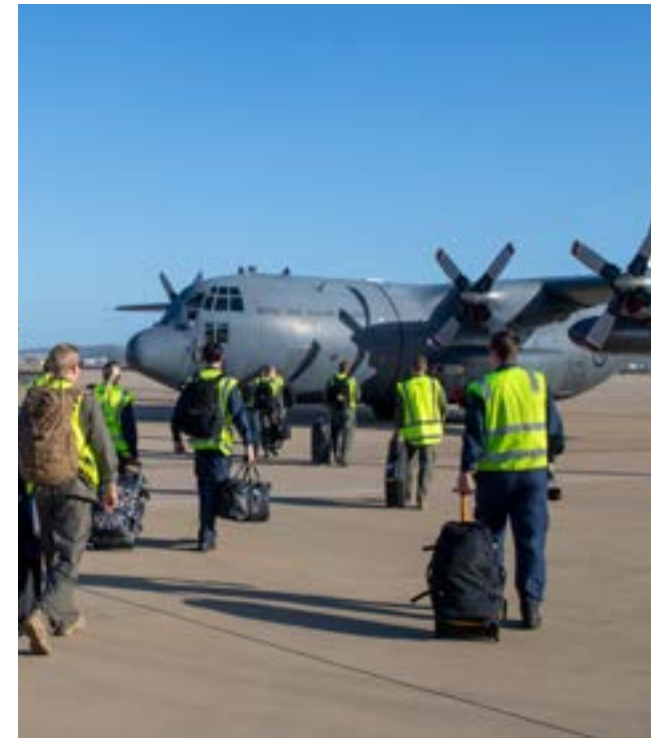


MONTHLY REPORT

For the period ended 31 July 2020

Market performance summary – July in a snapshot

- As part of an ongoing regulatory reporting, the NZDF Savings Schemes annual reports are prepared and distributed to members in August. These reports include information such as details about the scheme, any changes that happened during the year, performance and member movements. You can also download copies of each of the report online at the Force Financial Hub;
- New Zealand Defence Force Savings Schemes continued to have a good month in July, all funds ended the month with positive returns apart from Cash Fund;
- If you are an NZDF member or a member of one of the NZDF Savings Schemes you have access to financial advice through Milestone Direct. You can contact the team at Milestone Direct on **0508 MILESTONE (0508 645 378)**;
- After 102 days without new cases, a resurgence of COVID-19 in New Zealand occurred as this monthly report was being prepared. While uncertainty is unsettling it's important to note that the government has been preparing for this and had put aside an additional \$14 billion to manage this event.



Monthly Commentary Ended 31 July 2020

Financial markets continued their positive performance into July, with a better-than-expected earnings season in the US and government spending continuing to support households and businesses. US Congress continued to work towards producing a second stimulus package to support the domestic economy in the wake of COVID-19. The UK and EU both announced stimulus packages of their own, made up of a further £30bn and €2tn, respectively.

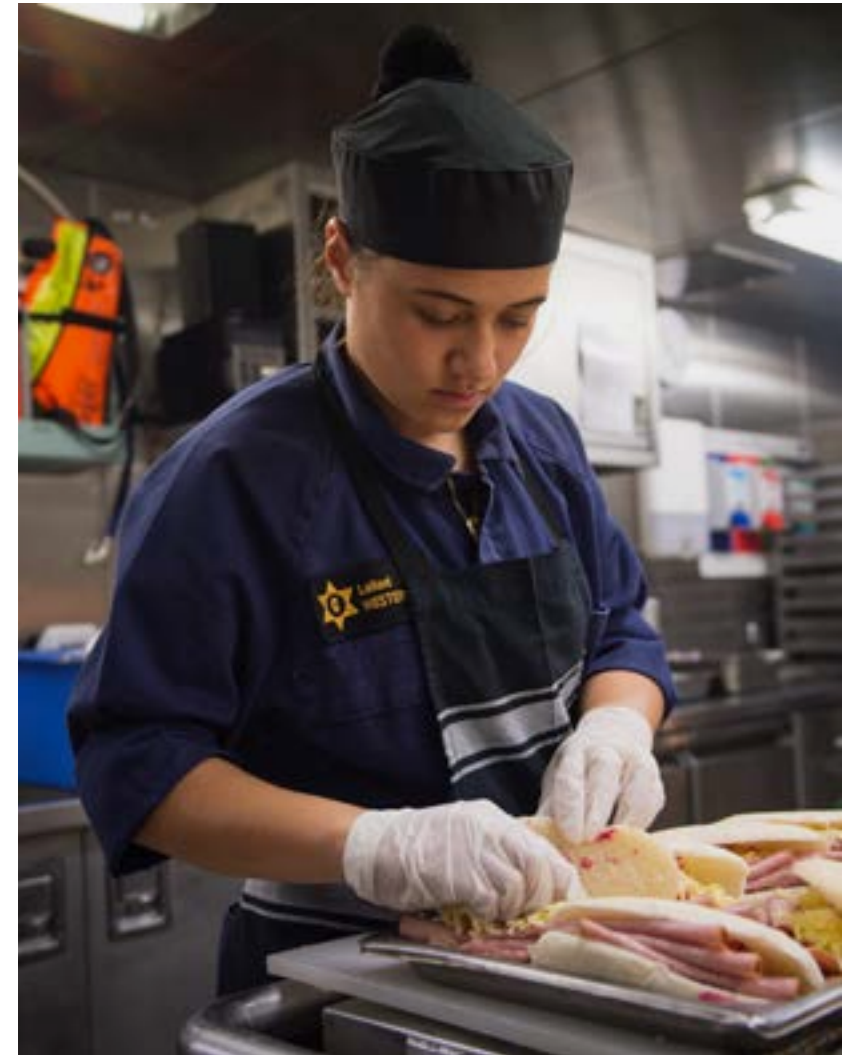
New Zealand shares had another positive month, ending the period up by +2.5%, while Australian equities (shares) managed to post gains of +0.5% (in local currency). A strong rise in iron ore prices has provided a welcome tailwind to the Australian economy in light of a return to lockdown in Victoria.

The impact of the pandemic continues in global markets, as data showing the economic fallout of various national lockdowns was released over the month. European Union officials released preliminary estimates showing the Eurozone economy reduced by -12.1% in the second quarter of 2020, capturing the full impact of the pandemic. This is the largest reduction since records began in 1995.

Global share markets were up +3.4% over July, driven primarily by tech stocks beating earnings expectations and US payroll employment data coming in above consensus estimates. The impact of the pandemic continued to weigh on the UK and Europe during July (-4.5% and -1.5% in local currency, respectively), despite retail sales showing an optimistic rise as lockdowns eased.

The NZ dollar strengthened +3.5% against the US dollar on the back of resurgent virus fears and the increased prospect of US rates staying lower for longer, resulting in the worst month for the US dollar in almost a decade.

The outlook for 2020 remains highly uncertain, and depends almost entirely on the path of COVID-19 and the timeline for a vaccine. Geopolitical risks remain elevated in light of the upcoming US and NZ elections.



Significant developments include:



European Union

EU officials released preliminary estimates showing the Eurozone economy contracted by -12.1% in the second quarter of 2020, capturing the full impact of the pandemic – the largest contraction since records began in 1995.

United States

US Congress continued to work towards producing a second stimulus package to support the domestic economy in the wake of Covid-19. The Senate have presented a \$1tn package, which includes another round of direct stimulus payments to Americans, in addition to extended unemployment benefits.

UK & EU

The UK and EU both announced stimulus packages of a further £30bn and €2tn, respectively, which includes the EU's first common debt issuance to aid member states.

Milestone Direct Monthly Commentary Ended 31 July 2020

Can you predict the weather?

If you watch TV news bulletins, you may have noticed that two segments which often run alongside each other have a lot in common: the financial news and the weather report. In each, charts and explanations are given for daily events which are quickly forgotten. Maybe there's a brief prediction of what might happen tomorrow. Meanwhile, long term trends regarding weather and wealth-building may be overlooked.

Some investors feel that they are not properly informed about the financial world unless they have made a daily check of how any given investment market (such as the NZ share market) or product (such as a person's own KiwiSaver Scheme investment) has moved over the most recent period. In most cases, this is a pretty harmless activity. It might at least provide a brief conversation topic, just as keeping up to date with tomorrow's weather forecasts can fill an awkward silence.

But our – very human – focus on day-to-day occurrences can encourage us to make bad decisions that affect our long-term interests. That's because while we live moment-to-moment, what often affects us most are slight, gradual changes that occur over many years.

Investment market news is like the weather – especially NZ weather!

- One day it's sunny.
- The next day it rains.
- It might be unseasonably warm one day but cool the next.
- Or, as the saying goes, sometimes you get all four seasons in one day.

The more you focus on daily (or even hourly) changes in weather, the more variable and unpredictable things might seem. But if you keep a level head, and think about the overall climate, you'll be able to much more clearly see big trends – like how summer comes after winter and spring.

With long-term investment, it's the climate you need to think about, not the day-to-day weather.



It would be our pleasure to discuss how you can make the most of investment trends. We can also answer any other financial queries you may have:

0508 MILESTONE (0508 645 378)
info@milestonedirect.co.nz

Joseph Darby
Chief Executive
Milestone Direct

Investment Returns For Periods Ended 31 July 2020

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	-0.01	-0.03	0.01	0.45	0.93
	Conservative	0.92	2.61	4.73	2.71	3.59
	Moderate	1.21	3.52	6.27	2.43	4.01
	Balanced	1.71	5.10	9.15	2.27	4.93
	Growth	2.07	6.40	11.82	1.65	5.60
	High Growth	2.31	7.40	13.97	1.36	6.36
	Shares	2.73	8.66	17.14	2.19	7.67
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	-0.01	-0.04	0.00	0.50	1.09
	Conservative	1.05	2.91	5.15	3.09	3.97
	Moderate	1.34	3.84	6.75	2.92	4.36
	Balanced	1.78	5.39	9.60	2.45	5.27
	Growth	2.12	6.70	12.47	2.09	5.94
	High Growth	2.40	7.69	14.53	1.95	6.75
	Shares	2.84	8.94	17.65	2.66	7.98
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-0.01	-0.03	0.02	0.58	1.13
	Conservative	1.12	3.08	5.43	3.26	4.15
	Moderate	1.39	4.01	7.04	3.15	4.61
	Balanced	1.84	5.57	9.97	2.80	5.48
	Growth	2.23	6.88	12.71	2.34	6.11
	High Growth	2.56	8.03	15.06	2.10	6.92
	Shares	2.91	9.23	18.27	3.08	8.22

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 June differ from the actual after fees and tax returns achieved by individual investors.

* FYTD means Financial Year to Date, which is from 1 April 2020

Investment Returns For Periods Ended 31 July 2020

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.00	-0.01	0.04	0.57	1.06
	Conservative	0.96	2.72	4.84	2.90	3.72
	Moderate	1.25	3.57	6.37	2.90	4.22
	Balanced	1.65	5.08	9.16	2.16	5.00
	Growth	2.02	6.33	11.82	1.65	5.59
	High Growth	2.32	7.44	14.09	1.48	6.41
	Shares	2.73	8.61	16.99	2.32	7.69
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	-0.01	0.04	0.64	1.20
	Conservative	1.06	2.94	5.22	3.55	4.18
	Moderate	1.36	3.88	6.76	2.90	4.42
	Balanced	1.75	5.40	9.70	2.78	5.39
	Growth	2.14	6.70	12.47	1.90	5.92
	High Growth	2.44	7.82	14.72	1.99	6.77
	Shares	2.84	8.98	17.72	2.39	7.85
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.00	-0.01	0.04	0.71	1.31
	Conservative	1.15	3.13	5.55	3.79	4.40
	Moderate	1.44	4.08	7.16	3.35	4.71
	Balanced	1.82	5.61	10.01	2.72	5.45
	Growth	2.17	6.89	12.78	2.16	6.05
	High Growth	2.54	8.01	15.11	2.05	6.84
	Shares	2.88	9.21	18.20	2.57	7.94

Notes

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Investment Returns For Periods Ended 31 July 2020

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.00	0.00	0.04	0.58	1.05
	Conservative	0.97	2.71	4.84	2.86	3.68
	Moderate	1.25	3.63	6.38	2.66	4.15
	Balanced	1.68	5.12	9.20	2.27	5.09
	Growth	2.05	6.39	11.92	1.67	5.62
	High Growth	2.35	7.43	14.20	1.60	6.43
	Shares	2.75	8.72	17.40	2.33	7.70
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.00	0.00	0.05	0.67	1.20
	Conservative	1.08	3.01	5.32	3.30	4.09
	Moderate	1.34	3.88	6.85	3.22	4.56
	Balanced	1.80	5.48	9.74	2.71	5.43
	Growth	2.17	6.77	12.56	2.29	6.05
	High Growth	2.49	7.90	14.96	2.25	6.86
	Shares	2.90	9.01	17.86	2.77	8.01
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-
	Conservative	-	-	-	-	-
	Moderate	1.39	4.03	7.08	3.25	4.42
	Balanced	1.86	5.66	10.08	2.93	5.57
	Growth	2.23	7.01	12.84	2.39	5.62
	High Growth	2.51	8.04	15.10	2.34	7.02
	Shares	2.92	9.23	18.25	3.26	8.26

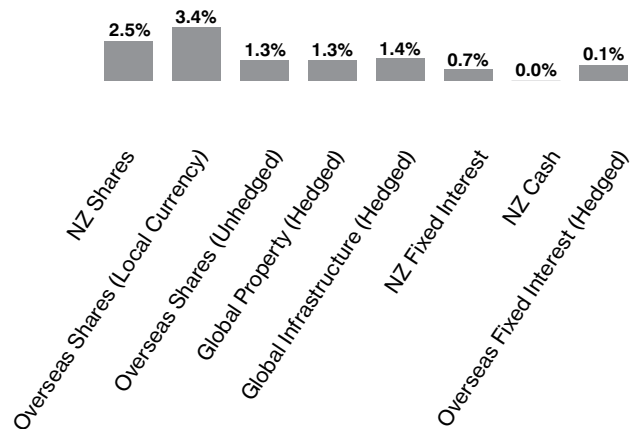
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- '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.

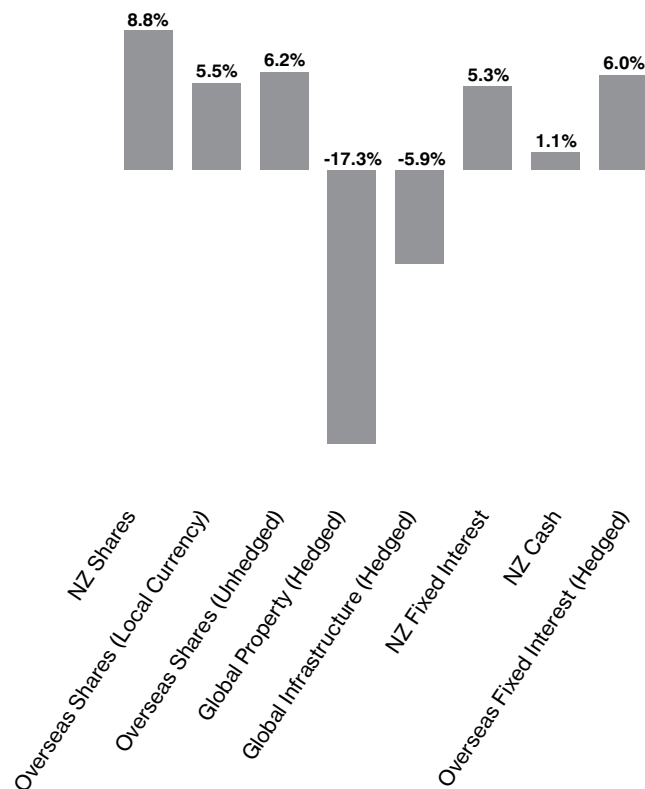
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Financial Markets For Periods Ended 31 July 2020

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

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