



Fidelity Life keeps 'Excellent' rating for 14th consecutive year

A.M. Best, the global credit rating agency for the insurance industry, has confirmed Fidelity Life's A- (Excellent) financial strength rating for the 14th year in a row.

A.M. Best says "the ratings reflect Fidelity Life's consistent new business growth, coupled with its operating profits, and surplus accumulation.

"Fidelity Life has demonstrated strong new business growth for the 12 months to year-end June 2009. This continued growth averages 14.4% over the past five years, and in 2009 Fidelity Life wrote \$81.4 million in gross premiums."

The outlook for Fidelity Life's A- (Excellent) rating is stable, which is demonstrated by the company's 14-year track record.

Milton Jennings, Fidelity Life's CEO, is pleased with the result. "2009 was a tricky year in the financial sector. Our prudent management policies and careful investment stands Fidelity Life in good stead now and in the future."

Founded in 1899, A.M. Best is a global full-service credit rating organisation dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers.

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Focus is a quarterly newsletter. If you would like to receive it electronically, please email focus@fidelitylife.co.nz giving your name and policy number.

Tragedy not part of holiday itinerary

Kiwi discovers brain tumour while overseas

Everyone looks forward to relaxing and unwinding on an overseas holiday. For the Harper* family, their pre-Christmas holiday in Australia last year turned into a nightmare.

David*, wife Rachel* and their two teenage sons had gone to stay with friends in Australia when tragedy struck. A fun day that had started with sightseeing followed by a quick stop at the supermarket suddenly turned to one of complete confusion as David moved away from the checkout to find himself surrounded in darkness.

David's abrupt and unexpected blindness saw him rushed to hospital where doctors and specialists discovered he had not one, but two brain tumours, both of which were cancerous and had caused the rapid loss of sight.

Due to the aggressiveness of one of the tumours, the doctors needed to operate as soon as possible and a leading Australian brain surgeon became interested in David's case and together his expert team removed a large part of the cancerous tumour. The surgeon was amazed that David was alive, considering the amount of optical damage he had suffered.

After David had some time to recover from the operation he flew back to New Zealand after over a month in hospital. Obviously the former factory supervisor's life had changed considerably.

The Harpers had life and Total Permanent Disability (TPD) insurance with Fidelity Life, and with doctors verifying that David was regarded as a terminal case, Rachel immediately got on the phone to the claims team. Their assessor ensured that the claim went through urgently so the family could at least be relieved of some stress by being paid out before Christmas.

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The family has been extremely pleased they had insurance. Fidelity Life paid out for David's TPD and blindness, something that has helped the family immensely as they adjust to his disability and the reality that he can no longer work.

All his working life, David had been in labour-intensive jobs so, being at home fulltime has been a huge adjustment. Thankfully, there has been some improvement in his situation, and he's regained 30-40 per cent of his sight, as well as completing

chemotherapy and radiotherapy treatment. He's also swimming and going to the gym to build up his strength again.

With the support of family, friends and Fidelity Life, David is facing his future one day at a time.

*Names and personal details have been changed to protect personal privacy. This information is indicative only and is provided as an example to illustrate the benefits available under Life Cover from Fidelity Life. Talk to your independent financial adviser about your options and what's right for you.



FIDELITY LIFE PORTFOLIO PERFORMANCE as at 31 December 2009

Average return (after tax, after investment management fees)

For the period ended 31 December 2009

Portfolio	Portfolio Size	Fund Size	Month	Quarter	Year	3 Years (% p.a.)	5 Years (% p.a.)	Morningstar ranking for year ended 31 December 2009
Conservative	146.47	3.1374	0.31%	1.27%	8.44%	3.04%	4.40%	2 out of 9
Balanced	45.19	2.8783	0.48%	1.56%	11.39%	0.85%	3.82%	7 out of 44
Ethical	1.02	1.9665	1.58%	1.86%	10.57%	n.a.	n.a.	n.a.
Growth	22.25	2.6333	0.74%	1.88%	13.05%	-2.07%	2.81%	8 out of 18
Aggressive	4.10	2.3036	1.68%	3.61%	28.21%	-1.80%	5.09%	1 out of 29
Cash	3.68	2.9008	0.15%	0.43%	1.91%	3.96%	4.09%	n.a.
Mortgage*	6.78	3.2343	0.28%	0.86%	3.77%	4.97%	5.10%	5 out of 9
NZ Fixed Interest*	3.14	3.0654	0.26%	1.49%	4.56%	3.33%	3.76%	4 out of 21
Options	47.92	3.2709	-1.17%	2.99%	33.00%	6.55%	8.73%	4 out of 40
Property*	2.79	2.8360	0.32%	0.94%	-1.19%	0.98%	2.89%	1 out of 5
NZ / Australian Shares	7.22	3.5666	1.32%	2.30%	28.72%	-3.79%	2.60%	3 out of 16
International	37.96	1.5888	0.98%	2.32%	12.38%	-6.73%	0.34%	12 out of 29

*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:
- Past performance is not necessarily an indicator of future performance.
 - The returns shown do not allow for front-end, renewal, withdrawal or alteration fees.
 - 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.
 - 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.
 - The current rate of tax for life insurance companies is 30%. The rate and basis of taxation may change.
 - The returns shown are net of tax and investment management fees.

End of financial year and tax time for KiwiSavers

As your KiwiSaver account grows these earnings are taxed like any other income.

Any tax owing on the interest of your KiwiSaver account will be deducted from your KiwiSaver account during April.

At the moment, there are two tax rates that can apply to the earnings on your KiwiSaver account, either 19.5% or 30%. The rate that applies to you is called your Prescribed Investor Rate (PIR).

If you haven't told us your PIR, we are required by law to apply the 30% rate to your account

If you overpay the tax because Fidelity Life has the wrong rate, you will not be able to get the overpayment refunded. If you underpay it, you will need to pay the difference directly to the IRD. So it's important we know your correct rate.

Another thing to keep in mind is that the IRD is introducing new PIR rates on 1 April 2010, which will affect some Fidelity KiwiSaver Scheme members.

For more information about the tax rates and to work out which rate you should be on, visit www.ird.govt.nz.

FIDELITY KIWISAVER SCHEME INVESTMENT RETURNS (After management fees & costs, before tax and account fee)

For the period ended 31 December 2009

Fund	Inception Date	Fund Size (\$m)	Unit Price	Month	Quarter	6 Months	One Year	Two Years (p.a.)	Inception (p.a.)	Fund Source Ranking (two years)
Capital Guaranteed Kiwi*	May 2008	7.58	2.155524	0.54%	1.11%	3.51%	4.86%	n.a.	4.60%	n/a
Conservative Kiwi	Oct 2007	11.28	5.495177	0.94%	2.14%	6.28%	7.07%	4.09%	4.06%	10th of 21
Balanced Kiwi	Oct 2007	24.65	5.463584	1.39%	2.35%	8.11%	8.47%	3.62%	3.23%	4th of 32
Ethical Kiwi	May 2008	1.19	2.028259	1.63%	2.02%	7.79%	11.28%	n.a.	0.85%	n/a
Growth Kiwi	Oct 2007	14.01	5.241825	1.45%	2.17%	9.46%	10.13%	0.58%	0.18%	5th of 26
Aggressive Kiwi	Oct 2007	5.50	2.261063	0.88%	2.68%	12.63%	21.64%	0.14%	-1.35%	6th of 26
Options Kiwi**	Oct 2007	20.80	3.769837	-1.75%	4.15%	14.70%	38.87%	12.80%	12.78%	1st of 3

Notes:

- Past performance is not necessarily an indicator of future performance.
 - 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.
- The returns shown do not allow for administration or switching fees:

3. The returns are shown before tax. Your after-tax return will depend on your Prescribed Investor Rate.

* The Capital Guaranteed Kiwi Fund has the benefit of a guarantee from Fidelity Life that the unit price on 31 March each year will never be lower than it was on 31 March the previous year. The Guarantee is provided by Fidelity Life Assurance Company ("Fidelity Life") to the Trustee of the Fidelity KiwiSaver Scheme (Guardian Trust Superannuation Trustees Limited). The Guarantee is given by Fidelity Life in its capacity as the administration and investment manager of the Fidelity KiwiSaver Scheme and is conditional upon this appointing 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 details of the terms and conditions of the guarantee refer to the Fidelity KiwiSaver Investment Statement.

** The Options Kiwi Fund has a high risk profile and is subject to significant volatility. The Options Kiwi Fund uses leverage and derivatives (options contracts) that could enhance any returns or generate substantial losses. As with all Fidelity KiwiSaver funds, please consult your financial adviser on what proportion of your retirement savings should be in the Options Kiwi Fund.

FIDELITY KIWISAVER FUNDS – ASSET SPLITS as at 31 December 2009

Asset class	Capital Guarantee Kiwi	Conservative Kiwi	Balanced Kiwi	Ethical Kiwi*	Growth Kiwi	Aggressive Kiwi
Cash	72.93%	10.00%	4.96%	9.04%	3.44%	0.03%
Fixed interest	12.13%	59.67%	39.87%	34.78%	22.04%	n.a.
New Zealand & Australian shares	7.44%	15.17%	25.14%	19.55%	24.96%	25.29%
Global shares	7.32%	15.16%	30.04%	36.63%	49.57%	50.08%
Tyndall Option Fund	n.a.	n.a.	n.a.	n.a.	n.a.	24.60%

The Options Kiwi, besides having a small cash holding, is totally invested in the Tyndall Option Fund.

The Ethical Kiwi, besides having a small cash holding, is totally invested in the Tyndall Wholesale Balanced SRI Fund

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

All reasonable care has been taken in producing this information that in most instances comes from sources outside the administration manager, Fidelity Life Assurance Company Limited.

Investors should seek professional advice before investment decisions are made.

Notes for Fidelity Life Plans: 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 of fees. 3. There are no withdrawal fees on Life Bonds. On Power Saver/Super Plans there is an alteration fee of \$60 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. 4. The current rate of tax for life insurance companies is 30%. The rate of taxation may change. 5. Both the Options and Aggressive Portfolios invest in options contracts in a leveraged manner. 6. An investment statement is available for Fidelity Life Products detailed in Focus. Please contact your adviser or us (contact details on the back page) for a free copy.

The generally upbeat theme in investment markets continued through most of the quarter, across most asset classes, although it was peppered with some uncertainty around the sustainability of the recovery around the globe. Regardless, the year ended on generally a high note.

Cash

The 90-day Bank Bill rate was static during the quarter at 2.50%, and the one year Bank Bill rate ended slightly higher at 3.70%

The New Zealand economy continues to recover, reflecting improved global growth, higher commodity prices, increased government spending, net migration and housing strength. Consumer confidence has improved, although uncertainty still remains to what extent spending will pick up.

Business confidence also improved, but employment will be slower to recover as actual business spending remains weak. In addition, the New Zealand dollar was still unhelpfully high, which has lessened gains in export prices.

Since the economy is being assisted by both monetary and fiscal policy support, the Reserve Bank of New Zealand will want to see the recovery firmly in place before they raise the OCR. A rise is likely mid 2010.

NZ Fixed Interest

Globally, markets were less volatile, as investors become more confident. The same situation occurred here in New Zealand.

Because investors started looking forward to an economic recovery, this demand for good quality fixed interest investments rose. In turn this had led to a virtuous circle, supporting asset prices and reinforcing market confidence.

Australasian Equities

The December quarter built on the September quarter's strong performance, with another good result for equity markets. There were concerns early in the quarter that prices might have risen too far, relative to corporate earnings, and also midway through the quarter, debt concerns in Dubai sent shudders through the market. By the end of the quarter sentiment was generally positive and most equity markets around the world had posted strong positive returns.

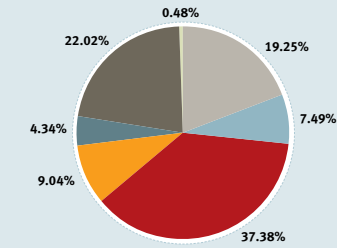
In contrast, some companies suffered. An example is New Zealand Windfarms, which fell 30% over the quarter. Our dollar fell 1.5% against the Australian dollar, which pushed up Australian stock returns when measured in New Zealand Dollars.

Global Equities

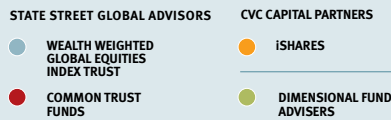
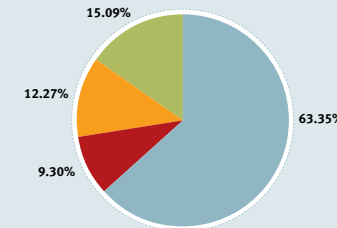
Global equities rose as several major developed economies returned to positive GDP growth and economic expansion accelerated in the key emerging markets of China and India.

International Investment Portfolio

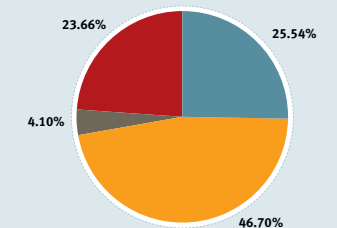
Country/Region Split



Asset Split

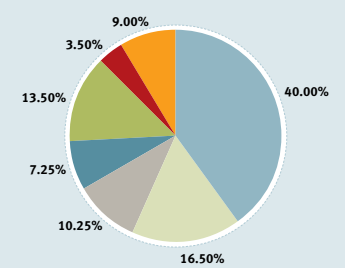


Aggressive Portfolio

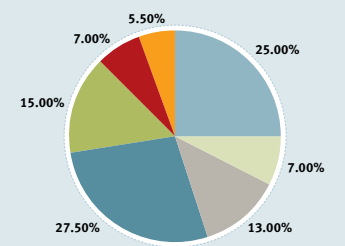


Asset Split

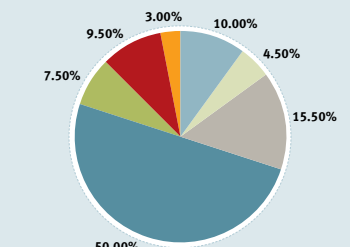
Conservative Portfolio



Balanced Portfolio



Growth Portfolio



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