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Extra Mile



Welcome to the Summer 2024 Edition of Extra Mile

I'm excited to introduce myself as a new member of the Milestone team, having joined in July after 25 years with ANZ. Based in Hamilton, I'm fortunate to also have an office in Whangamata, where I look forward to spending more time during the summer.

This year, we've seen a rebound in market confidence, driven by inflation edging closer to target ranges. In October, the S&P 500 Index and Dow Jones Industrial Average hit record highs before easing back. Notably, Nvidia has

had an exceptional year, soaring over 250% to become the world's largest company.

However, 2024 has also brought its share of global uncertainties. Ongoing conflicts in the Middle East and Ukraine, coupled with the drama surrounding the U.S. election and the aftermath of Trump's win, have left their mark on the U.S. and global economies.

Closer to home, New Zealand has faced challenges with the cost of living and subdued economic activity. In response, the Reserve Bank of New Zealand cut the Official Cash Rate to 4.25% last month—the third reduction since August. With the RBNZ closely monitoring data, another 50bp cut is possible in February.

Wishing you and your families a

joyful Christmas and a successful start to 2025!

Editor

Mary Potter



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The Year in Review

Icon of the Seas, the largest cruise ship in the world, embarked on its maiden voyage from Miami. It has 20 decks, can hold 7,600 passengers, and is longer than the Eiffel Tower is tall.

JANUARY

FEBRUARY

King Charles was diagnosed with cancer.

Vladimir Putin won the Russian Presidential election again.

MARCH

APRIL

Taylor Swift became the world's first musician to become a billionaire solely from songs and concerts.

Donald Trump was found guilty of 34 felony counts of falsified business records.

MAY

JUNE

642 million people voted in India's general election, setting the record for the world's largest election.

The Summer Olympic Games were held in France.

JULY

AUGUST

Regions around Athens, Greece were evacuated due to wildfires after the hottest June and July on record.

Norway became the first country in the world where electric cars outnumbered petrol cars.

SEPTEMBER

OCTOBER

Lebron and Bronny James became the first father-son duo to play in an NBA game together.

Donald Trump wins the US presidential election.

NOVEMBER

DECEMBER

Families here and around the world come together to celebrate the end of another busy and eventful year.

The Case for Emerging Market Equities: Unlocking Opportunities in a High-Valuation World



*John Stavliotis, Portfolio Manager,
Antipodes – Nov 2024*

As developed markets continue to hit record highs, valuations have reached levels that demand scrutiny. The premium for developed markets (DM) equities over emerging markets (EM) has surged to 55%, the highest in 20 years and significantly above the historical average of 16%. For value-conscious investors, this presents an extraordinary opportunity to explore the untapped potential of emerging market equities.

Many investors still perceive EM equities as risky, cyclical, and lower in quality. This view, however, doesn't reflect the reality of the diverse and dynamic opportunities these markets offer.

Defining Emerging Markets

When I talk about emerging markets, I'm referring to economies that are in the earlier stages of transitioning into modern industrial systems. These countries are characterised by rapid improvements in living standards and economic development. Emerging markets are often grouped together geographically, with Asia accounting for 70% of the universe. Latin America is the next largest region, followed by

smaller yet significant markets in the Middle East, Eastern Europe, and Africa. It's important to recognize the diversity within this asset class—some countries, like South Korea, have high GDP per capita but remain classified as emerging markets due to regulatory and market access limitations.

Why Consider Emerging Market Equities?

From an investor's perspective, emerging markets offer a combination of short-term cyclical exposure and medium- to long-term structural growth opportunities. In the short term, EM equities tend to move with broader market risk appetite. However, in the medium term, these investments provide exposure to the structural drivers of economic development within these countries. This structural growth is often uncorrelated with US market cycles, making EM equities an excellent diversification tool.

For instance, consider financial services in regions like the Philippines, where only half the population has access to a bank account. The growth potential in such markets is immense, driven by increasing wealth and financial inclusion over time.

Valuation Gaps: A Rare Opportunity

The valuation disparity between developed and emerging markets is currently at an extreme. Developed markets have historically traded at a premium to emerging markets, but the current 55% premium is unprecedented. This disparity has largely been driven by the concentration of investments in large-cap US tech stocks, pushing developed market valuations to extraordinary levels.

For investors, this creates an opening to access high-growth markets at much more reasonable prices. It's a rare opportunity that demands attention.

Emerging Trends Across EMs

There are several trends that make emerging markets particularly exciting right now:

- 1. Cyclical Recovery:**
Many emerging markets, including China, are exiting cyclical slowdowns with the help of economic stimulus. This sets the stage for a recovery that is already gaining momentum.
- 2. Consumer Modernization and Premiumization:**
As wealth levels rise in

emerging markets, consumers are shifting toward modern retail formats and premium goods. For instance, in Mexico, modern convenience stores are increasingly replacing traditional “mom-and-pop” shops, reflecting a significant structural shift in consumer behaviour.

3. Financial Inclusion:

With rising wealth, access to financial services is expanding. Investing in financial institutions in markets like the Philippines offers exposure to a long-term growth trajectory.

4. Industrial Expansion:

The manufacturing supply chain continues to evolve in emerging markets. While China has long been a hub for manufacturing, other countries like Vietnam and Mexico are capitalizing on trends such as nearshoring and low-cost labour, driving industrial growth.

5. Governance Reforms in North Asia:

In North Asia, including Japan, Korea, and China, we’re seeing a push for corporate reforms focused on improving return on equity, shareholder returns, and operational efficiency. These changes reflect a broader transition from early-stage development to mature, efficient economies.

Dispelling Misconceptions About Emerging Markets

One of the biggest misconceptions about emerging markets is that the companies are inherently cyclical and of lower quality. While there are companies that fit this description, there are many others with high return on equity, strong management, and robust corporate governance. These companies often operate with high barriers to entry and are tied to structural economic drivers unique to their regions. Moreover, the growth cycles of these businesses are often uncorrelated with US markets, making them valuable diversification assets.

Conclusion

The current valuation gap between developed and emerging markets highlights a unique moment for investors. Emerging markets offer much more than just high-risk, cyclical exposure—they present an opportunity to tap into high-quality companies with strong structural growth potential.

As the world shifts its focus toward sustainable and long-term growth opportunities, emerging markets stand out as a critical component of a well-rounded investment strategy. The misconceptions surrounding EM equities often obscure their true potential, but for those willing to explore, the rewards can be substantial.

Investors should consider this disparity not as a risk but as an opportunity to diversify their portfolios and position themselves for the growth story of the next decade.

Vertical SaaS is devouring software - and AI is hungry for the next bite

In 2011 Andreessen Horowitz, founder of a16z, famously said “software is eating the world”, making the prediction that, over the next decade, the world would see many industries be disrupted by software.

Be ready to pack your bags, Perhaps some of the more prominent examples were how Netflix gutted Blockbuster and the suicide of Borders as it handed over its online business to Amazon under the theory that online book sales were unimportant.

Today, software companies are

competing much more among themselves, with established players having to defend their market positions. Zoom overtook Skype by offering an intuitive interface, high-quality video, and seamless scalability. Salesforce became the dominant global Customer Relationship Management (CRM) player delivering scalability and accessibility that on-premise solutions like Siebel Systems simply could not match. This shift to Software-as-a-Service (SaaS) didn't just disrupt the traditional CRM market, it fundamentally transformed it, enabling businesses of all sizes to leverage powerful CRM tools

without the hefty upfront costs.

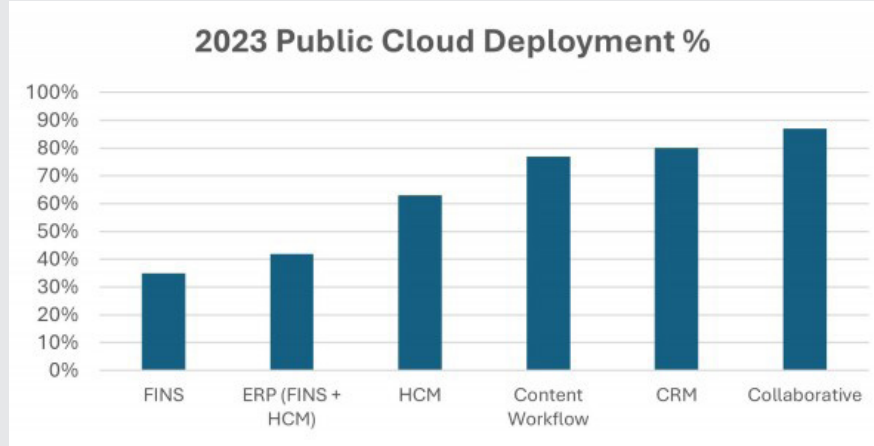
Today we see overwhelming adoption of cloud-based applications across industries. Collaborative tools and CRM systems are leading with more than 80% penetration as they leverage the cloud's capacity to integrate and scale with ease. Enterprise software (ERP) currently lags. Tethered by legacy systems and regulatory caution, incumbent software players (e.g. Oracle and SAP) may sometimes use their heft to force the adoption of sub-par, expensive products. While that may have worked in the days of on-premise solutions when it was expensive and time-consuming

to rip out established solutions, new-aged competitors such as Shopify's cloud-based offering allow for quick implementation and scaling. We have seen this with Kylie Jenner's Cosmetics creating a billion-dollar business on Shopify within three years.

We believe vertical SaaS may erode legacy incumbents' market positions in select industries by offering superior services and customer experiences. This shift could ultimately narrow the gap between ERP and other cloud-based application penetration.

For enterprise customers, vertical software offers a more compelling proposition than horizontal software's, one-size-fits-all approach. By addressing a particular sector's unique needs and challenges, vertical solutions can offer specialised features and workflows directly relevant to their customers. Compliance becomes less of a hurdle, as these solutions are built with industry-specific regulations in mind. Pre-configured for their industries, they enable faster implementation with less customisation required. Vendors of vertical SaaS may bring deep domain expertise, providing valuable insights and support that generic software can't match. The message is clear: vertical SaaS is empowering enterprises to adapt swiftly and efficiently, and those who embrace these specialised solutions may lead the next wave of innovation.

A prime local example is Gentrack Group, which provides pricing, billing, and CRM software to the global energy and utilities industry. Gentrack aims to displace Oracle and SAP with its cloud-based offering, allowing customers to quickly adapt to tariffs and smart meter capabilities. Meanwhile, Oracle and SAP must redesign their software to accommodate real-time smart meter monitoring, forcing customers to reconsider their platforms as they phase



out their on-premise solutions. We believe Gentrack is well-positioned to lead the next phase of digitising the energy and utilities industry.

SaaS has fundamentally transformed security, reliability, and operational agility for users. Few internal IT teams can match the resources that cloud vendors dedicate to cybersecurity monitoring, patching, and R&D (Research and Development). Cloud solutions can offer layers of mitigation against sudden demand spikes, employing failover options to prevent slowdowns and outages. Companies can now treat IT as an operating expense, paying only for what they use, eliminating the need for large maintenance-focused IT teams managing data centres and hardware. With no hardware to buy or software to install, IT teams can deploy new cloud applications swiftly, giving users immediate access to the latest capabilities without the hassle of manual upgrades.

The software industry has undergone several major re-platforming cycles—from mainframes to client-server architectures in the 1990's, and from on-premise solutions to the cloud over the past decade. Now, the integration of AI capabilities is set to drive significant changes in software functionality. As Jensen Huang, CEO of Nvidia, aptly noted:

“Software is eating the world, but AI is going to eat software.”

Despite prevailing sentiments, we believe software businesses must proactively shift from being systems of record to systems of intelligence—building their software with an agentic AI focus first mindset. Front-end applications tied to databases like Oracle and supported by manual workflows will likely be overtaken by AI-native applications built on AI-native databases, where the database takes centre stage—fundamentally transforming how enterprise software operates.

Locally, both Serko and Vista Group are embracing AI to transform their industries. Serko is developing an agentic AI platform for corporate travel management, aiming to enhance efficiency and user experience. Meanwhile, Vista is creating predictive AI solutions to match moviegoers with films based on their viewing habits, enabling cinemas to target their marketing efforts more effectively and reduce customer acquisition costs.

Conclusion

The enterprise software landscape is undergoing a significant shift from generic, horizontal solutions to vertical

SaaS applications tailored to specific industries. These specialised platforms offer industry-specific features and facilitate easier implementations. Simultaneously, the integration of AI is transforming software into systems of intelligence, enabling more efficient workflows and smarter decision-making.

Industry-level inflections like these have historically created attractive alpha opportunities for investors.

Source: <https://www.harbourasset.co.nz/research-and-commentary/harbour-navigator-vertical-saas/>

The shifting dynamics of Asia's export market



In recent years, the landscape of Asia's export market has undergone significant changes, driven by various factors including technological advancements, geopolitical shifts, and evolving consumer behaviors.

The need for sustainable and environmentally friendly practices is also becoming increasingly important. Exporters must find ways to balance economic growth with environmental responsibility to ensure long-term success.

While Asia's export market holds immense potential, it also faces several challenges. The region must navigate the above-mentioned factors and invest in technology and infrastructure to stay competitive.

Technological advancements

One of the most notable trends in Asia's export market is the resurgence of exports, particularly in the technology sector. Semiconductors have emerged as a driving force behind this growth, with demand for these critical components soaring.

The proliferation of technology and innovation across the region has fuelled the need for semiconductors, benefiting countries like South Korea and Taiwan.

Investment in infrastructure and technology is crucial for sustaining the growth of Asia's export market.

Countries in the region are increasingly focusing on enhancing their manufacturing capabilities and improving their export infrastructure. This investment is expected to drive economic growth and create new opportunities for exporters.

Additionally, the rise of digitalisation and e-commerce is transforming the way goods are traded, further boosting the region's export potential.

Geopolitical shifts

The U.S. economy has played a pivotal role in the recent uptick in Asia's exports. A strong U.S. economy has led to increased demand for Asian goods, providing a much-needed boost to the region's export market. This shift is evident in the significant rise in U.S. imports from Asia, which has had a positive impact on the overall export figures for the region.

However, this reliance on the U.S. market also poses risks, as any downturn in the U.S. economy could have adverse effects on Asia's exports.

China's dominant position in the global export market is shifting, complicated by weakening of its property sector and geopolitical tensions. As a result, other emerging markets in Asia are stepping up as drivers of Asian exports.

This shift highlights the dynamic nature of the region's export market and the need for countries to adapt to changing

circumstances.

Geopolitical tensions, particularly between the U.S. and China, have had a profound impact on Asia's export market, in particular the imposition of tariffs and trade barriers which has created uncertainty for exporters.

In the wake of the US election, concerns about such trade tensions are heightened.

As a result, countries across the region are increasingly diversifying their export markets and seeking new trading partners, underscoring the importance of stable and predictable trade policies for the growth of Asia's export market.

Changing behaviours

Another significant trend shaping Asia's export market is the evolving consumer behavior, particularly the rising demand for premium products. Consumers in countries like Japan and China are increasingly willing to pay a premium for high-quality goods. This shift in consumer preferences presents both opportunities and challenges for exporters.

On one hand, it opens up new markets for premium products; on the other hand, it requires

exporters to meet higher quality standards and invest in branding and marketing efforts.

Additionally, the COVID-19 pandemic has shaken up global trade and behaviours, and Asia's export market is no exception. The initial disruption caused by the pandemic led to a decline in exports, but the region has shown resilience and adaptability.

As economies recover and consumer demand rebounds, Asia's export market is poised for growth. However, the pandemic has also highlighted the need for robust supply chains and the importance of diversification to mitigate future risks.

The region's ability to adapt to these changes and leverage new opportunities will determine its future success. By investing in technology, diversifying export markets, and meeting the rising demand for premium products, Asia can continue to thrive in the global export market.

Sanjay Mathur is Chief Economist, Southeast Asia and India, ANZ

Source: <https://www.anz.com.au/bluenotes/2024/november/anz-news-mathur-asia-export-market/>

The Value of an Adviser

The 2024 Value of an Adviser report from Russell Investments underscores the significant advantages financial advisers provide to their clients. According to the annual analysis, the total value of an adviser in New Zealand is estimated at approximately 4.7% this year.

At Milestone, our focus is always on our clients. Our mission is to help them achieve their long-

term financial goals in an ever-changing and complex world.

This year, that has meant navigating the dual challenges of strong investment returns and the ongoing cost of living crisis. Through strategic asset allocation and active portfolio rebalancing, we ensure our clients' investments remain aligned with their risk profiles and objectives, even in steadily rising markets.

For KiwiSaver members, being in a default fund means adhering

to a 'balanced' investment mandate. While this may suit some, others could miss the chance to enhance their financial outcomes by adopting a more growth-oriented asset allocation aligned with their risk tolerance and investment goals. If you or someone you know is still in a default fund, now is a great time to consult your adviser.

Advisers also play a vital role in guiding clients away from emotional, reactionary decisions during periods of market volatility. For example, during

the market downturn in early 2020, many non-advised young KiwiSaver investors panicked, switching to more conservative funds—and unfortunately, some have yet to return to a fund better suited to their goals. Advisers help clients stay focused, tune out market noise, and remain on track toward their financial aspirations.

Advisers support clients through every stage of life, guiding them in making decisions as their circumstances evolve. Each client has unique needs, preferences, and considerations, leading to

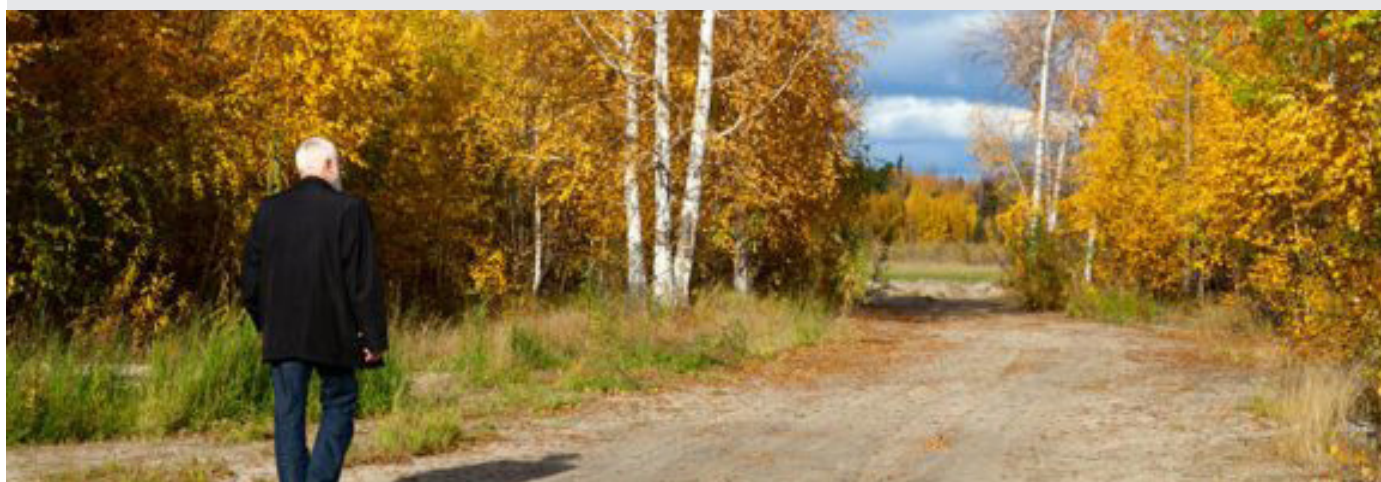
numerous decisions over their lifetime. Rather than working with clients in isolation, we also involve their family members. This collaborative approach allows us to gain a comprehensive understanding of their financial situation and goals.

Today, more parents are assisting their children in purchasing their first homes, grandparents are establishing education funds for grandchildren, and the “sandwich generation” is balancing the needs of aging parents with those of their own children.

We believe financial advisers play a pivotal role not only in navigating clients through diverse market conditions but also in supporting them through significant life events.

Beyond providing investment guidance, a skilled financial adviser becomes a trusted partner—offering peace of mind, emotional support, and clarity in managing complex financial decisions.

Setting up a Safer Walking Profile



If you, or a person you know is at risk of going missing when walking, then an initiative managed by Land Search & Rescue New Zealand can help if the Police become involved.

The Safer Walking Profile is a risk reduction tool designed for anyone who is at risk of going missing, including those with dementia or autism.

Making a profile will involve completing a Safer Walking form which asks you for information about the person at risk that can

be given to the Police at the time the person is reported missing.

It should be stored securely, in accordance with data protection laws, but where you can find it quickly.

Land Search & Rescue has also established WanderSearch, to assist with finding people at risk of going missing. This is a small, robust radio frequency signal transmitter.

If the person wearing a WanderSearch device does

go missing, they can be easily located by trained Police or Land Search & Rescue volunteers using specialist equipment to detect the individual specific radio frequency number of the device.

For more information, go to www.wandersearchnz.org.nz

Article sourced from Office for Seniors October 2024 newsletter

Protecting Yourself Against Fraudsters

Last month, Fraud Awareness Week focused on equipping New Zealanders with the knowledge to recognise phishing, impersonation, and online shopping scams, empowering them to take action and safeguard themselves and their families.

With only one in five scams estimated to be reported, the true impact on New Zealanders remains unclear.

The Own Your Online website (ownyouronline.govt.nz) is a valuable resource designed to

help Kiwis understand cyber security, learn its importance, and access practical tips for protecting themselves online.

The infographic below has some top tips to help keep you safe online.

Online security is becoming more important than ever. While there's no bulletproof way to prevent a cyber attack, here are some easy tips to help you keep your personal information safe and secure.

<p>Back up your data</p>  <p>Using an external hard drive or a cloud-based service, copy your data to another separate location so you can retrieve it if necessary.</p>	<p>Keep your operating system up to date</p>  <p>Updates often fix vulnerabilities that attackers can find and use to access your system. It's an effective way to help keep them out.</p>	<p>Install antivirus software</p>  <p>Free online antivirus software can be fake. Purchase antivirus software from a reputable company and run it regularly.</p>	<p>Choose unique passwords</p>  <p>Create unique passwords for each account – that way if an attacker gets hold of one of your passwords, they can't get access to all of your other accounts.</p>	<p>Set up two-factor authentication (2FA)</p>  <p>Choose to get a code sent to another device like your phone when logging in online – it helps stop hackers getting into your accounts.</p>	<p>Use creative recovery answers</p>  <p>Common security answers like your pets name or your school can be easy for an attacker to find out. Choose novel answers that aren't necessarily real.</p>
<p>Be cautious of free WiFi networks</p>  <p>Be careful using free Wifi and hot spots – they are untrusted networks so others could see what you are doing.</p>	<p>Be smart with social media</p>  <p>What you post on social media can give cyber criminals information that they can use against you. Set your privacy so only friends and family can see your details.</p>	<p>Don't give out personal info</p>  <p>Legitimate-looking emails are very clever at trying to trick us into giving away personal or financial information. Stop and check if you know who the email is from.</p>	<p>Check bank statements regularly</p>  <p>Keeping an eye on your bank statements could be the first tip-off that someone has accessed your accounts. Ring your bank immediately if you see something suspicious.</p>	<p>Get a regular credit check</p>  <p>An annual credit check will alert you if someone else is using your details to get loans or credit.</p>	<p>To report a cyber security problem, visit www.cert.govt.nz</p>

<https://www.ownyouronline.govt.nz/personal/get-protected/top-tips-for-online-security/>

New Zealand banks have recently introduced the new Confirmation of Payee service, designed to provide greater assurance when making payments. This system verifies that the name of the person you're paying matches the bank account details before the payment is processed.

Currently applicable to new online domestic payments only, the service aims to minimise the risk of sending money to the wrong person. By adding this extra layer of protection, it helps reduce the likelihood of scams and fraudulent transactions.

Recipes to Enjoy this Festive Season

Spinach Cobb Loaf

INGREDIENTS

- 1 cobb loaf
- 500g cream cheese, softened
- 1 small onion finely diced
- 2 cups of fresh spinach leaves, chopped (tightly packed)
- 1 cup grated tasty cheese
- 2 garlic cloves crushed
- Salt and pepper to taste

INSTRUCTIONS

1. Preheat the oven to 180 C
2. Cut the top off the cob loaf to form a lid
3. Gently remove the bread from the centre of the loaf and tear into small pieces.
4. In a bowl combine the cream cheese, onion, spinach, tasty cheese, garlic, salt and pepper. Use a food processor if that's easier.
5. Put the mixed ingredients inside the cob and place the lid.
6. Bake in the oven for 50 mins
7. During the last 10 minutes, place the bread pieces on a tray and bake until crisp.
8. Serve with the bread pieces, raw vegetables or crackers

Chocolate Cherry Cheesecake

INGREDIENTS

- 250g plain chocolate biscuits
- 125g butter, melted
- 500g cream cheese, softened
- $\frac{3}{4}$ cup caster sugar
- 2 eggs
- 2 tablespoons cocoa powder, sifted
- 300g sour cream
- 300g cherries, pitted, halved
- Cherries and icing sugar, to serve

INSTRUCTIONS

1. Preheat the oven to 160 C/140 C fan-forced
2. Grease a 5.5cm deep, 24cm (base) springform pan.
3. Process the biscuits until the mixture resembles fine breadcrumbs. Add butter. Process to combine. Press the mixture over the base of the prepared pan. Cover and refrigerate for 30 minutes.
4. Using an electric mixer, beat cream cheese and sugar until smooth. Add eggs, one at a time
5. beating to combine. Beat in cocoa and sour cream until just combined. Fold in cherries. Spread over the biscuit base.
5. Bake for 35-40 minutes or until the centre is just firm. Turn off the oven. Cool in the oven for three hours with the door slightly ajar. Refrigerate overnight.
6. Top with cherries and dust with icing sugar.

BBQ Pork Ribs

INGREDIENTS

- 2 1/2-3kgs ribs on the bone
- 1 1/2 cups brown sugar
- 2 tablespoons paprika
- 1 tablespoon ground black pepper
- 1 tablespoon onion powder
- 1/2 tablespoon garlic powder
- 2 teaspoons chilli powder

GLAZE

- 400g can diced tomatoes
- cup bourbon
- 1/2 cup bbq sauce
- 1/4 cup worcestershire sauce
- 1/2 cup apple cider vinegar

INSTRUCTIONS

1. Pat ribs dry with a paper towel.
2. Combine 1/2 cup brown sugar with the spices and rub all over the ribs to coat. Cover and set aside all night in the fridge.
3. Preheat oven to 120C. Arrange ribs on two roasting trays and put 1/2 cup water in each one. Cover tightly with foil and bake for 4 hours or until the meat is tender.
4. Put the remaining cup of brown sugar in a saucepan over a medium heat. Add tomatoes, whiskey, sauces and vinegar. Cook stirring occasionally until glaze comes to the boil and thickens. Set aside.
5. Increase oven to 190 C. Remove foil from ribs. Brush with 1/4 of the thickened glaze and bake for 5 minutes. Brush with more glaze and bake until sticky.
6. Serve with the remaining glaze.

