Lifetime Income Limited
Monthly Portfolio Report
as at 30 April 2020
Wholesale Investor

Kiwi Invest. NZ's smart money.

Market Commentary

Following the sharp sell-off in March, stock markets around the world posted impressive gains in April. The S&P500 index marked its best monthly return since 1987, while the longer-running Dow Jones industrial index saw the best April since 1938. In aggregate, our global benchmark MSCI All Country index (unhedged) rose 6.4%, retracing two-thirds of the prior fall.

While the headline market returns are encouraging, economic data released over the month suggests that we are not out of the woods by any means. The unprecedented global restrictions on people movement have caused a sharp rise in unemployment and workers surviving on reduced income. In the US alone, April saw over 20 million jobless claims, wiping out the economy's entire job creation in the past decade. As at the end of April, U.S. (-4.8%), China (-6.8%) and the EU (-14.4%) reported Q1 GDP contraction. Q2 is almost certain to fall further.

Oil prices continued their freefall in April as consumer demand declined sharply. At one point, both the spot prices and the futures contracts dipped into negative territory, implying that a daily supply surplus of over 12 million barrels was just not sustainable. The commodity found better footing towards the end of the month as a multilateral production cut was finally reached, closing at just under US$20 a barrel.

So, what drove the strong stock market performance amid these significant uncertainties?

Firstly, central banks and governments came to the rescue much more quickly than they did during 2008 global financial crisis. The US Federal Reserve announced unlimited Quantitative Easing just days after the outbreak, with the extended capability to purchase corporate bonds, and slashed interest rates to near zero. US Treasury also announced a series of relief packages worth over US$2.8 trillion.

Secondly, the pandemic induced shock on economic supply and demand was not a result of a structural breakdown like previous crises, giving economists hopes that once the virus is contained, the recovery path could be straightforward.

Thirdly, Q1 corporate results turned out to be better-than-feared, particularly among large cap technology stocks. While the impact of pandemic has caused many companies to withdraw their forward-looking earnings guidance, results showed steady growth prior to the outbreak in January.

While we appear to be moving past the peak of the curve for the first wave of Covid-19, it is premature to expect a V-shaped recovery until the health risk is stamped out globally. Our expertise across multiple asset classes, including, Cash, Fixed Interest, Equities and Alternatives, which deliver different return profiles have consistently generated risk-adjusted value-add for our clients who stay the course. Should your risk tolerance or financial circumstances change, our advisers are available to conduct a review (remotely) at all alert levels.

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Kiwi Investment Management Wholesale Funds

Portfolio Commentary

Lifetime Fixed Interest Trust

	Units	Unit Price	Market Value	%
Cash Fund	195,170.51	1.0404	203,055.40	100
Total			**203,055.40**	100

The Cash Fund returned 0.23% before fees and taxes in April, beating its benchmark the S&P/NZX Bank Bill 90-Day Index which returned 0.07%.

The Reserve Bank (RBNZ) continued to be the buyer of last resort for New Zealand Government bonds having announced in March that it will buy up to $30 billion (40%) of all outstanding bonds issued. This is widely believed to be a low number with $50-$60 billion expected to be the final tally. Indeed, the RBNZ was particularly aggressive in the market last month, purchasing ~13% of the outstanding, putting it on a track for that higher number as we issue bonds to pay for the Covid-19 crisis throughout the year. That brute force brought the interest rate on a 10-year NZ Government bond down 38 basis points from 1.22% at the start of the month to 0.84%. The suggestion by Westpac that the RBNZ may decrease rates to -0.5% by year end also helped push interest rates down. Could maverick Governor Orr go for negative interest rates, an unthinkable idea so few months ago? Our view right now is never say never to direct purchasing of bonds when it comes to the RBNZ, but they are likely to stick to their 0.25% for at least the next 12 months pledge they made in March. In any case, our banks just aren't ready for negative interest rates at the moment.

The above central bank action helped to drastically improve market function, improve liquidity and to bring down funding costs for issuers. This meant that yields on just about all short-dated debt that we can buy for the Fund dropped and prices recovered. We continue to run a more defensive portfolio with a higher than normal on call cash balance given the economic uncertainty that this pandemic presents and will likely continue to do so, until we have more clarity.

Fund and Portfolio Returns*

	Month %	3 Months %	Year %	3-Year % pa
Cash Fund	0.23	0.42	2.43	n/a
Benchmark return**	0.07	0.35	1.46	n/a
Portfolio return	0.23	0.41	n/a	n/a
Benchmark return	0.07	0.35	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*

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Kiwi Investment Management Wholesale Funds

Monthly Transactions

Event	Date	Description	Currency	Quantity	Price	Amount
Sell	15 Apr	Cash Fund	NZD	25.21	1.0393	26.20
Expenses	17 Apr	Management Fee	NZD	-26.20	-	-26.20

Monthly Summary

Description	MTD	YTD
Beginning Value	202,613.16	0.00
Net Contributions	0.00	198,606.70
Total Investment Gain/Loss	468.44	4,730.07
Income	0.00	0.00
Management Fees Paid	-26.20	-281.37
Other Expenses	0.00	0.00
Ending Value	203,055.40	203,055.40

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Lifetime VIP Balanced Fund

	Units	Unit Price	Market Value	%
Fixed Interest Fund	2,333,943.18	1.3545	3,161,326.04	46
Growth Fund	2,688,567.36	1.3934	3,746,249.75	54
Total			**6,907,575.79**	**100**

The Fixed Interest Fund returned 2.61% before fees and taxes in April, behind the New Zealand Government Bond Index benchmark. Share markets around the world rallied hard in April and the same was true for company bonds. Much of the sentiment change was due to the extensive intervention of governments and central banks which came with a bang in March and which continued to be refined in April. However, that same ebullience did not play out as expected in the less risky government bond markets. Usually a risk rally results in higher government bond interest rates (and hence lower prices) because investors sell them when times are good to buy riskier assets like shares. Much of the economic sentiment decline was already baked into the bond markets in March and the interest rate on a US 10-year government bond barely changed over the month moving from 0.67% at the beginning to 0.64% at the end. It's fair to say times are not good with US GDP -4.8% for the first quarter, a drop not seen since the Global Financial Crisis an which is likely to worsen. For sure there will be enormous issuance of new government bonds to pay for the variety of US government programs which in normal times should also push up interest rates. However, an ever-seemingly available US central bank, the Federal Reserve (Fed) has been there to sup these up. Likewise, the Reserve Bank (RBNZ) is the buyer of last resort for New Zealand Government bonds having announced in March that it will buy up to $30 billion (40%) of all outstanding bonds issued. This is widely believed to be a low number with up to NZ$55 billion expected to be the final tally. Indeed, the RBNZ was particularly aggressive in the market last month, purchasing 13.4% of the outstanding putting it on a track for that higher number as we issue bonds to pay for the Covid-19 crisis throughout the year. That brute force brought the interest rate on a 10-year NZ Government bond down 38 basis points from 1.22% at the start of the month to 0.84%. The suggestion by Westpac that the RBNZ may decrease rates to -0.5% by year end also helped push interest rates down. Could Governor Orr go for negative interest rates, an unthinkable idea so few months ago? Our view right now is never say never when it comes to the RBNZ, but they are likely to stick to their 0.25% for at least the next 12 month pledge they made in March. In any case, our banks just aren't ready for negative interest rates at the moment. We continued to focus on quality and liquidity in April, purchasing bonds of New Zealand Government (AA+), Australian Government (AA+), LGFA (AA+) and Housing New Zealand (AA+). We also took advantage of the Fed-induced credit rally to exit positions in hotel company Hilton Hotels (BB+), corporate and sporting caterer Aramark (BB+) and car loan provider Ally (BBB-) near 100 cents on the dollar. While we were comfortable that the three had adequate liquidity to make it through Covid-19, their bonds had all rallied to a point where the risk/reward didn't look attractive.

After a tumultuous March, global markets bounced back strongly in April. The MSCI ACWI returned 10.36% in local US dollar terms. While the COVID-19 infection continues to spread globally, some countries have begun to reopen their economies. Governments and central banks around the world have introduced massive stimulus measures which helped to restore market confidence and liquidity. While volatility has come down from earlier highs, there is still significant uncertainty around growth of the global economy over the coming quarters. The Growth Fund returned 7.95% on a gross of tax and fees basis for the month ended April, slightly behind its benchmark which rose 8.27%. The underlying Global Thematic strategy contributed positively while Global Quantitative contributed negatively. Alternative assets were also one of the drags as risky markets swung back up but nevertheless returned positively.

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. We reduced the Fund's allocation to alternatives in April to lock in some of the earlier gains however there were no other significant changes. The effective equity exposure stands at ~92.3% as of month end.

Fund and Portfolio Returns*

	Month %	3 Months %	Year %	3-Year % pa
Fixed Interest Fund	2.61	2.48	7.25	5.71
Benchmark return**	2.72	4.18	8.49	6.39
Growth Fund	7.95	-6.01	2.91	8.55
Benchmark return***	8.27	-9.79	-1.03	7.03
Portfolio return	5.42	-2.39	n/a	n/a
Benchmark return	5.77	-3.48	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
Withdrawals	**1 Apr**	**Growth PIE**	**NZD**	-9,900.00	-	-9,900.00
Withdrawals	**1 Apr**	**Fixed Interest PIE**	**NZD**	-8,100.00	-	-8,100.00
Sell	**15 Apr**	**Fixed Interest PIE**	**NZD**	502.74	1.3301	668.70
Sell	**15 Apr**	**Growth PIE**	**NZD**	1,127.88	1.3538	1,525.48
Expenses	**17 Apr**	**Management Fee**	**NZD**	-1,525.48	-	-1,525.48
Expenses	**17 Apr**	**Management Fee**	**NZD**	-668.70	-	-668.70
Sell	**21 Apr**	**Fixed Interest PIE**	**NZD**	7,562.00	1.3399	10,125.00
Sell	**21 Apr**	**Growth PIE**	**NZD**	8,895.61	1.3925	12,375.00
Withdrawals	**22 Apr**	**Growth PIE**	**NZD**	-12,375.00	-	-12,375.00
Withdrawals	**22 Apr**	**Fixed Interest PIE**	**NZD**	-10,125.00	-	-10,125.00

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Kiwi Investment Management Wholesale Funds

Lifetime Income Limited
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as at 30 April 2020
Wholesale Investor

Monthly Summary

Description	MTD	YTD
Beginning Value	6,594,140.83	0.00
Net Contributions	-40,500.00	6,561,085.81
Total Investment Gain/Loss	356,129.14	371,105.56
Income	0.00	0.00
Management Fees Paid	-2,194.18	-24,615.58
Other Expenses	0.00	0.00
Ending Value	6,907,575.79	6,907,575.79

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Kiwi Investment Management Wholesale Funds

Lifetime International Companies Fund

Portfolio Value

	Units	Unit Price	Market Value	%
Global Quantitative Fund – Hedged	1,680,324.87	0.9964	1,674,275.70	69
Global Quantitative Fund – Unhedged	724,012.67	1.0599	767,381.02	31
Total			**2,441,656.72**	**100**

The Global Quantitative Fund returned 6.22% in April, 0.22% behind the MSCI ACWI benchmark in NZ dollar terms, as equity markets regained some poise despite the dire economic outlook and a complete collapse in the WTI crude price mid-month. The equity market rally was poor quality however as sectors with poor fundamentals like Energy and Materials outperformed while more defensive sectors like Utilities and Staples underperformed. Value and Low Volatility were notable underperforming styles for the month. Our best sector for the month was Financials where underweights in underperforming mega caps HSBC and Berkshire Hathaway led benchmark gains. Trailing sectors were Healthcare and Communications where Biogen lagged the market on delays to its Alzheimer's drug Aducanumab. Our best position was eBay which was up nearly 20% on a surge in demand on the platform. We have started to target our top-down positioning more specifically, particularly favouring sectors more tuned to the lockdown environment like Technology and Healthcare, with stock selection favouring those companies with attractive metrics across earnings quality, capital efficiency, valuations, sentiment and sustainability. Over the month, we've increased our allocation to Healthcare and Communications (Novo Nordisk, Charter Comms) while trimming Financials and Consumer Discretionary (Munich Re, Kering). Healthcare and Technology remain 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	10.33	-11.52	-7.89	n/a
Benchmark return**	10.10	-12.12	-5.46	n/a
Global Quantitative Fund – Unhedged	6.22	-7.00	0.54	n/a
Benchmark return***	6.44	-7.51	3.29	n/a
Portfolio return	8.97	-10.29	n/a	n/a
Benchmark return	9.00	-10.72	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*

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Kiwi Investment Management Wholesale Funds

Monthly Transactions

Event	Date	Description	Currency	Quantity	Price	Amount
Sell	15 Apr	Global Quant Fund - Hedged	NZD	780.97	0.9499	741.84
Sell	15 Apr	Global Quant Fund - Unhedged	NZD	333.49	1.0349	345.13
Withdrawals	17 Apr	Management Fee	NZD	-741.84	-	-741.84
Withdrawals	17 Apr	Management Fee	NZD	-345.13	-	-345.13

Monthly Summary

Description	MTD	YTD
Beginning Value	2,241,753.36	0.00
Net Contributions	0.00	2,488,891.12
Total Investment Gain/Loss	200,990.33	-33,305.82
Income	0.00	0.00
Management Fees Paid	-1,086.97	-13,928.58
Other Expenses	0.00	0.00
Ending Value	2,441,656.72	2,441,656.72

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