

# MONTHLY REPORT

For the period ended 31 March 2020

## Market performance summary – March in a snapshot

- March was a tough month for global investment markets, with widespread market volatility on a scale not seen since the Global Financial Crisis of 2008. The outlook for 2020 remains highly uncertain, and depends almost entirely on the path of COVID-19.
- It is important to remember that the New Zealand Defence Force Savings Schemes have had good returns for the last decade and that saving for retirement is a long-term task. Most major markets are still reporting long-term positive returns across 3, 5, 10, and 15 years.
- 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 an independently pointed Milestone Direct (MDL) team of advisers by calling 0508 MILESTONE (0508 645 378) or emailing [info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz).



# Monthly Commentary Ended 31 March 2020

March proved to be one of the worst months for financial markets in modern history. The widespread share market sell-off that began in February escalated in March, causing not only historic drops in shares, but also safe-haven assets such as government bonds, gold and defensive currencies.

Global share markets experienced immense volatility throughout March, shedding -12.8% over the month as the COVID-19 escalated in Europe and the United States. By month end, the amount of confirmed coronavirus cases had almost surpassed one million. The majority of developed economies implemented some form of nation-wide lockdown, with only “essential” services operating. Central banks and governments were quick to act on these drops and implemented a number of monetary and fiscal schemes to support both financial markets and domestic households during lockdowns.

Emerging Markets were down -11.5% as concerns grew over the potential for an emerging market credit crisis, caused by shrinking demand for commodities and the consequent price drops.

Share markets in New Zealand (-12.8%) and Australia (-20.7%) experienced negative monthly returns. Despite fiscal spending (including wage subsidisation) providing support to New Zealand households in the final week of March, New Zealand's share market still lost considerable value over the month. Australia was particularly worse off as key commodity price-sensitive sectors were badly affected as demand dried up.

Both Global Listed Property (-23.3%) and Infrastructure (-14.5%) also struggled; flow-on effects from wide spread country lockdowns, including reduced foot traffic in malls, cars on toll roads and industrial electricity demand weighed on both sectors as economic activity came grinding to a halt.

Despite their generally defensive characteristics, bonds were no exception to the slide in asset prices, with NZ (-0.3%) and Global Bonds (-1.7%) both down. Global Bonds suffered as markets experienced worse liquidity conditions than at the peak of the Global Financial Crisis.



## Significant developments include:



### Global

Coronavirus has continued to spread worldwide, with confirmed infections almost surpassing one million at month-end. The majority of developed countries are now in some form of lockdown, with only 'essential' services operating. The general consensus for the economic forecast is that a deep global recession is ahead and unemployment figures will reach highs in recent times. The shape of the recovery from this remains uncertain.

### United States

The US Federal Reserve cut the Federal Funds rate to 0.00%-0.25% and implemented a "whatever it takes" quantitative easing (QE) programme (in effect printing money to stimulate demand), helping ease markets towards the end of the month. This was followed by the Bank of England and European Central bank who also introduced similar schemes. The Reserve Bank of New Zealand cut the Official Cash Rate to 0.25%, a record low, on 16 March in an emergency meeting and later announced a QE programme.

### Saudi Arabia & Russia

The Oil price war between Saudi Arabia and Russia further escalated in March impacting the already fragile global economy for OPEC + emerging market nations, with the price of oil dropping over 50% ending March at just above \$20 USD/barrel.

# Milestone Direct Monthly Commentary Ended 31 March 2020

Through March, the global pandemic caused a considerable amount of fear. The embarrassing scenes in some supermarkets – in NZ, and in other similar countries such as the UK and Australia – illustrate the amount of fear that took hold. This is quite possibly more panic than many countries have experienced during wartime. As a fear-based reaction, the prices for nearly every asset (e.g. shares, property, and commodities such as gold and oil) were all hammered through the same month. In fact, it was one of the worst all-time months for asset prices.

*It must be acknowledged that the virus is taking a human toll, and the first thoughts of our whole team are with the people who have fallen ill and their families, and with the medical staff and other responders, including NZDF personnel. However, when considering investments, at times like this it's important to keep perspective.*

This is an unusual crisis – we haven't had such a pandemic for over 100 years. In modern history there have been many other noteworthy catastrophes, including; Spanish flu, World War I, the Great Depression, World War II, the Cold War, oil shocks in the 1970's, the dot-com crash, 9/11, and the Global Financial Crisis (GFC). While each crisis was different, they all have two things in common:

1. They ended, and
2. Financial markets recovered, ultimately reaching new highs.

In that sense, this time isn't different.

During uncertain times it's natural and understandable for emotions to run high. Global circumstances may get worse before they get better, but eventually markets will rebound. When they do, long-term investors who have tuned out daily white noise and stayed focussed on their long-term objectives will ultimately be rewarded.

It would be our pleasure to discuss anything related to your personal finances during this interesting time. Rest assured we're fully operational and can assist by phone, email, or video-call. Get in touch today:

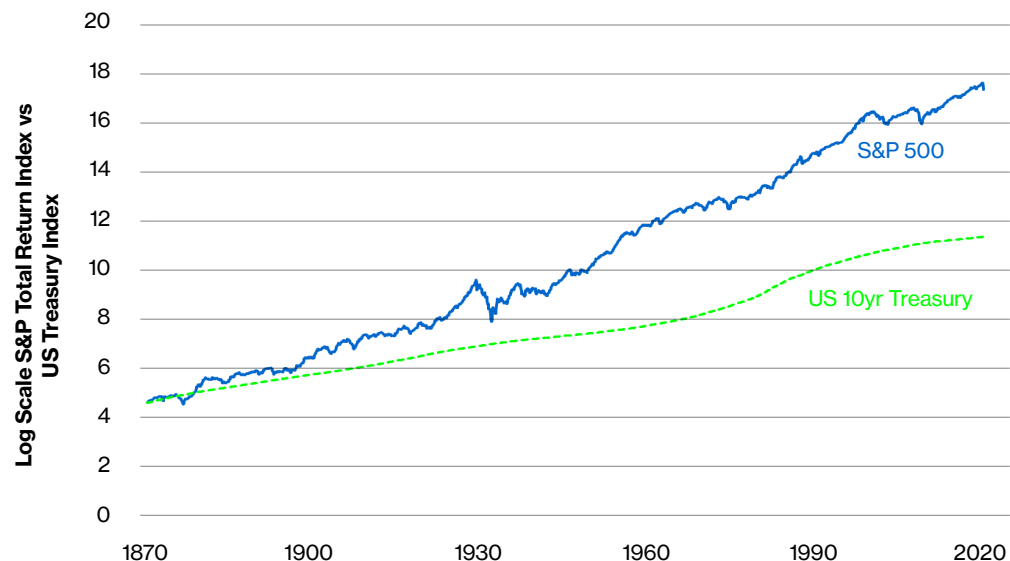
**0508 MILESTONE (0508 645 378)**  
**info@milestonedirect.co.nz**

Joseph Darby  
Chief Executive  
**Milestone Direct**

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.

## The Power of Compound Interest

US S&P 500 Index vs US 10yr Treasury Index



Source: Robert Shiller, Bloomberg, Mercer

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](http://www.nzdf.superfacts.co.nz)



# Investment Returns For Periods Ended 31 March 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	0.18	0.82	0.82	1.04
	Conservative	-3.31	-3.26	0.41	0.41	2.31
	Moderate	-4.69	-5.25	-1.06	-1.06	2.37
	Balanced	-7.20	-8.69	-3.00	-3.00	2.48
	Growth	-9.62	-12.11	-5.20	-5.20	2.47
	High Growth	-11.22	-14.52	-6.62	-6.62	2.63
	Shares	-12.89	-16.91	-7.29	-7.29	2.99
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.06	0.20	0.93	0.93	1.24
	Conservative	-3.47	-3.32	0.52	0.52	2.68
	Moderate	-4.72	-5.27	-0.94	-0.94	2.65
	Balanced	-7.37	-8.95	-3.12	-3.12	2.81
	Growth	-9.63	-12.45	-5.26	-5.26	2.69
	High Growth	-11.37	-14.76	-6.55	-6.55	2.92
	Shares	-12.73	-17.12	-7.22	-7.22	3.30
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.07	0.23	1.03	1.03	1.30
	Conservative	-3.59	-3.43	0.58	0.58	2.82
	Moderate	-4.81	-5.40	-0.82	-0.82	2.84
	Balanced	-7.52	-9.12	-3.04	-3.04	2.93
	Growth	-9.67	-12.53	-5.28	-5.28	2.89
	High Growth	-11.50	-15.07	-6.76	-6.76	3.05
	Shares	-12.79	-17.41	-7.35	-7.35	3.40

### 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 31 March 2020

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.07	0.22	0.94	0.94	1.19
	Conservative	-3.30	-3.21	0.47	0.47	2.49
	Moderate	-4.39	-4.96	-0.66	-0.66	2.56
	Balanced	-7.33	-8.80	-3.06	-3.06	2.60
	Growth	-9.59	-12.11	-5.21	-5.21	2.46
	High Growth	-11.32	-14.52	-6.56	-6.56	2.65
	Shares	-12.72	-16.73	-7.07	-7.07	3.10
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.07	0.24	1.07	1.07	1.36
	Conservative	-3.22	-3.04	0.96	0.96	2.88
	Moderate	-4.86	-5.38	-0.84	-0.84	2.71
	Balanced	-7.34	-8.86	-2.85	-2.85	2.91
	Growth	-9.90	-12.62	-5.41	-5.41	2.68
	High Growth	-11.30	-14.77	-6.52	-6.52	2.92
	Shares	-13.05	-17.34	-7.54	-7.54	3.10
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.09	0.28	1.19	1.19	1.48
	Conservative	-3.40	-3.19	1.01	1.01	3.03
	Moderate	-4.85	-5.38	-0.71	-0.71	2.91
	Balanced	-7.65	-9.25	-3.09	-3.09	2.91
	Growth	-9.93	-12.74	-5.41	-5.41	2.79
	High Growth	-11.55	-15.16	-6.79	-6.79	2.95
	Shares	-13.24	-17.69	-7.74	-7.74	3.17

### 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 31 March 2020

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.07	0.22	0.95	0.95	1.19
	Conservative	-3.32	-3.29	0.50	0.50	2.46
	Moderate	-4.66	-5.19	-0.89	-0.89	2.51
	Balanced	-7.29	-8.78	-2.98	-2.98	2.69
	Growth	-9.63	-12.17	-5.25	-5.25	2.45
	High Growth	-11.21	-14.49	-6.52	-6.52	2.68
	Shares	-12.80	-16.96	-7.35	-7.35	2.96
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.09	0.26	1.09	1.09	1.36
	Conservative	-3.51	-3.37	0.65	0.65	2.78
	Moderate	-4.72	-5.23	-0.64	-0.64	2.85
	Balanced	-7.44	-9.03	-2.91	-2.91	2.96
	Growth	-9.69	-12.40	-5.09	-5.09	2.78
	High Growth	-11.41	-14.82	-6.52	-6.52	3.00
	Shares	-12.81	-17.19	-7.32	-7.32	3.31
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-
	Conservative	-3.55	-3.36	0.93	0.93	-
	Moderate	-4.88	-5.44	-0.70	-0.70	-
	Balanced	-7.55	-9.15	-2.98	-2.98	3.03
	Growth	-9.77	-12.62	-5.28	-5.28	-
	High Growth	-11.27	-14.88	-6.59	-6.59	3.16
	Shares	-12.80	-17.32	-7.20	-7.20	3.48

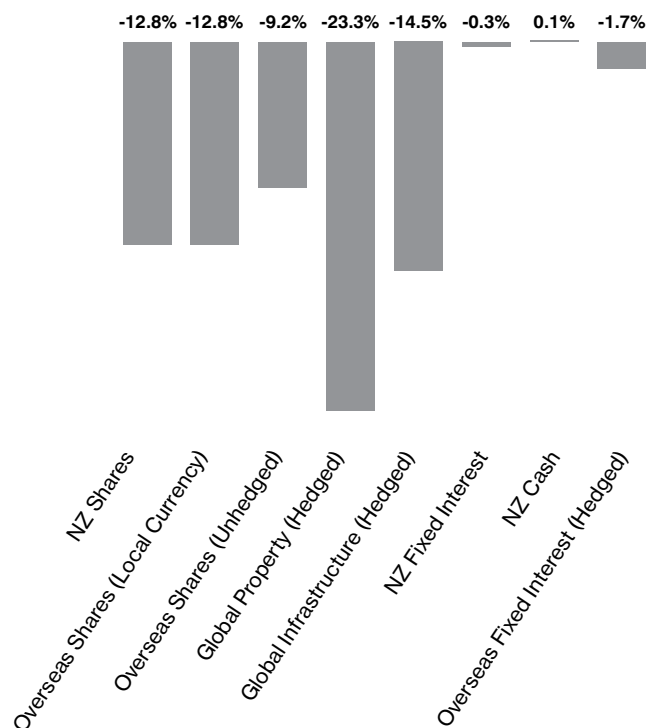
### Notes

- 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.

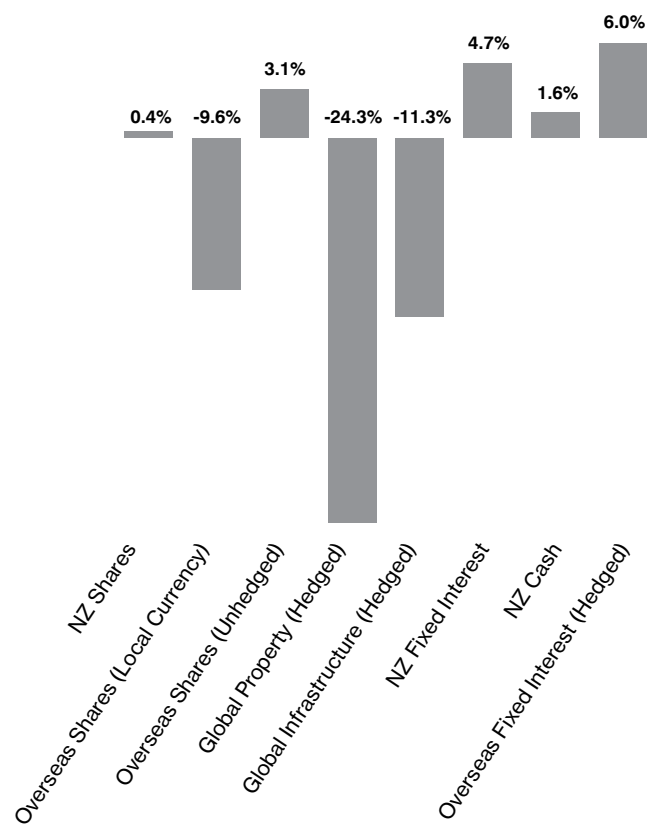
\* FYTD means Financial Year to Date, which is from 1 April 2019

# Financial Markets For Periods Ended 31 March 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

This document was prepared by New Zealand Defence Force (NZDF), Milestone Direct and Mercer (N.Z.) Limited (Mercer). The document has been published as a general information service and does not take account of the investment objectives, financial situation and/or particular needs of any person. Before making any investment decision, you should take financial advice as to whether your intended action is appropriate in light of your particular investment needs, objectives and financial circumstances. Neither NZDF, Milestone Direct, nor Mercer or any related parties accepts any responsibility for any inaccuracy.