

Lifetime Income Fund

This fund update was first made publicly available on 29 October 2019.

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 (Lifetime) 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

This Fund is designed to enable you to receive an income for life, even after your original investment runs out. The Lifetime Withdrawal Benefit¹ you receive is insured and protected against the volatility of uncertain financial markets and the possibility of outliving your original investment. The Fund's investment objective is to deliver a target return of 6.50% per annum (before taxes and fees) and limit volatility to no more than 7.5% over the long term.

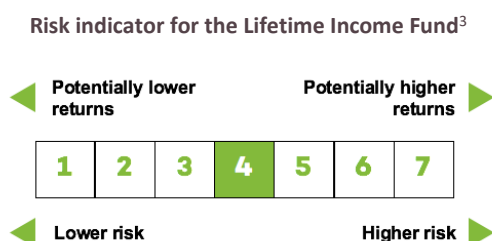
The Fund has two portfolios: A Balanced Portfolio and a Cash Portfolio which is combined with a risk management overlay (i.e. Milliman Managed Risk Strategy²). Most of the investment activities occur in the Balanced Portfolio which invests in low cost index investment funds or similar investments in New Zealand and internationally.

The allocation to the Cash Portfolio is made by Lifetime to meet the Fund's income for life commitments to investors and to pay expenses. The allocation of investment between the portfolios is different for each investor.

To provide investors with their Lifetime Withdrawal Benefit, Lifetime has 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.

Total value of the Fund	\$96,160,014
The date the Fund started	10 December 2015

What are the risks of investing?



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/tools/investor-kickstarter

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.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on an alternative methodology for calculating volatility due to the use of Milliman Managed Risk Strategy and is based on the potential future volatility of the Fund³. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.



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)	4.87%
Annual return (after deductions for charges but before tax)	6.09%
Market index annual return (reflects no deduction for charges and tax)	8.30%

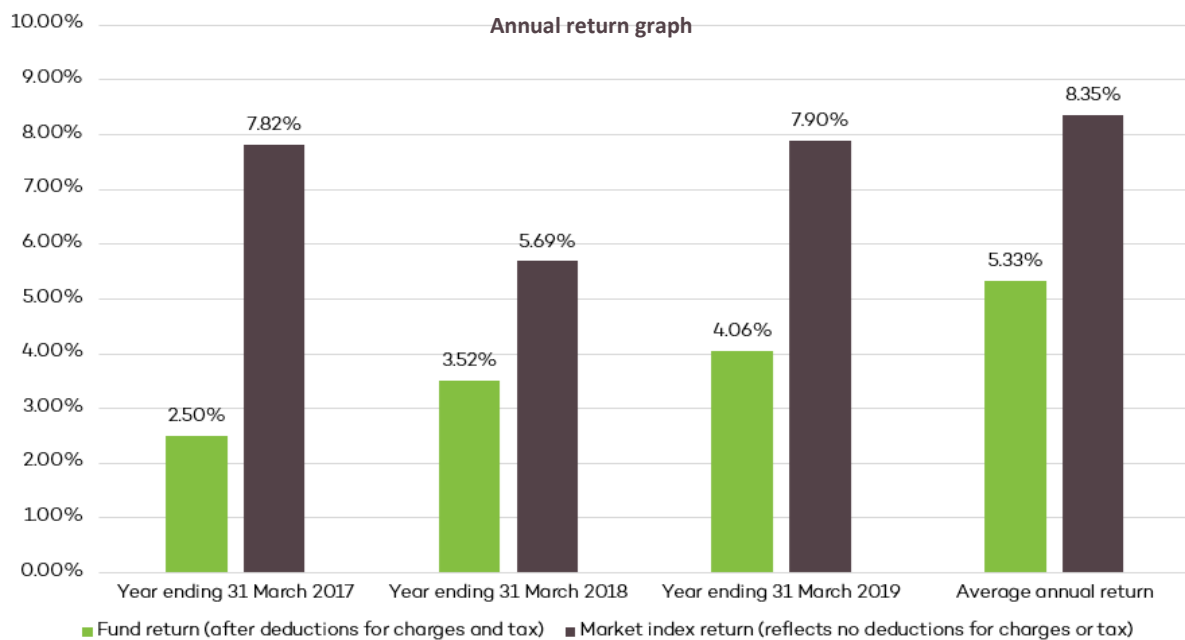
The market index annual return for the Balanced Portfolio is a composite index, calculated using the return of each asset class index the Balanced Portfolio invests in, weighted by the Fund's benchmark asset allocation. To the extent that imputation or franking credits are available, they are included in the market index. The market index has not changed since the Fund's inception.



See the Statement of Investment Policy and Objectives (SIPO) for details of the Fund's benchmark asset allocation and the asset class indices.



Additional information about the market index is available in the 'Other Material Information' document on the 'Offer Register' at disclose-register.companiesoffice.govt.nz (search for 'Lifetime Income Fund').



This shows the Balanced Portfolio return after fund charges and tax for each year ending 31 March since the Fund started. The last bar shows the average annual return since the Fund started, up to 30 September 2019.

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. In the year to 31 March 2019 these were:

	% of net asset value
Total fund charges	1.09%
Which are made up of:	
Total management and administration charges	1.09%
Including:	
• Manager's basic fee	0.44%
• Other management and administration charges	0.65%
Total performance-based fees*	0.00%
Other charges	
Income Guarantee Insurance Premium ⁴	1.35% (single investor) 1.75% (joint investor)

* There are no performance fees charged by the Fund.

All fees are inclusive of GST (if any).

Investors may also be charged individual action fees for specific actions or decisions (for example, buy/sell spread). See the PDS for more information about those 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.

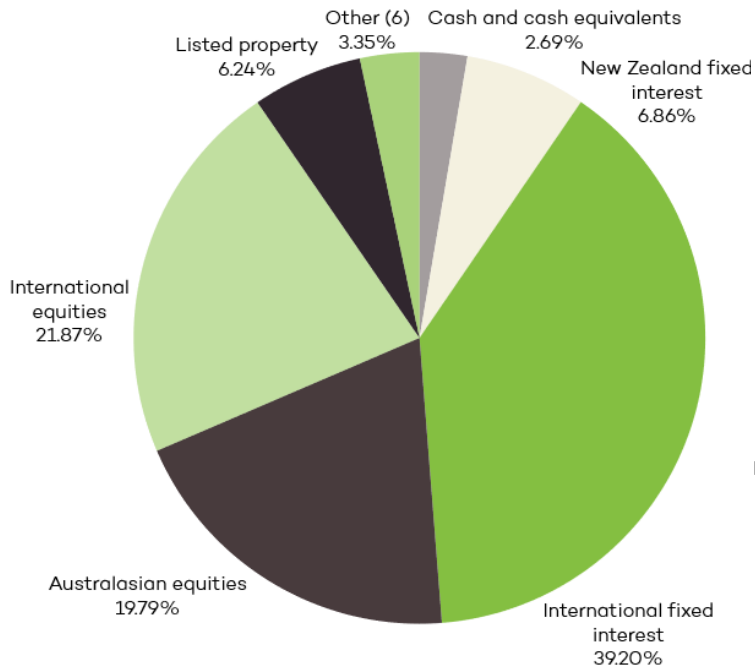
Example of how this applies to an investor

Ben had \$25,000 in the Fund at the start of the year and did not make any further contributions. At the end of the year, Ben received a return after fund charges were deducted of \$1,523 (that is 6.09% of his initial \$25,000). Ben also paid \$337.50 in other charges. This gives Ben a total return after tax of \$880.00 for the year.

What does the fund invest in?

Actual investment mix

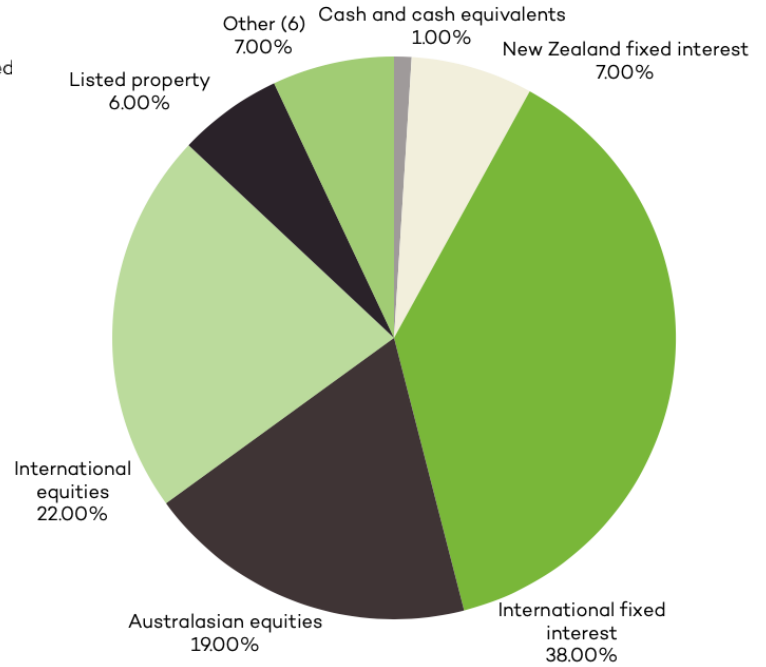
This shows the types of assets that the Fund's Balanced Portfolio invests in.



The investment mix for the Cash Portfolio was 100% in cash or cash equivalents as at 30 September 2019 and accounted for 3.73% of the total Fund asset value.

Target investment mix

This shows the mix of assets that the Fund's Balanced Portfolio generally intends to invest in.



The allocation of assets to the Cash Portfolio is dependent on the following circumstances: age, when the investor elects to start receiving their Lifetime Withdrawal Benefit 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	Percentage of the net asset value of the Fund	Type	Country	Credit rating (if applicable)
Vanguard Ethically Conscious Global Aggregate Bond Index Fund (Hedged Australian dollars)	17.87%	International fixed interest	Australia	-
Vanguard International Shares Select Exclusions Index Fund (Hedged Australian dollars)	16.37%	International equities	Australia	-
Vanguard International Credit Securities Index Fund (Hedged Australian dollars)	10.95%	International fixed interest	Australia	-
Vanguard Australian Shares Index Fund	10.11%	Australasian equities	Australia	-
SmartShares NZ Top 10 Fund (TNZ)	8.94%	Australasian equities	New Zealand	-
Vanguard Australian Fixed Interest Index Fund	8.92%	International fixed interest	Australia	-
Harbour NZ Short Duration Fund	6.60%	New Zealand fixed interest	New Zealand	-
ANZ Wholesale Cash Fund	3.17%	Cash and Cash Equivalents	New Zealand	AA-
Vanguard International Property Securities Index Fund (Hedged)	3.05%	Listed Property	Australia	-
Vanguard Australian Property Securities Index Fund	2.95%	Listed Property	Australia	-

The top 10 investments make up 88.93% of the net asset value of the Fund.

Currency hedging

Asset categories	Benchmark hedging rate	Benchmark range	Actual hedging level as at 30 September 2019
Cash and cash equivalents	No foreign exchange exposure	-	-
New Zealand fixed interest	No foreign exchange exposure	-	-
International fixed interest	100% hedged to New Zealand dollar	+ / - 5.00%	98.30%
Australasian equities	100% hedged to New Zealand dollar	+ / - 5.00%	98.30%
International equities	100% hedged to New Zealand dollar	+ / - 5.00%	98.30%
Listed property	100% hedged to New Zealand dollar	+ / - 5.00%	98.30%
Other ⁶	Dynamic hedging that is continuously changing	-	-



Additional information about currency hedging is available in the 'SIPO' on the 'Scheme Register' at disclose-register.companiesoffice.govt.nz (search for 'Lifetime Income Fund').

Key personnel

This shows the directors and employees who have the most influence on the investment decisions of the Fund.

Name	Current position	Time in current position	Previous or other position	Time in previous or other position
Dame Diana Crossan	Chair, Lifetime Asset Management Limited	3 years and 10 months	New Zealand Retirement Commissioner	9 years and 11 months
Sir Michael Cullen	Director, Lifetime Asset Management Limited	2 years and 7 months	Deputy Prime Minister of New Zealand	6 years and 3 months
Martin Hawes	Director, Lifetime Asset Management Limited	3 years and 10 months	Authorised Financial Adviser (<i>current position</i>)	16 years and 10 months
			Chair, Summer Investment Committee (<i>current position</i>)	3 years and 0 months
Wade Matterson	Practice Leader, Milliman (Australia) Inc	14 years and 10 months	Consultant, Tillinghast	6 years and 8 months
Ralph Stewart	Managing Director, Lifetime Asset Management Limited	5 years and 4 months	Chief Executive, Accident Compensation Corporation	1 year and 4 months

Further information



You can also obtain this information, the PDS for the Lifetime Income Fund, and some additional information from the offer register at disclose-register.companiesoffice.govt.nz (search for 'Lifetime Income Fund').

Notes

1. The Lifetime Withdrawal Benefit is the minimum level of tax paid annual income to an investor for life. See the PDS for more information about the Lifetime Withdrawal Benefit.
2. The Milliman Managed Risk Strategy aims to stabilise the volatility of the Fund during periods of significant and sustained market declines by using hedge assets (typically exchange-traded futures contracts). See the Other Material Information (OMI) document on the offer register at disclose-register.companiesoffice.govt.nz (search for 'Lifetime Income Fund') for more information about the Milliman Managed Risk Strategy.
3. The investment returns in the Fund are generated from the Balanced Portfolio, which has a volatility target sought to be achieved through the Milliman Managed Risk Strategy. Lifetime has 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 (i.e. Total Returns Fund methodology, as defined by FMA Guidance Notes November 2015). See the OMI for more information about the methodology for the calculation of the risk indicator.
4. Used to pay Lifetime Income Limited the income guarantee premium to ensure Lifetime can pay investors the Lifetime Income Benefit. Calculated daily as a percentage of the investors protected income base and is deducted each month from the Cash Portfolio by selling units. See the PDS for more information about the income guarantee premium.

5. The Goldman Sachs New Zealand dollar Trading Bank Account forms part of the Milliman Managed Risk Strategy which is categorised as 'other' for the purposes of the Financial Market Conduct Regulations 2014. However, for Top 10 Investments we are required to list the ten highest individual assets, which in the case of the Goldman Sachs New Zealand dollar Trading Bank Account is categorised as 'cash and cash equivalents'.

6. The investment categorised as 'other' is the Milliman Managed Risk Strategy. See the OMI for more information about the Milliman Managed Risk Strategy.

lifetime
RETIREMENT INCOME