

Jack
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Fidelity

FEBRUARY
2009

Best Performing
Fidelity Newsletter

20
Years

Monitor™

Junk Worth Keeping

Two months ago we reviewed three scenarios for the economic crisis. Scenario A, a typical recession and substantial stock market recovery in 2009, has become a long shot at this point. Scenario B, a deep recession without a meaningful stock market recovery this year, is looking increasingly likely, with roughly 70% odds. Scenario C, following Japan's deflationary path with the potential of stocks losing a third of their value in 2009, remains unlikely but the probability has climbed to around 30%.

JUNK WORTH KEEPING - *Continued on page 2*

Changes Planned For All Models

On Monday, 2/9, we'll make the following trades. For resulting mix, please see pie charts on pages 6-7.

Our Income Model will use its cash position to buy **Focused High Income** (1366/FHIFX). Please read the story above for the logic behind this move.

Our VIP Income Model will use one-third of **VIP Money Market** to buy **VIP Strategic Income**, and will invest the other two-thirds in **VIP High Income**.

Our Growth and Income Model will be selling **Disciplined Equity** (315/FDEQX) buying **Focused High Income** (1366/FHIFX). The reasoning behind this change is discussed in our main article above.

Our VIP Growth and Income Model will sell **VIP Growth & Income** and buy **VIP High Income**.

Our Growth Model will replace **Equity-Income** (23/FEQIX) with **Low-Priced Stock** (316/FLPSX). This change will reduce volatility, while positioning the portfolio more heavily in consumer stocks to take advantage of upcoming economic stimulus programs.

Our VIP Growth Model will sell **VIP Equity-Inc.** and buy **VIP Disciplined Small Cap**.

Our Select System will sell **Utilities Growth** (65/FSUTX) and buy **Leisure** (62/FDLSX). Our volatility model recognizes consumer discretionary stocks as being more defensive than utilities stocks, but with more upside potential in a broad recovery.

Our VIP Sector Model will sell **VIP Utilities** and buy **VIP Consumer Discretionary**. Don't move too early on this one; there's a 60-day 1% redemption fee.

Our Unique Opportunities Model will be selling **Equity-Income** (23/FEQIX), and buying **Low-Priced** (316/FLPSX). We see opportunity in small-caps, and **Low-Priced** competes with the Russell 2000 Index.

Review & Recommendations

Renewed concerns about the banking system, along with an earnings reality check, caused stocks to give up their December gains. A selloff in long-term treasuries was driven by fear that nationalizing the banking system could fuel inflation, but success in high-yield bond offerings suggested that investors are willing to lend if the price is right. The S&P 500 finished January with an 8.4% loss.

GROWTH FUNDS

Our Growth Model holdings are listed on page 7. If you're not following the model portfolio, and just want some ideas to pursue, our current favorites include **Low-Priced Stock**, **Contrafund**, **Blue Chip Growth**, **Dividend Growth**, **OTC Portfolio**, and **Tax-Managed Stock**.

Growth funds held up much better than their value cousins. **OTC Portfolio** was off 2.9%, **Growth Company** declined 3.9%, and **Small Cap Growth** declined 4.9%. On the bottom end, **Blue Chip Value** lost 11.1%, **Small Cap Value** was down 11.5%, and **Large Cap Value** slid 11.6%.

INTERNATIONAL FUNDS

Global Balanced is our favorite choice for those who want international exposure.

Foreign stock funds also had a rough month, but a few held up well. **Latin America** was off 1.6%, while **Canada** held its loss to 4.3%. Laggards were **Int'l Value**, down 12.8%, and **Int'l Real Estate** with a 13.0% tumble.

GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed on page 7. If you're not following the model, we recommend **Puritan** and **Balanced**.

Real Estate Income, up 1.4%, got a lift from the same forces that boosted the high yield sector. **Convertible Securities** slipped only 1.9%. Big losers included **Equity-Income II** with a 12.5% fall, and **Real Estate**, plunging 18.1%.

INCOME FUNDS

Our Income Model positions are listed on page 7. If you're not following the portfolio, consider **Strategic Income** or **Focused High Income**. Those in high tax brackets may want to take a look at

RECOMMENDATIONS - *Continued on page 8*

Because it may take as long as 3-5 years for a full stock market recovery, investors who expect to draw from their portfolio for living expenses may want to shift gears and “get paid while waiting.”

THE CASE FOR HIGH YIELD BONDS

Corporate bonds rated BB and below have taken a substantial hit in recent months. While the default rate on so-called “junk bonds” is expected to climb to double-digit levels, at this stage it remains below 5%. The market value on these securities has plummeted, pushing the segment’s overall yield up to 18-20%.

If bond markets could predict the future perfectly, this premium yield would not represent an opportunity, because defaults over the next year would offset the excess yield, leaving an income stream equivalent to what treasury bonds earn.

But bond investors seldom get it right. This fearful market has a far more pessimistic view of the financial crisis than do investors who hold stocks. Current bond pricing implies that the Consumer Price Index will be negative over the next five years, and that defaults will occur on a scale similar to the Great Depression. Stock investors, on the other hand, expect a tough 2009 earnings slump, with recovery coming sometime in 2010.

The two economic views are not consistent with each other, suggesting that high-yield bonds may be a better bargain than stocks.

It wouldn’t be the first time. Back in 1990, when rising defaults on junk bonds took down Drexel Burnham Lambert and prompted insurance companies to wash their hands of the sector, the resulting selloff pushed yields almost as high as they are today. Defaults rose too, but not nearly as high as expected. And because bond holders are paid before stockholders in a bankruptcy situation,

they rarely walk away from a default empty-handed.

Some analysts argue that things are different today. Because issuers of high yield bonds have also been heavy issuers of asset-backed notes, there may not be as much left for bond holders in a default situation (holders of asset-backed notes typically have first claim on assets). And with banks unable to lend, firms that default may be more inclined to liquidate than reorganize in bankruptcy.

But this view ignores the fact that some 50% of corporate debt is now classified as high-yield, with much of the lower-grade issues priced as if defaults have already occurred. Furthermore, most struggling corporations are trying hard to avoid getting forced into liquidation, while those that still have cash are declaring bankruptcy now rather than later so they can reorganize without any need for external loans. These factors could offset any negative effects from having asset-backed lenders in the front of the line. The situation also plays to Fidelity’s strength in high yield research. If Fidelity managers can cut portfolio defaults through security selection (relative to the high-yield indexes), the margin by which their funds outperform could increase over the next 2-3 years.

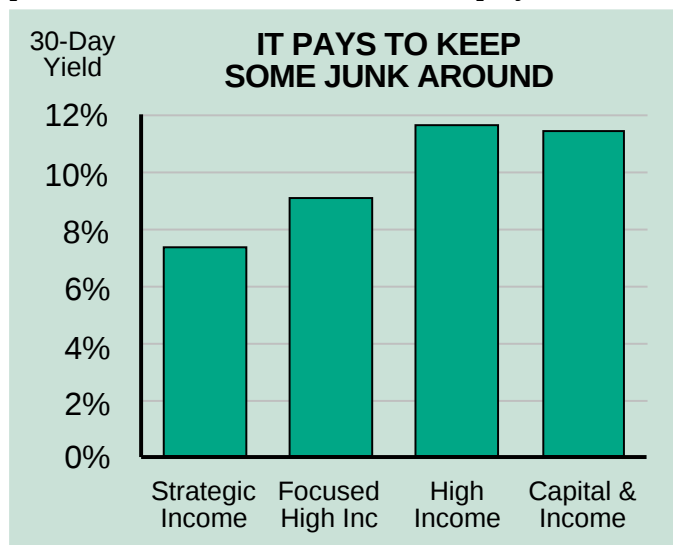
Another consideration is the dysfunctional state of traditional lending markets. Because they may be “off-line” for some time to come, the high-yield bond market is now the only game in town. As such, companies with junk bond ratings may actually have an easier time arranging financing on terms they are familiar with. Granted, they’ll be paying a lot more, but at least capital is available.

High-yield debt is normally more volatile than government debt because of credit risk. But the current situation could trigger a role reversal. The high yield sector may become a relatively stable asset class as credit fears diminish, while low-yielding government bonds get a bad case of interest-rate jitters as the inflation/deflation tug-of-war heats up.

Investment-grade bonds might seem like a good place to seek refuge, but many issues are still at risk for surprise downgrades. In true contrarian fashion, there’s a certain level of “comfort” in the high-yield segment, because it’s already been marked down and it’s where everything else may be headed.

GETTING PAID TO WAIT

The longer it takes for stocks to recover, the greater the advantage of holding high yield bonds as an alternative. Suppose that stock values and high-yield bond values remain stalled near present levels for two years. The average Fidelity stock fund might generate a small positive return. But high-yield bond funds might gain as much as 25%, thanks to the reinvestment of double-digit income streams.



The income from high-yield bonds also helps hedge downside risk. With today's robust yields, Fidelity's high-yield bond funds would have to decline by more than their respective income streams for shareholders to lose money over the next 12 months. Such a scenario is certainly possible if corporate defaults reach unprecedented levels. But if Fidelity gets things right, fund-level defaults could be held to significantly reduced levels.

With high-yield bonds trading at such deep discounts, a diversified portfolio of junk bonds has a certain amount of built-in appreciation potential. Even if credit conditions fail to improve, debt prices of bond issues that avoid default will climb toward par value as maturity approaches.

But the real fun starts if credit conditions improve, because investors would then realize the full income stream along with capital gains from credit upgrades and the "yield-to-maturity" effect. The combined impact could rival the S&P 500, even if stocks are climbing. Back in 1990, the last time high-yield bonds got clobbered, the return to normal credit conditions resulted in three years of strong gains. During the 36 months ending 12/31/93, **Capital & Income** posted a total return of 108%, and **High Income** climbed 99%. The S&P 500, in contrast, rose only 55%.

Even if high-yield bond funds don't outperform over the next three years, the chance of beating the S&P 500 on a risk-adjusted basis is still very high.

RECOMMENDATIONS

If you're mostly in stocks and depend on your portfolio for living expenses, moving partially to high-yield bonds will reduce your exposure to the earnings slump while generating necessary income. Or, if you're sitting on a large cash position and you're not quite ready to take on stock-market risk, Fidelity's high-yield funds are a good interim step. Here are four funds to consider:

Strategic Income isn't a pure play on high-yield, because junk bonds account for only about 40% of its holdings. The rest is held in government bonds, investment grade bonds, and emerging market bonds, for an overall credit quality just below BBB. Still, the fund retains many characteristics of the high-yield sector. It's income stream is higher than most other bond funds, while risk is roughly 30-40% as great as the S&P 500. **Strategic Income** makes a good choice if you only want to hold one bond fund – its diversification is broad, yet it should participate in any high-yield recovery. And unlike the other funds

in this group, it doesn't charge any redemption fees.

Focused High Income is the least-risky pure play on high-yield bonds. It holds bonds that are mainly rated BB, representing the highest tier of the high-yield universe. Default risk in this range is limited, making the fund less than half as risky as the S&P 500. Manager Matt Conti is steering clear of debt issued by automakers and banks, but he likes the debt-servicing ability of cable television, telecom, health care and energy. We like the fund because its BB bonds pay a premium yield, yet their default risk is not much worse than investment-grade corporate debt. In addition, credit upgrades in the future can bring capital gains. **Focused High Income** charges a redemption fee of 1% on shares held less than 90 days.

The next step up in yield is **High Income**. Manager Fred Hoff has been at the helm for more than eight years, and this fund compares well to its peers on a trailing five-year basis. Hoff has a greater preference for electric utilities than his Fidelity counterparts, but otherwise his fund is diversified much like **Focused High Income** – except that credit quality is about one notch lower, averaging a little above B. A fully invested portfolio gives **High Income** a double-digit yield, but it carries a greater risk of defaults. We estimate its volatility at about 60% of the S&P 500's level. The fund charges a redemption fee of 1% on shares held less than 90 days.

Capital & Income steps out the farthest on the high yield limb, but over time has been rewarded for doing so. Its 30-year annualized return is 8.7%, which suggests high yield bonds are almost a match for stocks when it comes to long-term performance. Credit quality is lower in this fund, because that's where the big opportunities are (the fund has a 20% stake in debt rated CCC and below). **Capital & Income** also holds a small position in stocks of junk bond issuers, a practice adopted 15 years ago that has benefited the fund's performance. Unfortunately, in the current environment it may actually be a hindrance. Manager Mark Notkin has recently cut the fund's stock weighting down to 6% from its more typical 10-15% allocation. **Capital & Income** captures the biggest yield premiums, but this doesn't always show up in the overall yield because of cash and equity holdings, which currently total 25%. While we rate this fund a buy, its aggressive approach to high yield may be a tad too risky in the current environment. With a risk level of 0.7 relative to the S&P 500, it might be better to consider **Capital & Income** once a high-yield rally is well underway. The fund has a 1%, 90-day redemption fee. ■

GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

Gain/loss percentages are for prior month's close (annualized for periods over a year). Reinvested distributions are assumed. Size figures are for the close of the prior month, in millions. Risk is based on standard deviation of daily gains and losses over a one-year period, relative to the S&P 500. Fee: **0.75(90)** indicates a 0.75% redemption fee on shares held less than 90 days. All retail Fidelity funds are no-load. If a fund is closed to new investors, it is listed as such in the Fee column. Fidelity limits roundtrip trades to two in the last 90 days and four in the last 12 months (a roundtrip trade is defined as the purchase and sale of a fund within 30 days). Fund ratings: **B****** is for a favorite buy, **B****** means buy, **H***** means hold for the long run, **S**** means reduce to below 5% of holdings, **S*** means sell and move to a buy-rated fund within the same asset class. Upgrades and downgrades from the prior month are indicated by ↑ and ↓.

JANUARY PERFORMANCE						2009	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
130/30 Large Cap (2063/FOTTX)	H***	1.3 Est	none	6.10	100.2		-5.1	-12.9				
Aggressive Gth (324/FDEGX)	H***	0.96	1.5(90)	11.06	1518.0	-5.1	-5.1	-10.4	-45.0	-16.6	-6.2	-8.5
Blue Chip Gth (312/FBGRX)	B****	0.92	none	24.41	8685.4	-7.2	-7.2	-14.0	-37.4	-13.0	-6.2	-4.8
Blue Chip Value (1271/FBCVX)	H***	1.16	none	7.02	308.8	-11.1	-11.1	-17.3	-48.3	-17.4	-6.1	
Capital Apprec (307/FDCAX)	H***	0.99	none	14.40	4391.8	-8.5	-8.5	-12.6	-41.9	-14.7	-5.1	-0.5
Contrafund (22/FCNTX)	B****	0.83	none	42.70	45195.2	-5.7	-5.7	-10.8	-34.5	-9.1	1.2	1.7
Growth Discovery (339/FDSVX)	H***	0.93	none	8.04	931.5	-6.6	-6.6	-16.2	-45.0	-11.4	-4.2	-0.9
Disc Equity (315/FDEQX)	B****	0.96	none	16.38	9080.0	-5.9	-5.9	-11.4	-38.8	-11.5	-2.7	-1.2
Dividend Gth (330/FDGFEX)	B****	1.11	none	14.55	5361.0	-7.9	-7.9	-13.6	-44.4	-15.8	-8.1	-2.7
Export Fund (332/FEXPX)	H***	0.97	0.75(30)	13.46	2265.5	-6.6	-6.6	-14.3	-41.4	-14.6	-3.1	2.7
Fidelity Fifty (500/FFTYX)	H***	1.00	none	10.33	644.1	-6.3	-6.3	-13.6	-45.2	-17.2	-6.9	-0.8
Focused Stock (333/FTQGX)	H***	0.89	none	8.14	124.4	-7.8	-7.8	-16.5	-32.6	-9.9	0.8	-2.6
Growth Company (25/FDGRX)	B****	1.01	Closed	47.04	21563.2	-3.9	-3.9	-11.3	-37.4	-10.9	-1.6	0.5
Independence (73/FDFFX)	H***	1.24	none	13.20	3376.7	-7.5	-7.5	-14.3	-47.5	-13.1	-3.3	-0.9
Lg Cap Core En Idx (1827/FLCEX)	H***	0.97	none	5.89	862.9	-8.0	-8.0	-13.0	-36.6			
Lg Cap Gth En Idx (1829/FLGEX)	H***	0.92	none	6.09	23.9	-4.7	-4.7	-10.1	-34.9			
Large Cap Growth (763/FSLGX)	H***	0.98	none	6.15	87.8	-6.5	-6.5	-9.4	-37.4	-15.7	-4.7	
Large-Cap Stock (338/FLCSX)	H***	1.16	none	9.14	534.5	-8.8	-8.8	-16.4	-48.2	-16.0	-7.3	-5.3
Lg Cap Val En Idx (1828/FLVEX)	H***	1.05	none	5.29	28.3	-10.5	-10.5	-15.5	-39.8			
Large Cap Value (708/FLVEX)	H***	1.04	none	7.56	1017.2	-11.6	-11.6	-16.8	-43.0	-14.5	-3.5	
Lev Co Stock (122/FLVCX)	H***	1.30	1.5(90)	13.63	2899.5	-5.6	-5.6	-19.4	-52.9	-17.7	-3.6	
Low-Priced Stock (316/FLPSX)	B****	0.86	1.5(90)	21.64	18350.6	-6.4	-6.4	-7.3	-37.1	-12.0	-1.3	7.4
Magellan (21/FMAGX)	H***	1.10	none	42.40	18948.4	-7.5	-7.5	-14.0	-48.6	-17.1	-7.6	-4.8
Mid Cap Growth (793/FSMGX)	H***	1.08	0.75(30)	6.40	147.1	-5.7	-5.7	-12.5	-47.1	-21.6	-7.5	
Mid Cap Stock (337/FMCSX)	H***	1.04	0.75(30)	14.68	4808.3	-6.0	-6.0	-8.9	-44.3	-16.4	-4.7	2.0
Mid Cap Value (762/FSMVX)	H***	1.09	0.75(30)	8.57	397.5	-9.9	-9.9	-14.5	-42.2	-15.4	-3.1	
New Millennium (300/FMILX)	B****	0.98	none	15.96	1190.4	-9.5	-9.5	-12.8	-40.2	-13.0	-4.6	1.8
OTC Portfolio (93/FOCPX)	B****	1.07	none	27.37	3209.3	-2.9	-2.9	-11.3	-39.2	-11.5	-3.8	-2.4
Small Cap Gth (1388/FCPGX)	H***	1.00	1.5(90)	8.26	826.0	-4.9	-4.9	-9.9	-42.8	-13.9		
Small Cap Indep (336/FDSCX)	H***	1.05	1.5(90)	9.55	1201.6	-9.3	-9.3	-15.2	-45.7	-18.3	-6.1	0.5
Small Cap Stock (340/FSLCX)	H***	1.03	Closed	9.09	2200.9	-7.2	-7.2	-12.0	-42.9	-15.7	-5.1	4.8
Small Cap Value (1389/FCPVX)	H***↓	1.14	1.5(90)	8.25	1017.0	-11.5	-11.5	-14.4	-34.0	-12.3		
Stock Selector (320/FDSSX)	B****	1.00	none	15.65	525.5	-7.8	-7.8	-15.6	-42.2	-13.1	-4.4	-2.4
Tax Mgd Stock (343/FTXMX)	B****	0.95	1(730)	8.63	116.6	-5.4	-5.4	-12.2	-40.9	-12.9	-2.8	
Trend (5/FTRNX)	B****	0.97	none	37.13	534.5	-5.0	-5.0	-10.6	-40.4	-11.8	-3.7	-0.9
Value (39/FDVLX)	H***	1.13	none	35.58	8695.5	-10.7	-10.7	-18.2	-49.5	-18.8	-5.4	2.4
Value Discovery (832/FVDFX)	H***	1.09	none	9.10	639.1	-10.6	-10.6	-18.1	-44.8	-15.1	-2.8	
Value Strategies (14/FSLSX)	H***	1.21	none	12.55	129.0	-9.6	-9.6	-16.9	-52.1	-19.9	-9.5	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.64	none	12.60	16459.7	-4.0	-4.0	-6.6	-30.9	-8.3	-0.7	2.8
Convertible Sec (308/FCVXS)	H***	0.86	none	13.74	1477.4	-1.9	-1.9	-8.7	-45.5	-13.8	-4.7	2.9
Equity-Income (23/FEQIX)	H***↓	1.10	none	27.48	17311.4	-11.0	-11.0	-16.6	-45.2	-15.1	-6.0	-1.2
Equity-Income II (319/FEQTX)	H***↓	1.08	none	11.65	5111.1	-12.5	-12.5	-18.4	-45.0	-15.8	-6.7	-1.9
Fidelity Fund (3/FFIDX)	B****	0.95	none	20.88	4395.2	-8.3	-8.3	-14.2	-40.8	-11.2	-3.6	-2.3
Growth & Income (27/FGRIX)	H***	1.23	none	11.66	6240.6	-11.5	-11.5	-20.7	-54.5	-22.2	-11.6	-6.4
Mega Cap Stock (361/FGRTX)	H***	0.99	none	6.33	458.4	-8.9	-8.9	-14.8	-41.1	-12.6	-4.9	-2.9
Puritan (4/FPURX)	B****	0.64	none	12.49	14893.3	-4.4	-4.4	-7.3	-28.9	-6.9	-1.4	1.5
Real Estate Income (833/FRIFX)	H***	0.35	0.75(90)	6.70	274.6	1.4	1.4	-8.7	-29.8	-10.3	-3.4	
Real Estate (303/FRESX)	H***	1.84	0.75(90)	12.79	2805.9	-18.1	-18.1	-26.4	-49.7	-20.8	-4.8	5.3
Strategic Div & Inc (1329/FSDIX)	B****	0.94	none	6.60	393.7	-7.8	-7.8	-13.4	-43.7	-15.2	-4.8	
Telecom & Utilities (311/FUIIX)	H***↓	0.91	none	12.43	775.4	-4.9	-4.9	-0.5	-32.7	-5.1	3.2	-1.3
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***↓	1.31	0.75(30)	21.78	50.2	-16.4	-16.4	-17.7	-41.0	-13.4	-1.2	3.5
Automotive (502/FSAVX)	S***	1.38	0.75(30)	11.41	10.1	-19.8	-19.8	-28.1	-67.9	-29.5	-18.0	-7.0
Banking (507/FSRBX)	H***↓	1.76	0.75(30)	10.64	246.7	-27.9	-27.9	-39.0	-56.0	-26.4	-15.0	-5.0
Biotechnology (42/FBIOX)	B****	0.81	0.75(30)	59.26	1197.2	0.3	0.3	-0.5	-9.0	-3.2	2.1	4.3
Brokerage (68/FSLBX)	H***	1.44	0.75(30)	28.86	357.8	-9.1	-9.1	-15.6	-50.5	-19.7	-5.0	2.5
IT Ser / Bus Ser (353/FBSOX)	B****	0.98	0.75(30)	10.59	44.2	-5.5	-5.5	-8.1	-29.8	-7.9	-0.5	2.0
Chemicals (69/FSCHX)	B****	1.25	0.75(30)	45.38	263.6	-1.8	-1.8	-17.9	-41.7	-7.1	2.8	7.2
Computers (7/FDCPX)	H***	0.93	0.75(30)	24.95	217.8	0.2	0.2	-14.3	-36.6	-12.9	-8.1	-6.3
Const & Housing (511/FSHOX)	B****	1.37	0.75(30)	20.83	87.8	-12.7	-12.7	-11.1	-39.4	-17.7	-3.4	2.4
Consumer Disc (517/FSCPX)	B****	1.05	0.75(30)	12.53	20.8	-8.2	-8.2	-12.9	-38.8	-15.1	-6.9	-3.8
Industrial / Cyc Ind (515/FCYIX)	B****	1.00	0.75(30)	11.91	98.7	-9.4	-9.4	-11.6	-41.5	-11.5	0.5	3.8
Defense & Aero (67/FSDAX)	H***	0.94	0.75(30)	48.23	566.9	-2.1	-2.1	-6.8	-37.1	-6.8	3.2	7.4
Com Equip / DevC (518/FSDCX)	H***	1.02	0.75(30)	11.47	127.2	-0.4	-0.4	-10.6	-42.1	-19.2	-10.1	-6.2
Electronics (8/FSELX)	H***	1.09	0.75(30)	21.51	609.6	-5.0	-5.0	-16.0	-43.5	-23.0	-13.2	-6.1
Energy (60/FSENX)	H***	1.74	0.75(30)	30.17	1391.0	0.3	0.3	-12.8	-48.2	-13.1	8.8	10.8
Energy Service (43/FSESX)	H***	1.73	0.75(30)	36.26	759.4	0.9	0.9	-22.2	-55.0	-19.4	4.0	11.6
Environmental (516/FSLEX)	B****	0.97	0.75(30)	12.12	45.1	-9.5	-9.5	-8.8	-31.1	-10.0	-1.5	-1.0
Financial Services (66/FIDSX)	H***	1.54	0.75(30)	38.84	299.7	-16.8	-16.8	-26.9	-57.3	-25.9	-13.4	-3.9
Con Stap / Food Ag (9/FDFAX)	H***	0.68	0.75(30)	47.37	738.4	-7.1	-7.1	-4.5	-23.2	1.2	5.2	4.0
Gold (41/FSAGX)	S***	1.68	0.75(30)	31.12	1689.3	-1.5	-1.5	55.1	-27.8	1.9	11.3	14.4
Health Care (63/FSPHX)	H***	0.73	0.75(30)	81.50	1321.9	0.6	0.6	-0.2	-27.2	-7.7	-0.2	0.8
Home Finance (98/FSVLX)	H***	1.58	0.75(30)	9.23	70.3	-18.2	-18.2	-24.0	-66.6	-38.6	-24.9	-8.1
Indust Equip (510/FSCGX)	H***	1.06	0.75(30)	16.51	64.4	-10.8	-10.8	-13.9	-47.8	-13.4	-3.8	0.0
Materials / Ind Mat (509/FSDPX)	H***	1.28	0.75(30)	29.24	139.9	-4.0	-4.0	-9.3	-46.6	-10.2	1.4	6.1
Insurance (45/FSPCX)	H***	1.41	0.75(30)	28.28	87.3	-13.6	-13.6	-7.8	-50.9	-21.1	-9.8	0.6
Leisure (62/FDLSX)	B****	0.95	0.75(30)	49.34	160.3	-8.4	-8.4	-4.3	-31.9	-8.2	-1.3	0.3
Medical Delivery (505/FSHCX)	H***↑	0.92	0.75(30)	30.30	264.6	4.9	4.9	5.9	-37.7	-12.6	3.5	6.8
Medical Equip/Sys (354/FSMEX)	H***	0.73	0.75(30)	19.29	1116.7	4.6	4.6	-5.0	-18.4	-1.6	3.3	10.0
Multimedia (503/FBMPX)	H***	1.11	0.75(30)	20.23	29.5	-8.8	-8.8	-13.1	-40.7	-17.5	-8.7	-2.1
Natural Gas (513/FSNGX)	H***	1.86	0.75(30)	20.86	741.2	3.4	3.4	-15.0	-51.4	-16.9	6.1	11.0
Nat Resources (514/FNARX)	H***	1.71	0.75(30)	18.54	1005.1	-1.5	-1.5	-9.5	-47.7	-10.6	8.9	11.5
Networking (912/FNINX)	H***	1.02	0.75(30)	1.27	31.3	3.3	3.3	-4.5	-39.2	-21.3	-13.8	
Paper & Forest (506/FSPFX)	H***	1.21	0.75(30)	15.18	9.7	-3.4	-3.4	-13.1	-48.8	-18.1	-10.6	-0.6
Pharmaceuticals (580/FPHAX)	H***	0.71	0.75(30)	8.40	166.1	-4.7	-4.7	-2.7	-20.1	-3.7	0.8	
Retailing (46/FSRPX)	B****	1.10	0.75(30)	26.34	45.9	-7.9	-7.9	-11.4	-33.7	-12.7	-3.2	-2.3
Software (28/FSCSX)	H***	1.02	0.75(30)	45.64	505.9	-2.9	-2.9	-9.3	-35.0	-6.5	-2.1	2.2
Technology (64/FSPTX)	H***	1.07	0.75(30)	38.39	819.9	-3.2	-3.2	-12.0	-42.5	-16.7	-9.3	-5.3
Telecom (96/FSTCX)	H***	1.21	0.75(30)	25.89	188.2	-2.9	-2.9	2.1	-42.4	-12.6	-4.4	-6.1
Transportation (512/FSRFX)	B****	1.01	0.75(30)	27.33	107.7	-15.2	-15.2	-25.0	-39.4	-14.0	-0.2	4.9
Utilities (65/FSUTX)	H***	0.92	0.75(30)	39.90	385.6	-0.9	-0.9	1.2	-31.4	-2.2	5.6	5.2
Wireless (963/FWRLX)	H***	1.17	0.75(30)	4.44	172.6	3.5	3.5	-0.5	-39.6	-12.0	1.4	

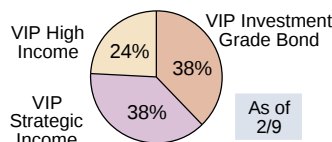
JANUARY PERFORMANCE						30-day	2009	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Int'l Capital Apprec. (335/FIVFX)	H***	1.20	1 (30)	6.67	200.6		-10.2	-10.2	-9.6	-50.6	-20.2	-7.8
Canada (309/FICDX)	H***	1.10	1.5(90)	33.54	2437.9		-4.3	-4.3	-12.2	-41.1	-7.5	5.6
China Region (352/FHKCX)	S***	1.13	1.5(90)	15.54	768.2		-8.6	-8.6	-5.9	-40.9	-3.3	3.3
Diversified Int'l (325/FDIVX)	H***	1.01	Closed	19.31	27130.4		-10.2	-10.2	-10.6	-45.8	-13.2	-0.7
Emerging EMEA (2053/FEMEX)	S**	1.5 Est	1.5(90)	4.33	32.2		-9.2	-9.2	-8.3			
Emerging Mkts (322/FEMKX)	S**	1.21	1.5(90)	11.87	1937.5		-8.6	-8.6	-11.6	-59.0	-15.1	3.5
Europe (301/FIEUX)	S**	0.99	1 (30)	20.17	2684.6		-11.5	-11.5	-11.4	-44.8	-12.7	1.0
Europe Cap Appr (341/FECAX)	S**	1.03	1 (30)	12.13	469.4		-11.3	-11.3	-11.1	-46.9	-11.9	-0.9
Global Balanced (334/FGBLX)	B****	0.47	1 (30)	15.56	351.0		-6.6	-6.6	-5.0	-25.1	-3.7	2.4
Int'l Discovery (305/FIGRX)	H***	0.97	1 (30)	21.05	6651.0		-10.9	-10.9	-10.5	-44.9	-11.9	0.1
Int'l Enhanced Index (2010/FIENX)	H***	1.0 Est	1 (30)	4.95	18.6		-12.7	-12.7	-10.8			
Int'l Growth (1979/FIGFX)	H***	0.96	1 (30)	5.01	14.9		-9.6	-9.6	-7.2	-41.1		
Int'l Real Estate (1368/FIREX)	S**	1.12	1.5(90)	5.77	277.4		-13.0	-13.0	-16.6	-54.7	-19.0	
Int'l Small Cap (818/FISMV)	H***	0.74	Closed	11.51	520.8		-6.8	-6.8	-4.3	-45.0	-16.1	0.7
Int'l Small Cap Opp (1504/FSCOX)	S**	1.13	2 (90)	5.53	275.2		-7.7	-7.7	-11.9	-57.6	-23.5	
Int'l Value (1597/FIVLV)	H***	1.18	1 (30)	5.20	156.3		-12.8	-12.8	-10.7	-49.3		
Japan (350/FJPNX)	H***	1.02	1.5(90)	8.09	1000.7		-9.3	-9.3	-9.1	-39.7	-20.1	-3.3
Japan Smaller Co (360/FJSCX)	H***	0.68	Closed	6.32	392.2		-11.9	-11.9	-8.9	-36.3	-26.9	-7.4
Latin America (349/FLATX)	S**	1.59	1.5(90)	27.19	2090.9		-1.6	-1.6	-3.5	-52.8	-7.6	14.9
Nordic (342/FNORX)	H***	1.19	1.5(90)	16.83	267.9		-10.4	-10.4	-13.7	-55.9	-14.3	-0.4
Overseas (94/FOSFX)	H***	1.03	1 (30)	22.37	5444.8		-10.8	-10.8	-10.7	-47.9	-13.3	-1.8
Pacific Basin (302/FPBFX)	S**	0.95	1.5(90)	11.93	394.9		-10.2	-10.2	-6.5	-54.3	-18.2	-2.9
Southeast Asia (351/FSEAX)	S**	0.97	1.5(90)	17.21	1596.8		-8.8	-8.8	-5.9	-47.7	-5.0	6.0
Total Int'l Equity (1978/FTIEX)	H***	1.07	1 (30)	4.34	21.8		-10.5	-10.5	-9.1	-47.9		
Worldwide (318/FWWFX)	H***	0.92	1 (30)	11.38	875.1		-9.6	-9.6	-13.9	-40.5	-10.5	-1.3
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.84	none	18.28	1461.0		-7.8	-7.8	-10.9	-34.5	-9.7	-2.2
NASDAQ Comp (1282/FNCMX)	B****	1.01	0.75(90)	19.52	121.4		-6.4	-6.4	-14.0	-37.7	-13.3	-6.0
Spart Ext Mkt Idx (398/FSEMX)	B****	1.05	0.75(90)	20.80	1685.6		-7.8	-7.8	-14.4	-39.5	-13.5	-2.9
Spart Int'l Index (399/FSIHX)	H***	1.04	1(90)	23.32	3331.6		-12.8	-12.8	-11.1	-44.4	-12.3	-0.9
Spart 500 Index (317/FSMKX)	H***↓	1.00	none	56.88	5283.9		-8.4	-8.4	-14.1	-38.7	-11.8	-4.3
Spart Total Mkt Idx (397/FSTMX)	H***	1.00	0.5(90)	23.00	3932.7		-8.3	-8.3	-14.1	-38.6	-12.1	-3.8
Asset Mgr 20% (328/FASIX)	H***	0.21	none	10.28	1851.4		-0.4	-0.4	-0.8	-13.6	-2.1	1.4
Asset Mgr 30% (1957/FTANX)	H***	0.30	none	7.57	24.7		-0.9	-0.9	-2.3	-18.9		
Asset Mgr 40% (1958/FFANX)	H***	0.39	none	7.13	12.2		-1.9	-1.9	-3.6	-22.4		
Asset Mgr 50% (314/FASMX)	H***	0.51	none	10.55	5060.2		-2.7	-2.7	-4.6	-26.8	-7.1	-2.5
Asset Mgr 60% (1959/FSANX)	H***	0.60	none	6.36	15.7		-3.6	-3.6	-5.6	-29.1		
Asset Mgr 70% (321/FASGX)	H***	0.72	none	10.27	1758.4		-4.4	-4.4	-7.3	-33.9	-10.3	-4.4
Asset Mgr 85% (347/FAMRX)	H***	0.87	none	8.03	335.3		-5.5	-5.5	-9.0	-37.6	-12.0	-3.7
Dynamic Strategies (1960/FDYSX)	H***	0.59	none	6.40	71.0		-4.3	-4.3	-7.6	-28.6		
Freedom 2000 (370/FFBFX)	H***	0.25	none	9.88	1492.6		-1.7	-1.7	-2.8	-14.6	-2.0	0.5
Freedom 2005 (1312/FFFVX)	H***	0.47	none	8.07	820.3		-3.8	-3.8	-5.9	-24.9	-5.9	-1.0
Freedom 2010 (371/FFFCX)	H***	0.49	none	9.94	10149.7		-4.1	-4.1	-6.1	-26.0	-6.3	-1.1
Freedom 2015 (1313/FFVFX)	H***	0.53	none	8.19	6212.7		-4.3	-4.3	-6.6	-27.5	-6.9	-1.0
Freedom 2020 (372/FFFDX)	H***	0.65	none	9.53	15116.5		-5.2	-5.2	-8.4	-32.3	-8.9	-2.0
Freedom 2025 (1314/FFTWX)	H***	0.69	none	7.77	5770.0		-5.6	-5.6	-9.1	-33.9	-9.7	-2.3
Freedom 2030 (373/FFFEV)	H***	0.79	none	9.13	10076.5		-6.5	-6.5	-10.6	-37.0	-11.2	-3.0
Freedom 2035 (1315/FFTHX)	H***	0.82	none	7.50	3476.4		-6.6	-6.6	-11.0	-37.9	-11.6	-3.2
Freedom 2040 (718/FFFEV)	H***	0.84	none	5.21	5398.1		-6.8	-6.8	-11.5	-38.8	-12.1	-3.4
Freedom 2045 (1617/FFFGX)	H***	0.85	none	6.12	796.1		-7.0	-7.0	-11.8	-39.3		
Freedom 2050 (1618/FFFHX)	H***	0.90	none	5.98	668.2		-7.4	-7.4	-12.4	-40.8		
Freedom Income (369/FFFAV)	H***	0.21	none	9.42	2221.3		-1.5	-1.5	-2.3	-12.9	-1.5	0.7
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	B****	0.8 Est	1(90)	5.58	6288.6	11.44	2.9	2.9	-6.1	-27.7	-6.8	-0.9
Floating Rate (814/FFRHX)	B****	0.4 Est	1(60)	8.05	1234.6	7.49	6.5	6.5	2.1	-8.2	-1.2	1.0
Focused High Inc (1366/FHIFX)	B****	0.5 Est	1(90)	7.75	76.9	9.11	6.3	6.3	6.4	-14.8	-2.2	
GNMA Portfolio (15/FGMNX)	B****	0.14	none	11.12	4245.4	4.97	0.1	0.1	5.2	5.3	6.0	4.9
Gov't Income (54/FGOVX)	B****	0.14	none	10.75	6337.8	3.11	-1.5	-1.5	6.0	6.8	6.9	5.2
High Income (455/SPHIX)	B****	0.6 Est	1(90)	6.34	4113.1	11.67	5.7	5.7	1.8	-18.0	-3.4	0.4
Inflation-Protected (794/FINPX)	H***	0.25	none	10.56	1709.9	2.24	0.6	0.6	6.9	-5.4	2.4	3.3
Intermed Bond (32/FTHRX)	H***	0.14	none	9.19	5987.1	5.67	1.5	1.5	3.2	-5.7	1.2	1.6
Intermed Gov't Inc (452/FSTGX)	H***↓	0.12	none	10.84	1609.6	1.95	-0.8	-0.8	5.0	6.7	6.8	4.8
Invest Grade Bond (26/FBNDX)	B****	0.15	none	6.37	8465.8	6.20	0.7	0.7	2.7	-7.5	0.2	1.4
Mortgage Securities (40/FMSFX)	H***	0.14	none	10.08	935.6	5.24	0.5	0.5	3.3	0.7	2.0	2.5
New Markets Inc (331/FNMIX)	H***	0.7 Est	1(90)	11.40	1436.7	9.90	2.1	2.1	10.7	-16.9	-1.2	4.2
Short-Term Bond (450/FSHBX)	H***	0.07	none	7.97	5417.5	3.43	0.4	0.4	-0.9	-3.9	0.8	1.3
Spart Intermed Tr Idx (1561/FIBIX)	H***↓	0.22	none	11.14	1193.0	1.93	-3.2	-3.2	7.9	9.1	8.6	
Spart L-Term Tr Idx (1562/FLBIX)	H***↓	0.34	none	11.08	188.3	3.24	-8.8	-8.8	11.8	10.2	8.4	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.10	none	10.68	228.6	0.68	-0.8	-0.8	2.3	5.6	6.4	
Strategic Income (368/FSICX)	B****	0.4 Est	none	8.74	4160.2	7.38	0.7	0.7	3.4	-11.1	0.3	2.6
Strategic Real Rtn (1505/FSRRX)	H***	0.30	0.75(60)	6.79	3735.0		-1.0	-1.0	-5.8	-25.1	-6.5	
Total Bond (820/FTBFX)	B****	0.15	none	9.31	8280.4	6.66	1.6	1.6	4.2	-5.3	1.6	2.4
Ultra-Short Bond (812/FUSEX)	H***	0.04	0.25(60)	8.10	258.4	0.64	-0.2	-0.2	-1.0	-6.5	-3.0	-0.9
US Bond Index (651/FBIDX)	B****	0.14	none	10.70	9172.0	4.50	-0.5	-0.5	5.6	1.7	4.3	3.8
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FSAZX)	H***	0.18	0.5(30)	10.69	119.8	4.15	4.0	4.0	5.1	-1.4	2.1	2.5
CA Municipal Inc (91/FCFTX)	H***	0.18	0.5(30)	11.37	1363.1	4.44	3.8	3.8	3.4	-3.0	1.7	2.6
CA Short-Int TF (1534/FCSTX)	H***	0.06	0.5(30)	10.43	318.3	2.14	2.2	2.2	4.5	4.2	4.5	
CT Municipal Inc (407/FICNX)	H***	0.15	0.5(30)	11.07	450.2	3.67	4.1	4.1	5.6	1.3	3.5	3.1
Intermediate Muni (36/FLTMX)	B****	0.10	0.5(30)	9.89	2688.1	3.30	2.5	2.5	4.5	1.8	3.7	3.4
MA Municipal Inc (70/FDMMX)	H***	0.17	0.5(30)	11.25	1831.6	3.89	3.7	3.7	4.9	-1.1	2.6	3.0
MD Municipal Inc (429/SMDMX)	H***	0.18	0.5(30)	10.32	131.7	3.80	4.3	4.3	4.9	-1.3	2.4	2.6
MI Municipal Inc (81/FMHTX)	H***	0.14	0.5(30)	11.58	568.4	3.56	2.9	2.9	5.2	1.3	3.6	3.4
MN Municipal Inc (82/FMIX)	H***	0.12	0.5(30)	11.08	371.6	3.32	3.5	3.5	5.6	1.8	3.5	3.3
Municipal Income (37/FHIGX)	B****	0.18	0.5(30)	11.84	4531.2	4.34	3.4	3.4	4.1	-2.2	2.1	2.8
NJ Municipal Inc (416/FNJHX)	H***	0.15	0.5(30)	11.09	538.3	3.70	4.2	4.2	5.3	-0.2	3.0	3.2
NY Municipal Inc (71/FTFMX)	H***	0.19	0.5(30)	12.27	1368.4	4.25	3.5	3.5	5.1	-0.3	2.8	3.1
OH Municipal Inc (88/FOHFX)	H***	0.16	0.5(30)	11.20	429.1	3.79	3.4	3.4	6.1	0.3	3.2	3.3
PA Municipal Inc (402/FPXTX)	H***	0.13	0.5(30)	10.43	325.6	3.61	2.5	2.5	4.0	0.4	3.1	3.2
Short-Int Municipal (404/FSTFX)	B****	0.05	0.5(30)	10.51	1865.8	2.28	1.9	1.9	3.7	3.3	4.2	3.0
Tax-Free Bond (90/FTABX)	B****	0.17	0.5(30)	10.20	1129.9	4.32	3.4	3.4	4.7	-1.2	2.5	3.1

JANUARY PERFORMANCE Indexes and Model Portfolios	Risk	Value	2009 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.92	8000.86	-9.6	-9.6	-14.3	-35.5	-7.7	-3.0	0.5
S&P 500	1.00	825.88	-8.4	-8.4	-14.1	-38.6	-11.8	-4.3	-2.6
NASDAQ	1.01	1476.42	-6.3	-6.3	-14.0	-37.7	-13.1	-5.8	-4.6
Russell 2000	1.14	443.53	-11.1	-11.1	-17.1	-36.9	-14.3	-4.1	1.7
Fidelity Monitor Income Model	0.29	73309.49	-0.2	-0.2	-1.0	-16.7	-3.5	-0.6	1.9
Fidelity Monitor G&I Model	0.63	120332.74	-4.3	-4.3	-7.6	-33.6	-9.4	-1.9	2.8
Fidelity Monitor Growth Model	0.96	113063.96	-7.5	-7.5	-14.7	-42.4	-14.4	-4.3	0.4
Fidelity Monitor Select System	0.94	236155.38	-6.3	-6.3	-14.3	-37.4	-11.5	-2.3	2.1
Fidelity Monitor Unique Opportunities	1.08	68571.03	-7.4	-7.4	-14.6	-46.4	-16.5	-2.6	

VIP CORNER

Fidelity's Variable Insurance Products allow tax-deferred growth, but the benefit may be offset by higher tax rates at withdrawal. Performance figures reflect the Retirement Reserves fee structure. Returns for the Personal Retirement Annuity are roughly 0.5 percentage points higher per year.

VIP INCOME MODEL

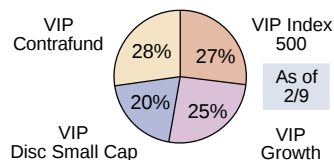


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2002: +7.3%
1994: -3.8%	2003: +9.9%
1995: +16.9%	2004: +5.1%
1996: +6.9%	2005: +1.8%
1997: +10.9%	2006: +6.1%
1998: +0.4%	2007: +6.2%
1999: +0.8%	2008: -18.3%
2000: -2.4%	
2001: -3.4%	
	*2009: +0.5%

VIP GROWTH MODEL

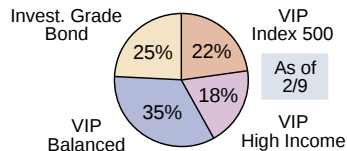


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2002: -21.7%
1994: +4.6%	2003: +30.0%
1995: +36.1%	2004: +7.0%
1996: +16.1%	2005: +10.1%
1997: +23.5%	2006: +14.5%
1998: +22.6%	2007: +9.3%
1999: +22.1%	2008: -45.5%
2000: -10.3%	
2001: -14.0%	
	*2009: -8.1%

VIP G & I MODEL

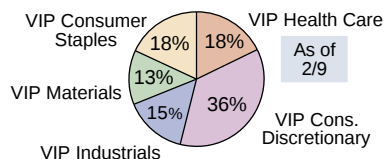


PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2003: +20.8%
1996: +12.8%	2004: +6.3%
1997: +21.4%	2005: +4.5%
1998: +15.1%	2006: +11.6%
1999: +6.1%	2007: +7.7%
2000: -4.9%	2008: -31.0%
2001: +3.1%	
2002: -9.4%	
	*2009: -5.2%

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2007: +11.2%
2004: +6.3%	2008: -41.4%
2005: +14.0%	
2006: +17.7%	
	*2009: -5.1%

Model portfolio performance is listed at the bottom of the page.

JANUARY VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2009 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***		6.56	-5.3	-5.3	-10.6	-44.9	-17.4	
VIP Asset Manager	H ***		27.00	-3.3	-3.3	-5.5	-28.6	-6.7	-2.3
VIP Asset Manager: Growth	H ***		16.01	-5.3	-5.3	-9.1	-35.8	-10.0	-4.2
VIP Balanced	B ****		11.71	-4.4	-4.4	-7.7	-34.3	-10.3	-4.0
VIP Consumer Discretionary	B ****		6.81	-8.4	-8.4	-13.3	-38.8	-15.7	-7.5
VIP Consumer Staples	B ****		8.02	-7.3	-7.3	-4.6	-23.2		
VIP Contrafund	B ****		27.37	-7.1	-7.1	-12.6	-42.2	-13.4	-1.9
VIP Disciplined Small Cap	B ****		5.81	-9.8	-9.8	-16.8	-36.2		
VIP Dynamic Capital Appreciation	H ***		8.54	-8.6	-8.6	-12.7	-43.1	-15.7	-5.7
VIP Energy	H ***		14.52	0.3	0.3	-13.4	-48.9	-13.3	6.6
VIP Equity-Income	H ***↓		35.14	-10.9	-10.9	-17.0	-46.5	-16.1	-6.9
VIP Financial Services	H ***		5.34	-17.1	-17.1	-27.7	-58.0	-26.6	-14.1
VIP Freedom 2005	H ***↓		8.93	-3.7	-3.7	-5.0	-25.0	-5.9	
VIP Freedom 2010	H ***↓		8.81	-4.0	-4.0	-5.3	-26.2	-6.4	
VIP Freedom 2015	H ***↓		8.80	-4.3	-4.3	-5.9	-28.0	-7.0	
VIP Freedom 2020	H ***↓		8.25	-5.4	-5.4	-8.3	-33.5	-9.4	
VIP Freedom 2025	H ***↓		8.13	-5.8	-5.8	-9.0	-35.1	-10.1	
VIP Freedom 2030	H ***↓		7.74	-6.8	-6.8	-11.1	-38.9	-11.8	
VIP Freedom Income	B ***↓		10.04	-1.2	-1.2	-1.0	-11.6	-1.0	
VIP FundsManager 20	B ****		9.79	-1.8	-1.8	0.1	-9.7		
VIP FundsManager 50	B ****		8.24	-4.3	-4.3	-4.5	-23.8		
VIP FundsManager 70	B ****		7.20	-6.2	-6.2	-8.3	-33.2		
VIP FundsManager 85	B ****		6.51	-7.5	-7.5	-10.7	-39.3		
VIP Growth	B ****		37.41	-6.6	-6.6	-16.3	-45.7	-14.1	-7.4
VIP Growth & Income	H ***		11.56	-7.9	-7.9	-15.6	-42.7	-13.7	-5.9
VIP Growth Opportunities	H ***		7.13	-3.4	-3.4	-13.5	-49.6	-19.0	-9.0
VIP Growth Stock	B ****		6.74	-4.9	-4.9	-11.4	-40.9	-14.8	
VIP Health Care	B ****		9.42	0.4	0.4	-0.3	-27.6	-8.6	-1.1
VIP High Income	B ****		25.62	7.3	7.3	2.7	-18.7	-3.9	-0.4
VIP Index 500	H ***↓		22.82	-8.5	-8.5	-14.2	-39.1	-12.5	-5.1
VIP Industrials	B ****		11.07	-9.6	-9.6	-11.7	-41.7	-11.8	0.1
VIP Int'l Capital Appreciation	S **		5.92	-10.4	-10.4	-9.9	-51.0	-21.0	
VIP Investment Grade Bond	B ****		29.38	0.9	0.9	4.2	-4.6	1.2	1.6
VIP Materials	H ***		5.74	-4.2	-4.2	-9.7	-46.6		
VIP Mid Cap	B ****		14.09	-5.0	-5.0	-7.9	-38.0	-12.4	1.0
VIP Money Market			21.89	0.1	0.1	0.3	1.9	3.4	2.6
VIP Overseas	H ***		23.48	-11.6	-11.6	-12.7	-45.8	-13.8	-2.7
VIP Real Estate	H ***		8.99	-18.5	-18.5	-26.6	-51.2	-20.3	-4.8
VIP Strategic Income	B ****		11.17	0.5	0.5	3.6	-10.9	-0.2	
VIP Technology	H ***		5.88	-2.9	-2.9	-11.5	-42.1	-19.0	-9.4
VIP Telecommunications	H ***		5.02	-2.8	-2.8	2.3	-42.4		
VIP Utilities	H ***↓		10.08	-0.7	-0.7	1.2	-31.5	-1.5	5.8
VIP Value	H ***		5.82	-10.7	-10.7	-18.4	-49.8	-19.4	
VIP Value Leaders	H ***		6.26	-11.3	-11.3	-17.5	-48.6	-17.9	
VIP Value Strategies	H ***		6.94	-9.8	-9.8	-17.4	-52.5	-20.5	-10.3
Fidelity Monitor VIP Income Model			17290.50	0.5	0.5	0.1	-16.2	-2.7	-0.4
Fidelity Monitor VIP G&I Model			17749.04	-5.2	-5.2	-8.9	-32.0	-8.8	-2.9
Fidelity Monitor VIP Growth Model			20742.30	-8.1	-8.1	-14.7	-45.0	-15.9	-6.4
Fidelity Monitor VIP Sector Model			11575.30	-5.1	-5.1	-9.0	-37.5	-12.2	-3.1

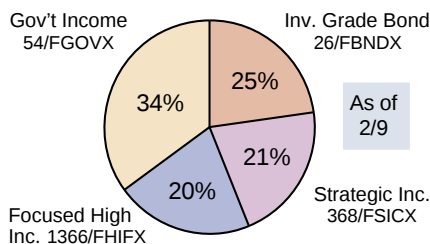
INCOME MODEL

Focuses on income funds that hold bonds or cash.
Target Growth Rate: 7% Target Risk Level: 0.25

FUND	NAV	SHARES	BALANCE
Invest. Grade Bond	\$6.37	2796.497	\$17813.69
Strategic Income	\$8.74	1777.744	\$15537.48
Cash Reserves	\$1.00	14862.919	\$14862.92
Gov't Income	\$10.75	2334.456	\$25095.40

12% Foreign
Holdings

Balance as of 1/30/09: \$73309.49
Balance at start of 2009: \$73441.91



In January our Income Model was off 0.2%. On 2/9 we will sell **Cash Reserves** and buy **Focused High Income**, for an asset mix of 91% bonds, 9% cash.

PAST PERFORMANCE

Starting Balance: \$35,000

1992: +10.1%	2001: + 5.6%
1993: +11.3%	2002: + 5.4%
1994: - 2.1%	2003: + 8.4%
1995: +14.8%	2004: + 4.2%
1996: + 9.0%	2005: + 3.6%
1997: +10.5%	2006: + 6.9%
1998: + 3.5%	2007: + 4.0%
1999: + 3.0%	2008: -18.2%
2000: + 0.3%	

2009 YTD: - 0.2%

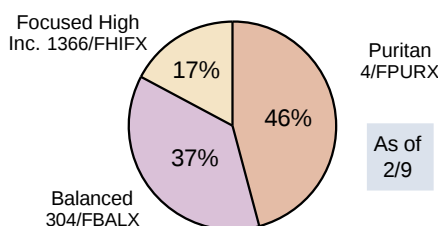
GROWTH AND INCOME MODEL

Focuses on asset allocation funds to help limit risk.
Target Growth Rate: 10% Target Risk Level: 0.67

FUND	NAV	SHARES	BALANCE
Puritan	\$12.49	4437.168	\$55420.23
Balanced	\$12.60	3566.273	\$44935.04
Disciplined Equity	\$16.38	1219.626	\$19977.47

9% Foreign
Holdings

Balance as of 1/30/09: \$120332.74
Balance at start of 2009: \$125716.09



We were off 4.3% in January. On 1/12 we sold **Fidelity** (\$21.98) and **Asset Mgr 20%** (\$10.40), buying **Puritan** (\$12.87). On 2/9 we will sell **Disciplined Equity** and buy **Focused High Income**, for an asset mix of 49% stock, 49% bond, and 2% cash.

PAST PERFORMANCE

Starting Balance: \$50,000

1994: - 3.7%	2002: - 6.4%
1995: +21.6%	2003: +33.0%
1996: +15.8%	2004: +11.5%
1997: +18.7%	2005: + 8.2%
1998: +11.1%	2006: +13.7%
1999: +12.2%	2007: + 6.1%
2000: + 2.7%	2008: -33.5%
2001: + 1.3%	

2009 YTD: - 4.3%

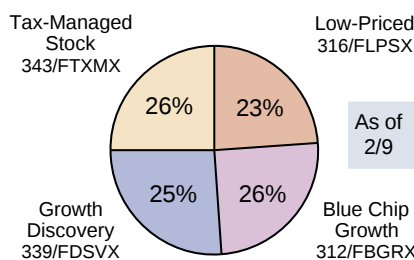
GROWTH MODEL

Focuses on domestic funds and aims to hold profitable positions long enough to qualify for long-term gains.
Target Growth Rate: 13% Target Risk Level: 1.0

FUND	NAV	SHARES	BALANCE
Equity-Income	\$27.48	959.324	\$26362.22
Blue Chip Growth	\$24.41	1211.201	\$29565.42
Growth Discovery	\$8.04	3537.100	\$28438.28
Tax-Managed Stock	\$8.63	3325.381	\$28698.04

15% Foreign
Holdings

Balance as of 1/30/09: \$113063.96
Balance at start of 2009: \$122262.93



Our Growth Model declined 7.5% in January, versus an 8.4% loss for the S&P 500. On 2/9 we will sell **Equity-Income** and buy **Low-Priced Stock**, for a mix of 94% stock and 6% cash.

PAST PERFORMANCE

Starting Balance: \$15,000

1987: + 2.8%	1998: + 9.9%
1988: +26.0%	1999: +29.0%
1989: +30.4%	2000: -10.8%
1990: - 4.4%	2001: - 6.4%
1991: +40.6%	2002: -17.1%
1992: +15.7%	2003: +46.1%
1993: +31.9%	2004: +12.4%
1994: - 2.1%	2005: +11.2%
1995: +27.2%	2006: +15.7%
1996: +19.2%	2007: + 7.3%
1997: +25.5%	2008: -42.7%

2009 YTD: - 7.5%

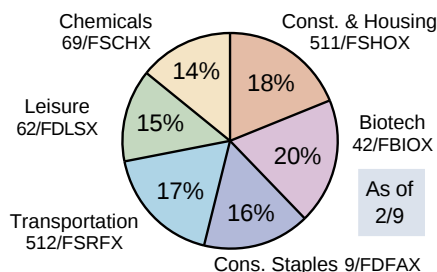
SELECT SYSTEM

Uses a volatility model to identify attractive sectors.
Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Const. & Housing	\$20.83	2088.219	\$43497.60
Biotechnology	\$59.26	785.728	\$46562.24
Consumer Staples	\$47.37	810.609	\$38398.55
Transportation	\$27.33	1460.879	\$39925.82
Utilities	\$39.90	850.347	\$33928.85
Chemicals	\$45.38	745.754	\$33842.32

7% Foreign
Holdings

Balance as of 1/30/09: \$236155.38
Balance at start of 2009: \$252121.09



We were down 6.3% in January, versus an 8.4% loss for the S&P. On 1/12 we traded **Medical Equipment** and a sixth of **Con. Staples** for **Construction & Housing**. On 2/9 we'll exchange **Utilities** for **Leisure**, resulting in a mix of 97% stock and 3% cash.

PAST PERFORMANCE

Starting Balance: ~\$25,000

1989: +23.4%	1999: +44.9%
1990: +31.3%	2000: -14.9%
1991: +35.3%	2001: - 7.3%
1992: +20.4%	2002: -14.7%
1993: +25.9%	2003: +38.4%
1994: - 0.9%	2004: + 7.4%
1995: +39.0%	2005: +15.0%
1996: + 5.2%	2006: +13.6%
1997: +29.3%	2007: +15.6%
1998: +21.7%	2008: -39.3%

2009 YTD: - 6.3%

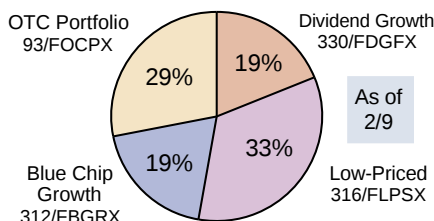
UNIQUE OPPORTUNITIES MODEL

An aggressive portfolio looking for contrarian values.
Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Dividend Growth	\$14.55	914.581	\$13307.15
Equity-Income	\$27.48	811.619	\$22303.29
Blue Chip Growth	\$24.41	528.714	\$12905.91
OTC Portfolio	\$27.37	732.725	\$20054.68

15% Foreign
Holdings

Balance as of 1/30/09: \$68571.03
Balance at start of 2009: \$74054.57



Our Unique Opportunities Model declined 7.4% in January. On 2/9 we will sell **Equity-Income** and buy **Low-Priced Stock**, resulting in a mix of 95% stock and 5% cash.

PAST PERFORMANCE

Starting Balance: \$50,000

(Partial Yr 99)	2004: +20.6%
1999: +33.8%	2005: +18.8%
2000: -20.5%	2006: +16.6%
2001: + 1.6%	2007: +11.6%
2002: - 2.1%	2008: -47.6%
2003: +43.2%	

2009 YTD: - 7.4%

Question & Answer Forum

I'm very worried about the ability of the U.S. government to service its debt.

Federal debt currently stands at \$10.6 trillion, which is about 80% of annual GDP. It's important to consider the debt as a percentage of GDP, because it's backed by the government's taxing authority, and taxes come directly or indirectly from GDP.

Between all the bailouts and stimulus programs, Federal debt will probably climb to around 100% of GDP a few years from now. By comparison, Japan – which has been struggling with the repercussions of its real estate bust for over 18 years – now has a debt level of 170% of GDP. Japan's economy is still suffering, but not because of government debt. It's struggling because the yen is too high and its economy remains heavily dependent on automotive exports, which have shrunk dramatically.

The U.S. economy is far more diversified than Japan's economy, and we have a tax system in place that is capable of servicing our debt in future decades. It's called Alternative Minimum Tax (AMT). Right now the percentage of taxpayers who owe more under AMT rules is small, but unless the tax code is changed AMT will eventually snare a majority of taxpayers. That's because inflation-indexing for traditional tax brackets is pushing up the thresholds.

AMT is basically a flat income tax of 26-28%. It's unpopular, but generates so much revenue that Congress has been unable to do away with it. As incomes rise, it will boost tax revenue at a robust pace and may eventually become the government's dominant revenue source. Congress will continue tweaking the AMT rules to minimize the pain as more taxpayers get sucked in, but unless it can find the political will for a national sales tax – which isn't likely – AMT will ultimately become the main income tax system.

So, don't fret too much about whether the U.S. can service its debt. Worry instead about the AMT taxes you might be paying a decade from now. ■

JANUARY DISTRIBUTIONS

CT Muni Income \$ 0.008 /\$11.17 (1/16)

Funds scheduled for February: **Asset Manager 20%, Contrafund, Dynamic Strategies, Freedom Income, New Markets Income, Real Estate Income, Intermediate Muni, MI Muni, MN Muni, OH Muni, PA Muni, Strategic Income, and Trend.**

RECOMMENDATIONS - Continued from page 1

Municipal Income or Intermediate Muni.

The high-yield sector bounced back on optimism that defaults won't be as bad as originally thought. **Floating Rate High Income** jumped 6.5%, **Focused High Income** was up 6.3%, **High Income** rose 5.7%, and **Capital & Income** gained 2.9%. Long-term treasuries, on the other hand, were hurt by inflation fears as investors ignored a warning from the Fed that they might intervene to drive up prices. **Spartan Long-Term Treasury Index** lost 8.8%.

Muni bond funds saw some relief from credit fears as it became clear the states would receive infrastructure funding from the stimulus package. Gains for the month ranged from 1.9% to 4.3%.

SELECT PORTFOLIOS

Our Select System (page 7) currently holds a mix of defensive and economically sensitive industries. The following are rated buy for their prospects over the next 12-18 months: **Biotechnology, Const. & Housing, Retailing, Transportation, Air Trans., IT Services, Environmental, Leisure, Consumer Discretionary, Industrials, and Chemicals.**

Medical Delivery climbed 4.9%, **Med. Equip.** posted a 4.6% gain, and **Wireless** was up 3.5%. On the bottom end, **Home Finance** moved down 18.2%, **Automotive** tumbled 19.8%, and **Banking** plummeted 27.9%. ■

Happenings

James Catudal is the new stockpicker for **Growth & Income**, Stephen Peterson has added **Equity-Income II** to his list of responsibilities, Steve Calhoun has taken the helm at **Mid Cap Growth**, Stephen Barwikowski and Christopher Lin have been named co-managers of **Electronics**, and Stephen Wymer is now the top dog at **VIP Growth Opportunities**. There are no rating changes on the affected funds.

Fidelity has submitted merger proposals for two Selects. If shareholders approve in May, **Paper & Forest** will merge into **Materials**, and **Networking & Infrastructure** will combine into **Communications Equipment**. We think shareholders in these funds would benefit from the proposed mergers.

Utilities Growth has shortened its name to **Utilities**, better reflecting its focus on gas and electric utilities. Non-Select **Utilities** has changed its title to the more descriptive **Telecom and Utilities**. And **Aggressive Int'l** – which wasn't all that aggressive – will now be known as **Int'l Capital Appreciation**. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	135678.0	1.44	CT MM (418/FCMXX)	2061.3	0.15			
Select MM (85/FSLXX)	7424.9	1.44	MA MM (74/FDMXX)	5372.4	0.10			
Money Market (454/SPRXX)	8646.0	1.42	MI MM (420/FMIXX)	1125.5	0.01	MA AMT TF (426/FMSXX)	672.2	0.28
Gov't MM (458/SPAXX)	1174.4	0.87	NJ MM (417/FNJXX)	2572.2	0.16	AMT Tax-Free (460/FIMXX)	2922.9	0.37
US Treas. MM (415/FDLXX)	10181.5	0.15	NY MM (92/FNYXX)	5651.7	0.22	NJ AMT TF (423/FSJXX)	618.0	0.46
Tax-Free MM (275/FMOXX)	6735.5	0.20	OH MM (419/FOMXX)	1209.7	0.30	NY AMT TF (422/FSNXX)	1113.1	0.31
US Gov't Reser (50/FGRXX)	4644.8	0.90	AZ MM (433/FSAXX)	420.7	0.19	PA MM (401/FPTXX)	844.7	0.16
CA MM (97/FCFXX)	6218.4	0.06	CA AMT TF (457/FSPXX)	1481.9	0.28	Municipal MM (10/FTEXX)	26484.0	0.33