



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 December 2023

Market performance summary

– December in a snapshot

- Despite concerns about high interest rates, bank failures, and recessionary fears, investors in 2023 generally saw positive returns as global financial markets performed better than expected.
- The month of December brought positive investment returns for all investment options in the NZDF Savings Schemes.
- Whether you're saving for your first home, retirement or have another goal in mind, your savings goals will impact your investment timeframe. This is one of the important things to consider when choosing the right investment option for you. Mercer's Fund Selector can help you decide which option is best for your situation. To use the Fund Selector, click **here** or access it at **www.nzdfsavings.mil.nz**.
- 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 December 2023

In 2023, global stocks and bonds had a strong end to the year, with prices rising throughout the final month.

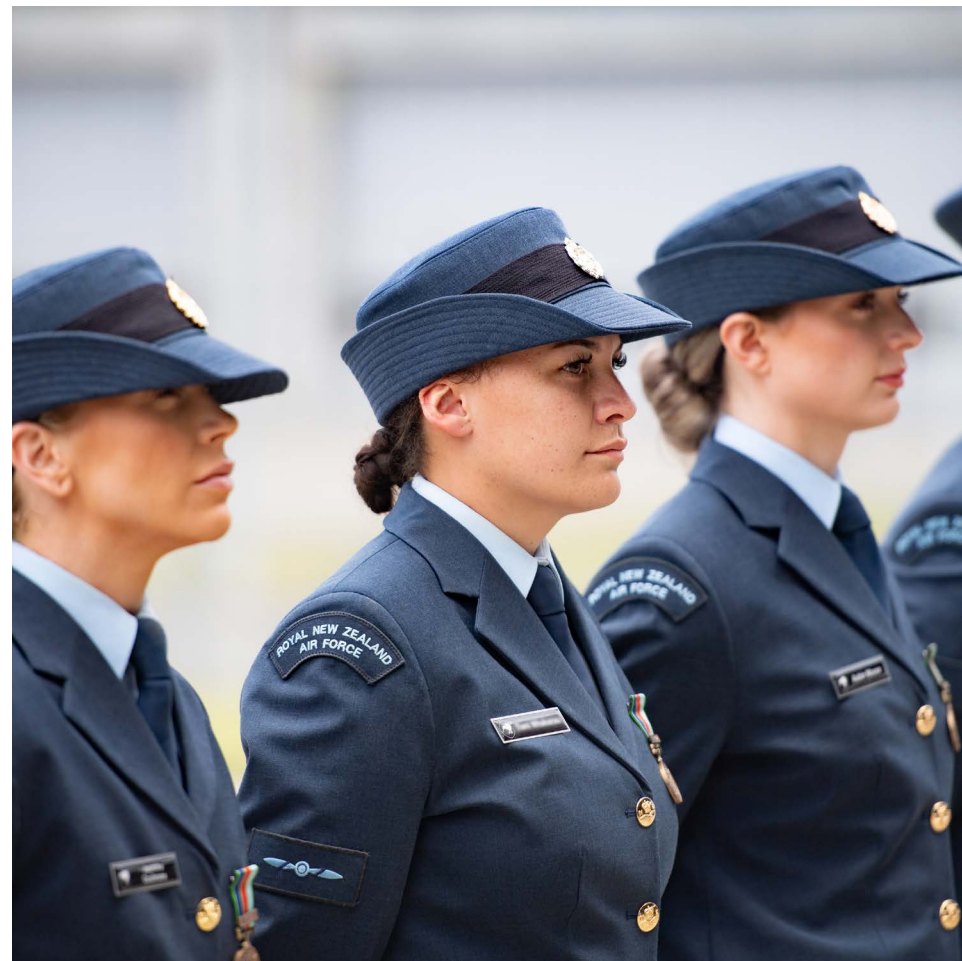
This was mainly due to the US Federal Reserve indicating that borrowing costs would be reduced in 2024. Inflation rates in the US, UK, and Eurozone all decreased, with US core inflation reaching a two-year low of 4%, while UK and Eurozone inflation dropped to levels last seen in 2021. Major central banks kept interest rates unchanged in December, and the US market is now pricing in rate cuts for 2024.

Despite concerns about high interest rates, bank failures, and recessionary fears, investors in 2023 generally saw positive returns as global financial markets performed better than expected. The S&P 500 had a return of over 26%, global equities returned more than 23%, and global bonds were up 6.6%. The only major asset class that experienced a loss in 2023 was commodities, with the Bloomberg Commodity Index falling by 8.2%, largely due to a 10.4% decrease in the price of WTI Crude Oil.

In Australasia, the Australian stock market (S&P/ASX 200) had a strong finish to 2023, with a 7.3% increase in value (in Australian dollars). This was driven by a broad-based rally led by mining stocks. The New Zealand stock market (S&P/NZX 50) also saw gains, but they were more modest, with a 4.0% return for the month. Over the course of the year, the Australian share market returned 12.4%, while the New Zealand share market returned 3.5%.

In New Zealand, the bond market performed well in December, with a 2.8% increase in value. The yield on a 10-year New Zealand Government bond fell by over 50 basis points to 4.38% during the month, although it remains relatively high compared to other developed countries. Cash had a monthly increase of 0.5% and a yearly increase of 5.4%.

The New Zealand dollar (NZD) strengthened this month, gaining 1.6% in December on a trade-weighted basis. Notably, the NZD appreciated 2.5% against the US dollar. Despite heavy fluctuations at times during the year, the NZD/USD ended 2023 with a 0.1% gain. Against the Australian dollar (AUD) and Euro (EUR), the NZD fell by -0.5% and -3.3% respectively in 2023.



Monthly Commentary Ended 31 December 2023



Denver, CO

In politics, the Colorado Supreme Court has ruled to disqualify former President Trump from the state's primary ballots next year. Additionally, the House has supported an impeachment inquiry into President Biden.

Global

The S&P 500 advanced 4.5%, and the NASDAQ jumped 5.6%. After a long-suffering year relative to broader equities, small caps were a particular standout this month, as the MSCI World Small Caps Index (local currency) surged 8.4% in December.

Global

Christmas seemingly came early for investors this year as the Fed left interest rates unchanged at 5.25-5.5% for the third consecutive time and adjusted their projections to include three interest rate cuts for 2024.

Global

Cryptocurrencies concluded the year with a remarkable recovery. Bitcoin recorded a monthly increase of 11.7% in December, resulting in a total gain of more than 150% for 2023.

Become Wealth Monthly Commentary Ended 31 December 2023

The Future of Personal Finances

Trends in investing and personal finance continue to be driven by increasing human knowledge and improving technologies. At a high level, similar developments have influenced other areas of professional endeavor, too. For example, medicine. In the book *Outlive: The Science & Art of Longevity*, the author describes the trajectory of medicine in three stages:

- Medicine 1.0 describes the time in history when healers believed that illness was attributed mainly to supernatural forces.
- Medicine 2.0 represents our current state of healthcare, in which genetic makeup and the environment play a major role in illness and disease, and where the focus of doctors lies primarily on the administration of treatments to cure our ills or injuries.
- Medicine 3.0 is the projected future direction of medical care, where, instead of taking a reactive approach to disease and illness, healthcare practitioners instead invest more energy focusing on preventing illness and maintaining good health in the first place. This includes more personalised planning and health-related monitoring.

This compares well to personal finance and investing, whereas Personal Finance stages 1.0 and 2.0 represent our past and present reactive focus on coming up with solutions to address individual financial problems. Looking ahead, Personal Finance 3.0 offers a glimpse of overall financial wellness, where financial advisers offer deeply tailored financial and planning experiences, pairing human inputs with digital service and live monitoring and support to ensure people reach their financial aims in life.

Specifically, Personal Finance 3.0 improves on the previous iterations of planning by involving a more thorough technical analysis of any individual's unique situation than it did before and offers the ability to track real-time progress.

How will this happen? One way is open banking. Open banking is also known as "open bank data." Open banking is a banking practice that provides third-party financial service providers open access to consumer banking, transaction, and other financial data from banks and non-bank financial institutions through Application Programming Interfaces (APIs). This means financial information should become more transparent, more useful, and more portable between financial institutions. Open banking should encourage greater competition and innovation by allowing consumers to access a wider range of products and services from different providers. Over time, more new players will join the financial ecosystem too, which will lead to more innovation.

Ultimately, the key point is that financial professionals will soon have access to new technologies (not just open banking) and approaches that increasingly support a shift into a more proactive, interactive, and dynamically engaging version of personal finance – Personal Finance 3.0. This should deliver significantly-improved financial outcomes for everyone involved.

What next?

It'd be our pleasure to assist you make the best financial choices about your investments within the NZDF Savings Schemes, and if you like, in other areas too. Get in touch at:

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Become Wealth



A Disclosure Statement is available on request and free of charge

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Investment Returns For Periods Ended 31 December 2023

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.31	0.98	2.89	3.69	1.26
	Conservative	1.84	3.47	3.01	4.70	2.11
	Moderate	2.31	4.21	3.76	6.12	3.11
	Balanced	2.70	4.89	4.62	7.66	4.52
	Growth	3.00	5.42	5.67	9.41	5.90
	High Growth	3.28	5.76	6.16	10.50	6.91
	Shares	3.18	5.50	6.40	11.56	7.74
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.34	1.11	3.26	4.18	1.42
	Conservative	2.03	3.89	3.40	5.39	2.31
	Moderate	2.48	4.62	4.15	6.76	3.35
	Balanced	2.99	5.34	5.17	8.43	4.76
	Growth	3.19	5.73	5.98	9.94	6.32
	High Growth	3.40	5.98	6.44	10.99	7.34
	Shares	3.30	5.71	6.83	11.99	8.14
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.37	1.20	3.55	4.55	1.56
	Conservative	2.15	4.09	3.51	5.59	2.39
	Moderate	2.61	4.82	4.41	7.16	3.55
	Balanced	3.01	5.52	5.27	8.66	4.95
	Growth	3.27	5.98	6.33	10.35	6.47
	High Growth	3.47	6.21	6.88	11.42	7.59
	Shares	3.38	6.00	7.21	12.47	8.42

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 31 December 2023

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.30	0.97	2.85	3.65	1.27
	Conservative	1.88	3.60	3.08	4.90	2.22
	Moderate	2.44	4.53	3.88	6.32	3.16
	Balanced	3.00	5.48	4.83	7.95	4.29
	Growth	3.28	5.98	5.82	9.72	5.63
	High Growth	3.49	6.35	6.42	10.85	6.70
	Shares	3.17	5.50	6.55	11.65	7.81
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.35	1.12	3.29	4.21	1.46
	Conservative	2.05	3.97	3.39	5.35	2.40
	Moderate	2.61	4.90	4.15	6.75	3.21
	Balanced	3.17	5.83	5.08	8.34	4.54
	Growth	3.47	6.37	6.26	10.29	5.94
	High Growth	3.62	6.61	6.65	11.17	7.05
	Shares	3.30	5.78	6.96	12.05	8.18
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.37	1.19	3.51	4.50	1.58
	Conservative	2.16	4.23	3.55	5.72	2.79
	Moderate	2.73	5.14	4.51	7.24	3.56
	Balanced	3.32	6.13	5.39	8.74	4.65
	Growth	3.53	6.53	6.18	10.28	6.16
	High Growth	3.71	6.84	7.01	11.49	7.41
	Shares	3.37	6.00	7.12	12.27	8.44

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Investment Returns For Periods Ended 31 December 2023

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.30	0.94	2.88	3.72	1.32
	Conservative	1.87	3.57	3.07	4.91	2.23
	Moderate	2.45	4.53	3.92	6.39	3.15
	Balanced	3.00	5.49	4.86	8.05	4.39
	Growth	3.29	6.00	5.82	9.77	5.73
	High Growth	3.54	6.38	6.45	10.97	6.74
	Shares	3.18	5.42	6.32	11.47	7.82
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.34	1.10	3.27	4.23	1.51
	Conservative	2.05	3.97	3.40	5.44	2.40
	Moderate	2.61	4.90	4.28	6.93	3.46
	Balanced	3.19	5.87	5.23	8.52	4.76
	Growth	3.44	6.35	6.26	10.24	6.10
	High Growth	3.64	6.69	6.86	11.37	7.21
	Shares	3.28	5.72	6.94	12.17	8.36
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.37	1.18	3.59	4.63	-
	Conservative	2.19	4.24	3.64	5.84	-
	Moderate	2.72	5.13	4.49	7.32	-
	Balanced	3.32	6.11	5.38	8.78	4.70
	Growth	3.52	6.49	6.43	10.46	6.24
	High Growth	3.69	6.80	7.00	11.43	7.36
	Shares	3.29	5.77	7.08	12.31	8.51

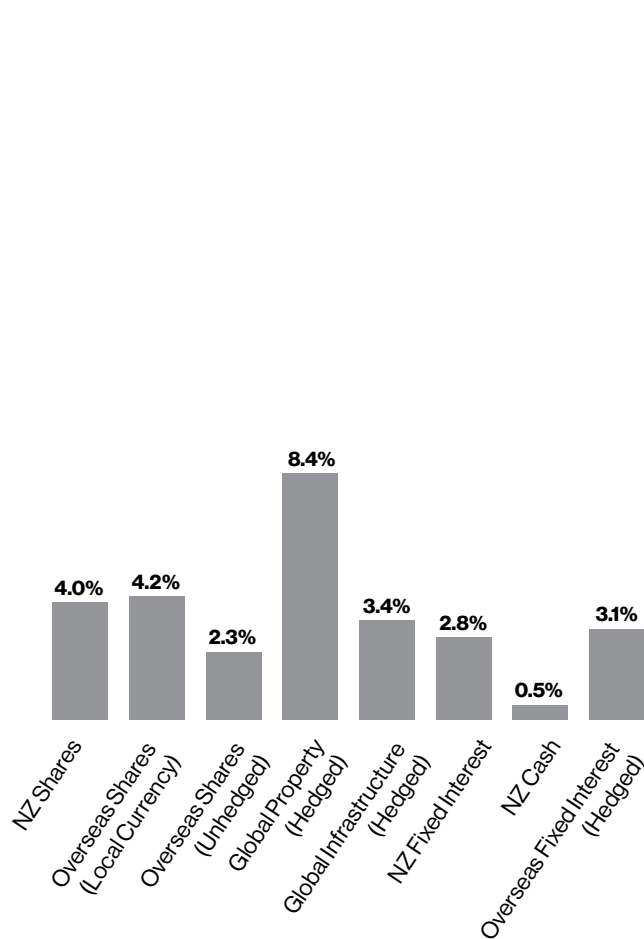
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

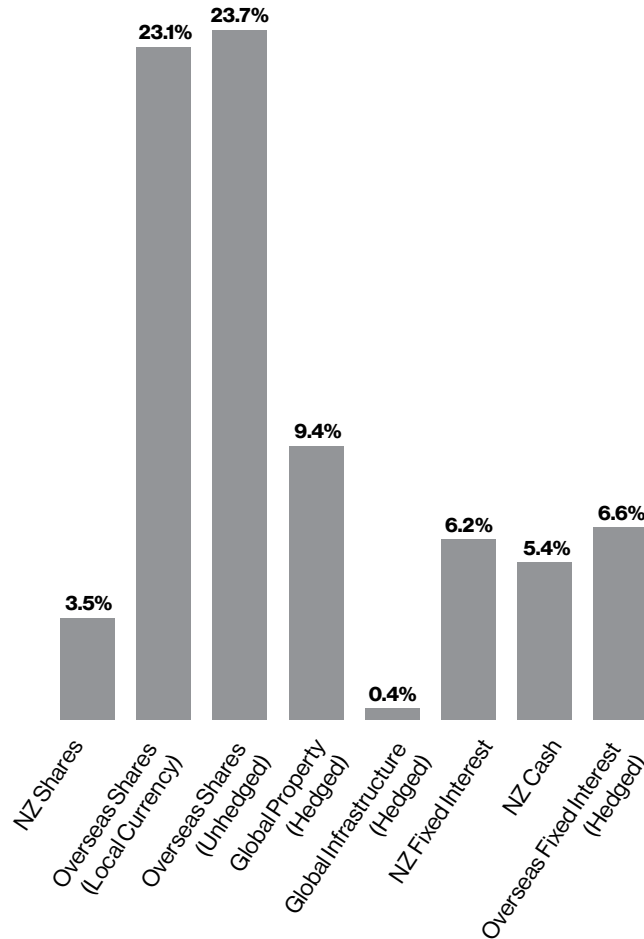
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Investment Returns For Periods Ended 31 December 2023

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

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