



MONTHLY REPORT

FOR THE PERIOD ENDED 31 OCTOBER 2017

MONTH IN A SNAPSHOT

- This month marked the 30-year anniversary of the stock market crash of '87. The markets of 2017 are performing well despite global and local political events.
- All the New Zealand Defence Force Savings Scheme's investment options returned positive results for members.
- In October and November we run a short quiz about NZDF Savings Schemes. It's great to see so many members take the quiz and our lucky winner of the Flight Centre Voucher is Danielle from Urenui. A reminder you can read about the Savings Schemes on the Force Financial Hub and NZDF Superfacts websites. You are able to obtain free advice about the schemes and investment options from Milestone Direct Ltd. Phone Milestone Direct team on 0508 645 378.

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



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

MERCER MONTHLY COMMENTARY ENDED 31 OCTOBER 2017

In a month that marked the 30th anniversary of the 1987 stockmarket crash, things couldn't have looked much different in October 2017, with little more than the New Zealand dollar falling in value over the month. Everything else was up. Japanese shares led the way, boosted by the re-election of Prime Minister Shinzō Abe. Speculation over the possible replacement of the US Federal Reserve Chair, resulted in the market expecting less aggressive interest rate rises in the future; this contributed to positive returns from fixed interest markets.

The New Zealand market continued to make forward strides in October as the NZX50 reached all-time record levels, returning +2.8% for the month. A2 Milk (+34.8%) provided the most significant boost to the NZX50. In Australia the ASX 200 Index bounced back from a disappointing September, delivering a +4.0% return for the month.

The MSCI World index (in local currency) returned +2.5% for the month despite continued uncertainty in Europe (around the formation of the next German government and tensions in Catalonia (Spain) leading to volatility in the region's stockmarkets. Strong global growth, market expansion and currency appreciation continued to support emerging market shares (shares in places like Brazil and India), which outperformed developed markets (e.g Australia, NZ, US).

Global Listed Property and Global Listed Infrastructure increased over the month, up +0.2% and +2.5% respectively. Both real asset sectors remain well behind the broader global equity market over 12 months. The latter has performed better due to improved inflation expectations and improving commodity prices.



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SIGNIFICANT RECENT ITEMS INCLUDE:



▼ UNITED STATES

The US Federal Reserve confirmed its plans to begin tightening monetary conditions in October (unwinding its balance sheet in October by very gradually reducing reinvestments of treasuries and mortgage-backed securities from maturing securities, reflecting that the US economy is now in a stronger position than at any time over the last 10 years).

▼ NEW ZEALAND

A coalition government between Labour and New Zealand First was established, led by Prime Minister Jacinda Ardern. The minority government is reliant on the support of the Green Party in order to command a majority in the House of Representatives. Market reaction was muted to the somewhat surprising announcement on 19 October, although it did contribute to the falling New Zealand dollar.

▼ SPAIN

Tensions remained high in Spain as the struggle over the independence of Catalonia continued. Prime Minister of Spain, Mariano Rajoy, dissolved the regional Parliament, dismissed the regional Government and called for fresh regional elections for 21 December.

▼ JAPAN

Japanese Prime Minister Shinzō Abe was re-elected prime minister as his Liberal Democratic Party-led coalition won and retained its supermajority in the House of Representatives. Abe has a mandate to continue with economic and fiscal reforms, including the further liberalisation of the Japanese economy; this is significant given that Japan remains the world's third largest economy.

MILESTONE DIRECT MONTHLY COMMENTARY ENDED 31 OCTOBER 2017

DIVERSIFY TODAY FOR THE FUTURE.

Much has been made this month about the anniversary of the 1987 stock market crash. While the rest of the world recovered reasonably quickly from this event, it caused significant economic fallout in New Zealand for many years, and many older investors remain particularly reluctant to invest because of it.

Fortunately, not only are the New Zealand markets significantly more developed than 30 years ago, but most of the investments held in the NZDF Savings Schemes are held offshore. This means that these investments are well-diversified across the globe, which makes them more robust in good times and bad. It also means when the New Zealand dollar falls or if any other economic shock hits New Zealand, it is likely that investment returns will increase. Even better, Mercer and their investment team is well regarded, with independent analysts such as Morningstar even noting the high diversification and long-term approach that Mercer takes with most investments – which means that when traditional asset classes are performing poorly funds such as the NZDF Savings Schemes are expected to outperform (or do better than most).

While the NZDF Savings Schemes continued their robust performance this month, most commentators expect markets to become more volatile over coming years. For this reason, the NZDF Savings Schemes remain a great option for investors who are eligible to access them by being members of the Defence Community.

If you'd like to discuss this, or anything else further, give us a call on **0508 MILESTONE (0508 645 378)** or email info@milestonedirect.co.nz.

Joseph Darby
Chief Executive
Milestone Direct



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INVESTMENT RETURNS FOR PERIODS ENDED 31 OCTOBER 2017

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	0.33	0.77	1.34	-	-
	Conservative	0.97	1.86	3.09	4.97	-	-
	Moderate	1.47	2.72	4.20	7.19	-	-
	Balanced	2.29	4.31	6.29	10.94	6.21	8.32
	Growth	3.07	5.62	7.87	15.00	-	-
	High Growth	3.63	6.86	9.59	18.22	-	-
	Shares	4.53	8.82	11.64	22.37	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13	0.37	0.88	1.53	-	-
	Conservative	0.97	1.88	3.27	5.30	-	-
	Moderate	1.41	2.64	4.37	7.39	-	-
	Balanced	2.16	4.12	6.42	11.11	6.46	8.73
	Growth	2.87	5.38	8.00	15.08	-	-
	High Growth	3.41	6.54	9.66	18.36	-	-
	Shares	4.30	8.44	11.84	22.86	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14	0.41	0.97	1.67	-	-
	Conservative	0.97	1.92	3.40	5.39	-	-
	Moderate	-	-	-	-	-	-
	Balanced	2.08	3.97	6.41	11.12	6.57	8.96
	Growth	-	-	-	-	-	-
	High Growth	3.33	6.45	9.72	18.49	-	-
	Shares	4.15	8.23	11.76	22.71	-	-

INVESTMENT RETURNS FOR PERIODS ENDED 31 OCTOBER 2017

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12	0.34	0.78	1.37	-	-
	Conservative	0.97	1.90	3.08	4.91	-	-
	Moderate	1.46	2.77	4.18	6.91	-	-
	Balanced	2.27	4.24	6.18	10.89	-	-
	Growth	3.07	5.71	8.02	14.90	-	-
	High Growth	3.62	6.89	9.48	17.91	-	-
	Shares	4.48	8.68	11.58	22.07	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13	0.38	0.89	1.54	-	-
	Conservative	0.93	1.87	3.22	5.06	-	-
	Moderate	1.36	2.63	4.27	7.25	-	-
	Balanced	2.15	4.07	6.28	11.02	-	-
	Growth	2.92	5.47	8.08	15.04	-	-
	High Growth	3.43	6.61	9.57	18.15	-	-
	Shares	4.30	8.43	11.51	22.23	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15	0.42	0.97	1.67	-	-
	Conservative	0.95	1.89	3.37	5.29	-	-
	Moderate	1.37	2.63	4.41	7.39	-	-
	Balanced	2.04	3.95	6.28	11.04	-	-
	Growth	2.79	5.29	8.13	15.15	-	-
	High Growth	3.24	6.35	9.51	18.14	-	-
	Shares	4.11	8.10	11.56	22.48	-	-

INVESTMENT RETURNS FOR PERIODS ENDED 31 OCTOBER 2017

NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME

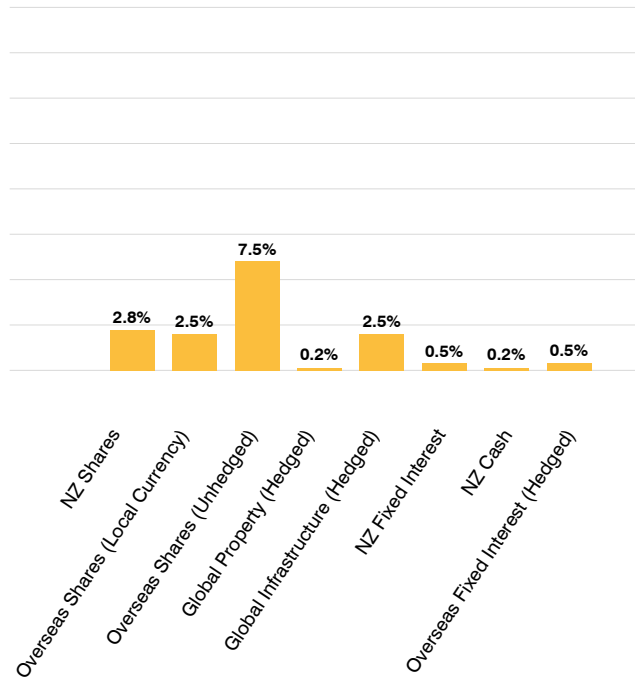
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10	0.28	0.63	1.14	-	-
	Conservative	0.97	1.87	2.78	4.55	-	-
	Moderate	1.46	2.74	4.09	6.97	-	-
	Balanced	2.24	4.17	5.92	10.60	-	-
	Growth	3.06	5.68	7.97	14.96	-	-
	High Growth	3.62	6.84	9.37	17.90	-	-
	Shares	4.46	8.69	11.41	22.20	-	-

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11	0.38	0.82	1.49	-	-
	Conservative	0.93	1.83	3.14	5.04	-	-
	Moderate	1.38	2.61	4.24	7.07	-	-
	Balanced	2.10	3.98	6.17	10.95	-	-
	Growth	2.93	5.45	8.00	15.09	-	-
	High Growth	3.40	6.59	9.40	17.90	-	-
	Shares	4.21	8.31	11.56	22.18	-	-

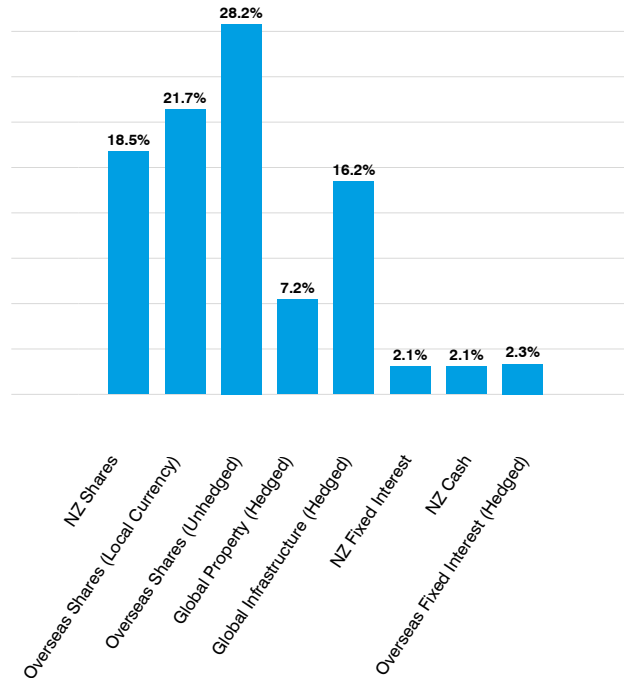
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.11	0.31	0.83	1.44	-	-
	Conservative	0.94	1.83	3.28	5.18	-	-
	Moderate	1.35	2.62	4.37	7.08	-	-
	Balanced	2.00	3.88	6.17	11.03	-	-
	Growth	2.76	5.23	8.11	15.22	-	-
	High Growth	3.28	6.38	9.59	18.14	-	-
	Shares	4.11	8.21	11.64	22.42	-	-

FINANCIAL MARKETS FOR PERIODS ENDED 31 OCTOBER 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)
Bloomberg Global Aggregate

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