

MONTHLY REPORT

For the period ended 31 May 2020

Market performance summary – May in a snapshot

- Markets continued to have a solid rebound in May, with the US share markets rising by more than 6% on the heels of a very strong rally in April, investors are banking on a rapid return to economic normality.
- New Zealand Defence Force Savings Schemes had a rather good month, most investment options ended May with positive returns. Cash Fund underperformed this month, impacted by the exceptional low interest rates in New Zealand and globally.
- Before making any changes to your investment option or making a decision to withdraw your money, you should discuss this with your financial adviser or the independent Milestone Direct (MDL) team of advisers by calling **0508 MILESTONE (0508 645 378)** or emailing info@milestonedirect.co.nz.



Monthly Commentary Ended 31 May 2020

Momentum from the strong market rebound of April continued throughout May. Investors seemingly brushed aside COVID-19 re-infection risks and political turmoil in the US, instead banking on a rapid return to economic normality. New cases of COVID-19 showed signs of flattening over the month in various countries, prompting some to ease local lockdown restrictions. Globally, cases remained high in many parts of the world, with over 6 million confirmed cases and more than 350,000 deaths at month-end.

Global shares climbed and government bond yields rose as the financial market recovery continued. The VIX index, a measure of expected US share market volatility and a gauge of general market fear, dropped to its lowest level since late-February.

Developed markets (which includes the US, UK, Canada, Australia and New Zealand) were up 4.7% in local currency terms with technology, materials, and industrials sectors leading the way. New Zealand and Australia are both shaping up to be ahead of their developed global counterparts in combating COVID-19, with both total cases and deaths per capita considerably lower than the rest of the world. Share markets responded accordingly, with New Zealand up 3.3% and Australia up 4.4%. Emerging markets returned 0.6% in local currency terms.

The New Zealand Government announced a large fiscal bill over the month in the form of the Budget 2020, including a sizeable \$50 billion relief package to address the economic fallout from COVID-19. This is on top of the \$12.1 billion support package initially outlined in March. Real economic benefits are not anticipated to flow through immediately, with an expectation of improving the speed of the market recovery rather than reducing the depth of the downturn.



Significant developments include:



Global

New cases of COVID-19 showed signs of flattening over the month in various countries, prompting some to ease lockdown restrictions. Despite this, overall figures remained high with over 6 million confirmed cases and 350,000 deaths.

New Zealand

The New Zealand Government announced a large fiscal bill in the form of the Budget 2020, including a sizeable \$50 billion relief package to address the fallout from COVID-19.

New Zealand

Domestic monetary stimulus was bolstered over the month, with the Reserve Bank of New Zealand increasing its quantitative easing (QE) programme from \$33 billion to a maximum of over \$60 billion over the next 12 months.

Milestone Direct Monthly Commentary Ended 31 May 2020

Much like the rest of the world, investment markets have been more unpredictable than usual since the dawn of the New Year. As there are so many interesting global events still underway which can impact the markets, it might be useful to compare investing to something else that most of us are familiar with: driving a car. Let's explore a few examples:

Let's explore a few examples:

- **You are driving alone on the open road when you see a police car waiting and watching for speeding cars – you instinctively slow down. However, after you've passed it, you continue to drive slowly because you think there's another police officer out there – even if you were driving safely and below the speed limit in the first place.**
 - Similarly, people panic when their investment value drops – perhaps around March 2020 – as they think the values will continue to do fall. They might change their investing behaviour, even though there was no need.
- **Did you know that if you're driving at 110km an hour, you're only covering each kilometre 0.06 minutes faster than if you were driving at 100km an hour? Most people understand the risk of speeding at 110km an hour isn't worth the risk of such a tiny gain – after all, your aim is to reach your destination, not set a speed record.**
 - In the same way, investments are just a vehicle to help you reach your goals – such as the ability to retire comfortably in 20 or so years. Seeking a little extra investment return may be worthwhile if it increases the chances you can reach your goal sooner, but you've got to understand and accept how much extra risk you're taking.
- **When driving in motorway traffic, have you ever become frustrated with slow progress in your lane, then changed to a lane which looked like it was moving faster? But then, immediately after you switch lanes, your new lane grinds to a halt. Meanwhile, the lane you just left picks up speed and is now the faster lane.**
 - In the investment world, this is called "chasing performance" and has caused the downfall of many inexperienced (and experienced!) investors. This is because there's no guarantee that last year's winning investment will work out that way this year.



These examples all relate to staying the course with an investment mix that's right for you and your goals: such as the seven different choices in the NZDF Schemes. One of the key parts of investing is patience. Despite the short-term ups and downs, over time, good quality investments should grow in value.

If you're patient, time is your best ally.

It would be our pleasure to discuss if anything above relates to you, or to answer any financial queries you may have:

0508 MILESTONE (0508 645 378)
info@milestonedirect.co.nz

Joseph Darby
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Milestone Direct

Investment Returns For Periods Ended 31 May 2020

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	-0.02	0.06	0.02	0.64	0.99
	Conservative	1.12	-0.21	3.20	3.07	3.12
	Moderate	1.35	-0.84	4.04	2.49	3.35
	Balanced	1.93	-1.77	5.86	2.21	3.98
	Growth	2.53	-2.61	7.75	1.77	4.43
	High Growth	2.94	-3.02	9.24	1.57	5.04
	Shares	3.60	-2.71	11.68	3.11	6.09
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.02	0.08	0.02	0.72	1.17
	Conservative	1.18	-0.20	3.38	3.30	3.46
	Moderate	1.41	-0.67	4.25	2.81	3.66
	Balanced	2.03	-1.71	6.11	2.43	4.31
	Growth	2.58	-2.28	8.13	2.21	4.75
	High Growth	2.96	-2.95	9.49	2.03	5.36
	Shares	3.57	-2.39	11.85	3.52	6.42
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-0.02	0.11	0.04	0.82	1.22
	Conservative	1.23	-0.17	3.55	3.51	3.64
	Moderate	1.45	-0.62	4.40	3.08	3.89
	Balanced	2.06	-1.68	6.32	2.70	4.49
	Growth	2.57	-2.29	8.17	2.30	4.91
	High Growth	2.98	-2.92	9.69	2.04	5.51
	Shares	3.61	-2.16	12.18	3.78	6.61

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 May 2020

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	-0.01	0.10	0.04	0.76	1.13
	Conservative	1.13	-0.19	3.21	3.14	3.25
	Moderate	1.36	-0.47	4.10	2.93	3.57
	Balanced	1.97	-1.84	5.92	2.21	4.08
	Growth	2.52	-2.52	7.82	1.82	4.45
	High Growth	2.93	-3.07	9.30	1.65	5.08
	Shares	3.55	-2.65	11.54	3.23	6.11
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.01	0.11	0.04	0.87	1.28
	Conservative	1.20	0.11	3.44	3.79	3.68
	Moderate	1.41	-0.85	4.22	2.85	3.72
	Balanced	2.03	-1.60	6.19	2.75	4.43
	Growth	2.59	-2.56	8.14	2.02	4.74
	High Growth	2.97	-2.82	9.56	2.10	5.39
	Shares	3.62	-2.68	11.94	3.26	6.25
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-0.01	0.14	0.04	0.96	1.40
	Conservative	1.25	0.09	3.62	4.01	3.88
	Moderate	1.44	-0.63	4.44	3.22	3.97
	Balanced	2.07	-1.81	6.32	2.63	4.46
	Growth	2.58	-2.51	8.24	2.24	4.84
	High Growth	3.01	-2.90	9.78	2.10	5.45
	Shares	3.65	-2.67	12.19	3.34	6.37

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Investment Returns For Periods Ended 31 May 2020

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	-0.01	0.11	0.04	0.77	1.12
	Conservative	1.10	-0.23	3.20	3.12	3.21
	Moderate	1.36	-0.80	4.05	2.65	3.48
	Balanced	1.97	-1.80	5.93	2.30	4.16
	Growth	2.54	-2.52	7.87	1.84	4.44
	High Growth	2.93	-2.84	9.43	1.82	5.11
	Shares	3.59	-2.45	11.86	3.21	6.09
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.13	0.05	0.89	1.29
	Conservative	1.23	-0.13	3.50	3.53	3.59
	Moderate	1.42	-0.60	4.32	3.15	3.88
	Balanced	2.05	-1.73	6.18	2.66	4.46
	Growth	2.58	-2.33	8.14	2.34	4.82
	High Growth	3.00	-2.79	9.73	2.25	5.47
	Shares	3.60	-2.35	12.00	3.59	6.42
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-
	Conservative	1.26	-0.06	3.61	3.85	-
	Moderate	1.48	-0.65	4.45	3.21	-
	Balanced	2.09	-1.67	6.36	2.80	4.57
	Growth	2.63	-2.36	8.21	2.34	-
	High Growth	3.01	-2.63	9.74	2.29	5.64
	Shares	3.63	-2.18	12.18	3.99	6.67

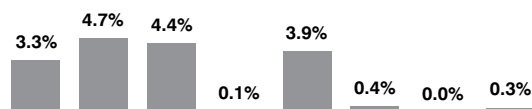
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

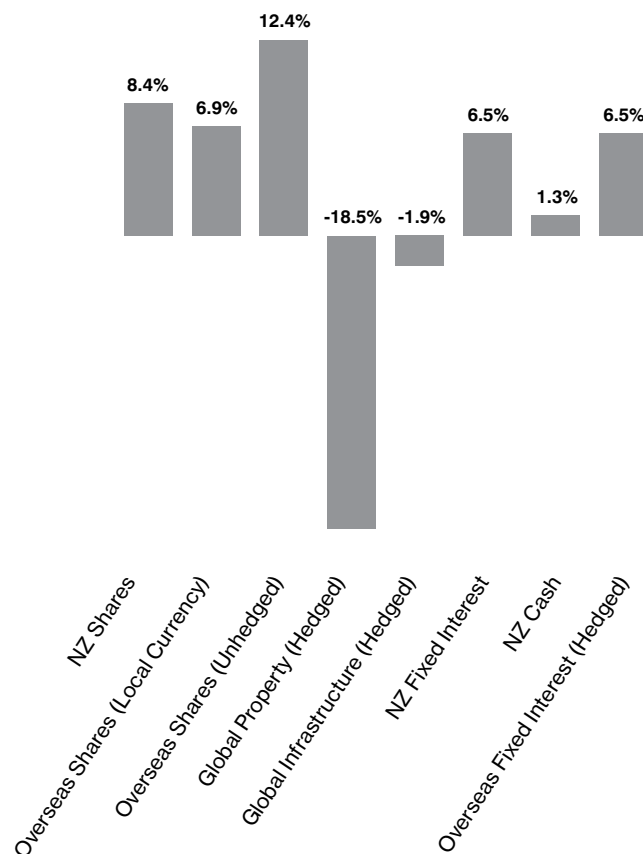
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Financial Markets For Periods Ended 31 May 2020

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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