



TE OPE KĀTUA O AOTEAROA  
**DEFENCE FORCE**

New Zealand Defence Force  
Savings Schemes

# Monthly report

For the period ended 31 January 2022

## Market performance summary

### – January in a snapshot

- 2022 is off to a bumpy start with equities having a volatile month and inflation remaining at multi-decade highs along with soaring oil prices. Fears of a Russian invasion into Ukraine continue to rise, which has driven a negative market sentiment for MSCI World, a key equities/shares index, which was down for the month.
- The month of January delivered some positive and some negative returns. Despite a volatile 2021, all of the NZDF Savings Schemes' investment options had a positive annual return to 31 January 2022.
- It is a great time to establish or revisit your financial goals and plans for 2022 and longer term. If you need advice, please get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing **info@milestonedirect.co.nz** and start 2022 with a solid plan!
- View our latest investment highlights video on the Mercer NZDF Savings Scheme site or via the Force Financial Hub.



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 January 2022

The start of 2022 was a volatile month for equities (shares). Inflation remained at multi decade highs as a competitive labour market and soaring oil prices sustained pressures. Many central banks projected further conditions for raising rates, including the US Federal Reserve (Fed).

The market is now pricing in five interest rate increases from the Fed for 2022. This less accommodative outlook, in addition to Russian geopolitical concerns and weaker earnings forecasts drove a negative market sentiment leaving the MSCI World down 1.3% (unhedged, NZD) for the month. Share prices tend to go down when interest rates go up as investors look upon bank returns as more secure than shares.

The interest rate sensitive nature of growth stocks meant they lead the declines with the MSCI World Growth down 5.5%. The only sector safe from declines over the month was energy, which benefitted from rising energy prices; Brent Crude Oil reached \$90 a barrel for the first time since October 2014.

Driving these price appreciations are falling oil stockpiles in the US and rising political tensions with Russia. The rise in commodity prices has benefited regions such as the UK and Latin America that have higher exposure to the energy sector. New Zealand equities did not fare well in the global sell off, declining nearly 9% in January.

The NZX 50 has declined by 10% from the start of last year through January 2022. The ASX 200 was also down nearly 6.4% (local currency) for the month of January.



# Monthly Commentary Ended 31 January 2022



## Global

High flyer tech stocks such as Netflix, Paypal and Meta (formerly known as Facebook) saw up to 25% stock price drops after earnings came in lower than expected setting the tone for other companies releasing earnings to beat analyst expectations by a high margin as investors' became wary of high valuations.

## New Zealand

Inflation surged to 5.9% in New Zealand as a tilt in messaging from central banks to inflation being more persistent going into 2022, paired with strong unemployment figures in New Zealand, paved the way for the RBNZ to raise rates again this year. Increasing domestic interest rates may also impact on NZ share prices which form part of the savings schemes' investments.

## Ukraine

The US deployed 3,000 military personnel into Poland, Germany and Romania as a show of support to NATO allies as fears of a Russian invasion of Ukraine heighten. The Top US Military general stated that a Russian invasion of Ukraine would be "horrific" for the country and would result in "significant" loss of life. Russia's President, Vladimir Putin, wants to use Ukraine as a form of leverage to release political and financial sanction in place against Russia, however some analysts state that the cost of Russia attacking Ukraine may significantly outweigh any benefits Russia may obtain. Ongoing tensions in this region may also dampen investment returns through 2022.



# Milestone Direct Monthly Commentary Ended 31 January 2022

## The holidaymaker's approach to investing

Two colleagues went on separate holidays. One had a great time. The other had a miserable experience. Their respective stories provide valuable lessons, not just about taking a holiday, but about investment.

Frank booked a coastal bach for a week. Anthony opted for six nights of hiking in the mountains. Frank returned to work, rested and recharged. Anthony came back a gibbering wreck. What happened?

Anthony is a last-minute kind of guy. He'd heard about outdoor excursions from a stranger and decided on impulse to book a rugged 'alpine adventure'. The problem was his urgency left him little room to negotiate over price or service and the package he chose was not the one the stranger had recommended.

The alpine adventure brochures promised sunlit vistas and invigorating nights in the open under canvas. But the weather wasn't kind. It rained daily. Anthony's hired gear, which he'd organised at the last moment, was inadequate. His hiking boots fell apart, the tent leaked and he quickly discovered he hated hiking.

It rained on Frank's holiday, too. But he hadn't invested all his expectations into lying on the beach. Anticipating all climates (it is New Zealand, after all!) he'd packed books to catch up on along with puzzles, and a guide to local attractions within easy driving distance. Having planned his holiday months in advance, Frank also had had a chance to think about his desired end experience.

It wasn't so much the beach he was looking forward to, it was the solitude, quiet, and the chance to refocus.

## The point of this story is to show that investing is a little bit like planning a holiday.

There are always going to be things outside your control, like the weather, but you can mitigate that by packing well and diversifying your activities.

Not doing it all on impulse or at the last moment gives you more flexibility around cost and design. And thinking clearly about who you are and what you are trying to achieve lessens the chance of taking inappropriate risks.

Seeking counsel beforehand is best done through someone who knows you, understands what you value and appreciates what you are prepared to risk.

Most of all, like most things in life, the journey and the destination shouldn't really be separated. What we are trying to achieve through our investments and how we are trying to get there are often one and the same.

Once we understand all that, holidays (and investment) can be much more successful and much less stressful.

## So what?

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

## 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.



# Investment Returns For Periods Ended 31 January 2022

## New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.04	0.08	0.10	0.10	0.70
	Conservative	-1.55	-0.87	0.86	0.69	3.14
	Moderate	-2.25	-1.21	1.74	2.47	4.34
	Balanced	-2.99	-1.46	3.09	4.93	6.08
	Growth	-3.74	-1.72	4.14	7.22	7.74
	High Growth	-4.48	-2.17	4.71	8.62	9.00
	Shares	-5.30	-2.91	3.49	7.50	10.20
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.04	0.10	0.10	0.12	0.84
	Conservative	-1.65	-0.96	0.88	0.58	3.45
	Moderate	-2.38	-1.38	1.77	2.37	4.62
	Balanced	-3.15	-1.70	3.07	4.84	6.39
	Growth	-3.90	-2.02	4.41	7.43	8.08
	High Growth	-4.69	-2.45	4.86	8.72	9.34
	Shares	-5.46	-3.23	3.47	7.51	10.53
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.05	0.13	0.14	0.16	0.87
	Conservative	-1.69	-0.99	0.92	0.54	3.60
	Moderate	-2.47	-1.49	1.84	2.39	4.82
	Balanced	-3.27	-1.86	3.05	4.76	6.58
	Growth	-3.96	-2.17	4.18	7.13	8.22
	High Growth	-4.78	-2.68	4.87	8.73	9.58
	Shares	-5.54	-3.33	3.59	7.57	10.78

### 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 31 January 2022

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.04	0.08	0.05	0.04	0.78
	Conservative	-1.53	-0.52	1.28	1.12	3.36
	Moderate	-2.26	-1.20	1.93	2.72	4.52
	Balanced	-3.01	-1.47	3.15	5.02	6.18
	Growth	-3.70	-1.73	4.22	7.30	7.71
	High Growth	-4.47	-2.16	4.79	8.70	9.04
	Shares	-5.30	-2.91	3.49	7.59	10.23
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.04	0.08	0.05	0.04	0.89
	Conservative	-1.64	-0.82	1.05	0.73	3.66
	Moderate	-2.37	-1.33	1.87	2.52	4.68
	Balanced	-3.15	-1.67	3.21	5.03	6.52
	Growth	-3.89	-1.93	4.46	7.48	8.11
	High Growth	-4.63	-2.44	4.95	8.84	9.41
	Shares	-5.45	-3.00	3.80	7.79	10.51
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.04	0.09	0.05	0.05	0.97
	Conservative	-1.68	0.58	2.47	2.12	4.10
	Moderate	-2.43	-0.84	2.43	2.98	5.05
	Balanced	-3.23	-1.80	3.18	4.93	6.59
	Growth	-3.97	-1.72	4.81	7.82	8.32
	High Growth	-4.69	-1.97	5.60	9.46	9.68
	Shares	-5.51	-2.86	4.15	8.22	10.76

### 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 31 January 2022

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD <sup>*</sup> %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.05	0.11	0.10	0.10	0.79
	Conservative	-1.57	-0.68	1.15	1.01	3.34
	Moderate	-2.26	-1.16	1.99	2.73	4.51
	Balanced	-2.99	-1.41	3.31	5.21	6.27
	Growth	-3.71	-1.70	4.27	7.38	7.77
	High Growth	-4.50	-2.16	4.80	8.65	9.09
	Shares	-5.30	-2.95	3.49	7.52	10.23
PIR	Fund	1 Month %	3 Months %	FYTD <sup>*</sup> %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.05	0.11	0.15	0.14	0.91
	Conservative	-1.61	-0.86	1.09	0.83	3.62
	Moderate	-2.35	-1.29	2.02	2.66	4.90
	Balanced	-3.13	-1.58	3.37	5.19	6.62
	Growth	-3.87	-1.90	4.39	7.44	8.18
	High Growth	-4.64	-2.43	4.89	8.84	9.54
	Shares	-5.47	-3.16	3.74	7.87	10.76
PIR	Fund	1 Month %	3 Months %	FYTD <sup>*</sup> %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.05	0.14	-	-	-
	Conservative	-1.70	-0.96	0.84	0.47	-
	Moderate	-2.43	-1.39	1.96	2.54	-
	Balanced	-3.25	-1.76	3.34	5.06	6.67
	Growth	-3.97	-2.10	4.50	7.54	7.79
	High Growth	-4.72	-2.56	5.07	8.97	9.72
	Shares	-5.65	-3.42	3.56	7.62	10.87

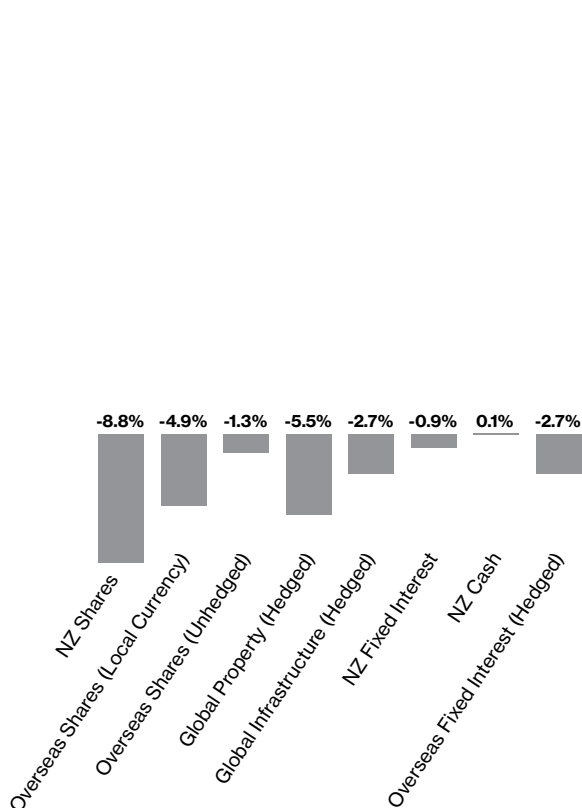
### Notes

- 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.

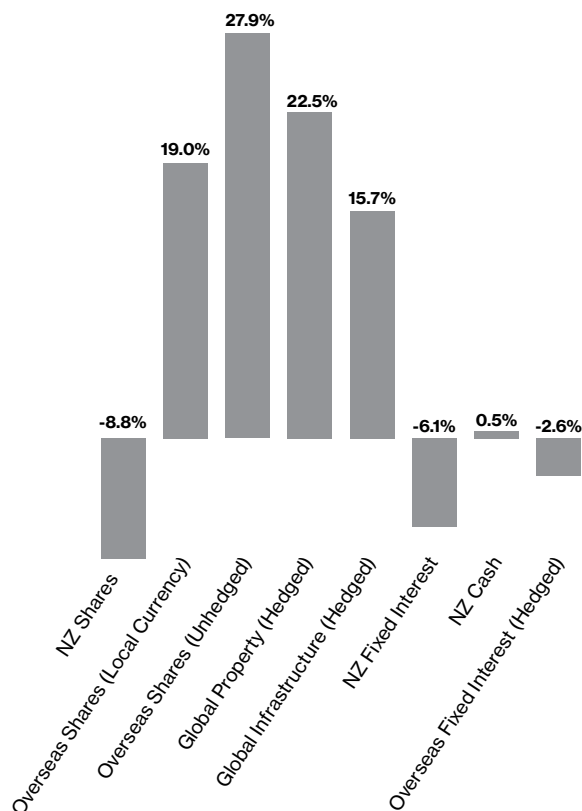
\* FYTD means Financial Year to Date, which is from 1 April 2021

# Investment Returns For Periods Ended 31 January 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.