

# MONTHLY REPORT

For the period ended 30 September 2020

## Market performance summary – September in a snapshot

- Global shares gained in Q3 but regional performances diverged with Asia and the US outperforming Europe and UK. The US election and COVID-19 resurgence in Europe have contributed to the market volatility in September.
- It is important to remember that the New Zealand Defence Force Savings Schemes have had good returns since the schemes were introduced and that saving for retirement is a long-term task. Most major markets are still reporting long-term positive returns across 3, 5, 10, and 15 years.
- Before making any changes to your investment option or making a decision to withdraw your money, you should discuss this with your financial adviser or an independently pointed Milestone Direct (MDL) team of advisers by calling **0508 MILESTONE (0508 645 378)** or emailing [info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz).
- The latest MDL Podcast is about the do's and don'ts of KiwiSaver. Access via Youtube or google Milestone Direct Ltd.



# Monthly Commentary Ended 30 September 2020

Share markets lost ground in September, bucking their widespread positive trajectory off the lows they touched earlier in the year.

There were a number of key reasons for the market drop over the month, including:

- Uncertainties in the form of the upcoming US Presidential election;
- A resurgence of Covid-19 cases in Europe and the US; and
- Continued international economic weakness.

These key factors benefitted 'safe-haven' assets, such as the US dollar and Japanese yen (which both strengthened against the NZ dollar), and bond markets as investors sought refuge from market swings.

Global share markets were down -1.3% in unhedged NZ dollars as a 'second wave' of confirmed Covid-19 cases was experienced in various nations around the world. Japan was a notable exception, up +3.3% in unhedged NZ dollars, as were Emerging Markets (which includes countries like China and India), which were up +0.6% in unhedged NZ dollars.

Global listed property (-2.5%) and infrastructure (-0.3%) also struggled in September, losing value in light of a return to various levels of national lockdowns. Both sectors continue to experience weakness in the post-Covid environment, with lower 12-month returns than most of their global share market peers.

The New Zealand share market also dropped over the month, with the NZX50 down -1.4%. A large degree of this was due to a price drop in a2 milk (which is one of the largest companies on the NZ stock exchange), which fell as a result of a profit warning following a re-imposition of lockdown in Victoria, Australia. Australian equities moved down alongside their NZ peers, down -3.7% over the month.

NZ bonds were up +0.7% in September as investors favoured safer asset classes, while global bonds were up +0.4%. The NZ 10-year bond yield finished notably lower at 0.45%, down from 0.61% from the month prior, with the US 10-year bond yield also dropping to 0.65% at the end of the month. Both NZ and international bond yields are both at record lows, reflecting that returns from bonds are likely to be low for the foreseeable future. This factor may impact on NZDF Savings schemes returns.



## Significant developments include:



**United States**

The US presidential election continued to gain momentum, peaking in the first debate between incumbent US President Donald Trump, and Democratic challenger Joe Biden. National polls as at month-end have Biden leading Trump by 7%, 50% to 43%. However, the all important Electoral College projections reflect a closer race.

**Global**

Deaths as a result of COVID-19 reached a gloomy milestone by the end of September, with the global tally surpassing 1 million. Confirmed cases topped 33 million, adding over 8 million cases in the month of September alone.

**New Zealand**

The Reserve Bank of New Zealand continued its commitment to prolonged monetary support in light of weak underlying domestic and international economic conditions, an expected rise in unemployment, and an increase in firm closures as resource reallocation continues.



# Milestone Direct Monthly Commentary Ended 30 September 2020

In popular cooking shows, contestants might face a series of cooking challenges. Because so many things can and do go wrong for amateur chefs during the cooking process, such shows have some great TV ratings. On these programs, the mistakes made by budding chefs are often a result of:

- Inadequate preparation,
- Poor implementation,
- Becoming emotionally attached to the dish,
- Trying something different, and
- So on.

In the investment world, the same issues can and do happen.

Successful long-term investing is like following a tried and tested recipe. If simple things are done well, there will nearly certainly be a good long-term result. Simple things might include taking a tax-efficient approach, spreading risk by diversifying, avoiding unreasonable costs, and so on. This shouldn't stop anyone trying something different and having a bit of an "investment flutter" with a portion of their hard-earned funds if they feel the need – perhaps with an online sharetrading platform, but when it comes to growing a nest egg and achieving long-term goals, sticking with dependable and reliable processes just like following a recipe should shine through during the good times and the bad.

It would be our pleasure to discuss how this might relate to you and your investments in the NZDF savings schemes, or other financial matters should you 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.

A Disclosure Statement is available on request and free of charge

**For more information call 0800 333 787 or visit [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz)**

# Investment Returns For Periods Ended 30 September 2020

## New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.00	-0.01	0.01	0.31	0.87
	Conservative	-0.20	1.28	5.10	2.03	3.41
	Moderate	-0.46	1.61	6.68	1.88	3.71
	Balanced	-0.80	2.37	9.85	1.87	4.50
	Growth	-1.13	3.07	12.91	1.57	5.06
	High Growth	-1.40	3.53	15.33	1.57	5.70
	Shares	-1.59	4.30	18.93	2.85	6.79
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	-0.01	0.00	0.34	1.00
	Conservative	-0.14	1.49	5.59	2.47	3.81
	Moderate	-0.46	1.77	7.21	2.40	4.09
	Balanced	-0.77	2.52	10.40	2.21	4.88
	Growth	-1.11	3.20	13.66	2.21	5.46
	High Growth	-1.42	3.66	15.94	2.34	6.11
	Shares	-1.61	4.40	19.45	3.42	7.14
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	-0.01	0.02	0.41	1.06
	Conservative	-0.18	1.53	5.86	2.57	3.99
	Moderate	-0.44	1.84	7.51	2.60	4.33
	Balanced	-0.76	2.60	10.79	2.61	5.10
	Growth	-1.12	3.30	13.89	2.53	5.64
	High Growth	-1.40	3.86	16.51	2.66	6.31
	Shares	-1.59	4.54	20.15	4.02	7.40

### 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 30 September 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	0.00	0.04	0.41	0.98
	Conservative	-0.19	1.31	5.20	2.21	3.52
	Moderate	-0.45	1.66	6.80	2.31	3.91
	Balanced	-0.79	2.33	9.89	1.78	4.56
	Growth	-1.08	3.06	12.97	1.63	5.06
	High Growth	-1.39	3.52	15.42	1.70	5.73
	Shares	-1.60	4.32	18.80	3.02	6.83
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.00	0.05	0.46	1.12
	Conservative	-0.14	1.54	5.73	2.92	4.03
	Moderate	-0.46	1.78	7.20	2.33	4.13
	Balanced	-0.78	2.47	10.47	2.49	4.98
	Growth	-1.11	3.22	13.66	2.01	5.43
	High Growth	-1.38	3.71	16.14	2.37	6.13
	Shares	-1.56	4.53	19.66	3.36	7.05
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.00	0.05	0.52	1.22
	Conservative	-0.14	1.64	6.06	3.09	4.25
	Moderate	-0.39	1.97	7.72	2.89	4.46
	Balanced	-0.78	2.59	10.85	2.49	5.07
	Growth	-1.09	3.32	14.05	2.41	5.59
	High Growth	-1.36	3.91	16.65	2.68	6.26
	Shares	-1.59	4.52	20.09	3.59	7.16

### 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 30 September 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	0.42	0.98
	Conservative	-0.17	1.37	5.25	2.18	3.51
	Moderate	-0.46	1.65	6.80	2.10	3.86
	Balanced	-0.78	2.38	9.95	1.91	4.64
	Growth	-1.09	3.06	13.03	1.59	5.11
	High Growth	-1.40	3.52	15.51	1.79	5.75
	Shares	-1.55	4.35	19.23	3.09	6.81
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.01	0.06	0.50	1.13
	Conservative	-0.15	1.54	5.79	2.64	3.94
	Moderate	-0.45	1.84	7.39	2.72	4.32
	Balanced	-0.76	2.62	10.62	2.47	5.04
	Growth	-1.08	3.28	13.79	2.41	5.58
	High Growth	-1.37	3.78	16.40	2.65	6.24
	Shares	-1.56	4.60	19.80	3.71	7.20
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-
	Conservative	-	-	-	-	-
	Moderate	-0.44	1.85	7.56	2.70	4.44
	Balanced	-0.79	2.54	10.82	2.60	5.15
	Growth	-1.10	3.31	14.02	2.56	5.67
	High Growth	-1.40	3.80	16.55	2.94	6.41
	Shares	-1.59	4.57	20.14	4.21	7.46

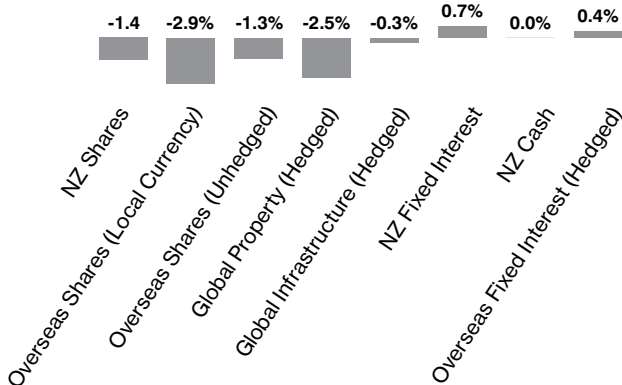
### Notes

- 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.

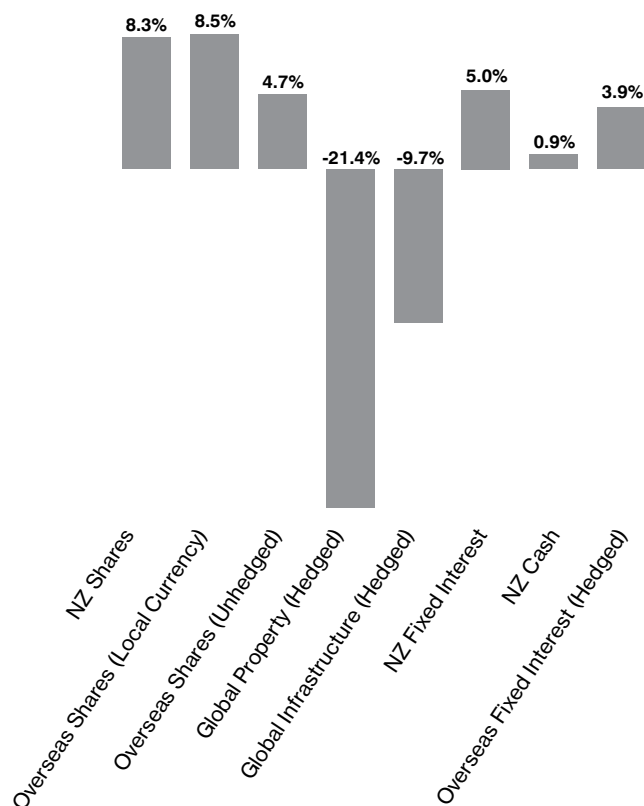
\* FYTD means Financial Year to Date, which is from 1 April 2020

# Investment Returns For Periods Ended 30 September 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

This document was prepared by New Zealand Defence Force (NZDF), Milestone Direct 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, Milestone Direct, nor Mercer or any related parties accepts any responsibility for any inaccuracy.