

MONTHLY REPORT

For the period ended 31 May 2018

Month in a snapshot

- While May was a positive month for investors, it was clear that the political landscape will continue to impact the markets both in a positive and a negative way. The technology sector (e.g Google, Facebook, Amazon) will also play a big part when it comes to returns for investors. We have now introduced a series of Investment Insight video updates for all members of the NZDF Savings Schemes. You can view these online at www.nzdf.superfacts.co.nz.
- All the New Zealand Defence Force Savings Scheme's options performed well during the month.
- By now you would have received your annual member benefit statement. Statements are also available when you sign in to your account online at www.nzdf.superfacts.co.nz for this year and all previous years if you were a member. If you need financial advice, please call to speak with one of the Milestone Direct financial advisers on 0508 645 378.
- It is important for all members of the New Zealand Defence Force KiwiSaver Scheme (aged 18 years and older) and of the DFSS Cat B ensure they have contributed \$1042 in the year to 30 June 2018 to obtain the maximum \$521 member tax credit from the Government. This is free money from the Government which members are able to add to their investments and to use for their first home deposit.

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



Monthly Commentary Ended 31 May 2018

Global shares, rose in May, but it wasn't all good news. While the returns were strong in the US and UK, falls in Europe, Japan and Emerging Markets such as Brazil offset the overall growth.

Market sentiment improved, around middle of May, following a joint statement from the US and China confirming that no new tariffs would be imposed against each other. Tariffs would have impacted trade between the countries, increasing costs for consumers and impacting sentiment of investors. However, fast forward to end of May and the US announced further tariffs, not only on Chinese, but Canadian, European and Mexican goods as well. Understandably, the market reacted negatively, not helped by political instability in Italy (arising from difficulty in forming a new Govt. Recent instability in Italy is significant as it is the fourth largest economy in the European Union).

The New Zealand market (NZX 50) delivered positive returns in May, up +2.6%. Synlait Milk (+12.5%) was the top performer for the month, while a2 Milk (-10.5%) had its worst month in more than 3 years.

The Australian market performed worse than the New Zealand market over the month, returning +1.1%. When looking at the last 12 months, the Australian market (ASX200) has returned +9.6%, compared to +18.1% for the New Zealand Index.

Global share markets returned +1.3% in May after being up as much as +3.1% mid-month; the US U-turn on trade tariffs with China and other trade partners, coupled with political instability in the Eurozone, sparking a sell-off in share markets late in the month. The IT sector led the way in May, up 6.5%. Emerging markets lagged their developed (UK, US, Japan and others) counterparts over the month, falling -2.2%.



Significant recent items include:



United States

The US announced a 25% tariff on US\$50bn of Chinese goods, along with tariffs on steel and aluminium imports from Canada, Mexico and the European Union; representatives from the latter were quick to retaliate with counterbalancing measures of their own.

Argentina

President of Argentina, Mauricio Macri, announced talks with the International Monetary Fund on financial support for the country's economy; the Central Bank of Argentina interest rate is now 40%, inflation is 25% and the value of the Argentine peso is at a record low. Argentina default on its debts in the late 1990's had a significant impact on investment markets.

Italy

Italian political unrest and market positioning saw an adjustment in rates around the world; the US and UK 10 year bond yields dropped 0.16% and 0.13% as the Italian 2 year bond yield spiked from 1% to 2.77% and the 10 year from 2.69% to 3.16%.

Korea

Kim Jong-Un (Supreme Leader of North Korea) continued his recent spate of meetings with neighbouring heads of state, holding further talks with China's "paramount leader", Xi Jinping, and South Korean President, Moon Jae-in, during May.

Milestone Direct Monthly Commentary Ended 31 May 2018

After the first three months of 2018 delivered a wide variety of results, international and local markets stabilised in April and remained solid in May.

While it can be easy to listen to the media or pay too much attention to monthly investment fluctuations, as has been mentioned numerous times in these monthly reports – investing is for the long term. Month to month movements in returns and attention-grabbing headlines by the media should be ignored when your aim is investment returns to achieve mid to long term goals.

While paying limited attention to media hype is usually a wise idea, some of you may have recently noticed media reporting that Mercer will soon have their funds certified by an external body for their ethical and responsible approach to investing. Mercer already have one of the most extensive policies we have seen in this area, though this certification would check their approach. While this certification is still unconfirmed by Mercer themselves, we all wait with interest to learn more – if this goes ahead it would be yet another factor that sets Mercer apart. Let's hope we hear more about this over coming months.

Even with their ethical and responsible investment approach set aside, Mercer are a well-regarded investment manager. As most commentators expect market returns of all assets to fluctuate more widely over coming years (including the New Zealand housing market) than they have over the last few years, it pays to be mindful of this. Remaining focused on mid to long term goals is key.

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 31 May 2018

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.12	0.32	0.23	1.30	-	-
	Conservative	0.24	0.60	0.65	3.08	-	-
	Moderate	0.26	0.73	0.92	4.35	-	-
	Balanced	0.41	1.01	1.52	6.43	4.27	6.75
	Growth	0.54	1.18	2.06	7.94	-	-
	High Growth	0.74	1.35	2.63	9.91	-	-
	Shares	0.89	1.10	3.00	11.80	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.14	0.36	0.26	1.48	-	-
	Conservative	0.24	0.65	0.62	3.39	-	-
	Moderate	0.28	0.77	0.91	4.60	-	-
	Balanced	0.42	1.05	1.50	6.65	4.53	7.14
	Growth	0.57	1.22	2.05	8.26	-	-
	High Growth	0.76	1.41	2.59	10.26	-	-
	Shares	0.94	1.22	3.03	12.36	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	0.26	0.70	0.64	3.61	-	-
	Moderate	-	-	-	-	-	-
	Balanced	0.42	1.08	1.46	6.75	4.65	7.37
	Growth	-	-	-	-	-	-
	High Growth	0.79	1.43	2.58	10.51	-	-
	Shares	1.00	1.25	3.04	12.51	-	-

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 31 May 2018

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.12	0.31	0.22	1.30
	Conservative	0.24	0.61	0.64	3.16
	Moderate	0.26	0.71	0.90	4.36
	Balanced	0.41	1.02	1.51	6.31
	Growth	0.53	1.14	2.04	7.99
	High Growth	0.73	1.31	2.57	9.84
	Shares	0.92	1.20	3.04	11.75
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.14	0.36	0.25	1.47
	Conservative	0.23	0.62	0.59	3.31
	Moderate	0.28	0.75	0.90	4.51
	Balanced	0.42	1.03	1.48	6.52
	Growth	0.56	1.20	2.03	8.40
	High Growth	0.75	1.35	2.55	10.17
	Shares	0.96	1.22	3.02	12.00
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.15	0.40	0.28	1.61
	Conservative	0.24	0.65	0.59	3.44
	Moderate	0.29	0.79	0.90	4.69
	Balanced	0.43	1.04	1.45	6.61
	Growth	0.57	1.18	1.99	8.45
	High Growth	0.79	1.38	2.54	10.25
	Shares	0.98	1.25	2.99	12.32

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Investment Returns For Periods Ended 31 May 2018

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.12	0.29	0.21	1.13
	Conservative	0.23	0.59	0.62	2.97
	Moderate	0.26	0.71	0.92	4.22
	Balanced	0.40	0.97	1.49	6.09
	Growth	0.54	1.17	2.06	8.06
	High Growth	0.75	1.40	2.62	9.80
	Shares	0.90	1.22	3.06	11.78
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.34	0.23	1.47
	Conservative	0.25	0.67	0.64	3.26
	Moderate	0.29	0.78	0.92	4.52
	Balanced	0.42	1.02	1.47	6.49
	Growth	0.55	1.22	2.04	8.35
	High Growth	0.78	1.44	2.63	10.13
	Shares	0.99	1.27	3.09	12.22
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.14	0.36	0.26	1.40
	Conservative	0.24	0.65	0.60	3.31
	Moderate	0.30	0.80	0.92	4.67
	Balanced	0.42	1.05	1.47	6.58
	Growth	0.56	1.23	2.00	8.52
	High Growth	0.82	1.45	2.61	10.43
	Shares	0.97	1.22	3.03	12.36

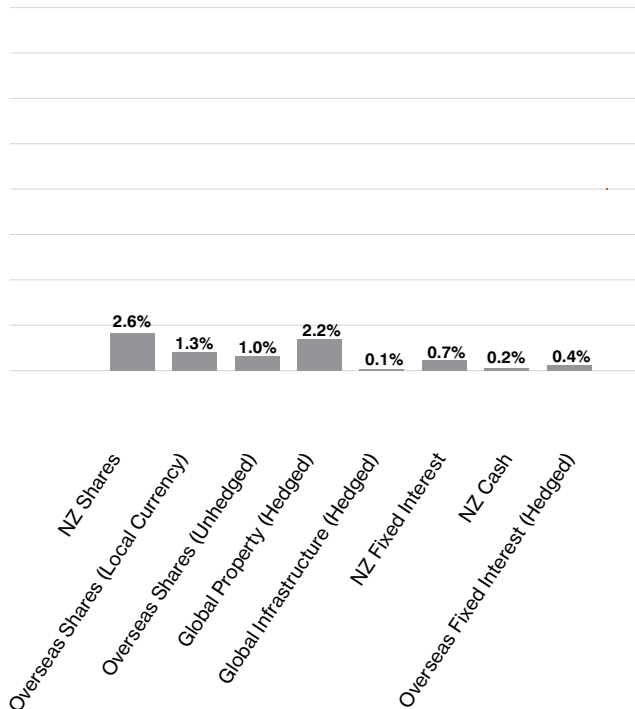
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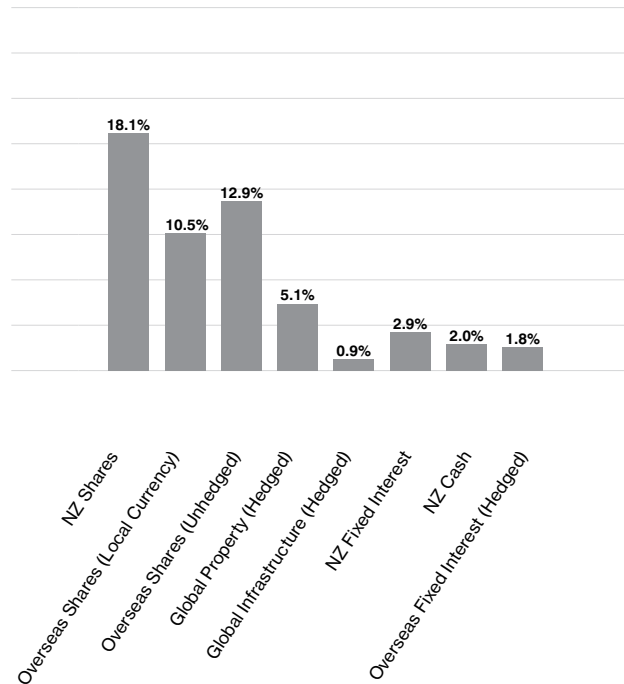
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Financial Markets For Periods Ended 31 May 2018

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

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