

MONTHLY REPORT

For the period ended 30 September 2018

September in a snapshot

- The global share markets delivered positive returns for the month of September, albeit less than August.
- International trade negotiations progressed in September with the new trade deal between the United States, Canada, and Mexico, to replace the former NAFTA heavily criticized by President Trump.
- All investment options had positive returns in September, but like the markets the returns were less than what we've seen in previous months. Returns for one year are still very pleasing. As the NZDF Savings Schemes have turned three this month, we should also start seeing the returns for three years shortly.
- For assistance and advice related to your personal financial goals, please contact the Helpline 0800 333 787. Take a moment to review your investment option to ensure you are in the best fund(s) that aligns with your personal financial goals and risk tolerance.

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



Monthly Commentary Ended 30 September 2018

Global share markets still delivered a small positive return in September (+0.7%) despite international politics and ongoing trade negotiations casting uncertainty among investors. Recent trade disputes reached amicable outcomes during the month as South Korea made trade concessions with the United States (US), and an agreement was reached between the US, Canada and Mexico on a new tri-lateral trade agreement, though still needs to be ratified by all three governments. These agreements are good as heightened trade tensions run the risk of damaging world economic growth. For NZ there are also benefits as our economy is heavily dependent upon free trade.

The MSCI World Index, representing developed share markets such as the US, Canada, Europe, Australia and New Zealand, had a positive return (+0.7%) for the month, that was led by gains in Japanese stocks (+5.5%). New Zealand markets kept pace with its offshore counterparts as it also returned +0.7%, however Australian shares fell (-1.3%), weighed down by the banking sector as investors expected a negative outcome from the release of the Royal Commission's interim report. UK stocks delivered a solid return (+1.4%) over the month recovering from recent market apprehensions about Brexit.

For Emerging Markets, Turkey's central bank raised its official interest rate mid-September (from 17.75% up to 24%) in an attempt to reverse the heavy decline in the Turkish lira and loss of investor confidence in Turkey. Overall the Emerging Markets fell -1.2% for the month, and -2.9% calendar year-to-date.

Global listed property (NZ dollar hedge) lost ground (-1.8%) in September, while global listed infrastructure took less of a hit (-0.5%). Both sectors, which predominately deliver returns through yields (income as opposed to growth in the value of assets) were negatively affected by the US Federal Reserve Interest rate rise and accompanying fall in investor sentiment.

New Zealand bond returns were subdued with government bonds down (-0.2%) and corporate bonds having no change (0.0%). Global bond markets lost ground (-0.4%) during September.



Noteworthy developments include:



◆ New Zealand

The Reserve Bank of New Zealand kept the Official Cash Rate (OCR) on hold at 1.75% in its September meeting, stating that while Gross Domestic Product (GDP) growth in the June quarter was stronger than anticipated, the downside risks to the growth outlook remain. It is likely lower interest rates would remain until 2020. This is good for borrowers but not so good for savers or investors.

◆ US, Canada and Mexico

The US, Canada and Mexico reached agreement on the tri-lateral United States-Mexico-Canada Agreement (USMCA). This appears to be Trump's replacement for the North American Free Trade Agreement (NAFTA).

◆ United States

The US Federal Reserve increased its official rate target range late in the month to 2.0% - 2.25%, keeping in line with expectations. The US Fed is acting now to reduce the risk of stronger inflation in the future.

Oil prices rocketed up across the month, with US Crude Oil ending the month at over US\$73 per barrel. Prices were supported by an OPEC decision to limit further increases in production, despite Trump demanding a price reduction.

◆ Turkey

Turkey's central bank raised its official interest rate in mid-September. The move was made in an attempt to reverse the heavy decline in the Turkish lira and loss of investor confidence in Turkey.

Milestone Direct Monthly Commentary Ended 30 September 2018

The growing membership of the NZDF Schemes can be pleased with another month of solid returns. Despite this, it still pays (literally) to keep in mind that investing is a mid- to long-term game, and the results of one month, or even one year, shouldn't matter to those who have taken the time to ensure they're invested in a fund choice that meets their needs.

Over coming years, nearly all investment commentators expect both increased variation in returns, and lower returns than have been experienced over recent years. This also applies to other investments people hold, such as property, a business, or shares. Once again, this shouldn't matter to those who have made the effort to ensure their overall portfolio of investments suits them. People who are already comfortable with their investment mix can simply 'stay the course' as they advance towards their goals. In fact, increased variation in returns (volatility) can be a great opportunity for additional investments to be made.

It would be our pleasure to assist if you wanted to discuss anything above with a financial adviser. You can reach out 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 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 30 September 2018

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.09	0.30	0.61	1.18
	Conservative	0.10	1.20	2.34	3.69
	Moderate	0.13	1.52	2.98	4.78
	Balanced	0.14	2.16	4.45	6.79
	Growth	0.17	2.93	6.00	9.04
	High Growth	0.19	3.58	7.51	11.03
	Shares	0.29	4.43	9.28	13.53
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.10	0.33	0.68	1.43
	Conservative	0.17	1.27	2.43	3.91
	Moderate	0.13	1.49	2.92	4.95
	Balanced	0.17	2.21	4.46	7.12
	Growth	0.21	3.00	5.93	9.20
	High Growth	0.26	3.63	7.45	11.24
	Shares	0.38	4.50	9.26	13.65
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.11	0.37	0.75	1.43
	Conservative	0.18	1.31	2.47	3.99
	Moderate	0.18	1.56	2.98	5.04
	Balanced	0.19	2.26	4.44	7.12
	Growth	0.23	3.01	5.84	9.21
	High Growth	0.27	3.65	7.37	11.30
	Shares	0.39	4.56	9.16	13.64

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 30 September 2018

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.10	0.33	0.65	1.29
	Conservative	0.15	1.21	2.37	3.76
	Moderate	0.13	1.50	2.95	4.80
	Balanced	0.14	2.17	4.50	6.96
	Growth	0.16	2.90	5.96	8.92
	High Growth	0.21	3.53	7.42	10.96
	Shares	0.30	4.42	9.26	13.52
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.37	0.75	1.49
	Conservative	0.17	1.28	2.39	3.90
	Moderate	0.17	1.56	2.97	4.94
	Balanced	0.17	2.23	4.45	7.08
	Growth	0.20	2.98	5.92	9.22
	High Growth	0.22	3.53	7.26	11.00
	Shares	0.40	4.45	9.13	13.50
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.40	0.82	1.61
	Conservative	0.19	1.30	2.39	3.99
	Moderate	0.18	1.57	2.96	5.06
	Balanced	0.20	2.23	4.39	7.05
	Growth	0.24	2.99	5.81	9.11
	High Growth	0.27	3.59	7.26	11.03
	Shares	0.37	4.45	9.00	13.56

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Investment Returns For Periods Ended 30 September 2018

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.10	0.32	0.66	1.30	-	-
	Conservative	0.12	1.22	2.41	3.74	-	-
	Moderate	0.14	1.52	2.98	4.88	-	-
	Balanced	0.15	2.22	4.56	7.09	7.05	6.94
	Growth	0.18	2.94	6.01	9.05	-	-
	High Growth	0.17	3.48	7.41	10.97	-	-
	Shares	0.29	4.37	9.12	13.40	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.38	0.76	1.49	-	-
	Conservative	0.15	1.27	2.40	3.98	-	-
	Moderate	0.16	1.57	3.03	5.09	-	-
	Balanced	0.18	2.27	4.53	7.20	7.47	7.32
	Growth	0.22	2.98	5.98	9.17	-	-
	High Growth	0.25	3.55	7.32	11.15	-	-
	Shares	0.35	4.51	9.14	13.74	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	-	-	-	-	-	-
	Moderate	-	-	-	-	-	-
	Balanced	0.18	2.26	4.41	7.19	7.66	7.52
	Growth	-	-	-	-	-	-
	High Growth	0.28	3.67	7.36	11.30	-	-
	Shares	0.40	4.56	9.16	13.77	-	-

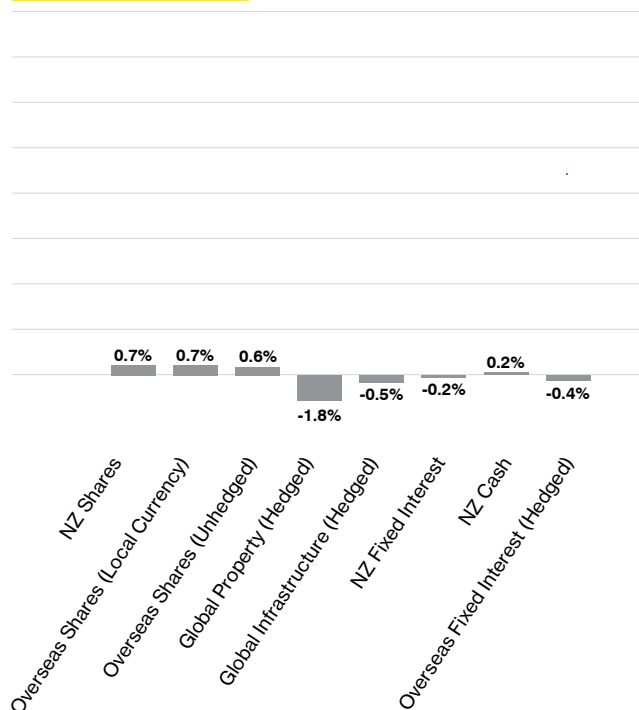
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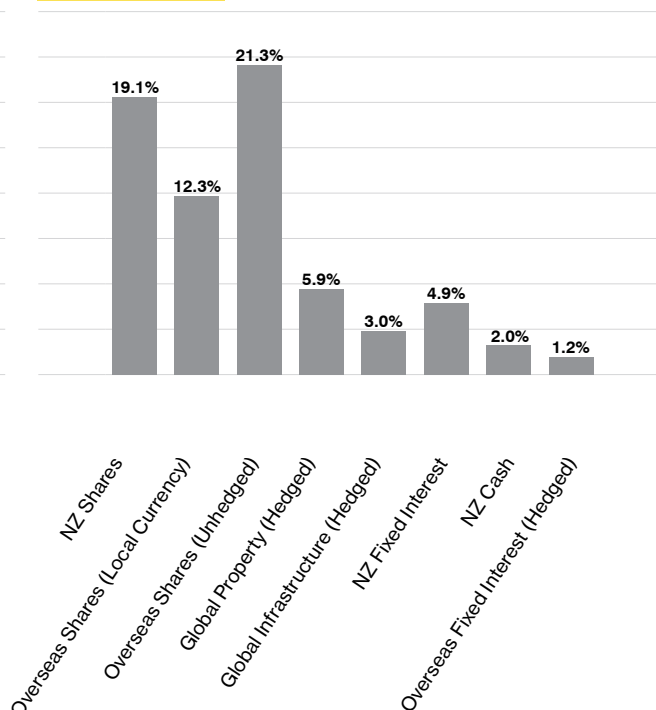
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Financial Markets For Periods Ended 30 September 2018

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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