

MONTHLY REPORT

For the period ended 30 April 2018

Month in a snapshot

- Improving investor confidence in April saw the share markets across the globe perform positively, benefitting scheme members who are invested in shares. Trump and tariffs continued to feature heavily, but the conversation shifted from aggressive social media posts to productive negotiations. While businesses continue to be concerned with the potential outcome of these negotiations, it didn't stop the markets from delivering positive results to investors.
- All the New Zealand Defence Force Savings Scheme's options returned positive returns.
- Knowing and understanding your risk profile particularly during periods of market volatility is important. Any 'knee jerk' reactions when the markets do fall may impact your longer-term objectives. As a member of the NZDF Savings Scheme you have access to a team of financial advisers who can help you with your investment strategy decisions, which ultimately means, you may save more for your future. The team can also help you understand your overall savings strategy. 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 April 2018

April saw share markets bounce back from their recent decline, delivering positive returns across all developed economies such as Australia, UK, the US and others. Market sentiment has improved by generally positive economic and earnings data released over the month. While the potential for a trade war between the US and China transitioned from aggressive tweets into formal negotiations, improving investor confidence of an amicable resolution.. Uncertainty remains though, as surveys show US businesses are becoming increasingly concerned about the potential outcomes of the trade negotiations. Any trade war would have a negative impact on investor confidence and potentially on the performance of the NZDF Savings Schemes.

The New Zealand share market (NZX 50) delivered positive returns in April, up +1.5%. Synlait Milk (+19.2%) was the top performer for the month, while a2 milk (-2%) was one of the few stocks to decline. Australian shares outperformed New Zealand over the month, delivering +3.9%, breathing life into a market that has under-performed most developed markets over the last 12 months.

Global share markets enjoyed positive returns in April, up +1.9% in local currency terms. Strong company earnings data, set against a backdrop of solid Chinese economic growth data and rising commodity prices, helped boost returns. The Energy sector was the best performer of the month, while Consumer Staples was the only sector to detract from performance.

Expectations of increased inflation (increase in price of goods and services over a period of time) saw investors moving to real assets such as property and infrastructure as a protective measure. This pushed up the returns from Global Listed Property up +2.7% and Global Listed Infrastructure up +2.9%, both ahead of the broader share market. However, both sectors remain well behind global share markets over 12 months.



Significant recent items include:



United States

The Trump administration delayed its decision to impose steel and aluminium tariffs on its key trading allies, giving the European Union, Canada and Mexico another 30 days before negotiations will be finalised.

United Kingdom

The UK economic growth rate for Q1 2018 was +0.1% for the quarter, below expectations, bringing year on year economic growth to +1.2%, much lower than the 2.4% reported by the European Union, reflecting the uncertainty UK businesses face with Brexit on the horizon.

Korea

Kim Jong-un and Moon Jae-in, the leaders of North and South Korea respectively, have vowed to negotiate a treaty to formally end the Korean War.

Milestone Direct Monthly Commentary Ended 30 April 2018

After the first four months of 2018 delivered a wide variety of results, international and local markets mostly stabilised for April.

While a significant fuss has been made in the media of tensions between the United States (US) and China over tariffs (taxes on imports and exports), by the end of April there were many good signs for the global economy. As-is often mentioned in these monthly commentaries, the cornerstone of the global economy is the US economy, and by the end of the month the US dollar was at its highest level since January, reflecting faith in the US economy. Additionally, yields on 10-year US Treasury Bonds approached their highest levels since 2014. While I may be guilty of lapsing into technical language with that sentence, in the simplest terms this is just another sign that the world views US economic growth as being on the rise.

Closer to home, the New Zealand stock exchange also grew in value over the month with the key benchmark of the NZX50 Index up 0.9%.

Despite the positive signs mentioned above, it always pays to be mindful that the 2017 calendar year was one of fantastic returns for investors, and in most cases, markets have performed strongly for the last nine or so years. While this doesn't mean everyone should exit all investments and bury their savings in the garden, it is a timely reminder that more fluctuations in returns are expected over coming months and years.

Practically, this means people should review individual investment strategies to ensure they're in the right investments for them and are contributing at the right level to achieve their goals. With the NZDF Schemes, this is usually as simple as a quick chat with an adviser, and if needed, changing a fund choice and/or contribution level online. Keep in mind this is most often free of charge to members of the wider Defence Community – including all servicemen and women.

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.

Joseph Darby
Chief Executive
Milestone Direct



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 30 April 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	0.30	0.11	1.30	-	-
	Conservative	0.41	-0.11	0.41	3.12	-	-
	Moderate	0.66	-0.23	0.66	4.31	-	-
	Balanced	1.10	-0.64	1.10	6.16	4.36	6.69
	Growth	1.52	-1.06	1.52	7.36	-	-
	High Growth	1.87	-1.35	1.87	9.00	-	-
	Shares	2.09	-2.01	2.09	10.32	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.33	0.12	1.47	-	-
	Conservative	0.37	0.00	0.37	3.51	-	-
	Moderate	0.63	-0.21	0.63	4.67	-	-
	Balanced	1.07	-0.65	1.07	6.55	4.51	7.01
	Growth	1.48	-1.11	1.48	7.84	-	-
	High Growth	1.81	-1.36	1.81	9.57	-	-
	Shares	2.07	-1.94	2.07	11.15	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	0.38	0.00	0.38	3.80	-	-
	Moderate	-	-	-	-	-	-
	Balanced	1.04	-0.61	1.04	6.75	4.55	7.19
	Growth	-	-	-	-	-	-
	High Growth	1.78	-1.39	1.78	9.89	-	-
	Shares	2.03	-2.05	2.03	11.31	-	-

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 April 2018

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.09	0.28	0.09	1.30
	Conservative	0.40	-0.05	0.40	3.19
	Moderate	0.64	-0.27	0.64	4.30
	Balanced	1.10	-0.64	1.10	6.01
	Growth	1.50	-1.10	1.50	7.42
	High Growth	1.83	-1.39	1.83	8.88
	Shares	2.10	-1.93	2.10	10.32
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.34	0.11	1.48
	Conservative	0.37	-0.03	0.37	3.46
	Moderate	0.62	-0.23	0.62	4.53
	Balanced	1.05	-0.66	1.05	6.39
	Growth	1.46	-1.09	1.46	7.99
	High Growth	1.79	-1.42	1.79	9.37
	Shares	2.04	-2.04	2.04	10.69
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.13	0.37	0.13	1.62
	Conservative	0.35	-0.03	0.35	3.62
	Moderate	0.60	-0.21	0.60	4.79
	Balanced	1.01	-0.67	1.01	6.53
	Growth	1.41	-1.18	1.41	8.14
	High Growth	1.73	-1.46	1.73	9.54
	Shares	1.99	-2.06	1.99	11.10

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 30 April 2018

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.09	0.27	0.09	1.11
	Conservative	0.39	-0.08	0.39	2.91
	Moderate	0.66	-0.27	0.66	4.12
	Balanced	1.09	-0.63	1.09	5.71
	Growth	1.52	-1.06	1.52	7.48
	High Growth	1.86	-1.32	1.86	8.78
	Shares	2.14	-1.85	2.14	10.33
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.35	0.11	1.49
	Conservative	0.40	-0.02	0.40	3.38
	Moderate	0.63	-0.20	0.63	4.56
	Balanced	1.04	-0.62	1.04	6.36
	Growth	1.48	-1.08	1.48	7.87
	High Growth	1.83	-1.34	1.83	9.34
	Shares	2.09	-1.96	2.09	10.85
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.11	0.33	0.11	1.39
	Conservative	0.37	-0.03	0.37	3.50
	Moderate	0.62	-0.21	0.62	4.75
	Balanced	1.04	-0.64	1.04	6.50
	Growth	1.43	-1.09	1.43	8.24
	High Growth	1.78	-1.40	1.78	9.75
	Shares	2.04	-2.04	2.04	11.17

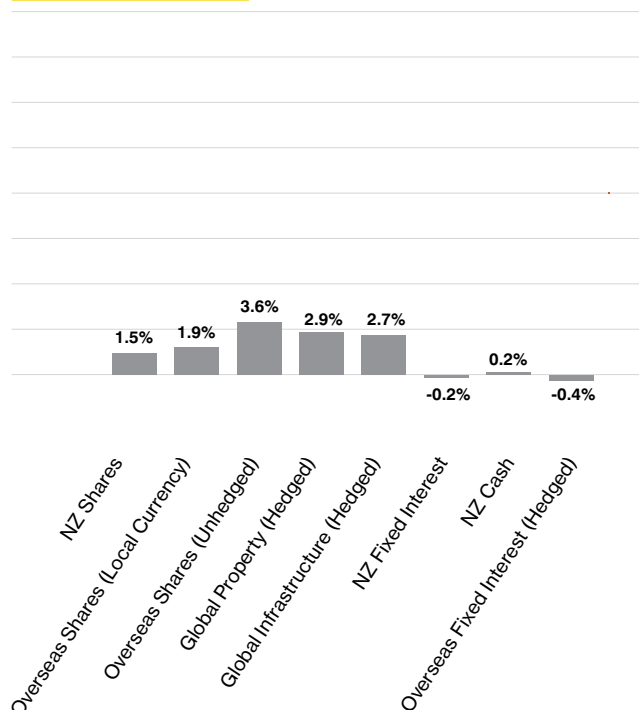
Notes

- 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.

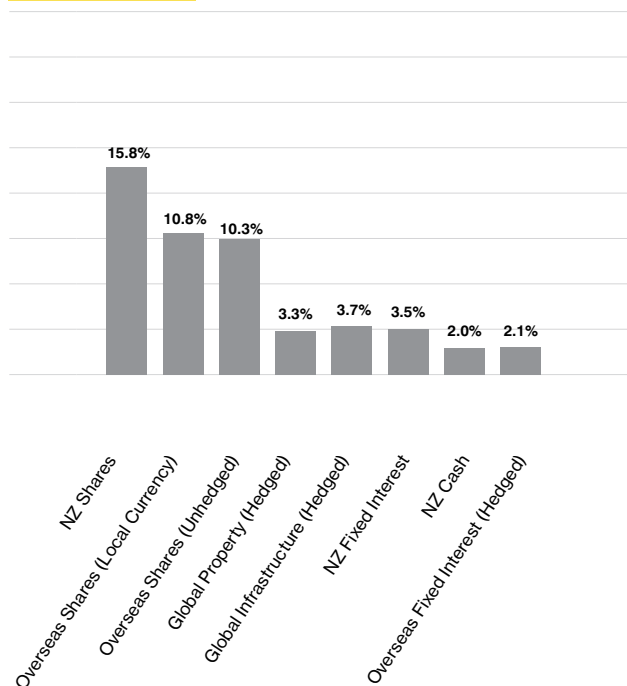
* FYTD means Financial Year to Date, which is from 1 April 2018

Financial Markets For Periods Ended 30 April 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)

Barclays Capital Global Aggregate

This document was prepared by New Zealand Defence Force (NZDF), Milestone Direct and Mercer (N.Z.) Limited (Mercer). The document has been published as a general information service and does not take account of the investment objectives, financial situation and/or particular needs of any person. Before making any investment decision, you should take financial advice as to whether your intended action is appropriate in light of your particular investment needs, objectives and financial circumstances. Neither NZDF, Milestone Direct, nor Mercer or any related parties accepts any responsibility for any inaccuracy.