



MONTHLY REPORT

FOR THE PERIOD ENDED 31 AUGUST 2017

MONTH IN A SNAPSHOT

- Globally returns were largely flat due to ongoing unrest and growing tensions in certain countries. “Brexit” talks continued. This is significant as Brexit talk outcomes have the potential to impact on economic growth in the UK and EU, and on investment returns arising from those markets.
- All investment options returned positive results for members in the New Zealand Defence Force Savings Schemes.
- Investment options, such as high growth and shares, which have riskier assets performed better than options which have a lower exposure to growth assets and invest in more defensive assets such as cash and bonds.

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



MONTHLY COMMENTARY ENDED 31 AUGUST 2017

August was full of geopolitical events which impacted confidence of investors. Particularly the terrorist attack in Spain and escalating tensions between the US and North Korea, made investors feel uneasy. After resuming their upward trend in July, global shares largely were flat.

New Zealand shares performed well in August, increasing by +1.7% despite continued election surprises. The market was boosted by the strong performance of NZX10 stocks A2 Milk (+25.9%), Contact Energy (+7.5%) and Fisher & Paykel Healthcare (+7.3%). Over in Australia, the ASX 200 Index bounced back from a flat return in July, finishing the month up +0.7%.

The MSCI World index was relatively flat in August, rising just +0.1%, although unhedged investors received a much higher return (+4.8%) due to a weakening New Zealand Dollar. The UK (+1.5%) was the best performer despite ongoing Brexit negotiations, well ahead of Japan (-0.4%) and Europe (+0.1). Emerging Market Equities outperformed developed markets, benefiting from the weaker US dollar.

Global Listed Property and Global Listed Infrastructure, which are considered more defensive than shares, both rose over the month, returning +1.3% and +2.2% respectively. This puts performance of these sectors during the month well ahead of the broader global share market. Falling global yields and growing geopolitical tensions helped support these.



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

MONTHLY COMMENTARY ENDED 31 AUGUST 2017

MILESTONE DIRECT COMMENTARY

The modern NZDF Savings Schemes are rapidly approaching their second birthday. Total funds invested in NZDF Savings Schemes now totals over \$400 million, and nearly \$100,000 worth of prizes have been given out already. While those are some impressive figures, and many members are getting a lot of great benefits from the schemes, over the last two years the uptake hasn't been quite as high as some of us expected.

This is a little surprising, especially given the great benefits on offer to those who serve in the New Zealand Defence Force KiwiSaver Scheme, including additional payments made by the CDF. In simple terms, anyone in the NZDF who isn't in the New Zealand Defence Force KiwiSaver Scheme is essentially missing out the great benefit of \$3000-worth of pre-tax payments over a seven-year period. On reflection, for many people, maybe this just seems "too good to be true", so they haven't yet taken up the offer of becoming a member. Of course, this is just one of the great benefits across the schemes, there is plenty more on offer.

To find out the details about why the NZDF Savings Schemes might be a great fit for you, or answer any other financial questions you may have, **reach out to the team at Milestone Direct**, who are trust as the official financial advice provider to the NZDF.

Joseph Darby
Chief Executive
Milestone Direct



Give the team at Milestone Direct a call to discuss any investment or other financial advice issues you may have.

Call **0508 MILESTONE (0508 645 378)**
or email **info@milestonedirect.co.nz**

A Disclosure Statement is available on request and free of charge.

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SIGNIFICANT RECENT ITEMS INCLUDE:



▼ UNITED KINGDOM

The third round of Brexit negotiations took place at the end of August. Key agenda items included guarantees over the rights of EU citizens in the UK and UK citizens in the EU, and the UK's "divorce bill" – a financial settlement covering the UK's share of EU commitments.

▼ UNITED STATES

US petrol prices hit a two-year high as crude oil refineries along the Texas Gulf coast closed in the wake of Hurricane Harvey. The Gulf of Mexico accounts for nearly 20% of total US crude oil production, and the Texas Gulf coast is home to nearly a third of US refining capacity.

▼ UNITED STATES

The US economy grew at an annualised rate of 3% in the June 2017 quarter, ahead of the consensus forecast of 2.7% and the strongest quarter since Q1 2015. Solid retail sales, business spending and job growth is generating expectations of even stronger growth to come.

▼ NEW ZEALAND

The NZ Reserve Bank kept the Official Cash Rate unchanged at 1.75% reiterating that "monetary policy will remain accommodative for a considerable period".

INVESTMENT RETURNS FOR PERIODS ENDED 31 AUGUST 2017

DEFENCE FORCE SUPERANNUATION SCHEME

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11	0.32	0.55	1.34	-	-
	Conservative	0.66	0.88	1.88	3.13	-	-
	Moderate	0.93	1.22	2.38	4.65	-	-
	Balanced	1.47	1.87	3.40	7.03	5.34	8.22
	Growth	1.74	2.06	3.91	9.75	-	-
	High Growth	2.13	2.67	4.74	11.60	-	-
	Shares	2.73	3.08	5.40	13.76	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12	0.37	0.63	1.53	-	-
	Conservative	0.66	0.96	2.04	3.41	-	-
	Moderate	0.87	1.29	2.57	4.85	-	-
	Balanced	1.34	1.88	3.57	7.23	5.57	8.68
	Growth	1.65	2.20	4.18	9.99	-	-
	High Growth	1.96	2.70	4.94	11.86	-	-
	Shares	2.49	3.16	5.70	14.30	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14	0.42	0.69	-	-	-
	Conservative	0.69	1.06	2.16	-	-	-
	Moderate	-	-	-	-	-	-
	Balanced	1.24	1.85	3.61	7.28	5.68	8.95
	Growth	-	-	-	-	-	-
	High Growth	1.83	2.72	4.96	12.11	-	-
	Shares	2.36	3.20	5.70	14.36	-	-

INVESTMENT RETURNS FOR PERIODS ENDED 31 AUGUST 2017

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12	0.33	0.55	1.37	-	-
	Conservative	0.71	0.92	1.87	3.05	-	-
	Moderate	1.00	1.30	2.39	4.41	-	-
	Balanced	1.45	1.83	3.33	6.99	-	-
	Growth	1.82	2.22	4.04	9.64	-	-
	High Growth	2.17	2.68	4.64	11.32	-	-
	Shares	2.74	3.10	5.47	13.42	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13	0.37	0.63	1.55	-	-
	Conservative	0.70	0.98	2.03	3.19	-	-
	Moderate	0.94	1.32	2.56	4.78	-	-
	Balanced	1.32	1.84	3.48	7.15	-	-
	Growth	1.64	2.21	4.16	9.84	-	-
	High Growth	1.98	2.70	4.81	11.69	-	-
	Shares	2.51	3.07	5.42	13.73	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14	0.40	0.69	1.68	-	-
	Conservative	0.68	1.01	2.15	3.37	-	-
	Moderate	0.89	1.32	2.63	4.83	-	-
	Balanced	1.26	1.85	3.53	7.19	-	-
	Growth	1.55	2.23	4.28	10.01	-	-
	High Growth	1.87	2.72	4.90	11.87	-	-
	Shares	2.31	3.14	5.58	14.06	-	-

INVESTMENT RETURNS FOR PERIODS ENDED 31 AUGUST 2017

NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME

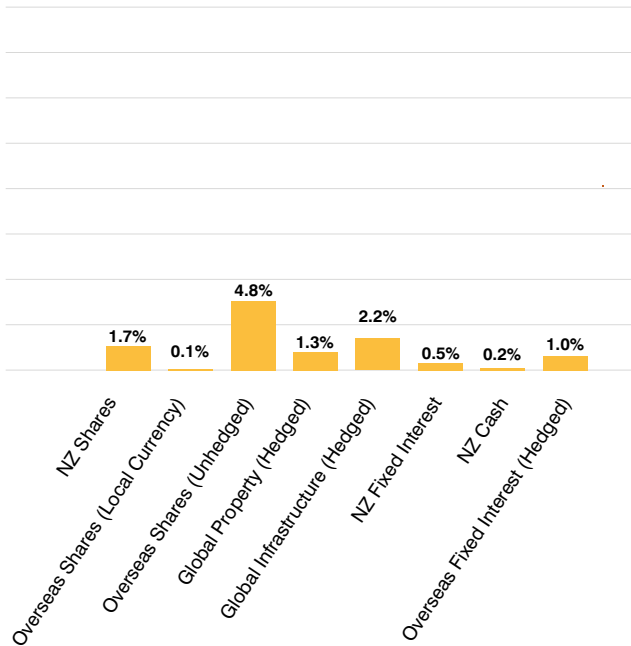
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.09	0.27	0.44	1.16	-	-
	Conservative	0.68	0.79	1.58	2.71	-	-
	Moderate	0.97	1.21	2.30	4.42	-	-
	Balanced	1.44	1.79	3.15	6.79	-	-
	Growth	1.83	2.20	4.03	9.73	-	-
	High Growth	2.15	2.63	4.57	11.37	-	-
	Shares	2.70	3.04	5.27	13.47	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14	0.36	0.59	1.53	-	-
	Conservative	0.68	0.92	1.97	3.07	-	-
	Moderate	0.93	1.30	2.54	4.56	-	-
	Balanced	1.30	1.81	3.44	7.16	-	-
	Growth	1.61	2.17	4.07	9.89	-	-
	High Growth	1.95	2.52	4.64	11.35	-	-
	Shares	2.46	3.16	5.54	13.72	-	-

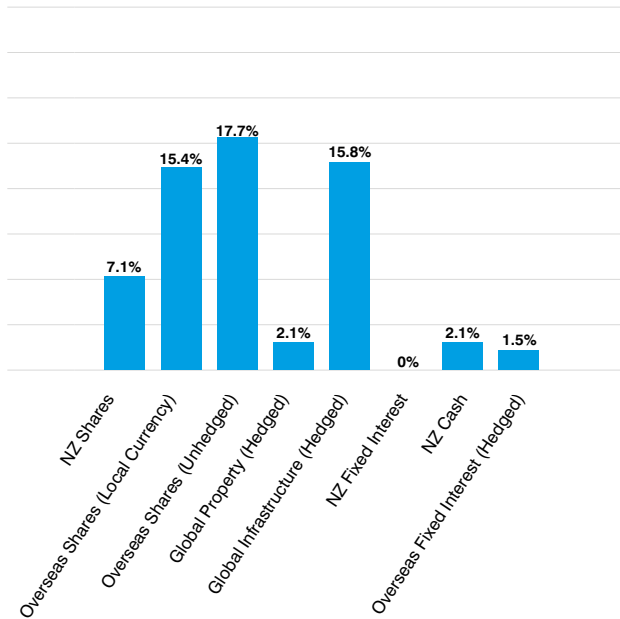
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10	0.37	0.63	1.48	-	-
	Conservative	0.65	0.97	2.08	3.26	-	-
	Moderate	0.89	1.32	2.61	4.49	-	-
	Balanced	1.24	1.79	3.47	7.26	-	-
	Growth	1.51	2.20	4.29	10.15	-	-
	High Growth	1.85	2.68	4.93	11.79	-	-
	Shares	2.38	3.18	5.63	14.08	-	-

FINANCIAL MARKETS FOR PERIODS ENDED 31 AUGUST 2017

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)

Barclays Capital Global Aggregate

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