TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 30 April 2023

Market performance summary
– April in a snapshot

- In April, despite uncertainty regarding a possible recession, investor sentiment remained positive.
- All Investment options in the New Zealand Defence Force Savings Schemes had positive returns.
- Please ensure your details and communication preferences are up to date, as you will shortly be sent a communication about your Annual Statement for the Scheme you are in.
- Before making any changes to your investment option(s) or making a decision to withdraw your money, you should discuss this with your financial adviser or NZDF's appointed financial advisers at Become Wealth team by calling **0508 BECOME (0508 232 663)** or emailing **hello@become.nz**.

HEI MANA MŌ AOTEAROA
A FORCE FOR NEW ZEALAND

Monthly Commentary Ended 30 April 2023

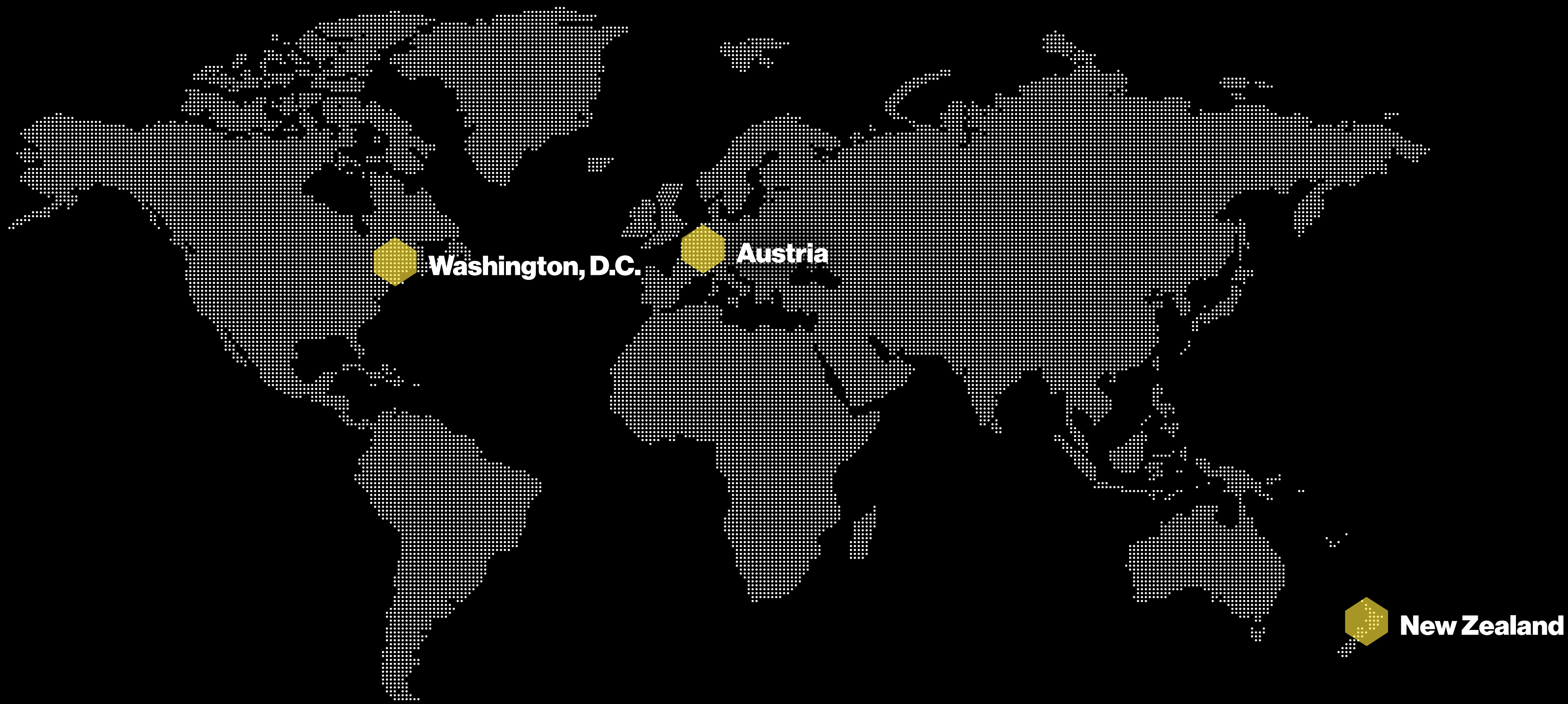
Despite concerns about a possible recession, investor sentiment remained largely positive in April.

Investors were initially spooked as minutes from the US Federal Reserve's ('Fed') March meeting predicted that the US would fall into recession "later in the year". US CPI data came in at a two-year low of 5.0% year-on-year (y/y), although core CPI (which excludes volatile baskets such as energy and food) rose to 5.6% year on year. The idea of stickier inflation has reinforced the belief that the Fed has at least one more rate increase in store. Investors moved on quickly as a strong earnings season boosted global share markets, seeing the S&P 500 finish the month up 1.6%. Although April ended with worries about the US banking sector, the likelihood of a recession still exists, leading to uncertainty for what lies ahead.

Global listed property markets bounced back in April (2.1%) after consecutive months of negative returns. This came despite the continued pressure of rising interest rates, as increasing consumer confidence and the 'peak interest rate narrative' tentatively points to a recovery. Global listed infrastructure also posted positive returns, up 2.2%.

The NZ Dollar was down against most major currencies as weaker than expected inflation and the resulting impact on future rate increase expectations took their toll. The NZ Dollar also fell -2.9% against the Pound and -2.8% against the Euro but managed to edge out a small 0.1% gain on the AUD after the RBA opted to pause its tightening cycle.

Monthly Commentary Ended 30 April 2023



Washington, D.C.

The US House of Representatives passed a bill to raise the US debt ceiling by $1.5 trillion as a stop-gap measure, with a more permanent solution deferred to next year. The bill is unlikely to get through the Democratic-controlled Senate as both parties find themselves unable to come to an agreement on concessions.

Austria

In a surprise announcement, OPEC stated that it would be cutting crude oil production by more than a million barrels a day. Oil prices then rebounded back to levels seen prior to the mid-March banking stress before settling at around $77 per barrel by the end of the month. The announced production cuts by OPEC were seen as a move to stabilise crude oil prices after they fell sharply amid fears that banking sector troubles would snowball into a financial crisis.

New Zealand

The Reserve Bank of New Zealand ('RBNZ') shocked the market with its OCR hike of 50bps, double the 25bps that was widely expected. Alongside the announcement, the RBNZ stated that despite slowing economic activity and an easing labour market, inflation remained persistently high.

Become Wealth Monthly Commentary Ended 30 April 2023

Inflation Versus Interest Rates.

The RBNZ is New Zealand's central bank. Central bankers the world over are fighting a resurgence in inflation, and New Zealand is leading the charge with some of the highest inflation – and highest interest rates – among developed countries.

The RBNZ is now partway through its steepest-ever series of interest rate hikes. Interest rates are being hiked to counter inflation. While raising interest rates may be necessary, it can have significant negative consequences for individuals and businesses with heavy debts, including mortgages.

Put simply, higher interest rates are a blunt instrument designed to dampen the economy.

Higher interest rates crush financially weak or over-leveraged businesses, crush financially weak or over-leveraged households and individuals, crush consumer spending, and crush the housing market.

There are two sides to this:

1. The RBNZ is taking action to address a significant issue and the situation could be much worse if they did nothing.

2. The RBNZ's actions may have unintended consequences. For example, higher interest rates could cause the exchange rate to rise, making exports more expensive and potentially harming the economy. This can have flow-on effects for 'everyday Kiwis', and nearly everyone has probably already noticed the cost-of-living crisis.

Some argue central banks have failed to prevent financial crises and economic downturns, while others contend that their actions (especially money printing, aka "quantitative easing") have exacerbated these problems. Additionally, some critics question the independence of central banks and argue that they are subject to political pressures and interests.

Countering this, supporters of the status quo note central banks play a crucial role in maintaining economic stability and ensuring the smooth functioning of financial systems. They have a mandate to promote price stability, maintain full employment, and support the growth of the economy. Central banks have been instrumental in stabilising financial markets during times of crisis, preventing runaway inflation, and providing liquidity to banks and other financial institutions.

High inflation hurts all of us.

Whatever your personal thoughts on the whole situation, just like a sailor dealing with the wind, there's little point in getting worked up over what you can't control. Instead, stay focused on what the overall economic movements – including interest and mortgage rates – might mean for you personally, and what steps you can take to practically to reduce the impact and improve your situation. So, if you would like to discuss this and your personal financial situation, it would be our pleasure to assist:

0508 BECOME (0508 232 663)
hello@become.nz

Joseph Darby
Chief Executive
Become Wealth

A Disclosure Statement is available on request and free of charge

Investment Returns For Periods Ended 30 April 2023

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.25	0.79	0.25	2.31	0.90
	Conservative	0.60	0.81	0.60	0.37	1.67
	Moderate	0.76	0.79	0.76	0.42	2.41
	Balanced	1.01	0.91	1.01	0.48	3.45
	Growth	1.23	1.05	1.23	0.63	4.38
	High Growth	1.38	1.16	1.38	0.82	5.17
	Shares	1.45	1.47	1.45	1.58	5.61
PIR	**Fund**	**1 Month %**	**3 Months %**	**FYTD* %**	**1 Year %**	**5 Years %**
17.5% prescribed investor rate (PIR)	Cash	0.29	0.91	0.29	2.66	1.02
	Conservative	0.62	0.97	0.62	0.43	1.84
	Moderate	0.76	0.88	0.76	0.53	2.60
	Balanced	0.99	0.93	0.99	0.53	3.64
	Growth	1.20	1.05	1.20	0.90	4.76
	High Growth	1.32	1.18	1.32	1.12	5.54
	Shares	1.39	1.39	1.39	1.74	5.96
PIR	**Fund**	**1 Month %**	**3 Months %**	**FYTD* %**	**1 Year %**	**5 Years %**
10.5% prescribed investor rate (PIR)	Cash	0.32	0.98	0.32	2.90	1.12
	Conservative	0.62	1.02	0.62	0.51	1.92
	Moderate	0.81	0.95	0.81	0.62	2.77
	Balanced	1.00	0.95	1.00	0.65	3.82
	Growth	1.20	1.00	1.20	1.03	4.86
	High Growth	1.34	1.08	1.34	1.17	5.74
	Shares	1.38	1.24	1.38	1.69	6.16

Notes

- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are after tax at the rate indicated and after fund charges that are charged within the unit prices.
- Each investor's returns within an investment portfolio will depend on timing of contribution payments and actual fees charged allowing for any fee rebates. The after tax and fees returns shown are therefore indicative of investment results but June differ from the actual after fees and tax returns achieved by individual investors.

* FYTD means Financial Year to Date, which is from 1 April 2023

Investment Returns For Periods Ended 30 April 2023

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.24	0.78	0.24	2.31	0.93
	Conservative	0.63	0.89	0.63	0.09	1.78
	Moderate	0.86	0.80	0.86	-0.27	2.46
	Balanced	1.13	0.87	1.13	-0.82	3.23
	Growth	1.35	0.99	1.35	-0.67	4.12
	High Growth	1.52	1.07	1.52	-0.45	4.93
	Shares	1.44	1.44	1.44	1.57	5.65

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.28	0.89	0.28	2.64	1.06
	Conservative	0.65	0.90	0.65	0.07	1.95
	Moderate	0.85	0.81	0.85	-0.39	2.48
	Balanced	1.10	0.80	1.10	-0.93	3.45
	Growth	1.31	0.84	1.31	-0.99	4.36
	High Growth	1.50	0.97	1.50	-0.53	5.24
	Shares	1.40	1.27	1.40	1.57	5.96

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.30	0.95	0.30	2.87	1.16
	Conservative	0.66	0.95	0.66	0.07	2.33
	Moderate	0.87	0.78	0.87	-0.25	2.79
	Balanced	1.11	0.78	1.11	-0.94	3.51
	Growth	1.31	0.84	1.31	-0.82	4.60
	High Growth	1.48	0.89	1.48	-0.42	5.55
	Shares	1.37	1.22	1.37	1.59	6.15

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Investment Returns For Periods Ended 30 April 2023

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.26	0.82	0.26	2.43	0.97
	Conservative	0.63	0.89	0.63	0.21	1.79
	Moderate	0.87	0.83	0.87	-0.09	2.44
	Balanced	1.14	0.90	1.14	-0.73	3.33
	Growth	1.38	1.04	1.38	-0.48	4.21
	High Growth	1.55	1.14	1.55	-0.26	4.95
	Shares	1.45	1.47	1.45	1.88	5.68
PIR	**Fund**	**1 Month %**	**3 Months %**	**FYTD* %**	**1 Year %**	**5 Years %**
17.5% prescribed investor rate (PIR)	Cash	0.28	0.91	0.28	2.76	1.12
	Conservative	0.64	0.93	0.64	0.23	1.94
	Moderate	0.88	0.81	0.88	-0.21	2.72
	Balanced	1.12	0.81	1.12	-0.49	3.64
	Growth	1.35	0.91	1.35	-0.73	4.53
	High Growth	1.49	0.97	1.49	-0.29	5.36
	Shares	1.43	1.36	1.43	1.92	6.13
PIR	**Fund**	**1 Month %**	**3 Months %**	**FYTD* %**	**1 Year %**	**5 Years %**
10.5% prescribed investor rate (PIR)	Cash	0.31	0.99	0.31	3.00	-
	Conservative	0.68	0.99	0.68	0.29	-
	Moderate	0.86	0.86	0.86	-0.01	-
	Balanced	1.12	0.79	1.12	-0.91	3.56
	Growth	1.30	0.78	1.30	-0.64	4.63
	High Growth	1.49	0.80	1.49	-0.48	5.52
	Shares	1.42	1.31	1.42	1.86	6.26

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- '–' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

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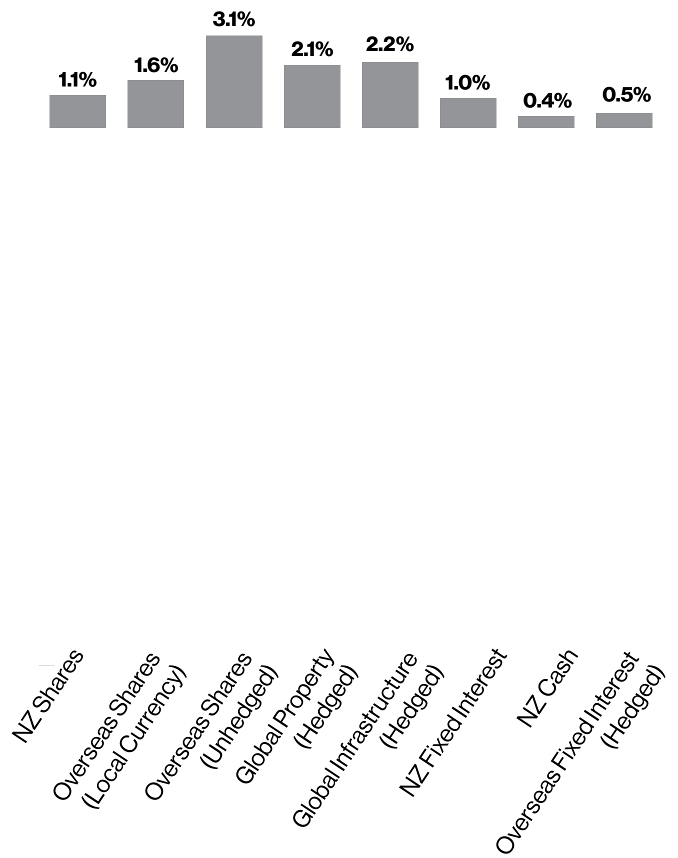
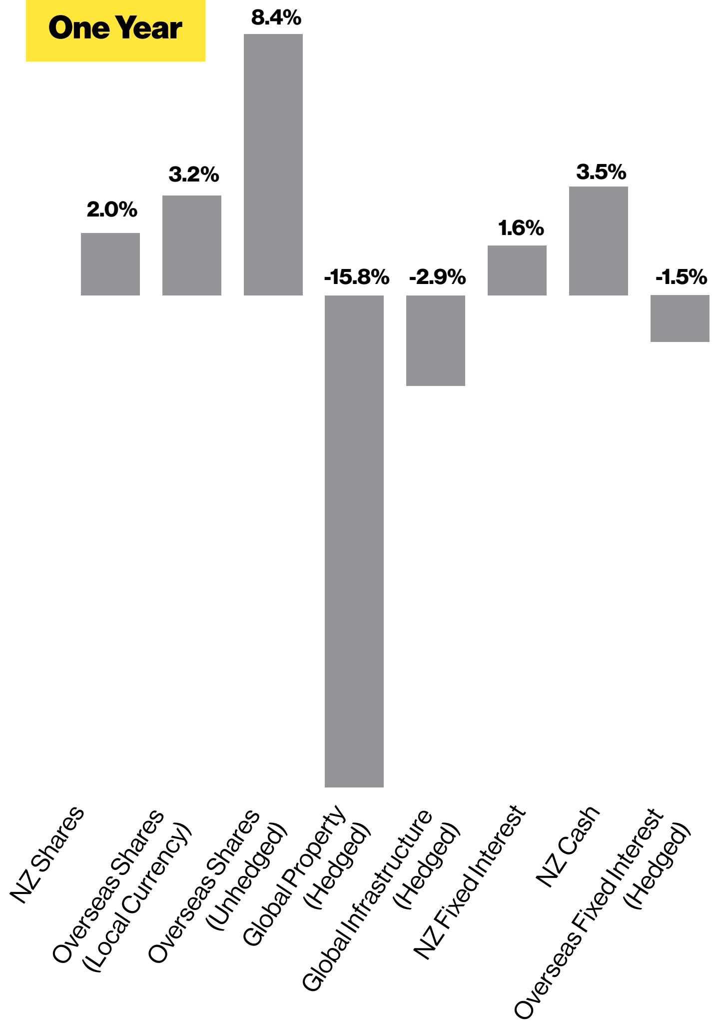
Investment Returns For Periods Ended 30 April 2023

One Month



One Year



Key

NZ Shares
S&P/NZX 50 (with ICs)

Overseas Shares (Local Currency
MSCI World (Local Currency)

Overseas Shares (Unhedged)
MSCI World (Unhedged)

Global Property (Hedged)
FTSE EPRA NAREIT Developed

Global Infrastructure (Hedged)
FTSE Global Core Infrastructure 50/50

NZ Fixed Interest
Bloomberg NZ Bond Composite

NZ Cash
ANZ 90 Day Bank Bills

Overseas Fixed Interest (Hedged)
Bloomberg Global Aggregate