

MONTHLY REPORT

For the period ended 30 April 2019

Market performance summary – April in a snapshot

- All markets performed well in April, continuing the trend of delivering positive returns to investors. It's important to note that while markets are doing well so far this year, right now they are vulnerable to short-term fluctuations after strong gains since December. Particularly as we are seeing the renewed fears of a trade war between US and China, which doesn't help.
- So another good month for investors, including members of the NZDF Savings Schemes. All NZDF Savings Scheme's investment options had positive returns for the month.
- If you need financial advice about your savings strategy, please contact the team at Milestone Direct on 0508 MILESTONE (0508 645 378).

Read more about the markets and investment performance in this monthly report.



Monthly Commentary Ended 30 April 2019

Global financial markets continued the positive trend over April as share markets maintained their momentum from the last few months. Despite fears of slowing economic growth, both Developed (e.g the US and UK) and Emerging Markets (e.g Brazil and China) returned +3.8% and +2.6% respectively. Most notably European, US, and UK markets were the top performers (+4.1%, +4.0%, +2.2%).

While May may turn out to be a different story, in April US-China trade negotiations were going well, also favourable monetary policy announcements from central banks, and an extension to the Brexit deadline contributed to April's performance. Both the US Federal Reserve (the Fed) and European Central Bank came out with statements confirming their commitment to keeping key interest rates at their current levels for the foreseeable future. Additionally, news to extend Brexit out to the end of October 2019 helped appease investor's concerns of the looming deadline, and uncertainty of the economic outlook.

The New Zealand share market had a slower month than its global counterparts, but still posted a positive return of +1.7%. Over the last 12 months the NZX has returned +19.8%, and this high-dividend yield remains attractive globally, especially in this global low interest rate environment. The Australian market had a good month, up +2.4%, taking the 12 month return to +10.4%.

Global Listed Property and Infrastructure faced challenges over April, returning -1.1% and +0.9% respectively. The increased strength of global share markets weighed down the attractiveness of these relatively defensive sectors which had performed strongly in the first three month of the year.

The New Zealand dollar dropped against all major overseas currencies in April, including the US dollar, the pound, and the euro. Positive news surrounding Brexit and encouraging growth signs in Europe helped to strengthen their respective currencies against the NZ dollar.



Significant developments include:



United Kingdom

The European Union granted UK Prime Minister Theresa May an extension on the Brexit deadline, out to 31 October 2019. Whilst there is general gridlock on the way forward, there is now more time for Theresa May to gain some political consensus on an exit strategy.

United States

In early May, US President Donald Trump stated that US-China trade-talks are progressing too slowly, threatening to raise additional tariffs on \$200 billion of Chinese goods. This could present a risk to global equity markets which have been pricing in a more settled outlook.

United States

263,000 new jobs were created in the US last month helping the US unemployment rate fall to 3.6 percent, the lowest since December 1969. Wage inflation by comparison, however, remains more moderate.

New Zealand

On 8 May, the Reserve Bank of New Zealand (RBNZ) announced a reduction in the Official Cash Rate (OCR), from 1.75% down to 1.5%. This is intended to stimulate the NZ economy which has showed signs of a slow down in recent months.

Milestone Direct Monthly Commentary Ended 30 April 2019

Over the first few months of 2019 international stock markets had their best performance in a decade. This was despite concerns about global growth slowing down, trade wars, sometimes-conflicting economic data, Brexit, and possible changes in interest rates across the major economic powerhouses of the world.

Almost all the investment options provided by the NZDF Savings Schemes operate globally diversified portfolios. This allows you to benefit from strong performance in stock markets outside New Zealand, that you could not otherwise easily invest into.

Additionally, Mercer invest in a wide range of different global assets, not just companies. Depending on the fund choice you hold (there are seven in the NZDF Savings Schemes), you may also be invested in a wide variety of other types of worldwide assets including property, cash, bonds, and infrastructure assets such as toll-roads. The fund choice you hold changes the mix of these assets to suit your goals, needs and risk appetite.

Looking ahead, no-one truly knows what the short-term future holds for investors. However, with a strong investment manager like Mercer, who have very well diversified investment portfolios which combine a range of different assets across the globe, over the mid-to long-term the future looks bright.

It would be the pleasure of one of our financial advisers to have a chat with you about your investment choices. It costs nothing to chat to us about which NZDF fund choice is right for you, so please get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing info@milestonedirect.co.nz.

Joseph Darby
Chief Executive
Milestone Direct

The views and opinions expressed in this commentary are intended to be of a general nature and do not constitute personalised advice for an individual client. Before making any investment, insurance or other financial decisions, you should consult a professional financial adviser. A Product Disclosure Statement is available on request and free of charge.



A Disclosure Statement is available on request and free of charge

For more information call **0800 333 787** or visit www.nzdf.superfacts.co.nz

Investment Returns For Periods Ended 30 April 2019

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.10	0.29	0.10	1.23	1.17
	Conservative	0.59	2.21	0.59	3.61	3.41
	Moderate	0.93	2.88	0.93	4.14	4.50
	Balanced	1.53	4.18	1.53	5.20	6.14
	Growth	2.19	5.42	2.19	6.01	7.98
	High Growth	2.67	6.56	2.67	7.02	9.34
	Shares	3.45	8.40	3.45	7.69	10.64
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.31	0.11	1.34	1.47
	Conservative	0.63	2.39	0.63	4.12	3.78
	Moderate	0.93	2.99	0.93	4.46	4.81
	Balanced	1.50	4.22	1.50	5.67	6.74
	Growth	2.14	5.39	2.14	6.36	8.40
	High Growth	2.59	6.57	2.59	7.30	9.66
	Shares	3.38	8.29	3.38	8.03	11.06
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.33	0.12	1.47	1.44
	Conservative	0.62	2.48	0.62	4.34	4.04
	Moderate	0.93	3.05	0.93	4.74	4.95
	Balanced	1.47	4.24	1.47	5.81	6.92
	Growth	2.10	5.45	2.10	6.61	8.70
	High Growth	2.59	6.56	2.59	7.56	10.01
	Shares	3.33	8.32	3.33	8.25	11.38

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 may differ from the actual after fees and tax returns achieved by individual investors.

* FYTD means Financial Year to Date, which is from 1 April 2019

Investment Returns For Periods Ended 30 April 2019

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.12	0.33	0.12	1.35	1.35
	Conservative	0.63	2.33	0.63	3.78	3.61
	Moderate	0.95	2.90	0.95	4.21	4.55
	Balanced	1.53	4.17	1.53	5.30	6.37
	Growth	2.21	5.41	2.21	6.08	7.95
	High Growth	2.68	6.55	2.68	6.97	9.30
	Shares	3.43	8.30	3.43	7.66	10.63
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.36	0.12	1.52	1.54
	Conservative	0.64	2.45	0.64	4.21	3.90
	Moderate	0.94	2.99	0.94	4.56	4.95
	Balanced	1.51	4.24	1.51	5.65	6.74
	Growth	2.15	5.45	2.15	6.42	8.43
	High Growth	2.62	6.55	2.62	7.25	9.67
	Shares	3.38	8.32	3.38	8.01	11.04
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.14	0.40	0.14	1.66	1.67
	Conservative	0.65	2.52	0.65	4.46	4.17
	Moderate	0.95	3.07	0.95	4.80	5.19
	Balanced	1.50	4.27	1.50	5.79	6.87
	Growth	2.11	5.47	2.11	6.58	8.64
	High Growth	2.59	6.57	2.59	7.50	10.02
	Shares	3.35	8.31	3.35	8.02	11.30

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 may differ from the actual after fees and tax returns achieved by individual investors.

* FYTD means Financial Year to Date, which is from 1 April 2019

Investment Returns For Periods Ended 30 April 2019

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.11	0.32	0.11	1.32	1.35	-
	Conservative	0.63	2.31	0.63	3.72	3.61	-
	Moderate	0.93	2.89	0.93	4.21	4.72	-
	Balanced	1.54	4.20	1.54	5.34	6.42	5.92
	Growth	2.19	5.49	2.19	6.10	8.09	-
	High Growth	2.69	6.56	2.69	6.85	9.44	-
	Shares	3.48	8.43	3.48	7.60	10.70	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.13	0.36	0.13	1.52	1.54	-
	Conservative	0.64	2.46	0.64	4.13	4.00	-
	Moderate	0.95	3.03	0.95	4.65	5.10	-
	Balanced	1.52	4.27	1.52	5.69	6.79	6.23
	Growth	2.18	5.50	2.18	6.53	8.47	-
	High Growth	2.62	6.53	2.62	7.26	9.92	-
	Shares	3.37	8.29	3.37	7.84	11.37	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	-	-	-	-	-	-
	Moderate	-	-	-	-	-	-
	Balanced	1.50	4.31	1.50	5.81	6.97	6.39
	Growth	-	-	-	-	-	-
	High Growth	2.56	6.59	2.56	7.57	10.24	-
	Shares	3.31	8.30	3.31	8.12	11.52	-

Notes

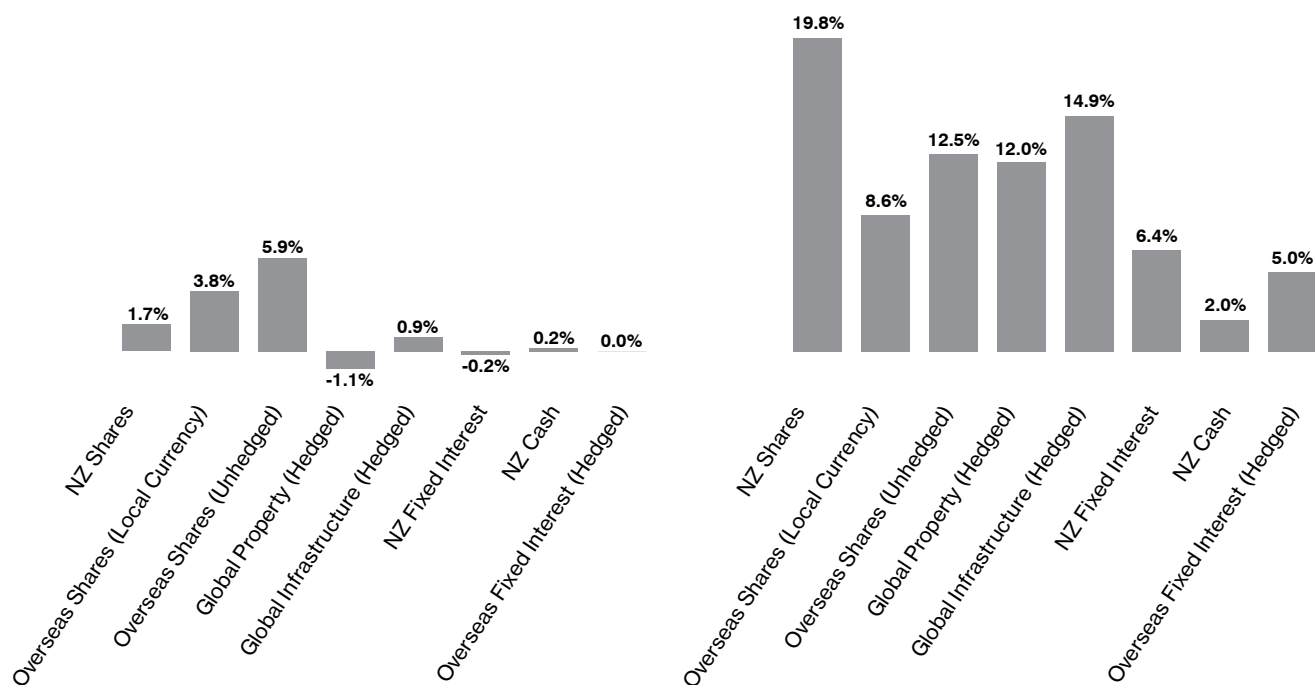
- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are after tax at the rate indicated and after fund charges that are charged within the unit prices.
- Each investor's returns within an investment portfolio will depend on timing of contribution payments and actual fees charged allowing for any fee rebates. The after tax and fees returns shown are therefore indicative of investment results but may differ from the actual after fees and tax returns achieved by individual investors.
- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

* FYTD means Financial Year to Date, which is from 1 April 2019

Financial Markets For Periods Ended 30 April 2019

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

This document was prepared by New Zealand Defence Force (NZDF), Milestone Direct and Mercer (N.Z.) Limited (Mercer). The document has been published as a general information service and does not take account of the investment objectives, financial situation and/or particular needs of any person. Before making any investment decision, you should take financial advice as to whether your intended action is appropriate in light of your particular investment needs, objectives and financial circumstances. Neither NZDF, Milestone Direct, nor Mercer or any related parties accepts any responsibility for any inaccuracy.