

MONTHLY REPORT

For the period ended 31 December 2020

Market performance summary – December in a snapshot

- After a volatile 2020, it was great to see the year end on a positive note as December delivered strong returns across a number of sectors. Even the political tensions in the US couldn't dampen investor sentiment.
- It was a positive month for the investment funds in the New Zealand Defence Force 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. The risk quiz can help you decide which option is best for your situation. Take the quiz [here](#).
- If you are an NZDF member or a member of one of the NZDF Savings Schemes, you have access to financial advice through Milestone Direct (MDL). You can contact the team at Milestone Direct on **0508 MILESTONE (0508 645 378)**.



Monthly Commentary Ended 31 December 2020

Global share markets finished the last calendar month of 2020 on a positive note! Despite political tension in the US and a new, highly contagious variant of COVID-19 spreading throughout the UK, global share markets continued to see inflows as investors gained comfort from the global vaccine rollout.

The Brexit transition period has officially ended and the United Kingdom and European Union have announced the Trade and Cooperation Agreement (TCA). Even with this agreement in place, many uncertainties remain for the relationship going forward. All things considered global shares returned +3.5% in local currency (+1.7% in NZD).

The New Zealand share market gained +2.6% over the month, benefitting from better than expected GDP data. This is despite the second largest company in the index, A2 Milk, experiencing a -17% loss over the month after cutting its 2021 earnings forecast. Australian shares had a positive month, returning +1.2%, bringing its one year return into positive territory for the first time since February.

Both global property and global infrastructure saw positive returns in December, returning +2.6% and +0.3% respectively. Whilst the sectors are still struggling over one year, they are starting to claw back their losses as investors look for diversification and the vaccine rollout raises hopes of an end to social distancing and lockdown restrictions across the globe.

Domestic bonds experienced outflows throughout December as investors continued to seek riskier assets such as shares. Corporate bonds (-0.3%) outperformed government bonds (-0.9%) over the month. The NZ Composite index which is a mix of government and corporate bonds finished down -0.7%. The NZ 10-year bond yield finished the year at 0.99%, up from 0.87% a month prior.

Global bonds also lagged riskier assets over the month as investors focused their attention on equity markets. Global corporate bonds outperformed global government bonds, returning +0.5% and +0.1% respectively. The US 10-year bond yield increased over the month, up 0.09% to finish 2020 at 0.93%.



Significant developments include:



United States

- US Law makers approved USD900bn of additional stimulus, exceeding the USD500bn which was expected by analysts.
- US non-farm payroll numbers disappointed, with employment falling by 140,000 jobs versus analyst predictions of a 71,000 gain.

United Kingdom

- A more infectious mutant strain of COVID-19 was discovered in the UK and has now been found in many countries around the world. Subsequent to the discovery, the UK has seen an increase in the number of positive cases that match the April 2020 peak.

Japan

- The Japanese government unveiled a third extra budget in December, which included new fiscal stimulus measures worth ¥40 trillion, equivalent to over 7% of Japan's gross domestic product (GDP).

New Zealand

- New Zealand economic growth was better than expected for the third quarter, up 14% and returning to pre-COVID-19 levels.

Milestone Direct Monthly Commentary Ended 31 December 2020

Everyone knows that achieving something significant appears less daunting and more achievable if the task is broken into smaller steps. Approaching investing in a similar way can make a lot of sense.

A typical novel contains anywhere from 60,000 to 100,000 words. If a writer were to sit at his or her desk and contemplate the task involved in pumping out that much material, he or she might (understandably!) feel overwhelmed by the challenge.

Despite that, there are about 1.6 million new books published every year worldwide. How is this achieved? Many writers of books break down what appears to be a monumental job into smaller chunks. They may aim to write a thousand words a day, or a chapter a week, perhaps taking a break every one day in seven.

Sticking to such a schedule would lead to the first draft being completed in 10 weeks. Of course, there will be days when inspiration does not flow (sometimes called “writer’s block”) or when there are unavoidable distractions, but there will also be days when the writer is inspired and productive – so may exceed the daily or weekly target.

What matters to the writer is that he/she is making progress toward a destination with several little wins, and inevitably, the occasional setback or loss. The lengthy story being written is just a lot of smaller stories and incidents.

Investors can think of returns in the same way. The long-term goal may be to secure a certain average rate of return, though the challenge is accepting that the return is not delivered equally all the time. Some years, investors are sharply reminded of the risk of owning investments like shares – such as earlier in 2020 when markets plunged as Covid spread. In a surprise to many, the markets then rebounded aggressively, and reached new highs by the end of the year.

Because no-one knows for sure when the next market high or low will occur, investors need to stay in their seat – just like a writer steadily chipping away at a book. Like the writer, the smart investor is not focussed on the daily, monthly, or even yearly returns, but is focussed on the distant goal.

The writer succeeds by maintaining discipline and working steadily with the end goal in mind, accepting there will be setbacks along the way. An investor succeeds in the exact same way.

Joseph Darby
Chief Executive
Milestone Direct

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A Disclosure Statement is available on request and free of charge

For more information call 0800 333 787 or visit www.nzdfsavings.mil.nz

Investment Returns For Periods Ended 31 December 2020

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.01	0.02	0.03	0.20	0.78
	Conservative	0.54	1.71	6.90	3.42	3.46
	Moderate	1.16	3.55	10.47	4.67	4.20
	Balanced	1.72	5.38	15.77	5.70	5.28
	Growth	2.29	7.22	21.07	6.40	6.10
	High Growth	2.74	8.60	25.25	7.06	6.94
	Shares	3.21	9.82	30.60	8.52	8.06
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.01	0.01	0.21	0.89
	Conservative	0.56	1.77	7.46	3.89	3.87
	Moderate	1.19	3.71	11.19	5.32	4.62
	Balanced	1.78	5.53	16.50	6.07	5.68
	Growth	2.40	7.49	22.18	6.97	6.57
	High Growth	2.83	8.89	26.25	7.61	7.43
	Shares	3.25	10.20	31.63	9.10	8.54
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.01	0.03	0.26	0.96
	Conservative	0.58	1.86	7.83	4.13	4.08
	Moderate	1.22	3.86	11.66	5.63	4.90
	Balanced	1.81	5.81	17.23	6.54	6.00
	Growth	2.45	7.75	22.71	7.33	6.84
	High Growth	2.88	9.19	27.23	8.05	7.73
	Shares	3.27	10.46	32.72	9.61	8.88

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 2020

Investment Returns For Periods Ended 31 December 2020

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.00	-0.01	0.04	0.25	0.87
	Conservative	0.55	1.73	7.02	3.59	3.59
	Moderate	1.15	3.56	10.59	5.11	4.40
	Balanced	1.73	5.37	15.79	5.59	5.31
	Growth	2.32	7.10	20.99	6.34	6.06
	High Growth	2.74	8.58	25.33	7.13	6.95
	Shares	3.15	9.71	30.34	8.53	8.07
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.00	0.04	0.29	0.99
	Conservative	0.57	1.89	7.73	4.46	4.13
	Moderate	1.19	3.71	11.18	5.20	4.67
	Balanced	1.80	5.58	16.64	6.31	5.80
	Growth	2.39	7.63	22.34	6.90	6.58
	High Growth	2.82	8.95	26.54	7.84	7.47
	Shares	3.25	10.34	32.04	9.15	8.50
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.00	0.04	0.32	1.09
	Conservative	0.58	1.89	8.07	4.62	4.33
	Moderate	1.22	3.94	11.96	5.94	5.05
	Balanced	1.84	5.76	17.23	6.39	5.95
	Growth	2.47	7.76	22.90	7.24	6.81
	High Growth	2.92	9.22	27.40	8.10	7.71
	Shares	3.29	10.53	32.73	9.25	8.66

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Investment Returns For Periods Ended 31 December 2020

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.00	0.05	0.27	0.87
	Conservative	0.55	1.80	7.14	3.62	3.59
	Moderate	1.16	3.57	10.60	4.87	4.34
	Balanced	1.75	5.41	15.90	5.72	5.39
	Growth	2.31	7.23	21.20	6.45	6.15
	High Growth	2.75	8.64	25.49	7.31	6.98
	Shares	3.23	9.83	30.95	8.75	8.07
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.01	0.07	0.33	1.01
	Conservative	0.58	1.84	7.74	4.11	4.01
	Moderate	1.38	4.04	11.73	5.88	4.94
	Balanced	1.83	5.79	17.02	6.45	5.91
	Growth	2.39	7.59	22.42	7.25	6.74
	High Growth	2.82	9.02	26.90	8.09	7.60
	Shares	3.31	10.48	32.36	9.61	8.67
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.00	-	-	-
	Conservative	0.58	1.89	-	-	-
	Moderate	1.22	-	-	-	-
	Balanced	1.84	5.74	17.18	6.45	6.00
	Growth	2.47	7.83	22.95	7.43	6.90
	High Growth	2.90	9.24	27.32	8.38	7.83
	Shares	3.32	10.56	32.82	9.82	8.96

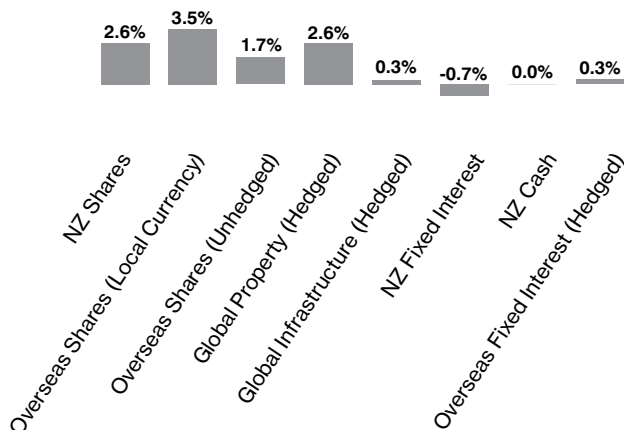
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

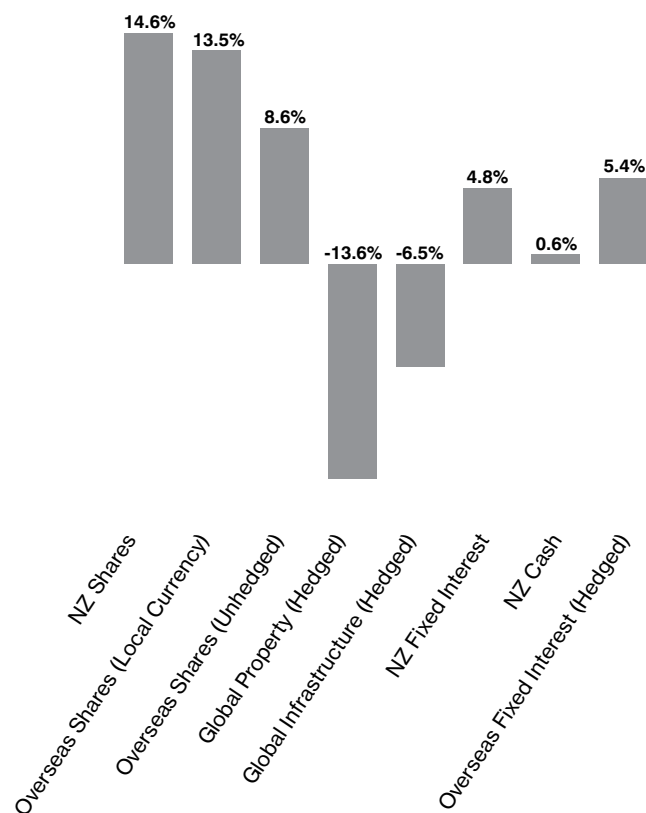
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Investment Returns For Periods Ended 31 December 2020

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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