

# MONTHLY REPORT

For the period ended 31 July 2021

## Market performance summary – July in a snapshot

- Investors have continued to enjoy relatively stable returns in July.
- After tax and after fees returns for all the New Zealand Defence Force Savings Scheme's funds were positive in July apart from the Cash and Shares funds, both returning slightly negative results.
- While the Cash fund is generally considered 'safe', the returns are continuing to be impacted by the low interest rates set by the Reserve Bank of New Zealand.
- This highlights the importance of choosing the right investment option for your life stage and circumstances, as well as risk appetite. 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](mailto:info@milestonedirect.co.nz).



# Monthly Commentary Ended 31 July 2021

The global economic recovery remained strong in July as the COVID-19 vaccine roll-out continued. This was somewhat tempered by the spread of the Delta variant of the virus, which has created a degree of uncertainty amongst the global investors. This caused some global investment analysts to lower economic growth projections.

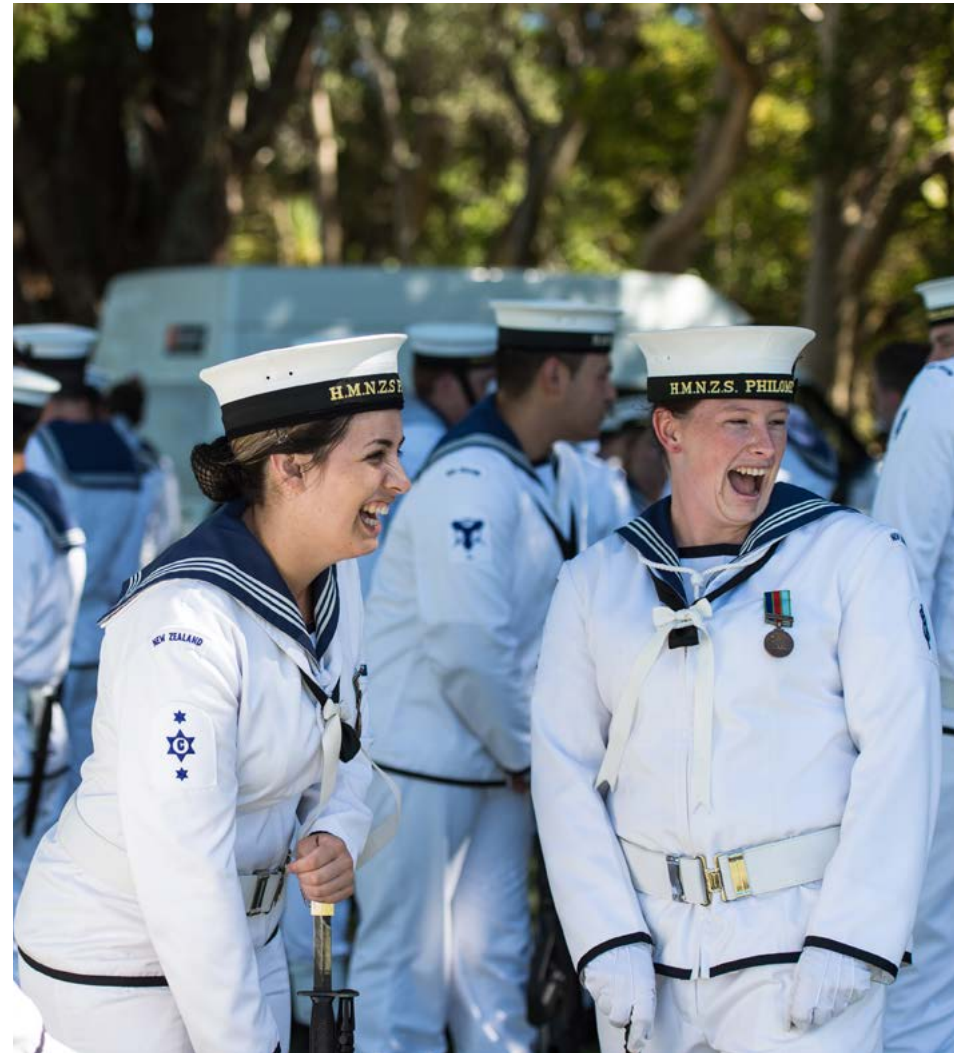
Australia, a nation which was considered a global leader in the fight against the Coronavirus, has been battling with the more contagious Delta variant, forcing two largest states, Victoria and New South Wales into lockdowns. It has been particularly difficult for New South Wales as they entered into another lockdown with no end in sight.

Despite this, the ASX 200 (Australian Index) continued its strong performance returning 1.1% for the month. This was supported by continued strong earnings growth of companies such as BHP Group and Rio Tinto, which benefitted from higher commodities prices as the global reopening increased demand for raw materials.

Global stocks also pushed higher in July, supported by increased consumer spending and ongoing monetary and government support, with the MSCI World Index returning 1.9%.

The NZX 50 (New Zealand Index) stayed steady for most of July, but ultimately ended the month down 0.5% as concerns over the Delta variant outweighed positive growth outlooks for companies such as Auckland Airport (AIA) and Summerset.

Bonds had a particularly strong month, as the market lowered its projections for economic growth, being a positive driver for bonds.



## Significant developments include:



### United States

The U.S. Federal Reserve (Fed) continues its unwavering support for the US economy, noting that it will maintain interest rates at their current record low level until the economy has reached maximum employment and inflation has reached (and is on track to moderately exceed) 2%. The Fed did highlight that progress had been made towards these goals and that it would start considering reducing its support for the economy over coming months.

### China

China's \$1 Trillion Crackdown: From Music and the Financial sector, to Ride Sharing and Tutoring, the Chinese government has put the brakes on growing investor fortunes, as it implements sweeping policies prioritising social stability and national security. Ride sharing app, Didi, was forced to take its app off the app store one day after listing on the stock exchange, while Goutu Techedu lost 98% of its value after the government banned companies from profiting from the tutoring of core subjects.

### New Zealand

Will the Reserve Bank of New Zealand be the first to raise interest rates? With the New Zealand economy being in a relatively strong position at present, an increase in the Official Cash Rate (Interest Rate) would put New Zealand first amongst its peers in tightening monetary policy. At the end of July, three-month Bank Bills were pricing in at least a 0.25% increase at the mid-August meeting.



# Milestone Direct Monthly Commentary Ended 31 July 2021

## The good old days?

Financial markets and much of the rest of our lives are gripped by uncertainty over developments regarding Covid, climate change, the economy, natural disasters, inflation, social issues, how NZ might reopen to the world, politics, wars, geopolitics, and various other matters. Each day brings fresh headlines that send investors scrambling from virtual despair to tentative optimism.

While not seeking to downplay the nervousness generated by many of these events, it's worth reflecting critically on our (often) second-hand memories of the "good old days".

## A snapshot

Around 100 years ago, Europe was engulfed by a war that destroyed empires, redrew the map of the continent and left more than 15 million people dead and another 20 million wounded. The economic effects were significant, with widespread rationing in many countries, labour shortages, and massive government borrowing.

Just as the Great War was ending, the world was struck by a deadly pandemic — the Spanish flu — that killed somewhere between 17 and 100 million people. About a third of the world's population was infected over a two-year period. These events, and others, led to the:

- Great Depression,
- Emergence of totalitarian regimes in countries including Germany, Italy, the Soviet Union, and Spain,
- Holocaust, and
- Second World War.

## Another perspective

Taking quick stock of historical challenges can make it clear that tragedy and uncertainty will always be with us. The most important point is that previous generations have stared down and overcome far greater obstacles than we face today. While it is easy to focus on the unknowns and bad news, we mustn't overlook the good either.

Around the same time of the terrible occurrences mentioned above, there were some notable achievements for humanity — like women's suffrage, healthcare advances (including the development of antibiotics), the spread of prosperity and democracy, advances in our understanding of the natural world, and enormous advances in technology, travel, and communications.

Even today, much of the world is thriving. Populous nations such as China and India are emerging as prosperous nations with large middle classes, technological and healthcare advances are rapidly occurring, life expectancies have never been higher, education levels are at all-time highs, and the world is more peaceful than ever. The World Bank is even predicting an end to global poverty within 10 years.

Anxiety over recent events is completely understandable, and it is quite human to feel concerned about various things, including investments. But, amid all the bad news, it is also clear that the world is changing in positive ways that provide plenty of cause for hope and, at the very least, gratitude for what we already have. These are ideas to keep in mind when we scan the news and long for the "good old days".

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

For more information call 0800 333 787 or visit [www.nzdfsavings.mil.nz](http://www.nzdfsavings.mil.nz)

# Investment Returns For Periods Ended 31 July 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	0.00	0.03	0.78
	Conservative	0.58	1.35	2.07	3.77	3.32
	Moderate	0.43	1.69	2.91	7.63	4.60
	Balanced	0.53	2.43	4.11	12.37	6.43
	Growth	0.44	2.85	4.97	17.17	8.24
	High Growth	0.37	3.14	5.62	20.68	9.59
	Shares	-0.09	2.81	5.17	22.27	10.96
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.01	-0.02	-0.01	0.02	0.96
	Conservative	0.63	1.44	2.21	3.88	3.63
	Moderate	0.51	1.82	3.13	7.91	4.91
	Balanced	0.59	2.47	4.23	12.67	6.82
	Growth	0.55	3.02	5.27	17.87	8.67
	High Growth	0.41	3.20	5.80	21.25	9.97
	Shares	-0.07	2.88	5.29	22.91	11.38
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-0.02	-0.01	0.00	0.03	0.97
	Conservative	0.67	1.48	2.30	3.94	3.84
	Moderate	0.47	1.78	3.17	8.07	5.08
	Balanced	0.60	2.55	4.38	13.12	7.08
	Growth	0.53	2.93	5.24	18.05	8.90
	High Growth	0.43	3.24	5.91	21.80	10.31
	Shares	-0.07	2.87	5.32	23.24	11.68

### 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 July 2021

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	-0.02	-0.03	-0.03	-0.03	0.90
	Conservative	0.59	1.39	2.12	3.84	3.48
	Moderate	0.46	1.79	3.04	7.85	4.78
	Balanced	0.54	2.45	4.15	12.47	6.54
	Growth	0.50	2.92	5.05	17.19	8.22
	High Growth	0.38	3.19	5.67	20.70	9.62
	Shares	-0.08	2.85	5.21	22.30	10.96
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.02	-0.04	-0.04	-0.04	1.02
	Conservative	0.64	1.46	2.24	4.09	3.85
	Moderate	0.51	1.83	3.14	7.98	5.02
	Balanced	0.58	2.52	4.32	12.88	6.94
	Growth	0.52	2.98	5.22	18.00	8.67
	High Growth	0.41	3.20	5.83	21.39	10.09
	Shares	-0.07	2.84	5.34	23.21	11.36
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-0.02	-0.04	-0.04	-0.04	1.11
	Conservative	0.66	1.50	2.32	4.13	4.04
	Moderate	0.53	1.81	3.19	8.28	5.29
	Balanced	0.63	2.55	4.41	13.17	7.06
	Growth	0.55	3.02	5.35	18.36	8.89
	High Growth	0.41	3.24	5.92	21.92	10.31
	Shares	-0.06	2.86	5.40	23.49	11.58

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# Investment Returns For Periods Ended 31 July 2021

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	-0.02	-0.03	-0.03	-0.02	0.90
	Conservative	0.58	1.37	2.11	3.95	3.51
	Moderate	0.48	1.80	3.03	7.77	4.79
	Balanced	0.55	2.47	4.20	12.62	6.64
	Growth	0.48	2.88	5.02	17.27	8.30
	High Growth	0.37	3.16	5.65	20.61	9.69
	Shares	-0.10	2.79	5.18	22.28	11.04
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.01	0.00	0.02	1.04
	Conservative	0.63	1.48	2.26	4.08	3.85
	Moderate	0.49	1.84	3.17	8.42	5.23
	Balanced	0.59	2.53	4.37	13.26	7.05
	Growth	0.53	2.96	5.23	18.02	8.79
	High Growth	0.42	3.23	5.84	21.58	10.25
	Shares	-0.04	2.90	5.40	23.61	11.67
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	-	-	-	-
	Conservative	0.67	1.50	2.16	-	-
	Moderate	0.55	1.89	3.25	-	-
	Balanced	0.62	2.57	4.43	13.04	7.13
	Growth	0.56	3.03	5.35	18.38	-
	High Growth	0.44	3.26	5.96	21.94	10.49
	Shares	-0.06	2.85	5.39	23.58	11.85

### Notes

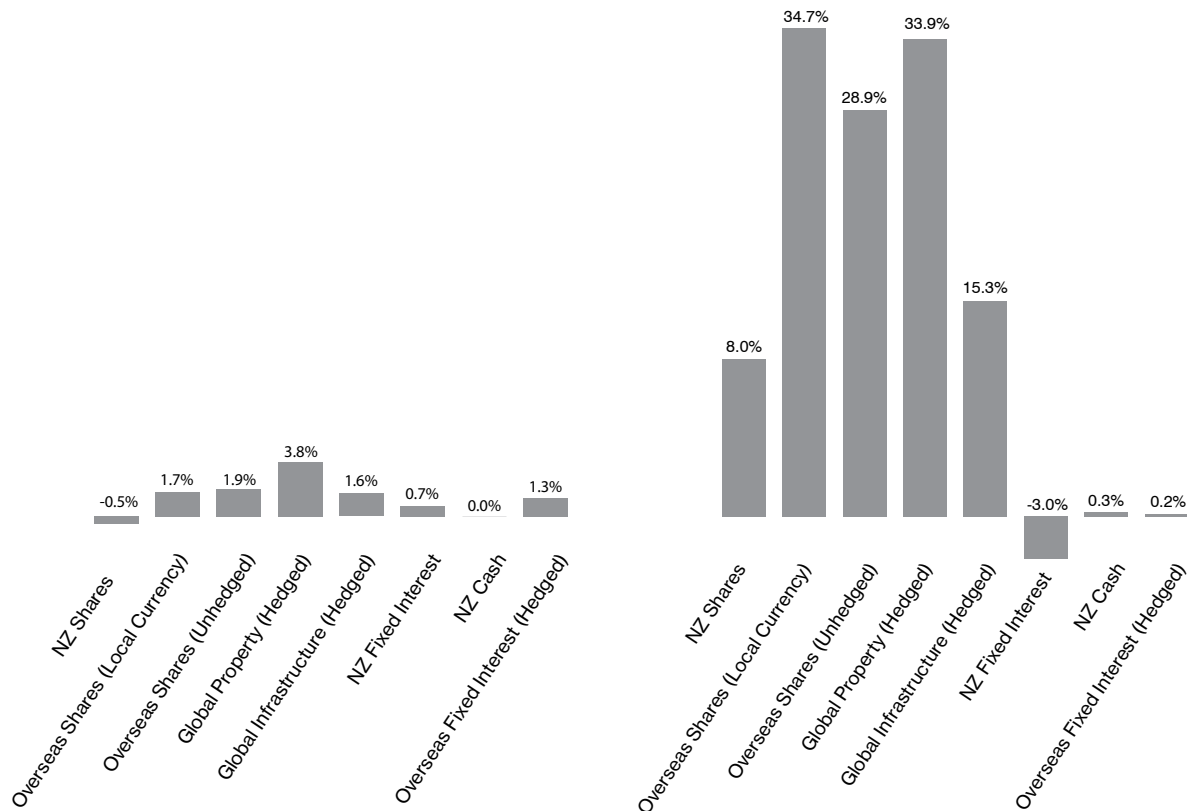
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

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# Investment Returns For Periods Ended 31 July 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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