

MONTHLY REPORT

For the period ended 31 January 2021

Market performance summary – January in a snapshot

- 2021 is already shaping up to be an interesting year. Already, we've witnessed the successful inauguration for Joe Biden, 46th President of the United States, taken a break from the Brexit saga, seen various countries grapple with the ongoing impact of COVID-19, and glimmers of hope as COVID-19 vaccines start to rollout across the globe.
- The month of January delivered some positive and some negative returns. Despite a volatile 2020, all of the NZDF Savings Schemes' investment options had a positive annual return to 31 January 2021. Investment options with a greater allocation to growth assets (e.g shares) posted stronger returns than more defensive investment options(e.g bonds or fixed interest).
- It is a great time to establish or revisit your financial goals and plans for 2021 and longer term. Last year NZDF Savings Schemes helped 200 members with the first home purchase. If you need advice, please get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing info@milestonedirect.co.nz and start 2021 with a solid plan!



Monthly Commentary Ended 31 January 2021

Global markets were broadly positive to start the year, but closed the month in the negative due to mixed economic data and valuation concerns weighing on investor sentiment resulting in market sell-offs. New Zealand and Australia both provided some cushioning. Despite civil turmoil at the Capitol a week earlier, global markets were supported by a smooth inauguration of Joe Biden as the 46th President of the United States, and the quick unveiling of a \$1.9 trillion (USD) Coronavirus Relief Bill. This Bill aims to combat the pandemic and the economic crisis it has triggered. The package includes \$160 billion to bolster vaccination and testing programmes, and \$1 trillion in financial relief to families for up to \$1,400 in direct payments per person, along with unemployment insurance.

The US Federal Reserve (the Fed) released its Federal Open Market Committee statement that reiterated its commitment to support the US economy through the pandemic. The Committee noted that those sectors which have been most effected by COVID-19 have seen lower economic activity and employment rates. They also noted that the path of the economy will likely be driven by the future impact of the virus, and progress on vaccinations.

Global shares returned -0.8% in local currency (-1.1% in NZD), as investors reduced risk towards the end of the month. Japanese equities performed strongly in January, returning +0.4% in local currency (-1.1% in NZD), despite a state of emergency and pandemic restrictions being announced in ten prefectures, including Osaka and Aichi, in response to COVID-19 outbreaks.

The New Zealand share market provided positive returns over the month, returning +0.3%, with investors reducing risk late in the month as fears of a community outbreak of COVID-19 rose. Australian shares returned +0.3% (in local currency) despite the market encountering significant selling pressure at month end as iron ore prices weakened notably.

Global property returned -0.5% in January, ahead of global infrastructure which fell -1.6%. Despite vaccination rollouts, the sector has remained sensitive to COVID-19 outbreaks around the world. Pandemic restrictions in various parts of the world, including the UK and US, continue to weigh on property and infrastructure, impacting negatively on the returns for those asset classes.

Domestic and global bonds also declined over the month.



Significant developments include:



● Coronavirus

President Joe Biden announced a \$1.9 trillion Coronavirus Relief Bill, including \$160 billion to bolster vaccination and testing programmes, and \$1 trillion in relief to families for up to \$1,400 in direct payments per person, along with unemployment insurance.

● US Federal Reserve

The US Federal Reserve (the Fed) released its Federal Open Market Committee statement that reiterated its commitment to support the US economy through the pandemic. The pandemic continues to weigh on economic activity, employment, inflation, and poses considerable risks to the economic outlook.

● Shares

Shares in GameStop, a retailer of video games and associated products, rose 1,625% to finish January at USD325 per share, up from USD17.25 at the start of the month. The incredible price action was a result of a Reddit group driving the share price up and forcing short sellers (ie those who have sold borrowed shares believing they can repurchase them at a lower price and return the borrowed shares) to repurchase those shares and close their short positions.

Milestone Direct Monthly Commentary Ended 31 January 2021

An economist is an expert who studies economies. They do this to help major organisations such as governments and big banks forecast ahead and develop policies for the future, which might include about interest rates, tax law, corporate strategies, and so on. As nobody knows what the future holds, being wrong is an all-too-common part of life for economists. After all, if economists were really that good at their predictions, they would have retired long ago to their private paradise islands, or maybe be running their own charitable foundation that dwarfed that of Bill and Melinda Gates!

When forecasting ahead, a lot of assumptions must be made. Stepping back to March and April of 2020, one of the key assumptions that underpinned many economist's expectations for the economy was how many jobs would be lost and the flow-on effects of poor job security to people's spending behaviour. When spending slows down, more businesses must close or lay-off staff, and so the cycle gets worse. It was a period in which nearly all economists made dire predictions about the NZ and global economy, based on a wide range of assumptions made about both health impacts and when lockdown restrictions would be lifted here and abroad.

In the end, the number of job losses and much other economic damage has been a lot less than expected, and in NZ has been mostly confined to those parts of the economy most directly affected by the border closure. NZ's employment figures are a lot higher than anybody thought, and investment markets both in NZ and worldwide recovered strongly from the initial "Covid crash".

So what?

Looking ahead, it is clear the world is changing fast. Covid has accelerated many changes that would otherwise have taken years to take hold, even as simple as widespread use of video-calls and online meetings, including by the elderly. Separately, the rapid development of so many effective Covid vaccines has also shown the impact on healthcare that concentrated brainpower and funding can have, along with the trimming of some red-tape too! It looks like the rapid progress in this area has led to a lot more largescale funding for medical innovation worldwide, which in-time hopefully leads to positive consequences for all humankind.

Against this backdrop, it can be tough for economists or other experts to decipher what all this means for the future, let alone what predictions individual investors can make. When investing, the key is an enduring one: diversify, diversify, diversify.

The team at Milestone Direct are standing-by to discuss anything mentioned above, including how the strong diversification in the NZDF Savings Schemes might benefit you:

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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 January 2021

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.01	0.02	0.03	0.14	0.93
	Conservative	-0.23	1.66	6.65	2.34	3.75
	Moderate	-0.12	3.57	10.34	3.77	4.82
	Balanced	-0.03	5.62	15.74	4.79	6.45
	Growth	0.14	7.78	21.23	5.70	8.09
	High Growth	0.24	9.31	25.54	6.44	9.41
	Shares	0.39	10.67	31.10	8.07	11.08
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.01	0.01	0.02	0.15	1.12
	Conservative	-0.26	1.71	7.18	2.73	4.11
	Moderate	-0.13	3.68	11.04	4.37	5.21
	Balanced	-0.02	5.78	16.48	5.23	7.02
	Growth	0.17	8.05	22.39	6.45	8.67
	High Growth	0.27	9.64	26.59	7.16	9.92
	Shares	0.41	11.08	32.18	8.86	11.60
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.01	0.01	0.04	0.17	1.15
	Conservative	-0.27	1.76	7.53	2.92	4.39
	Moderate	-0.12	3.80	11.53	4.68	5.42
	Balanced	0.00	6.00	17.23	5.69	7.34
	Growth	0.18	8.31	22.94	6.82	8.98
	High Growth	0.31	9.92	27.63	7.72	10.29
	Shares	0.41	11.26	33.27	9.57	12.02

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 2020

Investment Returns For Periods Ended 31 January 2021

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.00	0.04	0.19	1.07
	Conservative	-0.23	1.68	6.77	2.51	3.88
	Moderate	-0.10	3.56	10.48	4.20	4.94
	Balanced	-0.01	5.61	15.78	4.70	6.61
	Growth	0.15	7.68	21.16	5.66	8.06
	High Growth	0.24	9.28	25.63	6.52	9.41
	Shares	0.36	10.55	30.81	8.07	11.03
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.00	0.05	0.21	-
	Conservative	-0.25	1.75	7.46	3.29	4.35
	Moderate	-0.12	3.71	11.05	4.25	5.30
	Balanced	0.01	5.83	16.65	5.46	7.08
	Growth	0.20	8.13	22.59	6.37	8.65
	High Growth	0.27	9.66	26.88	7.39	9.96
	Shares	0.41	11.07	32.58	8.90	11.58
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	-0.01	0.05	0.24	-
	Conservative	-0.26	1.76	7.78	3.40	-
	Moderate	-0.11	3.89	11.84	4.99	5.66
	Balanced	0.02	6.02	17.26	5.55	7.24
	Growth	0.22	8.33	23.17	6.79	8.96
	High Growth	0.33	10.01	27.82	7.79	10.32
	Shares	0.42	11.29	33.28	9.11	11.89

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Investment Returns For Periods Ended 31 January 2021

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.00	0.05	0.21	1.07
	Conservative	-0.23	1.72	6.90	2.55	3.91
	Moderate	-0.12	3.58	10.48	3.94	5.01
	Balanced	-0.01	5.66	15.89	4.83	6.71
	Growth	0.13	7.77	21.36	5.75	8.22
	High Growth	0.22	9.31	25.76	6.67	9.56
	Shares	0.33	10.62	31.38	8.32	11.15
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.01	0.07	0.25	1.23
	Conservative	-0.25	1.78	7.47	2.94	-
	Moderate	-0.12	3.98	11.60	4.91	5.56
	Balanced	0.00	5.97	17.02	5.60	7.23
	Growth	0.19	8.18	22.66	6.69	8.77
	High Growth	0.28	9.77	27.25	7.63	10.21
	Shares	0.43	11.31	32.93	9.38	11.92
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.00	-	-	-
	Conservative	-0.26	1.78	-	-	-
	Moderate	-0.11	-	-	-	-
	Balanced	0.02	6.02	17.20	5.63	7.39
	Growth	0.21	8.36	23.20	6.96	-
	High Growth	0.31	9.96	27.71	8.04	-
	Shares	0.45	11.30	33.42	9.72	12.18

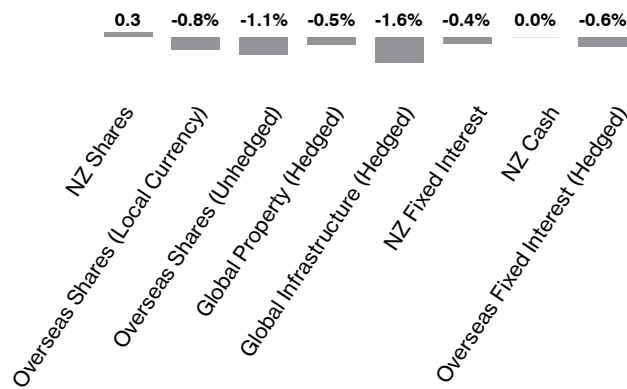
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

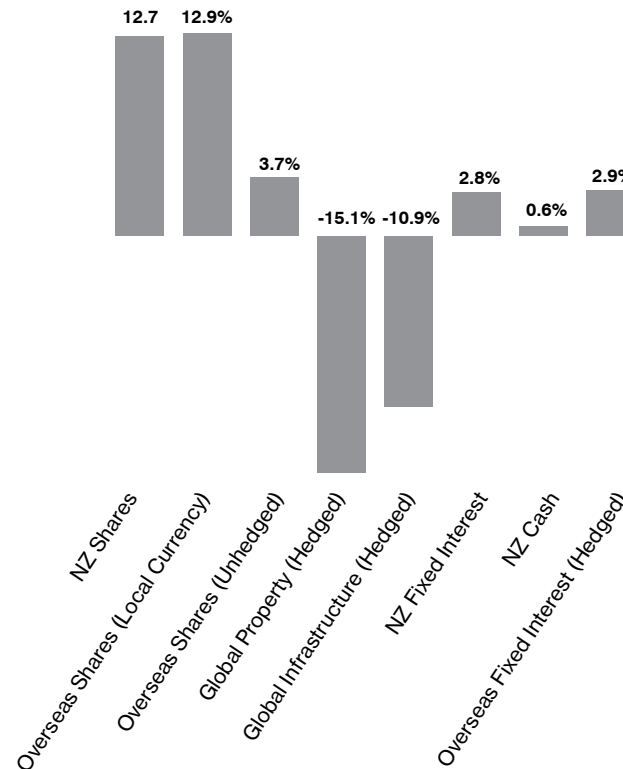
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Investment Returns For Periods Ended 31 January 2021

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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