

MONTHLY REPORT

For the period ended 31 January 2020

Market performance summary – January in a snapshot

- January was a volatile month for global share markets. Phase one trade deal between China and the US contributed to the strong start of the month, while the markets took a turn with the unexpected coronavirus outbreak and the increased tensions between the US and Iran.
- Despite the eventful situation, all of the NZDF Savings Scheme's investment options had a positive return.
- It is a great time to start setting up your financial goals and plan for 2020. Last year NZDF Savings Schemes helped 230 members with the purchase of their first home. If you need advice, please get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing info@milestonedirect.co.nz and start 2020 with a solid plan!



Monthly Commentary Ended 31 January 2020

January proved to be an eventful month. After a strong start with the signing of the phase one trade deal between the US and China, things took a turn as the coronavirus epidemic emerged and triggered a sell-off in global equity (share) markets in the final week of the month. As the scale of the outbreak of the novel coronavirus from Wuhan, China intensified, fears over the potential economic fallout from travel and trade restrictions escalated. Speculation over the Senate trial (and potential dismissal from office) of US President Donald Trump did little to ease concerns.

Global share markets had a volatile month, up almost 3% at the time of signing the phase one trade deal between the US and China, before losing value in the closing week of the month over fears of the spread of coronavirus. Both Developed (-0.3%) and Emerging Markets (-3.3%) experienced negative monthly returns, the latter falling further because of the higher exposure to Chinese share markets.

New Zealand (+2.0%) and Australian (+5.0%) share markets pushed higher over the month. Both markets benefitted from weakening local currencies in January, which increased the value of offshore earnings, however lost some value in the final week of the month due to the threat of slowing exports to China.

Concern about the impact of coronavirus on financial markets also had the consequence of pushing investors towards 'safe haven' assets. A rally swept through bond markets in late January, with Global Aggregate Bonds ending the month up +1.8%. New Zealand composite bonds (+1.5%) posted positive returns, with yields falling on the back of heightened risks to the global growth outlook, motivated by slowing growth in China and threats to international trade and tourism posed by the travel restrictions placed on traffic in and out of China. Investors perceive bonds to involve less risk than shares, and tend to shift to bonds in times of heightened uncertainty.



Significant developments include:



! China - Coronavirus

The coronavirus outbreak quickly gained traction towards the end of January, with its rapid spread causing most countries to impose emergency travel restrictions on travellers from China. With infections reported around the world, equity markets suffered and bonds rallied. The full extent of the economic fallout from the event will not be known for some time.

! China

China posted its slowest annual growth in 29 years, with an annual GDP figure of 6.1%. Exports grew (0.5% in dollar terms) for 2019, down from 10% for the prior year. Imports fell 2.7% over the previous year, largely due to the US-China trade war, slowing income growth, and decreased manufacturing investment. This is significant for investor sentiment as China now makes up more than 15% of the total world economy and is a large trading partner for NZ.

! Iran & USA

Tensions between the US and Iran reached a tipping point in the first week of the New Year with the assassination of Iranian General Qassem Soleimani. Iran responded, firing missiles at a US military base and accidentally shooting Ukraine Airlines Flight 752 out of the sky. While the conflict eased fairly quickly, it did little to calm tensions in a region already contending with wars in Syria and Yemen.

Milestone Direct Monthly Commentary Ended 31 January 2020

Frequent readers of this column may have already identified the disdain that most investment advisers have for the impact the media can sometimes have on long-term investment decision making. (Though don't get us wrong, an open and unbiased media are an excellent feature of the modern world, the issue is with the needless fear that the media can generate in the minds of investors.)

January 2020 could be described as 'one big media field day', and many of the major news items are still running their course. For example:

- Bushfires plagued Australia
- Britain finally left the EU
- Tensions between the US & Iran reached peak levels as Iran rocketed US bases in Iraq, then mistakenly shot down an airliner
- The US President was effectively put on trial
- Norovirus beset China and threatened to spread further afield

Naturally, we can't predict the future – including what might occur with some of the events above which are still unfolding. But, in what may be a 'micro study' in the investment markets, it is interesting to note that over the course of the month every single NZDF Scheme investment fund achieved a positive return. Investors panicked by one of the month's dramatic headlines may have made a knee jerk investment decision that they came to regret, particularly as any drop in the markets proved temporary.

While a one-month return might not mean a lot in the grand scheme of things, it does provide a notable reminder that it literally pays to ignore noise from the media and instead stay focussed on the long haul.

It would be our pleasure to catch up with you for a complementary initial consultation with one of our advisers. Please get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing **info@milestonedirect.co.nz**

Joseph Darby
Chief Executive
Milestone Direct



A Disclosure Statement is available on request and free of charge

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.

For more information call **0800 333 787** or visit **www.nzdf.superfacts.co.nz**

Investment Returns For Periods Ended 31 January 2020

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.07	0.14	0.71	0.90	1.09
	Conservative	0.81	1.21	4.64	6.32	4.24
	Moderate	0.76	1.47	5.22	7.25	5.16
	Balanced	0.84	2.18	7.13	9.93	6.91
	Growth	0.80	2.80	8.73	12.17	8.60
	High Growth	0.82	3.40	10.14	14.31	10.00
	Shares	0.80	4.39	12.47	17.84	11.84
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.07	0.15	0.79	0.99	1.31
	Conservative	0.87	1.29	4.88	6.71	4.67
	Moderate	0.78	1.52	5.39	7.54	5.47
	Balanced	0.78	2.24	7.24	10.12	7.30
	Growth	0.67	2.91	8.93	12.40	8.85
	High Growth	0.70	3.68	10.40	14.68	10.29
	Shares	0.64	4.49	12.66	18.01	12.13
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.09	0.17	0.89	1.10	1.35
	Conservative	0.89	1.36	5.08	7.03	4.86
	Moderate	0.79	1.65	5.67	7.89	5.69
	Balanced	0.80	2.45	7.55	10.48	7.49
	Growth	0.66	3.09	9.02	12.59	9.06
	High Growth	0.62	3.74	10.46	14.74	10.49
	Shares	0.45	4.59	12.68	18.12	12.28

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 2019

Investment Returns For Periods Ended 31 January 2020

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.07	0.16	0.80	1.01	1.22
	Conservative	0.82	1.22	4.65	6.42	4.40
	Moderate	0.76	1.48	5.33	7.36	5.23
	Balanced	0.84	2.19	7.19	9.97	7.07
	Growth	0.79	2.76	8.70	12.10	8.54
	High Growth	0.81	3.43	10.20	14.35	10.00
	Shares	0.78	4.39	12.49	17.79	11.85
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.08	0.18	0.90	1.14	1.39
	Conservative	0.88	1.34	5.03	6.92	4.77
	Moderate	0.79	1.60	5.62	7.76	5.56
	Balanced	0.82	2.35	7.46	10.35	7.38
	Growth	0.70	2.93	9.01	12.53	8.90
	High Growth	0.69	3.58	10.45	14.68	10.28
	Shares	0.64	4.54	12.57	17.94	11.98
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.09	0.21	0.99	1.26	1.52
	Conservative	0.91	1.40	5.29	7.24	5.00
	Moderate	0.80	1.68	5.77	8.00	5.77
	Balanced	0.81	2.43	7.65	10.59	7.50
	Growth	0.64	3.04	9.09	12.68	9.00
	High Growth	0.61	3.71	10.53	14.81	10.38
	Shares	0.54	4.62	12.70	18.12	12.17

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Investment Returns For Periods Ended 31 January 2020

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.07	0.16	0.79	1.00	1.22
	Conservative	0.81	1.22	4.77	6.51	4.40
	Moderate	0.78	1.52	5.35	7.39	5.30
	Balanced	0.84	2.21	7.25	10.06	7.12
	Growth	0.79	2.73	8.73	12.23	8.59
	High Growth	0.82	3.43	10.22	14.37	10.06
	Shares	0.73	4.32	12.38	17.75	11.80
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.08	0.20	0.91	1.15	1.39
	Conservative	0.88	1.34	5.08	6.98	4.79
	Moderate	0.81	1.64	5.69	7.86	5.66
	Balanced	0.81	2.37	7.59	10.51	7.45
	Growth	0.71	2.96	9.11	12.66	8.93
	High Growth	0.71	3.67	10.53	14.74	10.41
	Shares	0.64	4.55	12.63	17.99	12.21
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-
	Conservative	0.92	1.41	5.39	7.37	-
	Moderate	0.81	1.70	5.85	8.11	-
	Balanced	0.80	2.42	7.65	10.63	7.56
	Growth	0.65	3.08	9.11	12.66	-
	High Growth	0.62	3.76	10.42	14.76	10.53
	Shares	0.54	4.71	12.84	18.29	12.36

Notes

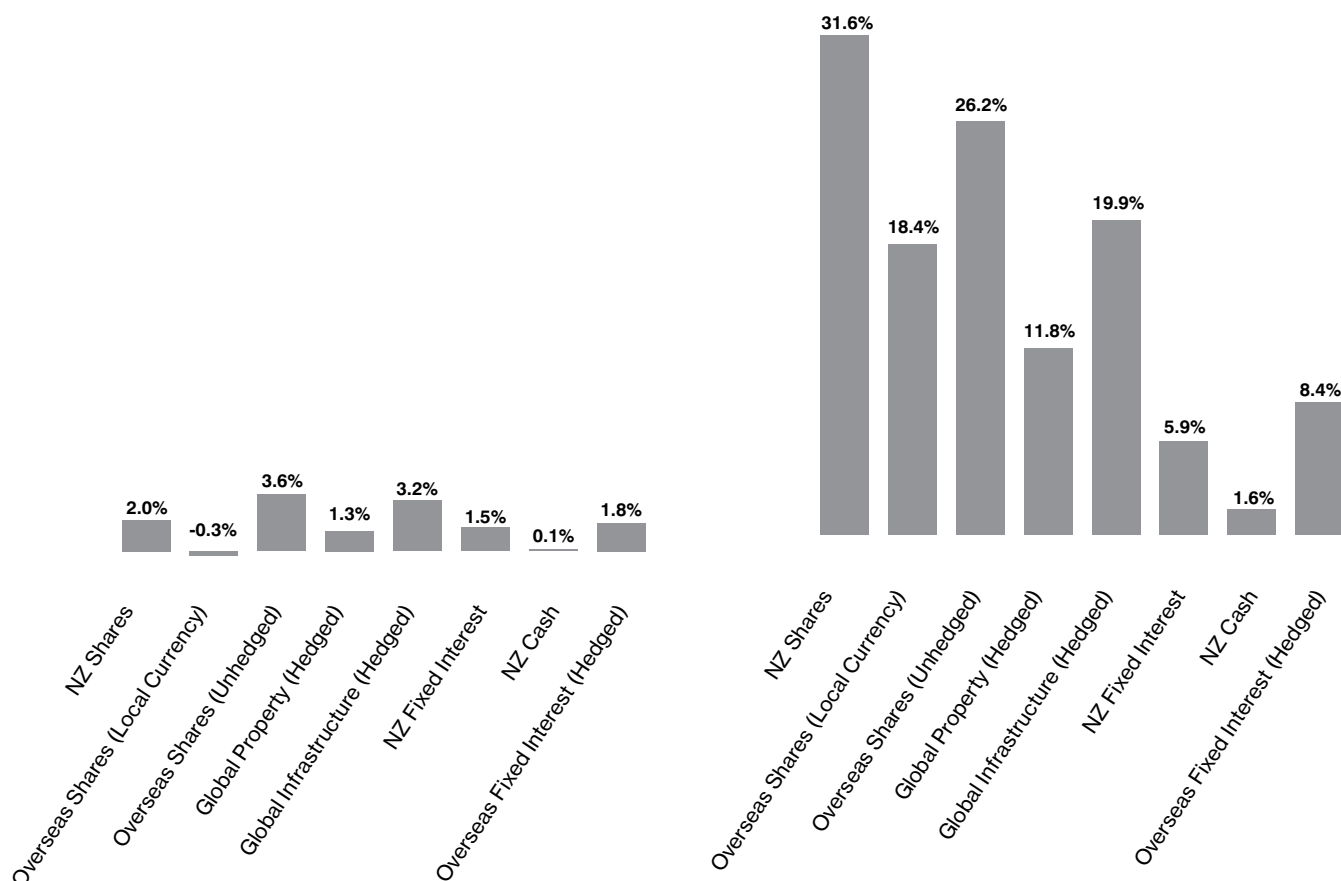
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

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Financial Markets For Periods Ended 31 January 2020

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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