



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 October 2021

Market performance summary

– October in a snapshot

- Global markets recovered after last month's mostly negative performance. While performance was positive across a number of markets, the US stock market led the charge with its high exposure to high growth stocks.
- All of the funds in the New Zealand Defence Force Savings Schemes ended this month with positive returns.
- Choosing the right investment option or the right contributions strategy is important. Please discuss these 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

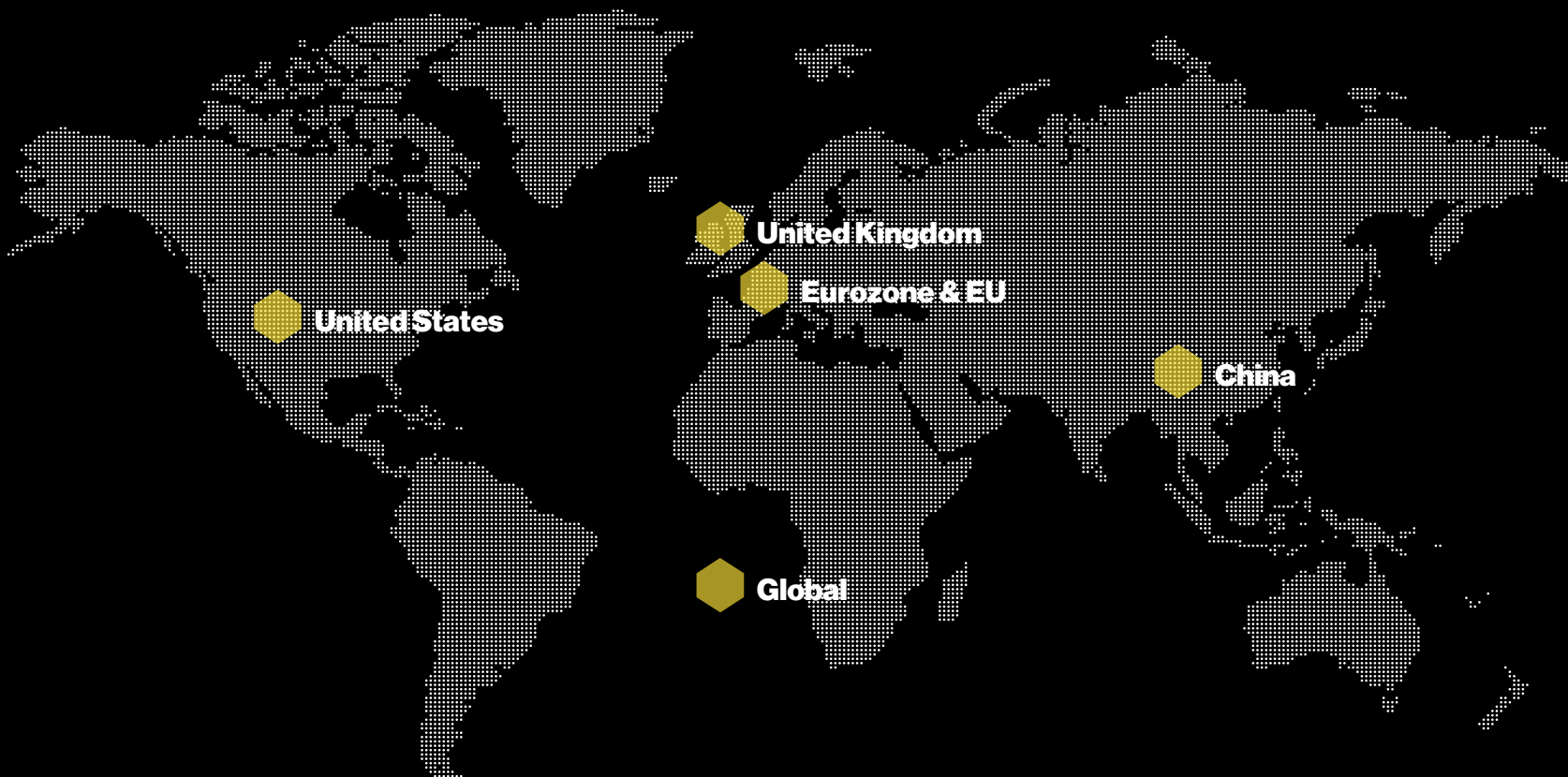
Monthly Commentary Ended 31 October 2021

Global stock markets rebounded after last month's broadly negative performance. Increases in the price of goods and services, alongside interest rate increases and supply chain bottlenecks, continue to weigh on broader economic spending and activity. Stock price volatility (ups and downs) significantly declined over the month, with the US stock market outperforming other stock markets around the world (such as the NZ stock market), by a significant margin, due to its high exposure to high growth stocks.

Returns for emerging market stocks (such as Asia) were positive, but lower than stocks in the broader developed market (countries such as US, UK etc). China had a strong performance, after the past couple of months, where their stocks suffered poor performance due to the Chinese government's crackdown on technology companies. Stock prices are quite low for these companies, so investors are taking advantage of lower prices to invest in them. Meanwhile this was offset by much weaker performance across the rest of Asia and Brazil. The US dollar weakened slightly in a risk on environment (where investors sentiment is to buy assets which are risky i.e. stocks), while energy prices such as natural gas and oil continued to soar.



Monthly Commentary Ended 31 October 2021



Global

Supply chain stresses continue to wobble global trade, coming in the form of component shortages and disruptions to transport logistics amidst increased demand during holiday shopping.

US, UK & EUROZONE

Price levels for goods and services in major economies such as the US, UK and Eurozone remained close to recent peaks, partly due to the supply constraints.

UNITED STATES

A looming deadline for the US Government borrowing limit in October was moved to December, however may remain a risk, as if the ceiling is not raised, bond markets may react negatively to outstanding US government debt.

US & CHINA

Tensions between US and China remain high as China Mobile lost its licence to operate in the US.

UK & EU

The ongoing dispute between the UK and EU over the Irish regulatory border began to intensify again and with it concerns over the potential short term impact on trade.

Milestone Direct Monthly Commentary Ended 31 October 2021

The Patience Principle

Global markets are occasionally providing investors a rough ride. While turbulence can be worrisome, maintaining a longer-term perspective makes the volatility easier to handle.

A typical response to unsettling markets is an emotional one. We might be tempted to quit risky assets when prices are down and wait for more “certainty”.

These sorts of timing strategies can take a few forms:

- One is to use forecasting to get out (i.e. sell all your investments) when the market is judged to be “over-bought” and then to buy back in when the signals tell you it is “over-sold”.
- A second strategy might be to undertake a comprehensive analysis of the Chinese or US economy (where a lot of the largest investments are located), their monetary policies, global trade, rates of inflation, and investment links and how the various scenarios around these issues might play out in global markets.

In the first instance, there is very little evidence that these forecast-based timing decisions work with any consistency. And, even if people manage to luck their way out of the market at the right time, they still have to decide when to get back in.

In the second instance, you can be the world's best economist and make an accurate assessment of the growth trajectory of the US or China, together with any number of factors. But that still doesn't mean the markets will react as you assume.

In any case, there are periods when markets plummet and others where they rise seemingly unstopably. The only way of getting that “average” return is to go with the flow. Think about it this way. A sign at the river's edge reads: “Average depth: one metre”. Reading the sign, the backpacker thinks: “OK, I can wade across”. But he or she soon discovers the “average” includes a range of everything from 50 centimetres to five metres.

Likewise, financial products such as KiwiSaver are frequently advertised as offering “average” returns of, say, 7%, without the promoters acknowledging in a prominent way that individual year returns can be many multiples of that average in either direction.

Now there may be nothing wrong with that sort of volatility if the individual can stomach it. But others can feel uncomfortable. That's okay too, the important point is being prepared about possible outcomes from your investment choices.

Look at the New Zealand share market's common benchmark, the S&P/NZX 50 index. From 1993 to 2019, the index registered annual gains of as high as 39.8% (in 1993) and losses of as much as -32.8% (in 2008). But, over that full period, the index delivered an annualised rate of return of 8.83%.

To earn that return, you had to remain fully invested, taking the unsettling down periods with the heartening up markets, but also buying and selling each year to stay invested within the allocation of the index (called rebalancing).

If you're thinking ahead five, 10, 15 or 20 years, the uncertainty will soon fade and the markets will go onto worrying about something else. Ultimately what drives your return is how you allocate your capital across different assets (such as shares and property), how much you invest over time, and the power of compounding returns.

But in the short-term, the greatest contribution you can make to your long-term wealth is exercising patience.

The Milestone Direct team are standing-by to discuss how anything mentioned above may relate to you, your investments, and your goals in life:

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Milestone Direct



A Disclosure Statement is available on request and free of charge

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Investment Returns For Periods Ended 31 October 2021

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.01	0.02	0.01	0.04	0.74
	Conservative	0.06	-0.32	1.74	3.26	3.37
	Moderate	0.34	0.06	2.98	7.43	4.76
	Balanced	0.78	0.48	4.62	12.46	6.73
	Growth	1.19	0.95	5.97	17.59	8.67
	High Growth	1.44	1.34	7.04	21.37	10.18
	Shares	1.20	1.35	6.59	22.52	11.70
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.01	0.01	0.00	0.03	0.89
	Conservative	0.08	-0.35	1.86	3.29	3.71
	Moderate	0.35	0.06	3.19	7.62	5.07
	Balanced	0.86	0.60	4.86	12.82	7.12
	Growth	1.39	1.22	6.56	18.47	9.14
	High Growth	1.62	1.60	7.50	22.20	10.64
	Shares	1.37	1.54	6.92	23.40	12.13
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.01	0.02	0.01	0.04	0.91
	Conservative	0.05	-0.36	1.93	3.33	3.86
	Moderate	0.48	0.21	3.39	7.89	5.29
	Balanced	0.92	0.60	5.01	13.16	7.38
	Growth	1.41	1.18	6.48	18.61	9.34
	High Growth	1.73	1.75	7.76	22.81	10.96
	Shares	1.51	1.75	7.16	23.81	12.45

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 31 October 2021

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.00	-0.03	-0.04	0.83
	Conservative	0.06	-0.30	1.82	3.37	3.53
	Moderate	0.38	0.12	3.16	7.66	4.92
	Balanced	0.79	0.52	4.69	12.56	6.84
	Growth	1.19	0.96	6.06	17.58	8.65
	High Growth	1.44	1.35	7.09	21.40	10.21
	Shares	1.20	1.32	6.60	22.51	11.69
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.00	-0.04	-0.04	0.94
	Conservative	0.04	-0.35	1.89	3.34	3.88
	Moderate	0.41	0.09	3.24	7.76	5.16
	Balanced	0.90	0.62	4.96	13.04	7.24
	Growth	1.39	1.23	6.51	18.51	9.14
	High Growth	1.65	1.65	7.58	22.34	10.72
	Shares	1.38	1.58	7.01	23.43	12.10
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	0.00	-0.04	-0.05	1.03
	Conservative	0.07	-0.43	1.88	3.32	4.04
	Moderate	0.44	0.10	3.29	7.89	5.42
	Balanced	0.94	0.63	5.07	13.28	7.36
	Growth	1.43	1.23	6.65	18.85	9.34
	High Growth	1.77	1.70	7.73	22.84	10.93
	Shares	1.49	1.72	7.21	23.97	12.35

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Investment Returns For Periods Ended 31 October 2021

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.01	0.02	-0.01	-0.01	0.83
	Conservative	0.08	-0.26	1.85	3.45	3.56
	Moderate	0.39	0.16	3.19	7.65	4.94
	Balanced	0.82	0.56	4.79	12.76	6.93
	Growth	1.23	1.01	6.07	17.72	8.73
	High Growth	1.46	1.39	7.11	21.38	10.28
	Shares	1.23	1.38	6.63	22.55	11.73
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.02	0.03	0.03	0.04	0.96
	Conservative	0.05	-0.28	1.97	3.52	3.89
	Moderate	0.44	0.18	3.36	8.15	5.38
	Balanced	0.89	0.63	5.03	13.26	7.34
	Growth	1.32	1.12	6.41	18.47	9.22
	High Growth	1.62	1.57	7.50	22.45	10.85
	Shares	1.39	1.63	7.12	23.98	12.39
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.01	-	-	-	-
	Conservative	0.08	-0.34	1.81	3.25	-
	Moderate	0.42	0.15	3.40	-	-
	Balanced	0.98	0.73	5.19	13.38	7.44
	Growth	1.45	1.32	6.75	19.03	8.90
	High Growth	1.74	1.77	7.83	22.97	11.11
	Shares	1.50	1.75	7.23	24.03	12.59

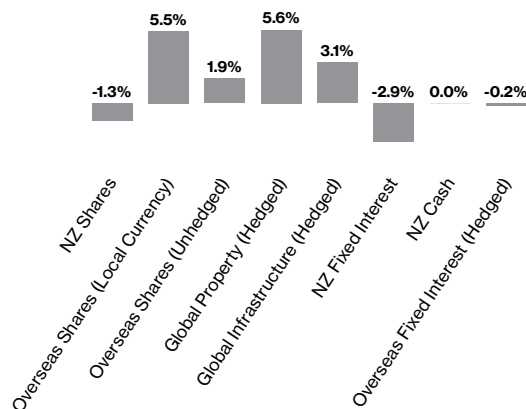
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- '- ' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

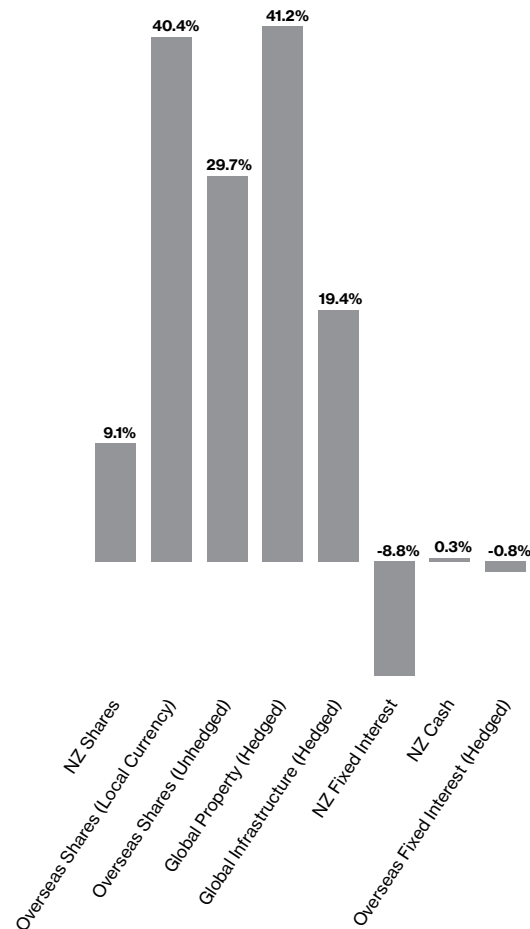
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Investment Returns For Periods Ended 31 October 2021

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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