



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 30 September 2023

Market performance summary

– September in a snapshot

- The calendar-based market anomaly coined by investors as the “September Effect” was possibly at play during the month as stock returns fell back further and bond yields rose once again.
- Investment returns were negative across all investment options, except for the Cash investment option, in the NZDF Savings Schemes.
- Having a plan and sticking to it is key when saving for retirement. Discover how much you will need to save by the time you are 65, to supplement your NZ Super and fund a 25-year retirement by visiting the Force Financial Hub website.
- 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**.



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 2023

An investor labelled “September Effect” was possibly a cause for the negative share market performance during the month, as stock returns fell back further and bond yields rose once again.

This effect refers to the historical tendency for stocks to perform poorly during the month of September. Global share markets declined by 3.7% in local currency, with US stocks performing worse than both developed and emerging share markets.

Investors also heard the familiar “higher for longer” rates message from central banks. Although many central banks in developed markets are close to the end of their rate tightening cycles (where the rates are raised multiple times), the market began to doubt that the rates would start easing soon. In September, investor sentiment caused bond yields to spike, especially for long-term bonds. Energy was the only equity sector to provide a positive return as WTI Crude Oil jumped 8.6% (in USD).

Economic dataflow for September was mixed although consistent with the struggling economy in the third quarter of 2023. New Zealand’s current account deficit, which occurs when a country is spending more than they’re earning overseas, was also announced to have shrunk to 7.5% of GDP in June. This decrease was smaller than expected due to a slow economic rebound and data revisions. The NZX50 returned -1.9% for the month, while the ASX200 returned -2.8% (AUD).

Worries about the Chinese property market persist as Evergrande, a major Chinese developer, had its shares suspended from trading in Hong Kong due to significant price drops. This caused concern among investors in nearby countries such as South Korea and Taiwan. Listed Property and Infrastructure returned -5.4% and -4.0% respectively.



Monthly Commentary Ended 30 September 2023



United States

Yields spiked over the month as markets anticipated higher interest rates for longer. US yields increased by over 0.4% at the longer end of the curve, effecting yields with longer term horizons such as 10-year Treasury Bonds. Yields in other developed countries also rose. This negatively impacted equity sentiment and led to declines in fixed income asset classes and gold.

Washington, DC

Driven by the obstructed US debt ceiling, which is a self-imposed cap on the amount of money the federal government can borrow to pay its bills, a US government shutdown was imminent during September. This caused a frenzy as the Senate raced to draft a bill to fund the government through to November 17th, hoping to pass the bill before the October 1st deadline. Ultimately, the bill was signed and passed by President Biden just moments before.

Europe

Inflation remains a key concern as economic data and rate announcements dominate headlines. The US experienced mixed year-on-year inflation rates of 3.7% headline and 4.3% core (which excludes volatile items such as food and energy). The European Central Bank raised its deposit rate to 4.0%, while the Fed and the Bank of England left interest rates unchanged.

Become Wealth Monthly Commentary Ended 30 September 2023

The Future

In ancient times, witchdoctors used the entrails of animals to 'predict' the future. Nowadays, they look at the mainstream media.

The end of 2022 and the start of 2023 saw some spectacular failures in financial headlines. Cryptocurrencies saw exchange failures, while Silicon Valley Bank fell in America, followed by Credit Suisse in Europe. Early in 2023 New Zealand was reeling from the worst weather events in decades, matched by the biggest cost of living hike since the 1980s.

All of this was on the back of a turbulent 2022 for investment markets. Modern witchdoctors spread the idea of a global recession. It was observed during this tumultuous start-of-year period that many chart-watching investors moved their cash out of stocks (shares) and into short-term bonds. Billions of dollars were moved into short-term bonds and money market mutual funds in the US as stock chasers looked to make the most of tempting interest rates. Modern witch-doctoring in action occurred, as some 'professionals' encouraged investors to change their investment strategy to a "safer" option.

What came of these early 2023 predictions?

Well, New Zealand's economy still isn't in great shape, but those who sold up and went into short-term bonds missed the best three months in US financial market history. Keep in mind the US financial markets are the biggest in the world and host a range of global companies. The technology-focused Nasdaq-100 index jumped in value, which meant some of the biggest companies in the world we're all familiar with (Google, Microsoft, Apple, etc.) had their best first-half increase in valuations ever at 39% over their December 2022 close.

If the investors had stayed their course, they would have been able to capture these highs as they happened. Instead, many followed the dubious wisdom of 'stock pickers' and tried to outsmart the market. Those that did paid the price.

What next?

Since then, we've seen uncertainty and another slew of bad headlines. Political games are being played, both in New Zealand and overseas, while concerns persist about China-related matters, the ongoing Russia-Ukraine war, cost of living pressures, and so on.

The year is not yet over. We might see any kind of movement in future. The key is not to anticipate the direction of volatility, but to spread the risk of volatility across assets, industries, and countries. This is all occurring behind the scenes in the NZDF savings schemes.

Thankfully, what happens in the short term has little bearing on you as a successful long-term investor. What matters for individual investors like you is whether you are on track to meet your own long-term goals detailed in the plan designed for you. Unless you need the money next week, what happens on any particular day is neither here nor there. It is the long-term result that counts.

As to what happens next... no-one knows for sure. That is the nature of life itself – despite what any modern-day 'witchdoctors' might say! In the meantime, you can protect yourself somewhat by diversifying broadly across and within asset classes (again, this happens inside the NZDF schemes), while focusing on what you can control – including your own behaviour. If you're after a second opinion or need some help demystifying your financial roadmap, getting in touch with a trusted professional for a chat is always a good place to start.

We're here to provide you with free advice in on your savings within the NZDF Savings Schemes. Just get in touch with us at:

0508 BECOME (0508 232 663)
hello@become.nz

Joseph Darby
Chief Executive
Become Wealth



A Disclosure Statement is available on request and free of charge

Become Wealth Limited believes the information in this publication is correct, and it has reasonable grounds for any opinion or recommendation found within this publication on the date of this publication. However, no liability is accepted for any loss or damage incurred by any person as a result of any error in any information, opinion or recommendation in this publication. Nothing in this publication is, or should be taken as, an offer, invitation or recommendation to buy, sell or retain any investment in or make any deposit with any person. The information contained in this publication is general in nature. It may not be relevant to individual circumstances. Before making any investment, insurance or other financial decisions, you should consult a professional financial adviser. This publication is for the use of persons in New Zealand only.

Investment Returns For Periods Ended 30 September 2023

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.28	0.98	1.90	3.34	1.12
	Conservative	-1.14	-1.14	-0.44	2.34	1.07
	Moderate	-1.74	-1.78	-0.43	3.52	1.70
	Balanced	-2.37	-2.36	-0.26	4.89	2.52
	Growth	-2.90	-2.80	0.23	6.50	3.28
	High Growth	-3.36	-3.27	0.38	7.70	3.84
	Shares	-3.50	-3.35	0.86	9.35	4.08
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.32	1.06	2.13	3.79	1.27
	Conservative	-1.14	-1.19	-0.48	2.72	1.21
	Moderate	-1.75	-1.79	-0.44	4.00	1.89
	Balanced	-2.28	-2.25	-0.16	5.52	2.71
	Growth	-2.85	-2.79	0.24	7.20	3.67
	High Growth	-3.23	-3.23	0.44	8.54	4.23
	Shares	-3.29	-3.17	1.05	10.05	4.46
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.35	1.19	2.32	4.11	1.39
	Conservative	-1.21	-1.25	-0.57	2.80	1.26
	Moderate	-1.70	-1.77	-0.39	4.30	2.05
	Balanced	-2.33	-2.35	-0.24	5.87	2.88
	Growth	-2.78	-2.75	0.33	7.70	3.80
	High Growth	-3.13	-3.12	0.63	9.03	4.47
	Shares	-3.24	-3.16	1.14	10.68	4.69

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 2023

Investment Returns For Periods Ended 30 September 2023

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.29	0.96	1.86	3.31	1.14
	Conservative	-1.23	-1.23	-0.50	2.48	1.15
	Moderate	-1.95	-2.00	-0.62	3.49	1.69
	Balanced	-2.68	-2.74	-0.62	4.75	2.19
	Growth	-3.27	-3.19	-0.15	6.59	2.92
	High Growth	-3.69	-3.61	0.06	7.70	3.52
	Shares	-3.45	-3.24	1.00	9.35	4.14
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.33	1.11	2.15	3.81	1.31
	Conservative	-1.24	-1.28	-0.56	2.71	1.30
	Moderate	-1.97	-2.04	-0.71	3.86	1.69
	Balanced	-2.70	-2.80	-0.70	5.16	2.40
	Growth	-3.21	-3.15	-0.11	7.12	3.17
	High Growth	-3.66	-3.66	0.04	8.36	3.84
	Shares	-3.31	-3.15	1.12	10.01	4.49
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.38	1.17	2.29	4.08	1.42
	Conservative	-1.31	-1.34	-0.65	2.94	1.65
	Moderate	-1.85	-1.92	-0.59	4.35	2.02
	Balanced	-2.63	-2.81	-0.70	5.44	2.46
	Growth	-3.18	-3.39	-0.33	7.31	3.37
	High Growth	-3.54	-3.59	0.16	8.71	4.17
	Shares	-3.31	-3.25	1.06	10.42	4.69

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 2023

Investment Returns For Periods Ended 30 September 2023

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.29	0.99	1.92	3.44	1.20
	Conservative	-1.23	-1.23	-0.49	2.53	1.17
	Moderate	-1.97	-1.98	-0.59	3.69	1.68
	Balanced	-2.72	-2.74	-0.60	4.90	2.28
	Growth	-3.32	-3.24	-0.17	6.65	3.00
	High Growth	-3.71	-3.61	0.06	7.86	3.54
	Shares	-3.49	-3.36	0.86	9.35	4.16
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.32	1.11	2.16	3.88	1.37
	Conservative	-1.29	-1.29	-0.55	2.83	1.29
	Moderate	-1.95	-2.00	-0.59	4.13	1.94
	Balanced	-2.64	-2.74	-0.61	5.31	2.59
	Growth	-3.24	-3.23	-0.09	7.32	3.33
	High Growth	-3.59	-3.56	0.16	8.48	3.98
	Shares	-3.30	-3.18	1.15	10.33	4.66
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.34	1.21	2.38	4.25	-
	Conservative	-1.29	-1.30	-0.57	3.08	-
	Moderate	-1.94	-2.06	-0.61	4.45	-
	Balanced	-2.64	-2.82	-0.69	5.62	2.51
	Growth	-3.12	-3.15	-0.06	7.68	3.46
	High Growth	-3.53	-3.59	0.18	8.86	4.13
	Shares	-3.19	-3.11	1.24	10.78	4.80

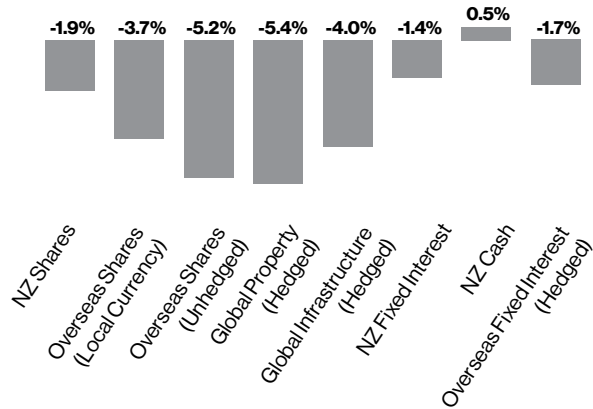
Notes

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

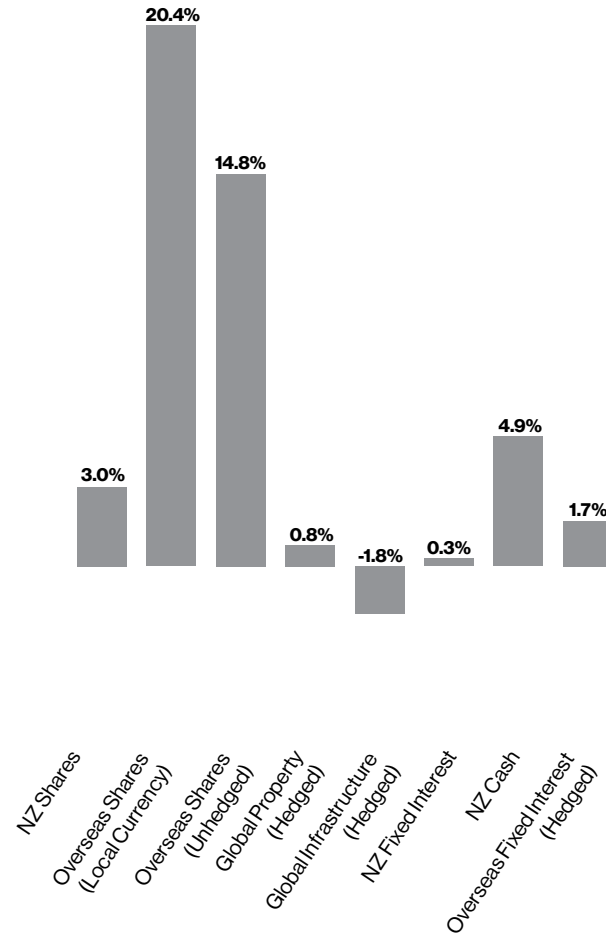
* FYTD means Financial Year to Date, which is from 1 April 2023

Investment Returns For Periods Ended 30 September 2023

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

This document was prepared by New Zealand Defence Force (NZDF), Become Wealth and Mercer (N.Z.) Limited (Mercer). The document has been published as a general information service and does not take account of the investment objectives, financial situation and/or particular needs of any person. Before making any investment decision, you should take financial advice as to whether your intended action is appropriate in light of your particular investment needs, objectives and financial circumstances. Neither NZDF, Become Wealth, nor Mercer or any related parties accepts any responsibility for any inaccuracy.

Copyright 2023 Mercer (N.Z.) Limited. All rights reserved.