



# MONTHLY REPORT

FOR PERIODS ENDED 29 FEBRUARY 2016

## UPDATE FROM MILESTONE DIRECT

### WHAT A DIFFERENCE A MONTH MAKES

**The investment returns for all NZDF investment funds showed good positive returns for February 2016. This is a welcome relief from the negative returns of December and January. Investment markets will always go up and down and trying to ‘time when to buy and sell’ and when to switch from one fund to the next is fraught with danger. The age old adage of “*time IN the markets and not timing OF the markets*” has been well demonstrated over the last few months.**

It is important to get your investment risk profile correct and then stick with it through thick and thin. If you are nervous about what is happening in the markets, then give the Milestone Direct advisers a call on **0508 MILESTONE (0508 645 378)**. Their role is to help you decide upon a risk profile that you feel comfortable with and is appropriate to achieve your long term investing goals.

The NZDF KiwiSaver scheme is a long term investment for most of us. If we are not planning to use the money until we retire, then we can afford to take a higher risk profile so that over time, we can average a higher investment return. The Milestone team has developed an Information Sheet designed to help you better understand what sort of performance you can expect from each of the NZDF funds. The Information Sheet shows the long term expected return plus the likely range of returns over a three year period and the expected number of negative years in a 20 year period. Give us a call or send us an email to obtain your free copy.

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Member numbers are steadily growing but not at the level that we would expect for schemes designed specifically for NZDF members, their families and the wider Defence Community. In our mind, the NZDF KiwiSaver Scheme is particularly attractive for current NZDF members due to the member retention payments and the monthly participation prizes. These are unique to the New Zealand savings market and make the scheme a 'stand out' choice for serving members. When these features are combined with solid investment performance from Mercer, low fees, free or low cost financial advice, and the multitude of other tools and services provided via the Force Financial Hub, then the decision to transfer to the NZDF savings schemes becomes pretty compelling.

Contact the Milestone Direct team if you have any questions regarding whether to switch your savings scheme. Call **0508 MILESTONE (0508 645 378)** or email **info@milestonedirect.co.nz**.

*The above information is not personalised financial advice. It is recommended you contact a Milestone Direct financial adviser before making any financial decision. A Disclosure Statement is available on request and free of charge.*



**THE NZDF SAVINGS SCHEMES HAVE PERFORMED WELL OVER THE PAST MONTH IN COMPARISON TO MANY OTHER SCHEMES IN THE MARKET.**

## SIGNIFICANT RECENT ITEMS INCLUDE:



### UPDATE FROM MERCER

February 2016 can be characterised as a month of two halves. The first half of February continued in the negative note felt in January, as disappointing economic data from the US and Europe drove share markets down further. However, the second half of February saw a rebound as investors re-entered the market following more positive US data, although not with enough vigour to completely offset earlier falls. The seesaw nature of markets reflects the level of uncertainty as investors respond to mixed economic signals and expectations.

### ▼ UNITED STATES

Manufacturing data was at its lowest level since October 2012. However, towards the end of the month some positive developments – inflation was higher and GDP growth was revised upwards – lead the market to increase the prospect of more interest rate hikes late 2016.

### ▼ EUROPE

Inflation was revised down and economic confidence and business activity declined. The European Central Bank said that it “will not hesitate to act” if additional measures are needed.

### ▼ UNITED KINGDOM

Brexit fears: UK Prime Minister, David Cameron, has announced a referendum on whether Britain should remain in the European Union, to be held in June this year, leading to market volatility and weakness in the GB pound.

### ▼ JAPAN

Negative interest rates in Japan: Japan surprised the market near the end of January with the central bank cutting rates into negative territory. The country remains in recession and has indicated it will cut rates further, if necessary, to discourage people from hoarding cash.

# INVESTMENT RETURNS FOR PERIODS ENDED 29 FEBRUARY 2016

## DEFENCE FORCE SUPERANNUATION SCHEME

Investment options		1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
<b>28% PRESCRIBED INVESTOR RATE (PIR)</b>	Cash	0.14	0.39	-	-	-	-
	Conservative	0.58	-0.17	-	-	-	-
	Moderate	0.54	-0.78	-	-	-	-
	Balanced	0.68	-1.83	-2.95	-2.76	6.70	5.62
	Growth	0.77	-3.27	-	-	-	-
	High Growth	0.71	-4.20	-	-	-	-
	Shares	0.62	-5.78	-	-	-	-

Investment options		1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
<b>17.5% PRESCRIBED INVESTOR RATE (PIR)</b>	Cash	0.18	0.49	-	-	-	-
	Conservative	n/a	n/a	-	-	-	-
	Moderate	0.71	-0.45	-	-	-	-
	Balanced	0.80	-1.71	-3.24	-2.87	7.07	6.20
	Growth	0.82	-3.33	-	-	-	-
	High Growth	0.82	-4.14	-	-	-	-
	Shares	0.74	-5.75	-	-	-	-

Investment options		1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
<b>10.5% PRESCRIBED INVESTOR RATE (PIR)</b>	Cash	n/a	n/a	-	-	-	-
	Conservative	0.80	0.35	-	-	-	-
	Moderate	n/a	n/a	-	-	-	-
	Balanced	0.81	-1.66	-3.50	-3.02	7.29	6.57
	Growth	n/a	n/a	-	-	-	-
	High Growth	n/a	n/a	-	-	-	-
	Shares	0.92	n/a	-	-	-	-

### 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 2015

# INVESTMENT RETURNS FOR PERIODS ENDED 29 FEBRUARY 2016

## NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Investment options		1 Month %	3 Months %	FYTD* %	1 Year %
<b>28% PRESCRIBED INVESTOR RATE (PIR)</b>	Cash	0.15	n/a	–	–
	Conservative	0.53	n/a	–	–
	Moderate	0.51	n/a	–	–
	Balanced	0.60	–1.99	–	–
	Growth	0.63	–3.44	–	–
	High Growth	0.62	–4.00	–	–
	Shares	0.49	–5.80	–	–

Investment options		1 Month %	3 Months %	FYTD* %	1 Year %
<b>17.5% PRESCRIBED INVESTOR RATE (PIR)</b>	Cash	n/a	n/a	–	–
	Conservative	0.74	n/a	–	–
	Moderate	0.59	n/a	–	–
	Balanced	0.66	–1.93	–	–
	Growth	0.80	–3.29	–	–
	High Growth	0.81	–4.04	–	–
	Shares	0.74	–5.84	–	–

Investment options		1 Month %	3 Months %	FYTD* %	1 Year %
<b>10.5% PRESCRIBED INVESTOR RATE (PIR)</b>	Cash	n/a	n/a	–	–
	Conservative	n/a	n/a	–	–
	Moderate	0.74	n/a	–	–
	Balanced	0.79	n/a	–	–
	Growth	0.94	–3.15	–	–
	High Growth	0.76	n/a	–	–
	Shares	0.76	–5.80	–	–

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# INVESTMENT RETURNS FOR PERIODS ENDED 29 FEBRUARY 2016

## NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME

Investment options		1 Month %	3 Months %	FYTD* %
<b>28% PRESCRIBED INVESTOR RATE (PIR)</b>	Cash	0.13	0.47	–
	Conservative	0.61	0.01	–
	Moderate	0.60	n/a	–
	Balanced	0.63	–2.10	–
	Growth	0.62	–3.51	–
	High Growth	0.61	–4.16	–
	Shares	0.62	–5.94	–

Investment options		1 Month %	3 Months %	FYTD* %
<b>17.5% PRESCRIBED INVESTOR RATE (PIR)</b>	Cash	0.13	0.44	–
	Conservative	0.69	n/a	–
	Moderate	0.71	n/a	–
	Balanced	0.75	n/a	–
	Growth	0.84	–3.19	–
	High Growth	0.80	–4.16	–
	Shares	0.76	–5.76	–

Investment options		1 Month %	3 Months %	FYTD* %
<b>10.5% PRESCRIBED INVESTOR RATE (PIR)</b>	Cash	0.15	n/a	–
	Conservative	0.71	n/a	–
	Moderate	0.70	–0.26	–
	Balanced	0.89	n/a	–
	Growth	0.96	n/a	–
	High Growth	0.80	n/a	–
	Shares	0.87	n/a	–

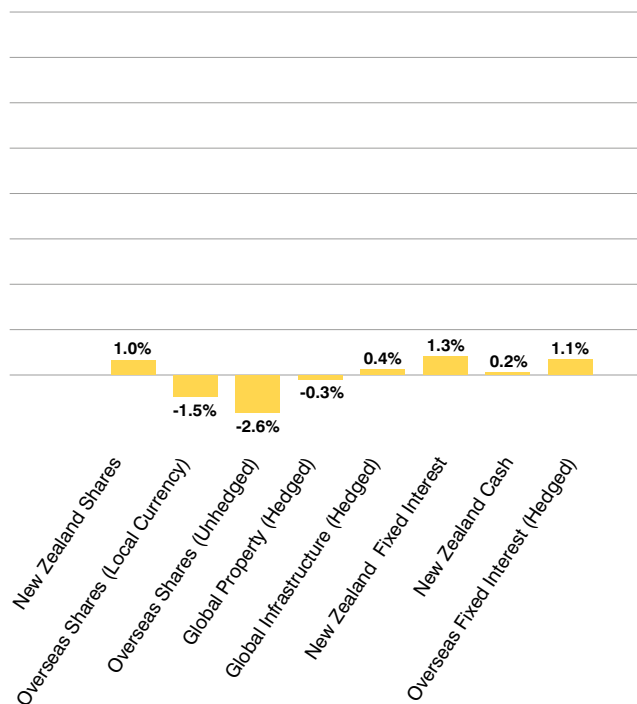
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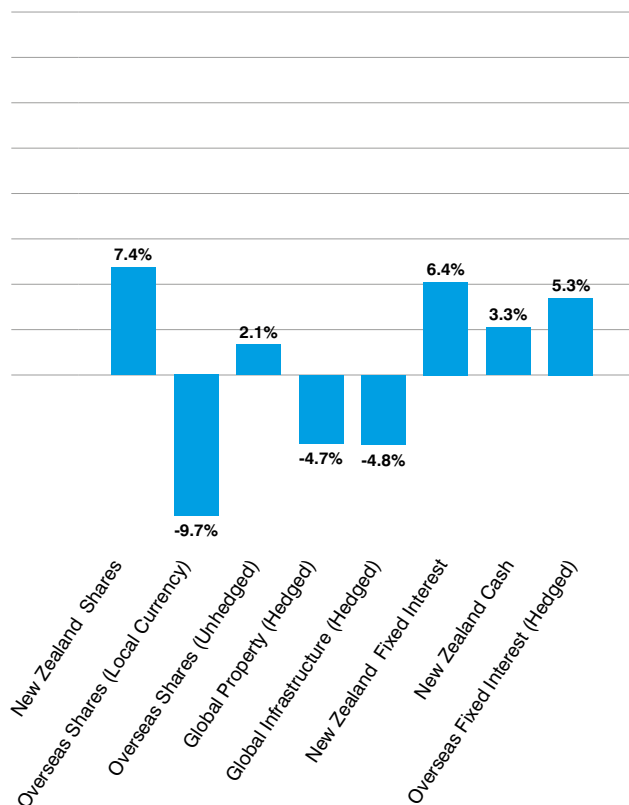


# FINANCIAL MARKETS FOR PERIODS ENDED 29 FEBRUARY 2016

## ONE MONTH



## ONE YEAR



## KEY

### NZ SHARES

S&P/NZX 50 (with ICs)

### OVERSEAS SHARES (LOCAL CURRENCY)

MSCI World (Local Currency)

### OVERSEAS SHARES (UNHEGGED)

MSCI World (Unhedged)

### GLOBAL PROPERTY (HEGGED)

FTSE EPRA NAREIT Developed

### GLOBAL INFRASTRUCTURE (HEGGED)

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 (HEGGED)

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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