

MONTHLY REPORT

For the period ended 28 February 2021

Market performance summary – February in a snapshot

- Global share markets experienced another volatile month with concerns about the impact of rising bond yields. However, as investors were encouraged by the idea of a stronger-than-expected economic recovery in the near future, February ended broadly positive.
- Members that invest in a well-diversified portfolio such as the New Zealand Defence Force Savings Schemes should stay focused on the longer-term strategy, and not take knee jerk decisions they may come to regret.
- Before making any changes to your investment option or making a decision to withdraw 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 by emailing info@milestonedirect.co.nz.



Monthly Commentary Ended 28 February 2021

Global share markets experienced a volatile February but finished broadly positive, as investors were encouraged by the idea of a stronger-than-expected economic recovery in the near future.

Global Bonds, historically known for their low risk properties, saw a rapid devaluing toward the end of February as investors attempted to account for this improved economic outlook and the chance that central banks will look to raise interest rates sooner than previously expected.

The MSCI World Index (an indication on global shares) returned 1.7% over February in unhedged NZD (2.6% in local currency).

The New Zealand share market fell -6.9% in February with energy companies Meridian Energy (-20%), Contact Energy (-16%), Mercury NZ (-15%) and Genesis Energy (-10.7%) leading the wider index lower. Another notable decline was A2 Milk, by -16%, on the back of forecasts for lower margins, higher capital expenditure and on-going distribution issues.

Global property returned 3.8% in February, leading global infrastructure which fell -0.9%. Despite global property performing strongly in February, the sector has been slow to recover from its 2020 decline with uncertainty over the future of commercial real estate continuing to linger. Questions remain about the outlook for the sector under more normal social operating conditions.



Significant developments include:



Italy

Ex-head of the European Central Bank, Mario Draghi, has been sworn-in as Prime Minister of Italy after its previous administration collapsed. As an economist with experience at the highest levels of the European Union, Draghi is seen as competent and a safe choice for the role.

Australia

The Reserve Bank of Australia (RBA) announced an extension of AUD\$100bn to its quantitative easing programme, while indicating that it does not expect to increase interest rates until 2024. The extension will further promote the recovery of the Australian economy.

New Zealand

The Reserve Bank of New Zealand (RBNZ) is now required to consider the impact on housing when making monetary and fiscal policy decisions, supporting the government's objective of more sustainable house prices. The RBNZ's core objectives and mandate remain the same, which is to maintain price stability, support full employment and promote a sound and stable financial system.

Milestone Direct Monthly Commentary Ended 28 February 2021

So far, we have collectively come through the recent health crisis in a way that is astonishing compared to most early predictions. While vaccinations are turning the current health crisis around, it is important to remember that there are two broadly conflicting views of the global economy (and therefore likely investment performance) moving forwards. They are that the global economy either:

- **Still faces significant obstacles to growth.**

This includes; technological disruption, globalisation (despite what you might have heard about trade wars!), constraints on natural resources, high government and private debt, and an ageing population.

Or

- **Will boom.** Savings rates in many developed nations have climbed during the pandemic. This means consumers have cash to spend. This demand has already started being unleashed as vaccinated populations in places like the US, UK, Russia, and Israel (the global leader in vaccinating) steadily emerge from lockdowns and spend more on all manner of goods and services. Backing this up, innovations are creating as many jobs as they're replacing – often higher paying.

Whatever happens, it seems unlikely that the global economy will experience a sustained recovery across all sectors (parts of the economy, such as manufacturing or IT). Most commentators seem to agree that there will be a period of post Covid-19 growth as part of the economic recovery, however, once the normalised level of economic activity is

reached, it may be quite reasonable to expect a low-growth or even a no-growth economic environment.

This could mean that over the long-term, many major companies will continue to struggle as they have recently. Investment markets may also continue to be propelled by companies which can expand their market share and grow their earnings despite widespread headwinds.

So what?

Like everyone else, we are looking forward to a return to business as usual, but when it comes to investing be wary that there are still significant challenges which might limit the upside potential of many listed businesses over the long run.

Against this backdrop, the only major takeaway for investors is the same one mentioned last month, when investing: diversify, diversify, diversify.

The Milestone Direct team are standing-by to discuss anything mentioned above, including how the diversification and active investing approach of the NZDF Savings Schemes might benefit you:

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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

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Investment Returns For Periods Ended 28 February 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	0.02	0.03	0.08	0.90
	Conservative	-0.98	-0.68	5.60	2.11	3.42
	Moderate	-0.73	0.30	9.54	4.40	4.55
	Balanced	-0.49	1.19	15.17	6.87	6.21
	Growth	-0.17	2.25	21.03	9.39	7.92
	High Growth	-0.02	2.96	25.52	11.43	9.27
	Shares	-0.24	3.36	30.79	13.93	10.89
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.01	0.02	0.08	1.09
	Conservative	-1.06	-0.76	6.04	2.37	3.74
	Moderate	-0.80	0.25	10.15	4.95	4.89
	Balanced	-0.50	1.25	15.90	7.35	6.76
	Growth	-0.13	2.45	22.23	10.46	8.46
	High Growth	0.04	3.15	26.65	12.25	9.76
	Shares	-0.16	3.51	31.96	15.16	11.40
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.01	0.04	0.11	1.12
	Conservative	-1.15	-0.85	6.30	2.48	4.00
	Moderate	-0.86	0.24	10.58	5.25	5.10
	Balanced	-0.53	1.27	16.61	7.84	7.04
	Growth	-0.15	2.48	22.75	10.88	8.74
	High Growth	0.07	3.28	27.72	13.03	10.13
	Shares	-0.17	3.52	33.04	16.03	11.79

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 28 February 2021

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.00	0.04	0.11	1.04
	Conservative	-0.97	-0.66	5.74	2.25	3.56
	Moderate	-0.71	0.34	9.70	4.89	4.68
	Balanced	-0.47	1.25	15.23	6.78	6.38
	Growth	-0.18	2.28	20.94	9.34	7.88
	High Growth	-0.02	2.97	25.60	11.39	9.27
	Shares	-0.20	3.33	30.55	13.94	10.88
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.00	0.04	0.12	1.18
	Conservative	-1.07	-0.75	6.31	2.89	3.98
	Moderate	-0.79	0.27	10.17	4.81	5.01
	Balanced	-0.48	1.32	16.10	7.58	6.84
	Growth	-0.15	2.45	22.40	10.28	8.44
	High Growth	0.02	3.12	26.90	12.56	9.79
	Shares	-0.22	3.44	32.29	15.02	11.36
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.00	0.05	0.14	1.29
	Conservative	-1.11	-0.80	6.59	2.96	4.21
	Moderate	-0.87	0.24	10.87	5.49	5.32
	Balanced	-0.51	1.34	16.66	7.74	6.96
	Growth	-0.11	2.58	23.04	10.82	8.73
	High Growth	0.07	3.33	27.91	13.14	10.17
	Shares	-0.09	3.63	33.17	15.53	11.70

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Investment Returns For Periods Ended 28 February 2021

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.00	0.05	0.12	1.05
	Conservative	-0.97	-0.65	5.86	2.34	3.59
	Moderate	-0.74	0.29	9.66	4.55	4.74
	Balanced	-0.47	1.27	15.34	6.93	6.46
	Growth	-0.14	2.30	21.19	9.53	8.03
	High Growth	-0.05	2.92	25.70	11.61	9.39
	Shares	-0.21	3.35	31.10	14.33	10.97
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.00	0.07	0.16	1.20
	Conservative	-1.07	-0.75	6.32	2.59	3.97
	Moderate	-0.80	0.45	10.70	5.48	5.24
	Balanced	-0.52	1.31	16.42	7.75	6.95
	Growth	-0.12	2.46	22.52	10.65	8.57
	High Growth	0.07	3.18	27.34	12.81	10.04
	Shares	-0.17	3.58	32.70	15.70	11.72
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.00	-	-	-
	Conservative	-1.13	-0.82	-	-	-
	Moderate	-0.83	0.27	-	-	-
	Balanced	-0.52	1.32	16.59	7.78	7.10
	Growth	-0.11	2.57	23.07	11.04	-
	High Growth	0.09	3.31	27.82	13.41	10.33
	Shares	-0.12	3.67	33.26	16.20	11.95

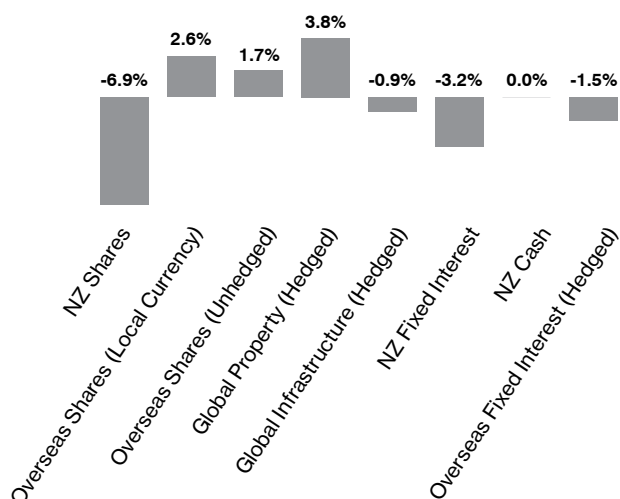
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

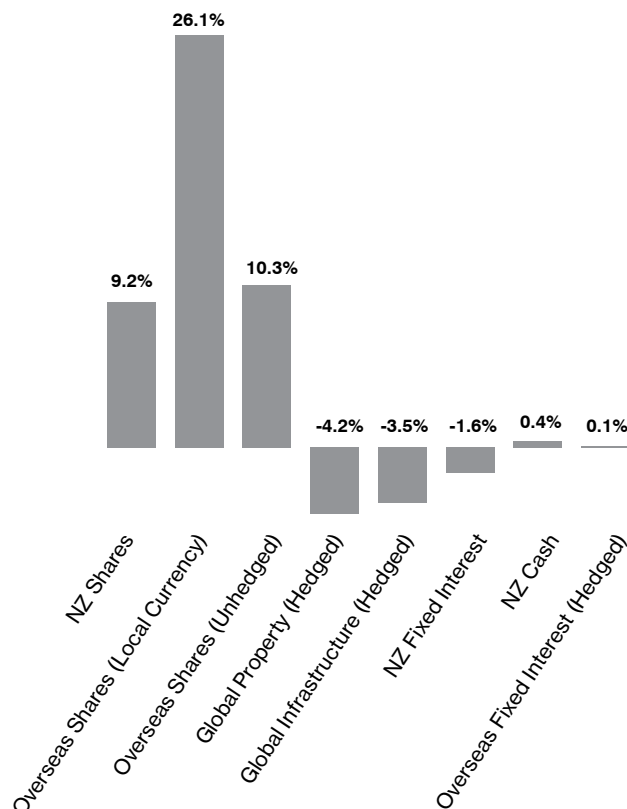
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Investment Returns For Periods Ended 28 February 2021

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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