

MONTHLY REPORT

For the period ended 31 May 2019

Market performance summary – May in a snapshot

- While there were some positives, for example New Zealand and Australian markets delivered positive returns, many of the developed and emerging markets struggled.
- It wasn't a great month for the NZDF Savings Schemes with all but the Cash option returning negative results.
- If you're unsure about your investment strategy – or if you have questions or concerns – we suggest you consult a financial adviser from the Milestone Direct team. You can contact them on 0508 MILESTONE (0508 645 378). Also rest assured that Mercer, the investment manager, is carefully monitoring market movements and will keep you informed of key developments.
- A reminder to all savings schemes members to check you have the correct PIR rate (rate at which your investment earnings are taxed).
- If you are a member of the New Zealand Defence Force KiwiSaver Scheme, make sure you have contributed \$1042 in the year to 30 June to receive the maximum \$521 Government contribution payable.

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



Monthly Commentary Ended 31 May 2019

May dished up a rocky month for investors, reminding us of the negative returns experienced by the share markets in December last year. In a series of negative news headlines that are starting to feel like déjà vu, US President Donald Trump announced he would be re-imposing tariffs on a range of Chinese goods; China retaliated and share markets suffered. The resignation of UK Prime Minister Theresa May without a clear replacement further compounded investor uncertainty, whilst the European elections showcased a continent more politically fragmented than it has been for some time.

Developed share markets (-5.7%) struggled with deteriorating macroeconomic conditions fuelled by the re-emergent threat of a global trade war. The US and Japan suffered the biggest falls, both shedding -6.4%. Emerging markets (-6.6%) fell further than developed markets; the prospect of tariffs on China and Mexico increasing the threat to emerging economies.

The New Zealand and Australian markets were the standout performers in May, returning +1.1% and +1.7% respectively for the month, well ahead of major global peers. Interest rate cuts (and the prospect thereof) combined with slowing economic growth abroad continue to make domestic markets attractive to offshore investors.



Significant developments include:



● Mexico & United States

President Trump also threatened to impose a 5% tariff on Mexican goods; further threatening Mexican officials that it could potentially be raised to 25% if the Mexican government fails to act in a more decisive manner to stem the flow of illegal immigration into the US.

● Europe

Across the Atlantic, the European Parliamentary elections, with the highest voter turnout in a decade, delivered mixed results. Support for the two traditional voting blocs, the European People's Party (EPP) and Socialists and Democrats (S&D), declined in favour of the Greens and the pro-European Liberals and Democrats. The Eurosceptic blocs made only modest gains in contrast to bullish expectations.

● China & United States

In an abrupt change of attitude, US President Donald Trump imposed tariffs on \$200billion of Chinese goods. China reacted in kind, threatening to impose levies of its own, notably on its exports of rare metals (a resource that has heavy US demand).

● Australia

On 7 May the Reserve Bank of Australia kept its cash rate at 1.5% despite speculation that it may ease monetary policy.

In the 18 May Federal Election Australian voters re-elected the current minority Liberal/ National Party Coalition, this time with a majority. Australian share markets soared.

Milestone Direct Monthly Commentary Ended 31 May 2019

The emergence of mobile devices – in particular smartphones – over the last 15 or so years has led to more information than ever being in the palms of our hands. This has also sent traditional media into disarray, as it tries to compete with new methods of spreading and taking-in news. The traditional media business model has been changed forever, and news can now be produced by anybody. Most true media outlets generate most (or all) of their profits by ‘clicks’ on adverts, which often means they’re producing the most dramatic headlines and stories to get the most attention. There has even been the rise of “fake news” which can make it difficult to tell what’s real and what’s not. With this desire to get attention, facts can be distorted to make things sound more sensational than they really are. While this concept applies to basically all areas, no-where is it truer than in the world of investing.

Media noise encourages investors to see patterns that don’t exist and create panic about news that’s already “priced in” to investment markets. This means that a risk which the mainstream media point out in a dramatic story has nearly always already been accounted for in the price of any related investments – long before the news provided by the general media reaches the public. The true risk is that individual investors act on news stories, and do more harm than good to their overall investments.

For example; Someone recently called our office questioning their poor investment returns over the last financial year. Our team were surprised by the call, as the investment and choice of fund the person reported they were in had performed strongly over the year. Our team soon identified the issue – the individual had changed their investment choice five times over the year, which meant they had essentially locked in losses repeatedly by selling the investments assets of their fund when the price was low and buying when the price was high. No doubt, this was prompted by paying too much attention to media hype.

Instead of focusing on such hype, we’ll usually talk to people about what they can control – such as where they’re invested (for instance, with a well-regarded investment manager such as Mercer, who manage the NZDF Schemes), and how much they’re contributing to their investments. Focusing on what you can control is one sure-fire way to get ahead, and to sleep better at night!

It would be the pleasure of one of our financial advisers to have a chat with you about your investment choices. It costs nothing to chat to us about which NZDF fund choice is right for you, so please get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing 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 Product Disclosure Statement is available on request and free of charge.



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

Investment Returns For Periods Ended 31 May 2019

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.10	0.30	0.20	1.21	1.17
	Conservative	-0.04	1.35	0.55	3.33	3.14
	Moderate	-0.49	1.28	0.44	3.36	4.05
	Balanced	-1.06	1.46	0.46	3.67	5.40
	Growth	-1.78	1.35	0.38	3.57	6.81
	High Growth	-2.18	1.54	0.44	3.91	7.87
	Shares	-2.94	1.74	0.42	3.60	8.66
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.32	0.23	1.34	1.47
	Conservative	-0.04	1.50	0.60	3.83	3.50
	Moderate	-0.48	1.37	0.45	3.67	4.35
	Balanced	-1.12	1.45	0.36	4.04	5.91
	Growth	-1.87	1.24	0.23	3.80	7.18
	High Growth	-2.25	1.52	0.29	4.08	8.15
	Shares	-3.02	1.66	0.26	3.74	9.07
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.36	0.24	1.45	1.43
	Conservative	0.00	1.61	0.61	4.09	3.76
	Moderate	-0.47	1.45	0.46	3.94	4.49
	Balanced	-1.09	1.50	0.37	4.22	6.10
	Growth	-1.91	1.25	0.15	3.99	7.48
	High Growth	-2.30	1.48	0.23	4.24	8.50
	Shares	-3.08	1.59	0.15	3.91	9.35

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 May 2019

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.10	0.33	0.22	1.33	1.34
	Conservative	-0.08	1.40	0.55	3.46	3.32
	Moderate	-0.48	1.31	0.47	3.44	4.09
	Balanced	-1.06	1.45	0.46	3.76	5.58
	Growth	-1.80	1.34	0.37	3.63	6.77
	High Growth	-2.15	1.60	0.48	3.92	7.85
	Shares	-2.91	1.72	0.42	3.58	8.66
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.36	0.24	1.50	1.53
	Conservative	-0.03	1.57	0.61	3.95	3.65
	Moderate	-0.46	1.43	0.48	3.79	4.50
	Balanced	-1.08	1.49	0.41	4.07	5.94
	Growth	-1.84	1.32	0.27	3.88	7.22
	High Growth	-2.25	1.50	0.31	4.06	8.20
	Shares	-3.05	1.61	0.23	3.71	9.02
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.13	0.40	0.27	1.64	1.66
	Conservative	-0.03	1.62	0.63	4.17	3.87
	Moderate	-0.48	1.46	0.46	4.00	4.70
	Balanced	-1.09	1.53	0.39	4.19	6.06
	Growth	-1.93	1.27	0.14	3.93	7.40
	High Growth	-2.32	1.47	0.21	4.18	8.50
	Shares	-3.08	1.62	0.16	3.68	9.30

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Investment Returns For Periods Ended 31 May 2019

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.11	0.32	0.22	1.31	1.34	-
	Conservative	-0.05	1.42	0.58	3.42	3.32	-
	Moderate	-0.47	1.31	0.46	3.45	4.24	-
	Balanced	-1.07	1.47	0.46	3.80	5.66	5.47
	Growth	-1.80	1.35	0.35	3.63	6.91	-
	High Growth	-2.17	1.58	0.46	3.77	7.96	-
	Shares	-2.96	1.73	0.41	3.49	8.70	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.37	0.25	1.50	1.52	-
	Conservative	-0.01	1.59	0.63	3.87	3.72	-
	Moderate	-0.46	1.44	0.49	3.87	4.61	-
	Balanced	-1.09	1.51	0.42	4.10	6.02	5.76
	Growth	-1.85	1.35	0.29	3.97	7.26	-
	High Growth	-2.24	1.50	0.32	4.07	8.40	-
	Shares	-3.07	1.56	0.20	3.55	9.31	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	-	-	-	-	-	-
	Moderate	-	-	-	-	-	-
	Balanced	-1.10	1.54	0.39	4.21	6.19	5.90
	Growth	-	-	-	-	-	-
	High Growth	-2.28	1.47	0.22	4.29	8.71	-
	Shares	-3.10	1.55	0.11	3.74	9.48	-

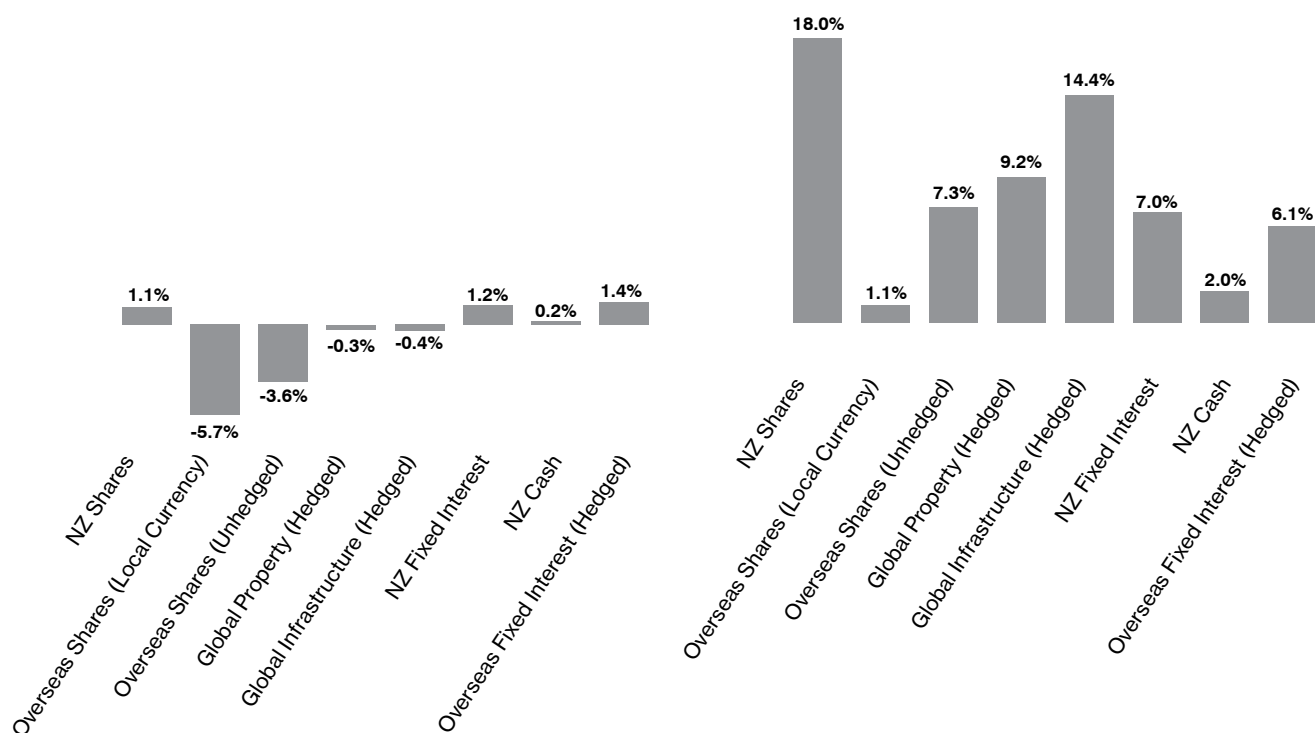
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 - '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.
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Financial Markets For Periods Ended 31 May 2019

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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