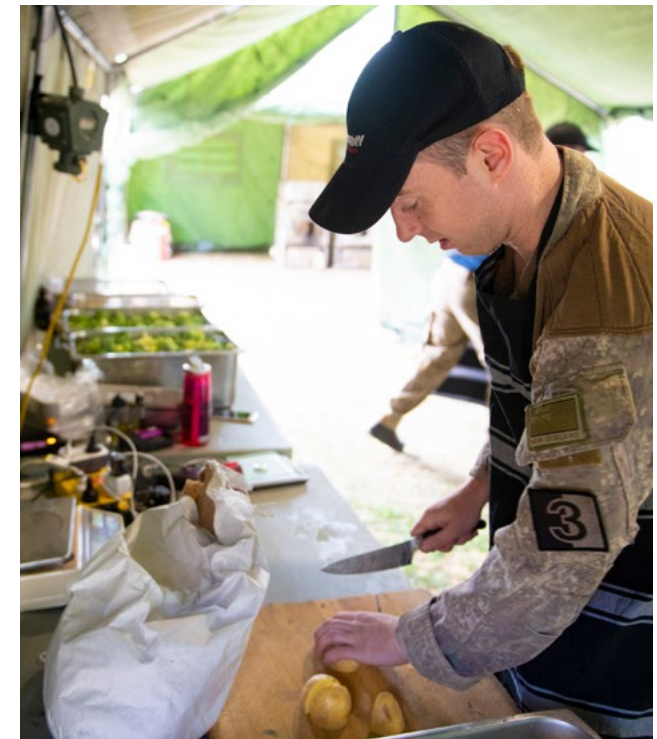


MONTHLY REPORT

For the period ended 30 April 2020

Market performance summary – April in a snapshot

- Markets have enjoyed a solid rebound in April, marked as the best month for US share markets since 1987 and the best April in 82 years. Many hope - 'May' the force be with the stock market;
- New Zealand Defence Force Savings Schemes had a great month, all investment options ended April with positive returns. Shares option rebounded strongly with returns over +7.7% across all schemes;
- Members will receive the New Zealand Defence Force Savings Schemes annual statement for the year ending 31 March 2020 during June. Please make sure your contact details are still valid and communication preferences are up to date;
- Before making any changes to your investment option or making a decision to withdraw your money, you should discuss this with your financial adviser or the independent Milestone Direct (MDL) team of advisers by calling **0508 MILESTONE (0508 645 378)** or emailing info@milestonedirect.co.nz.



Monthly Commentary Ended 30 April 2020

Financial markets experienced a positive rebound in April, despite the continued spread of COVID-19 as confirmed cases surpassed three million. US share markets had their best month since 1987 as the prospect of a gradual re-opening in various economies (after being in lockdown due to COVID-19) sustained the rally in growth assets (such as shares).

The MSCI World Index – an index of developed share markets which includes the US, UK, Canada, Australia, and New Zealand – experienced positive returns (+10.5%) for the month. A significant factor to this market recovery was driven by a small group of companies, notably in the US and demonstrated by the recovery of the tech-heavy Nasdaq (the US sharemarket for IT based companies like Microsoft and Facebook). The actions of the US Federal Reserve continued to support markets, as they implemented another round of emergency policy measures with up to \$2.3 trillion USD in loans to small to medium sized businesses.

Global listed property (+6.1%) and infrastructure (+7.1%) recovered some ground in April as investors shifted back towards riskier assets. Market sentiment remained more focused on the eventual recovery rather than the short-term economic pain, which includes predicted large drops in global GDP and drastic increases in unemployment levels. The impact that nation-wide lockdowns has had on economies around the world continues to grow, noticeably in unemployment data. Over the past decade, the US economy created over 22.8 million new jobs; within the last six weeks, however, the COVID-19 pandemic has erased all of these gains and more.

Locally, New Zealand and Australian share markets experienced a positive month up (+7.5% and +8.8%, respectively). Both markets responded positively to the declining number of new COVID-19 cases, while fatality rates remaining far below the global average. Over the past year (to 30 April), the New Zealand share market is up +6.1%, while its Australian counterpart is down -9.1%.



Significant developments include:



! Global

COVID-19 continued to spread over April, with confirmed cases around the world surpassing three million. The flow-on economic effects from the pandemic are still to be fully felt, although they are expected to be severe, notably for unemployment rates.

United States

Actions from the US Federal Reserve continued to support financial markets, implementing another round of emergency policy measures for small and medium businesses. The Reserve Bank of New Zealand implemented similarly supportive measures in New Zealand.

United States

US crude oil prices made history in mid-April, with West Texas Intermediate (WTI) crude oil futures (a predictor of future market prices) turning negative for the first time. The demand for crude oil continues to plummet as sectors including transport and tourism are adversely impacted by COVID-19.

Milestone Direct Monthly Commentary Ended 30 April 2020

There are five widely accepted stages of grief, which describe the emotional journey of preparing for the death of a loved one. They are denial, anger, bargaining, depression and acceptance. These stages also provide a useful guideline as we transit through interesting economic times, and – perhaps with the substitution of fear for anger – could apply equally to both the NZ economy, and investment markets both in NZ and worldwide.

For example, an illustration of these stages in the investment world might have been the initial denial of the impacts of Covid-19. Then, as the virus rapidly spread through Europe and the USA the denial transitioned quickly to fear as many investors panicked and changed fund choices, perhaps from Growth to Conservative to try and avoid investment losses.

Unfortunately, for those who adjusted their fund choice in this way, April provided a strong set of returns for investors in the NZDF Scheme diversified funds.

Those who follow economic or business matters closely may be confused about how a diverse array of global investments (such as the NZDF Schemes) performed so well when the overall economy is at a standstill. This is especially because investment markets – such as the share market – should generally reflect the conditions of an economy, and of course, the economy faces a very uncertain future. NZ could be particularly hard-hit, partly due our biggest export earner being tourism and partly due to other reasons such as our high household debt (mostly mortgages) compared to most countries. Despite this, the NZ share market had a strong month, but why?

The difference between investment markets and the “real” economy is due to investment markets already having moved through most of the stages of grief. If accurate, this means that prices have – largely – reached the stage of acceptance by already adjusting to reflect the new reality. (That said, further fluctuations in investment balances are still likely, and values could fall markedly if things turn out to be worse than expected).

In contrast, the real NZ economy is still likely to face the worst impacts of the virus situation, and nearly everyone in business circles now expects many job losses and business closures over coming months, or perhaps even longer. A degree of fear and bargaining has already occurred by many Kiwis – an example of this was the toilet-paper hoarders – but it may be the real NZ economy is yet to face the full force of the “depression” stage.

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.



In the meantime, the investment markets could be disconnected from the real economy for a while longer, but only time will tell.

It would be our pleasure to discuss how anything above relates to you, or any other financial matters:

0508 MILESTONE (0508 645 378)
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 30 April 2020

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.04	0.15	0.04	0.75	1.03
	Conservative	2.07	-2.06	2.07	1.88	2.80
	Moderate	2.65	-3.47	2.65	0.63	2.95
	Balanced	3.85	-5.97	3.85	-0.79	3.33
	Growth	5.10	-8.37	5.10	-2.51	3.57
	High Growth	6.12	-10.02	6.12	-3.48	3.96
	Shares	7.81	-11.13	7.81	-3.39	4.71
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.04	0.17	0.04	0.86	1.23
	Conservative	2.18	-2.07	2.18	2.06	3.19
	Moderate	2.80	-3.38	2.80	0.89	3.29
	Balanced	4.00	-6.04	4.00	-0.73	3.72
	Growth	5.41	-8.32	5.41	-2.22	3.90
	High Growth	6.34	-9.98	6.34	-3.13	4.36
	Shares	8.00	-11.05	8.00	-3.07	5.09
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.05	0.19	0.05	0.96	1.27
	Conservative	2.29	-2.10	2.29	2.25	3.36
	Moderate	2.91	-3.41	2.91	1.13	3.52
	Balanced	4.17	-6.09	4.17	-0.47	3.90
	Growth	5.46	-8.37	5.46	-2.17	4.12
	High Growth	6.51	-10.10	6.51	-3.20	4.55
	Shares	8.27	-10.98	8.27	-2.93	5.32

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 2019

Investment Returns For Periods Ended 30 April 2020

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.05	0.19	0.05	0.87	1.17
	Conservative	2.06	-2.02	2.06	1.90	2.96
	Moderate	2.70	-3.13	2.70	1.06	3.18
	Balanced	3.88	-6.06	3.88	-0.82	3.45
	Growth	5.17	-8.29	5.17	-2.47	3.59
	High Growth	6.19	-9.96	6.19	-3.37	4.02
	Shares	7.72	-11.00	7.72	-3.21	4.76
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.05	0.22	0.05	1.00	1.33
	Conservative	2.21	-1.75	2.21	2.54	3.40
	Moderate	2.77	-3.51	2.77	0.96	3.34
	Balanced	4.08	-5.91	4.08	-0.39	3.84
	Growth	5.41	-8.53	5.41	-2.39	3.91
	High Growth	6.40	-9.95	6.40	-3.08	4.37
	Shares	8.02	-11.28	8.02	-3.40	4.92
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.05	0.24	0.05	1.10	1.46
	Conservative	2.34	-1.82	2.34	2.70	3.59
	Moderate	2.95	-3.36	2.95	1.26	3.61
	Balanced	4.17	-6.23	4.17	-0.54	3.88
	Growth	5.51	-8.52	5.51	-2.26	4.05
	High Growth	6.57	-10.13	6.57	-3.18	4.47
	Shares	8.24	-11.39	8.24	-3.37	5.06

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Investment Returns For Periods Ended 30 April 2020

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.05	0.20	0.05	0.88	1.17
	Conservative	2.08	-2.08	2.08	1.95	2.93
	Moderate	2.66	-3.42	2.66	0.80	3.09
	Balanced	3.89	-6.03	3.89	-0.74	3.54
	Growth	5.20	-8.33	5.20	-2.47	3.57
	High Growth	6.31	-9.83	6.31	-3.22	4.07
	Shares	7.99	-10.97	7.99	-3.31	4.70
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.05	0.23	0.05	1.02	1.34
	Conservative	2.24	-2.07	2.24	2.26	3.29
	Moderate	2.86	-3.30	2.86	1.24	3.51
	Balanced	4.04	-6.12	4.04	-0.50	3.86
	Growth	5.42	-8.30	5.42	-2.08	4.00
	High Growth	6.54	-9.89	6.54	-2.95	4.48
	Shares	8.11	-11.04	8.11	-3.07	5.13
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-
	Conservative	2.33	-2.00	2.33	2.57	-
	Moderate	2.93	-3.45	2.93	1.25	-
	Balanced	4.18	-6.11	4.18	-0.42	4.00
	Growth	5.44	-8.46	5.44	-2.17	-
	High Growth	6.53	-9.88	6.53	-2.97	4.68
	Shares	8.25	-10.97	8.25	-2.77	5.38

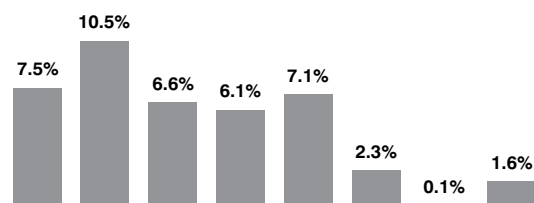
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

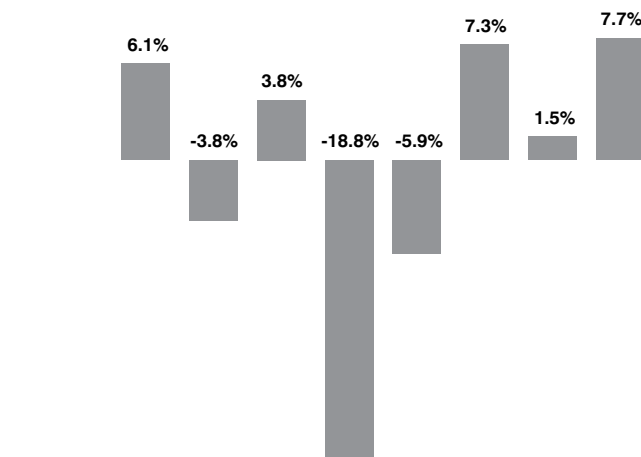
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Financial Markets For Periods Ended 30 April 2020

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

Bloomberg NZ Bond Composite

NZ CASH

ANZ 90 Day Bank Bills

OVERSEAS FIXED INTEREST (HEDGED)

Bloomberg Global Aggregate

Overseas Shares (Local Currency)
Overseas Shares (Unhedged)
Global Property (Hedged)
Global Infrastructure (Hedged)
NZ Fixed Interest
NZ Cash
Overseas Fixed Interest (Hedged)

Overseas Shares (Local Currency)
Overseas Shares (Unhedged)
Global Property (Hedged)
Global Infrastructure (Hedged)
NZ Fixed Interest
NZ Cash
Overseas Fixed Interest (Hedged)

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