31 March 2023

Risk

Lifetime Master Trust

Issued by Lifetime Trustee Limited.

This document provides additional information on tax relating to the Lifetime Master Trust. This document should be read in conjunction with the Lifetime Master Trust (**Scheme**) product disclosure statement (**PDS**). This document and other material information documents regarding the Lifetime Master Trust, including a glossary of terms used can be found at **lifetimeincome.co.nz/master-trust** or on the Disclose Register at **disclose-register.companiesoffice.govt.nz**.

Risk

This document gives you further information on any risks which may be associated with your investment in the Lifetime Master Trust.

This information covers what we believe to be the most important risks. We recommend you seek advice from a financial adviser prior to investing in the Scheme.

General investment risk

Every investment has some level of risk. Risk is the chance that what you receive from an investment is different from what you expected to receive. Sometimes the ups and downs will occur unpredictably and for irrational reasons. Investments generally are affected by movements in market demand and supply, economic conditions, market sentiment, political events, natural disasters, and consumer demand.

Asset allocation risk

Investments are divided into asset classes – cash, fixed interest, property securities, shares, and alternative assets – which generally have differing levels of risk. There is generally a risk/ return trade-off. That means that, when investing in higher risk investments, a higher return is expected on those investments to compensate for the additional risk. Lower risk investments are expected to generate a lower return on average over time. The amount of risk you are willing to accept will also vary because it will depend on your personal circumstances.

There are different types of risk relating to investment risk. The Trustee aims to reduce investment risk by investing in a wide range of securities, asset classes and strategies.

Cash

Suitable for short term requirements, but inflation can erode its value. Although cash assets have low investment volatility, as with all asset classes this asset class may produce a negative return. Where cash assets are placed on bank deposit there is a small risk of the bank defaulting, meaning that some or all of the cash may be lost. There is also the risk of a negative return when economic conditions are such that cash interest rates are low or negative, meaning that returns may not be enough to cover fees. Cash funds may also be partially invested in short-term debt, or bonds, which may result in negative returns.

Fixed interest

The value of fixed interest investments is affected by changes in interest rates and there is the risk of the issuer not making the required interest payments and/or not repaying the investment.

Shares

Listed shares offer the possibility of greater returns and tend to be more accessible and liquid than unlisted securities. The risk factor is relatively high, as the value very much depends on the performance of the company that issued them, as well as market opinion.

Property

Property potentially earns more than fixed interest and cash over the long term, but less than shares. Over time, its value tends to fluctuate more than fixed interest and cash but less than shares. There is the possibility of financial loss occurring as a result of owning any real estate investment. The value of property investments may be affected by demand, location, the quality of the property, market conditions, interest rates, market opinion and the market for property investments. Funds with greater exposure to real property assets will be more affected by this risk.

Alternative investments

Assets that are those considered outside of the traditional assets classes of listed shares, fixed interest and cash. Examples include infrastructure and commodities. Infrastructure includes the basic services and facilities needed for an economy to function (roads, bridges, sewers, electricity networks etc). Commodities are tradable items that, generally, can be processed further and sold. They include energy and industrial and agricultural goods (gold, iron ore, timber, wool, electricity etc). These investments generally do not follow the typical market cycle and as such can provide a fund with alternative sources of growth when other markets are underperforming. Due to the non-traditional nature of these investments, exposure can usually only be obtained indirectly by investing in other managed funds. Lack of liquidity can be a risk for alternative assets.

Other general risks

There are other general risks that may affect your investment as indicated below.

Taxation and regulatory risks

There is a risk that changes in tax (including tax rates) and other legislation (including the Financial Markets Conduct Act 2013) may impact on your investment.

Employer contributions

Employers are responsible for collecting contributions from their employees who are members and passing them to the administrator of the Lifetime Master Trust, together with employer contributions. There is a risk that an employer will fail to do so. If this occurs, it could adversely affect some or all of the members employed by that employer.

Winding up of a Fund

We may choose to close or wind up a Fund at any time.

Closing the Scheme

There is provision in the Trust Deed that would allow us to close the Scheme at any time. In certain circumstances set out in the Financial Markets Conduct Act 2013, the Financial Markets Authority may also require the Scheme to be wound up. There is no current plan to close the Scheme.

Your employer may choose to wind up the portion of the Scheme relating to them.

Changing the investment of the Scheme's assets

We may review and change the investment policy of a Fund or the underlying fund manager(s) from time to time.

During a change in investment policy or underlying fund manager, there may be a period when assets are transferred from one underlying fund manager or underlying fund to another. This could result in the actual asset allocation differing from the target investment mix for the Fund and a short-term impact on investment returns. We may (subject to complying with the investment policy for a Fund) also appoint new or additional underlying fund manager(s) to invest some or part of the monies of a current Scheme Fund.

We may open new funds. You may be given the opportunity to invest in any new fund or on the next occasion you can switch funds. Alternatively, we may decide to only offer the new fund to new members applying to become members of the Scheme.

Lifetime

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Contact us

Our helpdesk staff are available to assist you with any queries. Please note that our contact centre staff are not able to provide you with financial advice.

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