



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 30 September 2022

Market performance summary

– September in a snapshot

- Global share markets continued their decline in the month of September, with high inflation persisting to be the main cause of weak market returns globally.
- All investment options, except for the Cash investment option, in the NZDF Savings Schemes saw negative returns.
- 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**.



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 September 2022

Global share markets continued their decline in September, with the S&P 500 index suffering its worst one-day sell-off since June 2020 after official data showed an unexpected monthly uptick in US inflation. To little surprise, the US Federal Reserve ('Fed') delivered its third consecutive 0.75% rate rise in a matter of months. Others followed suit, with the Bank of England ('BoE') lifting its benchmark rate by 0.5% to 2.25% - resisting pressure to match the pace set by other central banks. Japan now remains the only country in the world to retain sub-zero rates. In a month filled with aggressive interest rate hikes and dramatic currency fluctuations, pessimistic sentiment on the global economic outlook gained momentum.

Global shares had a disappointing month as macroeconomic factors continued to rock the economy. S&P 500 constituent, FedEx, issued a warning to the wider market - saying they would close offices, freeze hiring and park aircraft in response to reduced demand. The MSCI World Index was down -8.3% (in local currency), while the benchmark S&P 500 fell -9.2%.

In an environment of rapidly rising interest rates, the high dividend-paying nature of the New Zealand share market saw favour and managed to outperform its international counterparts. The NZX 50 fell -4.3% over September. Expected recessionary demand declines in commodity exports weighed on Australian markets which fell -6.2% (in local currency).

Listed Property suffered a dour month as its correlation to global share markets, as well as the impact of rising financing costs combined to drive the sector down -12.0% in September. Listed Infrastructure moved alongside Property, falling -11.0% as recessionary fears hit the sector.



Monthly Commentary Ended 30 September 2022



United States

The Fed's ability to engineer a cyclical slowdown in economic growth while avoiding a recession for the US economy took a hit after Consumer Price Index ('CPI') readings came in hotter-than-expected – inching up 0.1% from a month prior. Most alarmingly, core inflation (which excludes food and energy prices) rose by 0.6% for an annual increase of 6.3%. Fed official, Raphael Bostic, backed a fourth consecutive 0.75% rate rise when the Fed next meets in November.

United Kingdom

The pound and UK government debt sold off sharply in the wake of UK Chancellor, Kwasi Kwarteng, controversially announcing £45bn worth of tax cuts funded by large increases in borrowing. BoE Chief Economist, Huw Pill, warned that the Government's new debt-laden plan required a "significant monetary response", as the package threatens to stoke soaring inflation. The International Monetary Fund also launched a scathing attack on the policy, urging the government to "re-evaluate".

Russia

In a major escalation of the Russian war in Ukraine, Russian President Vladimir Putin has proclaimed the annexation of four regions in Ukraine – a move that was widely condemned by the United Nations and Western countries. Notably, the announcement means that those regions will be considered part of Russia and subject to Russia's defence of its borders.

Become Wealth Monthly Commentary Ended 30 September 2022

Trust the Swing

There are many fields where it is accepted that, to succeed, you need a professional aide. Take golf – no pro player is going to go without a caddie. To do so would be to add to their burden and distract them from what's important in the game.

Caddies hold an extremely important role for professional golfers, aside from carrying clubs. Beyond the physical aspects of their job (walking the course before the game to identify the best plays, checking weather patterns, slope, yardages, wind direction...) they are also there for moral and mental support, including sustaining the golfer's confidence. In times of indecision, the caddie can advise the best course of action – which club to use, for example. If the player needs encouragement to 'trust the swing' or is in a bit of a funk, the caddie can help keep their emotions on an even keel.

A good caddie will keep a player's mind sharp and their emotions in check.

Financial advice is much the same. Professionals with specialised knowledge and skills can make things significantly easier than trying to go it alone, especially when the going gets tough.

Having a support team is something we accept as par for course (pun intended) in sports. Yet when it comes to managing our financial matters, many of us will try to go it alone and depend on advice from friends or trends – placing a handicap on ourselves before we even get into the game.

Financial literacy is not something commonly taught; even if it was, information alone does not lead to transformation. Most decisions around money are emotional, and humans have a tendency to value things that make us feel good, and make financial decisions based around these – personal connection, new experiences, or fitting in as members of our communities.

This is where an adviser comes in, comparable to a caddie.

A Disclosure Statement is available on request and free of charge

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Managing emotions is a big part of your financial journey, as it's entirely too easy to fall into following headlines and speculating where our money will perform best. The problem lies in the fact that while we as investors may be susceptible to emotions... investment markets are not.

Similar to the golfer trying to take another swing after a bad shot, it's easy to get stuck in a negative emotional space where money matters can feel overwhelming. Particularly if you find yourself in the cycle of chasing market highs – spending money on 'successful' stocks and selling them off once they dip is a sure way to lock in losses (the same usually goes for changing fund choices in a KiwiSaver or other investment scheme).

The other thing to consider is that you (and your family, if applicable) have your own unique situation and goals. Everyone does. So, when it comes to figuring out the best shots to take, not everyone will need the same approach. Someone in their early 30s planning for retirement in 30+ years is going to be able to use a heftier club to drive the ball over a longer distance, whereas someone looking to retire in the next few years may already be on the green and could gently putt along – without risking their progress on a big swing.

There's a lot of merit in bringing trusted professionals into your relationship with and management of your finances. With interest rate hikes occurring worldwide and volatility beyond Russian restrictions or covid delays, expert advice is more important now than ever. The tools and expertise provided can help reduce stress and let you sleep easier at night.

As in golf, you're ultimately the one taking the swing... but going 18 holes can seem a lot less intimidating when you have someone helping with your focus, carry the clubs, and traverse the terrain.



If you would like to discuss anything above, perhaps in relation to one or more of the NZDF Savings Schemes, our team is standing by to assist:

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hello@become.nz

Joseph Darby
Chief Executive
Become Wealth, formerly Milestone Direct

Investment Returns For Periods Ended 30 September 2022

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.15	0.45	0.67	0.84	0.70
	Conservative	-1.97	-1.11	-4.16	-6.16	1.34
	Moderate	-2.71	-1.22	-5.59	-7.67	1.94
	Balanced	-3.61	-1.55	-7.14	-9.22	2.89
	Growth	-4.33	-1.76	-8.41	-10.39	3.76
	High Growth	-4.94	-1.84	-9.42	-11.56	4.47
	Shares	-5.08	-1.67	-10.03	-13.70	4.86
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.17	0.51	0.78	0.98	0.80
	Conservative	-2.11	-1.22	-4.63	-6.74	1.45
	Moderate	-2.97	-1.42	-6.11	-8.29	2.07
	Balanced	-3.89	-1.82	-7.73	-9.82	3.03
	Growth	-4.61	-2.01	-8.92	-10.72	4.05
	High Growth	-5.14	-2.04	-9.94	-11.88	4.74
	Shares	-5.24	-1.75	-10.44	-13.89	5.13
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.19	0.56	0.86	1.09	0.86
	Conservative	-2.28	-1.33	-4.84	-7.13	1.49
	Moderate	-3.06	-1.52	-6.39	-8.53	2.20
	Balanced	-4.13	-2.03	-8.13	-10.25	3.12
	Growth	-4.84	-2.14	-9.27	-11.11	4.09
	High Growth	-5.34	-2.21	-10.28	-12.14	4.90
	Shares	-5.69	-2.17	-11.06	-14.28	5.24

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 September 2022

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.14	0.44	0.67	0.83	0.75
	Conservative	-2.22	-1.26	-4.65	-6.26	1.41
	Moderate	-3.31	-1.76	-6.56	-8.39	1.95
	Balanced	-4.47	-2.35	-8.83	-10.65	2.62
	Growth	-5.33	-2.66	-10.30	-12.07	3.37
	High Growth	-5.86	-2.67	-11.17	-13.06	4.14
	Shares	-5.05	-1.58	-9.87	-13.51	4.92
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.18	0.52	0.78	0.95	0.85
	Conservative	-2.43	-1.44	-5.14	-7.12	1.53
	Moderate	-3.67	-2.12	-7.27	-9.21	1.90
	Balanced	-4.89	-2.76	-9.56	-11.36	2.77
	Growth	-5.84	-3.22	-11.18	-12.75	3.57
	High Growth	-6.31	-3.17	-12.01	-13.71	4.34
	Shares	-5.37	-1.89	-10.49	-13.76	5.14
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.20	0.58	0.85	1.04	0.93
	Conservative	-2.63	-1.68	-5.51	-6.18	1.85
	Moderate	-3.79	-2.27	-7.66	-9.08	2.16
	Balanced	-5.04	-2.89	-9.95	-11.74	2.77
	Growth	-6.02	-3.38	-11.54	-12.73	3.72
	High Growth	-6.52	-3.30	-12.23	-13.15	4.61
	Shares	-5.64	-2.11	-11.00	-13.75	5.27

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Investment Returns For Periods Ended 30 September 2022

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.15	0.47	0.72	0.94	0.77
	Conservative	-2.21	-1.22	-4.57	-6.32	1.41
	Moderate	-3.33	-1.71	-6.57	-8.38	1.91
	Balanced	-4.52	-2.36	-8.88	-10.64	2.70
	Growth	-5.34	-2.65	-10.22	-11.90	3.46
	High Growth	-5.91	-2.69	-11.18	-13.11	4.13
	Shares	-5.03	-1.51	-9.72	-13.49	4.92
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.19	0.54	0.83	1.08	0.90
	Conservative	-2.43	-1.43	-5.06	-7.05	1.51
	Moderate	-3.75	-2.15	-7.25	-9.06	2.13
	Balanced	-4.75	-2.46	-9.22	-10.92	2.96
	Growth	-5.86	-3.19	-11.14	-12.63	3.68
	High Growth	-6.22	-2.97	-11.81	-13.47	4.49
	Shares	-5.38	-1.84	-10.53	-13.82	5.29
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.18	0.57	0.90	-	-
	Conservative	-2.62	-1.57	-5.38	-7.47	-
	Moderate	-3.87	-2.15	-7.46	-9.41	-
	Balanced	-5.22	-3.04	-10.06	-11.78	2.82
	Growth	-6.01	-3.26	-11.44	-12.90	3.76
	High Growth	-6.60	-3.36	-12.41	-13.76	4.59
	Shares	-5.64	-2.04	-10.92	-14.19	5.36

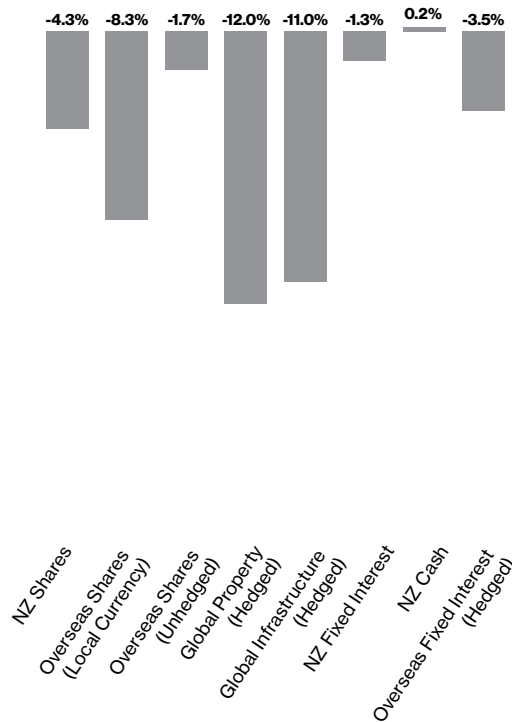
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

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Investment Returns For Periods Ended 30 September 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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