

## Fidelity Life launches new KiwiSaver funds



The Fidelity KiwiSaver Scheme investment range has just been broadened, with the addition of two new investment funds: a capital guaranteed fund and an ethical fund.

### Capital Guaranteed Kiwi Fund

This fund has a guarantee\* in respect of investors in the fund. This means that as at 31 March in each year the unit price calculated at this date will not be lower than on 31 March the previous year. It's ideal for investors who are seeking a degree of stability in the value of their investment.

### Here's how it works.

Say the unit price on 31 March in a particular year was \$2.15. On 31 March the following year, we will calculate the unit price (as we do every business day). If it's \$2.15 or above, then you'll get the benefit of the higher price. If it's below \$2.15, Fidelity Life will transfer enough assets to the Fund to ensure that the unit price is \$2.15.

We note the guarantee applies only to the unit price, not to your particular account value. In addition, if you transfer funds out during the year, you won't get the benefit of the unit price guarantee, as this only applies on 31 March each year.

We'll be investing the fund conservatively too, which could suit investors worried about investment markets. For further detail of the guarantee provided please refer to the Fidelity KiwiSaver Scheme Investment Statement.

### Ethical Kiwi Fund

The Ethical Kiwi Fund provides the opportunity to avoid certain types of companies and investments. It supports investments that embrace the principles of ethical business practices. It is managed for the Fidelity KiwiSaver Scheme by Tyndall Investment Management New Zealand Limited, which has to date been successfully managing a Trans-Tasman equity ethical fund for over six years.

Tyndall uses its best endeavours to avoid securities issued by organisations earning a substantial share of their earnings from the production of tobacco, gambling, alcohol or armament production.

Unlike most ethical investment funds, which focus only on one part of the investment spectrum, the Ethical Kiwi Fund is a true diversified fund, with investments in cash, fixed interest, New Zealand, Australian and overseas shares. In New Zealand, Tyndall uses its own in-house team to identify and select investments which match the ethical investment criteria. Overseas shares are managed by Foreign & Colonial, a well-known investment manager for many New Zealanders. It has currently one of the largest and most experienced ethical investment teams in Europe.

See page two for the latest KiwiSaver Investment results →



## More information

Investments can be made only on the application form in the current Fidelity KiwiSaver Investment Statement. This contains more information on the Funds and the guarantee provided to the Scheme by Fidelity Life in respect of the Capital Guaranteed Kiwi Fund. You can request a copy of the Investment Statement free of charge from your adviser, or from Fidelity Life; Manager of the Scheme, by calling us on 0800 88 22 88.

If you are an existing Fidelity KiwiSaver scheme member and would like to amend your current investment direction by switching to either of the new Funds, contact Fidelity Life (contact details are at the bottom of page 4). You may make one switch between investment funds free of charge each scheme year. Your account will be charged a \$60 switching fee for any additional switches.

## What is ethical investment?

Ethical investment (also called "socially responsible investment", "responsible investment" or "SRI") is an approach to investment which aims to maximise investment returns as well as the social good. Ethical investors believe in "doing well by doing good". In general, ethical investors avoid certain businesses, such as gambling, and may favour companies with environmentally and socially-responsible business practices. Over the years, research has shown that generally, ethical investments perform as well as other investments. So you really can have the best of both worlds.

\*The Guarantee is provided by Fidelity Life to the Trustee of the Fidelity KiwiSaver Scheme. The guarantee is given by Fidelity Life in its capacity as the administration and investment manager of the Scheme and is conditional upon this appointment continuing. Fidelity Life's obligations under the guarantee are unsecured and will rank behind all secured and preferential creditors of Fidelity Life, together with all life insurance policy holder liabilities and will rank equally with all other unsecured creditors. For further detail as to the terms and conditions of the guarantee please refer to the Fidelity KiwiSaver Scheme Investment Statement.

→ In this issue

KiwiSaver

Big golf day out

Insuring your future

Quarterly update

# 100 Hole golf Marrowthon<sup>®</sup> success



→ Milton Jennings at last year's Marrowthon<sup>®</sup>

Milton Jennings, Fidelity Life's Chief Executive Officer, held onto his "top fundraiser" title when he raised an impressive \$21,500 for the Leukaemia & Blood Foundation (LBF) by completing 100 holes of golf in just one day.



It's the third time Milton has taken on the challenge. Each time he has broken his own previous record for the most raised during a Marrowthon. His total fundraising now stands at an incredible \$50,000.

The latest Golf Marrowthon, was held at the picturesque Tirau 18-hole golf course on Sunday 16 March 2008. It attracted 28 players, who raised close to \$60,000 through pledges and sponsorship.

Weather conditions of 25°C sunshine, compared to the torrential rain at the previous year's Auckland event, made for a beautiful (albeit hot) day's golfing.

"The day was more about survival than performance," said Milton.

"At 7.30am, I teed off with my wife, Eileen, who assisted by carrying supplies and locating golf balls. I went round with Chris Jack, and Lance O'Sullivan joined us during the day.

"I walked the course and carried my clubs, so I was totally exhausted when we finished at 5pm; thankfully we hitched a ride back to the clubhouse! It was a fantastic experience, so if you like golf, have a go." | **Milton Jennings**

## FIDELITY KIWISAVER SCHEME<sup>(1,2,3)</sup>

For the period ended 31 March 2008

	Fund Size (\$m)	Month	Quarter	Ranking (FundSource)
<b>Conservative Kiwi</b>	1.31	-0.07%	-0.27%	6/16
<b>Balanced Kiwi</b>	2.88	0.10%	-1.14%	1/20
<b>Growth Kiwi</b>	1.63	0.26%	-1.66%	1/19
<b>Aggressive Kiwi</b>	1.03	1.10%	-5.25%	6/19
<b>Options Kiwi</b>	2.11	3.92%	5.09%	1/3

## Top performing KiwiSaver Funds

As at 31 March 2008, three of our five KiwiSaver Funds were ranked number one in their investment categories, according to FundSource, the investment research company.<sup>1</sup>

For the six months since inception to 31 March 2008:

**Balanced Kiwi 1st out of 20**

**Growth Kiwi 1st out of 19**

**Options Kiwi 1st out of 3**

- <sup>1</sup> Past performance is not necessarily an indicator of future performance.  
<sup>2</sup> While the returns shown are after management fees they do not allow for administration, switching fees or mortgage diversion fees:  
 - The administration fee is \$3 per member per month  
 - The first switch between funds each year is free. Additional switches will incur a fee of \$60 per switch for any additional switches  
 - A fee of \$25 applies to set up mortgage diversion. There is no ongoing fee.  
<sup>3</sup> The returns are shown before tax. Your after-tax return will depend on your Prescribed Investor Rate.

## Insuring your future

Life changes and so too should your insurance policy to reflect this. Are you aware of all the benefits of your Fidelity Life policy?

If you are under 55 and have recently married, had a child, or had a 25th, 30th, 35th, 40th or 45th birthday? Have you taken out a new mortgage or increased an existing one?

If any of the above apply to you, it may be worthwhile to review your Fidelity Life policy.

It may contain important in-built benefits such as Future Insurability Options. There are events in life that happen which will often result in increased financial commitments, which in turn require greater levels of insurance cover. Your policy may offer the ability to put those covers in place with minimum fuss, regardless of your state of health (conditions apply).

**For more information please contact your Independent Financial Adviser.**

## ECONOMIC SUMMARY

If 2007 saw market ups and downs, the first quarter of 2008 was even more volatile. Around the world, the fallout of the “credit crunch” continued. In the UK, the ailing Northern Rock building society was finally nationalised by the government, after four months and billions of pounds of funding injections had failed to stabilise the situation. The US Federal Reserve took drastic action to cut interest rates. And many sharemarkets saw drops during the quarter.

Is the world heading for a downturn? If you look at the USA, things do not look rosy.

Figures from the USA just get gloomier, and the long-forecast recession may be here. Unemployment in the USA jumped to 5.1% in March, resulting in a loss of 98,000 jobs. The International Monetary Fund (IMF) is forecasting US GDP to shrink in every quarter this year. By the fourth quarter the IMF expects the US economy will be 0.7% smaller than a year prior.

US house prices are down 13% since their peak. Of more concern – and a consequence of the poor lending practices that led to the “credit crunch” – is that currently 10% of all Americans with mortgages owe more than their house is worth. Further, some 6% of all mortgage borrowers are behind in their payments.

On the positive side though: US shares have recovered somewhat from their fall early in the quarter, and they are now only 13% below their all-time high. And, in a response to the credit crunch, the US Federal Reserve cut their Official Cash Rate (OCR) significantly. While it's too soon to see if this will re-ignite the US economy, it has at least helped to stabilise share prices.

The rest of the world is looking somewhat brighter, dragged along by the engine-room of China and other emerging economies. And these economies are increasingly immune to problems in the USA.

For example, 50% of China's exports now go to other emerging economies. However, tighter credit makes it harder for companies to borrow, and consumers to spend, so it will be a tough time at least in the short term for global companies.

Perhaps the biggest challenge is the sudden rise in food prices around the world, which is already causing concern. Food is not only big business, it is also a politically-sensitive issue, and the decisions policy-makers will have to make in the next month or two will have impacts on the world's economies.

Closer to home, Australia's economy continues to grow on the back of rising commodity prices.

As for the New Zealand economy, its much-anticipated slowdown is here, but it took longer to arrive and is gentler than many economists had forecast. Higher-than-predicted milk prices have provided a continuing boost.

Fortunately inflation remains under control. The high NZ dollar has helped, as has the slowdown in the housing market. Many mortgages on fixed rates are being rolled over at substantially-higher rates, which reduce our spending power. However the Reserve Bank remains concerned about inflation. Unemployment is at a 33-year low and our terms of trade (exports) are at a 21-year high. The Bank has given no sign yet that it intends to drop the OCR, though many economists are predicting a fall later this year.

## PORTFOLIO PERFORMANCE

Average return (after tax, after manager's fees)

For the period ended 31 March 2008

Portfolio	Past quarter	Last year	Last 3 years % p.a.	Last 5 years % p.a.	Last 10 years % p.a.
<b>DIVERSIFIED</b>					
<b>Conservative</b>	-1.80%	-0.24%	4.38%	5.14%	4.32%
<b>Balanced</b>	-5.15%	-4.01%	4.41%	5.92%	3.77%
<b>Growth</b>	-8.46%	-7.80%	4.54%	6.93%	3.52%
<b>Aggressive</b>	-7.40%	-10.16%	6.92%	10.87%	n.a.
<b>SECTOR</b>					
<b>Mortgage</b>	1.30%	5.38%	5.36%	4.95%	4.68%
<b>NZ Fxed Interest</b>	-0.44%	-0.82%	2.76%	3.17%	4.07%
<b>Options</b>	3.55%	3.90%	9.38%	n.a.	n.a.
<b>Property</b>	-0.53%	-0.05%	3.87%	3.79%	3.76%
<b>NZ/Australian shares</b>	-13.66%	-15.86%	3.01%	8.69%	6.06%
<b>International Investment</b>	-12.65%	-12.10%	3.86%	6.97%	-0.15%

Past performance is not necessarily an indicator of future performance.

### NZ and Australian Shares

It was not a good quarter. The NZX50 dropped 14.1% reflecting the global situation and local company prospects. On a historical basis, many companies now look "cheap". The potential takeover of Sky City failed to materialise, while the Auckland Airport bid dragged on into April, when it was finally ruled out by the Government. In Australia, the ASX All-Ords dropped 15.7%.

### Cash

The Reserve Bank has left the Official Cash Rate unchanged at 8.25%. This is giving cash investors some great returns for little risk.

### NZ Fixed Interest

All over the world government bonds rose in value, but in New Zealand they remained largely unchanged. New Zealand 10-year yields remained at 6.4%.

### Mortgages

Floating rates climbed even higher and are now nudging 11%. One year fixed rates are edging up to close to 10%. This is producing great returns for mortgage funds such as the Fidelity Mortgage Portfolio with a substantial portion invested on floating rates.

### NZ Property

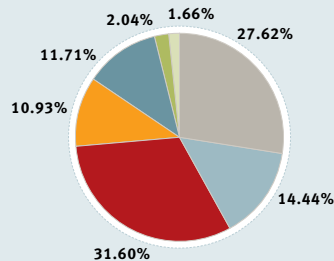
The residential sector is showing extreme weakness, with a marked drop-off in a number of indicators, such as, the median price and the number of days to sell. One bank has indicated prices could fall up to 30%. In contrast, commercial space remains steady.

### International Shares

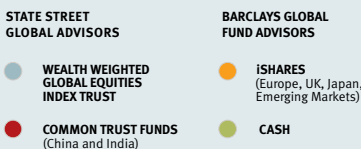
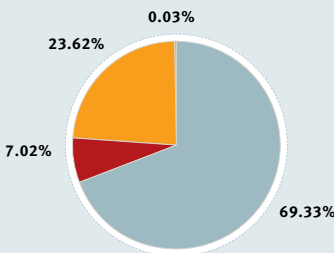
World markets had a rough quarter. The MSCI World index, the main index of key companies, dropped 12.4% during the quarter. Fortunately a stronger NZ dollar reduced the impact to NZ investors to around 10%.

### International Investment Portfolio

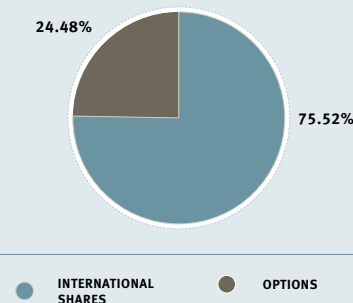
#### Country Split



#### Asset Split

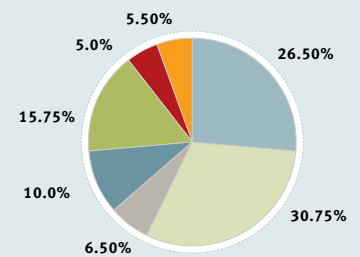


### Aggressive Portfolio

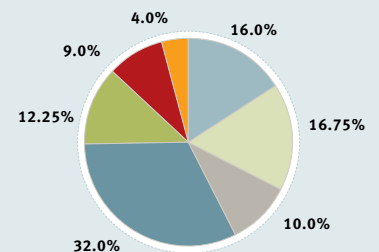


### Asset Split

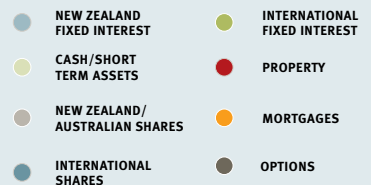
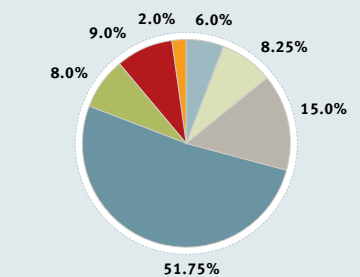
#### Conservative Portfolio



#### Balanced Portfolio



#### Growth Portfolio



### Fidelity Life Assurance Company Limited

Auckland – Head Office, 81 Carlton Gore Road, Newmarket 1151, PO Box 37-275, Parnell, Auckland, 1151  
 Telephone: 09 373 4914 or 0800 882 288 Facsimile: 09 308 9953 Website: www.fidelitylife.co.nz



#### DID YOU KNOW?

The paper used in this printing is chlorine-free, wood fibre from sustainable forests and EMS certified – Fidelity Life preserving our environment.