

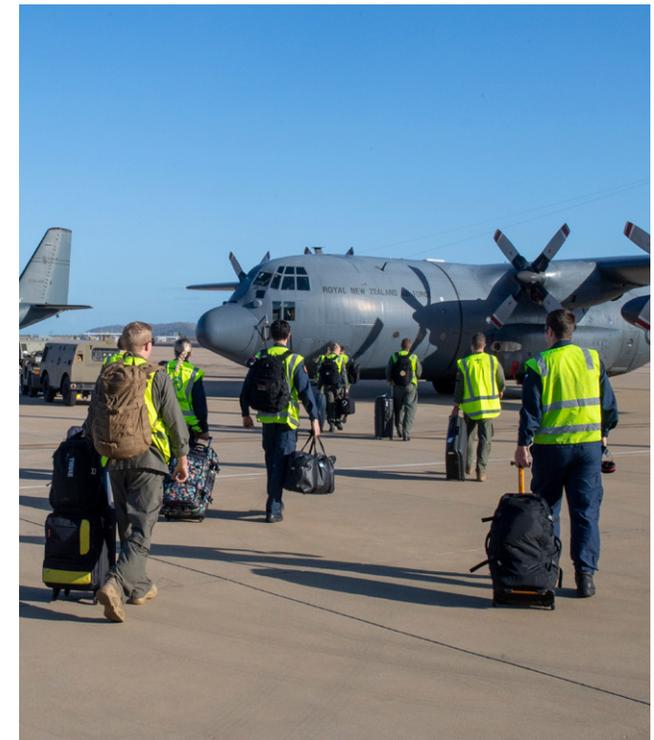
MONTHLY REPORT

For the period ended 31 July 2019

Market performance summary – July in a snapshot

- It was another positive month for investors with all markets performing well and NZDF Savings Schemes' investment options returning positive results.
- As part of the ongoing regulatory reporting, the NZDF Savings Schemes annual reports have been prepared and distributed to you in August. These reports include information such as details about the scheme, any changes that happened during the year, performance and member movements. You can also download copies of each of the report online at the Force Financial Hub.
- 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).
- NZDF KiwiSaver Scheme members have received a total of \$1,971,225.88 in Government Contributions (formerly known as Member Tax Credits) this year.

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



Monthly Commentary Ended 31 July 2019

July served up more positive returns for investors despite signs of increasing market strain and a weakening global economic outlook. While easing Central Bank policies (including interest rate cuts in the US and Australia) kept share markets afloat, investors continued to buy up defensive assets despite a general downward trend in global bond yields. With global inflation and unemployment still low markets remain finely balanced with events such as the evolving landscape of US – China trade and Brexit negotiations doing little to calm investors' nerves.

The New Zealand share market was a top performer over the month, gaining +3.4% and outperforming its Australian counterpart, which returned +2.9%. Both markets are up over 20% in 2019 so far, as the high-dividend paying Antipodean markets remain attractive to offshore investors and the respective Reserve Banks have indicated they are prepared to support growth in the two economies.

Developed share markets, US, UK, Canada and others, had a relatively slower month compared to most in 2019 to date (+1.2%). Investor risk appetite tilted towards more defensive asset classes (bonds) in light of unfavorable growth figures coming out of Europe and ongoing trade tensions weighed on returns. Emerging markets were particularly affected by such issues, lagging well behind their developed peers (-1.0%).

The Global Listed Property and Infrastructure sectors delivered positive returns in July, up +1.0% and +0.1% respectively (NZD hedged) for the month. The sector continues to remain strong over a 12-month time horizon with property (+8.0%) and infrastructure (+13.0%) benefitting from historically low interest rates at a global level.



Significant developments include:



United Kingdom and Europe

The concerns of a possible “No Deal” Brexit were compounded with the appointment of the new British Prime Minister, Boris Johnson; Johnson signalling that while he intends to try and renegotiate the Withdrawal Agreement, he is ultimately prepared to go through with a potentially economically damaging “no deal” exit if better terms are not offered by the European Union.

Germany

German industrial output is 5.2% lower than a year ago, exacerbating fears that Europe's largest economy could be heading for its first slump in over six years.

Australia

The Reserve Bank of Australia (RBA) lowered its cash rate by 25 basis points to 1.0% at the beginning of July, outlining that uncertainty generated by trade and technology disputes have tilted global economic risks to the downside.

United States

At the end of July, the US Federal Reserve cut its Fed Funds Rate for the first time in more than a decade, dropping its benchmark interest rate by 0.25% after much speculation earlier in the month over whether the size of the cut would be bigger.

Milestone Direct Monthly Commentary Ended 31 July 2019

Investment markets continue to gain plenty of media attention. Often this attention focuses on doomsday claims based no real logic or analysis. Sometimes the basis of the news reporting is as simple as a seemingly large change in value in the investment world on any given day or week.

This is because media outlets (such as news websites) are businesses which rely overwhelmingly on income provided by advertising. The more people they get to see their news, the more adverts they can bill for. This means they most media won't always focus on the truth but are more likely to dramatise matters, and use attention-grabbing headlines designed to create fear or other strong emotions.

At times when there's plenty of media commentary and public remarks about investment markets being made by wide variety of 'experts', emotions can be dangerous for individual investors. This is even if the investor is only thinking of what those remarks might mean for their investments in KiwiSaver, superannuation or other saving schemes. While it can be a challenge, when it comes to investing it pays to remove emotions and think about the long-haul. To help you do this, here are some wise words from someone who most people agree is the world's best investor:

"I know what markets are going to do over a long period of time: they're going to go up. But in terms of what's going to happen in a day or a week or a month or a year even, I've never felt that I knew it and I've never felt that was important."

Warren Buffett

When it comes to your investments and your goals, 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.

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.



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

Investment Returns For Periods Ended 31 July 2019

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.09	0.27	0.37	1.17	1.15
	Conservative	0.71	1.78	2.38	4.09	3.37
	Moderate	0.86	1.70	2.65	4.31	4.33
	Balanced	1.16	1.96	3.52	4.96	5.92
	Growth	1.41	2.05	4.29	5.16	7.64
	High Growth	1.69	2.26	5.00	5.71	8.93
	Shares	2.08	2.73	6.27	6.05	10.41
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.31	0.42	1.30	1.42
	Conservative	0.73	1.88	2.53	4.68	3.73
	Moderate	0.88	1.80	2.75	4.74	4.60
	Balanced	1.21	2.12	3.65	5.53	6.42
	Growth	1.43	2.19	4.38	5.70	8.00
	High Growth	1.66	2.33	4.98	6.11	9.18
	Shares	2.09	2.86	6.33	6.45	10.76
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.35	0.47	1.41	1.42
	Conservative	0.77	2.06	2.69	5.02	3.99
	Moderate	0.91	1.97	2.92	5.17	4.75
	Balanced	1.19	2.21	3.72	5.79	6.57
	Growth	1.43	2.18	4.33	5.95	8.22
	High Growth	1.68	2.42	5.08	6.42	9.51
	Shares	2.08	2.87	6.29	6.70	11.01

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 July 2019

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.10	0.30	0.41	1.29	1.32
	Conservative	0.71	1.73	2.37	4.25	3.56
	Moderate	0.85	1.72	2.69	4.43	4.40
	Balanced	1.15	2.01	3.57	5.07	6.11
	Growth	1.40	2.02	4.27	5.22	7.61
	High Growth	1.68	2.31	5.05	5.74	8.93
	Shares	2.06	2.75	6.27	5.99	10.37
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.13	0.35	0.47	1.46	1.50
	Conservative	0.76	1.93	2.58	4.83	3.86
	Moderate	0.92	1.91	2.87	4.95	4.76
	Balanced	1.18	2.15	3.69	5.57	6.42
	Growth	1.44	2.21	4.41	5.77	8.02
	High Growth	1.70	2.46	5.14	6.22	9.31
	Shares	2.07	2.82	6.30	6.45	10.73
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.13	0.37	0.51	1.60	1.64
	Conservative	0.79	2.05	2.72	5.17	4.09
	Moderate	0.92	1.98	2.94	5.25	4.96
	Balanced	1.21	2.26	3.78	5.83	6.55
	Growth	1.47	2.26	4.42	6.00	8.17
	High Growth	1.72	2.47	5.13	6.44	9.50
	Shares	2.06	2.89	6.33	6.55	10.95

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Investment Returns For Periods Ended 31 July 2019

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.10	0.30	0.41	1.27	1.31	-
	Conservative	0.71	1.80	2.44	4.19	3.58	-
	Moderate	0.86	1.75	2.70	4.46	4.52	-
	Balanced	1.17	2.02	3.59	5.10	6.19	5.75
	Growth	1.44	2.06	4.30	5.28	7.72	-
	High Growth	1.66	2.33	5.08	5.64	9.02	-
	Shares	2.06	2.72	6.29	5.99	10.50	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.34	0.47	1.46	1.50	-
	Conservative	0.75	1.97	2.62	4.77	3.95	-
	Moderate	0.90	1.89	2.86	4.97	4.87	-
	Balanced	1.21	2.18	3.73	5.61	6.52	6.05
	Growth	1.47	2.21	4.44	5.82	8.07	-
	High Growth	1.71	2.42	5.11	6.19	9.42	-
	Shares	2.13	2.81	6.28	6.31	10.97	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	0.79	2.10	2.80	-	-	-
	Moderate	0.93	2.02	2.98	5.30	-	-
	Balanced	1.20	2.23	3.77	5.82	6.65	6.19
	Growth	1.42	2.24	4.39	5.93	-	-
	High Growth	1.67	2.43	5.05	6.48	9.69	-
	Shares	2.08	2.86	6.27	6.58	11.12	-

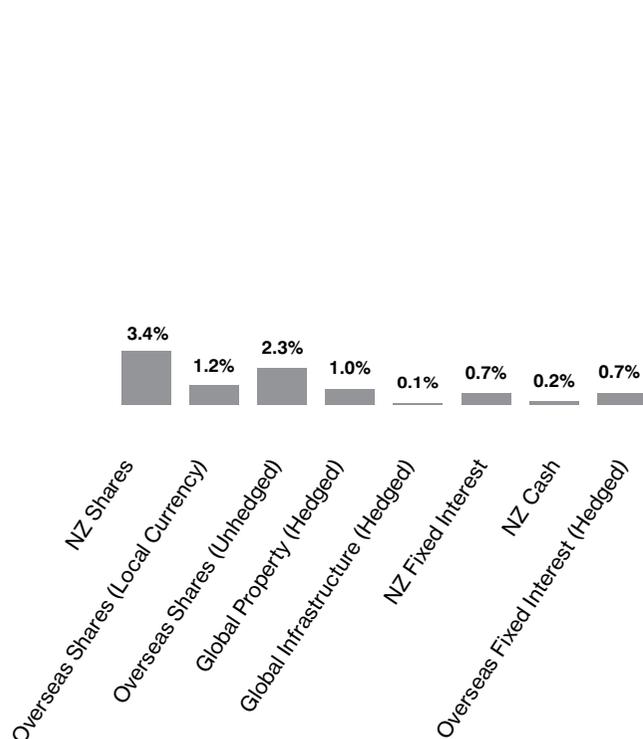
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

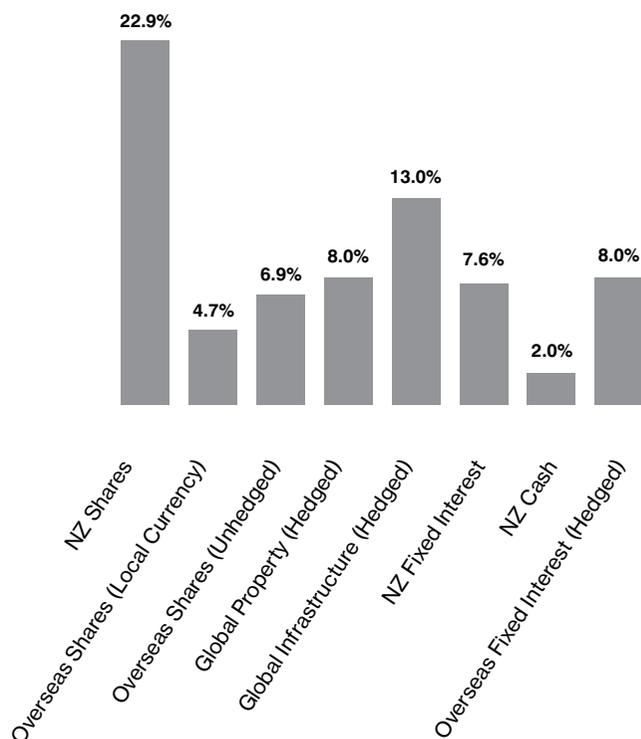
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Financial Markets For Periods Ended 31 July 2019

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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