

MONTHLY REPORT

For the period ended 31 October 2019

Market performance summary – October in a snapshot

- October delivered good returns for investors. The United States Federal Reserve cut the target range for the Federal Funds rate over the month, while the Official Cash Rate in New Zealand remain unchanged.
- Another good month for investors, including members for the NZDF Savings Schemes. All investment options in NZDF Savings Scheme delivered positive returns in October.
- If you are an NZDF member or a member of one of the NZDF Savings Schemes, you have access to financial advice through Milestone Direct. You can contact the team at Milestone Direct on 0508 MILESTONE (0508 645 378).

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



Monthly Commentary Ended 31 October 2019

October delivered another positive month for global markets, with global equities (shares) rising and bond yields inching higher. Despite investor confidence sliding and a cooling US economy, the continuation of interest rate cuts from leading central banks maintained a feeling of cautious optimism. Loosening of interest rates is intended to stimulate spending and is good for borrowers, but not so good for savers.

Developed share markets which include the US, UK, Canada, Australia, and New Zealand had a positive return of +1.9%, encouraged by the reprieve in trade tensions combined with continuingly positive monetary policy aimed at stimulating the economy. During October, the United States Federal Reserve (the Fed) cut the target range for the Federal Funds rate to 1.50%–1.75%, the third cut this year. Chairman Jay Powell signalled that future easing is likely to be on pause in order to save capacity to offset a potential economic downturn. Falling inflation is a further signal of a dramatic slow down in economic activity.

In contrast, the European Central Bank (ECB) left rates on hold in October amid continued adverse economic data in the region. Eurozone inflation fell in October to a three-year low of 0.8% p.a. with outgoing President Mario Draghi predicting a further fall into the final quarter of the year.

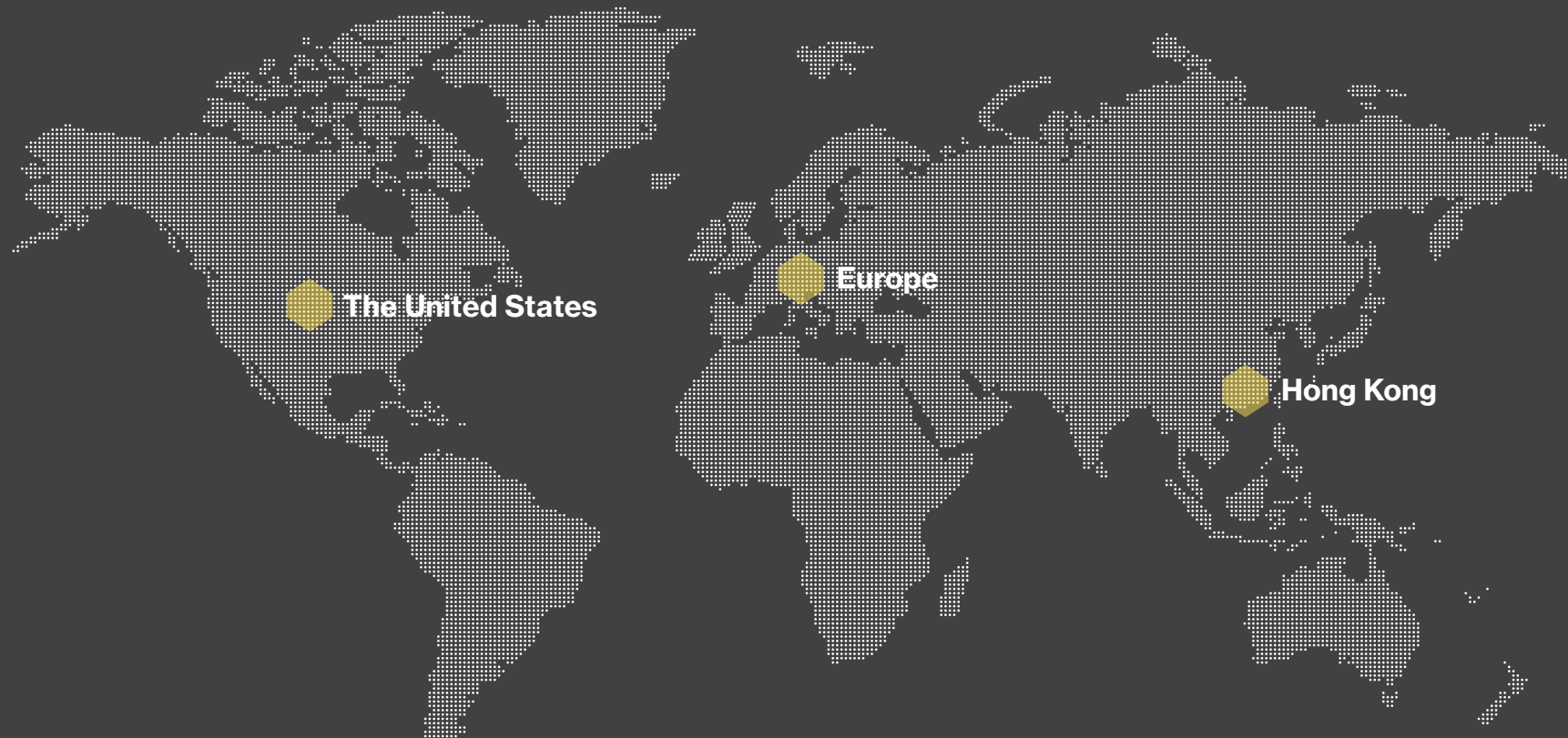
Emerging markets pushed higher, edged on by rate cuts in Russia and Brazil. 12-month returns for both developed and emerging equities are now sitting in the double-digits.

The New Zealand share market delivered negative returns over the month (-1.2%) as energy retailer share prices slid over the period. Across the Tasman, the Australian share market fell (-0.4%), driven by investor concerns over the performance of major Australian banks. 12-month returns for both markets remain above most of their global equity counterparts.

The New Zealand dollar strengthened against most major currencies throughout October, as easing monetary policy abroad strengthened the relative value of the NZD.



Significant developments include:



◆ The United States

The United States Federal Reserve cut the target range for the Federal Funds rate to 1.50%-1.75%, the third cut this year.

The US added 128,000 non-farm payrolls (new jobs) in October, down from the 180,000 in September, but ahead of expectations; this was in contrast to the weakest growth in consumer spending in six months. Despite this, the US stock market pushed to a record high by month-end.

◆ Europe

The European Central Bank (ECB) left rates on hold in October, amid continued adverse economic data in the region.

◆ Hong Kong

Hong Kong slipped into a recession for the first time since the Global Financial Crisis, following months of political disruption and adverse effects from the US-China trade war. GDP fell 3.2% in the third quarter.

Milestone Direct Monthly Commentary Ended 31 October 2019

Many of you will have heard in October that stock (share) markets hit a record high. To be precise, it was two of the three major measures of the largest investment market in the world – the United States – which reached record highs. The other measure of the overall market was close behind.

While no-one can predict the future (if that was the case then psychics and fortune tellers would all be billionaires!), our advisers are still frequently asked if now is a good time to invest. Study after study has shown that attempting to “time the market” does not work, and that instead “time in the market” is the way to go.

While market timing may initially seem to be a variant of the popular saying “buy low, sell high”, the fact is that the future is uncertain and things in the investment world can change rapidly. This means it is basically impossible to accurately and correctly determine when to ‘buy low’ and when to ‘sell high’ – most especially for an amateur investor.

In contrast, “time in the market” means relying on a strategy where you don’t try to guess when the market is at its lowest or highest point. Instead, you consistently buy into the market knowing that your timing is probably going to be off, but that eventually, the fundamentals matter more than the timing.

The “time in the market” investor will then stick with the investment until their original reasons for investing change or they’ve reached their intended goal, for example: they’re now approaching their retirement years and need to adjust their approach.

It would be our pleasure to discuss how you can make the most of “time in the market” or discuss any other financial matters. You can 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.



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 October 2019

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.05	0.19	0.57	1.06	1.13
	Conservative	-0.04	0.98	3.39	5.65	3.90
	Moderate	0.08	1.01	3.69	6.47	4.93
	Balanced	0.23	1.28	4.84	8.20	6.70
	Growth	0.36	1.42	5.77	9.43	8.53
	High Growth	0.46	1.44	6.52	10.57	9.94
	Shares	0.51	1.38	7.74	12.17	11.66
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.06	0.22	0.65	1.18	1.37
	Conservative	-0.04	0.99	3.54	6.22	4.33
	Moderate	0.10	1.04	3.81	6.96	5.20
	Balanced	0.24	1.19	4.89	8.71	7.13
	Growth	0.46	1.41	5.85	9.97	8.84
	High Growth	0.58	1.44	6.49	11.06	10.21
	Shares	0.62	1.40	7.82	12.64	11.94
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.08	0.25	0.72	1.30	1.40
	Conservative	-0.13	0.95	3.67	6.52	4.49
	Moderate	0.02	1.00	3.95	7.34	5.36
	Balanced	0.27	1.21	4.97	8.99	7.28
	Growth	0.50	1.36	5.75	10.17	9.02
	High Growth	0.62	1.34	6.48	11.30	10.44
	Shares	0.67	1.35	7.73	12.92	12.13

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.

* FYTD means Financial Year to Date, which is from 1 April 2019

Investment Returns For Periods Ended 31 October 2019

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.06	0.22	0.63	1.18	1.28
	Conservative	-0.03	0.99	3.39	5.77	4.08
	Moderate	0.10	1.07	3.79	6.62	4.97
	Balanced	0.23	1.28	4.90	8.29	6.87
	Growth	0.40	1.45	5.78	9.46	8.49
	High Growth	0.47	1.43	6.55	10.60	9.93
	Shares	0.54	1.40	7.75	12.11	11.61
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.07	0.25	0.72	1.35	1.46
	Conservative	-0.06	1.04	3.64	6.40	4.40
	Moderate	0.07	1.05	3.95	7.10	5.32
	Balanced	0.27	1.26	5.00	8.81	7.16
	Growth	0.48	1.43	5.91	10.09	8.86
	High Growth	0.54	1.41	6.62	11.18	10.27
	Shares	0.60	1.30	7.68	12.55	11.85
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.07	0.27	0.79	1.47	1.59
	Conservative	-0.08	1.09	3.84	6.82	4.63
	Moderate	0.08	1.05	4.03	7.44	5.51
	Balanced	0.28	1.26	5.09	9.13	7.29
	Growth	0.51	1.39	5.87	10.27	8.98
	High Growth	0.65	1.37	6.57	11.34	10.40
	Shares	0.71	1.31	7.72	12.76	12.07

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Investment Returns For Periods Ended 31 October 2019

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.06	0.22	0.63	1.17	1.27
	Conservative	-0.03	1.03	3.50	5.78	4.10
	Moderate	0.10	1.05	3.78	6.62	5.08
	Balanced	0.24	1.29	4.93	8.34	6.92
	Growth	0.39	1.47	5.83	9.62	8.59
	High Growth	0.45	1.41	6.57	10.55	10.01
	Shares	0.54	1.35	7.73	12.12	11.64
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.07	0.24	0.72	1.33	1.45
	Conservative	-0.06	1.04	3.69	6.37	4.47
	Moderate	0.11	1.09	3.98	7.19	5.42
	Balanced	0.28	1.32	5.10	8.92	7.25
	Growth	0.50	1.47	5.98	10.16	8.91
	High Growth	0.58	1.43	6.61	11.21	10.38
	Shares	0.63	1.36	7.73	12.44	12.08
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-
	Conservative	-0.08	1.09	3.92	6.90	-
	Moderate	0.08	1.07	4.08	7.50	-
	Balanced	0.29	1.29	5.10	9.14	7.36
	Growth	0.51	1.40	5.85	10.24	-
	High Growth	0.62	1.30	6.42	11.27	10.54
	Shares	0.73	1.41	7.76	12.80	12.22

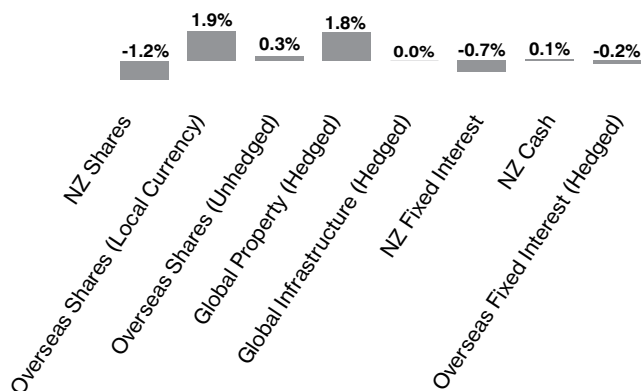
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

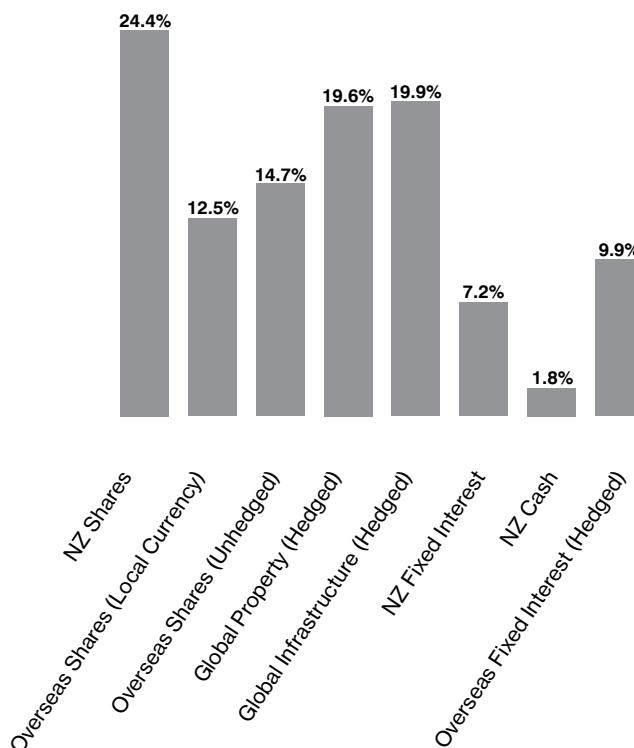
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Financial Markets For Periods Ended 31 October 2019

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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