

Monthly report

For the period ended 30 June 2022

Market performance summary

– June in a snapshot

- June was a difficult month for Global and local share markets, with the continued rise in interest rates around the world and signs of an economic slowdown. Market volatility is predicted to continue for at least the next few months.
- All investment options, except for the Cash investment option, in the NZDF Savings Schemes saw negative returns.
- In August, you will receive a copy of the Annual Report for each of the NZDF Savings Schemes. Please make sure you check we have your current email address or postal address, by signing into your account at www.nzdfsavings.mil.nz.
- Importance of financial advice should not be underestimated. 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 (previously named Milestone Direct) team of advisers by calling **0508 BECOME (0508 232 663)** or emailing hello@become.nz.



Monthly Commentary Ended 30 June 2022

Global share markets suffered another negative month as a slight rebound experienced at the end of May faded. Aggressive rises in interest rates by central banks around the world continued to tighten the market environment and signs of an economic slowdown continued to mount – fueling concerns that central banks could be hiking into an economic recession. Recession conditions may impact on investment returns across most portfolios.

Global shares had a poor month as persistent inflation, alongside large rate hikes by central banks, across the world continues to permeate negative sentiment. The MSCI World Index was down 7.8% (in local currency), while the tech heavy NASDAQ 100 fell 9%. The MSCI Emerging Markets Index fared better, falling 2.3% over the month and was sustained by news earlier in the month that China may ease its current lockdown restrictions.

While the New Zealand market performed better than its global counterparts, on the back of strong earnings and the nature of its dividend paying constituents. New Zealand shares broadly fell on the last trading day of June 2022, with the NZX50 ending the month down 3.8% and falling 16.3% since the start of the calendar year.

Global Listed Infrastructure has been one of the better-performing asset classes so far this year, benefiting from energy exposure, while Real-Estate Investment Trusts have posted negative returns. Both should do better if Russia/Ukraine hostilities subside, the pandemic recovery resumes and inflation concerns continue.

Globally, Government bonds have been hit as markets moved to price in aggressive interest rate rises by global central banks. Markets now expect interest rates to rise to 3.4%, 3% and 1.6% in the US, UK and Europe, respectively, by next year. The US 10-year treasury yield broke above 3% before reversing course and ending the month at 2.97%.



Monthly Commentary Ended 30 June 2022



United States

The US Federal Reserve raised interest rates by 75 basis points (0.75%) during May, in an attempt to curb high inflation readings and reduce inflation down towards its goal of a sustained inflation rate of 2%. The increase represented the largest hike since November 1994, causing a rapid revaluation in fixed interest markets as the magnitude of the hike took the markets by surprise.

President Joe Biden is planning to remove tariffs on Chinese consumer goods, however US-China ties look set to remain tetchy even if some levies are scrapped with American officials lobbying the Netherlands to bar ASML (a semi-conductor company) from selling some of its older deep ultraviolet lithography (DUV) systems to China. DUV is essential in making a large chunk of the world's microchips.

China

Officials launched mass testing for COVID-19 in nine districts of Shanghai after detecting cases recently, fueling concerns that China's financial hub may once again find itself locked down in pursuit of COVID-Zero. The city of 25 million people recently emerged from a brutal two-month lockdown that took an enormous toll on residents and the economy.

New Zealand

The Reserve Bank of New Zealand (RBNZ) released details of how it plans to sell-down its stockpile of government bond holdings acquired through its Large Scale Asset Purchase programme. In July, the RBNZ intends to begin selling government securities back to the Treasury Department's debt management office at a rate of NZ\$5 billion per fiscal year. New Zealand bond yields rose across the curve, with the 10-year yield jumping to a 7-year high of 3.89%. This has resulted in lower bond prices for the month.

Become Wealth Monthly Commentary Ended 30 June 2022

It seems everywhere you turn there are pundits and experts making all sorts of proclamations about current events and predictions about the future.

If you read what people write on news webpages and social media, or listen to what they say at a BBQ, on the radio, or on the television, you might hear confident statements about what will happen next in relation to all manner of topics. The truth is most of these people probably have no idea what they're talking about. In the unlikely event they're eventually proven right in some way, it was more attributable to luck than anything else.

Here at Become Wealth, we're acutely aware of what we do and don't know.

What we don't know includes:

- When the current market downturn will end
- When inflation and interest rates will stabilise
- When the war in Europe will end
- Who will win the next election
- What might happen the next time the All Blacks play

However, what we do know is probably more important.

What we do know includes:

- The hugely diversified portfolios of the NZDF Savings Schemes are well prepared to weather the current economic storms
- Anyone who tries to time the market by withdrawing funds from long-term investments (or switches to a lower risk fund, such as Cash or Conservative) and re-investing at a better time, nearly always ends up with less than if they'd just stayed the course
- Over the long haul, investors who are patient, invest for their risk/return profile, and who have specific and realistic goals nearly always achieve what they set out to
- Markets will eventually stabilise and push to new highs. When they do, it may occur quickly and without warning (as happened in late 2020 and early 2021 following the Covid outbreak)

If you would like to discuss anything above, perhaps in relation to one or more of the NZDF Savings Schemes, it would be our pleasure to assist:

0508 BECOME (232 663) hello@become.nz

Joseph Darby
Chief Executive
Become Wealth (formerly Milestone Direct)



A Disclosure Statement is available on request and free of charge

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Investment Returns For Periods Ended 30 June 2022

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.11	0.23	0.23	0.39	0.66
	Conservative	-1.50	-3.08	-3.08	-4.92	1.77
	Moderate	-2.32	-4.42	-4.42	-6.40	2.51
	Balanced	-3.07	-5.68	-5.68	-7.57	3.70
	Growth	-3.80	-6.77	-6.77	-8.61	4.78
	High Growth	-4.31	-7.72	-7.72	-9.65	5.65
	Shares	-4.69	-8.51	-8.51	-12.19	6.18
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.13	0.27	0.27	0.47	0.78
	Conservative	-1.67	-3.45	-3.45	-5.40	1.93
	Moderate	-2.42	-4.76	-4.76	-6.77	2.69
	Balanced	-3.24	-6.02	-6.02	-7.85	3.89
	Growth	-3.90	-7.04	-7.04	-8.53	5.12
	High Growth	-4.57	-8.07	-8.07	-9.69	5.96
	Shares	-4.88	-8.84	-8.84	-12.26	6.47
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.14	0.29	0.29	0.52	0.82
	Conservative	-1.70	-3.56	-3.56	-5.64	1.99
	Moderate	-2.52	-4.94	-4.94	-6.92	2.85
	Balanced	-3.33	-6.23	-6.23	-8.14	4.04
	Growth	-4.05	-7.28	-7.28	-8.89	5.18
	High Growth	-4.59	-8.25	-8.25	-9.76	6.16
	Shares	-4.99	-9.09	-9.09	-12.23	6.70

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 30 June 2022

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.11	0.23	0.23	0.36	0.73
	Conservative	-1.75	-3.43	-3.43	-4.84	1.90
	Moderate	-2.65	-4.89	-4.89	-6.56	2.64
	Balanced	-3.67	-6.64	-6.64	-8.25	3.60
	Growth	-4.45	-7.85	-7.85	-9.42	4.58
	High Growth	-4.99	-8.73	-8.73	-10.42	5.50
	Shares	-4.64	-8.42	-8.42	-12.09	6.21
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.13	0.26	0.26	0.41	0.82
	Conservative	-1.86	-3.75	-3.75	-5.53	2.06
	Moderate	-2.81	-5.26	-5.26	-7.07	2.67
	Balanced	-3.84	-6.99	-6.99	-8.57	3.84
	Growth	-4.67	-8.22	-8.22	-9.53	4.90
	High Growth	-5.19	-9.13	-9.13	-10.52	5.81
	Shares	-4.80	-8.76	-8.76	-11.99	6.51
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.27	0.27	0.44	0.90
	Conservative	-1.93	-3.89	-3.89	-4.41	2.44
	Moderate	-2.89	-5.52	-5.52	-6.79	2.96
	Balanced	-3.96	-7.27	-7.27	-8.82	3.87
	Growth	-4.73	-8.44	-8.44	-9.36	5.08
	High Growth	-5.21	-9.24	-9.24	-9.87	6.10
	Shares	-4.96	-9.08	-9.08	-11.74	6.68

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Investment Returns For Periods Ended 30 June 2022

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.12	0.25	0.25	0.47	0.75
	Conservative	-1.71	-3.39	-3.39	-4.92	1.88
	Moderate	-2.66	-4.95	-4.95	-6.55	2.58
	Balanced	-3.68	-6.68	-6.68	-8.20	3.70
	Growth	-4.39	-7.78	-7.78	-9.28	4.64
	High Growth	-5.00	-8.72	-8.72	-10.44	5.50
	Shares	-4.58	-8.34	-8.34	-12.12	6.22
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.14	0.29	0.29	0.55	0.86
	Conservative	-1.84	-3.68	-3.68	-5.42	2.04
	Moderate	-2.77	-5.21	-5.21	-6.85	2.90
	Balanced	-3.77	-6.92	-6.92	-8.37	3.98
	Growth	-4.62	-8.21	-8.21	-9.45	5.00
	High Growth	-5.15	-9.11	-9.11	-10.49	5.91
	Shares	-4.77	-8.86	-8.86	-12.03	6.67
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.15	0.32	0.32	-	-
	Conservative	-1.91	-3.87	-3.87	-5.76	-
	Moderate	-2.87	-5.42	-5.42	-7.16	-
	Balanced	-3.95	-7.24	-7.24	-8.68	3.95
	Growth	-4.75	-8.46	-8.46	-9.58	4.63
	High Growth	-5.28	-9.36	-9.36	-10.34	6.11
	Shares	-4.97	-9.06	-9.06	-12.24	6.77

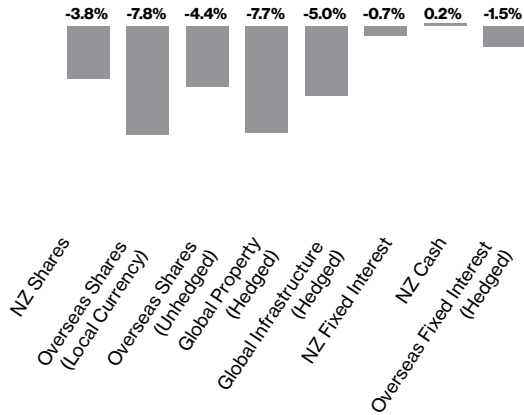
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

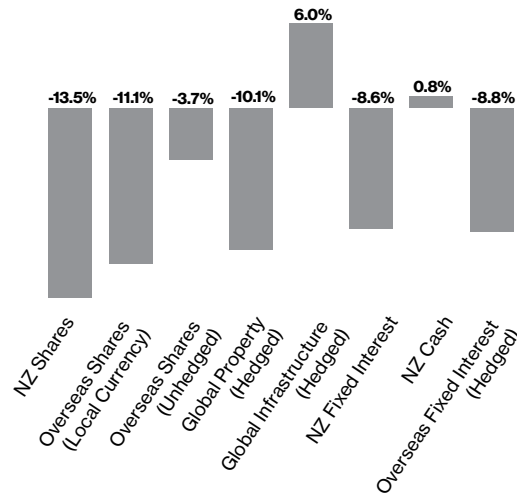
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Investment Returns For Periods Ended 30 June 2022

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

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