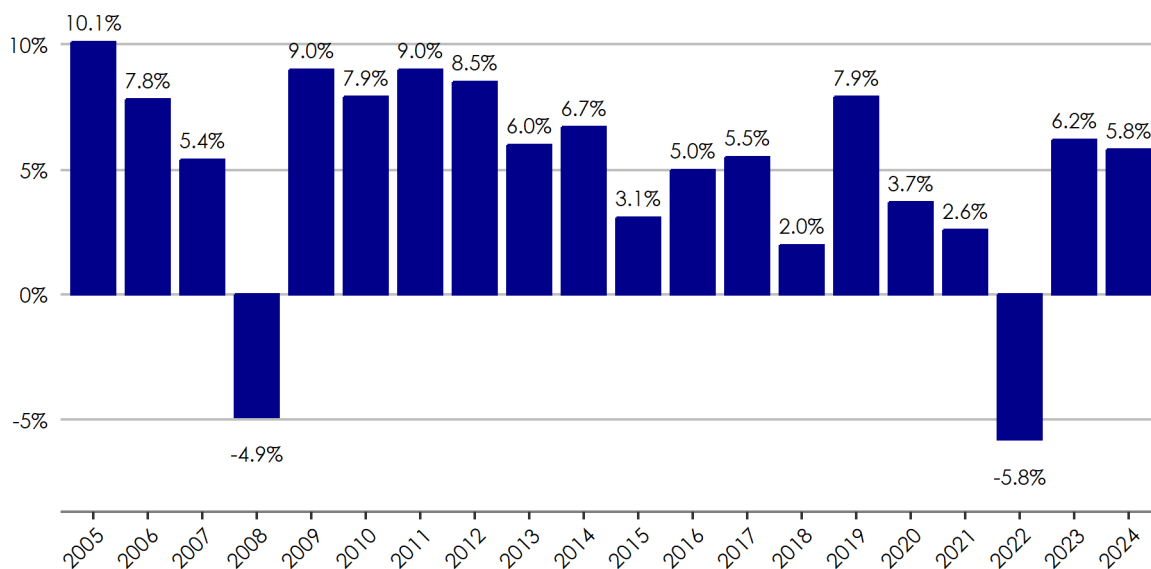
Benchmark relative performance

The investment option performed in line with its benchmark.

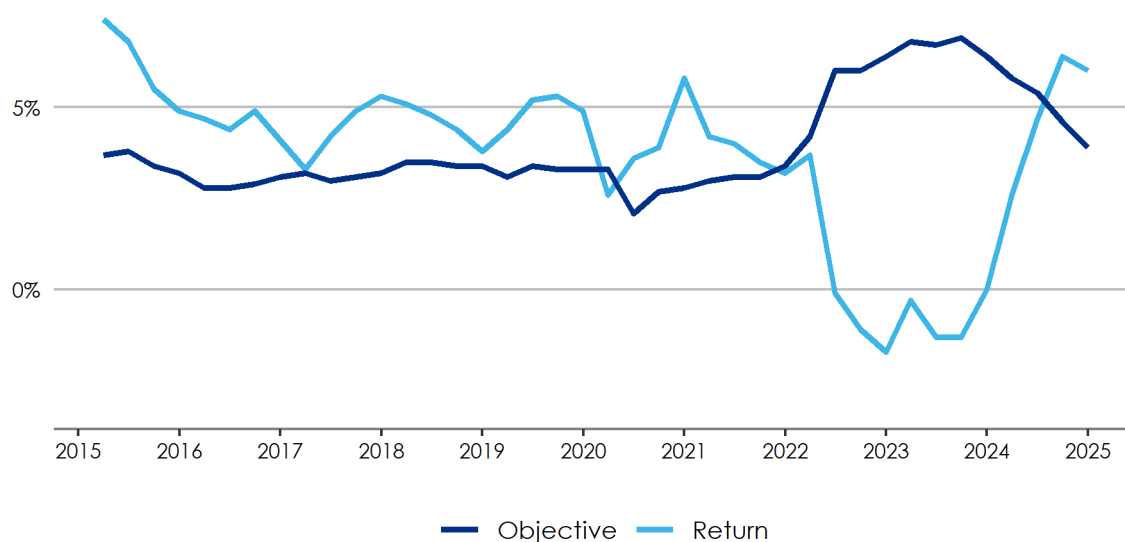
The Infrastructure asset class was the key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this, was the Alternatives asset class which underperformed its cash-plus benchmark.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective²
2-year rolling returns, net of fees and gross of tax to 31 December 2024



Effective asset allocation

Capital Defensive Tax-Exempt investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	5.1	5.0	0.1
International Equities	7.8	7.0	0.8
Private Markets	1.4	1.0	0.4
Property	5.4	6.0	-0.6
Infrastructure	11.2	11.0	0.2
Alternatives	3.5	4.0	-0.5
Credit	1.8	3.0	-1.2
Fixed Interest	45.9	45.0	0.9
Cash	17.9	18.0	-0.1
Total	100.0	100.0	
Growth assets	25.5	25.0	0.5
Foreign Currency	5.0	5.0	0.0
Compliance with 2024-25 Performance Plan asset class ranges	Complies		
Foreign Currency Hedge#	2.6	n.a.	

² The investment objective for the Capital Defensive Tax-Exempt investment option has changed through time. The investment objective was CPI + 2% prior to 30 June 2013, CPI + 1.5% for the period 1 July 2013 to 31 December 2020, CPI + 1% for the period 1 January 2021 to 31 December 2021, and CPI + 0.5% from 1 January 2022.

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Conservative Tax-Exempt

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$481.0 million	30 June 1999	0.24%	0.22%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Conservative	CPI + 1.5%	4+ years	Medium	2 to less than 3

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	4.4	7.3	2.6	3.5	4.3	4.7
Benchmark return**	4.5	7.8	3.3	4.1	4.7	5.0
Excess return	-0.1	-0.5	-0.7	-0.6	-0.4	-0.3

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

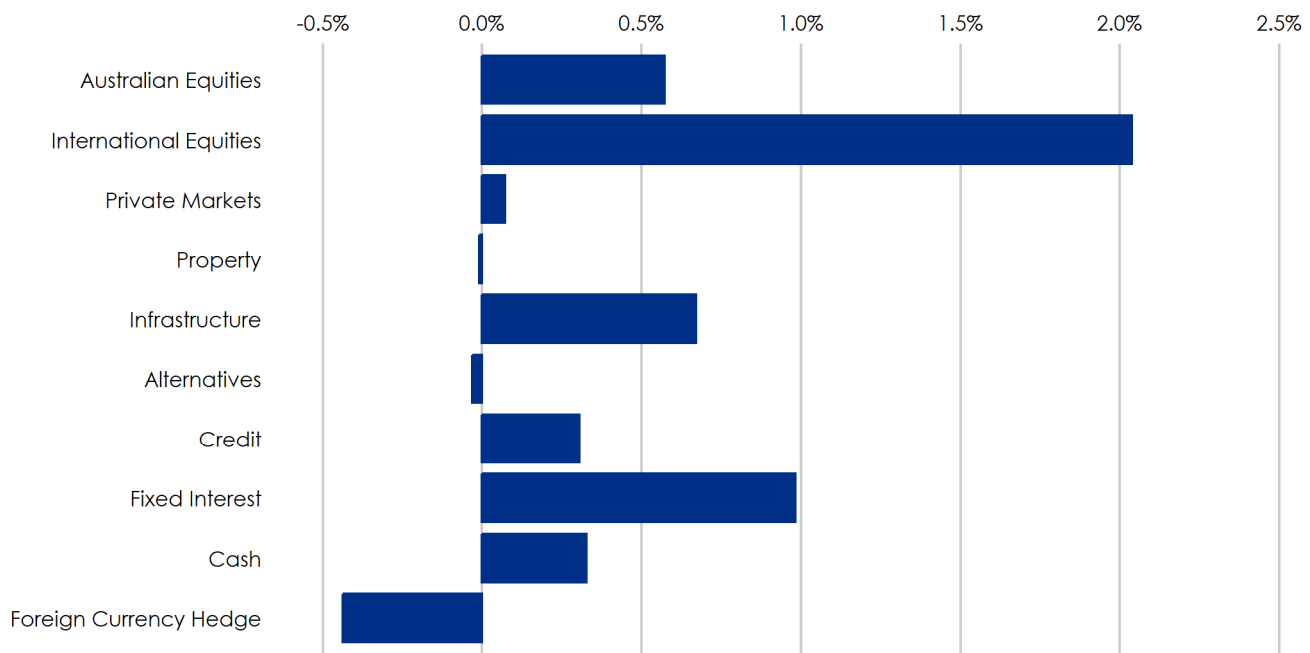
Absolute performance

Positive performance for the past six months was driven by strong performance from the International Equities, Fixed Interest and Infrastructure asset classes.

Within Fixed Interest, Short-Term Fixed Interest was the strongest contributor benefiting from income earned from bonds, bond yields falling and Australian credit spreads tightening over the period. International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

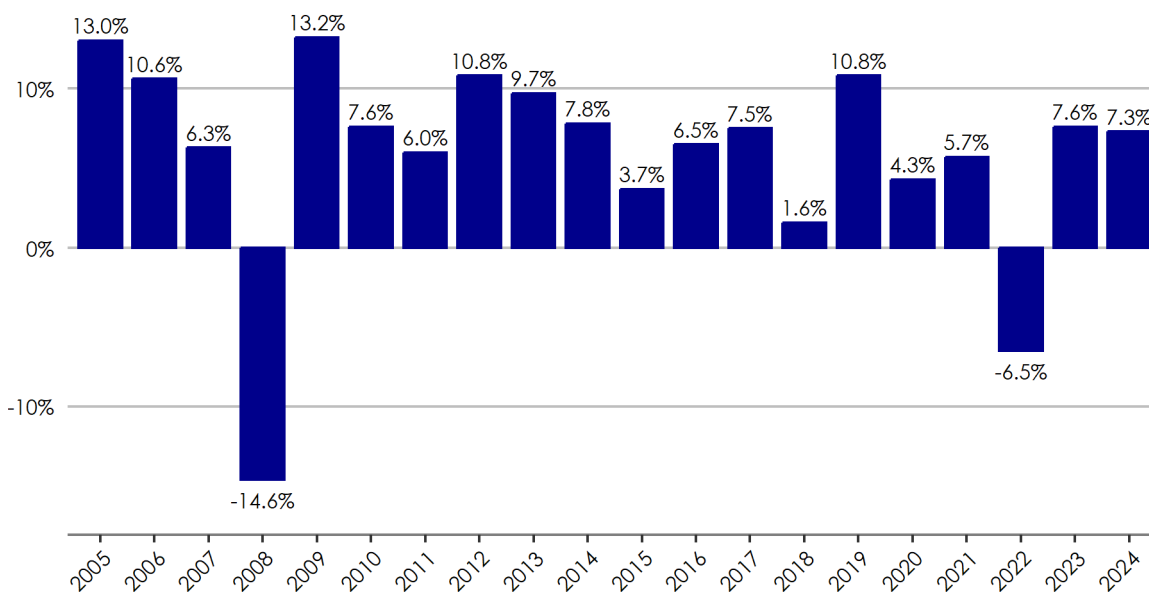
Benchmark relative performance

The investment option slightly underperformed its benchmark.

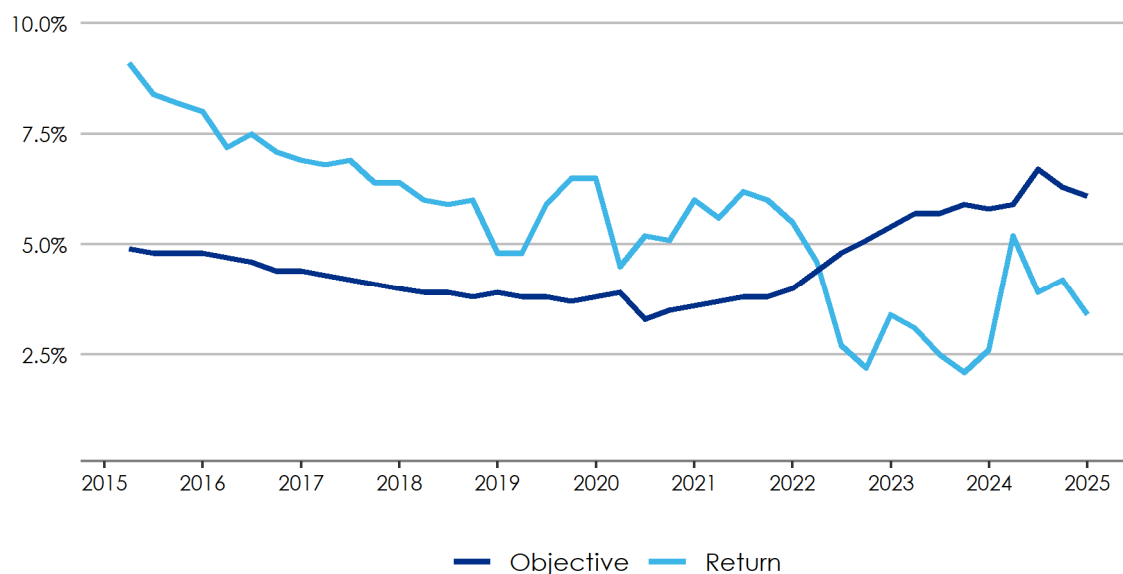
The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this, was the Alternatives asset class which underperformed its cash-plus benchmark.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective³
4-year rolling returns, net of fees and gross of tax to 31 December 2024



The investment objective was not met over the short investment time horizon of 4 years, due to a combination of poor investment returns during FY2021-22 and an exceptionally high CPI number in 2022 and 2023, increasing the investment objective.

Effective asset allocation

Conservative Tax-Exempt investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	9.1	9.0	0.1
International Equities	15.9	15.0	0.9
Private Markets	2.3	2.0	0.3
Property	6.2	7.0	-0.8
Infrastructure	10.3	10.0	0.3
Alternatives	3.5	4.0	-0.5
Credit	5.8	7.0	-1.2
Fixed Interest	32.5	32.0	0.5
Cash	14.4	14.0	0.4
Total	100.0	100.0	
Growth assets	40.8	40.0	0.8

³ The investment objective for the Conservative Tax-Exempt investment option has changed through time. The investment objective was CPI + 3% prior to 30 June 2013, CPI + 2.5% for the period 1 July 2013 to 31 December 2015, CPI + 2% for the period 1 January 2016 to 31 December 2021, and CPI + 1.5% from 1 January 2022.

Asset class	Effective %	Strategic %	Variance %
Foreign Currency	10.0	10.0	0.0
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	5.7	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Moderate Tax-Exempt

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$648.0 million	30 June 2006	0.26%	0.27%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Moderate	CPI + 2.5%	6+ years	Medium to High	3 to less than 4

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	5.1	9.0	3.5	4.9	5.5	6.0
Benchmark return**	5.4	9.9	4.6	5.6	5.9	6.2
Excess return	-0.3	-0.9	-1.1	-0.7	-0.4	-0.2

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

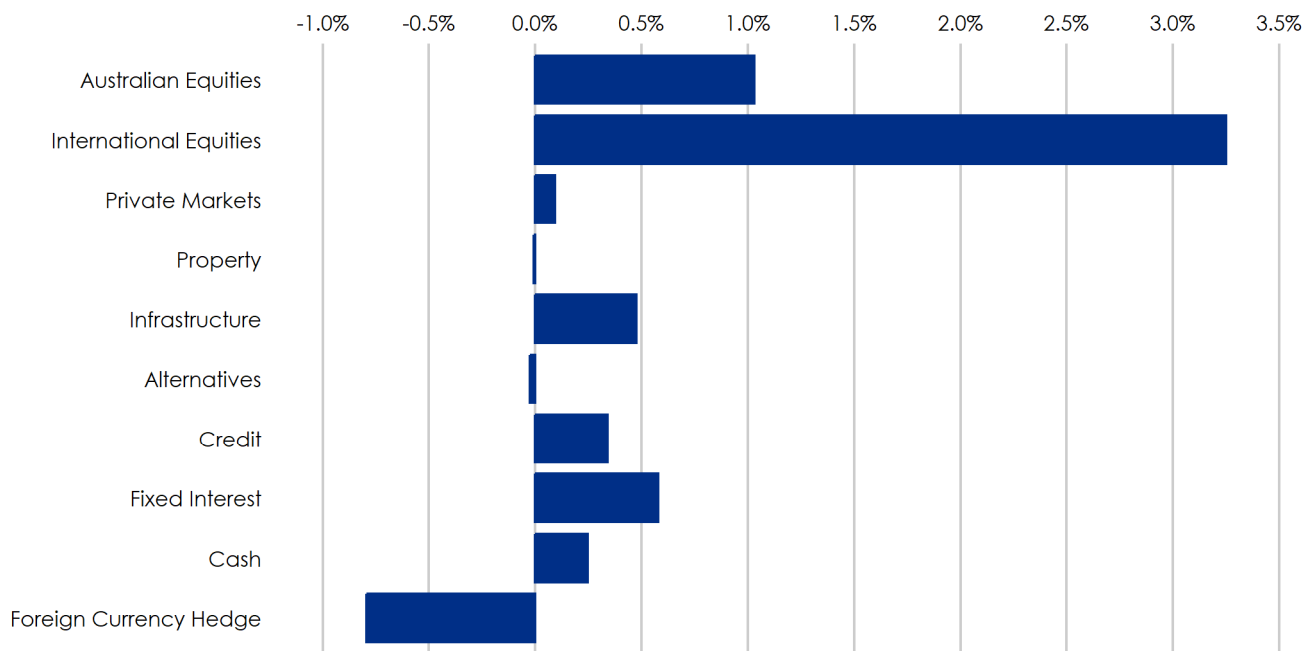
Absolute performance

Positive performance for the past six months was driven by strong performance from the International and Australian Equities, and Fixed Interest asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. Within Fixed Interest, Short-Term Fixed Interest was the strongest contributor benefiting from income earned from bonds, bond yields falling and Australian credit spreads tightening over the period.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

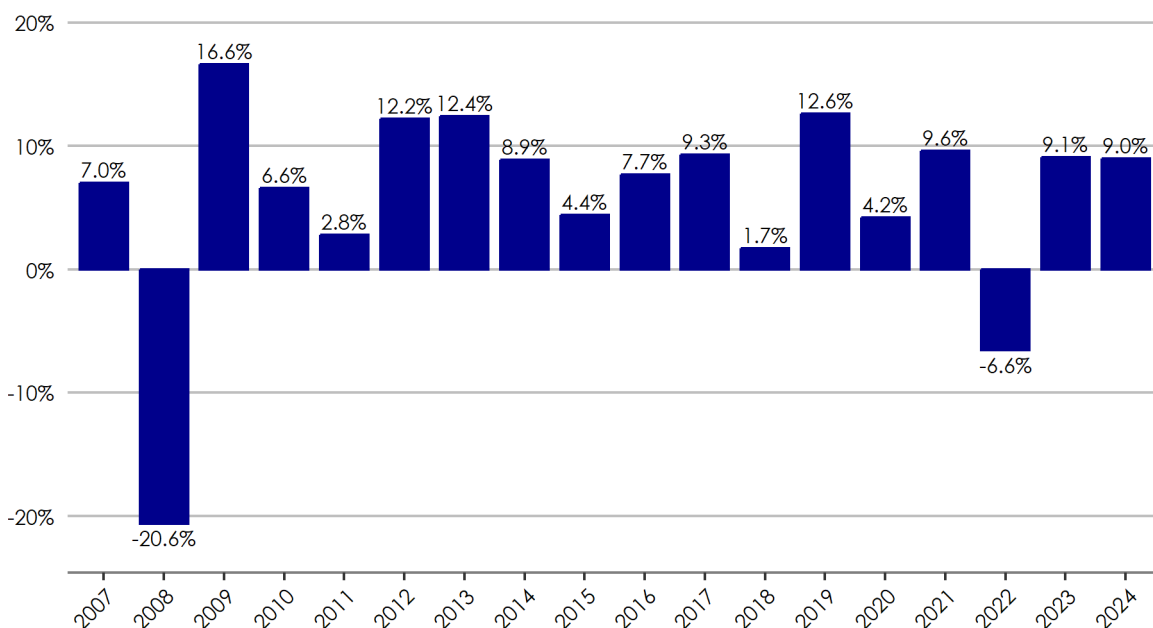
Benchmark relative performance

The investment option underperformed its benchmark.

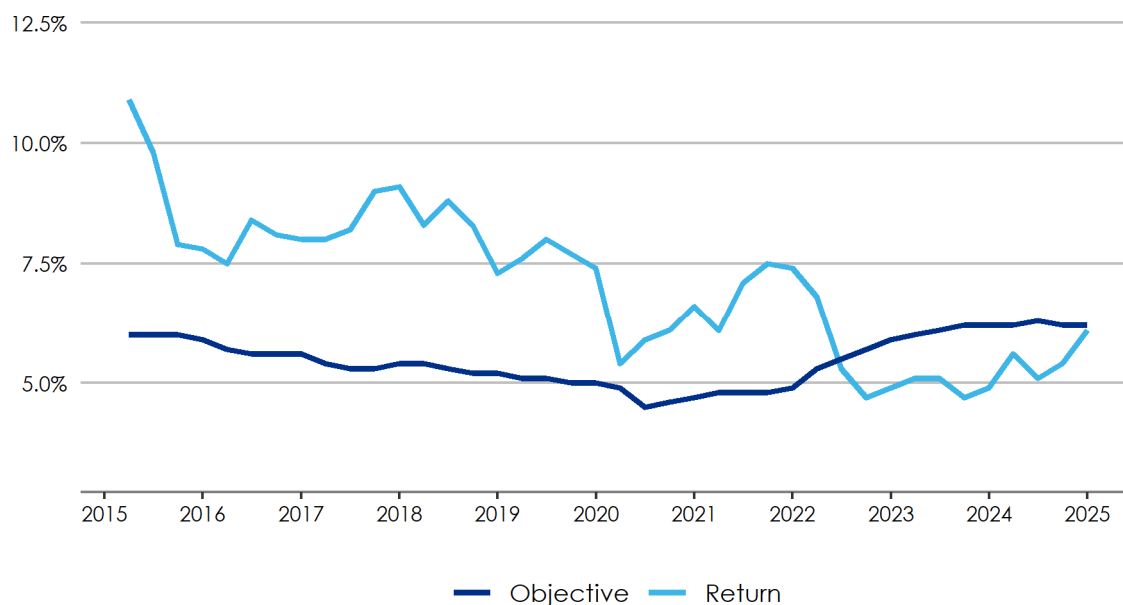
The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this, was the Alternatives asset class which underperformed its cash-plus benchmark, as well as the combined underperformance from the Australian and International equities asset classes, which was largely attributable to negative stock selection.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective⁴
6-year rolling returns, net of fees and gross of tax to 31 December 2024



The investment objective was just shy of the target. This was due to a combination of poor investment returns during FY2021-22 and an exceptionally high CPI number in 2022 and 2023, increasing the investment objective.

Effective asset allocation

Moderate Tax-Exempt investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	16.3	16.0	0.3
International Equities	26.0	24.0	2.0
Private Markets	3.0	3.0	0.0
Property	5.7	7.0	-1.3
Infrastructure	7.5	7.0	0.5
Alternatives	2.5	3.0	-0.5
Credit	6.4	7.0	-0.6
Fixed Interest	23.3	23.0	0.3
Cash	9.1	10.0	-0.9
Total	100.0	100.0	
Growth assets	57.6	55.0	2.6

⁴ The investment objective for the Moderate Tax-Exempt investment option has changed through time. The investment objective was CPI + 3.5% prior to 31 December 2015, CPI + 3% for the period 1 January 2016 to 31 December 2021, and CPI + 2.5% from 1 January 2022.

Asset class	Effective %	Strategic %	Variance %
Foreign Currency	14.7	15.0	-0.3
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	10.9	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Socially Responsible

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$458.9 million	02 March 2009	0.22%	0.25%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Socially Responsible	CPI + 3.0%	10+ years	High	4 to less than 6

*Target return became effective 1 January 2022. See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	6.3	10.1	3.6	6.6	7.0	6.8
Benchmark return**	7.1	10.6	4.0	7.0	7.4	7.6
Excess return	-0.8	-0.5	-0.4	-0.4	-0.4	-0.8

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

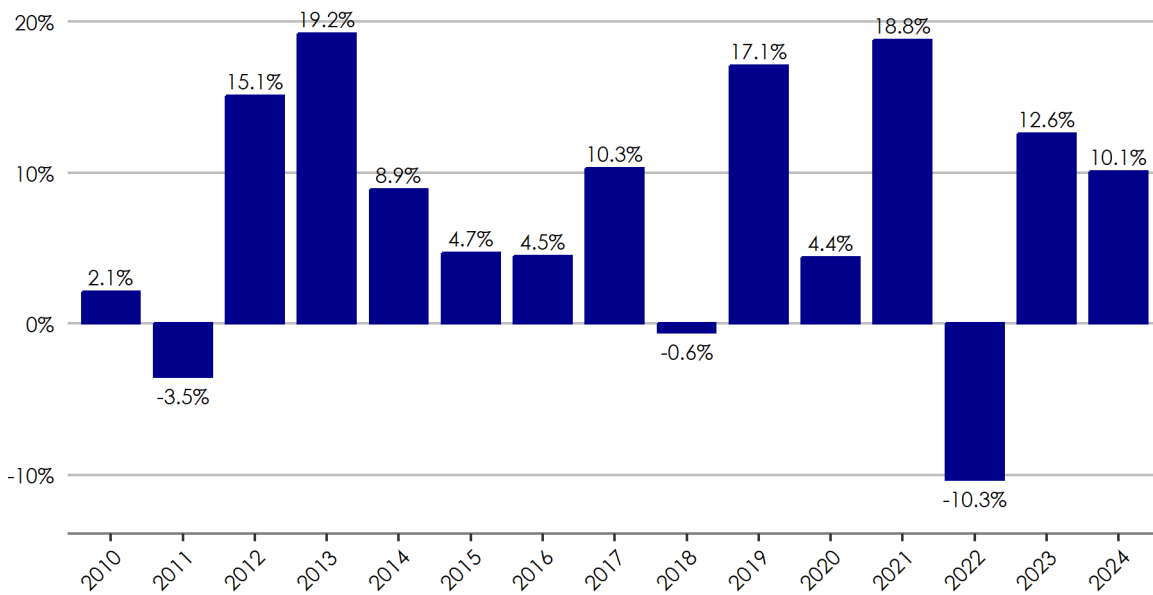
Equity returns drove performance. However, stock selection within the Information Technology sector was negative and an underweight to Nvidia detracted from relative performance. Fixed Interest was a positive contributor to performance, cash earned from bonds and lower bond yields were the key drivers.

Within Socially Responsible Infrastructure, Renewable Energy Infrastructure continued to deliver stable returns attributable to favourable environmental conditions for generation.

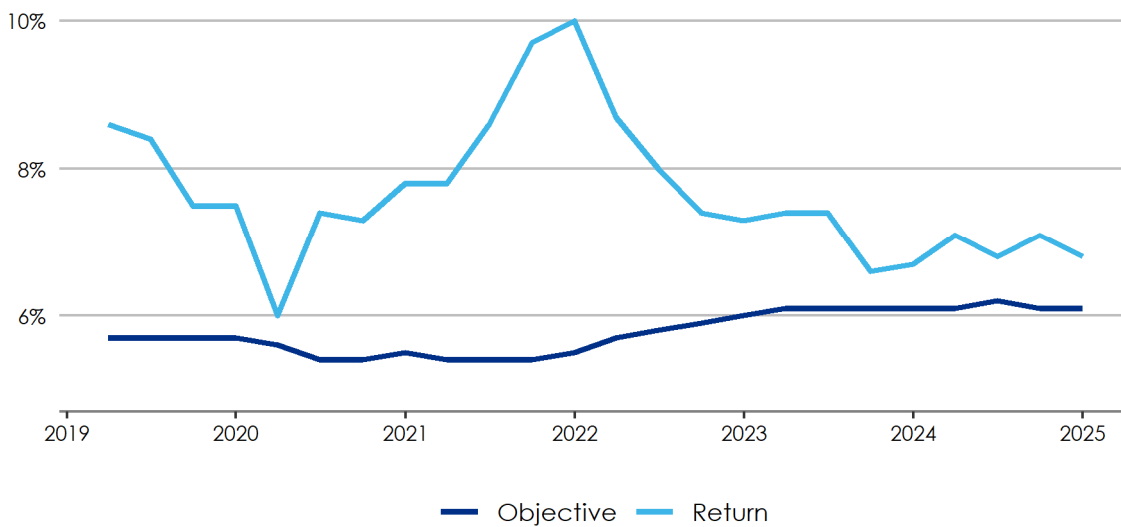
The Property asset class marginally detracted from performance attributable to overweight exposure to the Office sector. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Over the past six months, the option initiated an exposure to a Socially Responsible Investment-screened Credit asset class and exposure to the listed property index fund was terminated.

Investment option annual financial year returns
Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective⁵
10-year rolling returns, returns net of fees and gross of tax to 31 December 2024



⁵ Note the target return was similar to a growth fund prior to 1 January 2022. For illustrative purposes, the chart assumes a CPI+3.0% target return for the history of the investment option.

Effective asset allocation

Socially Responsible Tax-Exempt[#] investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	28.3	28.0	0.3
International Equities	33.7	32.0	1.7
Private Markets	2.3	2.0	0.3
Property	9.8	12.0	-2.2
Infrastructure	4.5	5.0	-0.5
Credit	2.6	2.5	0.1
Fixed Interest	15.3	15.5	-0.2
Cash	3.4	3.0	0.4
Total	100.0	100.0	
Growth assets	72.0	70.0	2.0
Foreign Currency	21.1	21.0	0.1
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge [^]	17.2	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total quoted.

[#]The Socially Responsible Tax-Exempt investment option is a commonly held investment option within the Socially Responsible Taxable investment option. The Socially Responsible Tax-Exempt and Taxable investment options have the same effective asset allocation and invest in the same Taxable asset classes.

[^] 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.

Positioning is characterised as neutral growth. The team are comfortable to maintain a full weight to the International Equities asset class based on the expectation for continued US growth resilience. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period.

Balanced Tax-Exempt

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$21,417.9 million	30 June 1995	0.31%	0.33%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Balanced	CPI + 3.5%	10+ years	High	4 to less than 6

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	5.9	10.8	4.2	6.5	6.9	7.4
Benchmark return**	6.4	12.2	5.7	7.4	7.5	7.6
Excess return	-0.5	-1.4	-1.5	-0.9	-0.6	-0.2

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

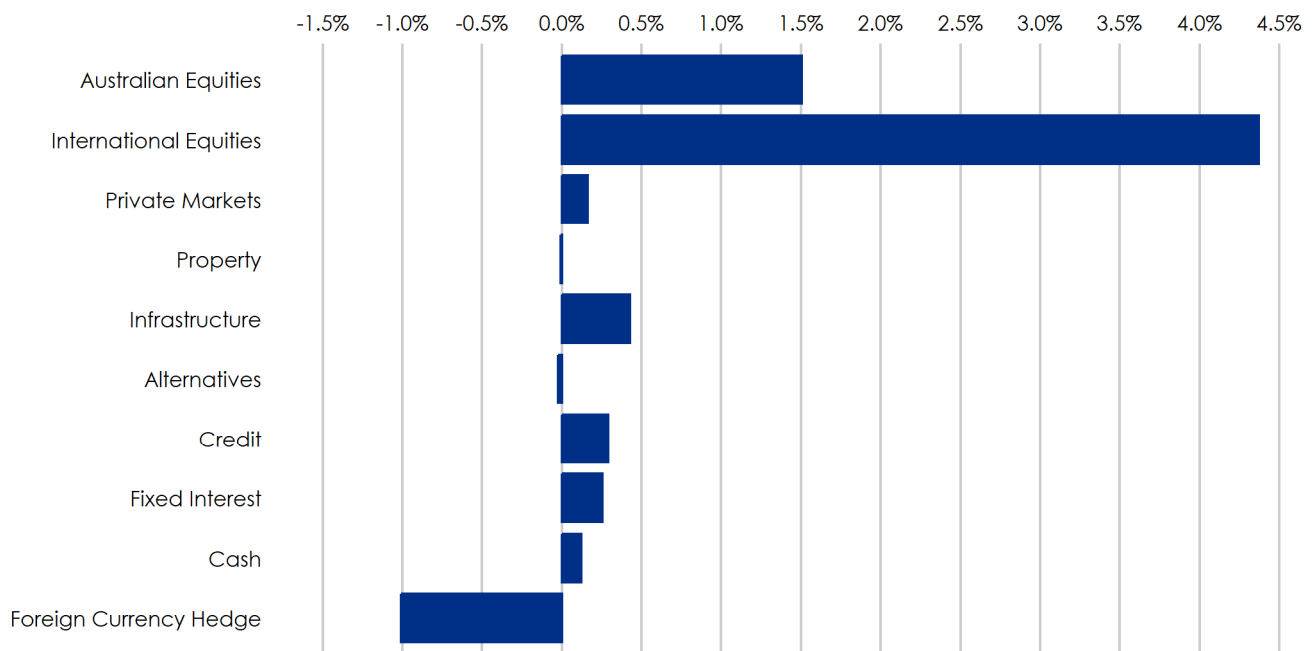
Absolute performance

Positive performance for the past six months was driven by strong performance from the International and Australian Equities, and Infrastructure asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



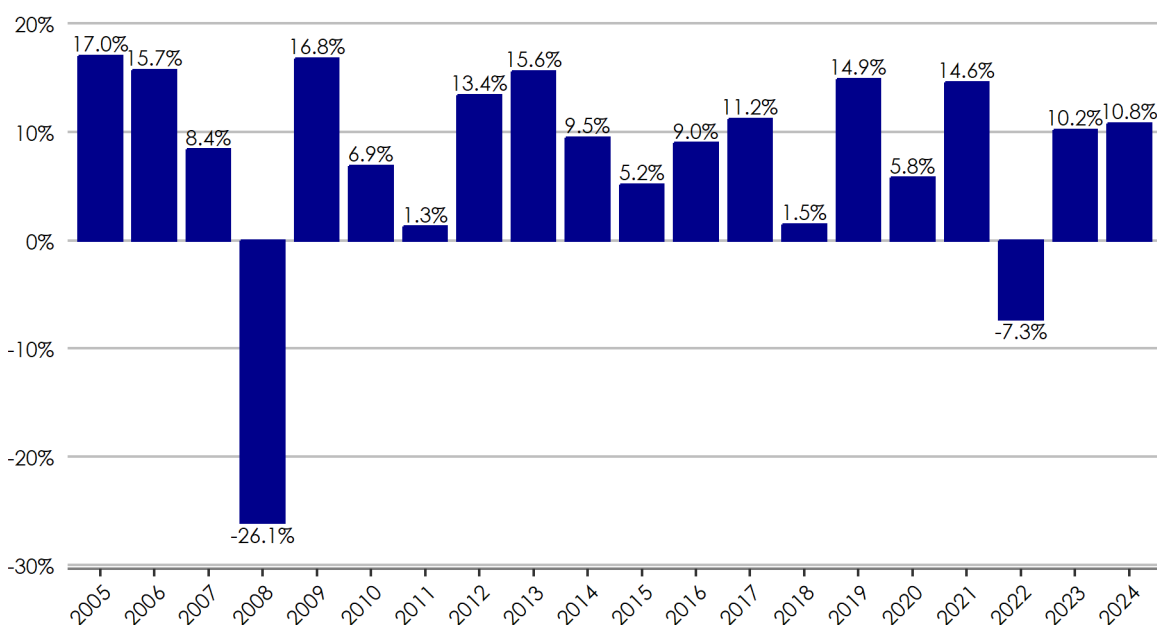
Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

Benchmark relative performance

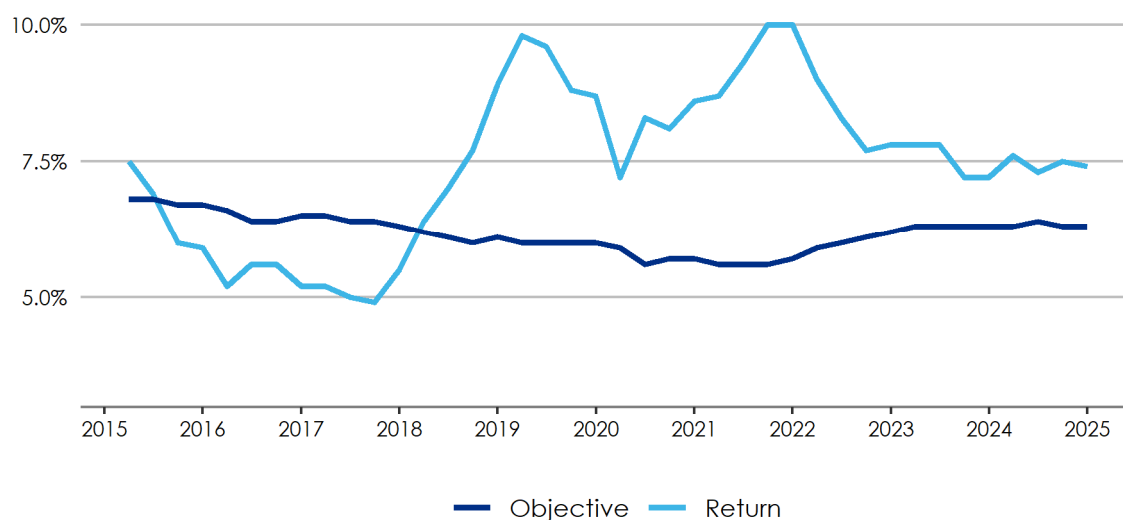
The investment option underperformed its benchmark.

The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this was the combined underperformance from the International and Australian equities asset classes, which was largely attributable to negative stock selection. The Alternatives asset class underperformed its cash-plus benchmark which also impacted relative performance.

Investment option annual financial year returns Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective⁶
10-year rolling returns, returns net of fees and gross of tax to 31 December 2024



Effective asset allocation

Balanced Tax-Exempt investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	23.1	22.5	0.6
International Equities	36.0	33.5	2.5
Private Markets	5.2	5.0	0.2
Property	6.7	8.0	-1.3
Infrastructure	7.3	6.5	0.8
Alternatives	1.8	2.0	-0.2
Credit	5.1	5.5	-0.4
Fixed Interest	11.1	14.0	-2.9
Cash	3.7	3.0	0.7
Total	100.0	100.0	
Growth assets	76.7	72.0	4.7
Foreign Currency	21.1	21.0	0.1
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	13.5	n.a.	

⁶ The investment objective for the Balanced Tax-Exempt investment option has changed through time. The investment objective was CPI + 4% prior to 31 December 2015, and CPI + 3.5% from 1 January 2016.

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The team are comfortable to maintain a full weight to the International Equities asset class based on the expectation for continued US growth resilience. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

High Growth Tax-Exempt

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$3,971.3 million	30 June 1999	0.35%	0.40%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
High Growth	CPI + 4.5%	10+ years	High	4 to less than 6

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	6.9	12.4	4.8	7.2	7.7	8.4
Benchmark return**	7.3	13.9	6.7	8.1	8.3	8.7
Excess return	-0.4	-1.5	-1.9	-0.9	-0.6	-0.3

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

Absolute performance

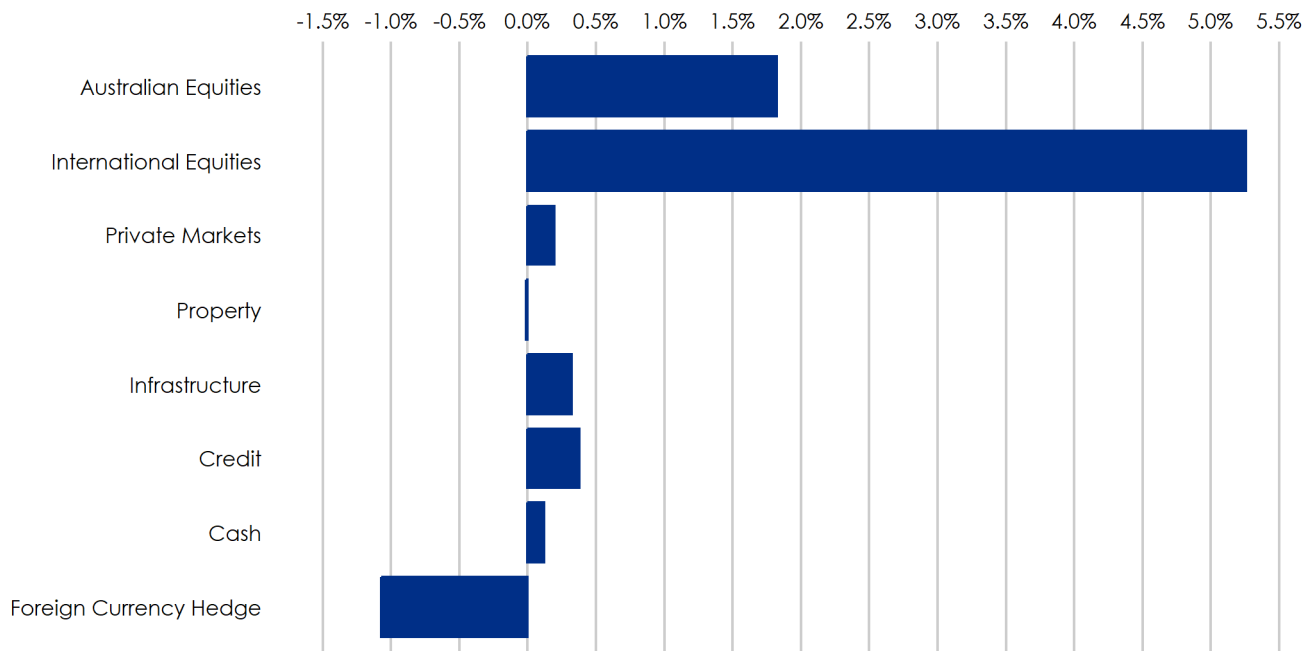
Positive performance for the past six months was driven by strong performance from the International and Australian Equities, and Credit asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. The Credit asset class provided positive returns, benefitting from falling yields and credit spreads sharply tightening.

The Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

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Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

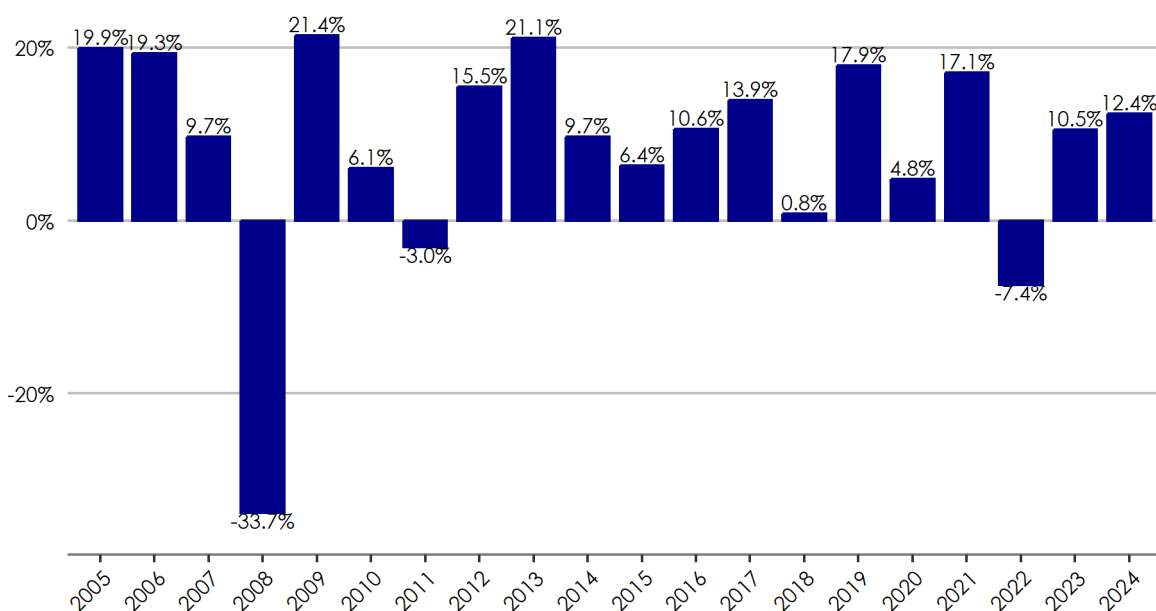
Benchmark relative performance

The investment option underperformed its benchmark.

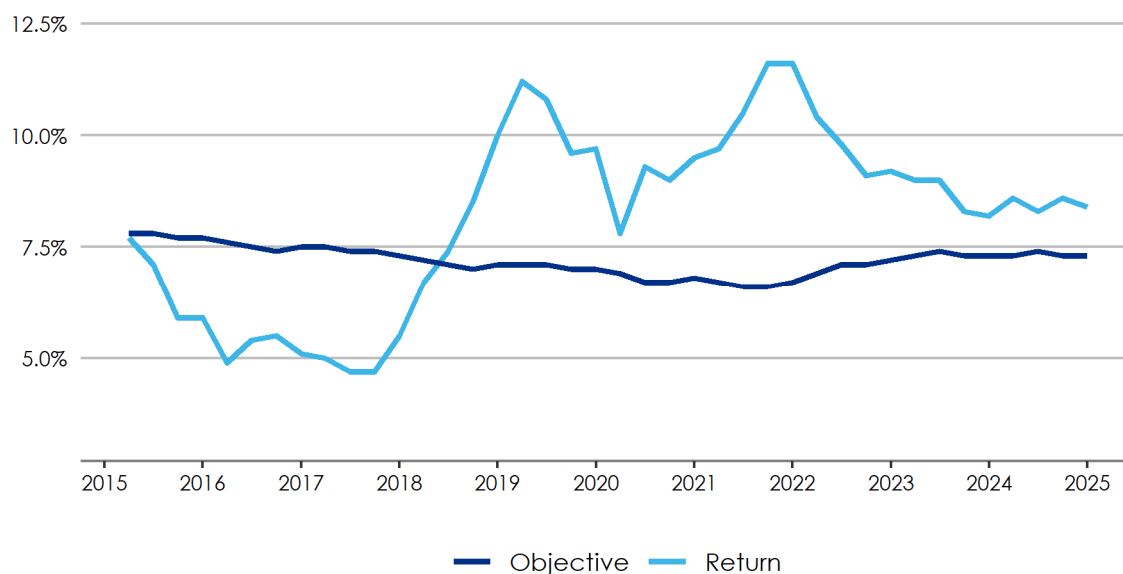
The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this was the combined underperformance from the International and Australian equities asset classes, which was largely attributable to negative stock selection.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective⁷
10-year rolling returns, net of fees and gross of tax to 31 December 2024



Effective asset allocation

High Growth Tax-Exempt investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	28.0	28.0	0.0
International Equities	43.3	40.5	2.8
Private Markets	6.2	6.5	-0.3
Property	8.7	11.0	-2.3
Infrastructure	6.3	5.0	1.3
Credit	6.8	7.0	-0.2
Cash	0.7	2.0	-1.3
Total	100.0	100.0	
Growth assets	90.4	85.0	5.4
Foreign Currency	26.3	26.0	0.3
Compliance with 2024-25 Performance Plan asset class ranges	Complies		
Foreign Currency Hedge#	15.2	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

⁷ The investment objective for the High Growth Tax-Exempt investment option has changed through time. The investment objective was CPI + 5% prior to 31 December 2015, and CPI + 4.5% from 1 January 2016.

Positioning is characterised as neutral growth. The team are comfortable to maintain a full weight to the International Equities asset class based on the expectation for continued US growth resilience. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Defined Benefit Strategy

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$7,140.0 million	30 June 1995	0.51%	0.55%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Defined Benefit	CPI + 4.5%	10+ years	High	4 to less than 6

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	5.5	9.9	4.3	6.8	7.4	8.0
Benchmark return**	6.0	11.2	5.9	7.2	7.5	7.9
Excess return	-0.5	-1.3	-1.6	-0.4	-0.1	0.1

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

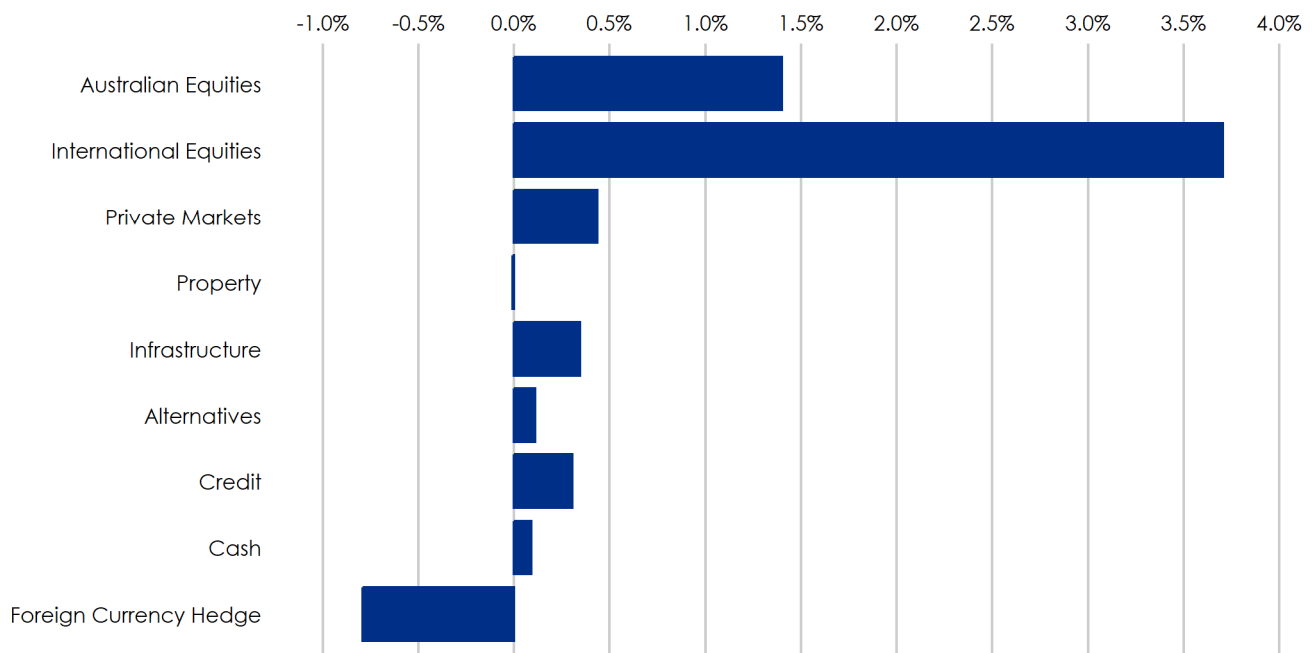
Absolute performance

Positive performance for the past six months was driven by strong performance from the International and Australian Equities, and Private Markets asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. The Private Market asset class saw upwards trends in valuations supported by stabilising public market comparable valuations and growing earnings.

The Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

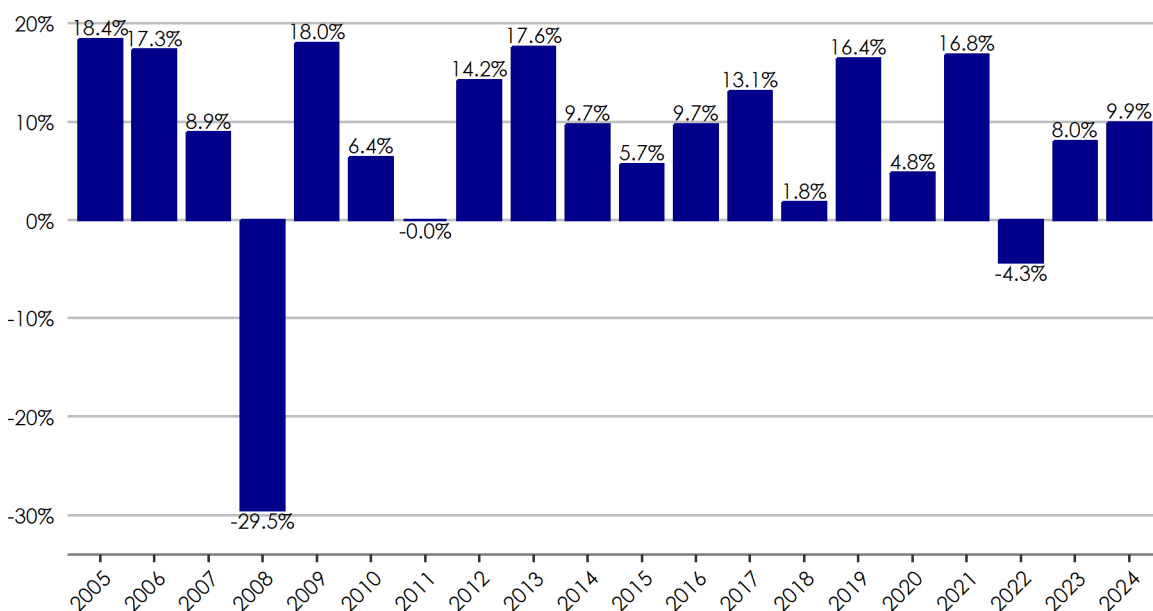
Benchmark relative performance

The investment option underperformed its benchmark.

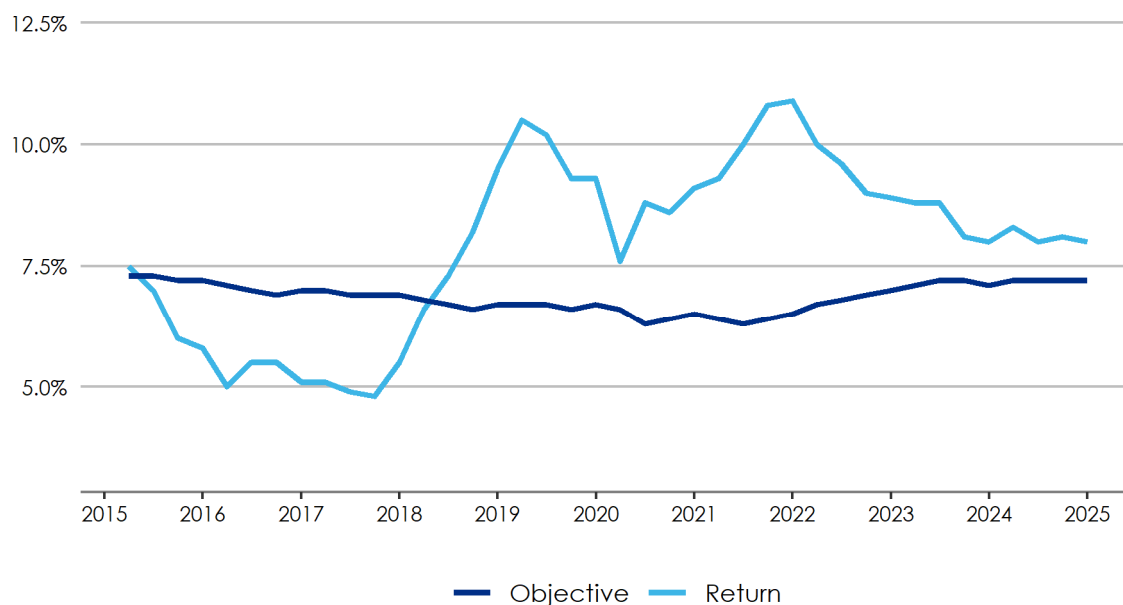
The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this was the combined underperformance from the International and Australian equities asset classes, which was largely attributable to negative stock selection.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective
10-year rolling returns, net of fees and gross of tax to 31 December 2024



Effective asset allocation

Defined Benefit Strategy effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	20.9	20.0	0.9
International Equities	30.1	30.0	0.1
Private Markets	14.1	11.0	3.1
Property	13.4	12.0	1.4
Infrastructure	6.1	11.0	-4.9
Alternatives	7.4	8.0	-0.6
Credit	6.0	6.0	0.0
Cash	2.0	2.0	-0.0
Total	100.0	100.0	
Growth assets	84.9	80.0	4.9
Foreign Currency	18.6	19.0	-0.4
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	11.0	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Section 3

Funds SA Taxable investment options



Cash Taxable

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$389.9 million	31 March 2005	0.02%	0.03%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Cash	RBA Cash Rate	0+ years	Very Low	Less than 0.5

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

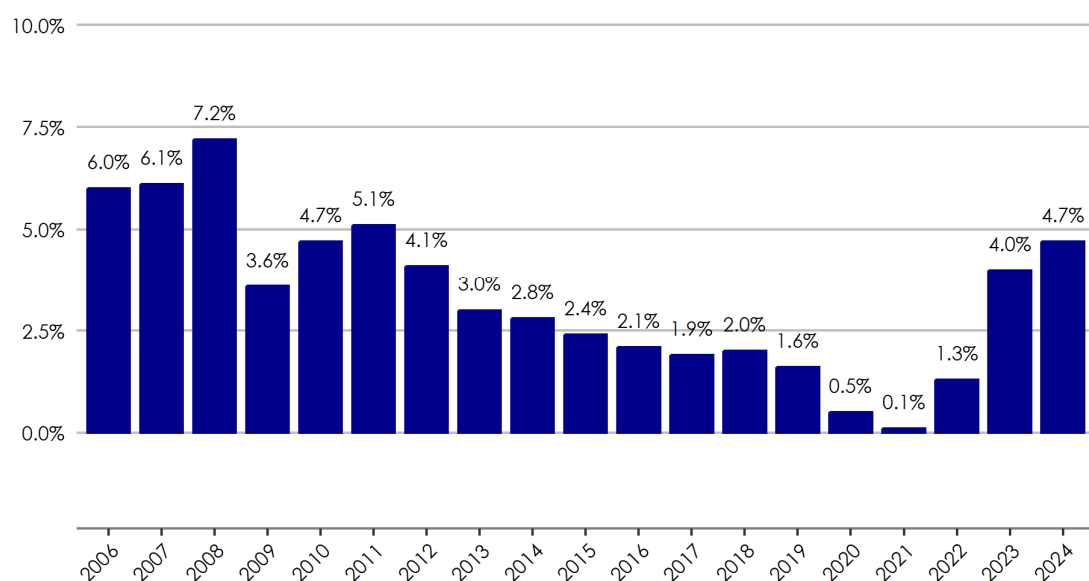
	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	2.4	4.7	3.3	2.1	2.0	2.1
Benchmark return**	2.2	4.5	3.2	2.0	1.9	1.9
Excess return	0.2	0.2	0.1	0.1	0.1	0.2

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

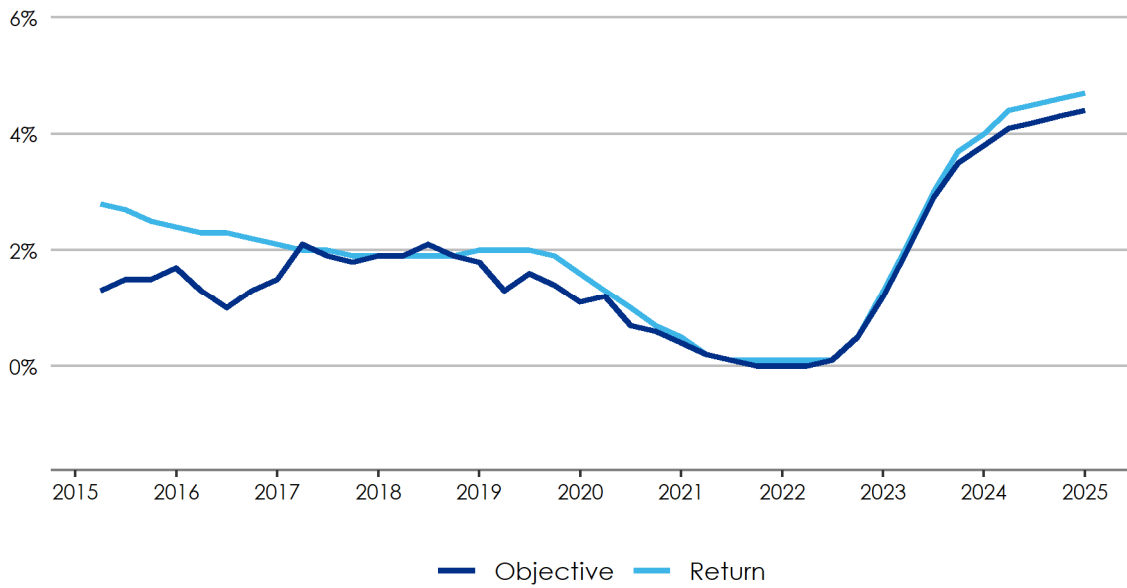
** The benchmark for each asset class is included in Appendix 1.

The Cash investment option marginally outperformed the benchmark. Money market yields fell over the period, as the market shifted from pricing in the possibility of a rate hike, to pricing that the RBA would begin their cutting cycle. However, with a resilient labour market and inflation still above target, there is uncertainty around the expectation for the timing of the first cut.

Investment option annual financial year returns Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective
1-year rolling returns, net of fees and gross of tax to 31 December 2024



Effective asset allocation

Cash Taxable investment option effective asset allocation as at 31 December 2024

Asset class	Effective %	Strategic %	Variance %
Cash	100.0	100.0	0.0
Total	100.0	100.0	
Compliance with 2024-25 Performance Plan asset class ranges		Complies	

Capital Defensive Taxable

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$278.5 million	31 March 2005	0.19%	0.20%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Capital Defensive	CPI + 0.5%	2+ years	Low	0.5 to less than 1

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	3.7	5.5	2.0	2.3	3.0	3.4
Benchmark return**	3.6	5.6	2.3	2.7	3.3	3.7
Excess return	0.1	-0.1	-0.3	-0.4	-0.3	-0.3

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

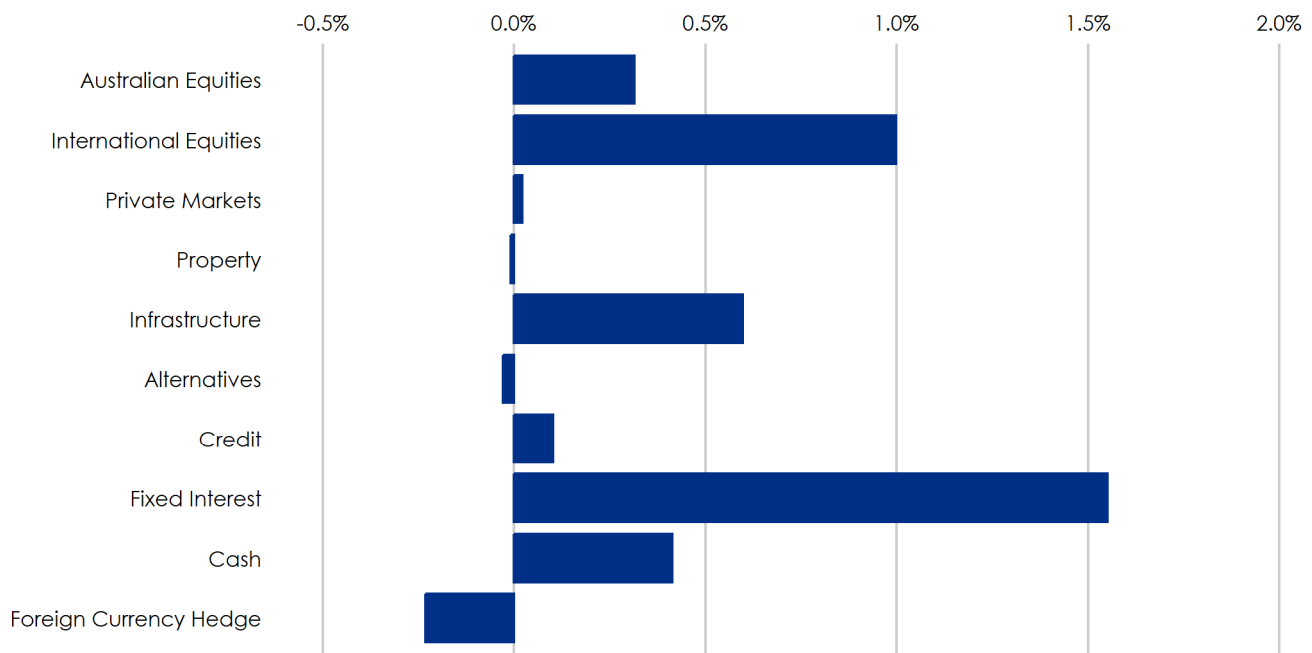
Absolute performance

Positive performance for the past six months was driven by strong performance from the Fixed Interest, International Equities and Infrastructure asset classes.

Within Fixed Interest, Short-Term Fixed Interest was the strongest contributor benefiting from income earned from bonds, falling bond yields and Australian credit spreads tightening over the period. International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

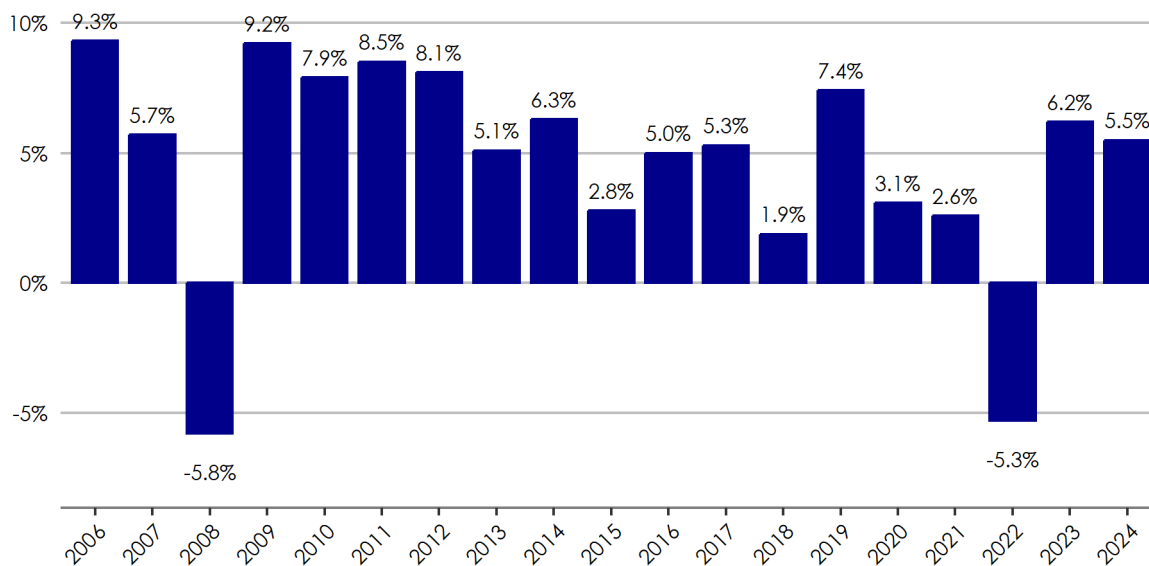
Benchmark relative performance

The investment option performed in line with its benchmark.

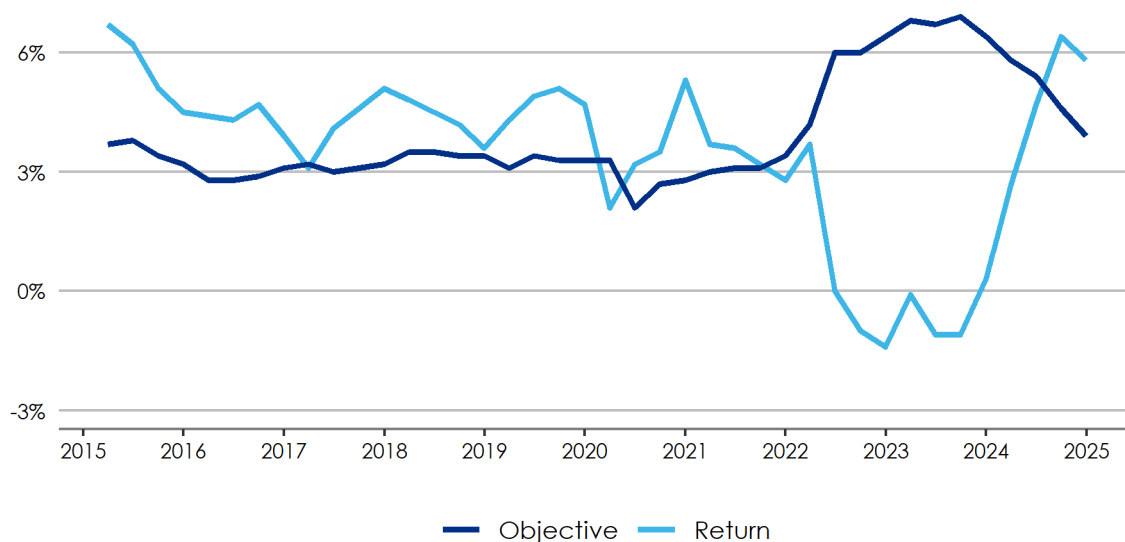
The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this, was the Alternatives asset class which underperformed its cash-plus benchmark.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective⁸
2-year rolling returns, net of fees and gross of tax to 31 December 2024



Effective asset allocation

Capital Defensive Taxable investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	4.6	5.0	-0.4
International Equities	7.7	7.0	0.7
Private Markets	1.0	1.0	0.0
Property	5.0	6.0	-1.0
Infrastructure	8.9	7.5	1.4
Alternatives	3.6	4.0	-0.4
Credit	1.9	3.0	-1.1
Fixed Interest	48.9	48.5	0.4
Cash	18.4	18.0	0.4
Total	100.0	100.0	
Growth assets	23.3	25.0	-1.7
Foreign Currency	4.9	5.0	-0.1
Compliance with 2024-25 Performance Plan asset class ranges	Complies		
Foreign Currency Hedge#	2.6	n.a.	

⁸ The investment objective for the Capital Defensive Taxable investment option has changed through time. The investment objective was CPI + 2% prior to 30 June 2013. CPI + 1.5% for the period 1 July 2013 to 31 December 2020, CPI + 1% for the period 1 January 2021 to 31 December 2021, and CPI + 0.5% from 1 January 2022.

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Conservative Taxable

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$968.7 million	31 March 2005	0.23%	0.22%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Conservative	CPI + 1.5%	4+ years	Medium	2 to less than 3

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	4.3	7.0	2.6	3.4	4.1	4.5
Benchmark return**	4.5	7.4	3.3	4.1	4.6	5.0
Excess return	-0.2	-0.4	-0.7	-0.7	-0.5	-0.5

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

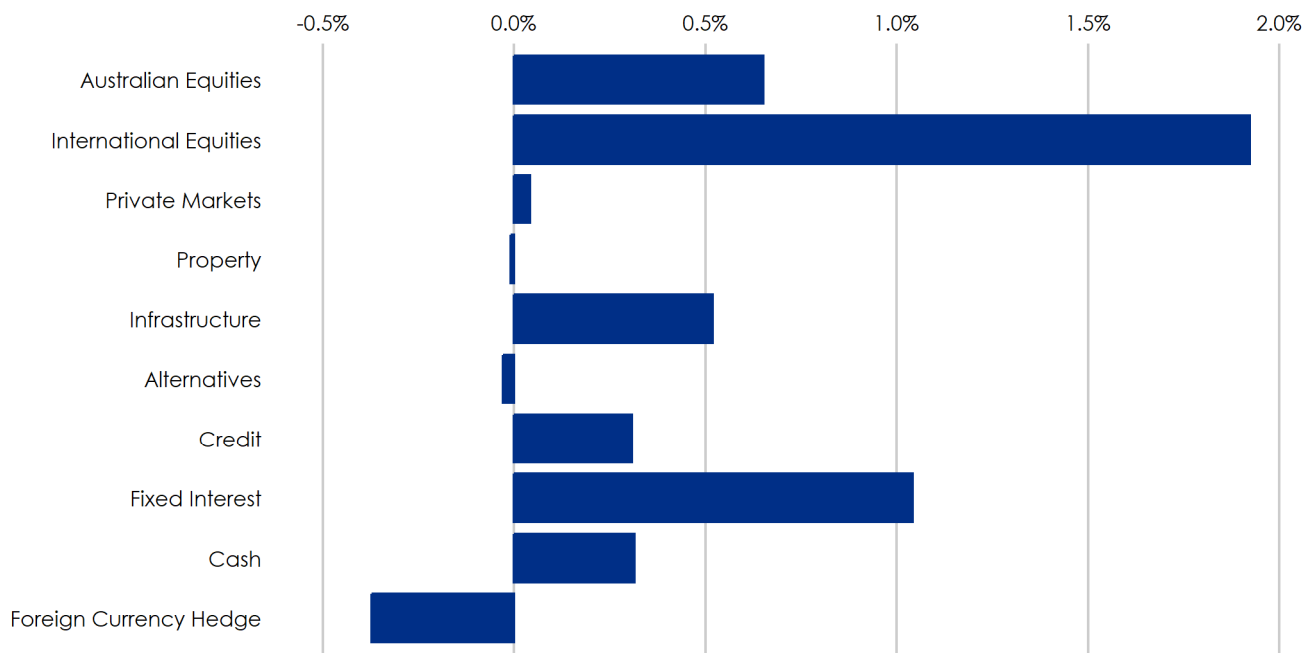
Absolute performance

Positive performance for the past six months was driven by strong performance from the International and Australian Equities, and Fixed Interest asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. Within Fixed Interest, Short-Term Fixed Interest was the strongest contributor benefiting from income earned from bonds, falling bond yields and Australian credit spreads tightening over the period.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

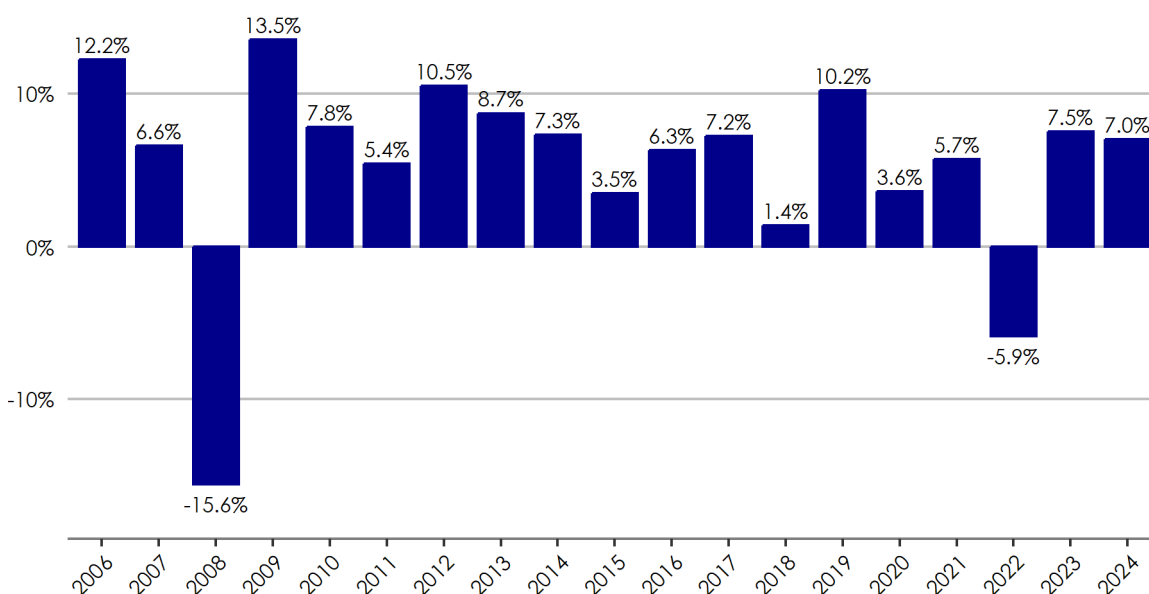
Benchmark relative performance

The investment option slightly underperformed its benchmark.

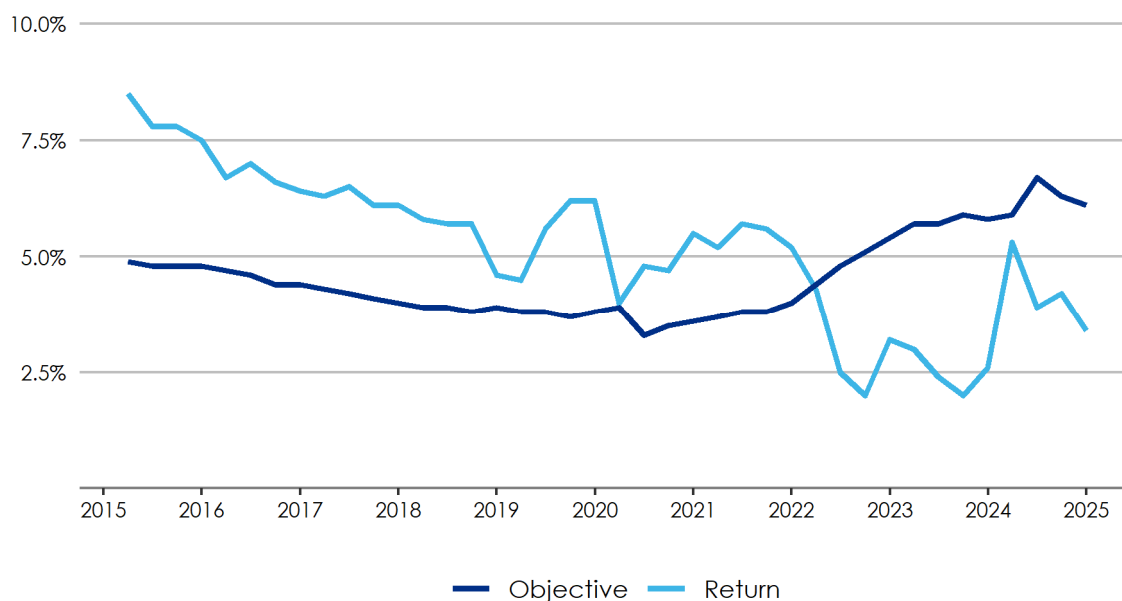
The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this, was the Alternatives asset class which underperformed its cash-plus benchmark.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective⁹
4-year rolling returns, net of fees and gross of tax to 31 December 2024



The investment objective was not met over the short investment time horizon of 4 years, due to a combination of poor investment returns during FY2021-22 and an exceptionally high CPI number in 2022 and 2023, increasing the investment objective.

Effective asset allocation

Conservative Taxable investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	9.5	10.0	-0.5
International Equities	14.8	14.0	0.8
Private Markets	2.0	2.0	0.0
Property	5.7	7.0	-1.3
Infrastructure	7.9	7.0	0.9
Alternatives	3.6	4.0	-0.4
Credit	5.8	7.0	-1.2
Fixed Interest	36.7	35.0	1.7
Cash	14.1	14.0	0.1
Total	100.0	100.0	
Growth assets	38.3	40.0	-1.7
Foreign Currency	9.9	10.0	-0.1

⁹ The investment objective for the Conservative Taxable investment option has changed through time. The investment objective was CPI + 3% prior to 30 June 2013, CPI + 2.5% for the period 1 July 2013 to 31 December 2015, CPI + 2% for the period 1 January 2016 to 31 December 2021, and CPI + 1.5% from 1 January 2022.

Asset class	Effective %	Strategic %	Variance %
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	4.6	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Moderate Taxable

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$1,483.0 million	30 June 2006	0.26%	0.27%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Moderate	CPI + 2.5%	6+ years	Medium to High	3 to less than 4

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	5.0	8.6	3.6	4.9	5.4	5.8
Benchmark return**	5.4	9.6	4.6	5.6	5.9	6.2
Excess return	-0.4	-1.0	-1.0	-0.7	-0.5	-0.4

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

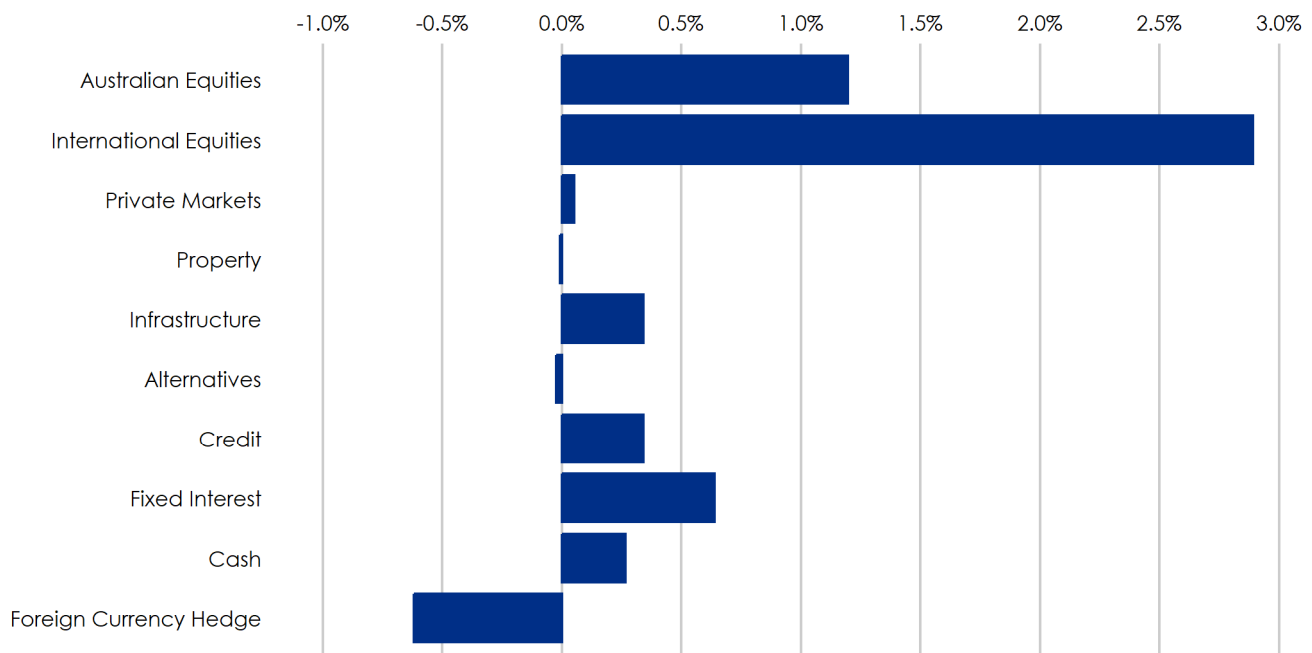
Absolute performance

Positive performance for the past six months was driven by strong performance from the International and Australian Equities, and Fixed Interest asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. Within Fixed Interest, Short-Term Fixed Interest was the strongest contributor benefiting from income earned from bonds, falling bond yields and Australian credit spreads tightening over the period.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

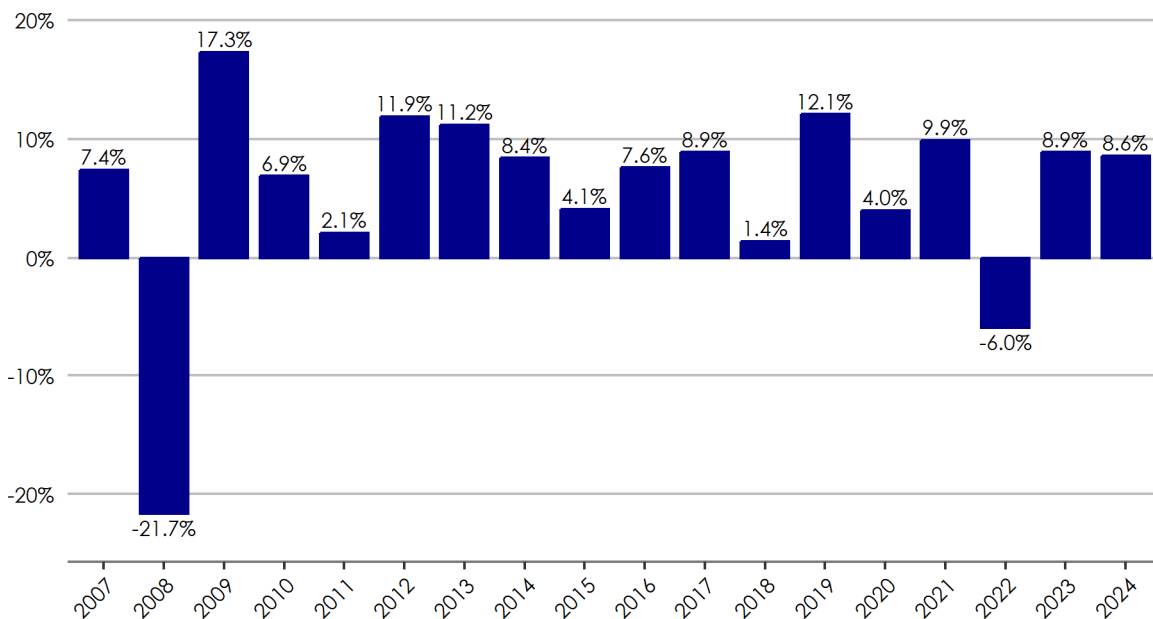
Benchmark relative performance

The investment option underperformed its benchmark.

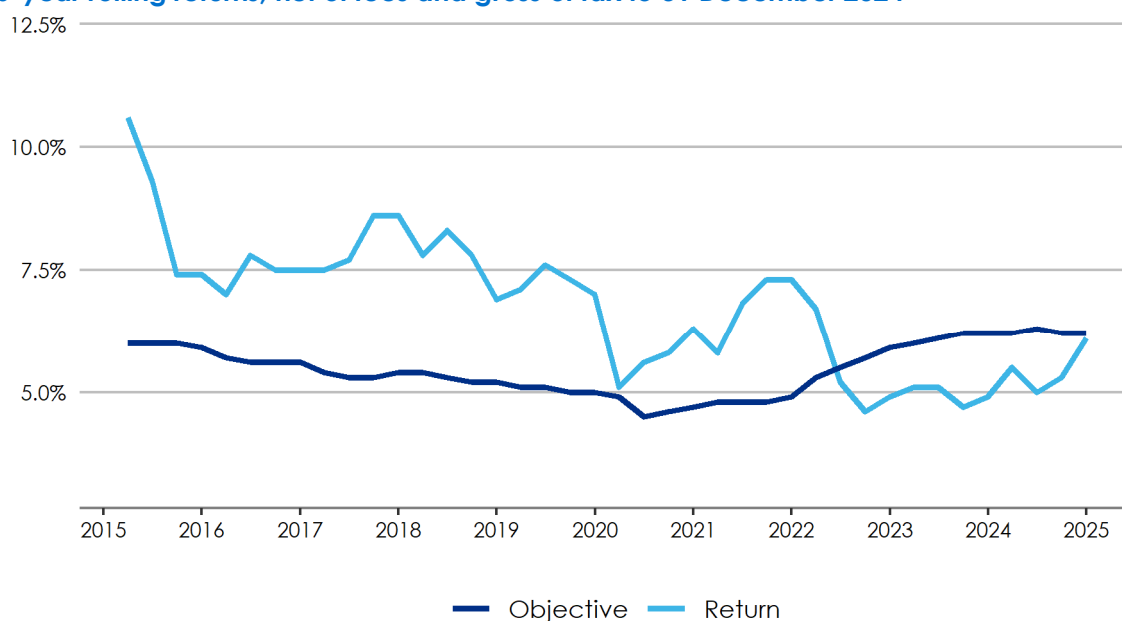
The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this was the combined underperformance from the Australian and International equities asset classes, which was largely attributable to negative stock selection. The Alternatives asset class underperformed its cash-plus benchmark which also contributed relative returns.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective¹⁰ 6-year rolling returns, net of fees and gross of tax to 31 December 2024



The investment option was just shy of its investment objective, due to a combination of poor investment returns during FY2021-22 and an exceptionally high CPI number in 2022 and 2023, increasing the investment objective.

Effective asset allocation

Moderate Taxable investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	17.3	18.0	-0.7
International Equities	23.9	22.5	1.4
Private Markets	2.6	3.0	-0.4
Property	5.5	7.0	-1.5
Infrastructure	6.9	4.5	2.4
Alternatives	2.6	3.0	-0.4
Credit	6.2	7.0	-0.8
Fixed Interest	25.5	25.0	0.5
Cash	9.6	10.0	-0.4
Total	100.0	100.0	
Growth assets	55.4	55.0	0.4
Foreign Currency	14.5	15.0	-0.5

¹⁰ The investment objective for the Moderate Taxable investment option has changed through time. The investment objective was CPI + 3.5% prior to 31 December 2015, CPI + 3% for the period 1 January 2016 to 31 December 2021, and CPI + 2.5% from 1 January 2022.

Asset class	Effective %	Strategic %	Variance %
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	8.7	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Socially Responsible

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$458.9 million	02 March 2009	0.22%	0.25%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Socially Responsible	CPI + 3.0%	10+ years	High	4 to less than 6

*Target return became effective 1 January 2022. See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	6.3	10.1	3.6	6.6	7.0	6.8
Benchmark return**	7.1	10.6	4.0	7.0	7.4	7.6
Excess return	-0.8	-0.5	-0.4	-0.4	-0.4	-0.8

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

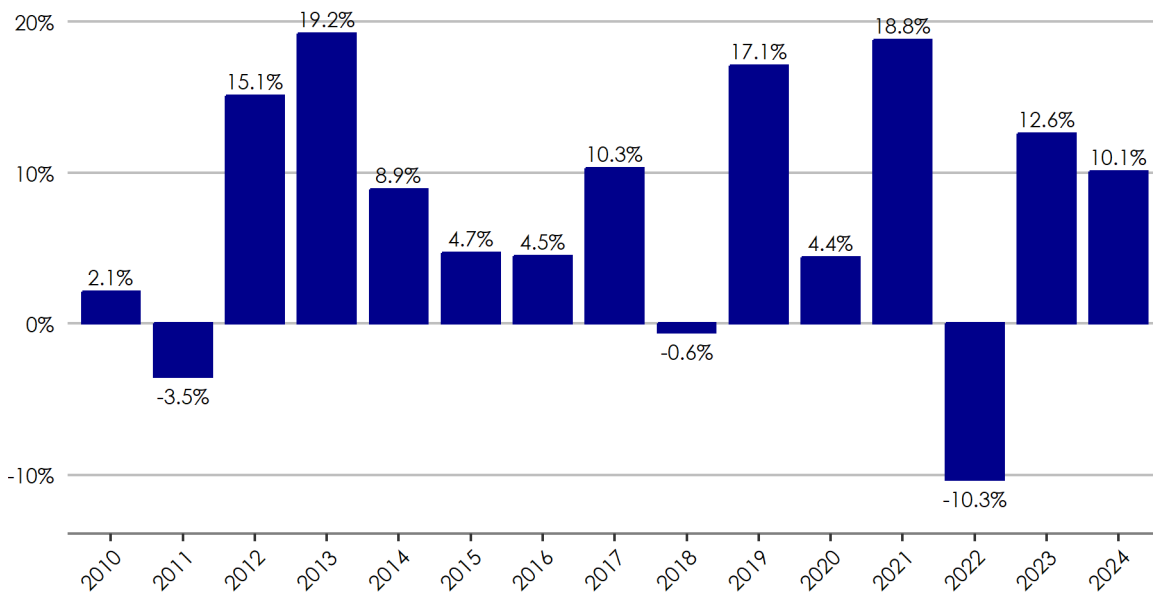
Equity returns drove performance. However, stock selection within the Information Technology sector was negative and an underweight to Nvidia detracted from relative performance. Fixed Interest was a positive contributor to performance, cash earned from bonds and lower bond yields were the key drivers.

Within Socially Responsible Infrastructure, Renewable Energy Infrastructure continued to deliver stable returns attributable to favourable environmental conditions for generation.

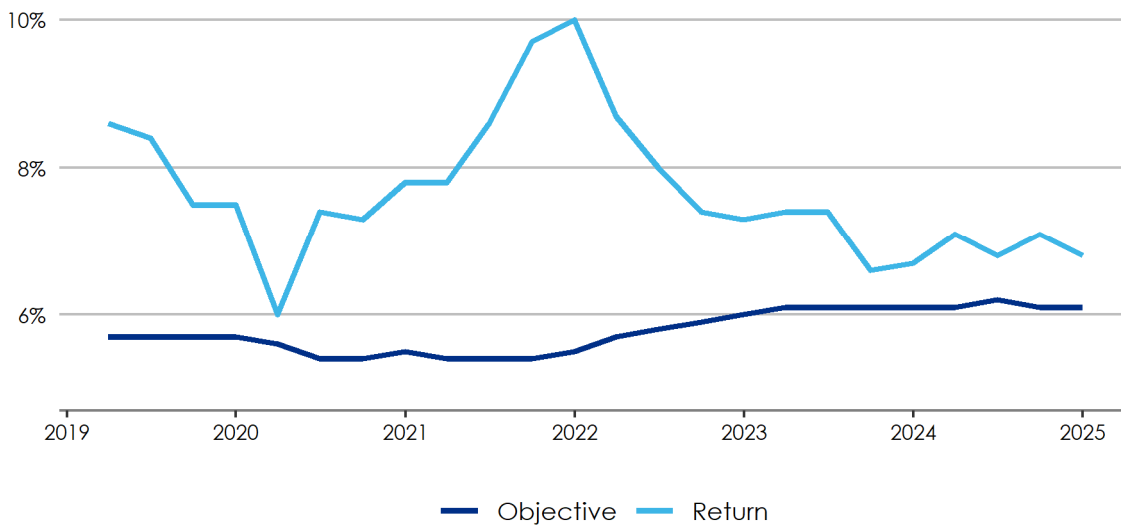
The Property asset class marginally detracted from performance attributable to overweight exposure to the Office sector. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Over the past six months, the option initiated an exposure to a Socially Responsible Investment-screened Credit asset class and exposure to the listed property index fund was terminated.

Investment option annual financial year returns
Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective¹¹
10-year rolling returns, returns net of fees and gross of tax to 31 December 2024



¹¹ Note the target return was similar to a growth fund prior to 1 January 2022. For illustrative purposes, the chart assumes a CPI+3.0% target return for the history of the investment option.

Effective asset allocation

Socially Responsible Taxable investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	28.3	28.0	0.3
International Equities	33.7	32.0	1.7
Private Markets	2.3	2.0	0.3
Property	9.8	12.0	-2.2
Infrastructure	4.5	5.0	-0.5
Credit	2.6	2.5	0.1
Fixed Interest	15.3	15.5	-0.2
Cash	3.4	3.0	0.4
Total	100.0	100.0	
Growth assets	72.0	70.0	2.0
Foreign Currency	21.1	21.0	0.1
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	17.2	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The team are comfortable to maintain a full weight to the International Equities asset class based on the expectation for continued US growth resilience. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Balanced Taxable

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$4,207.8 million	31 March 2005	0.31%	0.35%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Balanced	CPI + 3.5%	10+ years	High	4 to less than 6

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	5.9	10.4	4.3	6.6	6.9	7.2
Benchmark return**	6.5	12.0	5.8	7.4	7.5	7.6
Excess return	-0.6	-1.6	-1.5	-0.8	-0.6	-0.4

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

Absolute performance

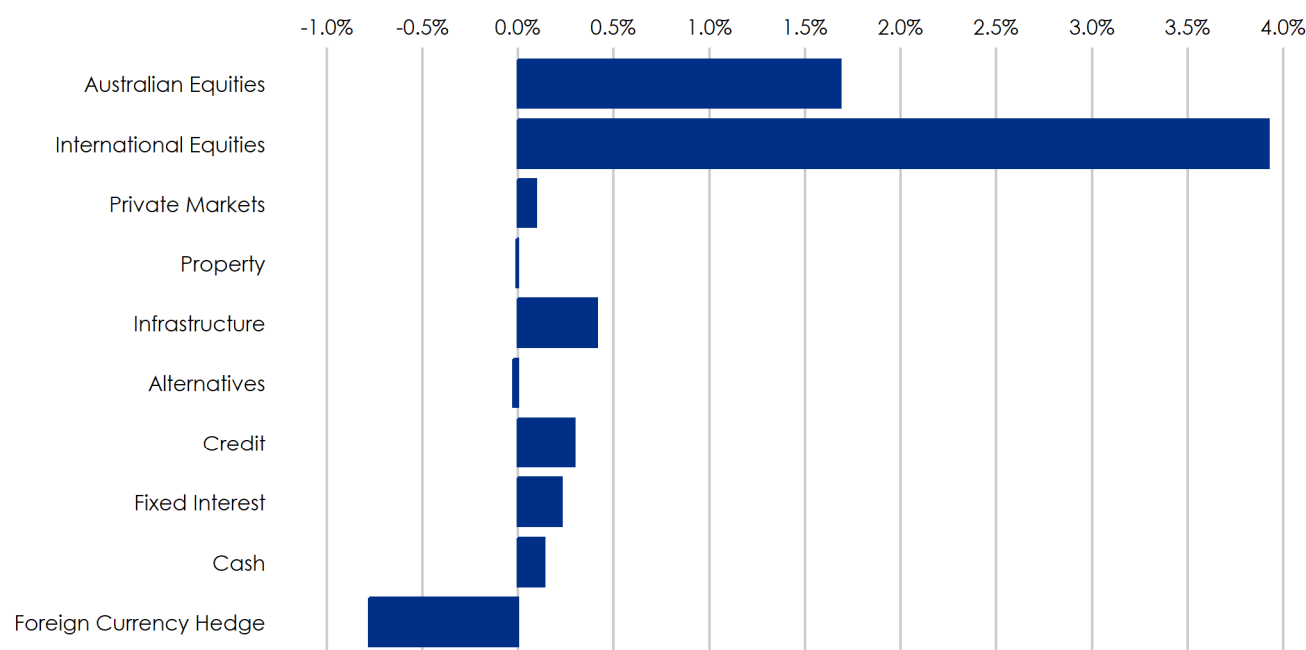
Positive performance for the past six months was driven by strong performance from the International and Australian Equities, and Infrastructure asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

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Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

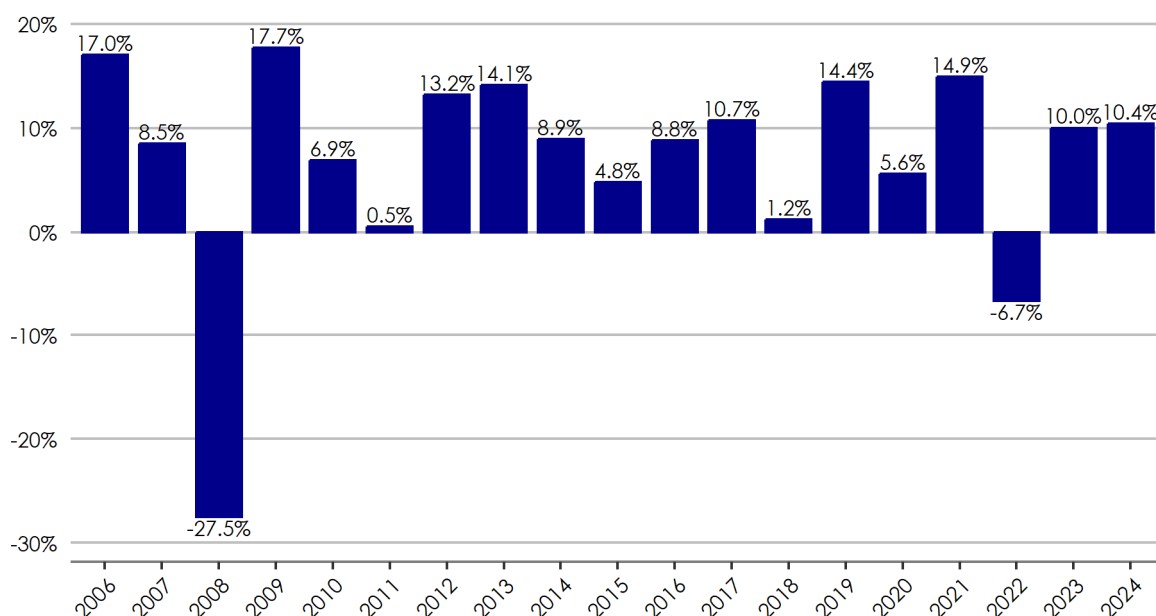
Benchmark relative performance

The investment option underperformed its benchmark.

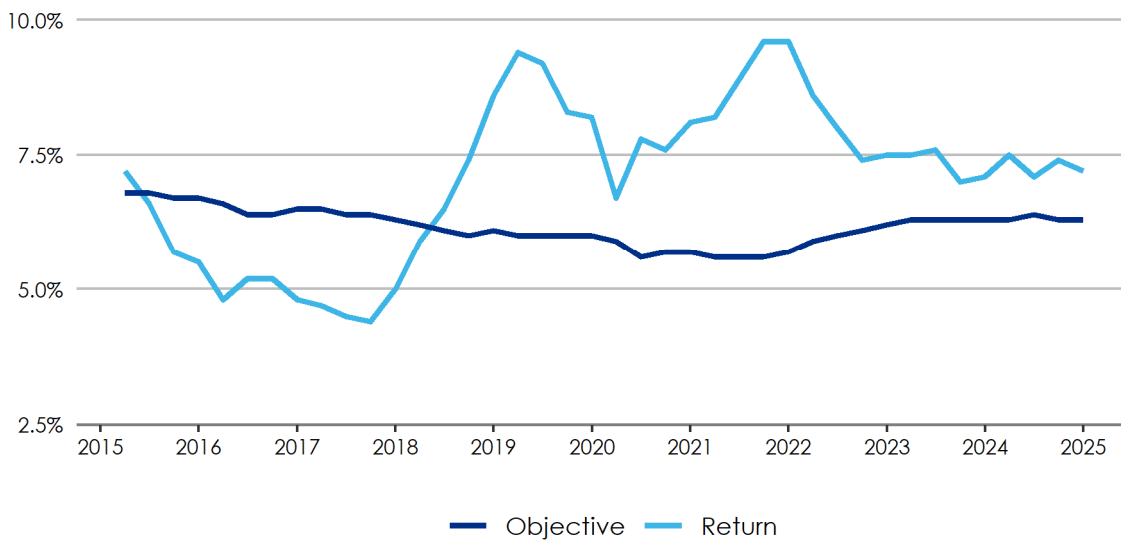
The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this was the combined underperformance from the International and Australian equities asset classes, which was largely attributable to negative stock selection. The Alternatives asset class underperformed its cash-plus benchmark which also contributed relative returns.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective¹²
 10-year rolling returns, net of fees and gross of tax to 31 December 2024



Effective asset allocation

Balanced Taxable investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	24.8	25.5	-0.7
International Equities	33.6	30.5	3.1
Private Markets	4.6	5.0	-0.4
Property	6.5	8.0	-1.5
Infrastructure	6.9	6.0	0.9
Alternatives	1.8	2.0	-0.2
Credit	5.1	6.0	-0.9
Fixed Interest	12.5	14.0	-1.5
Cash	4.2	3.0	1.2
Total	100.0	100.0	
Growth assets	74.7	72.0	2.7
Foreign Currency	20.6	21.0	-0.4
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	11.6	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total quoted.

¹² The investment objective for the Balanced Taxable investment option has changed through time. The investment objective was CPI + 4% prior to 31 December 2015, and CPI + 3.5% from 1 January 2016.

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.

Positioning is characterised as neutral growth. The team are comfortable to maintain a full weight to the International Equities asset class based on the expectation for continued US growth resilience. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

High Growth Taxable

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$1,203.1 million	31 March 2005	0.37%	0.40%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
High Growth	CPI + 4.5%	10+ years	High	4 to less than 6

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark, returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	6.8	12.1	4.8	7.2	7.7	8.3
Benchmark return**	7.3	13.7	6.7	8.0	8.2	8.6
Excess return	-0.5	-1.6	-1.9	-0.8	-0.5	-0.3

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

Absolute performance

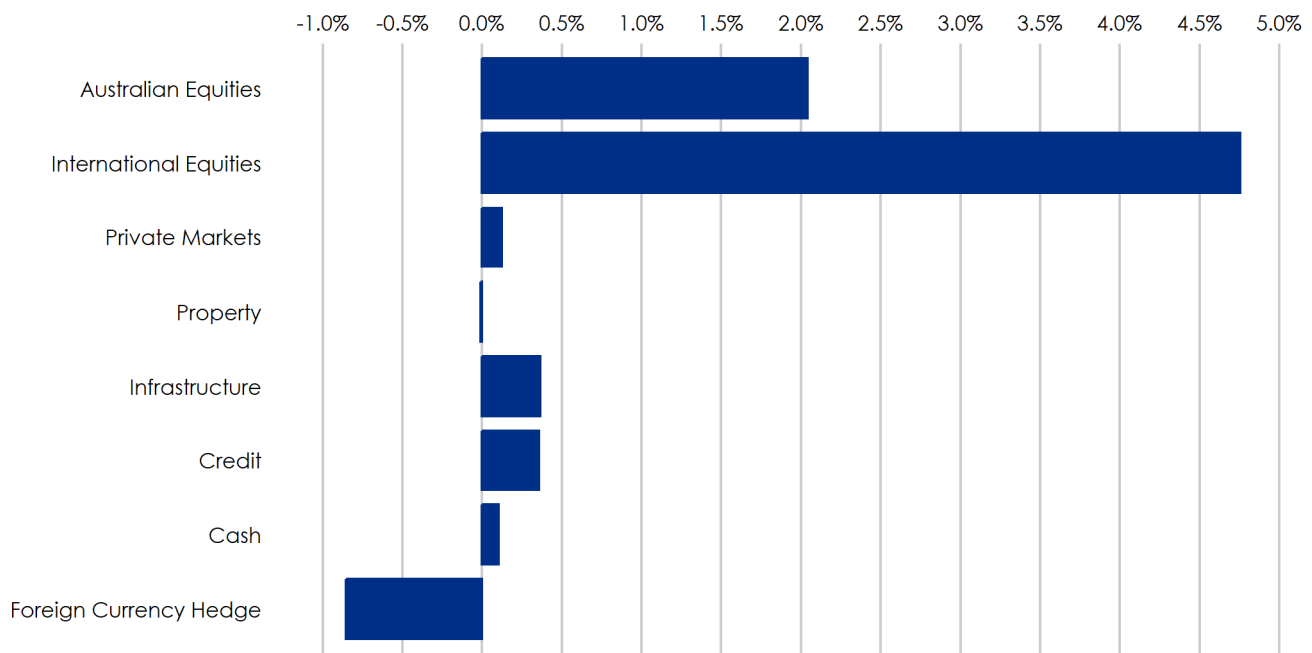
Positive performance for the past six months was driven by strong performance from the International and Australian Equities, and Credit asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets.

The Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

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Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

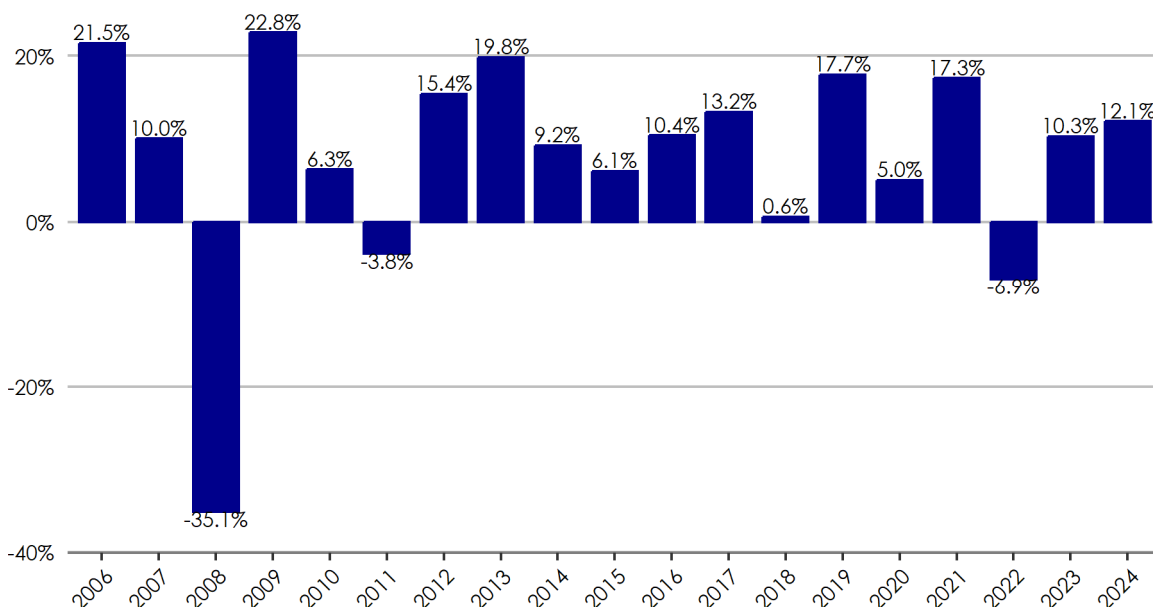
Benchmark relative performance

The investment option underperformed its benchmark.

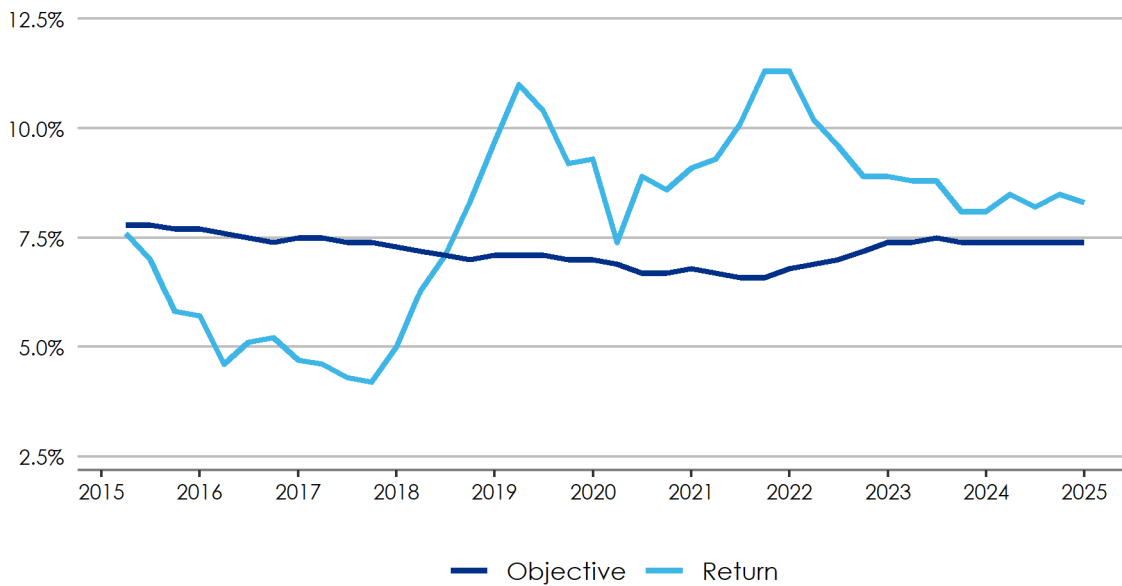
The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this was the combined underperformance from the International and Australian equities asset classes, which was largely attributable to negative stock selection. The Private Markets asset class lagged its cash-plus benchmark contributing to relative performance.

Investment option annual financial year returns

Returns net of fees and gross of tax to December 2024



Investment option performance relative to investment objective¹³
 10-year rolling returns, net of fees and gross of tax to 31 December 2024



Effective asset allocation

High Growth Taxable investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	30.2	31.0	-0.8
International Equities	40.2	37.5	2.7
Private Markets	6.2	6.5	-0.3
Property	9.0	11.0	-2.0
Infrastructure	5.9	5.0	0.9
Credit	7.0	7.0	0.0
Cash	1.4	2.0	-0.6
Total	100.0	100.0	
Growth assets	89.5	85.0	4.5
Foreign Currency	25.9	26.0	-0.1
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	12.6	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

¹³ The investment objective for the High Growth Taxable investment option has changed through time. The investment objective was CPI + 5% prior to 31 December 2015, and CPI + 4.5% from 1 January 2016.

Positioning is characterised as neutral growth. The team are comfortable to maintain a full weight to the International Equities asset class based on the expectation for continued US growth resilience. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Appendix 1

Asset class benchmarks



The following table details the asset class benchmarks as at 31 December 2024.

Funds SA asset class	Allocation	
	%	Index
Australian Equities and Australian Equities Passive Tax-Exempt and Taxable	100	S&P/ASX 300 Accumulation Index
International Equities and International Equities Passive Tax-Exempt and Taxable	100	Morgan Stanley Capital International (MSCI) All Countries World Index Ex-Australia net dividends, unhedged
Private Markets Tax-Exempt and Taxable	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Property Tax-Exempt and Taxable	100	MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index
Infrastructure Tax-Exempt and Taxable	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Alternatives		<u>Growth Alternatives</u>
	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
		<u>Defensive Alternatives</u>
Credit	100	Bloomberg AusBond Bank Bill Index plus 2% p.a.
	50	Bloomberg Global High Yield Corporate Bond Index (hedged to AUD)
	50	S&P UBS Global Leveraged Loan Index
Investment Grade Credit	100	Bloomberg Global Aggregate Corporate Index (hedged to AUD)
Inflation-Linked Securities Tax-Exempt and Taxable	100	Bloomberg AusBond Government Inflation Index 0-10 years
Long-Term Fixed Interest	50	Bloomberg AusBond Government 0+ Year Index
	50	Bloomberg Global Treasury Index (AUD Hedged)
Short-Term Fixed Interest	100	Bloomberg AusBond Credit Index 0+ years
Cash	100	Bloomberg AusBond Bank Bill Index
Foreign Currency Hedge	100	MSCI World ex-Australia FX Hedge Impact Index

Disclaimers



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Standard Risk Measure disclosures

The Standard Risk Measure is based on industry guidance that allow clients and members to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than a client or member may require to meet their objectives. Further, it also does not take into account the impact of fees or tax on the likelihood of a negative return. Clients and members should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s.

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Performance Report

Funds SA investment option

Lifetime Support Authority Strategy

For the six months ended 31 December 2024



EXECUTIVE SUMMARY

This is a legislated, semi-annual report and provides an update on important developments for the Corporation, and an overview of the performance for the Funds SA investment option for the six-month period ended 31 December 2024.

Corporate updates

- Appointment of Con Michalakakis as Chief Investment Officer, commencing in his new role on 3rd February 2025.
- Appointment of Guy Debelle and Melinda OLeary as Directors to the Funds SA Board.

Summary of market environment

- US equities, driven by 'big tech', led developed markets upward. Markets leveraged to the Chinese economy surged after the Chinese government announcements stimulus packages. European equities lagged.
- Global bond yields fluctuated. Early declines in 10-year yields due to falling inflation expectations were followed by increases due to strong US economic data and anticipated inflation under the new President-elect.
- The US dollar strengthened, and gold prices climbed.
- Credit markets thrived with tightening spreads, supported by a steepening yield curve. Short-term yields fell, while long-term yields rose.
- Geopolitical risks, including Middle East and Russia-Ukraine conflicts, influenced investment markets. Major elections in the UK, France, and the US led to new governments. Energy markets fell due to weaker oil prices.
- Australian property, particularly the Office sector, showed marginal weakness by December, signalling a slowdown in earlier declines and some positive trends.

Funds SA's investment option performance

- The Lifetime Support Authority Strategy (LSA Strategy) delivered 5.5% for the six-month period.
- Listed equities were the predominant contributor to performance, followed by Private Markets and Infrastructure asset classes.
- The foreign currency exposures within the investment option contributed positively to returns, although this was partially offset by the foreign currency hedging program.

Funds under management¹

- Funds SA's total funds under management increased over the six-month period, from \$44.1 billion (bn) as at 1 July 2024 to \$46.4bn as at 31 December 2024. This was the result of net investment earnings of \$2.5bn and net investor outflows of \$279 million.

Investment management costs

- The realised Indirect Cost Ratio (ICR) for the six-month period was at the bottom end of the target range. Additional detail relating to investment management costs can be found in Section 6.

¹ All funds under management (FUM) values provided are based on Redemption value (RED).

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1. Economic environment and financial markets

Listed equities

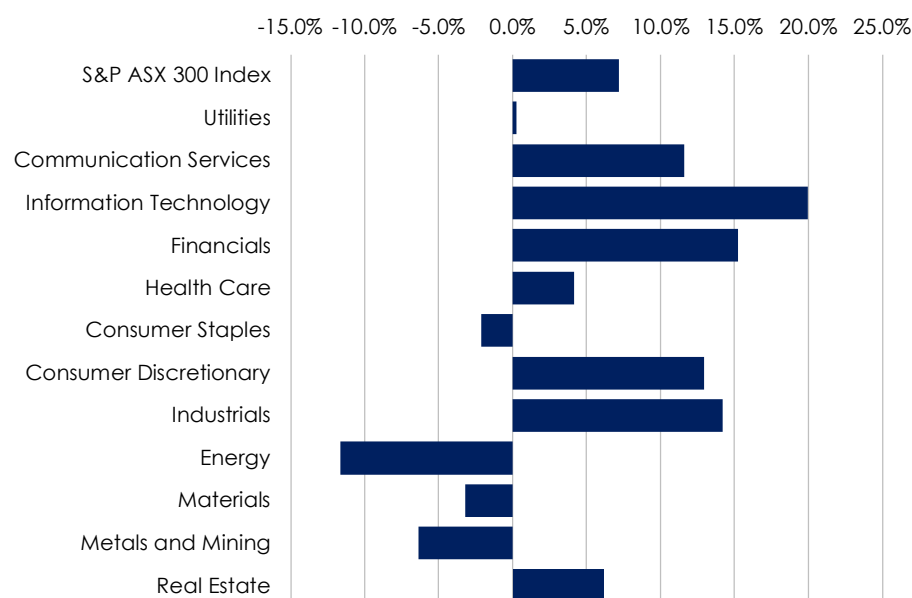
Developed market equities continued to move higher during the second half of the 2024 calendar year. The MSCI World index returned 6.1% for the 6-months to 31 December 2024. US equities once again led the global equity benchmarks, with the S&P 500 and NASDAQ indices increasing by 7.7% and 8.9%, respectively. Big tech and the Artificial Intelligence (AI) thematic were the dominant underlying drivers, with US semiconductor companies at the top of the list, along with the perennial performers including Apple Inc. and Tesla.

Developed Markets outperformed Emerging Markets by a considerable margin over the period and Growth continued its dominance over Value investment approaches. Global small cap companies performed largely in line with the major large cap indices following a significant period of underperformance in the prior period.

North Asian equities experienced a resurgence late in the calendar year, following multiple announcements from the Chinese government concerning economic stimulus packages. These measures were implemented to address the negative wealth effects resulting from property market declines in recent years. The China Shanghai Composite index was 12.9% higher, the Hang Seng 13.2% and Singapore's FTSE Straits Times 10.1%. Southeast Asian equities markets were hampered by a higher US dollar and only managed marginal gains. Japan's NIKKEI 225 index eked out a miserly 0.8% gain.

Australian equities performed strongly with the S&P/ASX 300 rising 5.3%. Information Technology, Financials, Industrials, and Consumer Discretionary contributed double-digit gains while Energy, Materials, and Metals and Mining detracted.

Chart 1: S&P/ASX 300 index and GICS* sector performance for 6-months to 31 December 2024



Source: S&P/ASX 300 index and MSCI, Funds SA.

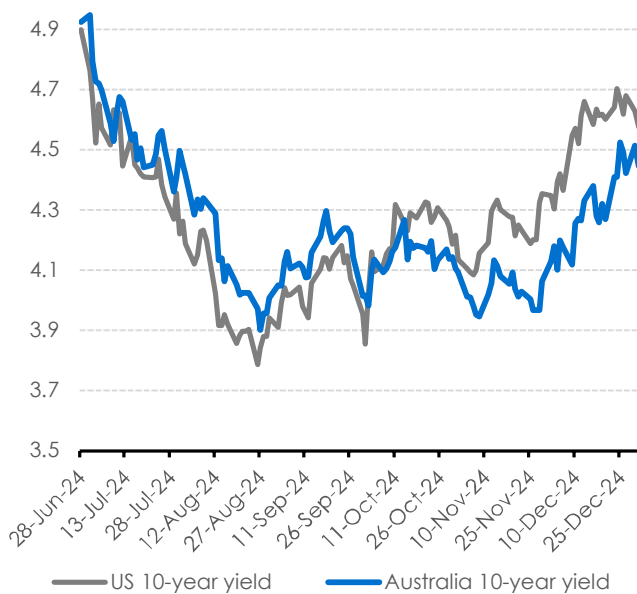
Notes: *GICS – Global Industry Classifications Standard

European equity indices were the poorest performers over the 6-month period. The MSCI Europe index declined 2.0% driven by weakness in France's CAC index and large falls across the Nordic markets. Two European Central Bank policy rate cuts over the period failed to halt the increasing divergence between European and US economic performance. The threat of Trump's trade tariffs also weighed on market sentiment.

Fixed income

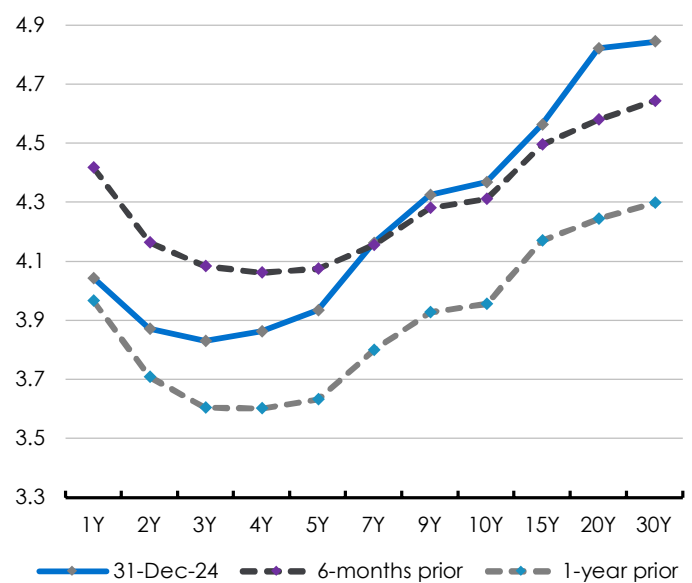
Government bonds were volatile. Investors anticipated that inflation outcomes would enable Central Banks to significantly reduce monetary policy, resulting in a flattening of the yield curve as Australian and US government 10-year bond yields decreased (prices increased). These gains diminished rapidly due to strong US economic data and investor concerns that the policy initiatives of both US presidential candidates might lead to inflation and a further decline in the US fiscal position. These fears were reflected in 10-year yields, moving significantly higher from 3.8% (26 August) to 4.6% (31 December). Australian 10-year government bond yields closely followed and moved from 3.9% to 4.4% over the same period. The Australian government bond universe still managed to post positive performance for the 6 months to 31 December as evidenced by the *Bloomberg AusBond Government Bond Index (0+Years)* 2.5% gain.

Chart 2: Australian and US 10-year bond yields



Source: FactSet, Funds SA

Chart 3: Australian government bond yield curve



Credit

Credit continued its first half strength into the second half of the 2024 calendar year, with the *Bloomberg Global High Yield Index* posting a 3.9% increase. The strength was driven by the declines in the nominal government bond yields in the 0 – 5-years maturities as yield curves steepened and the ongoing spread tightening (investors pay a price for credit securities typically based on a credit spread above a benchmark yield of same duration). Credit spreads were near all-time lows at the end of the period indicating investor appetite for credit risk.

Currency

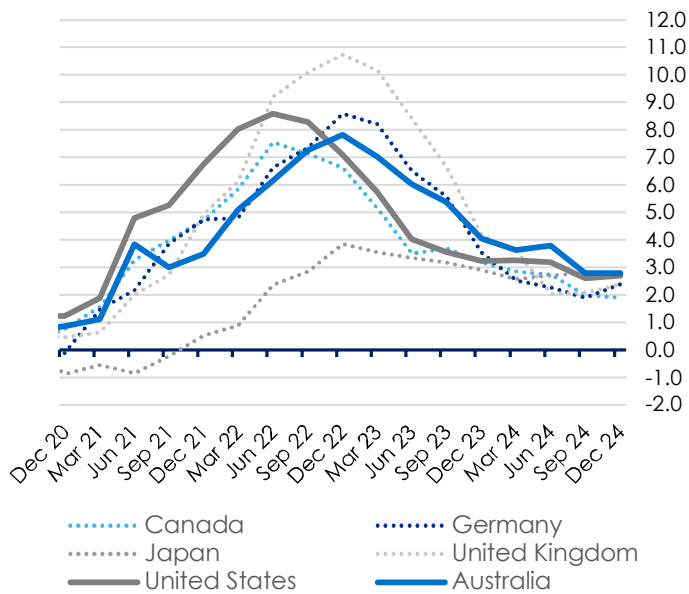
Driven predominantly by moves in the US yield curve, the US dollar rallied hard against most global currencies. The chart below illustrates the extreme price moves from 28 September through to 31 December where the Australian dollar fell -10.3%.

Chart 4: Australian dollar performance relative to the US dollar

Source: FactSet, Funds SA

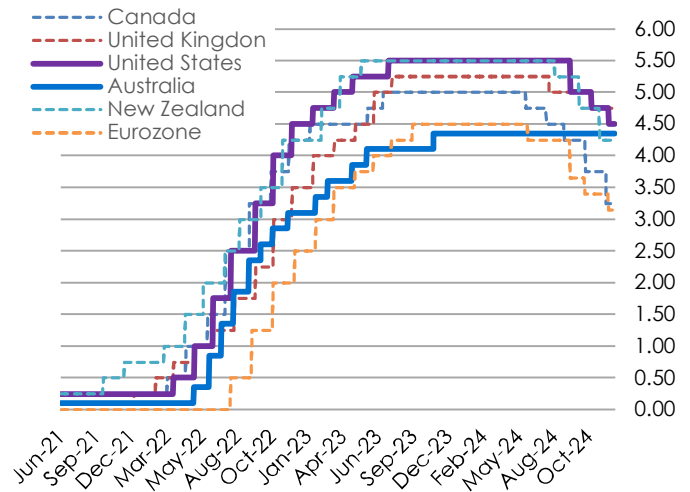
Inflation and monetary policy

The big inflation declines amongst the major developed countries occurred in the first half of the calendar year 2024 as shown in the chart below. Australia's most recent headline quarterly Consumer Price Index (CPI) release for the quarter ended 30 September 2024 was an annualised 2.8%. The Reserve Bank of Australia (RBA) manages to an inflation target that excludes any components with volatile prices and this measure of underlying inflation for the quarter was 3.5% and remains outside of the RBA's 2% - 3% target band making it challenging for the RBA's Board to deliver rate cuts despite market expectations.

Chart 5: Developed market inflation

Source: FactSet, Funds SA.

Note: Australian December quarter CPI release not available at the time of writing.

Chart 6: Central Bank target policy rates

2. Investment strategy

Funds SA's overarching investment objective is to achieve the highest possible return on invested capital while managing investment risks and liquidity.

The investment strategy of Funds SA investment options includes: an investment return objective, a risk objective (calculated in accordance with industry standards), asset allocation targets, and authorised investments. The asset classes are the building blocks for the investment options.

The pillars of Funds SA's investment philosophy are:

- Taking investment risk over the longer term gets rewarded.
- Asset allocation is the key driver of risk and return.
- Markets regularly exhibit inefficiencies that can be exploited.
- Diversification is the most effective way to manage investment risks.
- Integration of ESG considerations into investment decisions and undertaking stewardship activities supports long-term investment outcomes.
- Strong governance leads to better investment outcomes.

Over the past six months there have been various investments undertaken to execute on our long-term investment strategies.

Specific asset class activities

Private Markets

Our FUM size has enabled us to participate in co-investment opportunities that have attractive return and cost profiles, in sectors including education, insurance and data infrastructure.

Infrastructure

We continue to build this asset class and have increased participation in co-investments which have already added significant value to the investment options.

As an example: A recent co-investment, Cyan Renewables, which provides transportation services for offshore wind projects and other parts of the maritime economy.

Australian and International Equities

We have introduced more passive and benchmark aware investment strategies to the listed equities asset classes to reduce benchmark and peer relative risk. 12 months ago, this may have accounted for 10%, it is now more like 20-30% exposure. We still utilise active management and believe active management provides returns over time but aim to generate less risk from this active exposure.

Property

The Property asset class has endured a challenging valuation period, predominately driven by the Office sector. Having developed a partnership with alternative real-estate manager HMC Capital, we have participated in several investment opportunities such as Brandon Park and Kellyville shopping centres with a further two to settle in the first quarter of calendar year 2025.

Alternatives

Following a review of the Growth Alternatives sub-asset class, the strategy was changed from investing in individual hedge funds, to a fund-of-fund allocator model in July 2024. As part of this, the allocations to Bridgewater, Brandywine and GMO were terminated, with Man FRM and Blackstone appointed as replacements.

3. LSA Strategy investment performance

The LSA Strategy is constructed to be high growth with significant allocations in illiquid unlisted assets to harvest the return premium available over the longer term. This strategy reflects that Lifetime Support Scheme Fund is early in its life and is investing large cash flows each year relative to the size of its portfolio.

The primary return measure for the LSA Strategy is the investment objective of 6.25% p.a. over rolling 10-year periods. The past six-months have been strong and the LSA Strategy is ahead of the investment objective over most time periods.

Table 1: LSA Strategy returns, periods to 31 December 2024, returns net of fees

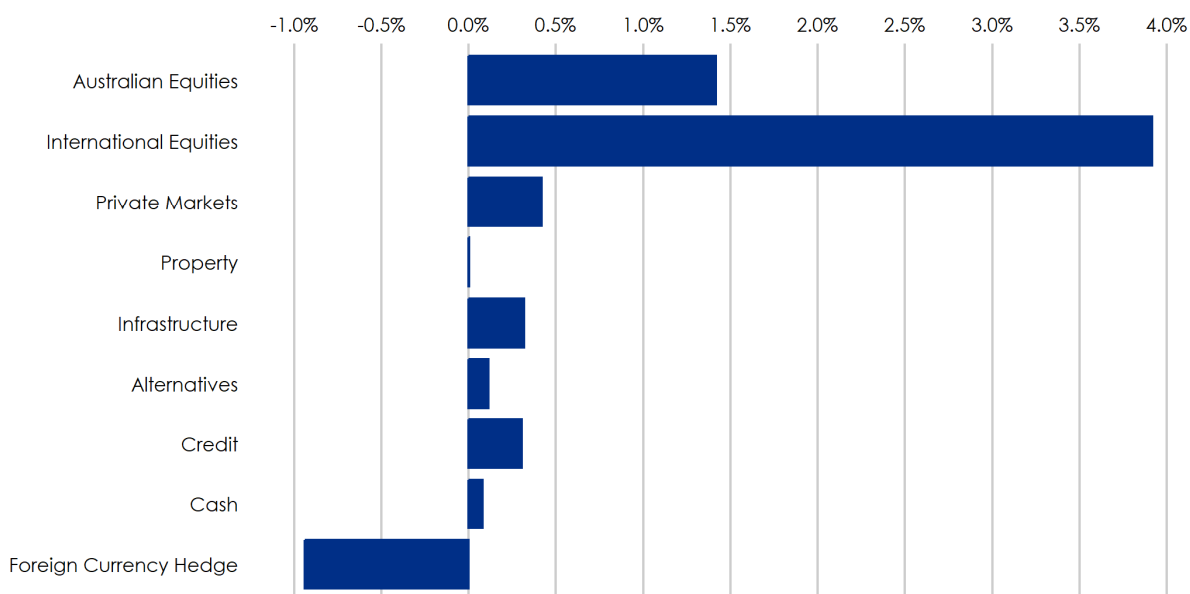
Description	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Since inception % p.a.
LSA nominal return	5.5	10.0	4.5	6.9	7.4	7.4
Investment objective	3.1	6.2	6.2	6.2	6.2	6.2
Excess return	2.4	3.8	-1.8	0.7	1.1	1.2

Note: The performance in the table above reflects the movement in the LSA Strategy from investing in the Funds SA Conservative Tax-Exempt investment option to the Moderate Tax-Exempt investment option to a customised strategy from 1 July 2017. The inception date for the LSA Strategy is 1 July 2014.

Positive performance for the past six months was driven by strong performance from the listed Equities, Private Markets and Infrastructure asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. The Private Market asset class saw upwards trends in valuations supported by stabilising public market comparable valuations and growing earnings. The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets. The foreign currency exposures within the investment options contributed positively to returns, although this was partially offset by the foreign currency hedging program

Charts 7: Performance contribution by asset class for the six months to 31 December 2024

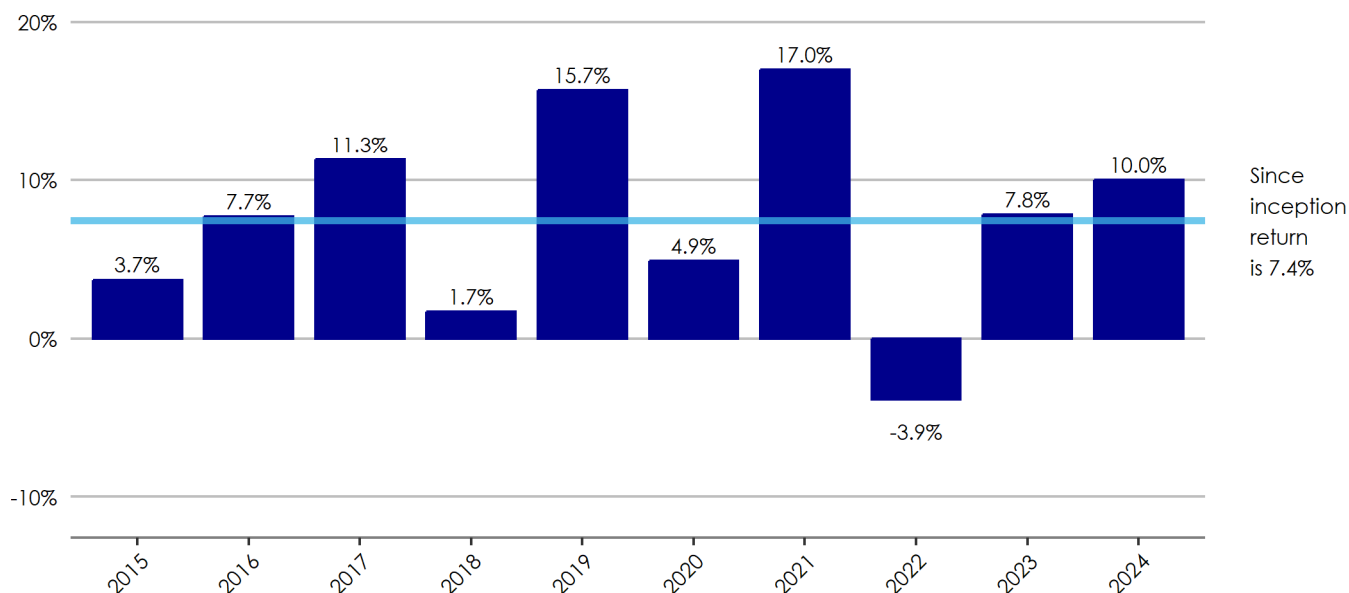


Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

Realised outcomes

Since inception, annual returns have exceeded the target return objective in most years, but short-term returns can be volatile.

Chart 8: LSA Strategy annual calendar year returns as at 31 December 2024, net of fees



Performance relative to benchmark

The LSA Strategy underperformed its LTSAA benchmark.

The Infrastructure asset class notably contributed to relative performance, significantly outperforming the cash-plus benchmark. Additionally, the underweight position in the Property asset class positively impacted relative performance.

Offsetting this was the combined underperformance from the International and Australian equities asset classes, which was largely attributable to negative stock selection. Private Markets and Alternatives also underperformed their cash-plus benchmarks.

Table 2: LSA Strategy returns vs. benchmark, periods to 31 December 2024, returns net of fees*

Description	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Since inception % p.a.
Portfolio return	5.5	10.0	4.5	6.9	7.4	7.4
Benchmark return**	6.0	11.2	5.9	7.2	7.5	7.4
Excess return	-0.5	-1.2	-1.4	-0.3	-0.1	0.0

*Due to rounding, the active returns shown may not exactly equal the difference between the fund and the benchmark returns. **

** The benchmark for each asset class is included in Appendix 1.

4. Asset allocation

The LSA Strategy invests in common asset classes according to the LTSAA as outlined in the 2024-25 Performance Plan.

Effective asset allocations were within the asset class ranges as at 31 December 2024.

- The overweight to Private Markets reflects the tilt put in place in September 2021.
- The Australian Equities and International Equities overweights reflect proxy positions for the Infrastructure underweight.
- The allocation to the Infrastructure asset class will be built over time as the asset class continues to purchase assets.
- The Cash underweight reflects recent funding of Infrastructure and Growth Alternatives exposures, and funding of foreign currency losses.

Table 3: Effective asset allocation as at 31 December 2024

Asset class	Effective %	Strategic %	Variance %
Australian Equities	22.1	20.0	2.1
International Equities	32.0	30.0	2.0
Private Markets	13.4	11.0	2.4
Property	12.2	12.0	0.2
Infrastructure	5.8	11.0	-5.2
Alternatives	7.9	8.0	-0.1
Credit	6.0	6.0	0.0
Cash	0.6	2.0	-1.4
Total	100.0	100.0	
Growth assets	87.0	80.0	7.0
Foreign Currency	18.5	19.0	-0.5
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	12.9	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

5. Asset class performance

Funds SA asset class performance

Funds SA has established a range of asset classes that are the building blocks for the investment options. Each investment option invests in common asset classes according to the Long-Term Strategic Asset Allocation (LTSAA), detailed in Section 4.

Asset class performance relative to benchmark was mixed over the six months

Funds SA measures the performance of each asset class against a specific benchmark. The benchmarks are the relevant market index or blend of indices for that asset class. Where no reasonable market index is available, the index is expressed as a margin over cash. The benchmark for each asset class is included in Appendix 1.

The benchmarks for the Private Markets, Infrastructure, and Alternatives asset classes have a significant cash-plus component; performance for these asset classes is best considered over the longer term to be consistent with the cash-plus benchmark. In times of market volatility there can be a short-term mismatch between asset valuations and the benchmark.

Australian Equities - Tax-Exempt

The asset class provided positive returns for the six-month period but underperformed the benchmark.

Positive relative contribution from strong security selection in the Health Care, Real Estate and Information Technology sectors. Relative benchmark underperformance was driven by being underweight Financials.

Table 4: Tax-Exempt asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities Tax-Exempt						
Portfolio return	6.5	10.3	5.8	8.1	8.4	8.5
Benchmark return	6.9	11.4	7.1	8.0	8.4	8.5
Excess return	-0.4	-1.1	-1.3	0.1	-0.1	-0.0

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

International Equities - Tax-Exempt

The asset class delivered very strong positive performance but underperformed the benchmark.

Over the period the asset class strategy was adjusted to reduce benchmark relative risk, with the aim to produce less volatile performance outcomes.

Positive stock selection in Emerging Market countries including Argentina, India and Taiwan added value, as did the US. Underweight exposure to Denmark and Japan also contributed positively. However, this was offset by underweight positions in several large-cap US technology stocks.

Table 5: Tax-Exempt asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
International Equities Tax-Exempt						
Portfolio return	13.3	26.2	7.6	11.4	11.2	11.5
Benchmark return	14.0	29.8	10.4	12.5	12.2	12.1
Excess return	-0.7	-3.6	-2.8	-1.1	-1.0	-0.6

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The returns for International Equities and its related benchmark were partially hedged prior to August 2023, from August 2023 returns are unhedged.

Private Markets - Tax-Exempt

The Private Markets asset classes produced positive returns but underperformed against the cash-plus benchmark. More recently there have been signs of upwards trends in valuations supported by stabilising public market valuations and growing earnings.

The Buyouts/Secondaries and Non-Core Infrastructure sub-asset classes were the largest positive contributors, with valuation increases in several key assets (including co-investments). The Venture Capital/Growth Equity segment also had valuation increases, driven by strong performance in underlying businesses. The Other Opportunities segment (consisting largely of US and European commercial real estate) detracted value as the outlook for these assets remained difficult.

New investment activity over the period included three new co-investments in sectors including education, insurance and data infrastructure. A small follow-on to an existing co-investment in the health care space was also completed, allowing the company to pursue an attractive growth opportunity.

Table 6: Tax-Exempt asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Private Markets Tax-Exempt*						
Portfolio return	3.2	7.4	5.5	9.9	10.0	10.7
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	-0.9	-1.0	-1.7	3.9	4.1	4.7

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

*The Private Markets asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of the Diversified Strategies Growth asset class excluding the Infrastructure assets held by Funds SA prior to 2021.

Property - Tax-Exempt

Whilst the pace of valuation declines in the Office sector have slowed, further declines were evident in the six months to December 2024. There are early indications of growth in retail with positive leasing spreads and tightening yields in certain parts of the sector and industrial continuing to benefit from low vacancy in key markets. Underperformance relative to the benchmark was primarily due to an overweight exposure to the Office sector.

During the period, the asset class exited its allocation to listed Australia Real Estate Investment Trusts (AREITs) and added to its retail exposure via HMC Capital with two further shopping centre acquisitions.

Table 7: Tax-Exempt asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Property Tax-Exempt						
Portfolio return	-0.3	-5.5	-3.3	-0.3	2.4	5.4
Benchmark return	-0.2	-6.4	-2.6	0.2	2.3	5.2
Excess return	-0.1	0.8	-0.8	-0.5	0.2	0.2

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Infrastructure - Tax-Exempt

The asset classes produced strong positive returns and significantly outperformed the cash-plus benchmark.

Favourable valuation changes across a number of assets, including airports and registry infrastructure drove returns. A recent co-investment, Cyan Renewables, also contributed positively as the underlying business grew. Cyan provides transportation services for offshore wind projects and other parts of the maritime economy.

Significant new investment activity occurred during the period. We added several large, single asset exposures including a data centre platform and several assets in the transportation sector.

As an example: In December 2024, Ardian (one of our investment managers) acquired a 22.6% stake in London Heathrow Airport, becoming Heathrow's largest shareholder. Funds SA participated in the acquisition by co-investing alongside global alternatives investment manager, Ardian.

As the international gateway to the UK, Heathrow is Europe's leading airport and the fourth busiest airport globally. Ardian is fully committed to facilitating growth while promoting the airport's transition to net-zero emissions.

Table 8: Tax-Exempt asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Infrastructure Tax-Exempt*						
Portfolio return	6.7	12.4	9.2	7.6	8.1	9.1
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	2.5	4.0	2.0	1.6	2.2	3.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

* The Infrastructure asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of Infrastructure assets held by Funds SA prior to 2021.

Alternatives

The Alternatives asset class is comprised of the Growth Alternatives and Defensive Alternatives sub-asset classes. The types of strategies used are absolute return strategies being liquid alternative investments that can take both long and short positions across a wide range of financial market instruments to generate returns.

Growth Alternatives

The strategy is designed as a liquid alternative to growth assets such as equities.

Following a review of this asset class strategy, the strategy was changed from investing in single name hedge funds to a fund-of-fund model in July 2024. As part of this, the allocations to Bridgewater, Brandywine and GMO were terminated, with Man FRM and Blackstone appointed as replacements.

The asset class delivered positive returns but underperformed the cash-plus benchmark due to an allocation to European equity long/short and global macro strategies.

Defensive Alternatives

This strategy is designed as a liquid alternative to defensive assets such as fixed interest.

The asset class provided negative returns and underperformed the cash-plus benchmark. The allocation to 'trend following' strategies detracted value due to long energy, long Japanese equities and short yen positions.

During the period, the allocation to the investment manager Ardea was terminated following a period of poor performance.

Table 9: Tax-Exempt asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Alternatives						
Growth Alternatives						
Portfolio return	2.1	5.2	3.0	n.a.	n.a.	n.a.
Benchmark return	4.1	8.5	7.2	n.a.	n.a.	n.a.
Excess return	-2.1	-3.3	-4.2	n.a.	n.a.	n.a.
Defensive Alternatives						
Portfolio return	-0.6	2.4	3.8	n.a.	n.a.	n.a.
Benchmark return	3.2	6.5	5.2	n.a.	n.a.	n.a.
Excess return	-3.8	-4.1	-1.4	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Credit

The asset class produced robust positive returns, in line with the benchmark.

Credit markets benefited from falling yields in the 0 – 5 years maturities and credit spreads sharply tightening, as markets priced a soft economic landing scenario. The overweight to Emerging Market Debt and underweight to loans added value due to the higher interest rate sensitivity.

During the period, Wellington was terminated as part of the allocation reduction to Emerging Markets Debt. Following the Credit Annual Review, the asset class benchmark was changed from 40/40/20 Global High Yield, Leveraged Loans, Emerging Markets Debt to 50% Bloomberg Global High Yield Corporate/50% Global Leveraged Loans, with Emerging Markets Debt becoming an off-benchmark allocation.

Table 10: Tax-Exempt asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Credit						
Portfolio return	4.9	8.8	2.8	n.a.	n.a.	n.a.
Benchmark return	4.9	8.1	2.8	n.a.	n.a.	n.a.
Excess return	-0.0	0.6	0.1	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Cash

The asset class outperformed the benchmark. Money market yields fell over the period, as the market shifted from pricing in the possibility of a rate hike, to pricing that the RBA would begin their cutting cycle. However, with a resilient labour market and inflation still above its target, there is uncertainty around the expectation for the timing of the first cut.

Table 11: Tax-Exempt asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.4	4.7	3.3	2.1	2.0	2.1
Benchmark return	2.2	4.5	3.2	2.0	1.9	1.9
Excess return	0.1	0.3	0.2	0.1	0.1	0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

6. Investment management costs

The Performance Plan includes a targeted cost range for the investment option. Funds SA's investment management costs are presented as a percentage of average funds under management and referred to as an Indirect Cost Ratio (ICR).

The primary objective is to achieve the investment option's investment objectives over the long-term, net of all fees and costs. Managing costs is an important element of this objective, however, it does not drive the investment strategy and should not be looked at in isolation.

ICR for the 2024-25 financial year-to-date

Funds SA's realised and target fee for the six-month period are detailed in the table below.

The ICR achieved was at the bottom end of the target range. The ICR target range allows for some flexibility as some components within the ICR are beyond the direct control of Funds SA, namely performance fees and transaction costs.

The option also has a specific realised and target ICR, with the variance shown in the 'Difference' column. The annual target range is included for reference.

Factors contributing to ICR outcomes

- Some asset classes had higher than forecast transaction costs. This was most notable in the Property asset class with acquisitions made by managers over the period typically attract higher transactions costs (e.g. stamp duty) relative to other asset classes.
- This was offset by lower-than-expected performance fees, interposed cost and transaction costs within the Private Markets, Alternatives and Infrastructure asset classes.

Table 12: LSA Strategy, realised and target ICR for the 6-month period*

Investment option	6-month Base fees %	6-month Performance fees %	6-month Transaction costs %	6-month Realised %	6-month Target %	Difference %	Annual target range %
LSA Strategy	0.33	0.12	0.06	0.51	0.55	-0.04	1.10 – 1.15

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses. Transaction costs include: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Table 13: LSA Strategy, realised and target ICR for the for the 6-month period *

Performance fee is 1-year, not a 5-year averaged number.

Investment option	6-month Base fees %	6-month Performance fees %	6-month Transaction costs %	6-month Realised %	6-month Target %	Difference %	Annual target range %
LSA Strategy	0.33	0.10	0.06	0.48	0.55	-0.07	1.10 – 1.15

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses. Transaction costs include: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Appendix 1

Asset class benchmarks



The following table details the asset class benchmarks as at 31 December 2024.

Funds SA asset class	Allocation	
	%	Index
Australian Equities Tax-Exempt	100	S&P/ASX 300 Accumulation Index
International Equities - Tax-Exempt	100	Morgan Stanley Capital International (MSCI) All Countries World Index Ex-Australia net dividends reinvested in AUD and unhedged
Private Markets Tax-Exempt	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Property Tax-Exempt	100	MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index
Infrastructure Tax-Exempt	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Alternatives		<u>Growth Alternatives</u>
	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
		<u>Defensive Alternatives:</u>
	100	Bloomberg AusBond Bank Bill Index plus 2% p.a.
Credit	50	Bloomberg Global High Yield Corporate Bond Index (hedged to AUD)
	50	S&P UBS Global Leveraged Loan Index
Cash	100	Bloomberg AusBond Bank Bill Index
Foreign Currency Hedge	100	MSCI World ex-Australia FX Hedge Impact Index

Disclaimers



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Performance Report

Funds SA investment options

SAFA Insurance Investments

For the six months ended 31 December 2024



EXECUTIVE SUMMARY

This is a legislated, semi-annual report and provides an update on important developments for the Corporation, and an overview of the performance for the Funds SA investment options for the six-month period ended 31 December 2024.

Corporate updates

- Appointment of Con Michalakakis as Chief Investment Officer, commencing in his new role on 3rd February 2025.
- Appointment of Guy Debelle and Melinda OLeary as Directors to the Funds SA Board.

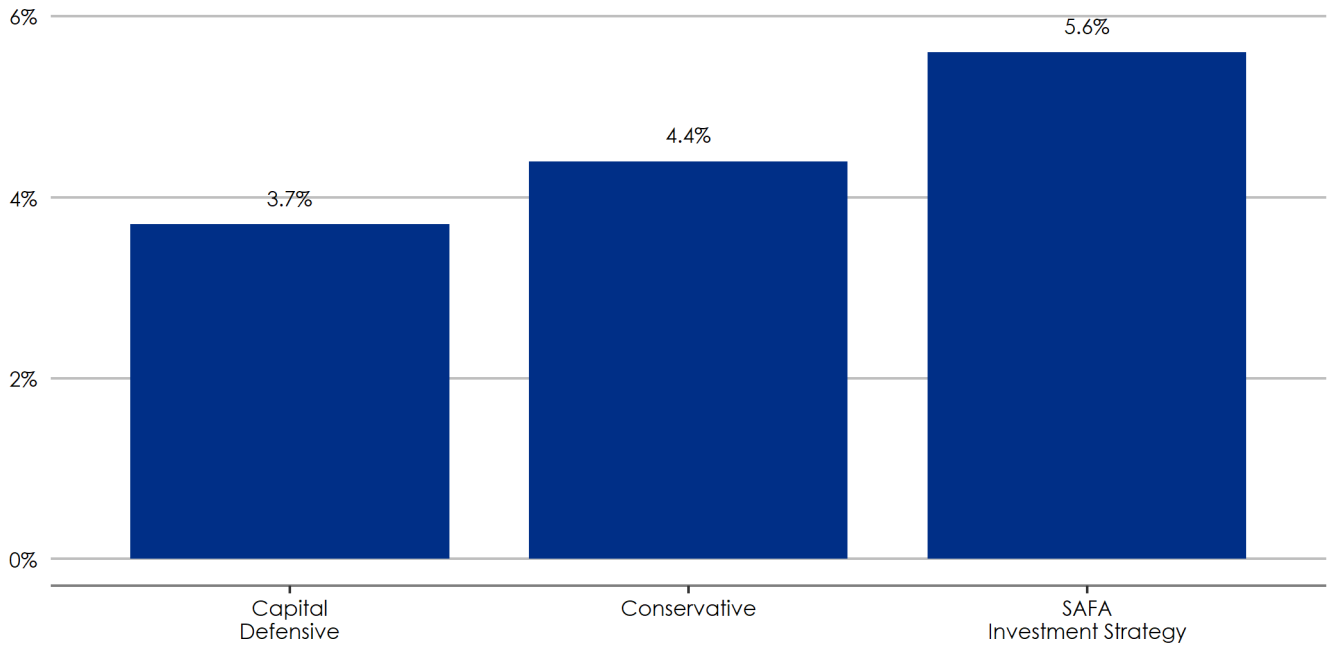
Summary of market environment

- US equities, driven by 'big tech', led developed markets upward. Markets leveraged to the Chinese economy surged after the Chinese government announcements stimulus packages. European equities lagged.
- Global bond yields fluctuated. Early declines in 10-year yields due to falling inflation expectations were followed by increases due to strong US economic data and anticipated inflation under the new President-elect.
- The US dollar strengthened, and gold prices climbed.
- Credit markets thrived with tightening spreads, supported by a steepening yield curve. Short-term yields fell, while long-term yields rose.
- Geopolitical risks, including Middle East and Russia-Ukraine conflicts, influenced investment markets. Major elections in the UK, France, and the US led to new governments. Energy markets fell due to weaker oil prices.
- Australian property, particularly the Office sector, showed marginal weakness by December, signalling a slowdown in earlier declines and some positive trends.

Funds SA's investment option performance

- The SAFA Investment Strategy (SAFA Strategy) transitioned from a growth orientated investment strategy to a conservative investment strategy effective 23 December 2024. This report measures the SAFA Investment Strategy against the growth orientated investment strategy, as this is the way the option was invested for most of the reporting period.
- All investment options delivered positive returns for the six months to 31 December 2024. Returns ranged from 3.7% for the Capital Defensive Tax-Exempt investment option to 5.6% for the SAFA Strategy.
- For Conservative and the SAFA Strategy, the predominant driver of performance was the International Equities asset class.
- For the Capital Defensive investment option, Fixed Interest (and in particular the Short-Term Fixed Interest asset class) was the strongest contributor to performance.
- All investment options outperformed their respective investment objectives, except for the Conservative option. This is discussed in further detail in Section 1 (page 11).
- The foreign currency exposures within the investment options contributed positively to returns, although this was partially offset by the foreign currency hedging program.

Chart 1: Tax-Exempt investment option returns for the six months ended 31 December 2024, returns net of fees and gross of tax



Funds under management¹

- Funds SA's total funds under management increased over the six-month period, from \$44.1 billion (bn) as at 1 July 2024 to \$46.4bn as at 31 December 2024. This was the result of net investment earnings of \$2.5bn and investor outflow of \$279 million.

Investment management costs

- The realised Indirect Cost Ratios (ICRs) for all diversified investment options were at the bottom end of their target ranges.
- The SAFA Strategy's ICR was 0.41%, which is below the target of 0.45% for the six-month period.
- Additional detail relating to investment management costs can be found in the Investment Management Costs section.

¹ All funds under management (FUM) values provided are based on Redemption value (RED).

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Section 1

Half-Yearly Performance Report



Economic environment and financial markets

Listed equities

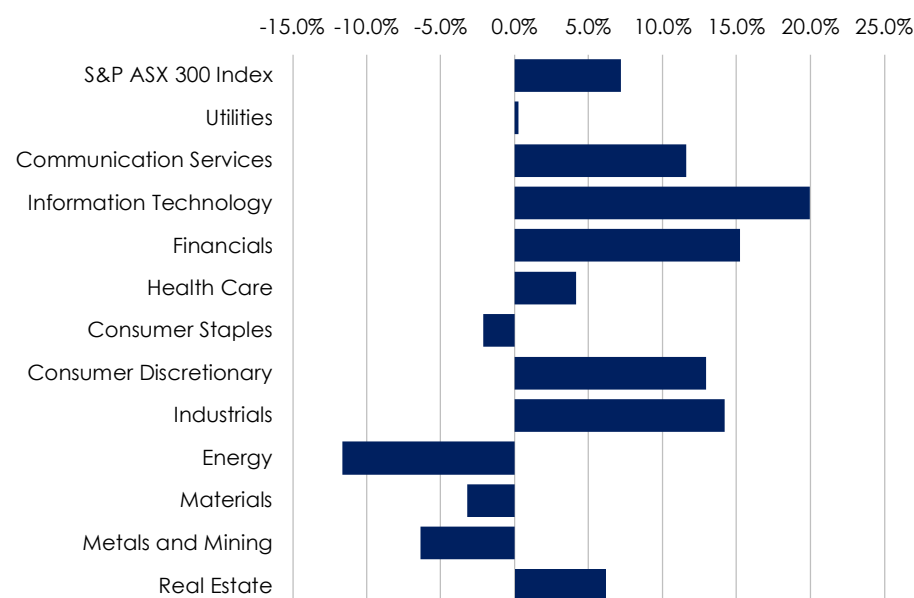
Developed market equities continued to move higher during the second half of the 2024 calendar year. The MSCI World index returned 6.1% for the 6-months to 31 December 2024. US equities once again led the global equity benchmarks, with the S&P 500 and NASDAQ indices increasing by 7.7% and 8.9%, respectively. Big tech and the Artificial Intelligence (AI) thematic were the dominant underlying drivers, with US semiconductor companies at the top of the list, along with the perennial performers including Apple Inc. and Tesla.

Developed Markets outperformed Emerging Markets by a considerable margin over the period and Growth continued its dominance over Value investment approaches. Global small cap companies performed largely in line with the major large cap indices following a significant period of underperformance in the prior period.

North Asian equities experienced a resurgence late in the calendar year, following multiple announcements from the Chinese government concerning economic stimulus packages. These measures were implemented to address the negative wealth effects resulting from property market declines in recent years. The China Shanghai Composite index was 12.9% higher, the Hang Seng 13.2% and Singapore's FTSE Straits Times 10.1%. Southeast Asian equities markets were hampered by a higher US dollar and only managed marginal gains. Japan's NIKKEI 225 index eked out a miserly 0.8% gain.

Australian equities performed strongly with the S&P/ASX 300 rising 5.3%. Information Technology, Financials, Industrials, and Consumer Discretionary contributed double-digit gains while Energy, Materials, and Metals and Mining detracted.

Chart 2: S&P/ASX 300 index and GICS* sector performance for 6-months to 31 December 2024



Source: S&P/ASX 300 index and MSCI, Funds SA.

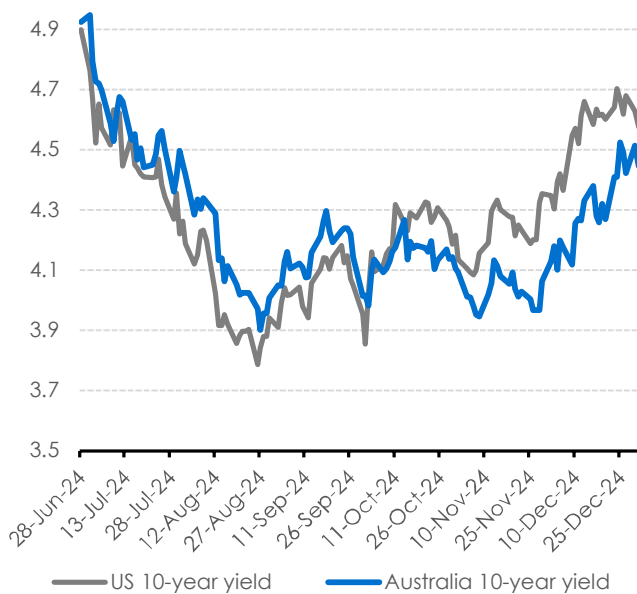
Notes: *GICS – Global Industry Classifications Standard

European equity indices were the poorest performers over the 6-month period. The MSCI Europe index declined 2.0% driven by weakness in France's CAC index and large falls across the Nordic markets. Two European Central Bank policy rate cuts over the period failed to halt the increasing divergence between European and US economic performance. The threat of Trump's trade tariffs also weighed on market sentiment.

Fixed income

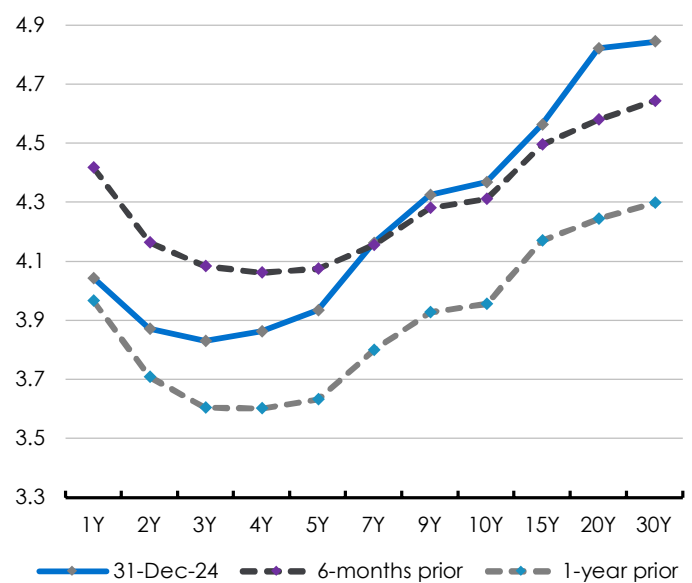
Government bonds were volatile. Investors anticipated that inflation outcomes would enable Central Banks to significantly reduce monetary policy, resulting in a flattening of the yield curve as Australian and US government 10-year bond yields decreased (prices increased). These gains diminished rapidly due to strong US economic data and investor concerns that the policy initiatives of both US presidential candidates might lead to inflation and a further decline in the US fiscal position. These fears were reflected in 10-year yields, moving significantly higher from 3.8% (26 August) to 4.6% (31 December). Australian 10-year government bond yields closely followed and moved from 3.9% to 4.4% over the same period. The Australian government bond universe still managed to post positive performance for the 6 months to 31 December as evidenced by the *Bloomberg AusBond Government Bond Index (0+Years)* 2.5% gain.

Chart 3: Australian and US 10-year bond yields



Source: FactSet, Funds SA

Chart 4: Australian government bond yield curve



Credit

Credit continued its first half strength into the second half of the 2024 calendar year, with the *Bloomberg Global High Yield Index* posting a 3.9% increase. The strength was driven by the declines in the nominal government bond yields in the 0 – 5-years maturities as yield curves steepened and the ongoing spread tightening (investors pay a price for credit securities typically based on a credit spread above a benchmark yield of same duration). Credit spreads were near all-time lows at the end of the period indicating investor appetite for credit risk.

Currency

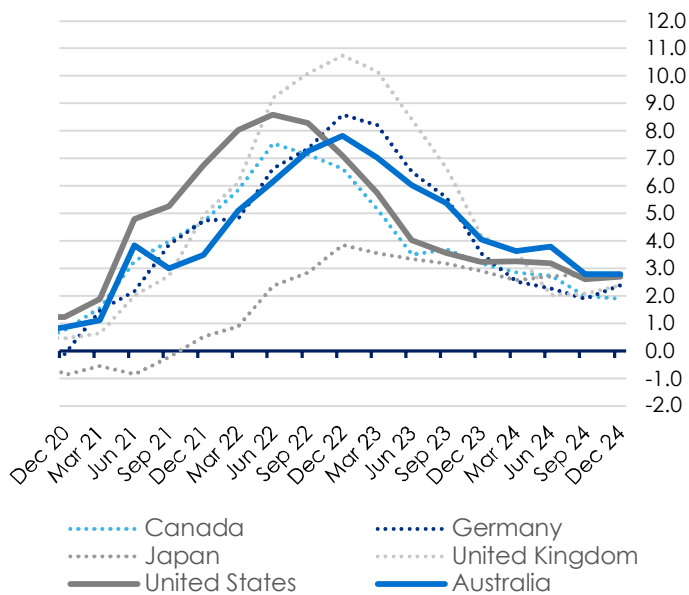
Driven predominantly by moves in the US yield curve, the US dollar rallied hard against most global currencies. The chart below illustrates the extreme price moves from 28 September through to 31 December where the Australian dollar fell -10.3%.

Chart 5: Australian dollar performance relative to the US dollar

Source: FactSet, Funds SA

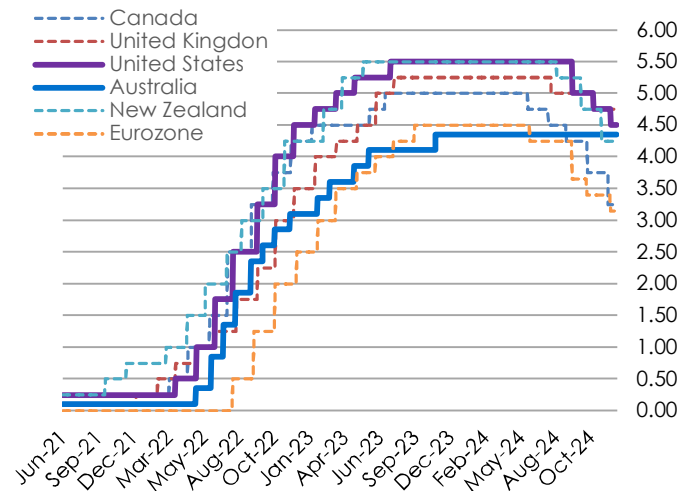
Inflation and monetary policy

The big inflation declines amongst the major developed countries occurred in the first half of the calendar year 2024 as shown in the chart below. Australia's most recent headline quarterly Consumer Price Index (CPI) release for the quarter ended 30 September 2024 was an annualised 2.8%. The Reserve Bank of Australia (RBA) manages to an inflation target that excludes any components with volatile prices and this measure of underlying inflation for the quarter was 3.5% and remains outside of the RBA's 2% - 3% target band making it challenging for the RBA's Board to deliver rate cuts despite market expectations.

Chart 6: Developed market inflation

Source: FactSet, Funds SA

Note: Australian December quarter CPI release not available at the time of writing.

Chart 7: Central Bank target policy rates

Investment Strategy

Funds SA's overarching investment objective is to achieve the highest possible return on invested capital while managing investment risks and liquidity.

The investment strategy of Funds SA investment options includes: an investment return objective, a risk objective (calculated in accordance with industry standards), asset allocation targets, and authorised investments. The asset classes are the building blocks for the investment options.

The pillars of Funds SA's investment philosophy are:

- Taking investment risk over the longer term gets rewarded.
- Asset allocation is the key driver of risk and return.
- Markets regularly exhibit inefficiencies that can be exploited.
- Diversification is the most effective way to manage investment risks.
- Integration of ESG considerations into investment decisions and undertaking stewardship activities supports long-term investment outcomes.
- Strong governance leads to better investment outcomes.

Over the past six months there have been various investments undertaken to execute on our long-term investment strategies, and a range of steps taken to improve performance, specifically relative to superannuation peers.

Specific asset class activities

Private Markets

Our FUM size has enabled us to participate in co-investment opportunities that have attractive return and cost profiles, in sectors including education, insurance and data infrastructure.

Infrastructure

We continue to build this asset class and have increased participation in co-investments which have already added significant value to the investment options.

As an example: A recent co-investment, Cyan Renewables, which provides transportation services for offshore wind projects and other parts of the maritime economy.

Australian and International Equities

We have introduced more passive and benchmark aware investment strategies to the listed equities asset classes to reduce benchmark and peer relative risk. 12 months ago, this may have accounted for 10%, it is now more like 20-30% exposure. We still utilise active management and believe active management provides returns over time but aim to generate less risk from this active exposure.

Property

The Property asset class has endured a challenging valuation period, predominately driven by the Office sector. Having developed a partnership with alternative real-estate manager HMC Capital, we have participated in several investment opportunities such as Brandon Park and Kellyville shopping centres with a further two to settle in the first quarter of calendar year 2025.

Fixed Interest

We've increased the use of active management tools as the volatility of the asset class has increased, such as taking advantage of sharp, short-term movements in the yield curve.

Alternatives

Following a review of the Growth Alternatives sub-asset class, the strategy was changed from investing in individual hedge funds, to a fund-of-fund allocator model in July 2024. As part of this, the allocations to Bridgewater, Brandywine and GMO were terminated, with Man FRM and Blackstone appointed as replacements.

Process improvements

- We have increased the use of active management within the investment options, with the expectation of generating additional, incremental returns that assist in generating stronger performance.
- Recalibration of the risk appetite and target required to achieve the performance objectives.
- Improved systems and added additional asset allocation service providers to enhance our data and information.
- Engaged experienced senior investment professionals with extensive experience to the team.
- We continue to have significant interaction with our asset consultants and peers which provides invaluable insights to investment strategies and activities across the industry. This provides a qualitative view to the quantitative information we use as inputs and helps us size positioning appropriately.

The aim of some of the activities noted above is to broaden the return drivers across the investment options. We believe active management and diversification can add value and expect performance improvement to be incremental over time.

Moving into 2025, Funds SA remains constructive on global growth and expects that US growth will continue to be resilient. Portfolio exposures to growth assets are neutral relative to their respective SAA's across the investment options. There is a modest overweight exposure to the listed equity asset classes based on the view that China stimulus will provide a positive backdrop for Australian Equities asset and resilient US growth will support the International Equities asset class.

After a challenging period, the Investment Team is actively investing and looking for investment opportunities in the broader property market. Across the Fixed Interest asset classes, the active positioning is neutral. However, for Credit, tightness in corporate bond spreads have given reason to move to a small underweight exposure.

Investment option performance

Investment options with higher allocations to listed growth assets benefited from the strong International and Australian Equities asset class returns.

The Capital Defensive and Conservative investment options also benefited from positive returns from Fixed Interest due to higher allocations. Infrastructure was also a large contributor to the returns for these options. The foreign currency exposures within the investment options contributed positively to returns, although this was partially offset by the foreign currency hedging program.

Most diversified investment options marginally underperformed their benchmarks for the six-month period. The major drivers were the relative performance of the International Equities, Private Markets, and Alternatives asset classes.

Absolute and relative performance is discussed in more detail in Section 2.

Table 1: Tax-Exempt investment options relating to SAFA, investment returns for periods to 31 December 2024, returns net of fees and gross of tax*

Investment option	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.	20 years % p.a.
Capital Defensive	3.7	5.8	1.9	2.4	3.1	3.6	4.9	5.0
Conservative	4.4	7.3	2.6	3.5	4.3	4.7	5.9	5.7
SAFA Investment Strategy	5.6	9.9	4.0	6.2	6.8	7.5	8.2	n.a.

* The inception of the SAFA Investment Strategy was 1 July 2019, the prior history relates to the Funds SA Growth Tax-Exempt investment option.

Performance relative to investment objective

The primary return measure for each investment option is the investment objective as defined in the Performance Plan. The objectives include:

- a target return expressed as a margin over inflation;
- a time horizon over which there is a reasonable likelihood of achieving the target return; and,
- a risk dimension expressed as the possible frequency of a negative annual return in any 20-year period.

The following table shows the return earned by each investment option against the respective investment objective, expressed over the relevant time horizon.

Table 2: Investment objectives vs investment option returns, for periods ending 31 December 2024, returns net of fees and gross of tax*

Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.	Estimated number of negative annual returns over any 20-year period
Capital Defensive	2+ years	(CPI + 0.5%) = 3.9	6.0	0.5 to less than 1
Conservative	4+ years	(CPI + 1.5%) = 6.1	3.4	2 to less than 3
SAFA Investment	8+ years	(CPI + 4.0%) = 7.1	7.5	3 to less than 4

*Investment objective and investment option performance are expressed over the stated investment horizon for each investment option. Note where elements of the investment objectives have changed over time, the investment objective series reflects a combination of the former and current objectives. See the "disclaimers" section for more information about the Standard Risk Measure.

- The Conservative option is behind its investment objectives, there were two significant factors contributing to this outcome:
 1. High Consumer Price Index (CPI) in 2022 and 2023, increased the investment objective, particularly for those with shorter investment horizons. In table 2, the Conservative option reflects a CPI component of 4.6% This is the actual CPI over the time horizon for the investment option and was an unusual anomaly induced by supply shortages coming out of the COVID pandemic period. Having a higher CPI component makes it challenging to meet the return objective without increasing the investment risk.
 2. The negative performance during 2022 continues to have an impact as the return rolls through time. The table below shows the annual 1-year performance for the Conservative option over the investment horizon of 4-years.

Table 3: Annual 1-year performance as at 31 December, returns net of fees and gross of tax

Year	Conservative Tax-Exempt
2024	7.3
2023	7.6
2022	-6.5
2021	5.7

Asset class performance

Funds SA asset class performance

Funds SA has established a range of asset classes that are the building blocks for the investment options. Each investment option invests in common asset classes according to the Long-Term Strategic Asset Allocation (LTSA), detailed in Section 2.

Asset class performance relative to benchmark was mixed over the six months

Funds SA measures the performance of each asset class against a specific benchmark. The benchmarks are the relevant market index or blend of indices for that asset class. Where no reasonable market index is available, the index is expressed as a margin over cash. The benchmark for each asset class is included in Appendix 1.

The benchmarks for the Private Markets, Infrastructure, and Alternatives asset classes have a significant cash-plus component; performance for these asset classes is best considered over the longer term to be consistent with the cash-plus benchmark. In times of market volatility there can be a short-term mismatch between asset valuations and the benchmark.

Australian Equities - Tax-Exempt

The asset class provided positive returns for the six-month period but underperformed the benchmark.

Positive relative contribution from strong security selection in the Health Care, Real Estate and Information Technology sectors. Relative benchmark underperformance was driven by being underweight Financials.

Table 4: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities Tax-Exempt						
Portfolio return	6.5	10.3	5.8	8.1	8.4	8.5
Benchmark return	6.9	11.4	7.1	8.0	8.4	8.5
Excess return	-0.4	-1.1	-1.3	0.1	-0.1	-0.0

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

International Equities - Tax-Exempt

The asset class delivered very strong positive performance but underperformed the benchmark.

Over the period the asset class strategy was adjusted to reduce benchmark relative risk, with the aim to produce less volatile performance outcomes.

Positive stock selection in Emerging Market countries including Argentina, India and Taiwan added value, as did the US. Underweight exposure to Denmark and Japan also contributed positively. However, this was offset by underweight positions in several large-cap US technology stocks.

Table 5: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
International Equities Tax-Exempt						
Portfolio return	13.3	26.2	7.6	11.4	11.2	11.5
Benchmark return	14.0	29.8	10.4	12.5	12.2	12.1
Excess return	-0.7	-3.6	-2.8	-1.1	-1.0	-0.6

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The returns for International Equities and the benchmarks were partially hedged prior to August 2023, from August 2023 returns are unhedged.

Private Markets - Tax-Exempt

The Private Markets asset classes produced positive returns but underperformed against the cash-plus benchmark. More recently there have been signs of upwards trends in valuations supported by stabilising public market valuations and growing earnings.

The Buyouts/Secondaries and Non-Core Infrastructure sub-asset classes were the largest positive contributors, with valuation increases in several key assets (including co-investments). The Venture Capital/Growth Equity segment also had valuation increases, driven by strong performance in underlying businesses. The Other Opportunities segment (consisting largely of US and European commercial real estate) detracted value as the outlook for these assets remained difficult.

New investment activity over the period included three new co-investments in sectors including education, insurance and data infrastructure. A small follow-on to an existing co-investment in the health care space was also completed, allowing the company to pursue an attractive growth opportunity.

Table 6: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Private Markets Tax-Exempt*						
Portfolio return	3.2	7.4	5.5	9.9	10.0	10.7
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	-0.9	-1.0	-1.7	3.9	4.1	4.7

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

* The Private Markets asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of the Diversified Strategies Growth asset class excluding the Infrastructure assets held by Funds SA prior to 2021.

Property - Tax-Exempt

Whilst the pace of valuation declines in the Office sector have slowed, further declines were evident in the six months to December 2024. There are early indications of growth in retail with positive leasing spreads and tightening yields in certain parts of the sector and industrial continuing to benefit from low vacancy in key markets. Underperformance relative to the benchmark was primarily due to an overweight exposure to the Office sector.

During the period, the asset class exited its allocation to listed Australia Real Estate Investment Trusts (AREITs) and added to its retail exposure via HMC Capital with two further shopping centre acquisitions.

Table 7: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Property Tax-Exempt						
Portfolio return	-0.3	-5.5	-3.3	-0.3	2.4	5.4
Benchmark return	-0.2	-6.4	-2.6	0.2	2.3	5.2
Excess return	-0.1	0.8	-0.8	-0.5	0.2	0.2

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Infrastructure - Tax-Exempt

The asset classes produced strong positive returns and significantly outperformed the cash-plus benchmark.

Favourable valuation changes across a number of assets, including airports and registry infrastructure drove returns. A recent co-investment, Cyan Renewables, also contributed positively as the underlying business grew. Cyan provides transportation services for offshore wind projects and other parts of the maritime economy.

Significant new investment activity occurred during the period. We added several large, single asset exposures including a data centre platform and several assets in the transportation sector.

As an example: In December 2024, Ardian (one of our investment managers) acquired a 22.6% stake in London Heathrow Airport, becoming Heathrow's largest shareholder. Funds SA participated in the acquisition by co-investing alongside global alternatives investment manager, Ardian.

As the international gateway to the UK, Heathrow is Europe's leading airport and the fourth busiest airport globally. Ardian is fully committed to facilitating growth while promoting the airport's transition to net-zero emissions.

Table 8: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Infrastructure Tax-Exempt*						
Portfolio return	6.7	12.4	9.2	7.6	8.1	9.1
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	2.5	4.0	2.0	1.6	2.2	3.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

* The Infrastructure asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of Infrastructure assets held by Funds SA prior to 2021.

Alternatives

The Alternatives asset class is comprised of the Growth Alternatives and Defensive Alternatives sub-asset classes. The types of strategies used are absolute return strategies being liquid alternative investments that can take both long and short positions across a wide range of financial market instruments to generate returns.

Growth Alternatives

The strategy is designed as a liquid alternative to growth assets such as equities.

Following a review of this asset class strategy, the strategy was changed from investing in single name hedge funds to a fund-of-fund model in July 2024. As part of this, the allocations to Bridgewater, Brandywine and GMO were terminated, with Man FRM and Blackstone appointed as replacements.

The asset class delivered positive returns but underperformed the cash-plus benchmark due to an allocation to European equity long/short and global macro strategies.

Defensive Alternatives

This strategy is designed as a liquid alternative to defensive assets such as fixed interest.

The asset class provided negative returns and underperformed the cash-plus benchmark. The allocation to 'trend following' strategies detracted value due to long energy, long Japanese equities and short yen positions.

During the period, the allocation to the investment manager Ardea was terminated following a period of poor performance.

Table 9: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Alternatives						
Growth Alternatives						
Portfolio return	2.1	5.2	3.0	n.a.	n.a.	n.a.
Benchmark return	4.1	8.5	7.2	n.a.	n.a.	n.a.
Excess return	-2.1	-3.3	-4.2	n.a.	n.a.	n.a.
Defensive Alternatives						
Portfolio return	-0.6	2.4	3.8	n.a.	n.a.	n.a.
Benchmark return	3.2	6.5	5.2	n.a.	n.a.	n.a.
Excess return	-3.8	-4.1	-1.4	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Credit

The asset class produced robust positive returns, in line with the benchmark.

Credit markets benefited from falling yields in the 0 – 5 years maturities and credit spreads sharply tightening, as markets priced a soft economic landing scenario. The overweight to Emerging Market Debt and underweight to loans added value due to the higher interest rate sensitivity.

During the period, Wellington was terminated as part of the allocation reduction to Emerging Markets Debt. Following the Credit Annual Review, the asset class benchmark was changed from 40/40/20 Global High Yield, Leveraged Loans, Emerging Markets Debt to 50% Bloomberg Global High Yield Corporate/50% Global Leveraged Loans, with Emerging Markets Debt becoming an off-benchmark allocation.

Table 10: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Credit						
Portfolio return	4.9	8.8	2.8	n.a.	n.a.	n.a.
Benchmark return	4.9	8.1	2.8	n.a.	n.a.	n.a.
Excess return	-0.0	0.6	0.1	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Fixed Interest

The Fixed Interest asset class is comprised of Investment Grade Credit, Inflation-Linked Securities, Long-Term Fixed Interest and Short-Term Fixed Interest sub-asset classes.

Investment Grade Credit

The asset class produced positive returns and slightly underperformed the benchmark. The market priced for a soft-landing scenario leading to falling bond yields and tighter credit spreads. Interest rate cuts from central banks cuts and strong corporate fundamentals were supportive factors keeping defaults at low levels. Active management detracted due to security selection in water utilities and curve positioning.

Inflation-Linked Securities Tax-Exempt

The asset class generated positive returns and outperformed the benchmark. Returns were driven by the move lower in front end nominal yields, while domestic inflation expectations declined on the back of continued disinflation.

During the period, the asset class benchmark for the Tax-Exempt asset class was changed to be consistent with the Taxable asset class. The mandates with investment managers First Sentier and Ardea were terminated over the period and replaced by Macquarie.

Long-Term Fixed Interest

The asset class delivered positive performance but underperformed the benchmark. Income earned from bonds was the key driver of returns.

Longer dated bond yields moved higher over the 6-month period as concerns over debt discipline, structural inflation and a higher neutral policy rate increased.

Underperformance relative to the benchmark was driven by short US dollar and long Columbian and Mexican bond positions.

Short-Term Fixed Interest

The asset class delivered solid performance and outperformed the benchmark.

Shorter dated bond yields ended the period lower as markets increased their expectation for interest rate cuts. The expectation for more rate cuts by the RBA, however, has been tempered by a strong labour market and inflation remaining above target.

Australian investment grade spreads tightened in line with global investment grade credit, as markets priced that defaults would remain low. Along with falling nominal yields, this led to a positive performance for the asset class. Relative outperformance was driven by positive credit selection, Residential Mortgage-Backed Securities (RMBS) allocation and overweight duration positioning.

Table 11: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Fixed Interest						
Investment Grade Credit						
Portfolio return	2.7	2.3	n.a.	n.a.	n.a.	n.a.
Benchmark return	2.8	2.5	n.a.	n.a.	n.a.	n.a.
Excess return	-0.1	-0.2	n.a.	n.a.	n.a.	n.a.
Short-Term Fixed Interest						
Portfolio return	3.7	5.6	2.8	2.2	2.6	2.6
Benchmark return	3.5	5.2	2.5	1.8	2.3	2.3
Excess return	0.2	0.5	0.3	0.3	0.3	0.2
Inflation-Linked Securities Tax-Exempt						
Portfolio return	2.3	2.2	0.4	1.8	3.1	3.0
Benchmark return	2.1	1.8	1.2	2.0	2.8	2.7
Excess return	0.2	0.3	-0.7	-0.2	0.4	0.3
Long-Term Fixed Interest						
Portfolio return	1.5	-0.2	-3.4	-1.8	0.5	1.3
Benchmark return	2.1	1.0	-3.4	-1.7	0.7	1.6
Excess return	-0.6	-1.2	0.0	-0.2	-0.2	-0.2

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Cash

The asset class outperformed the benchmark. Money market yields fell over the period, as the market shifted from pricing in the possibility of a rate hike, to pricing that the RBA would begin their cutting cycle. However, with a resilient labour market and inflation still above its target, there is uncertainty around the expectation for the timing of the first cut.

Table 12: Asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.4	4.7	3.3	2.1	2.0	2.1
Benchmark return	2.2	4.5	3.2	2.0	1.9	1.9
Excess return	0.1	0.3	0.2	0.1	0.1	0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Investment management costs

The Performance Plan includes a targeted cost range for each investment option. Funds SA's investment management costs are presented as a percentage of average funds under management and referred to as an Indirect Cost Ratio (ICR).

The primary objective is to achieve the investment option's investment objectives over the long-term, net of all fees and costs. Managing costs is an important element of this objective, however, it does not drive the investment strategy and should not be looked at in isolation.

ICRs for the 2024-25 financial year-to-date

Funds SA's realised and target fee for the six-month period are detailed in the table below.

The ICRs achieved for all options were at the bottom end of the target range. The ICR target range allows for some flexibility as some components within the ICR are beyond the control of Funds SA, namely performance fees and transaction costs.

Each investment option also has a specific realised and target ICR, with the variance shown in the 'Difference' column. The annual target range is included for reference.

Factors contributing to ICR outcomes

- Some asset classes had higher than forecast transaction costs. This was most notable in the Property asset class with acquisitions made by managers over the period typically attract higher transactions costs (e.g. stamp duty) relative to other asset classes.
- This was offset by lower-than-expected performance fees, interposed cost and transaction costs within the Private Markets, Alternatives and Infrastructure asset classes.

Table 13: Tax-Exempt investment option actual and target ICRs for the 6-month period*

Investment option	6-month Base fees %	6-month Performance fees %	6-month Transaction costs %	6-month Realised %	6-month Target %	Difference %	Annual target range %
Capital Defensive	0.15	0.02	0.03	0.20	0.20	0.00	0.40 - 0.45
Conservative	0.17	0.03	0.04	0.24	0.22	0.01	0.45 - 0.50
SAFA Investment Strategy [#]	0.28	0.07	0.05	0.41	0.45	-0.04	0.90 - 0.95

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses.

Transaction costs include: costs such as: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

[#] Although the SAFA Strategy has adopted a conservative investment strategy from 23 December 2024, the ICR for the investment option has been measured against the growth orientated investment strategy for the 6-month period as this was the investment approach for the majority of the period.

Section 2

Funds SA Tax-Exempt investment options and SAFA Investment Strategy



Capital Defensive Tax-Exempt

Size	Inception	Indirect Cost Ratio (ICR)*	
		Realised	Target
\$255.4 million	31 August 2004	0.20%	0.20%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Capital Defensive	CPI + 0.5%	2+ years	Low	0.5 to less than 1

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark

Returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	3.7	5.8	1.9	2.4	3.1	3.6
Benchmark return**	3.7	5.9	2.3	2.7	3.3	3.7
Excess return	0.0	-0.1	-0.3	-0.3	-0.2	-0.1

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

Absolute performance

Positive performance for the past six months was driven by strong performance from the Fixed Interest, International Equities and Infrastructure asset classes.

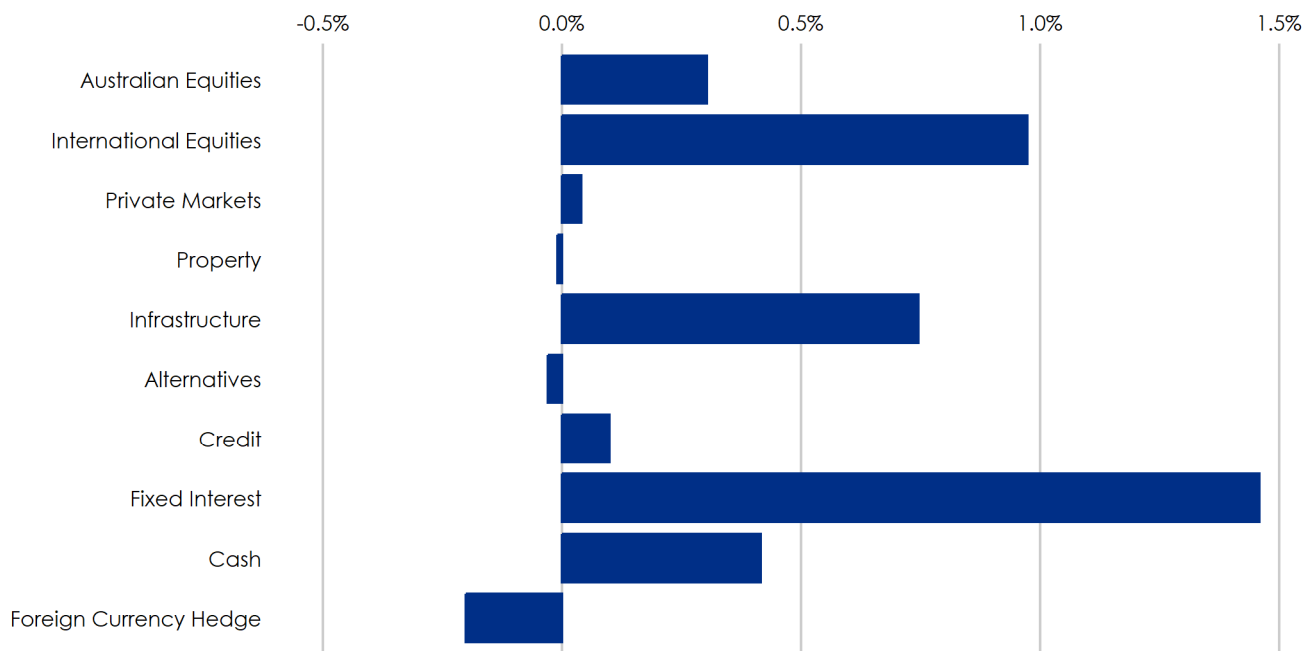
Within Fixed Interest, Short-Term Fixed Interest was the strongest contributor benefiting from income earned from bonds, falling bond yields and Australian credit spreads tightening over the period.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher.

The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

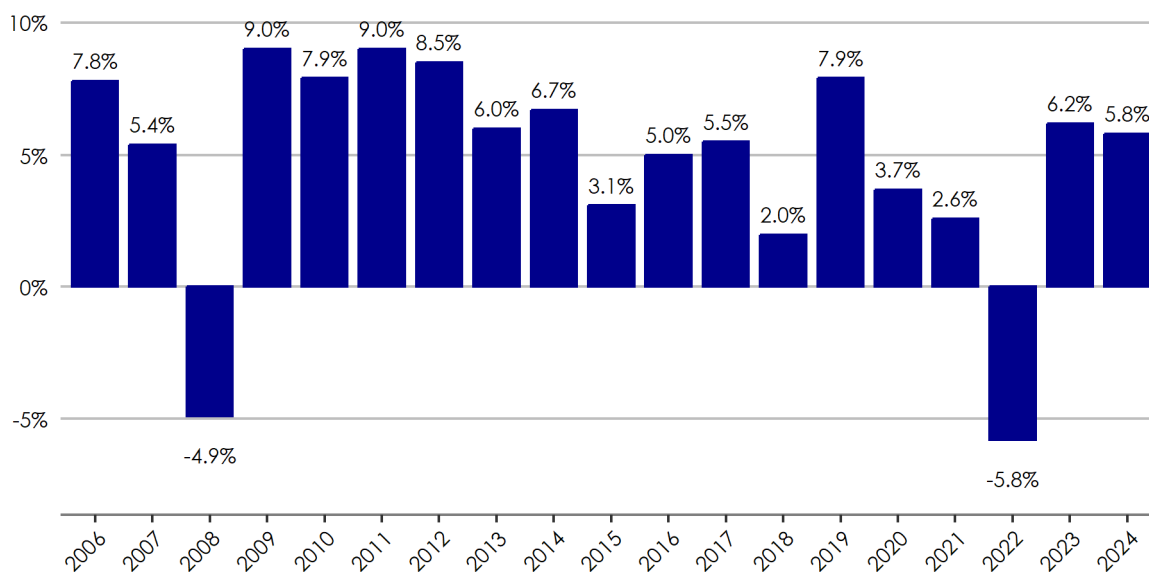
Benchmark relative performance

The investment option performed in line with its benchmark.

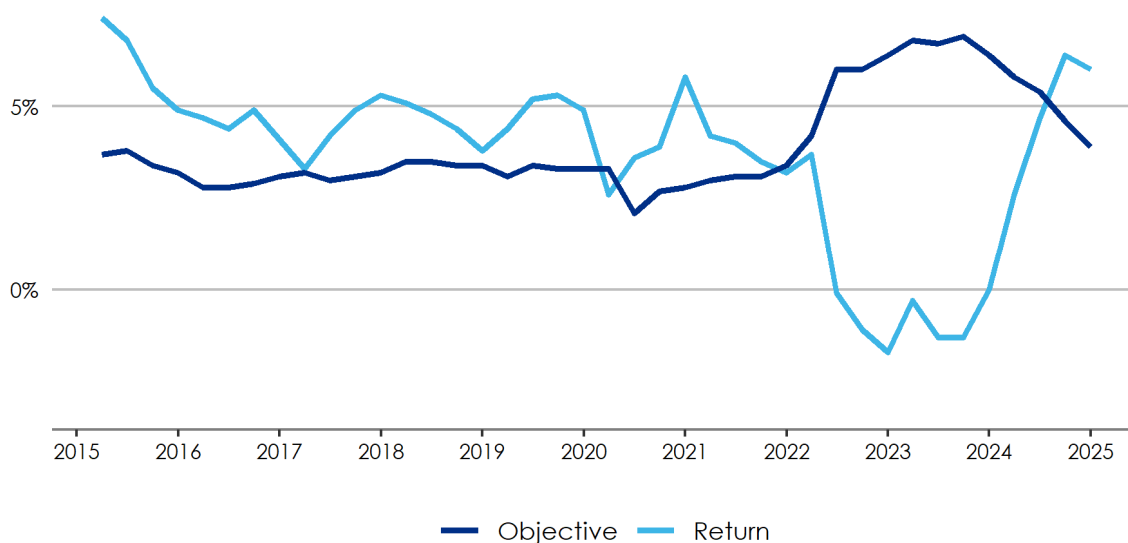
The Infrastructure asset class was the key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this, was the Alternatives asset class which underperformed its cash-plus benchmark.

Investment option annual calendar year returns

Returns net of fees and gross of tax to 31 December 2024



Investment option performance relative to investment objective²
2-year rolling returns, net of fees and gross of tax to 31 December 2024



Effective asset allocation

Capital Defensive Tax-Exempt investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	5.1	5.0	0.1
International Equities	7.8	7.0	0.8
Private Markets	1.4	1.0	0.4
Property	5.4	6.0	-0.6
Infrastructure	11.2	11.0	0.2
Alternatives	3.5	4.0	-0.5
Credit	1.8	3.0	-1.2
Fixed Interest	45.9	45.0	0.9
Cash	17.9	18.0	-0.1
Total	100.0	100.0	
Growth assets	25.5	25.0	0.5
Foreign Currency	5.0	5.0	0.0
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	2.6	n.a.	

² The investment objective for the Capital Defensive Tax-Exempt investment option has changed through time. The investment objective was CPI + 2% prior to 30 June 2013. CPI + 1.5% for the period 1 July 2013 to 31 December 2020, CPI + 1% for the period 1 January 2021 to 31 December 2021, and CPI + 0.5% from 1 January 2022.

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

Conservative Tax-Exempt

Size	Inception	Indirect Cost Ratio (ICR)*	
		Actual	Target
\$481.0 million	30 June 1999	0.24%	0.22%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
Conservative	CPI + 1.5%	4+ years	Medium	2 to less than 3

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark

Returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	4.4	7.3	2.6	3.5	4.3	4.7
Benchmark return**	4.5	7.8	3.3	4.1	4.7	5.0
Excess return	-0.1	-0.4	-0.7	-0.6	-0.4	-0.3

*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns.

** The benchmark for each asset class is included in Appendix 1.

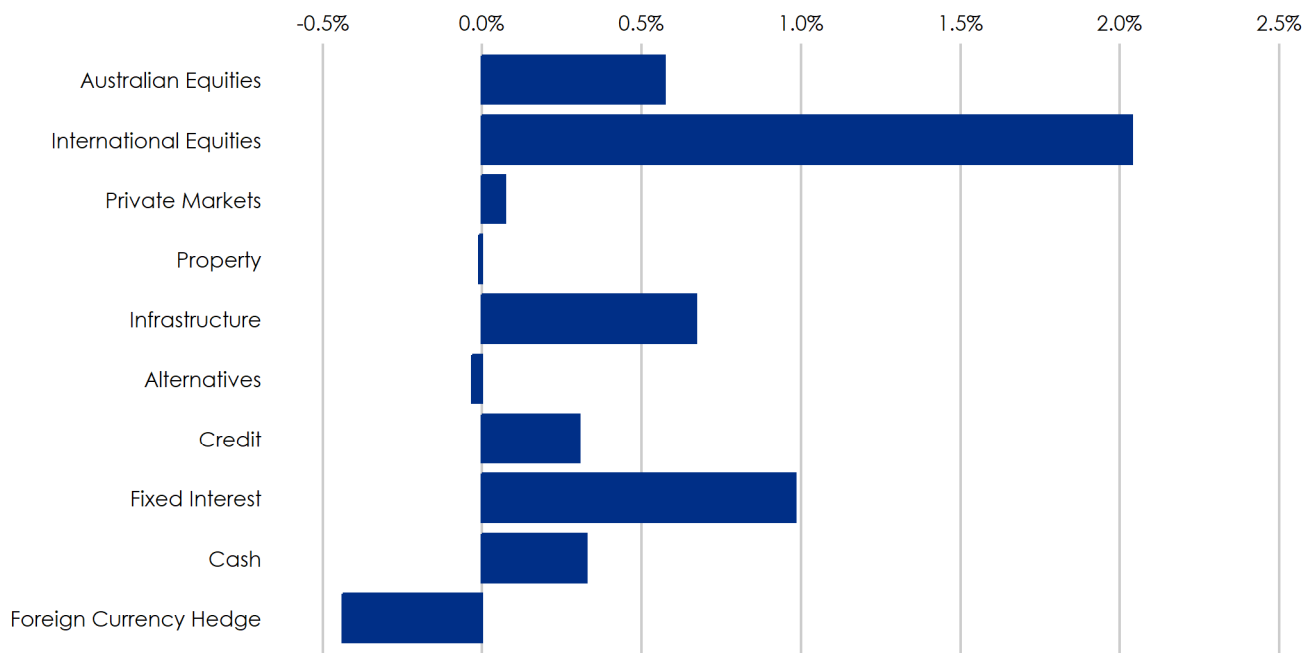
Absolute performance

Positive performance for the past six months was driven by strong performance from the Fixed Interest Positive performance for the past six months was driven by strong performance from the International Equities, Fixed Interest and Infrastructure asset classes.

Within Fixed Interest, Short-Term Fixed Interest was the strongest contributor benefiting from income earned from bonds, bond yields falling and Australian credit spreads tightening over the period. International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets.

The Alternatives and Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period.

Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

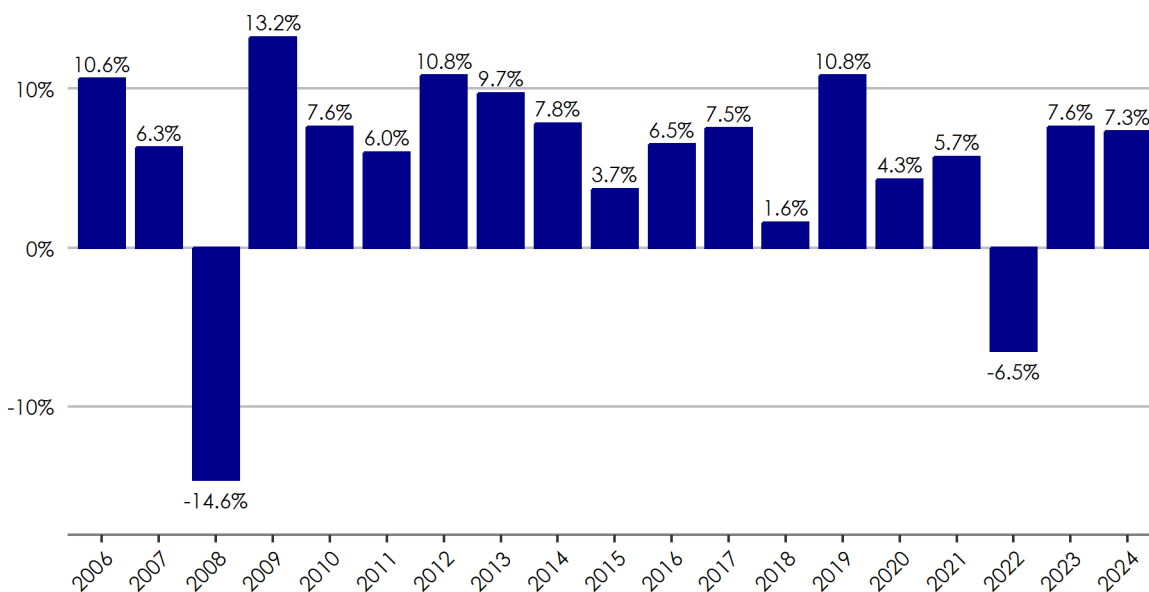
Benchmark relative performance

The investment option slightly underperformed its benchmark.

The Infrastructure asset class was a key driver for relative performance outperforming the cash-plus benchmark by a significant margin. Offsetting this, was the Alternatives asset class which underperformed its cash-plus benchmark.

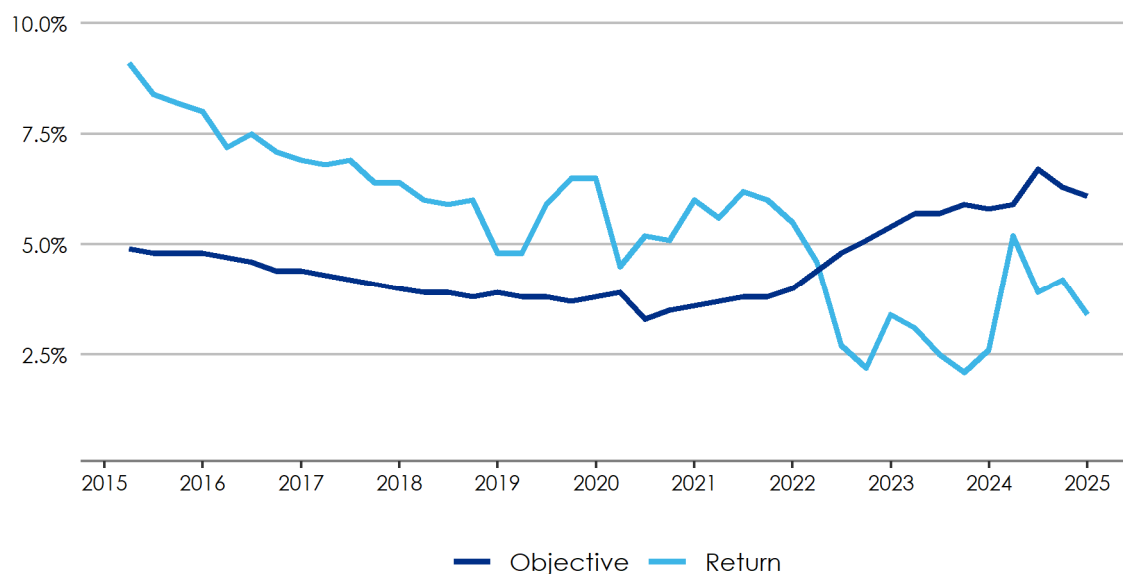
Investment option annual calendar year returns

Returns net of fees and gross of tax to 31 December 2024



Investment option performance relative to investment objective³

4-year rolling returns, net of fees and gross of tax to 31 December 2024



The investment objective was not met over the short investment time horizon of 4 years, due to a combination of poor investment returns during FY2021-22 and an exceptionally high CPI number in 2022 and 2023, increasing the investment objective.

Effective asset allocation

Conservative Tax-Exempt investment option effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	9.1	9.0	0.1
International Equities	15.9	15.0	0.9
Private Markets	2.3	2.0	0.3
Property	6.2	7.0	-0.8
Infrastructure	10.3	10.0	0.3
Alternatives	3.5	4.0	-0.5
Credit	5.8	7.0	-1.2
Fixed Interest	32.5	32.0	0.5
Cash	14.4	14.0	0.4
Total	100.0	100.0	
Growth assets	40.8	40.0	0.8

³ The investment objective for the Conservative Tax-Exempt investment option has changed through time. The investment objective was CPI + 3% prior to 30 June 2013, CPI + 2.5% for the period 1 July 2013 to 31 December 2015, CPI + 2% for the period 1 January 2016 to 31 December 2021, and CPI + 1.5% from 1 January 2022.

Asset class	Effective %	Strategic %	Variance %
Foreign Currency	10.0	10.0	0.0
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	5.7	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

Positioning is characterised as neutral growth. The Property underweight is an outcome of falling valuations over the past 2 years, our preference to build cash from distributions from the asset class to fund future asset purchases and a preference to allocate to Infrastructure during this period. The underweight to the Credit asset class is based on very tight credit spreads at this time.

SAFA Investment Strategy

Size	Inception	Indirect Cost Ratio (ICR)*	
		Actual	Target
\$736.9 million	11 May 2007	0.41%	0.45%

*ICRs are for the 2024-25 financial year-to-date and are inclusive of performance fees and transaction costs. The target is the target for the first 6-months of the 2024-25 financial year rather than the full year.

The initial investment relating to this strategy was May 2007 in the Funds SA Growth Tax-Exempt investment option, the inception of the SAFA Investment Strategy was 1 July 2019.

Investment objective

Funds SA investment option	Target return % p.a.	Investment time horizon	Standard Risk Measure	Estimated number of negative annual returns over any 20-year period
SAFA Investment Strategy	CPI + 4.0%	8+ years	Medium to High	3 to less than 4

See the "disclaimers" section for more information about the Standard Risk Measure.

Performance

Investment option performance against benchmark

Returns net of fees and gross of tax for periods to 31 December 2024*

	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Investment option return	5.6	9.9	4.0	6.2	6.8	7.5
Benchmark return**	5.9	10.8	5.4	6.7	7.1	7.6
Excess return	-0.3	-1.0	-1.4	-0.5	-0.3	-0.1

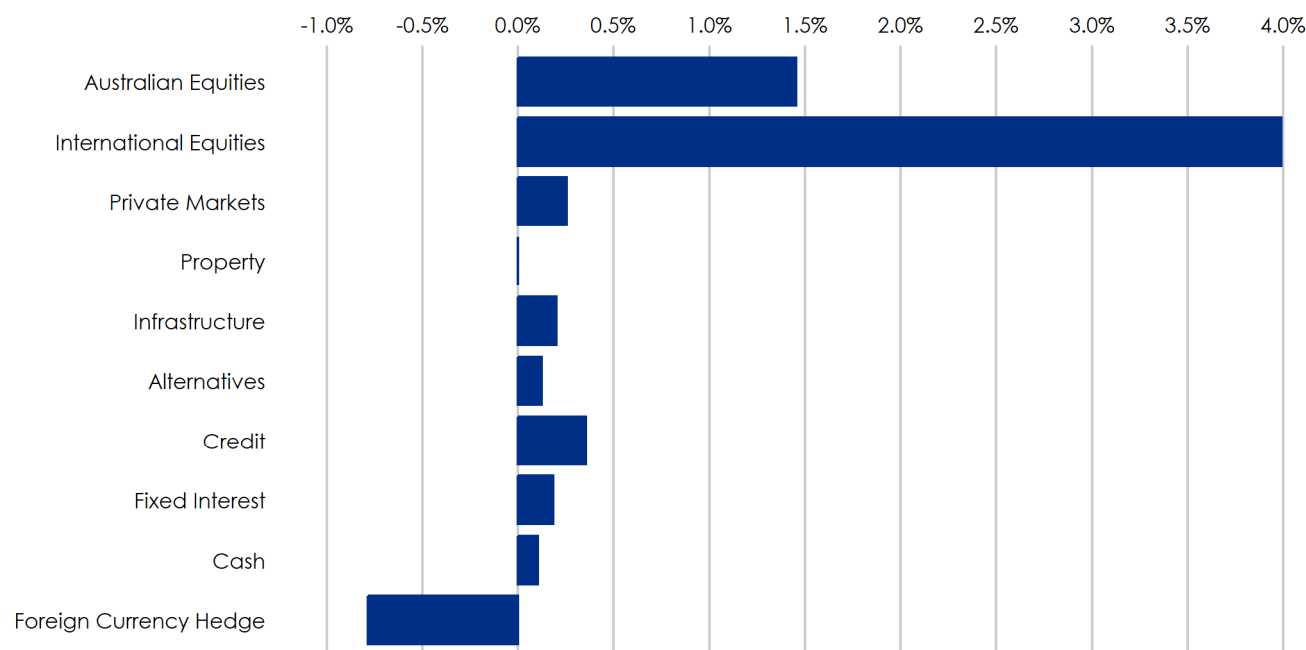
*Due to rounding, the active returns shown may not equal the difference between the investment option and benchmark returns. The inception of the SAFA Investment Strategy was 1 July 2019, the prior history relates to the Funds SA Growth Tax-Exempt investment option. ** The benchmark for each asset class is included in Appendix 1.

Absolute performance

Positive performance for the past six months was driven by strong performance from the International and Australian Equities and Credit asset classes.

International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. The Credit asset class provided positive returns, benefitting from falling yields and credit spreads sharply tightening.

Performance contribution by asset class for the six months to 31 December 2024



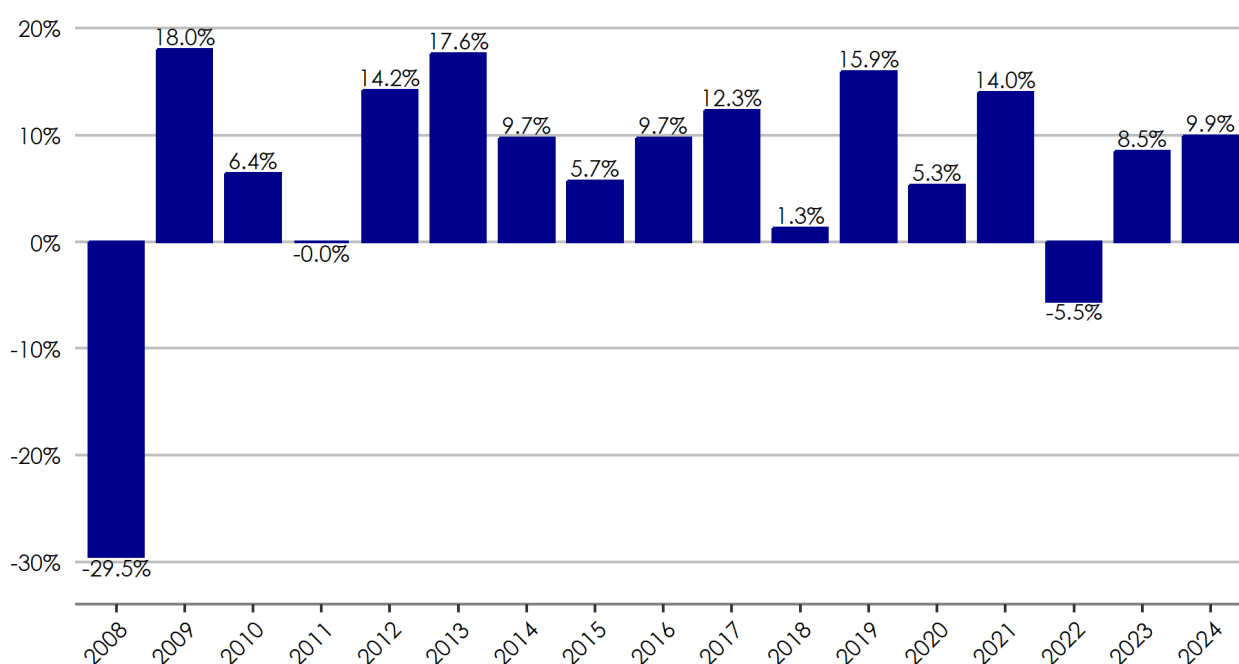
Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

Benchmark relative performance

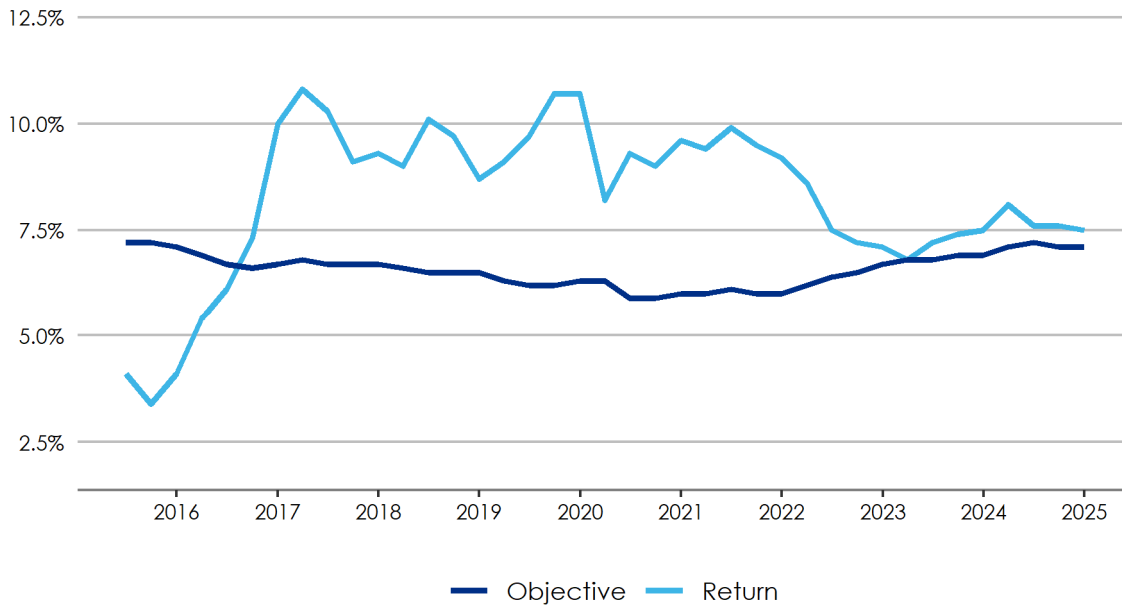
The investment option slightly underperformed its benchmark. Some of the relative performance is attributable to the transition to the conservative investment strategy. Other factors were the Alternatives asset class underperforming the cash-plus benchmark and negative stock selection within the Equities asset classes.

Investment option annual calendar year returns

Returns net of fees and gross of tax to 31 December 2024



Investment option performance relative to investment objective
8-year rolling returns, net of fees and gross of tax to 31 December 2024



Performance history prior to 2019 relates to the Funds SA Growth Tax-Exempt investment option.

Effective asset allocation

SAFA Investment Strategy effective asset allocation as at 31 December 2024*

Asset class	Effective %	Strategic %	Variance %
Australian Equities	7.3	7.0	0.3
International Equities	13.2	12.0	1.2
Private Markets	8.1	7.0	1.1
Property	10.0	10.0	0.0
Infrastructure	4.0	7.0	-3.0
Alternatives	8.5	9.0	-0.5
Credit	7.0	7.0	0.0
Fixed Interest	33.7	32.0	1.7
Cash	8.1	9.0	-0.9
Total	100.0	100.0	
Growth assets	45.7	40.0	5.7
Foreign Currency	10.0	10.0	0.0
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	3.0	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

The SAFA Strategy transitioned from a growth orientated investment strategy to a conservative investment strategy effective 23 December 2024.

- The Private Markets and International Equities overweights reflect proxy positions for the Infrastructure underweight.
- The allocation to the Infrastructure asset class will be built over time as the asset class continues to purchase assets.

Appendix 1

Asset class benchmarks



The following table details the asset class benchmarks as at 31 December 2024.

Funds SA asset class	Allocation %	Index
Australian Equities and Australian Equities Passive Tax-Exempt	100	S&P/ASX 300 Accumulation Index
International Equities and International Equities Passive Tax-Exempt	100	Morgan Stanley Capital International (MSCI) All Countries World Index Ex-Australia net dividends, unhedged
Private Markets Tax-Exempt	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Property Tax-Exempt	100	MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index
Infrastructure Tax-Exempt	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Alternatives	100	<u>Growth Alternatives</u> Bloomberg AusBond Bank Bill Index plus 4% p.a.
	100	<u>Defensive Alternatives</u> Bloomberg AusBond Bank Bill Index plus 2% p.a.
Credit	50	Bloomberg Global High Yield Corporate Bond Index (hedged to AUD)
	50	S&P UBS Global Leveraged Loan Index
Investment Grade Credit	100	Bloomberg Global Aggregate Corporate Index (hedged to AUD)
Inflation-Linked Securities Tax-Exempt	100	Bloomberg AusBond Government Inflation Index 0-10 years
Long-Term Fixed Interest	50	Bloomberg AusBond Government 0+ Year Index
	50	Bloomberg Global Treasury Index (AUD Hedged)
Short-Term Fixed Interest	100	Bloomberg AusBond Credit Index 0+ years
Cash	100	Bloomberg AusBond Bank Bill Index
Foreign Currency Hedge	100	MSCI World ex-Australia FX Hedge Impact Index

Disclaimers



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Standard Risk Measure disclosures

The Standard Risk Measure is based on industry guidance that allow clients and members to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than a client or member may require to meet their objectives. Further, it also does not take into account the impact of fees or tax on the likelihood of a negative return. Clients and members should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s.

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S&P

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Performance Report

Funds SA investment option

University of Adelaide Strategy

For the six months ended 31 December 2024



EXECUTIVE SUMMARY

This is a legislated, semi-annual report and provides an update on important developments for the Corporation, and an overview of the performance for the Funds SA investment option for the six-month period ending 31 December 2024.

Corporate updates

- Appointment of Con Michalakakis as Chief Investment Officer, commencing in his new role on 3rd February 2025.
- Appointment of Guy DeBelle and Melinda OLeary as Directors to the Funds SA Board.

Summary of market environment

- US equities, driven by 'big tech', led developed markets upward. Markets leveraged to the Chinese economy surged after the Chinese government announcements stimulus packages. European equities lagged.
- Global bond yields fluctuated. Early declines in 10-year yields due to falling inflation expectations were followed by increases due to strong US economic data and anticipated inflation under the new President-elect.
- The US dollar strengthened, and gold prices climbed.
- Credit markets thrived with tightening spreads, supported by a steepening yield curve. Short-term yields fell, while long-term yields rose.
- Geopolitical risks, including Middle East and Russia-Ukraine conflicts, influenced investment markets. Major elections in the UK, France, and the US led to new governments. Energy markets fell due to weaker oil prices.
- Australian property, particularly the Office sector, showed marginal weakness by December, signalling a slowdown in earlier declines and some positive trends.

University of Adelaide Strategy

- From the 15 August 2024, the University of Adelaide Strategy (UoA Strategy) ceased to have any equity exposure, these asset classes provided positive performance while part of the option. The remaining assets of the UoA Strategy are invested in illiquid asset classes being Private Markets, Property and Infrastructure.
- The University of Adelaide Strategy (UoA Strategy) delivered 3% for the six-month period.
- The Infrastructure assets delivered very strong returns and was the key contributor to performance.
- Property slightly detracted from option's performance, though Property valuation declines have slowed.

Funds under management¹

- Funds SA's total funds under management increased over the six-month period, from \$44.1 billion (bn) as at 1 July 2024 to \$46.4bn as at 31 December 2024. This was the result of net investment earnings of \$2.5bn and investor outflow of \$279 million.

Investment management costs

- The realised Indirect Cost Ratio (ICR) for the six-month period was at the bottom end of the target range. Additional detail relating to investment management costs can be found in Section 6.

¹ All funds under management (FUM) values provided are based on Redemption value (RED).

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1. Economic environment and financial markets

Listed equities

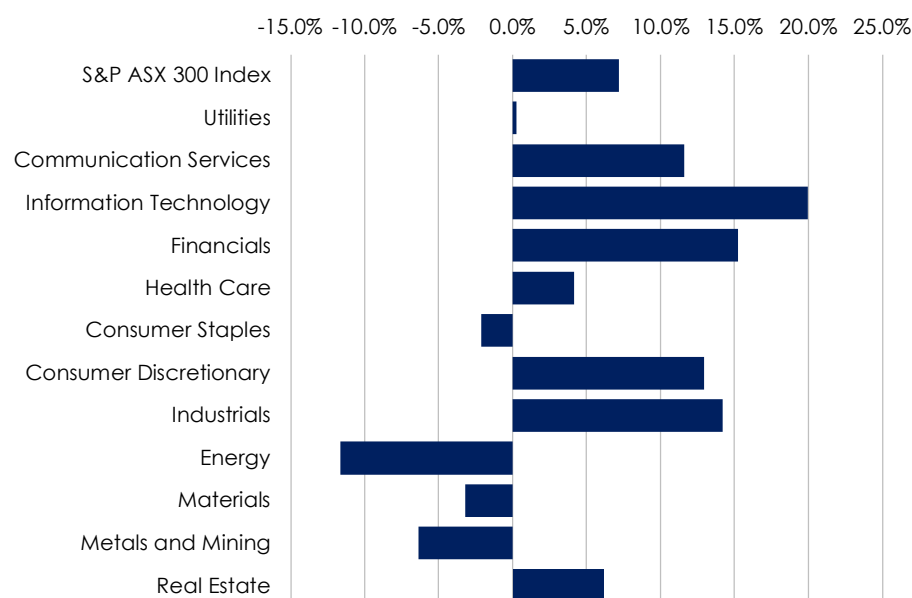
Developed market equities continued to move higher during the second half of the 2024 calendar year. The MSCI World index returned 6.1% for the 6-months to 31 December 2024. US equities once again led the global equity benchmarks, with the S&P 500 and NASDAQ indices increasing by 7.7% and 8.9%, respectively. Big tech and the Artificial Intelligence (AI) thematic were the dominant underlying drivers, with US semiconductor companies at the top of the list, along with the perennial performers including Apple Inc. and Tesla.

Developed Markets outperformed Emerging Markets by a considerable margin over the period and Growth continued its dominance over Value investment approaches. Global small cap companies performed largely in line with the major large cap indices following a significant period of underperformance in the prior period.

North Asian equities experienced a resurgence late in the calendar year, following multiple announcements from the Chinese government concerning economic stimulus packages. These measures were implemented to address the negative wealth effects resulting from property market declines in recent years. The China Shanghai Composite index was 12.9% higher, the Hang Seng 13.2% and Singapore's FTSE Straits Times 10.1%. Southeast Asian equities markets were hampered by a higher US dollar and only managed marginal gains. Japan's NIKKEI 225 index eked out a miserly 0.8% gain.

Australian equities performed strongly with the S&P/ASX 300 rising 5.3%. Information Technology, Financials, Industrials, and Consumer Discretionary contributed double-digit gains while Energy, Materials, and Metals and Mining detracted.

Chart 1: S&P/ASX 300 index and GICS* sector performance for 6-months to 31 December 2024



Source: S&P/ASX 300 index and MSCI, Funds SA.

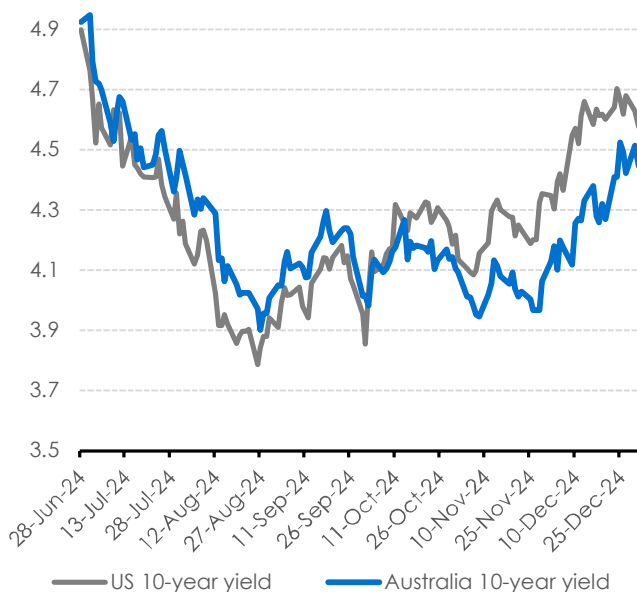
Notes: *GICS – Global Industry Classifications Standard

European equity indices were the poorest performers over the 6-month period. The MSCI Europe index declined 2.0% driven by weakness in France's CAC index and large falls across the Nordic markets. Two European Central Bank policy rate cuts over the period failed to halt the increasing divergence between European and US economic performance. The threat of Trump's trade tariffs also weighed on market sentiment.

Fixed income

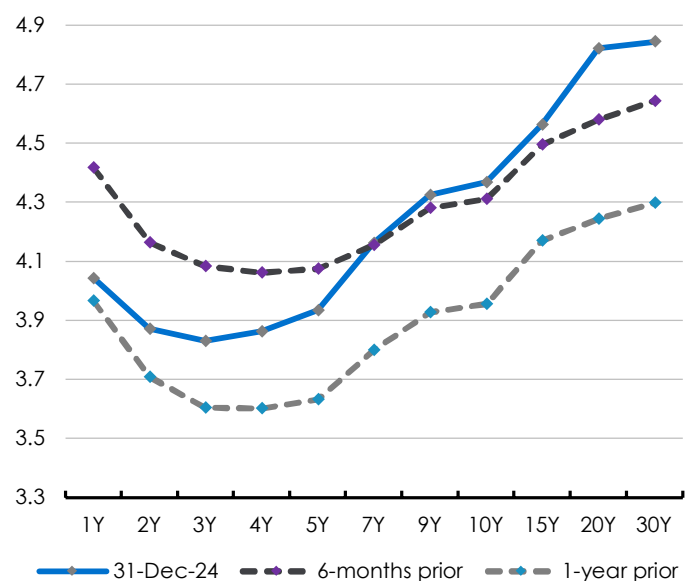
Government bonds were volatile. Investors anticipated that inflation outcomes would enable Central Banks to significantly reduce monetary policy, resulting in a flattening of the yield curve as Australian and US government 10-year bond yields decreased (prices increased). These gains diminished rapidly due to strong US economic data and investor concerns that the policy initiatives of both US presidential candidates might lead to inflation and a further decline in the US fiscal position. These fears were reflected in 10-year yields, moving significantly higher from 3.8% (26 August) to 4.6% (31 December). Australian 10-year government bond yields closely followed and moved from 3.9% to 4.4% over the same period. The Australian government bond universe still managed to post positive performance for the 6 months to 31 December as evidenced by the *Bloomberg AusBond Government Bond Index (0+Years)* 2.5% gain.

Chart 2: Australian and US 10-year bond yields



Source: FactSet, Funds SA

Chart 3: Australian government bond yield curve

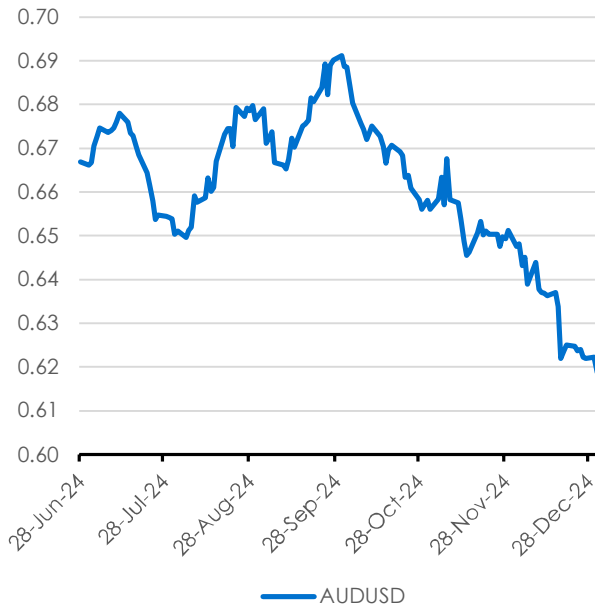


Credit

Credit continued its first half strength into the second half of the 2024 calendar year, with the *Bloomberg Global High Yield Index* posting a 3.9% increase. The strength was driven by the declines in the nominal government bond yields in the 0 – 5-years maturities as yield curves steepened and the ongoing spread tightening (investors pay a price for credit securities typically based on a credit spread above a benchmark yield of same duration). Credit spreads were near all-time lows at the end of the period indicating investor appetite for credit risk.

Currency

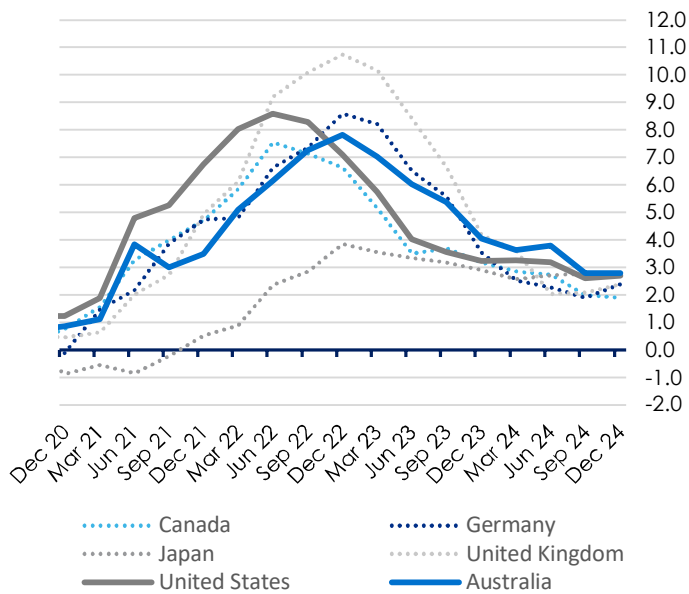
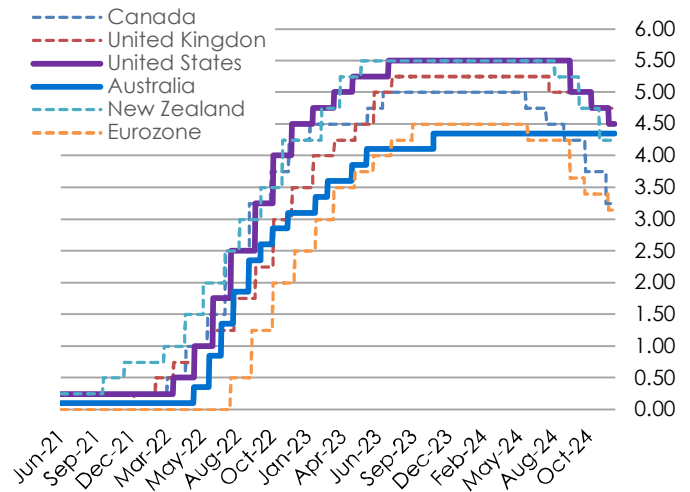
Driven predominantly by moves in the US yield curve, the US dollar rallied hard against most global currencies. The chart below illustrates the extreme price moves from 28 September through to 31 December where the Australian dollar fell -10.3%.

Chart 4: Australian dollar performance relative to the US dollar

Source: FactSet, Funds SA

Inflation and monetary policy

The big inflation declines amongst the major developed countries occurred in the first half of the calendar year 2024 as shown in the chart below. Australia's most recent headline quarterly Consumer Price Index (CPI) release for the quarter ended 30 September 2024 was an annualised 2.8%. The Reserve Bank of Australia (RBA) manages to an inflation target that excludes any components with volatile prices and this measure of underlying inflation for the quarter was 3.5% and remains outside of the RBA's 2% - 3% target band making it challenging for the RBA's Board to deliver rate cuts despite market expectations.

Chart 5: Developed market inflation**Chart 6: Central Bank target policy rates**

Source: FactSet, Funds SA.

Note: Australian December quarter CPI release not available at the time of writing.

2. Investment Strategy

Funds SA's overarching investment objective is to achieve the highest possible return on invested capital while managing investment risks and liquidity.

The pillars of Funds SA's investment philosophy are:

- Taking investment risk over the longer term gets rewarded.
- Asset allocation is the key driver of risk and return.
- Markets regularly exhibit inefficiencies that can be exploited.
- Diversification is the most effective way to manage investment risks.
- Integration of ESG considerations into investment decisions and undertaking stewardship activities supports long-term investment outcomes.
- Strong governance leads to better investment outcomes.

Over the past six months there have been various investments undertaken to execute on our long-term investment strategies.

Specific asset class activities

Private Markets

Our FUM size has enabled us to participate in co-investment opportunities that have attractive return and cost profiles, in sectors including education, insurance and data infrastructure.

Infrastructure

We continue to build this asset class and have increased participation in co-investments which have already added significant value to the investment options.

As an example: A recent co-investment, Cyan Renewables, which provides transportation services for offshore wind projects and other parts of the maritime economy.

Property

The Property asset class has endured a challenging valuation period, predominately driven by the Office sector. Having developed a partnership with alternative real-estate manager HMC Capital, we have participated in several investment opportunities such as Brandon Park and Kellyville shopping centres with a further two to settle in the first quarter of calendar year 2025.

3. University of Adelaide Strategy investment performance

The 2024-2025 Performance Plan outlined The University of Adelaide's (the University) intent to restructure the investment strategy for the Endowment Fund and implement new strategy to meet their specific Responsible Investment requirements going forward. As part of this restructure, the University informed Funds SA of its intent to redeem its investments in the liquid asset classes, and the illiquid asset classes are currently under review.

As part of the first phase of this restructure, the University redeemed all assets in the Funds SA International and Australian Equities Taxable asset classes, and a substantial proportion of the Cash asset class, during the period.

The remaining assets with Funds SA are currently invested in the illiquid, unlisted asset classes comprising Private Markets, Property and Infrastructure.

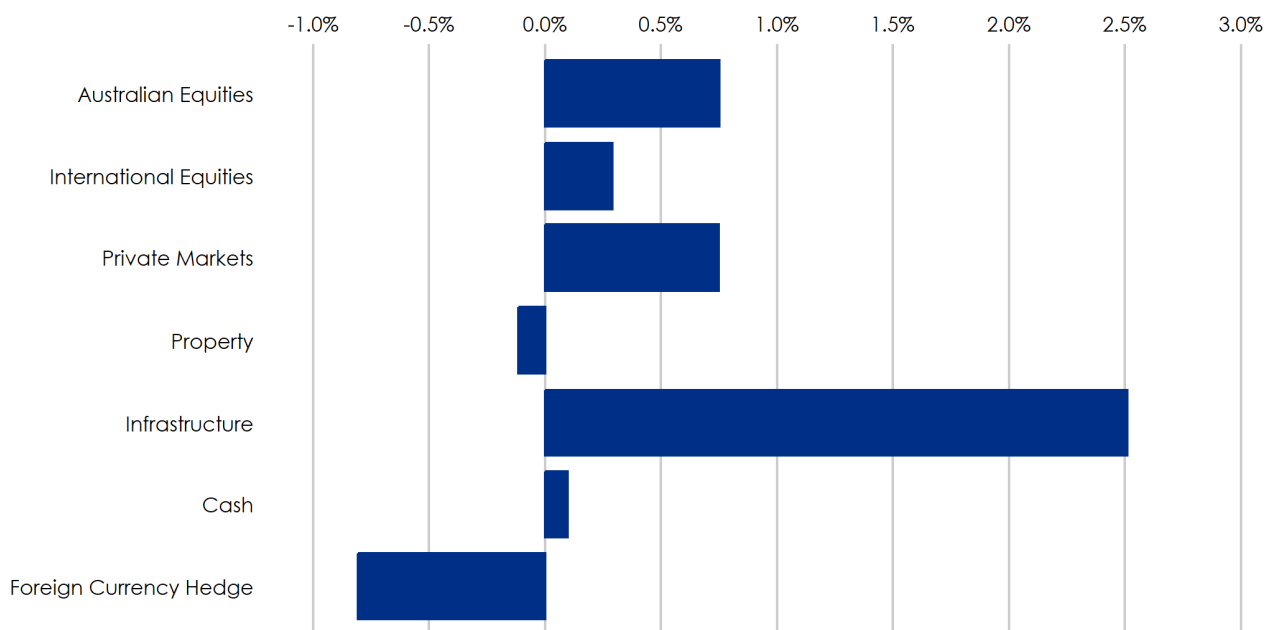
Given the profound changes within the UoA Strategy, there are no longer any specified investment objectives or asset allocation targets for the remaining assets within the investment option. The remaining assets play a completion role for the broader investment strategy of the Endowment Fund.

Positive performance for the past six months was driven by strong performance from the Infrastructure and Equities asset classes.

The Infrastructure asset class provided robust returns with favourable valuations received across multiple assets. International equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tail wind, US interest rate cuts and optimism post the US election all helped propel share prices higher. Australian Equities took their lead from international markets and provided a good source of returns for the investment option. The Private Market asset class saw upwards trends in valuations supported by stabilising public market comparable valuations and growing earnings.

The Property asset class marginally detracted from performance. The pace of valuation declines in the Property sector slowed considerably versus the prior period. The foreign currency exposures within the investment option contributed positively to returns, although this was partially offset by the foreign currency hedging program.

Chart 7: Performance contribution by asset class for the six months to 31 December 2024



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

The UoA Strategy is not managed to a specific Strategic Asset Allocation, therefore a benchmark return is not relevant.

Table 1: University of Adelaide Strategy returns, periods to 31 December 2024, returns net of fees and gross of tax

Description	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Since inception % p.a.
Portfolio return	3.0	8.5	3.7	6.6	7.2	8.3

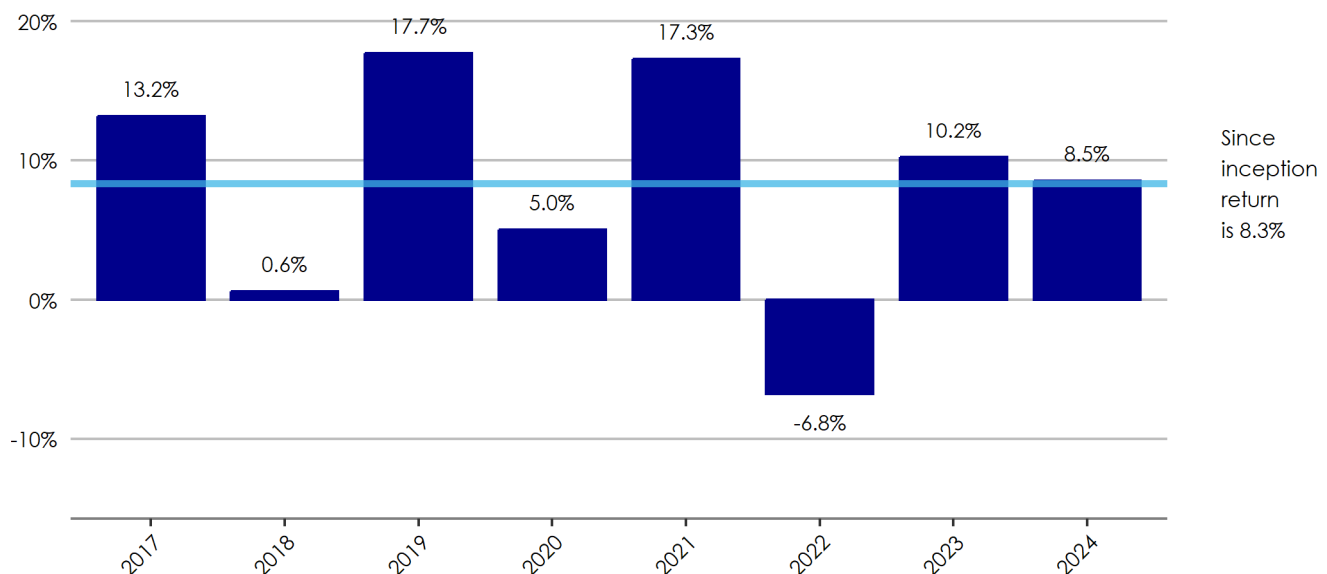
The inception date is 19 May 2016, the date of The University of Adelaide's initial investment.

Prior to 1 March 2022, the UoA Strategy reflects the performance of the Funds SA High Growth Taxable investment option.

From 15 August 2024 there was no equity exposure in the UoA Strategy.

Realised outcomes

Chart 8: University of Adelaide Strategy annual calendar year returns as at 31 December 2024, net of fees and gross of tax



The inception date is 19 May 2016, the date of The University of Adelaide's initial investment.

Performance prior to 1 March 2022 reflects the performance of the Funds SA High Growth Taxable investment option. The University of Adelaide Strategy was effective 1 March 2022.

4. Funds SA asset class performance

Funds SA has established a range of asset classes that are the building blocks for the investment options.

Asset class performance relative to benchmark was mixed over the six months

Funds SA measures the performance of each asset class against a specific benchmark. The benchmarks are the relevant market index or blend of indices for that asset class. Where no reasonable market index is available, the index is expressed as a margin over cash. The benchmark for each asset class is included in Appendix 1.

The benchmarks for the Private Markets and Infrastructure asset classes have a significant cash-plus component; performance for these asset classes are best considered over the longer term to be consistent with the cash-plus benchmark. In times of market volatility there can be a short-term mismatch between asset valuations and the benchmark.

Australian Equities – Taxable (Full redemption from this asset class was effective 15 August 2024)

The asset class provided positive returns for the six-month period but underperformed the benchmark.

Positive relative contribution from strong security selection in the Health Care, Real Estate and Information Technology sectors. Relative benchmark underperformance was driven by being underweight Financials.

Table 2: Taxable asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities Taxable						
Portfolio return	6.5	10.2	5.7	8.0	8.4	8.5
Benchmark return	6.9	11.4	7.1	8.0	8.4	8.5
Excess return	-0.4	-1.2	-1.4	0.1	-0.1	0.0

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

International Equities – Taxable (Full redemption from this asset class was effective 15 August 2024)

The asset class delivered very strong positive performance but underperformed the benchmark.

Over the period the asset class strategy was adjusted to reduce benchmark relative risk, with the aim to produce less volatile performance outcomes.

Positive stock selection in Emerging Market countries including Argentina, India and Taiwan added value, as did the US. Underweight exposure to Denmark and Japan also contributed positively. However, this was offset by underweight positions in several large-cap US technology stocks.

Table 3: Taxable asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
International Equities Taxable						
Portfolio return	13.2	25.9	7.5	11.3	11.1	11.3
Benchmark return	14.0	29.8	10.6	12.5	12.3	12.1
Excess return	-0.8	-3.9	-3.1	-1.2	-1.2	-0.8

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

The returns for International Equities and its related benchmark were partially hedged prior to August 2023, from August 2023 returns are unhedged.

Private Markets - Taxable

The asset class produced positive returns but underperformed against the cash-plus benchmark. More recently there have been signs of upwards trends in valuations supported by stabilising public market valuations and growing earnings.

The Buyouts/Secondaries and Non-Core Infrastructure sub-asset classes were the largest positive contributors, with valuation increases in several key assets (including co-investments). The Venture Capital/Growth Equity segment also had valuation increases, driven by strong performance in underlying businesses. The Other Opportunities segment (consisting largely of US and European commercial real estate) detracted value as the outlook for these assets remained difficult.

New investment activity over the period included three new co-investments in sectors including education, insurance and data infrastructure. A small follow-on to an existing co-investment in the health care space was also completed, allowing the company to pursue an attractive growth opportunity.

Table 4: Taxable asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Private Markets Taxable*						
Portfolio return	2.1	5.9	4.3	9.9	9.8	10.3
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	-2.0	-2.6	-2.9	3.9	3.9	4.3

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

* The Private Markets asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of the Diversified Strategies Growth asset class excluding the Infrastructure assets held by Funds SA prior to 2021.

Property - Taxable

Whilst the pace of valuation declines in the Office sector have slowed, further declines were evident in the six months to December 2024. There are early indications of growth in retail with positive leasing spreads and tightening yields in certain parts of the sector and industrial continuing to benefit from low vacancy in key markets. Underperformance relative to the benchmark was primarily due to an overweight exposure to the Office sector.

During the period, the asset class exited its allocation to listed Australia Real Estate Investment Trusts (AREITs) and added to its retail exposure via HMC Capital with two further shopping centre acquisitions.

Table 5: Taxable asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Property Taxable						
Portfolio return	-0.3	-5.5	-3.3	-0.3	2.4	5.2
Benchmark return	-0.2	-6.4	-2.6	0.2	2.3	5.2
Excess return	-0.1	0.8	-0.7	-0.5	0.1	0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Infrastructure - Taxable

The asset class produced strong positive returns and significantly outperformed the cash-plus benchmark.

Favourable valuation changes across a number of assets, including airports and registry infrastructure drove returns. A recent co-investment, Cyan Renewables, also contributed positively as the underlying business grew. Cyan provides transportation services for offshore wind projects and other parts of the maritime economy.

Significant new investment activity occurred during the period. We added several large, single asset exposures including a data centre platform and several assets in the transportation sector.

As an example: In December 2024, Ardian (one of our investment managers) acquired a 22.6% stake in London Heathrow Airport, becoming Heathrow's largest shareholder. Funds SA participated in the acquisition by co-investing alongside global alternatives investment manager, Ardian.

As the international gateway to the UK, Heathrow is Europe's leading airport and the fourth busiest airport globally. Ardian is fully committed to facilitating growth while promoting the airport's transition to net-zero emissions.

Table 6: Taxable asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Infrastructure Taxable*						
Portfolio return	7.5	13.9	9.5	7.8	8.2	9.0
Benchmark return	4.1	8.5	7.2	6.0	5.9	6.0
Excess return	3.4	5.4	2.3	1.8	2.3	3.0

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

* The Infrastructure asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of Infrastructure assets held by Funds SA prior to 2021.

Cash

The asset class outperformed the benchmark. Money market yields fell over the period, as the market shifted from pricing in the possibility of a rate hike, to pricing that the RBA would begin their cutting cycle. However, with a resilient labour market and inflation still above its target, there is uncertainty around the expectation for the timing of the first cut.

Table 7: Taxable asset class returns, periods to 31 December 2024, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.4	4.7	3.3	2.1	2.0	2.1
Benchmark return	2.2	4.5	3.2	2.0	1.9	1.9
Excess return	0.1	0.3	0.2	0.1	0.1	0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

5. Asset allocation

The asset allocation is the result of redemptions from the UoA Strategy, this no longer represents an investment strategy, but simply residual assets. Asset classes are not managed to specific targets or asset allocation ranges.

Table 8: Effective asset allocation as at 31 December 2024

Asset class	Effective %
Private Markets	33.6
Property	26.0
Infrastructure	36.7
Cash	3.7
Total	100.0
Growth assets	65.4

*Due to rounding, the sum of the individual numbers within the table may not equal the total quoted.

6. Investment management costs

The Performance Plan includes a targeted cost range for the investment option. Funds SA's investment management costs are presented as a percentage of average funds under management and referred to as an Indirect Cost Ratio (ICR).

The primary objective is to achieve the investment option's investment objectives over the long-term, net of all fees and costs. Managing costs is an important element of this objective, however, it does not drive the investment strategy and should not be looked at in isolation.

ICR for the 2024-25 financial year-to-date

Funds SA's realised and targeted fee range for the six-month period are detailed in the table below.

The ICR achieved was at the bottom end of the target range. The ICR target range allows for some flexibility as some components within the ICR are beyond the control of Funds SA, namely performance fees and transaction costs.

The investment option also has a specific realised and target ICR, with the variance shown in the 'Difference' column. The annual target range is included for reference.

Factors contributing to ICR outcomes

- The Property asset class had higher than forecast transaction costs, with purchases made by managers over the period.
- This was offset by lower-than-expected performance fees, interposed cost and transaction costs within the Private Markets and Infrastructure asset classes.

Table 9: UoA Strategy, realised and target ICR for the 6-month period*

Investment option	6-month Base fees %	6-month Performance fees %	6-month Transaction costs %	6-month Realised %	6-month Target %	Difference %	Annual target range %
University of Adelaide	0.40	0.26	0.07	0.74	0.80	-0.06	1.60 – 1.80

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses.

Transaction costs include: costs such as: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Appendix 1

Asset class benchmarks



The following table details the asset class benchmarks as at 31 December 2024.

Funds SA asset class	Allocation	
	%	Index
Australian Equities Taxable	100	S&P/ASX 300 Accumulation Index
International Equities - Taxable	100	Morgan Stanley Capital International (MSCI) All Countries World Index Ex-Australia net dividends, unhedged
Private Markets Taxable	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Property Taxable	100	MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index
Infrastructure Taxable	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Cash	100	Bloomberg AusBond Bank Bill Index

Appendix 2

Disclaimers



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Performance Report

Funds SA investment options

For the 12 months ended 30 June 2025



EXECUTIVE SUMMARY

This is a legislated, semi-annual report providing an update on important developments for the Corporation, and an overview of the performance of Funds SA's investment options for the 12-month period ended 30 June 2025.

Corporate updates

- Appointment of Con Michalakis as Chief Investment Officer in February 2025.
- Appointment of Guy DeBelle as the Chair of the Funds SA Board in April 2025.
- Appointment of Melinda OLeary, Anna Shave and Dr Sarah Pearson as Directors to the Funds SA Board.
- Departure of Matthew Kempton in May 2025, who served as Deputy CIO.

Summary of market environment

- Global share markets performed strongly over the year, particularly in the United States, where major technology companies continued to appreciate. The "Magnificent Seven" stocks (Nvidia, Apple, Alphabet, Amazon, Meta, Microsoft and Tesla) remained central to market narratives, driven by investor confidence in the Artificial Intelligence (AI) thematic and innovation-led growth.
- Australian shares also delivered solid returns, supported by broad-based gains across the Financials, Communication Services and Industrials sectors.
- The domestic Property sector showed signs of recovery, with sentiment improving, particularly in the Office sector, which had previously been a consistent detractor.
- Interest rates remained a key focus for investors. In Australia, the Reserve Bank of Australia (RBA) held rates steady for most of the year, as inflation stayed above target and the job market remained strong. Overseas, central banks took varied approaches—some began cutting rates, while others remained cautious amid persistent inflation.
- Bond and credit markets were mixed over the year. Bond yields fell in the latter part of the year as inflation measures declined leading to a shift in expectations for lower central bank policy rates. Credit markets remained resilient, supported by strong corporate fundamentals and continued investor demand for yield.
- The Australian dollar weakened against the US dollar, boosting returns from international investments that were not hedged back to Australian dollars.
- Geopolitical risks persisted, including ongoing conflicts in Eastern Europe and the Middle East. While these events caused short-term market reactions, they did not significantly disrupt the overall positive trend in investment markets.

Funds SA's investment option performance

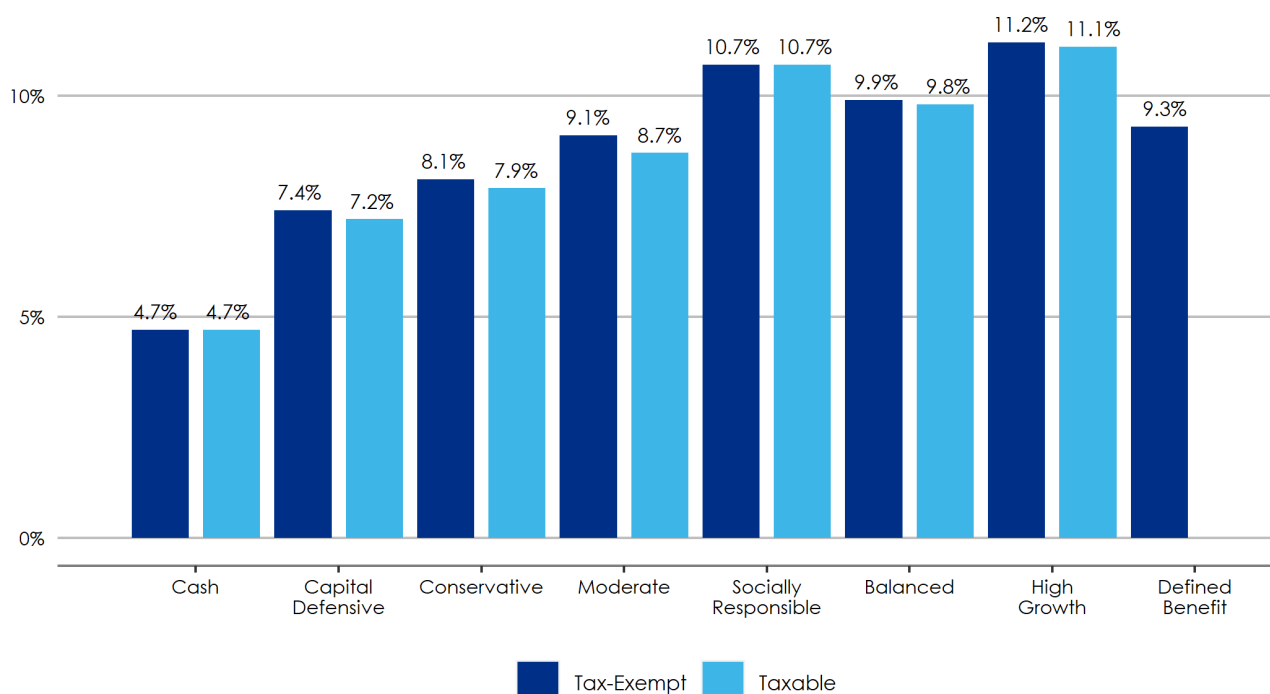
All Funds SA investment options delivered positive returns over the 1-year to 30 June 2025. Returns ranged from 4.7% for the Cash investment option (Tax-Exempt and Taxable) to 11.2% for the High Growth Tax-Exempt investment option. The Balanced Tax-Exempt and Taxable investment options returned 9.9% and 9.8%, respectively.

Performance highlights include:

- Growth-oriented options such as High Growth, Balanced, and Socially Responsible benefited from strong returns in International and Australian Equities asset classes.

- The Conservative and Capital Defensive investment options were supported by positive contributions from the Fixed Interest and Credit asset classes.
- The Infrastructure asset class contributed positively to the diversified options, reflecting favourable valuation increases across multiple assets.
- All investment options, except Conservative and Moderate, exceeded their respective investment objective as of 30 June 2025.
- The Conservative and Moderate investment options underperformed their investment objectives. Both investment options have shorter time horizons and continue to be hampered by the high Consumer Price Index (CPI) endured throughout 2022 and 2023. This significantly increased the investment objective, at the same time certain asset classes experienced subdued returns.

Chart 1: Tax-Exempt and Taxable investment option returns for the 12 months ended 30 June 2025, returns net of fees and gross of tax



Investment management costs

- Investment Cost Ratio (ICR) outcomes were at the bottom end of the target ranges, with a number of investment options below their respective target ICR range.
- The Balanced Tax-Exempt investment option ICR for the year was 0.66%, well within its 0.65% - 0.70% target range.
- Additional detail relating to investment management costs can be found in the Investment Management Costs section.

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Section 1

Performance Report



Investment strategy

Funds SA's overarching investment objective is to achieve the highest possible return on invested capital while managing investment risks and liquidity.

The investment strategy of Funds SA's investment options includes: an investment return objective, a risk objective (calculated in accordance with industry standards), and asset allocation targets. The asset classes are the building blocks for the investment options.

The pillars of Funds SA's investment philosophy are:

- Taking investment risk over the longer term gets rewarded.
- Asset allocation is the key driver of risk and return.
- Markets regularly exhibit inefficiencies that can be exploited.
- Diversification is the most effective way to manage investment risks.
- Integration of ESG considerations into investment decisions and undertaking stewardship activities supports long-term investment outcomes.
- Strong governance leads to better investment outcomes.

Over the year there have been various investments undertaken to execute on our long-term investment strategies, and a range of steps taken to improve performance, specifically relative to superannuation peers.

Specific asset class activities

Private Markets

We continue seek out and consider opportunities within the asset class to assist with broadening the portfolio growth levers. Recent activities during the year focussed on maintaining and broadening relationships with managers that Funds SA believes to be of high quality and completing co-investment opportunities. These opportunities have presented in a wide range of sectors including insurance, education and information technology. Recent completions have increased exposures to the digital economy and innovation segments of the market.

Infrastructure

Infrastructure continues to be an important positive contributor to investment option returns. The allocation to the asset class has increased over the year and will increase again in the coming year.

Significant investment activity occurred within the areas of transportation, data centres and renewable energy generation. Of note was the completed co-investments into London's Heathrow Airport, and Cyan Renewables (a company that provides offshore service vessels, including to the offshore wind industry).

Australian and International Equities

Funds SA continued to shift equities exposure from active to more passive and benchmark aware investment strategies to reduce both benchmark risk (tracking error) and peer relative risk, and to reduce costs in these asset classes. We continue remain true to our investment philosophies and the belief in active management. The shift in exposures is designed to generate less risk from active exposures.

Property

The Property asset class remains an important part of the diversified investment options structure. The Office sector recovered throughout the year, and the Industrial sector's rental growth supported returns.

Industrial exposure was increased during the year with an investment into the Charter Hall Prime Industrial Fund. Retail exposure was also increased during the second half of the financial year with investments made into two metropolitan Sydney shopping centres in Roselands and Carlingford.

Fixed Interest

Several changes were made within the Fixed Interest asset class, at the sub-asset class level.

The Credit sub-asset class benchmark was changed during the year to more accurately reflect the industry benchmarks for liquid credit securities. This included removing emerging market debt. The reduction in emerging market debt resulted in the termination of a mandate with Wellington Management.

Within the Inflation-Linked Securities sub-asset class, Macquarie Asset Management was appointed at the expense of Ardea and the benchmark for the Tax-Exempt asset class was amended to align more closely with the Taxable asset class.

Long-Term Fixed Interest had a minor change to the benchmark to closer align to the Your Future Yor Super (YFYS) benchmark and performance test. Similarly, the Short-Term Fixed Interest asset class benchmark was changed to reduce tracking error to the YFYS benchmark.

Alternatives

The role of the Alternative asset class within the investment strategy gained in importance throughout the year. The Growth Alternatives sub-asset class was added to all investment options, alongside the Defensive Alternatives sub-asset class allocation. The asset class strategy shifted from a defensive focus to targeting total returns with low equity correlation, leading to the expansion of Growth Alternatives mandates and the phasing out of Defensive Alternatives mandates.

During the year the Ardea and LGT mandates were terminated due to the shift in focus described above.

Process improvements

The overarching focus of the new Chief Investment Officer and the Investment Team over the second half of the financial year was to:

- a) reduce active risk within those portfolios that have been a source of underperformance over recent times,
- b) broaden the growth drivers across the portfolios, with a sharper focus on growth strategies with low correlation to listed equities
- c) more closely align asset allocation to superannuation peers, and
- d) move to JANA full service from 1 July 2025.

Active management remains a core investment philosophy at Funds SA. Nonetheless, within the Australian and International Equities assets classes, active risks have been reduced in favour of passive or low risk quantitative strategies. The fee budget (passive strategies are typically lower fee relative to active) has been reallocated to other growth strategies with low or no correlation with listed equities.

While changes within the asset classes, and by extension the investment options, will take time to implement, Funds SA expects the exposures to align more closely to the superannuation peer group and improve peer-relative performance.

Investment option performance

All investment options delivered positive performance for the 12-month period.

All Funds SA investment options delivered strong absolute returns over the year to 30 June 2025.

Returns ranged from 4.7% for the Cash investment option to 11.2% for the High Growth Tax-Exempt investment option. The Balanced Tax-Exempt and Taxable investment options returned 9.9% and 9.8%, respectively.

Growth-oriented options such as High Growth, Balanced, and Socially Responsible benefited from gains in International and Australian Equities, particularly in the Technology, Consumer, and Industrial sectors.

The Conservative and Capital Defensive options were supported by positive contributions from Fixed Interest and Credit asset classes.

All investment options (except Cash) benefited from the Infrastructure asset class.

Most diversified investment options marginally underperformed their benchmarks over the year.

Australian Equities, Private Markets and Defensive Alternatives underperformed their benchmarks while Property, Infrastructure, Fixed Interest and Credit outperformed their respective benchmarks.

Table 1: Tax-Exempt investment option investment returns, periods to 30 June 2025, returns net of fees and gross of tax

Investment option	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.	20 years % p.a.
Cash	2.2	4.7	4.1	2.5	2.2	2.1	2.7	3.4
Capital Defensive	3.6	7.4	5.6	3.3	3.4	3.7	4.8	5.0
Conservative	3.5	8.1	6.8	4.8	4.5	4.8	6.0	5.7
Moderate	3.8	9.1	8.1	6.5	5.6	6.0	7.1	n.a.
Socially Responsible	4.2	10.7	10.0	8.8	7.1	6.8	7.9	n.a.
Balanced	3.7	9.9	9.3	8.3	7.0	7.3	8.3	7.1
High Growth	4.0	11.2	10.2	9.4	7.7	8.3	9.4	7.7
Defined Benefit	3.6	9.3	8.0	8.9	7.3	7.9	8.9	7.4

Table 2: Taxable investment option investment returns, periods to 30 June 2025, returns net of fees and gross of tax

Investment option	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.
Cash	2.2	4.7	4.1	2.5	2.2	2.1	2.7
Capital Defensive	3.4	7.2	5.5	3.3	3.3	3.5	4.6
Conservative	3.4	7.9	6.7	4.7	4.3	4.6	5.7
Moderate	3.6	8.7	7.9	6.5	5.6	5.8	6.8
Socially Responsible	4.2	10.7	10.0	8.8	7.1	6.8	7.9
Balanced	3.7	9.8	9.2	8.4	7.0	7.2	8.0
High Growth	4.0	11.1	10.0	9.5	7.7	8.2	9.1

Performance relative to investment objective

The primary return measure for each investment option is the investment objective as defined in the Performance Plan. The objectives include a:

- target return expressed as a margin over inflation,
- time horizon over which there is a reasonable likelihood of achieving the target return, and
- risk dimension expressed as the possible frequency of a negative annual return in any 20-year period.

The following table shows the return earned by each investment option against the respective investment objective, expressed over the relevant time horizon.

Table 3: Investment options vs investment objectives, for periods ended 30 June 2025, returns net of fees and gross of tax*

Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.	Taxable investment option performance % p.a.	Number of negative annual returns likely over any 20-year period
Cash	0+ years [^]	RBA Cash Rate = 4.2	4.7	4.7	Less than 0.5
Capital Defensive	2+ years	(CPI + 0.5%) = 3.5	6.4	6.2	0.5 to less than 1
Conservative	4+ years	(CPI + 1.5%) = 6.1	3.2	3.2	2 to less than 3
Moderate	6+ years	(CPI + 2.5%) = 6.3	5.3	5.3	3 to less than 4
Socially Responsible	10+ years	(CPI + 3.0%) = 6.2	6.8	6.8	4 to less than 6
Balanced	10+ years	(CPI + 3.5%) = 6.4	7.3	7.2	4 to less than 6
High Growth	10+ years	(CPI + 4.5%) = 7.4	8.3	8.2	4 to less than 6
Defined Benefit	10+ years	(CPI + 4.5%) = 7.3	7.9	n.a.	4 to less than 6

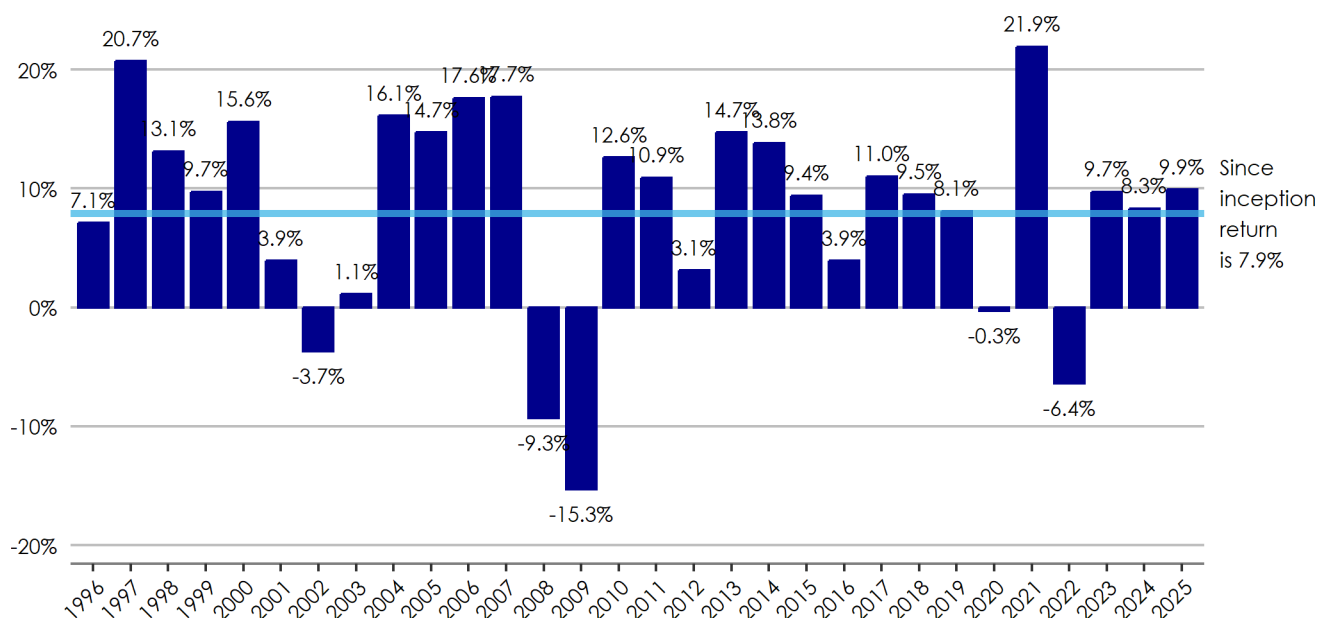
Notes: *Investment objective and investment option performance are expressed over the stated investment horizon for each investment option. Where elements of the investment objectives have changed over time, the investment objective series reflects a combination of the former and current objectives. See the "disclaimers" section for more information about the Standard Risk Measure. [^]The Cash investment option performance is assessed over 1-year rolling period. The investment objective reflects the RBA Cash Rate over a 1-year rolling period.

- All investment options outperformed their respective investment objectives, except for the Conservative and Moderate investment option.
- There were two significant factors contributing the outcomes for these options.
 - i. High Consumer Price Index (CPI) in 2022 and 2023, increased the investment objective, particularly for those with shorter investment horizons. In table 3, the Conservative option reflects a CPI component of 4.6% and the Moderate option reflects a CPI component of 3.8%. This is the actual CPI over the time horizon for the investment option and was an unusual anomaly induced by supply shortages coming out of the COVID pandemic period. Having a higher CPI component makes it challenging to meet the return objective without increasing the investment risk.
 - ii. The negative performance during 2022 continues to have an impact as the return rolls through time.

Realised outcomes

In most years the annual returns have exceeded the target return objectives across investment options, but short-term returns can be volatile.

Chart 2: Balanced Tax-Exempt investment option performance since inception, annual financial year returns to June 2025



Asset class performance

Funds SA asset class performance

Funds SA has established a range of asset classes that form the building blocks for the investment options. Each investment option invests in the common asset classes (building blocks) according to the Long-Term Strategic Asset Allocation (Strategic) detailed in Section 2.

Asset class performance relative to benchmark was mixed over 1-year

Funds SA measures the performance of each asset class against a specific benchmark. The benchmarks are the relevant market index or blend of indices appropriate for that asset class. Where no reasonable market index is available, the index is expressed as a margin over cash where cash refers to the Bloomberg AusBond Bank Bill Index. The benchmark for each asset class is included in Appendix 1.

The benchmarks for the Private Markets, Infrastructure, and Alternatives asset classes have a significant cash-plus component; performance for these asset classes is best considered over the longer term to be consistent with the cash-plus benchmark. In times of market volatility there can be a short-term mismatch between asset valuations and the benchmark.

Australian Equities - Tax-Exempt and Taxable

The Australian Equities asset class contributed strongly to performance. While the absolute performance was positive, the relative performance was negative with both the Tax-Exempt and Taxable asset classes underperforming their S&P/ASX 300 Accumulation Index benchmark by 3.8%.

Absolute performance was boosted by exposures to stocks within high performing S&P/ASX sectors including Healthcare Equipment (Sigma Healthcare, SIG:ASX, +133.6%) and Software (Technology One, TNE:ASX, +120.5%).

Stock selection was the significant drag on relative performance, in particular the underweight positions in Commonwealth Bank of Australia (CBA:ASX, +45.0% 1-year to 30 June 2025) and Brambles (BXB:ASX, +61.2%) and overweights to IDP Education (IEL:ASX, -75.8%), James Hardie Industries (JHX:ASX, -11.8%) and Reece Limited (REH:ASX, -43.0%).

The Australian Passive asset classes performed in line with expectations.

Table 4: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities Tax-Exempt						
Australian Equities						
Portfolio return	3.2	9.9	11.9	10.9	8.1	8.5
Benchmark return	6.4	13.7	13.3	11.8	8.7	8.8
Excess return	-3.1	-3.8	-1.4	-0.9	-0.6	-0.3
Australian Equities Passive						
Portfolio return	6.3	13.5	13.2	n.a.	n.a.	n.a.
Benchmark return	6.4	13.7	13.3	n.a.	n.a.	n.a.
Excess return	-0.1	-0.2	-0.2	n.a.	n.a.	n.a.
Australian Equities Taxable						
Australian Equities						
Portfolio return	3.2	9.9	11.9	10.9	8.2	8.6
Benchmark return	6.4	13.7	13.3	11.8	8.7	8.8
Excess return	-3.1	-3.8	-1.5	-0.9	-0.6	-0.3

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities Passive						
Portfolio return	6.2	13.4	13.1	n.a.	n.a.	n.a.
Benchmark return	6.4	13.7	13.3	n.a.	n.a.	n.a.
Excess return	-0.2	-0.3	-0.3	n.a.	n.a.	n.a.

Notes: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

International Equities -Tax-Exempt and Taxable

The International Equities asset class was the largest contributor to investment option performance. The MSCI All Cap World Index (MSCI ACWI) delivered an absolute return of 18.5% (unhedged in Australian dollars) for the year. Within the MSCI ACWI, US equities made up almost 60% of the index return (the US weight in the index is around 65%). The AI theme dominated, and big technology companies led the gains. Nvidia Corporation (NVDA:NDX) rose 27.1% and Tesla Inc. (TSLA:NDX) 51.4%. Developed market equities outperformance emerging market equities.

The asset class produced very strong absolute gains but marginally underperformed the benchmark. This was driven by an overweight exposure to the underperforming Healthcare sector and an underweight to both semi-conductor stocks leveraged to the AI theme and China.

The International Passive Equities Tax-Exempt asset class performed in line with expectations. The relative performance of the International Passive Taxable asset class was slightly wider due to the cost of the asset class.

Table 5: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
International Equities Tax-Exempt						
International Equities						
Portfolio return	4.4	18.2	16.8	13.0	11.2	11.0
Benchmark return	3.9	18.5	18.8	14.5	12.1	11.6
Excess return	0.5	-0.2	-2.0	-1.5	-0.9	-0.6
International Equities Passive						
Portfolio return	4.0	18.5	17.4	13.0	n.a.	n.a.
Benchmark return	3.9	18.5	17.3	12.9	n.a.	n.a.
Excess return	0.0	0.1	0.2	0.1	n.a.	n.a.
International Equities Taxable						
International Equities						
Portfolio return	4.3	18.1	16.6	12.9	11.1	10.8
Benchmark return	3.9	18.5	18.9	14.5	12.2	11.6
Excess return	0.4	-0.4	-2.3	-1.7	-1.1	-0.8
International Equities Passive						
Portfolio return	3.7	17.9	18.7	14.5	n.a.	n.a.
Benchmark return	3.9	18.5	18.9	14.5	n.a.	n.a.
Excess return	-0.2	-0.5	-0.2	-0.1	n.a.	n.a.

Notes: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history. The returns for International Equities, International Equities Passive and their related benchmarks were partially hedged prior to August 2023. From August 2023 returns are unhedged.

Private Markets - Tax-Exempt and Taxable

The Private Markets asset class delivered modest returns over the year but underperformed the Cash-plus benchmark.

Relative performance was driven by the poor performance of historical legacy assets which comprise of mostly commercial real estate investments.

The positive absolute performance was largely within the Buyouts and Secondaries segments of the asset class, in particular exposures to technology and business services sectors which experienced solid earnings growth and an expansion of their valuation multiples. Co-investments in Non-Core Infrastructure contributed positively, more specifically healthcare, waste and tech-enable services exposures, as did the Venture Capital/Growth Equities asset class segments.

Table 6: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Private Markets Tax-Exempt						
Portfolio return	2.1	5.4	4.2	11.4	9.1	10.5
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	-2.0	-3.0	-3.7	5.0	3.0	4.4
Private Markets Taxable						
Portfolio return	1.7	3.9	2.9	11.0	8.9	10.0
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	-2.3	-4.5	-5.0	4.7	2.8	4.0

Notes: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The Private Markets asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of the Diversified Strategies Growth asset class excluding the infrastructure assets held by Funds SA prior to 2021.

Property - Tax-Exempt and Taxable

The Property asset gained during the year on both an absolute and relative basis.

The Office sector, that had been a drag on returns, stabilised as the year progressed. Those Office assets providing the highest quality premises, in the best locations, demonstrated valuation growth that flowed through to manager investment returns.

The Industrial sector, whilst experiencing increased vacancy (albeit off low levels), remained stable in valuation terms. Positive rental growth continued to be a strong source of return for the sector. During the year an investment was made into the Charter Hall Prime Industrial Fund to increase Funds SA's exposure to this sector.

Demand for Retail assets continued to improve. Funds SA has been the beneficiary of this through two investments made during the last six months – a 50% interest in the Roselands and Carlingford Shopping Centres, which are both located in metropolitan Sydney. Independent valuations received as of 30 June 2025 showed valuation uplifts of an estimated 9% for Roselands and 5% for Carlingford.

Table 7: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Property Tax-Exempt						
Portfolio return	3.1	2.8	-3.1	2.1	2.1	5.1
Benchmark return	2.4	2.2	-3.3	1.8	1.9	4.9
Excess return	0.7	0.6	0.2	0.2	0.2	0.3
Property Taxable						
Portfolio return	3.1	2.8	-3.1	2.1	2.1	5.0
Benchmark return	2.4	2.2	-3.3	1.8	1.9	4.9
Excess return	0.7	0.6	0.2	0.2	0.2	0.2

Note: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Infrastructure - Tax-Exempt and Taxable

The Infrastructure asset class continues to be an important contributor to the investment options performance with large gains – on both an absolute and relative basis - for the year.

The return contributions were very broad across the portfolios, with the transportation, energy and data centre exposures delivering particularly outsized gains.

Table 8: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Infrastructure Tax-Exempt						
Portfolio return	4.2	11.1	9.3	10.2	8.1	8.9
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	0.1	2.7	1.4	3.9	2.0	2.8
Infrastructure Taxable						
Portfolio return	4.3	12.1	9.9	10.4	8.3	8.8
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	0.2	3.7	2.0	4.1	2.2	2.8

Notes: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The Infrastructure asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of Infrastructure assets held by Funds SA prior to 2021.

Alternatives

The Alternatives asset class currently comprises the Growth Alternatives and Defensive Alternatives sub-asset classes. All investment options had exposure to both asset classes during the past year. As noted in the Investment Strategy section, the role of the Alternative asset class within the investment strategy has gained in importance, shifting from a more defensive role to total return outcomes with minimal correlation to listed equities. The shift will result in the Defensive Alternatives sub-asset class being removed during 2025-26.

Growth Alternatives

The strategy is designed as a liquid alternative to growth assets (including equities).

The Growth Alternatives sub-asset class delivered solid returns but slightly underperformed its benchmark. Most portfolio segments were profitable over the period, in particular strategies focussed on equity long/short, relative value, quantitative and multi-strategies. These segments were able to deliver growth with a low correlation to other growth assets, mostly equities.

Defensive Alternatives

This strategy is designed as a liquid alternative to defensive assets such as fixed interest.

The Defensive Alternatives portfolio performed poorly throughout the year delivering negative returns for 1-year and underperformed the benchmark. The largest detractors were positions taken across energy, fixed interest and various currencies.

Table 9: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Alternatives						
Growth Alternatives						
Portfolio return	5.4	7.6	1.4	n.a.	n.a.	n.a.
Benchmark return	4.1	8.4	7.9	n.a.	n.a.	n.a.
Excess return	1.3	-0.8	-6.5	n.a.	n.a.	n.a.
Defensive Alternatives						
Portfolio return	-6.8	-7.4	-0.9	n.a.	n.a.	n.a.
Benchmark return	3.1	6.4	5.9	n.a.	n.a.	n.a.
Excess return	-9.9	-13.8	-6.7	n.a.	n.a.	n.a.

Note: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Credit

The Credit asset class performed well over the period, outperforming the benchmark return. The Credit asset class consists of sub-investment grade credit securities and exposures.

The major drivers of performance were falling nominal yields and the continued tightening of credit spreads. The asset class had a long duration profile that was beneficial in a falling yield and spread environment. Significant value was driven by active management within High Yield and Loans, particularly positions in collateralised loan obligations and emerging market debt.

Table 10: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Credit						
Portfolio return	3.9	9.0	9.2	n.a.	n.a.	n.a.
Benchmark return	3.5	8.6	8.6	n.a.	n.a.	n.a.
Excess return	0.5	0.4	0.6	n.a.	n.a.	n.a.

Note: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Fixed Interest

The Fixed Interest asset class comprises Investment Grade Credit, Inflation-Linked Securities, Long-Term Fixed Interest and Short-Term Fixed Interest sub-asset classes.

Investment Grade Credit

Investment Grade Credit achieved a robust absolute return, performing in line with its benchmark.

Falling nominal yields and tighter credit spreads over the year were key drivers of performance. Nominal yields typically refer to government bonds of similar duration and credit spreads reflect the additional yield above a government or other reference yield demanded by investors for taking on the risk. Strong company fundamentals provided confidence that default rates would remain low over the year.

Security selection within the portfolio also contributed to the absolute gain, specifically investments made in water utilities.

Inflation-Linked Securities - Tax-Exempt and Taxable

The Inflation-Linked Securities asset classes produced solid returns for the year – Tax-Exempt 6.7%, outperforming the benchmark by 1.4%, and Taxable 5.4%, outperforming the benchmark by 0.1%.

Unsurprisingly, the performance drivers were lower nominal yields and falling inflation expectations as the Consumer Price Index (CPI) outcomes continued to fall over the year. The declining CPI provide room for the RBA to reduce policy rates which reinforced investor expectations for lower inflation.

Long-Term Fixed Interest

The asset class return of 5.7% to 30 June 2025 and was 0.7% above the benchmark.

Developed market bond yields fell over the year as Central Banks either commenced or continued with their accommodative monetary policy stances in the face of falling inflation and stable employment. Concerns over the fiscal positions of the major economies, specifically the US, tempered performance of longer date bonds and caused the yield curve to steepen – resulting in short-dated maturities outperforming.

Active security management contributed to the relative outperformance, most notably the overweight to Mexico and underweights to both Europe and Japan. Currency positions also added value.

Short-Term Fixed Interest

Short Term Fixed Interest enjoyed strong gains over the year with an absolute return of 8.1%, outperforming the benchmark by 0.6%.

Similar to the other Fixed Interest sub-asset classes, falling nominal yields, steepening yield curves (short maturities outperformed long maturities) and tighter credit spreads were key to the strong absolute outcome and the relative gain.

Active management added value, in particular the overweight exposures to financials and Residential Mortgage-Backed Securities (RMBS).

Table 11: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Fixed Interest						
Investment Grade Credit						
Portfolio return	3.6	6.4	n.a.	n.a.	n.a.	n.a.
Benchmark return	3.6	6.5	n.a.	n.a.	n.a.	n.a.
Excess return	0.0	-0.1	n.a.	n.a.	n.a.	n.a.
Short-Term Fixed Interest						
Portfolio return	4.2	8.1	6.0	2.5	3.0	2.9
Benchmark return	3.9	7.5	5.4	2.2	2.6	2.6
Excess return	0.3	0.6	0.6	0.3	0.3	0.3
Inflation-Linked Securities Tax-Exempt						
Portfolio return	4.2	6.7	4.4	2.5	3.4	3.2
Benchmark return	3.0	5.2	4.9	2.4	2.9	2.9
Excess return	1.2	1.4	-0.5	0.0	0.4	0.3
Inflation-Linked Securities Taxable						
Portfolio return	3.0	5.4	4.3	2.5	2.8	2.8
Benchmark return	3.0	5.3	4.9	2.8	3.0	3.0
Excess return	-0.0	0.1	-0.6	-0.3	-0.2	-0.2

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Long-Term Fixed Interest						
Portfolio return	4.2	5.7	2.0	-1.8	0.9	1.7
Benchmark return	2.9	5.1	1.8	-2.1	0.9	1.9
Excess return	1.3	0.7	0.2	0.3	0.0	-0.1

Notes: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Cash

Cash asset class returns were very strong for the year to 30 June 2025 at 4.7% relative to the benchmark return of 4.4%.

The RBA easing cycle commenced during the year which meant that a higher yield was earned early on. Active management continued to be the key to relative outperformance with investments in money market securities and investing along the curve to invest in longer maturities adding value.

Table 12: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.2	4.7	4.1	2.5	2.2	2.2
Benchmark return	2.1	4.4	3.9	2.3	2.1	2.0
Excess return	0.1	0.3	0.2	0.1	0.1	0.1

Note: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Investment management costs

Each Performance Plan includes a targeted cost range for each investment option. Funds SA's investment management costs are presented as a percentage of average funds under management and referred to as an Indirect Cost Ratio (ICR).

The primary objective is to achieve the investment option's investment objectives over the long-term, net of all fees and costs. Managing costs is an important element of this objective; however, it does not drive the investment strategy and should not be looked at in isolation.

ICRs for the 2024-25 financial year

Funds SA's realised and targeted fees for the year end 30 June 2025 are detailed in the tables below.

The ICRs achieved for all options were at least at the bottom end of the target ranges.

The High Growth, Moderate and Balanced Taxable investment options achieved ICRs below the bottom of their respective forecast ranges as did the High Growth and Moderate Tax-Exempt options.

The ICR target range allows for some flexibility as some components within the ICR are beyond the direct control of Funds SA, namely performance fees and transaction costs.

Factors contributing to ICR outcomes

- The Property asset class had higher than forecast transaction costs, with purchases made by managers over the period.
- This was somewhat offset by lower-than-expected management costs in the International and Australian Equities asset classes. This was mainly due to the replacement of several active investment managers with lower-cost passive, systematic and enhanced-passive strategies, resulting in fee savings.
- Relevant to High Growth, given this option has such a high allocation to equities, the fee savings generated by shifting to lower cost strategies was quite pronounced.

Table 13: Tax-Exempt investment option realised and target ICRs for the 2024-25 financial year*

Investment option	Base fees %	Performance fees %	Transaction costs %	Realised %	Target range %	Within or below range
Cash	0.05	0.00	0.00	0.05	0.05	●
Capital Defensive	0.30	0.04	0.06	0.40	0.40 - 0.45	●
Conservative	0.35	0.06	0.08	0.49	0.45 - 0.50	●
Moderate	0.38	0.07	0.09	0.54	0.55 - 0.60	●
Socially Responsible	0.32	0.05	0.06	0.43	0.40 - 0.45	●
Balanced	0.43	0.11	0.12	0.66	0.65 - 0.70	●
High Growth	0.47	0.13	0.13	0.72	0.80 - 0.85	●
Defined Benefit	0.65	0.29	0.15	1.10	1.10 - 1.15	●

Note: *Due to rounding, the sum of the individual numbers may not equal the total figures quoted. Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses. Transaction costs include brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Table 14: Taxable investment option realised and target ICRs for the 2024-25 financial year*

Investment option	Base fees %	Performance fees %	Transaction costs %	Realised %	Target range %	Within or below range
Cash	0.05	0.00	0.00	0.05	0.05	
Capital Defensive	0.30	0.04	0.06	0.40	0.40 – 0.45	
Conservative	0.34	0.05	0.08	0.47	0.45 – 0.50	
Moderate	0.37	0.06	0.09	0.52	0.55 – 0.60	
Socially Responsible	0.32	0.05	0.06	0.43	0.40 – 0.45	
Balanced	0.43	0.10	0.11	0.64	0.70 – 0.75	
High Growth	0.48	0.13	0.11	0.72	0.80 – 0.85	

Note: *Due to rounding, the sum of the individual numbers may not equal the total figures quoted. Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses. Transaction costs include brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Section 2

Investment options relative to benchmark



Tax-Exempt investment options – Performance against benchmark

- Except for the Cash and Capital Defensive investment options, all other investment options underperformed the benchmark.
- Positive contributors were the Infrastructure and Fixed Interest asset classes. The detractors were Australian Equities, Defensive Alternatives, Private Markets and in some case International Equities.
- Refer to the Asset Class performance section for more detail.

Table 15: Funds SA Tax-Exempt investment option performance

Returns are net of fees and gross of tax, to 30 June 2025

Investment option	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.2	4.7	4.1	2.5	2.2	2.1
Benchmark return	2.1	4.4	3.9	2.3	2.1	2.0
Excess return	0.1	0.3	0.2	0.1	0.1	0.1
Capital Defensive						
Portfolio return	3.6	7.4	5.6	3.3	3.4	3.7
Benchmark return	3.6	7.4	5.9	3.4	3.6	3.8
Excess return	0.0	0.0	-0.3	-0.1	-0.2	-0.2
Conservative						
Portfolio return	3.5	8.1	6.8	4.8	4.5	4.8
Benchmark return	3.9	8.6	7.5	5.1	4.9	5.1
Excess return	-0.4	-0.5	-0.7	-0.4	-0.4	-0.4
Moderate						
Portfolio return	3.8	9.1	8.1	6.5	5.6	6.0
Benchmark return	4.4	10.1	9.1	6.8	6.2	6.3
Excess return	-0.6	-1.0	-1.0	-0.4	-0.6	-0.4
Socially Responsible						
Portfolio return	4.2	10.7	10.0	8.8	7.1	6.8
Benchmark return	4.0	11.4	10.2	8.6	7.6	7.6
Excess return	0.2	-0.7	-0.2	0.2	-0.4	-0.8
Balanced						
Portfolio return	3.7	9.9	9.3	8.3	7.0	7.3
Benchmark return	4.9	11.6	10.9	8.9	7.8	7.8
Excess return	-1.2	-1.7	-1.6	-0.6	-0.8	-0.4
High Growth						
Portfolio return	4.0	11.2	10.2	9.4	7.7	8.3
Benchmark return	5.3	13.0	12.1	10.1	8.5	8.7
Excess return	-1.3	-1.8	-1.8	-0.7	-0.9	-0.4
Defined Benefit						
Portfolio return	3.6	9.3	8.0	8.9	7.3	7.9
Benchmark return	4.9	11.2	10.1	8.9	7.7	8.0
Excess return	-1.3	-1.9	-2.1	0.0	-0.4	-0.1

Notes: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The benchmark return for each investment option is the weighted return of the asset class benchmarks based on the Strategic Asset Allocation of the relevant investment option as shown in the asset allocation table below. For further information on the asset class benchmarks, please refer to the disclaimers at the end of the document. The Socially Responsible Tax-Exempt investment option is a commonly held investment option within the Socially Responsible Taxable investment option. The Socially Responsible Tax-Exempt and Taxable investment options have the same asset allocation and invest in the same Taxable asset classes.

Tax-Exempt investment options - Effective asset allocation

Table 16: Effective asset allocation as of 30 June 2025

Asset class	Rebalancing range %	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Australian Equities							
Effective		0.0	5.2	9.2	15.9	22.8	27.7
Strategic		0.0	5.0	9.0	16.0	22.5	28.0
Variance	+/- 10	0.0	0.2	0.2	-0.1	0.3	-0.3
International Equities							
Effective		0.0	7.1	14.8	24.6	33.4	40.6
Strategic		0.0	7.0	15.0	24.5	34.0	41.5
Variance	+/- 10	0.0	0.1	-0.2	0.1	-0.6	-0.9
Private Markets							
Effective		0.0	1.0	2.3	3.2	5.5	6.4
Strategic		0.0	1.0	2.0	3.0	5.0	6.0
Variance	+/- 10	0.0	0.0	0.3	0.2	0.5	0.4
Property							
Effective		0.0	6.1	7.3	6.7	7.5	8.0
Strategic		0.0	6.0	7.0	6.5	7.5	8.0
Variance	+/- 10	0.0	0.1	0.3	0.2	-0.0	-0.0
Infrastructure							
Effective		0.0	11.9	11.0	9.0	8.0	6.4
Strategic		0.0	11.0	10.0	7.5	7.5	6.5
Variance	+/- 10	0.0	0.9	1.0	1.5	0.5	-0.1
Alternatives							
Effective		0.0	1.8	2.2	2.1	2.6	1.7
Strategic		0.0	3.5	4.0	3.0	4.0	2.0
Variance	+/- 10	0.0	-1.7	-1.8	-0.9	-1.4	-0.3
Credit							
Effective		0.0	2.9	6.7	6.7	5.4	6.1
Strategic		0.0	3.0	7.0	7.0	5.5	7.0
Variance	+/- 10	0.0	-0.1	-0.3	-0.3	-0.1	-0.9
Fixed Interest							
Effective		0.0	45.7	31.4	21.6	9.1	0.0
Strategic		0.0	45.5	32.0	22.5	10.5	0.0
Variance	+/- 10	0.0	0.2	-0.6	-0.9	-1.4	0.0
Cash							
Effective		100.0	18.2	15.2	10.3	5.7	3.1
Strategic		100.0	18.0	14.0	10.0	3.5	1.0
Variance	0 to 20	0.0	0.2	1.2	0.3	2.2	2.1
	Total	100.0	100.0	100.0	100.0	100.0	100.0
Foreign Currency							
Effective		0.0	4.7	9.5	14.4	20.8	25.9
Strategic		0.0	5.0	10.0	15.0	21.0	26.0
Variance	+/- 10	0.0	-0.3	-0.5	-0.6	-0.2	-0.1
Foreign Currency Hedge*		0.0	2.5	5.5	10.3	12.7	14.9

Note: Due to rounding, the sum of 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.

Taxable investment options – Performance against benchmark

- Except for the Cash option, all other investment options underperformed the benchmark.
- Positive contributors were the Infrastructure and Fixed Interest asset classes. The detractors were Australian Equities, Defensive Alternatives, Private Markets and in some case International Equities.
- Refer to the Asset Class performance section for more detail.

Table 17: Funds SA Taxable investment option performance

Returns are net of fees and gross of tax, to 30 June 2025

Investment option	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.2	4.7	4.1	2.5	2.2	2.1
Benchmark return	2.1	4.4	3.9	2.3	2.1	2.0
Excess return	0.1	0.3	0.2	0.1	0.1	0.1
Capital Defensive						
Portfolio return	3.4	7.2	5.5	3.3	3.3	3.5
Benchmark return	3.6	7.4	5.8	3.4	3.6	3.8
Excess return	-0.2	-0.2	-0.3	-0.2	-0.3	-0.3
Conservative						
Portfolio return	3.4	7.9	6.7	4.7	4.3	4.6
Benchmark return	3.9	8.6	7.3	5.1	4.8	5.1
Excess return	-0.5	-0.7	-0.7	-0.4	-0.5	-0.5
Moderate						
Portfolio return	3.6	8.7	7.9	6.5	5.6	5.8
Benchmark return	4.4	10.1	9.0	6.8	6.2	6.3
Excess return	-0.8	-1.3	-1.1	-0.3	-0.6	-0.5
Socially Responsible						
Portfolio return	4.2	10.7	10.0	8.8	7.1	6.8
Benchmark return	4.0	11.4	10.2	8.6	7.6	7.6
Excess return	0.2	-0.7	-0.2	0.2	-0.4	-0.8
Balanced						
Portfolio return	3.7	9.8	9.2	8.4	7.0	7.2
Benchmark return	4.9	11.7	10.8	8.9	7.7	7.7
Excess return	-1.2	-1.8	-1.7	-0.5	-0.8	-0.5
High Growth						
Portfolio return	4.0	11.1	10.0	9.5	7.7	8.2
Benchmark return	5.4	13.1	12.0	10.1	8.5	8.7
Excess return	-1.4	-2.0	-1.9	-0.6	-0.8	-0.5

Notes: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The benchmark return for each investment option is the weighted return of the asset class benchmarks based on the Strategic Asset Allocation of the relevant investment option as shown in the Table on the following page. For further information on the asset class benchmarks, please refer to the disclaimers at the end of the document.

Taxable investment options - Effective asset allocation

Table 18: Effective asset allocation as of 30 June 2025

Asset class	Rebalancing range %	Cash %	Capital Defensive %	Conservative %	Moderate %	Socially Responsible %	Balanced %	High Growth %
Australian Equities								
Effective		0.0	5.1	10.1	18.0	27.4	25.4	31.3
Strategic		0.0	5.0	10.0	18.0	27.0	25.0	31.5
Variance	+/- 10	0.0	0.1	0.1	-0.0	0.4	0.4	-0.2
International Equities								
Effective		0.0	7.9	15.6	23.6	34.1	32.4	39.0
Strategic		0.0	7.5	15.0	22.5	32.0	32.0	39.0
Variance	+/- 10	0.0	0.4	0.6	1.1	2.1	0.4	0.0
Private Markets								
Effective		0.0	0.9	2.0	2.8	2.4	4.7	6.0
Strategic		0.0	1.0	2.0	3.0	2.5	5.0	6.0
Variance	+/- 10	0.0	-0.1	-0.0	-0.2	-0.1	-0.3	-0.0
Property								
Effective		0.0	6.0	5.9	6.3	10.2	7.3	7.6
Strategic		0.0	6.0	6.0	6.5	10.0	7.5	8.0
Variance	+/- 10	0.0	-0.0	-0.1	-0.2	0.2	-0.2	-0.4
Infrastructure								
Effective		0.0	10.8	9.8	7.8	6.4	7.5	6.4
Strategic		0.0	9.0	8.5	7.0	6.5	7.5	6.5
Variance	+/- 10	0.0	1.8	1.3	0.8	-0.1	0.0	-0.1
Alternatives								
Effective		0.0	1.5	1.9	1.9	0.0	1.8	1.0
Strategic		0.0	3.5	3.5	3.0	0.0	2.0	0.0
Variance	+/- 10	0.0	-2.0	-1.6	-1.1	0.0	-0.2	1.0
Credit								
Effective		0.0	2.9	6.4	6.5	2.6	6.0	6.2
Strategic		0.0	3.0	7.0	7.0	5.0	5.5	7.0
Variance	+/- 10	0.0	-0.1	-0.6	-0.5	-2.4	0.5	-0.8
Fixed Interest								
Effective		0.0	46.4	33.7	22.4	13.1	9.7	0.0
Strategic		0.0	47.0	34.0	23.0	14.0	12.0	0.0
Variance	+/- 10	0.0	-0.6	-0.3	-0.6	-0.9	-2.3	0.0
Cash								
Effective		100.0	18.6	14.6	10.7	3.7	5.2	2.5
Strategic		100.0	18.0	14.0	10.0	3.0	3.5	2.0
Variance	0 to 20	0.0	0.6	0.6	0.7	0.7	1.7	0.5
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foreign Currency								
Effective		0.0	4.7	10.3	14.7	21.2	21.4	26.3
Strategic		0.0	5.0	10.0	15.0	21.0	21.0	26.0
Variance	+/- 10	0.0	-0.3	0.3	-0.3	0.2	0.4	0.3
Foreign Currency Hedge*								
		0.0	3.3	5.4	8.2	18.1	11.0	11.9

Notes: Due to rounding, the sum of 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. The Socially Responsible Tax-Exempt and Taxable investment options have the same effective asset allocation and invest in the same Taxable asset classes.

Appendix 1

Asset class benchmarks



The following table details the asset class benchmarks as of 30 June 2025.

Funds SA asset class	Allocation	
	%	Index
Australian Equities and Australian Equities Passive Tax-Exempt and Taxable	100	S&P/ASX 300 Accumulation Index
International Equities and International Equities Passive Tax-Exempt and Taxable	100	Morgan Stanley Capital International (MSCI) All Countries World Index Ex-Australia net dividends, unhedged
Private Markets Tax-Exempt and Taxable	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Property Tax-Exempt and Taxable	100	MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index
Infrastructure Tax-Exempt and Taxable	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Alternatives		<u>Growth Alternatives</u>
	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
		<u>Defensive Alternatives</u>
	100	Bloomberg AusBond Bank Bill Index plus 2% p.a.
Credit	50	Bloomberg Global High Yield Corporate Bond Index (hedged to AUD)
	50	S&P UBS Global Leveraged Loan Index
Investment Grade Credit	100	Bloomberg Global Aggregate Corporate Index (hedged to AUD)
Inflation-Linked Securities Tax-Exempt and Taxable	100	Bloomberg AusBond Government Inflation Index 0-10 years
Long-Term Fixed Interest	50	Bloomberg AusBond Government 0+ Year Index
	50	Bloomberg Global Treasury Index (AUD Hedged)
Short-Term Fixed Interest	100	Bloomberg AusBond Credit Index 0+ years
Cash	100	Bloomberg AusBond Bank Bill Index
Foreign Currency Hedge	100	MSCI World ex-Australia FX Hedge Impact Index

Disclaimers



Funds SA Disclaimer

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Standard Risk Measure disclosures

The Standard Risk Measure is based on industry guidance that allow clients and members to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than a client or member may require to meet their objectives. Further, it also does not take into account the impact of fees or tax on the likelihood of a negative return. Clients and members should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s.

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Performance Report

Funds SA investment option

Lifetime Support Authority Strategy

For the 12 months ended 30 June 2025



EXECUTIVE SUMMARY

This is a legislated, semi-annual report and provides an update on important developments for the Corporation, and an overview of the performance for the Funds SA investment option for the 12 months period ended 30 June 2025.

Corporate updates

- Appointment of Con Michalakis as Chief Investment Officer in February 2025.
- Appointment of Guy Debelle as the Chair of Funds SA in April 2025.
- Appointment of Melinda OLeary, Anna Shave and Dr Sarah Pearson as Directors to the Funds SA Board.
- Departure of Matthew Kempton in May 2025 who served as Deputy CIO.

Summary of market environment

- Global share markets performed strongly over the year, particularly in the United States, where major technology companies continued to appreciate. The "Magnificent Seven" stocks (Nvidia, Apple, Alphabet, Amazon, Meta, Microsoft and Tesla) remained central to market narratives, driven by investor confidence in the Artificial Intelligence (AI) thematic and innovation-led growth.
- Australian shares also delivered solid returns, supported by broad-based gains across the Financials, Communication Services and Industrials sectors.
- The domestic Property sector showed signs of recovery, with sentiment improving, particularly in the Office sector, which had previously been a consistent detractor.
- Interest rates remained a key focus for investors. In Australia, the Reserve Bank of Australia (RBA) held rates steady for most of the year, as inflation stayed above target and the job market remained strong. Overseas, central banks took varied approaches—some began cutting rates, while others remained cautious amid persistent inflation.
- Bond and credit markets were mixed over the year. Bond yields fell in the latter part of the year as inflation measures declined leading to a shift in expectations for lower central bank policy rates. Credit markets remained resilient, supported by strong corporate fundamentals and continued investor demand for yield.
- The Australian dollar weakened against the US dollar, boosting returns from international investments that were not hedged back to Australian dollars.
- Geopolitical risks persisted, including ongoing conflicts in Eastern Europe and the Middle East. While these events caused short-term market reactions, they did not significantly disrupt the overall positive trend in investment markets.

LSA Strategy performance summary

- The Lifetime Support Authority Strategy (LSA Strategy) delivered 9.5% for the 12-month period.
- Positive performance was driven by the International and Australian Equities asset classes.
- The underweight to Infrastructure and overweight to Private Markets was a drag on performance.

Investment management costs

The realised Indirect Cost Ratio (ICR) for the 12-month period was below the target ICR range. Additional detail relating to investment management costs can be found in Section 5.

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1. Investment Strategy

Funds SA's overarching investment objective is to achieve the highest possible return on invested capital while managing investment risks and liquidity.

The investment strategy of Funds SA's investment options includes: an investment return objective, a risk objective (calculated in accordance with industry standards), and asset allocation targets. The asset classes are the building blocks for the investment options.

The pillars of Funds SA's investment philosophy are:

- Taking investment risk over the longer term gets rewarded.
- Asset allocation is the key driver of risk and return.
- Markets regularly exhibit inefficiencies that can be exploited.
- Diversification is the most effective way to manage investment risks.
- Integration of ESG considerations into investment decisions and undertaking stewardship activities supports long-term investment outcomes.
- Strong governance leads to better investment outcomes.

Over the year there have been various investments undertaken to execute on our long-term investment strategies, and a range of steps taken to improve performance, specifically relative to superannuation peers.

Specific asset class activities

Private Markets

We continue seek out and consider opportunities within the asset class to assist with broadening the portfolio growth levers. Recent activities during the year focussed on maintaining and broadening relationships with managers that Funds SA believes to be of high quality and completing co-investment opportunities. These opportunities have presented in a wide range of sectors including insurance, education and information technology. Recent completions have increased exposures to the digital economy and innovation segments of the market.

Infrastructure

Infrastructure continues to be an important positive contributor to investment option returns. The allocation to the asset class has increased over the year and will increase again in the coming year.

Significant investment activity occurred within the areas of transportation, data centres and renewable energy generation. Of note was the completed co-investments into London's Heathrow Airport, and Cyan Renewables (a company that provides offshore service vessels, including to the offshore wind industry).

Australian and International Equities

Funds SA continued to shift equities exposure from active to more passive and benchmark aware investment strategies to reduce both benchmark risk (tracking error) and peer relative risk, and to reduce costs in these asset classes. We continue remain true to our investment philosophies and the belief in active management. The shift in exposures is designed to generate less risk from active exposures.

Property

The Property asset class remains an important part of the diversified investment options structure. The Office sector recovered throughout the year, and the Industrial sector's rental growth supported returns.

Industrial exposure was increased during the year with an investment into the Charter Hall Prime Industrial Fund. Retail exposure was also increased during the second half of the financial year with investments made into two metropolitan Sydney shopping centres in Roselands and Carlingford.

Credit

The Credit sub-asset class benchmark was changed during the year to more accurately reflect the industry benchmarks for liquid credit securities. This included removing emerging market debt. The reduction in emerging market debt resulted in the termination of a mandate with Wellington Management.

Alternatives

The role of the Alternative asset class within the investment strategy gained in importance throughout the year. The asset class strategy shifted from a defensive focus to targeting total returns with low equity correlation, leading to the expansion of Growth Alternatives mandates and the phasing out of Defensive Alternatives mandates.

During the year the Ardea and LGT mandates were terminated due to the shift in focus described above.

Process improvements

The overarching focus of the new Chief Investment Officer and the Investment Team over the second half of the financial year was to:

- a) reduce active risk within those portfolios that have been a source of underperformance over recent times,
- b) broaden the growth drivers across the portfolios, with a sharper focus on growth strategies with a low correlation to listed equities
- c) more closely align asset allocation to superannuation peers, and
- d) move to JANA full service from 1 July 2025.

Active management remains a core investment philosophy at Funds SA. Nonetheless, within the Australian and International Equities assets classes, active risks have been reduced in favour of passive or low risk quantitative strategies. The fee budget (passive strategies are typically lower fee relative to active) has been reallocated to other growth strategies with low or no correlation with listed equities.

While changes within the asset classes, and by extension the investment options, will take time to implement, Funds SA expects the exposures to align more closely to the superannuation peer group and improve peer-relative performance.

2. LSA Strategy investment performance

The LSA Strategy is constructed to be high growth with significant allocations in illiquid unlisted assets to harvest the return premium available over the longer term. This strategy reflects that Lifetime Support Scheme Fund is early in its life and is investing large cash flows each year relative to the size of its portfolio.

The primary return measure for the LSA Strategy is the investment objective of 6.25% p.a. over rolling 10-year periods. The past 12-months have been strong and the LSA Strategy is ahead of the investment objective over all time periods.

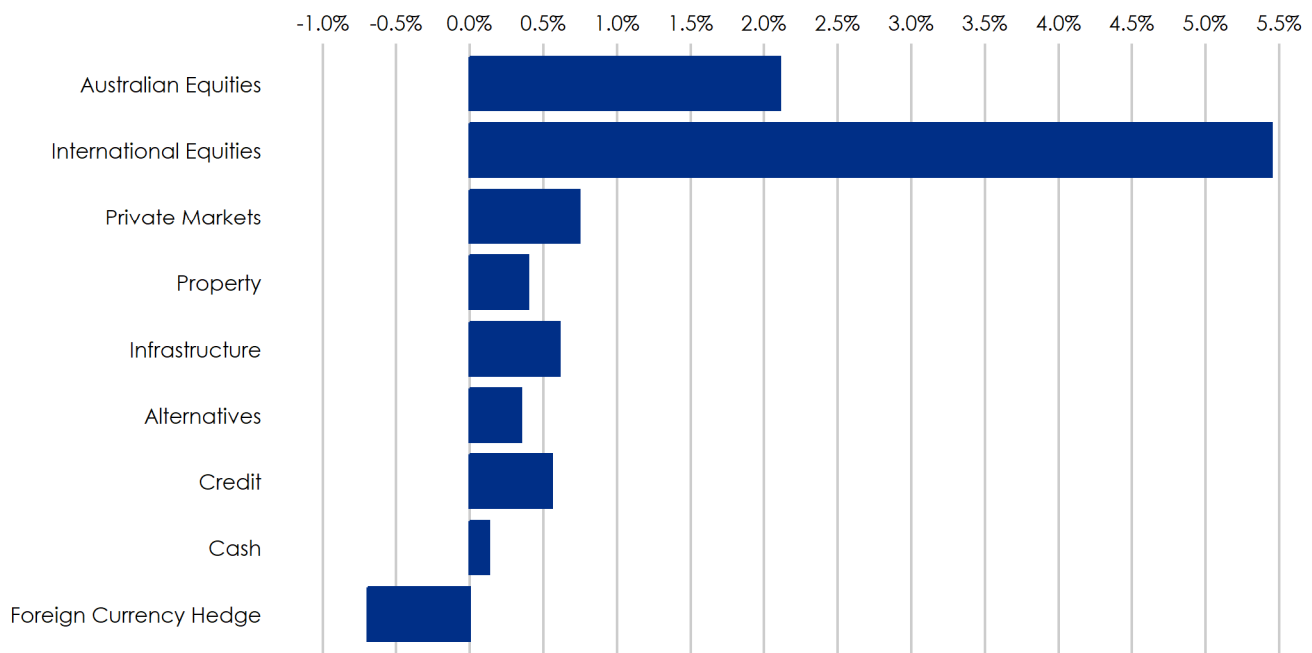
Table 1: LSA Strategy returns, periods to 30 June 2025, returns net of fees

Description	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	Since inception % p.a.
LSA nominal return	3.8	9.5	8.1	9.0	7.4	7.5	7.4
Investment objective	3.1	6.2	6.2	6.2	6.2	6.2	6.2
Excess return	0.7	3.3	1.8	2.8	1.2	1.3	1.2

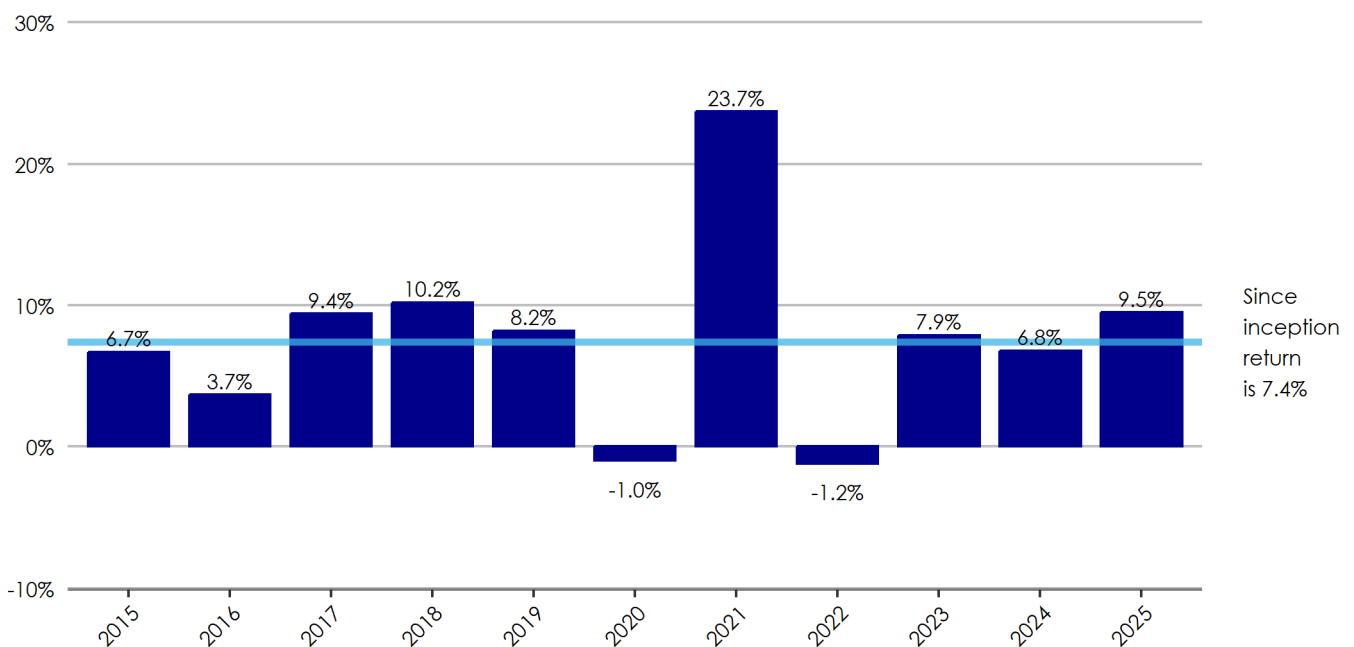
Note: The performance in the table above reflects the movement in the LSA Strategy from investing in the Funds SA Conservative Tax-Exempt investment option to the Moderate Tax-Exempt investment option to a customised strategy from 1 July 2017. The inception date for the LSA Strategy is 1 July 2014.

Positive performance for the past 12-months was predominantly driven by the International and Australian Equities asset classes.

- International Equities had a very strong period, largely driven by US equities. The AI thematic continues to be a tailwind, US interest rate cuts and optimism post the US election all helped propel share prices higher.
- Australian Equities also delivered solid returns, supported by broad-based gains across the Financials, Communication Services and Industrials sectors.
- Private Markets delivered positive absolute returns, though underperformed the benchmark driven by legacy exposures in commercial real estate.
- Infrastructure investments delivered strong returns, outperforming the benchmark, driven by positive asset revaluations in areas like airports and registry infrastructure.
- Property assets continued the positive momentum seen in the first half of the year, leading to strong overall returns for the full year. Encouragingly, Property has now outperformed its benchmark over the past 12 months and across all time periods.
- Defensive Alternatives detracted from performance over the year, with trend-following strategies struggling amid sharp market reversals that impacted positions in energy, bonds, and currencies. Following the Investment Strategy Review, the focus shifted from defensive to total return strategies. This will result in the termination of the Defensive Alternatives asset class toward the end of calendar year 2025.

Charts 1: Performance contribution by asset class for the 12 months to 30 June 2025**Realised outcomes**

Since inception, annual returns have exceeded the target return objective in most years, but short-term returns can be volatile.

Chart 2: LSA Strategy annual financial year returns as at 30 June 2025, net of fees

Performance relative to benchmark was negative over 12 months

The benchmark return reflects the performance of the underlying asset class benchmarks, weighted by the Long-Term Strategic Asset Allocation (LTSAA) of the LSA Strategy.

The LSA Strategy underperformed its LTSAA benchmark.

Table 2: LSA Strategy returns vs. benchmark, periods to 30 June 2025, returns net of fees

Description	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	Since inception % p.a.
Portfolio return	3.8	9.5	8.1	9.0	7.4	7.5	7.4
Benchmark return	4.9	11.2	10.1	8.9	7.7	7.7	7.6
Excess return	-1.1	-1.7	-2.0	0.1	-0.3	-0.1	-0.2

Due to rounding, the active returns shown may not exactly equal the difference between the fund and the benchmark returns.

The overweight position in Private Markets and underweight position in Infrastructure was a detractor to relative performance. While Infrastructure performed well, the strategy did not have a full allocation to this asset class during the past year.

The following asset classes underperformed their respective benchmarks which accounted for most of the relative underperformance.

The Private Markets, Defensive Alternatives, International Equities asset classes all mildly underperformed their respective benchmarks. However, the Australian Equities asset generated the most significant underperformance and was the largest detractor to relative performance due to stock selection. More detail is provided in Section 4.

3. Asset allocation

The LSA Strategy invests in common asset classes according to the LTSAA as outlined in the 2024-25 Performance Plan.

Effective asset allocations were within the asset class ranges as at 30 June 2025.

Over time, the variance between the effective and strategic asset allocation positions will vary due to cash inflows to the LSA Strategy and market movement of the underlying asset classes.

Notable variations include:

- The underweight to Infrastructure reflects the change to the investment strategy in 2024-2025. The allocation will continue to be built overtime as the asset class purchases suitable assets.
- The overweight to Private Markets reflects the tilt put in place in September 2021 and serves as a proxy for the Infrastructure underweight.
- The International Equities overweight also compensates for the Infrastructure underweight.

Table 3: Effective asset allocation as at 30 June 2025

Asset class	Effective %	Strategic %	Variance %
Australian Equities	19.5	20.0	-0.5
International Equities	31.7	30.0	1.7
Private Markets	13.4	11.0	2.4
Property	12.0	12.0	-0.0
Infrastructure	6.9	11.0	-4.1
Alternatives	7.7	8.0	-0.3
Credit	6.1	6.0	0.1
Cash	2.7	2.0	0.7
Total	100.0	100.0	
Growth assets	84.8	80.0	4.8
Foreign Currency	19.3	19.0	0.3
Compliance with 2024-25 Performance Plan asset class ranges		Complies	
Foreign Currency Hedge#	12.7	n.a.	

*Due to rounding, the sum of the individual numbers within the table may not equal the total 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.

4. Asset class performance

Funds SA asset class performance

Funds SA has established a range of asset classes that are the building blocks for the investment options. Each investment option invests in common asset classes according to the Long-Term Strategic Asset Allocation (LTSA), detailed in Section 3.

Asset class performance relative to benchmark was mixed over the 12 months

Funds SA measures the performance of each asset class against a specific benchmark. The benchmarks are the relevant market index or blend of indices for that asset class. Where no reasonable market index is available, the index is expressed as a margin over cash. The benchmark for each asset class is included in Appendix 1.

The benchmarks for the Private Markets, Infrastructure, and Alternatives asset classes have a significant cash-plus component; performance for these asset classes is best considered over the longer term to be consistent with the cash-plus benchmark. In times of market volatility there can be a short-term mismatch between asset valuations and the benchmark.

Australian Equities - Tax-Exempt

The Australian Equities asset class contributed strongly to performance. While the absolute performance was positive, relative performance was negative, underperforming the benchmark by 3.8%.

Absolute performance was boosted by exposures to stocks within high performing S&P/ASX sectors including Healthcare Equipment (Sigma Healthcare, SIG:ASX, +133.6%) and Software (Technology One, TNE:ASX, +120.5%).

Stock selection was the significant drag on relative performance, in particular the underweight positions in Commonwealth Bank of Australia (CBA:ASX, +45.0% 1-year to 30 June 2025) and Brambles (BXB:ASX, +61.2%) and overweights to IDP Education (IEL:ASX, -75.8%), James Hardie Industries (JHX:ASX, -11.8%) and Reece Limited (REH:ASX, -43.0%).

Table 4: Tax-Exempt asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities Tax-Exempt						
Portfolio return	3.2	9.9	11.9	10.9	8.1	8.5
Benchmark return	6.4	13.7	13.3	11.8	8.7	8.8
Excess return	-3.1	-3.8	-1.4	-0.9	-0.6	-0.3

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

International Equities - Tax-Exempt

The International Equities asset class was the largest contributor to performance. The MSCI All Cap World Index (MSCI ACWI) delivered an absolute return of 18.5% (unhedged in Australian dollars) for the year. Within the MSCI ACWI, US equities made up almost 60% of the index return (the US weight in the index is around 65%). The AI theme dominated, and big technology companies led the gains. Nvidia Corporation (NVDA:NDX) rose 27.1% and Tesla Inc. (TSLA:NDX) 51.4%. Developed market equities outperformance emerging market equities.

The asset class produced very strong absolute gains but mildly underperformed the benchmark. This was driven by an overweight exposure to the underperforming Healthcare sector and an underweight to both semi-conductor stocks leveraged to the AI theme and China.

Table 5: Tax-Exempt asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
International Equities Tax-Exempt						
Portfolio return	4.4	18.2	16.8	13.0	11.2	11.0
Benchmark return	3.9	18.5	18.8	14.5	12.1	11.6
Excess return	0.5	-0.2	-2.0	-1.5	-0.9	-0.6

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

The returns for International Equities and its related benchmark were partially hedged prior to August 2023, from August 2023 returns are unhedged.

Private Markets - Tax-Exempt

The Private Markets asset class delivered modest returns over the year but underperformed the Cash-plus benchmark.

Relative performance was driven by the poor performance of historical legacy assets which comprise of mostly commercial real estate investments.

The positive absolute performance was largely within the Buyouts and Secondaries segments of the asset class, in particular exposures to technology and business services sectors which experienced solid earnings growth and an expansion of their valuation multiples. Co-investments in Non-Core Infrastructure contributed positively, more specifically healthcare, waste and tech-enable services exposures, as did the Venture Capital/Growth Equities asset class segments.

Table 6: Tax-Exempt asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Private Markets Tax-Exempt						
Portfolio return	2.1	5.4	4.2	11.4	9.1	10.5
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	-2.0	-3.0	-3.7	5.0	3.0	4.4

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The Private Markets asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of the Diversified Strategies Growth asset class excluding the infrastructure assets held by Funds SA prior to 2021.

Property - Tax-Exempt

The Property asset gained during the year on both an absolute and relative basis.

The Office sector, that had been a drag on returns, stabilised as the year progressed. Those Office assets providing the highest quality premises, in the best locations, demonstrated valuation growth that flowed through to manager investment returns.

The Industrial sector, whilst experiencing increased vacancy (albeit off low levels), remained stable in valuation terms. Positive rental growth continued to be a strong source of return for the sector. During the year an investment was made into the Charter Hall Prime Industrial Fund to increase Funds SA's exposure to this sector.

Demand for Retail assets continued to improve. Funds SA has been the beneficiary of this through two investments made during the last six months – a 50% interest in the Roselands and Carlingford Shopping Centres, which are both located in metropolitan Sydney. Independent valuations received as of 30 June 2025 showed valuation uplifts of an estimated 9% for Roselands and 5% for Carlingford.

Table 7: Tax-Exempt asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Property Tax-Exempt						
Portfolio return	3.1	2.8	-3.1	2.1	2.1	5.1
Benchmark return	2.4	2.2	-3.3	1.8	1.9	4.9
Excess return	0.7	0.6	0.2	0.2	0.2	0.3

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Infrastructure - Tax-Exempt

The Infrastructure asset class continues to be an important contributor to the investment options performance with large gains – on both an absolute and relative basis – for the year.

The return contributions were very broad across the portfolio, with the transportation, energy and data centre exposures delivering particularly outsized gains.

Table 8: Tax-Exempt asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Core Infrastructure Tax-Exempt						
Portfolio return	4.2	11.1	9.3	10.2	8.1	8.9
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	0.1	2.7	1.4	3.9	2.0	2.8

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The Infrastructure asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of Infrastructure assets held by Funds SA prior to 2021.

Alternatives

The Alternatives asset class is comprised of the Growth Alternatives and Defensive Alternatives sub-asset classes. As noted in Section 1, the role of the Alternative asset class within the investment strategy has gained in importance, shifting from a more defensive role to total return outcomes with minimal correlation to listed equities. The shift will result in the Defensive Alternatives sub-asset class being removed during 2025-26.

Growth Alternatives

The strategy is designed as a liquid alternative to growth assets such as equities.

The Growth Alternatives sub-asset class delivered solid returns but slightly underperformed its benchmark. Most portfolio segments were profitable over the period, in particular strategies focussed on equity long/short, relative value, quantitative and multi-strategies. These segments were able to deliver growth with a low correlation to other growth assets, mostly equities.

Defensive Alternatives

This strategy is designed as a liquid alternative to defensive assets such as fixed interest.

The Defensive Alternatives portfolio performed poorly throughout the year delivering negative returns for 1-year and underperformed the benchmark. The largest detractors were positions taken across energy, fixed interest and various currencies.

Table 9: Tax-Exempt asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Alternatives						
Growth Alternatives						
Portfolio return	5.4	7.6	1.4	n.a.	n.a.	n.a.
Benchmark return	4.1	8.4	7.9	n.a.	n.a.	n.a.
Excess return	1.3	-0.8	-6.5	n.a.	n.a.	n.a.
Defensive Alternatives						
Portfolio return	-6.8	-7.4	-0.9	n.a.	n.a.	n.a.
Benchmark return	3.1	6.4	5.9	n.a.	n.a.	n.a.
Excess return	-9.9	-13.8	-6.7	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Credit

The Credit asset class performed well over the period, outperforming the benchmark return. The Credit asset class consists of sub-investment grade credit securities and exposures.

The major drivers of performance were falling nominal yields and the continued tightening of credit spreads. The asset class had a longer duration profile that was beneficial in a falling yield and spread environment. Significant value was driven by active management within High Yield and Loans, particularly positions in collateralised loan obligations and emerging market debt.

Table 10: Tax-Exempt asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Credit						
Portfolio return	3.9	9.0	9.2	n.a.	n.a.	n.a.
Benchmark return	3.5	8.6	8.6	n.a.	n.a.	n.a.
Excess return	0.5	0.4	0.6	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Cash

Cash asset class returns were very strong for the year to 30 June 2025 at 4.7% relative to the benchmark return of 4.4%.

The RBA easing cycle commenced during the year which meant that a higher yield was earned early on. Active management continued to be the key to relative outperformance with investments in money market securities and investing along the curve to invest in longer maturities adding value.

Table 11: Tax-Exempt asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.2	4.7	4.1	2.5	2.2	2.2
Benchmark return	2.1	4.4	3.9	2.3	2.1	2.0
Excess return	0.1	0.3	0.2	0.1	0.1	0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

5. Investment management costs

The Performance Plan includes a targeted cost range for the investment option. Funds SA's investment management costs are presented as a percentage of average funds under management and referred to as an Indirect Cost Ratio (ICR).

The primary objective is to achieve the investment option's investment objectives over the long-term, net of all fees and costs. Managing costs is an important element of this objective, however, it does not drive the investment strategy and should not be looked at in isolation.

ICR for the 2024-25 financial year


Funds SA's realised and target fee for the year end 30 June 2025 are detailed in the table below.

The ICR achieved was below the target ICR range. The ICR range allows for some flexibility as components within the ICR are beyond the control of Funds SA, namely performance fees and transaction costs.

Factors contributing to a lower ICR

- Management costs were lower than expected, mainly due to the replacement of several active investment managers in the International and Australian Equities asset classes with lower-cost passive, systematic and enhanced passive strategies, resulting in fee savings.

Table 12: LSA Strategy, actual and target ICR for the 2024-25 financial year*


Investment option	Base fees %	Performance fees %	Transaction costs %	Realised %	Target range %	Within or below range
LSA Strategy	0.65	0.28	0.15	1.08	1.10 -1.15	

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses. Transaction costs include: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Table 13: LSA Strategy, actual and target ICR for the 2024-25 financial year*

Performance fee is 1-year and not a 5-year averaged number.

Investment option	Base fees %	Performance fees %	Transaction costs %	Realised %	Target range %	Within or below range
LSA Strategy	0.65	0.25	0.15	1.05	1.10 -1.15	

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses. Transaction costs include: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Appendix 1

Asset class benchmarks



The following table details the asset class benchmarks as at 30 June 2025.

Funds SA asset class	Allocation	
	%	Index
Australian Equities Tax-Exempt	100	S&P/ASX 300 Accumulation Index
International Equities - Tax-Exempt	100	Morgan Stanley Capital International (MSCI) All Countries World Index Ex-Australia net dividends reinvested in AUD and unhedged
Private Markets Tax-Exempt	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Property Tax-Exempt	100	MSCI/Mercer Australian Core Wholesale Monthly Property Fund Index
Infrastructure Tax-Exempt	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Alternatives		<u>Growth Alternatives</u>
	100	Bloomberg AusBond Bank Bill Index + 4% p.a.
		<u>Defensive Alternatives:</u>
	100	Bloomberg AusBond Bank Bill Index + 2% p.a.
Credit	50	Bloomberg Global High Yield Corporate Bond Index (hedged to AUD)
	50	S&P UBS Global Leveraged Loan Index
Cash	100	Bloomberg AusBond Bank Bill Index
Foreign Currency Hedge	100	MSCI World ex-Australia Index AUD Hedged minus MSCI World ex-Australia Unhedged

Disclaimers



Funds SA Disclaimer

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Standard Risk Measure disclosures

The Standard Risk Measure is based on industry guidance that allow clients and members to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than a client or member may require to meet their objectives. Further, it also does not take into account the impact of fees or tax on the likelihood of a negative return. Clients and members should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s.

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Performance Report

Funds SA investment options

SAFA Insurance Investments

For the 12 months ended 30 June 2025



EXECUTIVE SUMMARY

This is a legislated, semi-annual report and provides an update on important developments for the Corporation, and an overview of the performance for the Funds SA investment options for the 12 months period ended 30 June 2025.

Corporate updates

- Appointment of Con Michalakakis as Chief Investment Officer in February 2025.
- Appointment of Guy DeBelle as the Chair of the Funds SA Board in April 2025.
- Appointment of Melinda OLeary, Anna Shave and Dr Sarah Pearson as Directors to the Funds SA Board.
- Departure of Matthew Kempton in May 2025, who served as Deputy CIO.

Summary of market environment

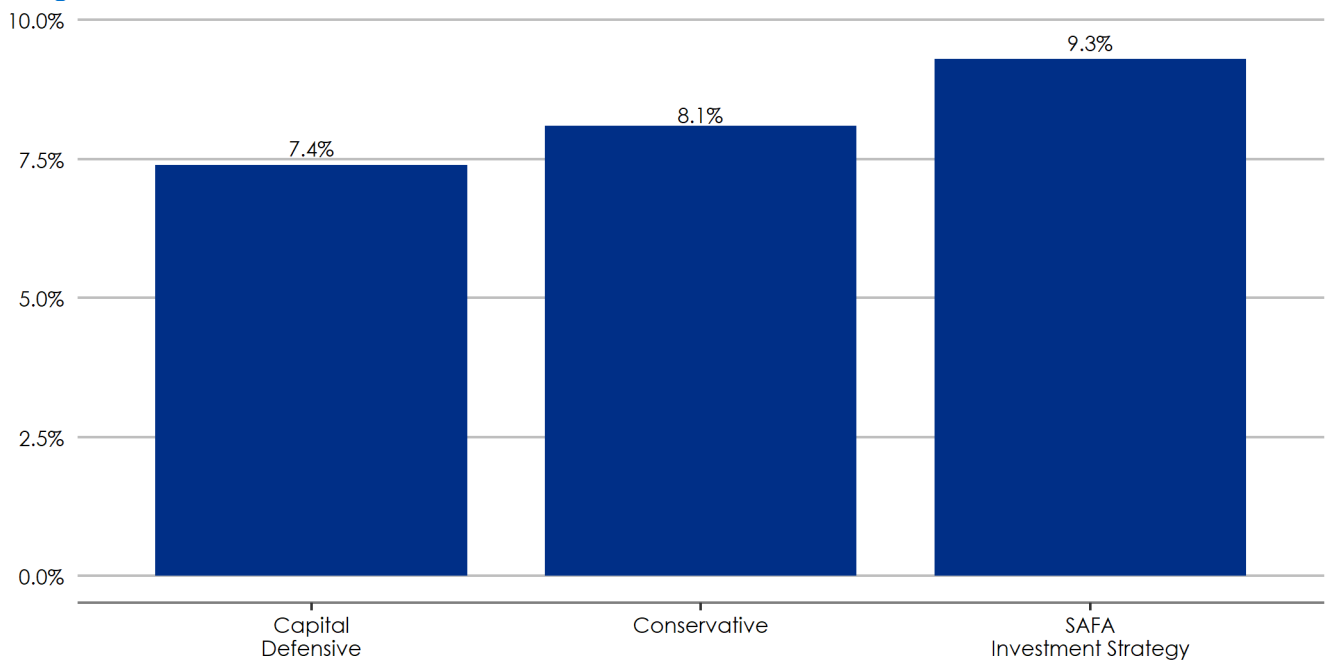
- Global share markets performed strongly over the year, particularly in the United States, where major technology companies continued to appreciate. The "Magnificent Seven" stocks (Nvidia, Apple, Alphabet, Amazon, Meta, Microsoft and Tesla) remained central to market narratives, driven by investor confidence in the Artificial Intelligence (AI) thematic and innovation-led growth.
- Australian shares also delivered solid returns, supported by broad-based gains across the Financials, Communication Services and Industrials sectors.
- The domestic Property sector showed signs of recovery, with sentiment improving, particularly in the Office sector, which had previously been a consistent detractor.
- Interest rates remained a key focus for investors. In Australia, the Reserve Bank of Australia (RBA) held rates steady for most of the year, as inflation stayed above target and the job market remained strong. Overseas, central banks took varied approaches—some began cutting rates, while others remained cautious amid persistent inflation.
- Bond and credit markets were mixed over the year. Bond yields fell in the latter part of the year as inflation measures declined leading to a shift in expectations for lower central bank policy rates. Credit markets remained resilient, supported by strong corporate fundamentals and continued investor demand for yield.
- The Australian dollar weakened against the US dollar, boosting returns from international investments that were not hedged back to Australian dollars.
- Geopolitical risks persisted, including ongoing conflicts in Eastern Europe and the Middle East. While these events caused short-term market reactions, they did not significantly disrupt the overall positive trend in investment markets.

Funds SA's investment option performance

- The SAFA Investment Strategy (SAFA Strategy) transitioned from a growth orientated investment strategy to a conservative investment strategy effective 23 December 2024.
- All investment options delivered positive returns for the 12-months to 30 June 2025. Returns ranged from 7.4% for the Capital Defensive Tax-Exempt investment option, to 9.3% for the SAFA Strategy.
- Positive performance for the past year was driven by strong performance from the Fixed Interest and International Equities asset classes. The Infrastructure asset class was also a meaningful contributor to the Capital Defensive and Conservative options.

- The Conservative option underperformed its investment objective. It has a shorter time horizon and continues to be hampered by the high Consumer Price Index (CPI) endured throughout 2022 and 2023. This significantly increased the investment objective, at the same time certain asset classes experienced subdued returns.
- SAFA Strategy underperformed its investment objective; however, this is related to the change in the investment objective and derisking of the SAFA Strategy in December 2024.

Chart 1: Tax-Exempt investment option returns for the 12 months ended 30 June 2025, returns net of fees and gross of tax



Investment management costs

- The realised Indirect Cost Ratios (ICRs) for Capital Defensive and Conservative were at the bottom end of their target ranges. The SAFA Strategy was higher than the ICR range.
- Additional detail relating to investment management costs can be found in the Investment Management Costs section.

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Section 1

Performance Report



Investment Strategy

Funds SA's overarching investment objective is to achieve the highest possible return on invested capital while managing investment risks and liquidity.

The investment strategy of Funds SA's investment options includes: an investment return objective, a risk objective (calculated in accordance with industry standards), and asset allocation targets. The asset classes are the building blocks for the investment options.

The pillars of Funds SA's investment philosophy are:

- Taking investment risk over the longer term gets rewarded.
- Asset allocation is the key driver of risk and return.
- Markets regularly exhibit inefficiencies that can be exploited.
- Diversification is the most effective way to manage investment risks.
- Integration of ESG considerations into investment decisions and undertaking stewardship activities supports long-term investment outcomes.
- Strong governance leads to better investment outcomes.

Over the year there have been various investments undertaken to execute on our long-term investment strategies, and a range of steps taken to improve performance, specifically relative to superannuation peers.

Specific asset class activities

Private Markets

We continue seek out and consider opportunities within the asset class to assist with broadening the portfolio growth levers. Recent activities during the year focussed on maintaining and broadening relationships with managers that Funds SA believes to be of high quality and completing co-investment opportunities. These opportunities have presented in a wide range of sectors including insurance, education and information technology. Recent completions have increased exposures to the digital economy and innovation segments of the market.

Infrastructure

Infrastructure continues to be an important positive contributor to investment option returns. The allocation to the asset class has increased over the year and will increase again in the coming year.

Significant investment activity occurred within the areas of transportation, data centres and renewable energy generation. Of note was the completed co-investments into London's Heathrow Airport, and Cyan Renewables (a company that provides offshore service vessels, including to the offshore wind industry).

Australian and International Equities

Funds SA continued to shift equities exposure from active to more passive and benchmark aware investment strategies to reduce both benchmark risk (tracking error) and peer relative risk, and to reduce costs in these asset classes. We continue remain true to our investment philosophies and the belief in active management. The shift in exposures is designed to generate less risk from active exposures.

Property

The Property asset class remains an important part of the diversified investment options structure. The Office sector recovered throughout the year, and the Industrial sector's rental growth supported returns.

Industrial exposure was increased during the year with an investment into the Charter Hall Prime Industrial Fund. Retail exposure was also increased during the second half of the financial year with investments made into two metropolitan Sydney shopping centres in Roselands and Carlingford.

Fixed Interest

Several changes were made within the Fixed Interest asset class, at the sub-asset class level.

The Credit sub-asset class benchmark was changed during the year to more accurately reflect the industry benchmarks for liquid credit securities. This included removing emerging market debt. The reduction in emerging market debt resulted in the termination of a mandate with Wellington Management.

Within the Inflation-Linked Securities sub-asset class, Macquarie Asset Management was appointed at the expense of Ardea and the benchmark for the Tax-Exempt asset class was amended to align more closely with the Taxable asset class.

Long-Term Fixed Interest had a minor change to the benchmark to closer align to the Your Future Yor Super (YFYS) benchmark and performance test. Similarly, the Short-Term Fixed Interest asset class benchmark was changed to reduce tracking error to the YFYS benchmark.

Alternatives

The role of the Alternative asset class within the investment strategy gained in importance throughout the year. The Growth Alternatives sub-asset class was added to the Capital Defensive and Conservative options, alongside the Defensive Alternatives sub-asset class allocation.

The asset class strategy shifted from a defensive focus to targeting total returns with low equity correlation, leading to the expansion of Growth Alternatives mandates and the phasing out of Defensive Alternatives mandates.

During the year the Ardea and LGT mandates were terminated due to the shift in focus described above.

Process improvements

The overarching focus of the new Chief Investment Officer and the Investment Team over the second half of the financial year was to:

- a) reduce active risk within those portfolios that have been a source of underperformance over recent times,
- b) broaden the growth drivers across the portfolios, with a sharper focus on growth strategies with a low correlation to listed equities
- c) more closely align asset allocation to superannuation peers, and
- d) move to JANA full service from 1 July 2025.

Active management remains a core investment philosophy at Funds SA. Nonetheless, within the Australian and International Equities assets classes, active risks have been reduced in favour of passive or low risk quantitative strategies. The fee budget (passive strategies are typically lower fee relative to active) has been reallocated to other growth strategies with low or no correlation with listed equities.

While changes within the asset classes, and by extension the investment options, will take time to implement, Funds SA expects the exposures to align more closely to the superannuation peer group and improve peer-relative performance.

Investment option performance

All investment options delivered strong absolute returns over the year to 30 June 2025.

The Conservative and Capital Defensive options were supported by positive contributions from Fixed Interest and Credit asset classes. For the SAFA Strategy, International and Australian Equities provided a strong source of returns, particularly from the Technology, Consumer, and Industrial sectors.

All investment options benefited from the Infrastructure asset class.

The Defensive Alternatives sub-asset class detracted from performance over the year, with trend-following strategies struggling amid sharp market reversals that impacted positions in energy, bonds, and currencies. As noted in the Investment Strategy section the Defensive Alternatives sub-asset class will be removed during 2025-26

Table 1: Tax-Exempt investment options relating to SAFA, investment returns for periods to 30 June 2025, returns net of fees and gross of tax*

Investment option	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.	20 years % p.a.
Capital Defensive	3.6	7.4	5.6	3.3	3.4	3.7	4.8	5.0
Conservative	3.5	8.1	6.8	4.8	4.5	4.8	6.0	5.7
SAFA Investment Strategy	3.5	9.3	8.0	8.1	6.8	7.4	8.5	n.a.

* The inception of the SAFA Investment Strategy was 1 July 2019, the prior history relates to the Funds SA Growth Tax-Exempt investment option.

Performance relative to investment objective

The primary return measure for each investment option is the investment objective as defined in the Performance Plan. The objectives include:

- a target return expressed as a margin over inflation;
- a time horizon over which there is a reasonable likelihood of achieving the target return; and,
- a risk dimension expressed as the possible frequency of a negative annual return in any 20-year period.

The following table shows the return earned by each investment option against the respective investment objective, expressed over the relevant time horizon.

Table 2: Investment objectives vs investment option returns, for periods ending 30 June 2025, returns net of fees and gross of tax*

Investment option	Investment horizon	Investment objective % p.a.	Tax-Exempt investment option performance % p.a.	Number of negative annual returns likely over any 20-year period
Capital Defensive	2+ years	(CPI + 0.5%) = 3.5	6.4	0.5 to less than 1
Conservative	4+ years	(CPI + 1.5%) = 6.1	3.2	2 to less than 3
SAFA Investment	4+ years	(CPI + 1.5%) = 8.2	5.0	2 to less than 3

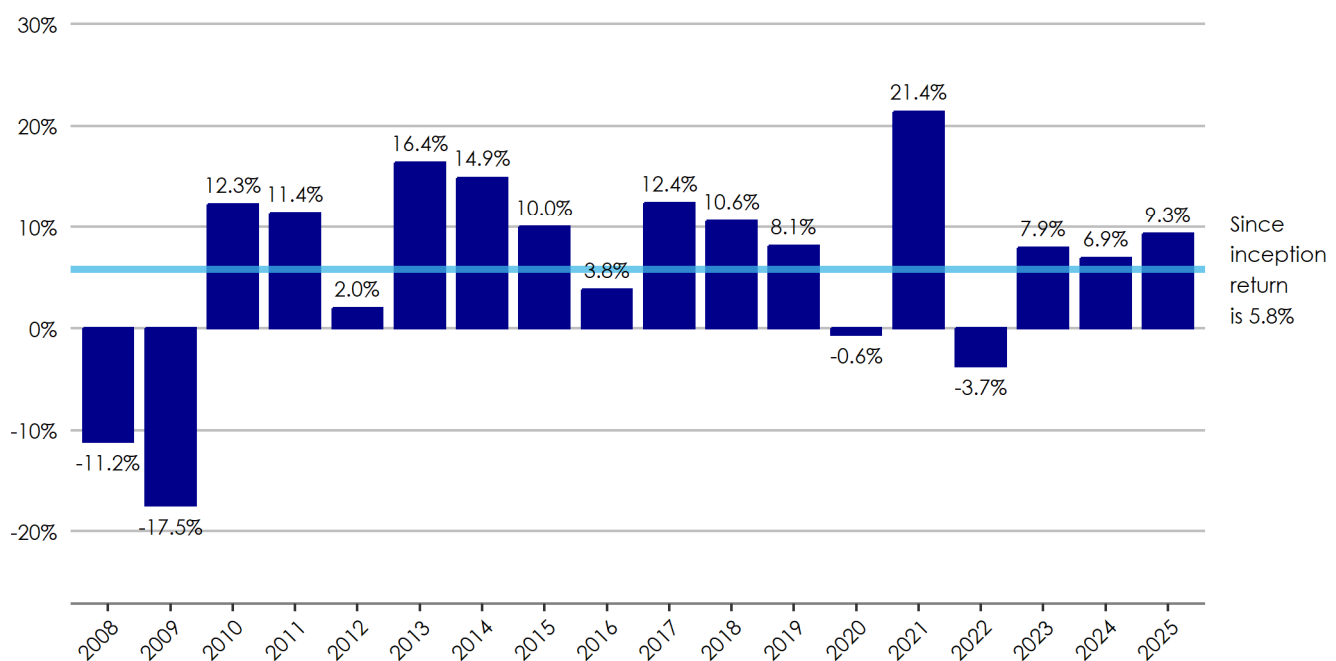
*Investment objective and investment option performance are expressed over the stated investment horizon for each option. If investment objectives have change over time, the investment objective series reflects a combination of former and current.

- The Capital Defensive option outperformed its investment objective.
- The Conservative option is behind its investment objective; there were two significant factors contributing to this outcome:
 1. High Consumer Price Index (CPI) in 2022 and 2023, increased the investment objective, particularly for those with shorter investment horizons. In table 2 above, the Conservative option reflects a CPI component of 4.6%. This is the actual CPI over the time horizon for the investment option and was an unusual anomaly induced by supply shortages coming out of the COVID pandemic period. Having a higher CPI component makes it challenging to meet the return objective without increasing the investment risk.
 2. The negative performance during 2022 continues to have an impact as the return rolls through time.

Realised outcomes

In most years, the annual returns have exceeded the target return objectives across investment options, but short-term returns can be volatile.

Chart 2: SAFA Investment Strategy performance since inception*, annual financial year returns to 30 June 2025



* Inception date used is 31 May 2007 (closest month end from the initial SAFA investment). The SAFA Investment Strategy was inceptioned 1 July 2019. Historical returns reflect investment in the Funds SA Growth Tax-Exempt investment option prior to the establishment of the SAFA Investment Strategy.

Asset class performance

Funds SA asset class performance

Funds SA has established a range of asset classes that are the building blocks for the investment options. Each investment option invests in common asset classes according to the Long-Term Strategic Asset Allocation (Strategic), detailed in Section 2.

Asset class performance relative to benchmark was mixed over 1-year

Funds SA measures the performance of each asset class against a specific benchmark. The benchmarks are the relevant market index or blend of indices for that asset class. Where no reasonable market index is available, the index is expressed as a margin over cash. The benchmark for each asset class is included in Appendix 1.

The benchmarks for the Private Markets, Infrastructure, and Alternatives asset classes have a significant cash-plus component; performance for these asset classes is best considered over the longer term to be consistent with the cash-plus benchmark. In times of market volatility there can be a short-term mismatch between asset valuations and the benchmark.

Australian Equities - Tax-Exempt

The Australian Equities asset class contributed strongly to performance. While the absolute performance was positive, the relative performance was negative with the asset classes underperforming the S&P/ASX 300 Accumulation Index benchmark by 3.8%.

Absolute performance was boosted by exposures to stocks within high performing S&P/ASX sectors including Healthcare Equipment (Sigma Healthcare, SIG:ASX, +133.6%) and Software (Technology One, TNE:ASX, +120.5%).

Stock selection was the significant drag on relative performance, in particular the underweight positions in Commonwealth Bank of Australia (CBA:ASX, +45.0% 1-year to 30 June 2025) and Brambles (BXB:ASX, +61.2%) and overweighted to IDP Education (IEL:ASX, -75.8%), James Hardie Industries (JHX:ASX, -11.8%) and Reece Limited (REH:ASX, -43.0%).

The Australian Passive asset classes performed in line with expectations.

Table 3: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Australian Equities Tax-Exempt						
Portfolio return	3.2	9.9	11.9	10.9	8.1	8.5
Benchmark return	6.4	13.7	13.3	11.8	8.7	8.8
Excess return	-3.1	-3.8	-1.4	-0.9	-0.6	-0.3
Australian Equities Passive						
Portfolio return	6.3	13.5	13.2	n.a.	n.a.	n.a.
Benchmark return	6.4	13.7	13.3	n.a.	n.a.	n.a.
Excess return	-0.1	-0.2	-0.2	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

International Equities - Tax-Exempt

The International Equities asset class was the largest contributor to investment option performance. The MSCI All Cap World Index (MSCI ACWI) delivered an absolute return of 18.5% (unhedged in Australian dollars) for the year. Within the MSCI ACWI, US equities made up almost 60% of the index return (the US weight in the index is around 65%). The AI theme dominated, and big technology companies led the gains. Nvidia Corporation (NVDA:NDX) rose 27.1% and Tesla Inc. (TSLA:NDX) 51.4%. Developed market equities outperformance emerging market equities.

The asset class produced very strong absolute gains but mildly underperformed the benchmark. This was driven by an overweight exposure to the underperforming Healthcare sector and an underweight to both semi-conductor stocks leveraged to the AI theme and China.

The International Passive Equities asset class performed in line with expectations.

Table 4: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
International Equities Tax-Exempt						
Portfolio return	4.4	18.2	16.8	13.0	11.2	11.0
Benchmark return	3.9	18.5	18.8	14.5	12.1	11.6
Excess return	0.5	-0.2	-2.0	-1.5	-0.9	-0.6
International Equities Passive						
Portfolio return	4.0	18.5	17.4	13.0	n.a.	n.a.
Benchmark return	3.9	18.5	17.3	12.9	n.a.	n.a.
Excess return	0.0	0.1	0.2	0.1	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

The returns for International Equities, International Equities Passive and their related benchmarks were partially hedged prior to August 2023, from August 2023 returns are unhedged.

Private Markets - Tax-Exempt

The Private Markets asset class delivered modest returns over the year but underperformed the Cash-plus benchmark.

Relative performance was driven by the poor performance of historical legacy assets which comprise of mostly commercial real estate investments.

The positive absolute performance was largely within the Buyouts and Secondaries segments of the asset class, in particular exposures to technology and business services sectors which experienced solid earnings growth and an expansion of their valuation multiples. Co-investments in Non-Core Infrastructure contributed positively, more specifically healthcare, waste and tech-enable services exposures, as did the Venture Capital/Growth Equities asset class segments.

Table 5: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Private Markets Tax-Exempt						
Portfolio return	2.1	5.4	4.2	11.4	9.1	10.5
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	-2.0	-3.0	-3.7	5.0	3.0	4.4

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The Private Markets asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of the Diversified Strategies Growth asset class excluding the infrastructure assets held by Funds SA prior to 2021.

Property - Tax-Exempt

The Property asset gained during the year on both an absolute and relative basis.

The Office sector, that had been a drag on returns, stabilised as the year progressed. Those Office assets providing the highest quality premises, in the best locations, demonstrated valuation growth that flowed through to manager investment returns.

The Industrial sector, whilst experiencing increased vacancy (albeit off low levels), remained stable in valuation terms. Positive rental growth continued to be a strong source of return for the sector. During the year an investment was made into the Charter Hall Prime Industrial Fund to increase Funds SA's exposure to this sector.

Demand for Retail assets continued to improve. Funds SA has been the beneficiary of this through two investments made during the last six months – a 50% interest in the Roselands and Carlingford Shopping Centres, which are both located in metropolitan Sydney. Independent valuations received as of 30 June 2025 showed valuation uplifts of an estimated 9% for Roselands and 5% for Carlingford.

Table 6: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Property Tax-Exempt						
Portfolio return	3.1	2.8	-3.1	2.1	2.1	5.1
Benchmark return	2.4	2.2	-3.3	1.8	1.9	4.9
Excess return	0.7	0.6	0.2	0.2	0.2	0.3

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Infrastructure - Tax-Exempt

The Infrastructure asset class continues to be an important contributor to the investment options performance with large gains – on both an absolute and relative basis - for the year.

The return contributions were very broad across the portfolios, with the transportation, energy and data centre exposures delivering particularly outsized gains.

Table 7: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Core Infrastructure Tax-Exempt						
Portfolio return	4.2	11.1	9.3	10.2	8.1	8.9
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	0.1	2.7	1.4	3.9	2.0	2.8

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The Infrastructure asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of Infrastructure assets held by Funds SA prior to 2021.

Alternatives

The Alternatives asset class currently comprises the Growth Alternatives and Defensive Alternatives sub-asset classes. During the year, the Growth Alternatives sub-asset class was added to the Capital

Defensive and Conservative options, alongside the Defensive Alternatives sub-asset class allocation. As noted in the Investment Strategy section, the role of the Alternative asset class within the investment strategy has gained in importance, shifting from a more defensive role to total return outcomes with minimal correlation to listed equities. The shift will result in the Defensive Alternatives sub-asset class being removed during 2025-26.

Growth Alternatives

The strategy is designed as a liquid alternative to growth assets (including equities).

The Growth Alternatives sub-asset class delivered solid returns but slightly underperformed its benchmark. Most portfolio segments were profitable over the period, in particular strategies focussed on equity long/short, relative value, quantitative and multi-strategies. These segments were able to deliver growth with a low correlation to other growth assets, mostly equities.

Defensive Alternatives

This strategy is designed as a liquid alternative to defensive assets such as fixed interest.

The Defensive Alternatives portfolio performed poorly throughout the year delivering negative returns for 1-year and underperformed the benchmark. The largest detractors were positions taken across energy, fixed interest and various currencies.

Table 8: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Alternatives						
Growth Alternatives						
Portfolio return	5.4	7.6	1.4	n.a.	n.a.	n.a.
Benchmark return	4.1	8.4	7.9	n.a.	n.a.	n.a.
Excess return	1.3	-0.8	-6.5	n.a.	n.a.	n.a.
Defensive Alternatives						
Portfolio return	-6.8	-7.4	-0.9	n.a.	n.a.	n.a.
Benchmark return	3.1	6.4	5.9	n.a.	n.a.	n.a.
Excess return	-9.9	-13.8	-6.7	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Credit

The Credit asset class performed well over the period, outperforming the benchmark return. The Credit asset class consists of sub-investment grade credit securities and exposures.

The major drivers of performance were falling nominal yields and the continued tightening of credit spreads. The asset class had a longer duration profile that was beneficial in a falling yield and spread environment. Significant value was driven by active management within High Yield and Loans, particularly positions in collateralised loan obligations and emerging market debt.

Table 9: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Credit						
Portfolio return	3.9	9.0	9.2	n.a.	n.a.	n.a.
Benchmark return	3.5	8.6	8.6	n.a.	n.a.	n.a.
Excess return	0.5	0.4	0.6	n.a.	n.a.	n.a.

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Fixed Interest

The Fixed Interest asset class is comprised of Investment Grade Credit, Inflation-Linked Securities, Long-Term Fixed Interest and Short-Term Fixed Interest sub-asset classes.

Investment Grade Credit

Investment Grade Credit achieved a robust absolute return, performing in line with its benchmark.

Falling nominal yields and tighter credit spreads over the year were key drivers of performance. Nominal yields typically refer to government bonds of similar duration and credit spreads reflect the additional yield above a government or other reference yield demanded by investors for taking on the risk. Strong company fundamentals provided confidence that default rates would remain low over the year.

Security selection within the portfolio also contributed to the absolute gain, specifically investments made in water utilities.

Inflation-Linked Securities Tax-Exempt

The Inflation-Linked Securities asset classes produced solid returns for the year outperforming the benchmark by 1.4%.

Unsurprisingly, the performance drivers were lower nominal yields and falling inflation expectations as the Consumer Price Index (CPI) outcomes continued to fall over the year. The declining CPI provide room for the RBA to reduce policy rates which reinforced investor expectations for lower inflation.

Long-Term Fixed Interest

The asset class return of 5.7% to 30 June 2025 and was 0.7% above the benchmark.

Developed market bond yields fell over the year as Central Banks either commenced or continued with their accommodative monetary policy stances in the face of falling inflation and stable employment. Concerns over the fiscal positions of the major economies, specifically the US, tempered performance of longer date bonds and caused the yield curve to steepen – resulting in short-dated maturities outperforming.

Active security management contributed to the relative outperformance, most notably the overweight to Mexico and underweights to both Europe and Japan. Currency positions also added value.

Short-Term Fixed Interest

Short Term Fixed Interest enjoyed strong gains over the year with an absolute return of 8.1%, outperforming the benchmark by 0.6%.

Similar to the other Fixed Interest sub-asset classes, falling nominal yields, steepening yield curves (short maturities outperformed long maturities) and tighter credit spreads were key to the strong absolute outcome and the relative gain.

Active management added value, in particular the overweight exposures to financials and Residential Mortgage-Backed Securities (RMBS).

Table 10: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Fixed Interest						
Investment Grade Credit						
Portfolio return	3.6	6.4	n.a.	n.a.	n.a.	n.a.
Benchmark return	3.6	6.5	n.a.	n.a.	n.a.	n.a.
Excess return	0.0	-0.1	n.a.	n.a.	n.a.	n.a.
Short-Term Fixed Interest						
Portfolio return	4.2	8.1	6.0	2.5	3.0	2.9
Benchmark return	3.9	7.5	5.4	2.2	2.6	2.6
Excess return	0.3	0.6	0.6	0.3	0.3	0.3
Inflation-Linked Securities Tax-Exempt						
Portfolio return	4.2	6.7	4.4	2.5	3.4	3.2
Benchmark return	3.0	5.2	4.9	2.4	2.9	2.9
Excess return	1.2	1.4	-0.5	0.0	0.4	0.3
Long-Term Fixed Interest						
Portfolio return	4.2	5.7	2.0	-1.8	0.9	1.7
Benchmark return	2.9	5.1	1.8	-2.1	0.9	1.9
Excess return	1.3	0.7	0.2	0.3	0.0	-0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. Return data is not available for some time periods due to insufficient history.

Cash

Cash asset class returns were very strong for the year to 30 June 2025 at 4.7% relative to the benchmark return of 4.4%.

The RBA easing cycle commenced during the year which meant that a higher yield was earned early on. Active management continued to be the key to relative outperformance with investments in money market securities and investing along the curve to invest in longer maturities adding value.

Table 11: Asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.2	4.7	4.1	2.5	2.2	2.2
Benchmark return	2.1	4.4	3.9	2.3	2.1	2.0
Excess return	0.1	0.3	0.2	0.1	0.1	0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Investment management costs

The Performance Plan includes a targeted cost range for each investment option. Funds SA's investment management costs are presented as a percentage of average funds under management and referred to as an Indirect Cost Ratio (ICR).

The primary objective is to achieve the investment option's investment objectives over the long-term, net of all fees and costs. Managing costs is an important element of this objective, however, it does not drive the investment strategy and should not be looked at in isolation.

ICRs for the 2024-25 financial year

Funds SA's realised and targeted fees for the year end 30 June 2025 are detailed in the table below.




For the Capital Defensive and Conservative options, the ICR achieved was within the target ICR range. The SAFA Strategy was higher than the ICR range.

The ICR range allows for some flexibility as components within the ICR are beyond the control of Funds SA, namely performance fees and transaction costs.

Factors contributing to ICR outcomes

- Capital Defensive and Conservative options: Management costs were lower than expected, mainly due to the replacement of several active investment managers in the International and Australian Equities asset classes with lower-cost passive, systematic and enhanced passive strategies, resulting in fee savings.
- SAFA Strategy: Was higher than the ICR range due to the Property asset class having higher than forecast transaction costs, with purchases made by managers over the period.

Table 12: Tax-Exempt investment option realised and target ICRs for the 2024-25 financial year*

Investment option	Base fees %	Performance fees %	Transaction costs %	Realised %	Target range %	Within or below range
Capital Defensive	0.30	0.04	0.06	0.40	0.40 - 0.45	
Conservative	0.35	0.06	0.08	0.49	0.45 - 0.50	
SAFA Investment Strategy	0.54	0.18	0.14	0.86	0.75 – 0.80	

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses.

Transaction costs include: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Section 2

Investment options relative to benchmark



Tax-Exempt investment options – Performance against benchmark

- The Capital Defensive investment option performed in line with its benchmark. The Conservative and SAFA Investment Strategy underperformed the benchmark.
- Positive contributors were the Infrastructure and Fixed Interest asset classes. The detractors were Australian Equities, Defensive Alternatives, Private Markets and in some case International Equities.
- Refer to the Asset Class performance section for more detail.

Table 13: Returns are net of fees and gross of tax, to 30 June 2025

Investment option	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Capital Defensive						
Portfolio return	3.6	7.4	5.6	3.3	3.4	3.7
Benchmark return	3.6	7.4	5.9	3.4	3.6	3.8
Excess return	0.0	0.0	-0.3	-0.1	-0.2	-0.2
Conservative						
Portfolio return	3.5	8.1	6.8	4.8	4.5	4.8
Benchmark return	3.9	8.6	7.5	5.1	4.9	5.1
Excess return	-0.4	-0.5	-0.7	-0.4	-0.4	-0.4
SAFA Investment Strategy						
Portfolio return	3.5	9.3	8.0	8.1	6.8	7.4
Benchmark return	3.8	9.9	9.6	8.1	7.2	7.5
Excess return	-0.3	-0.6	-1.6	-0.1	-0.4	-0.1

Notes: Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns. The benchmark return for each investment option is the weighted return of the asset class benchmarks based on the Strategic Asset Allocation of the relevant investment option as shown in the asset allocation table below. For further information on the asset class benchmarks, please refer to the disclaimers at the end of the document

Tax-Exempt investment options - Effective asset allocation

Table 14: Effective asset allocation as at 30 June 2025

Asset class	Rebalancing range %	Capital Defensive %	Conservative %	SAFA Investment Strategy %
Australian Equities				
Effective		5.2	9.2	7.0
Strategic		5.0	9.0	7.0
Variance	+/- 10	0.2	0.2	0.0
International Equities				
Effective		7.1	14.8	13.2
Strategic		7.0	15.0	12.0
Variance	+/- 10	0.1	-0.2	1.2
Private Markets				
Effective		1.0	2.3	8.4
Strategic		1.0	2.0	7.00
Variance	+/- 10	0.0	0.3	1.4
Property				
Effective		6.1	7.3	10.0
Strategic		6.0	7.0	10.0
Variance	+/- 10	0.1	0.3	0.0
Infrastructure				
Effective		11.9	11.0	4.8
Strategic		11.0	10.0	7.0
Variance	+/- 10	0.9	1.0	-2.2
Alternatives				
Effective		1.8	2.2	7.2
Strategic		3.5	4.0	9.0
Variance	+/- 10	-1.7	-1.8	-1.8
Credit				
Effective		2.9	6.7	7.0
Strategic		3.0	7.0	7.0
Variance	+/- 10	-0.1	-0.3	0.0
Fixed Interest				
Effective		45.7	31.4	33.2
Strategic		45.5	32.0	32.0
Variance	+/- 10	0.2	-0.6	1.2
Cash				
Effective		18.2	15.2	9.1
Strategic		18.0	14.0	9.0
Variance	0 to 20	0.2	1.2	0.1
Total		100.0	100.0	100.0
Foreign Currency				
Effective		4.7	9.5	10.4
Strategic		5.0	10.0	1.0
Variance	+/- 10	-0.3	-0.5	0.4
Foreign Currency Hedge*		2.5	5.5	3.1

Note: Due to rounding, the sum of 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.

Appendix 1

Asset class benchmarks



The following table details the asset class benchmarks as at 30 June 2025.

Funds SA asset class	Allocation	
	%	Index
Australian Equities and Australian Equities Passive - Tax-Exempt	100	S&P/ASX 300 Accumulation Index
International Equities and International Equities Passive - Tax-Exempt	100	Morgan Stanley Capital International (MSCI) All Countries World Index Ex-Australia net dividends, unhedged
Private Markets - Tax-Exempt	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Property - Tax-Exempt	100	MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index
Infrastructure - Tax-Exempt	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Alternatives		<u>Growth Alternatives</u>
	100	Bloomberg AusBond Bank Bill Index + 4% p.a.
		<u>Defensive Alternatives:</u>
	100	Bloomberg AusBond Bank Bill Index + 2% p.a.
Credit	50	Bloomberg Global High Yield Corporate Bond Index (hedged to AUD)
	50	S&P UBS Global Leveraged Loan Index
Fixed Interest		<u>Investment Grade Credit</u>
	100	Bloomberg Global Aggregate Corporate Index (hedged to AUD)
		<u>Inflation-Linked Securities Tax-Exempt</u>
	100	Bloomberg AusBond Government Inflation Index 0-10 years
		<u>Long-Term Fixed Interest</u>
	50	Bloomberg AusBond Government 0+ Year Index
	50	Bloomberg Global Treasury Index (AUD Hedged)
		<u>Short-Term Fixed Interest</u>
	100	Bloomberg AusBond Credit Index 0+ years
Cash	100	Bloomberg AusBond Bank Bill Index
Foreign Currency Hedge	100	MSCI World ex-Australia FX Hedge Impact Index

Disclaimers



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Standard Risk Measure disclosures

The Standard Risk Measure is based on industry guidance that allow clients and members to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period. The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance, it does not detail what the size of a negative return could be or the potential for a positive return to be less than a client or member may require to meet their objectives. Further, it also does not take into account the impact of fees or tax on the likelihood of a negative return. Clients and members should still ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s.

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Performance Report

Funds SA investment option

University of Adelaide Strategy

For the 12 months ended 30 June 2025



EXECUTIVE SUMMARY

This is a legislated, semi-annual report and provides an update on important developments for the Corporation, and an overview of the performance for the Funds SA investment option for the 12 months period ending 30 June 2025.

Corporate updates

- Appointment of Con Michalakakis as Chief Investment Officer in February 2025.
- Appointment of Guy Debelle as the Chair of Funds SA Board in April 2025.
- Appointment of Melinda OLeary, Anna Shave and Dr Sarah Pearson as Directors to the Funds SA Board.
- Departure of Matthew Kempton in May 2025, who served as Deputy CIO.

Summary of market environment

- Global share markets performed strongly over the year, particularly in the United States, where major technology companies continued to grow rapidly. The “Magnificent Seven” remained central to market narratives, driven by investor confidence in artificial intelligence thematic and innovation-led growth.
- Australian shares also delivered solid returns, supported by broad-based gains across the banking, resources, and technology sectors.
- The domestic Property sector showed signs of recovery, with sentiment improving—particularly in the Office sector, which had previously been a consistent detractor.
- Interest rates remained a key focus for investors. In Australia, the Reserve Bank held rates steady for most of the year, as inflation stayed above target and the job market remained strong. Overseas, central banks took varied approaches—some began cutting rates, while others remained cautious amid persistent inflation.
- Bond and credit markets were mixed over the year. Bond yields were volatile, rising in the second half due to persistent inflation and shifting expectations around central bank policy. Despite this, credit markets remained resilient, supported by strong corporate fundamentals and continued investor demand for yield.
- The Australian dollar weakened against the US dollar, boosting returns from international investments that were not hedged back to Australian dollars.
- Geopolitical risks persisted, including ongoing conflicts in Eastern Europe and the Middle East. While these events caused short-term market reactions, they did not significantly disrupt the overall positive trend in investment markets.

University of Adelaide Strategy

- From the 15 August 2024, the University of Adelaide Strategy (UoA Strategy) ceased to have any equity exposure, these asset classes provided positive performance while part of the option. The remaining assets of the UoA Strategy are invested in illiquid asset classes being Private Markets, Property and Infrastructure.
- The University of Adelaide Strategy (UoA Strategy) delivered 6.1% for the 12-month period.
- The Infrastructure asset class delivered very strong returns, generating 12.1% for the financial year.

- Private Markets and Property provided modest positive returns, generating 3.9% and 2.8% respectively.

Investment management costs

- The realised Indirect Cost Ratio (ICR) for the 12-month period was within the target ICR range. Additional detail relating to investment management costs can be found in Section 4.

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1. Investment Strategy

Funds SA's overarching investment objective is to achieve the highest possible return on invested capital while managing investment risks and liquidity.

The investment strategy of Funds SA's investment options includes: an investment return objective, a risk objective (calculated in accordance with industry standards), and asset allocation targets. The asset classes are the building blocks for the investment options.

The pillars of Funds SA's investment philosophy are:

- Taking investment risk over the longer term gets rewarded.
- Asset allocation is the key driver of risk and return.
- Markets regularly exhibit inefficiencies that can be exploited.
- Diversification is the most effective way to manage investment risks.
- Integration of ESG considerations into investment decisions and undertaking stewardship activities supports long-term investment outcomes.
- Strong governance leads to better investment outcomes.

Over the year there have been various investments undertaken to execute on our long-term investment strategies, and a range of steps taken to improve performance, specifically relative to superannuation peers.

Specific asset class activities

Private Markets

We continue seek out and consider opportunities within the asset class to assist with broadening the portfolio growth levers. Recent activities during the year focussed on maintaining and broadening relationships with managers that Funds SA believes to be of high quality and completing co-investment opportunities. These opportunities have presented in a wide range of sectors including insurance, education and information technology. Recent completions have increased exposures to the digital economy and innovation segments of the market.

Infrastructure

Infrastructure continues to be an important positive contributor to investment option returns. The allocation to the asset class has increased over the year and will increase again in the coming year.

Significant investment activity occurred within the areas of transportation, data centres and renewable energy generation. Of note was the completed co-investments into London's Heathrow Airport, and Cyan Renewables (a company that provides offshore service vessels, including to the offshore wind industry).

Property

The Property asset class remains an important part of the diversified investment options structure. The Office sector recovered throughout the year, and the Industrial sector's rental growth supported returns.

Industrial exposure was increased during the year with an investment into the Charter Hall Prime Industrial Fund. Retail exposure was also increased during the second half of the financial year with investments made into two metropolitan Sydney shopping centres in Roselands and Carlingford.

2. University of Adelaide Strategy investment performance

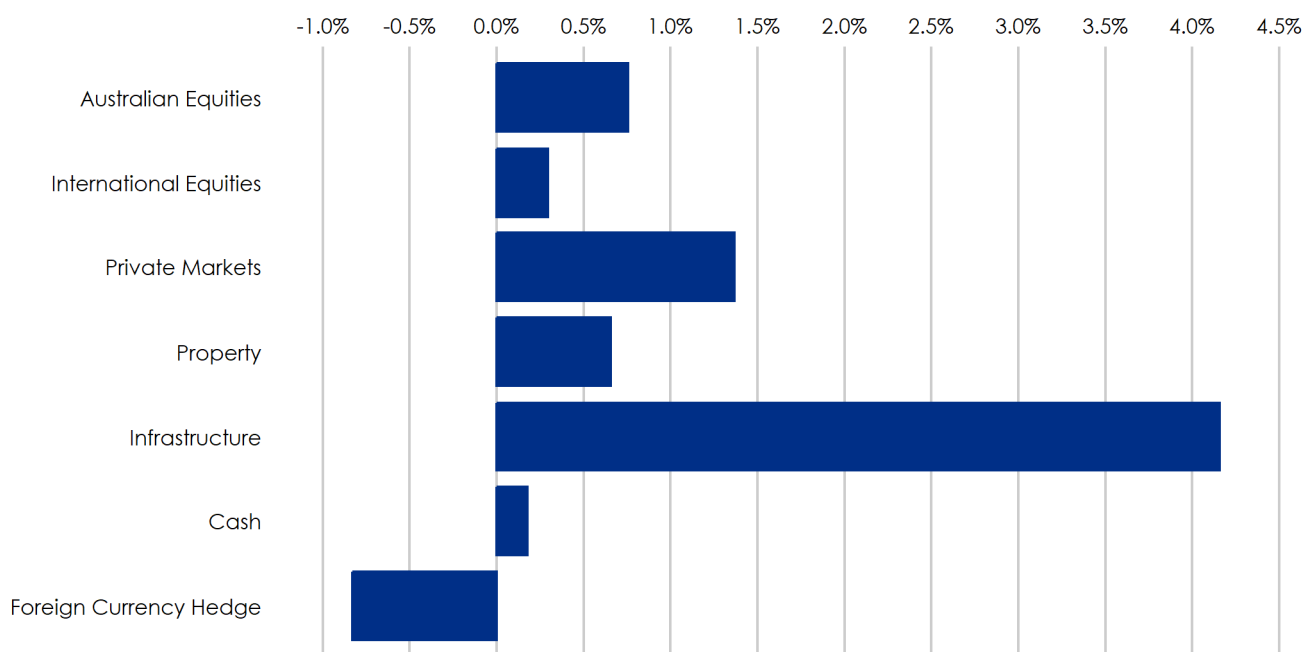
The 2024-2025 Performance Plan outlined The University of Adelaide's (the University) intent to restructure the investment strategy for the Endowment Fund and implement a new strategy to meet their specific Responsible Investment requirements. As part of this restructure, the University redeemed all assets in the Funds SA International and Australian Equities Taxable asset classes, and a substantial proportion of the Cash asset class, in August 2024.

The remaining assets with Funds SA are invested in illiquid, unlisted asset classes comprising Private Markets, Property and Infrastructure.

Given the profound changes within the UoA Strategy, there are no specified investment objectives or asset allocation targets for the remaining assets within this investment option. The remaining assets play a completion role for the broader investment strategy of the Endowment Fund.

Positive performance over the past 12 months was driven by strong performance from the Infrastructure asset class.

Chart 1: Performance contribution by asset class for the 12 months to 30 June 2025



Funds SA operates a passive Foreign Currency hedging program to manage target foreign currency exposures for each option. The performance of the Foreign Currency Hedge above reflects the depreciation of the Australian dollar against a basket of developed market currencies (most notably versus the US dollar) over the period.

The UoA Strategy is not managed to a specific Strategic Asset Allocation, therefore a benchmark return is not relevant.

Table 1: University of Adelaide Strategy returns, periods to 30 June 2025, returns net of fees and gross of tax

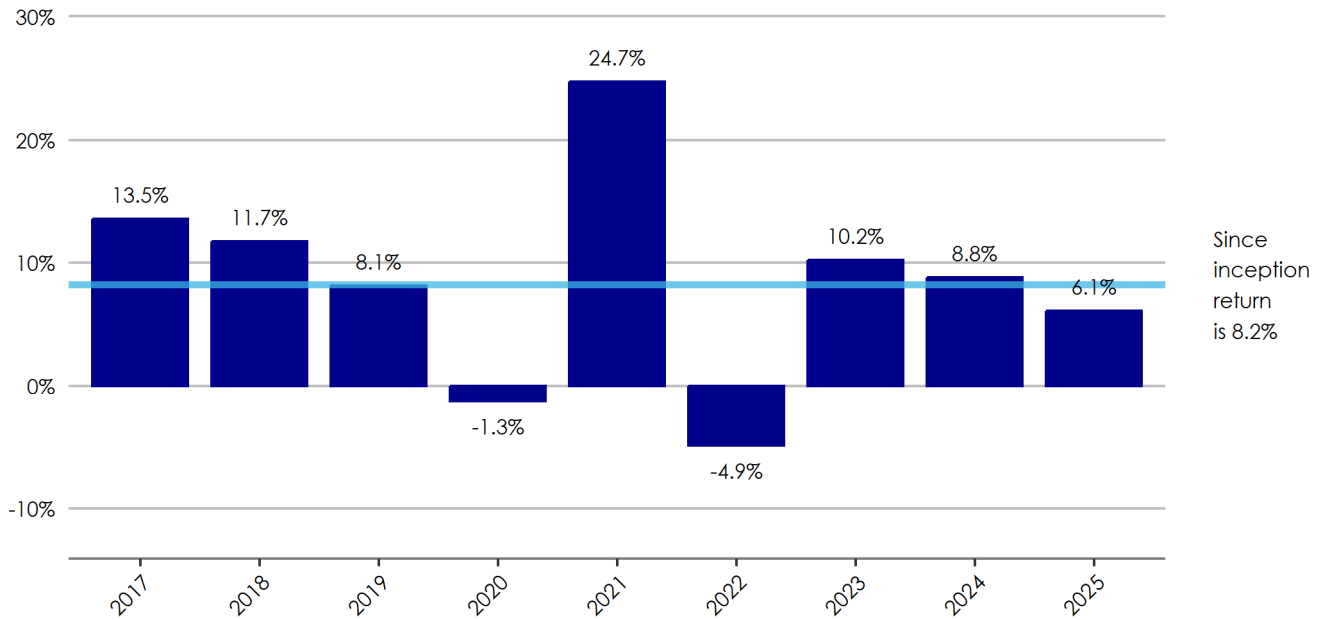
Description	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	Since inception % p.a.
Portfolio return	3.0	6.1	8.4	8.6	7.0	8.2

The inception date is 19 May 2016, the date of The University of Adelaide's initial investment.

Prior to 1 March 2022, the UoA Strategy reflects the performance of the Funds SA High Growth Taxable investment option. From 15 August 2024 there was no equity exposure in the UoA Strategy.

Realised outcomes

Chart 2: University of Adelaide Strategy annual financial year returns as at 30 June 2025, net of fees and gross of tax



The inception date is 19 May 2016, the date of The University of Adelaide's initial investment.

Performance prior to 1 March 2022 reflects the performance of the Funds SA High Growth Taxable investment option. The University of Adelaide Strategy was effective 1 March 2022.

3. Asset allocation

The asset allocation is the result of redemptions from the UoA Strategy, this no longer represents an investment strategy, but simply residual assets. Asset classes are not managed to specific targets or asset allocation ranges.

Table 2: Effective asset allocation as at 30 June 2025

Asset class	Effective %
Private Markets	33.0
Property	24.3
Infrastructure	36.7
Cash	6.0
Total	100.0
Growth assets	63.4

*Due to rounding, the sum of the individual numbers within the table may not equal the total quoted.

4. Funds SA asset class performance

Funds SA has established a range of asset classes that are the building blocks for the investment options.

Asset class performance relative to benchmark was mixed over 1-year

Funds SA measures the performance of each asset class against a specific benchmark. The benchmarks are the relevant market index or blend of indices for that asset class. Where no reasonable market index is available, the index is expressed as a margin over cash. The benchmark for each asset class is included in Appendix 1.

The benchmarks for the Private Markets and Infrastructure asset classes have a significant cash-plus component; performance for these asset classes are best considered over the longer term to be consistent with the cash-plus benchmark. In times of market volatility there can be a short-term mismatch between asset valuations and the benchmark.

Private Markets - Taxable

The Private Markets asset class delivered modest returns over the year but underperformed the Cash-plus benchmark.

Relative performance was driven by the poor performance of historical legacy assets which comprise of mostly commercial real estate investments.

The positive absolute performance was largely within the Buyouts and Secondaries segments of the asset class, in particular exposures to technology and business services sectors which experienced solid earnings growth and an expansion of their valuation multiples. Co-investments in Non-Core Infrastructure contributed positively, more specifically healthcare, waste and tech-enable services exposures, as did the Venture Capital/Growth Equities asset class segments.

Table 3: Taxable asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Private Markets Taxable						
Portfolio return	1.7	3.9	2.9	11.0	8.9	10.0
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	-2.3	-4.5	-5.0	4.7	2.8	4.0

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

The Private Markets asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of the Diversified Strategies Growth asset class excluding the Infrastructure assets held by Funds SA prior to 2021.

Property – Taxable

The Property asset gained during the year on both an absolute and relative basis.

The Office sector, that had been a drag on returns, stabilised as the year progressed. Those Office assets providing the highest quality premises, in the best locations, demonstrated valuation growth that flowed through to manager investment returns.

The Industrial sector, whilst experiencing increased vacancy (albeit off low levels), remained stable in valuation terms. Positive rental growth continued to be a strong source of return for the sector. During the year an investment was made into the Charter Hall Prime Industrial Fund to increase Funds SA's exposure to this sector.

Demand for Retail assets continued to improve. Funds SA has been the beneficiary of this through two investments made during the last six months – a 50% interest in the Roselands and Carlingford Shopping Centres, which are both located in metropolitan Sydney. Independent valuations received as of 30 June 2025 showed valuation uplifts of an estimated 9% for Roselands and 5% for Carlingford.

Table 4: Taxable asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Property Taxable						
Portfolio return	3.1	2.8	-3.1	2.1	2.1	5.0
Benchmark return	2.4	2.2	-3.3	1.8	1.9	4.9
Excess return	0.7	0.6	0.2	0.2	0.2	0.2

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

Infrastructure - Taxable

The Infrastructure asset class continues to be an important contributor to the investment options performance with large gains – on both an absolute and relative basis - for the year.

The return contributions were very broad across the portfolio, with the transportation, energy and data centre exposures delivering particularly outsized gains.

Table 5: Taxable asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Core Infrastructure Taxable						
Portfolio return	4.3	12.1	9.9	10.4	8.3	8.8
Benchmark return	4.1	8.4	7.9	6.4	6.1	6.1
Excess return	0.2	3.7	2.0	4.1	2.2	2.8

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

The Infrastructure asset class has been operating as a separate asset class since 31 August 2021. To give a longer-term view of our performance in this asset class, we have shown longer returns based on the actual performance of Infrastructure assets held by Funds SA prior to 2021.

Cash

Cash asset class returns were very strong for the year to 30 June 2025 at 4.7% relative to the benchmark return of 4.4%.

The RBA easing cycle commenced during the year which meant that a higher yield was earned early on. Active management continued to be the key to relative outperformance with investments in money market securities and investing along the curve to invest in longer maturities adding value.

Table 6: Taxable asset class returns, periods to 30 June 2025, portfolio returns are net of fees and gross of tax, benchmark returns are net of fees

Asset class	6 months %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash						
Portfolio return	2.2	4.7	4.1	2.5	2.2	2.2
Benchmark return	2.1	4.4	3.9	2.3	2.1	2.0
Excess return	0.1	0.3	0.2	0.1	0.1	0.1

Due to rounding, the excess return shown may not exactly equal the difference between the portfolio and benchmark returns.

5. Investment management costs

The Performance Plan includes a targeted cost range for the investment option. Funds SA's investment management costs are presented as a percentage of average funds under management and referred to as an Indirect Cost Ratio (ICR).

The primary objective is to achieve the investment option's investment objectives over the long-term, net of all fees and costs. Managing costs is an important element of this objective, however, it does not drive the investment strategy and should not be looked at in isolation.

ICR for the 2024-25 financial year


Funds SA's realised and targeted fee for the year end 30 June 2025 are detailed in the table below.

The ICR achieved was within the target range. The ICR range allows for some flexibility as components within the ICR are beyond the control of Funds SA, namely performance fees and transaction costs.

Factors contributing to ICR outcomes

- The Property asset class had higher than forecast transaction costs, with purchases made by managers over the period.

Table 7: UoA Strategy, realised and target ICR for the 2024-25 financial year*

Investment option	Base fees %	Performance fees %	Transaction Costs %	Realised %	Target range %	Within or below range
University of Adelaide	0.85	0.62	0.25	1.72	1.60 – 1.80	

*Due to rounding, the sum of the individual numbers may not equal the total figures quoted.

Note: Funds SA applies the standard industry guidelines in calculating and disclosing its investment management expenses.

Transaction costs include: brokerage; stamp duty; transaction settlement costs; clearing costs; and spreads. Such costs are incurred in the normal course of investing, are deducted from the assets of the relevant asset class and investment option to which they relate and are reflected in the unit price.

Appendix 1

Asset class benchmarks



The following table details the asset class benchmarks as at 30 June 2025.

Funds SA asset class	Allocation	
	%	Index
Private Markets Taxable	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Property Taxable	100	MSCI/Mercer Australian Core Wholesale Monthly Property Fund Index
Infrastructure Taxable	100	Bloomberg AusBond Bank Bill Index plus 4% p.a.
Cash	100	Bloomberg AusBond Bank Bill Index

Appendix 2

Disclaimers



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