



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 August 2022

Market performance summary

– August in a snapshot

- After a positive July, August was a difficult month for global and local share markets. Recessionary fears continued to circulate as the market assessed whether central banks can successfully curb decade-high inflation without causing too much economic pain.
- All investment options, except for the Cash investment option, in the NZDF Savings Schemes saw negative returns.
- The Annual Report and Annual Statements have now been distributed, we would like to remind those who haven't read their statement to log into their account at www.nzdfsavings.mil.nz.
- Market volatility is projected to continue which can be unsettling for investors. The importance of financial advice should not be underestimated. 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 an independently appointed Become Wealth (previously named Milestone Direct) team of advisers by calling **0508 BECOME (0508 232 663)** or emailing hello@become.nz.



HEI MANA MŌ AOTEAROA
A FORCE FOR NEW ZEALAND

FOR MORE INFORMATION CALL **0800 333 787** OR VISIT WWW.NZDFSAVINGS.MIL.NZ

Monthly Commentary Ended 31 August 2022

After a rebound in July, which continued into early August, global share markets saw a broad-based sell-off following US Federal Reserve ('Fed') Chair Jerome Powell's remarks at the Jackson Hole Economic Symposium. Powell signaled ongoing tightening of monetary conditions and raising of interest rates to drive down inflation. This in turn sparked increased fears of a recession in the US and other large economies. Markets are weighing up whether central banks can successfully curb decade-high inflation without causing too much economic pain.

Despite the recent rally, global shares ended the month weaker after a largely US driven sell-off was sparked by Powell's hawkish sentiment. The technology sector was especially hard hit due to its sensitivity to interest rates. Chinese equity markets also felt the pain as an appreciating USD and a projected economic slowdown in the US weighed on China's export-reliant economy.

Trans-Tasman shares were more resilient (but not immune) to the news that came out of Jackson Hole. Stemmed by its high exposure to the better-performing energy and raw materials sectors, the S&P/ASX 200 was up 1.2% (in local currency). Due to its more defensive nature, the S&P/NZX 50 also finished the month up 1.0%.

NZ government bond yields climbed across the board this month after the RBNZ increased its OCR to 3%, with the 2-year and 10-year yields ending the month at 3.83% and 3.98% respectively. Revised forecasts by the RBNZ have the OCR peaking at over 4% in order to tame inflation.



Monthly Commentary Ended 31 August 2022



United States

All eyes were on Jackson Hole this month as central bankers from around the world gathered for the Fed's annual economic symposium. Powell seemingly quashed the dovish pivot (lowering of interest rates) narrative, which had fueled the July rebound, by delivering his most hawkish message to date on the Fed's monetary policy stance – declaring that they “must keep going until the job is done”, despite slowing economic growth.

Europe

Europe's energy crisis continued to mount, only worsening the already crippling inflation in the Eurozone. UK energy industry regulator, Ofgem, raised the energy price cap by 80% effective 1 October 2022, in preparation for higher prices. Citi bank have forecasted inflation in the UK to hit 18.6% in early 2023 as reverberations from the war in Ukraine continue to 'distort' the market for natural gas, forcing energy prices up as the region heads into their winter heating season. The UK economy is projected to head into recession.

New Zealand

The Reserve Bank of New Zealand (RBNZ) continued its 'least regrets' monetary policy tightening regime with another 0.5% increase in August, lifting the Official Cash Rate (OCR) to 3.0%. The bank noted that future changes to the OCR beyond those forecasted will be data dependent.

Become Wealth Monthly Commentary Ended 31 August 2022

It's Like Riding a Bike?

Do you remember when you learned to ride a bike? Were you a quick learner or did it take practice? Did you start off with training wheels or a tricycle?

Regardless of the training method, hopefully, you got it eventually. Pedaling along while keeping balanced probably brought you the feeling of a certain freedom. Your friend's house down the street was suddenly a lot closer, or maybe the bus was no longer the only way to get to school. Having mastered the skill, you could file it away and recall it when needed.

So, what the heck does this have to do with investing?

Keep Pedaling

One fundamental concept in cycling is the role of angular momentum in maintaining balance. Staying upright with the wheels rotating at a steady pace is much easier and enjoyable than frequent starts and stops.

The discipline to stick with a financial plan is similar. Whether it is automatically investing through payroll into KiwiSaver or DFSS, sticking with a budget, or just maintaining an appropriate mix of investments ("asset allocation"), the ability to reach your destination can be positively impacted by building small, repeatable habits.

We Can Only Control Our Preparation and Response

Whether it is an energetic dog, a nasty pothole, or another cyclist, amateur and professional cyclists alike will tell you a crash or fall is bound to happen. It's only a matter of time. We could have done everything right and been in a total control, but have an externality knock us off course.

This can happen in investing. Much of 2022 is a perfect example. A year or so ago we had stock markets at all-time highs, most economic data looked strong, and interest rates and inflation were low. In a matter of weeks, this all changed, not at all helped by the war in Europe.

Keeping Things Simple

For some people, the ability to ride a bike came naturally. For others, learning to ride required assistance. The same may be said for the ability to be a disciplined investor.

It may come easily for a few people, but many struggle with the concept. In these cases, seeking assistance from a professional is probably worthwhile. In both cases, keeping things simple by focusing on preparation, developing an understanding of the potential risks along the way, and effectively dealing with them should likely lead to a more enjoyable - and fruitful - journey.

If you would like to discuss anything above, possibly in relation to one or more of the NZDF Savings Schemes, it would be our pleasure to assist:

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Joseph Darby
Chief Executive
Become Wealth, formerly Milestone Direct



A Disclosure Statement is available on request and free of charge

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Investment Returns For Periods Ended 31 August 2022

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.16	0.41	0.52	0.69	0.68
	Conservative	-1.00	-0.63	-2.23	-4.99	1.79
	Moderate	-1.04	-0.82	-2.96	-6.10	2.56
	Balanced	-1.22	-1.00	-3.67	-7.19	3.74
	Growth	-1.35	-1.22	-4.27	-8.03	4.83
	High Growth	-1.36	-1.20	-4.72	-8.88	5.73
	Shares	-1.44	-1.26	-5.22	-11.08	6.24
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.19	0.47	0.61	0.81	0.80
	Conservative	-1.11	-0.77	-2.57	-5.50	1.92
	Moderate	-1.16	-0.86	-3.24	-6.50	2.75
	Balanced	-1.35	-1.17	-4.00	-7.56	3.96
	Growth	-1.45	-1.28	-4.52	-8.13	5.21
	High Growth	-1.44	-1.45	-5.06	-9.07	6.09
	Shares	-1.43	-1.38	-5.49	-11.14	6.57
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.21	0.52	0.67	0.90	0.84
	Conservative	-1.16	-0.74	-2.62	-5.75	2.00
	Moderate	-1.22	-0.97	-3.44	-6.69	2.91
	Balanced	-1.40	-1.22	-4.17	-7.83	4.12
	Growth	-1.44	-1.32	-4.65	-8.37	5.31
	High Growth	-1.45	-1.43	-5.22	-9.15	6.29
	Shares	-1.43	-1.44	-5.70	-11.13	6.81

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 2022

Investment Returns For Periods Ended 31 August 2022

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.17	0.42	0.53	0.68	0.74
	Conservative	-1.10	-0.79	-2.49	-4.85	1.91
	Moderate	-1.29	-1.09	-3.37	-6.24	2.70
	Balanced	-1.52	-1.53	-4.57	-7.83	3.66
	Growth	-1.62	-1.76	-5.25	-8.80	4.66
	High Growth	-1.69	-1.77	-5.64	-9.56	5.61
	Shares	-1.35	-1.16	-5.08	-10.91	6.28
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.19	0.47	0.60	0.77	0.84
	Conservative	-1.23	-0.86	-2.77	-5.56	2.08
	Moderate	-1.45	-1.24	-3.74	-6.81	2.73
	Balanced	-1.67	-1.68	-4.91	-8.22	3.92
	Growth	-1.79	-2.01	-5.67	-9.06	5.00
	High Growth	-1.83	-2.02	-6.09	-9.83	5.94
	Shares	-1.44	-1.31	-5.41	-10.88	6.61
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.20	0.50	0.65	0.83	0.92
	Conservative	-1.36	-0.98	-2.96	-4.48	2.45
	Moderate	-1.57	-1.35	-4.02	-6.58	3.02
	Balanced	-1.70	-1.78	-5.16	-8.49	3.96
	Growth	-1.84	-2.05	-5.87	-8.89	5.20
	High Growth	-1.80	-1.94	-6.10	-9.09	6.27
	Shares	-1.39	-1.41	-5.68	-10.63	6.82

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Investment Returns For Periods Ended 31 August 2022

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.18	0.44	0.57	0.81	0.77
	Conservative	-1.11	-0.71	-2.41	-4.89	1.90
	Moderate	-1.27	-1.03	-3.35	-6.18	2.67
	Balanced	-1.53	-1.51	-4.57	-7.76	3.76
	Growth	-1.64	-1.68	-5.16	-8.63	4.75
	High Growth	-1.65	-1.74	-5.59	-9.54	5.61
	Shares	-1.31	-1.04	-4.94	-10.87	6.29
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.19	0.48	0.63	0.91	0.88
	Conservative	-1.25	-0.83	-2.70	-5.40	2.06
	Moderate	-1.41	-1.15	-3.63	-6.51	2.98
	Balanced	-1.58	-1.46	-4.69	-7.87	4.09
	Growth	-1.76	-1.92	-5.61	-8.89	5.10
	High Growth	-1.75	-1.87	-5.96	-9.66	6.06
	Shares	-1.39	-1.22	-5.45	-10.92	6.77
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.21	0.53	0.71	-	-
	Conservative	-1.27	-0.85	-2.83	-5.75	-
	Moderate	-1.53	-1.14	-3.73	-6.79	-
	Balanced	-1.74	-1.75	-5.11	-8.33	4.05
	Growth	-1.75	-1.96	-5.78	-9.03	5.24
	High Growth	-1.78	-2.00	-6.23	-9.62	6.27
	Shares	-1.39	-1.34	-5.60	-11.08	6.91

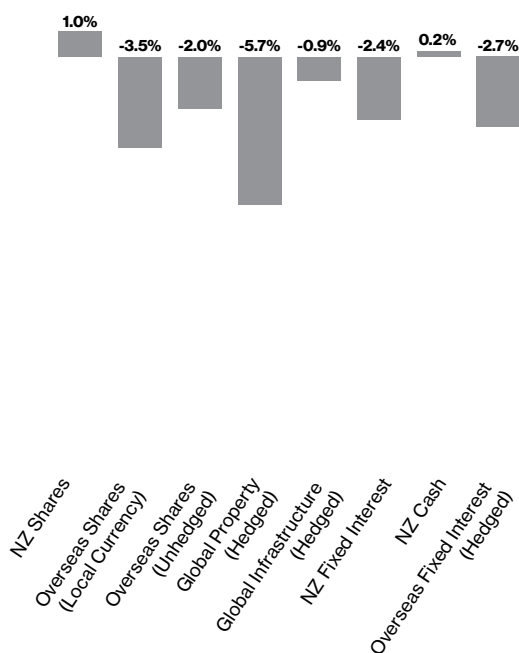
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

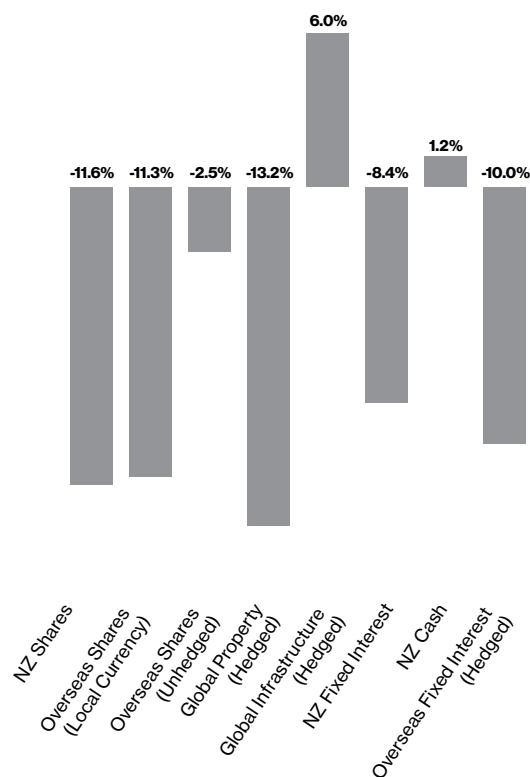
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Investment Returns For Periods Ended 31 August 2022

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

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