

26 April 2023

## Other Material Information

Lifetime Retirement Income Fund

This Document has been prepared to meet the requirement of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 and clause 52 of schedule 4 of the Financial Markets Conduct Regulations 2014 for the Lifetime Retirement Income Fund. All legislation referred to in this document can be viewed at [legislation.govt.nz](https://legislation.govt.nz)

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## 1. Introduction

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This document contains additional information about the Lifetime Retirement Income Fund (**Fund**), a fund in the Lifetime Investment Fund scheme to help you make your investment decision. This document should be read with the Fund's Product Disclosure Statement (**PDS**) and words defined in the PDS will have the same meaning in this document. You must be given a copy of the PDS before we can accept your application to invest in the Fund.

This document, the PDS, the Statement of Investment Policy and Objectives (**SIPO**), the Fund's Trust Deed (**Trust Deed**) and other useful information about this offer of units in the Fund can be found on the Disclose Register at **disclose-register.companiesoffice.govt.nz** (click 'Search for an offer' and search for 'Lifetime Retirement Income Fund' for the PDS and 'Search for a scheme' and search for 'Lifetime Retirement Income Fund' for the SIPO and Trust Deed).

## 2. Who is Involved

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### Manager of the Fund

Lifetime Asset Management Limited (**Lifetime, we, our or us**) is the manager of the Fund. Our ultimate holding company is Retirement Income Group Limited, a company incorporated in New Zealand. Our address is:

Lifetime Asset Management Limited  
Level 3, 120 Featherston Street  
Wellington Central  
Wellington 6011

The current names of our directors may be obtained from the Companies Office at **companies-register.companiesoffice.govt.nz** (search for 'Lifetime Asset Management'). Our directors may change from time to time.

We have been granted a licence under section 394 of the Financial Markets Conduct Act 2013 (**FMCA**) by the Financial Markets Authority (**FMA**) to act as a manager in respect of managed investment schemes. We are responsible for the following functions:

- Offer and issue of units in the Fund;
- Managing the Fund and its investments; and
- Administering the Fund.

We, in our role as manager, are responsible for the administration of the Fund. We may delegate the performance of any of our powers, authorities, functions or discretions to an officer or an employee or any other person we nominate, including an associated person, in accordance with the terms of the Trust Deed. We remain liable for the act or omission of those delegates. We can also appoint investment managers, administration managers and other experts (which can be associated persons).

We also manage the investments of the Fund and may, subject to compliance with the SIPO, give whatever directions are considered necessary in that regard.

For more information on our powers, duties and responsibilities please see the Trust Deed available on the Scheme Register at **[disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz)** (click 'Search for a Scheme' and search for Lifetime Retirement Income Fund).

### Underlying investments

The Fund is invested in the following underlying investments:

Underlying investment manager	Address of the underlying investment manager	Underlying investment fund
Vanguard Investments Australia Limited	Freshwater Place, 2 Southbank Blvd, Southbank VIC 3006, Australia	<ul style="list-style-type: none"> <li>• Vanguard Australian Shares Index Fund</li> <li>• Vanguard International Shares Select Exclusions Index Fund</li> <li>• Vanguard International Fixed Interest Index Fund (Hedged)</li> <li>• Vanguard Australian Fixed Interest Index Fund</li> </ul>

Underlying investment manager	Address of the underlying investment manager	Underlying investment fund
ANZ New Zealand Investments Limited	23-29 Albert Street, Auckland Central, Auckland 1010	ANZ 'On Call' Cash Account
Harbour Asset Management Limited	Level 16, 171 Featherston Street, Wellington Central, Wellington 6011	Harbour Enhanced Cash Fund
Milliman Pty Limited	32 Walker St North Sydney NSW 2060 Australia	Currency Hedge (FX forwards)

In the next 12 months, Lifetime plans to establish and manage a new property fund that will invest in unlisted property assets. Once established, it is intended that the Lifetime Retirement Income Fund will invest in this property fund to gain exposure to unlisted property.

We have contracted out the active risk management of the Fund to Milliman Pty Limited (**Milliman**). The Risk Management Overlay used by Milliman is an institutional quality risk management strategy that seeks to stabilise portfolio volatility below a target level, capture growth in rising markets, and defend against losses during major market declines.

Milliman's address is:

**Milliman Pty Ltd**

32 Walker St North Sydney NSW 2060  
AUSTRALIA

Hedging of offshore investments to manage foreign exchange risks will be performed by Milliman and by trading banks. Hedging services are provided through cash and currency forward contracts. No gearing or leverage (buying assets with borrowed funds anticipating that borrowing costs will be less than profits) of the Fund and investment objectives is permitted through hedging instruments.

We're able to change the Fund's investment into underlying investment funds or appoint new underlying fund investment managers at any time, subject the Fund's SIPO, and complying with the Trust Deed.

### **Administration manager**

We've delegated the administration functions of the Fund to Apex Investment Administration (NZ) Limited (**Apex**). The address of Apex is:

#### **Apex Investment Administration (NZ) Limited**

Level 25, QBE Centre  
125 Queen Street  
Auckland Central  
Auckland 1010

The current names of Apex's directors may be obtained from the Companies Office at **[companies-register.companiesoffice.govt.nz](http://companies-register.companiesoffice.govt.nz)** (search for Apex Investment Administration). Apex's directors may change from time to time.

Apex is responsible for the following functions:

- Investor record keeping and registry;
- Unit pricing;
- Fund accounting; and
- Valuation services.

See **[mmcnz.co.nz](http://mmcnz.co.nz)** for more details.

### **Supervisor**

Public Trust is the supervisor of the Fund. Public Trust is a statutory corporation and Crown Entity established and constituted in New Zealand on 1 March 2002 under the Public Trust Act 2001. The address of Public Trust is:

#### **Public Trust**

Level 2, 22 Willeston Street  
Wellington 6011

The board members of Public Trust may change from time to time. The current names of Public Trust's board members may be obtained from Public Trust at [publictrust.co.nz](http://publictrust.co.nz).

At the date of this document, Public Trust has been granted and holds an active licence under section 16(1) of the Financial Markets Supervisors Act 2011 (**FMSA**) to act as a supervisor in respect of debt securities, KiwiSaver schemes, non-fund schemes, specified managed funds, superannuation schemes, and as a statutory supervisor in respect of retirement villages.

A copy of Public Trust's licence, including the conditions on the licence, can be obtained at **[fma.govt.nz](http://fma.govt.nz)**

Public Trust is responsible for the following functions:

- supervising the performance by Lifetime of its functions and issuer obligations;
- supervising the financial position of Lifetime and the Fund to ascertain that they are adequate;
- acting on behalf of investors in relation to Lifetime and certain other matters relating to the Fund;
- reporting to the FMA any contravention or likely contravention of Lifetime of an issuer obligation;
- holding the Fund's property, or ensuring that it is held, in accordance with the FMCA; and
- performing or exercising any other functions, powers, and duties conferred or imposed on Public Trust by or under the FMCA, FMSA and the Trust Deed.

Public Trust may also appoint and delegate certain functions, including a custodian for the Fund.

For more information on Public Trust's role and responsibilities, powers and obligations please see the Trust Deed available on the scheme register at **[disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz)**

### **Auditor, custodian, actuary and solicitor**

#### **Auditors**

PwC is the Auditor of the Fund. PwC is a registered audit provider under section 87 of the Auditor Regulation Act 2011.

### Custodian

Public Trust Lifetime Income Nominees Limited is a wholly owned subsidiary of Public Trust. It acts as the custodian and holds the Fund's property in its name.

### Solicitors

Our solicitors are DLA Piper New Zealand.

### **Material contracts**

For copies of the material contracts that are relevant to the Fund (if any) please see the Offer Register at **[disclose-register.companiesoffice.govt.nz](https://disclose-register.companiesoffice.govt.nz)** (click 'Search for an offer' and search for 'Lifetime Retirement Income Fund').

## **3. Annual Retirement Income**

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The Lifetime Retirement Income Fund is specifically designed to enable investors to invest in portfolios and then receive a regular fortnightly or 4-weekly Retirement Income which is made up of both capital and investment returns.

When you choose to invest in the Fund, Lifetime will advise you of the current proposed amount of Retirement Income that you will receive each fortnight (or 4-weekly depending on your choice of payment period).

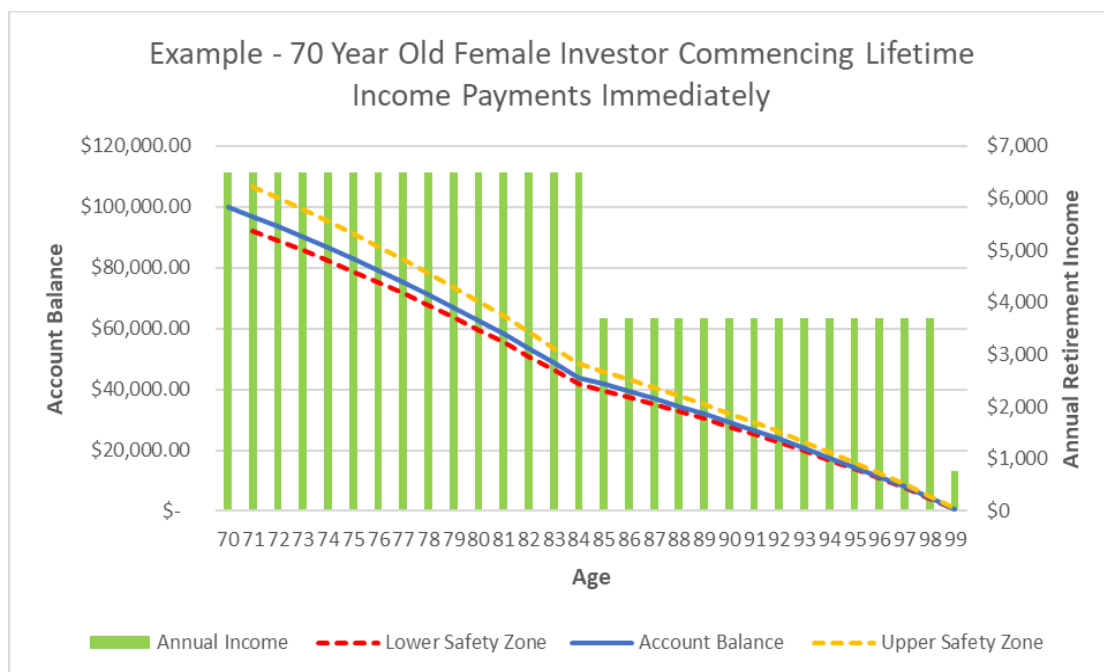
To calculate the annual amount of Retirement Income you can withdraw, in the knowledge your investment is likely to last your lifetime, we ask you to provide us with your date of birth, tax rate and gender. We then calculate your Annuity Factor and apply it to the amount you wish to invest to determine your Annual Retirement Income. Your Annual Retirement Income is not guaranteed, it is Lifetime's estimate of the best level of Annual Retirement Income for you given the amount invested. If severe or adverse market volatility was to substantially affect your account Lifetime may propose an Interim Retirement Income Review.

Every year, we recalculate the Annual Retirement Income according to your changed age, account balance, expected investment returns and tax rate. We advise you of your proposed Annual Retirement Income for the next 12 months. An Annual Retirement Income can go up or down.



**The illustration below is based on the following assumptions:**

Gender	Female	Investment Returns (Gross)	5.50%
Age Now	70	Fees (average management fee)	1.35%
Initial Investment	\$100,000	Net Investment Returns	3.420%
Tax (PIR) Rate	17.50%	Volatility	7.50%
Duration	25	Annual Income age 70-84	\$6,500
Target Age	95	Annual Income age 85-99	\$3,691



### Retirement Income

In this illustration the investor is estimated to receive an Annual Retirement Income of \$6,500 after fees and taxes each year for 14 years (age 70 until age 84). This is based on a Target Age at age 70 of living to age 95. If the 70 year old investor lives to age 85, the income level is reviewed and potentially lowered to \$3,691 after fees and taxes. The potential reduction in income reflects a desire that having reached the age of 84 the investor is preferring a higher Target Age (they may well live longer than to age 95). As a consequence income payments are recalibrated to recognise a higher Target Age of 99.

**Account Balance:**

The opening account balance at age 70 is \$100,000 and falls to nil at age 99. The residual account balance can be withdrawn at any time (prior to age 99). Reductions in the account balance will result in reductions to estimated Annual Retirement Income.

**Safety Zones:**

These are detailed in the illustration by the broken yellow and red lines. This reflects the potential for different actual investment returns to result in a different account balance to that projected. Each year when the Annual Retirement Income Review is carried out, if the account balance is outside the Safety Zones, then the Annual Retirement Income for the following year will likely need to change.

All examples and graphs are for illustration purposes only and shouldn't be regarded as a forecast for your investment, future performance, Annual Retirement Income payments or the Annual Annuity Factor.

An assumption of 5.5% per annum gross return (before taxes and fees have been deducted) has been made over future investment returns of the Fund. The investor's life expectancy includes a conservative margin on current life expectancy. Different assumptions will produce different outcomes. For example, if the assumed investment returns are higher than those used in the projection, Annual Retirement Income payments can be higher. Conversely, if assumed investment returns are lower, Annual Retirement Income payments can be lower.

**Income for the Individual**

When we review an investor's Annual Retirement Income we consider their individual characteristics (age, gender, tax rates, mortality). When we propose the Annual Retirement Income investors are given the opportunity to request the inclusion of personal circumstances in the calculation, for example, a personal decision to select a Target Age (age of expected death) lower or higher than recommended.

## **4. Key Terms**

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### **Changing the Trust Deed and SIPO**

We're able to make changes to the Trust Deed and the SIPO in accordance with relevant law and the Trust Deed. We can't change the Trust Deed where to do so would have a material adverse effect on investors unless this is approved in accordance with relevant law and the Trust Deed. Where required by relevant law or by the Trust Deed, we'll notify you of material changes to either document.

### **Supervisor's Covenants**

In the Trust Deed, the supervisor gives certain covenants in favour of investors, including that it will:

- act on behalf of investors in relation to Lifetime, our obligations under the FMCA and the Trust Deed and if we are in breach of the FMCA;
- supervise the management of the Funds and the financial position of Lifetime and the Fund; and
- perform its powers and duties imposed on it by relevant law.

Neither we, nor the supervisor (or any person) guarantee your investment in the Fund.

### **Removal and Retirement of the Supervisor**

The Supervisor may retire at any time by giving us three months' notice subject to the appointment of a new Supervisor and the transfer to the new Supervisor of the assets of the Fund. Where the Supervisor retires, we have the power to appoint a new Supervisor. If we fail to do so, the investors of the Fund may do so by special resolution. Any Supervisor must be licensed under the FMSA.

### **Our Powers and Obligations**

In addition to the statutory functions (see 'Manager of the Fund', above), we have broad discretions in respect of the management of the Fund, including managing the assets of the Fund, making investment decisions, repurchasing or causing the redemption of units and fixing dates for valuations and distributions.

We're obliged to ensure that the Fund is properly and efficiently operated, that the assets of the Fund are properly managed and supervised, that any requested

information is made available to the supervisor, that investor meetings are convened, and money is paid in accordance with the Trust Deed and the FMCA.

We may (with the prior knowledge of the supervisor) delegate all or any of the powers, authorities and discretions we can exercise under the Trust Deed. However, this ability to delegate does not affect our liability for the performance of those functions.

In managing the Fund, we:

- must act honestly and in good faith, and in the best interests of investors and treat investors equitably;
- can't use information acquired as manager for improper advantage, or to cause detriment to investors;
- must act as would a prudent manager of similar investment funds; and
- carry out our functions in accordance with the Trust Deed and FMCA obligations.

### **Powers relating to the PIE status of the Fund**

The Fund is a portfolio investment entity (**PIE**). We have a wide range of discretions to operate the Fund as a PIE including:

- discretions relating to the calculation of tax;
- adjusting distributions to you or redeeming your units to meet your liability for tax; and
- taking all steps necessary to ensure the Fund meets the PIE eligibility requirements, including:
  - rejecting applications for units and transfers of units if and to the extent necessary to ensure that the maximum investor interests requirement under the Income Tax Act 2007 is not exceeded; or
  - if your unit holding exceeds the maximum investor interests requirement, selling, redeeming or repurchasing units.

We'll let you know about a breach of any maximum investor interests requirement and give you a reasonable opportunity to remedy that breach (provided there is time to remedy the breach under the relevant tax legislation). The proceeds from any sale, redemption or repurchase carried out by us to remedy such a breach (less any costs and expenses incurred by us in respect of the same) will be paid to you, and neither the manager nor the supervisor will be liable for any loss that you may incur under or in connection with any such sale, redemption or repurchase.

**Provision of information**

We may ask you to provide information to enable us to determine whether the Fund continues to meet the PIE eligibility requirements. We will ask you to get that information to us promptly.

**Borrowing**

Borrowing is permitted under the Trust Deed, and under the Establishment Deed is limited to up to 25% of the value of the Fund with the approval of the supervisor. However, it is not currently expected that any borrowing will occur.

**Valuation**

The current value of the Fund is calculated by taking the value of the assets of the Fund and deducting any liabilities, charges incurred in holding the assets, any money held in respect of applications not yet accepted (or those which have been rejected) and any money held in respect of cancelled units.

The current value of the Fund is calculated on each business day.

In determining the value of the underlying investment fund assets of the Fund, we'll rely on the current unit price of any other underlying investment fund into which the Fund invests (as quoted, published or otherwise determined by it) as the value of the Fund's investment in that other investment fund.

We'll ascertain the current value of the Fund and the value of the assets of the Fund on a consistently applied basis accepted as being appropriate by the Supervisor. We can alter that basis and the application, provided the Supervisor approves.

**Suspension of Withdrawals**

We may, in certain circumstances, suspend the obligation to redeem units by issuing a withdrawal suspension notice (for instance, where we believe, in good faith, that it is not practicable or would be materially prejudicial to investors' interests for the supervisor to realise investments or borrow to permit redemptions – this could be because of market or asset conditions or other circumstances). Any such suspension would continue until the earlier of a date: specified by us to investors; agreed with the supervisor; or approved by a special resolution of investors.

**Records and Financial Statements**

We must keep proper accounting records in respect of the Fund. The Custodian will provide us with any information held by it that we require in order to keep those

records. Once prepared, we'll forward the audited financial statements to the supervisor.

### **Registers**

We're required to keep a register of investors for the Fund in the form and manner required by the FMCA (the Unit Register). The Unit Register must be kept in New Zealand and may be kept in electronic form so long as a printout of the Unit Register is available to the supervisor from time to time. The Unit Register shall be available for inspection in accordance with the FMCA. We're required to have the Unit Register audited annually.

### **Meetings**

The Trust Deed provides for unitholder meetings. We may (and will on receipt of a written request from the supervisor, or a written request from investors holding at least 5% of the units of the Fund) convene a meeting of the investors of the Fund. We must give investors 15 business days' notice of the meeting.

The quorum for meetings for any business other than requiring a special resolution is at least two investors present in person or by their proxies or attorney or by authorised representative or electronically, and who hold not less than 10% of the number of units on issue in the Fund. The quorum for a meeting of investors if a special resolution is to be put to the meeting is investors present in person or by their or proxies or attorney or by authorised representative or electronically holding a combined value of not less than 25% of the value of units on issue in the Fund.

A 'special resolution' is a resolution approved by investors holding units with a combined value of no less than 75% of the value of the units held by those investors who are entitled to vote and who vote on the question and includes any resolution relating to a matter that is required by the FMCA, the Financial Markets Conduct Regulations 2014 (**FMCR**) or the Trust Deed to be done by way of special resolution.

A meeting of investors of the Fund can give directions to the supervisor if those directions are consistent with the Trust Deed and relevant law including the FMCA and the directions are given by a special resolution passed at that meeting. The supervisor isn't liable for anything done, or omitted to be done, in good faith in giving effect to such a direction. The supervisor may also, at its discretion, apply to the High Court under relevant law including the FMCA for an order in respect of any direction given.

The supervisor will nominate a chairperson to chair each meeting.

### **Amendments to the Trust Deed**

Subject to the FMCA and the provisions of the Trust Deed, we may agree with the supervisor to amend the Trust Deed.

### **Winding Up**

If the Fund is wound up, the supervisor must sell the Fund's assets and (after providing for any amount necessary to meet all claims and liabilities (including fees)), will distribute the balance to investors in proportion to their holdings of units at the time of distribution. The amount distributed to you on winding up may be adjusted to reflect the Fund's PIE income tax liability (if any), on income attributed to investors. The manager may direct the supervisor to distribute the assets in specie (after providing for any amount necessary to meet all claims and liabilities (including fees))

### **Indemnities**

Each investor indemnifies the supervisor and Lifetime if the value of the investor's units is not sufficient to meet any liability for tax payable by the Fund, Lifetime or the supervisor and that is determined by the supervisor or Lifetime to be attributable to the investor.

## **5. Tax**

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### **Tax is your responsibility**

You're responsible for any taxation liability you may incur as an investor in a Fund. Tax legislation and rates of tax are subject to change and any change could have an impact on the Fund's return, your return and the Annual Income Rate. The impact of taxation may vary depending on your individual circumstances. It's important to seek professional taxation advice before you invest or deal with your investment in any way as the taxation treatment of your investment will be specific to your circumstances and to the nature of your investment.

### **Portfolio investment entity**

The Fund is taxed as a PIE. The Fund will pay tax on behalf of investors as set out below. Investors will receive Retirement Income payments as tax-free income.

### Prescribed investor rates

Your PIR is based on your taxable income and attributable PIE income in either of the two tax years preceding the current tax year (with each tax year commencing on 1 April and ending the following 31 March). You are responsible for providing your PIR for particular tax return period to the Fund. We will apply the PIR you tell us, unless we are directed by Inland Revenue to apply a different rate. We'll remind you to check your PIR annually. You must notify us as soon as practicable if your PIR changes.

There are three tax rates available for New Zealand tax resident individuals who provide their IRD number to us. These rates are 10.5%, 17.5% and 28%. The eligibility criteria are as follows.

PIR	Eligibility criteria
10.5%	New Zealand resident individuals who have given us their Inland Revenue Department number and who derived in either of the last two income years preceding the current tax year \$14,000 or less in taxable income (excluding PIE income) and \$48,000 or less in taxable income and PIE income combined.
17.5%	New Zealand resident individuals who do not qualify for the 10.5% PIR but who have provided their Inland Revenue Department number to us and who derived in either of the last two income years preceding the current tax year \$48,000 or less of taxable income (excluding PIE income) and \$70,000 or less in taxable income and PIE income combined.
28%	New Zealand tax resident members who don't meet the criteria for a 10.5% or 17.5% PIR or the default rate for investors who don't provide their IRD number to the Fund and/or don't elect a PIR.

If you're eligible to elect a lower PIR and notify a higher PIR to the Fund in error or fail to advise a change to a lower PIR, IRD will not refund any excess tax paid.

If the rate applied to your PIE income is lower than your correct PIR, you will be required to pay any tax shortfall as part of the income tax year-end process. If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to



reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.”

Each year, we will ask you to reconfirm your PIR. You should review your rate each year to ensure it is correct and notify us of any changes. For more information about PIRs and to determine your correct PIR rate please refer to [www.ird.govt.nz/roles/portfolioinvestment-entities/using-prescribed-investor-rates](http://www.ird.govt.nz/roles/portfolioinvestment-entities/using-prescribed-investor-rates) or contact your professional tax adviser.

### **Hedging taxation treatment**

The Fund hedges all currency exposure 100% back to New Zealand dollars. The process of hedging gives rise to losses and gains which are in the main offset by movements in underlying asset values. This helps to ensure investors receive the full benefits (or loss) of the underlying investments in New Zealand dollars.

New Zealand law allows us to apply different tax treatments under the Foreign Investment Fund rules. These are referred to as the comparative value (**CV**) and the fair dividend rate (**FDR**) methods. Any hedging gains are taxable and losses are tax deductible when using CV. We apply the method that best reflects the interests of our investors.

## 6. Risks

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All investments carry a degree of risk and no level of return is promised or guaranteed. The value of your units in the Funds will go up and down, so it is possible that you could receive less from the Fund than you invest, particularly if you invest for a short period of time and market conditions have been poor.

The PDS sets out the material risks to your investment in the Fund. In addition, the following risks may mean that you receive less than you invest in the Fund (especially if you make a withdrawal from the Fund).

Risk	Description of the risk
Valuation risk	The Fund's unit prices are based on the latest market information. For securities or stocks that are illiquid or trade infrequently this pricing may not fully reflect the price available to either buyers or sellers. Accordingly, there is a risk that the quoted unit price may change when these assets are revalued by the market following a transaction.
Operational risk	The Fund may be exposed to operational risks that result from external events or failure of internal processes, people and systems. These risks include technology risk (including business systems failure), human error or failure, fraud, non-compliance with legal and regulatory obligations, counter-party performance under outsourcing arrangements, legal risk, data integrity risk, security risk and external events (including pandemics).
Suspension of redemptions	The Fund allows redemption of units, subject to certain procedural requirements, including our right under the Trust Deed to delay and/or suspend redemptions. During normal operational circumstances, redemptions can be met out of cash held by the Fund. However, if the value of redemptions significantly outweighs the value of subscriptions, the Fund may not be able to meet withdrawal requests out of cash reserves and will be reliant on selling or redeeming (whichever is relevant) some of the Fund's assets to enable it to meet the repayment requests. These Fund assets may not be immediately realisable.

Risk	Description of the risk
Risk of loss of PIE status	<p>The eligibility requirements to maintain PIE status pose a risk.</p> <p>Although we have mechanisms available to manage compliance with the PIE eligibility requirements, there remains a risk that the Fund could lose PIE status if there is a breach of those requirements and we do not become aware of the breach in time to correct it. This risk, if manifested, may have an adverse effect on the tax position of the Fund and/ or you. In particular, distributions made by the Fund to you would be taxable for you (subject to exceptions for returns of subscription amounts) if the Fund lost PIE status.</p>
Wrong PIR risk	<p>If you provide a PIR that is lower than the correct PIR you will be liable for any tax shortfall (and any interest and penalties) and must file a tax return. If you provide a PIR that is higher than your correct PIR, or you do not provide a PIR and so are subject to the default rate of 28%, are able to claim back the excess tax paid.</p>
Longevity Risk	<p>Annual income levels are calculated to last a lifetime. An investors lifetime is based on the New Zealand Cohort Life tables with a safety margin. As investors age they are likely to live longer, we annually recalibrate the income levels to reflect the investors aging (and market movements in asset values) to ensure their income levels are appropriate for their life expectancy. In a situation such as an unforeseen improvements to health care development which meant large numbers of people were more likely to live longer than to age 99 we would lower income rates to reflect longer life. Rates are not guaranteed.</p>
Calculation Risk	<p>The target ages used in the annuity rates are based on actual historical experience of mortality in New Zealand and calculated using standard actuarial principles and reviewed every year for accuracy. Notwithstanding an error in the calculation could lead to investor either having insufficient savings to last their lifetime or alternatively reaching their expected life expectancy with an account balance remaining that could have been used to generate an income during their retired life.</p>

Risk	Description of the risk
Active Risk Management – Asset Concentration	Lifetime uses an active management approach to reduce volatility to preserve capital. The management is outsourced to Milliman Inc. The Fund can hold permitted asset classes and securities in any proportion or concentration, meaning that the Fund may not be diversified. For example, the Fund in extreme market conditions may be predominantly invested in cash to protect capital over return.
Counterparties	The Fund's performance is dependent on the parties to the financial transactions or contracts that it enters into meeting their obligations. There is a risk that the Fund's returns may be adversely affected if a party to a financial transaction involving the Fund fails to meet its obligations.

## **7. Methodology for Calculation of the Risk Indicator**

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We have adopted an alternative methodology for calculating the Fund's risk indicator as provided by clause 8 of Schedule 4 of the FMCR.

This alternative methodology for a total return fund follows the 'FMA's Guidance note on risk indicators and description of managed funds' (November 2015)<sup>1</sup> and is based on the 'Committee of European Securities Regulators guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the key investor information document' (CESR/10-673, 1 July 2010)<sup>2</sup>.

In summary, when calculating the risk category disclosed in the most recent PDS because the Fund includes a risk management overlay it is a total return fund and so we adopted the methodology for total return funds set out in Box 6 of CESR/10-673.

Following this methodology, we took the greater of:

- the historical annualised volatility of the Fund returns. Where this is not available, the market indices against which the Fund performance is benchmarked is used; or
- the Funds average annualised volatility target.

We then matched the greater figure against the corresponding risk class table in the CESR/10- 673 and risk category table the FMCR. In both cases, this resulted in an indicated risk class or risk category of 4 (four).

## **8. Conflicts of Interest**

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Conflicts of interest may arise with regard to services that are, or that may be, provided by related parties of ourselves.

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<sup>1</sup> <https://www.fma.govt.nz/assets/Guidance/Guidance-note-on-risk-indicators-and-description-of-managed-funds.pdf>

<sup>2</sup> [https://www.esma.europa.eu/sites/default/files/library/2015/11/10\\_673.pdf](https://www.esma.europa.eu/sites/default/files/library/2015/11/10_673.pdf)

The Trust Deed governing the operation of the Fund and the FMCA include provisions that generally prevent us, as Manager, from entering into arrangements with a related party other than when transactions are completed on an arm's length basis. In addition, both we and the Supervisor must, at all times, act in the best interests of Investors when performing any duties in relation to the Fund.

The Manager plans to establish and manage a new property fund and it is intended that the Fund will invest in this property fund to gain exposure to unlisted property. The underlying property fund will be specifically developed to support the provision of income in retirement. Investment in the underlying property fund will be in accordance with, and on terms consistent with, our Conflicts of Interest and Related Party Transaction Policy and the Trust Deed for the Fund.

## **9. Fees and Expenses**

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### **Management fee**

We're paid a management fee for acting as manager of the Fund. This forms part of the total annual fund charge disclosed in the PDS. The Trust Deed allows us to change those management fees from time to time subject to the terms of the Trust Deed. We may, at our discretion, charge an investor or certain classes of investors lower management fees than as currently disclosed in the PDS.

### **Supervisor's fee**

The Supervisor is entitled to be paid, by way of remuneration for its services, a fee. The Supervisor's fee is determined on the basis of a scale agreed from time to time between us and the Supervisor.

### **Buy / Sell spreads**

Buy spreads are added to the unit price on entry to the Fund, and sell spreads are deducted from the unit price on exit from the Fund, as described in more detail in the PDS.

The purpose of buy/sell spreads is to make sure that any transaction costs incurred as a result of an investor entering or leaving a Fund are borne by that investor, and not other investors in the Fund.

Under the Trust Deed, we determine the buy/sell spreads based on what we consider to be a fair amount payable having regard to expected transaction costs. We may change the buy/sell spreads from time to time and will update the PDS for the Fund if we do so.

### **Expenses**

We and the supervisor are entitled to reimbursement for all reasonable costs and expenses incurred by either of us on behalf of the Fund. These include the costs of preparation of this document and other documents in relation to the offer of the units in the Fund, professional advisers' fees, taxes/duties, costs related to the establishment of the Fund and any changes to it as well as other administration costs.

There's no limit on the amount of reimbursement of expenses to which the Manager and supervisor are entitled. The payment of these expenses is included in the 'total annual fund charges' for which an estimate is provided in the PDS and that will be disclosed in the fund updates and on the register entry on the Offer Register at **disclose-register.companiesoffice.govt.nz** (click 'Search for an offer' and search for Lifetime Retirement Income).

### **Basis of estimates for annual fund charges in PDS**

In determining the total annual fund charges in the PDS, estimates were made for certain fees and costs.

The annual fund charges include a mixture of both fixed and estimated costs and expenses that will be charged to the Fund.

Some of these are calculated as a fixed percentage of the Fund's net asset value (which means the actual amount charged will vary with changes in the Fund's net asset value). These include the fees charged by the managers of the underlying investment funds in which the Fund invests.

Estimated costs and expenses incurred by the manager in the operation of the Fund include subcontracted investment administration, supervisor fees, fees for audit, printing and distribution, regulatory compliance, IT, internal administration manager costs and expenses and other professional service fees. The determination of these fees is based on estimates provided by the Fund's professional service providers,

information disclosed or provided by the underlying investment managers of the funds into which the Fund invests, and our experience with the Fund (including taking into account the actual costs and expenses charged over the most recently completed Fund year (i.e. 1 April to 31 March) and anticipated investment levels in the underlying funds in accordance with the Fund's SIPO.

**Changes to fees**

These fees may be varied, or new fees may be imposed, from time to time in accordance with the Trust Deed.



## 10. More Information About Market Indices

### Where to find more information

The Fund's returns are measured against various market indices as set out in the SIPO. More information about these market indices can be found on the websites pages of the following:

Underlying investment fund	Market index	Website
Harbour Enhanced Cash Fund	S&P/NZX Bank Bills 90-Day Index	<a href="http://spglobal.com/spdji/en">spglobal.com/spdji/en</a>
ANZ 'On Call' Cash Account	Not applicable	
Vanguard Australian Shares Index Fund	S&P/ASX 300 Index	<a href="http://spglobal.com/spdji/en">spglobal.com/spdji/en</a>
Vanguard International Shares Select Exclusions Index Fund	MSCI World ex Australia, ex Tobacco, ex Controversial Weapons, ex Nuclear Weapons (with net dividends reinvested) in Australian dollars Index	<a href="http://msci.com/our-solutions/indexes">msci.com/our-solutions/indexes</a>
Vanguard Australian Fixed Interest Index Fund	Bloomberg AusBond Composite 0+ Yr Index	<a href="http://bloomberg.com/professional/product/indices">bloomberg.com/professional/product/indices</a>
Vanguard International Fixed Interest Index Fund (Hedged)	Bloomberg Barclays Global Treasury Scaled Index hedged into Australian dollars	<a href="http://bloomberg.com/professional/product/indices">bloomberg.com/professional/product/indices</a>
Milliman Currency Hedge (FX forwards)	Not applicable	

## **11. Financial Statements and Auditor's Report**

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Financial statements for the Fund are available on the Scheme Register at **disclose-register.companiesoffice.govt.nz** (click 'Search for an offer' and search for Lifetime Retirement Income).

The Fund's financial statements will be audited by a qualified auditor, currently PwC. The auditor's report on the financial statements will accompany the financial statements uploaded to the scheme register each year.

## **12. No Guarantee**

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Neither we, nor any other person, or the supervisor, guarantees the return of capital and/or the repayment of amounts invested by you.