



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 August 2023

Market performance summary

– August in a snapshot

- Global share markets experienced increased volatility and declined in August due to economic turmoil in China, the world's second largest economy. New Zealand's share market was particularly affected by weak economic data, changes in interest rates from the Reserve Bank of New Zealand, and other global issues.
- The month of August delivered negative investment returns across all investment options, except for the Cash investment option, in the NZDF Savings Schemes.
- 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 NZDF's appointed financial advisers at Become Wealth team by calling **0508 BECOME (0508 232 663)** or emailing **hello@become.nz**.
- The Annual Report and Annual Statements have now been distributed, we would like to remind those who haven't read their statement to log into their account at **www.nzdfsavings.mil.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 August 2023

As we've seen in the past, when China experiences economic turmoil, the rest of the world is likely to feel its effects.

This month, there was a decline in global share markets due to increased market volatility caused by stress in the Chinese property market, weak macroeconomic data from China (e.g GDP growth and export figures), and a rise in sovereign bond yields. In August, the stock market in developed countries went down by -1.8%, and in emerging markets such as, Brazil, India, South Africa, and others fell by -4.7% in local currency. The fixed income market did not help to balance out equity weakness, as government yields were once again on the rise across most major economies.

The pickup in yields was largely a result of the "higher for longer" interest rate narrative. Despite no Federal Open Market Committee meeting in August, minutes from the July meeting showed that US policymakers are divided on the next steps, which triggered some uncertainty among investors over the future course of US rates. Elsewhere, UK and Eurozone share markets both dipped -2.5% and -2.3% respectively, while Japanese equities (shares) were flat on the month (local currency terms).

In commodities, oil prices also remained relatively flat over the month as production cuts were offset by weaker growth prospects in China. The Bloomberg Commodity Index (NZD hedged) was down -0.8%.

The New Zealand share market underperformed global peers in August. Weak economic data, an upwards revision of the Reserve Bank of New Zealand's projected interest rate track and other global forces all detracted from domestic equity market performance this month. Although also posting a negative return, Australian equities fared much better and returned -0.7%.

Global equities (shares) lost momentum in August. Negative sentiment was largely driven by the bleak outlook in China and the knock-on effect this would have for global economic growth. "Higher for longer" interest rates and the corresponding increase in yields also weighed on equity market performance. The MSCI World (local currency) finished the month down -1.8%.

The domestic bond market saw a slight decline in August. New Zealand Government bonds underperformed global peers as the NZ 10-year yield experienced a rather dramatic increase and ended the month at 4.91% (up 0.28% from last month). Cash was up 0.5% in August and has risen 4.7% over the last year.

Asia-Pacific currencies depreciated this month due to growth risks associated with the Chinese economy and a strengthening USD. The NZD/USD was down -4.3% as the US dollar continues to benefit from the ongoing resilience of the US economy and a weak global backdrop. The NZD also fell against the AUD and GBP by -0.5% and -2.9% respectively. Elsewhere, the JPY/USD was considerably weaker in August and now hovers around the lows that prompted an attempt to shore up the currency by the Bank of Japan last year.



Monthly Commentary Ended 31 August 2023



United States

Credit rating agency, Fitch, downgraded the US government's credit rating from AAA (the highest investment grade) to AA+ in early August. Fitch cited unsustainable debt and political dysfunction as the main reasons for the downgrade.

United States

The annual Jackson Hole symposium of central bankers was held in August. US Fed (Central Bank) Chair Jerome Powell struck a much different tone to last year in his keynote speech; however, he did stress that the Fed's policy will remain data dependent with a bias to tighten if necessary.

China

Weighing heavily on emerging markets more broadly, Chinese equities (shares) were particularly weak this month as slowing growth reverberated across Asia. As if a deteriorating property sector wasn't enough, a range of other economic barometers from manufacturing to exports all fell in July as China slipped into deflationary territory for the first time in over two years. Policymakers cut interest rates twice during the month in an attempt to absorb deflationary risks, however, credit demand remained weak.

Become Wealth Monthly Commentary Ended 31 August 2023

Everything You Have

Would you put everything you earn into this company:

- taking on debt to pay regular bills
- lower productivity than most, trending down
- no clear competitive advantage with technology, artificial intelligence (AI), or similar
- vulnerable to natural disasters
- isolated, small, and at the whim of global shocks?

What if I told you above doesn't describe a company, it describes a country: New Zealand?

The answer for any reasonable person would be "no", though when it comes to our own money, many New Zealanders do just that. We might have nearly all our wealth tied up in our own home, and another property or small business.

This approach could work out well, and admittedly has worked wonderfully for most property investors over the last 20 or so years. However, there are risks (as the bullet points above imply), missed opportunities, and most rational people think this approach is unlikely to work as well over future years as it has done in the past.

The great news is it's probably never been so easy for New Zealanders to invest overseas. Investing in the NZDF Savings Schemes allows us to do exactly that as they hold significant proportions of overseas investments. Aside from diversification – the number one principle of investing – investing overseas through the NZDF Savings Schemes provides access to companies and investments which we can only dream of in New Zealand.

It may be helpful to discuss the concepts above with one of our trained professionals. If so, it would be our pleasure to assist:

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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 August 2023

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.36	1.01	1.61	3.20	1.09
	Conservative	-0.37	0.31	0.70	1.48	1.33
	Moderate	-0.76	0.84	1.33	2.50	2.08
	Balanced	-1.03	1.46	2.16	3.56	3.05
	Growth	-1.24	2.27	3.23	4.94	3.92
	High Growth	-1.47	2.78	3.87	5.94	4.59
	Shares	-1.60	3.26	4.51	7.56	4.88
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.35	1.10	1.80	3.63	1.23
	Conservative	-0.43	0.29	0.68	1.72	1.48
	Moderate	-0.82	0.87	1.33	2.70	2.27
	Balanced	-1.08	1.55	2.17	3.78	3.23
	Growth	-1.36	2.33	3.18	5.26	4.31
	High Growth	-1.65	2.77	3.79	6.40	4.97
	Shares	-1.73	3.37	4.49	7.82	5.24
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.41	1.22	1.96	3.94	1.34
	Conservative	-0.46	0.26	0.65	1.68	1.54
	Moderate	-0.87	0.87	1.33	2.87	2.44
	Balanced	-1.17	1.55	2.13	3.91	3.40
	Growth	-1.46	2.40	3.21	5.43	4.43
	High Growth	-1.70	2.94	3.88	6.54	5.19
	Shares	-1.82	3.44	4.53	7.87	5.46

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 2023

Investment Returns For Periods Ended 31 August 2023

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.33	0.98	1.56	3.15	1.11
	Conservative	-0.42	0.41	0.74	1.45	1.44
	Moderate	-0.88	0.99	1.36	2.06	2.12
	Balanced	-1.24	1.66	2.12	2.83	2.78
	Growth	-1.49	2.54	3.23	4.32	3.64
	High Growth	-1.69	3.03	3.90	5.27	4.34
	Shares	-1.58	3.35	4.60	7.54	4.93
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.38	1.12	1.81	3.65	1.27
	Conservative	-0.49	0.39	0.69	1.47	1.59
	Moderate	-0.94	1.00	1.29	2.06	2.13
	Balanced	-1.36	1.70	2.06	2.80	3.00
	Growth	-1.61	2.62	3.20	4.20	3.89
	High Growth	-1.87	3.09	3.83	5.38	4.66
	Shares	-1.71	3.47	4.58	7.67	5.28
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.39	1.18	1.91	3.90	1.37
	Conservative	-0.47	0.39	0.67	1.57	1.95
	Moderate	-1.00	0.99	1.27	2.29	2.44
	Balanced	-1.48	1.67	1.98	2.83	3.05
	Growth	-1.88	2.45	2.94	4.17	4.09
	High Growth	-1.97	3.14	3.84	5.34	4.98
	Shares	-1.86	3.48	4.52	7.77	5.47

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Investment Returns For Periods Ended 31 August 2023

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.34	1.02	1.63	3.30	1.16
	Conservative	-0.41	0.42	0.76	1.52	1.44
	Moderate	-0.86	1.02	1.41	2.25	2.11
	Balanced	-1.24	1.70	2.17	2.96	2.87
	Growth	-1.49	2.54	3.26	4.43	3.73
	High Growth	-1.68	3.00	3.92	5.40	4.36
	Shares	-1.63	3.24	4.51	7.61	4.96
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.39	1.14	1.83	3.74	1.33
	Conservative	-0.46	0.44	0.75	1.65	1.58
	Moderate	-0.93	1.04	1.38	2.21	2.38
	Balanced	-1.36	1.70	2.09	3.03	3.18
	Growth	-1.64	2.64	3.26	4.41	4.05
	High Growth	-1.86	3.11	3.89	5.52	4.80
	Shares	-1.75	3.44	4.60	7.97	5.44
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.42	1.28	2.03	4.09	-
	Conservative	-0.50	0.41	0.73	1.69	-
	Moderate	-1.04	1.07	1.36	2.40	-
	Balanced	-1.46	1.67	2.00	2.83	3.10
	Growth	-1.73	2.64	3.15	4.46	4.16
	High Growth	-1.99	3.14	3.85	5.41	4.94
	Shares	-1.84	3.47	4.57	7.98	5.56

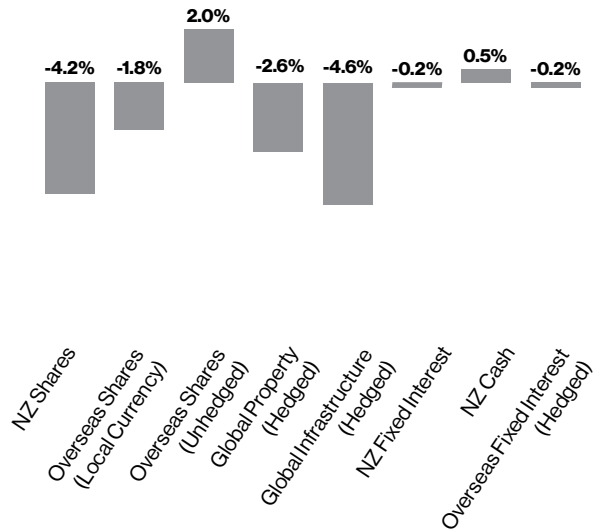
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

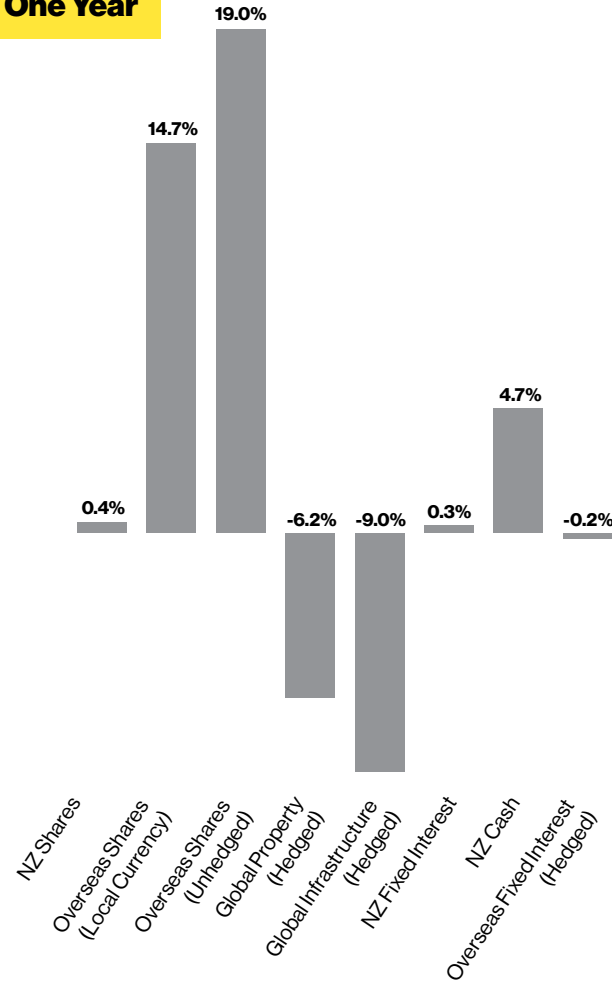
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Investment Returns For Periods Ended 31 August 2023

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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