



Lifestages Investment Funds

Financial Statements
for the year ended **31 March 2020**

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For the year ended 31 March 2020

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Lifestages Investment Funds



Statement of Comprehensive Income

for the year ended 31 March 2020

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2020	2019	2020	2019	2020	2019	2020	2019
Note	\$	\$	\$	\$	\$	\$	\$	\$
Income								
Interest Income	12,130	17,307	20,315	42,170	14,607	31,657	22,395	32,075
Dividend Income	490,478	704,109	1,125,358	1,427,033	464,435	1,181,377	2,098,996	1,635,628
Net Income from Financial Instruments at Fair Value Through Profit or Loss	351,687	547,252	(1,646,893)	3,279,684	(2,532,681)	3,915,076	(1,001,155)	266,329
Other	63,648	81,062	37,995	54,511	43,451	56,865	41,833	76,208
Net Investment Income	917,943	1,349,730	(463,225)	4,803,398	(2,010,188)	5,184,975	1,162,069	2,010,240
Expenses								
Supervisor Fees	16,738	17,477	28,053	43,587	19,608	30,350	36,540	35,894
Management Fees	209,464	222,018	534,473	812,739	373,192	564,044	458,753	452,743
Administration Costs	82,103	80,402	142,259	202,133	100,636	149,894	173,115	165,179
Audit Fees	12 7,868	7,019	7,868	7,019	7,868	7,019	7,868	7,019
Operating Expenses	316,173	326,916	712,653	1,065,478	501,304	751,307	676,276	660,835
Net Income/(Loss)	601,770	1,022,814	(1,175,878)	3,737,920	(2,511,492)	4,433,668	485,793	1,349,405
Increase/(Decrease) in Net Assets Attributable to Unit Holders	601,770	1,022,814	(1,175,878)	3,737,920	(2,511,492)	4,433,668	485,793	1,349,405

The accompanying notes form an integral part of these financial statements.

Lifestages Investment Funds



Statement of Changes in Net Assets Attributable to Unit Holders

for the year ended 31 March 2020

		Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	Note	2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$
Balance at the Start of the Year		25,467,052	26,636,845	42,178,189	64,819,293	29,408,060	44,522,847	53,484,598	52,708,567
Increase in Net Assets Attributable to Unit Holders		601,770	1,022,814	(1,175,878)	3,737,920	(2,511,492)	4,433,668	485,793	1,349,405
Contributions from Unit Holders		4,471,280	4,752,784	654,062	939,570	445,536	1,324,884	2,128,557	4,187,009
Withdrawals by Unit Holders		(7,296,133)	(6,859,000)	(8,461,798)	(27,313,644)	(5,445,460)	(20,873,448)	(6,505,726)	(4,759,884)
PIE Tax attributed to Unit Holders	9	(48,687)	(86,391)	(4,462)	(4,950)	(1,295)	109	(186)	(499)
Balance at the End of the Year		23,195,282	25,467,052	33,190,113	42,178,189	21,895,349	29,408,060	49,593,036	53,484,598

	2020	2019	2020	2019	2020	2019	2020	2019
	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units
Units on Issue at the Start of the Year	19,035,529	20,722,009	17,398,711	28,394,580	11,527,375	19,422,784	36,872,372	37,276,887
Issue of Units for the Year	3,275,649	3,638,990	258,275	389,691	166,731	540,677	1,438,473	2,953,305
Redemptions for the Year	(5,398,024)	(5,325,470)	(3,239,739)	(11,385,560)	(1,973,219)	(8,436,086)	(4,392,203)	(3,357,820)
Units on Issue at the End of the Year	16,913,154	19,035,529	14,417,247	17,398,711	9,720,887	11,527,375	33,918,642	36,872,372

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

as at 31 March 2020

	Notes	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Cash		1,167,109	1,239,734	1,388,499	2,187,546	1,305,921	1,436,955	2,661,881	2,023,023
Financial Assets at held Fair Value through profit or loss		22,212,861	24,411,368	32,043,211	40,189,647	20,753,910	28,125,305	47,181,198	51,643,882
Trade and Other Receivables	7	4,321	5,791	6,675	10,044	2,510	2,890	2,360	4,797
Unit Holder Attributed PIE Tax Receivable	9	-	-	-	-	-	112	-	-
Total Assets		23,384,291	25,656,893	33,438,385	42,387,237	22,062,341	29,565,262	49,845,439	53,671,702
Less Liabilities									
Accounts Payable	8	144,170	109,149	243,872	204,202	166,052	157,202	252,228	186,833
Unit Holder Attributed PIE Tax Payable	9	44,839	80,692	4,400	4,846	940	-	175	271
Total Liabilities (excluding Net Assets attributable to Unit Holders)		189,009	189,841	248,272	209,048	166,992	157,202	252,403	187,104
Net Assets attributable to Unit Holders		23,195,282	25,467,052	33,190,113	42,178,189	21,895,349	29,408,060	49,593,036	53,484,598

The accompanying notes form an integral part of these financial statements.


Director


Director

17/7/20
Date

Statement of Cash Flows

for the year ended 31 March 2020

		Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	Note	2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities									
Interest Income		12,130	17,307	20,703	41,782	14,782	31,481	22,396	32,074
Dividend Income		490,478	704,109	1,125,358	1,427,033	464,435	1,181,377	2,098,996	1,635,628
Other Income		65,118	75,271	40,976	44,855	43,656	54,151	44,269	71,412
Proceeds from Sale of Investment Assets		3,600,000	3,050,000	7,656,219	29,031,914	5,344,091	20,660,848	5,600,000	1,400,000
Purchase of Investment Assets		(1,049,806)	(1,079,381)	(1,156,676)	(2,951,143)	(505,377)	(1,740,473)	(2,138,471)	(1,707,036)
Operating Expenses Paid		(281,152)	(275,314)	(672,983)	(1,011,644)	(492,454)	(693,141)	(610,881)	(570,230)
Net Cash Flow from/ (used in) Operating Activities	10	2,836,768	2,491,992	7,013,597	26,582,797	4,869,133	19,494,243	5,016,309	861,848
Cash Flows from Financing Activities									
Proceeds from contributions by Unit Holders		4,471,280	4,752,784	654,062	939,570	445,536	1,324,884	2,128,557	4,187,009
Payments for withdrawals by Unit Holders		(7,380,673)	(6,928,607)	(8,466,706)	(27,316,434)	(5,445,703)	(20,872,964)	(6,506,008)	(4,761,644)
Net Cash (used in)/from Financing Activities		(2,909,393)	(2,175,823)	(7,812,644)	(26,376,864)	(5,000,167)	(19,548,080)	(4,377,451)	(574,635)
Net (Decrease) / Increase in Cash		(72,625)	316,169	(799,047)	205,933	(131,034)	(53,837)	638,858	287,213
Cash at the Beginning of the Financial Year		1,239,734	923,565	2,187,546	1,981,613	1,436,955	1,490,792	2,023,023	1,735,810
Cash at the End of the Financial Year		1,167,109	1,239,734	1,388,499	2,187,546	1,305,921	1,436,955	2,661,881	2,023,023

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2020

1. REPORTING ENTITIES

The Lifestages Portfolios (the “Funds”) are the reporting entities comprising the following individual portfolios:

- > Lifestages Corporate Bond Portfolio (established 24 June 2002)
- > Lifestages World Equity Portfolio (established 1 July 2003)
- > Lifestages Australasian Equity Portfolio (established 1 October 2004)
- > Lifestages World Bond Portfolio (established 1 March 2011)

The Funds are a range of Unit Trusts established under the Unit Trusts Act 1960. The Funds are regulated by the Financial Markets Authority (FMA) and therefore are governed by the Financial Markets Conduct Act 2013 (“FMC Act 2013”). The Funds transitioned into the FMC Act 2013 regime on 16 November 2016.

On 1 October 2007, the Funds were registered as Portfolio Investment Entities under the Income Tax Act 2007 except for the World Bond Portfolio which was registered on 1 March 2011.

The purpose of the Funds is to provide access for retail and wholesale investors to specific investment markets and products.

The Funds each have their own objectives as set out in the Statement of Investment Policy and Objectives (SIPO). The Manager sets the investment policy and investment guidelines for each Fund and obtains the Supervisor's approval to any material change to the guidelines.

The Manager of the Funds is Funds Administration New Zealand Limited, a subsidiary of Southland Building Society.

The Supervisor is Trustees Executors Limited (the Supervisor).

Separate Funds

The Trust Deed provides that each Fund is a separate and distinct Fund with its separate property and liabilities governed by the terms and conditions of the Trust Deed.

All investments made with the funds of a Fund shall be held exclusively for the benefit of the Unit Holders of that Fund and no Unit Holder in one Fund shall have any claim on any other Fund.

All Fund applications are subject to the discretion of the Manager as to acceptance or not.

Subject to compliance with the FMC Act 2013, the Manager may at any time specify a minimum initial contribution amount and a minimum additional contribution amount.

The Manager may increase or reduce those amounts from time to time. Whenever a contribution is made, the investor directs the Manager into which investment portfolio the contribution is to be invested.

The Funds are domiciled and registered in New Zealand and their registered office is 51 Don Street, Invercargill.

These Financial Statements were authorised for issue by the Directors on 17 July 2020.

Notes to the Financial Statements

for the year ended 31 March 2020

2 STATUTORY BASE

These Financial Statements have been prepared in accordance with the Trust Deed and the FMC Act 2013.

3 BASIS OF PREPARATION

The Financial Statements have been prepared in compliance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. The Financial Statements also comply with International Financial Reporting Standards ("IFRS").

The Financial Statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets at fair value through profit or loss. The methods used to measure fair values are disclosed further below. The accrual basis of accounting has been applied, as has the going concern assumption.

There are no standards, amendments or interpretations that have been issued but are not yet effective that are expected to impact the Funds' Financial Statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

a) Functional and Presentation Currency

The Financial Statements are presented in New Zealand dollars, which is the Funds' functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

b) Use of Judgements and Estimates

The preparation of these Financial Statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and the reported amounts of assets and liabilities, income and expense.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

On 11 March 2020, the World Health Organisation declared coronavirus ("COVID-19") a pandemic. If the pandemic continues for a prolonged period there may be a continued effect on the financial markets, which may, in turn, influence net investment income of the Funds. The Manager is continually monitoring the impact of COVID-19 and has assessed that the Funds will continue to operate as a going concern in the current market environment. The estimates impacted by these uncertainties are mainly related to fair value measurement. Current estimates have been assessed by the Manager as appropriate.

The Manager has concluded that judgements made in the application of New Zealand Accounting Standards did not have a significant effect on the Financial Statements.

Notes to the Financial Statements

for the year ended 31 March 2020

c) Foreign Currency

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to New Zealand dollars at the foreign currency closing exchange rate ruling at the balance date. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains or losses on investments.

d) Income

i) Dividend income is recorded as income at the date the shares become ex-dividend.

ii) Interest income is accounted for on an accrual basis using the effective interest method.

iii) Any unrealised gains or losses arising from the revaluation of investments or conversion to New Zealand Dollars at balance date and realised gains and losses on the sale of investments during the year are recognised in profit or loss.

e) Expense Recognition

All expenses, including Management fees and Supervisor fees, are recognised in profit or loss on an accrual basis.

f) Taxation

As at October 2007 the Funds (excluding the World Bond Portfolio) converted to Portfolio Investment Entities (PIE) under the Income Tax Act 2007.

The World Bond Portfolio was created as a PIE on 1 March 2011. All Funds' taxable income under the PIE structure from 1 October 2007 is attributed to the Unit Holders.

g) Goods and Services Tax (GST)

The Financial Statements have been prepared on a GST inclusive basis.

h) Redeemable Units

The Funds comply with the amendments to NZ IAS 32: *Financial Instruments Presentation* and NZ IAS 1: *Presentation of Financial Statements – Puttable Financial Instruments and Obligation Arising on Liquidation* (effective 1 January 2009), the impact of which is to classify Unit Holders' funds as equity rather than as a liability. Units issued by the Funds provide the Unit Holders with the right to require redemption for cash at the value proportionate to the Unit Holder's share in each Fund's net asset value. The units qualify as 'puttable instruments'.

Notes to the Financial Statements

for the year ended 31 March 2020

i) Financial Assets

i) Recognition and initial measurement

The Funds initially recognise financial assets at fair value through profit or loss (FVTPL) on the trade date, which is the date on which the Funds become a party of the contractual provisions of the equity. Other financial assets are recognised on the date on which they are originated.

ii) Classification and subsequent measurement

On initial recognition, the Funds classify financial assets as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Manager changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Subsequent to initial recognition, "financial assets at amortised cost" are measured at amortised cost using the effective interest method. Interest income and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Subsequent to initial recognition, "financial assets at FVTPL" are measured at fair value. Net gains and losses, including any dividend income, are recognised in profit or loss.

j) Cash

Cash comprises call deposits with banks and building societies. Cash is held for the purpose of meeting short term cash commitments rather than investments or other purposes.

k) Accounts Payable and Trade and Other Receivables

Accounts payable and trade and other receivables include accrued expenses and accrued income, are carried at their amortised cost using the effective interest rate method. Their carrying value closely approximates their fair value.

l) Changes in Accounting Policy

The accounting policies adopted have been applied to all years presented.

Notes to the Financial Statements

for the year ended 31 March 2020

5. FINANCIAL ASSETS AND ASSOCIATED RISKS

The Funds' investing activities expose them to various types of risk that are associated with the financial assets and markets in which they invest. The most important types of financial risk to which the Funds are exposed are credit risk, market price risk, liquidity risk, foreign exchange risk and interest rate risk. These risks are managed under the Funds' SIPO, and are monitored by the Manager.

Asset allocation is determined by the Funds' Manager who manages the investment of assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds' Manager.

The nature and extent of the financial assets outstanding at the balance sheet date and the risk management policies employed by the Funds are discussed below.

a) Credit Risk

The Funds are exposed to credit-related losses in the event that a counterparty fails to perform contractual obligations, either in whole or in part, under a contract. Concentration of credit risk is minimised by the parameters set out in each Funds' SIPO, adopted by the Manager and approved by the Supervisor.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance date. The Manager of the Funds does not expect any counterparties to fail to meet their obligations as any financial assets used are traded on recognised exchanges or with high credit rated counterparties.

There was no significant concentration of credit risk to counterparties (including related parties) at 31 March 2020 or 31 March 2019.

b) Market Price Risk

Market price risk is the risk that the value of the Funds investment portfolio will fluctuate as a result of changes in market prices.

Each Fund aims to manage its risk by ensuring that all activities are transacted in accordance with their individual mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis.

The Lifestages World Equity Portfolio, Lifestages Australasian Equity Portfolio, Lifestages World Bond Portfolio and the Lifestages Corporate Bond Portfolio Investments are subject to price risk. The Manager has reviewed the adequacy of the price sensitivity analysis in the COVID-19 environment.

For the Lifestages World Equity Portfolio and Lifestages Australasian Equity Portfolios variables of 10% and 20% were selected for price risk as these are reasonably expected movements based on historic trends and current market conditions.

For the Lifestages Corporate Bond Portfolio and Lifestages World Bond Portfolios variables changed from 1% and 3% to 3% and 5% for price risk as these are reasonably expected movements based on current market conditions.

Notes to the Financial Statements

for the year ended 31 March 2020

The impact on Net Income for the four Funds is shown in the table below.

Market Price Risk	2020		2019		
	Movement	10%	20%	10%	20%
		\$	\$	\$	\$
World Equity Portfolio		3,204,321	6,408,642	4,018,965	8,037,929
Australasian Equity Portfolio		2,075,391	4,150,782	2,812,531	5,625,061
	Movement	3%	5%	3%	5%
		\$	\$	\$	\$
World Bond Portfolio		1,415,436	2,359,060	1,549,316	2,582,194
Corporate Bond Portfolio		666,386	1,110,643	732,341	1,220,568

In the prior year a variable of 1% was considered appropriate for the World Bond and Corporate Bond Portfolios. A 1% movement in investments subject to price risk, resulted in a change in net income of \$516,439 for the World Bond Portfolio and \$244,114 for the Corporate Bond Portfolio.

c) Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Funds will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial assets. Cash Flow risk is the risk that the future cash flows derived from holding financial assets will fluctuate.

The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- > ensuring there is no significant exposure to illiquid or thinly traded financial assets; and
- > applying limits to ensure there is no concentration of liquidity risk to a particular counter-party or market.

Investments in other unit trusts have no maturity dates and can be redeemed at any time. However, these assets are regarded as long-term investments in line with the Funds objectives. COVID-19 has created volatility in the markets. The Manager believes the Funds have the appropriate level of liquidity to meet Unit Holder requests and will continue to monitor the Funds' underlying investments to ensure there is no illiquidity.

Payables have no contractual maturities but are typically settled within 30 days. Receivables outstanding at balance date are due to be settled within one year.

d) Foreign Exchange Risk

The investment activities of the Funds expose them to currency risk, which is the possibility of losing money owing to changes in foreign currency exchange rates. The currency risk is managed in accordance with the Funds' SIPO.

Foreign currency exposure is accounted for by marking to market in a manner consistent with the valuation of the underlying securities. Certain Funds are exposed to direct foreign exchange risk resulting from investments in Australian Dollar denominated unlisted unit trusts. The impact of a reasonable possible movement in the foreign currency rate against the New Zealand dollar is outlined as follows:

Notes to the Financial Statements

for the year ended 31 March 2020

Lifestages World Equity Portfolio		
	AUD	NZD
As at 31 March 2020		
Unit Trusts - International Equities	15,480,142	15,981,912
As at 31 March 2019		
Unit Trusts - International Equities	17,540,548	18,269,501

The table below summarises the impact on the net income of the World Equity Portfolio, had the exchange rates between the New Zealand dollar and the foreign currency increased or decreased by 5% with all other variables held constant. The analysis is based on the Manager's best estimate of a possible shift in exchange rates with regards to historical volatility.

NZD vs AUD Net Income Effect	2020	2019
5% Appreciation	(761,044)	(869,977)
5% Depreciation	841,153	961,555

Lifestages Australasian Equity Portfolio		
	AUD	NZD
As at 31 March 2020		
Unit Trusts - Australasian Equities	6,144,728	6,343,918
As at 31 March 2019		
Unit Trusts - Australasian Equities	8,349,393	8,696,378

The table below summarises the impact on the net income of the Australasian Equity Portfolio, had the exchange rates between the New Zealand dollar and the foreign currency increased or decreased by 5% with all other variables held constant. The analysis is based on the Manager's best estimate of a possible shift in exchange rates with regards to historical volatility.

NZD vs AUD Net Income Effect	2020	2019
5% Appreciation	(302,091)	(414,113)
5% Depreciation	333,890	457,703

Notes to the Financial Statements

for the year ended 31 March 2020

e) Interest Rate Risk

Interest Rate Risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest Rate Risks associated with fixed interest, short term deposits and cash are regularly monitored as part of the reporting process.

The Interest Rate Risk disclosures have been prepared on the basis of the Funds' direct investment in cash and deposits and not on a look-through basis for investments held indirectly through the Lifestages Corporate Bond and Lifestages World Bond Portfolios. Consequently, the disclosure of interest rate risk in the following note may not represent the true interest rate risk profile of the Fund where the Fund has investments in unit trusts which also have exposure to interest-bearing investments.

A variable 100 basis points was selected for interest rate risk as this is a reasonably possible movement based on historic trends. A change of interest rates of 100 basis points would result in the change to net income as noted below:

Net Income Effect Change	2020	2019
	\$	\$
Corporate Bond Portfolio	11,671	12,397
World Equity Portfolio	13,885	21,875
Australasian Equity Portfolio	13,059	14,370
World Bond Portfolio	26,619	20,230

f) Fair value

The Funds classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- > Level 1 quoted prices (unadjusted in active markets) for identical assets or liabilities;
- > Level 2 inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- > Level 3 inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Financial Assets of the Funds designated at fair value through profit or loss are classified as being Level 2, as they are measured using directly observable prices at the balance date. There have been no changes to the fair value hierarchy classification of investments resulting from COVID-19 as observable prices are available for all financial instruments.

g) Capital Management

The Net Assets Attributable to Unit Holders in each Fund represent what the Funds manage as capital (as redeemable units with no par value), notwithstanding Net Assets Attributable to Unit Holders classified as a liability.

The amount of Net Assets Attributable to Unit Holders can change significantly on a weekly basis as the Funds are subject to weekly contributions and withdrawals which are at the discretion of Unit Holders. The expected cash outflow on redemption of units may differ significantly from previous periods. The Funds' policy in managing their obligation to meet redemption requests, is to hold sufficient liquidity to cover reasonably anticipated redemptions. The Funds' objectives when managing capital is to invest Unit Holders' funds in accordance with the Funds' Statement of Investment Policies and Objectives.

Notes to the Financial Statements

for the year ended 31 March 2020

6. RELATED PARTIES

a) Manager and Supervisor

Management Fees and operating costs in accordance with the Trust Deed have been paid by the Funds to the Manager.

The Manager is entitled to be paid out of the Funds a fee equal to 1.25% p.a. for the Lifestages Australasian Equity and World Equity Portfolios, 0.85% p.a. for the Lifestages Corporate Bond and World Bond Portfolios, calculated daily on the Net Asset Value of the Funds.

Trustees Executors Limited, the Supervisor of the Funds, also undertakes Custodial services for the Funds. Trustees Executors Limited is entitled to fees from the each of the Funds as follows:

> Supervisor Fees:

- >> 0.06% per annum on the Fund's Gross Asset Value less than \$100 million
- >> 0.04% per annum on the Fund's Gross Asset Value over \$100 million

> Custody Fees:

- >> 0.03% per annum on the Fund's Gross Asset Value

Fees paid and payable to related parties for the year ended 31 March were as follows:

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Funds Administration New Zealand Limited								
Management fee expense	209,464	222,018	534,473	812,739	373,192	564,044	458,753	452,743
Management fee payable	17,947	17,148	37,503	53,336	25,800	36,779	38,274	36,498
Trustees Executors Limited								
Supervisor fee expense	16,738	17,477	28,053	43,587	19,608	30,350	36,540	35,894
Supervisor fee payable	1,344	1,475	1,922	2,437	1,268	1,700	2,866	3,086
Custody fee expense	7,477	7,876	12,997	19,704	9,265	13,774	16,407	15,956
Custody fee payable	665	681	876	1,219	632	899	1,346	1,382

b) Investments in the funds by related parties

The following Funds Administration New Zealand investment products are invested in the Funds:

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2020	2019	2020	2019	2020	2019	2020	2019
Lifestages KiwiSaver Scheme								
Units	-	-	7,313,539	8,600,649	4,915,487	5,629,639	14,211,138	14,211,138
Market Value \$	-	-	16,836,578	20,849,694	11,071,834	14,361,982	20,778,347	20,613,639

Notes to the Financial Statements

for the year ended 31 March 2020

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
7. TRADE AND OTHER RECEIVABLES								
Accrued Money Market Interest	-	-	-	388	1	176	-	1
Rebate Income Receivable	4,321	5,791	6,675	9,656	2,509	2,714	2,360	4,796
Total Trade and Other Receivables	4,321	5,791	6,675	10,044	2,510	2,890	2,360	4,797
8. ACCOUNTS PAYABLE								
Management fees	17,947	17,148	37,503	53,336	25,800	36,779	38,274	36,498
Audit fees	6,687	6,806	6,687	6,806	6,687	6,806	6,687	6,806
Unit Holder Redemptions Payable	64,576	43,177	82,264	44,694	58,115	47,883	102,605	67,500
Other	54,960	42,018	117,418	99,366	75,450	65,734	104,662	76,029
Total Accounts Payable	144,170	109,149	243,872	204,202	166,052	157,202	252,228	186,833
9. PIE TAX ATTRIBUTABLE TO UNIT HOLDERS								
Unit Holder's PIE Tax Payments and Refunds are settled with Inland Revenue via the cancellation or issue of Units in the Funds.								
PIE Tax (Payable)/Receivable on Behalf of Unit Holders at Balance Date	(44,839)	(80,692)	(4,400)	(4,846)	(940)	112	(175)	(271)
PIE Tax (Paid)/Refunded on Behalf of Unit Holders during the Year	(3,848)	(5,699)	(62)	(104)	(355)	(3)	(11)	(228)
PIE Tax Attributable to Unit Holders for the Year	(48,687)	(86,391)	(4,462)	(4,950)	(1,295)	109	(186)	(499)
10. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO NET INCOME								
Net Income	601,770	1,022,814	(1,175,878)	3,737,920	(2,511,492)	4,433,668	485,793	1,349,405
Movement in Working Capital Balances:								
Decrease/(Increase) in Accounts Receivable	1,470	(5,791)	3,369	(10,044)	380	(2,890)	2,437	(4,797)
Increase in Accounts Payable	35,021	51,602	39,670	53,834	8,850	58,166	65,395	90,605
Decrease/(Increase) in Investment Assets	2,550,194	1,970,619	6,499,543	26,080,771	4,838,714	18,920,375	3,461,529	(307,036)
Adjustment for Non Cash Items:								
Change in Fair Value of Financial Assets	(351,687)	(547,252)	1,646,893	(3,279,684)	2,532,681	(3,915,076)	1,001,155	(266,329)
Net Cash Flow from/(used in) Operating Activities	2,836,768	2,491,992	7,013,597	26,582,797	4,869,133	19,494,243	5,016,309	861,848

Notes to the Financial Statements

for the year ended 31 March 2020

11. COMMITMENTS AND CONTINGENT LIABILITIES

Other than as disclosed in the Financial Statements or the Notes, the Funds have no contingent liabilities or future commitments as at 31 March 2020 (31 March 2019: Nil).

12. AUDITORS' REMUNERATION

The audit fees stated in the Statement of Comprehensive Income were paid, or are payable, for services provided by the auditor of the Funds. In addition, Supervisor reporting fees were included in the administration expenses of the Funds.

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2020 12 Months	2019 12 Months	2020 12 Months	2019 12 Months	2020 12 Months	2019 12 Months	2020 12 Months	2019 12 Months
Audit Fees	7,868	7,019	7,868	7,019	7,868	7,019	7,868	7,019
Total Auditors Remuneration	7,868	7,019	7,868	7,019	7,868	7,019	7,868	7,019

13. SUBSEQUENT EVENTS

If COVID-19 continues for a prolonged period there may be a continued effect on the financial markets which may, in turn, influence net investment income.

Unit prices for the Funds are as follows:

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	31 March 2020	9 July 2020	31 March 2020	9 July 2020	31 March 2020	9 July 2020	31 March 2020	9 July 2020
Unit Price	1.3714	1.4122	2.3021	2.6352	2.2524	2.6341	1.4621	1.5082

No other material events occurred subsequent to reporting date, that require recognition of, or additional disclosure in these Financial Statements.



Independent Auditor's Report

To the unit holders of Lifestages Investment Funds comprising:

- Corporate Bond Portfolio
- World Equity Portfolio
- Australasian Equity Portfolio
- World Bond Portfolio

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of Lifestages Investment Funds (the 'unit trusts') on pages 3 to 17:

- present fairly in all material respects the unit trusts' financial position as at 31 March 2020 and their financial performance and cash flows for the year ended on that date; and
- comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2020;
- the statements of comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the unit trusts in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the unit trusts.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually

and on the financial statements as a whole. The materiality for the financial statements as a whole was set between 1.1% and 1.7% of net assets of each unit trust. We chose the benchmark because, in our view, this is a key measure of each unit trust's performance and the main objective of each unit trust is to obtain capital growth taking into account both capital and income returns.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

Covid-19

The Covid-19 pandemic has created additional risks, particularly with the valuation of investments, liquidity and going concern. Some investments may have become more difficult to value, as they either experience significant events, or become less liquid and actively traded. Additional disclosures may be required to ensure there is adequate disclosure of changes to fair value levels for securities, liquidity risks, market risks and subsequent events where there are material withdrawals, other material impacts on liquidity and changes to the value of the unit trusts. While the key audit matter "Existence and valuation of investments", detailed below, is unchanged from last year, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.

The key audit matter

How the matter was addressed in our audit

Existence and valuation of investments

Investments are the unit trusts' main assets, and existence and valuation at fair value of those investments is the most important aspect of preparing the financial statements.

We do not consider the unit trusts' investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise cash deposits and fund-to-fund investments held by one custodian.

However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the investments. This included evaluating the control environment in place at the third-party service providers by obtaining and reading the service organisation reports issued by an independent auditor;
- agreeing investment holdings to the confirmation received from the custodian;
- agreeing the valuation of fund-to-fund investments to independent third-party pricing sources; and
- checking the accuracy of fair value hierarchy disclosure as disclosed in the financial statements.

We did not identify any material differences in relation to the existence and valuation of investments.



Use of this independent auditor's report

This independent auditor's report is made solely to the unit holders as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the



independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the unit trusts, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is David Gates.

For and on behalf of

KPMG
Wellington

17 July 2020