

MONTHLY REPORT

For the period ended 31 March 2018

Month in a snapshot

- March was all about the three 'T's – Trump, Tariffs and Technology. Unfortunately all three negatively impacted investors during the month. We continued to see markets going up during the first half of the month and then going into negative territory during the second half.
- All the New Zealand Defence Force Savings Scheme's options were in the negative this month except for the Cash option.
- While we may see the markets going up and down this year, it is important to stick to your goals as any 'knee jerk' decisions might damage your longer-term objectives. If you are considering switching your investment option, please call to speak with one of the Milestone Direct financial advisers on 0508 645 378.

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



Monthly Commentary Ended 31 March 2018

March started on a positive note, bouncing back from losses in February. Volatility (markets going up and down) returned in the latter half of March, however, as the market grappled with the implications of trade tariffs announced by the US and China, including fears of lower corporate profits and slowing economic growth. Not surprisingly share markets reacted negatively to the news, falling for the second consecutive month. Traditional safe haven assets like bonds and property rallied as a result, even despite the US Federal Reserve implementing its first interest rate hike of 2018 on 21 March.

Shares across all major markets saw red in March, with large developed market stocks leading the falls.

Returns on the New Zealand share market (NZX50) were looking positive until the final week of March, when global weakness, and a move by Nestlé threatening a2 milk's growth prospects in the infant formula market, dragged returns into negative territory (closing the month down -0.3%). Australian shares underperformed global markets as Materials and Financials (both heavily represented in the Australian market) fell sharply late in the month.

Global share markets were unnerved this month at US President Donald Trump's announcement of tariffs affecting about 10% of Chinese exports to the US. A Trump twitter attack on Amazon, accusing the online retail giant of tax avoidance, also led to a sell-off in large technology stocks late in the month. As a result, the Materials, Technology and Financials sectors suffered the biggest losses over the month.

Utilities, Real Estate and Energy were the only listed equity sectors to deliver positive returns over the month, rebounding from heavy falls in February, and contributed to positive returns from Global Listed Property (+2.4%) and Global Listed Infrastructure (+0.8%). These more defensive sectors benefitted from the more bearish (negative) market sentiment that emerged during the month.



Significant recent items include:



United States

As widely expected, the US Federal Reserve raised its benchmark interest rate to 1.75%; in line with New Zealand's Official Cash Rate.

Russia

Vladimir Putin has been re-elected President of Russia. At the same time accusations of Russia-sanctioned assassinations on British soil led much of the world to rally behind Britain and collectively send over 100 Russian diplomats back to Russia.

US & China

US President Donald Trump announced tariffs on steel (25%) and aluminium (10%), plus additional tariffs which will affect US\$50bn of Chinese exports, whilst also blocking Chinese takeovers of US companies and seeking restrictions on future Chinese investment in the US.

US & China

Retaliations to the tariffs have varied, with exemptions extended to a number of US allies as a result. China has responded by imposing tariffs affecting a similar level of US exports and announcing it could slow its purchase of US Treasury bonds. The posturing could lead to more productive trade negotiations between the countries, or else risk sparking a trade war between the world's two biggest economies.

New Zealand

New Zealand Finance Minister Grant Robertson and Reserve Bank Governor Adrian Orr signed a new Policy Targets Agreement (PTA) setting out specific targets for maintaining price stability and a new requirement to consider employment outcomes in the conduct of monetary policy.

Milestone Direct Monthly Commentary Ended 31 March 2018

After many months of steady growth, markets continued their interesting movements in March, despite a significant amount of positive data which would usually be encouraging for markets. Most commentators agree that economic fundamentals across the globe, and especially in the world's largest economy, the US, remain sound.

In a normal market, it's not unusual to experience at least one correction (defined as a decline of 10 percent or more) each year. But the market hasn't been very normal over recent years. In fact, there hasn't been a correction in the Standard & Poor's 500 index since early 2016. Prior to that, however, there were nine market corrections between 2010 and 2015. The point is that after an abnormally long period of rising stock markets and no meaningful pullbacks, it pays to keep things in perspective. Corrections are unavoidable and to be expected.

It also pays to keep in mind that over short periods of time, markets trade on emotions such as fear, greed, and anxiety. However, over the long term, it is economic fundamentals drive the markets. Over the long term, history has proven time and time again that staying in the markets is the way to get ahead and stay ahead.

To discuss anything above, or something different with a financial adviser, get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing info@milestonedirect.co.nz.

Joseph Darby
Chief Executive
Milestone Direct



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

Investment Returns For Periods Ended 31 March 2018

Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.09	0.31	1.30	1.30	-	-
	Conservative	-0.05	-0.25	3.43	3.43	-	-
	Moderate	-0.19	-0.28	4.58	4.58	-	-
	Balanced	-0.50	-0.75	6.42	6.42	4.16	6.95
	Growth	-0.86	-1.19	7.67	7.67	-	-
	High Growth	-1.25	-1.54	9.26	9.26	-	-
	Shares	-1.84	-2.00	10.98	10.98	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.35	1.48	1.48	-	-
	Conservative	0.03	-0.08	3.86	3.86	-	-
	Moderate	-0.14	-0.19	4.97	4.97	-	-
	Balanced	-0.45	-0.64	6.82	6.82	4.35	7.32
	Growth	-0.82	-1.07	8.14	8.14	-	-
	High Growth	-1.15	-1.33	9.83	9.83	-	-
	Shares	-1.76	-1.75	11.75	11.75	-	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	0.06	-0.07	4.07	4.07	-	-
	Moderate	-	-	-	-	-	-
	Balanced	-0.38	-0.53	7.03	7.03	4.43	7.54
	Growth	-	-	-	-	-	-
	High Growth	-1.13	-1.27	10.08	10.08	-	-
	Shares	-1.74	-1.72	11.83	11.83	-	-

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 Periods Ended 31 March 2018

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.09	0.31	1.30	1.30
	Conservative	-0.03	-0.17	3.48	3.48
	Moderate	-0.19	-0.30	4.54	4.54
	Balanced	-0.49	-0.77	6.27	6.27
	Growth	-0.88	-1.25	7.73	7.73
	High Growth	-1.23	-1.53	9.13	9.13
	Shares	-1.79	-1.95	10.95	10.95
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.36	1.49	1.49
	Conservative	0.03	-0.11	3.78	3.78
	Moderate	-0.15	-0.20	4.84	4.84
	Balanced	-0.44	-0.64	6.66	6.66
	Growth	-0.81	-1.04	8.28	8.28
	High Growth	-1.17	-1.38	9.63	9.63
	Shares	-1.75	-1.87	11.19	11.19
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.12	0.39	1.61	1.61
	Conservative	0.06	-0.09	3.99	3.99
	Moderate	-0.11	-0.15	5.10	5.10
	Balanced	-0.41	-0.57	6.81	6.81
	Growth	-0.79	-0.97	8.47	8.47
	High Growth	-1.13	-1.30	9.81	9.81
	Shares	-1.69	-1.72	11.63	11.63

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Investment Returns For Periods Ended 31 March 2018

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.08	0.28	1.09	1.09
	Conservative	-0.03	-0.22	3.14	3.14
	Moderate	-0.21	-0.34	4.38	4.38
	Balanced	-0.52	-0.77	5.93	5.93
	Growth	-0.87	-1.19	7.77	7.77
	High Growth	-1.20	-1.52	9.01	9.01
	Shares	-1.78	-1.98	10.81	10.81
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.11	0.39	1.46	1.46
	Conservative	0.02	-0.13	3.66	3.66
	Moderate	-0.14	-0.18	4.85	4.85
	Balanced	-0.44	-0.57	6.63	6.63
	Growth	-0.80	-1.05	8.16	8.16
	High Growth	-1.15	-1.32	9.53	9.53
	Shares	-1.77	-1.86	11.36	11.36
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.10	0.35	1.41	1.41
	Conservative	0.05	-0.12	3.83	3.83
	Moderate	-0.12	-0.19	5.03	5.03
	Balanced	-0.42	-0.55	6.76	6.76
	Growth	-0.75	-0.92	8.57	8.57
	High Growth	-1.13	-1.23	9.99	9.99
	Shares	-1.76	-1.79	11.64	11.64

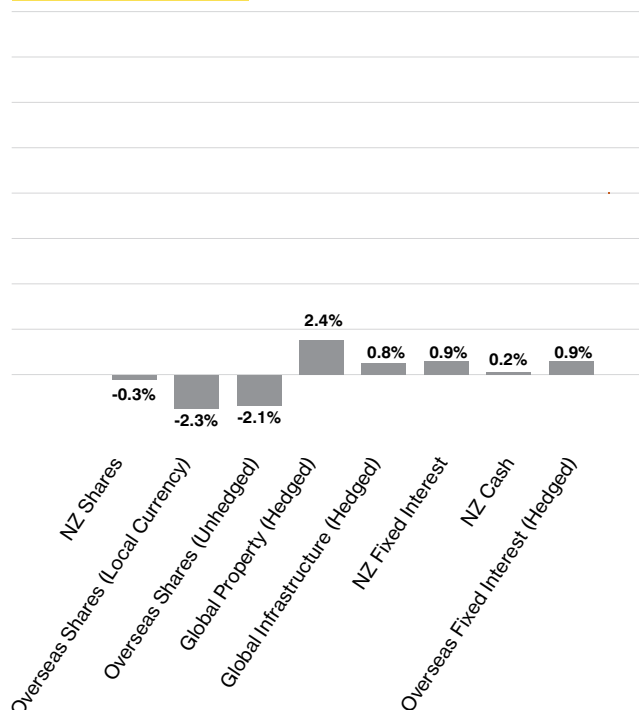
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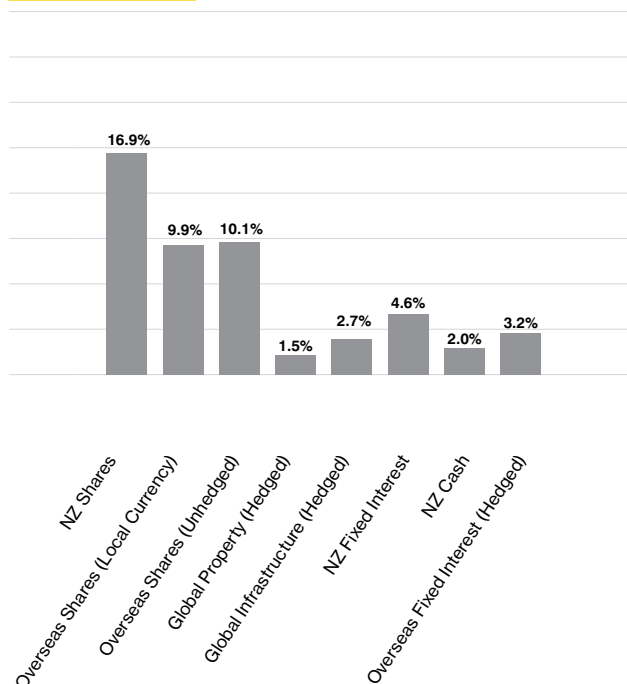
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Financial Markets For Periods Ended 31 March 2018

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

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