

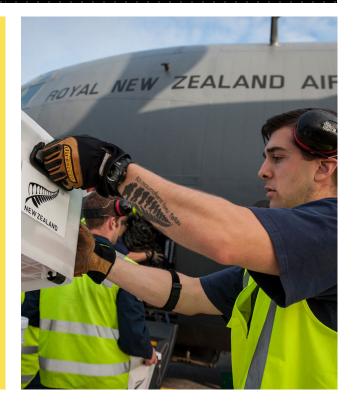
New Zealand Defence Force Savings Schemes

MONTHLY REPORT For the period ended 31 March 2019

Market performance summary – March in a snapshot

- Another good month for investors globally, New Zealand and members of the NZDF Savings Schemes. Positive returns in March were delivered by shares, bonds, real assets and cash. All NZDF Savings Scheme's investment options had positive returns for the month.
- In May you will be receiving your annual statements which will show how your personal account has been tracked from 1 April 2018 to 31 March 2019. It is important that you check your email address is up to date. You can log in to your account at www.nzdf.superfacts.co.nz or call the Helpline on 0800 333 787 to update or provide it if necessary.
- For assistance and advice about your financial goals and 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 31 March 2019

March continued the positive trend experienced over the last two months, with most asset classes (shares, bonds, real assets, and cash) experiencing positive returns. The New Zealand share market (NZX50 Index) was a standout performer compared to its global counterparts, returning +5.9% compared to +1.6% from global markets (MSCI World Index, in local currency terms) for the month.

While financial markets performed well in March, there were some indicators that global economic activity is slowing and undertones of market uncertainty remain prevalent. This sentiment was broadly reflected in global central bank policy positioning over the month.

Most developed market policy makers indicated that current interest rates would remain, if not fall, in an effort to maintain economic growth. The US Federal Reserve (US Fed) announced that it will refrain from raising interest rates for the rest of the calendar year, and also plans to cut-back and conclude its current agenda of tightening monetary policy.

Locally, the Reserve Bank of New Zealand left the Official Cash Rate (OCR) unchanged at 1.75% with Governor Adrian Orr indicating the next move will likely be downward. Australia also kept their OCR on hold in March. During the month, amendments to New Zealand's monetary policy framework were refined so that from 1 April 2019 future monetary policy decisions will be decided by a new seven-member panel that will be Chaired by Governor Orr.

Developed share markets, which includes the US, UK, Japan, Canada and others, returned +1.6% for the month. Developed share markets took a hit following the US Fed's announcements on interest rates and monetary policy. Emerging Markets also offered positive returns at +1.4%, albeit slightly lower than their developed counterparts.

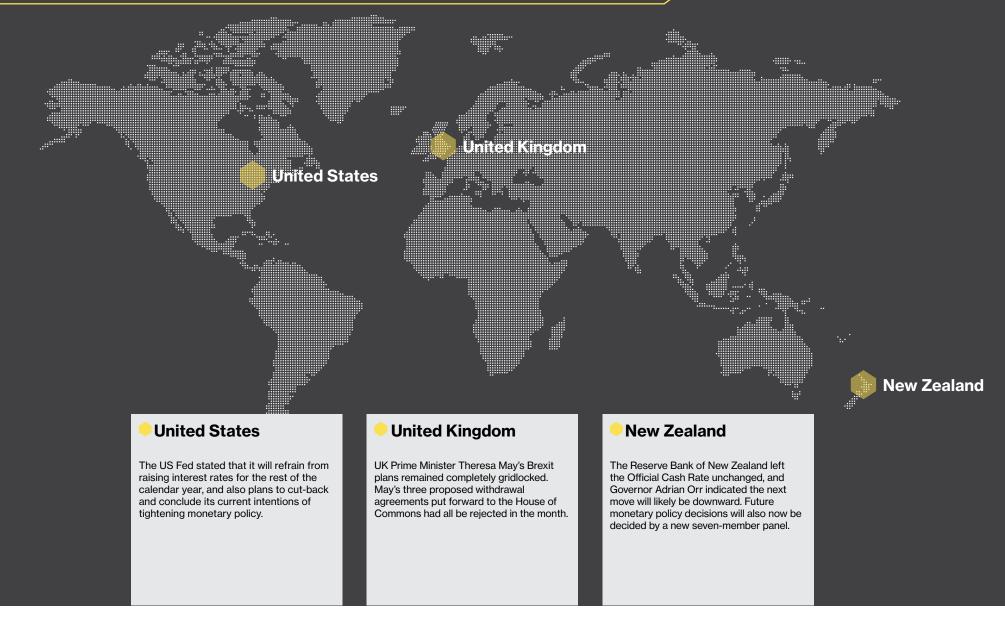
International politics also continued to make headlines as the UK's Brexit plans remained gridlocked. During the month UK Prime Minister, Theresa May, submitted three proposed withdrawal agreements to the House of Commons, however, all three were rejected by the House. The UK and European markets performed well, however, up +3.2% and +2.0% despite considerable uncertainty amongst the Brexit turmoil. Sentiment in UK and Europe regarding Brexit, along with weakening economic data, continues to weigh adversely on their respective currencies.

Global Listed Property and Global Listed Infrastructure both delivered strong returns for the month (up+3.8% and +3.0% respectively). As the economy appears to slow, and with global interest rates seemingly on hold, these two more defensive sectors have become relatively more attractive, providing investors with portfolio diversification, as well as what is currently attractive return potential.



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

Significant developments include:



Milestone Direct Monthly Commentary Ended 31 March 2019

Everyone likes the investment markets when values are going up. It means we're all getting the returns that we are "supposed" to be receiving for putting our money at risk. But naturally, we aren't big fans of the market when values start falling. Unfortunately, investments such as shares (stocks) are "supposed" to go up and down – a lot. The financial markets are based on the relationship between risk and return. This means we wouldn't be able to harvest the long-term returns we expect without accepting some risk.

Will markets fall like many commentators say?

As unsatisfying as the answer is, no-one knows. In fact, no-one can know. The markets are unpredictable in the short-term, because investment markets react to new information, and specifically how that new information matches with what the markets expected. Everyone in the markets already knows that nearly all investment types have had an amazing run over the past decade. They've priced-in that information, which means the current prices are each investment market's best estimate of the value of each investment.

Anyone who says that they can predict what the markets are going to do is lying to someone – either themselves, or you, or both! Plenty of research proves that being able to time the markets is essentially impossible, including for those working full time in the markets themselves.

All the clever analysis you may hear on TV and read in the news (or not-so-clever and nuanced as the case may be) is largely meaningless for us as investors. By the time something makes it onto TV or into the business pages, the financial markets have already largely absorbed that information and prices have moved to take it into account (including what it likely means for the future). For information to be useful to us as investors, we would need to be able to process it, and act on it, before nearly anyone else. And realistically, that just isn't going to happen. What we want to do instead is make the broad sweep of the market our ally, not our adversary. We want to focus on building a financial plan that will help us reach our financial goals and harvest the long-term returns that the market puts on offer.

It would be the pleasure of one of our financial advisers to have a chat with you about your financial plans and achieving your goals in life. 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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Investment Returns For Periods Ended 31 March 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	0.31	1.22	1.22	1.17
	Conservative	0.80	2.77	3.40	3.40	3.30
	Moderate	0.83	3.69	3.86	3.86	4.31
	Balanced	0.99	5.29	4.74	4.74	5.76
	Growth	0.97	6.84	5.31	5.31	7.41
	High Growth	1.10	8.04	6.18	6.18	8.59
	Shares	1.31	9.66	6.32	6.32	9.64
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.09	0.31	1.34	1.34	1.46
	Conservative	0.90	3.02	3.88	3.88	3.67
	Moderate	0.92	3.87	4.15	4.15	4.62
	Balanced	1.09	5.51	5.19	5.19	6.41
	Growth	1.01	7.06	5.67	5.67	7.88
	High Growth	1.23	8.33	6.50	6.50	8.99
	Shares	1.40	9.85	6.68	6.68	10.06
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.35	1.46	1.46	1.44
	Conservative	0.99	3.15	4.07	4.07	3.96
	Moderate	0.98	4.02	4.42	4.42	4.80
	Balanced	1.12	5.62	5.36	5.36	6.61
	Growth	1.10	7.25	5.91	5.91	8.18
	High Growth	1.24	8.44	6.71	6.71	9.35
	Shares	1.44	10.08	6.90	6.90	10.43

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 March 2019

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.11	0.34	1.33	1.33	1.35
	Conservative	0.85	2.87	3.55	3.55	3.50
	Moderate	0.84	3.69	3.89	3.89	4.35
	Balanced	0.99	5.29	4.85	4.85	6.01
	Growth	0.97	6.82	5.35	5.35	7.37
	High Growth	1.12	8.03	6.08	6.08	8.55
	Shares	1.30	9.63	6.28	6.28	9.61
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.38	1.52	1.52	1.54
	Conservative	0.94	3.05	3.93	3.93	3.81
	Moderate	0.94	3.89	4.23	4.23	4.77
	Balanced	1.08	5.52	5.18	5.18	6.39
	Growth	1.05	7.09	5.70	5.70	7.89
	High Growth	1.19	8.32	6.39	6.39	8.96
	Shares	1.38	9.88	6.61	6.61	10.05
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	3 Years %
	Cash	0.13	0.42	1.66	1.66	1.67
10.5% prescribed investor rate (PIR)	Conservative	0.99	3.18	4.14	4.14	4.08
	Moderate	1.00	4.00	4.45	4.45	5.01
	Balanced	1.14	5.63	5.29	5.29	6.51
	Growth	1.12	7.23	5.84	5.84	8.12
	High Growth	1.25	8.41	6.60	6.60	9.36
	Shares	1.46	10.02	6.61	6.61	10.35

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Defence Force Superannuation Scheme

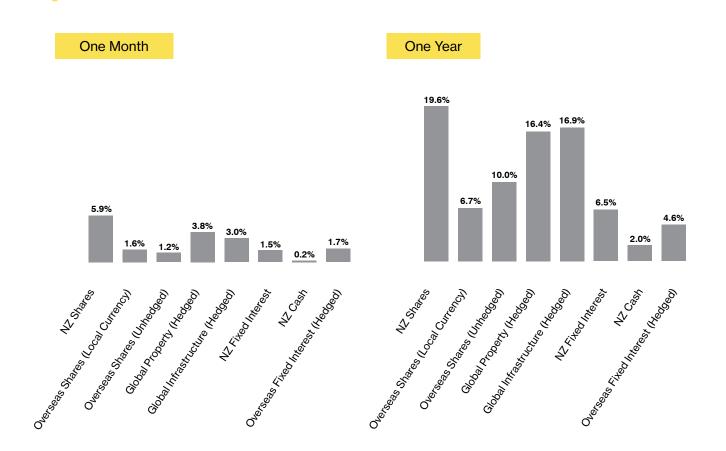
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	3 Years %	5 Years %	Not
28% prescribed investor rate (PIR)	Cash	0.11	0.34	1.32	1.32	1.35	-	•
	Conservative	0.83	2.84	3.49	3.49	3.51	-	
	Moderate	0.85	3.72	3.92	3.92	4.53	-	
	Balanced	1.00	5.34	4.89	4.89	6.05	5.84	
	Growth	0.99	6.92	5.40	5.40	7.52	-	
	High Growth	1.11	8.03	6.00	6.00	8.71	-	
	Shares	1.31	9.68	6.16	6.16	9.68	-	
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	3 Years %	5 Years %	•
17.5% prescribed investor rate (PIR)	Cash	0.12	0.38	1.51	1.51	1.54	-	
	Conservative	0.95	3.00	3.86	3.86	3.91	-	
	Moderate	0.95	3.94	4.31	4.31	4.91	-	
	Balanced	1.08	5.55	5.23	5.23	6.46	6.15	
	Growth	1.06	7.13	5.79	5.79	7.91	-	
	High Growth	1.18	8.28	6.42	6.42	9.24	-	
	Shares	1.36	9.82	6.48	6.48	10.39	-	
PIR	Fund	1 Month %	3 Months %	FYTD [*] %	1 Year %	3 Years %	5 Years %	
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-	
	Conservative	-	-	-	-	-	-	•
	Moderate	-	-	-	-	-	-	
	Balanced	1.15	5.67	5.33	5.33	6.66	6.31	
	Growth	-	-	-	-	-	-	
	High Growth	1.25	8.48	6.75	6.75	9.59	-	* F)
	Shares	1.44	10.06	6.78	6.78	10.55	-	Dat

Notes

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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 March 2019



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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