

# MONTHLY REPORT

For the period ended 30 June 2018

## Month in a snapshot

- In June markets continued to deliver positive returns to investors globally and in New Zealand. Globally politics continue to impact certain markets and industries. More on this in the report.
- All the New Zealand Defence Force Savings Scheme's options performed well during the month and over the longer-term.
- Ensuring you are in the right investment fund is very important. Consider your age, stage of life and risk appetite. If you have big milestones coming up, like buying a house, retiring, changing employment - you may 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 30 June 2018

Overall the global share markets returned +0.3% in June, with several countries losing ground as investors reacted negatively to the latest global trade policies. The Trump administration announced another policy in June, in an attempt to defend the US from other countries trying to “steal their technology”. The policy aims to restrict overseas investors from investing in US companies, but in doing so, current investors in these companies are feeling uneasy about their prospects and potential growth in the long-term. Emerging Market countries such as China rely heavily on international trade and therefore have been hurt the most by the trade policy announcements and general uncertainty.

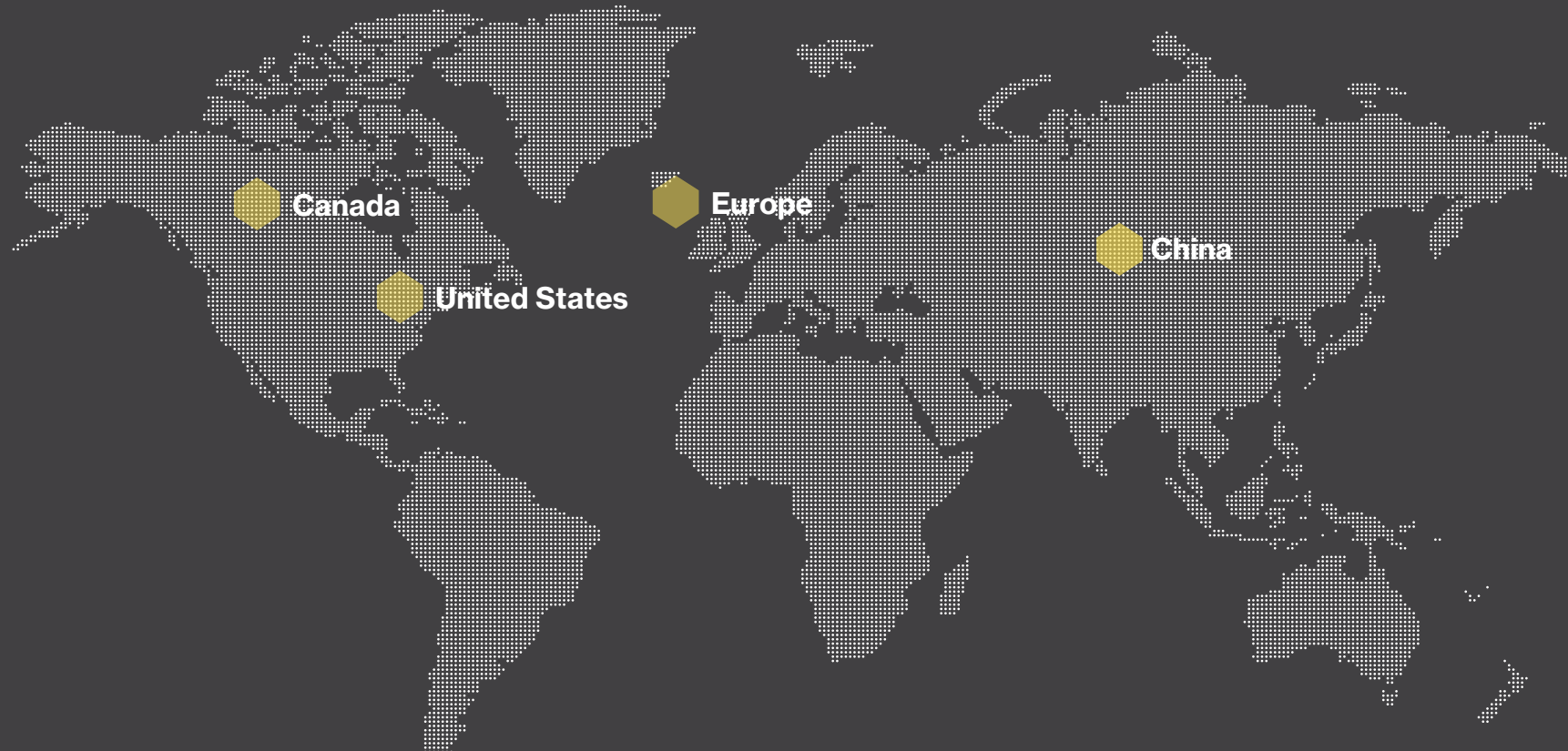
Globally, Consumer Staples companies, which produce things like food, beverages and household items, gained the most value over the month. In contrast, Industrial companies (construction and machinery) and Financial companies (banking) lost the most ground over the month. Emerging markets, which include China, lagged developed markets such as US and Australia over the month.

These recent events have the potential to impact on the performance of the NZDF Savings Schemes. Policies considered to be anti-trade, like new tariffs may reduce international economic growth over time, thereby impacting on investments.

New Zealand shares delivered positive returns in June, outperforming all other major developed countries. In reaction to the current uncertainty in global companies, investors have moved money into the New Zealand share market, which is a relatively safe investment due to the large amount of stable dividends that New Zealand companies pay. Australian shares performed roughly in line with New Zealand over the month. The New Zealand share market continues to outpace the ASX (the Australian main share index) over 12 months by a reasonable margin.



## Significant recent items include:



### Canada

The Trump administration trade policies have negatively impacted many countries, including Canada. In retaliation, Canada's Minister of Foreign Affairs confirmed that tariffs on C\$16.6bn worth of U.S. goods would take effect on 1 July.

### United States

The US crude oil price increased over the month, reaching almost US\$74 per barrel, its highest point since November 2014. Increasing oil prices are an indication of increasing inflation.

### China

China's economy has been slowing down and the Trump administration trade policies have done no favours. In reaction, the People's Bank of China has announced that Chinese banks are required to hold fewer reserves, effectively allowing them to loan more money and hopefully boost their economy.

### Europe

The European Central Bank announced that it would slow down its bond purchasing program before it ends in December 2018. When central banks purchase bonds it helps boost the economy, the European Central Bank deciding to reduce this indicates that they have become more confident in the direction the European economy is heading.

# Milestone Direct Monthly Commentary Ended 30 June 2018

Given the return to 'normal' market volatility over the early months of 2018, it's pleasing to see that all NZDF funds are showing positive returns across all reporting time periods. In no small part this reflects the dependable management of Mercer.

However, when compared with the great run the markets have had for most of the last decade nearly all market commentators are still predicting that market volatility (fluctuations in investment values and returns) will be much more likely over coming years. This means the returns will not always be so positive. In such times, it pays to have a solid investment manager, and an overall investment strategy in mind that accepts the volatility that most now expect.

In fact, if the strategy is right, then market volatility can be a great opportunity for those who continue to regularly invest, as the natural dips that occur in a well-functioning investment market provide great opportunities to buy at what is essentially a 'discount' to the normal price. In a way, this is comparable to going to the supermarket or shopping mall when there's a sale and buying what you already want at less than normal cost.

To discuss anything above, or something different with a [financial adviser](#), get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing [info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz).

Joseph Darby  
Chief Executive  
Milestone Direct

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For more information call 0800 333 787 or visit [www.nzdf.superfacts.co.nz](http://www.nzdf.superfacts.co.nz)

# Investment Returns For Periods Ended 30 June 2018

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.11	0.34	0.34	1.30	-	-
	Conservative	0.52	1.17	1.17	3.62	-	-
	Moderate	0.52	1.44	1.44	4.94	-	-
	Balanced	0.76	2.29	2.29	7.36	5.24	7.41
	Growth	0.90	2.98	2.98	9.18	-	-
	High Growth	1.14	3.80	3.80	11.38	-	-
	Shares	1.51	4.55	4.55	13.82	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.38	0.38	1.48	-	-
	Conservative	0.51	1.12	1.12	3.87	-	-
	Moderate	0.52	1.44	1.44	5.14	-	-
	Balanced	0.69	2.20	2.20	7.41	5.59	7.86
	Growth	0.85	2.92	2.92	9.33	-	-
	High Growth	1.02	3.63	3.63	11.43	-	-
	Shares	1.36	4.43	4.43	13.97	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	0.51	1.15	1.15	4.07	-	-
	Moderate	-	-	-	-	-	-
	Balanced	0.62	2.10	2.10	7.38	5.76	8.12
	Growth	-	-	-	-	-	-
	High Growth	0.95	3.56	3.56	11.50	-	-
	Shares	1.32	4.40	4.40	13.95	-	-

### 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 June 2018

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.11	0.32	0.32	1.30
	Conservative	0.50	1.14	1.14	3.69
	Moderate	0.52	1.42	1.42	4.94
	Balanced	0.75	2.28	2.28	7.22
	Growth	0.92	2.97	2.97	9.22
	High Growth	1.16	3.76	3.76	11.33
	Shares	1.55	4.64	4.64	13.75
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.13	0.38	0.38	1.49
	Conservative	0.49	1.09	1.09	3.79
	Moderate	0.49	1.39	1.39	5.00
	Balanced	0.69	2.17	2.17	7.28
	Growth	0.81	2.85	2.85	9.40
	High Growth	1.03	3.61	3.61	11.34
	Shares	1.42	4.48	4.48	13.73
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.13	0.42	0.42	1.61
	Conservative	0.49	1.08	1.08	3.88
	Moderate	0.47	1.37	1.37	5.12
	Balanced	0.65	2.11	2.11	7.24
	Growth	0.74	2.74	2.74	9.28
	High Growth	0.98	3.54	3.54	11.26
	Shares	1.33	4.36	4.36	13.73

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# Investment Returns For Periods Ended 30 June 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	0.31	1.14
	Conservative	0.50	1.13	1.13	3.52
	Moderate	0.51	1.44	1.44	4.82
	Balanced	0.73	2.24	2.24	7.02
	Growth	0.90	2.99	2.99	9.30
	High Growth	1.14	3.79	3.79	11.28
	Shares	1.54	4.64	4.64	13.80
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.34	0.34	1.47
	Conservative	0.50	1.15	1.15	3.79
	Moderate	0.50	1.42	1.42	5.04
	Balanced	0.72	2.20	2.20	7.29
	Growth	0.79	2.85	2.85	9.34
	High Growth	1.04	3.69	3.69	11.40
	Shares	1.42	4.55	4.55	13.84
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.38	0.38	1.40
	Conservative	0.53	1.14	1.14	3.81
	Moderate	0.47	1.40	1.40	5.12
	Balanced	0.65	2.13	2.13	7.28
	Growth	0.73	2.74	2.74	9.34
	High Growth	0.95	3.59	3.59	11.46
	Shares	1.33	4.40	4.40	13.86

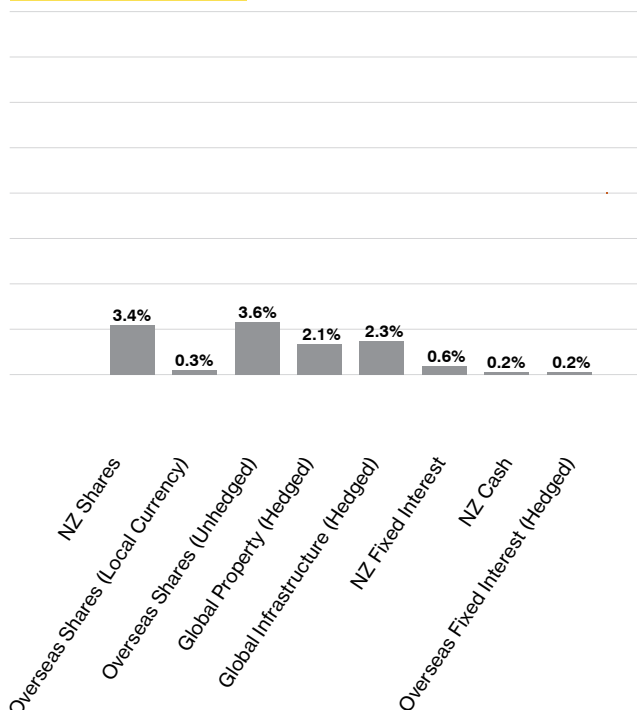
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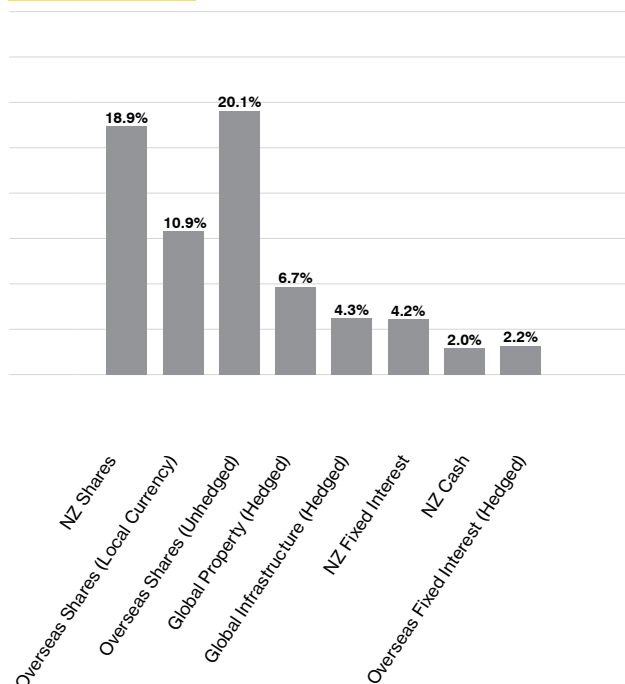
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# Financial Markets For Periods Ended 30 June 2018

## 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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