

# MONTHLY REPORT

For the period ended 31 May 2021

## Market performance summary – May in a snapshot

- Investors have continued to enjoy mostly positive returns in May.
- After tax and after fees returns for some of the New Zealand Defence Force Savings Scheme's funds were slightly negative in May.
- All Annual Statements have been distributed in May, if you haven't read yours, please log into your account at [www.nzdfsavings.mil.nz](http://www.nzdfsavings.mil.nz) and download your copy.
- **FINAL REMINDER:** If you are a member of the New Zealand Defence Force KiwiSaver Scheme and/or the Defence Force Super Scheme Category B member you only have a few days left (by 30 June) to top up your account to maximise the annual Government contributions. Please log into your account [www.nzdfsavings.mil.nz](http://www.nzdfsavings.mil.nz).
- Before making changes to your investment option or making a decision to withdraw your money, you should discuss this with your financial adviser or Milestone Direct (MDL) team of advisers by calling **0508 MILESTONE (0508 645 378)** or emailing [info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz).



# Monthly Commentary Ended 31 May 2021

In May, investors enjoyed mostly good returns impacted by faster than expected roll out of the vaccines against COVID-19; positive investor sentiment and growing business confidence.

Throughout May, many developed economies such as the US and Europe continued to reopen from COVID induced lockdowns, leveraging off surprisingly efficient vaccine rollout programs. Global shares experienced positive returns off the back of this, as investor optimism surrounding an economic recovery continued to grow. However hopes of a complete global reopening are still minimal, as highly infectious variants continue to plague developing nations and bewilder health professionals, meaning investors can still experience ups and downs in their returns.

All major markets produced positive returns except New Zealand. A key driver of the NZX 50's decline, which fell 3.2%, was a fall in an index heavy weight, Fisher & Paykel Healthcare. The company failed to provide investors with sufficient confidence on its outlook and fell by 17.1% as a result. Leading the markets were the S&P ASX 200 (Australian Index) and the MSCI Europe, both returning 2.3%. The Australian performance was driven by notable increases in the price of Iron Ore, Oil and Gold which are large exports of Australia. The European market performed strongly as it contains a large number of companies that are set to benefit from a global recovery.

Global Property gained 1.4%, as the asset class continued its recovery from the damaging effects of COVID-19. While the recovery of commercial property, such as airports and office buildings is underway (albeit slow), occupancy rates within office buildings are still far below pre-pandemic levels. After a positive month in April, the Infrastructure market which includes investment in physical structures such as roads was flat as the sector continues to struggle to recapture its pre-pandemic highs.

The economic growth outlook is looking positive as purchasing manager indices (PMI- often used as a gauge of business confidence) around the globe are sitting well in the 'expansionary' zone. The US ISM Manufacturing<sup>1</sup> PMI for May was 61.2, up from 60.7 the month prior and the IHS Markit Eurozone Manufacturing PMI was revised higher to 63.1 in May, up from 62.9 in April. A reading above 50 indicates an expansion when compared with the previous month. This business confidence suggests the strong recovery momentum could continue, driving positive stock performances as reopening economies benefit from pent up domestic demand for goods and services. In some sectors this increased demand is exceeding supply as constraints on supply chains and labour shortages emerge.



<sup>1</sup> ISM Manufacturing Index: is also known as the Purchasing Manager's Index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms. It is considered as a key indicator of the state of the U.S. economy.

## Significant developments include:



### United States

The Biden administration continued its extremely high investment into growth this month, revealing a US\$6 trillion federal spending plan, the largest expansionary budget proposal since World War II. The budget will aim to drastically upgrade the nation's infrastructure, education system and target climate change.

### Australia

Australia also proposed an expansionary budget, with key focuses on infrastructure, aged care and human capital development.

### United States

An organised ransomware group by the name of 'Darkside', orchestrated an attack on US based oil pipeline company, Colonial Pipeline Co., forcing them to take their operations offline to attempt to limit the damage. This caused major disruptions to the supply of fuel to the East Coast of America, with Colonial supplying roughly 45% of gasoline, diesel, home heating oil, jet fuel and military supplies. Colonial agreed to pay Darkside their ransom of US\$4.4m in Bitcoin, most of which has since been seized by the Department of Justice.

### United Kingdom

Labour shortages are driving up wages in some sectors around the world as companies struggle to entice employees to return to work after lengthy periods of furlough. This is being felt especially hard in the UK where an estimated 1.3 million people have left the country since late 2019 as a result of a combination of COVID and Brexit.



# Milestone Direct Monthly Commentary Ended 31 May 2021

## Are lower returns likely?

If you look at the historical data, you may notice that averages won't lie, but they can mislead.

Share markets are often quoted as achieving an average 7% annual gain before any fees and taxes are paid.

Though a close look shows the markets have wild ups and downs that average to a 7% gain. For instance, from 1965 to 1983, there was very little growth in the world's largest share market. Then in the 1950s, 80s, and 90s, there was double-digit growth, and in the 2000's there was negative growth. The last 10 years have been another bumper period. Depending on where a person is during one of these cycles, someone could get hit hard by the market when it comes to retirement or withdrawing any sums, most especially if they are 100% invested in shares.

We're possibly on the verge of one of those cooling off periods. In recent and reputable CNBC reports, economists have predicting that over the next ten years the share market will return less than 3% on average after adjusting for inflation.

## What can you do?

Keep in mind that only one of the NZDF Scheme fund choices are 100% invested in shares, the rest are blended together with other investment asset classes. This diversified approach helps smooth the bumps, and helps prevent any one-off events (or periods with subdued returns) resulting in people running out of funds during retirement.

Pre-retirement ongoing contributions are also crucial to building a nest egg, because if markets do enter a subdued period, as some experts predict, then those contributions are just "buying" at a discount which will eventually lift in value.

Wiser heads reading this will already know the future is unknowable. Even the most intelligent and educated in any given area make incorrect predictions, and investing is no different. Be mindful that even the most well-intentioned gurus predicting lower returns could be far from the mark.

The Milestone Direct team are standing-by to discuss anything mentioned above, including how different NZDF Savings Schemes and the fund choices within them can assist your life's goals:

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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](http://www.nzdfsavings.mil.nz)

# Investment Returns For Periods Ended 31 May 2021

## New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.01	0.00	0.02	0.83
	Conservative	-0.05	1.50	0.67	3.85	3.27
	Moderate	-0.03	2.66	1.18	8.08	4.53
	Balanced	0.02	3.99	1.67	13.14	6.25
	Growth	0.02	5.28	2.09	18.25	7.96
	High Growth	-0.05	6.19	2.35	22.01	9.24
	Shares	-0.40	6.09	1.89	24.24	10.45
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.01	0.01	0.00	0.01	1.03
	Conservative	-0.02	1.53	0.75	4.14	3.59
	Moderate	0.01	2.72	1.29	8.53	4.86
	Balanced	0.08	4.07	1.80	13.66	6.71
	Growth	0.13	5.41	2.32	19.16	8.44
	High Growth	0.01	6.26	2.53	22.90	9.67
	Shares	-0.28	6.23	2.07	25.32	10.97
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.02	0.00	0.02	1.03
	Conservative	-0.01	1.58	0.79	4.28	3.82
	Moderate	0.02	2.80	1.39	8.88	5.07
	Balanced	0.11	4.14	1.90	14.23	6.98
	Growth	0.14	5.45	2.38	19.67	8.73
	High Growth	0.07	6.37	2.66	23.84	10.05
	Shares	-0.21	6.27	2.17	26.03	11.33

### 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 May 2021

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	-0.01	-0.01	-0.01	-0.01	0.95
	Conservative	-0.03	1.52	0.69	4.00	3.42
	Moderate	-0.01	2.72	1.21	8.25	4.68
	Balanced	0.02	4.02	1.69	13.16	6.36
	Growth	0.04	5.32	2.11	18.14	7.92
	High Growth	-0.05	6.19	2.34	22.02	9.24
	Shares	-0.35	6.18	1.93	24.28	10.48
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.01	-0.01	-0.01	-0.01	1.09
	Conservative	-0.01	1.53	0.76	4.35	3.81
	Moderate	0.02	2.77	1.31	8.64	4.98
	Balanced	0.10	4.15	1.85	13.86	6.82
	Growth	0.12	5.43	2.30	19.32	8.46
	High Growth	0.02	6.35	2.57	23.19	9.76
	Shares	-0.26	6.33	2.16	25.66	10.95
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-0.01	-0.01	-0.01	-0.01	1.18
	Conservative	0.00	1.59	0.80	4.50	4.03
	Moderate	0.04	2.83	1.39	9.16	5.28
	Balanced	0.12	4.19	1.93	14.32	6.96
	Growth	0.19	5.52	2.45	19.94	8.72
	High Growth	0.08	6.36	2.68	23.93	10.08
	Shares	-0.20	6.35	2.26	26.23	11.24

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# Investment Returns For Periods Ended 31 May 2021

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	-0.01	-0.01	-0.01	0.01	0.95
	Conservative	-0.03	1.53	0.70	4.15	3.45
	Moderate	-0.01	2.69	1.20	8.23	4.71
	Balanced	0.02	4.07	1.71	13.32	6.46
	Growth	0.02	5.28	2.10	18.29	8.04
	High Growth	-0.06	6.16	2.35	21.94	9.34
	Shares	-0.39	6.12	1.93	24.38	10.52
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.01	-0.01	-0.01	0.01	1.09
	Conservative	-0.01	1.59	0.77	4.36	3.81
	Moderate	0.02	2.79	1.33	9.07	5.19
	Balanced	0.09	4.22	1.89	14.28	6.93
	Growth	0.11	5.44	2.32	19.46	8.57
	High Growth	0.03	6.35	2.56	23.42	9.96
	Shares	-0.26	6.42	2.17	26.09	11.28
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	-	-	-	-
	Conservative	0.00	1.44	0.65	-	-
	Moderate	0.05	2.82	1.39	-	-
	Balanced	0.14	4.21	1.96	14.23	7.05
	Growth	0.17	5.53	2.43	20.01	-
	High Growth	0.09	6.43	2.71	23.96	10.25
	Shares	-0.21	6.40	2.26	26.40	11.51

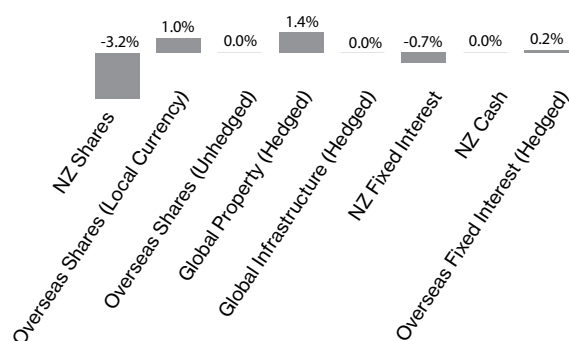
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

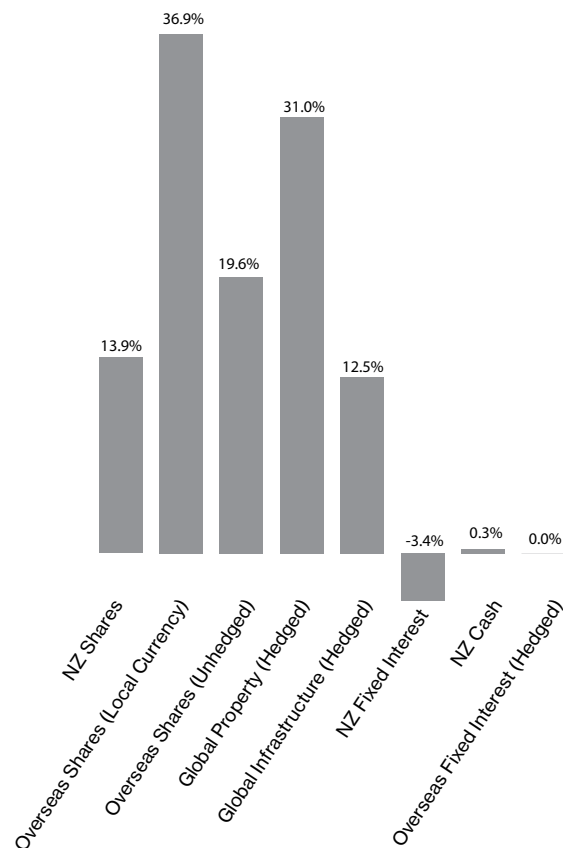
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# Investment Returns For Periods Ended 31 May 2021

## 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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