



NEW ZEALAND DEFENCE FORCE SAVINGS SCHEMES

MONTHLY REPORT

FOR PERIODS ENDED 31 DECEMBER 2015

NZDF are pleased to introduce our first new look monthly report for the NZDF Savings Schemes. This report is designed to provide an overview of how your funds are performing. It is supported by more detailed economic commentary and fund performance information and further updates can be accessed on the www.nzdf.superfacts.co.nz website.

WE START WITH A SUMMARY FROM THE MILESTONE DIRECT TEAM.

The old investment strategy was starting to underperform and would have been riskier in today's environment. The poor one year return for the DFSS is reflective of this and this is one of the reasons NZDF decided to restructure the scheme and appoint Mercer as investment manager.

All NZDF saving schemes are now managed by Mercer who takes a highly diversified investment approach and prefers quality investments that will stand the test of time rather than chasing the latest top performing stock or bond. This might sound boring but it is exactly what is required right now when the markets are going through a cyclical down turn.

Your DFSS and KiwiSaver funds are long term investments and studying the longer term performance of Mercer shows that it produces competitive returns that are more predictable than many other managers. This is evidenced by the latest Morningstar survey which shows Mercer to have performed above or in line with the median manager over one year and to have outperformed the median manager over three years for all KiwiSaver fund options it manages. It has also outperformed median manager returns in all but one KiwiSaver fund over a five year period.

Mercer's aim is to provide you with as smooth a savings journey as possible, not one where your investments are managed in a way that could produce top performance this year but languish at the bottom of the heap the next. That said, there is no avoiding the fact that December investment returns were awful for all funds other than cash. This is due to the markets around the world being shaken by economic events in Europe and concerns around a slowing Chinese economy.

This is not a time for knee jerk reactions or trying to chase better returns. It is a time for trusting in the schemes' investment strategy to reach your long term saving goals and being aware that markets have good and bad times for investors.

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

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If you have not done so already, you may wish to contact the Milestone Direct team to help you position your finances to take advantage of the cyclical nature of investing. You can contact them on **0508 MILESTONE (0508 645 378)**. You can also read their latest reports at www.milestonedirect.co.nz/articles

Negative market sentiment increased in early January 2016, seeing further falls in world stock markets. This means that many quality investments are starting to become good value and an active manager like Mercer will use these falls to buy long term investments at good prices.

Over time, this will improve returns but all members need to appreciate that 2016 will not produce the high investment returns we have seen in recent years. Market falls are a normal part of the investment cycle and should be expected.

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INVESTMENT RETURNS FOR PERIODS ENDED 31 DECEMBER 2015

DEFENCE FORCE SUPERANNUATION SCHEME

Investment options		1 Month %	FYTD* %	1 Year %	3 Years %	5 Years %
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12	-	-	-	-
	Conservative	-0.47	-	-	-	-
	Moderate	-0.79	-	-	-	-
	Balanced	-1.17	-2.30	1.16	8.20	6.34
	Growth	-1.93	-	-	-	-
	High Growth	-2.12	-	-	-	-
	Shares	-2.44	-	-	-	-

Investment options		1 Month %	FYTD* %	1 Year %	3 Years %	5 Years %
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15	-	-	-	-
	Conservative	-	-	-	-	-
	Moderate	-0.61	-	-	-	-
	Balanced	-1.05	-2.59	1.10	8.63	6.92
	Growth	-1.78	-	-	-	-
	High Growth	-1.87	-	-	-	-
	Shares	-2.37	-	-	-	-

Investment options		1 Month %	FYTD* %	1 Year %	3 Years %	5 Years %
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	-	-	-	-	-
	Conservative	-0.35	-	-	-	-
	Moderate	-	-	-	-	-
	Balanced	-0.97	-2.82	1.04	8.90	7.30
	Growth	-	-	-	-	-
	High Growth	-	-	-	-	-
	Shares	-1.83	-	-	-	-

Notes

- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are net of tax at the rate indicated and net of 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 net returns shown are therefore indicative of investment results but may differ from the actual net of 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 2015

INVESTMENT RETURNS FOR PERIODS ENDED 31 DECEMBER 2015

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Investment options	1 Month %	FYTD* %	1 Year %
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	–	–
	Conservative	–0.54	–
	Moderate	–0.80	–
	Balanced	–1.12	–
	Growth	–1.90	–
	High Growth	–1.77	–
	Shares	–2.42	–

Investment options	1 Month %	FYTD* %	1 Year %
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	–	–
	Conservative	–0.40	–
	Moderate	–0.65	–
	Balanced	–1.10	–
	Growth	–1.63	–
	High Growth	–1.79	–
	Shares	–2.34	–

Investment options	1 Month %	FYTD* %	1 Year %
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	–	–
	Conservative	–	–
	Moderate	–	–
	Balanced	–	–
	Growth	–1.61	–
	High Growth	–1.65	–
	Shares	–2.20	–

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INVESTMENT RETURNS FOR PERIODS ENDED 31 DECEMBER 2015

NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME

Investment options		1 Month %	FYTD* %
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.19	-
	Conservative	-0.35	-
	Moderate	-	-
	Balanced	-1.31	-
	Growth	-1.89	-
	High Growth	-1.78	-
	Shares	-2.45	-

Investment options		1 Month %	FYTD* %
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.17	-
	Conservative	-	-
	Moderate	-0.69	-
	Balanced	-	-
	Growth	-1.63	-
	High Growth	-1.77	-
	Shares	-2.23	-

Investment options		1 Month %	FYTD* %
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	-	-
	Conservative	-	-
	Moderate	-0.45	-
	Balanced	-	-
	Growth	-1.54	-
	High Growth	-	-
	Shares	-	-

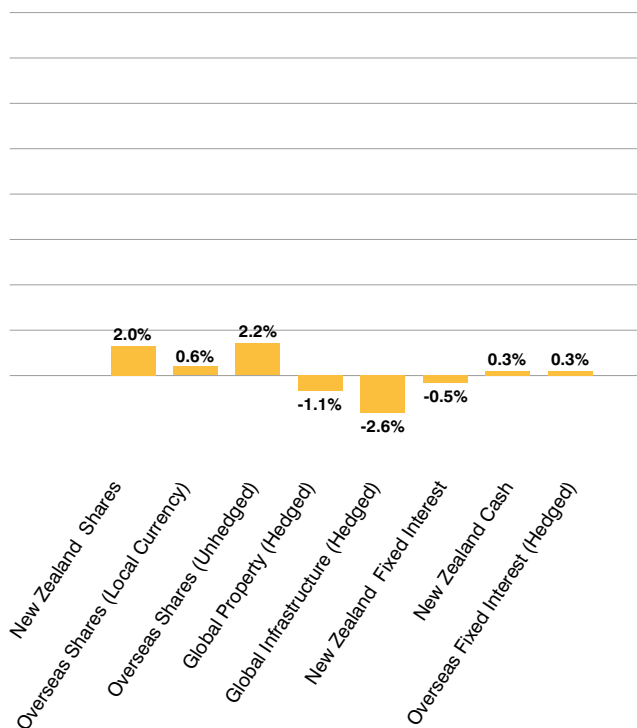
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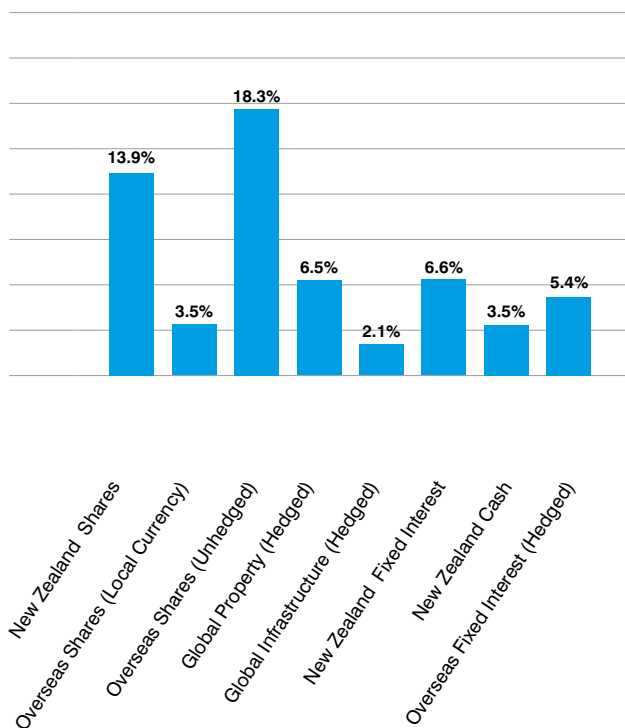
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FINANCIAL MARKETS FOR PERIODS ENDED 31 DECEMBER 2015

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



CUTTING THROUGH THE JARGON

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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