



TE OPE KĀTUA O AOTEAROA  
**DEFENCE FORCE**

New Zealand Defence Force  
Savings Schemes

# Monthly report

For the period ended 30 November 2021

## Market performance summary

### – November in a snapshot

- November was a month of two halves - with the first half of the month delivering positive returns, which fell towards the second half. The month ended mostly in red as a result of ongoing uncertainties caused by Covid-19.
- All of the funds in the New Zealand Defence Force Savings Schemes, except for the Cash fund, ended this month with negative returns.
- Ongoing movements in the financial markets caused by Covid-19 can be concerning, but the NZDF Savings Schemes' team is here to support you.
- If you are considering making an investment fund change or you want to see if the fund you are in matches your appetite for risk and investment time horizon, the best first step is to complete a **risk quiz questionnaire**. Alternatively please discuss your investment choice with your financial adviser or Milestone Direct (MDL) team of advisers by calling **0508 MILESTONE (0508 645 378)** or emailing **info@milestonedirect.co.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 30 November 2021

Financial markets ended the month of November on a negative note as rising Covid-19 related hospitalisations in Europe, alongside the new emerging variant Omicron, increased uncertainty in what would otherwise have been a broadly positive month for the markets. Adding to this uncertainty was further restrictions in Europe as Covid-19 cases spiked in the region. Consumer price inflation remained high across the US, UK and Eurozone with market participants concerned that this will accelerate the timeline for monetary policy tightening (reduced lending and support) from central banks.

The US Federal Reserve (Fed) hinted that further reduction in its quantitative easing (QE) programme is on the horizon, and that “substantial further progress” in the economy would see a \$15 billion a month reduction in asset purchases from their current \$120 billion asset purchase programme, which has injected extra cash into the economy to help maintain economic growth. Analysts have attributed high equity valuations partially due to the Fed’s QE programme with more cash chasing shares. There is concern that investors may struggle to justify paying higher premiums for equities once QE tapers off.

Global equities were unable to find their footing at the end of the month, suffering a strong decline due to concerns of the new Covid variant. The S&P 500, MSCI Europe Index and S&P Asia 50 fell -0.7%, -5.1% and -4.8% respectively. Nevertheless, central banks continue to reiterate that tighter monetary conditions are approaching.

The New Zealand sharemarket had a tough month falling -2.9%, underperforming overseas markets as another OCR hike by the RBNZ weighed on the interest rate sensitive NZX-50. Across the Tasman, the cyclical heavy ASX 200 outperformed NZ Equities, however ended the month down -0.5% in local currency.

New Zealand Bonds performed positively despite a rate hike from the RBNZ and high inflation figures. Market instability from the Omicron variant saw the Bloomberg NZ Bond Composite Index rise 0.7%. The NZ 10-Year Government Bond yield ended the month 2.44%, around 10 basis points lower than the start of the month.



# Monthly Commentary Ended 30 November 2021



## United States

“Probably a good time to retire that word”, Jerome Powell, Chairman of the Fed stated as he admitted that the central bank should stop using the word “transitory”, as inflation across the world continues to hover at record levels. Latest data showed that US Consumer Price Index (CPI) increased 6.2% in October, the fastest pace in 31 years.

## New Zealand

The Reserve Bank of New Zealand (RBNZ) raised the Official Cash Rate (OCR) by 0.25% to 0.75%. They stated that despite lockdowns, “underlying economic strength remains supported by aggregate household and business balance sheet, fiscal policy support and strong export returns” and that “the New Zealand economy continues to perform above its current potential”. NZ CPI saw its largest jump in 12 years, up 4.9% as global supply constraints continue to put upwards pressure on prices of goods and services.

## United States

WTI Crude Oil dramatically fell -13% in a single trading session as the Omicron variant increased concerns of lower consumption. Additionally the US announced that it would release 50 million barrels of crude oil to soften domestic oil prices.

# Milestone Direct Monthly Commentary Ended 30 November 2021

## Fight Back Against the Thief in Your Wallet

New Zealand and most of the world is now facing something we haven't experienced in over 30 years – the return of increasing sustained inflation.

Investors, savers (including those using bank savings accounts to build up a first home deposit), businesses, and government departments such as the Reserve Bank all continuously monitor and worry about the level of inflation.

Inflation is when average prices for goods and services in the entire country go up. In other words, the buying power of an individual dollar decreases when the price of everything has increased. For example, imagine it costs \$100 to buy a bicycle today, and the current inflation rate is two percent: next year, if the bicycle increases in step with inflation, it will cost \$102. A modest inflation rate is generally viewed as a sign of healthy economic growth, though anything more can have a sinister effect.

The most often-quoted measure of inflation in NZ recently soared to a level beyond anything seen since the 1980s (less tax adjustments), despite that measure excluding house prices, which we all know have soared like a rocket!

Few people, if any, fully understand things as complex as the workings of any economy and the overall impacts of high inflation, though several things are mostly agreed upon:

- Consumers can purchase fewer goods and services. Anyone who's been to a supermarket or petrol station lately doesn't need to be told this!
- It might cause the economy to slow for a time until a healthier balance of economic growth is reached

## A Disclosure Statement is available on request and free of charge

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- As inflation erodes the real value of money, any investment which doesn't keep pace with it (including savings in the bank) is losing money in real terms
- Shares (stocks) should provide some protection, as shares are just tiny slices of ownership in a company, and most company's revenues and profits should grow at the same rate as inflation, after a period of adjustment. This is because most companies just put their prices up
- Precious metals like gold historically do well when inflation is high. As the value of the NZ Dollar goes down, it costs more dollars to buy the same amount of gold
- There is usually no single good answer about how individuals can combat high inflation. Individual investors must sift through the confusion to make wise decisions on how to invest

There's plenty of debate among some highly intelligent people about whether high inflation is here to stay or is just a passing side-effect to the national and global response to the Covid pandemic. We'd prefer not to wade into that argument, but if you'd like to know how you can best fight back against inflation, perhaps including by wise investment into one or more of the NZDF Savings Schemes, then let us know:

**0508-645-378**

[info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz)

Joseph Darby  
Chief Executive  
Milestone Direct



# Investment Returns For Periods Ended 30 November 2021

## New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.03	0.04	0.04	0.06	0.72
	Conservative	-0.03	-0.72	1.72	1.86	3.40
	Moderate	-0.18	-0.89	2.80	4.62	4.74
	Balanced	-0.29	-0.98	4.31	7.97	6.65
	Growth	-0.33	-0.97	5.61	11.37	8.51
	High Growth	-0.41	-1.06	6.60	13.87	9.95
	Shares	-0.40	-1.41	6.16	14.25	11.38
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.03	0.04	0.04	0.06	0.87
	Conservative	-0.04	-0.76	1.82	1.83	3.74
	Moderate	-0.26	-0.98	2.92	4.63	5.06
	Balanced	-0.39	-1.01	4.45	8.10	7.01
	Growth	-0.50	-0.97	6.03	11.91	8.92
	High Growth	-0.57	-1.09	6.89	14.26	10.35
	Shares	-0.56	-1.43	6.32	14.53	11.79
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.03	0.05	0.05	0.07	0.90
	Conservative	-0.05	-0.83	1.88	1.80	3.90
	Moderate	-0.31	-0.94	3.07	4.76	5.25
	Balanced	-0.49	-1.13	4.49	8.14	7.24
	Growth	-0.64	-1.16	5.81	11.68	9.08
	High Growth	-0.70	-1.11	7.01	14.51	10.64
	Shares	-0.68	-1.43	6.43	14.61	12.07

### 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 30 November 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	0.02	-0.01	-0.01	0.81
	Conservative	0.01	-0.67	1.83	1.98	3.57
	Moderate	-0.18	-0.83	2.98	4.87	4.91
	Balanced	-0.28	-0.95	4.40	8.12	6.76
	Growth	-0.34	-0.99	5.69	11.50	8.48
	High Growth	-0.41	-1.07	6.65	13.94	9.98
	Shares	-0.40	-1.42	6.17	14.27	11.41
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.03	0.02	-0.01	-0.01	0.92
	Conservative	-0.02	-0.77	1.87	1.87	3.93
	Moderate	-0.24	-0.96	2.99	4.77	5.12
	Balanced	-0.39	-1.02	4.55	8.32	7.13
	Growth	-0.48	-0.97	6.00	11.91	8.92
	High Growth	-0.58	-1.06	6.95	14.35	10.42
	Shares	-0.57	-1.42	6.40	14.56	11.74
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.03	0.03	-0.01	-0.02	1.01
	Conservative	-0.03	-0.84	1.85	1.82	4.09
	Moderate	-0.27	-0.98	3.01	4.71	5.39
	Balanced	-0.45	-1.08	4.59	8.34	7.23
	Growth	-0.58	-1.05	6.03	12.02	9.10
	High Growth	-0.70	-1.12	6.97	14.49	10.59
	Shares	-0.68	-1.45	6.49	14.76	11.94

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# Investment Returns For Periods Ended 30 November 2021

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD <sup>*</sup> %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.04	0.07	0.03	0.03	0.82
	Conservative	0.00	-0.64	1.85	2.03	3.59
	Moderate	-0.15	-0.77	3.04	4.86	4.92
	Balanced	-0.26	-0.90	4.52	8.30	6.85
	Growth	-0.34	-0.94	5.72	11.53	8.55
	High Growth	-0.40	-1.02	6.68	13.88	10.04
	Shares	-0.39	-1.33	6.22	14.29	11.44
PIR	Fund	1 Month %	3 Months %	FYTD <sup>*</sup> %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.04	0.08	0.07	0.07	0.94
	Conservative	-0.01	-0.66	1.96	2.04	3.91
	Moderate	-0.22	-0.84	3.13	5.08	5.34
	Balanced	-0.37	-0.98	4.64	8.44	7.23
	Growth	-0.47	-1.01	5.90	11.82	9.01
	High Growth	-0.59	-1.09	6.87	14.35	10.56
	Shares	-0.58	-1.41	6.50	14.90	12.03
PIR	Fund	1 Month %	3 Months %	FYTD <sup>*</sup> %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.05	-	-	-	-
	Conservative	-0.03	-0.76	1.78	1.74	-
	Moderate	-0.28	-0.95	3.12	4.86	-
	Balanced	-0.45	-0.99	4.71	8.44	7.31
	Growth	-0.58	-0.99	6.13	12.15	8.66
	High Growth	-0.67	-1.07	7.11	14.66	10.77
	Shares	-0.68	-1.42	6.50	14.88	12.20

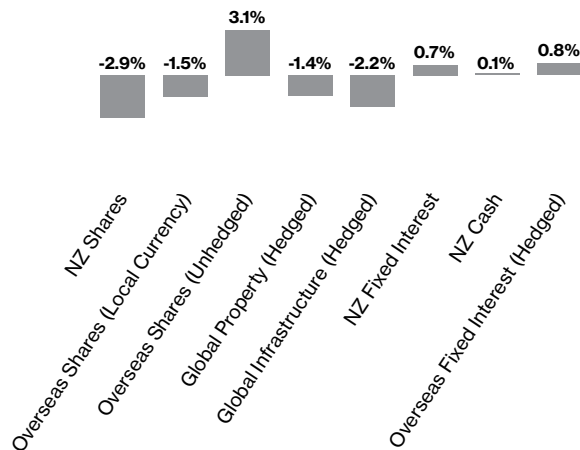
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

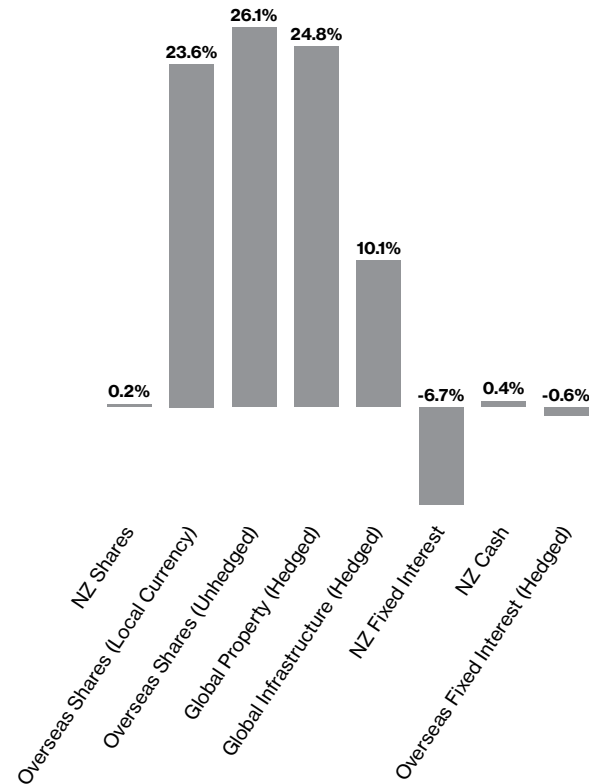
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# Investment Returns For Periods Ended 30 November 2021

## 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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