



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 30 June 2023

Market performance summary

– June in a snapshot

- The markets are continuing to experience volatility.
- Despite the challenges, all investment options in the New Zealand Defence Force Saving Schemes had positive returns, closing June on an upright note.
- 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 NZDF's appointed financial advisers at Become Wealth team by calling **0508 BECOME (0508 232 663)** or emailing **hello@become.nz**.
- Members of NZDF Savings Schemes will receive Annual Reports for each of the Schemes in August. Please ensure your contact details are up to date and if you haven't already, please read your annual member statement issued in May. It is available when you sign into your online account.



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 30 June 2023

In June, global share markets showed strength with returns largely driven by players in 'big tech' alongside consumer discretionary, industrials and the materials sector.

In a surprising move, key central banks worldwide implemented additional rate hikes due to growing concerns about overheated labour markets. In the first quarter of 2023, Statistics New Zealand announced that New Zealand had entered into a 'technical recession', which was a result of the 525 basis point (bps) (5.25%) increase in rates by the Reserve Bank of New Zealand (RBNZ) since the onset of their tightening regime in October 2021. Despite this, the equity market performed well both globally and domestically, as June closed out the first half of 2023 positively.

The Reserve Bank of Australia increased its cash rate target by 25bps (0.25%) to 4.10%, noting that inflation is still too high and will remain so for some time yet. This had little effect on the ASX200 (local currency) which finished June up 1.8%. The NZX50 also posted a positive 0.9% performance for the month despite the local economy dipping into a 'technical recession' by the barest of margins.

Global equity returns were decidedly positive with both value and growth stocks delivering similar results during the month, unphased by global rate hike announcements. Returns were largely driven by positive US economic surprises and a continuation of the 'tech boom'. The MSCI World (local currency) was up 5.7% and the NASDAQ was up by 6.7%.

The US dollar weakened against most major currencies during the month, with the NZD/USD up 2.2%. Other NZD crosses showed only a small net change as NZ's downside bias against Australia's stronger economic outlook produced a -0.6% NZD/AUD return. The NZD/GBP briefly traded at a three-year low and returned -0.3% on the month.



Monthly Commentary Ended 30 June 2023



🟡 New Zealand

Statistics New Zealand reported a 0.1% decline in New Zealand's gross domestic product (GDP) over the previous quarter, pushing the country into a technical recession after Q1 2023 became the second consecutive quarter to produce negative economic growth. Following this announcement in June, many sectors slowed or contracted as the economy braced for further cyclical pressures.

🟡 Global

Key central banks worldwide remain hawkish as the Bank of Canada, Reserve Bank of Australia, and Bank of England all delivered further rate hikes above market expectations as the battle against inflation continues.

🟡 Russia

The Russia-Ukraine war continues to impact geopolitics, with an apparent coup attempt in Russia ending almost as quickly as it started. This ongoing conflict remains a source of tail risk for markets as investors hold concerns over an escalation in the war once again impacting commodity markets e.g oil or grain and driving upwards pressure on inflation.

Become Wealth Monthly Commentary Ended 30 June 2023

Riding a Bike

Do you remember when you learned to ride a bicycle? Were you a quick learner or did it take practice? Did you start off with training wheels or a tricycle?

Regardless of the training method, hopefully, you got it eventually. Pedaling along while keeping balanced probably brought you the feeling of a certain freedom. Your friend's house down the street was suddenly a lot closer or the bus was no longer the only way to get to school. Having mastered the skill, you could file it away and recall it when needed.

What the heck does this have to do with investing?

Keep Pedaling

One fundamental concept in cycling is the role of something called angular momentum in maintaining balance. Staying upright with the wheels rotating at a steady pace is much easier and enjoyable than frequent starts and stops.

Discipline to stick to investing is similar. Whether it is investing regularly into a KiwiSaver Scheme, maintaining a budget, or making extra mortgage repayments, the ability to reach your destination can be positively impacted by building small, repeatable habits.

Complicated Isn't Always Better

Anyone with young children or grandchildren has likely noticed the evolution in training aids for riding bikes. But, most of these aids remove the need to balance. As balance is a key element of learning to ride, the aids often miss the mark. You must gain confidence in maintaining balance and overcome the fear of falling. Tricycles and training wheels remove this aspect from the equation. If you truly want to learn to ride and experience that freedom, you must be able to balance.

A Disclosure Statement is available on request and free of charge

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From a financial planning and investment perspective, the ability to deal with uncertainty is akin to the ability to balance on a bike. Success over the long term in investing means dealing with uncertainty the same way you need to deal with balance in riding a bike.

We Can Only Control Our Preparation and Response

Whether it is an energetic dog, a bad car driver, or a nasty pothole, amateur and professional cyclists alike will tell you a crash or fall is bound to happen. We could have done everything right and been in total control but have something external knock us off course.

This can also happen in investing. A global pandemic, a war, a disaster, or even a new piece of software can change things entirely. While these externalities can be a shock to the system, the more aware we are that they can happen and recognize that it is normal to be fearful when they do, the better equipped we may be to deal with them.

When we acknowledge what has happened and are clear about the steps we took to prepare for such an event — in the case of cycling, wearing a helmet, for instance, or in the case of portfolios, understanding the range of potential outcomes for our asset allocation — we can reduce the chance of panicking. We can process the event, get back on the bike and keep going.

Keeping Things Simple

For some people, the ability to ride a bike came naturally. But for others, learning to ride required assistance. The same may be said for the ability to be a disciplined investor. It comes easily for a few people, but many struggle with the concept. In these cases, seeking assistance from a professional is probably worthwhile. In both cases, keeping things simple by focusing on preparation,



developing an understanding of the potential risks along the way, and communicating effectively about dealing with them should likely lead to a more enjoyable — and fruitful — journey.

It may be helpful to discuss this with one of our trained professionals and, if so, it would be our pleasure to assist:

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Joseph Darby
Chief Executive
Become Wealth

Investment Returns For Periods Ended 30 June 2023

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.31	0.91	0.91	2.80	0.99
	Conservative	0.31	0.71	0.71	2.38	1.55
	Moderate	0.88	1.37	1.37	4.11	2.37
	Balanced	1.46	2.15	2.15	5.76	3.46
	Growth	2.16	3.12	3.12	7.65	4.47
	High Growth	2.68	3.77	3.77	9.28	5.27
	Shares	3.10	4.35	4.35	11.26	5.70
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.36	1.06	1.06	3.22	1.12
	Conservative	0.33	0.72	0.72	2.69	1.71
	Moderate	0.92	1.37	1.37	4.39	2.56
	Balanced	1.52	2.13	2.13	5.97	3.64
	Growth	2.26	3.11	3.11	8.06	4.87
	High Growth	2.78	3.79	3.79	9.88	5.67
	Shares	3.25	4.36	4.36	11.66	6.06
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.38	1.12	1.12	3.47	1.23
	Conservative	0.31	0.70	0.70	2.72	1.78
	Moderate	0.94	1.40	1.40	4.57	2.74
	Balanced	1.58	2.16	2.16	6.22	3.83
	Growth	2.37	3.18	3.18	8.39	5.00
	High Growth	2.93	3.86	3.86	10.04	5.89
	Shares	3.35	4.44	4.44	11.81	6.31

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 2023

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.30	0.89	0.89	2.77	1.02
	Conservative	0.41	0.74	0.74	2.44	1.65
	Moderate	1.04	1.41	1.41	3.76	2.41
	Balanced	1.72	2.18	2.18	5.17	3.20
	Growth	2.45	3.14	3.14	7.16	4.18
	High Growth	2.94	3.81	3.81	8.75	5.01
	Shares	3.13	4.38	4.38	11.22	5.74
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.35	1.03	1.03	3.20	1.16
	Conservative	0.42	0.73	0.73	2.54	1.82
	Moderate	1.07	1.36	1.36	3.78	2.43
	Balanced	1.80	2.16	2.16	5.21	3.44
	Growth	2.56	3.14	3.14	7.04	4.45
	High Growth	3.09	3.84	3.84	8.91	5.34
	Shares	3.31	4.41	4.41	11.45	6.08
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.38	1.10	1.10	3.47	1.26
	Conservative	0.41	0.69	0.69	2.58	2.18
	Moderate	1.06	1.35	1.35	3.99	2.73
	Balanced	1.85	2.17	2.17	5.36	3.50
	Growth	2.66	3.16	3.16	7.31	4.70
	High Growth	3.19	3.89	3.89	9.03	5.68
	Shares	3.42	4.45	4.45	11.72	6.30

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Investment Returns For Periods Ended 30 June 2023

Defence Force Superannuation Scheme

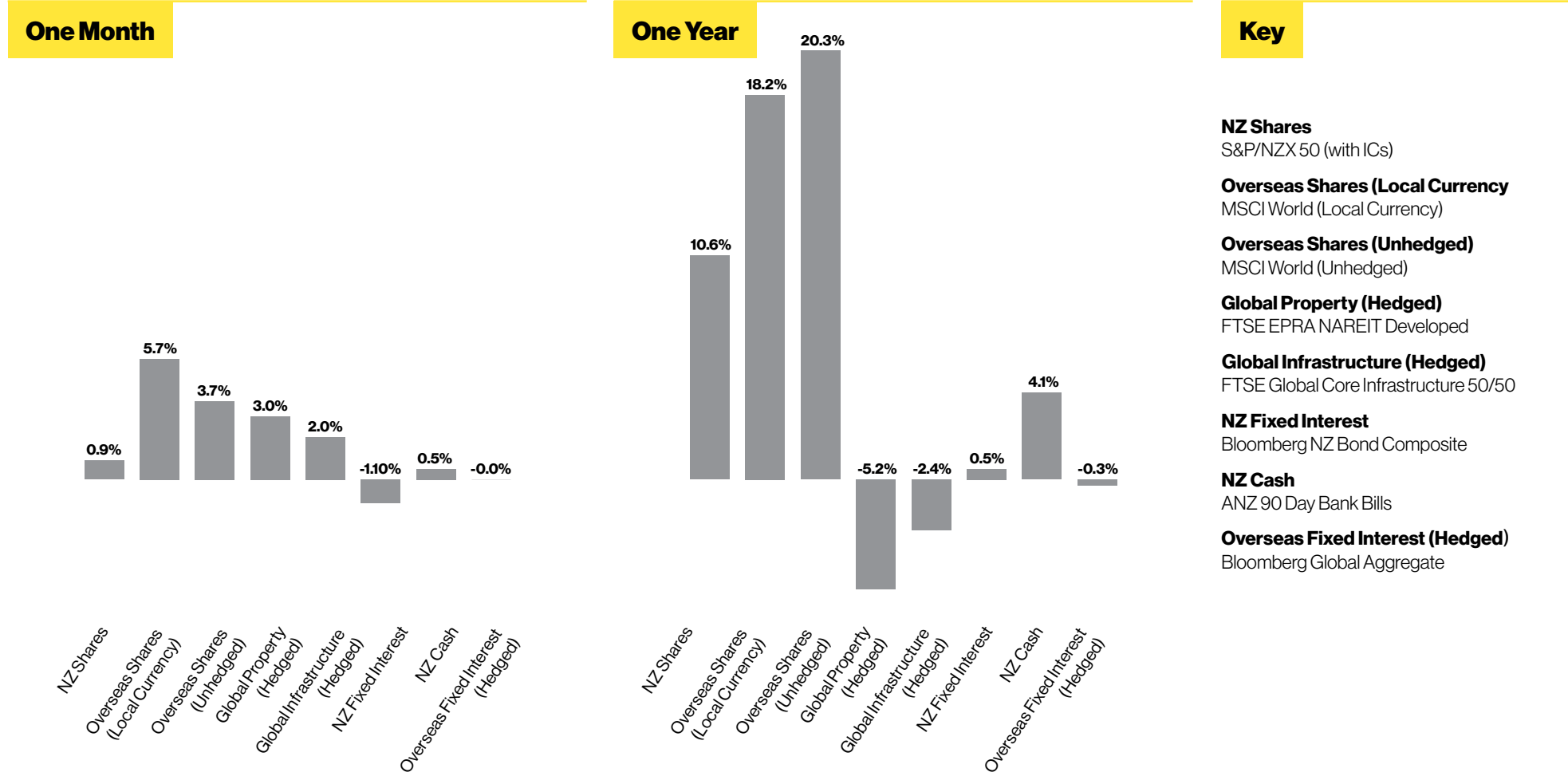
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.32	0.93	0.93	2.91	1.06
	Conservative	0.42	0.76	0.76	2.54	1.66
	Moderate	1.04	1.42	1.42	3.98	2.40
	Balanced	1.73	2.20	2.20	5.31	3.30
	Growth	2.45	3.17	3.17	7.30	4.28
	High Growth	2.89	3.81	3.81	8.89	5.02
	Shares	3.09	4.36	4.36	11.44	5.77
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.35	1.04	1.04	3.29	1.22
	Conservative	0.43	0.74	0.74	2.68	1.81
	Moderate	1.10	1.44	1.44	3.97	2.67
	Balanced	1.80	2.19	2.19	5.61	3.63
	Growth	2.63	3.25	3.25	7.36	4.62
	High Growth	3.08	3.86	3.86	9.15	5.47
	Shares	3.30	4.47	4.47	11.86	6.27
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.41	1.16	1.16	3.60	-
	Conservative	0.42	0.74	0.74	2.80	-
	Moderate	1.19	1.49	1.49	4.36	-
	Balanced	1.85	2.19	2.19	5.39	3.56
	Growth	2.68	3.19	3.19	7.56	4.74
	High Growth	3.20	3.91	3.91	9.12	5.65
	Shares	3.39	4.49	4.49	12.00	6.40

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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 2023



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