

MONTHLY REPORT

For the period ended 28 February 2019

Market performance summary – February in a snapshot

- Positive returns in January and February this year have now hidden the falls experienced towards the end of 2018. All New Zealand Defence Force Schemes' investment options had positive returns for the month.
- Now is the time to check your account online at www.nzdf.superfacts.co.nz to ensure you are contributing enough, you are maximising Government contributions if eligible, your investment choice is right for your circumstances and that you are on the right tax rate (PIR).
- For assistance and advice about your financial goals and savings strategy please contact the team at Milestone Direct on 0508 MILESTONE (0508 645 378), and ensure you're on track to get the most out of 2019.
- New KiwiSaver member contribution rates of 6% or 10% apply from 1 April 2019, adding to the current options of 3%, 4% or 8%. To make a change do so via the ESS site (remuneration details) or download a new KS 2 form and send to HRSC payroll.

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



Monthly Commentary Ended 28 February 2019

February delivered more good news to investors, including members of the NZDF Schemes. Most asset classes posted positive returns (apart from Government bonds) for the second consecutive month. In most cases, share market gains in January and February 2019 have been sufficient to hide the falls experienced in the last quarter of 2018. The US Federal Reserve (the Fed) has reiterated its position that there will be no further short-term interest rate hikes for the foreseeable future and combined with signs of easing trade tensions between the United States and China, helped support investment markets over the month.

Positive returns in the New Zealand and Australian share markets continued into February. The NZX 50 and ASX 200 Indices rose +3.8% and +6.0% respectively over the month. In Australia, banking shares climbed - along with the wider ASX 200 Index - on the conclusion of the Royal Commission which looked into the conduct of the Banking and Financial Services sector and the assessment that the recommendations would be less damaging than originally expected.

Developed share markets such as US, UK, Canada and others returned +3.3% in February. Emerging Markets lagged their developed counterparts, returning +1.1%; rising US interest rates and a strong US dollar have weighed on the sector over the last year.

Global Listed Property and Global Listed Infrastructure, which members of the Schemes have exposure to, both delivered positive returns for the month, albeit less impressive than the strong gains in January as investor risk appetite favoured more return seeking assets like shares. The two sectors ended the month up +0.4% and +2.7% respectively.

New Zealand bonds continued to deliver good returns, up +0.5% in February. The RBNZ kept the Official Cash Rate at 1.75% at its February meeting, and continued to indicate that monetary policy would remain accommodative for the foreseeable future. The New Zealand Cash return was +0.2% for the month.



Significant developments include:



United States

The US Federal Reserve (Fed) has maintained its more conservative approach to US monetary policy. In testimony before the US Senate Banking Committee, Fed Chairman, Jerome Powell commented he was in “no rush” to make a judgment about a change in policy.

United Kingdom

After her Brexit deal was roundly defeated in the House of Commons in January, UK Prime Minister Theresa May has proposed putting forward three separate bills in mid-March; these bills would offer the House a vote on whether it supported another revised deal, an extended Brexit deadline or a “No-deal” Brexit. As the 29 March deadline looms there is also growing support for a second referendum.

United States & China

US President Donald Trump, announced that the deadline for implementing a fresh round of tariffs against China (originally set for 1 March 2019) would be pushed back following “substantial progress” from meetings between the two nations.

Milestone Direct Monthly Commentary Ended 28 February 2019

Building upon the strong start to 2019 experienced across the investment world, February saw investment markets continue to grow. This meant all fund choices across all NZDF Schemes showed a positive result for the month of February.

However, focusing on short term growth – such as that experienced in February 2019 – can give a misleading impression of an investment or investments. Instead, investment timeframes are measured in years, not a single month or months. The overall time a person holds an investment is called the time horizon of an investment, and for most people in the NZDF Schemes, the time horizon is likely to be measured in decades. As a general guideline, longer-term investments can afford to be more aggressively invested (investing in more growth-orientated assets), as short-term losses can be offset by longer-term gains.

That said, many people in NZDF Schemes may also have a short time horizon, for example, if they want to use their KiwiSaver Scheme funds to purchase a first home in the next few years. This means it's important for them to ensure they are invested in a way that doesn't take the same risks as someone who is investing for decades. Fortunately, there's a great deal of choice in the NZDF Schemes – so sums that are invested can be tailored to suit anyone's needs.

It would be the pleasure of one of our financial advisers to have a chat with you about your goals in life, and what investment choices can be made to help you achieve them. Please get in touch 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 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 28 February 2019

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.09	0.31	1.12	1.21	1.19
	Conservative	0.81	1.51	2.59	2.55	3.44
	Moderate	1.09	1.96	3.00	2.78	4.55
	Balanced	1.60	2.43	3.71	3.18	6.21
	Growth	2.17	2.82	4.30	3.39	8.11
	High Growth	2.65	3.18	5.02	3.76	9.54
	Shares	3.42	3.62	4.94	3.08	10.92
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.10	0.33	1.25	1.37	1.48
	Conservative	0.84	1.75	2.95	2.98	3.76
	Moderate	1.11	2.10	3.20	3.06	4.87
	Balanced	1.58	2.58	4.06	3.60	6.90
	Growth	2.16	2.98	4.62	3.79	8.67
	High Growth	2.61	3.27	5.21	4.00	9.96
	Shares	3.31	3.64	5.21	3.35	11.38
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.09	0.35	1.34	1.45	1.47
	Conservative	0.85	1.82	3.05	3.11	4.06
	Moderate	1.10	2.19	3.40	3.28	5.00
	Balanced	1.59	2.62	4.19	3.76	7.11
	Growth	2.15	3.02	4.76	3.97	8.96
	High Growth	2.60	3.27	5.40	4.21	10.35
	Shares	3.34	3.73	5.38	3.53	11.77

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.

* FYTD means Financial Year to Date, which is from 1 April 2018

Investment Returns For Periods Ended 28 February 2019

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.10	0.34	1.22	1.31	1.37
	Conservative	0.84	1.60	2.68	2.65	3.60
	Moderate	1.08	1.96	3.02	2.82	4.59
	Balanced	1.59	2.43	3.82	3.31	6.49
	Growth	2.14	2.83	4.34	3.42	8.08
	High Growth	2.61	3.16	4.90	3.61	9.50
	Shares	3.38	3.61	4.92	3.05	10.89
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.37	1.39	1.50	1.56
	Conservative	0.85	1.76	2.96	2.99	3.90
	Moderate	1.08	2.09	3.26	3.11	5.01
	Balanced	1.59	2.57	4.05	3.60	6.88
	Growth	2.15	2.98	4.61	3.76	8.63
	High Growth	2.61	3.28	5.13	3.91	9.94
	Shares	3.35	3.68	5.16	3.32	11.37
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.13	0.42	1.52	1.64	1.70
	Conservative	0.85	1.87	3.12	3.18	4.17
	Moderate	1.10	2.18	3.42	3.31	5.24
	Balanced	1.57	2.60	4.10	3.68	6.98
	Growth	2.14	2.96	4.66	3.83	8.90
	High Growth	2.59	3.24	5.28	4.08	10.36
	Shares	3.30	3.61	5.08	3.30	11.73

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Investment Returns For Periods Ended 28 February 2019

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	1.21	1.30	1.38	-
	Conservative	0.83	1.54	2.64	2.59	3.60	-
	Moderate	1.08	1.97	3.05	2.85	4.77	-
	Balanced	1.60	2.45	3.85	3.33	6.57	5.67
	Growth	2.21	2.93	4.36	3.46	8.25	-
	High Growth	2.62	3.16	4.83	3.52	9.66	-
	Shares	3.42	3.66	4.78	2.85	10.99	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.38	1.39	1.49	1.57	-
	Conservative	0.85	1.69	2.88	2.91	4.00	-
	Moderate	1.10	2.11	3.33	3.18	5.15	-
	Balanced	1.61	2.57	4.10	3.64	6.99	6.02
	Growth	2.16	2.98	4.68	3.83	8.68	-
	High Growth	2.60	3.29	5.18	3.97	10.24	-
	Shares	3.35	3.59	5.05	3.20	11.76	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	-	-	-	-	-	-
	Moderate	-	-	-	-	-	-
	Balanced	1.60	2.60	4.14	3.74	7.19	6.20
	Growth	-	-	-	-	-	-
	High Growth	2.65	3.33	5.44	4.25	10.59	-
	Shares	3.34	3.62	5.27	3.43	11.91	-

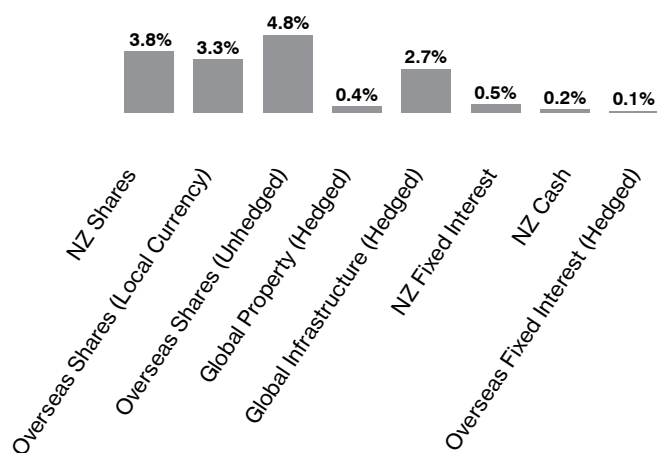
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

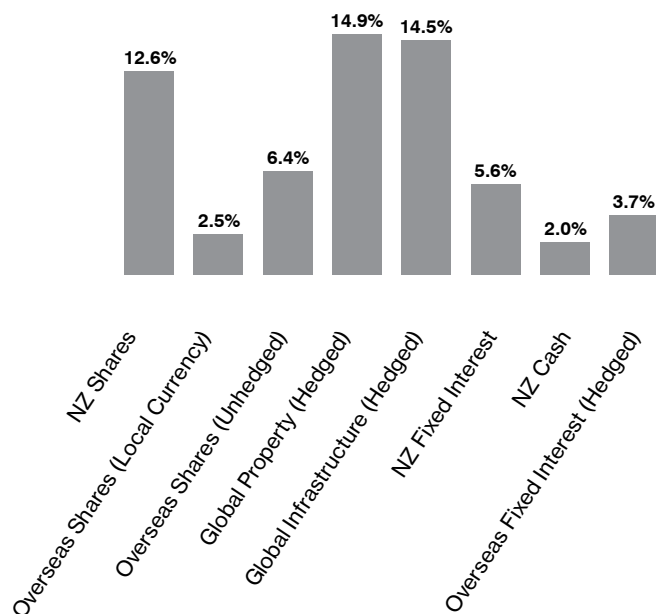
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Financial Markets For Periods Ended 28 February 2019

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

Bloomberg NZ Bond Composite

NZ CASH

ANZ 90 Day Bank Bills

OVERSEAS FIXED INTEREST (HEDGED)

Bloomberg Global Aggregate

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