



MONTHLY REPORT

FOR PERIOD ENDED 31 MARCH 2017

MONTH IN A SNAPSHOT

- In March, sharemarkets delivered mixed returns for investors. While in the US we are seeing markets adjusting to the news that it will be a struggle to implement a number of promised initiatives by the Trump administration.
- All NZDF Savings Schemes' funds had positive returns.
- In May and June, member benefit statements will be available for downloading when you sign into your account at www.nzdf.superfacts.co.nz. If we don't have your email address please don't forget to let us know when you sign into your account.

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



MILESTONE DIRECT COMMENTARY A GREAT FIRST YEAR



When we reflect back over the past year, there have been a heap of events that have rocked the investment markets at the time they occurred. In each instance, the news media has spouted doom and gloom and as a result, many potential members have not made the switch to the NZDF savings schemes and hence have potentially missed out on receiving better investment returns. Mercer (the underlying manager of the schemes) has skillfully navigated these market events and has produced the great returns we see in this report.

It is important to be aware that the NZDF schemes show after fee and after tax investment returns. The NZDF schemes do this because these are the return figures that matter most and it's important to be straight up about them. Many other schemes try, where they can, to report before fee and before tax returns to make their performance look better. When comparing any scheme return figures this is something you should take great care to understand.

The NZDF schemes' total after fees and after tax performance has been very good and has outperformed many of the larger KiwiSaver Schemes that spend a fortune marketing how well they do. In addition, many of the banks tout the ability to view balances online as a reason why investors should stay with them. However, you should know that the New Zealand Defence Force Savings Schemes has a simple to download and use phone app that provides you with all the day to day information you need to know on how your scheme is performing and how your account is growing.

Beyond great performance, the CDF retention payments and access to 16 Prezzy card prizes every month (plus two \$1000 prizes each year) make the New Zealand Defence Force KiwiSaver Scheme an even more outstanding choice for all serving members.

The Milestone Direct team feels confident recommending and supporting the NZDF savings schemes. Let's get the word out to our fellow members, families and the Defence Community.

Together we are building something great.

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

MERCER COMMENTARY

March may have signaled the end of the “Trumprally” as both the Dow and the S&P500 pulled back from their respective highs in the last 10 days of the month. While the market sentiment has been positive since the election, concerns have been raised since the White House struggled to implement a number of key promised policies such as replacement of the “Obamacare” Act.

In contrast, sentiment was much more positive in Europe with several markets reaching highs not seen for a number of years backed by a bear 8-year low unemployment rate of 9.5%. The Dutch election victory for the centre and more positive polls for the mainstream parties in France and Germany were greeted by investors as a signal to take advantage of lower valuations there. Even the formal commencement of the Brexit process (the pending UK divorce from the EU) was not enough to dampen sentiment.

Developed markets, such as US, Europe and Japan, delivered mixed returns in March. Europe performed well, while the US was flat and Japan was down. Emerging markets returned +1.9%, which was a good result. Forward looking economic indicators like manufacturing PMI rose across many Emerging Market nations, reflecting the elevated consumer confidence in developed markets.

At home, New Zealand Shares closed March relatively flat (+0.8%). The market’s biggest player, Fletcher Building, suffered an earnings downgrade which drove its share price down by more than -13% and this has offset gains elsewhere. The RBNZ has kept the OCR unchanged during the March meeting and indicated that the monetary policy will remain accommodative for a considerable period while numerous uncertainties remain particularly in respect to the international outlook. Economic growth appears to be slowing after several quarters of buoyant growth.

While our closest neighbour’s market continued to rebound strongly from the slow second half of 2016, returning +3.3%. This was driven by improved real estate market and retail consumer confidence in January and February.



JARGON BUSTERS

COMMODITY

A commodity is any raw material, such as oil, gold and cattle, traded on an exchange or in the cash market. The main commodity groupings are energy (oil, gas etc), agriculture (wheat, corn, soya beans, coffee, sugar, cotton etc), industrial metals (aluminium, copper, zinc etc), precious metals (gold, silver etc) and livestock (live cattle, lean hogs etc). Returns from commodities are independent of shares and fixed interest returns. Therefore, adding broad commodity exposure can help diversify a portfolio, lowering risk and potentially boosting return.

YIELD

Return on an investment compared to either the original investment or the market value of the investment.

SIGNIFICANT RECENT ITEMS INCLUDE:



▼ UNITED STATES

Trump administration failed to repeal and replace the Obamacare due to the lack of support from its own Republican party. Markets had been cautious on the possibilities of whether his pro-business agenda including proposed tax reform would also face the same challenges.

▼ HOLLAND

The Dutch election resulted in a pro-European outcome. The conservative liberalism VVD party lost 8 seats in the election; though with the current PM, Mark Rutte, likely to remain in power, there was relief from the EU governments facing a wave of nationalism.

▼ UNITED KINGDOM

The UK finally lodged its notification to the European Union to formally start the negotiation of terms to leave the Union. The market was largely unaffected by this well anticipated action as the MSCI UK moved up +1.2% in local currency terms.

▼ NEW ZEALAND

The New Zealand dollar declined against all major currencies in March. The largest decline was against the Euro, down -4.0%, finishing the month at 0.653. The US dollar strengthened against New Zealand dollar despite a relatively strong rebound in the New Zealand dollar post the Federal Reserve rate hike mid-month, closing the month just shy of 0.70. On a trade-weighted basis, the New Zealand dollar fell -2.9%.

INVESTMENT RETURNS FOR PERIOD ENDED 31 MARCH 2017

DEFENCE FORCE SUPERANNUATION SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.34%	1.44%	1.44%	–	–
	Conservative	0.55%	1.40%	3.60%	3.60%	–	–
	Moderate	0.79%	1.99%	5.08%	5.08%	–	–
	Balanced	1.01%	2.77%	6.86%	6.86%	5.96%	7.67%
	Growth	1.57%	3.92%	9.53%	9.53%	–	–
	High Growth	1.95%	4.66%	10.92%	10.92%	–	–
	Shares	2.59%	5.68%	11.98%	11.98%	–	–

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	0.39%	1.64%	1.64%	–	–
	Conservative	0.57%	1.50%	4.01%	4.01%	–	–
	Moderate	0.71%	2.00%	5.44%	5.44%	–	–
	Balanced	0.93%	2.80%	7.33%	7.33%	6.24%	8.15%
	Growth	1.43%	3.87%	9.84%	9.84%	–	–
	High Growth	1.78%	4.65%	11.55%	11.55%	–	–
	Shares	2.45%	5.78%	13.05%	13.05%	–	–

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	0.42%	–	–	–	–
	Conservative	0.56%	1.52%	–	–	–	–
	Moderate	0.71%	2.05%	–	–	–	–
	Balanced	0.89%	2.81%	7.62%	7.62%	6.40%	8.46%
	Growth	1.36%	3.84%	–	–	–	–
	High Growth	1.67%	4.64%	12.01%	12.01%	–	–
	Shares	2.35%	5.75%	13.13%	13.13%	–	–

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 2016

INVESTMENT RETURNS FOR PERIOD ENDED 31 MARCH 2017

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	0.35%	1.42%	1.42%
	Conservative	0.57%	1.41%	3.48%	3.48%
	Moderate	0.72%	1.88%	4.64%	4.64%
	Balanced	1.11%	2.87%	6.91%	6.91%
	Growth	1.50%	3.80%	9.05%	9.05%
	High Growth	1.84%	4.56%	10.48%	10.48%
	Shares	2.52%	5.56%	11.69%	11.69%

Investment options		1 Month	3 Months	FYTD*	1 Year
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	0.39%	1.62%	1.62%
	Conservative	0.55%	1.48%	3.71%	3.71%
	Moderate	0.71%	2.00%	5.25%	5.25%
	Balanced	1.04%	2.89%	7.34%	7.34%
	Growth	1.38%	3.81%	9.72%	9.72%
	High Growth	1.71%	4.53%	10.91%	10.91%
	Shares	2.31%	5.57%	12.44%	12.44%

Investment options		1 Month	3 Months	FYTD*	1 Year
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	0.43%	1.75%	1.75%
	Conservative	0.53%	1.50%	4.11%	4.11%
	Moderate	0.69%	2.03%	5.48%	5.48%
	Balanced	0.96%	2.86%	7.44%	7.44%
	Growth	1.32%	3.84%	10.08%	10.08%
	High Growth	1.61%	4.51%	11.75%	11.75%
	Shares	2.30%	5.71%	12.93%	12.93%

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INVESTMENT RETURNS FOR PERIOD ENDED 31 MARCH 2017

NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	0.32%	1.20%	1.20%
	Conservative	0.56%	1.37%	3.35%	3.35%
	Moderate	0.75%	1.96%	4.68%	4.68%
	Balanced	1.11%	2.89%	6.62%	6.62%
	Growth	1.58%	3.94%	9.17%	9.17%
	High Growth	1.89%	4.61%	10.63%	10.63%
	Shares	2.53%	5.63%	11.86%	11.86%

Investment options		1 Month	3 Months	FYTD*	1 Year
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	0.43%	1.58%	1.58%
	Conservative	0.54%	1.47%	3.46%	3.46%
	Moderate	0.71%	2.02%	4.86%	4.86%
	Balanced	1.05%	2.92%	7.41%	7.41%
	Growth	1.43%	3.91%	9.83%	9.83%
	High Growth	1.71%	4.56%	11.00%	11.00%
	Shares	2.38%	5.59%	12.22%	12.22%

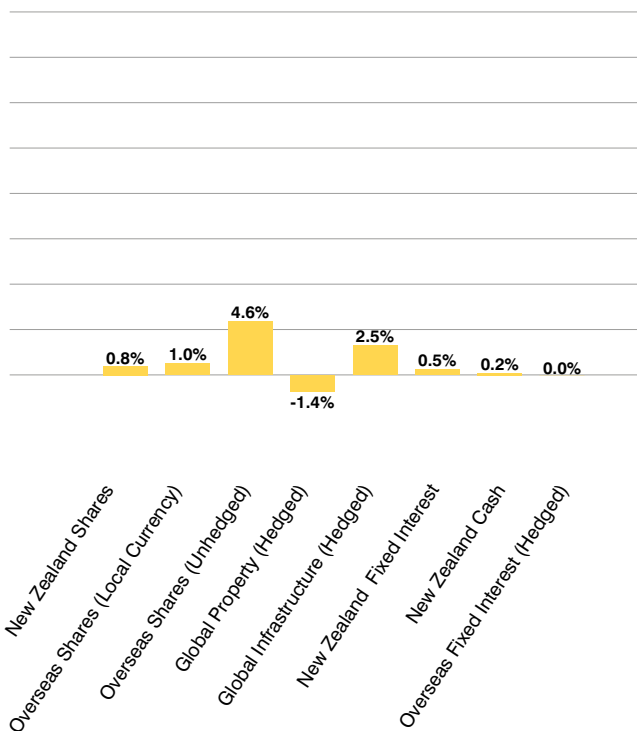
Investment options		1 Month	3 Months	FYTD*	1 Year
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.39%	1.45%	1.45%
	Conservative	0.53%	1.50%	3.99%	3.99%
	Moderate	0.65%	1.92%	4.94%	4.94%
	Balanced	1.00%	2.94%	7.71%	7.71%
	Growth	1.33%	3.91%	10.10%	10.10%
	High Growth	1.64%	4.56%	11.41%	11.41%
	Shares	2.32%	5.71%	12.86%	12.86%

Notes

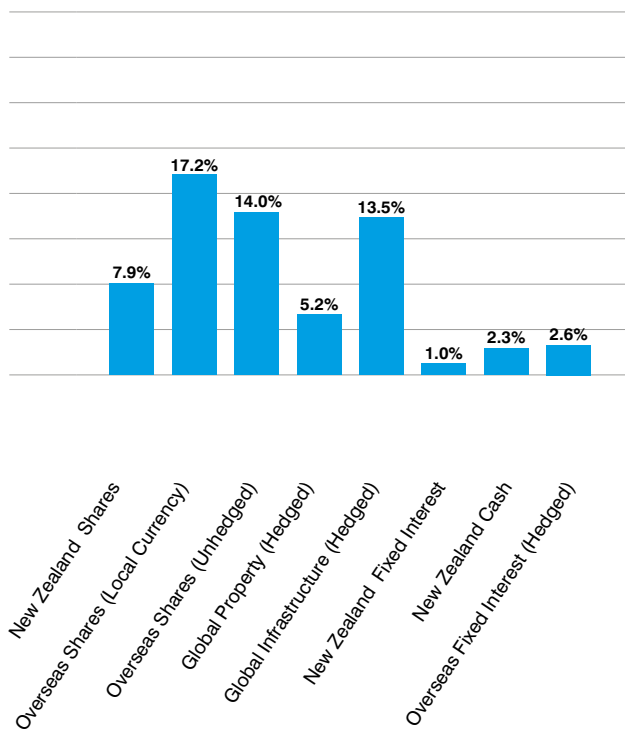
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FINANCIAL MARKETS FOR PERIOD ENDED 31 MARCH 2017

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

JARGON BUSTERS

HEDGE

It is a defensive strategy used to minimise investment risk. Often used for funds, investing in overseas investments, to reduce the negative effects of moves in currency exchange rates. When a fund, such as a overseas shares, is *unhedged*, investors are exposed to changes in the currency.

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