

FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

SEPTEMBER 2009

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ERIC'S OUTLOOK

Does Summer's End Mean Stocks Are Headed For A Fall?

So far, it has been a terrific year for the stock market. Through August, the average gain among Fidelity's 48 domestic stock funds is nearly 25%. Yet there has been almost no 'belief' in this market, and none of the ebullience that normally accompanies such strong moves.



Eric M. Kobren

Perhaps that's because many investors have been sitting this market out, sitting on cash, and still licking their wounds from the meltdown that began one year ago this month.

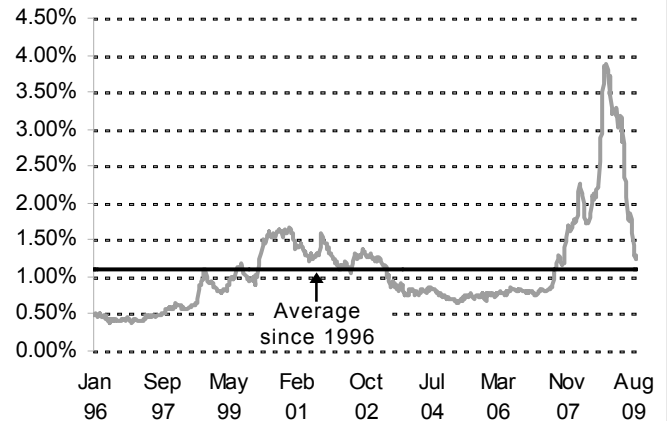
Or perhaps it is because much of the commentary from the financial media has been dismissive of the rally — all the way up! When the first faint signs of recovery appeared in March, these so-called 'green shoots' were generally regarded as aberrations. Now that we've seen so many green shoots, we've practically got a whole lawn; others see only crabgrass.

An Artificially Inflated Market?

Four straight months of increasing home sales? Well, most of the action is in distressed properties at distressed prices, and home values are still declining. The Case/Schiller 20-city home price index increases in each of the last two months? Just a temporary blip due to the \$8,000 first-time home buyer credit that expires in November.

TREASURY VALUATIONS IMPROVE

AA Corp Bond Spread to Treasuries (10-year)



The "spread" between corporate bond yields and 10-year Treasuries, hit an all-time record last fall (3.87%). While default rates were (correctly) expected to soar, at that level, we felt investors were being well rewarded for taking on more credit risk. Conversely, Treasuries, which had scored big gains up to that point, were unattractively valued. But with spreads now back down near their long-term average, the relative outlook for Treasuries has improved, and we have upgraded Fidelity's intermediate and short-term Treasury funds. Jeff Moore, manager of **Investment Grade Bond**, agrees with our outlook as he's moving some cash out of investment-grade corporates and into short-term Treasuries. (See story on page 11.)

Corporate profits rise 5.2% in the first quarter and 5.7% in the second? That's all cost-cutting. There is no top-line revenue growth, and there won't be any, because the consumer is too much in debt to spend. And so on. No matter what additional pieces of good news may come out, they have a (new) objection ready.

In short, the bearish argument maintains that, up to this point, all the good news has been artificial — a product of the government's all-out effort to avoid a deflationary death spiral — and not due to any pickup in 'real' demand. As a result, they see the gains in the stock market as artificial, too, and likely to reverse at any moment.

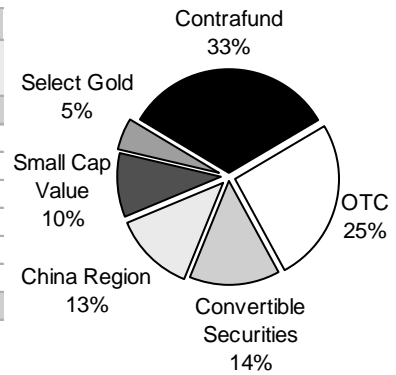
To be fair, the doubters of the rally have some valid points. For example, one of the most recent pieces of good news was that industrial production increased (0.50%) in July, the first such increase since December of 2007! How-

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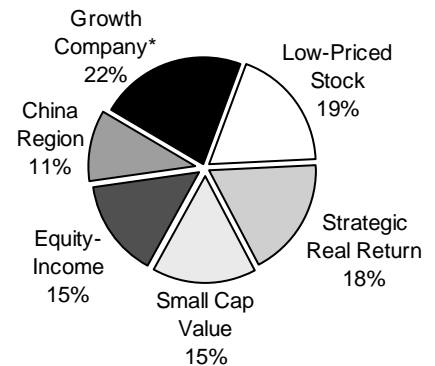
FIDELITY INSIGHT MODEL PORTFOLIOS - AUGUST 31, 2009

Aggressive Growth Model		Rel Vol: 0.99	Est. Yield: 1.1%	YTD Return: 14.5%		
Current Asset Allocation		Stocks 81.0%	Bonds 0.0%	Cash 5.7%	Alternative ¹ 13.3%	Foreign 23.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Contrafund	FCNTX	33%	\$51.59	841.70	\$43,423	1.8%
OTC	FOCPX	25	39.45	814.41	32,128	1.9
Convertible Securities	FCV SX	14	20.22	883.31	17,861	4.4
China Region	FHKCX	13	24.18	667.54	16,141	-6.9
Small Cap Value	FCPVX	10	11.69	1,116.93	13,057	4.2
Select Gold	FSAGX	5	37.29	171.59	6,399	-0.9
Current Value (4/7/99 = \$100,000)					\$129,009	1.1%



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

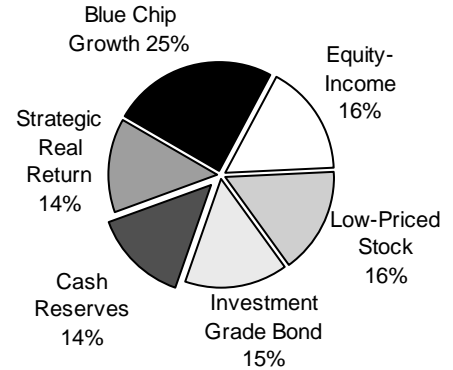
Growth Model		Rel Vol: 1.04	Est. Yield: 1.1%	YTD Return: 20.7%		
Current Asset Allocation		Stocks 78.3%	Bonds 5.3%	Cash 3.1%	Alternative ¹ 13.3%	Foreign 20.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Growth Company*	FDGRX	22%	\$60.64	3,319.97	\$201,323	2.2%
Low-Priced Stock	FLPSX	19	29.43	5,753.78	169,334	4.4
Strategic Real Return	FSRRX	18	8.07	19,757.79	159,445	2.7
Small Cap Value	FCPVX	15	11.69	11,805.63	138,008	4.2
Equity-Income	FEQIX	15	36.69	3,619.51	132,800	5.9
China Region	FHKCX	11	24.18	4,044.57	97,798	-6.9
Current Value (1/1/87 = \$100,000)					\$898,708	2.4%



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

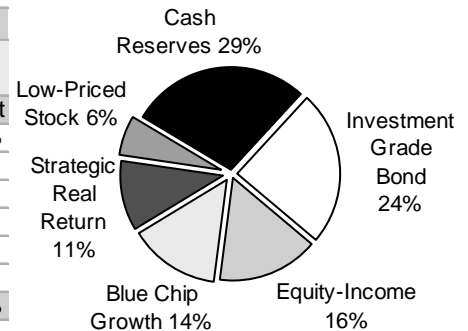
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.73	Est. Yield: 1.8%	YTD Return: 16.1%		
Current Asset Allocation		Stocks 53.9%	Bonds 18.3%	Cash 17.7%	Alternative ¹ 10.1%	Foreign 6.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Blue Chip Growth	FBGRX	25%	\$33.34	5,645.06	\$188,206	4.3%
Equity-Income	FEQIX	16	36.69	3,431.93	125,918	5.9
Low-Priced Stock	FLPSX	16	29.43	4,055.95	119,366	4.4
Investment Grade Bond	FBNDX	15	6.90	16,468.33	113,631	1.7
Cash Reserves	FDRXX	14	1.00	108,705.64	108,706	0.0
Strategic Real Return	FSRRX	14	8.07	13,424.37	108,335	2.7
Current Value (1/1/87 = \$100,000)					\$764,162	3.3%



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: 0.52	Est. Yield: 2.0%	YTD Return: 12.9%		
Current Asset Allocation		Stocks 34.5%	Bonds 26.1%	Cash 31.5%	Alternative ¹ 8.0%	Foreign 3.6%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Cash Reserves	FDRXX	29%	\$1.00	140,917.26	\$140,917	0.0%
Investment Grade Bond	FBNDX	24	6.90	17,038.45	117,565	1.7
Equity-Income	FEQIX	16	36.69	2,112.55	77,509	5.9
Blue Chip Growth	FBGRX	14	33.34	2,076.49	69,230	4.3
Strategic Real Return	FSRRX	11	8.07	6,705.02	54,109	2.7
Low-Priced Stock	FLPSX	6	29.43	999.19	29,406	4.4
Current Value (1/1/87 = \$100,000)					\$488,738	2.5%



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. 12). **Annuity Model Portfolios** are on p. 10.

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

ever, it was driven by a large jump in automotive production, and that was a direct result of the 'cash for clunkers' program which expired last week.

Despite these valid concerns, it is also true, that with arguably only one exception, all the data that has come out since those first green shoots appeared, has been consistently pointing in one direction — up.

It's The Jobs Picture Stupid

Ah, but the one exception is pretty key, and that is the employment picture. After peaking at 674,000 in March, initial claims for unemployment had been moving down fairly steadily. But recently, the decline in jobless claims seems to have 'stalled out' in the mid-500,000s, with a couple of negative surprises in the first half of August. On the other hand, the overall unemployment rate has been stable for the past three months at roughly 9.4%.

As I have argued in this space myself, it is hard to imagine a robust recovery without the consumer doing their part (consumer spending makes up about 70% of our economy). Given both their debt loads and their more restricted access to credit (no more tapping into the equity in their homes for a loan), it is equally hard to imagine a very strong recovery in consumer spending without a strong recovery in the labor market. And most analysts just do not see that happening anytime soon.

One thing to keep in mind, however, is that companies were very quick to cut payroll — even before the recession was officially underway — and they cut it hard, anticipating a severe recession and possible depression. On top of that, inventories have

WHICH FUNDS SHOULD YOU BUY NOW!

Equity Funds: **Blue Chip Growth** provides exposure to high-quality, large-cap growth stocks; **OTC** is a play on faster-growing companies. **Equity-Income** is for large value, while **Low-Priced Stock** and **Small Cap Value** offer mid- and small-cap value stocks, respectively.

Specialty Funds: **Strategic Real Return** employs four sub-portfolios to provide portfolio diversification and inflation insurance.

Fixed-Income Funds: **Investment Grade Bond** (see p. 11) is a blend of government and attractively valued corporate bonds. **Cash Reserves** provides safety in principal. (Highly taxed investors should consider municipal bond and money market funds — see *Scorecard* on p. 9.)

International Funds: For long-term investors, **China Region** plays the world's fastest-growing markets. **Emerging Markets** is a more diversified alternative; conservative members should consider **Int'l Discovery** for broad, developed market exposure. ■

been drawn down further each month to the point where even a modest pickup in demand could trigger the need to ramp up production (see 'cash for clunkers') and rehire workers.

If you are looking for early signs that this may be about to happen, watch temporary employment. Before firms hire back full-time workers they usually make use of temporary workers, so a spike in that area generally precedes growth in full-time employment. Intriguingly, for the two weeks ended August 16, the American Staffing Association's index of temporary employment jumped up to 75 (out of 100) from the 71-73 level that has been the norm so far this year.

Seasonal Sell-Off Ahead?

With the stock market already up over 50% from the bottom in March, the calls for an imminent correction are getting louder and more numerous by the day. And what better time for such a correction than the statistically worst two months of the year for stocks, September and October. (September is a negative month for stocks almost 60% of the time.)

Investors will probably be anxious

as we enter this period with thoughts of last year's sickening plunge still painfully fresh in their minds. If not, you can count on the press to remind us all of that unfortunate anniversary. So any declines may provoke additional selling.

Don't Panic If Stocks Falter

I advise members to try and keep their perspective as we navigate what could be a volatile period. Yes, the market has gone up a lot this year and, yes, it is vulnerable to a correction. But if the market is down 10% or so sometime next month, don't panic and dump all your stock funds. Corrections are a healthy, and necessary part of a bull market. Most importantly, trying to time such corrections is a fool's game.

We could debate whether or not the market has "gotten ahead of the fundamentals," as many suggest. But, the fundamentals are sending a consistent message that a recovery is underway. Unless we start to see data that contradicts that message, I expect the markets will continue to move higher, even if we take a step back over the next few months. ■

ANNUAL MODEL PORTFOLIO RETURNS (%)

Model	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08
Ag Gr													31.4	-8.4	-20.9	-15.8	36.6	14.8	17.9	14.2	14.5	-42.0
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	7.8	-38.2
Gr & In	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	7.3	-26.5
In & Pr	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	5.2	-18.4

Using Correlations To Manage Risk

In the story accompanying the correlation matrix at right, we discuss how combining funds with low correlations can help reduce overall portfolio volatility.

If you examine the matrix for a bit, another “truth” emerges — combining funds with low correlations for the most part means combining funds from different asset classes. Looking at the matrix you will observe that all the domestic equity funds have correlations with one another of 90 or higher.

To find funds with low correlations to domestic stock funds you need to look within a different asset class. Foreign stocks are often touted as a good diversifier, but over the past several years, they have tracked more closely to U.S. stocks. **China Region** is a bit of an exception with correlations in the high 70s to mid-80s. [Note that at times, foreign stock funds offer better diversification, but last year’s global meltdown helped to push correlations closer together.]

Real Estate (**Real Estate Investment**) also offers modest diversification, with correlations ranging from the high 60s to mid-80s.

But the asset class with the lowest correlation to U.S. stocks is, not surprisingly, U.S. bonds. (Foreign bonds, if not hedged, could theoretically be even less correlated.)

Let’s look at a simple example. **OTC** has a relative volatility of 1.31 (31% higher than the S&P 500). **Government Income** has a relative volatility of just 0.21, which is 79% less than the S&P. If you hold these two funds together in equal amounts, you would certainly have less risk than owning OTC alone, because Gov’t Income is simply less volatile. Half of 1.31 plus half of 0.21 would be 0.76. Not bad. But, because the two funds are negatively correlated (-24), the actual combined risk is 18% lower at 0.62. ■

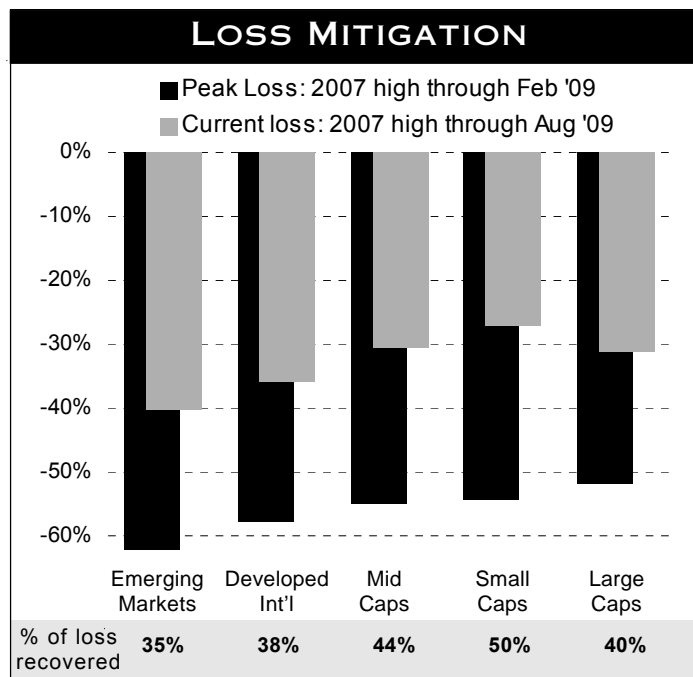
August Stock Gains Further Pare Losses

By any measure, August was yet another great month for stock funds. In fact, we’ve just closed the books on the sixth consecutive month of gains. Needless-to-say, 2009’s powerful rally has gone a long way towards mitigating the carnage investors had to endure during the decline that actually started in 2007. As we can see from the chart, based on monthly returns, Fidelity’s average large-cap fund lost a little more than half its value (black bar) from a peak in late 2007 through the market trough in February 2009.

While many investors are still far from “break-even,” loss mitigation has been significant: large-cap funds are now down about 30% (gray bar), recovering 40% of their losses. Small cap funds have recovered the most (50%), emerging market funds have recovered the least (35%).

Using Fidelity’s index funds as a proxy for market performance,

Spartan 500 Index gained 3.6% in August. On a year-to-date basis, the fund’s now up 15.0%. And, with both its smaller market cap and larger allocation to tech stocks, the **Nasdaq Composite Index** gained a more muted 1.6% last month, but is faring far better for the year: up 28.0%. Fidelity’s **Small Cap Enhanced**



Index fund (which hews closely to the Russell 2000) gained 2.6% in August, and is up 12.7% in 2009. Given these strong gains, and the approach of the often difficult month of September, investors appeared to be in a profit-taking mode at month-end (see *Eric’s Outlook*).

Fund Commentary *cont’d* on page 6

September Scorecard Rating Changes			
Fund	Rating		Comments
	Old	New	
Dividend Growth	H	B ↑	Manager is doing well with his picks in banking.
Int'l Cap App	H	B ↑	Strong stock selection among financials.
Int'l Sm Cap Opp's	S	H ↑	Team-run fund is benefitting from Japan exposure.
Real Estate Invest	S	H ↑	Recovery in the housing sector picking up steam.
Sel Home Finance	S	H ↑	Recovery in the housing sector picking up steam.
Sel Insurance	H	B ↑	This area is staging a healthy recovery.
Sel Telecom's	B	H ↓	Strong run this year warrants caution.
Sel Wireless	B	H ↓	Strong run this year warrants caution.
Short-Term Bond	S	H ↑	We've warmed to the short-end of the yield curve.
Small Cap Stock	H	B ↑	Strong stock picks within tech and financials.
Sp Interm-Term Treas	S	H ↑	Valuations are more attractive (see p. 11).
Sp Short-Term Treas	S	H ↑	Valuations are more attractive (see p. 11).

B = Buy; B = OK to Buy; H = Hold; S = OK to Sell; S = Sell, NC = No change
 Rating changes for similarly managed annuity funds are shown on p. 10.

FIDELITY SCORECARD - AUGUST 31, 2009

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
						Aug	YTD	2008	1 Year	3 Year	5 Year				
Comparative Indexes		S&P 500 (Large Cap)*				3.6	15.0	-37.1	-18.2	-5.8	0.4	1.00			
		Nasdaq Composite (OTC)*				1.6	28.0	-40.0	-14.5	-2.1	2.4	1.16			
		MSCI EAFE (International)*				4.6	21.0	-41.4	-14.3	-4.6	5.8	1.29			
		Barclays Aggregate Bond*				0.8	5.1	3.8	7.4	5.4	4.4	0.19			
LARGE CAP GROWTH FUNDS						Category Averages			2.7	23.8	-43.0	-18.8	-4.1	2.1	1.17
312	FBGRX	Blue Chip Growth		33.34	Buy	4.3	26.7	-38.6	-13.5	-2.5	0.8	1.09			
307	FDCAX	Capital Appreciation		18.73	OK to Buy	3.8	19.1	-40.5	-17.0	-6.1	1.1	1.12			
22	FCNTX	Contrafund		51.59	Buy	1.8	14.0	-37.2	-18.0	-2.6	4.8	0.94			
332	FEXPX	Export and Multinational	0.75%/30 days	17.63	OK to Sell	1.7	22.4	-43.4	-18.7	-5.2	2.4	1.15			
500	FFTYX	Fifty		13.74	OK to Sell	3.4	24.9	-49.1	-24.3	-7.8	0.2	1.26			
25	FDGRX	Growth Company (closed)		60.64	Buy	2.2	23.9	-40.9	-17.8	-1.0	5.1	1.11			
339	FDSVX	Growth Discovery		9.98	Hold	1.7	16.3	-46.7	-26.0	-5.7	0.5	1.12			
73	FDFFX	Independence		17.49	Hold	4.2	22.6	-48.1	-30.4	-3.9	3.4	1.42			
763	FSLGX	Large Cap Growth		7.44	Hold	1.1	13.1	-38.1	-19.6	-7.6	0.0	1.04			
1829	FLGEX	Large Cap Growth Enhcd Index		7.68	OK to Buy	2.1	20.5	-37.0	-15.8	--	--	--			
338	FLCSX	Large Cap Stock		13.75	Hold	5.6	37.7	-47.5	-11.7	-3.7	1.9	1.32			
21	FMAGX	Magellan		58.96	Hold	2.2	28.8	-49.4	-23.0	-6.3	-0.7	1.33			
1282	FNCMX	Nasdaq Composite Index	0.75%/90 days	26.68	Hold	1.6	28.0	-40.0	-14.5	-2.1	2.4	1.16			
93	FOCPX	OTC		39.45	Buy	1.9	40.0	-46.0	-11.5	2.5	6.3	1.31			
320	FDSSX	Stock Selector		19.96	OK to Buy	3.1	17.6	-41.7	-21.2	-6.2	0.9	1.04			
5	FTRNX	Trend		49.08	OK to Buy	2.5	25.6	-44.5	-17.3	-3.7	2.2	1.15			
LARGE CAP BLEND FUNDS						Category Averages			4.1	16.7	-40.2	-20.2	-6.6	0.7	1.11
315	FDEQX	Disciplined Equity		19.51	OK to Sell	3.7	12.1	-40.1	-21.7	-6.7	1.2	1.03			
330	FDGFX	Dividend Growth		21.29	OK to Buy ↑	5.1	34.8	-43.0	-13.5	-5.3	-0.1	1.29			
3	FFIDX	Fidelity Fund		26.60	OK to Buy	3.0	18.0	-40.3	-18.7	-3.8	1.7	1.07			
333	FTQGX	Focused Stock		10.06	Hold	3.4	13.9	-33.0	-19.7	-2.6	5.3	1.00			
27	FGRIX	Growth & Income		14.90	OK to Sell	3.6	13.7	-50.9	-31.7	-15.0	-7.0	1.22			
1827	FLCEX	Large Cap Core Enhcd Index		7.21	Hold	3.4	13.1	-35.8	-17.9	--	--	--			
361	FGRTX	Mega Cap Stock		8.10	OK to Buy	4.0	17.9	-39.4	-16.1	-5.1	0.7	1.06			
317	FSMKX	Spartan 500 Index ⁴		70.89	Hold	3.6	15.0	-37.1	-18.2	-5.8	0.4	1.02			
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90 days	29.10	Hold	3.6	16.6	-37.2	-18.4	-5.4	1.3	1.04			
343	FTXMX	Tax Managed Stock		10.13	OK to Sell	4.5	11.1	-42.7	-27.1	-7.7	1.3	1.11			
832	FVDFX	Value Discovery		12.19	Hold	5.3	19.7	-42.3	-19.2	-6.6	3.6	1.17			
LARGE CAP VALUE FUNDS						Category Averages			5.5	14.5	-40.5	-20.0	-8.5	-0.4	1.16
1271	FBCVX	Blue Chip Value		9.45	Hold	5.6	19.6	-44.8	-20.7	-8.9	-0.3	1.21			
23	FEQIX	Equity-Income		36.69	Buy	5.9	20.6	-41.6	-17.0	-7.7	-0.2	1.18			
319	FEQTX	Equity-Income II		15.36	Buy	5.7	16.8	-40.4	-18.5	-7.3	-0.9	1.14			
708	FSLVX	Large Cap Value		9.19	OK to Sell	5.5	7.7	-39.7	-23.7	-9.9	-0.4	1.11			
1828	FLVEX	Large Cap Value Enhcd Index		6.35	OK to Buy	4.8	7.9	-35.9	-20.3	--	--	--			

Notes: *Fidelity's index funds (Spartan 500 Index, Nasdaq Composite Index, Spartan Int'l Index and U.S. Bond Index) used as proxies for their respective indexes. ¹Relative Volatility of the fund versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. ²Durations (a measure of interest rate sensitivity) reflect prior quarter figures. ³Stated yield is before any inflation adjustment, your effective yield may be different. ⁴Also 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 Investor class). ⁵Also 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). ⁶Formerly VIP Aggressive Growth (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

Fund Commentary *cont'd from page 5*

Stock Funds

The average Fidelity stock fund gained 4.1% in August and is now up 23.0% for the year. Driven principally by financials, value-oriented funds held a performance edge last month. **Mid-Cap Value** (up 8.3%), for example, has a 26% stake in finance, and was the month's top-performing equity fund. Similarly, **Value Strategies** (up 8.0%) is 21% invested in financials, as is **Value** (up 7.3%). While all of Fidelity's growth-oriented funds managed to end

August in the black, a weak tech sector held back their returns. **Large Cap Growth** (up 1.1%) struggled under the weight of both tech (31%) and health care (17%). These same sectors hurt **Contrafund** (up 1.8%) as well. While a 34% tech weight was a drag on **Magellan's** returns (up 2.2%), its greater emphasis on financials over health care gave it a boost (see p. 11).

Select Funds

Select Air Transportation (up 11.5%) led most other sector funds in August. News that Boeing's

Dreamliner aircraft has a better-than-expected production schedule helped, but a brighter outlook for the global economy helped even more. As already noted, **Financial Services** (up 9.1%) enjoyed a good month, while subcomponents **Insurance** (up 13.0%) and **Banking** (up 12.9%) fared best. The Select group's laggards were **Wireless** and **Telecommunications** (down 3.3% and 2.3%, respectively). And, having already doubled in value this year, some profit-taking in **Automotive** (down 2.0%) was hardly surprising as the "cash-for-clunkers" program ended.

FIDELITY SCORECARD - AUGUST 31, 2009

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
						Aug	YTD	2008	1 Year	3 Year	5 Year				
MID-CAP GROWTH FUNDS						Category Averages			5.1	28.1	-44.7	-18.0	-5.3	2.3	1.27
324	FDEGX	Growth Strategies	1.50%/90 days	14.53	OK to Buy	3.8	24.7	-49.3	-18.4	-5.7	0.1	1.24			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30 days	7.51	Hold	5.0	23.7	-38.7	-17.2	--	--	--			
793	FSMGX	Mid Cap Growth	0.75%/30 days	8.79	OK to Buy	5.1	29.5	-49.3	-24.6	-9.3	-0.1	1.30			
337	FMCSX	Mid-Cap Stock	0.75%/30 days	21.18	Hold	6.9	35.7	-46.0	-17.7	-5.3	4.3	1.37			
300	FMLX	New Millennium		22.35	OK to Buy	4.5	26.7	-40.2	-12.1	-1.0	5.0	1.18			
MID-CAP BLEND FUNDS						Category Averages			5.2	34.2	-45.1	-19.8	-4.8	3.9	1.44
122	FLVCX	Leveraged Company Stock	1.50%/90 days	20.50	Buy	4.9	42.0	-54.5	-31.5	-6.7	5.4	1.75			
316	FLPSX	Low-Priced Stock	1.50%/90 days	29.43	Buy	4.4	27.3	-36.2	-11.1	-2.3	4.9	1.18			
398	FSEMXX	Spartan Extended Mkt Index ⁴	0.75%/90 days	27.73	Hold	3.7	23.0	-38.5	-19.0	-4.3	3.6	1.20			
14	FSLSX	Value Strategies		20.10	Hold	8.0	44.7	-51.2	-17.8	-6.2	1.7	1.63			
MID-CAP VALUE FUNDS						Category Averages			7.8	26.5	-43.5	-20.7	-7.5	2.1	1.40
762	FSMVX	Mid Cap Value	0.75%/30 days	11.54	Hold	8.3	21.4	-40.5	-19.4	-7.2	2.3	1.31			
39	FDVLX	Value		52.44	Buy	7.3	31.6	-46.5	-22.0	-7.8	1.9	1.50			
SMALL CAP GROWTH						Category Averages			3.4	26.4	-46.0	-19.8	-5.4	1.0	1.33
2011	FCPEX	Small Cap Enhanced Index	1.50%/90 days	7.39	OK to Buy	2.6	12.7	-33.7	-21.4	--	--	--			
1388	FCPGX	Small Cap Growth	1.50%/90 days	11.19	Hold	2.8	28.8	-44.9	-18.1	-3.3	--	1.27			
336	FDSCX	Small Cap Independence	1.50%/90 days	13.06	Hold	4.0	24.0	-47.0	-21.4	-7.6	1.0	1.38			
SMALL CAP BLEND						Category Averages			5.0	34.5	-36.6	-7.6	-1.2	4.5	1.38
340	FSLCX	Small Cap Stock	2.00%/90 days	14.07	OK to Buy↑	5.9	43.6	-42.9	-9.7	-1.6	4.5	1.41			
1389	FCPVX	Small Cap Value	1.50%/90 days	11.69	Buy	4.2	25.4	-30.3	-5.5	-0.7	--	1.34			
SPECIALTY FUNDS															
2063	FOTTX	130/30 Large Cap (2008 ret from 1st full month)		6.15	OK to Sell	4.8	-4.4	-35.3p	-36.4	--	--	--			
304	FBALX	Balanced		15.40	Hold	2.8	19.0	-31.3	-10.5	-1.8	4.1	0.82			
308	FCVSX	Convertible Securities		20.22	Buy	4.4	49.1	-47.8	-16.1	-0.9	4.3	1.39			
1960	FDYSX	Dynamic Strategies		7.89	Hold	1.5	18.1	-28.4	-11.3	--	--	--			
355	FFNOX	Four-in-One Index		22.97	Hold	3.4	16.0	-32.6	-13.5	-3.4	2.6	0.93			
334	FGBLX	Global Balanced	1.00%/30 days	19.21	OK to Buy	2.6	15.3	-23.3	-4.5	2.4	7.2	0.75			
2120	FFGCX	Global Commodity Stock	1.00%/30 days	12.87	Buy	0.9	28.7	--	--	--	--	--			
1368	FIREX	International Real Estate	1.50%/90 days	8.39	Hold	1.2	26.6	-50.5	-16.1	-11.5	--	1.49			
4	FPURX	Puritan		15.06	OK to Buy	2.7	17.2	-29.2	-8.8	-1.8	2.5	0.73			
833	FRIFX	Real Estate Income	0.75%/90 days	8.67	OK to Buy	5.6	33.2	-31.0	-2.4	-3.4	1.2	0.81			
303	FRESX	Real Estate Investment	0.75%/90 days	17.22	Hold↑	17.9	12.0	-38.2	-32.3	-15.1	-0.7	2.12			
1329	FSDIX	Strategic Dividend & Income		8.82	OK to Buy	6.7	25.9	-41.2	-16.7	-6.5	1.2	1.17			
1505	FSRRX	Strategic Real Return	0.75%/60 days	8.07	Buy	2.7	18.5	-23.4	-11.2	-1.6	--	0.71			
311	FIUIX	Telecom & Utilities		12.94	Sell	-0.1	0.8	-34.6	-21.6	-6.8	3.9	0.91			
ASSET ALLOCATION FUNDS															
328	FASIX	Asset Manager 20%		11.58	Hold	1.7	14.4	-14.2	0.9	2.1	4.4	0.38			
1957	FTANX	Asset Manager 30%		8.81	Hold	1.9	17.2	-19.7	-1.6	--	--	--			
1958	FFANX	Asset Manager 40%		8.50	Hold	2.2	18.4	-23.2	-3.3	--	--	--			
314	FASMXX	Asset Manager 50%		13.02	Hold	2.4	21.8	-27.8	-4.9	-0.5	2.3	0.72			
1959	FSANX	Asset Manager 60%		8.11	Hold	2.7	22.9	-30.0	-5.3	--	--	--			
321	FASGX	Asset Manager 70%		13.36	Hold	2.8	24.4	-34.9	-9.7	-2.5	1.3	0.92			
347	FAMRX	Asset Manager 85%		10.71	Hold	3.1	26.0	-38.6	-12.0	-3.5	2.9	1.04			

International Funds

Thanks to its 45% stake in U.S. stocks and 22% position in financials, **Worldwide** (up 3.4%) was a strong performer in August. **Spartan Int'l Index** (which tracks the EAFE index of developed foreign markets), gained even more (up 4.6%). But weighing on that fund's performance is its 24% allocation to (large-cap) Japanese stocks. Against the backdrop of a hotly contested national election that resulted in a dramatic change in leadership, the large-cap **Japan** fund rose just 2.2% last month, versus **Japan Smaller Companies** 5.0% gain.

Elsewhere, **China Region** (down 6.9%) took it on the chin as investors locked-in profits after its strong gains, while weakness in the energy sector weighed on **Canada** (down 2.0%).

Fixed Income

Despite all the concerns about state budget deficits, in a testament to governments' ability to raise taxes and fees, municipal bond funds continue to gain ground. Most notably, **California Muni Income** surged 2.1% in August, while the more diversified **Muni Income** was up 1.9%. (We still prefer less-risky, diversified

'national' muni funds over state-specific funds.)

Turning to taxable funds, with inflation a non-concern in many investors' minds right now, Fidelity's most interest-rate-sensitive fund, **Spartan Long-Term Treasury Index** (up 1.9%) enjoyed the greatest gains. But **Investment Grade Bond** also fared very well, rising 1.7%. (See p. 11.)

As for money markets, **Cash Reserves** is yielding 0.33%. But the "richest" deal is still **Select Money Market** at 0.38%. (See p. 12 for an update on Fidelity's disagreement with the SEC over money funds.) ■

FIDELITY SCORECARD - AUGUST 31, 2009

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
						Aug	YTD	2008	1 Year	3 Year	5 Year	
INTERNATIONAL FUNDS						2.8	29.8	-47.0	-15.3	-3.6	8.4	1.46
<i>Category Averages</i>												
309	FICDX	Canada	1.50%/90 days	44.61	Hold	-2.0	27.2	-42.6	-23.6	0.6	12.0	1.52
352	FHKCX	China Region	1.50%/90 days	24.18	Buy	-6.9	42.2	-44.9	1.0	9.4	13.8	1.64
325	FDIVX	Diversified International	1.00%/30 days	26.20	OK to Buy	3.3	21.8	-45.2	-19.5	-5.3	5.6	1.30
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90 days	6.93	Hold	1.6	45.3	-52.4p	-11.8	--	--	--
322	FEMKX	Emerging Markets	1.50%/90 days	19.09	Buy	-0.1	47.0	-60.8	-21.9	-0.5	15.2	1.84
301	FIEUX	Europe	1.00%/30 days	28.13	Hold	4.7	23.5	-44.0	-14.1	-4.0	8.6	1.29
341	FECAJ	Europe Capital App	1.00%/30 days	16.91	Hold	4.8	23.7	-46.3	-17.6	-4.9	7.7	1.32
335	FIVFX	Int'l Cap App	1.00%/30 days	10.64	OK to Buy↑	5.1	43.2	-50.7	-11.3	-6.7	3.0	1.58
305	FIGRX	International Discovery	1.00%/30 days	28.41	OK to Buy	3.6	20.2	-44.3	-16.2	-4.0	7.0	1.25
2010	FIENX	International Enhanced Index	1.00%/30 days	6.63	Hold	4.4	17.2	-43.3	-18.4	--	--	--
1979	FIGFX	International Growth	1.00%/30 days	6.74	Hold	3.1	21.7	-41.3	-14.6	--	--	--
818	FISMX	Int'l Small Cap (closed)	2.00%/90 days	16.81	Hold	4.5	36.1	-46.5	-11.9	-4.3	8.4	1.41
1504	FSCOX	Int'l Small Cap Opportunities	2.00%/90 days	7.79	Hold↑	5.7	30.1	-58.4	-30.7	-13.6	--	1.58
1597	FIVLX	International Value	1.00%/30 days	7.59	OK to Buy	4.7	27.4	-46.7	-16.3	-6.6	--	1.47
350	FJPNX	Japan	1.50%/90 days	10.76	OK to Buy	2.2	20.6	-36.8	-7.8	-9.4	1.7	1.17
360	FJSCX	Japan Smaller Companies	1.50%/90 days	8.90	OK to Buy	5.0	24.1	-34.5	1.7	-11.9	-3.5	1.30
349	FLATX	Latin America	1.50%/90 days	41.87	OK to Buy	0.1	51.6	-54.6	-22.8	6.1	23.9	1.84
342	FNORX	Nordic	1.50%/90 days	25.53	Hold	6.6	35.9	-56.0	-24.8	-4.5	8.5	1.66
94	FOSFX	Overseas	1.00%/30 days	30.43	OK to Sell	4.8	21.3	-47.3	-17.8	-5.1	5.6	1.33
302	FPBFX	Pacific Basin	1.50%/90 days	19.52	OK to Buy	3.2	47.0	-55.8	-6.0	-2.8	7.5	1.72
351	FSEAX	Southeast Asia	1.50%/90 days	23.17	OK to Buy	-2.9	22.8	-51.9	-13.6	3.6	14.8	1.53
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90 days	32.26	Hold	4.6	21.0	-41.4	-14.3	-4.6	5.8	1.29
1978	FTIEX	Total International Equity	1.00%/30 days	6.18	OK to Buy	3.3	27.4	-47.2	-16.9	--	--	--
318	FWWFX	Worldwide	1.00%/30 days	14.82	Hold	3.4	17.7	-40.2	-18.4	-2.8	4.9	1.13
SELECT PORTFOLIOS						3.8	29.2	-40.5	-14.5	-3.5	4.2	1.43
<i>Category Averages</i>												
34	FSAIX	Air Transportation	0.75%/30 days	26.75	Hold	11.5	2.7	-32.6	-9.4	-7.6	2.9	1.56
502	FSAVX	Automotive	0.75%/30 days	27.65	OK to Buy	-2.0	95.2	-61.2	-0.2	-4.8	-0.8	2.65
507	FSRBX	Banking	0.75%/30 days	15.25	Hold	12.9	4.7	-37.5	-17.3	-18.2	-8.8	1.62
42	FBIOX	Biotechnology	0.75%/30 days	64.66	Hold	-0.9	9.4	-11.4	-9.8	2.3	4.2	1.01
68	FSLBX	Brokerage & Investment	0.75%/30 days	47.46	Buy	8.4	49.9	-49.3	-4.9	-4.5	7.3	1.56
69	FSCHX	Chemicals	0.75%/30 days	67.74	Hold	2.3	46.9	-43.3	-18.1	6.4	8.9	1.37
518	FSDCX	Communications Equipment	0.75%/30 days	18.26	OK to Buy	-0.7	58.5	-48.5	-12.8	-2.2	3.5	1.62
7	FDCPX	Computers	0.75%/30 days	38.90	Hold	5.4	56.3	-48.5	-5.5	3.2	6.4	1.44
511	FSHOX	Construction & Housing	0.75%/30 days	28.47	OK to Buy	6.3	19.4	-26.8	-11.4	-4.8	1.2	1.51
517	FSCPX	Consumer Discretionary	0.75%/30 days	16.75	OK to Buy	3.4	22.8	-34.6	-12.9	-7.0	-0.1	1.20
9	FDFAX	Consumer Staples	0.75%/30 days	57.13	Hold	1.9	12.1	-22.3	-5.9	4.0	8.9	0.81
67	FSDAX	Defense & Aerospace	0.75%/30 days	53.63	Hold	6.3	9.6	-40.2	-22.3	-4.4	4.2	1.34
8	FSELX	Electronics	0.75%/30 days	36.92	Buy	4.4	63.5	-49.9	-0.7	-3.9	3.8	1.48
60	FSENX	Energy	0.75%/30 days	37.75	Buy	0.1	25.5	-54.0	-38.0	-4.7	11.1	1.76
43	FSESX	Energy Service	0.75%/30 days	50.50	Buy	3.6	40.6	-63.2	-47.7	-6.1	9.2	2.07
516	FSLEX	Environmental	0.75%/30 days	14.42	Hold	2.1	7.7	-30.5	-19.7	-3.9	2.6	1.09
66	FIDSX	Financial Services	0.75%/30 days	57.96	OK to Buy	9.1	24.8	-49.9	-15.2	-15.9	-5.9	1.53
41	FSAGX	Gold	0.75%/30 days	37.29	Buy	-0.9	18.1	-20.5	10.0	7.2	17.9	2.27
63	FSPHX	Health Care	0.75%/30 days	96.83	Hold	3.5	19.8	-32.4	-9.9	-2.2	3.7	0.93
98	FSVLX	Home Finance	0.75%/30 days	10.77	Hold↑	5.0	-1.7	-58.6	-36.7	-35.0	-22.4	1.41
510	FSCGX	Industrial Equipment	0.75%/30 days	22.72	Hold	4.7	23.4	-46.8	-25.9	-4.1	3.1	1.51
515	FCYIX	Industrials	0.75%/30 days	16.21	Hold	4.5	23.7	-40.1	-20.8	-1.8	5.4	1.41
45	FSPCX	Insurance	0.75%/30 days	39.59	OK to Buy↑	13.0	20.9	-47.0	-10.6	-12.3	-3.1	1.44
353	FBSOX	IT Services	0.75%/30 days	14.89	Hold	3.6	32.8	-32.9	-11.2	3.1	6.9	1.20
62	FDSLX	Leisure	0.75%/30 days	62.05	Hold	4.7	15.4	-29.1	-5.6	-0.6	4.2	1.08
509	FSDPX	Materials	0.75%/30 days	46.97	Hold	2.8	54.5	-47.6	-15.0	4.8	10.8	1.55
505	FSHCX	Medical Delivery	0.75%/30 days	37.57	Hold	4.7	30.0	-44.6	-8.5	-4.7	7.5	1.37
354	FSMEX	Medical Equipment	0.75%/30 days	22.55	Hold	4.7	22.2	-23.4	-13.6	4.3	6.8	0.94
503	FBMPX	Multimedia	0.75%/30 days	28.59	OK to Buy	5.7	28.9	-39.3	-13.6	-6.5	0.3	1.31
513	FSNGX	Natural Gas	0.75%/30 days	27.97	Hold	0.7	38.7	-56.7	-35.4	-5.5	9.1	1.89
514	FNARX	Natural Resources	0.75%/30 days	24.24	Hold	-0.3	28.7	-52.4	-34.4	-0.8	12.7	1.78
912	FNINX	Networking & Infrastruc (closed)	Merged into Communications Equipment on June 19, 2009									
506	FSPFX	Paper & Forest (closed)	Merged into Materials on June 19, 2009									
580	FPHAX	Pharmaceuticals	0.75%/30 days	9.76	Hold	3.3	11.3	-22.7	-4.4	-0.3	5.6	0.89
46	FSRPX	Retailing	0.75%/30 days	40.22	Buy	3.5	40.6	-29.6	4.4	0.8	5.1	1.27
28	FSCSX	Software & Computer Svcs	0.75%/30 days	62.84	OK to Buy	3.1	33.7	-42.1	-8.2	2.7	8.5	1.24
64	FSPTX	Technology	0.75%/30 days	62.65	Buy	2.2	58.0	-51.1	-9.0	0.4	5.0	1.58
96	FSTCX	Telecommunications	0.75%/30 days	35.22	Hold↓	-2.3	32.3	-47.6	-13.0	-5.7	3.1	1.32
512	FSRFX	Transportation	0.75%/30 days	35.12	Hold	7.3	9.1	-27.0	-21.6	-4.7	4.0	1.19
65	FSUTX	Utilities	0.75%/30 days	42.97	OK to Sell	2.8	7.3	-36.0	-18.9	-3.6	5.9	1.01
963	FWRLX	Wireless	0.75%/30 days	6.07	Hold↓	-3.3	41.5	-49.6	-12.0	-0.1	6.9	1.38

FIDELITY SCORECARD - AUGUST 31, 2009

Fund No.	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						
						Aug	YTD	2008									
TAXABLE BOND FUNDS						Category Averages			1.0	4.0	3.6	4.1	3.16				
15	FGMNX	Ginnie Mae		11.43	OK to Buy	0.8	5.5	7.1	2.5	3.61							
54	FGOVX	Government Income		10.82	Hold	0.8	1.0	11.0	4.3	3.07							
794	FINPX	Inflation-Protected Bond ³		11.04	Buy	0.8	5.6	-2.3	6.2	1.27							
32	FTHRX	Intermediate Bond		10.02	Buy	1.6	13.7	-5.8	3.6	4.31							
452	FSTGX	Intermediate Gov't Income		10.85	Hold	0.6	0.6	10.1	3.5	2.08							
26	FBNDX	Investment Grade Bond		6.90	Buy	1.7	12.1	-7.1	3.9	5.00							
40	FMSFX	Mortgage Securities		10.41	OK to Buy	1.1	6.8	1.3	2.2	4.78							
450	FSHBX	Short-Term Bond		8.22	Hold↑	1.0	5.2	-3.7	1.7	2.72							
1561	FIBIX	Sptn Interm Treas Index ⁵		10.64	Hold↑	1.0	-4.3	16.4	6.5	3.03							
1562	FLBIX	Sptn Lng-Term Treas Index ⁵		10.60	OK to Sell	1.9	-10.3	24.1	11.9	3.96							
1560	FSBIX	Sptn Sht-Term Treas Index ⁵		10.48	Hold↑	0.6	-0.3	8.7	2.6	1.30							
820	FTBFX	Total Bond		10.28	Buy	1.4	15.4	-5.6	3.8	5.12							
651	FBIDX	U.S. Bond Index		11.05	Hold	0.8	5.1	3.8	4.0	3.24							
812	FUSFX	Ultra-Short Bond	0.25%/60 days	8.12	OK to Sell	0.2	0.6	-7.8	0.5	0.79							
HIGH-YIELD BOND FUNDS						Category Averages			1.7	31.5	-20.4	7.05					
38	FAGIX	Capital & Income	1.00%/90 days	7.64	OK to Buy	2.9	47.9	-31.9	--	8.78							
814	FFRHX	Floating Rate High Income	1.00%/60 days	9.22	OK to Buy	0.6	24.0	-16.5	--	4.46							
1366	FHIFX	Focused High Income	1.00%/90 days	8.71	Buy	0.6	24.1	-20.5	--	7.47							
455	SPHIX	High Income	1.00%/90 days	7.76	Buy	1.0	35.2	-23.7	--	8.56							
331	FNMIK	New Markets Income	1.00%/90 days	14.43	Buy	3.4	34.4	-18.2	--	7.07							
368	FSICX	Strategic Income		10.38	Buy	2.0	23.4	-11.4	--	5.94							
MUNICIPAL BOND						Category Averages			1.3	7.9	-0.9	6.2	3.22	25%	28%	33%	35%
36	FLTMX	Interm Municipal Income	0.50%/30 days	10.07	Buy	0.9	6.6	1.0	5.3	2.99	4.0	4.2	4.5	4.6			
37	FHIGX	Municipal Income	0.50%/30 days	12.32	Buy	1.9	10.3	-4.6	8.4	4.05	5.4	5.6	6.0	6.2			
404	FSTFX	Short-Int Municipal Income	0.50%/30 days	10.58	Buy	0.4	4.3	3.5	2.7	1.85	2.5	2.6	2.8	2.8			
90	FTABX	Tax-Free Bond	0.50%/30 days	10.62	Buy	1.9	10.4	-3.4	8.4	3.99	5.3	5.5	6.0	6.1			
STATE-SPECIFIC MUNICIPAL BOND						Category Averages			1.3	8.7	-1.9	7.2	3.44				
434	FSAZX	Arizona Muni Income	0.50%/30 days	11.12	OK to Buy	1.5	10.7	-4.2	8.6	3.87	5.4	5.6	6.1	6.3			
91	FCSTX	California Muni Income	0.50%/30 days	11.67	OK to Buy	2.1	9.3	-5.6	8.1	4.29	6.3	6.6	7.1	7.3			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30 days	10.49	OK to Buy	0.4	4.4	4.0	3.1	2.05	3.0	3.1	3.4	3.5			
407	FICNX	Connecticut Muni Income	0.50%/30 days	11.34	OK to Buy	1.1	8.9	-1.1	7.2	3.29	4.6	4.8	5.1	5.3			
429	SMDMX	Maryland Muni Income	0.50%/30 days	10.78	OK to Buy	1.3	11.2	-4.0	7.6	3.32	4.6	4.8	5.2	5.4			
70	FDMMX	Mass Muni Income	0.50%/30 days	11.67	OK to Buy	1.6	10.0	-3.6	7.8	3.59	5.1	5.3	5.7	5.9			
81	FMHTX	Michigan Muni Income	0.50%/30 days	11.75	Hold	1.2	6.9	-0.1	6.9	3.50	4.9	5.1	5.5	5.6			
82	FIMIX	Minnesota Muni Income	0.50%/30 days	11.31	OK to Buy	0.9	7.9	-0.3	6.6	2.99	4.3	4.5	4.8	5.0			
416	FNJHX	New Jersey Muni Income	0.50%/30 days	11.39	OK to Buy	1.5	9.4	-3.0	7.4	3.39	4.8	5.0	5.4	5.6			
71	FTFMX	New York Muni Income	0.50%/30 days	12.69	OK to Buy	1.8	9.5	-2.5	8.5	3.78	5.6	5.9	6.3	6.5			
88	FOHFX	Ohio Muni Income	0.50%/30 days	11.50	OK to Buy	1.5	8.7	-1.6	7.8	3.60	5.2	5.4	5.8	6.0			
402	FPXTX	Pennsylvania Muni Income	0.50%/30 days	10.67	OK to Buy	1.0	7.2	-0.8	6.9	3.55	4.9	5.1	5.5	5.6			
TAXABLE MONEY MARKET						Category Averages			0.0	0.4	2.5	0.21					
55	FDRXX	Cash Reserves		1.00	--	0.03	0.54	2.89	na	0.33							
631	FGMXX	Retirement Government MM		1.00	--	0.00	0.28	2.37	na	0.04							
630	FRTXX	Retirement MM		1.00	--	0.03	0.57	2.93	na	0.33							
458	SPAXX	Government MM		1.00	--	0.01	0.31	2.31	na	0.08							
454	SPRXX	Money Market		1.00	--	0.03	0.57	2.90	na	0.32							
85	FSLXX	Select MM		1.00	--	0.03	0.59	2.97	na	0.38							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.02	0.35	2.45	na	0.19							
415	FDLXX	US Treasury MM (closed)		1.00	--	0.00	0.04	1.49	na	0.01							
MUNICIPAL MONEY MARKET						Category Averages			0.0	0.1	1.8	0.04					
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.01	0.19	1.87	na	0.06	0.1	0.1	0.1	0.1			
10	FTEXX	Municipal Money Market		1.00	--	0.01	0.16	1.91	na	0.06	0.1	0.1	0.1	0.1			
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.09	1.70	na	0.01	0.0	0.0	0.0	0.0			
STATE MUNICIPAL MONEY MARKET						Category Averages			0.0	0.1	1.8	0.02					
433	FSAXX	Arizona		1.00	--	0.00	0.08	1.75	na	0.01	0.0	0.0	0.0	0.0			
457	FSPXX	California AMT Tax-Free		1.00	--	0.00	0.15	1.86	na	0.02	0.0	0.0	0.0	0.0			
97	FCFXX	California		1.00	--	0.00	0.05	1.67	na	0.01	0.0	0.0	0.0	0.0			
418	FCMXX	Connecticut		1.00	--	0.00	0.08	1.72	na	0.01	0.0	0.0	0.0	0.0			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.01	0.17	1.85	na	0.05	0.1	0.1	0.1	0.1			
74	FDMXX	Massachusetts		1.00	--	0.00	0.07	1.67	na	0.01	0.0	0.0	0.0	0.0			
420	FMIXX	Michigan		1.00	--	0.00	0.02	1.68	na	0.01	0.0	0.0	0.0	0.0			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.01	0.18	1.91	na	0.04	0.1	0.1	0.1	0.1			
417	FNJXX	New Jersey		1.00	--	0.00	0.07	1.67	na	0.01	0.0	0.0	0.0	0.0			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.01	0.18	1.86	na	0.05	0.1	0.1	0.1	0.1			
92	FNYYX	New York		1.00	--	0.00	0.11	1.69	na	0.01	0.0	0.0	0.0	0.0			
419	FOMXX	Ohio		1.00	--	0.00	0.14	1.77	na	0.01	0.0	0.0	0.0	0.0			
401	FPTXX	Pennsylvania		1.00	--	0.00	0.08	1.85	na	0.01	0.0	0.0	0.0	0.0			

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

FIDELITY SCORECARD - AUGUST 31, 2009

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
						Aug	YTD	2008	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS												
9067	FLRQC	Fid VIP Asset Manager		10.62	Hold	2.8	18.9	-29.0	-10.8	0.7	2.4	0.80
9066	FAEEC	Fid VIP Asset Manager: Growth		9.94	Hold	3.3	20.3	-36.0	-17.0	-1.1	1.4	1.01
9069	FJBAC	Fid VIP Balanced		10.52	Hold	3.9	26.7	-34.2	-8.4	-1.3	2.1	0.95
9081	FVHAC	Fid VIP Consumer Discretionary	1.00%/60 days	8.36	OK to Buy	3.6	22.9	-34.3	-12.2	-6.9	-0.4	1.20
9171	FCSAC	Fid VIP Consumer Staples	1.00%/60 days	9.75	Hold	1.8	11.8	-21.6	-5.3	--	--	--
9065	FPDFC	Fid VIP Contrafund		9.78	Hold	3.7	22.7	-42.7	-16.9	-4.0	3.8	1.13
9148	FPRGC	Fid VIP Disciplined Small Cap		7.25	Buy	2.5	11.3	-34.0	-22.5	-8.1	--	1.17
9074	FZAMC	Fid VIP Dynamic Capital App		9.19	OK to Buy	3.8	18.6	-41.4	-17.9	-6.7	3.6	1.14
9198	FEMAC	Fid VIP Emerging Markets	1.00%/60 days	6.52	Buy	-0.3	46.6	--	-17.3	--	--	--
9085	FJLLC	Fid VIP Energy	1.00%/60 days	10.59	Buy	0.1	25.7	-54.4	-38.4	-4.7	9.7	1.76
9061	FLOLC	Fid VIP Equity-Income		8.57	Buy	5.8	20.7	-42.9	-18.4	-8.4	-0.8	1.20
9083	FONNC	Fid VIP Financial Services	1.00%/60 days	6.72	OK to Buy	9.5	26.6	-50.3	-15.3	-15.8	-6.1	1.58
9157	FMPAC	Fid VIP FundsManager 20		10.82	Hold	1.2	6.9	-8.5	0.1	2.3	--	0.29
9158	FMPBC	Fid VIP FundsManager 50		9.82	Hold	2.2	12.4	-22.8	-6.2	-0.6	--	0.61
9197	FMPPC	Fid VIP FundsManager 60		8.63	Hold	2.5	14.7	--	-8.0	--	--	--
9159	FMPCC	Fid VIP FundsManager 70		8.99	Hold	2.7	15.5	-32.2	-11.7	-3.2	--	0.83
9160	FMPDC	Fid VIP FundsManager 85		8.41	Hold	3.2	17.7	-38.3	-15.6	-5.1	--	0.99
9062	FMNDC	Fid VIP Growth		8.38	Buy	1.7	15.2	-47.3	-27.0	-6.7	-1.2	1.12
9070	FLFNC	Fid VIP Growth & Income		8.99	Hold	3.0	17.2	-41.9	-21.6	-6.4	-0.4	1.05
9068	FIDPC	Fid VIP Growth Opportunities		7.83	Buy	2.3	27.6	-55.2	-27.5	-7.4	-2.6	1.42
9078	FPVDC	Fid VIP Growth Stock		8.80	OK to Buy	2.4	25.7	-44.8	-18.2	-3.7	--	1.18
9077	FQBRC	Fid VIP Growth Strategies ⁶		8.28	OK to Buy	3.7	24.5	-49.0	-18.1	-6.1	--	1.24
9084	FPDRC	Fid VIP Health Care	1.00%/60 days	9.78	Hold	3.6	20.1	-32.5	-9.2	-2.6	3.3	0.92
9060	FBBLC	Fid VIP High Income		11.23	Buy	0.8	30.6	-25.1	-1.6	1.8	3.6	0.73
9064	FXVLT	Fid VIP Index 500		8.92	Hold	3.6	14.9	-37.2	-18.3	-6.0	0.0	1.02
9082	FBALC	Fid VIP Industrials	1.00%/60 days	10.62	Hold	4.5	24.2	-40.0	-19.8	-1.4	5.5	1.42
9076	FVJIC	Fid VIP Int'l Capital App	1.00%/60 days	9.08	OK to Buy↑	5.2	43.3	-50.8	-11.2	-6.9	--	1.58
9090	FBKQT	Fid VIP Investor Freedom 2005		10.66	Hold	2.5	15.7	-24.1	-5.8	0.0	--	0.63
9091	FCRJT	Fid VIP Investor Freedom 2010		10.61	Hold	2.7	16.7	-25.2	-6.0	-0.1	--	0.67
9092	FTCMT	Fid VIP Investor Freedom 2015		10.63	Hold	2.9	17.5	-27.3	-7.0	-0.4	--	0.71
9093	FTEMT	Fid VIP Investor Freedom 2020		10.22	Hold	3.2	19.5	-32.8	-10.7	-2.0	--	0.86
9094	FVIIT	Fid VIP Investor Freedom 2025		10.12	Hold	3.3	20.3	-34.4	-11.7	-2.4	--	0.90
9095	FXJLT	Fid VIP Investor Freedom 2030		9.78	Hold	3.8	21.2	-38.3	-14.8	-3.7	--	1.01
9089	FBXOT	Fid VIP Investor Freedom Income		11.30	Hold	1.5	10.7	-10.8	0.7	2.6	--	0.32
9063	FTLKC	Fid VIP Investment Grade Bond		11.79	Buy	1.3	12.3	-3.5	8.1	4.8	3.7	0.25
9172	FVMAC	Fid VIP Materials	1.00%/60 days	9.27	Hold	2.7	53.7	-47.1	-15.5	--	--	--
9071	FNBSC	Fid VIP Mid Cap		10.43	Buy	1.6	25.2	-39.7	-17.4	-2.9	6.7	1.13
9059	FTNJC	Fid VIP Money Market		11.46	--	0.0	0.4	2.7	1.2	3.2	3.0	0.03
9088	FEMMC	Fid VIP Overseas	1.00%/60 days	10.02	Hold	3.8	17.5	-44.0	-19.2	-5.6	4.5	1.26
9072	FFWKC	Fid VIP Real Estate		8.16	Hold↑	17.7	16.8	-40.1	-31.1	-13.7	0.7	2.22
9075	FGDQC	Fid VIP Strategic Income		12.49	Buy	1.8	22.1	-10.6	8.8	5.9	6.0	0.46
9086	FYENC	Fid VIP Technology	1.00%/60 days	10.61	Buy	2.1	62.1	-51.0	-5.9	0.1	5.7	1.59
9173	FVTAC	Fid VIP Telecommunications	1.00%/60 days	6.70	Hold↓	-2.5	28.9	-47.6	-14.5	--	--	--
9087	FXRRC	Fid VIP Utilities	1.00%/60 days	10.95	OK to Sell	2.8	7.8	-35.8	-18.5	-2.7	6.3	1.02
9079	FKMSC	Fid VIP Value		8.28	Buy	7.3	29.9	-46.7	-22.9	-8.3	--	1.48
9080	FUEBC	Fid VIP Value Leaders		8.22	Hold	5.7	19.5	-44.8	-20.7	-9.0	--	1.21
9073	FRBSC	Fid VIP Value Strategies		8.71	Hold	7.8	42.8	-51.3	-18.9	-6.8	0.9	1.63
9199	FCIFC	Credit Suisse Int'l Focus		7.17	OK to Sell	5.6	17.0	--	-18.5	--	--	--
9147	FPRLC	Lazard Retirement Emerging Mkts		11.15	Buy	1.4	47.8	-48.7	-14.7	6.0	--	1.62
9143	FPRMC	Morgan Stanley Emerg Mkt Debt		11.82	Buy	2.7	20.9	-15.2	2.6	4.9	7.5	0.65
9144	FPRNC	Morgan Stanley Emerg Mkt Equity		9.81	Buy	-1.2	44.7	-56.7	-15.0	1.8	14.5	1.75
9145	FPROC	Morgan Stanley Gbl Value Equity		7.74	OK to Buy	3.8	9.7	-40.3	-19.4	-8.2	-0.2	0.98
9146	FPRPC	Morgan Stanley Int'l Magnum		8.42	Buy	3.0	21.7	-44.8	-17.6	-5.2	4.2	1.33
9174	FMCCC	Strategic Adv Mid Cap Val (closed)		7.06	Hold	5.2	16.4	-35.4	-18.0	--	--	--
9175	FSCCC	Strategic Adv Small Cap (closed)		7.01	Hold	2.0	24.5	-38.7	-18.6	--	--	--

Annuity Growth Model	
Fund	Allocation
Fidelity VIP Strategic Income	35%
Fidelity VIP Growth Opportunities	23
Fidelity VIP Value	19
Fidelity VIP Equity-Income	12
Fidelity VIP Emerging Markets	11
Total Return: Aug: 3.1% YTD: 20.5%	

Annuity Growth & Income Model	
Fund	Allocation
Fidelity VIP Investment Grade	31%
Fidelity VIP Strategic Income	27
Fidelity VIP Growth Opportunities	22
Fidelity VIP Value	16
Fidelity VIP Equity-Income	4
Total Return: Aug: 2.7% YTD: 18.1%	

Annuity Income & Preservation Model	
Fund	Allocation
Fidelity VIP Investment Grade	35%
Fidelity VIP Money Market	23
Fidelity VIP Strategic Income	19
Fidelity VIP Value	12
Fidelity VIP Growth Opportunities	11
Total Return: Aug: 1.9% YTD: 12.7%	

Investment Grade Returns To Treasuries

In the parlance of **Investment Grade Bond's** manager, Jeff Moore, "The big story of 2008, was volatility on the negative side."



Jeff Moore
Investment Grade

Most investors would probably characterize last year somewhat differently: "a complete disaster."

Of course, if you had a good chunk of your money with Jeff, you might have a similarly mild view, as the fund's 7.1% decline last year was far more modest than the 40%+ declines suffered by most stock funds.

Still, 2008 went down in the books as the worst year in the fund's history. While Jeff and his research team buy high-quality (investment-grade) bonds that are at minimal risk of default, that standard was not good enough last year. In a market that saw Lehman Brothers evaporate and AIG nationalized, any kind of credit risk was about as welcome as the plague. Observes Jeff, "The market was in panic mode, and was pricing in a Great Depression." This atmosphere spurred a stampede of demand for Treasuries (driving yields down), while credits couldn't be sold fast enough (driving their yields higher). The result was extreme: the "yield spread" between AA credits and 10-year Treasuries widened to a record 3.87% last fall, compared to an historical average of about 1.00%.

This development wasn't lost on Jeff. While some bond investors were conjuring up images of soup kitchens, he and his fixed-income colleagues "saw [only] a long recession." Based on that view, they saw opportunity, and so did we.

On October 27, 2008, we sold **Inflation-Protected Bond** and purchased Investment Grade in our two more conservative model portfolios (see p. 2).

At the time, we called our strategy of taking additional credit risk as "a chicken way to play a market turnaround." (Higher up the risk spectrum, in the Growth Model, we trimmed **Strategic Real Return for High Income**, a 'junk' bond fund. Separately, we downgraded Fidelity's three Treasury bond index funds.)

While we were a bit early (we took some initial losses), the trade has been beneficial overall, and particularly so this year. Investment Grade is up 12.1% versus 5.6% for Inflation-Protected Bond year-to-date. On the other hand, **Spartan Long-Term Treasury** is down 10.3% this year.

What happened? Well, when the 'Depression' scenario failed to materialize, as Jeff and his team correctly anticipated, the stampede into Treasuries reversed. Investors started selling Treasuries hand-over-fist to take advantage of the record-high spread on corporate bonds.

Now, however, the pendulum has swung so far that Treasuries are looking a bit more attractive. The spread versus corporates has come all the way down to 1.30%, close to its long-term average. This is why Investment

FUND UPDATE

Magellan: Firing On All Cylinders

Thanks to Harry Lange (a former graduate of the GM Institute), the storied **Magellan** fund is now firing on all cylinders. In so doing, it's making strides in reclaiming 2008's losses, which cut the fund's value by nearly half. Now among Fidelity's top-performing stock funds this year, Magellan is easily outmaneuvering its large-cap benchmark. Specifically, Magellan is up 28.0% versus 15.0% for the index.



Harry Lange
Magellan

To get these results, Harry's investment strategy (which he's consistently employed since being assigned to the fund almost four years ago) is unchanged. He likes finding

INVESTMENT GRADE

(as of June 30, 2009)

U.S. Government	49.5%
AAA	8.4
AA	3.8
A	11.7
BBB	18.4
BB	4.9
B	0.8
CCC and Below	0.1
Not rated/Not Available	0.6
Cash & Net Other Assets	1.8

Grade has very recently increased its purchases of (short-term) Treasuries and TIPS.

We agree with this fine-tuning, and we have taken similar steps this month in modestly upgrading Fidelity's short- and intermediate-term Treasury index funds from *OK to Sell* to *Hold*.

Returning to Investment Grade, we still like its diversified portfolio of high-quality bonds. (Sixty-two percent of assets are rated AA or higher.) Meanwhile its duration of 3.9 years helps to provide more income-oriented investors with a decent yield (given the times!) of 5.1%. (A 34% stake in corporates helps there.) We continue to rate the fund a *Buy*. ■

companies with earnings and/or sales growth that outpace the overall market. And if he can find them on the cheap, all the better.

Of course, this same investment process which has worked so well throughout much of Harry's career was his Achilles' heel last year. "I didn't manage 2008 too well," he admits. "Particularly that I had managed money through downturns before ... I bought more of the companies that I really liked."

Were lessons learned? Harry shares this observation with us: "It was really a one-off [year]." What that means is that Harry will continue to average down when he has conviction in a stock.

Magellan cont'd on page 12

Turning to this year's successes, they have as much to do with what he's sold, as to what he's bought. Starting with financials, the fund went from a modest underweight in January to a modest overweight. More importantly, he bought good companies that he believed would be survivors of the credit and mortgage meltdowns — firms that were more likely to win market share over their competitors. In his top-10 are Goldman Sachs and Bank of America.

Magellan's third-biggest sector exposure is consumer discretionary at 11% versus 9% for the index. What Harry likes there are home builders, including Toll Brothers.

What's their curb appeal? In a

capital dependent industry, Harry says that smaller builders will lose market share to those with access to the public credit markets. And, he argues, low interest rates and depressed prices have made homes more affordable.

Nontraditional Tech

Of course, Magellan's biggest bet is tech; it accounts for a third of the fund's assets. That's a tad more than Fidelity's average large-cap fund. But it's not "traditional index" tech, says Harry. Instead, he's emphasizing cell phone makers like Nokia, Samsung and RIM. They account for much of Magellan's 21% foreign stake, and they provide exposure to the booming wireless markets of India and China (that has been a drag recently).

And, speaking of those two countries, their economic growth is spurring demand for gold, which Harry likes as an inflation hedge and for overall portfolio risk reduction.

A committed growth investor, Harry recognizes that his style results in an "exaggerated performance on either side." Certainly we saw that in 2008, and this year, too. With that in mind, we must make two confessions: we like the way he runs Magellan, but we presently prefer other large-cap growth funds. (We own both **OTC** — which makes a bigger bet in tech but has a similar volatility to Magellan — and **Contrafund**, which is a lower-risk approach to growth.) Of course, if you already own Magellan, it is fine to keep it as part of your portfolio, as we currently rate it a *Hold*. ■

Inside Fidelity

Money Market Funds— Fidelity has formally petitioned the SEC to reconsider a menu of new regulations. The agency's goal is to make the nation's

DIVIDEND UPDATE

In addition to monthly dividends paid by bond and money market funds and Asset Mgr: 20%/30%, the following funds are also expected to pay dividends and/or capital gains in September:

Blue Chip Growth, Blue Chip Value, Dividend Growth, Growth & Income, Int'l Real Estate, Leveraged Company Stock, Low-Priced Stock, OTC, Real Estate Inc., Real Estate Investment Small Cap Growth, Small Cap Value, Value Discovery

The final distributions for August were as follows:

Fund	Ex-Date	\$ Amt	NAV
Growth Discovery	8/7	0.03	9.96
Mega Cap Stock	8/7	0.09	7.99
Fidelity Fifty	8/7	0.03	13.72

\$3.5 trillion pool of money market assets safer, and contends that it will only cost funds just 2 to 4 basis points (0.02% - 0.04%) of yield.

The SEC wants to prohibit lower-quality Second Tier securities that yield more than First Tier securities. Fidelity argues that, with thorough research, Second Tier notes are "appropriate." It further contends that shortening maturities and other measures may rob a fund of yield. It estimates that the new SEC rules could cost retail funds 14 to 31 basis points!

Suffice to say, Fidelity's view is also at odds with the industry. Then again, the research prowess of nearly 70 analysts and scale of their money market group is far more robust than its competitors, who otherwise may lack the ability to compete with their lower-cost, and higher-yielding funds. Fidelity is also vigorously fighting to keep a stable \$1 NAV on money funds —opposing proposals that would effectively end money market funds as we know them. ■

Message To Members

Fifty-million Social Security recipients won't get a cost-of-living adjustment (COLA) next year. This reflects the fact that inflation is nowhere to be seen. (Unless, of course, you pay for health care, which many seniors shoulder.) While the recession is keeping the consumer price index muted, it's also suppressing federal income tax receipts from businesses and individuals. This, coupled with vastly accelerated federal spending, promises to add \$9 trillion to the deficit over the next 10 years.

In all likelihood, seniors will eventually get their COLA. But that's a double-edged sword, as we see higher inflation (and perhaps a weaker dollar) down the road.

Sincerely,

Eric M. Kobren
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