



# MONTHLY REPORT

FOR PERIOD ENDED 31 JULY 2017

## MONTH IN A SNAPSHOT

- July 2017 delivered positive returns for global and local investors, including members of the NZDF Savings Schemes. While investor sentiment remained positive, some confidence was lost about Donald Trump's ability to deliver on his promises.
- All NZDF Savings Schemes' funds delivered positive returns during the month and have almost recovered some recent losses.
- Saving for your future with NZDF Savings Schemes is a long-term strategy and for most part you won't need to do anything other than review your investments once a year. However from time to time your circumstances may change. If you need independent financial advice, you have access to a team of financial advisers (Milestone Direct) who can help you make decisions about your investments (free of charge) and provide broader advice if required. More information can be found on their website [www.milestonedirect.co.nz](http://www.milestonedirect.co.nz).

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



## MILESTONE DIRECT COMMENTARY

### THINGS I HAVE LEARNED



I recently left NZDF and became the CEO of Milestone Direct Ltd – the official provider of financial advice to members of NZDF and the Defence Community. In my

new role, I have access to research and investment solutions that would be the envy of many. Upon leaving NZDF, I had the choice to reinvest my DFSS into a multitude of different things. However, it was a no-brainer to transfer my money into the NZDF FlexiSaver Scheme and stay in the NZDF KiwiSaver Scheme. These are actively managed investments, they are performing well, they are low-cost, and there are added benefits such as monthly prezzy card prize draws.

Upon joining Milestone Direct, I quickly learned how to identify good vs bad investments and understand how many New Zealanders get sucked into joining or remaining with sub-standard KiwiSaver providers and other investment products. Every day, the team at Milestone Direct are seeing people making massive financial mistakes and putting their hard-earned savings into KiwiSaver schemes that are nowhere near as good as what the NZDF provides to you.

The NZDF savings schemes have had another positive month of investment returns in July. However, the investment markets are turning and investment performance is likely to be lower in the next few years. We are unlikely to continue seeing the massive gains earned over recent times. We still see investors being wooed into passive index type funds on the belief that low fees are the only thing that matters. Unfortunately, many of those investors may become disappointed as index funds simply follow an index rather than by making assessments of the quality of individual companies. When the markets turn pear-shaped (which they do from time to time), then quality investments is what an investment fund needs to own. That is where an active management style such as what is used with the NZDF savings schemes really comes into its own. Anyone can do well when markets are going up but only the really good fund managers can do well when things are going down.

I am proud to be leading the team at Milestone Direct. We are here to serve you and provide you with the financial advice you need to achieve your financial goals.

Give the team at Milestone Direct a call to discuss any investment or other financial advice issues you may have.

Call **0508 MILESTONE (0508 645 378)** or email **[info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz)**

#### **Joseph Darby**

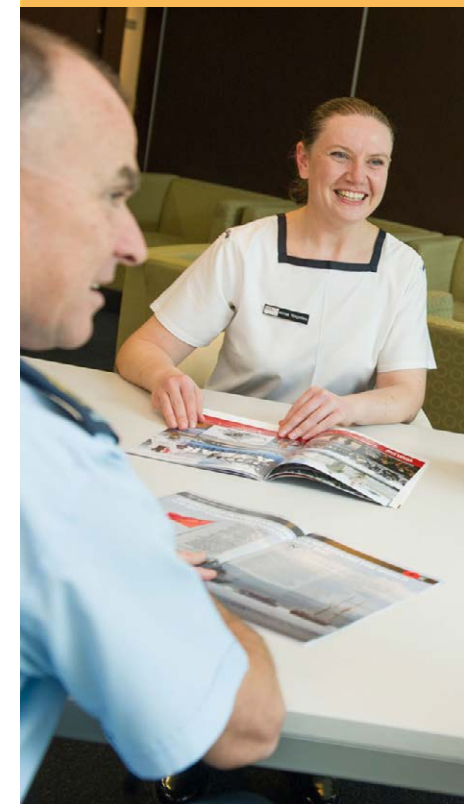
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A Disclosure Statement is available on request and free of charge

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### MERCER COMMENTARY

**After a pause in June, global share markets resumed their upward climb in July. In the US, which has the largest trading economy, sentiment remained positive. This is despite confidence declining in Donald Trump's ability to implement his pro-growth campaign promises.**

Globally, the MSCI World index delivered positive returns, rising by +1.4% during the month of July. Global shares reached record highs and the VIX index (a measure of expected market volatility) fell to its lowest level since 1993. Emerging markets (e.g. Brazil and India) had a strong month, returning 4.9% in local currency terms, well ahead of developed markets (e.g. NZ, US, Australia).

New Zealand shares performed well in July, increasing by +1.1% during the month. It was a great month for the Consumer Staples and Technology sectors which performed well, while performance of the Energy and Telecommunication Services sectors kept returns down. Over in Australia, the ASX 200 was flat for the period, with performance being hurt by the recent credit downgrades of Australia's "big 4" banks.

Global Listed Property and Global Listed Infrastructure both rose over the month, returning +0.9% and +1.5% respectively. Both of these sectors benefited from a slight fall in global bond yields during July. The recent release of positive construction spending reports supported returns in the Listed Infrastructure sector.



## SIGNIFICANT RECENT ITEMS INCLUDE:



### ▼ COMMODITY CURRENCIES

Commodity currencies such as the Australian, Canadian and New Zealand Dollar were well supported over the month. The US dollar remained under downward pressure; with the major currency trade-weighted-index (TWI) down for the fifth consecutive month.

### ▼ UNITED STATES

The US Senate blocked yet another attempt to repeal and replace Obamacare. This raised further doubts over the ability of the Republican Party to implement the policies promised by Trump throughout the campaign, namely tax reform and infrastructure spending. Despite this the US economy remains fundamentally sound with ongoing economic growth and strong jobs growth.

### ▼ NEW ZEALAND

Andrew Little, the leader of the Labour Party, was forced on to the back-foot following a succession of polls that had Labour languishing in the early twenties. Andrew Little subsequently resigned and Jacinda Ardern was announced as the new leader of the party, hoping to turn around Labour's fortunes before the upcoming election.

# INVESTMENT RETURNS FOR PERIOD ENDED 31 JULY 2017

## DEFENCE FORCE SUPERANNUATION SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	0.34%	0.44%	1.36%	–	–
	Conservative	0.22%	0.50%	1.21%	2.57%	–	–
	Moderate	0.34%	0.51%	1.44%	3.77%	–	–
	Balanced	0.51%	0.55%	1.90%	5.52%	5.24%	8.22%
	Growth	0.57%	0.32%	2.14%	7.85%	–	–
	High Growth	0.71%	0.42%	2.55%	9.19%	–	–
	Shares	0.63%	-0.11%	2.59%	10.51%	–	–

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.39%	0.51%	1.56%	–	–
	Conservative	0.25%	0.65%	1.37%	2.87%	–	–
	Moderate	0.40%	0.76%	1.68%	4.12%	–	–
	Balanced	0.55%	0.86%	2.20%	5.93%	5.55%	8.71%
	Growth	0.68%	0.71%	2.49%	8.25%	–	–
	High Growth	0.76%	0.85%	2.92%	9.77%	–	–
	Shares	0.73%	0.51%	3.14%	11.46%	–	–

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	0.43%	0.55%	–	–	–
	Conservative	0.30 %	0.81%	1.45%	–	–	–
	Moderate	–	–	–	–	–	–
	Balanced	0.57 %	1.03 %	2.34%	6.13%	5.71%	9.01%
	Growth	–	–	–	–	–	–
	High Growth	0.81 %	1.08 %	3.07%	10.18%	–	–
	Shares	0.78 %	0.74 %	3.26%	11.65%	–	–

### 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 2017

# INVESTMENT RETURNS FOR PERIOD ENDED 31 JULY 2017

## NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	0.34%	0.44%	1.35%
	Conservative	0.22%	0.47%	1.16%	2.43%
	Moderate	0.33%	0.50%	1.37%	3.43%
	Balanced	0.49%	0.51%	1.86%	5.46%
	Growth	0.61%	0.39%	2.18%	7.59%
	High Growth	0.70%	0.35%	2.42%	8.84%
	Shares	0.59%	-0.02%	2.66%	10.13%

Investment options		1 Month	3 Months	FYTD*	1 Year
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	0.39%	0.50%	1.54%
	Conservative	0.24%	0.65%	1.32%	2.61%
	Moderate	0.36%	0.68%	1.60%	3.92%
	Balanced	0.53%	0.80%	2.13%	5.83%
	Growth	0.67%	0.74%	2.48%	8.08%
	High Growth	0.74%	0.73%	2.77%	9.45%
	Shares	0.68%	0.33%	2.85%	10.80%

Investment options		1 Month	3 Months	FYTD*	1 Year
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.42%	0.55%	1.68%
	Conservative	0.26%	0.75%	1.45%	2.85%
	Moderate	0.36%	0.82%	1.73%	4.08%
	Balanced	0.54%	0.95%	2.24%	5.96%
	Growth	0.69%	0.96%	2.70%	8.44%
	High Growth	0.77%	0.98%	2.97%	9.85%
	Shares	0.75%	0.70%	3.20%	11.38%

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# INVESTMENT RETURNS FOR PERIOD ENDED 31 JULY 2017

## NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.09%	0.27%	0.35%	1.10%
	Conservative	0.13%	0.27%	0.89%	2.06%
	Moderate	0.30%	0.40%	1.32%	3.40%
	Balanced	0.48%	0.38%	1.69%	5.22%
	Growth	0.61%	0.37%	2.16%	7.66%
	High Growth	0.68%	0.29%	2.37%	8.86%
	Shares	0.60%	-0.08%	2.50%	10.19%

Investment options		1 Month	3 Months	FYTD*	1 Year
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11%	0.36%	0.44%	1.49%
	Conservative	0.26%	0.60%	1.28%	2.40%
	Moderate	0.36%	0.68%	1.59%	3.62%
	Balanced	0.53%	0.80%	2.10%	5.85%
	Growth	0.66%	0.65%	2.42%	8.13%
	High Growth	0.68%	0.62%	2.64%	9.07%
	Shares	0.71%	0.44%	3.00%	10.79%

Investment options		1 Month	3 Months	FYTD*	1 Year
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	0.40%	0.53%	1.45%
	Conservative	0.26%	0.73%	1.42%	2.79%
	Moderate	0.39%	0.80%	1.70%	3.56%
	Balanced	0.56%	0.90%	2.20%	6.03%
	Growth	0.71%	0.98%	2.74%	8.57%
	High Growth	0.79%	1.01%	3.02%	9.72%
	Shares	0.79%	0.68%	3.17%	11.25%

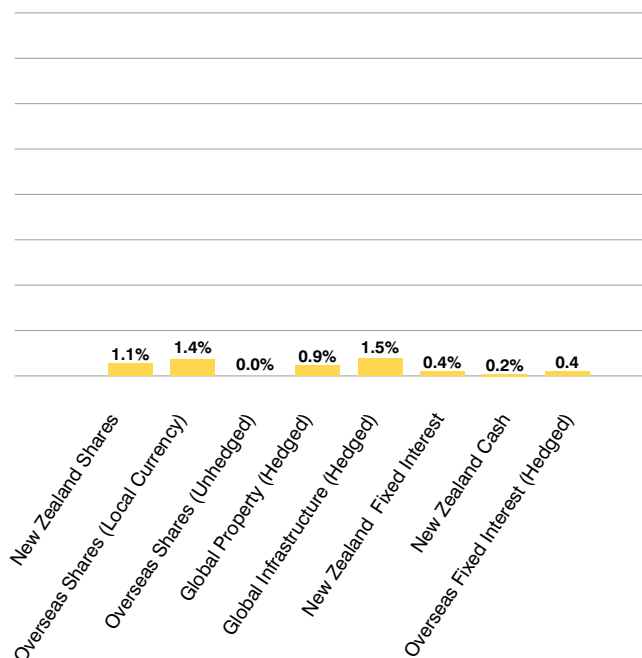
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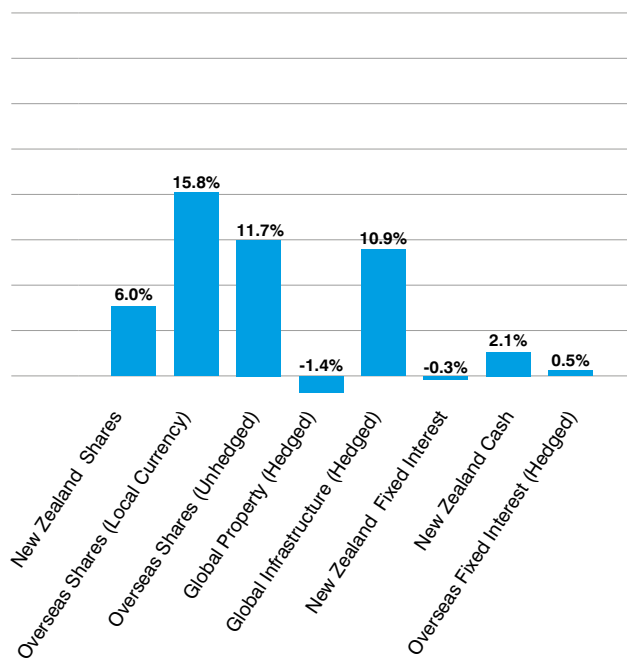
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# FINANCIAL MARKETS FOR PERIOD ENDED 31 JULY 2017

## 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



## JARGON BUSTERS

### BOND

A bond is a security issued by a government or company to raise money. The purchaser of the bond effectively lends money to the government or company issuing the bond and receives interest at a fixed rate until a specific date (maturity), when the investor receives back the amount of the original loan. The price of bonds fluctuates as interest rates move. If rates rise, bond prices fall. If rates fall, bond prices rise.

### YIELD

Return on an investment compared to either the original investment or the market value of the investment.

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