

MONTHLY REPORT

For the period ended 30 June 2021

Market performance summary – June in a snapshot

- Investors have continued to enjoy positive returns in June.
- After tax and after fees returns for all the New Zealand Defence Force Savings Scheme's funds were positive in June apart from the Cash fund.
- If Mercer doesn't have your email address please log into your account at www.nzdfsavings.mil.nz to provide it.
- More than \$250 million has been received in Government contributions this year. If you are a member of the New Zealand Defence Force KiwiSaver Scheme and/or the Defence Force Super Scheme Category B member your annual Government contribution has been received. Please log into your account www.nzdfsavings.mil.nz.
- Before making changes to your investment option or making a decision to withdraw your money, you should discuss this with your financial adviser or Milestone Direct (MDL) team of advisers by calling **0508 MILESTONE (0508 645 378)** or emailing info@milestonedirect.co.nz.



Monthly Commentary Ended 30 June 2021

Global Equities finished the month in positive territory after what was one of the strongest starts to the year since the Dot Com bubble in 2000 (that was caused by excessive speculation of Internet related companies, where investors pumped money into them hoping to turn a profit, which drove up equity markets). According to the Financial Times, during the first half of 2021, Global Equity funds saw more investment than the previous 20 years combined, which is a pretty incredible feat considering the strong returns in the sector last year. Contributing to this strong growth in Global Equities was an extremely positive performance by the US share market (S&P 500), which reached a new all-time high in June, finishing the month up 2.3% and an impressive 15.3% from January 2021. Global Bonds were also mildly positive across the month with Global Corporate Bonds up 0.3% and Global Government Bonds up 0.1%.

The local NZX 50 continues to lag its overseas counterpart's quite considerably; this has been driven by extensive devaluations in some of the index's larger constituents, such as a2 milk and a decrease in appetite for dividend paying companies (in sectors such as utilities, telecommunications and real estate investment trusts (REITs)), in the face of rising inflation and interest rate expectations. The NZX 50 returned 2.8% over June, its second strongest monthly return for the year behind April's 2.9% rise. Year to date the NZX 50 lags the global developed equity market index (countries such as US, UK) MSCI World, by a considerable 19.8%.



Significant developments include:



● United States

US President Biden's proposed infrastructure deal, which aims to inject US\$1tn into a raft of infrastructure projects, from roading to high speed internet, looked to make positive headway when he announced a deal had been struck between Democrats and Republicans. It is detailed that a group of senators from both parties agreed on an estimated \$1tn bipartisan infrastructure spending plan. The plan still faces an uphill battle as Biden has stated he will not sign the deal if congressional Democrats didn't also pass a separate reconciliation bill enacting the rest of his agenda. If the bill is successful it will result in a massive increase in investment in to US infrastructure which would benefit Mercers Infrastructure fund.

● United States

Early announcements from US Federal Reserve (Fed) Chair Jerome Powell that the Fed may reduce stimulatory measures (low interest rates and bond buying programmes to stimulate the economy) applied over the last 18 months, and which up until now have had a positive impact on investments. This caused the value of shares and bonds to fluctuate quite a bit in the middle of the month. Equities recovered towards the end of the month following Powell's dismissal of this perceived openness, stating "we will not raise (interest) rates pre-emptively because we fear the possible onset of inflation, we will wait for evidence of actual inflation or other imbalances". Statements from Jerome Powell can have quite an impact on investors and how they act, this can feed in to our funds through our bond and equity allocations and can either be a positive or a negative.

Milestone Direct Monthly Commentary Ended 30 June 2021

The invisible gorilla?

In a famous 1999 Harvard University study, psychologists asked participants to watch a short video showing six people — three wearing white shirts and three wearing black shirts — passing basketballs to each other. Participants were tasked with keeping track of the number of passes made by the people wearing white shirts. Mid-way through the video, an unmissable person in a gorilla costume walks into the middle of the frame, faces the camera, thumps their chest, and then strolls away. The gorilla spent nine full seconds on screen. The results cemented the study as one of the most well-known in the field, as *more than half of the participants never noticed the gorilla*.

So what?

Several conclusions from this experiment relate to investing:

1. Sometimes we focus so hard on something we think is important, we cannot see more noteworthy events right under our noses.
2. Our memories can be embellishments rather than facts, like the fish that gets bigger every time the story about catching it is retold.
3. We're not as smart as we think we are.

Whether it's chasing a hot tip about a great new investment, or overly focussing on a barrage of news reports, or maybe believing stories we're told about someone's apparent riches gained through a certain type of investment or style, or perhaps even overconfidence in our own abilities, we're all capable of missing the big picture. One of the biggest truths in the investment world is that investing as much as possible into a well-balanced (diversified) mix of investments is generally more successful than anything else. This is the gorilla that people miss.

Sometimes we are smart-witted creatures capable of great feats of intelligence. But other times, much of our behaviour is governed by instincts that were hard-wired into us tens or hundreds of thousands of years ago. This means that we can fail to spot the gorilla in the room.

The Milestone Direct team are standing-by to discuss how anything mentioned above may relate to 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

Investment Returns For Periods Ended 30 June 2021

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.01	0.01	0.01	0.03	0.81
	Conservative	0.81	1.49	1.49	4.13	3.45
	Moderate	1.29	2.48	2.48	8.48	4.88
	Balanced	1.87	3.56	3.56	13.69	6.86
	Growth	2.37	4.51	4.51	19.07	8.86
	High Growth	2.82	5.23	5.23	23.02	10.41
	Shares	3.31	5.26	5.26	25.72	12.04
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.01	0.00	0.00	0.03	1.00
	Conservative	0.82	1.58	1.58	4.32	3.75
	Moderate	1.30	2.60	2.60	8.80	5.18
	Balanced	1.79	3.63	3.63	14.01	7.26
	Growth	2.33	4.70	4.70	19.71	9.29
	High Growth	2.76	5.37	5.37	23.64	10.79
	Shares	3.23	5.37	5.37	26.49	12.49
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.01	0.01	0.01	0.03	1.00
	Conservative	0.82	1.62	1.62	4.41	3.97
	Moderate	1.28	2.68	2.68	9.06	5.36
	Balanced	1.83	3.76	3.76	14.51	7.52
	Growth	2.25	4.69	4.69	20.05	9.53
	High Growth	2.73	5.46	5.46	24.39	11.11
	Shares	3.16	5.40	5.40	26.91	12.80

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.

* FYTD means Financial Year to Date, which is from 1 April 2021

Investment Returns For Periods Ended 30 June 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	-0.01	-0.01	-0.02	0.93
	Conservative	0.83	1.52	1.52	4.22	3.61
	Moderate	1.34	2.56	2.56	8.70	5.03
	Balanced	1.87	3.59	3.59	13.71	6.98
	Growth	2.37	4.53	4.53	18.97	8.83
	High Growth	2.86	5.27	5.27	23.04	10.43
	Shares	3.30	5.30	5.30	25.74	12.05
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.01	-0.02	-0.02	-0.02	1.06
	Conservative	0.83	1.59	1.59	4.52	3.98
	Moderate	1.30	2.63	2.63	8.90	5.29
	Balanced	1.82	3.71	3.71	14.19	7.38
	Growth	2.32	4.68	4.68	19.91	9.30
	High Growth	2.76	5.40	5.40	23.85	10.89
	Shares	3.19	5.42	5.42	26.80	12.45
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-0.01	-0.02	-0.02	-0.02	1.15
	Conservative	0.84	1.65	1.65	4.63	4.17
	Moderate	1.23	2.64	2.64	9.25	5.56
	Balanced	1.79	3.75	3.75	14.51	7.48
	Growth	2.26	4.77	4.77	20.27	9.52
	High Growth	2.73	5.48	5.48	24.50	11.14
	Shares	3.13	5.46	5.46	27.12	12.71

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Investment Returns For Periods Ended 30 June 2021

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	-0.01	-0.01	-0.01	0.00	0.93
	Conservative	0.81	1.52	1.52	4.36	3.65
	Moderate	1.32	2.54	2.54	8.60	5.06
	Balanced	1.89	3.63	3.63	13.88	7.07
	Growth	2.37	4.52	4.52	19.10	8.94
	High Growth	2.84	5.26	5.26	22.98	10.51
	Shares	3.29	5.28	5.28	25.77	12.12
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.01	0.00	0.00	0.02	1.07
	Conservative	0.84	1.62	1.62	4.55	3.98
	Moderate	1.32	2.67	2.67	9.34	5.52
	Balanced	1.84	3.76	3.76	14.62	7.49
	Growth	2.30	4.68	4.68	19.95	9.41
	High Growth	2.77	5.40	5.40	24.09	11.07
	Shares	3.21	5.45	5.45	27.25	12.79
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	-	-	-	-
	Conservative	0.82	1.48	1.48	-	-
	Moderate	1.29	2.69	2.69	-	-
	Balanced	1.79	3.79	3.79	14.43	7.58
	Growth	2.28	4.77	4.77	20.35	-
	High Growth	2.72	5.50	5.50	24.45	11.32
	Shares	3.12	5.45	5.45	27.26	12.98

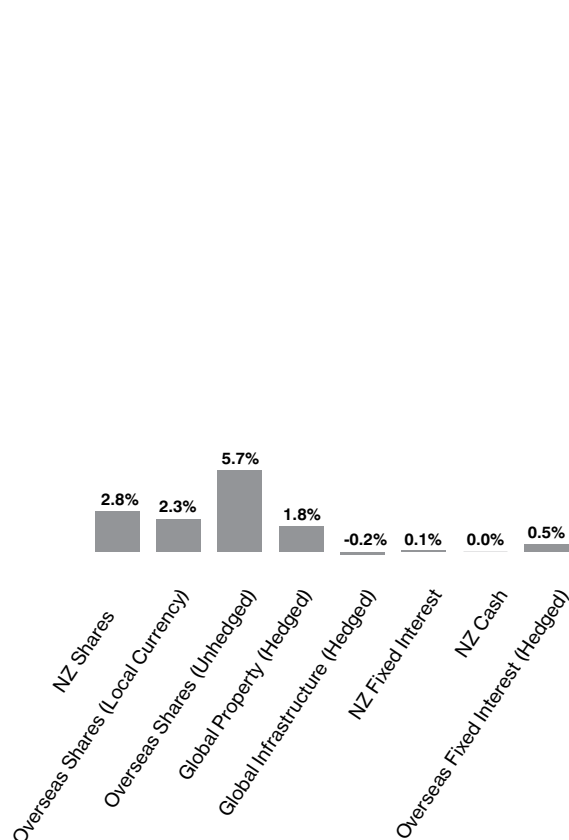
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

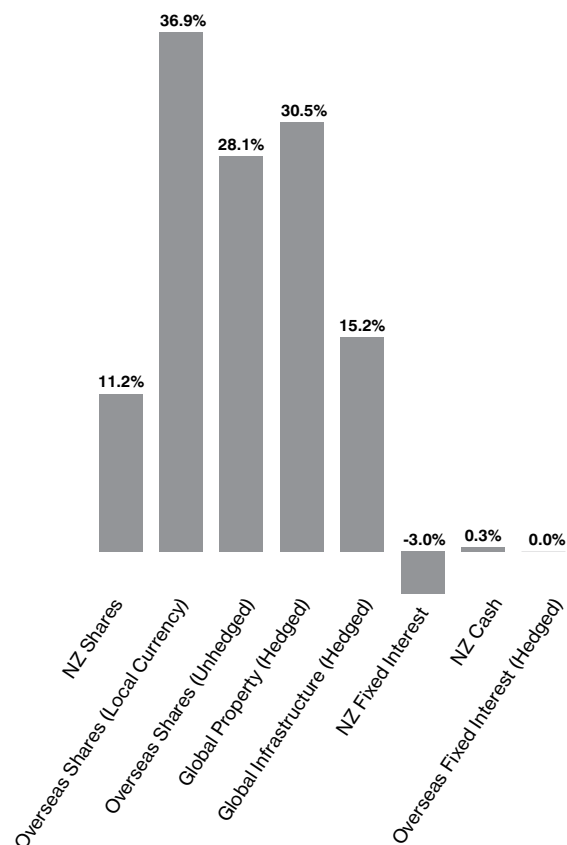
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Investment Returns For Periods Ended 30 June 2021

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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