

Monthly report

For the period ended 28 February 2025

Market performance summary

– February in a snapshot

- In February, the Reserve Bank of New Zealand implemented a significant 50 basis points (bps) cut to the Official Cash Rate (OCR), bringing it down to 3.75%. This reduction was influenced by the need to stimulate economic activity and support recovery amid ongoing inflation concerns.
- February delivered some positive and some negative returns in the NZDF Savings Schemes.
- Importance of financial advice should not be underestimated. 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 team of advisers by calling **0508 BECOME (0508 232 663)** or emailing **hello@become.nz**.
- If you are eligible for a Government contribution, please make sure you are on track to contributing \$1,042.86 into your KiwiSaver account before 30 June 2025, to ensure you receive the maximum amount. More information can be found on the website at **www.nzdfsavings.mil.nz**



Monthly Commentary Ended 28 February 2025

In February, the Reserve Bank of New Zealand (RBNZ) implemented a significant 50 basis points (bps) cut to the Official Cash Rate (OCR), bringing it down to 3.75%.

This decision was influenced by the current inflation rate, which remains around the target midpoint, and early signs of economic recovery. The RBNZ noted that unemployment levels have likely peaked and are expected to decline rapidly in the second half of the year. If the economy continues its predicted path, further OCR reductions are anticipated.

February saw a downturn in share markets, with international shares declining by 0.9% due to disappointing US economic data and rising inflation concerns. New Zealand shares fared worse, dropping 3% as the market reacted negatively to the potential impact of US tariffs and disappointing unemployment data. In contrast, international Real Estate Investment Trusts (REITs) returned 2.0%, while Australian REITs experienced a decline of 6.1% amid capital raising activities.

In New Zealand, while annual inflation slowed to 2.2% in Q4, rising rent prices indicate ongoing cost-of-living pressures that may dampen consumption. The economy contracted by 1.0% in Q3 2024 and 1.1% in Q2 2024, marking the worst decline since 1991. Despite these challenges, the RBNZ's recent rate cuts suggest a continued easing of monetary policy throughout 2025, favouring New Zealand sovereign bonds over cash.

Internationally, tariffs are expected to have a one-off impact on inflation and central banks are likely to continue cutting rates as inflation moderates (albeit at a slower pace). Japan is anticipated to raise interest rates as it emerges from a prolonged deflation period, supported by income growth and capital investment. Internationally listed property remains attractive due to healthy fundamentals and appealing valuations.



Monthly Commentary Ended 28 February 2025



United States

President Trump announced that the next steps in his tariff plan will be reciprocal tariffs on all trading partners. These tariffs would be customised for each country and will match other countries' tariffs on the US, as well as addressing any non-tariff barriers believed to disadvantage the US.

United Kingdom

The Bank of England cut interest rates by 0.25% in February, noting significant progress in reducing inflation over the past two years. Domestic inflationary pressures remain somewhat elevated, and UK economic growth has weakened.

New Zealand

The NZ Consumer Price Index (CPI) remains near the 2% midpoint of target as economic activity remains low and capacity pressure weighs.

Become Wealth Monthly Commentary Ended 28 February 2025

Ignore the Headlines

Big scary headlines about wars, tariffs, or global crises make for gripping news. But should they dictate your investment strategy?

Absolutely not, as reacting emotionally to uncertainty is a surefire way to mess things up.

Panic Selling: A Classic Mistake

Let's look at two examples of markets getting the jitters:

- **December 2018:** The S&P500 plunged **-15.7%** in three weeks due to US-China trade war fears. **What happened next?** A +15.0% rebound wiped out most losses in five weeks.
- **March 2020:** COVID panic saw a **-33.9%** drop in four weeks. **What happened next?** A +30.2% rally in five weeks.

In both cases, panic-selling meant locking in losses, while those who stayed put enjoyed the rebound.

Predicting Markets: Fool's Errand

Trying to outguess the market over short timeframes is like predicting Auckland's weather — futile. Here's why:

1. **Winners and losers aren't obvious.** Some industries that seem doomed thrive, and vice versa.
2. **Politics is messy.** Today's policy announcements often never happen.
3. **Markets move fast.** By the time you react, it's already priced in.

Ignore the Media Noise

News thrives on drama. Investing rewards patience. Jumping in and out based on headlines is risky. History shows staying invested, even through chaos, leads to long-term gains.

Even Great Years Have Bad Days

In 2024, the US market gained +23.3%, but prices fell on 43% of trading days. Imagine panicking on those down days — you'd have missed out on a huge return.

Markets may be down in early 2025. So what? History shows declines increase future return potential. The key? Patience and a solid plan.

Control The Controllables

You can't control wars, trade wars, politics, natural disasters, and so on. So, forget the headlines. Focus on things like:

- Investing enough for your goals.
- Controlling expenses.
- Taking the right level of investment risk, including by selecting fund choices within the NZDF Savings Schemes.

With time, diversification, and a good financial adviser (yes, a shameless plug for us here at Become Wealth), market noise won't matter. Stick to the plan, and the rewards will come.

What next?

To help you on your way to financial freedom, including how you can make the most of investments with one-or-more NZDF Savings Schemes, book your complimentary initial consultation today:

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hello@become.nz

Joseph Darby
Chief Executive
Become Wealth



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Investment Returns For Periods Ended 28 February 2025

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.22	0.75	3.30	3.61	1.89
	Conservative	0.27	0.59	4.12	5.30	1.93
	Moderate	0.06	0.67	5.45	7.34	3.29
	Balanced	-0.17	0.84	6.85	9.46	4.81
	Growth	-0.49	0.88	8.16	11.48	6.42
	High Growth	-0.65	1.16	9.37	13.25	7.63
	Shares	-0.91	1.49	10.21	14.55	8.40
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.25	0.86	3.78	4.12	2.15
	Conservative	0.35	0.59	4.62	5.83	2.12
	Moderate	0.11	0.72	5.77	7.74	3.53
	Balanced	-0.13	0.83	7.13	9.80	5.05
	Growth	-0.52	0.77	8.38	11.75	6.85
	High Growth	-0.66	1.12	9.70	13.61	8.00
	Shares	-0.90	1.37	10.27	14.65	8.77
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.26	0.90	4.05	4.45	2.34
	Conservative	0.39	0.66	4.90	6.17	2.18
	Moderate	0.12	0.70	6.08	8.04	3.70
	Balanced	-0.11	0.79	7.34	10.03	5.20
	Growth	-0.50	0.75	8.60	11.97	7.01
	High Growth	-0.71	0.96	9.55	13.41	8.21
	Shares	-0.95	1.26	10.42	14.82	9.05

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 2024

Investment Returns For Periods Ended 28 February 2025

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.22	0.76	3.41	3.71	1.90
	Conservative	0.40	0.85	4.98	6.16	2.18
	Moderate	0.10	0.63	6.07	7.97	3.43
	Balanced	-0.10	0.65	7.49	10.14	4.67
	Growth	-0.47	0.59	8.96	12.30	6.28
	High Growth	-0.71	1.05	10.42	14.32	7.56
	Shares	-0.91	1.52	10.40	14.78	8.50
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.25	0.88	3.90	4.25	2.18
	Conservative	0.46	0.92	5.36	6.58	2.31
	Moderate	0.16	0.66	6.36	8.31	3.43
	Balanced	-0.06	0.65	7.84	10.51	4.89
	Growth	-0.47	0.50	9.15	12.47	6.53
	High Growth	-0.72	0.94	10.59	14.42	7.84
	Shares	-0.88	1.44	10.54	14.81	8.86
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.27	0.93	4.20	4.58	2.35
	Conservative	0.51	0.92	5.68	6.93	2.69
	Moderate	0.18	0.66	6.70	8.65	3.80
	Balanced	-0.02	0.66	7.94	10.61	4.96
	Growth	-0.48	0.47	9.47	12.80	6.76
	High Growth	-0.71	0.94	10.81	14.65	8.21
	Shares	-0.93	1.35	10.69	15.04	9.11

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Investment Returns For Periods Ended 28 February 2025

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.23	0.77	3.35	3.66	1.94
	Conservative	0.39	0.88	4.96	6.11	2.18
	Moderate	0.11	0.64	5.97	7.87	3.38
	Balanced	-0.10	0.65	7.43	10.09	4.75
	Growth	-0.47	0.57	8.76	12.11	6.32
	High Growth	-0.70	1.03	10.26	14.13	7.58
	Shares	-0.92	1.51	10.15	14.47	8.49
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.24	0.85	3.49	3.83	2.15
	Conservative	0.47	0.90	5.38	6.61	2.33
	Moderate	0.16	0.66	6.45	8.38	3.66
	Balanced	-0.09	0.58	7.64	10.29	5.05
	Growth	-0.46	0.47	9.13	12.43	6.64
	High Growth	-0.72	0.96	10.61	14.47	8.01
	Shares	-0.91	1.46	10.57	14.93	9.08
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.28	0.93	4.11	4.49	-
	Conservative	0.52	0.95	5.61	6.87	-
	Moderate	0.20	0.67	6.58	8.51	-
	Balanced	-0.03	0.66	7.95	10.63	5.00
	Growth	-0.46	0.48	9.34	12.62	6.81
	High Growth	-0.72	0.89	10.83	14.57	8.17
	Shares	-0.93	1.41	10.73	15.06	9.16

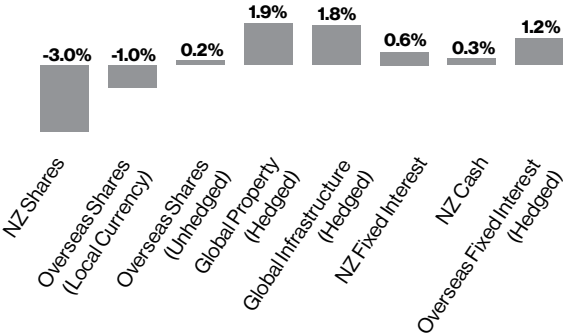
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

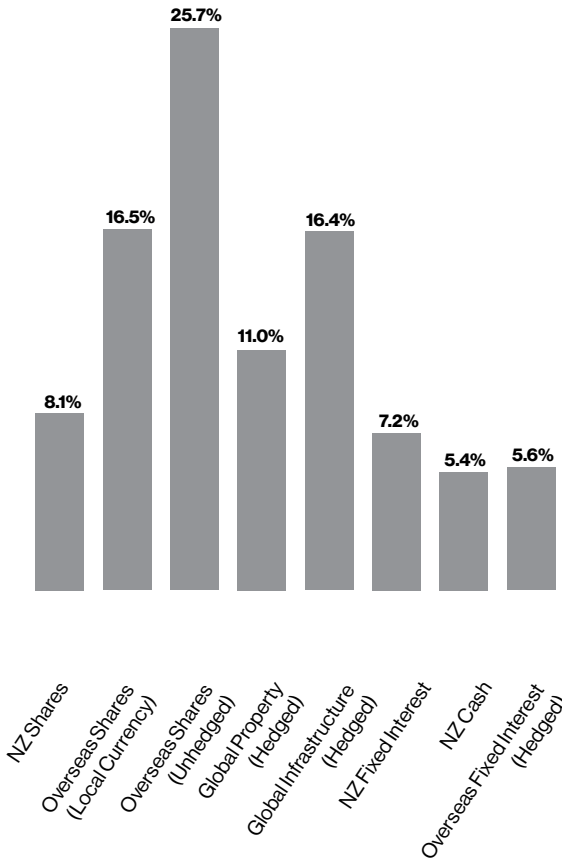
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Investment Returns For Periods Ended 28 February 2025

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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