

25
Years

Best Performing Fidelity Newsletter For The Past 25 years

FIDELITY MONITOR & INSIGHT

Incorporating Fidelity Monitor and Fidelity Insight

SEPTEMBER 2012

PUBLISHED SINCE 1985

MESSAGE FROM JACK

Welcome To The First Issue of Fidelity Monitor & Insight!

I'm excited to welcome both *Fidelity Monitor* and *Fidelity Insight* subscribers to the new *Fidelity Monitor & Insight*. As you'll see, it combines the best of the two oldest and most successful Fidelity newsletters.



Jack Bowers

As I noted last month, there are some changes in the new publication for readers of both *Monitor* and *Insight*. All the data you have come to rely on is here, it just may look a bit

different or be located in a different section. (For *Monitor* subscribers there are now 12 pages instead of 8. Plus, you now have access to an expanded website where you can track our model portfolios on a daily basis.)

For *Insight* subscribers there are some changes to the share balances and dollar values of the models and two name changes: **Aggressive Growth is now Unique Opportunities and Income & Preservation (and its Annuity version) is now Income**. And the historical performance figures are now *Monitor's*. It may take some getting used to the new format, but I'm sure you'll like it.

Most importantly, longtime *Insight* editors John Boyd and John Bonnanzio continue to focus on the economy, financial markets and Fidelity's funds, just as they have for the past 20 years at *Insight*. I'll still be weighing in with my long-term views on inflation, debt, and industry sectors (especially energy). Moreover, I'll be expressing my contrarian views if I sense that investors are focusing too much on the short-term, and ignoring things that really matter in the long run.

With that in mind, these are challenging times for investors. The markets are as volatile, and as interconnected, and as unpredictable on a short-term basis as I've seen in all my years monitoring Fidelity's funds. By utilizing the talents and experience from both publications, *Fidelity Monitor & Insight* offers Fidelity fund investors the tools, the independent analysis and, yes, the insight to chart a more certain course to long-term investment success.

Sincerely,

MARKET OUTLOOK

It Could Be An Eventful And Volatile September And Beyond

Issac has now officially christened the start of Hurricane Season — September could well kick off a stormy period for our markets.

All eyes and ears were turned to Jackson Hole on the 31st to hear Fed Chair Ben Bernanke. While he didn't announce another round of quantitative easing (QE3), he did make the case for the effectiveness of QE and the Fed's willingness to engage in more stimulus if needed.



John M. Boyd

What they want to see is an economy showing improving and sustainable growth — ideally getting to the 3.0% annual range necessary to bring down unemployment. What they have is an economy that is slowing, even with the higher second estimate for 2nd Quarter GDP growth of 1.7% (up from 1.5% initially). The economy grew 4.0% in the last quarter of 2011 and 2.0% in the first quarter of this year.

We may well get an announcement of some further Fed action, QE3 or otherwise at the meeting on September 12. And there is one big piece of data for them to digest on September 7 when the August payrolls report is released. We saw a surprise jump in new jobs last month to 163K (from a dismal 64K the month prior). If we see an even better showing on the 7th, that may stay the Fed's hand. If it is weaker they are more likely to act.

Of course, that is not the only piece of economic data they are looking at. Significantly, housing continues its steady improvement with both sales and prices generally rising. There is still not enough activity there to add significantly to the economy, but at least it is no longer a drag. Retail sales for July bounced back, rising 0.8% on a seasonally-adjusted basis, but that was after three straight months of declines, so we are well short of a trend there. Durable goods orders were good on the top-line, but when you strip out defense spending and aircraft (a proxy for business investment), July marked the fifth month of slowing growth from (9.0%, 7.6%, 6.2%, 3.0%, 1.1%). I could trot out a lot more data points, but you get the picture — and it's cloudy.

Market Outlook cont'd on page 3

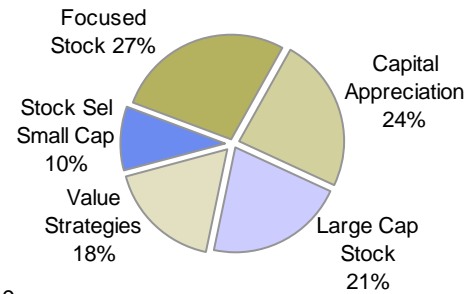
Unique Opportunities Target Risk (Current): 1.20 (1.18) Foreign Holdings: 6.7% YTD Return: 11.3%

Stocks: 96.5% Bonds: 0.0% Cash: 3.5% Alternatives: 0.0% Yield: 0.6%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
Focused Stock	FTQGX	\$15.35	4,869.04	\$74,740	2.0%
Capital Appreciation	FDCAX	29.17	2,191.25	63,919	3.3
Large Cap Stock	FLCSX	19.71	2,886.51	56,893	3.7
Value Strategies	FSLSX	29.57	1,601.50	47,356	4.2
Stock Sel Small Cap	FDSCX	19.61	1,381.47	27,091	3.3

Current Value (3/31/99 = \$100,000) **\$269,998** **3.2%**

For aggressive members who have no need for income or principal for more than 10 years.



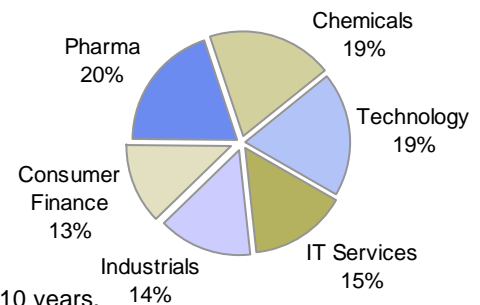
Select Target Risk (Current): 1.20 (1.17) Foreign Holdings: 14.0% YTD Return: 14.1%

Stocks: 94.6% Bonds: 0.2% Cash: 5.2% Alternatives: 0.0% Yield: 0.2%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
Pharmaceuticals	FPHAX	\$15.03	23,465.98	\$352,694	0.3%
Chemicals	FSCHX	112.84	3,013.52	340,046	2.7
Technology	FSPTX	103.29	3,182.96	328,767	6.4
IT Services	FBSOX	24.05	10,835.17	260,586	3.5
Industrials	FCYIX	24.23	10,369.22	251,246	2.6
Consumer Finance	FVLX	13.85	15,949.0	220,894	2.6

Current Value (12/31/88 = \$100,000) **\$1,754,233** **3.0%**

For aggressive members who have no need for income or principal for more than 10 years.



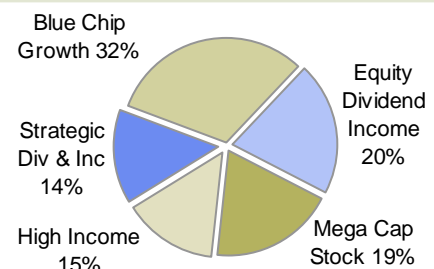
Growth Target Risk (Current): 1.00 (0.98) Foreign Holdings: 7.9% YTD Return: 13.5%

Stocks: 79.7% Bonds: 0.0% Cash: 3.6% Alternatives: 16.7% Yield: 2.1%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
Blue Chip Growth	FBGRX	\$49.36	9,147.63	\$451,527	4.2%
Equity Dividend Income	FEQTX	19.33	14,966.82	289,309	1.2
Mega Cap Stock	FGRTX	11.58	23,262.21	269,376	3.1
High Income	SPHIX	9.20	22,544.72	207,411	1.4
Strategic Div & Inc	FSDIX	12.20	16,822.45	205,234	1.1

Current Value (12/31/86 = \$100,000) **\$1,422,857** **2.6%**

For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years.



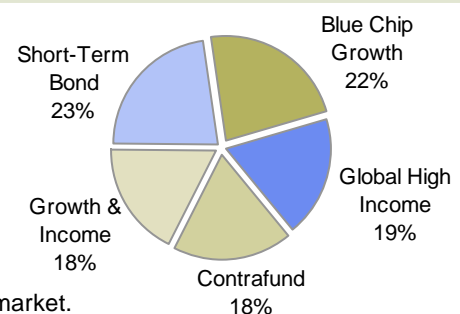
Growth & Income Target Risk (Current): 0.66 (0.71) Foreign Holdings: 14.8% YTD Return: 10.8%

Stocks: 57.1% Bonds: 22.4% Cash: 2.9% Alternatives: 17.6% Yield: 1.6%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
Short-Term Bond	FSHBX	\$8.59	10,569.27	\$90,790	0.3%
Blue Chip Growth	FBGRX	49.36	1,832.14	90,434	4.2
Global High Income	FGHNX	9.86	7,639.90	75,329	1.6
Contrafund	FCNTX	77.28	924.50	71,445	2.5
Growth & Income	FGRIX	20.69	3,432.10	71,010	2.8

Current Value (12/31/93 = \$100,000) **\$399,009** **2.3%**

A good choice for members retiring in 5-10 years looking for less volatility than the market.



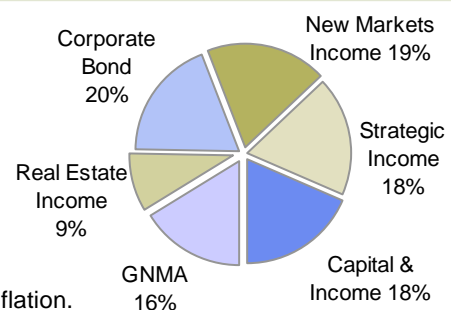
Income Target Risk (Current): 0.33 (0.31) Foreign Holdings: 28.8% YTD Return: 7.2%

Stocks: 1.3% Bonds: 37.6% Cash: 7.8% Alternatives: 53.2% Yield: 3.8%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
Corporate Bond	FCBFX	\$11.42	5,276.09	\$60,253	0.1%
New Markets Income	FNMX	17.41	3,440.54	59,900	1.1
Strategic Income	FSICX	11.31	5,079.66	57,451	0.9
Capital & Income	FAGIX	9.28	6,049.58	56,140	1.6
GNMA	FGMNX	11.99	4,192.29	50,266	0.3
Real Estate Income	FRIFX	11.48	2,522.73	28,961	1.7

Current Value (12/31/91 = \$100,000) **\$312,970** **0.9%**

For members needing income and protection of their purchasing power against inflation.



The future health of the economy will likely depend largely on the outcomes of two big issues: Europe and the “fiscal cliff.”

Will Europe Worsen?

Mario Draghi’s pledge in July that the European Central Bank (ECB) was “ready to do whatever it takes to preserve the euro...” had its desired effect, as European bond yields fell and stocks rose. But now we will need to see some teeth behind those remarks. The markets will be closely watching a meeting of the governing council of the ECB on September 6.

And on September 12, the German courts will rule on the constitutionality of the European Stability Mechanism (ESM), the hoped-for permanent source of aid to the beleaguered countries of Southern Europe. Even if it passes, there are many obstacles to “solving” the crisis. The Greek economy has declined over 6% for the last two quarters and the Spanish economy is expected to contract 1.7% this year, while unemployment there is a depression-like 25%. They need help to fund their huge debt burdens, yet the “price” of aid from their healthier neighbors to the north is more austerity measures — measures that would only exacerbate their economic contractions — or a surrender of their sovereignty over their own fiscal and monetary policies, a price they are unlikely to want to pay.

But they are not without leverage: the longer this drags on and the more loans they do get, the bigger the cost to the rest of Europe if they eventually leave the Eurozone. Right now we have a classic game of chicken and how that ends up will have a major impact on our economy. If the ECB follows through on Draghi’s words we may well see stocks here and in Europe move sharply higher. If there is no real progress and the economies of Southern Europe continue to deteriorate, we could see a sell-off as exports to Europe tumble (along with

FUNDS YOU SHOULD BUY NOW

Growth: Blue Chip Growth, Capital Appreciation, Focused Stock and Growth Co. for large-cap growth; **Stock Selector Small Cap** for small caps; **Contrafund** is a conservative “all-cap” approach to growth.

Growth & Income: Equity Dividend Inc, Growth & Inc, Mega Cap Stock and Strategic Div & Inc seek growth and yield from larger-cap stocks.

Bond: Short-Term Bond has limited interest-rate risk. **GNMA** gets you more yield than comparable Treasuries and credit risk is much the same. **Corporate Bond** holds high-quality (investment grade) bonds. **Real Estate Income** is an alternative approach to yield and diversification.

High Yield: More risky than investment-grade bond funds, but less risky than stock funds, **Capital & Income** and **High Income** will boost portfolio yield. Ditto for **New Markets Income**, which holds dollar-denominated emerging market debt. ■

US corporations with substantial operations there). No one can now say which way Europe will go, so you have to be prepared for both.

Will We Fall Off The Fiscal Cliff?

Much has been written about the fiscal cliff. And well so. If nothing changes, come next January we will see a huge tax increase (the expiration of the Bush-era tax-cuts and the temporary payroll tax-cut) and automatic spending cuts of nearly \$100 billion. The Congressional Budget Office estimates this would knock 4 percentage points off of GDP growth in 2013, sending us into recession.

While I remain hopeful that Congress will ultimately deal with the issue in a way to mitigate against that impact, we may have to go over that cliff first. Certainly, Congress is not going to act before the election and a lame-duck Congress is probably unlikely to act afterward either. Whomever wins in November, will be facing a mad scramble in January.

Stocks Attractive Long Term

Be prepared for an increase in volatility in the months ahead as the potential outcomes of these two major issues comes clearer into focus. This is where maintaining a diversified portfolio that is correctly geared to your situation and risk tolerance is critical. If not cheap, stocks are reasonably valued and historically cheap

versus Treasury bonds. I’ve said this before, but it bears repeating: Investors have pulled over \$1 TRILLION out of US stock funds since 2007. One of the best rules on Wall Street is to buy when everyone is selling. Over the next 10 years, the returns on stocks may not be spectacular, but they are very likely to be better than the returns on Treasuries.

But bonds have a place in all but our most aggressive models as well. They are an excellent way to reduce portfolio risk as they are both less volatile than stocks and tend to move in the opposite direction. We are not fans of pure Treasury funds as they are the most susceptible to rising interest rates.

High yield bonds are attractive now as corporate balance sheets are in great shape and default rates are low. They won’t go up as much if stocks rally, but they won’t fall as much if stocks falter. And they will fall less than regular bonds if interest rates rise. Ginnie Maes are also attractive as an alternative to Treasuries as they offer a higher yield with the same backing of the US government and they also stand to benefit if the Fed targets them in QE3.

The next few months may be trying, but if you stick to a well diversified portfolio and don’t let emotions take over, you’ll likely come out ahead in the long-term. ■

— John M. Boyd

INCOME MODEL

Income Investing Gets Easier

Last month we repositioned the old Income & Preservation Model into the new Income Model. We did so because, in this low interest-rate environment, many of our “baby-boomer” readers are starved for income. (See article below on the “4% Rule.”) Here’s who should follow the model:

1. Someone in need of income, as its yield has almost doubled to 3.7%, up from 2.0%;
2. Someone who is risk averse, because its volatility relative to the S&P 500 has fallen to 0.31, down from 0.43. This means it’s 69% less risky than stocks;
3. Someone who doesn’t need capital appreciation (growth). In other words, without any stock funds, the model is likely to appreciate only slightly faster than inflation.

On that last point, some funds in the Income Model have growth as a secondary consideration behind in-

come. So while it holds a wide variety of fixed-income securities through its bond holdings, there is some equity exposure (see below). Moreover, in certain market conditions we may add a low-volatility income-producing stock fund. But for now, yield [shown in brackets] is derived in the following ways:

1. Via **Capital & Income’s** below-investment-grade (junk) bond holdings and a handful (about 7%) of distressed stocks [yields 5.45%];

2. Via **New Market Income’s** sovereign, agency and some corporate dollar-denominated emerging market debt [yields 4.29%];

3. Via **Real Estate Income’s** 56% position in real estate bonds plus its 35% stake in high-yielding (equity) REITs [yields 4.85%];

4. Via the collateralized mortgage obligations in the **GNMA** fund. They are issued by Ginnie Mae and are essentially backed by the US Treasury;

5. Via **Corporate Bond’s** investment-grade securities [yields 2.38%];

6. Via **Strategic Income’s** alloca-

tions to many of the above securities plus Treasuries [yields 3.63%].

Adding “Growth”

When we announced the Income Model’s modified investment objective, a few members expressed their concerns that the model now lacked “juice,” and asked for us to recommend something that “fit” between it and our Growth & Income Model. In other words, the old Income & Preservation Model!

There are two ways to do this.

In the first case, you can simply substitute the 18% stake in Strategic Income with **Growth & Income**. This will increase your risk and decrease your yield, but it will get you back to the roughly 20% stock/80% bond split to which the “old” Income & Preservation Model adhered. With that in mind, each time we make a trade affecting these funds, you’ll find that your “homemade” model will drift further and further away from what we’ve initially designed. ■

— John Bonnanzio

RETIREMENT INVESTING

Tapping Your Nest Egg: “The 4% Rule”

You’ve just retired, and your portfolio is your main source of income. How should you invest, and how much can you safely withdraw from your nest egg?

Bill Bengen, a California advisor, attempted to answer that question 20 years ago: Maintain a mix of 53% stocks and 47% bonds, and rebalance annually. Start by liquidating 4% of your portfolio balance the first year, then adjust that dollar amount upward by the rate of inflation (CPI). With that approach, Bengen contended, odds are high that your portfolio will last at least 30 years. He then added other asset classes, eventually raising his starting point recommendation to 4.5%. Still, his original series of papers were popularly enshrined under the moniker of “The 4% Rule.”

In the 1990s this rule seemed too

conservative, and today some would argue that it’s too aggressive. But after running my own evaluation with data starting at the end of 1976 and using **Puritan** fund as a stand-in for Bengen’s 53/47 stock/bond portfolio, I’ve concluded that 4% is a solid starting point that’s unlikely to result in disappointment down the road — even in the current era of reduced expectations.

The longevity of a portfolio with annual living expense withdrawals, rising in tandem with the CPI, is affected more by the rate of inflation than by the returns that are attainable in the stock and bond markets.

Bengen’s worse-case 30-year test period, the one that actually defined the 4% rule, started in 1969. It began with two bear markets only about five years apart, and was followed by surging inflation and rising interest rates after that. The rapid cost-of-living hikes burdened the portfolio, causing them to reach double-digit

withdrawal levels just seven years after retirement began. In contrast, an investor retiring in the year 2000 with a 4% starting draw would only be liquidating at a 6% rate today. While investment returns have been worse in the more recent 12-year period, they haven’t slipped far behind inflation like they did from 1969-1981.

Diversification Matters

Bengen’s nearly even split between stocks and bonds is no accident, and it plays a key role in creating a robust portfolio that stands the test of time. Stocks and bonds only rarely take a dive at the same time, limiting the magnitude of a loss in the short-run. And rebalancing allows for buying low and selling high, much like dollar-cost-averaging.

In contrast, pinning all your hopes on a single asset class is asking for trouble:

Nest Egg *cont’d on p 12*

FUND COMMENTARY

In The Face Of Risk, Markets Favor Stocks

“Courage,” said the late-great General George S. Patton, “is fear holding on a minute longer.”

So was it courage and the willingness to hold on for another month that



John Bonnanzio

drove stocks higher in August, while “safe” Treasuries fell in value? After all, without Germany’s financial assistance, Greece and Spain

still face financial collapse. Such a tumble might trigger a deeper European recession (the euro might disappear) that washes up on our shores.

And was it courage or hope to bid up shares of fast-growing tech and cyclicals at a time when US job creation is stagnant?

Then there’s the “fiscal cliff.”

I won’t be political, but the table on page 11 demonstrates four possible tax scenarios riding on November’s elections. (Though it doesn’t address the automatic spending cuts.) Two promise slower economic growth and perhaps another recession; none offer a quick-fix to the \$16 trillion federal deficit.

Faced with the above, why did investors courageously buy risk assets?

For starters, there was good economic news last month — much of it occurring in real estate. Notably, **Select Construction & Housing** soared 6.3% last month amid rising new home sales and firmer prices.

But the real catalysts for buyers were the promise that the Fed will execute QE3 as soon as September (see John Boyd’s *Market Outlook*), that Germany will capitulate on its loan demands, and that something magical will happen after the elections — regardless of who controls Washington.

This brings to mind something else Patton once said: “If everybody is thinking alike, then somebody isn’t thinking.”

Market Indexes

To be clear, we’re not bears. Rather, we’re cautiously optimistic. If that were not the case, our growth-oriented models wouldn’t have performed as well as they did last month. In fact, the Unique Opportunities Model (formerly called the Aggressive Growth Model), Growth, and Select portfolios wouldn’t have outpaced the S&P 500’s February return of 2.2% if we were only considering the market’s short-term, downside risks. Of course, it also helped that the average diversified Fidelity stock fund rose 3.2% in August!

As for other measures of hope triumphing over fear, the Dow Industrials gained a more modest 0.9% in August, but the tech-rich Nasdaq Composite soared 4.5% and the small-cap Russell 2000 gained 3.3%.

On a year-to-date basis, we’d be happy if December 31 had already come-and-gone because stock funds have posted incredibly strong gains through the end of August.

The Nasdaq Composite has been a performance leader and tech stocks have helped to drive its 18.6% return through August 31. For its part, the S&P 500 has jumped 13.5% while the small-cap Russell 2000 is 10.6% higher. As for the bigger-cap Dow, it’s up 9.0%.

Stock Funds

Turning to Fidelity’s equity funds, the top-performers tended to have the largest exposures to a combination of tech, consumer discretionary and medical delivery stocks. For example, the tech-laden **OTC** and **Growth Company** soared 6.4% and 4.6%, respectively, while **Independence** (up 5.1%) benefited from a wider mix of these sectors. On the other hand, consumer staples and higher-yielding

financials were less alluring to investors in last month’s risk-off market, so more conservative funds like **Equity Dividend-Income** (up 1.2%) and **Equity-Income** (up 2.0%) were among the performance laggards.

International Funds

Also staring into the face of risk last month were European stock investors, and those who believe they see opportunities there. With investments in generally healthy economies, **Nordic** fund gained 4.2% in August. And, with little exposure to southern Europe, **Europe Cap App** rose 4.3% and **Europe** gained almost as much (up 4.0%). On the other hand, with many emerging market economies feeling the effects of a global economic slowdown, **Latin America** (down 1.8%) and **China Region** (down 0.8%) both struggled, as did **Japan** (up 0.3%).

High Yield Funds

Amid the hope that QE3 will prop up asset prices, Fidelity’s high-yield funds tacked on strong gains. **Capital & Income** (which holds some stocks) rose an impressive 1.6% in August, while **High Income** gained 1.4%. **Global High Income** popped a similar 1.6%. [Note: We like both the US and foreign sides of this asset class, using them extensively in our models to boost yield and mitigate equity risk.]

Taxable Bond Funds

Foreign and short-term bonds fared well in August: **Global Bond** rose 0.5%. On the other hand, US Treasury funds were laggards; longer duration funds were hurt the most. (See page 11 for a discussion on muni bond offerings.) ■

— John Bonnanzio

SEPTEMBER SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
Latin America	H	S	↓	Global demand slackening for commodities.

B = Buy; B = OK to Buy; H = Hold; S = OK to Sell; S = Sell, NC = No change
 (↑) Rating upgraded; (↓) Rating downgraded.

FIDELITY SCORECARD

AUGUST 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)			
						Aug	YTD	2011	1 Year	3 Year	5 Year					
Comparative Indexes		S&P 500				2.2	13.5	2.1	18.0	13.6	1.3	1.00				
		Nasdaq				4.5	18.6	-0.8	20.3	16.4	4.4	1.18				
		Dow Jones Industrials				0.9	9.0	8.4	15.7	14.3	2.4	0.89				
		Russell 2000 (Small Caps)				3.3	10.6	-4.3	13.5	13.9	1.9	1.37				
		Barclays Aggregate Bond*				0.1	3.9	7.7	5.8	6.4	6.2	0.18				
Model Portfolios		Unique Opportunities				3.2	11.3	-5.8	10.7	11.8	0.3	1.18				
		Select				3.0	14.1	1.2	15.3	13.2	2.3	1.17				
		Growth				2.5	13.3	-1.7	14.8	13.9	0.2	0.98				
		Growth & Income				2.2	10.7	-0.3	11.1	10.4	1.3	0.71				
	Income				0.9	7.2	6.3	8.2	9.5	4.4	0.31					
LARGE CAP GROWTH						Category Averages			3.4	14.7	-2.3	14.0	14.4	2.2	1.16	
312	FBGRX	Blue Chip Growth		49.36	Buy	4.2	16.3	-2.7	14.1	15.7	4.6	1.21	\$10,624			
307	FDCAX	Capital Appreciation		29.17	Buy	3.3	18.5	-2.7	20.3	16.1	1.9	1.18	4,574			
22	FCNTX	Contrafund		77.28	Buy	2.5	14.6	-0.1	14.8	14.9	3.4	0.94	58,441			
332	FEXPX	Export and Multinational	0.75%/30d	23.47	OK to Sell	1.7	13.5	-3.7	13.6	11.1	0.2	1.04	1,773			
500	FFTYX	Fifty		19.47	Buy	2.0	11.8	-0.8	12.9	12.8	-1.9	1.05	665			
333	FTQGX	Focused Stock		15.35	Buy	2.0	12.0	0.6	13.0	15.4	4.6	1.12	511			
25	FDGRX	Growth Company (closed)		96.17	Buy	4.6	18.9	0.7	18.0	18.0	5.4	1.19	23,938			
339	FDSVX	Growth Discovery		15.76	Buy	3.5	15.5	0.5	15.7	17.0	1.8	1.17	872			
73	FDFFX	Independence		24.70	OK to Sell	5.1	14.1	-10.9	6.8	12.4	0.6	1.47	2,962			
763	FSLGX	Large Cap Growth		11.26	OK to Buy	3.5	16.4	-0.7	15.5	15.0	1.6	1.13	134			
21	FMAGX	Magellan		72.49	OK to Buy	3.3	15.3	-11.6	10.1	7.9	-2.4	1.20	12,192			
300	FMILX	New Millennium		32.24	OK to Buy	2.5	11.7	2.5	13.7	14.7	3.9	1.10	1,972			
93	FOCPX	OTC		61.19	OK to Buy	6.4	11.9	-0.4	12.4	15.8	5.0	1.34	5,499			
320	FDSSX	Stock Selector All Cap		27.74	Hold	3.0	14.3	-5.1	14.2	12.3	0.1	1.15	2,280			
5	FTRNX	Trend		77.76	OK to Buy	3.5	16.3	-0.8	15.3	16.7	4.0	1.14	1,090			
LARGE CAP BLEND						Category Averages			3.0	14.1	-2.6	15.9	11.6	-0.7	1.16	
315	FDEQX	Disciplined Equity		24.28	Sell	2.9	12.9	-3.1	14.4	8.8	-2.0	1.12	3,992			
330	FDGFX	Dividend Growth		29.53	Hold	3.2	14.2	-8.5	12.3	12.3	0.9	1.33	5,908			
3	FFIDX	Fidelity Fund		35.34	Hold	1.7	14.1	-2.4	13.0	11.1	1.0	1.05	4,381			
27	FGRIX	Growth & Income		20.69	Buy	2.8	14.5	1.4	19.6	12.9	-4.7	1.06	4,865			
338	FLCSX	Large Cap Stock		19.71	Buy	3.7	15.1	-1.6	18.6	13.5	1.9	1.19	1,145			
361	FGRTX	Mega Cap Stock		11.58	Buy	3.1	15.4	2.3	20.8	13.8	1.6	1.08	1,502			
343	FTXMX	Tax Managed Stock		13.01	Sell	4.0	12.7	-7.0	10.6	9.3	-2.9	1.25	55			
832	FVDFX	Value Discovery		16.07	Hold	2.9	13.6	-2.3	17.6	10.9	-1.0	1.17	413			

Scorecard Key:

Notes: *Fidelity's Spartan U.S. Bond Index used as a proxy for the Barclays Aggregate Bond Index. ¹Relative Volatility versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. ²Duration is a measure of interest rate sensitivity. 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. ⁵Formerly Equity-Income II. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

Model Portfolios Key:

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. Some percentage figures may not sum to 100 due to rounding. 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.

MODEL PORTFOLIO HISTORICAL RETURNS (FIDELITY MONITOR)

	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11		
Regular Models																											
Un Opp													33.8	-20.5	1.6	-2.1	43.2	20.6	18.8	16.6	11.6	-47.6	45.8	19.3	-5.8		
Select			23.4	31.3	35.3	20.4	25.9	-0.9	39.0	5.2	29.3	21.7	44.9	-14.9	-7.3	-14.7	38.4	7.4	15.0	13.6	15.6	-39.3	35.4	11.6	1.2		
Growth	2.8	26.0	30.4	-4.4	40.6	15.7	31.9	-2.1	27.2	19.2	25.5	9.9	29.0	-10.8	-6.4	-17.1	46.1	12.4	11.2	15.7	7.3	-42.7	31.8	17.7	-1.7		
G&I										-3.7	21.6	15.8	18.7	11.1	12.2	2.7	1.3	-6.4	33.0	11.5	8.2	13.7	6.1	-33.5	28.1	12.2	-0.3
Income						10.1	11.3	-2.1	14.8	9.0	10.5	3.5	3.0	0.3	5.6	5.4	8.4	4.2	3.6	6.9	4.0	-18.2	20.0	9.1	6.3		
Annuity (VIP) Models																											
Sector																	57.5	6.3	14.0	17.7	11.2	-41.4	50.2	15.0	-5.0		
Growth							20.6	4.6	36.1	16.1	23.5	22.6	22.1	-10.3	-14.0	-21.7	30.0	7.0	10.1	14.5	9.3	-45.5	25.1	17.7	-2.2		
G&I									26.4	12.8	21.4	15.1	6.1	-4.9	3.1	-9.4	20.8	6.3	4.5	11.6	7.7	-31.0	27.1	12.0	-1.0		
Income							12.3	-3.8	16.9	6.9	10.9	0.4	0.8	-2.4	-3.4	7.3	9.9	5.1	1.8	6.1	6.2	-18.3	22.9	7.3	7.4		

FIDELITY SCORECARD

AUGUST 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)			
						Aug	YTD	2011	1 Year	3 Year	5 Year					
LARGE CAP VALUE						Category Averages			2.3	11.3	-3.9	14.4	8.7	-3.1	1.12	
1271	FBCVX	Blue Chip Value		10.60	Sell	3.3	8.4	-8.0	7.8	5.4	-5.2	1.18	\$238			
319	FEQTX	Equity Dividend Income ⁶		19.33	Buy	1.2	12.4	-2.8	17.4	9.9	-1.7	1.12	4,516			
23	FEQIX	Equity-Income		45.98	Buy	2.0	12.8	-4.7	15.7	10.0	-2.1	1.12	6,437			
708	FSLVX	Stock Sel Large Cap Value		11.47	OK to Sell	2.6	11.5	-0.3	16.8	9.3	-3.3	1.06	453			
MID-CAP GROWTH						Category Averages			4.0	10.0	-6.6	6.6	12.8	-0.6	1.32	
324	FDEGX	Growth Strategies	1.50%/90d	20.09	OK to Sell	3.5	8.0	-9.0	3.1	11.4	-2.0	1.35	1,392			
793	FSMGX	Mid Cap Growth	0.75%/30d	12.49	Hold	4.2	9.6	-8.4	4.9	12.5	-1.2	1.33	216			
337	FMCSX	Mid-Cap Stock	0.75%/30d	29.42	Hold	4.3	12.6	-2.4	11.7	14.6	1.5	1.28	4,734			
MID-CAP BLEND						Category Averages			4.4	14.9	-5.3	14.6	13.8	1.6	1.28	
122	FLVCX	Leveraged Company Stock	1.50%/90d	29.44	OK to Buy	4.3	17.2	-10.6	15.9	13.6	-0.5	1.50	3,011			
316	FLPSX	Low-Priced Stock	1.50%/90d	40.23	OK to Buy	4.4	12.6	-0.1	13.3	14.1	3.8	1.06	23,011			
2412	FSSMX	Stock Selector Mid Cap			Hold	2.5p	2.5p	--	--	--	--	--	0			
MID-CAP VALUE						Category Averages			3.7	14.9	-6.7	15.6	13.8	0.3	1.27	
762	FSMVX	Mid Cap Value	0.75%/30d	17.15	OK to Buy	3.6	13.1	-4.2	16.3	14.9	1.6	1.18	527			
39	FDVLX	Value		72.17	Hold	3.2	13.7	-6.7	14.7	12.4	-1.0	1.28	5,468			
14	FSLSX	Value Strategies		29.57	Buy	4.2	18.0	-9.3	15.8	14.2	0.4	1.35	308			
SMALL CAP GROWTH						Category Averages			3.2	10.2	-2.7	11.8	14.9	0.9	1.36	
1388	FCPGX	Small Cap Growth	1.50%/90d	16.63	OK to Buy	3.0	11.5	-2.8	11.9	15.0	2.2	1.33	1,166			
336	FDSCX	Stock Selector Small Cap	1.50%/90d	19.61	Buy	3.3	8.8	-2.6	11.7	14.8	-0.4	1.38	1,344			
SMALL CAP BLEND						Category Averages			3.6	10.7	-7.6	12.9	13.0	4.8	1.46	
384	FSCRX	Small Cap Discovery	1.50%/90d	22.15	Buy	3.3	11.9	0.4	17.9	17.2	8.7	1.33	2,779			
340	FSLCX	Small Cap Stock	2.00%/90d	17.62	Buy	4.0	9.6	-15.6	7.9	8.8	0.8	1.58	2,882			
SMALL CAP VALUE						Category Averages			2.1	9.9	-3.6	15.6	13.0	4.3	1.27	
1389	FCPVX	Small Cap Value	1.50%/90d	15.36	OK to Buy	2.1	9.9	-3.6	15.6	13.0	4.3	1.27	1,757			
SPECIALTY																
2063	FOTTX	130/30 Large Cap		7.68	Sell	2.7	10.3	-3.8	10.1	8.1	--	1.18	16			
304	FBALX	Balanced		19.96	Buy	1.7	10.7	1.7	12.0	11.3	2.7	0.66	14,803			
308	FCVSX	Convertible Securities		24.29	Buy	3.5	7.8	-7.3	6.0	9.9	1.4	0.96	1,749			
334	FGBLX	Global Balanced	1.00%/30d	23.10	Hold	1.6	7.8	-2.5	4.6	7.9	3.4	0.78	463			
2120	FFGCX	Global Commodity Stock	1.00%/30d	13.94	OK to Sell	1.9	0.0	-18.1	-12.5	3.6	--	1.59	396			
1960	FDYSX	Global Strategies		9.21	Hold	0.6	9.5	-5.3	5.0	9.1	--	0.76	222			
1368	FIREX	International Real Estate	1.50%/90d	8.52	OK to Sell	1.0	22.6	-22.2	5.0	5.4	-6.8	1.40	251			
4	FPURX	Puritan		19.53	Buy	1.8	11.4	0.7	12.4	11.4	3.2	0.70	15,299			
833	FRIFX	Real Estate Income	0.75%/90d	11.48	Buy	1.7	13.9	4.7	17.3	16.0	7.3	0.40	2,252			
303	FRESX	Real Estate Investment	0.75%/90d	32.32	OK to Buy	0.4	17.7	8.3	21.3	25.2	3.6	1.30	3,688			
1329	FSDIX	Strategic Dividend & Income		12.20	Buy	1.1	12.2	7.3	16.1	14.4	1.7	0.84	1,989			
1505	FSRRX	Strategic Real Return	0.75%/60d	9.75	Hold	0.8	7.8	1.7	6.0	10.6	5.0	0.49	631			
311	FIUIX	Telecom & Utilities		18.55	OK to Buy	-2.7	8.0	11.9	14.7	16.0	1.0	0.78	1,024			
ASSET ALLOCATION																
328	FASIX	Asset Manager 20%		13.31	Hold	0.6	5.5	2.6	6.2	7.2	4.2	0.26	4,395			
1957	FTANX	Asset Manager 30%		10.07	Hold	0.9	6.8	1.7	7.3	8.3	--	0.37	341			
1958	FFANX	Asset Manager 40%		9.98	Hold	1.1	7.9	0.5	8.0	8.9	--	0.49	300			
314	FASMIX	Asset Manager 50%		16.17	Hold	1.4	8.6	-0.7	8.4	9.6	3.3	0.61	6,673			
1959	FSANX	Asset Manager 60%		10.03	Hold	1.6	9.5	-2.2	8.7	9.8	--	0.72	523			
321	FASGX	Asset Manager 70%		17.03	Hold	1.9	10.3	-3.8	9.0	10.3	2.0	0.85	2,671			
347	FAMRX	Asset Manager 85%		13.82	Hold	2.3	11.5	-6.1	9.5	10.4	1.1	1.03	676			
EQUITY INDEX																
355	FFNOX	Four-in-One Index		28.64	Hold	2.3	10.3	-1.4	11.1	10.1	1.0	0.92	2,294			
2010	FIENX	International Enhanced Index	1.00%/30d	6.73	OK to Sell	2.9	8.0	-12.0	0.3	3.2	--	1.26	24			
1827	FLCEX	Large Cap Core Enhanced Index		10.04	Hold	2.6	12.4	4.7	17.7	12.9	1.3	0.99	230			
1829	FLGEX	Large Cap Growth Enhanced Index		11.27	OK to Buy	2.6	13.7	4.4	17.8	14.9	3.2	1.02	157			
1828	FLVEX	Large Cap Value Enhanced Index		7.99	OK to Sell	2.8	12.2	2.5	17.6	11.6	-1.2	1.01	73			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	9.74	Hold	4.0	11.4	-1.6	12.3	14.2	--	1.17	75			
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	41.02	OK to Buy	4.5	18.6	-1.0	20.3	16.2	4.2	1.19	423			
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	9.80	Hold	2.6	11.7	-1.1	14.2	15.2	--	1.36	120			
650	FUSEX	Spartan 500 Index ⁴		50.01	Hold	2.3	13.5	2.0	17.9	13.5	1.2	1.00	10,447			
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	9.27	Hold	0.1	4.2	-10.7p	--	--	--	--	75			
398	FSEMIX	Spartan Extended Mkt Index ⁴	0.75%/90d	39.27	Hold	3.5	12.0	-3.8	13.2	15.4	3.0	1.27	1,885			
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	10.12	Hold	2.3	6.3	-4.5p	--	--	--	--	18			
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	31.91	Hold	3.0	7.3	-12.2	0.1	2.5	-4.7	1.28	2,872			
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	11.52	Hold	3.1	11.4	4.4p	--	--	--	--	10			
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	11.90	OK to Buy	-0.3	16.6	-3.4p	--	--	--	--	20			
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	11.69	Hold	3.4	10.4	7.0p	--	--	--	--	16			
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	40.77	Hold	2.5	13.2	1.0	17.1	13.9	1.6	1.04	3,101			

FIDELITY SCORECARD

AUGUST 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)			
						Aug	YTD	2011	1 Year	3 Year	5 Year					
INTERNATIONAL						Category Averages			2.2	8.9	-14.7	-0.9	5.6	-3.6	1.32	
309	FICDX	Canada	1.50%/90d	52.59	OK to Sell	3.5	4.9	-12.4	-5.4	7.1	-0.1	1.16	\$3,029			
352	FHKCX	China Region	1.50%/90d	26.02	OK to Sell	-0.8	2.9	-20.4	-9.9	4.0	0.2	1.34	1,248			
325	FDIVX	Diversified International	1.00%/30d	28.06	OK to Sell	2.6	10.0	-13.8	1.1	4.0	-4.4	1.27	13,218			
351	FSEAX	Emerging Asia	1.50%/90d	26.82	OK to Sell	0.1	6.5	-16.2	-5.2	7.5	-4.1	1.37	1,305			
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	8.61	OK to Sell	1.7	10.0	-15.3	-1.8	9.1	--	1.43	110			
322	FEMKX	Emerging Markets	1.50%/90d	21.08	OK to Sell	-0.4	2.7	-21.0	-11.5	4.7	-4.7	1.45	2,235			
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	11.03	OK to Buy	1.1	17.0	-5.6p	--	--	--	--	22			
301	FIEUX	Europe	1.00%/30d	28.68	OK to Sell	4.0	12.6	-16.8	3.3	2.8	-3.8	1.50	560			
341	FECAX	Europe Capital App	1.00%/30d	17.29	OK to Sell	4.3	11.8	-16.9	2.6	2.5	-5.1	1.51	289			
2406	FGILX	Global Equity-Income	1.00%/30d	10.03	Hold	1.8	.5p	--	--	--	--	--	18			
335	FIVFX	International Cap App	1.00%/30d	12.62	Buy	1.8	13.5	-12.8	5.2	7.5	-2.7	1.42	698			
305	FIGRX	International Discovery	1.00%/30d	30.69	OK to Sell	3.4	11.2	-15.2	1.0	4.2	-3.9	1.31	5,712			
1979	FIGFX	International Growth	1.00%/30d	8.75	OK to Buy	2.3	12.0	-9.0	6.7	10.2	--	1.22	119			
818	FISMX	International Small Cap	2.00%/90d	18.94	OK to Buy	3.3	8.1	-15.5	-4.7	7.0	-1.9	1.24	685			
1504	FSCOX	International Small Cap Opps	2.00%/90d	10.40	Buy	3.7	12.4	-9.6	5.7	12.1	-6.0	1.19	317			
1597	FIVLX	International Value	1.00%/30d	7.11	OK to Sell	3.3	8.7	-16.7	-0.2	0.6	-6.7	1.35	124			
350	FJPNX	Japan	1.50%/90d	9.35	Hold	0.3	1.6	-15.9	-3.4	-2.1	-7.4	1.01	395			
360	FJSCX	Japan Smaller Companies	1.50%/90d	8.99	Hold	4.2	5.2	-5.8	-1.2	1.9	-4.4	1.04	260			
349	FLATX	Latin America	1.50%/90d	47.78	OK to Sell	-1.8	-2.3	-15.8	-11.6	6.6	-0.2	1.56	2,446			
342	FNORX	Nordic	1.50%/90d	30.26	Hold	4.2	13.1	-20.3	3.1	7.4	-4.7	1.65	293			
94	FOSFX	Overseas	1.00%/30d	30.12	OK to Sell	3.2	13.8	-16.0	3.4	1.7	-6.1	1.42	1,561			
302	FPBFX	Pacific Basin	1.50%/90d	23.33	OK to Buy	3.4	8.8	-17.0	-4.5	9.1	-1.8	1.20	562			
2369	FTEMX	Total Emerging Markets	1.50%/90d	10.39	Hold	0.6	8.3	-3.9p	--	--	--	--	76			
1978	FTIEX	Total International Equity	1.00%/30d	7.00	OK to Buy	2.5	10.6	-14.1	2.1	5.8	--	1.27	271			
318	FVWFX	Worldwide	1.00%/30d	19.29	Hold	2.5	11.3	-6.7	6.6	9.9	0.0	1.17	1,037			
SELECT PORTFOLIOS						Category Averages			3.1	12.2	-3.5	12.9	13.6	2.2	1.35	
34	FSAIX	Air Transportation	0.75%/30d	36.77	OK to Buy	-0.6	6.5	-6.1	12.4	16.7	0.0	1.43	66			
502	FSAVX	Automotive	0.75%/30d	33.49	OK to Sell	4.8	7.6	-26.2	0.5	9.7	-1.5	1.83	99			
507	FSRBX	Banking	0.75%/30d	19.26	Hold	2.5	20.7	-13.3	28.5	8.4	-6.9	1.47	460			
42	FBIOX	Biotechnology	0.75%/30d	108.27	OK to Buy	1.3	33.1	18.2	46.6	21.1	11.7	1.26	2,296			
68	FSLBX	Brokerage & Investment	0.75%/30d	45.94	Hold	4.0	15.0	-22.8	10.3	-0.4	-4.2	1.56	343			
69	FSDCX	Chemicals	0.75%/30d	112.84	Buy	2.7	19.5	0.3	17.6	20.8	9.6	1.57	852			
518	FSDCX	Communications Equipment	0.75%/30d	21.94	Hold	7.9	-0.5	-16.7	-2.9	6.5	-0.9	1.62	219			
7	FDCPX	Computers	0.75%/30d	64.14	OK to Buy	3.3	19.0	-4.5	23.7	18.1	6.9	1.41	776			
511	FSHOX	Construction & Housing	0.75%/30d	43.95	OK to Buy	6.3	22.7	2.9	35.7	16.5	4.1	1.51	232			
517	FSCPX	Consumer Discretionary	0.75%/30d	27.05	OK to Buy	3.3	17.4	-1.7	20.5	19.5	4.4	1.20	311			
98	FSVLX	Consumer Finance	0.75%/30d	13.85	Buy	2.6	25.5	-1.0	25.6	10.9	-16.1	1.17	261			
9	FDFAV	Consumer Staples	0.75%/30d	80.46	Hold	0.1	13.2	8.8	16.8	15.2	7.8	0.78	1,319			
67	FSDAX	Defense & Aerospace	0.75%/30d	82.54	Hold	2.9	6.3	7.3	13.2	16.6	1.2	1.16	612			
8	FSELX	Electronics	0.75%/30d	47.01	Buy	2.0	6.3	-8.5	8.0	8.8	-0.5	1.70	942			
60	FSENX	Energy	0.75%/30d	50.84	Hold	3.4	3.2	-4.9	-0.6	11.1	-1.3	1.70	1,995			
43	FSESX	Energy Service	0.75%/30d	67.58	OK to Sell	3.3	3.9	-12.6	-7.8	10.2	-5.2	2.11	1,074			
516	FSLEX	Environment & Alt Energy	0.75%/30d	15.84	OK to Sell	2.9	5.1	-14.3	-0.6	4.1	-1.7	1.19	64			
66	FIDSX	Financial Services	0.75%/30d	58.02	Hold	2.1	18.6	-20.4	14.6	0.5	-10.4	1.54	406			
41	FSAGX	Gold	0.75%/30d	38.37	Sell	9.8	-9.1	-16.3	-26.4	6.3	7.6	1.82	2,875			
63	FSPHX	Health Care	0.75%/30d	138.90	Hold	3.5	16.6	7.8	20.5	17.5	6.8	0.91	2,245			
510	FSCGX	Industrial Equipment	0.75%/30d	34.98	OK to Buy	2.9	13.1	-7.7	15.8	16.3	2.0	1.52	281			
515	FCYIX	Industrials	0.75%/30d	24.23	Buy	2.6	12.0	-4.9	16.1	16.2	3.7	1.37	556			
45	FSPCX	Insurance	0.75%/30d	50.09	OK to Sell	4.8	13.0	-5.2	19.9	9.1	-4.1	1.07	240			
353	FBSOX	IT Services	0.75%/30d	24.05	Buy	3.5	14.4	2.3	19.1	18.4	9.2	1.25	309			
62	FDLSX	Leisure	0.75%/30d	101.17	Hold	5.1	5.1	5.9	10.2	18.2	6.4	1.27	361			
509	FSDPX	Materials	0.75%/30d	68.37	Hold	3.5	12.0	-8.2	8.2	15.1	6.2	1.60	970			
505	FSHCX	Medical Delivery	0.75%/30d	60.09	Hold	5.8	9.7	10.2	12.2	17.0	4.7	1.13	779			
354	FSMEX	Medical Equipment	0.75%/30d	27.63	Hold	2.5	11.8	-3.4	4.7	9.7	5.5	1.03	1,252			
503	FBMPX	Multimedia	0.75%/30d	53.62	Hold	4.0	24.6	1.8	29.0	24.1	6.7	1.31	263			
513	FSNGX	Natural Gas	0.75%/30d	31.09	Hold	-0.3	2.5	-7.7	-1.1	4.3	-3.8	1.51	706			
514	FNARX	Natural Resources	0.75%/30d	31.75	Hold	4.1	1.5	-9.3	-5.9	10.1	-0.3	1.69	1,110			
580	FPHAX	Pharmaceuticals	0.75%/30d	15.03	Buy	0.3	11.3	13.7	17.9	18.4	8.5	0.84	794			
46	FSRPX	Retailing	0.75%/30d	62.60	OK to Buy	4.2	22.3	3.4	22.8	22.0	10.1	1.19	530			
28	FSCSX	Software & Computer Svcs	0.75%/30d	86.63	OK to Buy	5.6	17.7	2.2	22.7	20.0	9.2	1.25	1,761			
64	FSPTX	Technology	0.75%/30d	103.29	Buy	6.4	19.5	-9.6	16.3	18.1	5.8	1.38	2,162			
96	FSTCX	Telecommunications	0.75%/30d	50.21	OK to Buy	0.3	14.9	-4.2	11.1	14.2	-0.8	1.02	436			
512	FSRFX	Transportation	0.75%/30d	50.52	Hold	-1.8	4.5	-5.3	9.2	16.5	3.1	1.41	196			
65	FSUTX	Utilities	0.75%/30d	56.24	OK to Buy	-3.1	5.6	13.1	12.1	12.2	1.5	0.71	612			
963	FWRLX	Wireless	0.75%/30d	7.92	OK to Buy	3.3	9.2	-1.0	6.8	11.9	0.1	1.05	236			

FIDELITY SCORECARD

AUGUST 31, 2012

Table with columns: Fund No., Fund Ticker, Fund Name, Sht-Term Fee, \$Price (NAV), Advice, Total Return (%), SEC %Yield, Dur2 (Yrs), Rel Vol (Risk)1, Tax-Equivalent Yield Federal Tax Bracket. Sections include TAXABLE BOND, HIGH-YIELD BOND, MUNICIPAL BOND, TAXABLE MONEY MARKET, and MUNICIPAL MONEY MARKET.

Tax-equivalent yields for state funds assume top state (City tax excluded) tax level for that federal bracket.

FIDELITY SCORECARD

AUGUST 31, 2012

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Aug	YTD	2011	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios	Annuity Select Model						4.2	14.2	-5.0	13.1	13.2	2.9	1.26
	Annuity Growth Model						3.1	14.1	-2.2	14.1	13.3	-1.5	0.95
	Annuity Growth & Income Model						2.2	11.1	-1.0	10.5	9.9	1.9	0.70
	Annuity Income Model						0.7	7.1	7.4	8.3	8.9	4.7	0.28
9067	FLRQC	Fid VIP Asset Manager	Allocation		13.81	Hold	2.1	8.7	-3.0	5.9	9.1	3.3	0.71
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		13.09	Hold	3.0	10.4	-6.5	5.7	9.6	1.9	0.99
9069	FJBAC	Fid VIP Balanced	Allocation		14.45	OK to Buy	2.3	11.5	-3.9	10.9	11.2	3.1	0.92
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	14.10	OK to Buy	3.3	17.4	-2.0	20.3	19.1	4.3	1.20
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	14.63	Hold	0.1	12.6	7.8	15.8	14.5	7.5	0.77
9065	FPDFC	Fid VIP Contrafund	Large Growth		13.88	Hold	2.4	13.4	-2.8	14.0	12.4	1.3	1.09
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		10.86	Hold	2.5	11.2	-1.6	13.5	14.4	1.1	1.36
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		14.25	Buy	3.3	18.3	-2.9	20.0	15.8	1.3	1.18
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.37	OK to Sell	-0.4	2.2	-21.2	-11.7	4.2	--	1.45
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	14.44	Hold	3.4	3.1	-5.3	-0.8	10.9	-1.6	1.70
9061	FLOLC	Fid VIP Equity-Income	Large Value		11.98	Buy	2.0	12.7	0.6	16.0	11.8	-1.5	1.07
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	6.80	Buy	2.1	18.7	-20.6	14.7	0.4	-10.4	1.53
9157	FMPAC	Fid VIP FundsManager 20	Allocation		12.72	Hold	0.6	4.4	2.0	5.0	5.5	3.3	0.24
9158	FMPBC	Fid VIP FundsManager 50	Allocation		12.34	Hold	1.3	7.4	-0.7	7.1	7.9	2.2	0.57
9197	FMPPC	Fid VIP FundsManager 60	Allocation		11.02	Hold	1.5	8.3	-2.2	7.3	8.5	--	0.68
9159	FMPCC	Fid VIP FundsManager 70	Allocation		11.67	Hold	1.9	9.4	-3.2	8.0	9.1	0.7	0.80
9160	FMPDC	Fid VIP FundsManager 85	Allocation		11.01	Hold	2.0	9.7	-5.5	8.0	9.4	-0.7	0.97
9062	FMNDC	Fid VIP Growth	Large Growth		13.27	Buy	3.4	15.4	-0.1	15.5	16.6	0.9	1.18
9070	FLFNC	Fid VIP Growth & Income	Large Blend		12.90	Buy	2.6	14.4	1.3	19.4	12.8	0.2	1.06
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		13.38	Buy	4.5	19.4	1.9	20.0	19.5	1.5	1.23
9078	FPVDC	Fid VIP Growth Stock	Large Growth		14.08	OK to Buy	3.5	16.0	0.4	15.4	16.9	3.8	1.11
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		11.29	OK to Sell	3.5	7.8	-9.3	2.7	10.9	-2.3	1.35
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	15.76	Buy	3.3	15.9	8.0	20.1	17.2	6.6	0.92
9060	FBBLC	Fid VIP High Income	High-Yield Bond		15.95	Buy	1.0	9.8	3.6	12.4	12.4	7.1	0.47
9064	FXVLT	Fid VIP Index 500	Large Blend		12.97	Hold	2.2	13.3	1.8	17.6	13.3	1.0	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	16.57	Buy	2.7	11.8	-4.9	16.0	16.0	3.8	1.37
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	11.21	Buy	1.9	13.3	-12.8	5.2	7.3	-2.9	1.42
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		14.63	Buy	0.1	4.9	7.0	6.6	7.4	6.6	0.17
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	13.99	Buy	3.4	11.5	-8.5	7.5	14.7	6.1	1.61
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		14.63	OK to Buy	2.3	9.9	-10.9	3.9	11.9	1.8	1.06
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.43	--	0.0	-0.1	-0.1	-0.1	-0.1	0.9	0.00
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	11.04	OK to Sell	2.8	10.2	-17.5	-1.9	3.3	-5.0	1.41
9072	FFWKC	Fid VIP Real Estate	Sector		15.79	Hold	0.6	17.5	7.8	22.1	24.6	4.1	1.32
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		16.20	Buy	0.9	7.1	4.3	7.2	9.1	7.9	0.32
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	17.48	Buy	6.5	19.4	-10.2	16.4	18.1	6.1	1.39
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	10.15	OK to Buy	0.2	15.6	-2.2	13.9	14.9	-1.1	1.00
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	15.43	OK to Buy	-3.1	5.8	12.8	12.2	12.1	1.7	0.70
9079	FKMSC	Fid VIP Value	Mid Value		11.79	Buy	3.0	14.1	-2.8	17.7	12.5	-1.2	1.20
9080	FUEBC	Fid VIP Value Leaders	Large Value		9.54	Sell	3.2	8.2	-8.3	7.3	5.1	-5.3	1.18
9073	FRBSC	Fid VIP Value Strategies	Mid Value		12.94	Buy	4.3	17.9	-9.2	15.8	14.1	0.0	1.35
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		8.39	OK to Sell	3.3	4.5	-11.2	-0.1	2.7	-6.5	1.17
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		14.24	OK to Sell	0.6	10.4	-18.0	-1.9	8.5	1.9	1.42
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		16.67	Buy	1.3	12.3	6.8	11.8	12.1	8.6	0.52
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		12.00	OK to Sell	0.5	7.8	-18.4	-4.2	6.9	-2.1	1.31
9146	FPRPC	Morgan Stanley Glb Tactical Alloc	Diversified Int'l		10.05	Hold	2.4	8.4	-3.9	5.7	6.1	-3.3	1.04
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.24	Buy	0.5	4.5	0.9	3.9	--	--	0.17
9277	FPNBC	Pimco VIT Real Return	TIPS		13.22	Hold	-0.1	6.9	11.4	9.2	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		12.12	Buy	0.3	7.4	3.3	7.3	--	--	--

Annuity Model Portfolios

Rel Vol: 1.26

Rel Vol: 0.95

Rel Vol: 0.70

Rel Vol: 0.28

Annuity Sector		Annuity Growth		Annuity Growth & Income		Annuity Income	
Fund	Allocation	Fund	Allocation	Fund	Allocation	Fund	Allocation
VIP Technology	35%	VIP Growth Opps	32%	VIP Strategic Inc	26%	VIP Investment Grade	32%
VIP Health Care	20	VIP Strategic Income	25	VIP Growth Opps	24	VIP Strategic Income	31
VIP Materials	18	VIP Value Strategies	23	Pimco Low Duration	18	VIP High Income	22
VIP Industrials	14	VIP Equity-Income	20	VIP Value	17	MS Emerg Mkt Debt	15
VIP Financial Svcs	13			VIP Equity-Income	15		
Total Return:		Total Return:		Total Return:		Total Return:	
Aug: 4.2% YTD: 14.2%		Aug: 3.1% YTD: 14.1%		Aug: 2.2% YTD: 11.1%		Aug: 0.7% YTD: 7.1%	

QUESTION & ANSWER

Muni Bond Funds May Be Worth The Risk

Q: What's your opinion about municipal bond funds given the situation in places like Scranton, PA.

— M.M., via the Internet

A: As you can see in the *Scorecard* on p. 9, all of Fidelity's 16 tax-free bond funds are rated *Hold*. There are distinctly different market risks for us to monitor: political, credit and interest-rate/inflation. The latter is not an immediate concern, though well worth watching! As for political risk, we hate to make any bets as to whom will control the federal government next year and reset tax policy (which is central to assessing the attractiveness). So the best we can do right now is to provide the likely tax-equivalent yields of muni bond funds at the current time versus any thus-discussed changes.

As for credit risk, three California cities have now defaulted, more could default, and it's no secret that the state's budget is way out of whack.

But at the risk of our sounding like Henny Penny, here's some perspective about credit risk. The muni market is \$3.7 trillion. At the peak of the financial crisis, only \$8 billion (or 0.02%) defaulted. Could more default? Sure. In fact, a striking number of muni bonds have lost their AAA credit rating. Even so, one calculation we've seen argues that even if the 50 largest American cities defaulted, that's still only \$83 billion at risk (or 0.2%).

Granted, a state like California (which is 13% of the state muni mar-

ket and has the lowest credit score of any state) would do terrible damage if it defaulted. (And we don't think that the federal government would allow that to happen anyway.) But even California has ways to mitigate its spending, though there's still no political will to change.

States vs Municipalities

Because Sacramento (and others) have plenty of room to increase fees and cut waste, state creditworthiness is arguably superior to many of the state's struggling towns and cities — though it might not appear that way.

Municipalities are further hamstrung by their state governments who typically dictate the terms of pensions, unemployment/health care insurance and other benefits to local public sector employees. (Although California's "charter cities" are an exception.) State government also has the ability to cut local aid, and saddle municipalities with unfunded mandates that they can no longer afford themselves. So fixing an out-of-balance municipal budget is a very high hurdle — especially after decades of over-promising, years of low interest rates and modest market returns.

MUNI BOND FUND YIELDS: FOUR SCENARIOS						
		Federal Tax Bracket				
Current - 2012	SEC % Yield	15.0%	25.0%	28.0%	33.0%	35.0%
Interm Muni Inc	1.43	1.68	1.91	1.99	2.13	2.20
Municipal Inc	2.14	2.52	2.85	2.97	3.19	3.29
Short-Int Muni Inc	0.66	0.78	0.88	0.92	0.99	1.02
Tax-Free Bond	2.15	2.53	2.87	2.99	3.21	3.31
2013		15.0%	28.0%	31.0%	36.0%	39.6%
Interm Muni Inc	1.43	1.68	1.99	2.07	2.23	2.37
Municipal Inc	2.14	2.52	2.97	3.10	3.34	3.54
Short-Int Muni Inc	0.66	0.78	0.92	0.96	1.03	1.09
Tax-Free Bond	2.15	2.53	2.99	3.12	3.36	3.56
Proposed -Obama		15.0%	25.0%	28.0%	36.0%	39.6%
Interm Muni Inc	1.43	1.68	1.91	1.99	2.23	2.37
Municipal Inc	2.14	2.52	2.85	2.97	3.34	3.54
Short-Int Muni Inc	0.66	0.78	0.88	0.92	1.03	1.09
Tax-Free Bond	2.15	2.53	2.87	2.99	3.36	3.56
Proposed -Romney		12.0%	20.0%	22.4%	26.4%	28.0%
Interm Muni Inc	1.43	1.63	1.79	1.84	1.94	1.99
Municipal Inc	2.14	2.43	2.68	2.76	2.91	2.97
Short-Int Muni Inc	0.66	0.75	0.83	0.85	0.90	0.92
Tax-Free Bond	2.15	2.44	2.69	2.77	2.92	2.99

Using current yields, above are four scenarios for the tax-equivalent yields on Fidelity's nationally diversified muni funds once the "Current - 2012" income tax rates expire this year. In cases where rates rise from today's levels, muni funds' tax-equivalent yields become more attractive. (The inverse is also true.) Whether and how taxes change is a central theme of this fall's presidential and congressional elections: watching muni bond prices move beforehand may be a good barometer of how investors see the election results taking shape.

(States have clever ways of hiding other debts — especially pension obligations. To that end, all states have investment-grade credit ratings, though some muni analysts take great exception to "grading" — make that rating! — on a curve.)

Locally, revenues largely come from property taxes. However, the housing crash has made it harder to convince homeowners to pay more when their homes are worth less.

Needless-to-say, this situation is not unique to California.

Bankruptcy's Silver Lining

While the prospect of a municipal bankruptcy seems terrifying to a bond holder (though it isn't usually that bad when patience is exhibited), some politicians actually favor the court protection from their creditors. Consider, for example, that you're the mayor of a small town facing a fiscal emergency. In order to meet your bills, you'll have to negotiate new union contracts, and lay off teachers, firemen and police. You may also

have to raise taxes and fees.

Such actions can be career-busters. But if you can get a court to hire an overseer to do your "dirty work," then you can sit back and merely criticize your city's overseers as reckless, heartless and Draconian.

Over the long term, there's likely to be some good news in such fiscal housekeeping. But for now, bankruptcies remain few and far between. And, in any event, investors are

Muni Funds *cont'd on page 12*

- An all-cash portfolio may not keep up with rising living expenses. If money market yields and inflation are perfectly matched, the 4% Rule would allow your portfolio to cover 25 years of living expenses. But if inflation outpaces the income stream on cash, the money can run out much sooner.

- In today's low-inflation environment, an all-bond portfolio is attractive to many retirees. But should inflation start to pick-up, you may want to consider blending in at least some equity exposure to help maintain your purchasing power. (See *Income Investing Gets Easier* on p. 4.)

- An all-stock strategy is often the favorite of those who want to maximize wealth-building. This approach has the potential to deliver long-term returns that exceed inflation by 6-7 percentage points per year, which builds wealth at a healthy clip when

there are no living expense demands. But if the withdrawal burden is heavy and a bear market hits, you can quickly take your portfolio off the cliff. In a back-test that walks forward from the end of 1976, I found that Puritan (a lower-return 60/40 fund) lasts many years longer than **Contrafund** (a higher-return stock fund) if the annual withdrawal burden exceeds 7%.

Greater Endurance

For those with the flexibility to deviate from an inflation-adjusted income stream, it may be possible to substantially extend the life of a stock/bond portfolio. By starting with 4% withdrawals and limiting the annual inflation adjustment to 3% or less, you've got a good shot at making your portfolio last 50 years or more. And if you further limit the annual draws so they never exceed 4% of your portfolio's value, the stage may be set for your nest egg to provide living expense support for an indefinite period. ■

— Jack Bowers

unfazed. Why? Despite the dire warnings from such doom-and-gloomers as Meredith Whitney (who infamously predicted on "60 Minutes" that there would be hundreds of billions" of dollars in muni losses), nothing close to that has transpired.

Yes, perhaps she's been "early" with her predictions. But low interest rates have allowed municipalities to refinance and shore up their balance sheets, while a new wave of budget-conscious politicians have pressed their agendas in state houses across the country.

Another positive for munis: There's lots of money chasing their tax-advantaged yields, especially as there's a lot of skittishness about equities. And, over the last three full calendar years (2009 to 2011), **Municipal Income** gained 27.9%, and **Intermediate Muni Income** returned 20.1%. So far this year, they're up 6.2% and 3.9%, respectively.

Interest-Rate/Tax-Cut Risk

As far as interest-rate risk is concerned, we see few upward price pressures until the economy is substantially stronger. Of course, Uncle Sam may be laying the foundation for future inflation as spending is about 30% more than receipts each year. Then again, that problem may be decades away, and there will be plenty of early warning signals.

In the very near term, however, as the presidential election draws close and the race stays tight, a surprise tax-cut proposal (including the end of munis' tax-favored status) and/or extension of the Bush-era cuts could take shape. Ironically, lower taxes could hurt muni prices because that reduces their tax-equivalent yields. ■

— John Bonnanzio

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, GNMA, Gov't Inc., Growth & Inc., Inter Gov't Inc., Int'l Real Estate, Leveraged Company Stock, Low-Priced Stock, OTC, Real Estate Inc., Real Estate Investment, Small Cap Growth, Small Cap Value, Sptn Real Estate Indx, Ultra-Short Bond, Value Discovery.

The final distributions for August were as follows:

Fund	Ex-Date	\$ Amt	NAV
Fidelity	8/3	0.211	34.97
Growth Discovery	8/3	0.015	15.37
Mega Cap Stock	8/3	0.072	11.36
Fidelity Fifty	8/3	0.022	19.27

Inside Fidelity

Management Change — Abigail Johnson, daughter of Fidelity chairman "Ned" Johnson 3d, has finally and predictably been named president of its entire financial services operation. She reports to her father. This post includes Fidelity's core mutual fund business which she's co-managed with Ron O'Hanley. He, in turn, no longer reports to her father, but rather to Ms. Johnson.

Money Markets — "Floating" NAVs for money funds have been tabled and their stable \$1 NAV preserved, thereby saving the entire asset class of "cash." Still, we expect this battle with the SEC to resume. ■

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Editorial Questions: editorial@mfi.com **Subscription Questions:** memberservices@mfi.com or 1-800-444-6342 **Hotline:** 800-303-4470