

# MONTHLY REPORT

For the period ended 31 August 2019

## Market performance summary – August in a snapshot

- August was a volatile month for global share markets. The more conservative funds in NZDF Savings Schemes ended with positive returns in August, where more growth funds had negative returns.
- We suggest you to revisit your selected tax rate every year or when your circumstances change. IRD started to send letters or emails to those who are paying the wrong PIR (prescribed investor rate). You can use this PIR calculator to work out your tax rate in 2 minutes [www.purl.co.nz/pir\\_nzdf](http://www.purl.co.nz/pir_nzdf).
- If you are an NZDF member or a member of one of the NZDF Savings Schemes you have access to financial advice through Milestone Direct. You can contact the team at Milestone Direct on **0508 MILESTONE (0508 645 378)**.
- The Government has just announced further changes to house purchase packages, making it easier for people to buy their first home. Check the Force Financial Hub for details.

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



# Monthly Commentary Ended 31 August 2019

Share markets around the globe struggled in August, as investors' risk appetite reduced amid concerns of a global recession. With US President Donald Trump back on the offensive and China unwilling to bend to those demands, international trade negotiations did little to calm investors' worries.

The Reserve Bank of New Zealand (RBNZ) cut its Official Cash Rate (OCR) down 0.5% to 1.0% in early August - the largest cut since March 2011 and only the third cut of its size ever. Despite the size of the cut coming as a surprise to local markets, the RBNZ Governor, Adrian Orr, insisted that a lower OCR was needed to meet future employment and inflation objectives (including keeping the NZ economy growing).

As central banks in major economies tried to combat this market uncertainty, investors sought the relative security of government bonds (in effect investors lend money to the respective Government, in return for which they receive a guaranteed return). The worldwide political landscape became increasingly tumultuous and support for global shares showed signs of relaxing during the month, as investors turned to more secure and stable investments.

Developed share markets (including the US, UK, Canada, Australia, and New Zealand) made negative gains in August, as the MSCI World Index returned -1.9% in local currency. New Zealand's share market performed better than Australia, returning -0.8% and -2.4% respectively. Emerging share markets also experienced volatility over the month and were particularly impacted, down -2.5% for the month.

The more defensive asset classes, including global listed property and infrastructure, bucked the negative trend of other growth assets. Bond markets performed well in this environment where investors are looking to reduce their risk, and NZ bonds performing particularly well (+1.8%).

The NZ dollar weakened against all major currencies over the month, with the largest shifts coming against the Japanese yen (-6.6%), US dollar (-4.4%), and British pound (-3.9%). The OCR cut by the RBNZ contributed to the depreciation of the NZ dollar against more "safe haven" currencies.



## Significant developments include:



### **New Zealand**

The Reserve Bank of New Zealand (RBNZ) cut its Official Cash Rate (OCR) down 0.5% to 1.0% in early August. The RBNZ Governor, Adrian Orr, insisted that a lower OCR was needed to meet future employment and inflation objectives.

### **Australia**

Central bankers from around the world met at the 2019 Economic Symposium in Jackson Hole at the end of the month. At the meeting Reserve Bank of Australia (RBA) Governor, Philip Lowe, reinforced shared concerns over the current effectiveness of monetary policy.

### **France**

The G7 Summit was held in Biarritz, France at the end of August, with attendees including US President Donald Trump and new UK Prime Minister Boris Johnson. The meeting offered a welcome reprieve for markets, recovering some ground on (unsubstantiated) assertions from President Trump of positive progress on the US-China trade front.



# Milestone Direct Monthly Commentary Ended 31 August 2019

Our financial advisers are often asked if it's a good time to change fund choices to try and "time the market". This is especially the case now there seems to be more media attention than usual focused on investment markets.

Quite simply, trying to time the market is basically impossible to do over the long run. Changing fund choices to make the most of inevitable market price fluctuations is like trying to go faster on a crowded motorway by constantly changing lanes, only to discover you're going slower than if you'd just stayed your original lane.

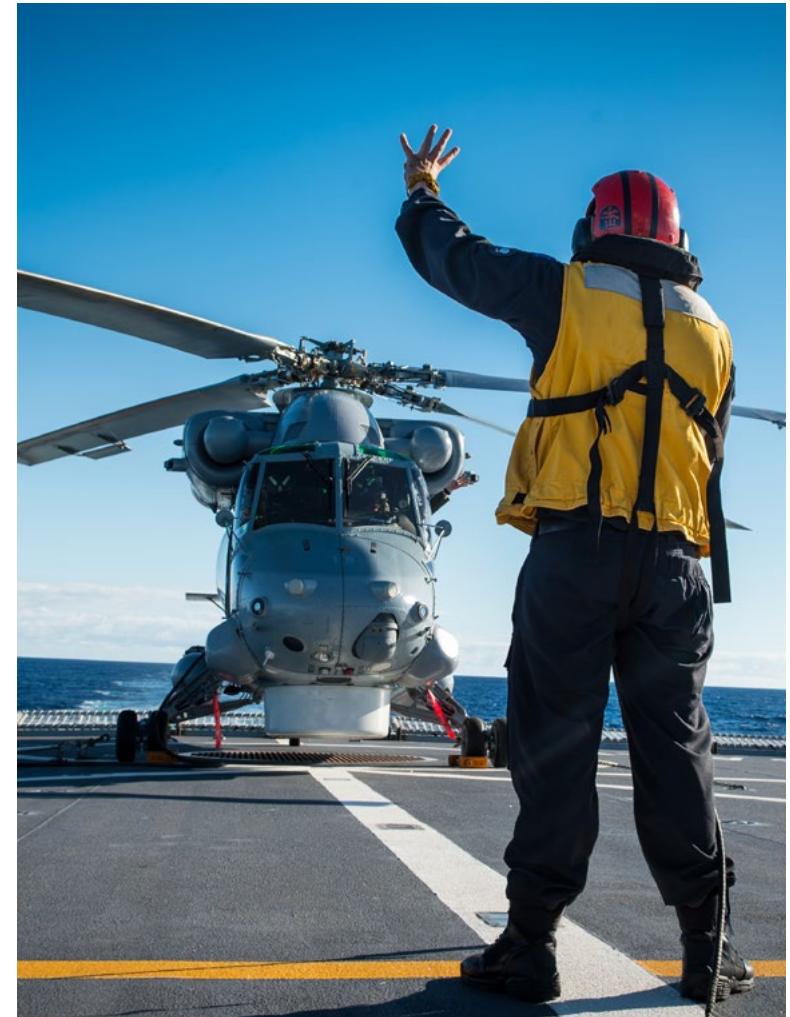
This also applies in the share market (depending on fund choice, shares can make up a large or small portion of investments in the NZDF Savings Schemes). Especially when it comes to shares, many investors think they know when to buy and sell. The challenge is that this means they must be right twice: picking the right time to buy and the right time to sell. Other investors might make emotional decisions, like pulling out of the market when stock (share) prices are going down. This is where the experience and guidance of your financial advisor can make all the difference and help you stay "in your lane" and on-track towards your goals.

Always keep the long-term in mind.

Please get in touch for a chat about which NZDF fund choice might best meet your investing needs, by calling **0508 MILESTONE (0508 645 378)** or by emailing [info@milestonedirect.co.nz](mailto: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 disclosure statement is available on request and free of charge.



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For more information call 0800 333 787 or visit [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz)

# Investment Returns For Periods Ended 31 August 2019

## New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.08	0.25	0.46	1.16	1.16
	Conservative	0.73	2.57	3.14	4.32	3.61
	Moderate	0.46	2.67	3.12	4.14	4.50
	Balanced	0.19	3.24	3.72	4.16	6.01
	Growth	-0.14	3.75	4.14	3.64	7.63
	High Growth	-0.46	4.07	4.52	3.42	8.82
	Shares	-0.92	4.86	5.30	2.75	10.17
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.10	0.29	0.52	1.29	1.42
	Conservative	0.75	2.68	3.29	4.93	3.98
	Moderate	0.48	2.77	3.23	4.60	4.75
	Balanced	0.15	3.43	3.80	4.70	6.45
	Growth	-0.28	3.84	4.08	4.05	7.90
	High Growth	-0.63	4.02	4.32	3.67	9.00
	Shares	-1.11	4.88	5.15	3.06	10.41
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.11	0.34	0.58	1.41	1.43
	Conservative	0.80	2.88	3.51	5.32	4.20
	Moderate	0.51	2.98	3.45	5.08	4.93
	Balanced	0.13	3.47	3.86	4.97	6.59
	Growth	-0.37	3.78	3.94	4.25	8.07
	High Growth	-0.77	4.03	4.27	3.91	9.24
	Shares	-1.22	4.84	4.99	3.22	10.61

### 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 31 August 2019

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.09	0.28	0.50	1.28	1.32
	Conservative	0.72	2.54	3.10	4.46	3.78
	Moderate	0.50	2.73	3.21	4.29	4.56
	Balanced	0.22	3.32	3.80	4.29	6.19
	Growth	-0.14	3.74	4.12	3.69	7.59
	High Growth	-0.46	4.07	4.56	3.47	8.80
	Shares	-0.94	4.83	5.27	2.70	10.11
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.34	0.58	1.46	1.50
	Conservative	0.81	2.78	3.41	5.15	4.10
	Moderate	0.49	2.88	3.38	4.81	4.90
	Balanced	0.16	3.43	3.85	4.75	6.45
	Growth	-0.28	3.84	4.12	4.12	7.91
	High Growth	-0.64	4.16	4.48	3.85	9.10
	Shares	-1.15	4.83	5.07	3.06	10.35
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.36	0.63	1.59	1.63
	Conservative	0.88	2.98	3.62	5.58	4.33
	Moderate	0.49	2.97	3.44	5.13	5.07
	Balanced	0.13	3.52	3.92	5.03	6.56
	Growth	-0.37	3.88	4.02	4.30	8.00
	High Growth	-0.78	4.08	4.31	3.94	9.19
	Shares	-1.22	4.86	5.03	3.10	10.53

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# Investment Returns For Periods Ended 31 August 2019

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.10	0.29	0.50	1.26	1.30
	Conservative	0.76	2.63	3.22	4.44	3.80
	Moderate	0.46	2.71	3.18	4.27	4.65
	Balanced	0.21	3.34	3.81	4.29	6.25
	Growth	-0.12	3.80	4.17	3.75	7.68
	High Growth	-0.48	4.09	4.58	3.38	8.87
	Shares	-0.98	4.82	5.25	2.69	10.21
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.10	0.32	0.57	1.45	1.49
	Conservative	0.80	2.80	3.44	5.07	4.18
	Moderate	0.48	2.86	3.36	4.81	4.98
	Balanced	0.18	3.49	3.92	4.80	6.54
	Growth	-0.26	3.86	4.16	4.20	7.96
	High Growth	-0.66	4.09	4.42	3.80	9.17
	Shares	-1.13	4.87	5.08	2.87	10.58
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-
	Conservative	0.87	2.99	3.70	5.46	-
	Moderate	0.49	2.99	3.49	5.18	-
	Balanced	0.14	3.51	3.91	5.02	6.64
	Growth	-0.33	3.87	4.04	4.26	-
	High Growth	-0.79	4.00	4.22	3.93	9.37
	Shares	-1.25	4.82	4.94	3.06	10.68

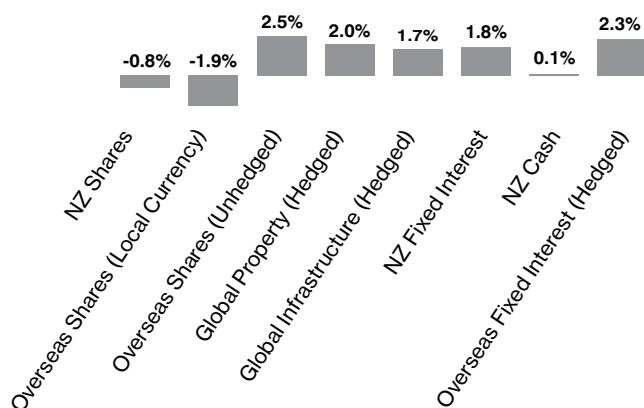
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

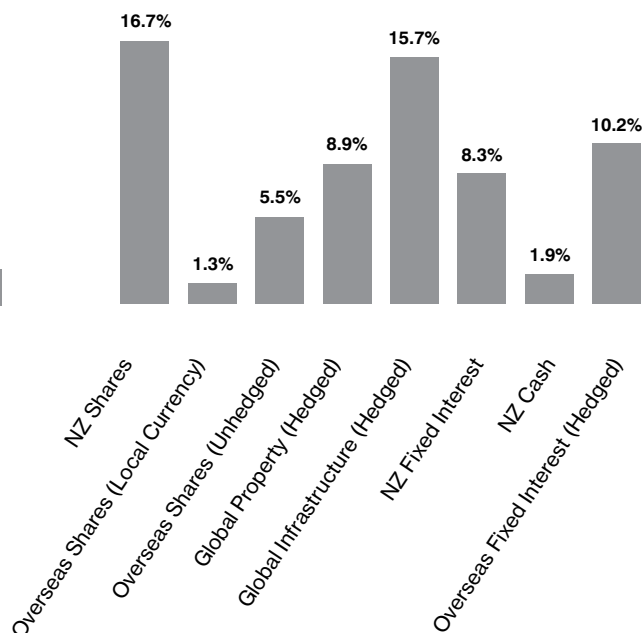
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# Financial Markets For Periods Ended 31 August 2019

## 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

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