

MONTHLY REPORT

For the period ended 31 January 2019

January in a snapshot

- Share markets delivered positive returns to investors in January following the falls and increased ups and downs in the market experienced towards the end of 2018.
- All NZDF Savings Scheme's investment options had positive returns for the month. While recouping some of the losses for the year, investment options with exposure to riskier assets such as shares are still in the negative territory.
- The start of a New Year is a great time to establish new savings goals, or revisit tried and proven ones. For assistance and advice about your financial goals and savings strategy please contact the team at Milestone Direct on 0508 MILESTONE (0508 645 378), and ensure you're on track to get the most out of 2019.

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



Monthly Commentary Ended 31 January 2019

Positive news for investors globally and locally as the markets rebounded positively in January following the falls experienced towards the end of last year. All developed markets, including the US, Canada, Europe, Australia and New Zealand, achieved positive returns for the month and the MSCI World Index rallied, up in local currency terms (+7.2%), compared to the loss experienced in December (-7.9%).

The S&P 500 Index (a measure of US share market performance) closed out its best January in over 30 years, up +7.9%. All other asset classes also started 2019 with positive returns.

Investors responded well to the US Federal Reserve's (the Fed) announcement early in the month indicating it will be more cautious towards further rate hikes, alongside reports of stronger than expected corporate earnings and a strengthening US labour market. This positive market performance was a much needed positive start to the calendar year after a rough end to 2018.

Emerging markets (which includes countries in South America, Africa, Middle East, Europe and Asia) also rebounded positively for the month of January, returning +7.2% which is up from a December 2018 return of -7.9%.

Locally, the New Zealand and Australian markets also performed well (+2.0% and +3.9% respectively) for January, albeit lagging behind some of their international counterparts. New Zealand government and corporate bonds both rose +0.6% in January.



Noteworthy developments include:



United States

The US Federal Reserve took a more conservative approach to US monetary policy during January, keeping the Fed Funds Rate target band between 2.25% and 2.5%. Chairman, Jerome Powell, indicated the Fed will take a more cautious and patient outlook to further rate hikes in 2019. The announcement encouraged investors, with share markets responding positively post the announcement.

United States & Mexico

The partial shutdown of the US Government ended on 25 January 2019, after a record 35 days. President Trump and the US Congress agreed to provide temporary Government funding. However, this did not include any budget for the US-Mexico border wall - the major obstacle to reaching agreement in the first place. Negotiations on US-Mexico border security continue.

United Kingdom

UK Prime Minister, Theresa May's proposed Brexit deal was rejected in parliament by a record majority. Ongoing discussions between May and the EU around the 'Irish backstop' are now set to take place and pending successful negotiations, a revised Brexit deal will be put forward to the UK House of Commons. Time is running out with the UK set to formally exit the EU on 29 March 2019.

Milestone Direct Monthly Commentary Ended 31 January 2019

January saw most investment markets bounce back strongly from the results experienced towards the end of 2018. This flowed through to strong results for the NZDF Schemes.

While this commentary is about January 2019, it's timely to note that four times every year the worldwide investment research powerhouse Morningstar collates performance data across all KiwiSaver schemes. As Morningstar takes the time to do this properly, the data for the period October to December 2018 is only just available to us. Impressively during this time of typically poor market returns, the NZ Defence Force KiwiSaver Scheme has performed strongly in comparison to others and sits high up in the performance scheme rankings. This is most notable in the High Growth and Shares investment options. Pleasingly, most experts agree that it's in these investment options where the processes and skills of an active manager like Mercer can add the most value, especially when nearly all investment markets fell in value over the period in question.

Looking ahead, most experts also agree that all investment markets will continue to rise and fall in value more than they have over recent years. If history is anything to go by (and acknowledging that past performance doesn't guarantee future returns!) in such times it pays to stay the course and keep a mid to long-term approach to your investments, including investments in the NZDF Schemes.

It'd be the pleasure of one of our financial advisers to have a chat with you about your goals in life and how investing may help you achieve them. 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 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

Investment Returns For Periods Ended 31 January 2019

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.12	0.31	1.03	1.21	1.20
	Conservative	1.14	0.57	1.77	1.28	3.37
	Moderate	1.73	0.74	1.89	0.95	4.38
	Balanced	2.61	0.57	2.07	0.34	5.87
	Growth	3.56	0.29	2.08	-0.51	7.56
	High Growth	4.10	0.02	2.30	-0.89	8.81
	Shares	4.66	-0.64	1.47	-2.49	9.91
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.34	1.15	1.39	1.49
	Conservative	1.25	0.82	2.09	1.67	3.71
	Moderate	1.80	0.97	2.07	1.23	4.73
	Balanced	2.76	0.94	2.44	0.75	6.61
	Growth	3.76	0.69	2.41	-0.17	8.20
	High Growth	4.29	0.40	2.53	-0.67	9.30
	Shares	4.86	-0.27	1.84	-2.20	10.46
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.14	0.38	1.26	1.47	1.50
	Conservative	1.28	0.89	2.18	1.78	4.01
	Moderate	1.88	1.14	2.28	1.43	4.86
	Balanced	2.82	1.08	2.57	0.87	6.86
	Growth	3.84	0.88	2.55	0.00	8.53
	High Growth	4.40	0.63	2.73	-0.48	9.71
	Shares	5.01	-0.01	1.98	-2.10	10.87

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 2018

Investment Returns For Periods Ended 31 January 2019

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.13	0.33	1.11	1.31	1.39
	Conservative	1.16	0.60	1.83	1.37	3.50
	Moderate	1.72	0.77	1.91	1.00	4.39
	Balanced	2.63	0.62	2.20	0.45	6.15
	Growth	3.58	0.33	2.15	-0.47	7.55
	High Growth	4.11	0.04	2.23	-1.00	8.78
	Shares	4.69	-0.64	1.49	-2.52	9.84
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.14	0.38	1.27	1.50	-
	Conservative	1.23	0.84	2.09	1.68	3.87
	Moderate	1.82	0.98	2.15	1.29	4.84
	Balanced	2.76	0.92	2.42	0.69	6.55
	Growth	3.74	0.70	2.40	-0.18	8.15
	High Growth	4.31	0.42	2.45	-0.78	9.29
	Shares	4.87	-0.25	1.75	-2.33	10.42
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.16	0.42	1.39	1.63	-
	Conservative	1.30	1.00	2.24	1.86	-
	Moderate	1.86	1.15	2.29	1.46	5.12
	Balanced	2.82	1.08	2.49	0.79	6.71
	Growth	3.82	0.84	2.47	-0.14	8.47
	High Growth	4.37	0.58	2.62	-0.60	9.71
	Shares	4.98	-0.12	1.72	-2.33	10.81

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Investment Returns For Periods Ended 31 January 2019

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.13	0.33	1.11	1.30	1.39	-
	Conservative	1.15	0.53	1.80	1.28	3.52	-
	Moderate	1.74	0.78	1.95	1.05	4.59	-
	Balanced	2.65	0.61	2.21	0.45	6.24	5.84
	Growth	3.59	0.34	2.11	-0.49	7.74	-
	High Growth	4.11	-0.03	2.15	-1.09	8.97	-
	Shares	4.68	-0.67	1.32	-2.75	9.98	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.14	0.37	1.27	1.49	1.59	-
	Conservative	1.17	0.77	2.01	1.64	-	-
	Moderate	1.84	1.00	2.21	1.36	5.01	-
	Balanced	2.76	0.90	2.45	0.71	6.70	6.21
	Growth	3.77	0.68	2.47	-0.14	8.20	-
	High Growth	4.30	0.48	2.51	-0.69	9.60	-
	Shares	4.83	-0.36	1.64	-2.35	10.82	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	-	-	-	-	-	-
	Moderate	-	-	-	-	-	-
	Balanced	2.82	1.04	2.50	0.82	6.91	6.41
	Growth	-	-	-	-	-	-
	High Growth	4.38	0.60	2.72	-0.49	-	-
	Shares	4.99	-0.15	-1.86	-2.21	11.03	-

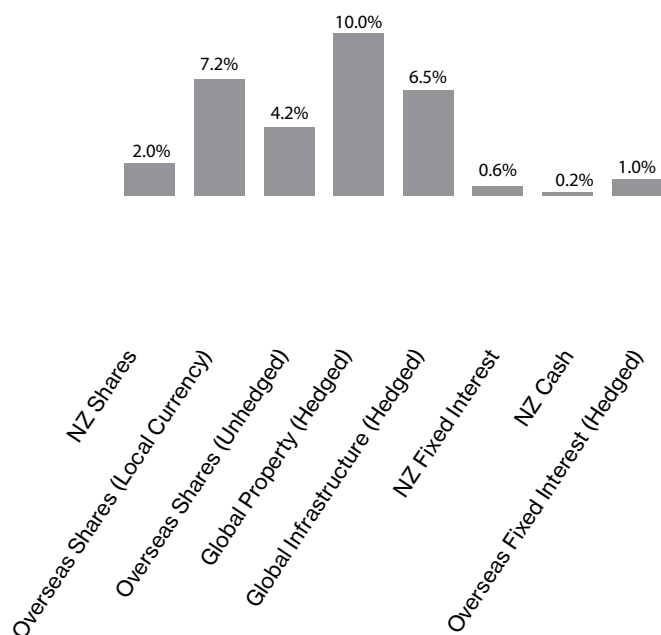
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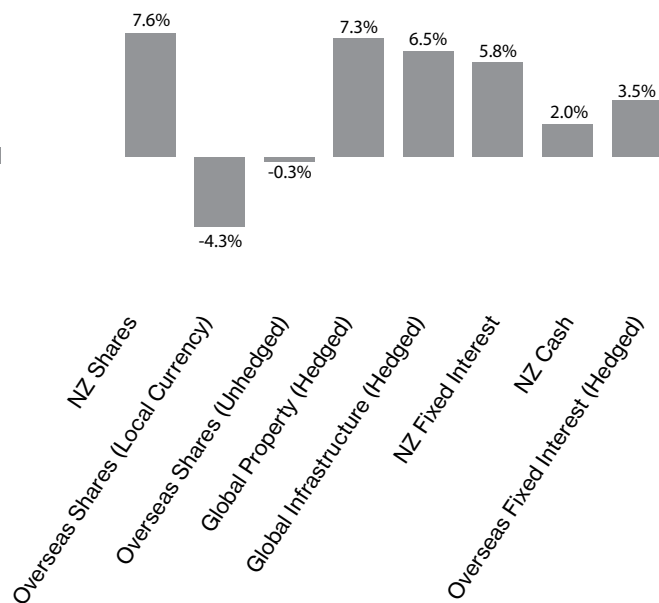
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Financial Markets For Periods Ended 31 January 2019

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

S&P/NZX NZ Government Bond

NZ CASH

ANZ 90 Day Bank Bills

OVERSEAS FIXED INTEREST (HEDGED)

Bloomberg Global Aggregate

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