

MONTHLY REPORT

For the period ended 31 July 2018

July in a snapshot

- July was another good month for investors, even though politics and New Zealand business confidence continue to impact investor sentiment. More on this in the report.
- All the New Zealand Defence Force Savings Scheme's options performed well during the month.
- By now you should have received your copy of the Annual Report for each of the three NZDF Savings Schemes. More information about what has been happening over the year to 31 March and subsequently is available in each of the reports. If you need financial advice, please call to speak with one of the Milestone Direct financial advisers on 0508 645 378.

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



Monthly Commentary Ended 31 July 2018

Strong performance was seen across global share markets during July, impacted by strong corporate earnings and economic indicators, particularly in the US, more than balanced the market's concerns over continuing international trade tensions. Share markets in the developed countries such as Australia, US and UK, returned +3.1% in July, with all major regions seeing positive returns.

The US economy continues to surprise, growing by 4.1% (annualised) in the second quarter, although inflation reached 2.9%, a six year high. Increasing inflation means the cost of living is increasing. This is not helped by the ongoing trade disputes between the US and China. These have escalated during the month with the US threatening further import tariffs on goods from China. In contrast, talks between US President, Donald Trump, and European Commission President, Jean-Claude Juncker, resulted in an agreement to work together to decrease tariffs on both sides.

New Zealand shares stood out as one of few markets posting a loss in July, returning -0.2% for the month, reflecting market sentiment that the New Zealand share market is now over valued. New Zealand bonds on the other hand continued to grow in July. New Zealand Government bonds outperforming corporate bonds, bringing 12 month returns broadly into alignment with one another.

Market commentators continue to expect the Reserve Bank of New Zealand to hold the Official Cash Rate unchanged at 1.75%, potentially through to 2020. This means lower returns if you are holding your money in the bank or in Term Deposits, but also low mortgage rates.



Significant recent items include:



United States

The US Federal Reserve ('Fed') maintained its target rate range of 1.75% - 2.0%, while continuing to indicate two further rate hikes this year, citing sustained expansion of economic activity and strong labour market conditions.

United States

The US Technology sector experienced an interesting month with records being broken on two extremes: Facebook broke the record for the largest one day value loss in US history, while Apple became the first trillion (US) dollar company.

United States & China

The US escalated the global trade disputes by imposing an import tariff (25%) on \$34bn of Chinese goods. As expected, China immediately responded in kind. The US subsequently threatened further tariffs on \$200bn of Chinese goods to be implemented within 60 days.

New Zealand

There is growing concern in New Zealand over falling business confidence, which has persisted beyond the usual post-election blues experienced by business after a Labour win, suggesting that economic growth may have peaked.

Milestone Direct Monthly Commentary Ended 31 July 2018

Strong returns were again a mark of the NZDF Schemes this month, as the US economy continues to lead both the global investment environment and economy. Investment markets are still very resilient in the face of the escalating trade war between the US (the world's largest economy) and China, though no-one genuinely knows if such resilience will continue. Naturally, nothing lasts forever, and the stellar market returns which have occurred for most of the last decade won't either.

While the monthly movements across the NZDF funds have again been in members favour, these won't continue forever either. Looking ahead, reduced expectations for investment returns is required by investors – though this is nothing to lose sleep over for the investors who have taken the time to ensure they're invested in a way that suits their; investment timeline, appetite for risk, and ability to take risk. Ensuring this is correct is critical, as if you take on too much risk you might panic and exit the investment (or change fund choices) at the wrong time. People who do this are often unwilling to invest again, and they typically also miss out as investment returns return to positive levels and investments rebound in value – typically well beyond what they were originally worth.

If you'd like assistance to ensure your investment choices are suitable for you, or to discuss anything above with a [financial adviser](#), get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing info@milestonedirect.co.nz

Joseph Darby
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Milestone Direct

The views and opinions expressed in this commentary are intended to be of a general nature and do not constitute a 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 July 2018

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.12	0.35	0.46	1.32	-	-
	Conservative	0.57	1.34	1.75	3.98	-	-
	Moderate	0.72	1.51	2.17	5.34	-	-
	Balanced	1.07	2.26	3.39	7.97	5.21	7.18
	Growth	1.39	2.85	4.41	10.07	-	-
	High Growth	1.59	3.50	5.44	12.34	-	-
	Shares	1.83	4.28	6.46	15.17	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.14	0.40	0.52	1.48	-	-
	Conservative	0.59	1.34	1.72	4.22	-	-
	Moderate	0.77	1.58	2.22	5.52	-	-
	Balanced	1.13	2.27	3.36	8.04	5.58	7.61
	Growth	1.45	2.89	4.41	10.17	-	-
	High Growth	1.64	3.46	5.34	12.40	-	-
	Shares	1.93	4.29	6.45	15.34	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	0.63	1.40	1.79	4.42	-	-
	Moderate	-	-	-	-	-	-
	Balanced	1.16	2.22	3.28	8.01	5.76	7.85
	Growth	-	-	-	-	-	-
	High Growth	1.71	3.48	5.33	12.50	-	-
	Shares	1.98	4.36	6.47	15.31	-	-

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.
 - '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.
- * FYTD means Financial Year to Date, which is from 1 April 2018

Investment Returns For Periods Ended 31 July 2018

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.12	0.35	0.45	1.31
	Conservative	0.54	1.28	1.69	4.02
	Moderate	0.72	1.51	2.16	5.35
	Balanced	1.05	2.23	3.35	7.83
	Growth	1.39	2.85	4.40	10.06
	High Growth	1.57	3.50	5.39	12.30
	Shares	1.84	4.37	6.56	15.17
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.14	0.41	0.52	1.51
	Conservative	0.60	1.32	1.70	4.16
	Moderate	0.76	1.54	2.17	5.42
	Balanced	1.10	2.22	3.30	7.89
	Growth	1.45	2.84	4.35	10.25
	High Growth	1.64	3.46	5.31	12.34
	Shares	1.89	4.32	6.46	15.09
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.15	0.44	0.57	1.63
	Conservative	0.62	1.36	1.71	4.25
	Moderate	0.78	1.55	2.16	5.55
	Balanced	1.13	2.22	3.26	7.87
	Growth	1.47	2.81	4.26	10.12
	High Growth	1.68	3.49	5.28	12.27
	Shares	1.94	4.31	6.39	15.08

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Investment Returns For Periods Ended 31 July 2018

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.11	0.33	0.42	1.17
	Conservative	0.58	1.31	1.71	3.98
	Moderate	0.75	1.53	2.20	5.29
	Balanced	1.05	2.19	3.31	7.62
	Growth	1.41	2.88	4.44	10.18
	High Growth	1.61	3.54	5.47	12.31
	Shares	1.82	4.31	6.55	15.18
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.13	0.36	0.47	1.49
	Conservative	0.59	1.34	1.75	4.14
	Moderate	0.74	1.53	2.16	5.44
	Balanced	1.09	2.26	3.32	7.90
	Growth	1.46	2.83	4.35	10.20
	High Growth	1.63	3.48	5.38	12.45
	Shares	1.92	4.38	6.56	15.21
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.14	0.40	0.52	1.40
	Conservative	0.62	1.40	1.77	4.18
	Moderate	0.78	1.56	2.19	5.53
	Balanced	1.14	2.23	3.30	7.91
	Growth	1.50	2.81	4.28	10.20
	High Growth	1.72	3.53	5.36	12.49
	Shares	2.00	4.36	6.49	15.23

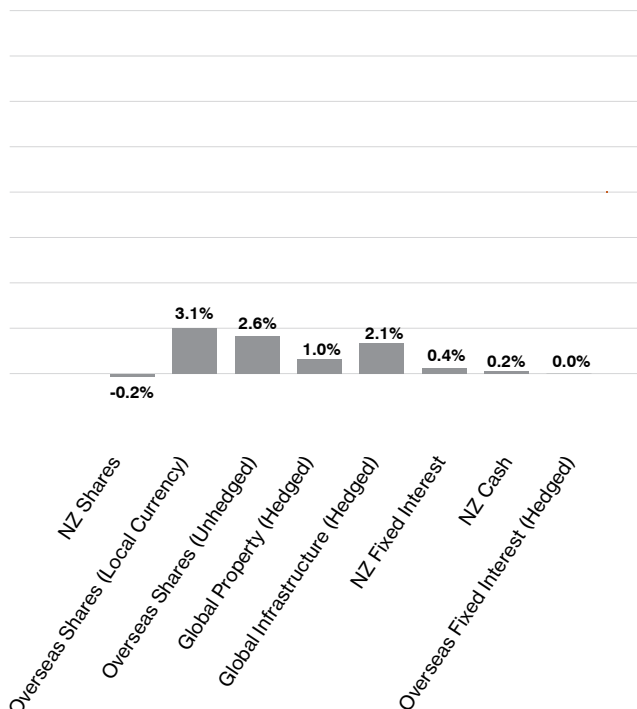
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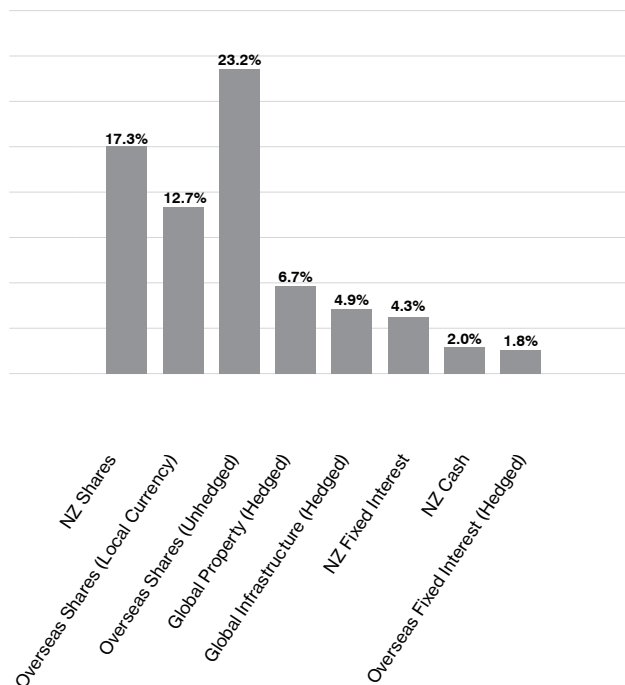
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Financial Markets For Periods Ended 31 July 2018

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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