



It pays to protect your income

Your ability to earn an income is your most important asset.

Income protection insurance is a necessary expense, particularly for people who are self employed.

Steven and Sarah*, a husband and wife team had a business that was so successful it was expanding, meaning they appointed a manager to oversee some areas of their operation.

They were devastated to discover that the manager they trusted was stealing money from the business, so much so, that the business was forced to fold, with a number of huge debts owing. As a result, the strain on the couple left them clinically depressed, unable to work, facing psychological problems and their future destroyed.

Fortunately both Steven and Sarah had bought Fidelity Life Income Protection cover and they were able to make a claim in such awful circumstances. Each of the claims were accepted and after their stand-down period had passed their regular payments from Fidelity Life started, which proved to be the safety net that saved them from sinking to the bottom.

Now they are starting to piece their lives back together after all of the stress and heartache of their business. Steven has recently accepted a job, and is doing very well. Sarah is comforted by the fact that she and Steven have Income Protection cover with Fidelity Life, and can see they have a future again.

*names and personal information changed to protect privacy. Each situation is different, and is assessed according to merit.

Shave for a Cure 2011

Fidelity Life staff really got behind the Leukaemia and Blood Foundations' Shave for a Cure fundraising campaign this year.

Chris Barry (right) and Joel Reid lost the lot on 8 April 2011 and raised about \$10,000 between them for people living with blood cancers and blood disorders.



Features of income protection insurance

If disability prevents you from working, have you protected your earning power? Fidelity Life income protection provides a replacement income of up to 75% of your pre-disability earnings. We aim to help you get 'back on your feet' as fast as possible, so this policy includes a range of recovery and rehabilitation benefits.

The financial consequences of a disability or extended illness could be devastating for your lifestyle and those that depend on you. An average income earner will earn over \$1.4 million through their working life. A prolonged absence from work or a return to work in a reduced capacity could have a severe impact on your future financial security.

Christchurch Earthquake

The team here at Fidelity Life were absolutely devastated to hear of the terrible earthquake that hit Christchurch on February 22. Our office in Christchurch was badly damaged, but thankfully our staff managed to get out of the building relatively unscathed.

Fidelity Life is happy to offer support to our advisers and policyholders experiencing financial hardship as a result of the earthquake. Our fundraising efforts have resulted in over \$5,000 donated towards the Red Cross earthquake appeal.

Fidelity Life has also contributed \$15,000 towards the Institute of Financial Advisers (IFA) earthquake relief fund, which is intended to enable Christchurch people to receive free financial advice.

Good advice plus trauma cover equals happy claimant

Conrad is in his mid-thirties and married with four school age children.

He thought it would be a good idea to have his adviser look over the insurance he had in place to make sure that he was getting appropriate cover at the best price, and check if he could get better deal.

It turned out that he didn't have enough cover in order to cover his debts if he died. He also didn't have trauma or loss of income insurance.

Conrad expected that the new cover and added benefits would be much more than he had been paying. He was pleasantly surprised when he saw how little more it would cost to cover him for any potential illness or loss of income. His adviser presented Conrad with several quotes for consideration and he went away to consider the options. He decided what was right, and secured better cover for only a bit more money.

He is so glad that he took out the new policy as only six months after going through this insurance review, he was diagnosed with operable cancer. He had to be off work for a number of weeks to have a course of chemo/radio therapy and then surgery with more recovery time.

Thanks to the policies, he received the one-off trauma payout and ongoing loss of income payments. This meant he could recover without the burden of financial pressure.

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Features of trauma insurance

Trauma cover will pay a lump sum if you suffer from one of a number of critical illnesses and conditions. It is available either in conjunction with Life Assurance Cover (accelerated benefit), where a claim will reduce the life cover, or on its own (stand-alone benefit).

The diagnosis of a serious illness is devastating in any circumstances but the burden will be far greater if your financial security is also put at risk.

Although there is a 1-in-3 chance of suffering from a serious illness before age 65, current survival rates mean that many patients go on to make a full recovery and enjoy good quality of life*.

A person suffering from one of the four main critical illnesses (heart attack, heart disease, cancer or stroke) has a nearly 50% chance of surviving for up to 10 years beyond the critical incident. **.

However, in many cases this involves a reduced working capacity, and means that people have to change their lifestyle and/or work arrangements.

*Statistic from Munich Re. **Statistic from Gen Re.

Life changes and so too should your insurance cover to reflect this

Do you know what all the benefits of your Fidelity Life policy are?

Have you just got married or divorced? Do you have a child on the way? Do you have a dependent child who is heading off to secondary school? Have you bought a new home or increased your existing mortgage?

Have you turned 25, 30, 35, 40 or 45 years of age?

If any of these apply to you, you may be eligible to increase your cover, with the minimum of fuss, by up to \$250,000, regardless of health changes (conditions apply).

There are events in life that happen that will often result in greater financial commitments. Take the opportunity to review your Fidelity Life policy.

For more information about how you may need to update your cover, please contact your Financial Adviser.



ECONOMIC SUMMARY

Cash

New Zealand short term interest rates decreased in February following the tragic Christchurch earthquake. Then the Reserve Bank of New Zealand cut the Official Cash Rate (OCR) in March by 50 basis points to 2.50% in what was described as an “emergency” cut to sustain the economy after the earthquake.

A modest 0.2% increase for Q4 GDP confirmed the slow economic recovery in late 2010. The broad messages from the March NBNZ business confidence survey were that exporters are doing well while household spending has stalled. Retail spending and residential investment have both declined with households remaining cautious.

On a positive note, trading partner activity continues to expand with global growth rebounding, particularly in the US. Although New Zealand’s growth is projected to be weak for the first quarter, strong growth is forecast for the following five quarters thanks to the Christchurch rebuild; the Rugby World Cup; and the general bounce back in the economy.

NZ Fixed Interest

US 10-year interest rates were volatile, falling from a month high of 3.56% to a low of 3.17%, before recovering to finish the month of March at 3.47%. New Zealand interest rates were also significantly affected, although the move occurred in shorter term maturities (1-3 years) with longer bonds moving higher in yield as larger budget deficits require more issuance over the next year or so.

FIDELITY LIFE PORTFOLIO PERFORMANCE as at 31 March 2011

Average return (after tax, after investment management fees)

For the period ended 31 December 2010

Portfolio	Portfolio Size (\$m)	Unit Price	Month	Quarter	Year	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)
Conservative	139.88	3.3510	0.42%	1.80%	5.01%	5.14%	3.97%	4.57%
Balanced	49.98	3.1178	0.47%	2.43%	5.05%	4.60%	2.64%	3.91%
Ethical	1.13	2.1099	-0.11%	2.30%	3.15%	n.a.	n.a.	n.a.
Growth	23.34	2.8960	0.49%	3.18%	5.05%	3.24%	0.78%	3.02%
Aggressive	4.35	2.4946	2.74%	3.14%	3.38%	4.10%	1.33%	n.a.
Cash	3.15	2.9718	0.10%	0.60%	2.22%	2.78%	3.56%	3.48%
Mortgage*	6.35	3.3620	0.28%	0.81%	3.37%	4.14%	4.64%	4.55%
NZ Fixed Interest*	3.19	3.2512	0.41%	1.90%	5.02%	5.55%	3.96%	4.08%
Options	47.77	3.6469	2.39%	6.97%	9.13%	9.06%	8.63%	n.a.
Property*	2.94	3.0411	0.54%	1.08%	6.69%	3.25%	3.75%	4.02%
NZ/Australian Shares	7.93	3.9696	1.11%	3.61%	4.87%	4.59%	1.10%	6.22%
International	40.07	1.7814	-0.07%	4.85%	4.76%	0.44%	-2.66%	-1.65

*Closed from 1 July 2009.

Diversified portfolios (Conservative, Balanced and Growth) invest in single sector pools. These indirect investments are excluded from the portfolio size of the single sectors.

Notes:

1. Past performance is not necessarily an indicator of future performance.
2. The returns shown do not allow for front-end, renewal, withdrawal or alteration fees.
3. For Plans that commenced prior to 1 July 2009: There are no withdrawal fees on Life Bonds. On Power Saver/Super Plans there is an alteration fee of \$60 per withdrawal if there is more than one withdrawal in a financial year. For other plans the fee on withdrawal is 5% reduced by 1% p.a. in the four years prior to the maturity date plus an alteration fee of \$60 per withdrawal.
4. For Plans that commenced after 30 June 2009: There is an alteration fee of \$60 per withdrawal if there is more than one withdrawal in a financial year.
5. The current rate of tax for life insurance companies is 30%. The rate and basis of taxation may change.
6. The returns shown are net of tax and investment management fees.

FIDELITY LIFE PORTFOLIOS – ASSET SPLITS as at 31 March 2011

Asset class	Conservative Portfolio	Balanced Portfolio	*Ethical Portfolio	Growth Portfolio	Aggressive Portfolio
New Zealand Fixed Interest	44.00%	25.00%	33.40%	10.00%	n.a.
Cash/short Term Assets	5.00%	2.00%	5.20%	2.00%	n.a.
New Zealand & Australian Shares	10.00%	21.00%	20.10%	32.50%	21.36%
International Shares	10.00%	21.50%	41.30%	34.00%	47.82%
International Fixed Interest	17.00%	18.00%	n.a.	9.00%	4.06%
Property	5.50%	7.50%	n.a.	10.00%	n.a.
Mortgage	8.50%	5.00%	n.a.	2.50%	n.a.
Options	n.a.	n.a.	n.a.	n.a.	27.76%

*The asset split for the Ethical Portfolio is for the previous month.

Australasian Equities

A range of global risks have emerged in recent months, with implications for equity markets in Australasia. Europe's sovereign debt issues continue to bubble along and there are also questions around the US, where growth has been solid, but the recovery does not yet seem fully established.

The tensions in the Middle East and North Africa (MENA) have pushed the oil price higher, which may threaten world growth. Plus the earthquakes in Christchurch and in particular Japan, have induced risk aversion globally. The impact of the 22 February Canterbury earthquake has been a significant economic shock on an already fragile economy.

Fonterra increased its forecast payout for the current season by 60 cents per kg of milk solids to a new payout level of \$7.90 to \$8.00. March saw a number of post-reporting season profit warnings that were earthquake related. These included Fletcher Building (FBU), Freightways and Tower as well as Air NZ and Methven. Meanwhile, Fisher and Paykel Appliances (FPA) announced an agreement with Haier (20% FPA shareholder) for the supply of components and technology.

Global Equities

In U.S. dollar terms, the MSCI World Index posted a total return of 4.8% for the quarter, while the MSCI Emerging Markets Index posted a more subdued gain of 2.0%. What is notable is that this strong rally occurred even in the face of concerns of rising inflation, political unrest in the Middle East, and Japan's earthquake/ tsunami nuclear meltdown disasters etc. The robust returns from the first quarter were based largely on positive investor perceptions of global growth on the back of better than expected manufacturing activity data and rising consumer confidence.

While the year had started off on a significantly robust note emerging Middle-eastern tensions as well as Japan's worst earthquake in recorded history put brakes on the momentum, towards mid-late March. While in the short to medium term Japan's natural disaster may create a slowdown in Asian regional performance, experience suggests that in the longer term reconstruction activities following disasters of sizable magnitude contribute significantly to economic activity. The Japanese experience can be expected to be similar to this over the next one or two years.

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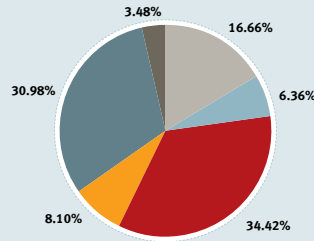


DID YOU KNOW?

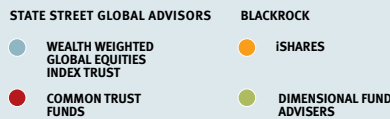
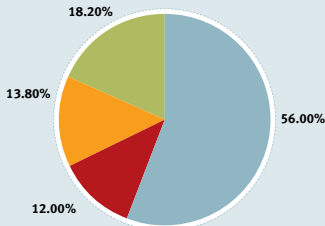
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International Investment Portfolio

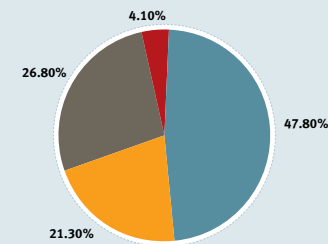
Country/Region Split



Asset Split

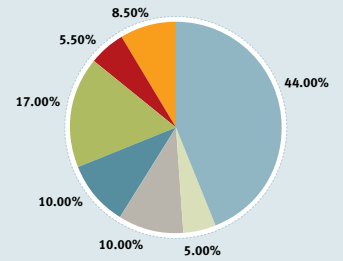


Aggressive Portfolio

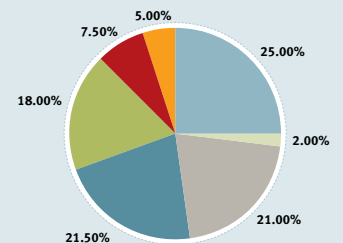


Asset Split

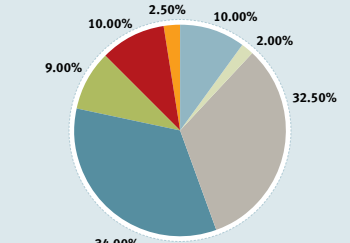
Conservative Portfolio



Balanced Portfolio



Growth Portfolio



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