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Best Performing
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Monitor™

Question & Answer Forum

Why aren't you more worried about surging government debt and the potential for rising inflation or a plunge in the dollar?

At this stage in the game, a little inflation would probably help more than it would hurt. Granted, growing concerns about government debt have shaken up the currency markets and pushed up government bond yields on both sides of the Atlantic. But this is not the dire scenario that some pundits make it out to be.

Standard & Poor's expects government debt levels in most countries to climb over the next five years, and they don't like to see total national debt

QUESTION & ANSWER FORUM - *Continued on page 2*

Portfolio Changes for Income, Growth & Income, Select System

On Monday, 6/8, we'll make changes in the following portfolios:

Our Income Model will sell half of **Government Income** (54/FGOVX) and place the proceeds in **Strategic Income** (368/FSICX). Inflation fears are pushing up yields on government bonds, but the same worries are reducing default risk in corporate bonds. This move will reduce the model's interest rate sensitivity while slightly increasing the amount of credit risk.

Our Growth and Income Model will sell **Focused High Income** (1366/FHIFX) and buy **High Income** (455/SPHIX). Default risk in the high-yield bond sector is easing now that debt-heavy firms are able to raise capital. This move is an opportunistic one in the sense that we are moving deeper into junk bond territory to capture a larger income stream and boost our potential for capital gains. We see the high-yield sector as one of the best ways to invest without bearing the full risk of the stock market.

Our Select System will sell **Transportation** (512/FSRFX) and buy **Construction & Housing** (511/FSHOX). Three months ago construction stocks were struggling, while transportation stocks were benefiting from low fuel prices. Now those trends are beginning to reverse. Fuel prices have returned to normal, but the surviving homebuilders are enjoying lower costs and some are seeing an uptick in demand.

Review & Recommendations

Results from the banking stress test were more upbeat than expected, and the credit markets have improved enough that large financial institutions aren't expected to have trouble raising the necessary capital.

There were several signs that the U.S. economy is firming. The rate of job losses slowed considerably, consumer confidence took a big jump, and business spending showed signs of rebounding. The sudden economic improvement seemed to prompt a wave of short-covering, resulting in an exaggerated rise in the price of commodity stocks.

Standard & Poor's put British government bonds on negative watch. The move caused a sympathy selloff in the 30-year treasury bond, pushing its yield up close to 5% and prompting dire inflation warnings in the press. But the bullish side of the story was ignored. A steep yield curve gives banks a healthy lending spread, speeding up the economy's recovery. In other words, a little inflation may be a good thing when factories are running at less than 70% utilization and wage growth has stalled.

For the month, the S&P 500 gained 5.6%.

GROWTH FUNDS

Our Growth Model holdings are listed on page 7. If you prefer to pick your own funds, our current favorites include **Low-Priced Stock**, **OTC Portfolio**, **Dividend Growth**, and **New Millennium**.

A continuing thaw in the credit markets gave a lift to financial firms and other companies that carry a lot of debt. **Leveraged Company** was up 13.5%, **Fidelity Fifty** climbed 9.9%, **Dividend Growth** rose 9.8%, and **Independence** gained 9.7%. Funds with heavy exposure to the consumer sector lagged. **Blue Chip Growth** rose 3.5%, **Small Cap Value** was up 3.3%, and **130/30 Large Cap** returned 3.1%.

INTERNATIONAL FUNDS

Global Balanced remains our favorite for those who prefer some international exposure.

The tumble in the dollar and a corresponding increase in commodity prices gave a big lift to regions that export natural resources. **China Region** jumped 20.9%, **Emerging EMEA** climbed 20.8%, **Latin America** was up 20.5%, and **Canada** posted a 20.4% increase. Broadly diversified funds trailed,

RECOMMENDATIONS - *Continued on page 8*

exceed 80% of annual GDP. As of 2013, they estimate France will edge up to 69%, Germany will climb moderately to 72%, the U.S. will jump to 77%, and Britain will surge to 97%. Italy and Japan, already in the red zone, will see obligations mount to 116% and 120%, respectively.

U.S. Federal debt was at relatively low levels (44% of GDP) before all the stimulus programs started, so even with all the bailouts and lending programs we aren't really skating on thin ice. The main risk is that the U.S. economy could go flat for more than a decade, making it necessary to adopt a more European-like tax structure in order to service the Federal debt.

More likely, a shrinking trade gap will spur high-wage job growth, causing tax receipts to outpace GDP. The stage is set for the U.S. to become an export-driven economy, and to that end a sliding dollar can only help speed up the process.

The greenback gained a lot of strength at the onset of the financial crisis, so the current decline is just taking the dollar back to where it was in 2007. When U.S. investors sold stocks and moved to cash, a lot of overseas money returned home, pushing up the dollar. Now that domestic investors are getting some of their nerve back, money is flowing back the other way, putting downward pressure on the dollar. Debt worries are adding to this downward pressure, but aren't necessarily the major factor.

Some doomsday types argue that our major trading partners are on the verge of unloading their treasury holdings. Let's get real: if China decides to bail out of dollar-denominated assets, their currency would rapidly gain strength, jeopardizing millions of Chinese jobs. What does the U.S. have to lose? Treasury yields might jump a percentage point, and the major retail chains would be forced to pay a little more for higher quality products from Korea and Taiwan. Another way of looking at it: China needs our treasuries more than we need their stuff.

I read that cash levels are twice as high as they've been at the end of other bear markets. Isn't this bullish for stocks?

Possibly. According to The Wall Street Journal, the size of money market funds exceeded the size of stock funds earlier this month. That hasn't happened for 16 years. And private sector cash holdings recently reached 70% of U.S. GDP, a post-war high.

A huge pile of cash by itself is not necessarily bullish, but today's situation is rather unique because short-term interest rates have plunged. In effect, there's never been such a large amount of cash earning

so little. Capital tends to migrate to where it can earn the best risk-adjusted returns, so it's possible that stocks will benefit.

Unfortunately, there's still a big problem on the earnings front. Consumers have a strong desire to pay down debt, and it won't end soon. Earnings growth could be tough to come by over the next five years. Stocks have enjoyed a nice rebound on improving credit conditions, but it's hard to say how long it will last. At some point, earnings will have to begin improving if the rally is to be sustained.

It may turn out that the bond market becomes the biggest beneficiary of cash going back to work. Most investors holding cash today are risk-averse. They don't like earning less than a percent, but they are dead-set against losing any more money. Bonds offer a higher income stream, and even though there is some risk of loss, it can easily be controlled (if you invest 5% of an all-cash portfolio in bonds, you probably won't ever lose more than 1%). The main implication is that we may be entering a period where an income-oriented strategy could perform almost as well as one that's geared around stocks.

It was surprising to see your Income Model post gains while long-term interest rates were going up. Don't bond funds normally suffer losses when rates are climbing?

The huge gap between treasury bond yields and corporate bond yields has been closing, so rates have actually been falling on lower-grade corporate issues – even as they climb on government bonds. Since our Income Model is weighted more heavily toward corporate bonds than government bonds, we've managed to avoid being hurt much by rising yields. Corporate bonds may eventually become more sensitive to interest rates, but at this stage prices are still somewhat depressed over credit concerns, which means interest rates are not the dominant risk factor.

How soon do you think oil will be back over \$100, and what is the best way to invest in energy at this stage?

Oil isn't likely to go above \$100 for at least 5 years. While traders have pushed up the price of oil in recent weeks, the fundamentals for crude are still weak. OPEC has spare capacity of around four million barrels a day, global industrial demand remains weak, consumers are flying less, automobile efficiency is improving, and refining capacity is expanding. These factors will tend to damp any long-term increase in the price of oil.

Perhaps the best energy opportunity is the U.S. natural gas market. Over the last five years, shale

gas has come of age. Fracturing methods originally deployed in the Barnett Shale have gone mainstream, pushing domestic gas production to all-time highs and eliminating the need for imports. The discovery of several massive shale fields means the U.S. is now the Saudi Arabia of natural gas, and new pipelines will be needed to move it around the country. In coming decades natural gas is likely to replace coal as the primary means for generating electricity. We may even see LNG (Liquefied Natural Gas) unseat diesel as the main fuel for heavy trucks and industry.

Unfortunately, this is a long-term transition. Currently, the natural gas industry is struggling with a supply glut that could hold it back until additional demand for gas begins to materialize. These days, it's so cheap and easy to extract gas from shale that it may take several years of electric power plant expansion before prices begin to rebound.

So even though we view **Natural Gas** as the most attractive opportunity in the energy group, it's not clear when we'll be upgrading it to a buy. At this point there are still plenty of non-energy sectors with good recovery potential that carry less risk.

I'm trying decide between the Russell 2000 and the NASDAQ. Which index do you think is the best bet, and what funds would you use to try and outperform?

It's a tough call. The Russell 2000 index has the advantage of being in smaller companies that focus mainly on the domestic economy. That's good because the U.S. economy is holding up better than the global economy, and will probably recover sooner. The NASDAQ, on the other hand, has the advantage of being mainly in technology stocks. These companies are well-acquainted with operating in a deflationary environment, and after surviving the 2000-2002 bust most have healthy cash levels and robust business models. Going forward, they could benefit from rising exports, especially if the dollar continues to weaken.

While picking the most attractive index is a tough call, deciding on Fidelity funds with good odds for outperforming is relatively straightforward. We like **Low-Priced Stock** for a Russell 2000 bet. It's substantially less risky than the index, and long-time manager Joel Tillinghast has an excellent track record. The bear market has created lots of low-priced opportunities, so the fund is back to the kind of environment that existed when it was launched. Go with **OTC Portfolio** for a play on the NASDAQ. Relative to the index, this fund doesn't offer much

in the way of risk reduction. Still, Fidelity analysts understand the technology sector especially well. If technology continues to lead the market, this fund is likely to capture more of the benefit than other diversified funds.

When you make a change in your models, the new position sometimes performs worse than the previous holding. I think you should report on your win/loss ratio.

Dennis Gartman, editor of the daily Gartman Letter, gives a hilarious account of his past experiences as a futures trader. During one of his best years, 95% of his trades were losing bets. Over and over, Gartman emphasizes the need to take small losses quickly and let winners ride as long as possible.

Most individual investors do exactly the opposite. As soon as there's a significant profit in something, they'll sell it to lock in the gain. Losers, on the other hand, are kept as long as necessary to break even. This "strategy" makes people feel good about their investment skills, but the long-term results can be terrible.

We put a lot of time into tracking the risk and performance of our model portfolios, because those parameters *matter*. Win/loss ratios don't. When it comes to investing, it's less important to be right about each decision than to be willing to dump a loser when things don't work out as expected.

Please tell me why financial organizations such as Fidelity don't demand the resignation of GE's board of directors.

Fidelity tends to vote with its feet, which may be why GE isn't in very many of Fidelity's stock funds these days. Fidelity has played activist in the past, most notably in **Capital & Income**, but the impact on returns was questionable and the media was waiting with axes sharpened at every turn.

From a practical standpoint, it's a lot easier and probably more profitable for mutual fund companies to simply bet on a firm's competitors than to try to engineer big organizational changes. Corporate restructuring is best left to raiders and private equity firms, because it requires dedicated legal resources and a high tolerance for negative public opinion.

Balanced and Puritan are virtually identical. Will you diversify the Growth & Income Model soon?

Balanced and **Puritan** may be similar from an asset allocation standpoint, but their stock holdings are

QUESTION & ANSWER FORUM - Continued on page 8

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 ↓.

MAY 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)	S **	0.90	none	5.72	69.1	-11.0	3.1	8.3	-47.1			
Aggressive Gth (324/FDEGX)	H ***	0.95	1.5(90)	13.19	1607.2	13.2	5.1	27.2	-36.8	-9.0	-3.3	-7.8
Blue Chip Gth (312/FBGRX)	H ***	0.93	none	29.38	8787.6	11.7	3.5	28.5	-28.8	-6.2	-2.4	-2.8
Blue Chip Value (1271/FBCVX)	H ***	1.18	none	8.22	288.1	4.1	7.3	32.6	-39.3	-12.6	-3.0	
Capital Apprec (307/FDCAX)	H ***	1.01	none	17.36	4208.2	10.4	7.8	32.1	-30.8	-9.2	-1.6	1.1
Contrafund (22/FCNTX)	B ****	0.80	none	47.80	44260.3	5.6	6.3	20.8	-31.3	-4.9	2.7	2.8
Growth Discovery (339/FDSVX)	H ***	0.94	none	9.20	798.1	6.9	4.8	23.8	-39.7	-6.9	-1.2	0.2
Disc Equity (315/FDEQX)	H ***	0.95	none	17.58	8807.2	1.0	5.9	21.2	-36.3	-9.3	-1.3	-0.4
Dividend Gth (330/FDGFX)	B ****	1.15	none	18.65	5468.8	18.1	9.8	42.8	-29.0	-8.4	-3.2	-0.7
Export Fund (332/FEXPX)	H ***	0.94	0.75(30)	16.09	2237.6	11.7	7.3	28.3	-33.7	-7.7	0.2	4.1
Fidelity Fifty (500/FFTYX)	H ***	0.97	none	12.69	641.3	15.2	9.9	31.1	-39.1	-10.4	-2.5	0.6
Focused Stock (333/FTQGX)	H ***	0.88	none	9.25	151.0	4.8	6.0	23.2	-31.3	-5.3	3.2	-0.8
Growth Company (25/FDGRX)	B ****	0.99	Closed	54.81	22190.6	11.9	5.4	25.5	-32.8	-4.6	1.3	1.8
Independence (73/FDFFX)	H ***	1.21	none	15.86	3197.7	11.1	9.7	32.3	-44.8	-6.8	0.5	1.0
Lg Cap Core En Idx (1827/FLCEX)	H ***	0.97	none	6.45	919.4	1.2	5.7	22.9	-32.1			
Lg Cap Gth En Idx (1829/FLGEX)	H ***	0.91	none	6.92	29.0	8.5	5.3	23.9	-29.5			
Large Cap Growth (763/FSLGX)	H ***	0.96	none	6.80	94.5	3.3	4.6	20.1	-32.4	-11.0	-2.8	
Large-Cap Stock (338/FLCSX)	H ***	1.19	none	11.81	586.5	17.9	6.8	40.9	-33.5	-8.0	-2.0	-2.7
Lg Cap Val En Idx (1828/FLVEX)	H ***	1.06	none	5.67	64.4	-3.7	6.2	24.0	-34.9			
Large Cap Value (708/FMCSX)	H ***	1.07	none	8.16	918.3	-4.4	6.3	24.8	-38.6	-12.4	-2.4	
Lev Co Stock (122/FLVCX)	H ***	1.33	1.5(90)	17.82	2937.0	23.4	13.5	48.6	-48.4	-10.2	2.0	
Low-Priced Stock (316/FLPSX)	B ****↑	0.87	1.5(90)	25.92	18853.3	12.1	6.3	31.9	-28.8	-6.5	2.2	8.9
Magellan (21/FMAGX)	H ***	1.10	none	53.80	19530.3	17.5	6.2	37.6	-38.2	-9.6	-3.0	-2.6
Mid Cap Growth (793/FSMGX)	H ***	1.05	0.75(30)	7.69	161.6	13.3	5.8	28.8	-40.8	-14.7	-3.9	
Mid Cap Stock (337/FMCSX)	B ****	1.03	0.75(30)	18.00	4765.4	15.3	8.1	32.5	-38.3	-10.9	-0.4	3.6
Mid Cap Value (762/FSMVX)	H ***	1.13	0.75(30)	9.83	404.8	3.4	3.7	30.9	-36.3	-11.5	-0.6	
New Millennium (300/FMILX)	B ****	0.99	none	19.75	1210.3	12.0	7.3	33.0	-28.9	-6.3	1.3	3.2
OTC Portfolio (93/FOCPX)	B ****	1.06	none	35.23	3859.6	25.0	4.7	35.2	-28.1	-1.1	1.8	-0.2
Small Cap Gth (1388/FCPGX)	H ***	1.01	1.5(90)	9.90	908.1	13.9	6.1	33.1	-32.7	-7.9		
Small Cap Indep (336/FDSCX)	H ***	1.11	1.5(90)	11.36	1224.0	7.9	5.0	33.6	-38.0	-12.4	-2.5	2.4
Small Cap Stock (340/FSLCX)	H ***	1.13	2 (90)	11.73	2395.4	19.7	7.9	45.7	-28.8	-8.4	0.1	6.7
Small Cap Value (1389/FCPVX)	H ***	1.20	1.5(90)	10.01	1094.1	7.4	3.3	38.1	-20.7	-6.6		
Stock Selector (320/FDSSX)	B ****	1.01	none	17.97	502.0	5.8	5.0	26.0	-35.3	-8.6	-1.6	-1.1
Tax Mgd Stock (343/FTXMX)	H ***	0.95	none	9.07	106.7	-0.5	4.1	19.8	-41.5	-10.8	-1.4	
Trend (5/FTRNX)	B ****	0.95	none	44.09	576.4	12.8	4.7	27.5	-33.5	-6.1	-0.2	0.3
Value (39/FDVLX)	H ***	1.20	none	44.32	6424.6	11.2	6.0	42.2	-39.6	-12.5	-1.4	2.9
Value Discovery (832/FVDFX)	H ***	1.12	none	10.57	578.2	3.8	6.0	30.5	-36.7	-10.3	0.4	
Value Strategies (14/FSLSX)	H ***	1.27	none	16.69	143.5	20.2	8.2	50.4	-39.0	-11.8	-3.6	3.3
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B ****	0.63	none	14.14	15690.9	8.5	5.1	20.7	-24.9	-4.3	2.1	3.5
Convertible Sec (308/FCVSX)	H ***	0.85	none	17.52	1585.9	27.6	13.2	39.1	-36.7	-5.9	0.5	5.1
Equity-Income (23/FEQIX)	H ***	1.13	none	32.19	15384.9	5.2	7.4	34.1	-35.6	-10.9	-2.7	-0.4
Equity-Income II (319/FEQTX)	H ***	1.11	none	13.55	4454.1	2.5	7.2	32.3	-35.2	-10.9	-3.2	-0.6
Fidelity Fund (3/FFIDX)	B ****	0.96	none	24.15	4269.3	6.7	5.6	27.7	-33.5	-6.1	-0.6	-0.9
Growth & Income (27/FGRIX)	H ***	1.19	none	13.35	5490.1	1.6	5.0	27.0	-45.6	-18.1	-9.0	-5.1
Mega Cap Stock (361/FGRTX)	H ***	1.00	none	7.21	312.8	3.7	6.7	28.5	-32.6	-8.2	-2.1	-1.7
Puritan (4/FPURX)	B ****	0.62	none	13.86	14306.8	6.9	4.9	18.5	-21.9	-3.7	1.0	2.5
Real Estate Income (833/FRIFX)	H ***	0.39	0.75(90)	7.72	354.9	17.4	5.0	20.3	-17.1	-6.3	-0.4	
Real Estate (303/FRESX)	H ***	2.06	0.75(90)	13.80	1802.8	-10.9	3.5	40.2	-50.1	-18.7	-2.9	5.0
Strategic Div & Inc (1329/FSDIX)	H ***	0.97	none	7.58	356.0	7.2	6.8	30.1	-36.4	-10.6	-1.6	
Telecom & Utilities (311/FUIUX)	H ***	0.88	none	12.22	697.7	-5.8	2.1	8.1	-36.0	-5.9	3.5	-2.3
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H ***	1.37	0.75(30)	21.99	43.4	-15.6	0.0	26.7	-29.6	-14.7	-1.1	1.9
Automotive (502/FSAVX)	S ***	1.50	0.75(30)	20.11	23.9	42.0	6.1	100.5	-41.9	-15.3	-7.1	-1.6
Banking (507/FSRBX)	B ****↑	1.99	0.75(30)	12.93	247.1	-11.2	13.7	44.9	-37.6	-21.9	-11.2	-3.2
Biotechnology (42/FBIOX)	B ****	0.77	0.75(30)	56.67	1068.1	-4.1	3.2	3.7	-13.0	-2.1	-0.6	4.0
Brokerage (68/FSLBX)	H ***	1.50	0.75(30)	39.60	372.4	25.1	18.8	48.8	-30.9	-9.9	2.9	4.9
IT Ser / Bus Ser (353/FBSOX)	B ****	0.95	0.75(30)	12.80	63.9	14.2	2.9	20.5	-26.1	-2.5	3.1	3.8
Chemicals (69/FSCHX)	H ***	1.20	0.75(30)	59.79	329.4	29.7	4.5	40.2	-33.3	0.8	7.8	8.2
Computers (7/FDCPX)	B ****	0.93	0.75(30)	31.23	325.9	25.5	2.2	33.2	-31.7	-4.1	-2.1	-3.6
Const & Housing (511/FSHOX)	B ****↑	1.40	0.75(30)	23.92	89.3	0.3	-5.1	32.9	-29.9	-11.8	-1.4	4.5
Consumer Disc (517/FSCPX)	H ***	1.04	0.75(30)	14.98	38.2	9.8	-1.2	28.5	-25.9	-9.9	-3.6	-2.0
Industrial / Cyc Ind (515/FCYIX)	H ***	1.07	0.75(30)	13.81	141.4	5.3	2.7	36.8	-37.2	-8.3	3.0	4.3
Defense & Aero (67/FSDAX)	H ***	0.96	0.75(30)	50.27	507.9	2.7	6.4	29.8	-34.6	-6.8	4.1	6.7
Com Equip / DevC (518/FSDCX)	B ****	1.01	0.75(30)	16.22	198.4	40.8	5.9	51.3	-28.3	-7.4	-1.2	-3.8
Electronics (8/FSELX)	B ****	1.10	0.75(30)	29.47	765.7	30.5	5.1	39.9	-30.2	-11.5	-6.3	-2.3
Energy (60/FSENX)	H ***	1.70	0.75(30)	38.78	1631.4	28.9	18.2	41.4	-46.8	-4.6	13.2	10.1
Energy Service (43/FSESX)	S ***	1.71	0.75(30)	50.98	970.5	41.9	17.6	50.5	-53.4	-8.7	11.8	10.8
Environmental (516/FSLEX)	H ***	0.95	0.75(30)	13.01	41.7	-2.8	1.7	18.9	-31.9	-9.2	-0.2	-0.8
Financial Services (66/FIDSX)	S ***	1.62	0.75(30)	50.39	345.0	8.5	16.9	52.4	-36.6	-19.0	-8.2	-1.7
Con Stap / Food Ag (9/FDFAX)	H ***	0.68	0.75(30)	51.56	663.2	1.2	7.7	16.9	-19.9	2.9	5.9	5.4
Gold (41/FSAGX)	S ***	1.59	0.75(30)	40.56	2020.7	28.4	30.8	32.2	-2.4	10.8	20.2	18.2
Health Care (63/FSPHX)	H ***	0.72	0.75(30)	85.51	1276.9	5.8	4.8	16.3	-20.3	-4.4	0.3	2.0
Home Finance (98/FSVLX)	S ***	1.51	0.75(30)	9.26	59.1	-15.5	2.3	13.9	-59.4	-38.2	-24.2	-7.9
Indust Equip (510/FSCGX)	H ***	1.11	0.75(30)	19.62	81.3	6.5	4.1	41.1	-41.5	-10.0	-0.2	0.7
Materials / Ind Mat (509/FSDPX)	H ***	1.26	0.75(30)	41.29	196.0	35.8	10.2	49.5	-34.4	-1.4	9.1	8.5
Insurance (45/FSPCX)	S ***	1.45	0.75(30)	31.71	94.5	-3.2	4.1	32.6	-36.6	-17.7	-7.6	1.0
Leisure (62/FDLSX)	B ****	0.94	0.75(30)	57.56	194.3	7.1	3.0	24.7	-17.4	-4.2	1.7	1.1
Medical Delivery (505/FSHCX)	H ***	0.97	0.75(30)	32.56	270.7	12.7	9.3	27.4	-23.6	-7.4	5.0	7.7
Medical Equip/Sys (354/FSMEX)	H ***	0.73	0.75(30)	19.98	1030.9	8.3	4.7	15.5	-18.0	2.3	3.1	9.8
Multimedia (503/FBMPX)	H ***	1.14	0.75(30)	24.77	34.7	11.7	4.0	35.7	-30.8	-11.1	-4.3	-0.8
Natural Gas (513/FSNGX)	H ***	1.83	0.75(30)	28.31	849.5	40.4	19.6	47.7	-47.8	-4.7	11.3	11.2
Nat Resources (514/FNARX)	H ***	1.65	0.75(30)	24.87	1102.9	32.1	20.8	44.3	-43.4	-1.1	14.7	11.5
Networking (912/FNINX)	H ***	1.03	0.75(30)	1.82	55.4	48.0	8.3	50.4	-22.2	-9.1	-4.4	
Paper & Forest (506/FSFPX)	H ***	1.30	0.75(30)	20.71	13.0	32.1	4.5	64.8	-28.1	-8.6	-5.7	0.2
Pharmaceuticals (580/FPHAX)	H ***	0.69	0.75(30)	8.76	145.1	-0.1	7.9	15.8	-13.7	-2.2	2.0	
Retailing (46/FSRPX)	B ****	1.07	0.75(30)	34.92	154.8	22.1	-3.2	31.9	-11.2	-4.5	1.6	0.8
Software (28/FSCSX)	H ***	0.97	0.75(30)	55.12	612.4	17.3	3.5	24.2	-29.2	1.0	3.1	4.8
Technology (64/FSPTX)	H ***↓	1.06	0.75(30)	53.62	1125.8	35.2	7.0	44.4	-30.4	-4.5	-1.8	-2.2
Telecom (96/FSTCX)	H ***	1.17	0.75(30)	34.20	271.3	28.5	4.7	28.1	-23.8	-4.8	2.3	-4.3
Transportation (512/FSRFX)	H ***↓	1.06	0.75(30)	28.76	94.1	-10.7	1.5	20.5	-37.6	-13.5	0.5	3.6
Utilities (65/FSUTX)	S ***	0.89	0.75(30)	37.83	296.6	-5.5	4.7	8.8	-38.0	-4.6	4.4	-2.0
Wireless (963/FWRLX)	B ****	1.15	0.75(30)	6.06	314.2	41.3	7.6	36.5	-21.9	-0.6	6.6	

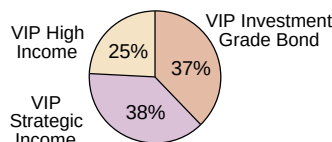
MAY PERFORMANCE						30-day	2009	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Int'l Capital Apprec. (335/FIVFX)	H***	1.22	1 (30)	9.46	219.7		27.3	19.4	57.4	-36.0	-9.6	-0.7
Canada (309/FICDX)	H***	1.09	1.5(90)	43.72	2442.2		24.7	20.4	44.3	-33.5	0.9	12.5
China Region (352/FHKCX)	H***	1.10	1.5(90)	23.34	978.3		37.2	20.9	52.4	-19.3	9.3	13.6
Diversified Int'l (325/FDIVX)	H***	1.00	1 (30)	23.75	24527.4		10.4	13.1	34.6	-38.0	-7.6	3.1
Emerging EMEA (2053/FEMEX)	H***	1.08	1.5(90)	6.69	42.1		40.3	20.8	54.5			
Emerging Mkts (322/FEMKX)	H***	1.19	1.5(90)	17.36	2113.0		33.6	20.0	54.7	-46.2	-2.5	12.9
Europe (301/FIEUX)	S**	1.01	1 (30)	24.97	2408.8		9.6	13.4	34.7	-36.7	-6.6	5.9
Europe Cap Appr (341/FECAX)	S**	1.04	1 (30)	15.02	424.4		9.9	13.4	34.9	-38.1	-8.1	4.3
Global Balanced (334/FGBLX)	B****	0.48	1 (30)	17.53	350.5		5.2	8.1	19.7	-19.7	-0.4	5.1
Int'l Discovery (305/FIGRX)	H***	0.97	1 (30)	25.41	6101.1		7.5	12.6	31.9	-36.9	-6.6	4.1
Int'l Enhanced Index (2010/FIENX)	H***	1.03	1 (30)	5.90	14.9		4.3	13.7	33.7	-38.8		
Int'l Growth (1979/FIGFX)	H***	0.94	1 (30)	5.99	12.6		8.1	12.6	29.7	-35.2		
Int'l Real Estate (1368/FIREX)	S**	1.12	1.5(90)	7.48	239.6		12.8	19.7	49.0	-39.9	-12.5	
Int'l Small Cap (818/FISMIX)	H***	0.72	Closed	14.65	480.6		18.6	17.7	37.0	-36.5	-9.7	5.2
Int'l Small Cap Opp (1504/FSCOX)	H***	1.07	2 (90)	6.70	246.4		11.9	14.5	32.7	-52.4	-19.0	
Int'l Value (1597/FIVLX)	H***	1.19	1 (30)	6.72	135.7		12.8	15.1	47.4	-38.8		
Japan (350/FJPNX)	H***	0.99	1.5(90)	9.66	947.1		8.3	11.4	35.1	-33.0	-13.0	-1.0
Japan Smaller Co (360/FJSCX)	H***	0.73	Closed	7.43	317.6		3.6	15.9	44.8	-27.9	-19.4	-6.9
Latin America (349/FLATX)	H***	1.53	1.5(90)	39.46	2518.3		42.9	20.5	52.0	-43.9	6.9	25.0
Nordic (342/FNORX)	H***	1.23	1.5(90)	22.21	256.1		18.2	14.0	46.8	-47.1	-8.9	5.5
Overseas (94/FOSFX)	H***	1.02	1 (30)	27.04	5273.6		7.8	12.7	33.5	-39.8	-7.9	2.3
Pacific Basin (302/FPBFX)	H***	0.95	1.5(90)	16.81	401.9		26.6	20.3	59.2	-37.1	-8.1	3.9
Southeast Asia (351/FSEAX)	H***	0.92	1.5(90)	21.88	1520.5		16.0	11.9	33.6	-34.4	2.3	13.0
Total Int'l Equity (1978/FTIEX)	H***	1.06	1 (30)	5.49	19.6		13.2	14.6	39.7	-39.1		
Worldwide (318/FWWFX)	H***	0.92	1 (30)	13.38	829.2		6.3	9.1	28.2	-35.4	-5.4	2.2
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FNNOX)	H***	0.85	none	20.70	1499.9		4.5	5.8	24.5	-28.0	-5.9	0.3
NASDAQ Comp (1282/FNCMX)	B****	1.00	0.75(90)	23.54	151.5		12.9	3.4	29.0	-29.1	-5.9	-1.7
Spart Ext Mkt Idx (398/FSEMX)	B****	1.08	0.75(90)	24.35	1892.3		8.0	4.1	30.1	-33.4	-8.4	0.4
Spart Int'l Index (399/FSIHX)	H***	1.03	1(90)	28.44	3366.5		6.7	13.5	36.8	-36.0	-7.5	3.1
Spart 500 Index (317/FSMKX)	H***	1.00	none	63.97	5298.0		3.0	5.6	25.9	-32.6	-8.3	-2.0
Spart Total Mkt Idx (397/FSTMX)	H***	1.00	0.5(90)	25.95	4238.4		3.9	5.2	26.5	-32.7	-8.2	-1.3
Asset Mgr 20% (328/FASIX)	H***	0.21	none	10.99	1864.3		7.7	3.4	10.3	-6.8	0.7	3.2
Asset Mgr 30% (1957/FTANX)	H***	0.30	none	8.26	31.6		9.1	4.1	13.6	-11.2		
Asset Mgr 40% (1958/FFANX)	H***	0.40	none	7.91	17.3		9.4	5.0	16.3	-14.6		
Asset Mgr 50% (314/FASMX)	H***	0.51	none	12.03	5090.4		11.6	5.8	20.2	-17.5	-2.7	0.5
Asset Mgr 60% (1959/FSANX)	H***	0.61	none	7.38	24.1		11.8	6.6	22.8	-19.6		
Asset Mgr 70% (321/FASGX)	H***	0.72	none	12.10	1793.3		12.7	7.1	25.9	-24.4	-5.2	-1.0
Asset Mgr 85% (347/FAMRX)	H***	0.87	none	9.63	354.0		13.3	8.1	30.0	-28.0	-6.2	-0.2
Dynamic Strategies (1960/FDYSX)	H***	0.61	none	7.43	74.1		11.2	8.2	24.0	-21.6		
Freedom 2000 (370/FFBFX)	H***	0.25	none	10.49	1500.1		5.0	3.0	10.0	-9.6	0.2	2.0
Freedom 2005 (1312/FFVFX)	H***	0.48	none	8.91	823.0		6.8	4.9	17.0	-18.4	-2.4	1.3
Freedom 2010 (371/FFFCX)	H***	0.50	none	11.04	9698.6		7.2	5.2	18.2	-19.2	-2.5	1.3
Freedom 2015 (1313/FFVFX)	H***	0.54	none	9.16	6607.2		7.5	5.6	19.2	-20.5	-3.0	1.5
Freedom 2020 (372/FFFDX)	H***	0.66	none	10.80	15624.1		8.0	6.3	22.3	-25.3	-4.6	0.8
Freedom 2025 (1314/FFTWX)	H***	0.70	none	8.87	6432.8		8.2	6.5	23.6	-26.7	-5.3	0.6
Freedom 2030 (373/FFFEV)	H***	0.80	none	10.47	10720.4		7.7	6.9	25.4	-30.2	-6.6	0.0
Freedom 2035 (1315/FFTHX)	H***	0.82	none	8.63	4030.2		7.8	7.1	26.2	-31.0	-7.0	-0.2
Freedom 2040 (718/FFFEV)	H***	0.85	none	6.00	5969.0		7.7	7.1	26.8	-32.1	-7.4	-0.4
Freedom 2045 (1617/FFFGX)	H***	0.86	none	7.07	1112.0		7.7	7.2	27.0	-32.4		
Freedom 2050 (1618/FFFHX)	H***	0.90	none	6.95	899.2		7.8	7.7	28.3	-33.8		
Freedom Income (369/FFFAX)	H***	0.22	none	9.95	2274.5		5.0	2.9	9.3	-7.9	0.6	2.1
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	B****	0.30	1(90)	6.64	7468.7	10.54	26.3	7.4	25.9	-15.2	-1.0	3.9
Floating Rate (814/FFRHX)	B****	0.17	1(60)	8.73	1899.2	5.28	16.6	1.9	8.8	-3.4	1.4	2.7
Focused High Inc (1366/FHIFX)	B****	0.20	1(90)	8.29	342.4	8.22	16.2	1.8	10.5	-8.3	0.7	
GNMA Portfolio (15/FGMNX)	H***	0.12	none	11.31	6064.6	4.06	3.4	0.4	2.3	9.0	7.5	5.6
Gov't Income (54/FGOVX)	H***	0.13	none	10.73	5116.2	3.14	-0.6	-0.4	0.7	8.4	7.5	5.6
High Income (455/SPHIX)	B****	0.24	1(90)	7.13	5159.9	9.90	22.1	5.2	18.0	-9.3	0.8	3.7
Inflation-Protected (794/FINPX)	S**	0.24	none	10.93	1767.3	1.31	4.2	1.8	5.6	-0.7	4.3	3.9
Intermed Bond (32/FTHRX)	H***	0.12	none	9.58	3612.0	5.39	7.5	3.2	6.8	1.5	3.2	2.9
Intermed Gov't Inc (452/FSTGX)	H***	0.11	none	10.80	1660.6	1.94	-0.4	-0.4	0.5	7.7	7.1	5.0
Invest Grade Bond (26/FBNDX)	B****	0.14	none	6.60	5237.5	5.60	6.1	2.6	5.9	-0.5	2.1	2.7
Mortgage Securities (40/FMSFX)	H***	0.12	none	10.20	883.7	4.84	3.4	1.3	3.0	5.8	3.2	3.2
New Markets Inc (331/FNMIX)	H***	0.37	1(90)	13.24	1730.2	9.87	21.4	5.1	21.2	-2.7	4.8	8.9
Short-Term Bond (450/FSHBX)	H***	0.06	none	8.07	5556.4	2.79	2.5	1.2	1.8	0.0	1.3	1.8
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.21	none	10.61	1103.5	2.66	-5.3	-1.9	-1.3	8.3	8.5	
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.34	none	10.37	169.8	4.03	-13.1	-2.8	-3.5	8.3	8.4	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.09	none	10.48	199.8	1.05	-0.7	-0.1	0.2	6.0	6.3	
Strategic Income (368/FSICX)	B****	0.15	none	9.61	4604.9	7.06	12.9	4.5	13.7	-1.4	3.8	5.6
Strategic Real Rtn (1505/FSRRX)	H***	0.32	0.75(60)	7.58	3799.6	3.90	10.5	5.6	16.1	-19.9	-3.4	
Total Bond (820/FTBFX)	B****	0.13	none	9.78	8771.1	5.89	8.5	3.1	7.5	1.8	4.0	4.0
Ultra-Short Bond (812/FUSEFX)	S**	0.02	0.25(60)	8.09	216.4	0.61	0.0	0.3	0.4	-1.1	-3.4	-1.0
US Bond Index (651/FBIDX)	H***↓	0.12	none	10.82	9469.6	3.24	2.0	0.7	2.7	5.0	5.5	4.5
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H***	0.16	0.5(30)	11.02	136.4	3.77	8.6	1.3	3.7	3.3	3.6	3.8
CA Municipal Inc (91/FCITFX)	H***	0.16	0.5(30)	11.52	1450.0	4.32	6.7	0.6	2.4	0.2	2.6	3.6
CA Short-Int TF (1534/FCSTX)	H***	0.05	0.5(30)	10.39	409.2	2.13	2.7	-0.2	1.1	4.9	4.6	
CT Municipal Inc (407/FICNX)	H***	0.14	0.5(30)	11.23	515.6	3.42	6.9	0.7	2.6	4.4	4.4	4.1
Intermediate Muni (36/FLTMX)	B****	0.09	0.5(30)	9.97	2993.7	3.11	4.6	0.5	2.0	4.0	4.3	4.1
MA Municipal Inc (70/FDMMX)	H***	0.15	0.5(30)	11.51	2045.2	3.71	7.5	1.3	3.2	2.8	3.7	4.2
MD Municipal Inc (429/SMDMX)	H***	0.16	0.5(30)	10.63	148.7	3.35	8.7	1.2	3.9	3.3	3.8	3.9
MI Municipal Inc (81/FMHTX)	H***	0.12	0.5(30)	11.64	591.0	3.45	4.8	1.0	2.5	3.6	4.1	4.1
MN Municipal Inc (82/FIMIX)	H***	0.11	0.5(30)	11.26	417.0	2.93	6.4	0.7	2.3	4.7	4.3	4.2
Municipal Income (37/FHIGX)	H***	0.16	0.5(30)	12.12	4944.2	4.13	7.4	0.9	3.1	1.7	3.2	4.0
NJ Municipal Inc (416/FNJHX)	H***	0.14	0.5(30)	11.22	595.6	3.44	6.7	0.5	2.2	2.7	3.8	4.2
NY Municipal Inc (71/FTFMX)	H***	0.17	0.5(30)	12.51	1506.0	3.91	6.9	0.9	2.6	3.2	3.9	4.2
OH Municipal Inc (88/FOHFX)	H***	0.14	0.5(30)	11.39	462.6	3.62	6.5	0.9	2.7	3.8	4.2	4.3
PA Municipal Inc (402/FPXTX)	H***	0.12	0.5(30)	10.59	364.0	3.22	5.3	0.5	2.4	3.7	4.0	4.2
Short-Int Municipal (404/FSTFX)	B****	0.04	0.5(30)	10.50	2209.5	2.10	2.8	0.2	1.2	4.3	4.3	3.4
Tax-Free Bond (90/FTABX)	H***	0.15	0.5(30)	10.46	1470.7	4.02	7.5	1.0	3.2	2.9	3.8	4.4

MAY 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	0.91	8500.33	-1.7	4.4	21.2	-30.5	-6.2	-1.1	0.0
S&P 500	1.00	919.14	3.0	5.6	25.9	-32.6	-8.2	-1.9	-1.7
NASDAQ	1.00	1774.33	13.0	3.4	29.0	-29.0	-5.8	-1.5	-2.7
Russell 2000	1.17	501.58	1.2	3.1	29.6	-31.7	-10.1	-1.2	2.7
Fidelity Monitor Income Model	0.26	78137.99	6.4	2.2	7.4	-12.5	-1.6	0.8	2.3
Fidelity Monitor G&I Model	0.61	135311.64	7.6	4.4	17.9	-28.0	-5.7	0.8	3.9
Fidelity Monitor Growth Model	0.94	128687.74	5.3	5.3	24.7	-36.8	-10.2	-1.8	3.2
Fidelity Monitor Select System	0.92	259330.21	2.9	2.5	20.8	-39.2	-7.3	0.0	3.1
Fidelity Monitor Unique Opportunities	1.07	85221.06	15.1	6.0	34.3	-39.9	-10.0	1.7	

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

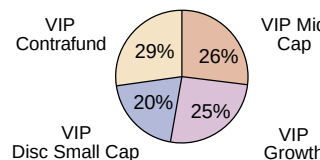


PAST PERFORMANCE

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%	2009: +9.2%
2001: -3.4%	

VIP GROWTH MODEL

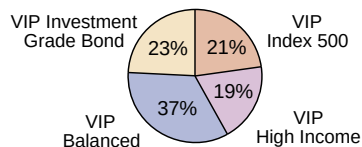


PAST PERFORMANCE

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%	2009: +2.2%
2001: -14.0%	

VIP G & I MODEL

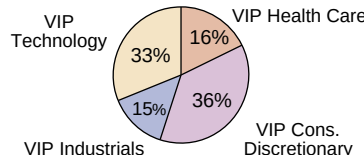


PAST PERFORMANCE

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%	2009: +7.7%
2002: -9.4%	

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2007: +11.2%
2004: +6.3%	2008: -41.4%
2005: +14.0%	2009: +12.9%
2006: +17.7%	

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

MAY VIP PERFORMANCE Portfolio	Rating	RR Value	2009 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	7.83	13.0	5.1	27.2	-36.4	-9.8	
VIP Asset Manager	H ***	30.64	9.8	6.5	19.2	-23.9	-2.0	0.5
VIP Asset Manager: Growth	H ***	18.59	9.9	7.9	24.4	-31.5	-4.4	-1.0
VIP Balanced	B ****	13.94	13.7	7.2	27.9	-24.6	-4.7	-0.2
VIP Consumer Discretionary	B ****	8.13	9.4	-1.5	28.6	-26.0	-10.4	-4.2
VIP Consumer Staples	H ***	8.71	0.7	7.7	16.7	-19.7		
VIP Contrafund	B ****	32.08	8.9	6.7	30.6	-34.6		0.6
VIP Disciplined Small Cap	B ****	6.32	-1.7	2.3	24.2	-33.3	-12.4	
VIP Dynamic Capital Appreciation	H ***	10.25	9.7	7.7	31.8	-32.1	-10.2	-1.1
VIP Energy	H ***	18.66	28.9	18.4	41.6	-47.2	-5.3	11.4
VIP Equity-Income	H ***	41.46	5.1	7.4	34.0	-37.1	-11.9	-3.7
VIP Financial Services	H ***	7.05	9.4	17.4	56.1	-37.2	-19.4	-8.7
VIP Freedom 2005	H ***	9.90	6.6	4.6	16.4	-18.1	-2.4	
VIP Freedom 2010	H ***	9.81	6.9	4.8	17.5	-19.1	-2.7	
VIP Freedom 2015	H ***	9.86	7.2	5.2	18.7	-20.8	-3.2	
VIP Freedom 2020	H ***	9.41	8.0	5.8	22.2	-25.9	-5.1	
VIP Freedom 2025	H ***	9.33	8.2	6.2	23.7	-27.4	-5.7	
VIP Freedom 2030	H ***	8.99	8.3	6.7	26.4	-31.3	-7.1	
VIP Freedom Income	B ***	10.65	4.9	2.5	8.4	-6.6	1.0	
VIP FundsManager 20	B ****	10.23	2.6	2.0	6.7	-6.4	1.1	
VIP FundsManager 50	B ****	9.01	4.7	4.5	14.8	-17.8	-2.7	
VIP FundsManager 70	B ****	8.11	5.8	6.0	20.7	-26.1	-5.8	
VIP FundsManager 85	B ****	7.47	6.1	7.4	24.8	-31.8	-8.1	
VIP Growth	B ****	42.38	5.8	4.7	22.6	-41.2	-9.7	-4.3
VIP Growth & Income	H ***	13.23	5.4	4.9	25.8	-36.1	-9.2	-3.0
VIP Growth Opportunities	B ****	8.54	15.6	5.8	28.1	-45.6	-11.4	-5.3
VIP Growth Stock	B ****	7.99	12.8	4.8	27.5	-34.2	-7.4	
VIP Health Care	H ***↓	9.93	5.9	4.8	16.3	-20.4	-5.2	-0.5
VIP High Income	B ****	28.48	19.2	3.7	12.7	-12.5	-1.0	2.3
VIP Index 500	H ***	25.61	2.7	5.5	25.7	-33.0	-9.0	-2.7
VIP Industrials	H ***↓	12.93	5.5	2.6	37.5	-37.0	-8.4	2.7
VIP Int'l Capital Appreciation	S **	8.39	27.0	19.3	57.4	-36.5	-10.4	
VIP Investment Grade Bond	B ****	30.93	6.3	2.9	5.9	2.1	3.4	3.0
VIP Materials	H ***	8.09	35.1	9.9	48.9	-34.5		
VIP Mid Cap	B ****	17.03	14.8	7.7	29.9	-29.6	-6.4	4.8
VIP Money Market		21.91	0.1	0.0	0.0	1.2	3.1	2.6
VIP Overseas	H ***	27.92	5.1	12.9	31.5	-39.6	-8.9	1.1
VIP Real Estate	H ***	10.21	-7.5	2.9	45.7	-49.5	-17.2	-1.9
VIP Strategic Income	B ****	12.45	11.9	4.2	12.8	-1.5	3.3	4.8
VIP Technology	B ****	8.40	38.6	8.0	47.2	-28.1	-6.0	-1.3
VIP Telecommunications	B ****↑	6.43	24.7	4.1	24.9	-25.8		
VIP Utilities	H ***	9.58	-5.6	4.7	8.7	-38.1	-4.1	4.5
VIP Value	H ***	7.18	10.1	5.7	40.5	-40.4	-13.2	
VIP Value Leaders	H ***	7.30	3.6	7.1	32.1	-39.7	-13.2	
VIP Value Strategies	H ***	9.12	18.5	8.2	48.8	-40.0	-12.7	-4.6
Fidelity Monitor VIP Income Model		18781.87	9.2	3.6	10.1	-10.3	0.1	1.7
Fidelity Monitor VIP G&I Model		20174.00	7.7	5.1	18.7	-25.1	-4.4	-0.1
Fidelity Monitor VIP Growth Model		23073.33	2.2	5.5	23.7	-41.3	-12.8	-3.9
Fidelity Monitor VIP Sector Model		13774.80	12.9	3.8	30.1	-33.4	-6.4	1.0

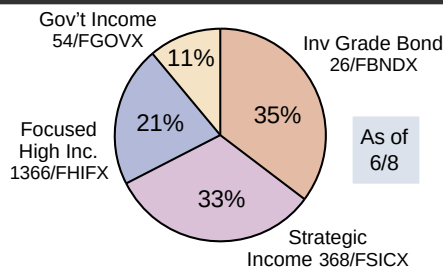
INCOME MODEL

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	\$6.60	4200.356	\$27722.35
Strategic Income	\$9.61	1811.748	\$17410.90
Focused High Inc.	\$8.29	1944.785	\$16122.27
Gov't Income	\$10.73	1573.390	\$16882.47

11% Foreign
Holdings

Balance as of 5/29/09: \$78137.99
Balance at start of 2009: \$73441.91



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: + 6.4%

In May our Income Model was up 2.2%. On 6/8 we'll sell half of **Gov't Income**, adding the proceeds to **Strategic Income**.

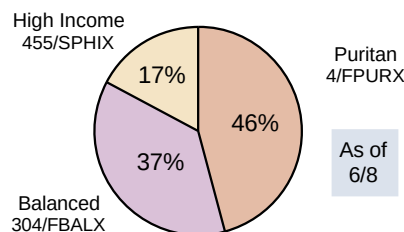
GROWTH AND INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Puritan	\$13.86	4471.140	\$61970.00
Balanced	\$14.14	3589.148	\$50750.55
Focused High Inc.	\$8.29	2725.101	\$22591.09

9% Foreign
Holdings

Balance as of 5/29/09: \$135311.64
Balance at start of 2009: \$125716.09



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: + 7.6%

Our Growth and Income Model gained 4.4% in May. On 6/8 we'll exchange **Focused High Income** for **High Income**.

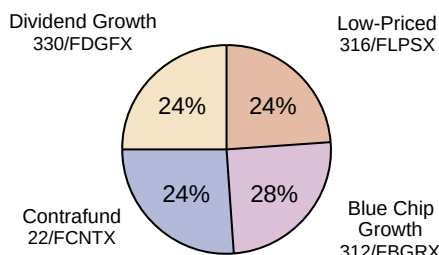
GROWTH MODEL

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
Low-Priced Stock	\$25.92	1222.875	\$31696.92
Blue Chip Growth	\$29.38	1211.201	\$35585.09
Contrafund	\$47.80	646.628	\$30908.82
Dividend Growth	\$18.65	1635.223	\$30496.91

14% Foreign
Holdings

Balance as of 5/29/09: \$128687.74
Balance at start of 2009: \$122262.93



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: + 5.3%

Our Growth Model was up 5.3% in May, compared to a 5.6% gain for the S&P. On 5/11 we sold **Tax-Managed Stock** (\$8.93) and bought **Dividend Growth** (\$18.16).

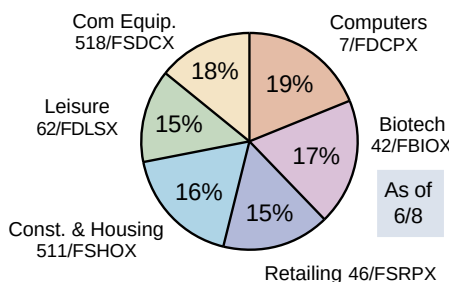
SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Computers	\$31.23	1560.153	\$48723.58
Biotechnology	\$56.67	785.728	\$44527.21
Retailing	\$34.92	1099.611	\$38398.42
Transportation	\$28.76	1462.405	\$42058.77
Leisure	\$57.56	683.802	\$39359.64
Com. Equipment	\$16.22	2852.194	\$46262.59

5% Foreign
Holdings

Balance as of 5/29/09: \$259330.21
Balance at start of 2009: \$252121.09



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: + 2.9%

Our Select System was up 2.5% in May, versus a 5.6% gain for the S&P. On 5/11 we sold **Chemicals** (\$58.55) and bought **Com. Equip.** (\$15.34). On 6/8 we'll trade **Transport** for **Const. & Housing**.

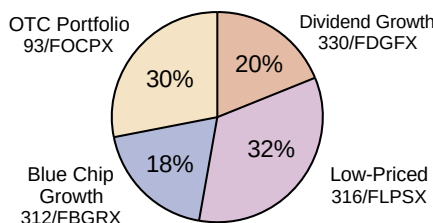
UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Dividend Growth	\$18.65	914.581	\$17056.94
Low-Priced Stock	\$25.92	1034.591	\$26816.60
Blue Chip Growth	\$29.38	528.714	\$15533.62
OTC Portfolio	\$35.23	732.725	\$25813.90

14% Foreign
Holdings

Balance as of 5/29/09: \$85221.06
Balance at start of 2009: \$74054.57



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: + 15.1%

Our Unique Opportunities Model gained 6.0% in May.

hardly identical. **Balanced** leans more toward the value side and places greater emphasis on foreign stocks. **Puritan** is more growth-oriented and invests mainly in the domestic market.

Granted, these differences may seem subtle when comparing performance figures, but that's the way it's supposed to be. By design, most balanced funds are spread far and wide to minimize dependency on any one asset class or sector.

We're considering the addition of a broadly diversified stock fund to the Growth and Income Model, but we'll still be anchoring the portfolio with large positions in **Balanced** and **Puritan**.

When are you going to get back to doing more traditional columns on Fidelity's mutual funds?

These have been interesting times, and they've demanded a dedicated focus on the market and the economy. Rest assured we haven't given up doing reviews of individual Fidelity funds. We'll be aiming to get through most of the major groups between now and the end of the year. ■

Happenings

Sonu Kalra has been named manager of **Blue Chip Growth**, Gavin Baker has taken over at **OTC Portfolio**, Kristina Salen is the new stockpicker for **Telecommunications**, and Kyle Weaver has been named co-manager of **Wireless**. At this stage, we are not changing any ratings on the affected funds. ■

MAY DISTRIBUTIONS

Asset Manager 20%	\$0.02 / \$10.65 (5/1)
Asset Manager 30%	\$0.014 / \$7.96 (5/1)
Freedom 2000	\$0.06 / \$10.29 (5/15)
Freedom 2005	\$0.05 / \$8.63 (5/15)
Freedom 2010	\$0.06 / \$10.67 (5/15)
Freedom 2015	\$0.04 / \$8.83 (5/15)
Freedom 2020	\$0.05 / \$10.36 (5/15)
Freedom 2025	\$0.03 / \$8.49 (5/15)
Freedom 2030	\$0.04 / \$9.99 (5/15)
Freedom 2035	\$0.025 / \$8.22 (5/15)
Freedom 2040	\$0.02 / \$5.71 (5/15)
Freedom 2045	\$0.015 / \$6.72 (5/15)
Freedom 2050	\$0.015 / \$6.59 (5/15)
Freedom Income	\$0.02 / \$9.69 (5/1)
Magellan	\$0.09 / \$53.14 (5/8)

Funds scheduled for June include **Asset Manager 20%/30%**, **Capital & Income**, **Focused High Income**, **Freedom Income**, **High Income**, **Large Cap Stock**, **Mid-Cap Stock**, **Real Estate**, **Real Estate Income**, **Small Cap Ind.**, **Small Cap Stock**, and **Spartan 500 Index**.

but still did well for the month. **Worldwide** was up 9.1%, and **Global Balanced** gained 8.1%.

GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed on page 7. If you prefer to hold a single fund instead of following the portfolio, consider **Puritan** or **Balanced**.

Convertible Securities jumped 13.2% on the strength of the energy and financial sectors. **Equity-Income** and **Equity-Income II** got a boost from financial dividend stocks; their respective gains were 7.4% and 7.2%. Trailing behind, **Real Estate** rose 3.5%, and **Telecom & Utilities** edged up 2.1%.

INCOME FUNDS

Our Income Model holdings are listed on page 7. For a more aggressive approach, or if you are stepping down in risk from a stock-oriented position, consider the high-yield sector with **Strategic Income**, **Focused High Income**, or **High Income**.

Performance contrasted sharply in the bond group. Credit-sensitive funds logged robust gains, as did inflation-hedged portfolios. **Capital & Income** gained 7.4%, **Strategic Real Return** was up 5.6%, **High Income** posted a 5.2% return, **New Markets Income** gained 5.1%, and **Strategic Income** rose 4.5%. On the flip side, interest rate-sensitive funds posted significant losses. **Spartan Intermediate Treasury Index** declined 1.9%, and **Spartan Long-Term Treasury Index** lost 2.8%.

Despite their high interest-rate sensitivity, munis did okay, in part because of relief on the credit front. Fund returns ranged from a 0.2% loss to a 1.3% gain.

SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. The following funds have above-average scores in our volatility model: **Retailing**, **Biotechnology**, **Communications Equipment**, **Construction & Housing**, **Wireless**, **Electronics**, **I.T. Services**, **Leisure**, **Computers**, and **Banking**.

The weak dollar, along with short-covering, gave commodity stocks a strong lift. **Gold** leaped 30.8%, **Natural Resources** surged 20.8%, **Natural Gas** jumped 19.6%, **Brokerage** was up 18.8%, and **Energy** rose 18.2%. The consumer sectors were a big disappointment, and their negative impact resulted in a poor showing for the Select System. **Consumer Discretionary** declined 1.2%, **Retailing** lost 3.2%, and **Construction & Housing** was down 5.1%. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	142664.7	0.67	CT MM (418/FCMXX)	2038.1	0.13			
Select MM (85/FSLXX)	8349.4	0.74	MA MM (74/FDMXX)	4975.0	0.13			
Money Market (454/SPRXX)	8885.4	0.72	MI MM (420/FMIXX)	961.6	0.02	MA AMT TF (426/FMSXX)	572.5	0.30
Gov't MM (458/SPAXX)	1147.7	0.31	NJ MM (417/FNJXX)	2473.0	0.05	AMT Tax-Free (460/FIMXX)	2708.7	0.30
US Treas. MM (415/FDLXX)	8435.9	0.01	NY MM (92/FNYXX)	5790.5	0.18	NJ AMT TF (423/FSJXX)	572.6	0.17
Tax-Free MM (275/FMOXX)	6472.1	0.16	OH MM (419/FOMXX)	1118.1	0.25	NY AMT TF (422/FSNXX)	1002.6	0.32
US Gov't Reser (50/FGRXX)	5003.6	0.41	AZ MM (433/FSAXX)	385.9	0.20	PA MM (401/FPTXX)	781.7	0.16
CA MM (97/FCFXX)	5538.8	0.16	CA AMT TF (457/FSPXX)	1198.7	0.33	Municipal MM (10/FTEXX)	25200.7	0.33