



FOCUS

focus@fidelitylife.co.nz www.fidelitylife.co.nz

Has your life changed?

Does your current insurance cover all aspects of your lifestyle? If something happened to you, would all of your financial commitments be met?

Think about these sorts of things:

- ▶ Changed jobs or been promoted at work?
- ▶ Tied the knot, entered into a civil union or moved in with your partner?
- ▶ Welcomed a new member to your family, or thinking of having a baby soon?
- ▶ Started your own business?
- ▶ Bought or sold a property?
- ▶ Topped up your mortgage?

If anything in your life has changed recently, it's worth thinking about arranging a review with your financial adviser to 'health check' your policies and make sure your cover still fits your lifestyle.

Under our Special Events Increases option, you may be eligible to raise your cover with no extra medical questions to answer.

Contact your adviser if any of the above events have happened to you.



Get Focus by email

We would like to give you the opportunity to receive your Fidelity Focus by email, instead of by post. Please email focus@fidelitylife.co.nz, with "Email me Focus" in the subject line, and your name and policy number and postal address in the body of the email. If you want to remove yourself from the mailing list at some stage in the future, email us at focus@fidelitylife.co.nz with the following command in the body of your email message "unsubscribe Focus".

Life news

A- (Excellent) credit rating retained

Fidelity Life has retained its A- (Excellent) credit rating from A.M. Best, the oldest insurance-rating agency. This rating has remained unchanged since December 1996, demonstrating Fidelity's continuing ability to meet our promises to clients.

Two new Fidelity Life investment portfolios are now available:

- ▶ **The Cash Portfolio** invests in cash and cash securities with a maturity date of less than one year. It will suit investors looking for capital stability particularly in the short to medium term.
- ▶ **The Ethical Portfolio** is designed to meet the needs of investors who want some or all of their money invested in a socially-responsible way. It is a balanced portfolio with 40% in cash and fixed interest, 20% in NZ/Australian shares and 40% in international shares. It is managed for us by Tyndall Investment Management.

Both portfolios are available across all our investment and savings products including Power Saver, Life Bond and Gold Medal. Clients can invest by regular contribution, lump sums or both.

Contact your adviser today if you are interested in our new portfolios.

→ In this issue

Life
changes

Paying
your mortgage

Income
protection

Quarterly update

What would happen if you couldn't pay your mortgage?

Towards the end of last year, John*, who's in mid-40s found out he had prostate cancer.

Under his Fidelity Life Mortgage Protector policy he had cover which meant that he had some money coming in while he was having treatment in hospital.

The standard Mortgage Protector cover is designed to pay out a lump sum (usually to pay off the balance of the insured person's outstanding mortgage balance), upon the event of death.

But John had chosen to buy extra benefits under his Mortgage Protection policy. He had done that in the form of Income Protection cover, which meant that if he was to get ill and unable to work for an extended period of time he'd still receive an income.

Which is exactly what happened. The money that the family received while John was ill was a lifeline, which meant that after the stand-down period, they had enough money to pay some outstanding bills, and keep the 'wolf from the door'.

He'd also added the Waiver of Premium benefit. This meant that once his Mortgage Protector claim had been placed, any premiums paid during the assessment period were refunded when the claim was accepted. While John received the Income Protection benefit, Fidelity Life continued to pay the premiums.

Now, John is back at work, and his consultant has told him that the cancer has been excised completely.

During the year ended 30 June 2008, Fidelity Life paid over \$5.6 million in Income Protection claims, for 271 people. John is one of 20,548 people covered by Fidelity Life Income Protection cover (as at 31 December).

If you don't have a plan in place to cover your income if you get sick or have an accident, talk to your financial adviser about products to give you peace of mind.

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



What's Income Protection?

Your ability to earn an income is one of your most valuable assets. If disability stops you from working, how will you meet your financial commitments?

Income Protection Plan insurance provides a regular income if you are unable to work due to continuing illness or injury. Our Income Protection plan has a range of features and additional options to allow us to customise the product to suit your individual needs. Also, if your income increases and you've not increased your cover to match, you may have the option to do so without further medical underwriting.

This policy summary is not, and is not intended to be, a policy document. Details of definitions, benefits, terms and conditions are contained in the official policy document which is available from your financial adviser. You should read the policy document carefully to make sure you understand exactly what cover is provided under each benefit.

Why you need it

- ▶ The financial impact of a disability or extended illness could be devastating for your lifestyle and the people that depend on you. A prolonged absence from work or a return to work in a reduced capacity could have a severe effect on your future financial security.
- ▶ Around one in six of the working age population has a disability. Of those, 10% are disease or illness-related and 38% are attributed to accident or injury.*

* Source: Statistics New Zealand, Disability Counts 2001



Did you know?

Prostate cancer facts

It is the third most common cause of death from cancer for men (after lung and bowel cancer) and the chances of being diagnosed with prostate cancer increases every decade after the age of 50. ¹

Prostate cancer is the most common cancer among New Zealand men, representing 27% of all new cancer cases in New Zealand. ²

Sources

1. www.moh.govt.nz/moh.nsf/indexmh/cancercontrol-publications-prostate
2. www.soyfacts.co.nz/cancer/prostate_cancer.html

Do you have any comments or feedback?

Please email: focus@fidelitylife.co.nz with your feedback or questions.

ECONOMIC SUMMARY

In the last issue of Focus, we looked at how the worst US financial crisis since the great depression of the 1930s was causing major problems for banks and insurance companies.

Now, we are starting to understand the impact of the US financial crisis on our trading partners and how New Zealand's economy is being affected. The Reserve Bank of New Zealand (RBNZ), says the slow down of economic activity of our trading partners, corrections in overseas housing markets, and pressure on incomes due to high commodity prices has led to weaker confidence and economic activity.

In particular, earnings from New Zealand's main export products dropped by 4.7% in December, and are likely to fall further. This is the biggest drop in 20 years.

The increase in financial market turbulence that occurred during September and October is reducing the amount of credit available to households and businesses.

Households are cutting back their spending. For example, the value of electronic card transactions in December 2008 fell by its biggest monthly decline since records began in 2002.

Ongoing housing market weakness is resulting in a reduction in house prices and significantly less turnover than the levels seen in recent years. From the market high in 2007, The Real Estate Institute's figures showed a 4% drop in house prices in 2008. In November 2003, 10,774 residential properties were sold. Last November only 4,279 properties sold.

Companies are also being affected in a variety of ways by the stormy economic climate, in the form of weaker demand, rising costs, declining margins, and the delayed effects of the previously high New Zealand dollar taking its toll.



From the start of 2010 we expect the economy to pick up momentum, although given the nature and severity of the global forces operating on the economy, there is considerable uncertainty about the timing and strength of the rebound. The Reserve Bank assumes that global financial markets start to normalise during 2009 and the global economy begins to recover.

The wild rollercoaster ride that has been the investment markets continued during the December quarter. Stock markets moved erratically, but mostly down, while fixed interest yields dropped to lows not seen for decades.

PORTFOLIO PERFORMANCE

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

Continued on page 4 →

For the period ended 31 December 2008

Portfolio	Past quarter	Past year	Last 3 yrs % p.a.	Last 5 yrs % p.a.	Last 10 yrs % p.a.	Morningstar ranking (three years)
DIVERSIFIED						
Conservative	-0.73%	-1.70%	2.76%	3.89%	3.85%	4/7
Balanced	-3.76%	-9.84%	0.35%	2.83%	2.78%	2/52
Growth	-7.50%	-18.31%	-2.37%	1.71%	1.96%	1/21
Aggressive	-14.56%	-24.18%	-4.21%	1.26%	n.a.	1/35
SECTOR						
Cash	1.22%	5.13%	4.84%	4.40%	n.a.	
Mortgage	1.46%	5.78%	5.53%	5.23%	4.70%	2/9
NZ Fixed Interest	1.11%	4.96%	3.41%	3.70%	3.82%	19/24
Options	-22.30%	-12.12%	1.02%	n.a.	n.a.	6/49
Property	0.93%	3.03%	4.53%	3.17%	3.87%	5/8
NZ/Australian shares	-13.98%	-30.18%	-6.69%	0.55%	3.95%	13/24
International Investment	-12.59%	-28.57%	-6.62%	-0.98%	-2.86%	11/35

Ethical portfolio results are not included as it has not been in existence long enough to report on its performance.

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 unwinding of a multiyear cycle of financial excesses began in 2007 and accelerated in 2008. The ferocity of the reversal pummelled most financial assets, destroyed parts of the global financial system and pulled developed economies into recession. These conditions are expected to endure for several months into 2009, although there could be some slight recovery later in the year.

In relation to specific asset classes:

Cash

- ▶ The Official Cash Rate (OCR) was cut to 3.5% on January 29, the lowest rate since it was introduced 10 years ago.
- ▶ Investors are moving away from structured or consumer financing type products. They will want to invest in longer term products to benefit from the expected interest rate falls.

NZ Fixed Interest

- ▶ We think there is possibly a little bit more benefit to come from NZ Government Stock, although not a lot.
- ▶ The yields on corporate debt remain high and we expect some capital gain as these start to reduce later in 2009.

Australasian Equities

- ▶ NZ economic data is likely to be poor throughout 2009, resulting in weakening corporate profits, and this will flow on to share prices.
- ▶ A significant amount of this weakening has been priced into NZ shares. Companies which underperform the market predictions will be punished, whereas those that do better than expected may enjoy strong support.

Global Equities (SRI)

- ▶ Many companies with strong balance sheets are actually good value and are under-valued. Many of these (such as Exxon) are unsuitable though for a socially responsible fund, such as our Ethical portfolio.
- ▶ Companies involved in alternative energy sources are continuing to see interest, particularly given President Obama's policies.

Mortgages

- ▶ Floating rates have started to fall so returns on mortgages will reduce.

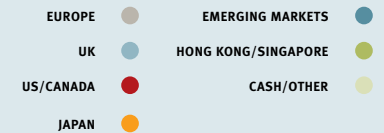
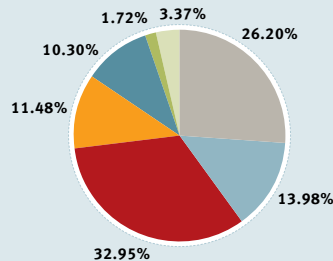
NZ Property

- ▶ Commercial property is valued by discounting rental yields, so capital losses will be less dramatic than retail property.

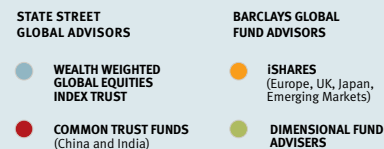
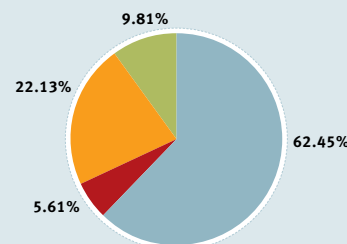
This commentary is provided by Tyndall Investment Management New Zealand Ltd and Fidelity Life. It is based on the following references: Reserve Bank of New Zealand Monetary Policy Statement www.rbnz.govt.nz, HUGO vision, www.nzherald.co.nz.

International Investment Portfolio

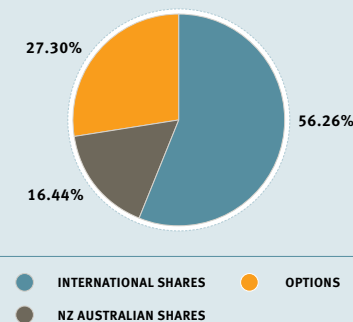
Country Split



Asset Split

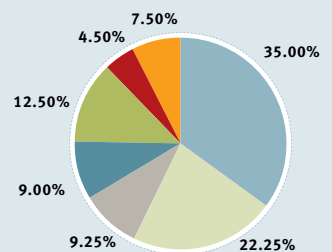


Aggressive Portfolio

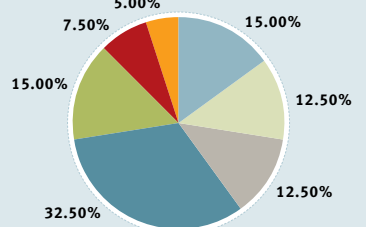


Asset Split

Conservative Portfolio



Balanced Portfolio



Growth Portfolio

