

Market Commentary

Global markets continued their volatile streak in February as investor concerns moved from a reawakening of inflationary pressures and repricing of high-growth stocks to an emerging war and humanitarian catastrophe on Europe's doorstep. The Kremlin, fearing Ukraine may join NATO, launched a full-scale invasion of the country that regained its sovereignty when the Soviet Union dissolved in 1991. We pay tribute to the people who must suffer this horrific invasion and can only wish a speedy end to this dark hour in our history.

The invasion drew swift rebuke from Western powers who rushed supplies to Ukraine and rained sanctions down on Putin, his top brass, and his economy. This has left Russia isolated but unfortunately still resolute. Although Ukraine and Russia make up just a small fraction of global investment markets, the conflict is not without repercussions: a financial trade war between nuclear superpowers is not a welcome development, pushing market volatility up and leading us further into an environment of stagflation.

The other immediate impact of this conflict is higher commodity prices as Russia and Ukraine are major suppliers of gas to Europe, and all kinds of commodities to the world. In fact, if one wants to know where Putin gets his money from, look no further than gas, oil, metals, wheat, and lumber. This meant the Energy and Materials sectors caught the tailwind of rallying commodities to deliver positive returns in February, while high growth companies and those relying on discretionary spending were on the back foot as investors figured consumers would have less money in their pocket for luxury items if they'd be spending more at the pump.

Global share markets measured by the Solactive Kiwi Global Markets Screened benchmark were down 3% in USD terms for the month, with a rallying NZ Dollar providing a buffer for currency-hedged portfolios. A handful of stock markets were in the black including NZ and China, while stock markets in Europe and the UK fell late in the month due to their proximity to the Ukraine invasion and tighter ties to Russian interests. Fixed income markets were also slightly weaker as high inflation trumped the Ukraine invasion which would have otherwise caused bonds to rally.

Amidst all the turmoil, the corporate background environment remained robust with US companies' earnings beating expectations at 25% year-on-year growth for 2021, a strong result by normal standards albeit slowing from the initial stages of the Covid recovery.

Although periods of volatility in the market can be unsettling, the ups and downs throughout a range of market crises has shown the importance of staying focused on your long-term investment objectives. Meanwhile, the team at Kiwi Wealth remain focused on navigating these uncertainties and continuing to balance risks and opportunities to ensure portfolios are well positioned to deliver on their long-term objectives.

Portfolio Commentary

Lifetime Fixed Interest Trust

	Units	Unit Price*	Market Value	%
Cash Fund	130,954.33	1.0637	139,296.12	100.00
Total			139,296.12	100.00

*Applications are valued using the buy price, redemptions are valued using the sell price and market values are calculated using the mid-price.

The Cash Fund returned 0.10% before fees and taxes in February, beating its benchmark, the S&P/NZX Bank Bill 90-Day Index, which returned 0.06%.

As inflation readings continue to glow hot, the Reserve Bank of New Zealand lifted the OCR from 0.75% to 1% last month, in line with consensus. The bank indicated that it was on the fence as to whether to lift the OCR by 50 basis points, but ultimately opted for 25 basis points potentially due to Omicron. The policy meeting came off as hawkish and reiterated their forecast to raise the OCR a lot higher over the next few years. The portfolio maintained its lower duration and took advantage of short-dated bonds which offered relatively better yield vs term deposits as bank bill rates surged, exposures to Chinese banks were also dialled back in response to elevated geopolitical concerns.

Fund and Portfolio Returns*

	Month %	3 Months %	Year %	3-Year % pa
Cash Fund	0.10	0.31	0.99	n/a
Benchmark return**	0.06	0.19	0.49	n/a

*Returns for funds and their respective benchmarks are calculated on a time weighted basis, whilst returns for the Portfolio are calculated on a money-weighted basis. Returns are gross of tax and fees.

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

Monthly Transactions

Event	Date	Description	CCY	Quantity	Price	Amount
Sell	16-Feb	Cash Fund	NZD	8,226.56	1.0630	8,744.83
Sell	17-Feb	Cash Fund	NZD	17.99	1.0628	19.12
Expense	18-Feb	Management Fee	NZD	-19.12		-19.12



NZ's
smart
money.

Lifetime Income Limited
Monthly Portfolio Report
as at 28 February 2022
Wholesale Investor

Monthly Summary

Description	MTD	YTD
Beginning Value	147,912.73	205,162.20
Net Contributions	-8,744.83	-67,437.95
Total Investment Gain/Loss	147.34	1,875.63
Income	0.00	0.00
Management Fees Paid	-19.12	-303.76
Other Expenses	0.00	0.00
Ending Value	139,296.12	139,296.12

Roger Browne
M: +64 021 211 0552; E: roger.browne@kiwiinvest.co.nz

Kiwi Investment Management Wholesale Funds

Lifetime VIP Balanced Fund

	Units	Unit Price	Market Value	%
Fixed Interest Fund	2,543,604.54	0.0130	3,302,616.14	46.61
Growth Fund	1,967,176.55	1.9230	3,782,880.51	53.39
Total			7,085,496.65	100.00

Fixed Interest Fund

The Fixed Interest Fund returned -0.67% before fees and taxes in February, outperforming its benchmark, which returned -0.86%. Outperformance was predominantly due to having a lower average maturity than that of our benchmark following long term rates rising. All things being equal, bond prices go down when interest rates go up and usually more so if the maturity of the bond is higher. One headwind, however, was our overweight to short term bonds with the market aggressively pricing higher expected overnight Official Cash Rates (OCR) in the next year. Additionally, corporate credit spreads (the extra interest rate you get for owning a company over a government) continued to widen off the back of Ukrainian news.

The interest rate curve is merely the market interest rate for bonds across different maturities. Most of the time the curve is “positive” i.e. you get a higher interest rate for owning longer maturity bonds. Right now, we can buy 5-year New Zealand dollar denominated bonds of top-quality AAA issuers such as Dutch quasi-national water asset funder **Nederlandse Waterschapsbank** (AAA) and quasi-sovereign **Inter-American Development Bank** (AAA) at about the same yield as a 30-year New Zealand government bond. Such a situation is called a “flat” yield curve. We’ve reached this point because a whole slew of expected near term OCR hikes have already been baked into the market pushing up the interest rate for shorter maturities. On the other hand, our longer maturity interest rates are anchored by offshore rates and move more closely with US treasuries. Interest rates on longer maturity bonds rise (and hence their price declines) when the markets’ expectations of longer-term inflation go up and it’s fair to say they have gone up a lot recently. However, they also reflect geopolitical risk with investors rushing to buy longer maturity US treasuries in particular in volatile times (think ‘return of principal’ not ‘return on’). Ukraine has been a heck of a shock. While we were quick to add longer maturity bonds in the Covid shock of 2020, we’ve decided to keep maturities low through the crisis because of the effect of commodity price inflation which we don’t feel we are being compensated for. Obviously, that may change as events unfold.

We will focus hard on maintaining liquidity and quality in the portfolio. However, we do see more opportunities in the credit market (company bonds) where we saw spread widening and have been nibbling on short maturities of names such as global food giant **Kraft Heinz** (BB+), hard drive manufacturer **Western Digital** (BB+) and packager **Sealed Air** (BB+).

Growth Fund

The Growth Fund returned -4.65% before tax and fees in February, outperforming its benchmark, which returned -0.46%. Most of the underlying equity strategies performed well, including the alternative assets which outperformed equities. However, the continuation in the selloff of growth (fast growing/high valuation) in favour of value-oriented(cheap/cyclical) stocks remained a headwind.

Fund and Portfolio Returns*

	Month %	3 Months %	Year %	3-Year % pa
Fixed Interest Fund	-0.67	-0.95	-3.50	n/a
Benchmark return**	-0.86	-1.37	-4.02	n/a
Growth Fund	-4.65	-5.34	14.42	n/a
Benchmark return***	-4.46	-4.70	11.85	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 credit.

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

***50% Solactive Kiwi Global Markets Screened NZD Index, 50% Solactive Kiwi Global Markets Screened Hedged to NZD Index

Monthly Transactions

Event	Date	Description	CCY	Quantity	Price	Amount
<i>Sell</i>	2-Feb	Kiwi Wealth Fixed Interest Fund	NZD	65,675.29	1.3072	85,796.00
<i>Sell</i>	2-Feb	Kiwi Wealth Growth Fund	NZD	52,044.03	2.0168	104,861.78
<i>Withdrawals</i>	3-Feb	Expense	NZD	-77,565.29	0.0000	-77,565.29
<i>Withdrawals</i>	3-Feb	Expense	NZD	-63,462.51	0.0000	-63,462.51
<i>Withdrawals</i>	3-Feb	Withdrawal	NZD	-27,296.49	0.0000	-27,296.49
<i>Withdrawals</i>	3-Feb	Withdrawal	NZD	-22,333.49	0.0000	-22,333.49

Roger Browne
M: +64 021 211 0552; E: roger.browne@kiwiinvest.co.nz

Kiwi Investment Management Wholesale Funds

<i>Sell</i>	9-Feb	Kiwi Wealth Fixed Interest Fund	NZD	8,759.54	1.3100	11,475.00
<i>Sell</i>	9-Feb	Kiwi Wealth Growth Fund	NZD	6,973.10	2.0113	14,025.00
<i>Withdrawals</i>	10-Feb	Withdrawal	NZD	-14,025.00	0.0000	-14,025.00
<i>Withdrawals</i>	10-Feb	Withdrawal	NZD	-11,475.00	0.0000	-11,475.00
<i>Sell</i>	15-Feb	Kiwi Wealth Fixed Interest Fund	NZD	564.68	1.3018	735.10
<i>Sell</i>	15-Feb	Kiwi Wealth Growth Fund	NZD	928.63	1.9757	1,834.70
<i>Expenses</i>	18-Feb	Withdrawal	NZD	-1,834.70	0.0000	-1,834.70
<i>Expenses</i>	18-Feb	Withdrawal	NZD	-735.10	0.0000	-735.10
<i>Sell</i>	22-Feb	Kiwi Wealth Fixed Interest Fund	NZD	28,037.94	1.3009	36,474.55
<i>Sell</i>	22-Feb	Kiwi Wealth Growth Fund	NZD	22,965.18	1.9412	44,580.01
<i>Withdrawals</i>	23-Feb	Withdrawal	NZD	-44,580.01	0.0000	-44,580.01
<i>Withdrawals</i>	23-Feb	Withdrawal	NZD	-36,474.55	0.0000	-36,474.55

Monthly Summary

Description	MTD	YTD
Beginning Value	7,594,306.86	7,400,460.16
Net Contributions	-297,212.34	-775,939.95
Total Investment Gain/Loss	-209,028.07	494,400.14
Income	0.00	0.00
Management Fees Paid	-2,569.80	-33,423.70
Other Expenses	0.00	0.00
Ending Value	7,085,496.65	7,085,496.65

Lifetime International Companies Fund

	Units	Unit Price*	Market Value	%
Global Quantitative Fund – Hedged	1,268,137.18	1.4837	1,881,535.14	69.85
Global Quantitative Fund – Unhedged	557,603.27	1.4566	812,204.92	30.15
Total			2,693,740.06	100.00

**Applications are valued using the buy price, redemptions are valued using the sell price and market values are calculated using the mid-price.*

Global Quantitative outperformed its benchmark by 103 basis points in February. The NZD strengthened versus major pairs as the RBNZ raised the OCR to 1%, leading to better returns for the hedged class. Equity Markets fell due to the Russian invasion of Ukraine, which caused commodity prices to rise significantly. We saw more signs of rising inflation in the US and an increasing probability that the Federal Reserve will raise rates at their March meeting. The winners globally were Energy, Australia, and Value (relatively undervalued stocks given their fundamentals), and laggards included Communication Services, Russia, and Quality (more profitable firms).

Our top sector for stock picking was Materials, where the off-benchmark name and US crop nutrient producer Mosaic rose by 31% after Russia urged domestic fertiliser firms to halt exports. Our worst stock selection sector was Financials, where overweight ING Groep fell 21% after the conflict in Ukraine began as it has the largest exposure to Russia and Ukraine of the European Banks. Overall, the top-performing position was a lower exposure to Meta (Facebook) than the benchmark – the stock fell 32% after announcing stagnating user growth and an outlook that disappointed.

Over the month, we increased allocation to Consumer Discretionary (Cie Financiere Richemont, Ulta Beauty) and Materials (Nucor, Anglo American), while we reduced Consumer Staples (Walmart, Alimentation Couche-Tard) and Energy (Pembina Pipeline, Equitrans Midstream). Health Care and Consumer Discretionary are our favoured sectors, while Utilities and Consumer Staples are our largest underweights.

Fund and Portfolio Returns*

	Month %	3 Months %	Year %	3-Year % pa
Global Quantitative Fund – Hedged	-2.14%	-2.80%	13.46%	n/a
Benchmark return**	-3.03%	-4.90%	8.65%	n/a
Global Quantitative Fund – Unhedged	-4.87%	-2.68%	19.69%	n/a
Benchmark return***	-5.90%	-4.56%	14.89%	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 credit.

**NZD Hedged Class: Solactive Kiwi Global Market Screen Hedged to NZD Index

*** Unhedged Class: Solactive Kiwi Global Market Screened NZD Index

Monthly Transactions

Event	Date	Description	CCY	Quantity	Price	Amount
Sell	16-Feb	Global Quant Fund - Hedged	NZD	15,706.21	1.5228	23,917.41
Sell	16-Feb	Global Quant Fund - Unhedged	NZD	6,729.91	1.5231	10,250.32
Sell	17-Feb	Global Quant Fund - Hedged	NZD	4,205.05	1.4982	6,300.00
Sell	17-Feb	Global Quant Fund - Unhedged	NZD	663.31	1.4982	993.77
Sell	17-Feb	Global Quant Fund - Hedged	NZD	295.34	1.4885	439.61
Sell	17-Feb	Global Quant Fund - Hedged	NZD	1,813.91	1.4885	2,700.00
Withdrawals	18-Feb	Global Quant Fund - Hedged	NZD	-23,917.41	0.0000	-23,917.41
Withdrawals	18-Feb	Global Quant Fund - Unhedged	NZD	-10,250.32	0.0000	-10,250.32
Expenses	18-Feb	Management Fee	NZD	-993.77	0.0000	-993.77
Expenses	18-Feb	Management Fee	NZD	-439.61	0.0000	-439.61
Withdrawals	21-Feb	New Zealand Dollar	NZD	-6,300.00	0.0000	-6,300.00
Withdrawals	21-Feb	New Zealand Dollar	NZD	-2,700.00	0.0000	-2,700.00
Sell	16-Feb	Global Quant Fund - Hedged	NZD	15,706.21	1.5228	23,917.41

Roger Browne
M: +64 021 211 0552; E: roger.browne@kiwiinvest.co.nz

Kiwi Investment Management Wholesale Funds



NZ's
smart
money.

Lifetime Income Limited
Monthly Portfolio Report
as at 28 February 2022
Wholesale Investor

Monthly Summary

Description	MTD	YTD
Beginning Value	3,161,305.78	2,933,403.71
Net Contributions*	-244,629.52	-721,529.23
Total Investment Gain/Loss	-219,937.92	502,713.43
Income	0.00	0.00
Management Fees Paid	-2,998.28	-20,847.85
Other Expenses	0.00	0.00
Ending Value	2,693,740.06	2,693,740.06

Roger Browne
M: +64 021 211 0552; E: roger.browne@kiwiinvest.co.nz

Kiwi Investment Management Wholesale Funds