

# MONTHLY REPORT

For the period ended 31 December 2018

## December in a snapshot

- Global share markets again went down in December as investor confidence continued to be impacted by international politics, slowing global growth and cautious corporate earnings forecasts. There was some positive news as bond markets rallied post-Christmas.
- All NZDF Savings Schemes' investment options were impacted, returning negative results for members, apart from the Cash option which had positive modest returns.
- It was also pleasing to see the Morningstar report where the New Zealand Defence Force KiwiSaver Scheme performed well in the aggressive category, High Growth Fund had third highest returns over 1 and 3 years; and the Shares Fund also ranked the second highest over the three year period.
- It is important to consider your long-term objectives and goals. Don't rush to make short-term decisions. If you need financial advice on what to do about your investment choice, please contact the Milestone Direct team on **0508 645 378**. Take a moment to review your investment option to ensure you are in the best option(s) that aligns with your personal financial goals and risk tolerance.

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



# Monthly Commentary Ended 31 December 2018

Market volatility continued into December as global share markets fell sharply for the month posting negative returns. Tightening financial conditions, ongoing international trade tensions, slowing global growth and cautious corporate earnings forecasts combined to negatively impact investor sentiment, and in turn resulted in the share markets falling.

Political risks, fuelled by another US Government shutdown over budget negotiations, violent protests in France and uncertainty over the passage of Brexit negotiations, further compounded investors' concerns. A partial shutdown of the US Government started on 22 December 2018 as a result of Congress being unable to agree on a new federal budget, with the US-Mexico border wall apparently being the major obstacle to reaching agreement. This uncertainty impacted investor confidence and market performance.

However, in this risk-averse environment, bond markets rallied late-December, and Developed Markets increased from -12% to -7.9% after a post-Christmas incline to finish the month.

Emerging Markets (including South America, Asia, and the Middle East) observed a switch in the largest market ranking, with India passing Germany as the eighth largest stock market in the world.

The New Zealand and Australian share markets finished December well ahead (both down -0.1%) of their larger global counterparts in Developed Markets (-7.9%).

In the latest Melville Jessup Weaver Investment Survey for the quarter ended 31 December 2018, our investment managers (Mercer) were ranked favourably on a range of investment portfolios, which reiterates their strength even if markets are in decline.

At the time of writing, the 2019 calendar year started off well, with market performance in January clawing back some of the decline and market volatility experienced over December. The MSCI World Index bounced back considerably over January.



## Noteworthy developments include:



### United States

The US Federal Reserve ('the Fed') continued to tighten monetary policy, raising the Fed Funds Rate target band a further 0.25% (to 2.25% - 2.50%), with the accompanying announcement doing little to control investors' concerns stemming from increased market volatility in the last calendar quarter of 2018.

### China

The arrest of Huawei deputy chairwoman and CFO, Meng Wanzhou, in Canada (at the request of the US) risked escalating trade tensions between the world's two largest economies before meetings between the countries' leaders late in December relieved immediate concerns.

### United States

A partial shutdown of the US government started on 22 December 2018 as a result of Congress being unable to agree on a new federal budget. The shutdown has carried into 2019 with budget for a US-Mexico border wall apparently the major obstacle to reaching agreement.

### Australia

Interest rates in both New Zealand and Australia have been on hold since the second half of 2016, New Zealand at 1.75% and Australia at 1.5%.

### New Zealand

The New Zealand economy grew by +0.3% in the September quarter, coming in below the Reserve Bank of New Zealand's expectation of +0.7%.



# Milestone Direct Monthly Commentary Ended 31 December 2018

The investment markets continued to drop in December. At such times, it often pays (quite literally) to take the advice of those who are among the wealthiest people on earth.

Many people have heard of Tony Robbins - who's best known for being an author and motivational speaker. However, what most people don't know about him is that as a result of his investing and business endeavours, Tony is now worth an estimated half billion dollars.

When discussing investing, Tony has wisely mentioned research that showed that the best investors are those that are either dead or forgot that they had investments. Such research proves that people don't have to be active or good to be a great investor, instead they just have to be in the investment markets.

Yes, there have been historical financial catastrophes, and yes, people have lost money. But if you look at it from a historical viewpoint, the market has always grown. For example, many people 'lost' the value of some investments during the 2008-2009 global financial crisis, but if they were invested then and **stayed invested** they would have earned all their losses back by now, plus plenty more! However, to do that people do have to stick with it and only use money that they really don't need for anything else. That way, they won't be 'forced' to withdraw funds from an investment at an unfavourable moment.

For people who've taken the time to ensure their investment choices meet their needs, investing is simply a matter of staying the course despite any circumstances that inevitably arise, including during months such as December with poor returns.

It would be the pleasure of our financial advisers to discuss your goals in life and how investing can help you achieve them. Please get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing [info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz)

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**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](http://www.nzdf.superfacts.co.nz)

# Investment Returns For Periods Ended 31 December 2018

## 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	0.29	0.91	1.19	1.21
	Conservative	-0.43	-1.68	0.62	0.40	2.89
	Moderate	-0.85	-2.73	0.16	-0.18	3.59
	Balanced	-1.76	-4.76	-0.53	-1.29	4.46
	Growth	-2.82	-7.01	-1.43	-2.59	5.50
	High Growth	-3.45	-8.59	-1.73	-3.22	6.27
	Shares	-4.26	-11.27	-3.04	-4.96	6.72
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.35	1.03	1.42	1.50
	Conservative	-0.35	-1.56	0.83	0.70	3.28
	Moderate	-0.80	-2.58	0.26	0.08	3.86
	Balanced	-1.72	-4.57	-0.31	-0.88	5.14
	Growth	-2.85	-6.83	-1.30	-2.33	6.01
	High Growth	-3.50	-8.51	-1.69	-2.99	6.62
	Shares	-4.34	-11.11	-2.88	-4.69	7.13
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.36	1.11	1.46	1.48
	Conservative	-0.31	-1.54	0.90	0.77	3.55
	Moderate	-0.80	-2.52	0.38	0.19	4.03
	Balanced	-1.75	-4.48	-0.24	-0.79	5.35
	Growth	-2.89	-6.70	-1.25	-2.16	6.35
	High Growth	-3.58	-8.35	-1.60	-2.80	6.95
	Shares	-4.41	-11.04	-2.89	-4.62	7.49

### 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 31 December 2018

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.11	0.33	0.98	1.30	1.41
	Conservative	-0.40	-1.67	0.66	0.49	3.03
	Moderate	-0.84	-2.68	0.19	-0.11	3.58
	Balanced	-1.75	-4.71	-0.42	-1.18	4.72
	Growth	-2.80	-6.92	-1.38	-2.61	5.51
	High Growth	-3.43	-8.59	-1.81	-3.31	6.29
	Shares	-4.26	-11.27	-3.05	-4.95	6.71
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.38	1.13	1.50	-
	Conservative	-0.32	-1.50	0.85	0.74	3.37
	Moderate	-0.80	-2.57	0.33	0.13	4.01
	Balanced	-1.74	-4.58	-0.33	-0.97	5.07
	Growth	-2.83	-6.82	-1.30	-2.32	5.94
	High Growth	-3.51	-8.43	-1.78	-3.13	6.65
	Shares	-4.34	-11.09	-2.97	-4.78	7.11
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.13	0.41	1.23	1.62	-
	Conservative	-0.29	-1.43	0.93	0.84	-
	Moderate	-0.78	-2.46	0.43	0.28	4.27
	Balanced	-1.76	-4.51	-0.32	-0.89	5.20
	Growth	-2.91	-6.72	-1.30	-2.26	6.23
	High Growth	-3.57	-8.33	-1.67	-2.95	6.96
	Shares	-4.46	-11.11	-3.11	-4.77	7.40

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# Investment Returns For Periods Ended 31 December 2018

## Defence Force Superannuation Scheme

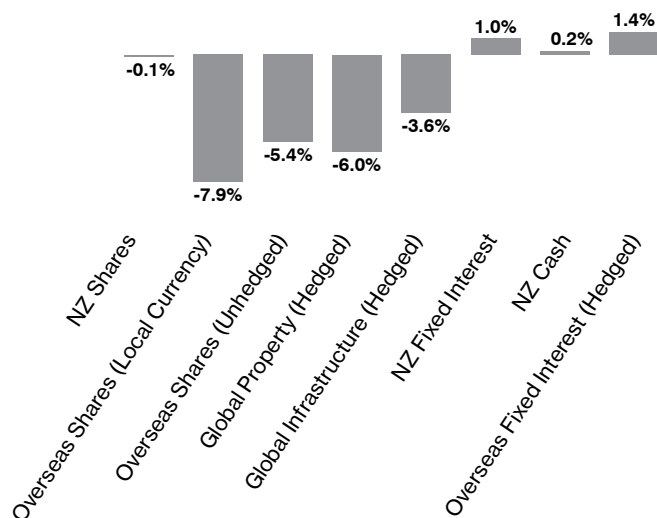
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.10	0.32	0.98	1.29	1.39	-
	Conservative	-0.45	-1.73	0.63	0.39	3.03	-
	Moderate	-0.85	-2.70	0.20	-0.09	3.80	-
	Balanced	-1.77	-4.77	-0.43	-1.17	4.85	5.28
	Growth	-2.78	-7.01	-1.43	-2.60	5.73	-
	High Growth	-3.45	-8.65	-1.88	-3.39	6.50	-
	Shares	-4.25	-11.30	-3.21	-5.15	6.85	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.36	1.13	1.48	1.60	-
	Conservative	-0.33	-1.54	0.83	0.75	-	-
	Moderate	-0.82	-2.60	0.36	0.17	4.19	-
	Balanced	-1.76	-4.62	-0.30	-0.95	5.22	5.67
	Growth	-2.86	-6.83	-1.25	-2.31	6.02	-
	High Growth	-3.48	-8.42	-1.72	-3.03	6.94	-
	Shares	-4.39	-11.17	-3.04	-4.74	7.54	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	-	-	-	-	-	-
	Moderate	-	-	-	-	-	-
	Balanced	-1.78	-4.52	-0.32	-0.85	5.39	5.88
	Growth	-	-	-	-	-	-
	High Growth	-3.56	-8.34	-1.59	-2.84	-	-
	Shares	-4.50	-11.12	-2.98	-4.65	7.66	-

### Notes

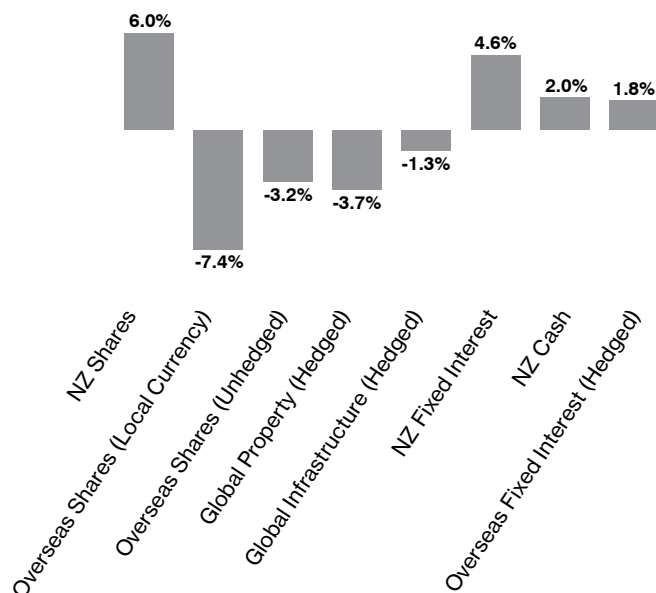
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# Financial Markets For Periods Ended 31 December 2018

## 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)

Bloomberg Global Aggregate

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