



TE OPE KĀTUA O AOTEAROA
DEFENCE FORCE

New Zealand Defence Force
Savings Schemes

Monthly report

For the period ended 31 March 2022

Market performance summary

– March in a snapshot

- While we saw initial negative market reactions to the news of Russia's invasion of Ukraine, the global markets recovered its post-invasion losses in March. News of on-going diplomatic negotiations and Russia's low weighting (the funds invested in Russia) in the index has helped to limit the negative impact.
- March delivered positive investment returns across all investment options, except for the Cash investment option, in the NZDF Savings Schemes.
- Members in the schemes will start to receive the annual member statements in the next few weeks, please make sure your communication details and preferences are up to date.
- Before making any changes to your investment option or making a decision to withdraw your money, you should discuss this with your financial adviser or an independently pointed Become Wealth (previously named Milestone Direct MDL) team of advisers by calling **0508 BECOME (0508 232 663)** or emailing **hello@become.nz**. Discussions on the best option for you are particularly important at times when the markets are subject to more volatility than usual.



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 March 2022

We saw 'lift-off' in March as the Federal Reserve (the Fed) raised the federal funds rate (the target rate that banks pay to borrow from each other on an overnight basis). This represents the start of quantitative tightening (which is designed to take money out of the financial system to cool inflation) in the US for the first time since Q4 2018.

The MSCI All Country World Index returned 2.5% (in local currency) with market strength supported by continued ceasefire talks between Russia and Ukraine. Despite removing Russian exposure in early March, the MSCI Emerging Markets Index returned -2.8% (in local currencies) as higher commodity prices weighed on performance in large producing nations such as China.

The NZX50 returned 1.4%, shrugging off the rising interest rate environment and participated in the broader market rebound in March, however lagged broader global indices. Notably, Fisher & Paykel Healthcare (which has a large weighting in the NZX50) continued its recent slide as it issued a warning that its annual revenue would be down by about -13%, with the recent pandemic tailwind for its medical equipment dissipating.

Australian equities (shares) had a strong month up 6.9% in AUD terms.

The NZD had a positive month, despite falling against the AUD (-0.7%). It gained 2.8% against the USD and 8.3% against the JPY, as the JPY fell against most major currencies as the Bank of Japan reiterated its commitment to ultra-loose monetary policy.



Monthly Commentary Ended 31 March 2022



United States

"It's clearly time to raise interest rates and begin the balance sheet draining" stated Fed Chair, Jerome Powell. The federal funds rate, which has been at the zero-bound since March 2020, was increased by 25bp during March. As if rising rates were not concerning enough for bond investors, the Fed alluded to reducing the USD5tn in US Treasury securities and mortgage debt that has been acquired since the depths of the COVID pandemic as part of its Quantitative Easing program. This change has had a significant impact on investor sentiment as it signals the days of loose money controls are coming to an end.

Ukraine

Russia's invasion of Ukraine intensified with Russian troops invading the south-eastern city of Mariupol, encroaching on Kyiv, and attacking many other cities across the country. Diplomatic talks between Russia and Ukraine continued with optimism over a ceasefire as Ukraine indicated a willingness to remain a neutral bloc and forgo NATO membership, and Russia retreated from its positions around Kyiv to focus on the Donbass region.

Russia

Benchmark gas futures jumped by over 30%, followed by coal and power prices as President Vladimir Putin indicated that Russia would seek payment for natural gas in Russian Rubles from buyers the Kremlin considers "unfriendly". Russia has identified the US, the UK and members of the EU as "unfriendly" but also noted that gas will be supplied in-line with requests. Germany has responded by demanding that payments be accepted in accordance with contracts in place.

Become Wealth Monthly Commentary Ended 31 March 2022

Are we there yet?

The twists and turns of financial markets can leave many investors feeling carsick. This is due to volatility (price fluctuations).

What drives volatility?

Volatility is to be expected during uncertain times. Issues cited as unsettling for markets in recent years include China's economic transition, commodity price fluctuations, geopolitical instability (including wars), inflation, natural and manmade disasters, and rising interest rates.

Such external events are not the only things that influence prices. Markets can also move based on investors' own changing tastes, preferences and risk appetites. None of these are constant either.

A key point is that expectations about the global economy, company profits, interest rates, and other indicators constantly change based on new information. Those changes are reflected in the changing price of shares (stocks) and other investment asset classes, such as property (real estate). In fact, if prices didn't change at all based on news, there really **would** be cause for worry because it would raise questions about whether markets were working effectively.

What drives volatility?

Several things:

1. First, there is no hiding from the fact that for many investors market volatility can be unsettling. There is no harm in acknowledging this.
2. Second, prices move on news. Unless you have the extraordinary and unheard-of ability to know what will happen before it does, you can't predict with any certainty what markets will do next.

3. Third, you can never fully escape volatility, you can moderate the ups and downs by diversifying across different asset classes (shares/stocks, bonds, property, and cash), and within asset classes, such as across different types of shares.
4. Fourth, what ultimately matters is not your ability to second-guess short-term market moves, but how your portfolio is travelling relative to your own aims, risk preferences and investment horizon.

If you feel uncertain, a financial adviser can keep you focused on your long-term aims, which includes ensuring you are not taking any more risk than you need to reach your objectives.

To use the original analogy, constantly watching the short-term gyrations of the market when your goal may be years away is like reading in a car on a winding coastal road, you might be left feeling ill!

A better approach is to keep your focus and attention on a point on the horizon that represents your destination.

Everyone feels the rough ride. But if you have a set destination and are on track to reach it, staying calm and controlled during the inevitable rough patches is a whole lot easier.

So what?

If you would like to discuss how anything above might apply to you, perhaps including by wise investment into one or more of the NZDF Savings Schemes, then it would be our pleasure to assist:

0508 BECOME (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 March 2022

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.05	0.11	0.17	0.17	0.67
	Conservative	-0.23	-2.82	-0.44	-0.44	2.57
	Moderate	0.13	-3.58	0.36	0.36	3.65
	Balanced	0.41	-4.49	1.49	1.49	5.17
	Growth	0.80	-5.29	2.46	2.46	6.59
	High Growth	1.11	-6.02	3.03	3.03	7.72
	Shares	0.68	-7.54	1.03	1.03	8.49
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.07	0.13	0.20	0.20	0.79
	Conservative	-0.25	-2.97	-0.48	-0.48	2.86
	Moderate	0.17	-3.65	0.44	0.44	3.95
	Balanced	0.49	-4.53	1.61	1.61	5.52
	Growth	0.95	-5.18	3.02	3.02	7.04
	High Growth	1.27	-5.92	3.51	3.51	8.17
	Shares	0.95	-7.33	1.41	1.41	8.95
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.07	0.14	0.24	0.24	0.84
	Conservative	-0.30	-3.15	-0.57	-0.57	2.97
	Moderate	0.16	-3.71	0.55	0.55	4.16
	Balanced	0.54	-4.59	1.65	1.65	5.73
	Growth	0.99	-5.16	2.87	2.87	7.21
	High Growth	1.40	-5.82	3.73	3.73	8.48
	Shares	1.08	-7.21	1.76	1.76	9.26

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 March 2022

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.06	0.11	0.12	0.12	0.74
	Conservative	-0.17	-2.75	0.03	0.03	2.80
	Moderate	0.29	-3.38	0.76	0.76	3.89
	Balanced	0.64	-4.28	1.79	1.79	5.32
	Growth	0.99	-5.07	2.75	2.75	6.64
	High Growth	1.31	-5.80	3.33	3.33	7.81
	Shares	0.70	-7.51	1.08	1.08	8.54
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.06	0.12	0.13	0.13	0.85
	Conservative	-0.22	-2.94	-0.29	-0.29	3.07
	Moderate	0.29	-3.52	0.67	0.67	4.04
	Balanced	0.71	-4.33	1.95	1.95	5.69
	Growth	1.13	-5.05	3.19	3.19	7.10
	High Growth	1.43	-5.69	3.79	3.79	8.29
	Shares	0.91	-7.36	1.70	1.70	8.94
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.07	0.13	0.15	0.15	0.93
	Conservative	-0.22	-3.00	1.10	1.10	3.50
	Moderate	0.32	-3.54	1.26	1.26	4.41
	Balanced	0.78	-4.32	2.02	2.02	5.80
	Growth	1.21	-4.97	3.72	3.72	7.37
	High Growth	1.67	-5.46	4.74	4.74	8.65
	Shares	1.09	-7.12	2.38	2.38	9.26

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Investment Returns For Periods Ended 31 March 2022

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.07	0.14	0.20	0.20	0.76
	Conservative	-0.17	-2.79	-0.10	-0.10	2.78
	Moderate	0.30	-3.39	0.80	0.80	3.86
	Balanced	0.64	-4.27	1.94	1.94	5.43
	Growth	0.98	-5.05	2.82	2.82	6.68
	High Growth	1.23	-5.90	3.27	3.27	7.83
	Shares	0.62	-7.63	0.94	0.94	8.51
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.08	0.16	0.26	0.26	0.88
	Conservative	-0.23	-2.88	-0.21	-0.21	3.04
	Moderate	0.32	-3.43	0.90	0.90	4.27
	Balanced	0.76	-4.27	2.15	2.15	5.83
	Growth	1.23	-4.90	3.26	3.26	7.20
	High Growth	1.53	-5.63	3.80	3.80	8.41
	Shares	0.93	-7.26	1.78	1.78	9.18
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	0.08	0.17	-	-	-
	Conservative	-0.23	-3.02	-0.52	-0.52	-
	Moderate	0.32	-3.54	0.80	0.80	-
	Balanced	0.77	-4.34	2.17	2.17	5.89
	Growth	1.29	-4.89	3.49	3.49	6.86
	High Growth	1.73	-5.37	4.36	4.36	8.70
	Shares	1.11	-7.28	1.77	1.77	9.35

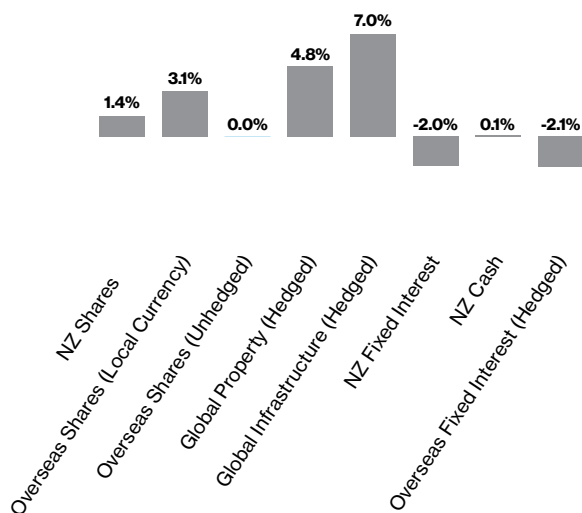
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

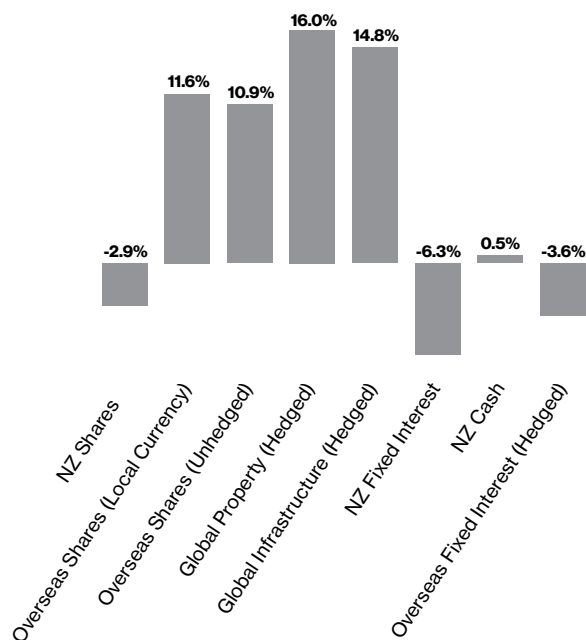
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Investment Returns For Periods Ended 31 March 2022

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

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