



MONTHLY REPORT

FOR PERIOD ENDED 30 APRIL 2017

MONTH IN A SNAPSHOT

- Overall, April was a positive month for investors globally and in New Zealand despite being dominated by political news and some uncertainty.
- All NZDF Savings Schemes' funds continued to deliver positive returns, particularly those with higher exposure to global share markets (e.g the Balanced, Growth, High Growth and Shares portfolios).
- April also marks the start of the new financial year, which means it's time to take stock of your financial situation, review your investment options and also calculate your tax rate (prescribed investor rate). Information is available on www.nzdf.superfacts.co.nz. It is particularly important for you to review your investment options and ensure you have the correct PIR.

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



MILESTONE DIRECT COMMENTARY

QUALITY PAYS

April was another great month of investment performance for the New Zealand Defence Force savings schemes, especially for those who are taking a longer term view of their savings and are investing into the Balanced Fund, Growth Fund, High Growth Fund and Shares Fund. All through the month, we saw and heard about events that made the markets perform like a yoyo but when the performance is published, we end up having another great month.

Sure, the markets have been kind to many fund managers and investors, but some managers outperform others – Mercer (who runs the New Zealand Defence Force Schemes) being a good example. At present, Mercer has their asset allocation and approach to currency right, plus they have selected the right investments to place your money into. Combine their skills with the low cost of the schemes and we have a winning combination.

I know it is wrong and I should not be doing it, but I can't resist going into my NZDF Savings Scheme phone APP at least every month to see how my regular savings have grown. It always gives me a good feeling to see that my savings have grown

without me having to do anything other than make the initial decision to start investing. I then have to remind myself that what goes up usually comes down and these great returns will not continue forever. However, ultimately I am saving for the long term so am not too concerned with monthly performance.

I have some money that has been on term deposit for the past 12 months. I have decided I do not need that money in the short to medium term so have looked at my options. To reinvest it in term deposits, the best interest rate I can find is only 3.65% before tax. Once I deduct tax, it gives me a return of only 2.63%. My High Growth Fund has earned 12.274% after tax and fees over the past 12 months. I know it is unrealistic to always expect such a great return, but I am prepared to take the risk and add it to my existing regular savings in my FlexiSaver account. Research shows that over the long term, shares and growth assets will outperform cash.

David Greenslade is Chairman of Milestone Direct Ltd and an investor into the New Zealand Defence Force Savings Schemes.



Give the team at Milestone Direct a call to discuss any investment or other financial advice issues you may have.

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

A Disclosure Statement is available on request and free of charge

MERCER COMMENTARY

It was yet another month dominated by political headlines. In the US, Democratic backlash erupted in response to Trump's corporate tax cut announcement. While the proposed cut aims to unleash economic growth for businesses, critics believe it will only enhance the wealth of the rich. Across the Atlantic, Brits will go to the polls again in June, and France is poised for the next instalment of the battle between pro-European and populist/nationalist ideologies in the Parliamentary elections in June.

Despite continued political unrest, global share and bond markets rose during April, reflecting strengthening international economic growth. Developed markets, including Australia, Canada, Japan and the US, delivered mostly positive return, with only the UK market declining (-1.3%, in GBP). The MSCI World Index rose +1.2% in local currency terms. Unhedged investors benefited from the weakening New Zealand dollar, earning +3.3%. Emerging markets outperformed developed markets over the month, returning +2.3% (in local currency terms).

Locally, New Zealand Shares and Government Bonds performed well, returning +2.5% and +0.8% respectively over the month. Global Aggregate Bonds and Global Government Bonds also rose over the month, up +0.8% and +0.7% respectively. Global Listed Property (+1.1%) and Global Listed Infrastructure (+1.7%) returns were also positive.



SIGNIFICANT RECENT ITEMS INCLUDE:



▼ UNITED KINGDOM

British Prime Minister, Theresa May, called for an early snap election to be held on 8 June, stating that securing a stable and strong leadership is necessary in order to see the country through Brexit. The UK unemployment rate fell to its lowest level in 42 years and the UK govt deficit continued to decline.

▼ FRANCE

The 2017 French presidential election was held on 23 April and 7 May 2017. As no candidate won a majority in the first round on 23 April, a run-off was held between the top two candidates, Emmanuel Macron, (pro-European Union) newcomer and Marine Le Pen, far-right “populist”. With Macron winning by a decisive margin on 7 May, making him the youngest head of state in recent French history.

▼ EUROPE

The European Central Bank continues to hold its benchmark interest rate at 0%. Despite Eurozone inflation rising to near a 4-year high, the bank believes that current economic data doesn't support a rate increase.

▼ NEW ZEALAND

New Zealand's annual inflation rate reached its highest level since 2011, up 2.2% for the year to 31 March 2017.

▼ UNITED STATES

The US Federal Reserve left its target rate unchanged in its review just after month end, while signaling that a rate hike in June is still likely despite US growth coming in below expectations in the first quarter.

INVESTMENT RETURNS FOR PERIOD ENDED 30 APRIL 2017

DEFENCE FORCE SUPERANNUATION SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	0.34%	0.10%	1.42%	–	–
	Conservative	0.70%	2.19%	0.70%	3.99%	–	–
	Moderate	0.92%	2.91%	0.92%	5.65%	–	–
	Balanced	1.35%	4.05%	1.35%	7.76%	6.03%	7.98%
	Growth	1.81%	5.65%	1.81%	10.88%	–	–
	High Growth	2.12%	6.65%	2.12%	12.54%	–	–
	Shares	2.71%	8.41%	2.71%	14.29%	–	–

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	0.38%	0.12%	1.62%	–	–
	Conservative	0.71%	2.26%	0.71%	4.37%	–	–
	Moderate	0.92%	2.85%	0.92%	5.98%	–	–
	Balanced	1.33%	3.95%	1.33%	8.16%	6.30%	8.44%
	Growth	1.76%	5.37%	1.76%	11.08%	–	–
	High Growth	2.06%	6.34%	2.06%	13.02%	–	–
	Shares	2.62%	8.18%	2.62%	15.23%	–	–

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.42%	0.13%	–	–	–
	Conservative	0.64%	2.19%	0.64%	–	–	–
	Moderate	0.92%	2.85%	0.92%	–	–	–
	Balanced	1.30%	3.86%	1.30%	8.37%	6.46%	8.73%
	Growth	1.73%	5.20%	1.73%	–	–	–
	High Growth	1.96%	6.10%	1.96%	13.33%	–	–
	Shares	2.51%	7.91%	2.51%	15.24%	–	–

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 2017

INVESTMENT RETURNS FOR PERIOD ENDED 30 APRIL 2017

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.10%	0.35%	0.10%	1.40%
	Conservative	0.68%	2.16%	0.68%	3.85%
	Moderate	0.87%	2.75%	0.87%	5.16%
	Balanced	1.34%	4.16%	1.34%	7.82%
	Growth	1.79%	5.51%	1.79%	10.39%
	High Growth	2.06%	6.48%	2.06%	12.11%
	Shares	2.68%	8.33%	2.68%	14.01%

Investment options		1 Month	3 Months	FYTD*	1 Year
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.12%	0.39%	0.12%	1.61%
	Conservative	0.67%	2.20%	0.67%	4.04%
	Moderate	0.91%	2.85%	0.91%	5.74%
	Balanced	1.31%	4.05%	1.31%	8.20%
	Growth	1.73%	5.30%	1.73%	10.90%
	High Growth	2.03%	6.24%	2.03%	12.46%
	Shares	2.51%	7.87%	2.51%	14.52%

Investment options		1 Month	3 Months	FYTD*	1 Year
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.43%	0.13%	1.74%
	Conservative	0.70%	2.24%	0.70%	4.44%
	Moderate	0.90%	2.83%	0.90%	6.00%
	Balanced	1.28%	3.91%	1.28%	8.30%
	Growth	1.72%	5.19%	1.72%	11.27%
	High Growth	1.98%	6.02%	1.98%	13.10%
	Shares	2.48%	7.85%	2.48%	14.90%

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INVESTMENT RETURNS FOR PERIOD ENDED 30 APRIL 2017

NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.08%	0.32%	0.08%	1.18%
	Conservative	0.62%	2.12%	0.62%	3.72%
	Moderate	0.91%	2.89%	0.91%	5.25%
	Balanced	1.30%	4.13%	1.30%	7.51%
	Growth	1.79%	5.65%	1.79%	10.49%
	High Growth	2.08%	6.57%	2.08%	12.27%
	Shares	2.59%	8.30%	2.59%	13.98%

Investment options		1 Month	3 Months	FYTD*	1 Year
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.08%	0.41%	0.08%	1.57%
	Conservative	0.67%	2.21%	0.67%	3.83%
	Moderate	0.90%	2.86%	0.90%	5.42%
	Balanced	1.30%	4.05%	1.30%	8.20%
	Growth	1.76%	5.42%	1.76%	11.03%
	High Growth	2.01%	6.26%	2.01%	12.40%
	Shares	2.56%	8.04%	2.56%	14.38%

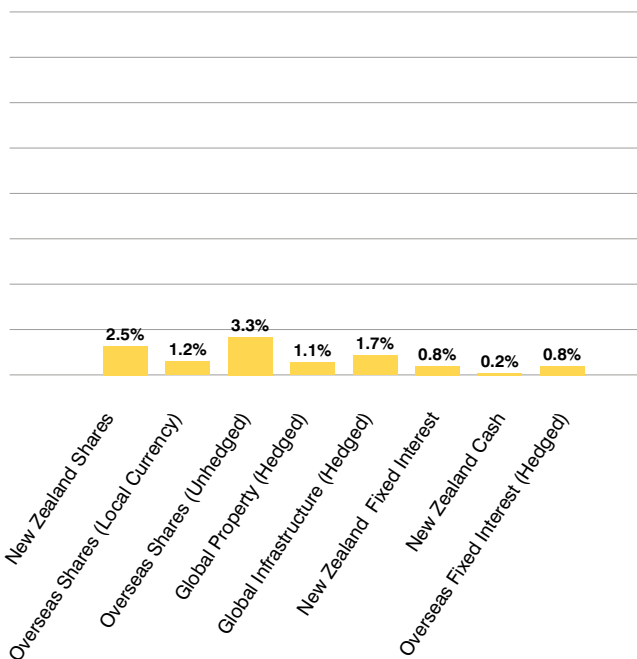
Investment options		1 Month	3 Months	FYTD*	1 Year
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.41%	0.13%	1.46%
	Conservative	0.68%	2.24%	0.68%	4.30%
	Moderate	0.89%	2.77%	0.89%	5.36%
	Balanced	1.29%	4.00%	1.29%	8.48%
	Growth	1.74%	5.30%	1.74%	11.30%
	High Growth	1.99%	6.12%	1.99%	12.78%
	Shares	2.47%	7.86%	2.47%	14.81%

Notes

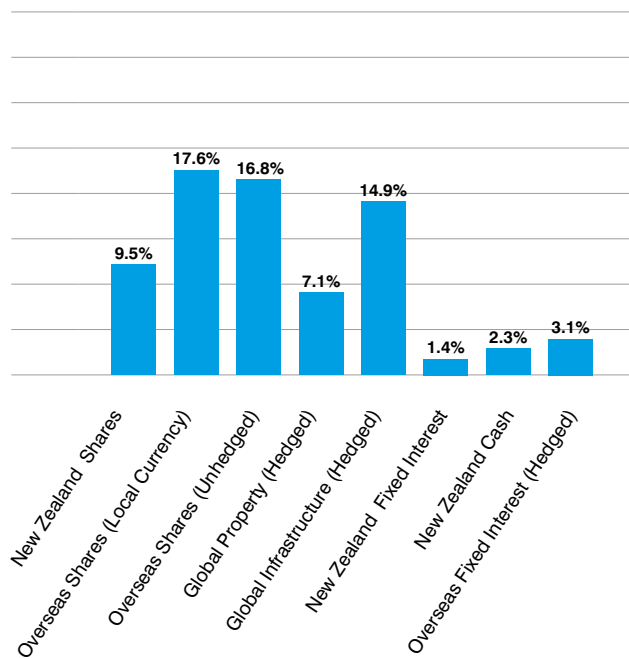
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FINANCIAL MARKETS FOR PERIOD ENDED 30 APRIL 2017

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)

Barclays Capital Global Aggregate

JARGON BUSTERS

HEDGE

It is a defensive strategy used to minimise investment risk. Often used for funds, investing in overseas investments, to reduce the negative effects of moves in currency exchange rates. When a fund, such as a overseas shares, is *unhedged*, investors are exposed to changes in the currency.

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