

Eric Kobren's

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FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

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ERIC'S OUTLOOK

Turbulent Times Demand Self Control

2007 was an interesting year. Not great, but not a disaster, either. Most securities markets experienced reasonable single digit gains. That may not excite the “greed” gene that permeates our bodies, but it’s not bad when you consider inflation, and the fact that the market had some really strong gains in ’03, ’04, ’05 and ’06.



Eric M. Kobren

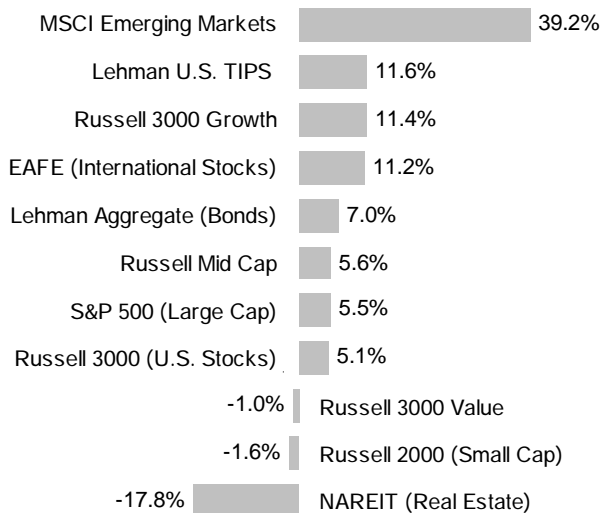
During 2007, growth funds outperformed value funds, while larger caps did better than smaller caps. In fact, the small cap value index ended the year with near double-digit losses. International funds (except Japan), outperformed their domestic

brethren, and emerging market funds continued to rack up the strongest gains.

Total returns in the broad bond market (Lehman Aggregate) bettered the S&P 500. But, like stock funds, there were substantial differences depending on the type of bond fund you held. TIPS-oriented funds did the best, with double-digit gains. During the year, investors shunned credit risk, resulting in only a slightly positive year for high-yield funds. As I’ve said so many times in the past, don’t focus on a bond fund’s *yield*, consider its *total return* potential. REIT funds saw a reversal of their prior year’s good fortune, as their declines reached double digits.

For a more complete look at the past year, turn to *Fund Commentary* (page 12), our *Scorecard* and performance graphs. They sum up the tumultuous year we’ve experienced. And while it is nice to see where we’ve been right

2007 TOTAL RETURNS BY STYLE



As they did in 2006, Emerging Markets led the way in 2007 (but be wary in 2008 — see Eric’s Outlook) and broadly speaking, International stocks once again outperformed U.S. Stocks. Within the U.S., large caps and mid-caps performed similarly, but for a change, small caps trailed badly. However the greatest dispersion was between growth and value stocks. Overall, bonds outperformed stocks, and inflation-protected bonds (TIPS) were particularly strong. Not surprisingly, real estate got crushed.

(and where we’ve been wrong), that’s *water under the bridge*. As an investor, I prefer to spend most of my time looking at the challenges and opportunities that lie ahead.

A Weaker Economy. Economic growth will undoubtedly slow from the current strong pace. Whether we register enough negative growth to qualify for a recession is anyone’s guess. I personally put the odds at 50/50. But as an investor, not an economist, I am not hung up on the technicalities.

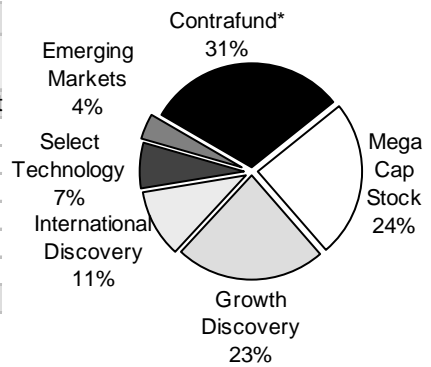
On one hand, unemployment is low, the weak U.S. dollar continues to spur exports, and an accommodating Federal Reserve will likely continue lowering interest rates to spur demand. On the other hand, I’m still of the opinion that the housing market will get worse before it gets better. It’s not just the carpenter and dishwasher manufacturer that will be hurt as housing limps along. Consumer sentiment will be under pressure as folks watch the value

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FIDELITY INSIGHT MODEL PORTFOLIOS - DECEMBER 31, 2007

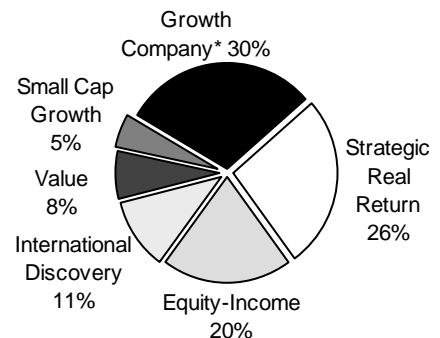
Aggressive Growth Model		Rel Vol: 0.94	Est. Yield: 0.4%	2007 Return: 14.5%		
Current Asset Allocation		Stocks 94.9%	Bonds 0.0%	Cash 5.2%	Alternative ¹ 0.0%	Foreign 33.3%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec. Ret
Contrafund*	FCNTX	31%	\$73.11	828.96	\$60,606	0.4%
Mega Cap Stock	FGRTX	24	11.67	4,015.74	46,864	-0.8
Growth Discovery	FDSVX	23	16.26	2,734.31	44,460	0.6
International Discovery	FIGRX	11	43.08	480.53	20,701	-1.1
Select Technology	FSPTX	7	81.32	169.41	13,776	-0.7
Emerging Markets	FEMKX	4	33.85	225.27	7,625	1.0
Current Value (4/7/99 = \$100,000)					\$194,032	-0.1%



*Closed; new members use **Blue Chip Growth** (FBGRX).

For aggressive members who have no need for income or principal for more than 10 years. Target volatility range: 0.50-1.50.

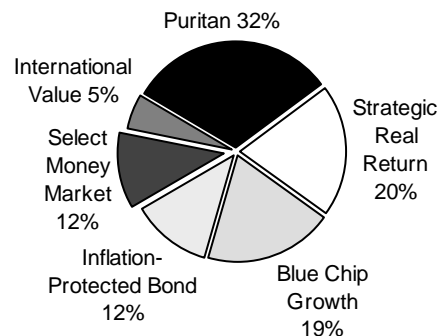
Growth Model		Rel Vol: 0.75	Est. Yield: 1.6%	2007 Return: 7.8%		
Current Asset Allocation		Stocks 72.6%	Bonds 6.9%	Cash 2.0%	Alternative ¹ 18.4%	Foreign 19.0%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec. Ret
Growth Company*	FDGRX	30%	\$82.98	4,419.09	\$366,696	-0.2%
Strategic Real Return	FSRRX	26	9.99	31,312.95	312,816	0.8
Equity-Income	FEQIX	20	55.16	4,337.47	239,255	-0.9
International Discovery	FIGRX	11	43.08	3,030.42	130,551	-1.1
Value	FDVLX	8	75.01	1,210.34	90,788	-1.8
Small Cap Growth	FCPGX	5	15.78	4,106.98	64,808	0.9
Current Value (1/1/87 = \$100,000)					\$1,204,914	-0.2%



*Closed; new members use **Blue Chip Growth** (FBGRX).

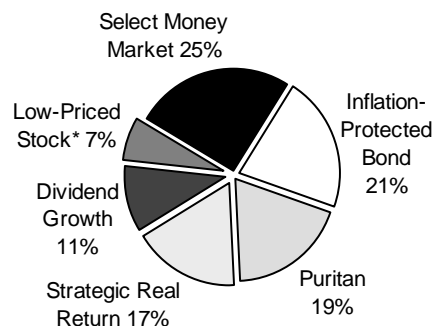
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.46	Est. Yield: 2.8%	2007 Return: 7.3%		
Current Asset Allocation		Stocks 44.4%	Bonds 27.7%	Cash 13.7%	Alternative ¹ 14.1%	Foreign 11.9%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec. Ret
Puritan	FPURX	32%	\$19.03	14,919.53	\$283,919	0.1%
Strategic Real Return	FSRRX	20	9.99	17,916.02	178,981	0.8
Blue Chip Growth	FBGRX	19	44.06	3,878.58	170,890	0.5
Inflation-Protected Bond	FINPX	12	11.06	9,847.58	108,914	-0.2
Select Money Market	FSLXX	12	1.00	105,041.58	105,042	0.4
International Value	FIVLX	5	11.43	4,160.96	47,560	-2.6
Current Value (1/1/87 = \$100,000)					\$895,306	0.2%



A good choice for members retiring in five-10 years looking for less volatility than the market. Seeks a yield in excess of the S&P 500. Target volatility range: 0.25-0.75.

Income & Preservation Model		Rel Vol: 0.30	Est. Yield: 3.1%	2007 Return: 5.2%		
Current Asset Allocation		Stocks 28.4%	Bonds 30.6%	Cash 29.0%	Alternative ¹ 11.9%	Foreign 4.9%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec. Ret
Select Money Market	FSLXX	25%	\$1.00	136,338.65	\$136,339	0.4%
Inflation-Protected Bond	FINPX	21	11.06	10,209.55	112,918	-0.2
Puritan	FPURX	19	19.03	5,278.93	100,458	0.1
Strategic Real Return	FSRRX	17	9.99	8,948.44	89,395	0.8
Dividend Growth	FDGFX	11	29.40	1,900.78	55,883	-1.7
Low-Priced Stock*	FLPSX	7	41.13	856.20	35,215	0.5
Current Value (1/1/87 = \$100,000)					\$530,208	0.1%



*Closed; new members use **Small Cap Growth** (FCPGX).

For members needing income and protection of their purchasing power against inflation. Seeks a yield at least twice the S&P 500. Target volatility range: 0.10-0.50.

¹Alternative investments include such areas as high-yield bonds, commodities, real estate. Portfolio trades and total returns do not take taxes into account, however redemption and exchange fees are included. Figures may be rounded. Dividends are reinvested. Consider the tax implications of trades before you decide to buy or sell any fund. Any trades are detailed on p. 3 and are announced on Friday evening Hotline updates via telephone, e-mail, and web (see p. 16). Use non-Spartan fund alternatives if Spartan minimums can't be met. **Annuity Model Portfolios** are on p. 10.

Eric's Outlook *cont'd from page 1*

of their homes decline. We've started to see the effects of this already in disappointing holiday sales.

In 2008, consumers will likely pull back further on discretionary purchases as they struggle to make payments on their (rising) adjustable-rate mortgages. Of course, lower interest rates by the Fed would help ease the pain, as would a bailout by the government.

Corporate profit growth will deteriorate. After years of phenomenal growth, it's time to take a breather. Continued high commodity prices and weak domestic demand will put pressure on most industries and companies. But as I mentioned above, the weak U.S. dollar and reasonable economic growth abroad will continue to spur exports.

WHICH FUNDS SHOULD YOU BUY NOW!

Equity Funds: **Mega Cap Stock** provides exposure to very large, "mega-cap" stocks. **Growth Discovery** looks for companies of all market capitalizations, while focusing on those that exhibit relatively higher growth potential.

Specialty Funds: **Strategic Real Return** with its mix of sectors, affords inflation protection and portfolio diversification.

Fixed-Income Funds: **Inflation-Protected Bond**, as its name implies, has inflation-protection features. **Select Money Market** and **Cash Reserves** are our preferred funds in this interest-rate environment.

International Funds: While emerging markets are hot, they remain volatile. We favor developed-market funds with some emerging-market exposure such as **International Discovery**. ■

Corporate balance sheets remain strong and should be able to weather the more difficult economic environment that I think we'll see in 2008. However, after years of plentiful and cheap *risk* capital, the pendulum has swung the other way. Businesses will find it more difficult and more expen-

sive to access capital going forward. As a result, merger & acquisition activity, as well as leveraged buyouts should decline quite a bit this year. Instead, investment bankers will earn their fees from foreign buyers using their cheap U.S. dollars to take significant stakes in American companies. Ten years from now, the delineation between U.S. and foreign companies will all but disappear. **Global companies serving a global marketplace will become globally owned.**

Funds to Emphasize

Large Global Companies – We continue to favor really large companies that have a global presence. As a group, these companies will be better able to withstand tighter credit markets and a weaker U.S. economy than smaller and more domestically oriented firms. Weaker demand in the U.S. will be made up by stronger demand from foreign customers.

With so many of the products we see every day coming from abroad, it's easy to forget that in certain industries, U.S. manufacturers remain the envy of the world. Whether it is

Eric's Outlook *cont'd on page 5*

MODEL PORTFOLIO TRADES

As announced on our December 21 Hotline, effective Monday December 24, we made the following trade in our Aggressive Growth Model.

Action	Fund	Shares	Price	Value	Old%	New%
Aggressive Growth Model:						
Sold 1/2:	Emerging Markets	225.27	\$33.65	\$7,580.42	8%	4%
Added to:	Growth Discovery	463.35	\$16.36	\$7,580.42	19%	23%

This trade reduces exposure to emerging markets, where valuations are stretched, and adds to **Growth Discovery**, a domestic fund that has excelled under Manager Jason Weiner and should continue to benefit from a favorable large-growth climate.

Please note that Emerging Markets has a 1.5%/90-day short-term trading fee.

Earlier, as announced on our December 14 Hotline, effective Monday December 17, we made the following trades in two Model Portfolios:

Aggressive Growth Model:						
Sold:	Aggressive Int'l	1,344.19	\$14.80	\$19,894.07	11%	0%
Bought:	Int'l Discovery	480.53	\$41.40	\$19,894.07	0%	11%
Growth Model:						
Sold:	Aggressive Int'l	8,476.99	\$14.80	\$125,459.46	11%	0%
Bought:	Int'l Discovery	3,030.42	\$41.40	\$125,459.46	0%	11%

With the recent appointment of a new, untested manager on **Aggressive International** (p. 16), we switched to **International Discovery**, where Manager Bill Kennedy has done an excellent job for 3+ years.

Please note that Aggressive International has a 1%/30-day short-term trading fee.

ANNUAL MODEL PORTFOLIO RETURNS (%)

Model Portfolio	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06
Aggressive Growth													31.4	-8.4	-20.9	-15.8	36.6	14.8	17.9	14.2
Growth	20.8	18.9	34.3	1.0	24.7	13.0	18.0	-0.1	23.9	13.8	17.2	3.3	30.7	-2.1	-2.7	-14.0	33.0	14.4	11.1	11.8
Growth & Income	5.8	14.8	29.1	-1.3	24.6	14.2	18.2	-0.1	23.1	18.7	20.9	6.3	22.6	-2.1	-4.0	-9.7	27.1	11.5	5.2	10.2
Inc & Preservation	1.3	10.2	17.7	0.8	20.9	11.4	16.7	-2.8	21.1	19.0	18.0	5.2	13.4	-1.4	-5.6	-6.8	18.9	7.0	3.5	7.2

2007 REPORT CARD AND ERIC'S TOP FUND PICKS FOR 2008

Below are the funds I recommended to members in 2007. The column "2007 Pick" represents funds that were generally held in one of our model portfolios — though not necessarily for the entire year (such funds are duly noted). For example, we held **Select Energy** in our Aggressive Growth Model heading into 2007, but sold it in May.

Most of our picks in the domestic growth fund category

beat the S&P 500's 2007 return of 5.5%, and generally fared well against their peers.

The "2008 Pick" column should not be viewed as a "buy 'em and forget 'em" list. As this year unfolds, there are likely to be developments that force us to alter our investment outlook. With that in mind, I'd encourage members to keep a close watch on model portfolio trades and individual fund ratings in their monthly *Fidelity Insight* reports. — E.M.K.

2007 Return	2007 Pick	2008 Pick	
Domestic Stock Funds			
6.9%	✓		Capital Appreciation trailed the S&P 500 as that index favored "mega-cap" stocks, while this fund has more mid- and small-caps. Still, we have confidence in Fidelity veteran Fergus Shiel.
19.8%	✓	✓	Contrafund is a multi-cap fund that has done well in up and down markets under Manager Will Danoff's 17-year stewardship. But Fidelity finally closed it after its assets swelled past \$64 billion.
19.9%		✓	Growth Company edged out its Russell 3000 Growth benchmark thanks in part to tech picks such as Google and Apple. However, Fidelity closed it to new investors.
26.8%		✓	Growth Discovery has excelled in its first year under Fidelity veteran Jason Weiner and should continue to benefit from a favorable climate for large-growth stocks.
6.2%	✓	✓	Puritan had a good year, thanks to good stockpicking, its large-cap value focus and good management of its bond portfolio in a volatile interest-rate environment.
11.1%		✓	Mega Cap Stock , formerly named Growth & Income II, was given a new manager -- Rick Mace -- and a new mandate. We like its focus on very large, multinational companies.
7.7%	✓		Small Cap Stock beat the Russell 2000 in a year when that small-cap benchmark underperformed. While we favor large-caps, we still have confidence in Manager Paul Antico.
3.2%	✓	✓	Low-Priced Stock remains closed to new investors. But for those who can get in (i.e., through 401(k) plans), it's still a great choice for smaller-cap exposure, although it's now a mid-cap fund.
1.1%	✓	✓	Dividend Growth is part of our Income & Preservation model. Its specialty -- dividend-paying mega-cap stocks -- makes it a good choice for this less-aggressive model.
1.1%	✓		Small Cap Value beat its small-cap benchmark in 2007, but the year favored large growth over most anything "small" or "value."
16.8%		✓	Small Cap Growth trounced its small-growth benchmark, thanks to good picks in tech, energy and financials. It's beating two-thirds of its peers.
2.2%	✓	✓	Value is a classic "pure" value fund. It offers nice portfolio diversification and held its own in 2007, a year that favored large-growth stocks.
Sector Funds			
45.5%	✓		Select Energy rebounded from its 14.2% gain in 2006 as oil prices hovered around \$90 a barrel. However, a slowing economy could mean less energy use in 2008.
19.8%	✓	✓	Select Technology performed well in 2007, thanks to hot products like Apple's iPhone and continued growth and earnings for companies like Google and Oracle.
International Funds			
16.0%	✓		Diversified International remains closed to new investors. But it's still a good choice for non-U.S. investing, thanks to its broad mix of market cap/country exposures.
45.1%	✓	✓	Emerging Markets invests in many of the world's fastest-growing economies. But with large gains over the past few years, valuations are now a real concern. For aggressive investors in small doses.
14.8%	✓		Europe Capital Appreciation has benefited from economic growth and market-friendly policy changes in Europe. However, we prefer the more-diversified Int'l Discovery.
19.0%	✓	✓	International Discovery continued to benefit from Manager Bill Kennedy's strong stockpicking and, in 2007, this unhedged fund got an extra boost from the weak dollar.
Bond and Specialty Funds			
5.4%	✓		Strategic Income has done well with its mix of Treasuries, high-yield, developed and emerging-market bonds. However, in the current climate, we prefer less-risky alternatives.
3.8%	✓	✓	Strategic Real Return's mix of REITs, TIPS, floating-rate loans and commodities provides some inflation protection and helps dampen portfolio volatility.
9.1%	✓	✓	Inflation-Protected Bond carries some interest-rate risk, but also offers protection from inflation -- or even inflation concerns. That was the case in 2007 as this fund benefited from signs of higher prices.
7.9%		✓	Spartan Short-Term Treasury Index has benefited from a "flight to quality" and the fact the the Fed has been cutting short term interest rates. We expect both of these trends to continue in 2008.
1.7%	✓		Short-Term Bond was not hurt as badly as Ultra-Short Bond by its subprime mortgage exposure; however, in 2007, any exposure was not a good thing and both funds paid the price.

large computers, farm equipment, airplanes or advanced medical equipment, the U.S. is still #1 when it comes to manufacturing quality products. The weak U.S. dollar also makes our products an absolute bargain to the world markets. Fidelity's "new" **Mega Cap Stock** fund is a great choice for exposure to the biggest U.S. companies.

In particular, favor large-cap funds that focus on **growth-oriented industries**. Technology and telecommunications should continue to do well as companies need to make these capital expenditures after years of under-investing. Demand from abroad will also be strong. **Growth Discovery** fits the bill nicely here with around 40% in technology.

Demand from emerging markets and the effects of a weak U.S. dollar should continue to push commodity prices higher, so I also like **natural resource** funds. That is not to suggest that oil and other commodity prices will experience a smooth upward trend. It will be a very bumpy ride and that is why we maintain these market exposures in rather limited amounts through our more diversified fund holdings. **Contrafund**, for example, has about 18% in energy and materials, and about 25% of **Strategic Real Return** is in commodity-related investments.

This sector often has a low or negative correlation with the general stock market, effectively reducing the volatility of our model portfolios.

Finally, don't forget about the **consumer staples sector** when the economy slows. Food, toothpaste, and drugs continue to sell regardless of the health of the overall economy. Many of these companies have already gotten pretty pricey, but that is why we leave it up to professional fund managers to pick the specific stocks and manage their portfolio on a day-to-day basis. **Blue Chip Growth** has the highest allocation to this sector among Fidelity's stock funds, but at around

10%, it's not too significant. For aggressive members, **Select Consumer Staples** targets this area directly.

When it comes to bonds, I'd stick with high-credit-quality funds. Despite their great performance in 2007, I still like **Inflation-Protected Bond** even though I think Treasuries, including TIPS, are overdone and investors can now tiptoe into higher-quality corporates. I also think high-quality tax-free funds represent a great opportunity, especially given the prospects of higher tax rates under a new president.

"... be careful with emerging market funds ... taking some profits 'off the table' may turn out to be the best advice I give you all year." — E.M.K.

Funds to De-Emphasize

Investors typically lose the most money by chasing an area that is too expensive. When earnings disappoint, overpriced sectors get killed. Such was the case when the Internet bubble burst several years ago. A value discipline prevents the really big investment mistake — something I just can't risk at this stage of my life, even if it means giving up the potential for huge gains in the short term.

So please **be careful with emerging market funds**. Yes, the long-term prospects for China, India and other emerging markets are tough to argue with, but these markets are pure speculation at current prices. We continue to maintain modest exposure to this area, but it is well below where we were last year and taking some profits "off the table" may turn out to be the best advice I give you all year. I'd be particularly leery of **China Region** and **Southeast Asia**.

While not nearly as dangerous as emerging market funds, international funds investing in developed markets are also less attractive than they were a few years ago. We overweighted these funds in our model portfolios for several years, but have pulled back to

a more balanced weight. Here again our rationale is based primarily on valuations. Another factor, however, is that a good chunk of gains in international funds have been the result of the weakening U.S. dollar. The dollar has fallen over 8% in each of the past two years, but at such depressed levels, and with sentiment extremely negative, the markets may well be surprised by its strength in 2008.

For the yield side of the ledger, I'd continue to avoid most high-yield bond funds and think it is too early to invest in REIT funds. Yes, REIT funds got clobbered recently and yes, their yields look juicy. But, risk capital, the key ingredient to their growth, is in short supply and will get more expensive. Fundamental valuations are also stretched. The pity of REIT funds is that they attract some of the most conservative investors who are chasing yields. If you're this type of investor, minimize your exposure to REIT funds, or avoid them altogether.

Stay the Course

Despite my less than sanguine outlook, don't dump all your funds and run into money markets. It is, however, a good time to review and rebalance your portfolio, which may mean paring some of your big winners and adding to some of your laggards. Making modest changes in your portfolio is far better than darting in and out of the market in a big way. I'm always fascinated to hear stories about people who have made millions timing the market on a consistent, long-term basis. Problem is, I never met any of them.

Personally I find that having *realistic* expectations is key to successful investing. I know I will lose money at some point during the year. I know that making 20% a year is *not* normal. I know I will be wrong at times, and always ask myself "can I handle the worst outcome?"

Most important, I know that winning in the investment world is defined by avoiding big losses, staying in the game, and letting time take care of the bumps in the road. ■

FIDELITY SCORECARD - DECEMBER 31, 2007

Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
					Dec.	2007	2006	1 Year	3 Year	5 Year				
	S&P 500 (Large Cap)		1468.4		-0.7	5.5	15.8	5.5	9.6	13.4	1.00			
	Dow Industrials (Blue Chip)		13264.8		-0.7	8.9	19.0	8.9	11.5	13.4	0.89			
	Nasdaq Composite (OTC)		2652.3		-0.3	10.7	10.4	10.7	7.3	15.2	1.13			
	Russell 2000 (Small Cap)		766.0		-0.1	-1.6	18.4	-1.6	9.7	18.1	1.23			
LARGE CAP GROWTH					Category Averages			0.0	16.3	10.5	16.3	11.8	14.9	1.1
FBGRX	Blue Chip Growth		44.06	Buy	0.5	11.8	5.5	11.8	7.1	10.2	0.98			
FDCAX	Capital Appreciation		26.76	Buy	-4.7	6.9	13.8	6.9	8.8	16.8	1.16			
FCNTX	Contrafund (closed)		73.11	Buy	0.4	19.8	11.5	19.8	15.8	18.0	0.96			
FEXPX	Export and Multinational	0.75%/30 days	25.73	Hold	0.8	15.3	8.4	15.3	13.0	16.8	1.11			
FFTYX	Fifty		21.80	Buy	-0.7	12.6	11.1	12.6	11.6	12.4	1.08			
FDGRX	Growth Company (closed)		82.98	Buy	-0.2	19.9	9.6	19.9	14.2	18.8	1.08			
FDSVX	Growth Discovery		16.26	Buy	0.6	26.8	13.9	26.8	13.9	14.4	1.01			
FDFFX	Independence		28.19	OK to Buy	3.1	29.5	12.3	29.5	17.2	17.3	1.27			
FSLGX	Large Cap Growth		10.71	Hold	-0.1	2.1	5.7	2.1	6.8	11.9	1.06			
FLGEX	Large Cap Growth Enhcd Index		10.29	Hold	-0.9	2.1p	--	--	--	--	--			
FLCSX	Large Cap Stock		19.33	Buy	0.4	13.1	13.0	13.1	11.1	12.8	1.02			
FMAGX	Magellan (closed)		93.87	OK to Buy	0.3	18.8	7.2	18.8	10.7	12.7	1.12			
FNCMX	Nasdaq Composite Index	0.75%/90 days	35.11	Hold	-0.3	10.5	10.0	10.5	7.4	--	1.09			
FOCPX	OTC		52.17	Buy	0.4	26.1	9.4	26.1	14.6	17.2	1.19			
FDSX	Stock Selector		29.50	Hold	-0.2	11.8	13.1	11.8	11.3	14.0	0.97			
FTRNX	Trend		70.72	OK to Buy	1.2	18.9	13.1	18.9	13.0	15.3	1.11			
LARGE CAP BLEND					Category Averages			-0.1	8.8	13.3	8.8	10.4	13.4	1.0
FBCVX	Blue Chip Value		14.60	Hold	-0.1	4.4	15.3	4.4	9.8	--	1.06			
FDEQX	Disciplined Equity		29.52	Buy	0.5	10.8	14.6	10.8	11.9	14.8	1.04			
FDGFX	Dividend Growth		29.40	Buy	-1.7	1.1	14.7	1.1	6.3	9.4	0.90			
FFIDX	Fidelity Fund		39.85	OK to Buy	0.4	16.8	13.7	16.8	12.6	14.4	0.99			
FTQGX	Focused Stock		13.29	Hold	2.1	17.0	5.1	17.0	13.3	15.6	1.18			
FGRIX	Growth & Income		27.28	OK to Sell	-1.3	0.7	10.7	0.7	4.6	8.4	1.05			
FLCEX	Large Cap Core Enhcd Index		10.17	Hold	-0.3	1.0p	--	--	--	--	--			
FGRTX	Mega Cap Stock		11.67	Buy	-0.8	11.1	12.8	11.1	10.4	11.9	0.97			
FSMKX	Spartan 500 Index ⁴		101.32	Hold	-0.7	5.4	15.7	5.4	8.6	12.7	1.00			
FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90 days	40.90	Hold	-0.6	5.6	15.7	5.6	9.1	13.9	1.00			
FTXMX	Tax Managed Stock	1.00%/2 years	16.06	OK to Buy	1.3	14.2	12.0	14.2	13.3	15.6	1.05			
FVDFX	Value Discovery		17.94	Buy	0.3	9.7	15.6	9.7	14.6	17.4	1.04			

Notes: ¹ Relative Volatility of the fund versus the S&P 500 over the last 12 months; 1.50 means the fund has been 50% more volatile. ² Durations (a measure of interest rate sensitivity) reflect prior quarter figures. ³ Stated yield is before any inflation adjustment, your effective yield may be different. ⁴ Also available in an "Advantage" share class with a minimum of \$100,000, but a lower expense ratio of 0.07% (versus 0.10% for the existing class). ⁵ Also available in "Advantage" shares with a minimum of \$100,000, but a lower expense ratio of 0.10% (versus 0.20% for the investor class). (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

Scorecard Changes

Fund	Style	Prior	New	Comments
Aggressive International	International	Buy	OK to Sell	Concerns about new, untested manager.
Automotive	Sector	OK to Buy	OK to Sell	Unfavorable outlook for carmakers.
China Region	International	OK to Buy	OK to Sell	After big gains, valuations are a concern.
Consumer Staples	Sector	Hold	Buy	Good hedge for slowing economy.
International Real Estate	Specialty	OK to Buy	Hold	Real estate outlook continues to be dim.
Investment Grade Bond	Taxable Bond	Buy	Hold	Concerns about security selection, performance.
Medical Delivery	Sector	OK to Sell	OK to Buy	Good hedge for slowing economy.
Mid Cap Value	Mid Cap	Hold	OK to Sell	Mid-value stocks continue to be under pressure.
Real Estate Income	Specialty	Hold	OK to Sell	Real estate outlook continues to be dim.
Real Estate Investment	Specialty	Hold	Sell	Real estate outlook continues to be dim.
Software & Computer Svcs	Sector	Hold	OK to Buy	Outlook for this sector has improved.
Southeast Asia	International	OK to Buy	OK to Sell	After big run-up, valuations are a concern.
Sptn Interm Treas Index	Taxable Bond	Hold	OK to Buy	Yield curve positioning and preference for quality.
Sptn Sht-Term Treas Index	Taxable Bond	OK to Buy	Buy	Yield curve positioning and preference for quality.
Value Discovery	Large Blend	Buy	Buy	Market cap has grown from mid-cap to low end of large.
VIP Consumer Staples	Sector	Hold	Buy	Good hedge for slowing economy.
VIP Real Estate	Real Estate	Hold	Sell	Real estate outlook continues to be dim.
Wireless	Sector	Buy	Hold	After long run, sales may be cooling.

FIDELITY SCORECARD - DECEMBER 31, 2007

Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
					Dec.	2007	2006	1 Year	3 Year	5 Year				
LARGE CAP VALUE					<i>Category Averages</i>			-0.7	3.2	16.9	3.2	8.9	13.6	1.0
FEQIX	Equity-Income		55.16	Buy	-0.9	1.4	19.8	1.4	8.7	13.2	1.03			
FEQTX	Equity-Income II		22.98	OK to Sell	-0.7	4.5	13.7	4.5	7.5	12.6	1.02			
FSLVX	Large Cap Value		14.50	Hold	-0.4	3.7	17.1	3.7	10.5	14.9	1.08			
FLVEX	Large Cap Value Enhcd Index		9.45	Hold	-1.0	-5.1p	--	--	--	--	--			
MID-CAP GROWTH					<i>Category Averages</i>			0.5	11.5	11.3	11.5	11.4	15.7	1.1
FDEGX	Aggressive Growth	1.50%/90 days	23.02	Hold	1.2	18.8	8.9	18.8	11.5	15.5	1.16			
FSMGX	Mid Cap Growth	0.75%/30 days	13.52	Sell	-0.3	2.4	7.9	2.4	7.9	15.5	1.20			
FMCSX	Mid-Cap Stock (closed)	0.75%/30 days	29.24	Buy	0.6	8.2	14.8	8.2	13.0	15.9	1.08			
FMILX	New Millennium		29.79	Hold	0.4	16.5	13.5	16.5	13.3	15.8	1.07			
MID-CAP BLEND					<i>Category Averages</i>			0.3	8.0	16.7	8.0	11.4	21.4	1.1
FLVCX	Leveraged Company Stock	1.50%/90 days	32.33	Hold	1.4	17.9	17.6	17.9	17.7	31.8	1.18			
FLPSX	Low-Priced Stock (closed)	1.50%/90 days	41.13	Buy	0.5	3.2	17.8	3.2	9.7	17.8	0.97			
FSEMXX	Spartan Extended Mkt Index ⁴	0.75%/90 days	38.32	Hold	-0.4	5.4	15.3	5.4	10.2	17.6	1.03			
FSLSX	Value Strategies		28.78	Buy	-0.5	5.6	16.1	5.6	8.0	18.4	1.10			
MID-CAP VALUE					<i>Category Averages</i>			-0.9	2.4	14.8	2.4	10.3	16.9	1.1
FSMVX	Mid Cap Value	0.75%/30 days	16.28	OK to Sell↓	-0.1	2.7	14.5	2.7	10.1	16.8	1.12			
FDVLX	Value		75.01	Buy	-1.8	2.2	15.1	2.2	10.4	17.0	1.02			
SMALL CAP GROWTH					<i>Category Averages</i>			0.1	12.1	13.9	12.0	12.8	16.2	1.1
FCPGX	Small Cap Growth	1.50%/90 days	15.78	Buy	0.9	16.8	13.2	16.7	14.7	--	1.07			
FDSCX	Small Cap Independence	1.50%/90 days	19.91	Hold	-0.6	7.3	14.6	7.3	10.9	16.2	1.10			
SMALL CAP BLEND					<i>Category Averages</i>			0.0	4.4	14.0	4.4	10.3	16.8	1.0
FSLCX	Small Cap Stock (closed)	2.00%/90 days	17.43	Hold	0.3	7.7	12.4	7.7	9.4	16.8	0.94			
FCPVX	Small Cap Value	1.50%/90 days	13.60	OK to Sell	-0.2	1.1	15.7	1.1	11.2	--	1.15			
SPECIALTY FUNDS														
FBALX	Balanced		19.61	Hold	0.1	9.0	11.6	9.0	10.4	13.9	0.70			
FCVSX	Convertible Securities		28.02	Hold	1.2	16.2	15.1	16.2	12.3	14.9	0.83			
FDYSX	Dynamic Strategies		9.59	Hold	0.0	-2.2p	--	--	--	--	--			
FIREX	International Real Estate	1.50%/90 days	13.40	Hold↓	-5.9	-8.3	42.9	-8.3	14.6	--	1.32			
FPURX	Puritan		19.03	Buy	0.1	6.2	14.8	6.1	8.4	11.2	0.65			
FRIFX	Real Estate Income	0.75%/90 days	10.29	OK to Sell↓	-0.8	-6.4	11.7	-6.4	3.2	--	0.36			
FRESX	Real Estate Investment	0.75%/90 days	25.98	Sell↓	-7.0	-21.3	32.8	-21.3	6.3	16.6	1.63			
FSDIX	Strategic Dividend & Income		12.57	OK to Buy	-0.9	3.1	14.0	3.1	8.9	--	0.85			
FSRRX	Strategic Real Return	0.75%/60 days	9.99	Buy	0.8	3.8	4.9	3.8	--	--	0.29			
FIUIX	Utilities		20.55	OK to Buy	1.0	10.8	30.5	10.8	16.7	18.4	1.03			
ASSET ALLOCATION FUNDS														
FASIX	Asset Manager 20%		12.47	Hold	0.0	4.8	7.3	4.8	6.1	7.8	0.20			
FTANX	Asset Manager 30%		9.80	Hold	-0.5	-1.9p	--	--	--	--	--			
FFANX	Asset Manager 40%		9.72	Hold	-0.9	-2.6p	--	--	--	--	--			
FASMX	Asset Manager 50%		15.51	Hold	-0.3	6.3	9.2	6.3	6.5	8.3	0.49			
FSANX	Asset Manager 60%		9.60	Hold	-0.8	-3.5p	--	--	--	--	--			
FASGX	Asset Manager 70%		16.99	Hold	-0.5	7.2	10.3	7.2	7.1	9.7	0.68			
FAMRX	Asset Manager 85%		14.15	Hold	-0.7	7.9	12.4	7.9	9.2	16.5	0.82			
FFNOX	Four-in-One Index		30.50	Hold	-0.8	6.2	15.4	6.2	9.3	13.4	0.82			
FFFBX	Freedom 2000		12.37	Hold	0.1	5.3	6.8	5.3	5.4	5.9	0.27			
FFVX	Freedom 2005		11.79	Hold	-0.2	7.3	9.2	7.3	7.4	--	0.49			
FFFCX	Freedom 2010		14.82	Hold	-0.1	7.4	9.5	7.4	7.6	9.4	0.51			
FFVFX	Freedom 2015		12.47	Hold	-0.2	7.8	10.4	7.8	8.4	--	0.56			
FFFDX	Freedom 2020		15.81	Hold	-0.3	8.5	11.6	8.5	9.3	12.3	0.69			
FFTWX	Freedom 2025		13.18	Hold	-0.3	8.6	11.8	8.6	9.5	--	0.71			
FFEX	Freedom 2030		16.52	Hold	-0.4	9.3	12.9	9.3	10.3	13.7	0.83			
FFTHX	Freedom 2035		13.68	Hold	-0.4	9.3	12.9	9.3	10.4	--	0.84			
FFFFX	Freedom 2040		9.73	Hold	-0.4	9.3	13.5	9.3	10.6	14.6	0.87			
FFFGX	Freedom 2045		11.35	Hold	-0.4	9.5	12.0	9.5	--	--	0.89			
FFFHX	Freedom 2050		11.43	Hold	-0.5	9.8	12.1	9.8	--	--	0.91			
FFFA	Freedom Income		11.45	Hold	0.2	4.8	6.4	4.8	5.0	5.2	0.21			
FIRJX	Income Replacement 2016		50.68	Hold	0.0	0.4p	--	--	--	--	--			
FIRKX	Income Replacement 2018		50.73	Hold	0.0	0.4p	--	--	--	--	--			
FIRLX	Income Replacement 2020		50.64	Hold	-0.1	0.2p	--	--	--	--	--			
FIRMX	Income Replacement 2022		50.79	Hold	-0.1	0.2p	--	--	--	--	--			
FIRNX	Income Replacement 2024		50.89	Hold	-0.1	0.4p	--	--	--	--	--			
FIROX	Income Replacement 2026		50.79	Hold	-0.1	0.2p	--	--	--	--	--			
FIRPX	Income Replacement 2028		50.94	Hold	-0.1	0.2p	--	--	--	--	--			
FIRQX	Income Replacement 2030		50.84	Hold	-0.2	0.2p	--	--	--	--	--			
FIRRX	Income Replacement 2032		50.91	Hold	-0.2	0.2p	--	--	--	--	--			
FIRSX	Income Replacement 2034		50.95	Hold	-0.2	0.3p	--	--	--	--	--			
FIRUX	Income Replacement 2036		51.08	Hold	-0.2	0.3p	--	--	--	--	--			

FIDELITY SCORECARD - DECEMBER 31, 2007

Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
					Dec.	2007	2006	1 Year	3 Year	5 Year				
INTERNATIONAL FUNDS					Category Averages			-1.7	20.0	20.9	21.5	22.2	26.0	1.2
FIVFX	Aggressive Int'l	1.00%/30 days	15.13	OK to Sell↓	-2.3	5.2	15.4	5.2	11.4	16.8	0.91			
FICDX	Canada	1.50%/90 days	61.40	OK to Buy	2.8	35.0	15.0	35.0	25.7	30.2	1.16			
FHKCX	China Region	1.50%/90 days	31.17	OK to Sell↓	-2.5	46.3	29.7	46.3	29.5	28.6	1.56			
FDIVX	Diversified International (closed)	1.00%/30 days	39.90	OK to Buy	-1.3	16.0	22.5	16.0	18.6	23.2	1.04			
FEMKX	Emerging Markets	1.50%/90 days	33.85	Buy	1.0	45.1	33.4	45.1	40.8	38.6	1.48			
FIEUX	Europe	1.00%/30 days	42.16	OK to Buy	-0.8	16.4	25.2	16.4	19.9	26.7	1.12			
FECAX	Europe Capital App	1.00%/30 days	26.61	OK to Buy	-0.5	14.8	35.5	14.8	21.8	23.5	1.07			
FGBLX	Global Balanced	1.00%/30 days	22.47	Hold	-0.1	13.8	13.7	13.8	12.1	15.8	0.62			
FIGRX	International Discovery	1.00%/30 days	43.08	Buy	-1.1	19.0	24.2	19.0	20.5	24.5	1.06			
FIGFX	International Growth	1.00%/30 days	9.56	Hold	-1.3	-2.8p	--	--	--	--	--			
FISMX	Int'l Small Cap (closed)	2.00%/90 days	23.10	Hold	-2.8	13.2	14.2	13.2	18.7	31.3	1.02			
FSCOX	Int'l Small Cap Opportunities	2.00%/90 days	14.42	Hold	-4.7	3.0	25.7	--	--	--	1.25			
FIVLX	International Value	1.00%/30 days	11.43	Buy	-2.6	9.5	12.2p	--	--	--	1.07			
FJPNX	Japan	1.50%/90 days	14.34	OK to Sell	-5.7	-2.7	-5.0	-2.7	9.7	14.9	1.09			
FJSCX	Japan Smaller Cos (closed)	1.50%/90 days	11.03	Sell	-7.5	-12.4	-21.5	-12.4	-0.9	13.8	1.07			
FLATX	Latin America	1.50%/90 days	62.01	OK to Buy	0.9	43.7	44.3	43.7	47.6	49.7	2.08			
FNORX	Nordic	1.50%/90 days	45.36	OK to Buy	-0.9	23.2	36.7	23.2	25.9	29.8	1.38			
FOSFX	Overseas	1.00%/30 days	48.39	OK to Buy	-1.4	21.8	20.5	21.8	20.5	23.5	1.19			
FPBFX	Pacific Basin	1.50%/90 days	30.20	Hold	-1.2	25.2	16.2	25.2	24.4	25.0	1.21			
FSEAX	Southeast Asia	1.50%/90 days	39.66	OK to Sell↓	-2.2	55.4	37.2	55.4	41.8	37.6	1.56			
FSIIX	Spartan Int'l Index ⁴	1.00%/90 days	47.30	Hold	-2.6	10.7	26.2	10.7	16.7	21.4	1.02			
FTIEX	Total International Equity	1.00%/30 days	9.45	OK to Buy	-1.7	-2.9p	--	--	--	--	--			
FWWFX	Worldwide	1.00%/30 days	21.37	Hold	0.1	18.5	17.4	18.5	16.5	19.7	1.06			
SELECT PORTFOLIOS					Category Averages			-0.7	11.3	13.2	11.3	12.1	16.9	1.2
FSAIX	Air Transportation	0.75%/30 days	42.19	Hold	-8.5	-1.9	22.5	-1.9	13.6	17.8	1.27			
FSAVX	Automotive	0.75%/30 days	37.39	OK to Sell↓	-6.0	0.0	13.3	0.0	3.6	11.3	1.34			
FSRBX	Banking	0.75%/30 days	24.48	Sell	-6.3	-21.2	13.1	-21.2	-3.8	5.6	1.41			
FBIOX	Biotechnology	0.75%/30 days	66.68	Hold	-6.7	2.6	3.6	2.6	5.0	11.5	1.02			
FSLBX	Brokerage & Investment	0.75%/30 days	67.30	Sell	-1.1	-0.1	21.3	-0.1	16.3	19.4	1.47			
FSCHX	Chemicals	0.75%/30 days	82.73	Buy	1.4	28.4	16.8	28.4	14.9	22.2	1.18			
FSDCX	Communications Equipment	0.75%/30 days	22.46	Hold	-1.5	9.8	2.2	9.8	5.1	17.9	1.34			
FDCPX	Computers	0.75%/30 days	48.35	Buy	0.3	22.4	9.5	22.4	11.2	17.0	1.27			
FSHOX	Construction & Housing	0.75%/30 days	33.85	OK to Sell	-1.4	-13.9	7.1	-13.9	0.3	13.3	1.47			
FSCPX	Consumer Discretionary	0.75%/30 days	21.02	OK to Sell	-4.8	-8.3	13.1	-8.3	2.1	7.6	1.11			
DFDAX	Consumer Staples	0.75%/30 days	66.56	Buy↑	-0.6	21.5	20.2	21.5	15.6	15.4	0.70			
FSDAX	Defense & Aerospace	0.75%/30 days	88.46	OK to Buy	-2.9	17.8	20.7	17.8	18.8	22.6	1.03			
FSELX	Electronics	0.75%/30 days	45.60	Hold	0.1	4.7	0.3	4.7	6.7	13.5	1.27			
FSENX	Energy	0.75%/30 days	66.67	OK to Buy	9.0	45.5	14.2	45.5	36.2	32.5	1.50			
FSESX	Energy Service	0.75%/30 days	101.62	OK to Buy	6.5	55.2	8.6	55.2	37.5	30.4	1.70			
FSLEX	Environmental	0.75%/30 days	19.36	Hold	1.5	12.4	10.5	12.4	10.8	13.5	1.02			
FIDSX	Financial Services	0.75%/30 days	95.72	OK to Sell	-4.3	-13.6	16.1	-13.6	2.5	9.4	1.35			
FSAGX	Gold	0.75%/30 days	39.88	Hold	0.2	24.9	25.4	24.9	30.1	21.3	1.74			
FSPHX	Health Care	0.75%/30 days	125.82	Hold	-1.3	12.5	5.0	12.5	11.3	11.7	0.80			
FVLX	Home Finance	0.75%/30 days	28.58	Sell	-3.9	-38.0	12.2	-38.0	-13.5	0.0	1.85			
FSCGX	Industrial Equipment	0.75%/30 days	35.95	Hold	1.3	23.2	17.0	23.2	15.7	19.8	1.09			
FCYIX	Industrials	0.75%/30 days	22.27	Hold	0.1	17.7	14.8	17.7	14.9	20.9	1.09			
FSPCX	Insurance	0.75%/30 days	62.94	Hold	-1.4	-4.3	11.3	-4.3	6.6	11.7	1.12			
FBSOX	IT Services	0.75%/30 days	16.71	Hold	3.9	11.5	14.7	11.5	10.7	14.4	1.09			
FDLSX	Leisure	0.75%/30 days	77.00	Hold	-3.3	4.2	16.3	4.2	8.0	16.0	0.97			
FSDPX	Materials	0.75%/30 days	58.48	Hold	1.9	29.2	19.5	29.2	20.8	24.6	1.32			
FSHCX	Medical Delivery	0.75%/30 days	52.62	OK to Buy↑	2.0	16.9	-1.6	16.9	14.0	22.9	0.82			
FSMEX	Medical Equipment	0.75%/30 days	24.87	OK to Buy	1.1	17.9	4.0	17.9	9.6	15.6	0.81			
FBMPX	Multimedia	0.75%/30 days	37.61	OK to Sell	-3.7	-9.3	14.0	-9.3	3.6	10.5	1.01			
FSNGX	Natural Gas	0.75%/30 days	48.49	Hold	8.2	40.9	5.3	40.9	29.3	31.3	1.43			
FNARX	Natural Resources	0.75%/30 days	40.05	Buy	8.5	50.1	19.1	50.1	37.7	33.1	1.48			
FNINX	Networking & Infrastructure	0.75%/30 days	2.48	OK to Buy	-3.1	0.4	5.1	0.4	1.8	10.7	1.25			
FSPFX	Paper & Forest	0.75%/30 days	31.33	Hold	-0.6	0.8	11.7	0.8	1.0	5.8	1.23			
FPHAX	Pharmaceuticals	0.75%/30 days	11.64	Hold	-2.6	13.4	12.4	13.4	11.9	11.7	0.87			
FSRPX	Retailing	0.75%/30 days	40.91	Sell	-4.1	-8.0	15.1	-8.0	4.3	11.6	1.29			
FSCSX	Software & Computer Svcs	0.75%/30 days	81.23	OK to Buy↑	4.0	23.9	24.9	23.9	15.7	17.6	1.15			
FSPTX	Technology	0.75%/30 days	81.32	Buy	-0.7	19.8	7.5	19.8	10.5	16.7	1.29			
FSTCX	Telecommunications	0.75%/30 days	52.04	Hold	-1.9	8.2	26.8	8.2	13.0	16.3	1.19			
FSRFX	Transportation	0.75%/30 days	45.74	OK to Sell	-5.4	-0.6	9.5	-0.6	6.8	16.4	1.30			
FSUTX	Utilities Growth	0.75%/30 days	64.27	Hold	0.2	18.1	30.1	18.1	18.9	21.4	1.15			
FWRLX	Wireless	0.75%/30 days	8.64	Hold↓	-2.2	27.5	8.7	27.5	17.6	31.3	1.33			

FIDELITY SCORECARD - DECEMBER 31, 2007

Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Duration (Years) ²	30-Day Yld. (%)	Tax-Equivalent Yield Federal Tax Bracket						
					Dec.	2007	2006									
TAXABLE BOND FUNDS					Category Averages			0.1	5.1	3.7	4.2	4.45				
FGMNX	Ginnie Mae		10.93	OK to Sell	-0.1	6.8	4.1	3.6	4.94							
FGOVX	Government Income		10.36	Hold	0.2	7.9	3.5	4.6	4.26							
FINPX	Inflation-Protected Bond ³		11.06	Buy	-0.2	9.1	0.2	5.0	1.94							
FTHRX	Intermediate Bond		10.15	OK to Buy	0.2	4.0	4.3	3.7	4.85							
FSTGX	Intermediate Gov't Income		10.28	Buy	0.5	7.9	3.6	3.4	4.10							
FBNDX	Investment Grade Bond		7.19	Hold↓	0.1	2.6	4.8	4.6	5.15							
FMSFX	Mortgage Securities		10.45	OK to Sell	-0.1	-0.4	4.8	3.4	5.40							
FSHBX	Short-Term Bond		8.60	OK to Sell	0.2	1.7	4.6	1.7	4.87							
FIBIX	Sptn Interm Treas Index ⁵		10.42	OK to Buy↑	0.2	10.1	2.6	6.0	3.86							
FLBIX	Sptn Lng-Term Treas Index ⁵		10.24	Hold	-0.4	9.5	1.7	11.1	4.36							
FSBIX	Sptn Sht-Term Treas Index ⁵		10.31	Buy↑	0.2	7.9	3.5	2.3	3.05							
FTBFX	Total Bond		10.33	Buy	0.3	4.2	5.1	4.2	5.08							
FBIDX	U.S. Bond Index		10.89	Hold	0.2	5.4	4.3	4.4	4.87							
FUSFX	Ultra-Short Bond	0.25%/60 days	9.02	OK to Sell	0.4	-5.1	4.9	0.3	5.61							
HIGH-YIELD BOND FUNDS					Category Averages			0.5	3.8	9.8	6.78					
FAGIX	Capital & Income	1.00%/90 days	8.68	Hold	0.1	3.8	13.0	--	6.94							
FFRHX	Floating Rate High Income	1.00%/60 days	9.57	Hold	0.4	2.7	6.4	--	7.12							
FHIFX	Focused High Income	1.00%/90 days	9.88	Hold	0.7	3.1	8.5	--	6.89							
SPHIX	High Income	1.00%/90 days	8.61	Hold	0.7	2.4	10.7	--	7.94							
FNMIX	New Markets Income	1.00%/90 days	14.68	Hold	0.7	5.7	11.9	--	5.89							
FSICX	Strategic Income		10.48	Buy	0.2	5.4	8.2	--	5.89							
MUNICIPAL BOND					Category Averages			0.3	3.7	4.1	5.7	3.55	25%	28%	33%	35%
FLTXX	Interm Municipal Income	0.50%/30 days	9.96	Buy	0.4	4.0	4.0	5.3	3.51	4.7	4.9	5.2	5.4			
FHIGX	Municipal Income	0.50%/30 days	12.58	OK to Buy	0.3	3.1	4.8	7.3	3.81	5.1	5.3	5.7	5.9			
FSTFX	Short-Int Municipal Income	0.50%/30 days	10.31	Buy	0.5	4.4	3.0	2.9	3.01	4.0	4.2	4.5	4.6			
FTABX	Tax-Free Bond	0.50%/30 days	10.69	OK to Buy	0.1	3.1	4.8	7.3	3.88	5.2	5.4	5.8	6.0			
STATE-SPECIFIC MUNICIPAL BOND					Category Averages			0.3	3.4	4.3	6.4	3.52				
FSAZX	Arizona Muni Income	0.50%/30 days	11.23	OK to Buy	0.0	2.6	4.4	7.4	3.68	4.9	5.1	5.5	5.7			
FCTFX	California Muni Income	0.50%/30 days	12.15	OK to Buy	0.2	2.9	4.6	7.1	3.77	5.0	5.2	5.6	5.8			
FCSTX	Calif Short-Interm Tax Free	0.50%/30 days	10.14	OK to Buy	0.4	4.3	3.5	3.4	3.09	4.1	4.3	4.6	4.8			
FICNX	Connecticut Muni Income	0.50%/30 days	11.28	OK to Buy	0.2	3.8	4.0	6.2	3.42	4.6	4.8	5.1	5.3			
SMDMX	Maryland Muni Income	0.50%/30 days	10.76	OK to Buy	0.0	3.0	4.1	6.9	3.56	4.7	4.9	5.3	5.5			
FDMMX	Mass Muni Income	0.50%/30 days	11.78	OK to Buy	0.3	3.3	4.7	7.0	3.66	4.9	5.1	5.5	5.6			
FMHTX	Michigan Muni Income	0.50%/30 days	11.76	Hold	0.3	3.7	4.4	6.2	3.47	4.6	4.8	5.2	5.3			
FIMIX	Minnesota Muni Income	0.50%/30 days	11.22	OK to Buy	0.2	3.2	4.1	6.0	3.51	4.7	4.9	5.2	5.4			
FNJHX	New Jersey Muni Income	0.50%/30 days	11.48	OK to Buy	0.3	3.7	4.6	6.6	3.51	4.7	4.9	5.2	5.4			
FTFMX	New York Muni Income	0.50%/30 days	12.70	OK to Buy	0.4	3.3	4.6	7.0	3.64	4.9	5.1	5.4	5.6			
FOHFX	Ohio Muni Income	0.50%/30 days	11.51	OK to Buy	0.3	3.6	4.5	6.7	3.49	4.7	4.8	5.2	5.4			
FPXTX	Pennsylvania Muni Income	0.50%/30 days	10.73	OK to Buy	0.3	3.9	4.0	5.9	3.44	4.6	4.8	5.1	5.3			
TAXABLE MONEY MARKET					Category Averages			0.4	4.9	4.7	4.54					
FDRXX	Cash Reserves		1.00	--	0.40	5.06	4.75	na	4.87							
FGMXX	Retirement Government MM		1.00	--	0.37	4.91	4.70	na	4.49							
FRTXX	Retirement MM		1.00	--	0.41	5.10	4.79	na	4.91							
SPAXX	Government MM		1.00	--	0.37	4.90	4.71	na	4.42							
SPRXX	Money Market		1.00	--	0.40	5.09	4.79	na	4.88							
FSLXX	Select MM		1.00	--	0.41	5.14	4.82	na	4.94							
FGRXX	U.S. Gov't Reserves		1.00	--	0.38	4.97	4.77	na	4.53							
FDLXX	US Treasury MM		1.00	--	0.28	4.38	4.42	na	3.31							
MUNICIPAL MONEY MARKET					Category Averages			0.3	3.4	3.1	3.13					
FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.26	3.43	3.20	na	3.19	4.3	4.4	4.8	4.9			
FTEXX	Municipal Money Market		1.00	--	0.26	3.33	3.12	na	3.12	4.2	4.3	4.7	4.8			
FMOXX	Tax-Free Money Market		1.00	--	0.25	3.30	3.08	na	3.07	4.1	4.3	4.6	4.7			
STATE MUNICIPAL MONEY MARKET					Category Averages			0.3	3.3	3.0	3.07					
FSAXX	Arizona		1.00	--	0.25	3.26	3.06	na	3.07	4.1	4.3	4.6	4.7			
FSPXX	California AMT Tax-Free		1.00	--	0.26	3.40	3.15	na	3.18	4.2	4.4	4.7	4.9			
FCFXX	California		1.00	--	0.25	3.20	3.00	na	2.99	4.0	4.2	4.5	4.6			
FCMXX	Connecticut		1.00	--	0.25	3.22	3.02	na	3.03	4.0	4.2	4.5	4.7			
FMSXX	Mass AMT Tax-Free		1.00	--	0.26	3.39	3.10	na	3.17	4.2	4.4	4.7	4.9			
FDMXX	Massachusetts		1.00	--	0.25	3.20	2.98	na	2.98	4.0	4.1	4.4	4.6			
FMIXX	Michigan		1.00	--	0.24	3.20	3.01	na	2.99	4.0	4.2	4.5	4.6			
FSJXX	New Jersey AMT Tax-Free		1.00	--	0.26	3.40	3.14	na	3.19	4.3	4.4	4.8	4.9			
FNJXX	New Jersey		1.00	--	0.25	3.20	2.99	na	2.99	4.0	4.2	4.5	4.6			
FSNXX	New York AMT Tax-Free		1.00	--	0.26	3.39	3.10	na	3.21	4.3	4.5	4.8	4.9			
FNYXX	New York		1.00	--	0.25	3.22	3.01	na	3.01	4.0	4.2	4.5	4.6			
FOMXX	Ohio		1.00	--	0.25	3.22	3.01	na	3.01	4.0	4.2	4.5	4.6			
FPTXX	Pennsylvania		1.00	--	0.25	3.25	3.05	na	3.03	4.0	4.2	4.5	4.7			

Tax-equivalent yields for state funds assume top state (and city) tax level for that federal bracket, and itemized deductions.

FIDELITY SCORECARD - DECEMBER 31, 2007

Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
					Dec.	2007	2006	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS											
FQBRC	Fid VIP Aggressive Growth		13.04	OK to Buy	1.1	17.1	8.1	17.1	--	--	1.16
FLRQC	Fid VIP Asset Manager		12.58	Hold	1.4	15.1	6.9	15.1	7.9	9.0	0.61
FAEEC	Fid VIP Asset Manager: Growth		12.92	Hold	1.7	18.5	6.6	18.5	8.7	10.5	0.83
FJBAC	Fid VIP Balanced		12.60	Hold	0.0	8.6	11.3	8.6	7.6	8.8	0.69
FVHAC	Fid VIP Consumer Discretionary	1.00%/60 days	10.34	OK to Sell	-4.9	-8.5	12.4	-8.5	-0.1	6.1	1.12
FCSAC	Fid VIP Consumer Staples	1.00%/60 days	11.12	Buy↑	-0.6	11.6p	--	--	--	--	--
FPDFC	Fid VIP Contrafund		13.92	Hold	0.5	17.2	11.4	17.2	14.0	16.7	0.94
FPRGC	Fid VIP Disciplined Small Cap		9.87	Buy	-0.3	-2.7	16.1	-2.7	--	--	1.31
FZAMC	Fid VIP Dynamic Capital App		13.22	Buy	-4.8	6.6	13.6	6.6	12.9	--	1.18
FJLLC	Fid VIP Energy	1.00%/60 days	18.50	OK to Buy	8.9	45.5	16.4	45.5	34.2	30.9	1.50
FLOLC	Fid VIP Equity-Income		12.42	Buy	-1.0	1.1	19.7	1.1	7.6	12.2	1.05
FONNC	Fid VIP Financial Services	1.00%/60 days	10.69	OK to Sell	-4.2	-13.8	15.9	-13.8	1.9	8.7	1.35
FMPAC	Fid VIP FundsManager 20		11.06	Hold	0.2	5.8	5.5	5.8	--	--	0.20
FMPBC	Fid VIP FundsManager 50		11.31	Hold	0.0	6.8	8.1	6.8	--	--	0.50
FMPCC	Fid VIP FundsManager 70		11.48	Hold	-0.3	7.5	10.1	7.5	--	--	0.73
FMPDC	Fid VIP FundsManager 85		11.59	Hold	-0.4	8.4	11.0	8.4	--	--	0.89
FMNDC	Fid VIP Growth		13.82	Buy	0.5	26.5	6.5	26.5	11.6	13.5	1.07
FLFNC	Fid VIP Growth & Income		13.22	Hold	-0.1	11.8	12.6	11.8	9.8	11.3	0.99
FIDPC	Fid VIP Growth Opportunities		13.70	OK to Sell	1.0	22.7	5.0	22.7	9.9	12.7	1.20
FPVDC	Fid VIP Growth Stock		12.69	OK to Buy	0.9	22.1	0.7	22.1	--	--	1.35
FPDRC	Fid VIP Health Care	1.00%/60 days	12.06	Hold	-1.3	9.7	6.0	9.7	9.2	10.2	0.81
FBBLC	Fid VIP High Income		11.49	OK to Sell	0.8	2.3	11.0	2.3	4.7	9.5	0.17
FXVLT	Fid VIP Index 500		12.36	Hold	-0.7	5.2	15.4	5.2	7.3	11.5	1.01
FBALC	Fid VIP Industrials	1.00%/60 days	14.24	Hold	0.1	17.8	15.1	17.8	14.2	20.3	1.10
FVJIC	Fid VIP Int'l Capital App	1.00%/60 days	12.86	Hold	-2.4	4.8	14.0	4.8	--	--	0.91
FBKQT	Fid VIP Investor Freedom 2005		12.14	Hold	-0.2	8.3	9.4	8.3	--	--	0.46
FCRJT	Fid VIP Investor Freedom 2010		12.14	Hold	-0.2	8.4	9.2	8.4	--	--	0.48
FTCMT	Fid VIP Investor Freedom 2015		12.44	Hold	-0.2	9.0	10.6	9.0	--	--	0.54
FTEMT	Fid VIP Investor Freedom 2020		12.72	Hold	-0.3	9.9	11.5	9.9	--	--	0.67
FVIIT	Fid VIP Investor Freedom 2025		12.83	Hold	-0.3	10.1	12.0	10.1	--	--	0.70
FXJLT	Fid VIP Investor Freedom 2030		13.06	Hold	-0.3	11.0	12.8	11.0	--	--	0.81
FBXOT	Fid VIP Investor Freedom Income		11.43	Hold	0.2	5.8	6.6	5.8	--	--	0.19
FTLKC	Fid VIP Investment Grade Bond		10.88	Buy	0.1	4.0	4.1	4.0	3.0	3.4	0.22
FVMAC	Fid VIP Materials	1.00%/60 days	11.40	Hold	1.8	14.7p	--	--	--	--	--
FNBSC	Fid VIP Mid Cap		13.80	Buy	0.2	15.2	12.4	15.2	14.3	20.5	1.07
FTNJC	Fid VIP Money Market		11.10	--	0.4	4.9	4.5	4.9	3.7	2.3	0.01
FEMMC	Fid VIP Overseas	1.00%/60 days	15.24	Hold	-1.5	16.9	17.7	16.9	16.9	--	1.10
FFWKC	Fid VIP Real Estate		11.67	Sell↓	-5.6	-18.0	36.2	-18.0	5.7	--	1.62
FGDQC	Fid VIP Strategic Income		11.43	Buy	0.3	5.3	7.5	5.3	4.8	--	0.13
FYENC	Fid VIP Technology	1.00%/60 days	13.36	Buy	-1.2	14.9	7.8	14.9	11.2	16.7	1.29
FVTAC	Fid VIP Telecommunications	1.00%/60 days	9.91	Hold	-2.0	-1.1p	--	--	--	--	--
FXRRC	Fid VIP Utilities	1.00%/60 days	15.82	Hold	0.3	20.2	31.2	20.2	18.4	20.8	1.13
FKMSC	Fid VIP Value		11.95	Buy	-1.8	1.7	14.1	1.7	--	--	1.03
FUEBC	Fid VIP Value Leaders		12.46	Buy	-0.2	4.2	14.7	4.2	--	--	1.07
FRBSC	Fid VIP Value Strategies		12.53	Buy	-0.5	5.3	15.9	5.3	6.5	--	1.11
FPRLC	Lazard Retirement Emerging Mkts		14.72	Hold	1.2	33.3	27.2	33.3	--	--	1.32
FPRMC	Morgan Stanley Emerg Mkt Debt		11.53	Hold	0.7	6.3	10.5	6.3	8.7	12.2	0.28
FPRNC	Morgan Stanley Emerg Mkt Equity		15.68	Buy	-1.0	40.1	36.8	40.1	35.6	35.3	1.63
FPROC	Morgan Stanley Gbl Value Equity		11.82	OK to Buy	-1.0	6.4	20.9	6.4	9.6	13.7	1.02
FPRPC	Morgan Stanley Int'l Magnum		12.53	Buy	-1.7	14.3	24.8	14.3	15.3	17.7	1.16
FMCCC	Strategic Advisors Mid Cap Value		9.39	Hold	-1.2	-6.3p	--	--	--	--	--
FSCCC	Strategic Advisors Small Cap		9.18	Hold	-0.8	-8.5p	--	--	--	--	--

Annunity Growth Model

Fund	Allocation
Fidelity VIP Growth	29%
Fidelity VIP Strategic Income	25
Fidelity VIP Value Leaders	19
Morgan Stanley Int'l Magnum	12
Fidelity VIP Value Strategies	10
Fidelity VIP Energy	5
Total Returns: Dec: 0.3% 2007: 13.6%	

Annunity Growth & Income Model

Fund	Allocation
Fidelity VIP Growth	25%
Fidelity VIP Investment Grade	24
Fidelity VIP Value Leaders	23
Fidelity VIP Strategic Income	15
Fidelity VIP Value Strategies	8
Morgan Stanley Int'l Magnum	5
Total Returns: Dec: 0.0% 2007: 9.3%	

Annunity Income & Preservation Model

Fund	Allocation
Fidelity VIP Investment Grade	30%
Fidelity VIP Money Market	21
Fidelity VIP Strategic Income	17
Fidelity VIP Value Leaders	16
Fidelity VIP Growth	10
Fidelity VIP Value Strategies	6
Total Returns: Dec: 0.1% 2007: 6.5%	

DIVIDEND UPDATE

Over the past few months, we've discussed the fact that a number of Fidelity funds were paying fairly large year-end distributions this past year.

Some of the biggest came from the firm's international funds. **International Small Cap's** distribution was over 22% of NAV, while **Europe Cap App** came in at over 17% and **Aggressive Int'l** checked in at over 16%.

The reason for the big payouts can be seen in the strong performance of these international funds. International Small Cap, for example, posted returns in the mid-teens for the past three

years. However, in 2004 and 2005, it advanced almost 30% and jumped over 80% in 2003! So, in 2007, the manager of this and other international funds took profits on older holdings.

Also, some funds that got new managers recorded relatively large distributions (at least compared to most other domestic funds) as they overhauled their portfolios. For example, Steve DuFour took over **Focused Stock** in March. Its distribution was 10% of NAV.

Unlike past years, not too many Select funds reported large distribu-

tions. Only **Construction & Housing** and **Retailing** recorded distributions of more than 10% of NAV.

In addition to funds that pay regular monthly dividends, funds scheduled to pay a capital gains distribution in January are: *Aggressive Growth, Convertible Securities, Equity-Income II, Growth Company, Independence, New Millennium, Strategic Dividend & Income* and a few municipal bond funds: *Muni Income, Connecticut Muni Income, and New Jersey Muni Income*. The final distributions for December are shown below.

Fund	Ex-Date	Dist\$	NAV\$
Aggressive Int'l	12/7	2.530	15.56
Arizona Muni Inc	12/7	0.010	11.23
Asset Manager 20%	12/21	0.350	12.44
Asset Manager 50%	12/21	1.240	15.50
Asset Manager 70%	12/21	0.430	17.02
Asset Manager 85%	12/21	0.250	14.19
Balanced	12/21	0.300	19.63
Blue Chip Growth	12/21	1.300	44.52
Blue Chip Value	12/14	0.220	14.47
Calif Muni Inc	12/14	0.040	12.12
Calif Sht-Int Tax-Free	12/7	0.010	10.14
Canada	12/7	3.670	60.43
Capital Appreciation	12/7	2.340	28.33
China Region	12/7	4.850	32.21
Conn Muni Inc	12/21	0.030	11.27
Contrafund	12/28	4.250	73.67
Convertible Securities	12/14	1.030	27.78
Disciplined Equity	12/7	2.690	30.01
Diversified Int'l	12/7	3.040	40.80
Dividend Growth	12/14	0.760	29.43
Emerging Markets	12/7	1.560	34.53
Equity-Inc	12/14	2.550	55.03
Equity-Inc II	12/14	1.140	22.89
Europe	12/7	3.730	42.96
Europe Cap App	12/7	4.780	27.02
Export and Multi	12/7	0.280	25.98
Fidelity Fifty	12/14	1.180	21.76
Fidelity Fund	12/21	1.540	40.10
Focused Stock	12/7	1.350	13.34
Four-In-One Index	12/28	0.740	31.90
Freedom 2000	12/28	0.510	12.37
Freedom 2005	12/28	0.007	11.81
Freedom 2010	12/28	0.500	14.85
Freedom 2015	12/28	0.390	12.50
Freedom 2020	12/28	0.540	15.86
Freedom 2025	12/28	0.360	13.23
Freedom 2030	12/28	0.440	16.60
Freedom 2035	12/28	0.360	13.75
Freedom 2040	12/28	0.300	9.78
Freedom 2045	12/28	0.280	11.41
Freedom 2050	12/28	0.240	11.49
Freedom Inc	12/28	0.150	11.45
Global Balanced	12/7	2.160	22.54
Growth & Inc	12/14	1.250	27.03
Growth Company	12/14	0.590	82.42
Growth Discovery	12/21	0.010	16.23
Independence	12/14	0.250	27.45
Inflation-Prot Bond	12/21	0.260	10.97
Interm Muni Inc	12/28	0.010	9.95
Int'l Discovery	12/7	2.080	44.04

Fund	Ex-Date	Dist\$	NAV\$
Int'l Real Estate	12/21	0.830	13.17
Int'l Small Cap	12/7	5.300	23.88
Int'l Small Cap Opps	12/7	1.940	15.25
Int'l Value	12/7	0.810	11.86
Investment Grade	12/21	0.010	7.14
Japan	12/7	2.430	15.33
Japan Smaller Cos	12/7	0.230	11.80
Large Cap Growth	12/14	1.030	10.68
Large Cap Stock	12/7	0.440	19.64
Large Cap Value	12/14	0.710	14.43
Latin America	12/7	2.370	61.29
LCap Core Enhcd Idx	12/14	0.050	10.17
LCap Grow Enhcd Idx	12/14	0.050	10.60
LCap Val Enhcd Idx	12/14	0.015	9.44
Leveraged Co Stock	12/14	0.400	31.96
Low-Priced Stock	12/14	1.600	40.75
Magellan	12/7	6.840	95.25
Mass Muni Inc	12/14	0.040	11.74
Mega Cap Stock	12/14	0.090	12.03
Michigan Muni Inc	12/28	0.030	11.75
Mid Cap Growth	12/14	0.790	13.57
Mid Cap Value	12/14	0.500	16.23
Mid-Cap Stock	12/21	0.840	29.70
Minnesota Muni Inc	12/28	0.050	11.25
Muni Inc	12/28	0.060	12.56
NASDAQ Comp Index	12/21	0.680	35.41
New Jersey Muni Inc	12/21	0.010	11.46
New Markets Inc	12/28	0.040	14.71
New Millennium	12/21	3.900	29.94
New York Muni Inc	12/7	0.030	12.68
Nordic	12/7	4.010	46.45
Ohio Muni Inc	12/28	0.030	11.52
Overseas	12/7	6.320	48.68
Pacific Basin	12/7	0.001	30.81
Penn Muni Inc	12/28	0.030	10.75
Puritan	12/21	0.750	19.08
Real Estate Inc	12/21	0.250	10.28
Real Estate Invest	12/21	0.310	26.41
SCap Independence	12/7	2.720	20.22
Sel Air Transport	12/14	4.410	43.25
Sel Automotive	12/14	1.240	40.65
Sel Banking	12/14	1.520	24.38
Sel Brokerage	12/14	4.310	66.24
Sel Chemicals	12/14	2.460	82.77
Sel Con Discretionary	12/14	1.920	21.32
Sel Con Staples	12/14	2.170	66.52
Sel Const & Housing	12/14	4.100	33.42
Sel Defense & Aero	12/14	3.350	90.21
Sel Electronics	12/7	0.270	45.24
Sel Energy	12/14	3.100	63.92

Fund	Ex-Date	Dist\$	NAV\$
Sel Energy Service	12/7	0.560	99.06
Sel Environmental	12/7	0.070	18.97
Sel Financial Services	12/21	5.660	106.83
Sel Gold	12/14	3.450	43.48
Sel Health Care	12/14	10.050	127.46
Sel Home Finance	12/14	1.430	27.87
Sel Industrial Equip	12/14	1.560	35.49
Sel Industrials	12/14	0.960	22.05
Sel Insurance	12/14	4.800	61.96
Sel IT Services	12/14	1.360	16.23
Sel Leisure	12/21	3.420	82.31
Sel Materials	12/14	1.920	57.93
Sel Medical Delivery	12/14	2.900	52.80
Sel Medical Equip	12/14	1.540	24.45
Sel Multimedia	12/14	2.700	37.77
Sel Nat Resources	12/14	0.890	38.35
Sel Natural Gas	12/14	2.450	46.31
Sel Paper & Forest	12/14	0.410	31.68
Sel Pharmaceuticals	12/14	0.360	11.80
Sel Retailing	12/21	5.670	46.66
Sel Telecomm	12/21	0.400	52.14
Sel Transportation	12/14	3.920	46.50
Sel Utilities Growth	12/7	1.060	65.09
Sel Wireless	12/7	0.290	8.48
Small Cap Growth	12/7	0.010	15.93
Small Cap Stock	12/7	1.700	17.77
Small Cap Value	12/7	0.160	13.96
Southeast Asia	12/7	3.170	40.91
Sptn 500 Index	12/21	1.440	105.18
Sptn Extd Mrkt Idx	12/21	1.520	40.94
Sptn Int'l Index	12/21	1.430	48.44
Sptn ST Treas Bnd Idx	12/21	0.020	10.28
Sptn Total Mkt Index	12/21	0.780	42.69
Stock Selector	12/7	1.640	30.05
Strategic Div & Inc	12/21	0.640	12.64
Strategic Inc	12/28	0.110	10.54
Strategic Real Return	12/21	0.170	9.93
Tax Managed Stock	12/7	0.080	16.21
Tax-Free Bond	12/14	0.010	10.67
Total Bond	12/21	0.030	10.30
Trend	12/28	5.610	76.71
Utilities	12/7	0.120	20.81
Value	12/7	7.650	77.85
Value Discovery	12/14	0.410	18.07
Value Strategies	12/14	0.013	28.46
Worldwide	12/7	2.500	21.23

FUND COMMENTARY

Subprime Dominates Investing Landscape

Many people learned a new word in 2007: subprime. While familiar to investment pros, particularly those in the business of writing mortgages, “subprime” not only became part of the lexicon, it dominated the investment landscape throughout last year.

The first signs of trouble came early in 2007 as some of the weaker subprime lenders filed for bankruptcy and others saw their stock prices fall off a cliff. At that point, it appeared that the problems were confined to more-aggressive lenders like New Century. But as the year wore on, it was clear that even quasi-government mortgage firms Freddie Mac and Fannie Mae would be hurt as well. Moreover, some of the nation’s biggest financial institutions, including Merrill Lynch, Citigroup, Morgan Stanley and Bear Stearns, would end up having to write off multi-billion dollar subprime-related losses.

Most of this exposure came from exotic financial vehicles created by these firms themselves to sell to yield-hungry investors, such as collateralized debt obligations (CDOs) and Structured Investment Vehicles (SIVs). Through some financial alchemy, firms were able to create securities based on pools of debt rated BBB and below, that would be largely rated AAA! These securities turned out to be much less sound than their ratings from Moody’s or Standard & Poor’s suggested.

In fact, things deteriorated so fast, that firms were struggling with how to value these securities; in many cases there was virtually no market for them. Many segments in the credit markets nearly ground to a halt. In particular, the commercial paper market shrunk considerably as exotic vehicles such as SIVs that relied on rolling over their commercial paper were no longer able to do so.

The Federal Reserve tried to do its part to ease this situation, first by

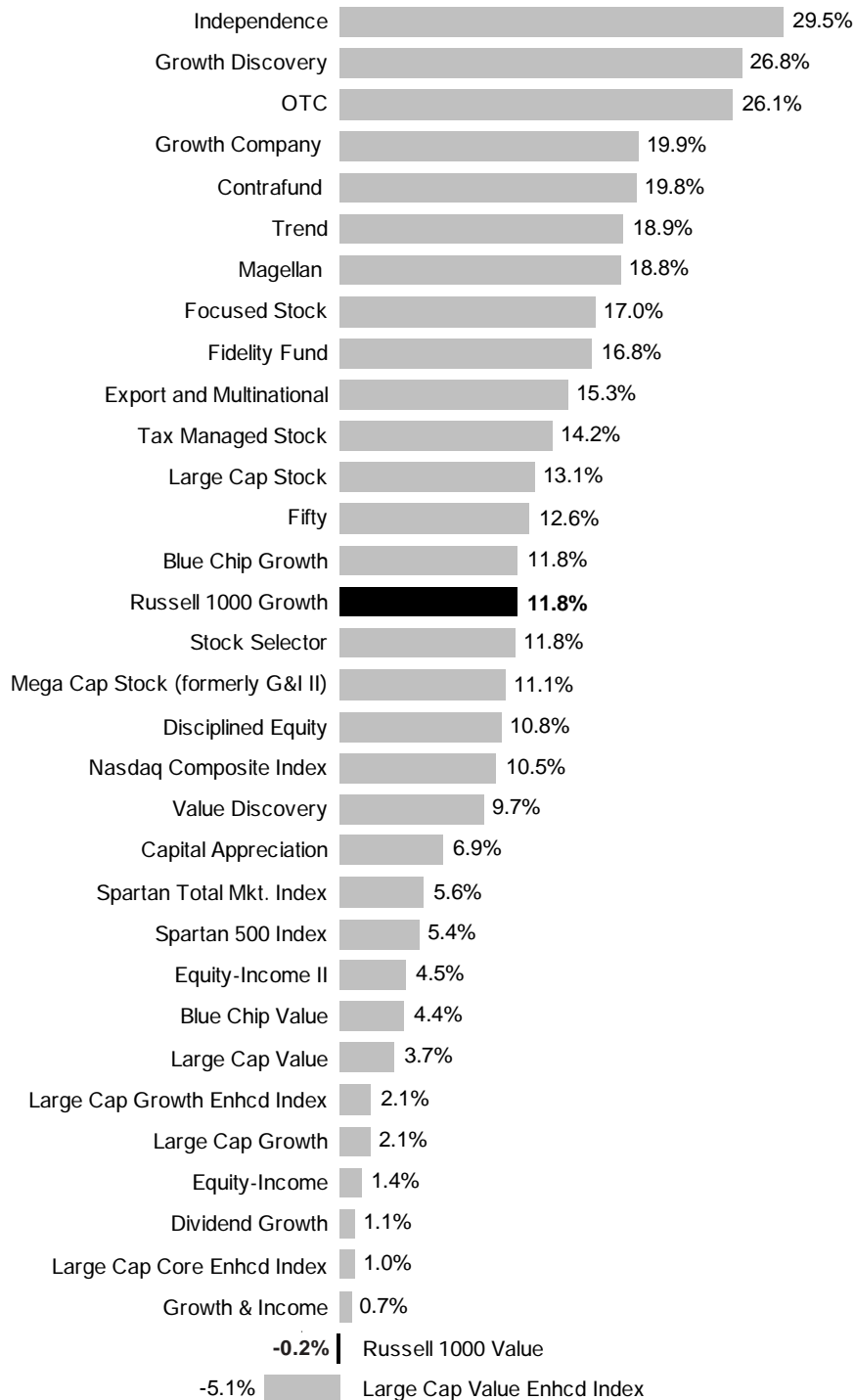
cutting its benchmark Fed Funds rate half a percent, to 4.75% on Sept. 18. (Two more quarter-point cuts brought that rate down to 4.25% by year-end.) The Fed, working with other central banks, also moved to inject more liquidity into the financial system.

While housing took its toll on the market, rising oil prices didn’t — at least not initially. After starting 2007 at around \$60 a barrel, crude steadily

climbed throughout the year, ending at almost \$100. While this appeared to have little effect on driving habits, there was concern about sharply higher prices for home heating oil heading into this winter.

In spite of all this, the economy managed to register solid gains through most of the year. The second and third quarters posted GDP gains of 3.8% and 4.9%, respectively. But

LARGE CAP STOCK FUNDS 2007 RETURNS



going forward it may be a different story as the third quarter was enhanced by an inventory buildup and an improvement in the trade balance — two trends that could reverse in the fourth quarter.

A Year Of Two Markets

For the year as a whole, equity investors basically got two markets. In the first half, stocks rose to new records, with the Dow Jones Industrials topping 14,000 for the first time in mid-July and the S&P 500 passing its old high from the spring of 2000.

The main reason stocks seemed to shrug off the troubles early on was a big wave of mergers, stock buybacks and private equity (leveraged) buyouts driven by excess liquidity.

However, the very liquidity motor that powered the first half was the same one that contributed to the turmoil in the second half, as companies could no longer raise the money needed to make big acquisitions.

In June, for example, two Bear Stearns hedge funds that invested in subprime mortgages nearly had to be liquidated, before an infusion of \$3.2 billion from the firm kept creditors at bay. That was one of the first of several events that cooled investors' appetite for risk and put a lid on mergers and private equity deals for the rest of the year, and many deals announced earlier in the year were never completed.

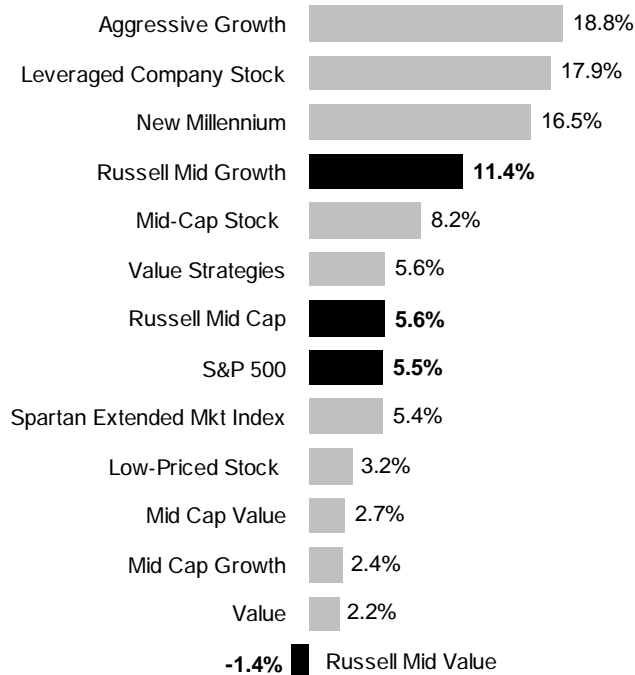
Market Indexes

Thus, it comes as something of a relief that most of the major indexes fared as well as they did.

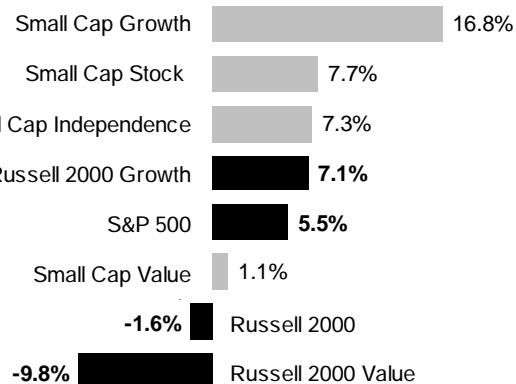
For the year, the Dow rose 8.9%. At the same time, optimism over technology stocks — led by companies like Apple and Google — propelled the Nasdaq Composite to a 10.7% gain. The broader S&P 500 rose 5.5%, while investors' aversion to risk left the small-cap Russell 2000 with a modest 1.6% loss.

As for style, growth beat value by a wide margin, which was a reversal from the previous year. In 2007, for

MID-CAP STOCK FUNDS 2007 RETURNS



SMALL CAP STOCK FUNDS 2007 RETURNS



example, the Russell 1000 large growth index jumped 11.8%, while the Russell 1000 large value index actually declined 0.2%. Growth also ended the year well ahead of value in the mid- and small-cap arenas.

Equity Funds

Despite heightened market volatility, by-and-large, Fidelity funds were successful in beating their respective benchmarks. Indeed, the S&P's 5.5% return seemed downright puny compared to the 12.1% average for the firm's large-cap funds, and the even more impressive 16.3% for its large-growth offerings. Among large-cap growth funds, **Independence** came out on top with a 29.5% gain for the

year. Credit goes to Manager Bob Bertelson's big bets on energy and technology, as well as underweights in financials. **OTC** wasn't far behind (gaining 26.1%), thanks to having nearly two-thirds of its portfolio in tech. Its top holdings were Google, Apple and Nintendo, which accounted for over 23% of assets. Among other tech-rich funds, **Growth Discovery** gained 26.8%, **Growth Company** 19.9%, **Magellan** 18.8%, and **Trend** 18.9%.

As a group, mid-cap funds didn't do as well as large caps, posting an average return of 7.8%. Even so, a number of Fidelity's mid-cap funds

Commentary *cont'd on page 14*

also did quite well, with **Aggressive Growth** gaining 18.8%, **Leveraged Company Stock** rising 17.9% and **New Millennium** advancing 16.5%.

While small cap funds were the laggards, three of Fidelity's four offerings benefited from a growth tilt. In particular, **Small Cap Growth** turned in a remarkable performance, posting a 16.8% gain for the year.

Specialty Funds

Fidelity's real estate funds did not escape the downturn in the housing market. Scoring its first down year since 1999, **Real Estate Investment** retreated 21.3% while **International Real Estate** fell 8.3%. And while **Strategic Real Return** did end the year in positive territory (up 3.8%), it was hurt by its allocation to real estate and floating rate debt.

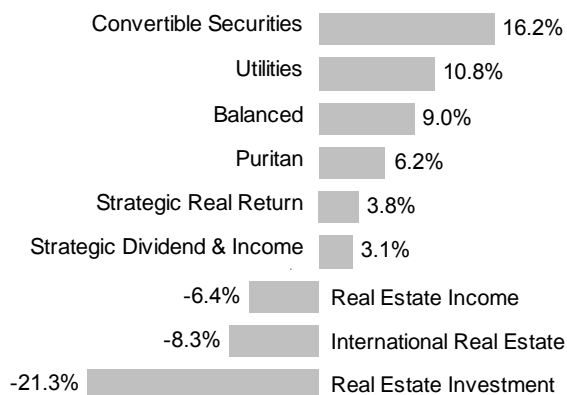
International Funds

Anyone looking for the best-performing Fidelity international funds only had to know two words: emerging markets. Fueled by rapid export growth in Asia and natural resource-rich economies in Latin America — and more than a little speculation — funds that focused on these markets had spectacular years. **Southeast Asia** led the way with a 55.4% gain, followed by **China Region** (up 46.3%) **Emerging Markets** (up 45.1%), and **Latin America** (up 43.7%). As with Latin America, **Canada** (up 35.0%) was a beneficiary of a natural-resource rich economy.

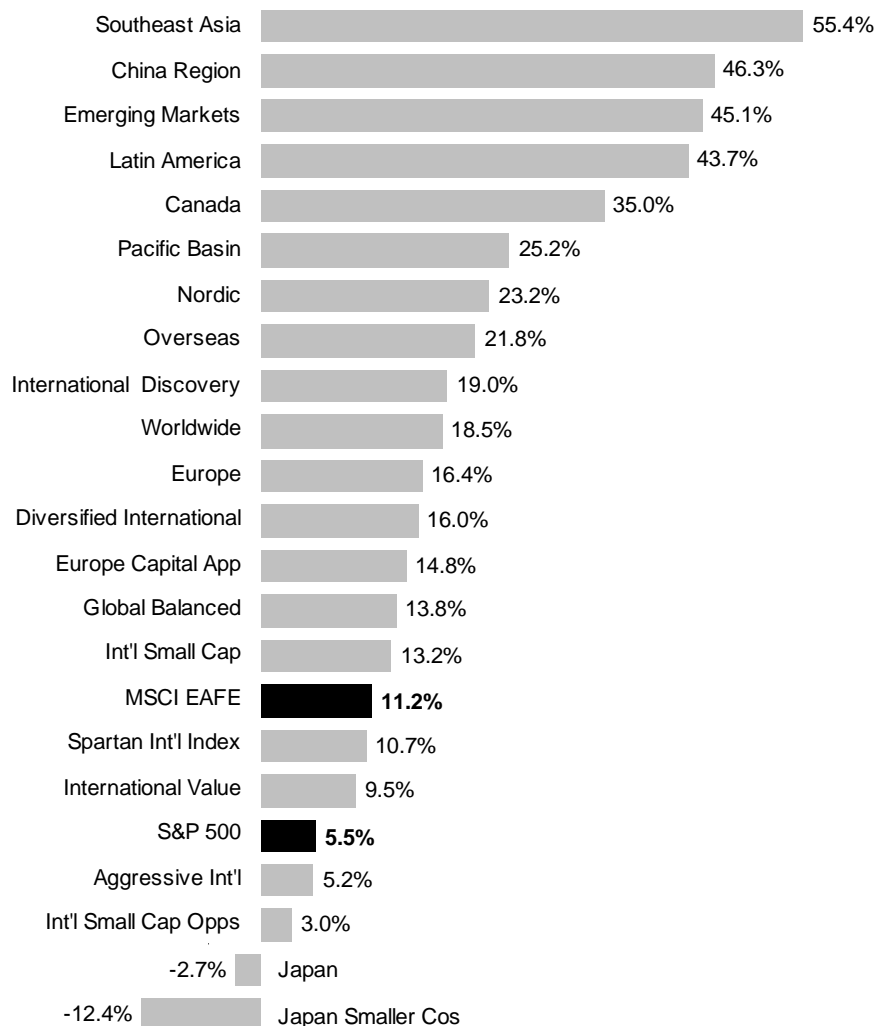
While diversified developed market funds didn't deliver the eye-popping returns of the emerging markets, in general they outperformed U.S. stock funds. A big part of that outperformance came from a 8% decline in the value of the dollar, since Fidelity does not hedge its currency exposures. **Overseas** rose 21.8%, **International Discovery** gained 19.0% and **Diversified International** was up 16.0%.

Japan continues to be the laggard

SPECIALTY STOCK FUNDS 2007 RETURNS



INTERNATIONAL FUNDS 2007 RETURNS



among the developed markets, and once again, **Japan** (down 2.7%) and **Japan Smaller Companies** (down 12.4%) brought up the rear among Fidelity's international funds. **International Value** (up 9.5%), **Aggressive Int'l** (up 5.2%) and **Int'l Small Cap Opportunities** (up 3.0%) were

also hindered by exposure to Japan.

Select Funds

If you were managing one of the Select funds with exposure to oil, 2007 was a very good year. But if your fund was focused on financial services companies, you probably couldn't wait

for 2007 to end.

On the heels of the assassination of Pakistan's Benazir Bhutto on Dec. 27, oil prices made another run at \$100 a barrel, ending the year just below that mark. Still, \$3-per-gallon gas appeared to have little apparent effect on consumption, and energy-related funds continued to provide big returns. **Energy**, which rose 52% in 2005 and 14.2% in 2006, added 45.5% more in 2007. **Energy Service** (up 55.2%) was the best-performing Select fund in 2007, and **Natural Resources** (up 50.1%) came in second.

At the bottom of the Select menu, **Home Finance** fell 38.0%, with **Banking** losing 21.2%, **Construction & Housing** fell 13.9% and **Financial Services** was off 13.6%.

Meanwhile, the rally in tech stocks helped funds like **Technology** (up 19.8%) and **Computers** (up 22.4%).

The relative economic-insensitivity of the health care sector led to better returns, compared to 2006, for funds like **Medical Equipment** (up 17.9%), **Medical Delivery** (up 16.9%) and the more-diversified **Health Care** (up 12.5%)

And with concerns over a slowing economy, the recession-resistant **Consumer Staples** turned in a strong 21.5% gain.

Fixed-Income Funds

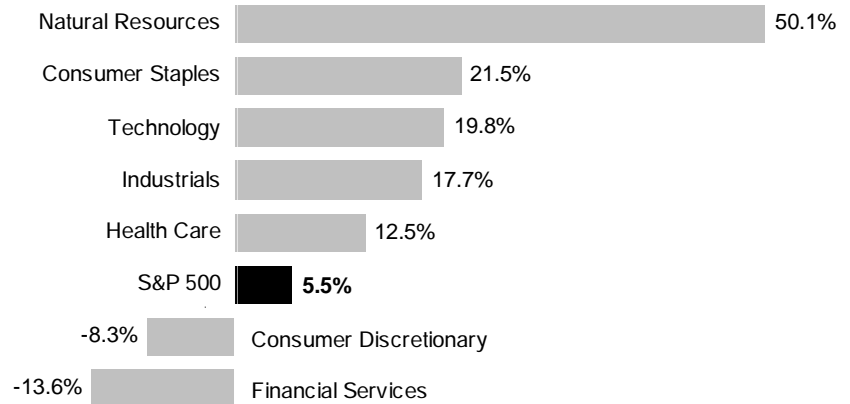
After raising short-term interest rates four times in 2006, the Federal Reserve reversed course in 2007, with three rate cuts that brought the Fed Funds rate back to 4.25%, which is where it stood at the end of 2005.

However, these "easings," coupled with a massive infusion of liquidity by both U.S. and European central banks, seemed to have limited effect when it came to blunting the impact of the subprime mess. (Also, an attempt by the Treasury to create a "superfund" that would buy and market the most salable commercial paper assets went nowhere.)

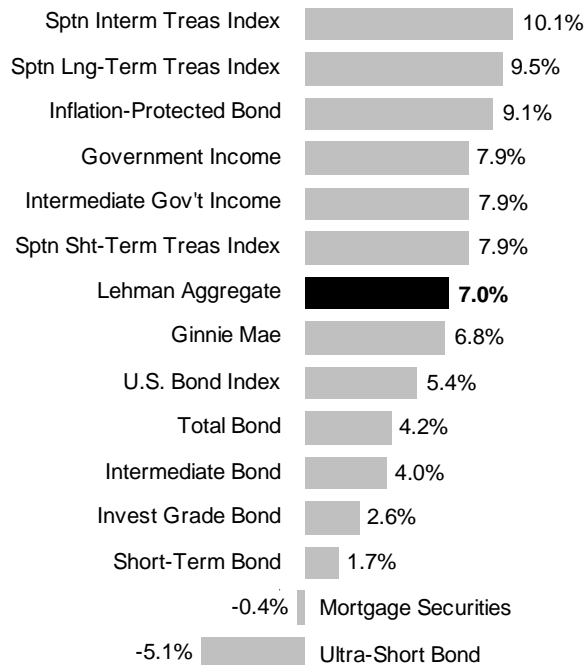
Given this climate, increasingly

Commentary *cont'd on page 16*

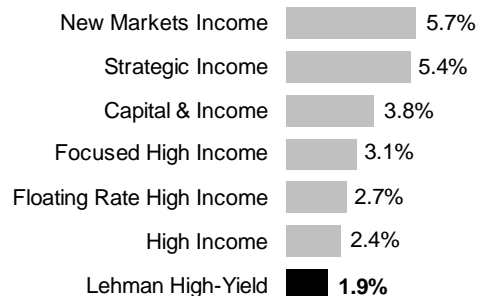
7 BROAD SELECT FUNDS 2007 RETURNS



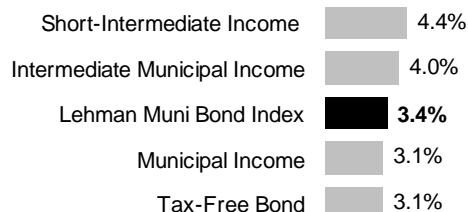
TAXABLE BOND FUNDS 2007 RETURNS



HIGH-YIELD BOND FUNDS 2007 RETURNS



MUNICIPAL BOND FUNDS 2007 RETURNS



risk-averse fixed-income investors turned to the most-secure funds in 2007. In fact, Fidelity's three best-performing taxable funds invest almost exclusively in U.S. Treasury securities: **Spartan Intermediate-Term Treasury Index** (up 10.1%), **Spartan Long-Term Treasury Index** (up 9.5%), and **Inflation-Protected Bond** (up 9.1%). The other Treasury-only fund, **Spartan Short-Term Treasury Index** (up 7.9%) was tied for fourth.

The biggest disappointment came from "supposedly safe" **Ultra-Short Bond**, which fell 5.1% due to subprime exposure. **Short-Term Bond** (up 1.7%) and **Mortgage Securities** (down 0.4%) were similarly hurt by subprime exposure.

Among municipal funds, the less interest-rate sensitive variety fared a bit better. **Short-Intermediate Muni Income**, with a duration of 2.9 years, rose 4.4%, while **Municipal Income** (duration, 7.3 years) gained 3.1%.

High-Yield Funds

High-yield funds saw their performances cool. **Capital & Income** and **High Income**, were up 3.8% and 2.4%, respectively. (These funds tend to benefit from strong economic growth). **New Markets Income**, which invests in lower-quality emerging market debt, gained 5.7% and **Strategic Income**, which includes U.S. Governments among its mix of bonds, rose 5.4%.

Finally, with concerns that money market funds might break their sacrosanct buck this year, none did. And **Cash Reserves'** gain of 5.1% was even competitive with the S&P 500's return of 5.5%. But the Fed's rate cuts diminished their yields. Cash Reserves now yields 4.87%, down from its 2007 peak of 5.12%. ■

Inside Fidelity

New Fund - Fidelity will shortly launch an interesting new fund called **130/30 Large Cap**.

Unlike traditional stock funds that go "long" the market (meaning that they bet share prices will rise), a portion of this fund's assets will actually invest in a manner that is more typical of a hedge fund. That is, it will "short" specific stocks or even entire industry sectors. It does so through the use of futures contracts. The short sale of a stock or an exchange traded fund (ETF) is done when that security is expected to underperform the market or even lose value.

As for the fund's unusual name, it's derived from the fact that its manager (Keith Quinton) will target long positions of 130% of its assets (using leverage), and short positions of 30%. The market value of its long minus its short positions will equal roughly 100%.

Security selection will flow from a combination of quantitative analysis (computer-driven programs that scrutinize such metrics as growth rates, valuations and risk) and fundamental research (a company's balance sheet, its products and the markets it serves). Its holdings will principally consist of U.S. large-cap stocks (such as those found in the S&P 500 and Russell 1000 Index), but may also include foreign companies.

When introduced in late winter, 130/30's retail shares will require a \$10,000 minimum investment.

Manager Changes — Sammy Simnegar has been named portfolio manager of **Aggressive International** and **VIP International Capital Appreciation**, succeeding Darren Maupin, who is retiring from mutual fund management. Sammy joined

Fidelity in 1998 as a research analyst following U.S. REITs, lodging, banks and telecommunications. In 2003, he joined the emerging markets group and has followed companies in the energy, materials, and industrials sectors within developing countries. However, this is Sammy's first time managing a fund and, given, this lack of experience, we are lowering our rating on **Aggressive International** to *OK to Sell*. We have also replaced it with **Int'l Discovery** in our **Aggressive Growth** and **Growth Model** portfolios. (See Model Portfolio Trades, p.3.) ■


Message To Members

As noted elsewhere in this report, 2007 ended up being a profitable one for many fund investors, particularly those in large-growth funds. As a group, these funds were in a good position to to weather many of the storms — particularly the blast from the subprime mortgage debacle — we saw during the year.

However, problems that cast a pall over the markets last year are likely to persist this year and, unfortunately, there's nothing magical about flipping the page of a calendar. Indeed, I expect market volatility (risk), and rapid sector and style rotations to keep us on our toes.

So don't be surprised if the models you see on p. 2 of this report are markedly different a year from now. That's what we do for you: pay attention to the market, so that you can focus on other aspects of your life.

Sincerely,



Eric M. Kobren
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