



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 December 2024

Market performance summary

– December in a snapshot

- In December, New Zealand's economy shrank by 1.0% from the previous three months in the third quarter. This drop was much bigger than what experts had expected.
- Central Banks globally lowered interest rates and will likely continue at a slower pace, except in Japan, where rates are expected to rise as the country recovers from falling prices.
- The month of December delivered negative investment returns for the majority of investment options in the NZDF Savings Schemes.
- Whether you're saving for your first home, retirement or have another goal in mind, your savings goals will impact your investment timeframe. This is one of the important things to consider when choosing the right investment option for you. Mercer's Fund Selector can help you decide which option is best for your situation. To use the Fund Selector, click **here** or access it at www.nzdfsavings.mil.nz.
- 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.



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 December 2024

For investors, the economic situation in December 2024 presented a challenging environment.

New Zealand remained in a recession as local GDP declined -1.0% during the September quarter, driven by reduced consumer spending and inflation, negatively impacting investments. Global central banks cut interest rates, providing relief, however overall economic uncertainty had a greater effect on investment returns as the global economy prepares for 2025. The US Federal Reserve's commentary played a significant role in this, as they indicated a slower pace of interest rate cuts in 2025, compounded by ongoing political uncertainty in Europe and other regions.

In the US, job growth is a positive, but rising core consumer prices indicated inflationary pressures. Internationally, mixed market results meant that some investments performed well while others did not. Global equity markets in local currency outperformed New Zealand Dollar hedged equivalents due to the underperformance of the New Zealand currency during December which fell -5.3% against the United States Dollar. Locally, despite the disheartening New Zealand Gross Domestic Product (GDP) announcement, which indicated a further contraction to the economy, the New Zealand Index (NZX50) outperformed the Australian equivalent (ASX200), returning 0.4% compared to -3.2%.

In the fixed income market, which includes government loans, performance was disappointing. Government bonds lost value as the U.S. Federal Reserve (Central Bank) indicated it would be careful about cutting interest rates in the future, causing markets to reevaluate their predictions. In the commodity market, results were mixed. Iron ore ended the month slightly lower reflecting the possible impact of tariffs on China. Copper prices were also lower in December. Oil saw strong gains over the month following disruptions to oil flow in the Middle East. Gold prices stayed the same as trading slowed down for the holidays.

Interest-sensitive assets, like real estate investments, faced difficulties due to rising bond yields, making them less attractive. Interest rates decreased in December and are expected to continue to do so. Additionally, the expected increase in New Zealand's Official Cash Rate could have led to higher borrowing costs, further impacting investment decisions.



Monthly Commentary Ended 31 December 2024



Global

Central Banks around the world cut interest rates in December and are likely to continue at a more gradual pace, except in Japan where rates are expected to rise as it emerges from a period of deflation.

Australia

The Reserve Bank of Australia (RBA) kept interest rates unchanged at 4.35% for the ninth consecutive meeting.

New Zealand

In December, New Zealand's quarter-on-quarter (QoQ) GDP contracted -1.0% in Q3, far more than economists had predicted.

Upcoming in 2025

New Zealand Expecting Rate Cuts in 2025

- The NZ economy is likely to remain weak due to high interest rates (the cost of borrowing money) and rising living costs, which are reducing consumer spending.
- The Reserve Bank of New Zealand may be overly aggressive in planning rate cuts given the ongoing economic struggles; further cuts are expected in Q1'25.
- Domestically, we prefer New Zealand government bonds (loans to the government) over cash, as interest rates are likely at their peak for this cycle.



International Mixed Economic Growth

- Global economic growth is expected to remain strong but vary by region, with the US experiencing slower activity.
- US President-elect Trump presents both potential benefits and risks for growth and inflation.
- Central banks are likely to continue cutting rates as inflation eases, but at a slower pace.
- Japan is expected to perform well economically due to income growth and capital investment, leading us to favour Japanese stocks and global real estate investments, as they have strong fundamentals and good value.



Become Wealth Monthly Commentary Ended 31 December 2024

Saved Dollars

Picture this.

Someone is drowning, you bravely dive in the water to save them. You're successful, you have saved their life. But there's a catch, they're still going to die... eventually.

All you have done by so-called 'saving' their life is give them a longer lifespan.

You've given them the opportunity to have more experiences, to do more things, to achieve more, to help more people, and so on. The person will still die eventually. We all will.

In the same way, when you save a dollar, that dollar will still be spent, eventually. If not by you, then by someone you leave it to when you pass away.

What Are You Saving For?

So, that saved dollar, along with many others like it, will still bring you some value, or provide value to someone else, at some point in the future. It's important to plan for this from the very beginning.

Put simply: even if the dollar is 'saved' for the time being, it will eventually be spent.

Where this comparison becomes interesting is when we consider that a saved dollar, if invested wisely, should multiply. In other words, an invested dollar can grow and generate additional dollars, which means it can purchase something far more valuable in the future.

The NZDF Savings Schemes provide the opportunity for investing across a range of portfolios or investment categories, ranging from cash/fixed term investments to shares.

Therefore, it's crucial to plan on how you intend to spend your 'saved' dollars. By planning and making informed investment decisions, you can ensure your saved dollars not only retain their value but also increase in worth over time. This way, when the time comes to spend them, you'll have more financial resources at your disposal to achieve your goals and aspirations.

So, how should you plan on spending your 'saved' dollars?

What next?

We would be delighted to assist you explore anything mentioned above, including how it relates to your investments within one-or-more NZDF Savings Schemes. Become Wealth is also able to advise on different types of investments, such as residential real estate. Book your complimentary initial consultation today:

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Joseph Darby
Chief Executive
Become Wealth



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Investment Returns For Periods Ended 31 December 2024

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.28	0.83	2.81	3.79	1.82
	Conservative	-0.18	0.59	3.32	4.97	1.79
	Moderate	-0.16	1.56	4.58	7.71	3.00
	Balanced	-0.13	2.55	5.81	10.50	4.27
	Growth	-0.05	3.63	7.16	13.78	5.63
	High Growth	0.03	4.62	8.15	16.21	6.58
	Shares	0.50	5.73	9.14	19.15	7.17
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.32	0.96	3.22	4.31	2.07
	Conservative	-0.27	0.46	3.73	5.36	1.97
	Moderate	-0.18	1.43	4.82	7.94	3.22
	Balanced	-0.22	2.32	6.01	10.70	4.47
	Growth	-0.19	3.39	7.35	13.97	5.97
	High Growth	-0.11	4.36	8.37	16.37	6.90
	Shares	0.38	5.46	9.20	19.06	7.45
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.34	1.04	3.47	4.69	2.26
	Conservative	-0.27	0.43	3.93	5.56	2.03
	Moderate	-0.24	1.31	5.09	8.18	3.38
	Balanced	-0.29	2.15	6.19	10.89	4.61
	Growth	-0.24	3.12	7.52	14.18	6.11
	High Growth	-0.21	4.09	8.29	16.22	7.08
	Shares	0.31	5.31	9.39	19.25	7.67

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 2024

Investment Returns For Periods Ended 31 December 2024

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.28	0.85	2.92	3.90	1.83
	Conservative	-0.13	0.65	3.96	5.64	2.00
	Moderate	-0.27	1.38	5.12	8.19	3.12
	Balanced	-0.37	2.22	6.40	11.06	4.13
	Growth	-0.32	3.38	7.98	14.47	5.49
	High Growth	0.01	4.69	9.29	17.28	6.55
	Shares	0.48	5.75	9.28	19.29	7.26
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.32	0.96	3.32	4.43	2.10
	Conservative	-0.18	0.49	4.21	5.87	2.12
	Moderate	-0.34	1.20	5.30	8.35	3.11
	Balanced	-0.47	1.98	6.64	11.24	4.31
	Growth	-0.42	3.10	8.16	14.52	5.68
	High Growth	-0.11	4.46	9.45	17.25	6.76
	Shares	0.38	5.51	9.39	19.28	7.54
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.34	1.04	3.59	4.81	2.27
	Conservative	-0.23	0.40	4.48	6.17	2.50
	Moderate	-0.39	1.15	5.60	8.65	3.47
	Balanced	-0.53	1.75	6.67	11.19	4.35
	Growth	-0.49	2.96	8.43	14.76	5.89
	High Growth	-0.15	4.28	9.62	17.30	7.08
	Shares	0.31	5.35	9.56	19.43	7.74

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Investment Returns For Periods Ended 31 December 2024

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.28	0.86	2.85	3.80	1.87
	Conservative	-0.13	0.65	3.91	5.57	1.98
	Moderate	-0.27	1.38	5.01	8.06	3.08
	Balanced	-0.37	2.22	6.34	11.01	4.20
	Growth	-0.32	3.32	7.80	14.27	5.53
	High Growth	0.01	4.69	9.15	17.09	6.56
	Shares	0.49	5.68	9.05	18.97	7.21
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.30	0.66	2.92	4.02	2.07
	Conservative	-0.19	0.52	4.24	5.93	2.13
	Moderate	-0.34	1.20	5.38	8.32	3.34
	Balanced	-0.46	1.97	6.53	11.08	4.47
	Growth	-0.42	3.12	8.15	14.49	5.81
	High Growth	-0.10	4.46	9.45	17.37	6.94
	Shares	0.39	5.55	9.41	19.35	7.73
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.34	1.05	3.51	4.70	-
	Conservative	-0.21	0.38	4.40	6.06	-
	Moderate	-0.39	1.09	5.45	8.42	-
	Balanced	-0.53	1.78	6.68	11.18	4.39
	Growth	-0.50	2.92	8.27	14.53	5.92
	High Growth	-0.16	4.24	9.67	17.33	7.05
	Shares	0.32	5.38	9.53	19.37	7.77

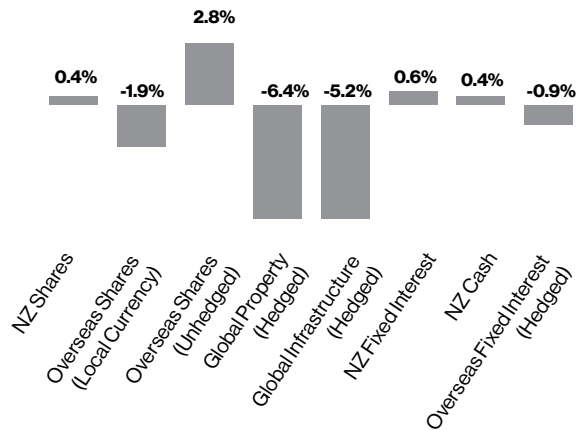
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

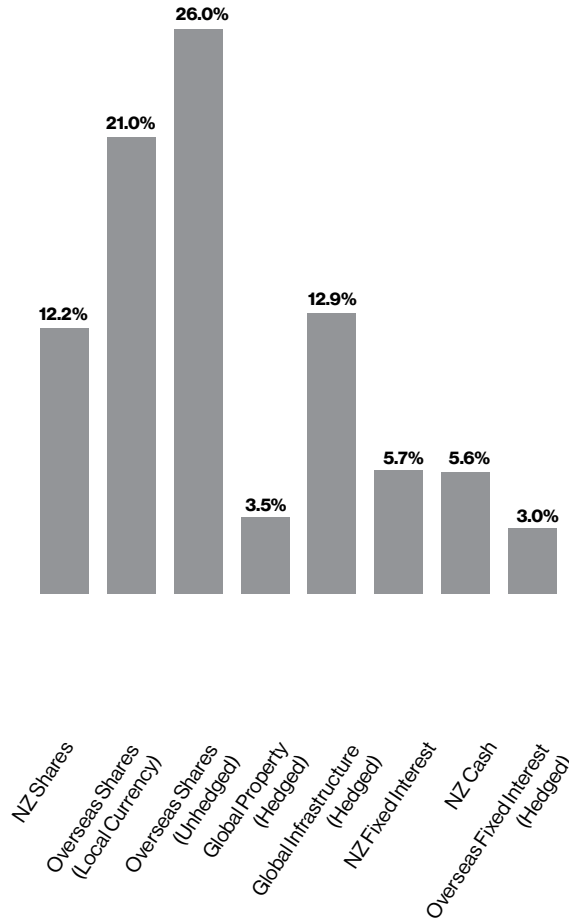
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Investment Returns For Periods Ended 31 December 2024

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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