

MONTHLY REPORT

For the period ended 31 December 2019

Market performance summary – December in a snapshot

- December was another good month for investors in the year that was full of political and natural events impacting on investment returns. The US and China negotiations continued to dominate the news, while in the UK the General Election meant that Boris Johnson will continue as the Prime Minister (inching closer to Brexit and providing greater clarity for the markets).
- Other than the Conservative option, which returned a slightly negative return, all NZDF Savings Scheme's investment options had a positive month.
- In 2019, NZDF Savings Schemes helped 230 members with the purchase of their first home. If you are looking to buy your first home don't forget that the Defence personnel can access mortgage service offered by Milestone Direct. They can also help with a financial plan or if you need help choosing the right investment option. Please get in touch by calling 0508 MILESTONE (0508 645 378) or by emailing info@milestonedirect.co.nz and start 2020 with a solid plan!



Monthly Commentary Ended 31 December 2019

2019 was a bumper year for equity markets and December was no exception. Progress towards achieving a Phase One trade deal between the US and China fuelled the rise, supported by indications that global interest rates will remain largely 'on hold' during 2020. Potentially good news for borrowers and bad news for investors. Political risk eased in the UK as the Conservative Party led by Boris Johnson achieved one of its largest majorities in modern times to win the UK General Election. Protests in Hong Kong remained a potential flashpoint.

The New Zealand (+1.6%) and Australian (-2.2%) share markets experienced contrasting months. New Zealand shares rode the gains of international markets and embraced easing local risks, pushing annual returns above 30%. Australian shares capped off a strong year with a negative month, not helped by the Australian bushfires.

The increasing likelihood of a Phase One trade deal between the US and China helped boost returns from both Developed (+2.3%, e.g the US, UK and Australia) and Emerging (+5.7%, e.g Brazil, China and India) Markets over the month. While Emerging Markets experienced its best return in more than 10 months, also helped by a weakening US dollar in December, the sector still lagged its Developed counterparts by more than 9% in 2019.

Global Listed Property (-0.2%) continued its quieter performance in December, losing ground as global bond yields increased, resulting in property becoming relatively less attractive to investors. Investors tend to move to bonds when they are wanting a safe investment, albeit with modest returns. In contrast, Global Listed Infrastructure (+3.0%) had a positive month. 12-month performance remains above 20% for both asset classes, highlighting investor demand for yield and defensive sectors in 2019, although both sectors didn't perform as well as the broader equity market over the year.



Significant developments include:



◆ United Kingdom

The UK General Election came to a decisive end in December, with the Conservative Party gaining a crushing majority, meaning Boris Johnson is set to remain as Prime Minister for a five-year term. As such, the UK looks set to leave the European Union on 31 January 2020.

◆ Eurozone

The Eurozone economy is expected to slow down further in 2020, for the third successive year, potentially impacting on investment returns. Economists anticipate growth of 1.1% in 2020, versus 1.2% in 2019 and 1.8% in 2018. Stretched corporate earnings, diminishing investor confidence, underlying political risk and the threat of tariffs from across the Atlantic have all served up headwinds to the Bloc.

◆ China

The People's Bank of China cut the reserve requirement ratio for commercial lenders in early January. This released about \$114.9bn (USD) of fresh liquidity into the banking system ahead of the Chinese New Year later in the month. This move is expected to free up credit for small businesses and reduce bank funding costs, generally supporting increased economic activity.

Milestone Direct Monthly Commentary Ended 31 December 2019

2019 was a great year for both NZ and worldwide investment markets.

Investing can be a bit like driving a car, where everyone feels in control when they're in a good vehicle, on a straight and well-sealed road which is clear of traffic, with the sun shining. In the investment world, that is what calendar year 2019 was like.

Of course, it becomes harder to stay in-control behind the wheel when driving at night, through a storm, in an unreliable car, on a twisting road. With investments, it's also harder to stay on track during turbulent times, but unlike driving a car, you probably can't fix an investment portfolio that's "broken down" or "crashed" by simply calling the AA or a tow truck.

For that reason, the smart thing to do is diversify. This means spreading your portfolio among a different mix of investments (e.g. shares, property, bonds, other assets) and across different industries and countries, while ensuring that your spread matches your tolerance for risk and return. This helps keep you on track to your destination – your goals. With the NZDF Schemes, the fund manager, Mercer, are essentially providing the car and driver for you, which leaves you to two choices to make: which of the seven fund choices suit you, and how much you should invest.

Rest assured that Mercer is widely regarded as a 'safe driver', capable of performing better than most when the ride gets bumpy.

It would be our pleasure to catch up with you for a complementary initial consultation with one of our advisers. Please get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing info@milestonedirect.co.nz

Joseph Darby
Chief Executive
Milestone Direct



A Disclosure Statement is available on request and free of charge

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.

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

Investment Returns For Periods Ended 31 December 2019

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.05	0.13	0.64	0.95	1.09
	Conservative	-0.12	0.35	3.80	6.67	3.92
	Moderate	0.05	0.79	4.43	8.28	4.90
	Balanced	0.21	1.56	6.24	11.86	6.64
	Growth	0.35	2.35	7.86	15.24	8.36
	High Growth	0.43	3.03	9.24	18.03	9.77
	Shares	0.49	4.08	11.58	22.35	11.56
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.05	0.14	0.72	1.04	1.32
	Conservative	-0.09	0.38	3.97	7.12	4.34
	Moderate	0.03	0.83	4.57	8.62	5.22
	Balanced	0.27	1.69	6.41	12.27	7.09
	Growth	0.56	2.71	8.21	15.85	8.72
	High Growth	0.73	3.56	9.64	18.78	10.17
	Shares	0.75	4.47	11.94	22.97	11.98
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.06	0.16	0.80	1.15	1.35
	Conservative	-0.07	0.34	4.15	7.43	4.54
	Moderate	0.14	0.88	4.84	9.06	5.43
	Balanced	0.41	1.91	6.69	12.68	7.30
	Growth	0.69	2.92	8.30	16.15	8.97
	High Growth	0.85	3.74	9.79	19.05	10.45
	Shares	0.93	4.83	12.18	23.49	12.27

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 December 2019

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.06	0.15	0.72	1.07	1.24
	Conservative	-0.12	0.37	3.80	6.78	4.09
	Moderate	0.04	0.80	4.53	8.38	4.97
	Balanced	0.19	1.56	6.29	11.92	6.81
	Growth	0.35	2.36	7.85	15.20	8.31
	High Growth	0.45	3.07	9.31	18.09	9.79
	Shares	0.52	4.15	11.61	22.36	11.58
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.07	0.17	0.82	1.20	1.41
	Conservative	-0.09	0.40	4.12	7.30	4.45
	Moderate	0.10	0.88	4.79	8.86	5.31
	Balanced	0.32	1.79	6.59	12.48	7.16
	Growth	0.54	2.70	8.25	15.93	8.75
	High Growth	0.66	3.43	9.68	18.81	10.17
	Shares	0.74	4.49	11.85	22.89	11.86
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.07	0.19	0.90	1.33	1.53
	Conservative	-0.07	0.40	4.34	7.66	4.68
	Moderate	0.14	0.95	4.94	9.14	5.53
	Balanced	0.39	1.89	6.79	12.80	7.30
	Growth	0.67	2.91	8.40	16.24	8.92
	High Growth	0.82	3.75	9.86	19.09	10.35
	Shares	0.90	4.80	12.09	23.32	12.14

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Investment Returns For Periods Ended 31 December 2019

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.06	0.15	0.72	1.06	1.23
	Conservative	-0.11	0.38	3.92	6.87	4.09
	Moderate	0.05	0.83	4.54	8.42	5.03
	Balanced	0.21	1.61	6.35	12.03	6.85
	Growth	0.35	2.33	7.88	15.35	8.36
	High Growth	0.47	3.05	9.32	18.10	9.84
	Shares	0.52	4.12	11.56	22.37	11.58
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.07	0.18	0.83	1.21	1.40
	Conservative	-0.08	0.40	4.17	7.29	4.48
	Moderate	0.12	0.94	4.85	8.97	5.40
	Balanced	0.34	1.83	6.73	12.65	7.24
	Growth	0.55	2.74	w	16.07	8.79
	High Growth	0.70	3.54	9.75	18.84	10.31
	Shares	0.77	4.54	11.92	22.91	12.10
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-
	Conservative	-0.06	0.41	4.43	7.78	-
	Moderate	0.16	0.97	5.01	9.27	-
	Balanced	0.42	1.91	6.80	12.85	7.37
	Growth	0.70	2.94	8.40	16.23	-
	High Growth	0.85	3.76	9.74	19.04	10.50
	Shares	0.93	4.91	12.23	23.52	12.33

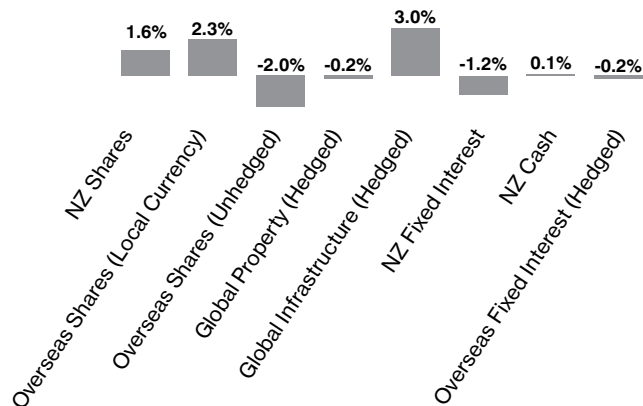
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

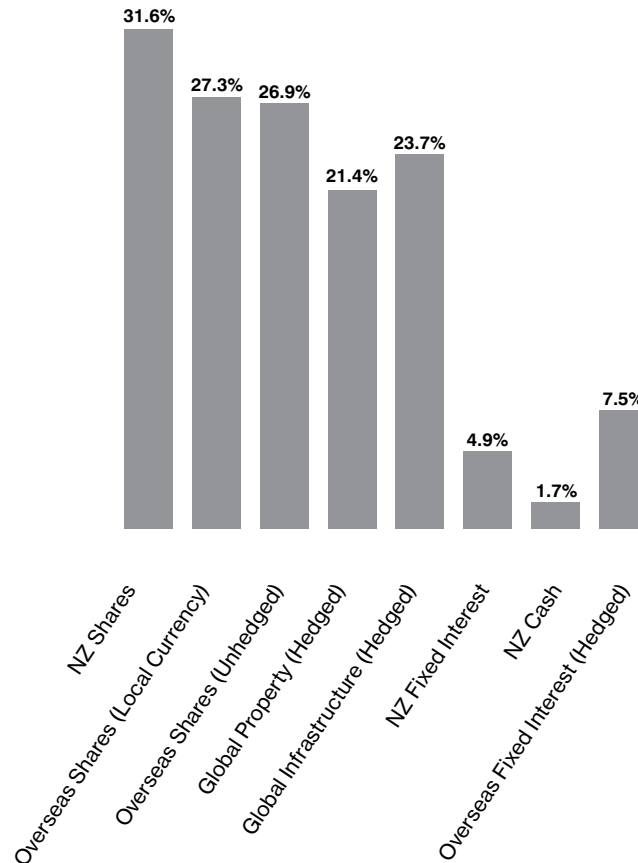
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Financial Markets For Periods Ended 31 December 2019

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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