

NZ Estate & Tax Planning Council 18 November 2015

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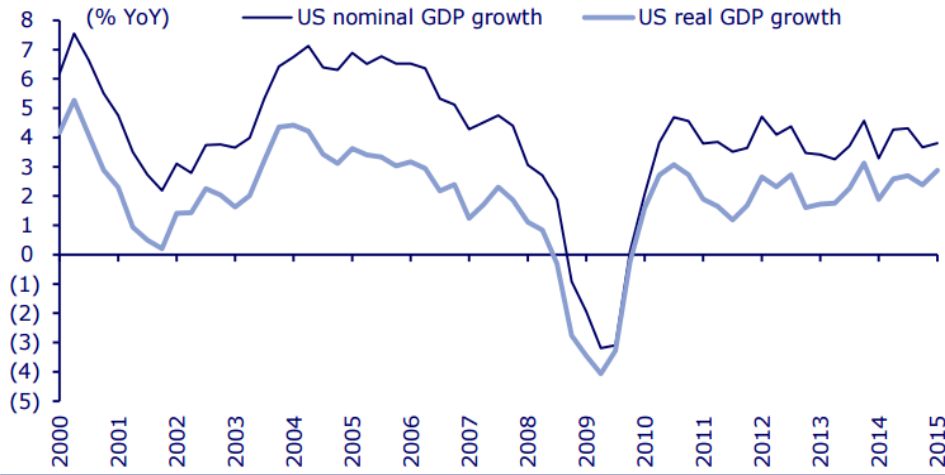
Should you require financial advice you should always speak to an Authorised Financial Adviser.



Global Economic & Market Outlook

US – Steady Expansion

US real and nominal GDP growth

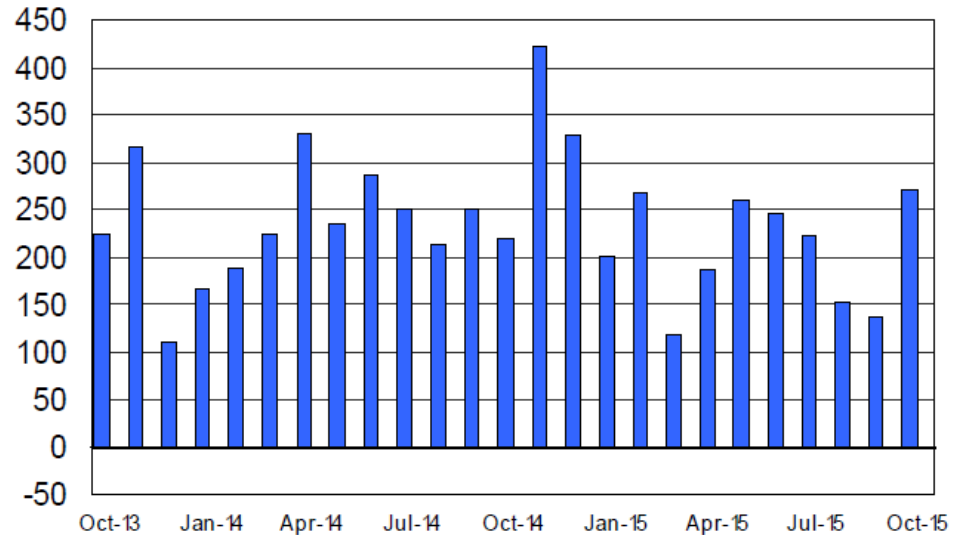


Source: US Bureau of Economic Analysis

- Steady GDP growth, 3.9% in Q2, 1.5% in Q3

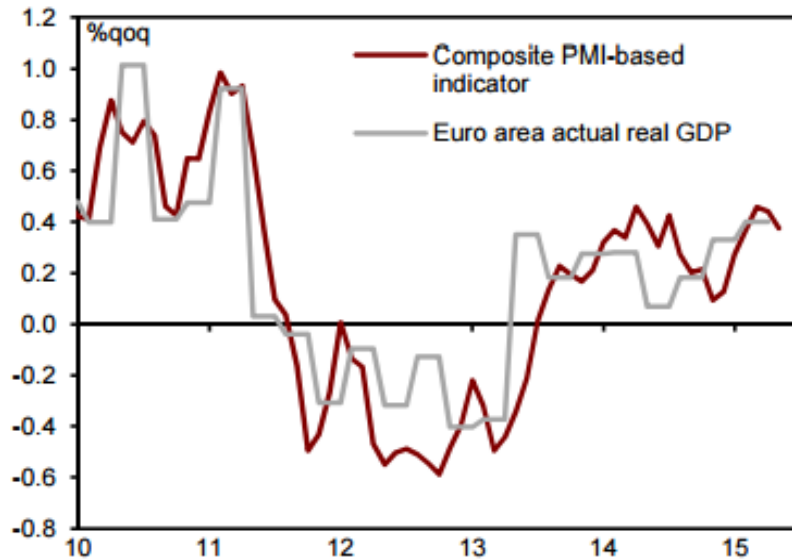
- Unemployment falling, 5.0% v 10.0% peak

Thousands



Europe – Green Shoots

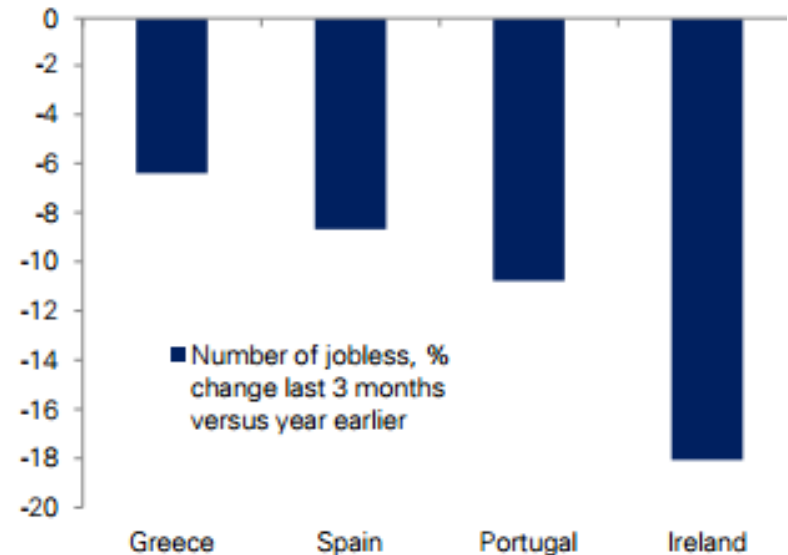
Euro area GDP, Composite PMI



Source: Haver Analytics, Goldman Sachs Global Investment Research

- Periphery employment improving

- Aggressive Central Bank policy spurring recovery

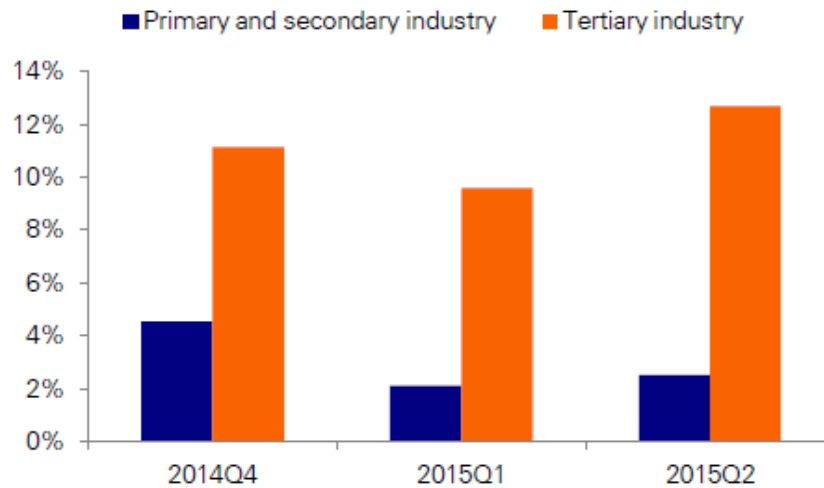


Source: Deutsche Bank

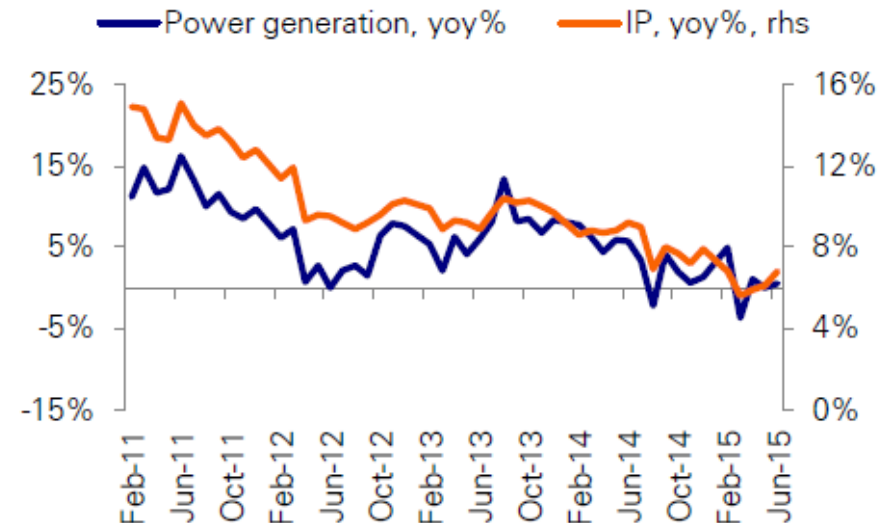
China – Walking a tightrope

- A large economy in transition. Risk abound but necessary

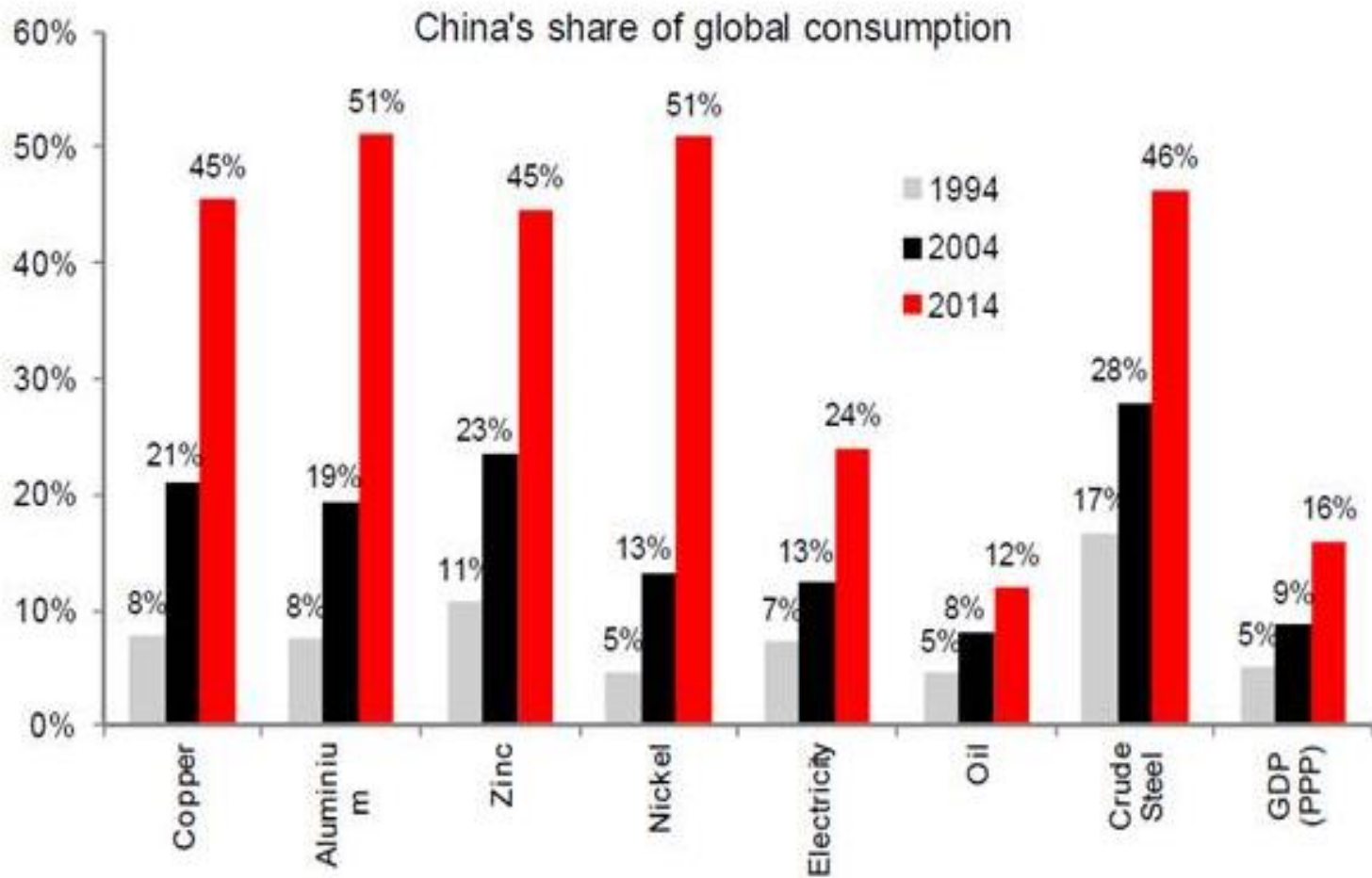
Figure 2: Nominal GDP growth by sector, yoy%



Source: Deutsche Bank, WIND



China has been key to commodity demand





New Zealand & Australia

New Zealand; Mixed but better than most countries

Performances since February 2014

NZX50 Gross Index	+19.6%
OCR	2.5% to 3.5% to 2.75%
House values;	
Auckland	+26.4%
Wellington	+2.1%
Christchurch	+2.5%
Dunedin	+7.0%
New Zealand	+10.8%
Total Residential mortgages	+9.6%
Whole Milk Powder prices	(55%)
Global Dairy Trade Index	(53%)

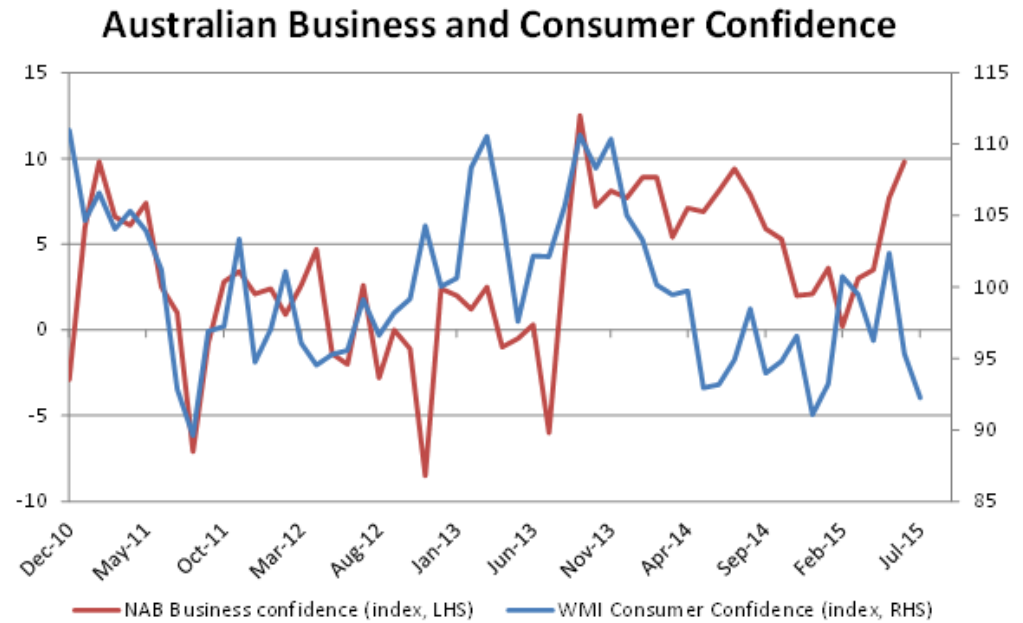
New Zealand – Economic Outlook

- **Tailwinds:**
 - immigration,
 - tourism,
 - low oil prices,
 - lower NZD,
 - low interest rates

- **Headwinds:**
 - Dairy prices,
 - China,
 - Auckland housing,
 - Consumer debt.

Australia – Economic Outlook

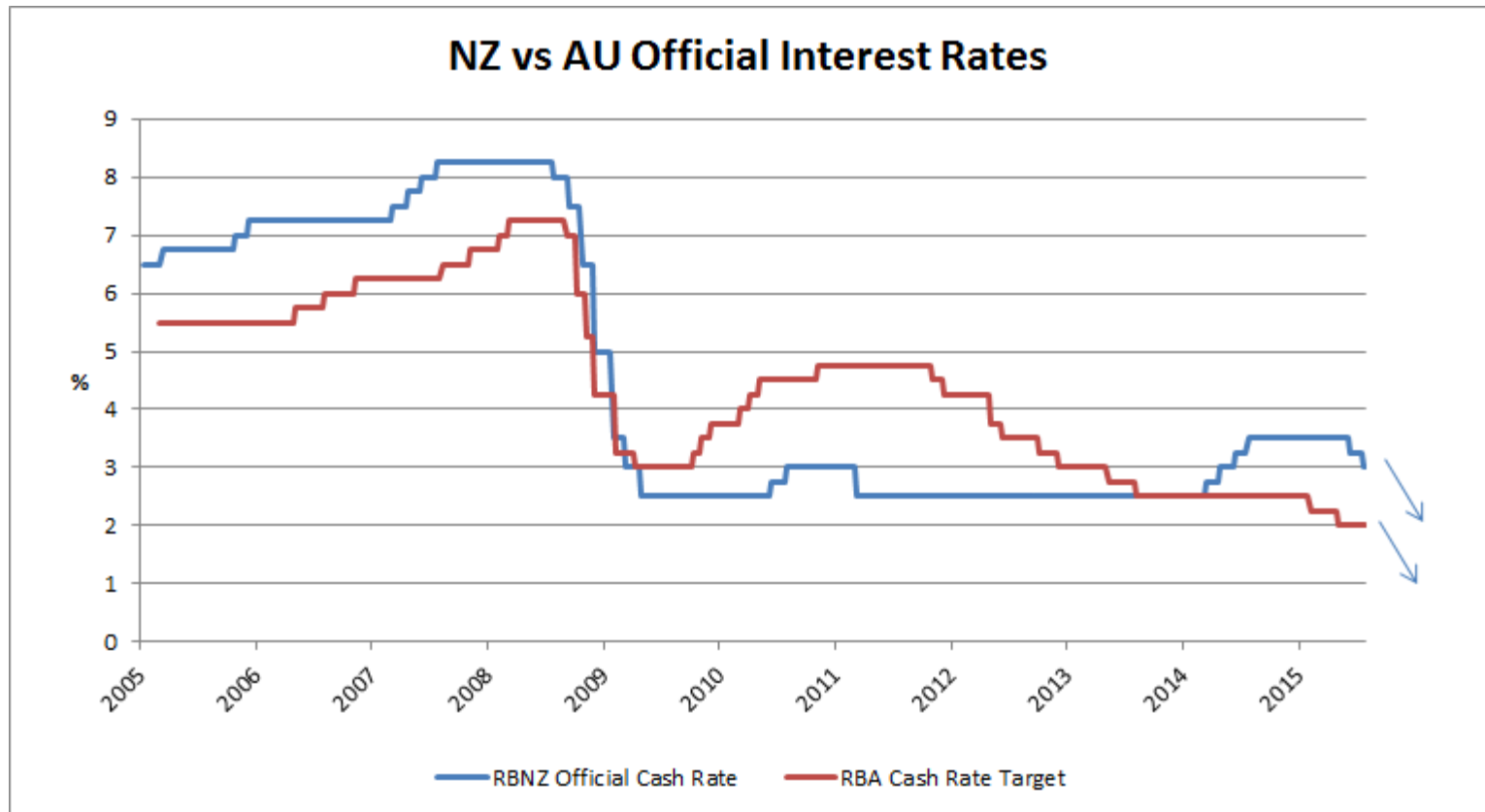
- Minor recent improvement...
- ...but still soft growth outlook
- Need for reform, new PM



- **Tailwinds:** lower interest rates, lower currency, housing markets
- **Headwinds:** falling mining investment, China, reduced government spending, lower confidence

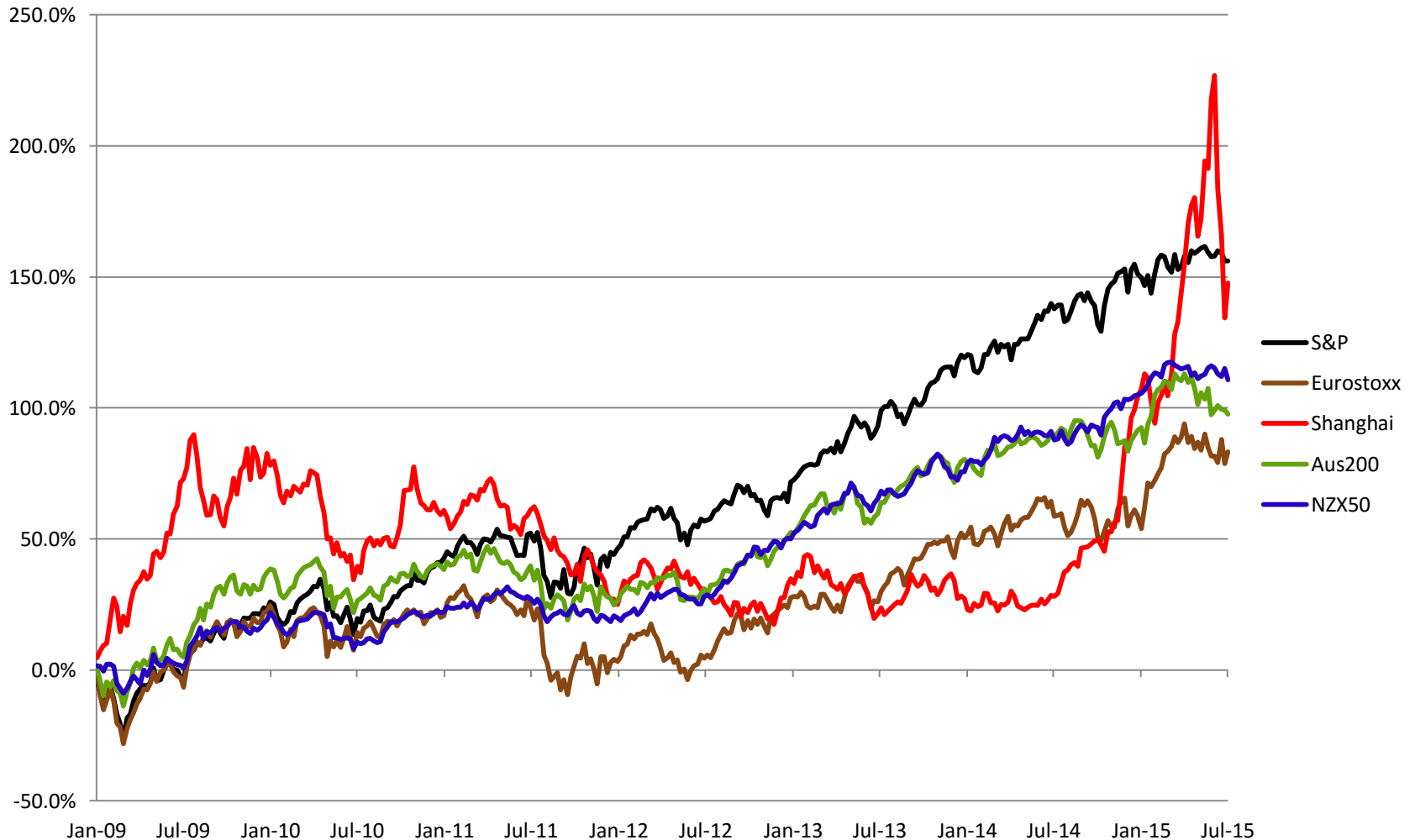
Official Cash Rates in NZ and Australia

- More cuts ahead for both, especially NZ



Markets since 2009

Cumulative Gains (incl. dividends) of Major Equity Markets



Outlook

- **Negative - Slowing economic growth & lower commodity prices**
- **Positive – Lower interest rates**

Issues

- **High valuations**
- **Earnings outlook**
- **Housing markets**
- **Interest rate policies**

Investment returns are expected to be lower in the years ahead

NZ Statistics – Managed Funds (\$b)

	KiwiSaver	Other	Total	Mortgages
1996	-	34.0	34.0	39.1
2004	-	50.9	50.9	88.8
Latest	29.7	93.9	123.6	210.2
'96-'15	+29.7	+59.9	+89.6	+171.1



Question and Answer Session



Thank You