

FUND UPDATE

FOR THE QUARTER ENDED 30 JUNE 2017



LIFETIME INCOME FUND

This fund update was first made publicly available on 28 July 2017

What is the purpose of this update?

This document tells you how the Lifetime Income Fund (**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 Fund is designed to enable you to receive income for life (Lifetime Withdrawal Benefit¹), even after your original 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 initial investment.

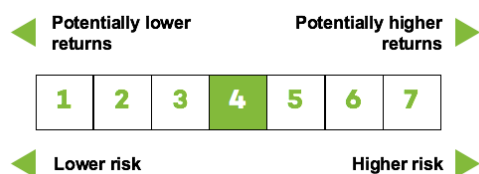
The Fund has two portfolios: Balanced Portfolio and the Cash Portfolio. Most of the investment activities are carried out through the Balanced Portfolio. The allocation to the Cash Portfolio is to meet the Fund's annual commitments to investors and pay expenses. The allocation of investment between portfolios 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	\$11,732,347
The date the fund started	10 December 2015

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 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.

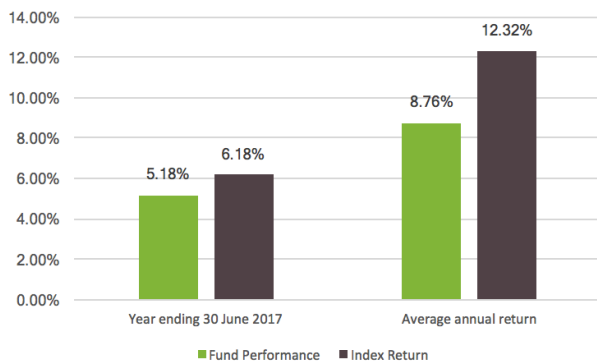
See the Product Disclosure Statement (**PDS**) for more information about the risks associated with investing in this Fund.

How has the fund performed?

	Past year
Annual Return³ (after deductions for charges and tax)	5.18%
Annual Return³ (after deductions for charges but before tax)	5.73%
Market index annual return (reflects no deductions for charges and tax)	6.18%

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 companiesoffice.govt.nz/disclose

Annual return graph



This shows the return after fund charges and tax for the year ending 30 June 2017. The latest bar shows the average annual return since the Fund started on 10 December 2015, up to 30 June 2017.

Important: this does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (**PIR**) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Fund are charged fund charges. For the period of this fund update they were:

	% of net asset value
Total fund charges	0.99%
Which are made up of:	
Total management and administration charges	0.99%
Including:	
Managers basic fee	0.22%
Other management and administration charges	0.77%
Other charges	
Insurance premium ⁴	1.35% of the Protected Income base

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). See the PDS for more information on these fees.

Example of how this applies to an investor

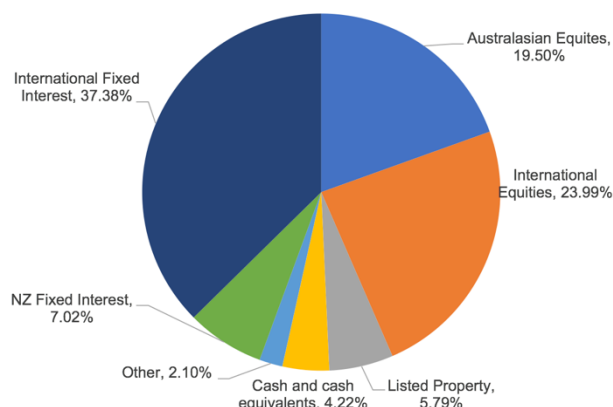
Small differences in fees and charges can have a big impact on your investment over the long term.

Susan had \$25,000 in the Fund at the start of the year and did not make any further contributions or choose to start receiving her lifetime withdrawal benefit. At the end of the year, Susan received a return after fund charges were deducted of \$1,432.50 (that is 5.73% of her initial \$25,000). Susan also paid \$337.50 in other charges. This gives Susan a total return after tax of \$1,095.00 for the year.

What does the fund invest in?

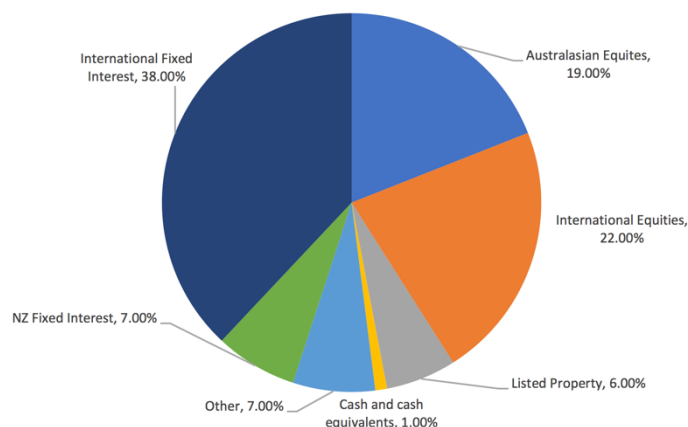
Actual investment mix⁵

Actual investment mix for the Balanced Portfolio.



Target investment mix⁵

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



The investment mix for the Cash Portfolio was 100% in cash or cash equivalents. As at 30 June 2017 the Cash Portfolio accounted for 2.39% of the total Fund asset value.

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 Shares Index Fund (Hedged AUD)	18.51%	International Equities	Australia	N/A
2. Vanguard International Fixed Interest Index Fund (Hedged AUD)	17.57%	International fixed interest	Australia	N/A
3. Vanguard International Credit Securities Index Fund (Hedged AUD)	10.96%	International fixed interest	Australia	N/A
4. Vanguard Australian Shares Index Fund	10.37%	Australasian equities	Australia	N/A
5. Smart TENZ	9.13%	Australasian equities	New Zealand	N/A
6. Vanguard Australian Fixed Interest Index Fund	8.85%	International fixed interest	Australia	N/A
7. Harbour NZ Short Duration Fund	7.02%	NZ fixed interest	New Zealand	N/A
8. ANZ Cash Account	4.22%	Cash and Cash Equivalents	New Zealand	N/A
9. Vanguard International Properties Index Fund (Hedged AUD)	2.96%	Listed Property	Australia	N/A
10. Vanguard Australian Property Securities Index Fund	2.83%	Listed Property	Australia	N/A

The top 10 investments make up 92.4% of the net asset value of the Fund.

The International Vanguard funds currency hedge

assets back to the Australian dollar. The Fund currency hedges all assets to New Zealand dollar. More detail is set out in the Statement of Investment Policy and Objectives (**SIPO**) for 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	13 years, 0 months	Consultant Tillinghurst	6 years, 8 months
Jeff Gebler	Head of Portfolio Management (Australia) Milliman Inc	13 years, 0 months		
Michael Armitage	Head of Fund Advisory Milliman Inc	3 years 1 months	Director Hedge Fund Research Alternative Investment Consultants	2 years
Adam Schneck	Head of Portfolio Management Milliman Inc	12 years 7 months		
Ram Kelkar	Head of Capital Markets Group Milliman Inc	9 years 0 months	Director of ALM and Derivatives Strategy - Allstate Insurance	5 years

Further information

You can also obtain this information, the PDS for the Fund, and some additional information from the Offer Register at companiesoffice.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 Financial Market Authority Guidance Note, November 2015). Further details on how we have calculated the risk indicator is available on the Offer Register on companiesoffice.govt.nz/disclose

³ The annual return for the Fund is for the Balanced Portfolio which is where the primary investment activity of the Fund takes place.

⁴ To provide investors with an income for life (i.e. Lifetime Withdrawal Benefit), even after their original investment has run out, we've arranged a separate insurance policy. This policy is provided by Lifetime Income Limited, a related party insurance company licensed by the Reserve Bank of New Zealand.

⁵ The investment categorised as 'other' are investments in the risk management overlay implemented by Milliman which includes a range of financial contracts across different countries as described in more detail in the SIPO for the Fund.