



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 May 2022

Market performance summary

– May in a snapshot

- May was a difficult month for the share markets, as many economies are experiencing high inflation and are continuing to be impacted by COVID related implications.
- In the NZDF Savings Schemes, May 2022 delivered negative investment returns across all investment options, except for the Cash investment option.
- By now you should have received your annual statement. You can also log into your account at www.nzdfsavings.mil.nz to download your copy or view your up to date balance. Please open. It contains some useful information to help with your planning.
- Before making any changes to your investment option(s) or making a decision to withdraw your money, you should discuss this with your financial adviser or an independently appointed Become Wealth (previously named Milestone Direct) team of advisers by calling **0508 BECOME (0508 232 663)** or emailing hello@become.nz. Discussions on the best option for you are particularly important at times when the markets are subject to more volatility than usual.



HEI MANA MŌ AOTEAROA
A FORCE FOR NEW ZEALAND

FOR MORE INFORMATION CALL **0800 333 787** OR VISIT WWW.NZDFSAVINGS.MIL.NZ

Monthly Commentary Ended 31 May 2022

Global share markets experienced another difficult month, as markets continued to digest a fast changing economic environment. With weaker than expected global activity in April, the sentiment carried over into May. Questions around whether central banks across the world would continue increasing interest rates to control inflation amid slowing economic conditions and heightened risks of recession are impacting the sentiment.

Global shares had a poor start to the month with US stocks dipping briefly, however recovering towards the end of the month as oversold conditions saw buyers return. Considerable negative sentiment appears to be priced into shares markets at the moment, and any positive surprises may help support sentiment, including a pause in rate hikes or softer inflation figures.

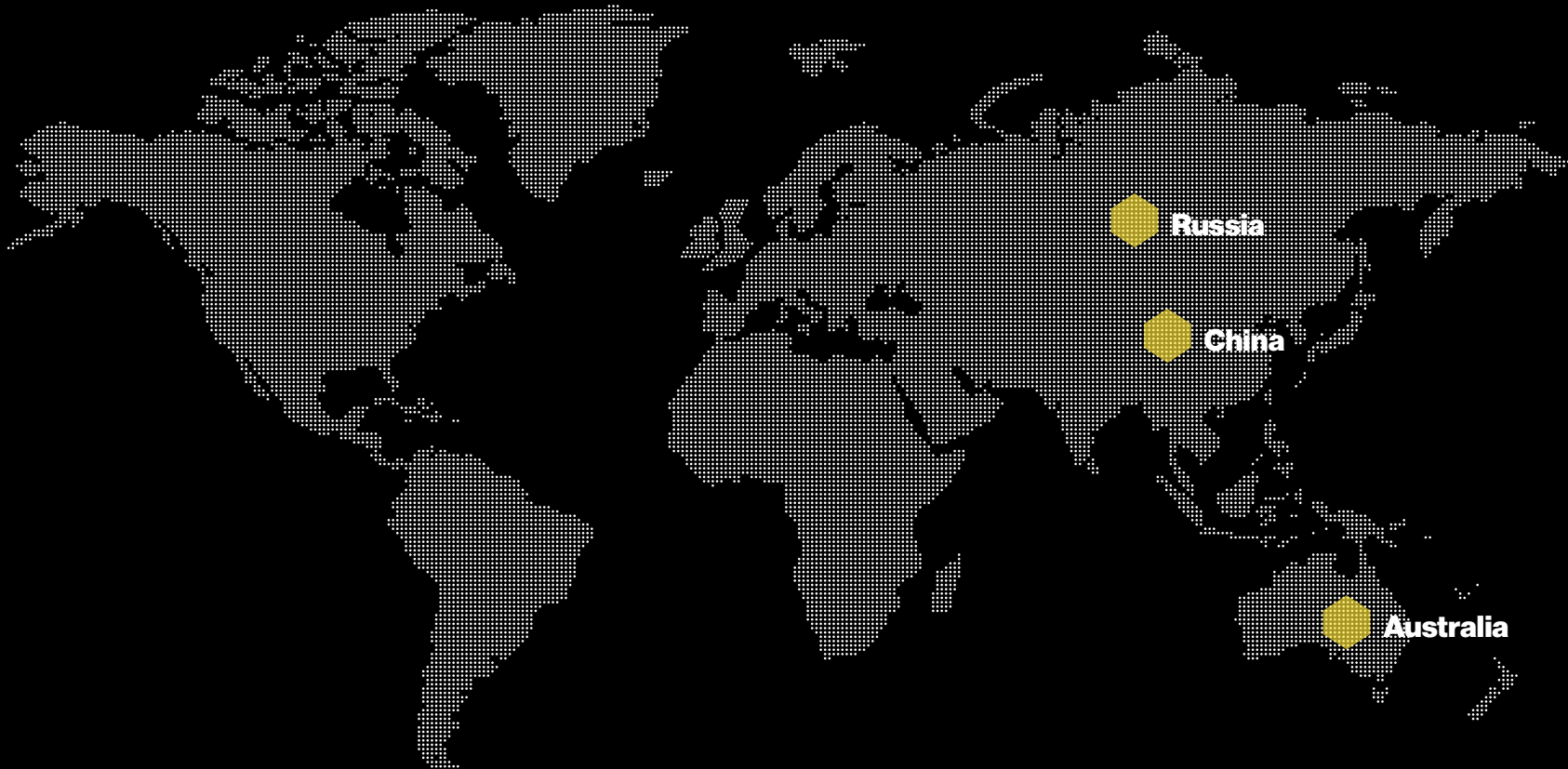
New Zealand shares did not fare as well as Global shares over the month, with the NZX 50 down -4.8%. Multi-decade high inflation and subsequent rate hikes by the RBNZ have put pressure on borrowers and dampened the economic growth outlook in New Zealand, particularly for homeowners.

Global Real Estate Investment Trusts had another negative month as rates continued to rise across the world, impacting financing costs which outweighed any benefit from the sector's natural hedge against inflation. Infrastructure managed to perform better than its property counterpart, generating positive returns for the month.

New Zealand Government Bonds were able to squeeze out a gain amidst the Reserve Bank of New Zealand (RBNZ) implementing a 0.50% rate hike, taking the Official Cash Rate (OCR) to 2%. Inflation protected bonds performed the poorest over the month, down -1.7% as expectations increase that the RBNZ's substantial rate hikes would bring inflation under control.



Monthly Commentary Ended 31 May 2022



Russia

Davos, synonymous with hosting the World Economic Conference, was inundated with condemnations of Russian President Putin's attack on Ukraine, overshadowing issues such as inflation and recessionary fears. German Chancellor, Olaf Scholz, stated that "Putin underestimated the unity and vigor with which the G7, NATO and the EU would respond to his aggression" and that the sanctions imposed "are tougher and further reaching than any previously imposed on a country of Russia's size".

China

China struggled in containing the spread of Covid-19, with Shanghai remaining in lockdown for the majority of May, with officials slowly easing restrictions in early June. However, officials stated that they will continue with their zero-Covid strategy for years, with a chance of 'permanent infrastructure' being implemented in order to facilitate zero tolerance. Under this infrastructure, cities such as Shanghai, Beijing, Shenzhen and Hangzhou would require citizens to tests as often as every 48 hours, with negative test results needed to get into stores and on subways. This activity is projected to have a further dampening effect on international economic growth, reflecting China's status as the world's second largest economy.

Australia

After reiterating that they were not in a rush to hike rates, the Reserve Bank of Australia (RBA) announced that they would lift the Cash Rate Target by 0.25% to 0.35%, the first rise since 2010. The RBA reasoned that "inflation had increased to its highest rate in many years", up to 5.1% over the year and now forecast to peak at a higher rate around 6%.

Become Wealth Monthly Commentary Ended 31 May 2022

The biggest risk to your investments

Depending on the dictionary you use, a risk can generally be defined as the possibility of something bad happening. When it comes to investing, there is a 100% chance of something bad happening.

How so?

It's simple: investment timeframes span years, and usually decades. Across all those years we can probably all agree there is a 100% chance of something bad happening. Unfortunately, we know there will be economic crises, wars, disasters, recessions, terrorism, and even pandemics.

The biggest single risk

So, keeping in mind we've established there is a 100% chance of a multitude of bad events happening, all of which are likely to reduce investment values at some points during your investment timeframe, what is the real risk when it comes to investing?

You are.

Or, more precisely, the investor is usually the biggest risk to their investment.

How so?

The risk is hardly ever that the investment value fall, which is inevitable at some point, instead, the risk is instead that the investor loses their nerve and sells the investment at the worst possible time. This includes changing KiwiSaver fund choice in a way which locks in losses, or as some may say "buys high and sells low". This might be changing from a KiwiSaver Growth fund to a Conservative fund at a time of slumping share values.

Inevitably, then a recovery occurs (or the war ends, crisis is averted, etc) and confidence in investment markets returns. This drives up investment values, which head for new highs. Only those investors who can manage the biggest risk, themselves, during the bad times are the ones who deserve to be rewarded during the good times.

So, how are you managing the biggest risk to your own investments?

If you would like to discuss anything above in relation to one or more of the NZDF Savings Schemes, it would be our pleasure to assist:

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Joseph Darby
Chief Executive
Become Wealth (formerly Milestone Direct)



A Disclosure Statement is available on request and free of charge

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Investment Returns For Periods Ended 31 May 2022

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.07	0.16	0.11	0.29	0.66
	Conservative	-0.37	-1.83	-1.61	-2.69	2.08
	Moderate	-0.66	-2.03	-2.16	-2.94	2.98
	Balanced	-0.88	-2.29	-2.70	-2.87	4.32
	Growth	-1.01	-2.32	-3.09	-2.74	5.55
	High Growth	-1.31	-2.49	-3.56	-2.92	6.54
	Shares	-1.47	-3.36	-4.01	-4.82	7.15
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.08	0.21	0.14	0.34	0.77
	Conservative	-0.44	-2.06	-1.82	-3.01	2.27
	Moderate	-0.71	-2.23	-2.40	-3.22	3.19
	Balanced	-0.85	-2.39	-2.87	-3.06	4.57
	Growth	-1.01	-2.35	-3.27	-2.61	5.93
	High Growth	-1.21	-2.44	-3.67	-2.75	6.93
	Shares	-1.41	-3.26	-4.17	-4.78	7.54
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.09	0.22	0.15	0.39	0.81
	Conservative	-0.38	-2.18	-1.89	-3.22	2.35
	Moderate	-0.71	-2.33	-2.49	-3.30	3.38
	Balanced	-0.84	-2.47	-2.99	-3.23	4.75
	Growth	-0.96	-2.41	-3.37	-2.91	6.05
	High Growth	-1.24	-2.50	-3.84	-2.84	7.16
	Shares	-1.39	-3.29	-4.32	-4.70	7.79

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 2022

Investment Returns For Periods Ended 31 May 2022

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.08	0.17	0.11	0.25	0.72
	Conservative	-0.45	-1.88	-1.71	-2.35	2.25
	Moderate	-0.72	-2.02	-2.30	-2.74	3.19
	Balanced	-1.09	-2.46	-3.08	-2.98	4.36
	Growth	-1.28	-2.60	-3.55	-2.95	5.49
	High Growth	-1.47	-2.68	-3.93	-3.01	6.55
	Shares	-1.47	-3.29	-3.97	-4.78	7.18
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.08	0.19	0.13	0.27	0.82
	Conservative	-0.48	-2.15	-1.93	-2.95	2.45
	Moderate	-0.75	-2.24	-2.52	-3.14	3.26
	Balanced	-1.05	-2.59	-3.28	-3.19	4.66
	Growth	-1.23	-2.65	-3.73	-2.90	5.89
	High Growth	-1.44	-2.78	-4.15	-3.01	6.94
	Shares	-1.42	-3.28	-4.16	-4.60	7.54
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.09	0.22	0.15	0.31	0.90
	Conservative	-0.49	-2.21	-2.00	-1.71	2.86
	Moderate	-0.74	-2.40	-2.70	-2.83	3.58
	Balanced	-1.07	-2.69	-3.45	-3.36	4.72
	Growth	-1.23	-2.74	-3.90	-2.71	6.10
	High Growth	-1.36	-2.65	-4.25	-2.33	7.26
	Shares	-1.42	-3.29	-4.33	-4.22	7.79

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Investment Returns For Periods Ended 31 May 2022

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.08	0.20	0.13	0.34	0.74
	Conservative	-0.45	-1.88	-1.71	-2.49	2.23
	Moderate	-0.75	-2.06	-2.35	-2.73	3.13
	Balanced	-1.10	-2.49	-3.11	-2.89	4.46
	Growth	-1.27	-2.59	-3.54	-2.86	5.53
	High Growth	-1.44	-2.74	-3.92	-3.05	6.54
	Shares	-1.44	-3.35	-3.94	-4.87	7.16
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.09	0.23	0.15	0.42	0.86
	Conservative	-0.46	-2.11	-1.88	-2.83	2.43
	Moderate	-0.73	-2.19	-2.51	-2.92	3.48
	Balanced	-1.05	-2.54	-3.28	-3.03	4.78
	Growth	-1.24	-2.58	-3.76	-2.88	5.97
	High Growth	-1.44	-2.70	-4.17	-3.01	7.03
	Shares	-1.46	-3.40	-4.29	-4.65	7.70
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.11	0.25	0.18	-	-
	Conservative	-0.48	-2.22	-2.00	-3.13	-
	Moderate	-0.74	-2.32	-2.63	-3.19	-
	Balanced	-1.07	-2.68	-3.43	-3.22	4.80
	Growth	-1.21	-2.66	-3.90	-2.90	5.66
	High Growth	-1.42	-2.66	-4.31	-2.78	7.28
	Shares	-1.41	-3.25	-4.31	-4.78	7.87

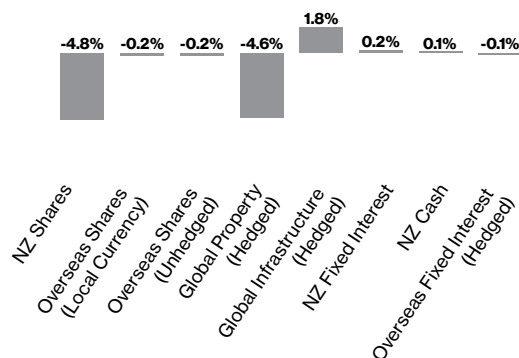
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

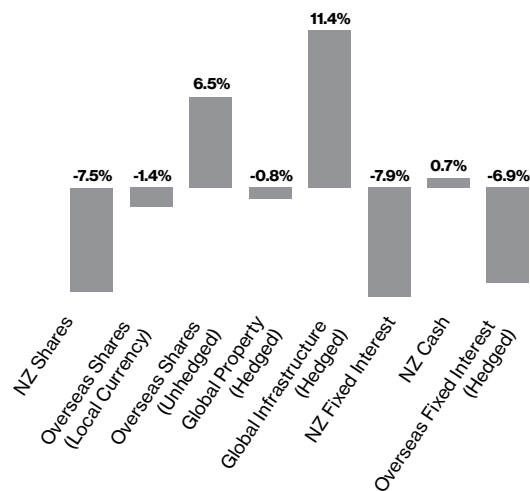
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Investment Returns For Periods Ended 31 May 2022

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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