



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 July 2022

Market performance summary

– July in a snapshot

- July was a positive month for the share markets globally and in New Zealand. While inflation continues to be an issue, many commentators are suggesting it has reached its peak and therefore the aggressive interest rate increases are less likely. Markets also reacted positively to a number of other factors such as strong employment growth, improved retail sales in some regions and better than expected earnings.
- All investment options in the New Zealand Defence Force Savings Schemes had positive returns.
- You should have received a copy of the Annual Report for each of the NZDF Savings Schemes. Please make sure you check we have your current email address or postal address, by signing into your account at www.nzdfsavings.mil.nz.
- 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 (previously named Milestone Direct) team of advisers 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 31 July 2022

Global share markets experienced a significant rebound in July, after the June lows. Expectations of further aggressive interest rate hikes to combat inflation faded, with many market commentators noting that inflation had likely reached its peak in most major economies and would begin to ease. The US Federal Reserve (the Fed) raised US interest rates another 75 bps (0.75%), largely in line with market expectations. Positive momentum in share markets was built on better-than-expected earnings data, strong employment growth, and improved retail sales data across the Eurozone, US and Australasia. Tensions between the East and the West continued to simmer and warning signals in global growth, and the risks of recession remained high.

Global shares had their best month of the year to date as markets expect the Fed to ease their pace of interest rate hikes going forward. Google and Microsoft announced resilient corporate earnings figures for the second quarter, sparking a rally led by growth stocks. The MSCI World was up 8.0% in local currency, while the tech-heavy NASDAQ 100 increased 12.4%.

New Zealand shares also rallied in July, after hitting 18-month lows in June. The S&P/NZX 50 Index was up 5.8% buoyed by an improvement in investor confidence on the full border re-opening. The Australian share market performed similarly, returning 5.7% and managing to shrug off concerns relating to decreased demand for commodity exports in a recessionary environment.

Global Listed Infrastructure has continued to be one of the better-performing asset class in 2022 in this volatile market, aided by the defensive nature of the sector and inflationary defense. Global REIT Index was up 7.8% in July, benefitting from its positive correlation with global shares and China's announcement of a USD44 billion real estate fund to resolve its debt crisis and restore confidence in the industry.



Monthly Commentary Ended 31 July 2022



United States

The US experienced its second consecutive quarter of negative GDP growth – the traditional signifier of an economic recession. The decrease of -0.9% in GDP growth over the second quarter of 2022 was driven by a decline in government spending, investment and inventories amid recessionary concerns. Driven by slowing growth in the US, China and the Eurozone, the International Monetary Fund revised its global growth outlook to 3.2% in 2022 and 2.9% in 2023, a downgrade of -0.4% and -0.7% respectively.

Europe

European energy ministers had agreed on a deal to cut gas consumption by 15% in order to limit its dependency on Russian gas supplies. The agreement means a mandatory reduction in energy consumption for EU countries during periods of shortage, and may add upwards pressure to energy prices.

China

Chinese banks face mortgage losses of up to USD350 billion. Confidence in the domestic property market has plummeted, leaving a large number of real estate projects to stall and triggering a boycott of mortgage repayments across more than 90 cities in the country.

New Zealand

Confidence data continued to remain near record lows with marginal improvements. The July ANZ Consumer and Business Survey reported confidences are at recessionary levels with lower investment and profit expectations month on month.

Become Wealth Monthly Commentary Ended 31 July 2022

Is the Market Sell-off Over?

Up until July, markets around the world have had a rough 2022.

Since major markets hit an all-time high on the first trading day of the year, stock (share) prices have fallen by more than 20%. Known as a bear market, the losses have been financially painful. Trillions of dollars in stock wealth have evaporated this year.

Despite investors' gloom, the worst of the bear market may have passed, as prices roared back to life in July. Of course, stock prices are sure to go up and down in coming days and weeks. It just may be the downdraft in prices is nearly over.

Looking out on the next seven years — the shortest reasonable time horizon for stocks given their volatility, and thus risk — annual stock returns in the mid-single digits seem likely. Sure, these aren't the double-digit returns of the two decades since about 2001, but they are solid returns nonetheless.

Much of the decline in stock prices this year is the result of investors anticipating higher interest rates. Higher rates reduce the present value of future corporate profits, from which stocks ultimately derive their worth. In other words, higher rates mean the profits that businesses are expected to earn in the future are worth less today — and thus stock prices decline.

Stock investors also rightly have high anxiety about the economy's prospects and what that means for corporate profits. Investors seem all but certain of a recession, as the current price declines are on par with the median peak-to-trough decline in stock prices around every recession since World War II.

The good news is that stock investors may have fully bought into all this bad news on interest rates and the economy's prospects. That sounds strange, but to put it another way, current low stock prices may fully reflect all that has gone wrong.

Most encouraging, global inflation expectations — what consumers, businesses and investors think inflation will be in the future — have significantly receded since jumping in the wake of the Russian invasion of Ukraine.

While there is good reason to be optimistic that the down market might be coming to an end, stock prices are unlikely to move up meaningfully until it's clear that Reserve Banks across the globe have finished raising interest rates. So, there might not be a pressing need to jump in and buy a bunch of investments or stocks right now, as it is also important to remember that timing ups and downs in the stock market is a daring and usually losing game. Most of us should ignore the market's volatility.

Whether the sell-off has just ended, or whether there's more pain to come, it pays to ignore the noise and invest for the long-run. The globally intertwined Western economy and businesses, as always, will prevail. One of the best ways to do this is to continue to make regular contributions to your NZDF saving scheme.

It may take time, but stock prices will rise again.

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

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Chief Executive
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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 July 2022

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.13	0.31	0.36	0.54	0.67
	Conservative	1.89	0.00	-1.25	-3.68	2.13
	Moderate	2.60	-0.44	-1.94	-4.37	2.98
	Balanced	3.40	-0.65	-2.47	-4.93	4.30
	Growth	4.09	-0.88	-2.96	-5.28	5.50
	High Growth	4.68	-1.15	-3.40	-5.78	6.47
	Shares	5.11	-1.29	-3.83	-7.62	7.11
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.15	0.37	0.42	0.63	0.79
	Conservative	2.04	-0.10	-1.48	-4.07	2.29
	Moderate	2.79	-0.41	-2.10	-4.66	3.18
	Balanced	3.54	-0.67	-2.69	-5.14	4.51
	Growth	4.23	-0.84	-3.11	-5.19	5.85
	High Growth	4.78	-1.22	-3.67	-5.76	6.81
	Shares	5.19	-1.35	-4.11	-7.65	7.40
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.17	0.40	0.46	0.70	0.82
	Conservative	2.16	0.04	-1.47	-4.24	2.38
	Moderate	2.84	-0.46	-2.25	-4.73	3.34
	Balanced	3.64	-0.66	-2.82	-5.37	4.67
	Growth	4.34	-0.84	-3.26	-5.43	5.93
	High Growth	4.82	-1.23	-3.83	-5.81	6.99
	Shares	5.24	-1.40	-4.33	-7.57	7.62

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 July 2022

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.13	0.32	0.36	0.51	0.73
	Conservative	2.10	-0.14	-1.40	-3.42	2.28
	Moderate	2.93	-0.52	-2.10	-4.27	3.17
	Balanced	3.79	-1.10	-3.10	-5.29	4.28
	Growth	4.52	-1.42	-3.69	-5.80	5.38
	High Growth	5.17	-1.56	-4.01	-6.14	6.42
	Shares	5.07	-1.27	-3.78	-7.56	7.14
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.15	0.36	0.41	0.58	0.83
	Conservative	2.28	-0.11	-1.56	-4.00	2.47
	Moderate	3.10	-0.54	-2.32	-4.67	3.22
	Balanced	3.97	-1.07	-3.30	-5.49	4.55
	Growth	4.66	-1.45	-3.94	-5.80	5.72
	High Growth	5.27	-1.63	-4.34	-6.19	6.74
	Shares	5.19	-1.29	-4.03	-7.35	7.45
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.17	0.38	0.44	0.63	0.90
	Conservative	2.37	-0.10	-1.62	-2.79	2.87
	Moderate	3.21	-0.52	-2.49	-4.31	3.53
	Balanced	4.04	-1.15	-3.52	-5.73	4.58
	Growth	4.74	-1.44	-4.10	-5.59	5.91
	High Growth	5.35	-1.50	-4.38	-5.45	7.05
	Shares	5.20	-1.44	-4.36	-7.10	7.61

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Investment Returns For Periods Ended 31 July 2022

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.14	0.34	0.40	0.62	0.75
	Conservative	2.15	-0.05	-1.31	-3.45	2.27
	Moderate	2.99	-0.50	-2.11	-4.22	3.12
	Balanced	3.85	-1.08	-3.09	-5.19	4.38
	Growth	4.55	-1.31	-3.58	-5.60	5.46
	High Growth	5.16	-1.54	-4.02	-6.17	6.41
	Shares	5.08	-1.18	-3.68	-7.56	7.14
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.16	0.39	0.45	0.70	0.87
	Conservative	2.30	-0.04	-1.47	-3.84	2.45
	Moderate	3.13	-0.47	-2.25	-4.40	3.45
	Balanced	4.05	-0.93	-3.16	-5.22	4.70
	Growth	4.67	-1.40	-3.92	-5.72	5.82
	High Growth	5.31	-1.56	-4.29	-6.14	6.85
	Shares	5.20	-1.29	-4.12	-7.42	7.60
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.17	0.43	0.50	-	-
	Conservative	2.39	-0.05	-1.58	-4.16	-
	Moderate	3.37	-0.35	-2.24	-4.56	-
	Balanced	4.11	-1.08	-3.43	-5.52	4.67
	Growth	4.77	-1.42	-4.10	-5.79	5.61
	High Growth	5.34	-1.64	-4.53	-5.97	7.05
	Shares	5.28	-1.36	-4.27	-7.56	7.71

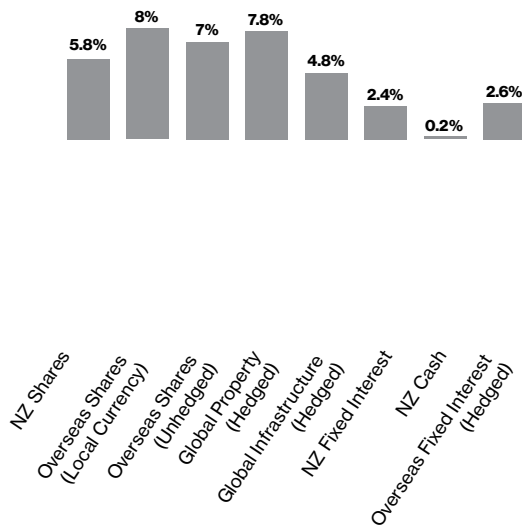
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

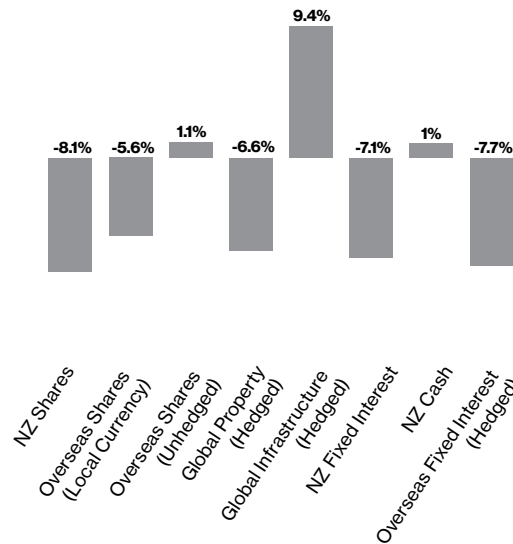
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Investment Returns For Periods Ended 31 July 2022

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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