



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 October 2022

Market performance summary

– October in a snapshot

- October saw share markets recovering from their September lows.
- All investment options in the New Zealand Defence Force Savings Schemes had positive returns for the month.
- 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**.
- We also suggest those contemplating retirement to have a retirement plan and budget. The average retiree should assume that their funds will be required to last 25 + years in retirement.



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 2022

October was a positive month for investors, as we saw share markets recovering. Momentum in share markets was built on generally positive growth in Q3 US corporate earnings reported during the month. The US S&P 500 gained 8.1% (in local currency) in October, with notable gains in the Industrial and Energy sectors. However, investor focus quickly shifted back to recessionary fears at the end of the month due to US President Joe Biden's call for a windfall tax on Oil companies, US annual inflation coming in at 8.2% and remaining near its 40-year highs, as well as worsening consumer confidence data. Central banks in other developed economies, such as the European Central Bank and Bank of Canada, continued to raise interest rates and signal further hikes to come. The Reserve Bank of Australia ('RBA') and Bank of Japan both remained optimistic about controlling inflation. However, sentiment about the global economic outlook remains pessimistic, with persistent multi-decade high inflation becoming a virulent issue around the world.

New Zealand share market finished up 2.5% in October, with logistics giant Mainfreight continuing to lead the domestic market. New Zealand's underperformance relative to its global counterparts was due to the release of an unexpectedly high CPI reading and low business confidence data.

The Australian market outperformed in October, with ASX200 ended up 6.0% (in local currency) due to high commodity prices, positive retail sales, and RBA's "dovish" interest rate hike of 25bps in October as opposed to the 75bps increase expected by the market.

Listed Property had a relatively strong month, up 3.0% and benefitting from its correlation to global equity markets. With the US now focus on green energy projects, investors' growing need in inflation protection and long-term cash flow stability, Listed Infrastructure saw market support and returned 3.1% over the month.



Monthly Commentary Ended 31 October 2022



United States

In the US, the Biden administration announced plans to significantly tighten their control on microchip exports. The controls imposed effectively ban Chinese companies from buying advanced chips and chip-making equipment without a license. After the announcement, China's chip stocks plummeted, shedding USD8.6 billion in market value within a day.

United Kingdom

The UK Government proceeded with its bond buy-back scheme in order to stabilize bond markets, in the wake of a number of UK Pension Funds facing margin calls as the value of their UK Gilts (used as collateral) plummeted. Former UK Prime Minister Liz Truss resigned over the financial turmoil after 44 days in office, and the BoE is set to begin their quantitative tightening programme in November.

New Zealand

The NZ Q3 2022 annual core CPI figure came in above expectation at 7.2% for the year to 30 September 2022. Consumer confidence data from the ANZ-Roy Morgan survey remained at a decade low, with business inflation expectation now sitting higher than consumer expectations.

Become Wealth Monthly Commentary Ended 31 October 2022

Crowd Wisdom

In the 1900's, the behaviour of crowds was widely detested. "Madness is the exception in individuals but a rule in groups" said German philosopher Friedrich Nietzsche. He was echoing Charles Mackay, who, in 1841, wrote in his book *Extraordinary Popular Delusions and the Madness of Crowds* that "men, it has been well said, think in herds. It will be seen that they go mad in herds, while they only recover their senses slowly, and one by one".

Similar sentiment and comments were made throughout history, though that started changing when a British scientist, Francis Galton, conducted a basic experiment at a regional fair in 1906. That's where Galton came across a weight-judging competition. 800 people tried their luck at judging the weight of an ox. It was a diverse cohort, with butchers and farmers ("experts" in this case), but many non-experts like clerks and horse-race betters also participated. Galton's initial interest was to tabulate the results and check if they confirmed his then-pet project (now known as the bell curve).

In the process, he calculated the mean (average) of the group's guesses, expecting it to be way off the mark. He was wrong; the ox weighed 1,198 pounds, and the group's guess... 1,197 pounds! He later wrote, "The result seems more creditable to the trustworthiness of a democratic judgement than might have been expected". That was, an understatement to say the least.

A weight-judging competition may not sound like a complex task, but similar tests, experiments, and studies have confirmed wisdom of the crowd. The basic concept is that predictions and forecasting by large groups of people are more accurate than those done by individuals, thus revealing a collective intelligence.

Investment Values

This wisdom of the crowds is continually on full display in financial markets.

It has been even more noticeable over the last year or so, as financial and other assets are being continually re-priced in response to new information about inflation, interest rates, and so-on, both here in New Zealand and overseas. Some of the re-pricing variations have been significant. This re-pricing is displayed by the fluctuations you might have noticed in your NZDF KiwiSaver Scheme, Superannuation Scheme or FlexiSaver Scheme balance.

Of course, each price gyration or movement is nearly impossible to predict – so the best bet continues to be riding the steady upward march of markets over the years, and ignoring the steady stream of good, bad, and indifferent news which causes the crowd to re-evaluate today's market price.

If you would like to discuss anything above, it would be our pleasure to assist:

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

Joseph Darby
Chief Executive
Become Wealth



A Disclosure Statement is available on request and free of charge

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Investment Returns For Periods Ended 31 October 2022

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.20	0.51	0.87	1.04	0.72
	Conservative	0.76	-2.21	-3.42	-5.50	1.30
	Moderate	1.33	-2.45	-4.34	-6.77	1.92
	Balanced	1.95	-2.93	-5.33	-8.16	2.83
	Growth	2.55	-3.21	-6.08	-9.19	3.66
	High Growth	3.20	-3.23	-6.52	-10.03	4.39
	Shares	3.64	-3.05	-6.76	-11.62	4.69
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.23	0.59	1.02	1.21	0.83
	Conservative	0.81	-2.41	-3.85	-6.06	1.42
	Moderate	1.40	-2.75	-4.80	-7.33	2.08
	Balanced	2.07	-3.22	-5.82	-8.74	3.02
	Growth	2.76	-3.39	-6.40	-9.51	4.02
	High Growth	3.36	-3.36	-6.91	-10.37	4.73
	Shares	3.76	-3.09	-7.07	-11.86	5.04
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.24	0.64	1.10	1.33	0.89
	Conservative	0.81	-2.64	-4.07	-6.43	1.46
	Moderate	1.43	-2.87	-5.05	-7.66	2.21
	Balanced	2.14	-3.44	-6.16	-9.17	3.15
	Growth	2.92	-3.47	-6.61	-9.78	4.12
	High Growth	3.48	-3.46	-7.16	-10.63	4.94
	Shares	3.93	-3.39	-7.57	-12.23	5.21

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 October 2022

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.21	0.52	0.88	1.03	0.76
	Conservative	0.82	-2.50	-3.86	-5.55	1.38
	Moderate	1.34	-3.27	-5.31	-7.51	1.93
	Balanced	2.07	-3.97	-6.94	-9.52	2.58
	Growth	2.82	-4.25	-7.78	-10.66	3.32
	High Growth	3.34	-4.36	-8.20	-11.43	4.08
	Shares	3.53	-3.03	-6.69	-11.52	4.73
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.23	0.60	1.02	1.19	0.87
	Conservative	0.89	-2.78	-4.29	-6.34	1.52
	Moderate	1.53	-3.61	-5.85	-8.19	1.94
	Balanced	2.20	-4.42	-7.57	-10.22	2.78
	Growth	3.00	-4.76	-8.51	-11.37	3.59
	High Growth	3.54	-4.76	-8.89	-12.10	4.36
	Shares	3.76	-3.22	-7.12	-11.73	5.03
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.25	0.66	1.10	1.29	0.95
	Conservative	0.93	-3.07	-4.64	-5.37	1.85
	Moderate	1.64	-3.76	-6.15	-7.99	2.21
	Balanced	2.28	-4.53	-7.90	-10.57	2.82
	Growth	3.07	-4.92	-8.82	-11.32	3.77
	High Growth	3.68	-4.83	-9.00	-11.52	4.70
	Shares	3.94	-3.28	-7.49	-11.66	5.24

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Investment Returns For Periods Ended 31 October 2022

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.21	0.53	0.93	1.14	0.79
	Conservative	0.80	-2.52	-3.80	-5.64	1.37
	Moderate	1.47	-3.15	-5.19	-7.39	1.91
	Balanced	2.12	-3.98	-6.95	-9.48	2.67
	Growth	2.83	-4.25	-7.68	-10.51	3.41
	High Growth	3.41	-4.31	-8.15	-11.44	4.09
	Shares	3.63	-2.86	-6.44	-11.43	4.74
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.23	0.61	1.06	1.29	0.92
	Conservative	0.87	-2.81	-4.23	-6.28	1.49
	Moderate	1.56	-3.64	-5.80	-8.05	2.16
	Balanced	2.22	-4.18	-7.20	-9.75	2.97
	Growth	3.05	-4.69	-8.43	-11.14	3.72
	High Growth	3.62	-4.52	-8.62	-11.77	4.53
	Shares	3.82	-3.12	-7.11	-11.74	5.20
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.26	0.66	1.16	1.42	-
	Conservative	0.93	-2.97	-4.50	-6.69	-
	Moderate	1.61	-3.82	-5.97	-8.34	-
	Balanced	2.32	-4.71	-7.98	-10.62	2.86
	Growth	3.14	-4.76	-8.66	-11.44	3.83
	High Growth	3.73	-4.84	-9.14	-12.07	4.67
	Shares	3.93	-3.30	-7.42	-12.14	5.31

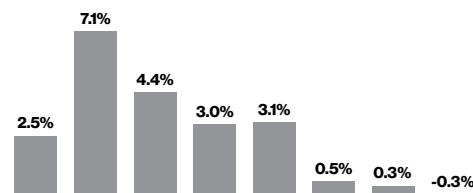
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

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Investment Returns For Periods Ended 31 October 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

NZ Shares
Overseas Shares (Local Currency)
Overseas Shares (Unhedged)
Global Property (Hedged)
Global Infrastructure (Hedged)
NZ Fixed Interest
NZ Cash
Overseas Fixed Interest (Hedged)

NZ Shares
Overseas Shares (Local Currency)
Overseas Shares (Unhedged)
Global Property (Hedged)
Global Infrastructure (Hedged)
NZ Fixed Interest
NZ Cash
Overseas Fixed Interest (Hedged)

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