



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 28 February 2023

Market performance summary

– February in a snapshot

- Despite a promising beginning to the year, market participants were reminded in February that the elevated levels of volatility observed throughout 2022 might not be entirely resolved. This could be particularly true if their key economic indicators continue to provide unclear signals.
- The month of February delivered negative investment returns across all investment options, except for the Cash investment option, in the NZDF Savings Schemes.
- 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 NZDF's appointed financial advisers at Become Wealth team by calling **0508 BECOME (0508 232 663)** or emailing **hello@become.nz**.



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 28 February 2023

Investor skepticism over intentions to fight inflation, led to a month of mostly declines in global share markets. At the beginning of the month, a labour department report showed that US payrolls increased by over half a million in January, nearly doubling December's total. This subsequently ended five consecutive months of decelerating job growth. Also adding to February's series of poorly received economic data coming out of the US was a smaller than expected decline in headline inflation, a 53-year low in the unemployment rate, and a sharp increase in retail sales which indicated no apparent let-up in consumer spending. While this may seem like good news, it bears the cost of potentially longer lasting inflation and leaves investors facing the harsh reality of higher rates for longer. After such a promising start to the year, market participants were reminded in February that the levels of heightened volatility experienced throughout 2022 may not be entirely behind us – especially if data signals on key economic indicators remain unclear.

Global equities declined in February as resilient economic data (particularly in the US labour market) led investors to reassess their expectations for both the peak in interest rates and the subsequent pace of rate cuts.

Strong economic data drove bond yields higher in February as investors' began to reduce their expectations for rate cuts by year-end. Front-end rates experienced the greatest leap, with the inversion of the 2-year and 10-year US Treasury yields deepening significantly towards month end.

Higher US rates spilled over into local markets, with the Bloomberg NZ Bond 0+ Yr Composite Index reducing by 1.5% in February. The impact of Cyclone Gabrielle was also factored into local yields climbing, with the expected cost of recovery likely to increase the pressure on pricing and potentially prolong the RBNZ's monetary tightening regime.

Global listed property and global listed infrastructure both underperformed global equities over the month, as soaring yields and sustained borrowing pressures weighed on the real estate sector.



Monthly Commentary Ended 28 February 2023



United States

Data released in February showed that the Personal Consumption Expenditures (PCE) price index (the Fed's preferred gauge of inflation) increased to an annual pace of 5.4% in January. The figures released in the PCE report are just the latest evidence that neither price increases nor the broader economy are cooling as much as expected.

China

US-China relations made headlines in February after a US fighter pilot shot down a suspected Chinese spy balloon flying over North American air space. Chinese officials claimed the balloon was mainly used for meteorological purposes and unexpectedly drifted into US air space due to weather.

New Zealand

The Reserve Bank of New Zealand (RBNZ) raised the official cash rate by 0.5% (50bps) to 4.75% in February, in line with market expectations. Some market participants had priced in a smaller increase in response to the devastating impact of recent weather events, however, the RBNZ stated "monetary policy is set with a medium-term focus, and the committee will look through these short-term output variations and direct price effects".

Become Wealth Monthly Commentary Ended 28 February 2023

Gardening

Investing is a bit like tending to a garden. Just like how you carefully choose which plants to put in the ground and where to put them, you also need to carefully choose which companies to invest in and how much money to put into each one.

A garden needs regular watering, de-weeding, and attention to grow and thrive. In the same way, our investments also need to be regularly monitored and adjusted to make sure they are still suitable.

Sometimes unexpected things happen, like a storm that damages your garden (or a bank failure that might impact your investments!). But, just like how you can recover from a storm by replanting and taking extra care of your garden, you can also recover from financial setbacks by making adjustments to your investments and being patient as they grow again.

When it comes to the NZ Defence Force Schemes, Mercer provides most of the “gardening services” as they manage the schemes. This means they ensure the investments are appropriate for each fund, are tax efficient, and are suitably diversified.

At times it is useful to bring in outside experts (e.g landscape gardeners) to advise on overall layout and even plant selection. Become Wealth are the outside experts to help with your finances, including investment decisions. If you would like to discuss anything about your investments into the NZ Defence Force Savings Schemes and how they can help you achieve your goals in life, it would be our pleasure to assist:

0508 BECOME (0508 232 663) hello@become.nz

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Chief Executive
Become Wealth



A Disclosure Statement is available on request and free of charge

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Investment Returns For Periods Ended 28 February 2023

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.24	0.72	1.64	1.69	0.79
	Conservative	-0.58	0.07	-1.27	-1.49	1.67
	Moderate	-0.67	0.23	-1.50	-1.37	2.41
	Balanced	-0.77	0.24	-1.81	-1.40	3.48
	Growth	-0.74	0.31	-1.92	-1.13	4.42
	High Growth	-0.71	0.42	-1.96	-0.87	5.20
	Shares	-0.61	0.65	-1.64	-0.97	5.55
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.28	0.83	1.89	1.96	0.90
	Conservative	-0.58	0.17	-1.38	-1.62	1.84
	Moderate	-0.69	0.33	-1.57	-1.41	2.61
	Balanced	-0.80	0.35	-1.88	-1.40	3.69
	Growth	-0.78	0.42	-1.78	-0.84	4.82
	High Growth	-0.74	0.55	-1.84	-0.60	5.58
	Shares	-0.76	0.61	-1.80	-0.87	5.87
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.30	0.90	2.05	2.12	0.98
	Conservative	-0.61	0.19	-1.45	-1.75	1.91
	Moderate	-0.75	0.33	-1.65	-1.49	2.78
	Balanced	-0.87	0.41	-1.94	-1.41	3.86
	Growth	-0.90	0.39	-1.87	-0.90	4.91
	High Growth	-0.86	0.54	-1.96	-0.59	5.77
	Shares	-0.85	0.73	-1.97	-0.91	6.08

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 28 February 2023

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.25	0.73	1.63	1.69	0.83
	Conservative	-0.55	0.13	-1.50	-1.67	1.79
	Moderate	-0.75	0.20	-2.10	-1.82	2.50
	Balanced	-0.87	0.19	-3.03	-2.41	3.31
	Growth	-0.92	0.25	-3.22	-2.26	4.19
	High Growth	-0.87	0.38	-3.16	-1.90	5.01
	Shares	-0.62	0.61	-1.69	-1.00	5.56
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.28	0.83	1.89	1.95	0.95
	Conservative	-0.65	0.13	-1.69	-1.90	1.97
	Moderate	-0.84	0.20	-2.36	-2.08	2.54
	Balanced	-1.02	0.17	-3.30	-2.61	3.55
	Growth	-1.06	0.29	-3.58	-2.50	4.47
	High Growth	-1.02	0.48	-3.40	-2.02	5.33
	Shares	-0.77	0.61	-1.84	-0.94	5.89
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.30	0.90	2.05	2.12	1.04
	Conservative	-0.72	0.18	-1.73	-1.95	2.35
	Moderate	-0.97	0.19	-2.39	-2.08	2.86
	Balanced	-1.11	0.18	-3.48	-2.73	3.60
	Growth	-1.13	0.30	-3.62	-2.45	4.70
	High Growth	-1.12	0.32	-3.52	-1.91	5.63
	Shares	-0.84	0.60	-2.07	-1.00	6.07

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Investment Returns For Periods Ended 28 February 2023

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.26	0.76	1.73	1.80	0.86
	Conservative	-0.56	0.14	-1.39	-1.56	1.80
	Moderate	-0.75	0.22	-1.99	-1.70	2.48
	Balanced	-0.88	0.21	-2.97	-2.35	3.40
	Growth	-0.90	0.30	-3.05	-2.09	4.28
	High Growth	-0.87	0.44	-3.11	-1.92	5.00
	Shares	-0.60	0.68	-1.44	-0.83	5.57
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.28	0.87	1.99	2.08	1.00
	Conservative	-0.65	0.17	-1.51	-1.75	1.95
	Moderate	-0.86	0.24	-2.23	-1.92	2.77
	Balanced	-1.04	0.19	-2.98	-2.24	3.72
	Growth	-1.07	0.23	-3.46	-2.27	4.62
	High Growth	-1.02	0.39	-3.28	-1.80	5.45
	Shares	-0.76	0.62	-1.72	-0.80	6.03
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.31	0.94	2.15	2.23	-
	Conservative	-0.72	0.17	-1.66	-1.89	-
	Moderate	-0.91	0.27	-2.13	-1.82	-
	Balanced	-1.12	0.21	-3.43	-2.68	3.66
	Growth	-1.18	0.26	-3.53	-2.29	4.73
	High Growth	-1.21	0.34	-3.61	-1.94	5.61
	Shares	-0.84	0.68	-1.87	-0.78	6.16

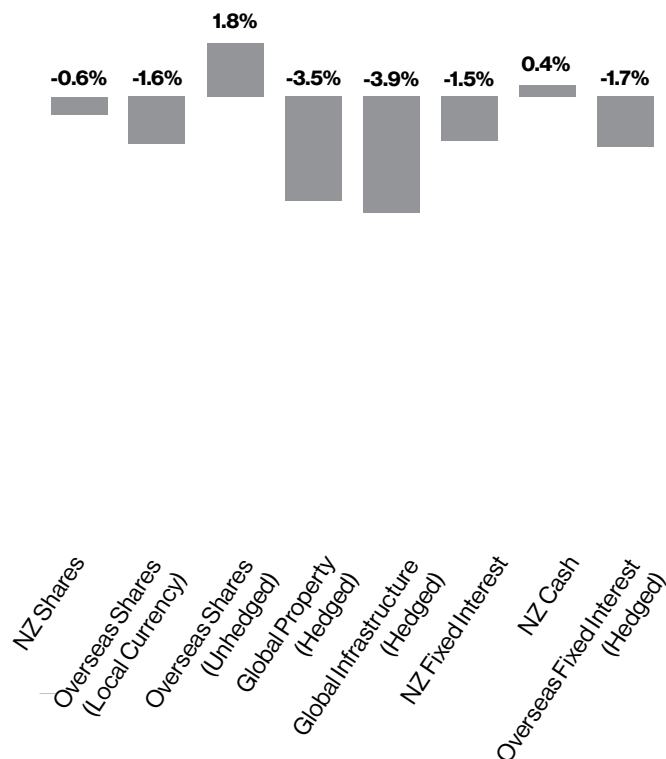
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

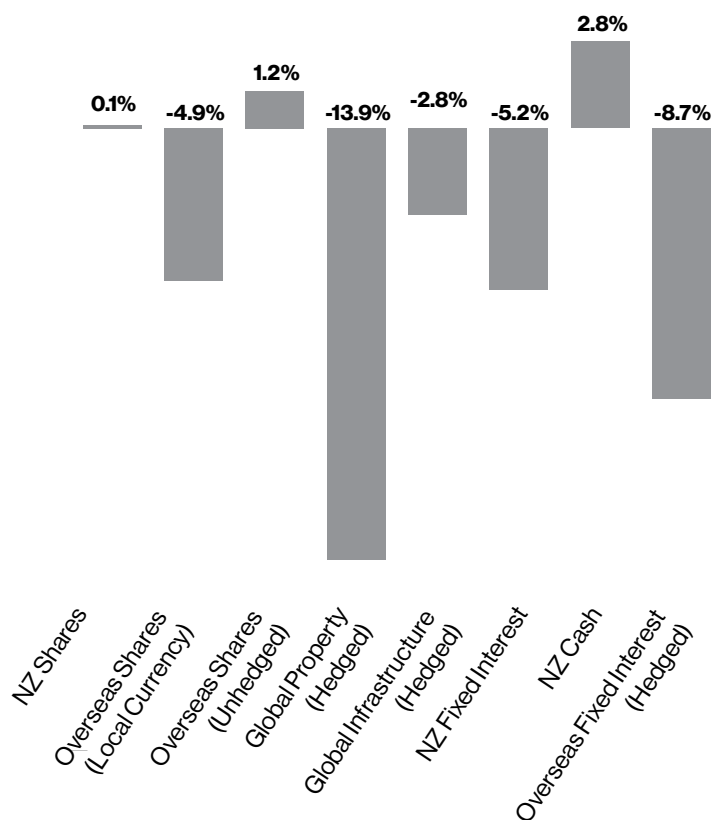
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Investment Returns For Periods Ended 28 February 2023

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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