



TE OPE KĀTUA O AOTEAROA  
**DEFENCE FORCE**

New Zealand Defence Force  
**Savings Schemes**

# Monthly report

For the period ended 31 August 2021

## Market performance summary

### – August in a snapshot

- The markets are continuing to benefit from strong investor confidence due to an increasing number of the global population being vaccinated and lockdown restrictions easing in some parts of the world. Albeit New Zealand and Australia are still experiencing tough lockdown restrictions.
- Investors are continuing to enjoy positive returns, including members of the New Zealand Defence Force Savings Schemes, with more aggressive funds such as High Growth and Shares returning over 20% for the year.
- While the annual statements have been distributed about four months ago, we would like to remind those who haven't read their statement to log into their account at [www.nzdfsavings.mil.nz](http://www.nzdfsavings.mil.nz).
- Choosing the right investment option or the right contributions strategy is important. Please discuss these with your financial adviser or Milestone Direct (MDL) team of advisers by calling **0508 MILESTONE (0508 645 378)** or emailing [info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz).



HEI MANA MŌ AOTEAROA  
**A FORCE FOR NEW ZEALAND**

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# Monthly Commentary Ended 31 August 2021

In August, the global reopening continued, with a number of countries further lifting pandemic restrictions. This is despite the Delta variant continuing to spread and daily cases picking up across the globe.

While much of the developed world is already at or just past the highest level of economic growth, data showed that the global economy remains strong. Confidence in the economy held by purchasers in various industries remained at high levels (as measured by the flash purchasing managers' indices), although falling slightly during the month.

Global equities continued their recent surge in August. The MSCI All Country World Index returned 2.6% (in local currency) for the month and 19.2% year-to-date. The index dipped mid-month by almost 2% after poor US retail figures amid the Delta surge worried investors that another virus related slowdown may be ahead. However, markets recovered towards the end of the month, as earnings remained strong and highly vaccinated economies such as the UK show that it is possible to live with the virus.

The NZX 50 returned 5.0% this month, a positive result in the face of the latest COVID-19 outbreak and subsequent level 4 restrictions. The Reserve Bank of New Zealand was widely expected to lift the OCR in August, until the COVID-19 outbreak forced a pause which sent investors back into NZ shares. NZ companies that posted strong company earnings in August included Mainfreight, EBOS and Summerset, which all delivered growth of around 15-17%. Australian results were more mixed, notably the preservation of cash and reduced guidance commentary due to COVID.

Due to unprecedented fiscal and monetary measures introduced to tackle the economic impacts of the coronavirus pandemic, housing markets all around the world have been booming as demand has surged. The US housing market remained strong with sales of previously owned homes rising at a faster pace in July, compared to previous months.

NZ and Global Bonds posted modest losses for the month driven by broader macro themes such as uncertainty regarding the Delta variant and the nature of inflation pressures. The NZ 10-year Government Bond Yield ended August at 1.72%, up from 1.52% at the start of the month.



# Monthly Commentary Ended 31 August 2021



## United States

The US Federal Reserve (Fed) stated its contentment with the progress made on inflation, which it still anticipates will be transitory. The Fed expects the labour market to reach employment levels sufficient to slow down its bond-buying programme (which provides support to the economy) shortly, however, stated that the reduction in asset purchases “will not be intended to carry a direct signal of timing of interest rate lift off”.

## Europe

The spread of the Delta variant has caused cases in Europe to rise rapidly, denting consumer confidence, which fell in August. That said, Europe has now vaccinated over 70% of the population and the UK finally lifted the last domestic Covid-19 restrictions in August.

## Japan

News of Japan Prime Minister Yoshihide Suga's resignation contributed to a strong rally in Japanese equities, removing some political uncertainty and raising expectations of increased economic stimulus. Gains were also supported by Japan's accelerating vaccination drive.

## China

Emerging market equity declines were largely driven by events in China. EM equities initially declined -4.5% as China imposed a heavy regulatory hand through August, impacting a wide range of industries and sectors (such as technology and education) before rebounding towards the month end. China has also had to grapple with the arrival of the Delta variant.

## Global

There was more evidence that the global surge in the Delta variant has begun to impact economic growth. This was highlighted by disappointing retail sales and falling business confidence in the US. In addition, economic data (such as purchasing manager indices, retail sales and industrial production) came in below expectations in China. While highly vaccinated countries such as the US and UK remain open, countries in Asia Pacific, where vaccination rates are lower, continued with their restrictive 'zero COVID' policies.



# Milestone Direct Monthly Commentary Ended 31 August 2021

## Adjusting our thinking

Differing views about a topic as debated and sensitive as Covid 19 shouldn't surprise us.

Though it is surprising how many people, companies, organisations, and governments are still operating based on assumptions made over a year ago when Covid first struck. For instance, when the most recent NZ lockdown was announced we again saw panic-buying of items including – you guessed it – toilet paper.

## What's that got to do with investing?

Everything.

- Good investors can adjust their opinions when the facts change, good investors learn from the past without attempting to repeat it, and good investors can control their emotions when things take a turn for the worst (which they tend to do occasionally over many decades of investing).
- Good places to invest – including different countries, regions, parts of the economy, and specific companies – have partially or totally pivoted to new ways of operating. They've adjusted their beliefs and behaviours and have made themselves more resilient in the face of ongoing change.

When it comes to investing, much of our own thinking should be challenged, and may need an adjustment. Especially as major developments continue to unfold including: big data, e-commerce, interest rates at historical lows, quantitative easing ("money printing"), automation and robotics, demographic change, urbanisation, rapid medical advancements, and an increased focus on sustainability.

The Milestone Direct team are standing-by to discuss how anything mentioned here may relate to you, your investments, and your goals in life:

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A Disclosure Statement is available on request and free of charge

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# Investment Returns For Periods Ended 31 August 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	0.00	0.00	0.03	0.78
	Conservative	0.37	1.77	2.45	3.58	3.39
	Moderate	0.78	2.51	3.72	7.56	4.77
	Balanced	1.19	3.62	5.35	12.06	6.69
	Growth	1.60	4.47	6.65	16.55	8.60
	High Growth	2.01	5.27	7.74	19.96	10.06
	Shares	2.39	5.69	7.69	21.36	11.54
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	0.94
	Conservative	0.38	1.84	2.60	3.69	3.71
	Moderate	0.78	2.61	3.94	7.79	5.07
	Balanced	1.23	3.65	5.52	12.37	7.07
	Growth	1.70	4.64	7.07	17.32	9.04
	High Growth	2.14	5.40	8.07	20.59	10.47
	Shares	2.44	5.68	7.86	22.03	11.96
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.01	0.00	0.00	0.04	0.96
	Conservative	0.42	1.92	2.73	3.78	3.88
	Moderate	0.85	2.62	4.05	8.04	5.26
	Balanced	1.24	3.71	5.68	12.82	7.33
	Growth	1.72	4.55	7.04	17.50	9.26
	High Growth	2.17	5.41	8.21	21.18	10.79
	Shares	2.53	5.69	7.98	22.39	12.28

### 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 31 August 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	-0.02	-0.03	-0.04	0.88
	Conservative	0.39	1.81	2.51	3.69	3.54
	Moderate	0.78	2.60	3.84	7.77	4.93
	Balanced	1.20	3.65	5.40	12.17	6.80
	Growth	1.62	4.54	6.75	16.61	8.59
	High Growth	2.02	5.33	7.80	20.02	10.08
	Shares	2.36	5.65	7.70	21.32	11.53
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	-0.02	-0.03	-0.04	1.00
	Conservative	0.41	1.89	2.66	3.87	3.90
	Moderate	0.82	2.65	3.99	7.92	5.17
	Balanced	1.26	3.70	5.63	12.62	7.19
	Growth	1.72	4.62	7.03	17.47	9.04
	High Growth	2.13	5.38	8.09	20.78	10.57
	Shares	2.47	5.66	7.94	22.26	11.93
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	-0.03	-0.04	-0.05	1.09
	Conservative	0.38	1.89	2.71	3.88	4.08
	Moderate	0.82	2.61	4.04	8.17	5.43
	Balanced	1.27	3.72	5.73	12.85	7.30
	Growth	1.72	4.59	7.16	17.76	9.24
	High Growth	2.13	5.35	8.18	21.21	10.77
	Shares	2.51	5.66	8.05	22.63	12.16

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# Investment Returns For Periods Ended 31 August 2021

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	-0.01	-0.03	-0.04	-0.04	0.87
	Conservative	0.39	1.80	2.51	3.78	3.57
	Moderate	0.78	2.61	3.84	7.69	4.93
	Balanced	1.21	3.69	5.46	12.32	6.89
	Growth	1.62	4.53	6.72	16.71	8.66
	High Growth	2.02	5.31	7.78	19.95	10.14
	Shares	2.35	5.61	7.65	21.33	11.60
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.02	0.00	-0.01	0.00	1.01
	Conservative	0.37	1.86	2.64	3.85	3.89
	Moderate	0.81	2.64	4.00	8.26	5.37
	Balanced	1.25	3.72	5.68	12.89	7.29
	Growth	1.66	4.55	6.98	17.42	9.14
	High Growth	2.08	5.35	8.05	20.89	10.69
	Shares	2.49	5.73	8.03	22.70	12.23
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	-	-	-	-
	Conservative	0.39	1.90	2.56	-	-
	Moderate	0.83	2.68	4.10	-	-
	Balanced	1.27	3.73	5.76	12.82	7.37
	Growth	1.75	4.65	7.20	17.88	8.80
	High Growth	2.18	5.41	8.27	21.32	10.95
	Shares	2.52	5.65	8.04	22.71	12.43

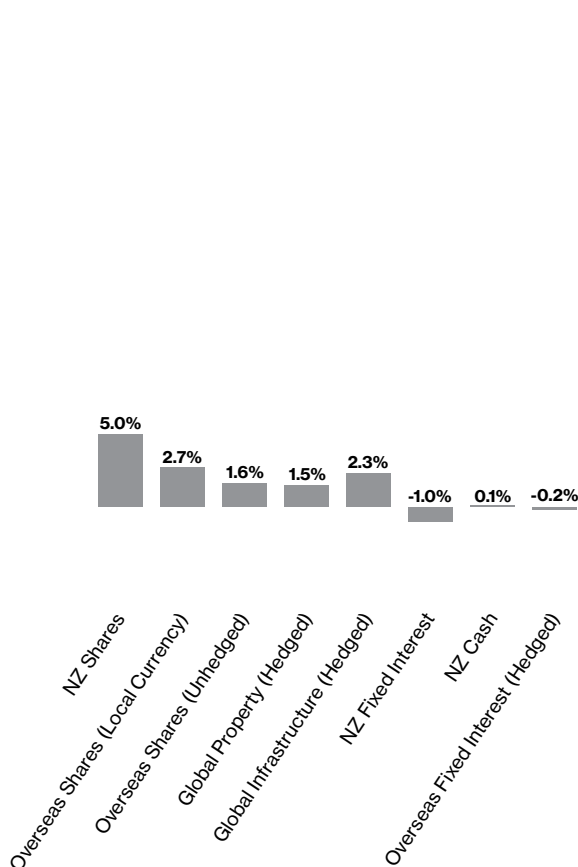
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

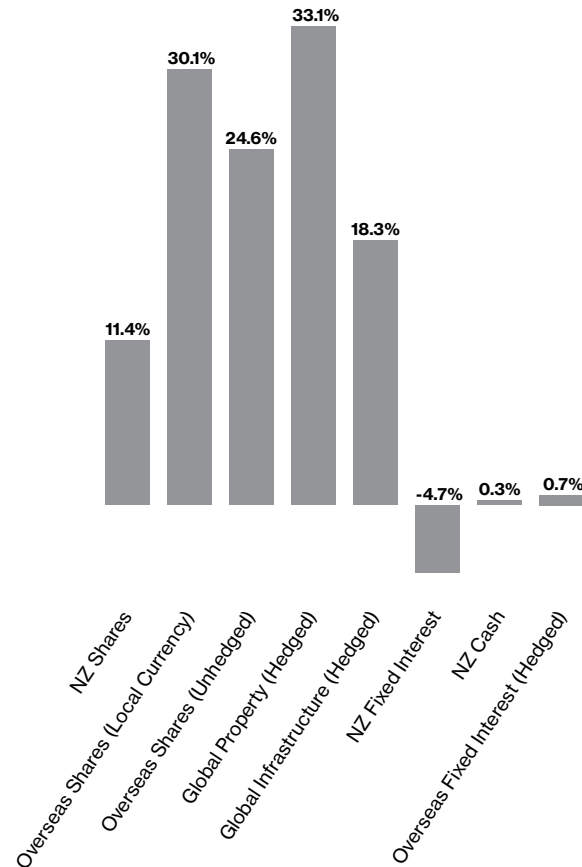
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# Investment Returns For Periods Ended 31 August 2021

## 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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