

Market Commentary

Global equity markets fell dramatically in March as the true extent and financial impact of Covid19 became apparent. High volatility was the norm - with panic selling peaking mid-month, but risk markets bounced back strongly as devalued shares were bought up, and rescue / stimulus packages were announced. Interest rates are now very low with 10-year US government bonds at 0.65%, and the NZ dollar is now 0.5956 USD vs 0.6740 USD at the start of the year.

A synchronised global recession seems certain, with the key question being how long, and deep, will it be? Central banks and governments are throwing the monetary (interest rates) and fiscal (spending/tax) book at the problem, combining huge rescue and spending packages with vast liquidity injections and promises of continuing support.

Through this turmoil, our portfolios have performed relatively well. Our global thematic strategy (our main active equity selection process) has done well. Currency hedging of 50% has taken the edge off market falls as the NZD fell. High quality fixed interest portfolios are preserving capital well, while alternative diversifying investments are significantly outperforming shares.

Tumultuous markets create opportunities for active management - and the portfolio management teams are hard at work identifying and positioning for these. While volatility is expected to continue, with the possibility of new lows in coming months, we expect that the recovery will be fast when it comes, with markets anticipating and moving well before the headlines. This crisis will pass - with building well diversified and quality portfolios designed to survive and thrive in the upturn, remaining our key focus.

Portfolio Commentary

Lifetime Fixed Interest Trust

| | Units | Unit Price | Market Value | % |
|------------------|------------|------------|--------------|-----|
| Cash Fund | 195,195.72 | 1.0380 | 202,613.16 | 100 |
| Total | | | 202,613.16 | 100 |

Coronavirus fears dominated markets in March as they did in February. In March though, the fear turned into a reality as the virus spread much more aggressively across the world and the economic damage travelled with it. To counter this new reality, we saw unprecedented co-ordinated government and central bank intervention, which helped equity and credit markets recover towards the end of the month. The Cash Fund returned 0.01% before fees and taxes in March, below its benchmark the S&P/NZX Bank Bill 90-Day Index. The underperformance was due to credit spreads (the extra spread a company pays to borrow over the government) widening by a large amount over the month of March. In New Zealand, the Reserve Bank (RBNZ) cut interest rates on March 16th to 0.25% and stated that the rate would stay unchanged for the next 12 months. Then on March 27th the RBNZ announced they would also implement a Quantitative Easing (QE) programme to buy \$30 billion dollars' worth of New Zealand Government Bonds. This helped calm the NZ Government Bond market somewhat, after a vicious sell off following the announcement of a \$12.1 Billion-dollar government stimulus package. Furthermore, as I write this, the RBNZ has now added the NZ Local

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Kiwi Investment Management Wholesale Funds

Government Funding Authority (LGFA) bonds to their QE programme and has indicated they will buy \$3 billion dollars of their debt over the next 12 months. Almost every local council in NZ uses this institution for at least a portion of their borrowing, so the LGFA plays a key role in the NZ market and needs to function properly. Due to these new economic realities we have felt that it was prudent to reduce the amount of bank deposits in the portfolio, therefore over the month and into April as deposits matured, we replaced many with high-quality short-term bills and bonds. This included New Zealand Government (rated AA+), Transpower (AA) and LGFA (AA+). We expect this trend to continue as we get a better idea of the damage that has been done to the NZ and world economies.

Fund and Portfolio Returns*

| | Month % | 3 Months % | Year % | 3-Year % pa |
|---------------------------|---------|------------|--------|-------------|
| Cash Fund | 0.01 | 0.38 | 2.46 | n/a |
| Benchmark return** | 0.15 | 0.38 | 1.55 | n/a |
| Portfolio return | 0.01 | 0.38 | n/a | n/a |
| Benchmark return | 0.15 | 0.38 | n/a | n/a |

*The above returns are calculated on a time weighted basis. Returns for Funds and their respective benchmarks are calculated gross of foreign tax credits, whilst returns for Portfolio and its benchmark are calculated, net of foreign tax credits.

**S&P/NZX Bank Bill 90-Day Index

Monthly Transactions

| Event | Date | Description | Currency | Quantity | Price | Amount |
|----------|--------|----------------|----------|----------|--------|--------|
| Sell | 16 Mar | Cash Fund | NZD | 24.04 | 1.0379 | 24.95 |
| Expenses | 18 Mar | Management Fee | NZD | -24.95 | - | -24.95 |

Monthly Summary

| Description | MTD | YTD |
|-----------------------------------|------------|------------|
| Beginning Value | 202,618.59 | 0.00 |
| Net Contributions | 0.00 | 198,606.70 |
| Total Investment Gain/Loss | 19.52 | 4,261.63 |
| Income | 0.00 | 0.00 |
| Management Fees Paid | -24.95 | -255.17 |
| Other Expenses | 0.00 | 0.00 |
| Ending Value | 202,613.16 | 202,613.16 |

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Kiwi Investment Management Wholesale Funds

Lifetime VIP Balanced Fund

| | Units | Unit Price | Market Value | % |
|----------------------------|--------------|------------|--------------|--------|
| Growth Fund | 2,698,590.85 | 1.2913 | 3,484,690.36 | 52.8 |
| Fixed Interest Fund | 2,342,007.93 | 1.3200 | 3,091,450.47 | 46.9 |
| Cash | | | 18,000.00 | 0.3 |
| Total | | | 6,594,140.83 | 100.00 |

Global equity markets extended their decline in March as the true extent of the Covid-19 coronavirus outbreak and its economic cost became apparent. The MSCI ACWI returned -12.8% in local US dollar terms. High bouts of market volatility became the new norm, major sovereign yields broke through all-time lows and oil prices fell to their lowest level since 2002. Panic selling appeared to have peaked mid-month when risk markets bounced back as various rescue packages were announced across major economies. The Kiwi Wealth Growth Fund returned -8.33% on a gross of tax and fees basis for the month ended March, ahead of its benchmark which returned -11.38%. Both underlying Global Thematic and Global Quantitative strategies contributed positively to the excellent relative return outcome. Alternative assets once again stood out by producing positive returns in this negative environment. The NZ dollar further weakened over the month, which helped to buffer the overall absolute return of the Fund.

Portfolio wise, we continue to stick to our tested and proven strategies, by having conviction in quality companies while maintaining a well-diversified portfolio of liquid assets. Opportunities typically arise out of times like these and the team has been busy capitalising on these short-lived opportunities. There were no significant changes to the Growth Fund during March and the effective equity exposure is ~94.7%.

Coronavirus fears dominated markets in March as they did in February. However, in March, the fear turned into a reality as the virus spread much more aggressively across the world, and the economic damage travelled with it. To counter this new reality, we saw unprecedented coordinated government and central bank intervention, which helped equity and credit markets recover towards the end of the month. The Fixed Interest Fund returned -1.23% before fees and taxes in March, underperforming the S&P/NZX New Zealand Government Bond Index. This was due to an underweight to more volatile longer maturity bonds, whose prices increase more when interest rates decline. These bonds rose sharply in the face of the widening Coronavirus outbreak. If you've read many of our commentaries before, you'll know that we have been increasingly leery of credit markets, with the belief that we are far into the economic cycle and that low spreads were not compensating for the risks. Those main risks are i) credit risk, the risk that an issuer may not pay you back, and ii) liquidity risk, the risk that a bond cannot be sold fast enough without impacting the market (we've noted that banks that buy and sell government and company bonds have increasingly walked away from supporting bond markets). Our conservative stance (average credit rating AA) has proven correct, albeit few could have guessed that Covid-19 would be the catalyst for such a sell-off in company bonds. After seeking the safe haven of US Treasury (AA+) bonds as a rainy day fund as the crisis deepened, we were largely a seller of these in March, preferring to hold overnight cash (Westpac (AA-)). Similarly, we sold short maturity Rentenbank (AAA) and Transpower (AA-) bonds. We do own a few names in small size, like betting firm William Hill (BB+) and Hilton Hotels (BB+) that have been hit by quarantines but which are excellent franchises. Likewise, we also own a number of high-quality

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Kiwi Investment Management Wholesale Funds

Oil & Gas and energy infrastructure companies like BP Plc(A-), Chevron (AA-) and Williams Companies (BBB) whose bonds declined due to the oil price collapse. We sold down some of our retail finance company Ally (BBB-) position, on concerns over the US retail customer in the wake of a relatively poorly handled US Government response to the virus. Although the bonds of New Zealand airport companies have not declined in price significantly and have become fairly illiquid, we are looking for clarity from the Government for their support (which we expect). We own a couple percent in total, in the Fund, in Christchurch (BBB+), Wellington (BBB+) and Auckland Airport (A-) bonds, which we view as having strong asset value, but which obviously face a pretty challenging next 18 months. Indeed, as we write this, Auckland Airport has announced a \$1.2bn share offer.

Fund and Portfolio Returns*

| | Month % | 3 Months % | Year % | 3-Year % pa |
|----------------------------|---------|------------|--------|-------------|
| Fixed Interest Fund | -1.23 | 1.20 | 4.59 | 5.01 |
| Benchmark return** | -0.10 | 3.47 | 5.28 | 5.73 |
| Growth Fund | -8.33 | -11.24 | -0.63 | 6.71 |
| Benchmark return*** | -11.38 | -15.64 | -4.23 | 5.07 |
| Portfolio return | -5.16 | -5.87 | n/a | n/a |
| Benchmark return | -6.31 | -7.29 | n/a | n/a |

*The above returns are calculated on a time weighted basis. Returns for Funds and their respective benchmarks are calculated gross of foreign tax credits, whilst returns for Portfolio and its benchmark are calculated, net of foreign tax credits.

**S&P/NZX New Zealand Government Bond Index in NZ dollars

***MSCI All Country World Index, 50% hedged to NZ dollar

Monthly Transactions

| Event | Date | Description | Currency | Quantity | Price | Amount |
|----------|--------|--------------------|----------|-----------|--------|-----------|
| Sell | 17 Mar | Fixed Interest PIE | NZD | 476.45 | 1.3191 | 627.83 |
| Sell | 17 Mar | Growth PIE | NZD | 1,295.31 | 1.2900 | 1,674.06 |
| Expenses | 18 Mar | Management Fee | NZD | -1,674.06 | - | -1,674.06 |
| Expenses | 18 Mar | Management Fee | NZD | -627.83 | - | -627.83 |
| Sell | 31 Mar | Fixed Interest PIE | NZD | 6,151.28 | 1.3168 | 8,100.00 |
| Sell | 31 Mar | Growth PIE | NZD | 7,863.18 | 1.2600 | 9,900.00 |

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Kiwi Investment Management Wholesale Funds

Monthly Summary

| Description | MTD | YTD |
|-----------------------------------|--------------|--------------|
| Beginning Value | 6,955,289.39 | 0.00 |
| Net Contributions | 0.00 | 6,601,585.81 |
| Total Investment Gain/Loss | -358,846.67 | 14,976.42 |
| Income | 0.00 | 0.00 |
| Management Fees Paid | -2,301.89 | -22,421.40 |
| Other Expenses | 0.00 | 0.00 |
| Ending Value | 6,594,140.83 | 6,594,140.83 |

Lifetime International Companies Fund

Portfolio Value

| | Units | Unit Price | Market Value | % |
|--|--------------|------------|--------------|-----|
| Global Quantitative Fund – Hedged | 1,681,105.84 | 0.9034 | 1,518,711.02 | 68 |
| Global Quantitative Fund – Unhedged | 724,346.16 | 0.9982 | 723,042.34 | 32 |
| Total | | | 2,241,753.36 | 100 |

The Global Quantitative Fund returned -8.82% in March, 62 basis points ahead of the MSCI ACWI benchmark in NZ dollar terms, as Covid-19 spread globally and was declared a pandemic by the World Health Organisation. The impact on markets was severe, as many regions imposed stay-at-home orders and social distancing guidelines, forcing some parts of the economy to a standstill. Our best sectors for the month were Financials and Technology with our underweight to Banks and overweight to Technology across the board aligning with the relative performance of those sectors. Cisco and ASML led gains in Technology, while game developer Take Two Interactive, now part of the Communications Services sector, was the best overall position. Our worst sector was Energy where, despite our underweight, the names we held proved vulnerable to the weak demand picture. Our top-down macro positioning now favours Europe, and we continue to focus on those companies with attractive metrics across earnings quality, capital efficiency, valuations, sentiment and sustainability. Over the month, we've increased our allocation to Financials (Royal Bank of Canada, Ping An) while further trimming Energy (Devon, Canadian Natural Resources). Healthcare and Technology are our favoured sectors, while Energy and Materials remain out of favour.

Fund and Portfolio Returns*

| | Month % | 3 Months % | Year % | 3-Year % pa |
|--|---------|------------|--------|-------------|
| Global Quantitative Fund – Hedged | -13.06 | -20.68 | -14.75 | n/a |
| Benchmark return** | -13.33 | -20.68 | -10.89 | n/a |
| Global Quantitative Fund – Unhedged | -8.82 | -9.89 | -1.32 | n/a |
| Benchmark return*** | -9.44 | -10.39 | 2.65 | n/a |
| Portfolio return | -11.82 | -17.67 | n/a | n/a |
| Benchmark return | -12.16 | -17.68 | n/a | n/a |

*The above returns are calculated on a time weighted basis. Returns for Funds and their respective benchmarks are calculated gross of foreign tax credits, whilst returns for Portfolio and its benchmark are calculated, net of foreign tax credits.

**MSCI All Country World Index 100% hedged to NZ dollar

***MSCI All Country World Index in NZ dollars

Monthly Transactions

| Event | Date | Description | Currency | Quantity | Price | Amount |
|--------------------|--------|------------------------------|----------|------------|--------|------------|
| Sell | 9 Mar | Global Quant Fund - Hedged | NZD | 14,527.34 | 0.9637 | 14,000.00 |
| Sell | 9 Mar | Global Quant Fund - Unhedged | NZD | 6,037.43 | 0.9938 | 6,000.00 |
| Withdrawals | 11 Mar | Global Quant Fund - Hedged | NZD | -14,000.00 | - | -14,000.00 |
| Withdrawals | 11 Mar | Global Quant Fund - Unhedged | NZD | -6,000.00 | - | -6,000.00 |
| Sell | 16 Mar | Global Quant Fund - Hedged | NZD | 1,049.27 | 0.8285 | 869.32 |
| Sell | 16 Mar | Global Quant Fund - Unhedged | NZD | 427.09 | 0.8933 | 381.52 |
| Expenses | 18 Mar | Management Fee | NZD | -869.32 | - | -869.32 |
| Expenses | 18 Mar | Management Fee | NZD | -381.52 | - | -381.52 |
| Sell | 24 Mar | Global Quant Fund - Hedged | NZD | 11,433.61 | 0.8510 | 9,730.00 |
| Sell | 24 Mar | Global Quant Fund - Unhedged | NZD | 4,355.55 | 0.9574 | 4,170.00 |
| Withdrawals | 26 Mar | Management Fee | NZD | -9,730.00 | - | -9,730.00 |
| Withdrawals | 26 Mar | Management Fee | NZD | -4,170.00 | - | -4,170.00 |

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Kiwi Investment Management Wholesale Funds



NZ's
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Lifetime Income Limited
Monthly Portfolio Report
as at 31 March 2020
Wholesale Investor

Monthly Summary

| Description | MTD | YTD |
|----------------------------|--------------|--------------|
| Beginning Value | 2,580,985.03 | 0.00 |
| Net Contributions | -33,900.00 | 2,488,891.12 |
| Total Investment Gain/Loss | -304,080.83 | -234,296.15 |
| Income | 0.00 | 0.00 |
| Management Fees Paid | -1,250.84 | -12,841.61 |
| Other Expenses | 0.00 | 0.00 |
| Ending Value | 2,241,753.36 | 2,241,753.36 |

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