

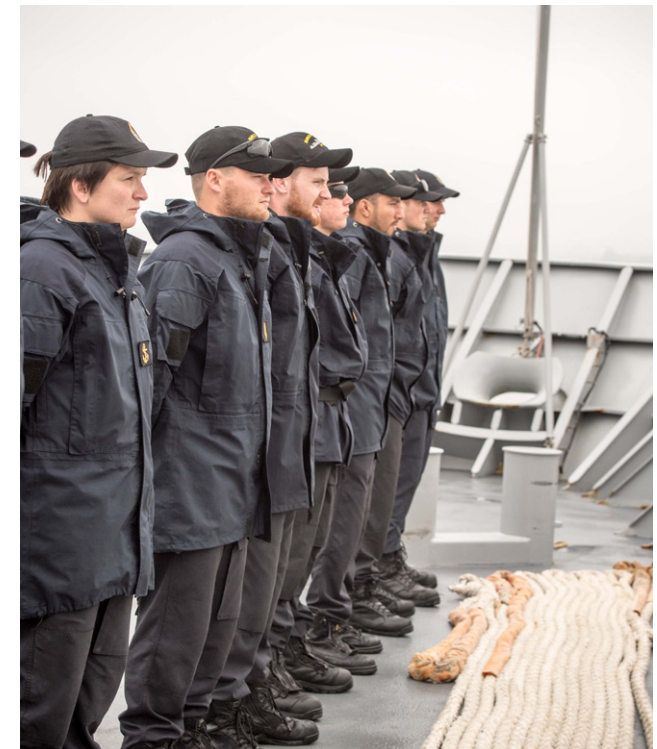
# MONTHLY REPORT

For the period ended 31 October 2018

## October in a snapshot

- Markets took a turn away from recent positive trends in prior months. The ups and downs in the market appear to have been caused by uncertainty from the US mid-term elections and ongoing international trade negotiations.
- New Zealand market performed marginally better than other developed share markets, albeit, still impacted by poor international performance.
- If you are concerned about your savings balance going down, for advice related to your personal financial goals please contact the Milestone Direct advisers on 0508 645 378. Take a moment to review your investment option to ensure you are in the best fund(s) that aligns with your personal financial goals and risk tolerance.

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



# Monthly Commentary Ended 31 October 2018

Significant market ups and downs were experienced in October and some reports called it the “worst month in ten years” after many major global share markets had much of their year to date gains slashed. Globally, all shares markets struggled during the month with emerging markets (a group of countries in South America, Asia, Middle East, and some in Europe) and small companies caused global markets to lag. However, it's not all bad news as all fund options for NZDF Savings Schemes are still tracking favorably for the full year.

The MSCI World Index, representing developed share markets including the US, Canada, Europe, Australia and New Zealand, was down (-6.8%) for the month, a far change from the strong growth in recent months. Despite the magnitude of falls experienced during October, the VIX Index (a measure of expected future volatility) remained well short of the highs reached in February.

While the exact cause of the recent market ups and downs remains unclear, continued economic strength in the US, combined with comments from the US Federal Reserve Chairman that US interest rates are still a “long way from neutral” are being blamed for prompting investors to begin selling assets, such as shares which drags prices of these shares down.

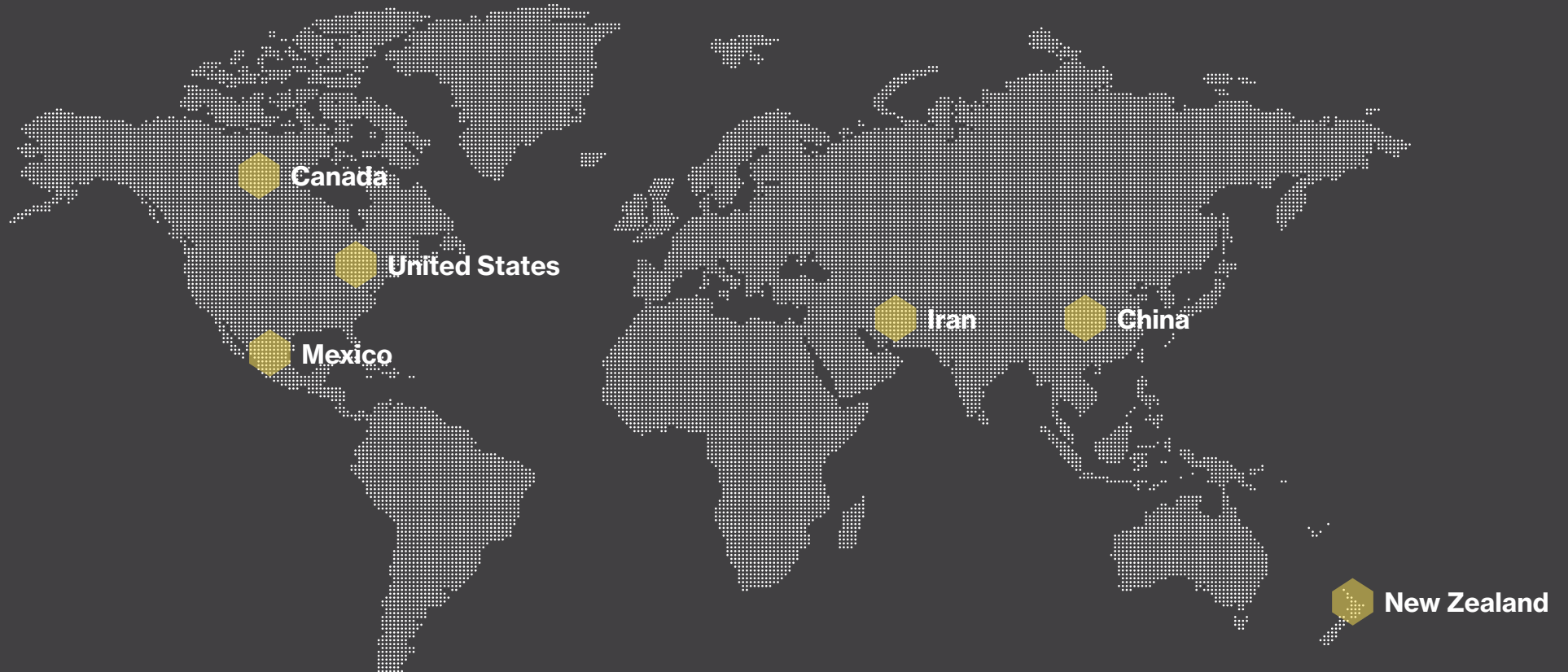
Investors are also closely watching the Chinese market particularly as it shows signs of an economic slowdown. Although there was progress on the United States-Mexico-Canada Agreement (USMCA), trade friction between the US and China remains as problematic as ever, with Chinese President, Xi Jinping, giving no indication that China is in a hurry to sign an agreement with the US.

The US mid-term elections also caused market uncertainty as several planned policies of the Trump Administration, could be out-voted (for or against), making it more difficult for new policies to be brought into law.

The New Zealand market did not perform much better than global markets, closing the month down -6.3%.



# Noteworthy developments include:



## Iran

Oil Prices peaked and slumped during October. Oil prices rose to a four year high amid rising fears of Iranian oil sanctions (making petrol at the pump more expensive), and then just as quickly fell, as investors dumped shares and risk-oriented assets like oil.

## US, Canada, Mexico & China

Although there was progress on the United States-Mexico-Canada Agreement (USMCA), trade friction between the US and China remains as problematic as ever.

## United States

The US mid-term elections took place on 6 November 2018. If the Republicans lost control of Congress or the Senate during this election, several planned policies of the Trump Administration could be halted.

## New Zealand

The New Zealand Stock Exchange has updated its listing rules in a bid to attract new listings and expand the relatively underdeveloped and illiquid (compared to other developed nations) New Zealand share market.



# Milestone Direct Monthly Commentary Ended 31 October 2018

As has been signaled as a possibility numerous times in previous monthly commentaries, investment markets experienced quite the downturn in October.

While no-one has a 'crystal ball' to see the future and know for sure if this sort of return will be a more common occurrence moving forwards, commentators nearly all agree that the great returns experienced for most of the last decade can't continue forever. That said, none of this really matters to those who've made the effort to ensure their investments are invested in a way that suits them – including how many years they intend to stay invested.

During times of increased uncertainty, it pays to stick with a “multi-manager” like Mercer. Mercer, who manage your investments, take great time and care to divide the overall investment portfolio of the NZDF funds among a range of different fund managers, and then provide the oversight. This approach enables Mercer to choose the best available fund managers for each portion of the invested funds, which is an approach that increases diversification and should mean less exposure to market volatility (volatility is the fluctuation in prices which are experienced in all investment markets). Quite surprisingly, despite the thorough and robust approach that Mercer take to achieve this, the NZDF funds still have below average fees – which means more stays in your investment.

It'd be the pleasure of one of our authorised financial advisers to assist you by discussing anything above, or discussing something else if you prefer. You can reach out by calling **0508 MILESTONE (0508 645 378)** or by emailing [info@milestonedirect.co.nz](mailto: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 a 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.



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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 October 2018

## New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
28% prescribed investor rate (PIR)	Cash	0.11	0.30	0.72	1.18
	Conservative	-1.12	-0.51	1.19	1.55
	Moderate	-1.78	-1.03	1.14	1.43
	Balanced	-2.82	-1.76	1.50	1.50
	Growth	-3.97	-2.54	1.79	1.61
	High Growth	-4.86	-3.01	2.29	1.95
	Shares	-6.54	-4.15	2.13	1.58
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
17.5% prescribed investor rate (PIR)	Cash	0.12	0.33	0.80	1.44
	Conservative	-1.14	-0.48	1.26	1.78
	Moderate	-1.79	-1.06	1.08	1.67
	Balanced	-2.85	-1.77	1.49	1.93
	Growth	-3.98	-2.53	1.71	1.87
	High Growth	-4.97	-3.09	2.12	2.24
	Shares	-6.54	-4.18	2.11	1.92
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %
10.5% prescribed investor rate (PIR)	Cash	0.13	0.36	0.88	1.45
	Conservative	-1.15	-0.47	1.29	1.83
	Moderate	-1.80	-1.04	1.13	1.77
	Balanced	-2.84	-1.76	1.47	2.04
	Growth	-3.95	-2.52	1.65	2.08
	High Growth	-4.92	-3.11	2.09	2.46
	Shares	-6.57	-4.23	1.99	1.98

### 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 2018

# Investment Returns For Periods Ended 31 October 2018

## New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.12	0.33	0.78	1.30	-
	Conservative	-1.12	-0.46	1.22	1.61	-
	Moderate	-1.76	-1.00	1.13	1.48	-
	Balanced	-2.81	-1.73	1.57	1.65	5.29
	Growth	-3.91	-2.48	1.81	1.54	5.98
	High Growth	-4.87	-3.03	2.19	1.87	7.48
	Shares	-6.51	-4.14	2.15	1.58	7.64
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.13	0.36	0.89	1.49	-
	Conservative	-1.12	-0.45	1.24	1.79	-
	Moderate	-1.76	-0.99	1.16	1.71	-
	Balanced	-2.84	-1.75	1.49	1.85	5.38
	Growth	-4.00	-2.55	1.69	1.87	6.63
	High Growth	-4.88	-3.12	2.03	2.08	7.66
	Shares	-6.53	-4.18	2.00	1.71	8.60
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.15	0.40	0.97	1.61	-
	Conservative	-1.13	-0.47	1.23	1.84	-
	Moderate	-1.77	-1.01	1.13	1.81	-
	Balanced	-2.86	-1.80	1.40	1.90	-
	Growth	-3.97	-2.54	1.62	1.94	-
	High Growth	-4.88	-3.09	2.03	2.30	-
	Shares	-6.57	-4.27	1.84	1.91	8.36

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# Investment Returns For Periods Ended 31 October 2018

## Defence Force Superannuation Scheme

PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.12	0.32	0.78	1.30	1.42	-
	Conservative	-1.12	-0.48	1.26	1.59	3.19	-
	Moderate	-1.78	-1.00	1.15	1.52	4.01	-
	Balanced	-2.84	-1.74	1.59	1.71	5.33	5.82
	Growth	-4.01	-2.54	1.76	1.57	6.44	-
	High Growth	-4.87	-3.10	2.18	1.87	7.54	-
	Shares	-6.53	-4.20	2.00	1.40	8.41	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.14	0.38	0.89	1.49	1.63	-
	Conservative	-1.14	-0.48	1.24	1.81	3.44	-
	Moderate	-1.79	-1.00	1.19	1.78	-	-
	Balanced	-2.86	-1.76	1.54	1.93	5.67	6.18
	Growth	-3.97	-2.53	1.77	1.91	6.73	-
	High Growth	-4.93	-3.14	2.02	2.18	7.95	-
	Shares	-6.54	-4.17	2.01	1.92	9.06	-
PIR	Fund	1 Month %	3 Months %	FYTD %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	-	-	-	-	-	-
	Moderate	-	-	-	-	-	-
	Balanced	-2.84	-1.79	1.44	2.03	5.84	6.37
	Growth	-	-	-	-	-	-
	High Growth	-4.90	-3.06	2.10	2.44	-	-
	Shares	-6.55	-4.19	2.02	2.09	-	-

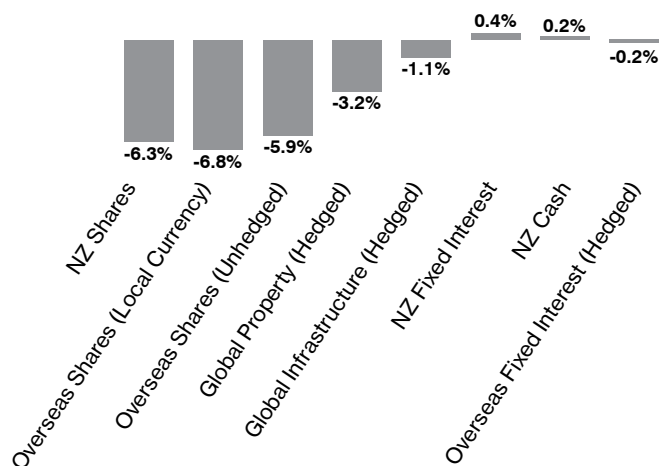
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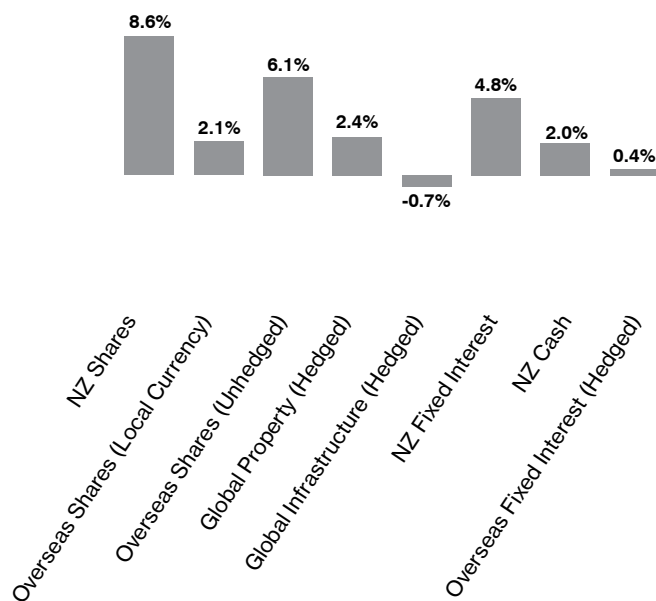
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# Financial Markets For Periods Ended 31 October 2018

## 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)

Bloomberg Global Aggregate

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