

FUND UPDATE

FOR THE QUARTER ENDED 30 JUNE 2016



LIFETIME INCOME FUND

This fund update was first made publicly available on 28 July 2016

What is the purpose of this update?

This document tells you how the Lifetime Income Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Lifetime Asset Management Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The Lifetime Income Fund is designed to enable you to receive income for life (Lifetime Withdrawal Benefit¹), even after your investment runs out. The Lifetime Withdrawal Benefit you receive is insured and protected against the volatility of uncertain financial markets and the possibility of outliving your investment savings.

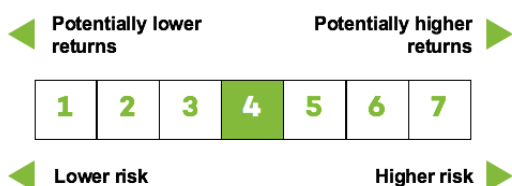
The Fund has two portfolios: the Balanced Portfolio and the Cash Portfolio. Most of the investment activities are carried out through the Balanced Portfolio. The allocation to the Cash Portfolio is to meet the Fund's annual commitments to investors and pay expenses. The allocation of investment between portfolios is different for each investor.

The Balanced Portfolio invests in low cost index funds or similar investments in New Zealand and internationally. This is combined with a risk management overlay (the Milliman Managed Risk Strategy) that is designed to manage market volatility and preserve capital.

Total value of the fund	\$1,111,416
The date the fund started	10 December 2016

What are the risks of investing?

Risk indicator for the Lifetime Income Fund²:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's

assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/calculators/investment-planner.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

The risk indicator is not a guarantee of a fund's future performance. Due to the absence of 5 years actual data and the volatility target sought to be achieved through a risk management overlay implemented by Milliman, we have calculated the risk indicator on the potential future volatility of the fund. While risk indicators are relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

The risk indicator for the Fund does not take into account the insurance that backs the Lifetime Withdrawal Benefit. We believe that this insurance is a significant feature of the Fund and that the risk indicator should therefore be read with this in mind.

See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

	Past year
Annual Return (after deductions for charges and tax)	Not applicable
Annual Return (after deductions for charges but before tax)	Not applicable
Market index annual return (reflects no deductions for charges and tax)	5.26%

The market index annual return is the asset allocation weighted benchmark index return, where indices are defined in the Statement of Investment Policy and Objectives. Additional information about the market index is available on the Offer Register at www.business.govt.nz/disclose.

What fees are investors charged?

Investors in the Lifetime Income Fund are charged fund charges. Based on the Product Disclosure Statement (PDS) dated 13 May 2016 these are expected to be²:

	% of net asset value
Total fund charges	1.00% (estimate ³)
Which are made up of:	
Total management and administration charges	1.00% (estimate ³)
Including:	
Managers basic fee	0.70%
Other management and administration charges	0.30%
Other charges	1.35% of the Protected Income base
Insurance premium ⁴	

Investors may also be charged individual action fees for specific actions or decisions (for example buy sell spread when investing or withdrawing from the fund and early withdrawal fees). See Product Disclosure Statement for the Lifetime Income Fund for more information on these fees.

Example of how this applies to an investor

Small differences in fees and charges can have a big impact on your investment over the long term.

Annabelle is age 65, invested \$100,000 in the Fund and elected to start her Lifetime Withdrawal Benefit of \$5,000 per annum. In the period⁵ of the example that equates to \$2,083 of Lifetime Withdrawal Benefit payments. The Lifetime Withdrawal Benefit is backed by insurance, the benefit payments do not fluctuate with the Fund's performance or fees and will be paid for life.

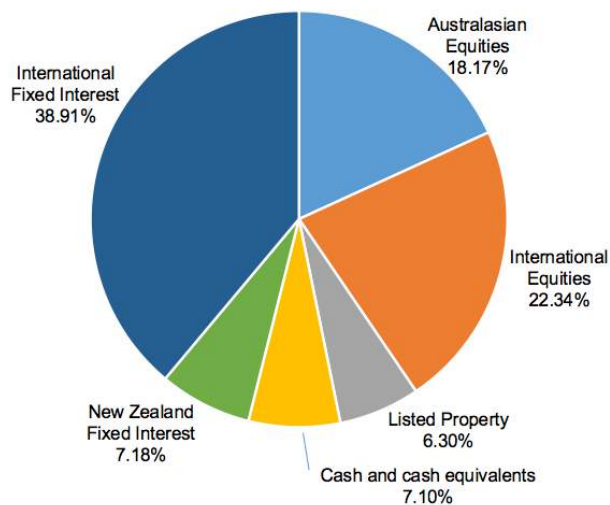
Annabelle, had \$100,000 in the Lifetime Income Fund at the start of the period⁵ to which the fund update relates and does not make any investor specific decisions, contributions or unplanned withdrawals in the period.

At the end of the period Anabelle, received a return of \$1,714 after fund charges were deducted (that is 1.75% of \$97,917; her initial \$100,000 less the \$2,083 Lifetime Withdrawal Benefits paid in the period). Anabelle also paid \$558 in other charges (Insurance Premium). This gives Anabelle a total return after tax of \$676 for the period.

What does the fund invest in?

Actual investment mix

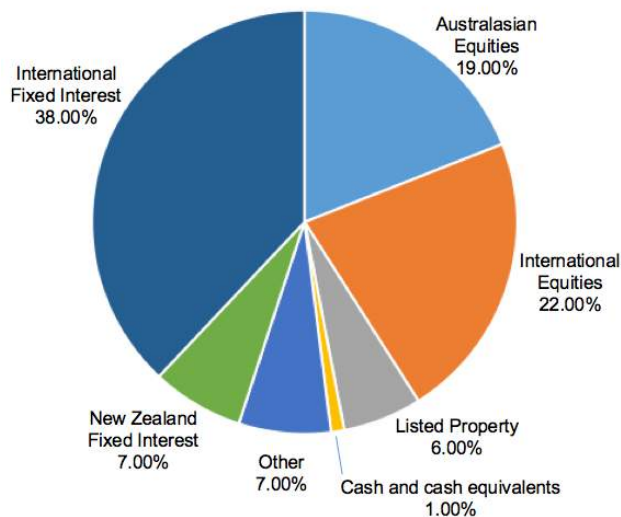
Actual investment mix for the Balanced Portfolio



The investment mix for the Cash Portfolio was 100% in cash or cash equivalents and at 30 June 2016 accounted for 4.04% of the total fund asset value.

Target investment mix

Target Investment mix for Balanced Portfolio. This shows the mix of assets that the fund generally intends to invest in.



The investment categorised as "other" are investments in the risk management overlay implemented by Milliman as described in more detail in the Statement of Investment Policy and Objectives (SIPO) for the Lifetime Income Fund.

The allocation of assets to the Cash Portfolio is dependent on the circumstances: age, when electing to start receiving Lifetime Withdrawal benefits and how long the investor has been invested in the fund. The Cash Portfolio's target investment mix is 100% in cash or cash equivalents.

Top 10 Investments

Name	% of Fund net assets	Type	Country	Credit rating if applicable
1. Vanguard International Fixed Interest Index Fund (Hdgd AUD)	17.81%	International fixed interest	Australia	N/A
2. Vanguard International Shares Index Fund (Hdgd AUD)	16.61%	International equities	Australia	N/A
3. Vanguard International Credit Securities Index Fund (Hdgd AUD)	10.83%	International fixed interest	Australia	N/A
4. Vanguard Australian Shares Index Fund	9.67%	Australasian equities	Australia	N/A
5. Vanguard Australian Fixed Interest Fund	8.83%	International fixed interest	Australia	N/A
6. Smart TENZ	7.83%	Australasian equities	New Zealand	N/A
7. Harbour NZ Short Duration Fund	6.91%	New Zealand fixed interest	New Zealand	N/A
8. Cash or cash equivalents (ANZ Cash Account)	6.82%	Cash and cash equivalents	New Zealand	N/A
9. ANZ Wholesale Cash Fund	3.70%	Cash and cash equivalents	New Zealand	N/A
10. Vanguard International Properties Index Fund (Hdgd AUD)	3.04%	Listed property	Australia	N/A

The top 10 investments make up 92.05% of the net asset value of the fund.

The International Vanguard funds currency hedge assets back to Australian dollar. The Lifetime Income Fund will commence currency hedging of assets to

New Zealand dollar once assets under management reach sufficient scale to allow efficient execution of the hedging strategy. More detail is set out in the Statement of Investment Policy and Objectives (SIPO) for the Lifetime Income Fund.

Key personnel

Name	Current position	Time in current position	Previous / other position	Time in previous / other position
Wade Matterson	Head of Practice (Australia) Milliman Inc	12 years, 0 months	Consultant Tillinghurst	6 years, 8 months
Jeff Gebler	Head of Portfolio Management (Australia) Milliman Inc	12 years, 0 months		
Michael Armitage	Head of Fund Advisory Milliman Inc	2 years 1 months	Director Hedge Fund Research Hedge Fund Manager - Alternative Investment Consultants Portfolio Manager - AlphaPoint Capital LLC Portfolio Manager - Sunrise Capital Partners LLC Vice President - Emerging Markets Debt Sumitomo Mitsui Banking Corporation	2 years 1 year 4 years 6 years 5 years
Adam Schneck	Head of Portfolio Management Milliman Inc	11 years 7 months		
Ram Kelkar	Head of Capital Markets Group Milliman Inc	8 years 0 months	Director of ALM and Derivatives Strategy - Allstate Insurance Managing Director - Citigroup	5 years 13 years

Further information

You can also obtain this information, the PDS for the Lifetime Income Fund, and some additional information from the offer register at www.business.govt.nz/disclose.

Notes:

¹ Lifetime Withdrawal Benefit is the minimum level of tax paid annual income (paid fortnightly or monthly depending on the option chosen on the Application Form) to an investor for life.

² The Fund is relatively new, the investment returns in the Fund are generated from the Balanced Portfolio, which has a volatility target sought to be achieved through a risk management overlay implemented by Milliman. We have calculated the risk indicator based on a method we reasonably consider reflects the potential future volatility of the Fund rather than basing it on historical returns (Total Returns Fund methodology, as defined by FMA Guidance Notes November 2015). Further details how we have calculated the risk indicator is available on the Offer Register on www.business.govt.nz/disclose.

³ The fund commenced on 10 December 2015, a full year has yet to be completed. Therefore, fee data estimated in the Product Disclosure Statement (PDS) for the fund has been used for the fund charges table and GST applied at current charge rates. The PDS version dated 13 May 2016 was used as this is the most recent version available at the time this fund update was made publicly available.

⁴ To provide investors with an income for life (Lifetime Withdrawal Benefit), even after the original investment has run out, there is a group insurance policy in place with Lifetime Income Limited a related party insurer. The Insurance Premium under this policy is paid from the investor's Cash Portfolio.

⁵ The period for the example is 01 February 2016 to 30 June 2016 as February 2016 was the first full month investors were present in the fund.

Contact us

If you have any enquiries about the Lifetime Income Fund or your investment please call us on 04 472 7902 or visit lifetimeincome.co.nz