



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 January 2023

Market performance summary

– January in a snapshot

- 2023 had a positive start, with Global Share Markets rebounding from a negative December month. During a month of strong market performance, investors will be cautiously optimistic for the coming year.
- The month of January delivered positive investment returns across all investment options, in the NZDF Savings Schemes.
- It is a great time to establish or revisit your financial goals and plans for 2023 and longer term. 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 team of advisers by calling **0508 BECOME (0508 232 663)** or emailing **hello@become.nz**.
- Over the next two months NZDF is running a financial preparedness campaign particularly targeting the 1,000 personnel aged 60 and above. Watch out for communications on this important issue.



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 2023

Global share markets started the New Year with a bang, showcasing a strong rally off the back of a weak December. Market sentiment has improved from its largely pessimistic outlook, driven by the belief that inflation has peaked. This was supported by a positive downward shift in US Consumer Price Index (“CPI”) data, which was 6.5% year-on-year (y/y) in December (down from 7.1% in November). This again raised hopes that the US Federal Reserve (“Fed”) would slow its monetary policy tightening campaign. January also saw further progress in China’s economic reopening, where investors are taking a positive view of Chinese assets. In a month of strong market performance, investors will be cautiously optimistic for the coming year.

Global Share Markets rebounded from a disappointing year end, as most major markets posted strong positive returns. As has been the January theme, peaking inflation and more positive messaging from central banks have been the main market drivers, as investors begin to take on a more optimistic outlook. Elsewhere, Chinese equities look strong, as investors return to China after a “zero-Covid exodus”.

Listed property markets bounced back with a hiss and a roar in January, as they benefitted from more upbeat market sentiment. With the pace of interest rate hikes expected to slow, the investment outlook for the sector is becoming increasingly attractive to investors. Listed infrastructure also fared well, trending upwards along with the broader market.

The NZD had mixed performance against most major currencies. The NZD was up 2.2% against the USD, as the USD continued to weaken against most major currencies. Propped up by a softening relationship with a rising China, the AUD went from strength to strength to start the year, with the NZD ultimately finishing the month down -1.7% against the Australian dollar.



Monthly Commentary Ended 31 January 2023



United States

US inflation numbers have dropped for the sixth consecutive month, with the CPI coming in at 6.5% y/y in December. Fed Chair, Jerome Powell, has continued to state that interest rates will remain high through 2023 to avoid 'under-cooking' the inflation fight.

India

Gautam Adani, the world's fourth richest man, had his net worth halved in the face of accusations from Hindenburg Research that he has pulled off "the largest con in corporate history". The accusations include stock manipulation, unsustainable debt, and tax havens, causing the Adani Group to lose over \$110 billion in market value.

New Zealand

After nearly 6 years as Prime Minister of New Zealand, Jacinda Ardern announced her intention to resign from the position. She also announced that New Zealand's next general election would be on the 23rd of October. She has been replaced by Chris Hipkins as leader of the Labour Party and Prime Minister of New Zealand.

Become Wealth Monthly Commentary Ended 31 January 2023

Megatrends

2023 will likely bring a recession to New Zealand, in fact, we are probably already in a state of recession. The country just won't know it until official data is reported.

However, it's likely that investment markets will accelerate and deliver strong returns long before the 'real' economy emerges from recession. That's because investment markets are forward-looking – we invest for the future, after all!

Long-Term Secular Tailwinds

Underpinning current and future economic activity and investment returns are what some have called the “D megatrends”; These are:

1. **Demographics:** in particular, the two big age cohorts are the Baby Boomers (who are directing their spending to retirement and healthcare), and Generation Z (the 10–20-year-old age group who are focused on education and entering the work force).
2. **Disruption:** whereby new economic models are disrupting existing industries.
3. **Digitisation:** low-cost computer power is accelerating the pace of change within industries as information flows improve.
4. **De-carbonisation:** the move to reduce carbon intensity having implications for revenue growth, cost growth, return on capital and even the right to operate.
5. **De-globalisation:** we are seeing an unwind of trends such as global manufacturing outsourcing as economies and businesses focus on becoming more resilient by becoming less dependent on trade lanes.

These trends are more likely to drive profitability and growth in companies and investment assets, regardless of whether economic activity is strong or slow. In other words, regardless of whether we're in a recession or not.

Actively managed funds, such as those of the NZDF Savings Schemes – managed by Mercer – are best-placed to make investment decisions based on these trends, and what those trends might do for investment values.

If you would like to discuss anything above as it relates to you, including your investments into the NZDF Savings Schemes, it would be our pleasure to assist:

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Joseph Darby
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A Disclosure Statement is available on request and free of charge

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Investment Returns For Periods Ended 31 January 2023

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.24	0.68	1.56	1.63	0.80
	Conservative	1.42	1.80	-1.68	-2.96	1.49
	Moderate	2.25	2.58	-1.87	-3.19	2.19
	Balanced	3.01	3.25	-2.26	-3.77	3.14
	Growth	3.73	3.80	-2.51	-4.08	3.94
	High Growth	4.31	4.19	-2.61	-4.17	4.65
	Shares	4.83	4.61	-2.47	-4.78	4.92
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.28	0.77	1.80	1.89	0.90
	Conservative	1.57	2.03	-1.91	-3.23	1.64
	Moderate	2.38	2.90	-2.04	-3.32	2.38
	Balanced	3.17	3.61	-2.42	-3.81	3.32
	Growth	3.90	4.23	-2.44	-3.74	4.32
	High Growth	4.42	4.70	-2.54	-3.80	5.01
	Shares	4.84	4.96	-2.46	-4.40	5.25
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.31	0.85	1.96	2.05	0.99
	Conservative	1.62	2.16	-2.00	-3.45	1.71
	Moderate	2.49	3.09	-2.11	-3.36	2.54
	Balanced	3.28	3.95	-2.46	-3.79	3.49
	Growth	3.99	4.51	-2.40	-3.62	4.43
	High Growth	4.52	4.98	-2.54	-3.60	5.21
	Shares	5.06	5.45	-2.54	-4.27	5.47

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 2022

Investment Returns For Periods Ended 31 January 2023

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.23	0.67	1.55	1.63	0.83
	Conservative	1.50	1.89	-2.04	-3.25	1.59
	Moderate	2.41	2.82	-2.64	-3.76	2.24
	Balanced	3.24	3.52	-3.67	-4.94	2.92
	Growth	4.06	4.20	-3.91	-5.27	3.69
	High Growth	4.63	4.62	-3.97	-5.30	4.42
	Shares	4.79	4.58	-2.41	-4.69	4.94
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.28	0.77	1.80	1.88	0.95
	Conservative	1.65	2.13	-2.26	-3.55	1.76
	Moderate	2.54	3.07	-2.96	-4.10	2.27
	Balanced	3.41	3.94	-3.93	-5.10	3.15
	Growth	4.28	4.61	-4.30	-5.46	3.96
	High Growth	4.79	5.16	-4.19	-5.25	4.73
	Shares	4.88	4.98	-2.50	-4.47	5.25
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.30	0.84	1.95	2.05	1.04
	Conservative	1.81	2.38	-2.37	-3.68	2.13
	Moderate	2.70	3.38	-2.98	-4.09	2.59
	Balanced	3.51	4.16	-4.06	-5.14	3.21
	Growth	4.34	4.95	-4.31	-5.31	4.17
	High Growth	4.80	5.29	-4.18	-4.96	5.06
	Shares	4.97	5.28	-2.61	-4.27	5.46

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Investment Returns For Periods Ended 31 January 2023

Defence Force Superannuation Scheme

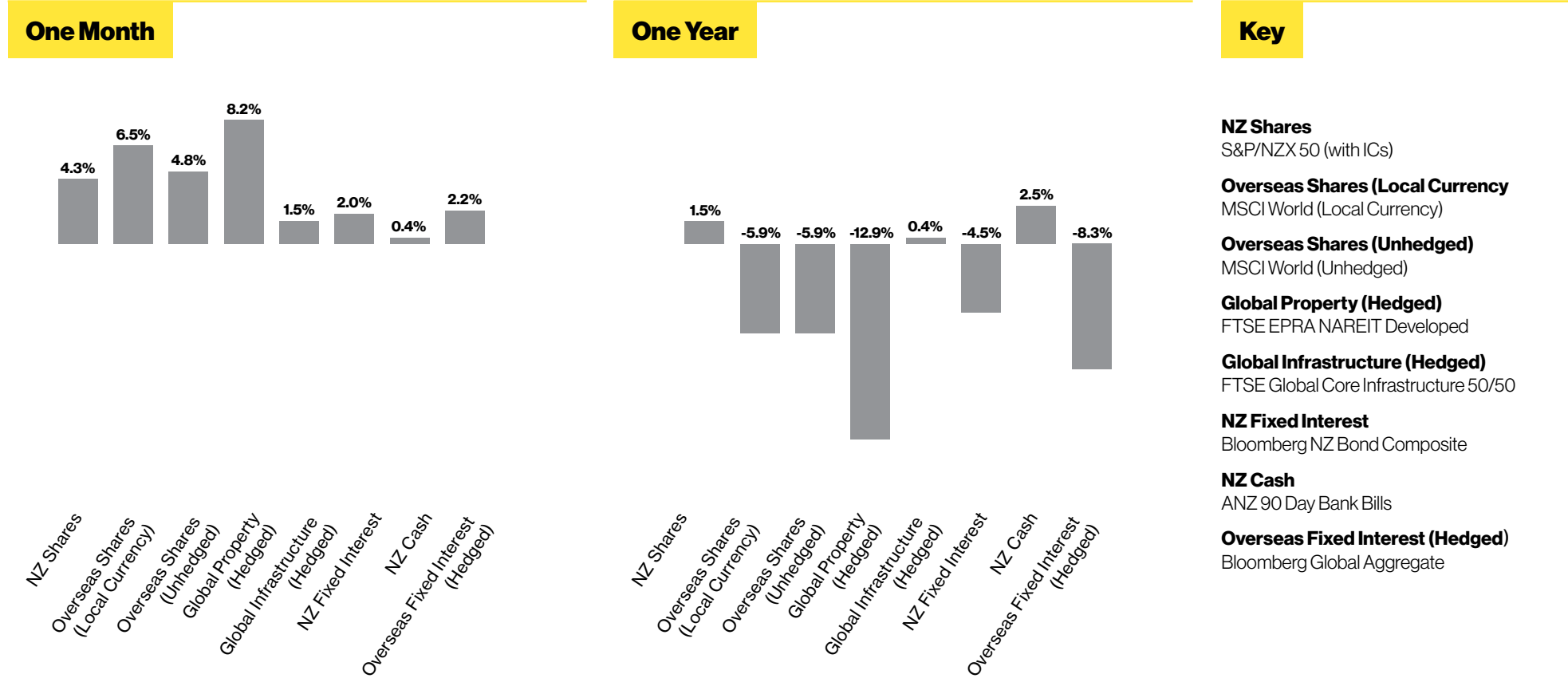
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.25	0.71	1.65	1.74	0.87
	Conservative	1.52	1.94	-1.93	-3.15	1.59
	Moderate	2.42	2.83	-2.51	-3.64	2.23
	Balanced	3.29	3.59	-3.61	-4.89	3.01
	Growth	4.08	4.24	-3.77	-5.11	3.77
	High Growth	4.66	4.66	-3.87	-5.27	4.43
	Shares	4.82	4.60	-2.14	-4.55	4.94
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.30	0.82	1.89	2.01	1.01
	Conservative	1.69	2.22	-2.11	-3.36	1.75
	Moderate	2.61	3.21	-2.78	-3.85	2.51
	Balanced	3.45	3.98	-3.51	-4.65	3.34
	Growth	4.21	4.70	-4.13	-5.16	4.11
	High Growth	4.76	5.07	-3.99	-4.99	4.87
	Shares	4.97	5.14	-2.34	-4.19	5.43
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.33	0.89	2.05	2.17	-
	Conservative	1.80	2.40	-2.21	-3.52	-
	Moderate	2.71	3.43	-2.75	-3.85	-
	Balanced	3.57	4.29	-4.03	-5.11	3.27
	Growth	4.33	5.00	-4.09	-5.02	4.24
	High Growth	4.86	5.47	-4.17	-4.82	5.06
	Shares	5.00	5.40	-2.42	-4.18	5.55

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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 2023



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