



TE OPE KĀTUA O AOTEAROA  
**DEFENCE FORCE**

New Zealand Defence Force  
**Savings Schemes**

# Monthly report

For the period ended 28 February 2022

## Market performance summary

### – February in a snapshot

- Fears came true this month, as Vladimir Putin launched a full scale attack on Ukraine and its people. This triggered a raft of sanctions and restrictions from across the globe put on Russia and impacted the financial markets across all sectors. With Russia being a major global energy provider, this significantly impacted the energy markets. Oil prices rose to over US\$100 a barrel on 28 February and in New Zealand, this has led to a sharp increase in petrol prices.
- The month of February delivered negative investment returns across all investment options, except for the Cash investment option, in the NZDF Savings Schemes. However, year to date, most investment returns are still positive.
- Members who have well-diversified portfolios, such as the New Zealand Defence Force Savings Schemes, should stay focused on the longer-term strategy, and not make a knee jerk reaction which they may come to regret later.
- If you are considering making an investment fund change or you want to see if the fund you are in matches your appetite for risk and investment time horizon, the best first step is to complete a **risk quiz questionnaire**. Alternatively please discuss your investment choice with your financial adviser or Milestone Direct (MDL) team of advisers by calling **0508 MILESTONE (0508 645 378)** or emailing **info@milestonedirect.co.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 28 February 2022

“There is no purgatory for war criminals - they go straight to hell”, Ukraine’s UN Ambassador Sergiy Kyslytsya said to his Russian counterpart at a United Nations Security Council meeting as news of Russian shelling in different parts of Ukraine followed Vladimir Putin’s decision for a full scale invasion.

Financial markets were shook in February, as Russia’s invasion of Ukraine drove market volatility. The MSCI All Country World Index was down 2.6% in February, while the MSCI Europe Index was down 3.1% (both in local currency).

Volatility was exemplified in Russian assets, which sold off sharply due to the imposition of sanctions and restrictions on a limited number of Russian banks from the SWIFT international payments platform. Global stock markets struck a ‘risk off’ tone and traditional safe haven assets such as sovereign bonds saw yields move lower as prices rose.

Russia’s role as a major energy provider, especially to Europe, resulted in significant impacts to energy markets. Oil prices rose materially with Brent Crude closing above US\$100 per barrel on 28 February. Other commodities where both Russia and Ukraine are significant producers (including wheat and palladium) have also seen a sharp increase in prices, which is expected to continue to add pressure to global supply chains.

Central banks were required to tread a fine line as they navigated the initial wave of economic sanctions against Russia and the impact on global economy in the medium term. With the European Central Bank having to directly manage what they called a “dark time for Europe”, they stated their readiness to “take whatever action is needed to fulfil its responsibilities to ensure price and financial stability in the euro area”. In contrast, Federal Reserve (Fed) Chairman Jerome Powell continued to look forward, past the effects of Russia invading Ukraine, stating that it was too early to conclude what the effect on policy would be.

Russia’s invasion into Ukraine has induced financial disintegration from the West, at a time where the majority of European nations are dependent on its energy supply. The long term effects on the global economy are unknown. But it is clear that Russia’s invasion will come at a large cost – both in monetary terms, and in human life.





# Milestone Direct Monthly Commentary Ended 28 February 2022

## Living with Uncertainty

A frequent complaint from would-be investors is “I’ll invest when things are a little more certain”, so they stay out of financial or other markets. Maybe they save money instead, or just spend it on incidental items as they wait for total clarity. Which begs the question: when has there been total clarity?

Alternatively, people who are already invested in financial markets, including in KiwiSaver Schemes and superannuation funds such as the Defence Force Superannuation Scheme (DFSS) may nervously eye media commentary about potential pullbacks and either change fund choice, stop investing any additional sums, or try and withdraw altogether.

While these kneejerk, emotion-driven swings based on market and media commentary are understandable, they are also unnecessary.

Think back to March 2009. With share (equity) markets deep in a 18-month **bear phase** (i.e. more or less 18-months of losses), the Associated Press famously provided its readers with five signs the share market had bottomed and followed that up with five signs it hadn’t.

- The case for an upwards turn was convincing. Volumes were up, the slide in the economy was slowing, banks were returning to profitability, commodity prices had bounced, and many mum and dad investors had capitulated and cashed in everything to save what they had left.
- There was also a case for more pain. Complicated toxic assets which caused the Global Financial Crisis still weighed on banks’ balance sheets, economic signs were patchy at best, and financial scandals had rocked confidence, so fear was still widespread.

## A Disclosure Statement is available on request and free of charge

Milestone Direct Limited believes the information in this publication is correct, and it has reasonable grounds for any opinion or recommendation found within this publication on the date of this publication. However, no liability is accepted for any loss or damage incurred by any person as a result of any error in any information, opinion or recommendation in this publication. Nothing in this publication is, or should be taken as, an offer, invitation or recommendation to buy, sell or retain any investment in or make any deposit with any person. The information contained in this publication is general in nature. It may not be relevant to individual circumstances. Before making any investment, insurance or other financial decisions, you should consult a professional financial adviser. This publication is for the use of persons in New Zealand only.

Of course, with hindsight, we know that month did mark the bottom of the market that accompanied the Global Financial Crisis. In the following years, markets bounded from new high to new high.

## Until Covid struck

Just over a decade after that, Covid-19 upended the world as we knew it, and also upended investment markets. But, as we all should know, the financial markets again soon rebounded and reached new highs.

## Uncertainty is back

The last few months have seen price hikes, a new major war, spiking inflation, increased interest rates, turmoil in some investment markets, and of course a lack of certainty about the future. Uncertainty has been here before, and it will come again.

There is always something to fret about. All the events above lead to a broad range of views about likely outcomes and how these possible scenarios might impact on financial markets. **You do not have to look far at any given time to find well-reasoned discussion on why the market has peaked, alongside equally compelling reasons for why the rally might continue for some time.** The question for most of us is: what should we do with all this uncertainty and commentary?

## So what?

Rather than betting against the market, you can work with the market. Simply build a diversified portfolio to suit your needs and risk appetite (such as the many fund choices in the NZDF Schemes) and stick with it. Of course, this doesn’t mean you can’t take an interest in global events, but it does spare you from basing your long-term investment strategy on the illusion that somewhere, at some time, “certainty” will return.



If you would like to discuss how anything above might apply to you, perhaps including by wise investment into one or more of the NZDF Savings Schemes, then please let us know. It would be our pleasure to assist:

**0508-645-378**

[info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz)

Joseph Darby  
Chief Executive  
Milestone Direct

# Investment Returns For Periods Ended 28 February 2022

## New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.03	0.09	0.14	0.14	0.68
	Conservative	-1.07	-1.90	-0.04	0.78	2.77
	Moderate	-1.48	-2.50	0.87	2.35	3.91
	Balanced	-1.96	-3.11	2.03	4.36	5.52
	Growth	-2.39	-3.75	3.07	6.29	7.05
	High Growth	-2.69	-4.42	3.66	7.55	8.25
	Shares	-3.03	-5.47	2.69	6.93	9.39
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.03	0.09	0.14	0.16	0.81
	Conservative	-1.10	-2.02	-0.05	0.72	3.06
	Moderate	-1.48	-2.58	0.84	2.26	4.18
	Balanced	-1.91	-3.20	2.02	4.29	5.82
	Growth	-2.27	-3.76	3.39	6.51	7.42
	High Growth	-2.53	-4.38	3.98	7.76	8.64
	Shares	-2.91	-5.51	2.81	7.00	9.77
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.03	0.12	0.18	0.20	0.85
	Conservative	-1.18	-2.11	-0.11	0.67	3.18
	Moderate	-1.43	-2.60	1.03	2.44	4.40
	Balanced	-1.89	-3.24	2.07	4.32	6.03
	Growth	-2.22	-3.73	3.29	6.39	7.58
	High Growth	-2.45	-4.40	4.06	7.82	8.90
	Shares	-2.82	-5.41	3.04	7.18	10.04

### 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 2021

# Investment Returns For Periods Ended 28 February 2022

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.02	0.08	0.09	0.08	0.76
	Conservative	-1.06	-1.59	0.36	1.19	2.98
	Moderate	-1.44	-2.44	1.04	2.55	4.10
	Balanced	-1.94	-3.12	2.08	4.42	5.62
	Growth	-2.38	-3.74	3.11	6.35	7.03
	High Growth	-2.66	-4.37	3.75	7.65	8.30
	Shares	-3.02	-5.46	2.71	6.99	9.43
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.03	0.08	0.10	0.10	0.87
	Conservative	-1.11	-1.90	0.09	0.86	3.26
	Moderate	-1.46	-2.53	1.02	2.47	4.26
	Balanced	-1.92	-3.17	2.19	4.49	5.96
	Growth	-2.32	-3.74	3.43	6.58	7.45
	High Growth	-2.50	-4.32	4.08	7.92	8.72
	Shares	-2.91	-5.29	3.14	7.34	9.75
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.03	0.09	0.10	0.10	0.95
	Conservative	-1.12	-0.52	1.54	2.34	3.70
	Moderate	-1.45	-2.01	1.57	3.00	4.62
	Balanced	-1.89	-3.21	2.18	4.44	6.04
	Growth	-2.22	-3.35	3.87	6.98	7.69
	High Growth	-2.44	-3.69	4.85	8.61	9.02
	Shares	-2.76	-4.89	3.64	7.79	10.02

### 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 2021

# Investment Returns For Periods Ended 28 February 2022

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD <sup>*</sup> %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.03	0.10	0.13	0.13	0.77
	Conservative	-1.07	-1.74	0.22	1.05	2.96
	Moderate	-1.45	-2.45	1.04	2.53	4.07
	Balanced	-1.95	-3.09	2.21	4.59	5.70
	Growth	-2.36	-3.69	3.20	6.42	7.09
	High Growth	-2.66	-4.37	3.76	7.62	8.35
	Shares	-3.06	-5.55	2.63	6.85	9.42
PIR	Fund	1 Month %	3 Months %	FYTD <sup>*</sup> %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.03	0.10	0.15	0.15	0.89
	Conservative	-1.06	-1.90	0.10	0.92	3.22
	Moderate	-1.42	-2.47	1.15	2.61	4.47
	Balanced	-1.93	-3.12	2.30	4.65	6.06
	Growth	-2.28	-3.68	3.36	6.51	7.52
	High Growth	-2.53	-4.34	3.97	7.82	8.83
	Shares	-2.79	-5.32	3.15	7.44	10.00
PIR	Fund	1 Month %	3 Months %	FYTD <sup>*</sup> %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.04	0.13	-	-	-
	Conservative	-1.12	-2.03	-0.15	0.63	-
	Moderate	-1.45	-2.55	1.04	2.46	-
	Balanced	-1.89	-3.18	2.30	4.56	6.11
	Growth	-2.23	-3.73	3.52	6.64	7.16
	High Growth	-2.36	-4.22	4.34	8.12	9.06
	Shares	-2.89	-5.50	2.99	7.16	10.13

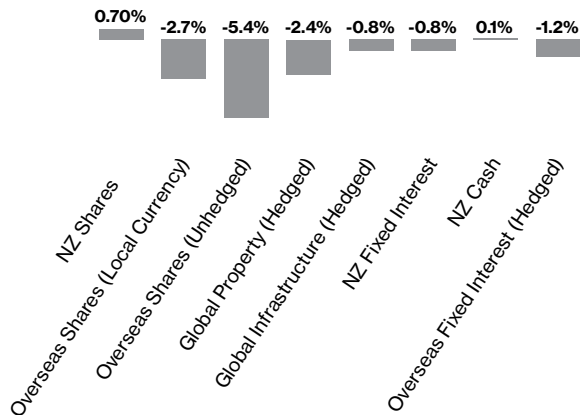
### Notes

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

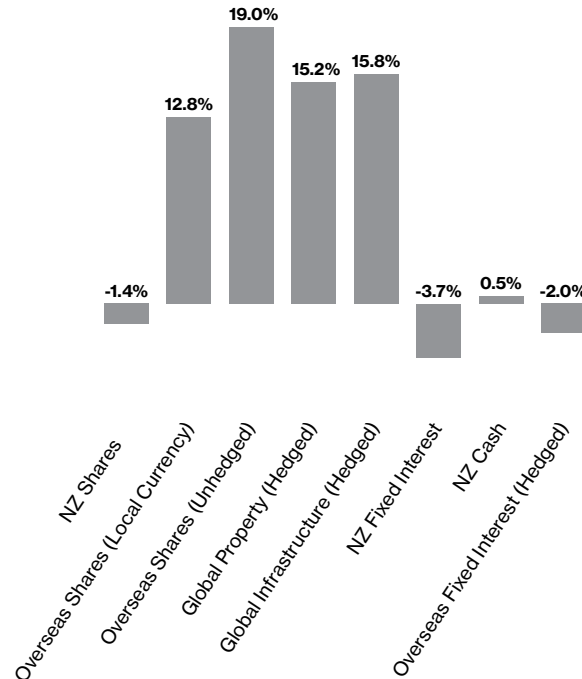
\* FYTD means Financial Year to Date, which is from 1 April 2021

# Investment Returns For Periods Ended 28 February 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

This document was prepared by New Zealand Defence Force (NZDF), Milestone Direct and Mercer (N.Z.) Limited (Mercer). The document has been published as a general information service and does not take account of the investment objectives, financial situation and/or particular needs of any person. Before making any investment decision, you should take financial advice as to whether your intended action is appropriate in light of your particular investment needs, objectives and financial circumstances. Neither NZDF, Milestone Direct, nor Mercer or any related parties accepts any responsibility for any inaccuracy.

Copyright 2022 Mercer (N.Z.) Limited. All rights reserved.