



MONTHLY REPORT

FOR PERIOD ENDED 28 FEBRUARY 2017

MONTH IN A SNAPSHOT

- In February, good news was all around as sharemarkets across the globe delivered positive returns for investors.
- All NZDF Savings Schemes' funds had positive returns, with the Shares fund topping the charts with an almost 3% return for the month.
- With only one more month until the end of the scheme year all the three NZDF savings schemes are likely to end the year with a good outturn.
- As the 2016/2017 scheme year is coming to a close, now is a great time to review your investment options to ensure you are invested in the right investment option for your circumstances and risk profile. Don't forget that you can get free advice from Milestone Direct Ltd on that aspect.

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



MILESTONE DIRECT UPDATE

IT PAYS TO KNOW WHAT YOU ARE SAVING INTO



All the New Zealand Defence Force Savings Scheme funds had a positive performance in February. This is great news considering the economic doom and gloom that one reads about in the media. The funds are currently performing well under the expert management of Mercer.

I am saving for the long term so use the High Growth Fund. The New Zealand Defence Force KiwiSaver High Growth Fund returned a pleasing 2.447% after tax and fees for the month and a stunning 12.596% after tax and fees for the past 12 months. On reading this, I promptly rang an ex-Army friend to tell him the good news and suggest he should also switch to the same fund. He told me he is with that big Australian bank that used to win the investment awards and his fund had performed much better than mine. I found that hard to believe as I also had been with that big bank before the New Zealand Defence Force Schemes were launched but promptly switched to get a better deal.

The next day, I popped in to see my mate and discuss how his fund could be outperforming my High Growth Fund. Over a beer, we went online to look at his account. It proved to be a sobering experience for my mate. Not only was he in a

scheme that charged higher fees and provided none of the unique New Zealand Defence Force Scheme benefits, but he was sadly in the Conservative Fund with that big bank. He had planned to switch last year to the High Growth Fund but never quite completed the transaction. As a result his fund had only produced a return of 2.92% over the same period that mine had produced 12.596%. Even worse, when we read more about the stated performance, we found the bank only publishes the after fees BUT BEFORE TAX return. If you wanted to compare apples with apples, he would need to deduct 28% tax to get the true performance.

If you have mates saving into other schemes, get them to compare their returns against your returns for the same month and one year period. Ensure they are saving into a fund with a similar asset allocation to that of yours and check they have deducted tax at 28% to get a comparable return.

David Greenslade,

Chairman Milestone Direct Ltd.

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

MERCER COMMENTARY

Global sharemarkets rose in February, continuing their upward trend of the last few months. Developed markets, such as the US+3.9% and the UK+3.1% delivered strong returns for investors across the globe.

While it lagged other developed markets, the New Zealand sharemarket still provided a decent return for the month (+1.7%), building on last month's positive start to the year. Across the Tasman, the Australian Market also rose +2.3% in Australian Dollars.

Unhedged investors received a higher return due to a weakening New Zealand Dollar, which declined during February against most major currencies other than the Euro. Emerging Markets were positive over the month, returning +1.7% in local currency; strong performers were Brazil, India and Taiwan.

Global Bond markets bounced back over the month, delivering their first solid return since the US Presidential Election. Trump fueled sentiment, which promises to deliver more spending and

tax cuts, continues to support a booming US sharemarket. In Eurozone political uncertainty has unnerved European bond markets, due to looming elections and uncertainty across the region (the Dutch, French and Germans all vote within the next six months).

New Zealand Government and Corporate Bonds reacted similarly to the Global Bonds markets as we saw the long-term yields declined over the month. Both delivered a positive return of +0.8%, steadily recovering from the large recent decline in prices. The Reserve Bank New Zealand announced early February that the Official Cash Rate will remain unchanged in an effort to keep growth momentum going and increase inflation.



JARGON BUSTERS

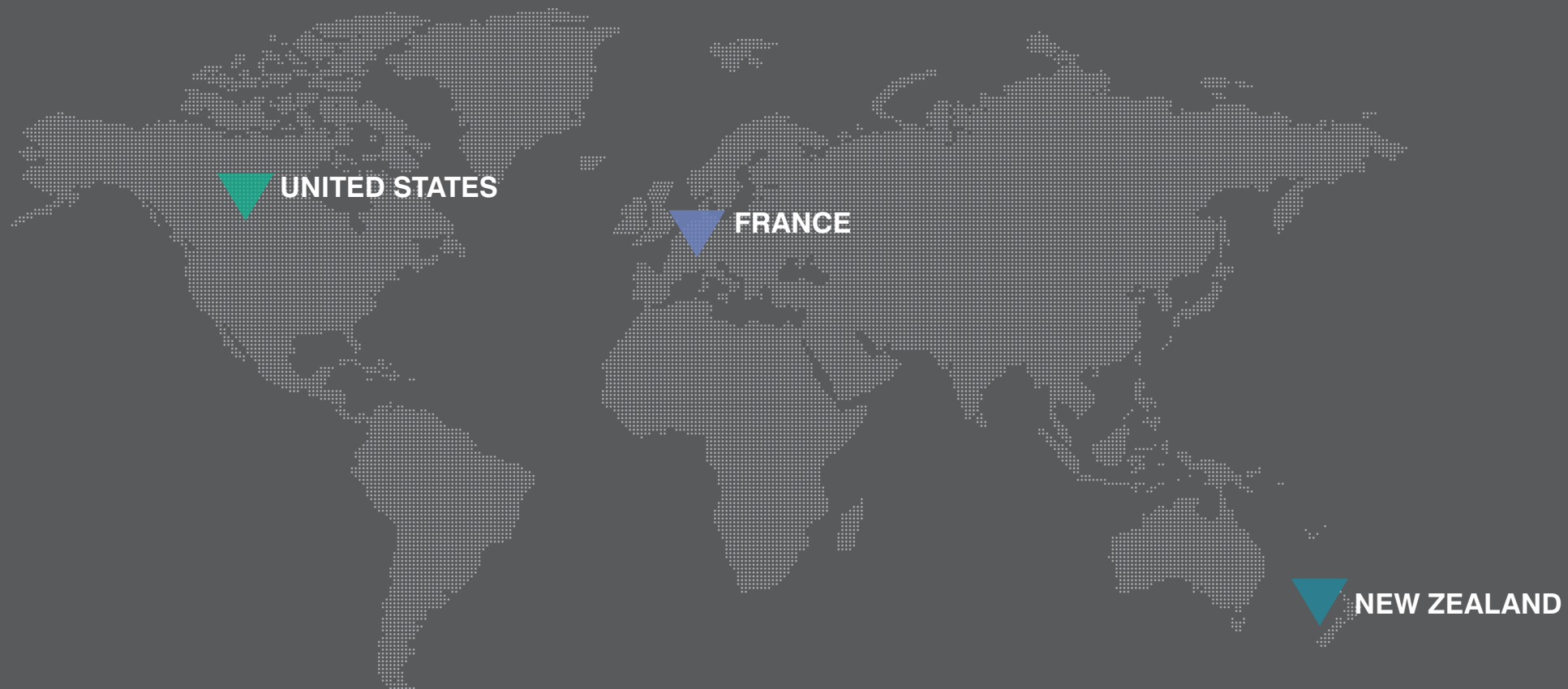
BOND

A bond is a security issued by a government or company to raise money. The purchaser of the bond effectively lends money to the government or company issuing the bond and receives interest at a fixed rate until a specific date (maturity), when the investor receives back the amount of the original loan. The price of bonds fluctuates as interest rates move. If rates rise, bond prices fall. If rates fall, bond prices rise.

INFLATION

The rate at which the prices of goods and services increase over time, often equated with loss of purchasing power.

SIGNIFICANT RECENT ITEMS INCLUDE:



▼ UNITED STATES

The number of Americans filing for the unemployment benefit fell to a near 44 year low at the end of February. Initial claims dropped by 19,000 applications to a seasonally adjusted 223,000, the lowest level since March 1973, and below expectations.

▼ FRANCE

National Front leader, Marine Le Pen, leads the opinion polls for the upcoming French Presidential election, although her lead is not expected to hold in the second round of voting on 7 May. If Le Pen wins the election, France leaving the EU is a real possibility.

▼ NEW ZEALAND

The RBNZ Governor, Graeme Wheeler, announced early February that he will step down from his role at the end of his term in September. Deputy Governor, Grant Spencer, will take over as caretaker until a permanent successor is appointed in 2018 (post the general election).

INVESTMENT RETURNS FOR PERIOD ENDED 28 FEBRUARY 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	0.11%	0.32%	1.31%	1.50%	–	–
	Conservative	0.92%	1.42%	3.03%	4.18%	–	–
	Moderate	1.17%	2.13%	4.26%	5.89%	–	–
	Balanced	1.64%	3.20%	5.80%	8.41%	5.67%	7.85%
	Growth	2.17%	4.46%	7.84%	11.15%	–	–
	High Growth	2.44%	5.08%	8.81%	12.92%	–	–
	Shares	2.88%	5.86%	9.15%	14.61%	–	–

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%	0.36%	1.49%	1.71%	–	–
	Conservative	0.96%	1.51%	3.43%	4.67%	–	–
	Moderate	1.20%	2.21%	4.70%	6.42%	–	–
	Balanced	1.64%	3.30%	6.34%	9.10%	6.07%	8.35%
	Growth	2.09%	4.54%	8.29%	11.79%	–	–
	High Growth	2.38%	5.27%	9.60%	13.97%	–	–
	Shares	2.90%	6.11%	10.35%	16.08%	–	–

Investment options		1 Month	3 Months	FYTD*	1 Year	3 Years p.a.	5 Years p.a.
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	0.39%	–	–	–	–
	Conservative	0.98%	1.55%	–	–	–	–
	Moderate	1.20%	2.26%	–	–	–	–
	Balanced	1.63%	3.36%	6.68%	9.53%	6.31%	8.67%
	Growth	2.04%	4.56%	–	–	–	–
	High Growth	2.35%	5.34%	10.17%	14.60%	–	–
	Shares	2.85%	6.15%	10.53%	16.32%	–	–

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.
 - '–' 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 2016

INVESTMENT RETURNS FOR PERIOD ENDED 28 FEBRUARY 2017

NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.33%	1.30%	1.48%
	Conservative	0.90%	1.37%	2.90%	4.07%
	Moderate	1.14%	1.99%	3.88%	5.47%
	Balanced	1.65%	3.17%	5.73%	8.26%
	Growth	2.13%	4.36%	7.44%	10.67%
	High Growth	2.45%	5.10%	8.49%	12.60%
	Shares	2.91%	5.79%	8.95%	14.25%

Investment options		1 Month	3 Months	FYTD*	1 Year
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.14%	0.37%	1.48%	1.67%
	Conservative	0.96%	1.50%	3.15%	4.41%
	Moderate	1.20%	2.20%	4.50%	6.22%
	Balanced	1.65%	3.27%	6.24%	8.88%
	Growth	2.10%	4.43%	8.22%	11.63%
	High Growth	2.38%	5.20%	9.05%	13.35%
	Shares	2.86%	6.06%	9.90%	15.47%

Investment options		1 Month	3 Months	FYTD*	1 Year
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	0.41%	1.60%	1.80%
	Conservative	0.99%	1.55%	3.56%	4.85%
	Moderate	1.22%	2.26%	4.76%	6.51%
	Balanced	1.62%	3.31%	6.41%	9.07%
	Growth	2.07%	4.57%	8.64%	12.26%
	High Growth	2.32%	5.27%	9.98%	14.44%
	Shares	2.87%	6.11%	10.39%	16.23%

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INVESTMENT RETURNS FOR PERIOD ENDED 28 FEBRUARY 2017

NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME

Investment options		1 Month	3 Months	FYTD*	1 Year
28% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.13%	0.29%	1.09%	1.25%
	Conservative	0.92%	1.34%	2.77%	4.01%
	Moderate	1.20%	2.11%	3.90%	5.51%
	Balanced	1.67%	3.20%	5.45%	7.86%
	Growth	2.18%	4.40%	7.47%	10.66%
	High Growth	2.47%	5.10%	8.58%	12.69%
	Shares	2.96%	5.88%	9.10%	14.45%

Investment options		1 Month	3 Months	FYTD*	1 Year
17.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.21%	0.41%	1.46%	1.61%
	Conservative	0.98%	1.48%	2.91%	4.12%
	Moderate	1.22%	2.21%	4.12%	5.82%
	Balanced	1.66%	3.29%	6.30%	–
	Growth	2.13%	4.53%	8.28%	11.80%
	High Growth	2.42%	5.21%	9.13%	13.43%
	Shares	2.89%	5.94%	9.60%	15.20%

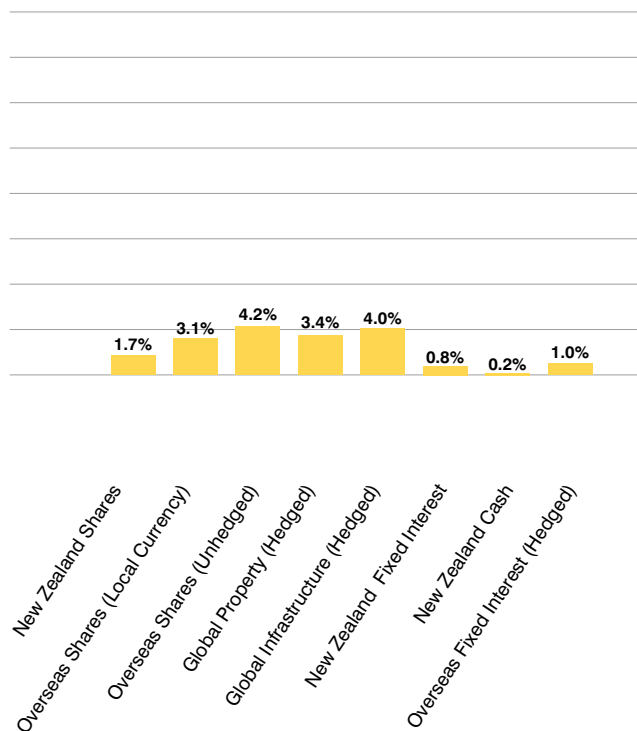
Investment options		1 Month	3 Months	FYTD*	1 Year
10.5% PRESCRIBED INVESTOR RATE (PIR)	Cash	0.15%	0.35%	1.32%	1.54%
	Conservative	1.01%	1.52%	3.44%	4.74%
	Moderate	1.20%	2.09%	4.25%	5.90%
	Balanced	1.65%	3.40%	6.65%	–
	Growth	2.13%	4.61%	8.65%	–
	High Growth	2.36%	5.26%	9.61%	–
	Shares	2.88%	6.12%	10.31%	–

Notes

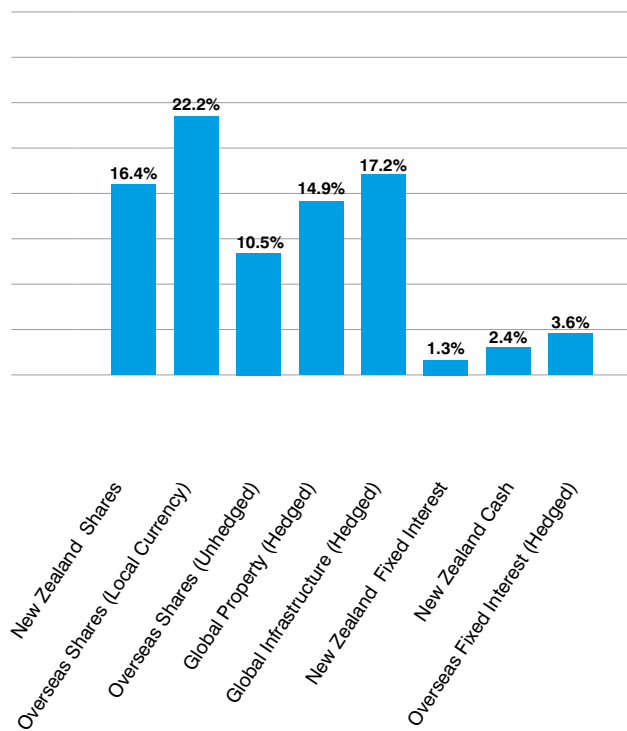
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FINANCIAL MARKETS FOR PERIOD ENDED 28 FEBRUARY 2017

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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