

# MONTHLY REPORT

For the period ended 31 October 2020

## Market performance summary – October in a snapshot

- October failed to deliver positive results to investors across a number of markets. US election, COVID-19 and general economic weakness globally are putting investors off.
- It was a negative month for the investment funds in the New Zealand Defence Force Savings Schemes. However all funds continued to perform strongly over 1 year and longer-term.
- If you are an NZDF member or a member of one of the NZDF Savings Schemes, you have access to financial advice through Milestone Direct (MDL). You can contact the team at Milestone Direct on 0508 MILESTONE (0508 645 378).
- Please download the NZDF Savings Schemes App to get quicker access to your account and to set up a new quick balance view.



# Monthly Commentary Ended 31 October 2020

Share markets failed to get back into positive territory after the ups and downs experienced in September. This was due to the up-coming (at the time) US Election, a resurgence of COVID-19 cases in Europe and the US, and fears of international economic weakness. As the environment continued to favour less risky assets such as bonds, investors sold off shares to reduce risk further.

Global share markets were down -3.1% (in both unhedged NZ dollars and local currency) as the resurgence of COVID-19 brought Europe to a standstill and delivered record numbers of new cases throughout the US. However Emerging Markets (which includes countries such as China, Taiwan and India) continued to outperform, finishing the month up by +2.1% (in unhedged NZ dollars).

Both Global listed property (-3.3%) and infrastructure (-0.6%) continue to struggle in the post-COVID world as a reintroduction of various lockdowns weighed heavy on consumer and industrial activity.

The New Zealand share market recovered strongly in October (+2.9%) after the September losses, with New Zealand's open economy driving domestic business confidence. Australian share markets also had a positive month with the S&P/ASX 200 returning +1.9%. However our neighbour continued to lag behind, over the past year, due to struggling commodity (gas and mineral) prices, squeezed banking profit margins, and geopolitical tensions with China.

Bond markets were broadly level across the month, with NZ bonds losing -0.1%, while global bonds were flat (0.0%) as rates remained at record lows.



## Significant developments include:



### United States

Volatility remained elevated throughout October, in anticipation of the US presidential election campaign on 3 November. After a drawn-out process, Democratic nominee Joe Biden was announced the winner with a small majority over the incumbent President Donald Trump.

### Europe

Renewed national lockdowns in Europe following a resurgence in COVID-19 cases acted as a catalyst for various economic downgrades over the month, with the Eurozone economy now expected to shrink by -2.3% in the fourth quarter of this year.

### Australia

On 3 November, the Reserve Bank of Australia (RBA) further lowered its cash rate target to 0.10% (a -0.15% reduction) and reduced the target for the yield on 3-year Australian Government Bonds to around 0.10%, citing the need for further supportive measures for job creation and to aid the domestic economic recovery.



# Milestone Direct Monthly Commentary Ended 31 October 2020

We've all heard tales of lost pirate treasure buried on some idyllic tropical island, just waiting to be found. Finding such treasure often comes up in children's stories, and it has been the real-life focus of many adult's lives too.

Some people take a similar approach to investing.

This idea, that a good path to long-term wealth is in locating secret and or long-lost undiscovered treasures from across the global marketplace is one that regularly features on online forums, news stories, and even at some social events with friends and family! Especially on unregulated online forums and social media groups, such talk might even be illegal pump-and-dump tactics by other investors – who buy a share themselves, often in a dormant or tiny company, then start publicly talking up the prospects of that company to pump-up the share price, perhaps with “insider” talk of an acquisition or technological breakthrough. When the share price rises, they sell for a hopefully large profit.

Even so, many legitimate websites, magazines, and email mailing lists also run regular features on ‘bargain’ investments that the pros are keeping hidden – though how those secrets are kept when they're on the internet, in a magazine, or sent in a mass email isn't usually explained. This sort of information sells (or, more particularly, usually sells advertising space on the website, magazine, or email) because it plays to a misconception about how investment markets work – suggesting that they're like a tropical island holding long-lost pirate treasure, and all that's needed is a metal detector and a pirate map to find the chest of gold that other people would otherwise miss.

Some people do get lucky this way, and you might if you take this approach too. But, basing a long-term wealth-building strategy on an approach which is the equivalent of finding hidden treasure is not one that's likely to be sustainable.

The popularity of media stories and insider tips about hidden investment bargains is understandable. We all like to dream of hidden treasures just waiting for us to unearth them, though in reality this sort of speculation is little different to gambling. In contrast, sound investing starts with identifying the risks worth taking and minimising the risks that don't come with much of an expected reward, like taking a big bet on finding buried treasure. You can also spread risk by diversifying. This all occurs within the different fund choices of the NZDF Saving Schemes. Reflecting the robustness of these schemes, the NZDF KiwiSaver Scheme was one of only eight schemes to recently be rewarded with a platinum rating by Superatings.

It would be our pleasure to discuss what all this might mean for you and your investment approach, or discuss any other financial matters you might wish.

**0508 MILESTONE (0508 645 378)**  
**info@milestonedirect.co.nz**

Joseph Darby  
Chief Executive  
**Milestone Direct**

The views and opinions expressed in this commentary are intended to be of a general nature and do not constitute personalised advice for an individual client. Before making any investment, insurance or other financial decisions, you should consult a professional financial adviser. A disclosure statement is available on request and free of charge.



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For more information call 0800 333 787 or visit [www.nzdfsavings.mil.nz](http://www.nzdfsavings.mil.nz)

# Investment Returns For Periods Ended 31 October 2020

## New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.01	0.01	0.01	0.27	0.84
	Conservative	-0.19	0.17	4.90	1.88	3.01
	Moderate	-0.13	0.25	6.54	1.66	3.16
	Balanced	-0.25	0.40	9.58	1.38	3.65
	Growth	-0.38	0.59	12.48	0.81	3.88
	High Growth	-0.42	0.77	14.85	0.69	4.31
	Shares	-0.39	1.13	18.47	1.94	5.12
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.01	0.01	0.01	0.29	0.97
	Conservative	-0.20	0.22	5.38	2.31	3.42
	Moderate	-0.10	0.33	7.10	2.20	3.58
	Balanced	-0.25	0.47	10.12	1.72	4.07
	Growth	-0.34	0.71	13.27	1.39	4.33
	High Growth	-0.41	0.82	15.46	1.33	4.78
	Shares	-0.38	1.14	19.00	2.40	5.54
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.01	0.01	0.03	0.34	1.03
	Conservative	-0.17	0.23	5.68	2.52	3.61
	Moderate	-0.06	0.38	7.45	2.52	3.85
	Balanced	-0.18	0.56	10.59	2.15	4.34
	Growth	-0.34	0.71	13.51	1.67	4.57
	High Growth	-0.35	0.91	16.11	1.67	5.05
	Shares	-0.31	1.28	19.78	3.01	5.86

### 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 2020

# Investment Returns For Periods Ended 31 October 2020

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.01	0.04	0.35	0.94
	Conservative	-0.18	0.16	5.01	2.05	3.13
	Moderate	-0.11	0.30	6.68	2.11	3.38
	Balanced	-0.23	0.43	9.63	1.31	3.70
	Growth	-0.40	0.62	12.52	0.83	3.87
	High Growth	-0.40	0.76	14.96	0.81	4.34
	Shares	-0.39	1.14	18.33	2.06	5.14
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.01	0.05	0.39	1.07
	Conservative	-0.10	0.38	5.62	2.88	3.67
	Moderate	-0.12	0.30	7.08	2.14	3.62
	Balanced	-0.23	0.48	10.22	1.98	4.17
	Growth	-0.26	0.79	13.37	1.26	4.33
	High Growth	-0.37	0.86	15.71	1.44	4.81
	Shares	-0.25	1.40	19.37	2.49	5.47
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.01	0.01	0.05	0.45	1.18
	Conservative	-0.13	0.35	5.92	3.03	3.87
	Moderate	-0.07	0.46	7.65	2.74	3.97
	Balanced	-0.22	0.54	10.60	1.98	4.29
	Growth	-0.31	0.81	13.70	1.58	4.52
	High Growth	-0.39	0.94	16.19	1.62	5.00
	Shares	-0.27	1.32	19.76	2.58	5.63

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# Investment Returns For Periods Ended 31 October 2020

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.01	0.05	0.37	0.94
	Conservative	-0.16	0.23	5.09	2.04	3.12
	Moderate	-0.13	0.27	6.66	1.87	3.31
	Balanced	-0.24	0.44	9.68	1.41	3.77
	Growth	-0.37	0.62	12.61	0.82	3.93
	High Growth	-0.39	0.74	15.05	0.93	4.36
	Shares	-0.39	1.16	18.77	2.14	5.11
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.01	0.01	0.06	0.44	1.08
	Conservative	-0.19	0.26	5.59	2.50	3.54
	Moderate	-0.06	0.44	7.32	2.55	3.81
	Balanced	-0.17	0.63	10.43	2.01	4.23
	Growth	-0.35	0.74	13.39	1.55	4.46
	High Growth	-0.40	0.85	15.93	1.65	4.92
	Shares	-0.31	1.33	19.42	2.74	5.60
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	-	-	-	-
	Conservative	-0.16	-	-	-	-
	Moderate	-	-	-	-	-
	Balanced	-0.24	0.43	10.55	2.05	4.35
	Growth	-0.28	0.77	13.70	1.75	4.62
	High Growth	-0.35	0.91	16.14	1.94	5.13
	Shares	-0.22	1.37	19.87	3.22	5.93

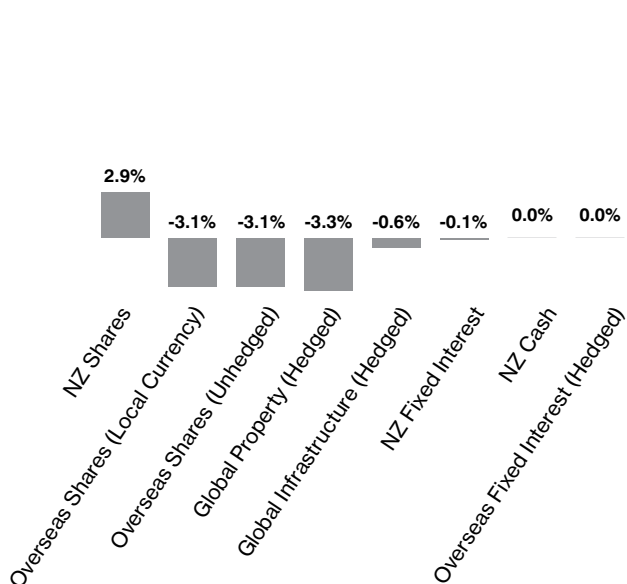
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

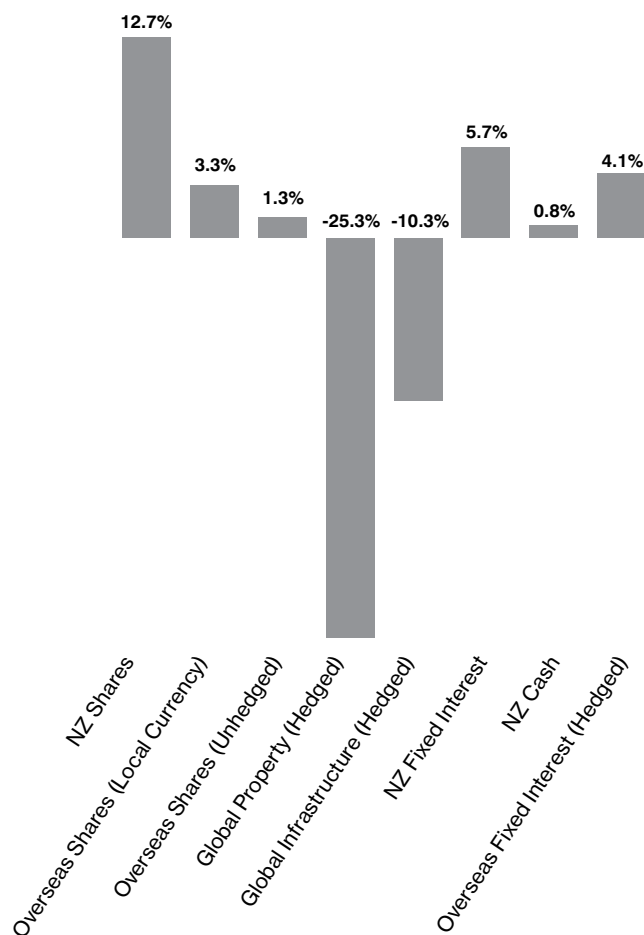
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# Investment Returns For Periods Ended 31 October 2020

## 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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