

MONTHLY REPORT

For the period ended 31 August 2018

August in a snapshot

- Global markets continue to deliver positive returns across the month of August for investors both internationally and here in New Zealand.
- Despite recent international political tensions and trade tariffs hitting headlines in recent months, these appear to have had little effect on business confidence during August and therefore on returns of the NZDF Savings schemes' members.
- Investment options for the savings schemes received positive returns for the month.
- Take time to review your investment option to ensure you are in the best fund(s) that align with your personal financial objectives and risk tolerance. For assistance and advice related to your personal financial goals, please contact the Helpline on 0800 333 787.

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



Monthly Commentary Ended 31 August 2018

Global markets had positive returns overall during August. The United States (US) received especially positive gains and achieved the longest bull-market (long period of financial market growth) in history currently running since March 2009. Despite the trade tensions between the US and China that have impacted markets in recent months, these appear to have had little effect on business sentiment and the major US economic indicators during August.

Strong returns in the US were driven by healthy economic performance and low inflation kept the price of goods and services in line with GDP. However, these strong returns impacted performance of other regions with other major markets not performing as well as in previous months.

Within Emerging Markets, Turkey's fragile economy was exposed by a perceived tightening of financial conditions globally and increased tension with the US. This caused a ripple effect across the whole sector.

During the month the Reserve Bank of New Zealand (RBNZ) set market expectations that current low interest rates are likely to remain in place until late 2020. This saw investments fully exposed to currency exchange rate ups and downs achieve positive returns as the New Zealand dollar weakened further.

This also resulted in the 10 year government bond yield to fall over the month to 2.61%. This announcement by the RBNZ also caused New Zealand investments to look less attractive to global investors searching for high yield growth, because the New Zealand Dollar (NZD) weakened against most major currencies. The NZD was valued at 0.66 USD at month end.

For Developed Markets, such as Australia, US and UK, the MSCI World Index was up +1.3%. New Zealand markets posted strong gains returning +4.5% for the month.

The New Zealand share market also continues to outperform the Australian Stock Exchange (ASX) over 12 months, the two markets returning +20.5% and +15.4% respectively.



Noteworthy developments include:



◆ United States

The US markets extended their gains to mark the longest bull-run in history, as trade tensions appear to be having little impact on business sentiment and the major US economic indicators.

◆ Turkey and the US

The Turkish Lira plummeted in early August as the US imposed further tariffs on steel and aluminium imports from the country in response to the imprisonment of a US citizen by the Turkish government.

◆ New Zealand

Locally, the New Zealand market saw exceptional returns as the earnings season drew to a close with most NZX 50 companies surprising on the upside, seemingly unaffected by the business confidence index hitting a 10-year low.

◆ New Zealand

The RBNZ signaled that current low rates should be expected to remain until late 2020, much longer than markets had previously forecast, with RBNZ Governor, Adrian Orr, citing concerns around persistently disappointing growth.

Milestone Direct Monthly Commentary Ended 31 August 2018

Once again, the robust returns just kept oncoming for the NZDF Schemes over this reporting period.

However, as has been stressed many times in this monthly report, history has shown us that great investment returns never last forever. While past performance is not an indicator of future returns, in the past there have been plenty of regular falls in investment value that lasted for a couple of years at a time. Such drops in value are widely considered to be a sign of a healthy investment market that is correcting itself. This is especially important to note as many of today's younger investors have never experienced a market downturn, and don't know what it feels like to see their investment fall in value – even as they continue to make regular contributions (for example, as could occur with NZDF KiwiSaver).

While the thought of a drop in values may cause a sense of fear or dread for some, others will realise that this is a great opportunity to keep investing while prices of the underlying investments drop. This is expected to provide better value over the long term, when the values are expected to again increase.

Especially if the thought of a fall in the value of one or more of your investments causes you some hesitation or dread, then perhaps it is time to have a chat to ensure your investment choices are a suitable fit for you. To discuss anything above with a [financial adviser](#), it would be our pleasure to assist. 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 31 August 2018

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.10	0.31	0.52	1.17
	Conservative	0.51	1.60	2.23	3.80
	Moderate	0.63	1.90	2.84	4.93
	Balanced	0.95	2.76	4.30	7.10
	Growth	1.32	3.68	5.82	9.62
	High Growth	1.74	4.56	7.30	11.86
	Shares	2.27	5.73	8.96	14.69
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.10	0.34	0.57	1.45
	Conservative	0.50	1.60	2.25	3.95
	Moderate	0.61	1.86	2.79	5.10
	Balanced	0.94	2.78	4.28	7.50
	Growth	1.30	3.60	5.71	9.87
	High Growth	1.70	4.43	7.17	12.18
	Shares	2.14	5.58	8.84	14.84
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.38	0.64	1.42
	Conservative	0.51	1.68	2.29	4.04
	Moderate	0.60	1.86	2.80	5.22
	Balanced	0.91	2.73	4.24	7.56
	Growth	1.25	3.52	5.59	9.92
	High Growth	1.63	4.36	7.08	12.24
	Shares	2.11	5.54	8.74	14.92

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 August 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	0.55	1.30
	Conservative	0.52	1.57	2.21	3.83
	Moderate	0.64	1.89	2.81	4.97
	Balanced	0.97	2.80	4.35	7.32
	Growth	1.33	3.67	5.79	9.53
	High Growth	1.72	4.51	7.20	11.80
	Shares	2.23	5.72	8.94	14.60
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.39	0.64	1.49
	Conservative	0.51	1.61	2.21	3.96
	Moderate	0.62	1.88	2.80	5.08
	Balanced	0.94	2.75	4.27	7.48
	Growth	1.31	3.61	5.71	9.89
	High Growth	1.64	4.37	7.03	11.96
	Shares	2.10	5.50	8.69	14.64
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.13	0.41	0.70	1.62
	Conservative	0.49	1.60	2.20	4.05
	Moderate	0.60	1.86	2.77	5.25
	Balanced	0.89	2.69	4.18	7.48
	Growth	1.25	3.50	5.56	9.80
	High Growth	1.60	4.32	6.97	11.97
	Shares	2.08	5.44	8.60	14.83

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Investment Returns For Periods Ended 31 August 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	0.33	0.56	1.31	-	-
	Conservative	0.52	1.62	2.28	3.84	-	-
	Moderate	0.65	1.90	2.84	5.05	-	-
	Balanced	0.99	2.85	4.41	7.46	6.38	7.52
	Growth	1.35	3.68	5.82	9.65	-	-
	High Growth	1.69	4.48	7.23	11.86	-	-
	Shares	2.20	5.64	8.81	14.57	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.38	0.63	1.48	-	-
	Conservative	0.52	1.62	2.25	4.07	-	-
	Moderate	0.63	1.94	2.87	5.27	-	-
	Balanced	0.95	2.80	4.34	7.62	6.79	7.98
	Growth	1.29	3.63	5.76	9.78	-	-
	High Growth	1.63	4.35	7.05	12.04	-	-
	Shares	2.18	5.56	8.77	14.99	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	-	-	-	-	-	-
	Moderate	-	-	-	-	-	-
	Balanced	0.90	2.71	4.22	7.65	6.98	8.23
	Growth	-	-	-	-	-	-
	High Growth	1.64	4.36	7.06	12.29	-	-
	Shares	2.12	5.51	8.73	15.03	-	-

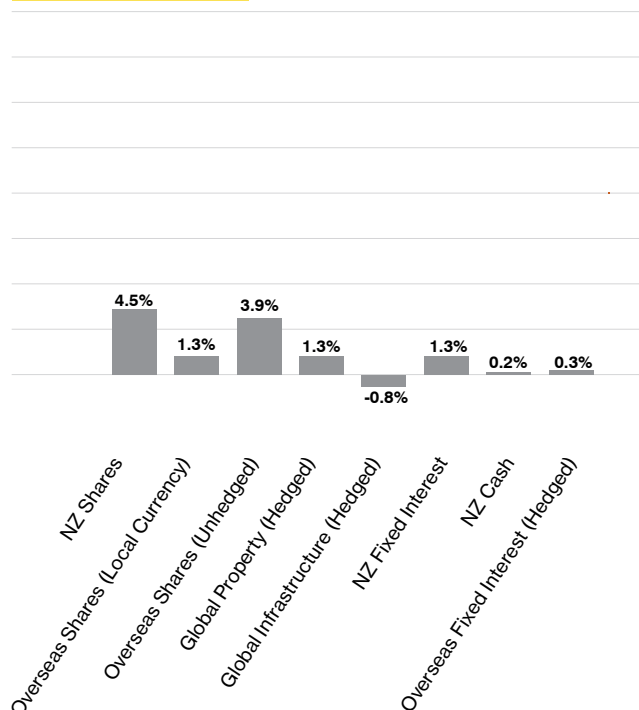
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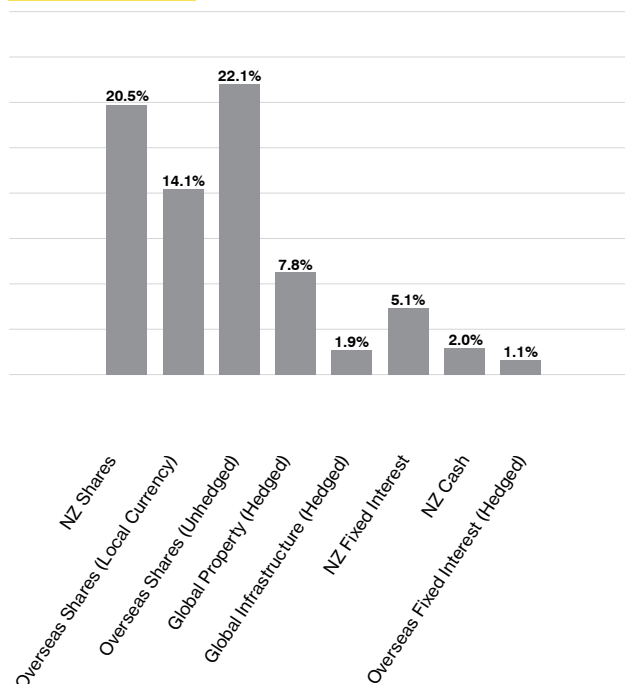
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Financial Markets For Periods Ended 31 August 2018

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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