

Jack  
Bowers



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2010

# Monitor™

## Slow Growth, Corporate Cash Bode Well For Dividend Stocks

The past 12 months have been a great ride in the high-yield bond sector, but at this point it makes sense to take some of those profits and move on to a more promising opportunity. This month we make a case for a shift from junk bonds to dividend stocks.

### JUNK NO LONGER DEEPLY DISCOUNTED

A year ago, the credit markets were just beginning to recover. Fear of bankruptcy had pulled high-yield bond values so low that a typical note sold for around half its par value. **High Income** and **Capital & Income** were yielding 11-12%, even with sizable cash positions and portfolios that skewed toward creditworthy issuers.

Today the spread between high-yield bonds and 10-year treasuries is back down to long-term averages (4-5 percentage points). Bankruptcy risk has plunged, bond issuance has surged, and those who held them through the recovery cycle have been handsomely rewarded.

While there is still some room to run, the lion's share of the rebound has already occurred at this point. While we still expect Fidelity's high-yield bond funds to perform better than its investment-grade funds over the next year, they're no longer the best opportunity on the horizon.

### DIVIDEND STOCKS LOOKING UP

Meanwhile, investment-grade corporations are flush with cash. Normally that cash would be used in the pursuit

DIVIDEND STOCKS - *Continued on page 2*

## Changes for Growth and Income, VIP Growth and Income Model

On Monday, 4/5, we'll make the following changes:

Our Growth and Income Model will be selling **High Income** (455/SPHIX) and buying **Equity-Income** (23/FEQIX). We'll also exchange one-half of **Puritan** (4/FPURX) for **Strategic Income** (368/FSICX). These moves, which are designed to be risk neutral, will cut the model's high-yield bond position and boost its exposure to dividend stocks.

Our VIP Growth and Income Model will sell **VIP High Income** and buy **VIP Equity-Income**. We will also replace **VIP Index 500** with **VIP Balanced**. **VIP Balanced** has a higher volatility score than its mutual fund cousin, so we're keeping **Investment Grade Bond**.

## Review & Recommendations

Stocks rallied during March as inflation fears eased and consumer spending rose to near-normal levels. The market was also helped as the uncertainty surrounding health care reform was put to rest, and because a process for dealing with future European debt problems was put in place. The S&P 500 gained 6.0% for the month.

### GROWTH FUNDS

Our Growth Model holdings are listed on page 7. Our favorites include **Dividend Growth, Equity-Inc., OTC, Contrafund, Small Cap Value** and **Low-Priced Stock**.

Small-caps and growth stocks got a significant lift as it became more clear that the U.S. economic rebound is on a solid footing that is unlikely to be derailed. **OTC Portfolio** was up 8.5%, **Value Strategies** gained 8.4%, and **Small Cap Discovery** climbed 8.3%. Large-cap funds, on the other hand, trailed slightly behind. On the bottom, **Contrafund** gained 5.6%, **Large Cap Growth Enhanced Index** rose 5.3%, and **Export** moved up 5.2%.

### INTERNATIONAL FUNDS

**Pacific Basin** remains our favorite in this category. For low-risk diversification, go with **Global Balanced**.

Funds that were light on commodity exposure saw the largest gains as European credit concerns eased. **Int'l Capital Appreciation** jumped 9.4%, **Emerging EMEA** climbed 9.2%, and **Nordic** was up 8.5%. On the flip side, **International Real Estate** gained 4.9%, **Japan Smaller Companies** rose 4.3%, and **Global Balanced** returned 4.0% (the fund has a conservative stock/bond portfolio).

### GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are on page 7. For a single fund in this category, consider **Balanced** or **Puritan**. For dividend stocks, go with **Equity-Income**.

**Real Estate** took the top spot once again, jumping 10.7% on signs of strength in the U.S. economy. **Equity-Income I & II** were up 6.6% and 6.4%, respectively. **Mega Cap Stock** rose 6.3%. **Real Estate Income** trailed due to its income focus, finishing with a return of 3.8%.

### INCOME FUNDS

Our Income Model holdings are listed on page 7. Our favorite bond funds include **Investment Grade, Total Bond**, and **Strategic Income**. The uptick in treasury yields was due to a supply/demand imbalance and does not signal the start of a long bear market in bonds.

RECOMMENDATIONS - *Continued on page 8*

## DIVIDEND STOCKS - *Continued from page 1*

of revenue growth, but with today's deflationary backdrop there aren't that many good opportunities. Cost cutting is another way to improve earnings, but after 18 months of aggressive activity there isn't much left to squeeze.

So how do you make your stock go up if earnings growth is hard to come by? In the past, the answer might have been to buy back your own stock, but many firms are looking at the high prices they paid for past buybacks and are concluding it wasn't exactly a smart thing to do. Which brings them to a more traditional form of shareholder compensation: the quarterly dividend.

Starbucks' recent decision to start big (its first ever dividend gives the stock a Grande 1.6% yield) suggests that a new crop of growth-oriented companies may be starting to join the ranks of established dividend payers. This can't happen too soon. In the wake of the financial crisis, many financial firms eliminated their dividend payouts entirely, while others made deep cuts. That made the past 18 months one of the worst dividend-reduction periods in history, as evidenced by today's S&P 500 dividend yield – which currently runs at a paltry 2%.

But even without first-time dividend payers, it looks like we've reached a turning point. The recent cutting wave eliminated companies with less than robust business models, as well as those who lacked a strong commitment to shareholders. What's left among today's dividend stocks is a group of companies who are both willing and able to reward shareholders. As earnings improve and the cash continues to pile up, it's not hard to guess what will happen next.

So far this year, there have been dozens of dividend hikes and only a few cuts. Many increases are coming from outside the financial sector, so it appears we're at the beginning of a long cycle of increased payouts. It may take a while before financial entities come back to the party, but when dividends are eventually restored the S&P 500 could end up with a significant income stream.

Individual investors could develop a fondness for dividend stocks, too. So far, the market's recovery has been largely ignored by individuals, many of whom are more comfortable in cash and bonds than stocks. But that will eventually change. And, after several years of making investment decisions based on yield, those who re-embrace stocks may take comfort buying those that offer more than just capital appreciation potential.

Bottom line, we are most likely entering a period where dividend stocks have the wind at their backs. The fundamentals for dividend stocks are improving, and investor attitudes are shifting in a way that makes dividend stocks more attractive.

## TAX ISSUES

Some investors worry about buying dividend stocks at a time when taxes on dividends are headed up. Absent

any new legislation, the current 15% tax on qualified stock dividends will end next year. That means stock dividends would be taxed at full income rates in 2011, putting them on par with taxable bond interest. Because this is the expected scenario, current stock prices already reflect it. In the event that stock dividends end up with some kind of tax break, that represents potential upside for the stocks.

## GROWTH AND INCOME MODEL CHANGES

In our Growth and Income Model, we'll be replacing **High Income** with **Equity-Income**, Fidelity's longest-running dividend stock fund. By itself, this trade would boost our overall stock weighting, so we are offsetting the increase by exchanging one-half of **Puritan** for **Strategic Income**. The overall impact will be to cut high-yield exposure in half (to about 10%), while shifting the 50% equity allocation more in the direction of dividend stocks. We'll be making similar changes in our VIP G&I Model, but it's not as straightforward because we've been using a combination of **VIP Index 500** and **VIP Investment Grade Bond** in place of **Puritan**. After 3 of the 4 VIP G&I Model holdings are swapped out, the portfolio will end up with a mix of assets similar to our regular Growth and Income Model.

## FUND RECOMMENDATIONS

If you want a pure play on dividend stocks, the best bet is **Equity-Income**. It follows a time-tested strategy of investing in Blue Chip companies that make shareholder compensation a key priority. Over a period of almost 44 years, this fund has delivered a compound return of 11.5% per year, beating the S&P 500 by two percentage points per year over the period. The fund's focus on dividends usually lands it in the large-cap value corner of the stylebox. Behavior is quite often similar to the S&P 500, but it has outperformed by as much as 10 percentage points (over 12 months) when conditions are favorable for dividend stocks. From a risk standpoint, the fund is presently about 15% more volatile than the S&P 500, mainly because of its heavy weighting in financial stocks, which amount to 27% of holdings.

**Equity-Income II** offers a slight variation on the dividend stock theme, but currently there is very little difference between the two equity-income funds. Stick with **Equity-Income** for an expense ratio that's a few basis points lower, and a yield that's a few basis points higher.

**Strategic Dividend & Income** offers a variation on the dividend stock theme. By putting about 30% of its portfolio into convertibles and REITs, many of which have a higher income stream than stocks, the fund has the potential to perform a little better or keep risk a little lower (relative to an equity-income fund). In addition, Fidelity's security selection may add a little more value as well. The main concern is that real estate may currently be a little over-bought, which could cause the fund to

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underperform (relative to the S&P 500) on a forward basis.

**Dividend Growth** combines some elements of equity-income investing with a heavy dose of growth stocks that are not currently big dividend payers. Manager Lawrence Rakers has a unique stock selection process that performed strongly during his tenure at **Balanced**, and is doing quite well in the current recovery too. While the fund's volatility is a bit on the high side considering that it operates in the large-cap blend category, **Dividend Growth** is unlikely to lag the S&P 500 if the market's bullish trend remains intact. ■

## Market Valuation Update

Traditional valuation indicators are clear as mud these days. P/E ratios can't cope with net losses, even with a 10-year look-back, as a result of the earnings drought in the financial sector. Price-to-book ratios are being skewed high by a spate of writedowns. Price-to-sales, which normally does a decent job assessing non-financial stocks, is too far off because the last 12 months are too much of an aberration. So where is the stock market really at?

We're happy to report that even with 2009's runup, stocks are not expensive. When total stock market capitalization is compared to the size of the economy, the U.S. market stood at 91% of GDP at the end of last year, a level that is comparable to a period of solid GDP growth and low inflation during the 1960s.

There's no perfect valuation indicator, but this way of looking at overall valuations provides a clear picture of reality when other measures are hazy. It ignores anything affected by fluctuating business conditions,

such as sales, earnings, write-offs, interest rates, evolving accounting standards, or changes in the tax code. By simply looking at the size of the market versus the size of the economy, you can tell whether Ben Graham's famed "Mr. Market" is giddy or depressed.

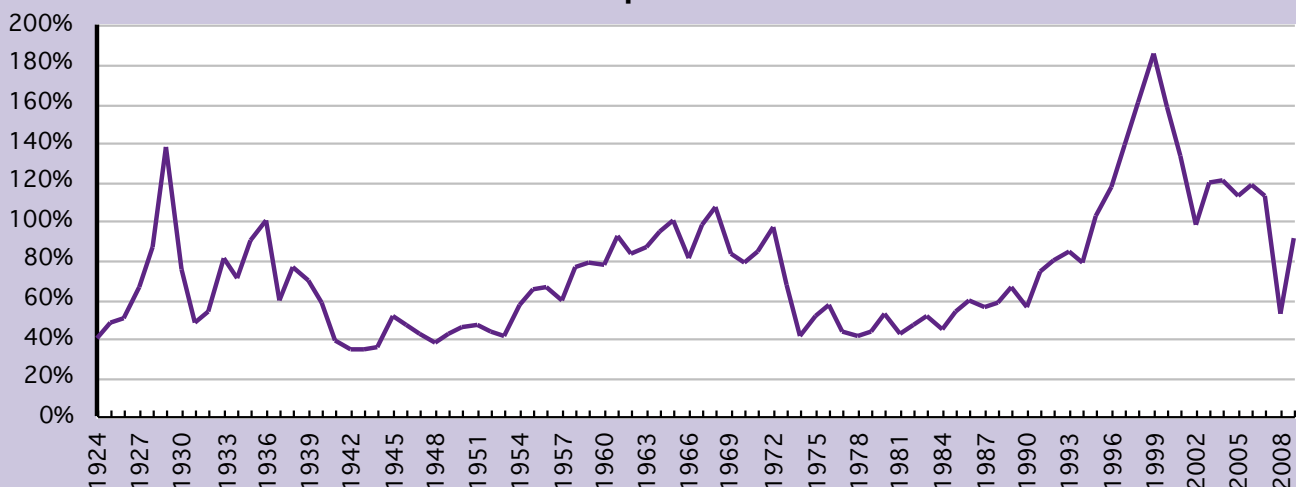
As you can see from the chart below, the stock market tends to dive below 50% of GDP during times of great economic stress. If the problem is inflation (as was the case for 1940-1953 and 1973-1986), it can take a long time before valuations recover faster than the economy's growth rate. But with a non-inflationary crisis, such as The Great Depression or the recent mortgage meltdown, recovery can come quickly once the problem is solved. Obviously, the final chapter has not been written for the financial crisis, but we think the Fed got this one mostly right, sparing our economy a 20-year workout period like the one Japan has suffered through.

This measure ignores the fact that U.S. companies are capturing a greater share of the global economy over time. For the most part, that trend is offset by foreign firms capturing a greater share of the U.S. economy. But if the successful franchises that U.S. firms are creating are more valuable than those created by foreigners (which may be the case in the technology and biotech arena), this indicator may be prone to a small amount of upward valuation creep as time goes on.

Where are we headed next? As the golden age of exports takes hold, stocks could settle in the 100-120% range. While that's higher than what happened with the favorable business conditions of the 1960s, it's certainly not out of line. Technology and health care, which account

MARKET VALUATION - *Continued on page 8*

### U.S. Total Stock Market Capitalization Versus U.S. Annual GDP



Sources: simcivic.org, Federal Reserve Bank of Minneapolis, U.S. Dept. of Commerce, Wilshire Associates

#### 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 monthly gains and losses over a three-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 ↓.

MARCH PERFORMANCE						2010	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
<b>GROWTH FUNDS:</b>												
130/30 Large Cap (2063/FOTTX)	S**	1.15	none	6.93	20.3	5.0	6.0	5.0	27.0			
Growth Strategies (324/FDEGX)	H***	1.25	1.5(90)	17.65	1862.5	8.5	8.0	8.5	54.4	-3.8	3.0	-11.0
Blue Chip Gth (312/FBGRX)	B****	1.10	none	40.13	10740.4	5.7	7.1	5.7	61.4	1.9	3.8	-2.1
Blue Chip Value (1271/FBCVX)	H***	1.18	none	10.58	351.0	6.2	5.9	6.2	57.2	-8.6	-0.1	
Capital Apprec (307/FBCAX)	H***	1.16	none	23.29	4783.9	8.7	6.9	8.7	61.1	-2.7	3.5	0.7
Contrafund (22/FCNTX)	B****	0.93	none	60.28	55524.4	3.6	5.6	3.6	43.1	-0.2	5.4	3.0
Growth Discovery (339/FDSVX)	S**	1.13	none	11.83	680.3	6.6	7.7	6.6	48.9	-2.4	3.4	-0.7
Disc Equity (315/FDEQX)	S**	1.02	none	21.96	10161.6	4.5	5.8	4.5	43.5	-6.3	1.3	-0.2
Dividend Gth (330/FDGFV)	B****	1.28	none	25.24	7623.8	6.6	6.8	6.6	75.9	-2.5	2.9	2.0
Export Fund (332/FEXPX)	H***	1.12	0.75(30)	20.36	2694.9	3.8	5.2	3.8	49.3	-3.2	3.3	3.5
Fidelity Fifty (500/FFTYX)	H***	1.25	none	15.92	733.6	5.9	6.9	5.8	54.0	-7.4	1.4	0.8
Focused Stock (333/FTQGX)	H***	1.01	none	11.55	123.5	5.0	6.7	5.0	46.2	-0.1	4.5	-1.8
Growth Company (25/FDGRX)	B****	1.12	Closed	73.13	27150.3	6.0	7.7	6.0	53.6	2.1	6.9	-2.0
Independence (73/FDFFX)	H***	1.41	none	21.38	3776.4	7.3	7.2	7.3	65.0	-0.4	5.3	-0.9
Lg Cap Core En Idx (1827/FLCEX)	H***	1.0 Est	none	8.12	1014.7	4.8	5.6	4.8	45.8			
Lg Cap Gth En Idx (1829/FLGEX)	H***	1.2 Est	none	8.89	49.8	4.2	5.3	4.2	48.2			
Large Cap Growth (763/FSLGX)	H***	1.03	none	8.52	100.2	4.8	6.5	4.8	43.7	-6.4	-0.5	
Large-Cap Stock (338/FLCSX)	B****	1.29	none	16.22	846.2	8.2	7.6	8.2	73.2	-1.6	4.0	-2.1
Lg Cap Val En Idx (1828/FLVEX)	H***	1.2 Est	none	7.10	69.0	6.0	6.0	6.0	46.8			
Large Cap Value (708/FLVX)	H***	1.09	none	10.30	937.9	5.7	6.0	5.7	48.9	-9.4	-0.1	
Lev Co Stock (122/FLVCX)	B****	1.70	1.5(90)	24.65	4151.6	7.5	6.9	7.5	95.3	-5.0	4.0	
Low-Priced Stock (316/FLPSX)	B****	1.15	1.5(90)	34.61	24867.5	8.4	6.4	8.4	63.6	-1.1	5.1	11.4
Magellan (21/FMAGX)	H***	1.31	none	67.56	21632.0	5.0	6.6	5.0	52.3	-4.4	0.9	-2.3
Mid Cap Growth (793/FSMGX)	H***	1.31	0.75(30)	10.77	222.4	8.4	8.0	8.4	64.8	-6.8	0.3	
Mid Cap Stock (337/FMCSX)	B****	1.37	0.75(30)	26.03	6522.4	11.1	8.0	11.1	76.7	-2.9	6.2	2.5
Mid Cap Value (762/FSMVX)	H***	1.29	0.75(30)	14.03	491.2	9.9	7.4	9.9	74.7	-5.2	3.5	
New Millennium (300/FMLIX)	B****	1.18	none	26.55	1686.9	7.8	8.3	7.8	63.7	0.9	6.7	-0.1
OTC Portfolio (93/FOCPX)	B****	1.32	none	48.37	5293.4	5.8	8.5	5.8	66.2	4.8	8.2	-2.8
Small Cap Discovery (384/FSCRX)	B****	1.37	1.5(90)	17.04	356.0	9.7	8.3	9.7	84.3	4.3	7.1	
Small Cap Growth (1388/FCPGX)	H***	1.27	1.5(90)	13.42	1182.7	8.1	8.2	8.1	65.7	-2.1	4.7	
Small Cap Indep (336/FDSCX)	H***	1.37	1.5(90)	15.19	1476.0	9.1	8.0	9.1	67.6	-7.8	1.1	2.6
Small Cap Stock (340/FSLCX)	B****	1.44	2(90)	17.30	3675.2	8.5	7.9	8.5	84.8	1.4	6.3	6.9
Small Cap Value (1389/FCPVX)	B****	1.32	1.5(90)	13.83	1617.3	9.1	7.6	9.1	69.7	0.6	6.9	
Stock Selector (320/FDSSX)	H***	1.03	none	23.03	629.9	6.0	6.6	6.0	48.5	-4.3	2.3	-0.7
Tax Managed Stock (343/FTXMX)	S**	1.10	none	11.54	75.2	5.9	6.1	5.9	44.2	-7.2	0.9	
Trend (5/FTRNX)	B****	1.15	none	59.06	806.2	5.0	6.6	5.0	57.5	0.1	4.5	0.4
Value (39/FDVLX)	B****	1.47	none	62.05	7594.2	9.0	7.3	9.0	83.4	-6.4	2.3	8.0
Value Discovery (832/FVDFX)	H***	1.15	none	13.73	642.1	6.7	6.4	6.7	57.2	-5.8	3.1	
Value Strategies (14/FLSXX)	B****↑	1.59	none	24.55	281.3	11.0	8.4	11.0	98.3	-5.3	2.9	5.3
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.79	none	17.04	17793.1	4.2	4.2	4.2	39.5	-1.1	4.5	5.4
Convertible Sec (308/FCVXS)	H***	1.34	none	23.17	2379.0	6.3	4.7	6.3	76.8	0.4	6.1	4.1
Equity-Income (23/FEQIX)	B****	1.15	none	41.55	14607.3	6.2	6.6	6.2	58.7	-7.0	1.0	2.7
Equity-Income II (319/FEQTX)	B****	1.11	none	17.28	5126.1	5.8	6.4	5.8	55.0	-6.7	0.1	2.0
Fidelity Fund (3/FFIDX)	S**↓	1.05	none	29.52	4973.0	4.2	5.4	4.2	45.0	-3.3	2.7	-0.8
Growth & Income (27/FGRIX)	S**↓	1.19	none	16.99	6048.3	5.8	5.9	5.8	47.9	-13.5	-5.6	-3.6
Mega Cap Stock (361/FGRTX)	B****	1.04	none	9.29	402.8	5.6	6.3	5.6	54.7	-3.4	2.5	0.5
Puritan (4/FPURX)	B****	0.72	none	16.77	16539.5	4.4	4.2	4.4	38.5	-0.6	3.9	4.6
Real Estate Income (833/FRIFX)	B****	0.79	0.75(90)	9.74	735.2	6.2	3.8	6.2	56.1	-0.4	3.6	
Real Estate (303/FRESX)	H***	2.07	0.75(90)	22.37	2679.5	11.3	10.7	11.3	127.9	-11.5	3.0	11.3
Strategic Div & Inc (1329/FSDIX)	B****	1.15	none	10.18	462.0	6.7	6.2	6.7	67.6	-4.8	2.5	
Select & Utilities (311/FIUIX)	H***	0.90	none	14.17	703.4	1.1	5.4	1.1	24.4	-9.0	3.1	-2.7
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.65	0.75(30)	38.70	93.9	21.5	9.6	21.5	113.0	-1.7	7.8	6.7
Automotive (502/FSAVX)	H***	2.54	0.75(30)	33.87	145.7	7.6	7.1	7.6	177.2	-3.7	2.0	4.9
Banking (507/FSRBX)	H***	1.59	0.75(30)	18.21	359.1	19.4	9.5	19.4	88.2	-14.0	-5.7	1.6
Biotechnology (42/FBIOX)	H***	1.02	0.75(30)	72.64	1067.2	10.9	7.1	10.9	26.3	5.4	8.5	-0.1
Brokerage (68/FSLBX)	H***	1.50	0.75(30)	52.11	555.6	9.8	10.2	9.8	86.0	-5.7	6.9	5.5
IT Ser / Bus Ser (353/FBSOX)	B****	1.19	0.75(30)	18.19	97.6	2.0	6.5	2.0	59.7	6.0	9.3	6.5
Chemicals (69/FSCHX)	H***	1.36	0.75(30)	79.99	417.7	6.3	6.0	6.3	66.6	6.1	8.0	11.3
Computers (7/FDCPX)	H***↓	1.44	0.75(30)	46.41	502.2	1.8	6.5	1.8	72.9	5.4	6.8	-6.8
Const & Housing (511/FSHOX)	H***	1.47	0.75(30)	31.87	99.5	9.6	6.6	9.6	55.0	-5.3	0.2	8.7
Consumer Disc (517/FSCPX)	H***	1.18	0.75(30)	20.89	76.8	11.2	7.8	11.2	59.4	-4.0	1.8	1.3
Industrial / Cyc Ind (515/FCYIX)	H***	1.40	0.75(30)	20.07	253.0	10.7	9.1	10.7	80.7	2.2	6.8	8.0
Defense & Aero (67/FSDAX)	H***	1.33	0.75(30)	68.33	609.4	13.1	10.1	13.1	69.5	-1.6	6.2	9.6
Com Equip / DevC (518/FSDCX)	H***	1.62	0.75(30)	22.41	336.5	7.9	7.8	7.9	83.3	2.4	5.7	-8.1
Electronics (8/FSELX)	H***	1.54	0.75(30)	42.88	1104.8	3.3	8.1	3.3	76.5	-0.6	3.2	-7.8
Energy (60/FSENX)	H***	1.67	0.75(30)	44.32	2135.0	0.4	1.8	0.4	56.2	-2.4	7.9	9.5
Energy Service (43/FSESX)	H***	1.95	0.75(30)	58.58	1282.5	0.8	0.5	0.8	65.5	-4.6	6.3	7.0
Environmental (516/FSLEX)	S**	1.06	0.75(30)	15.43	47.2	-0.8	3.3	-0.8	41.1	-3.1	3.4	4.5
Financial Services (66/FIDSX)	H***	1.48	0.75(30)	65.01	482.2	12.0	9.6	12.0	81.7	-14.8	-4.0	1.4
Con Stap / Food Ag (9/FDFAX)	B****	0.78	0.75(30)	63.84	945.9	5.0	4.1	5.0	41.6	4.6	8.6	9.8
Gold (41/FSAGX)	S**	2.24	0.75(30)	41.65	2837.4	-2.8	2.0	-2.8	24.2	10.2	19.2	18.8
Health Care (63/FSPHX)	B****	0.94	0.75(30)	114.93	1727.9	7.7	5.3	7.7	44.2	2.2	6.1	4.4
Home Finance (98/FSVLX)	H***	1.40	0.75(30)	12.51	85.2	13.9	8.0	13.9	46.2	-31.7	-18.8	-3.0
Indust Equip (510/FSCGX)	H***	1.49	0.75(30)	28.53	120.4	12.1	9.1	12.1	85.9	-0.2	5.3	3.6
Materials / Ind Mat (509/FSDPX)	H***	1.54	0.75(30)	56.64	605.5	4.9	7.7	4.9	81.6	5.1	11.4	13.1
Insurance (45/FSPCX)	H***	1.39	0.75(30)	45.01	150.1	13.8	8.3	13.8	68.4	-10.5	-1.7	5.9
Leisure (62/FDLSX)	H***	1.08	0.75(30)	76.42	224.4	14.9	9.2	14.9	52.1	1.3	6.3	2.9
Medical Delivery (505/FSHCX)	B****↑	1.33	0.75(30)	46.90	465.9	9.0	5.7	9.0	79.4	-0.5	4.6	14.5
Medical Equip/Sys (354/FSMEX)	B****	0.93	0.75(30)	26.49	1375.8	8.3	5.0	8.3	43.4	7.3	8.1	11.0
Multimedia (503/FBMPX)	H***	1.30	0.75(30)	37.25	76.2	9.1	8.3	9.1	88.3	-2.3	3.4	1.1
Natural Gas (513/FSNGX)	H***	1.78	0.75(30)	31.31	1142.1	-0.7	-0.1	-0.7	55.2	-5.1	4.9	9.9
Nat Resources (514/FNARX)	H***	1.70	0.75(30)	28.52	1484.8	0.2	3.1	0.2	57.0	-0.1	10.8	10.6
Pharmaceuticals (580/FPHAX)	B****	0.89	0.75(30)	11.53	235.2	6.0	5.5	6.0	38.6	4.7	9.2	
Retailing (46/FSRPX)	H***	1.23	0.75(30)	48.58	137.1	13.2	7.7	13.2	62.0	2.9	7.2	4.3
Software (28/FSCSX)	B****	1.21	0.75(30)	76.74	984.9	1.1	6.2	1.1	58.6	4.8	10.5	1.4
Technology (64/FSPTX)	B****	1.57	0.75(30)	77.80	1996.1	3.1	7.7	3.1	84.5	3.7	7.0	-7.1
Telecom (96/FSTCX)	B****	1.30	0.75(30)	39.96	279.6	-0.2	5.9	-0.2	38.6	-6.9	4.4	-7.5
Transportation (512/FSRFV)	H***	1.29	0.75(30)	47.49	107.3	20.7	13.2	20.7	89.1	0.9	6.3	9.5
Utilities (65/FSUTX)	H***	0.96	0.75(30)	43.84	336.0	-						

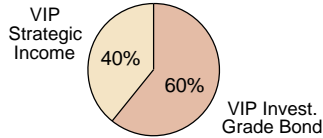
MARCH PERFORMANCE						30-day	2010	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
<b>INTERNATIONAL FUNDS:</b>												
Canada (309/FICDX)	H***	1.51	1.5(90)	51.58	3410.0		6.4	7.3	6.4	59.5	3.4	10.1
China Region (352/FHKCX)	H***	1.59	1.5(90)	27.83	2192.8		-0.2	6.6	-0.2	65.0	10.3	14.8
Diversified Int'l (325/FDIVX)	S**	1.26	1(30)	28.17	29870.2		0.6	6.3	0.6	50.3	-6.5	3.9
Emerging EMEA (2053/FEMEX)	H***	1.8 Est	1.5(90)	8.15	109.5		7.0	9.2	7.0	68.7		
Emerging Mkts (322/FEMKX)	H***	1.77	1.5(90)	23.09	3893.7		2.1	8.4	2.1	85.6	-0.5	13.8
Europe (301/FIEUX)	S**	1.25	1(30)	29.15	2196.5		-1.1	7.0	-1.1	50.3	-6.1	4.2
Europe Cap Appr (341/FECAX)	S**	1.27	1(30)	17.57	477.0		-1.0	7.2	-1.0	50.9	-8.3	4.6
Global Balanced (334/FGBLX)	B****	0.74	1(30)	20.53	436.1		2.1	4.0	2.1	36.5	1.9	6.4
Glob Commodity Stk (2120/FFGCX)	H***	1.6 Est	1(30)	14.95	260.7		1.6	6.6	1.6	57.0		
Int'l Capital Apprec. (335/FIVFX)	H***	1.53	1(30)	11.83	526.6		4.3	9.4	4.3	77.4	-7.1	2.2
Int'l Discovery (305/FIGRX)	S**	1.22	1(30)	30.61	7968.2		0.9	7.1	0.9	51.7	-5.5	5.1
Int'l Enhanced Index (2010/FIENX)	S**	1.4 Est	1(30)	6.97	19.9		1.0	5.9	1.0	51.9		
Int'l Growth (1979/FIGFX)	H***	1.5 Est	1(30)	7.63	21.9		2.0	6.6	2.0	56.5		
Int'l Real Estate (1368/FIREX)	S**	1.39	1.5(90)	8.74	330.2		-0.7	4.9	-0.7	59.7	-16.4	0.9
Int'l Small Cap (818/FISMIX)	B****	1.35	2(90)	18.17	700.5		3.5	6.1	3.5	67.8	-4.9	5.0
Int'l Small Cap Opp (1504/FSCOX)	H***	1.51	2(90)	8.85	316.3		3.1	6.8	3.1	66.7	-15.5	
Int'l Value (1597/FIVLX)	S**	1.41	1(30)	7.94	165.7		-0.5	6.6	-0.5	58.0	-8.7	
Japan (350/FJPNX)	H***	1.12	1.5(90)	10.98	1034.2		8.5	5.8	8.5	41.3	-9.6	1.1
Japan Smaller Co (360/FJSCX)	H***	1.25	1.5(90)	8.72	367.4		4.8	4.3	4.8	54.9	-10.2	-4.7
Latin America (349/FLATX)	H***	1.80	1.5(90)	51.76	4337.2		-0.2	5.6	-0.2	87.2	6.6	22.2
Nordic (342/FNORX)	H***	1.57	1.5(90)	29.00	337.4		5.9	8.5	5.9	78.8	-6.9	6.3
Overseas (94/FOSFX)	S**	1.27	1(30)	30.66	6440.7		-0.9	5.2	-0.9	45.6	-8.4	3.1
Pacific Basin (302/FPBFX)	B****	1.64	1.5(90)	22.18	636.0		9.3	8.2	9.3	90.1	-2.6	8.3
Southeast Asia (351/FSEAX)	H***	1.47	1.5(90)	25.86	1712.3		1.7	6.9	1.7	49.0	0.5	13.3
Total Int'l Equity (1978/FTIEX)	S**	1.3 Est	1(30)	6.84	48.0		1.2	6.9	1.2	61.1		
Worldwide (318/FWWFX)	H***	1.11	1(30)	16.57	1007.4		3.1	7.0	3.1	50.7	-3.2	5.0
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.91	none	25.28	2058.8		4.2	5.3	4.2	44.2	-2.9	3.1
NASDAQ Comp (1282/FNCMX)	B****	1.16	0.75(90)	31.82	239.4		5.8	7.2	5.8	57.9	0.4	4.4
Spart Ext Mkt Idx (398/FSEMX)	B****	1.19	0.75(90)	33.36	2699.9		9.7	7.3	9.7	66.2	-2.2	5.0
Spart Int'l Index (399/FSIIX)	S**	1.24	1(90)	33.72	5433.2		0.8	6.2	0.8	54.1	-6.9	3.9
Spart 500 Index (650/FUSEX)	H***	1.00	none	41.55	23670.4		5.4	6.0	5.4	49.8	-4.2	1.9
Spart Total Mkt Idx (397/FSTMX)	H***	1.03	0.5(90)	33.51	5409.3		6.1	6.2	6.1	52.5	-3.8	2.6
Asset Mgr 20% (328/FASIX)	H***	0.37	none	12.24	2621.3		2.4	1.7	2.4	22.5	2.7	4.8
Asset Mgr 30% (1957/FTANX)	H***	0.5 Est	none	9.40	79.6		3.0	2.3	3.0	28.1		
Asset Mgr 40% (1958/FFANX)	H***	0.6 Est	none	9.20	51.6		3.3	2.9	3.3	33.0		
Asset Mgr 50% (314/FASMX)	H***	0.70	none	14.34	6092.6		3.5	3.8	3.5	38.9	0.6	3.9
Asset Mgr 60% (1959/FSANX)	H***	0.8 Est	none	8.97	74.7		3.8	4.3	3.8	43.2		
Asset Mgr 70% (321/FASGX)	H***	0.90	none	14.92	2246.4		4.1	5.0	4.1	48.0	-1.3	3.1
Asset Mgr 85% (347/FAMRX)	H***	1.03	none	12.16	588.8		4.4	5.9	4.4	54.6	-2.2	3.9
Dynamic Strategies (1960/FDYSX)	H***	0.8 Est	none	8.70	145.7		3.1	3.9	3.1	39.4		
Freedom 2000 (370/FFBFX)	H***	0.37	none	11.61	1673.6		2.3	1.8	2.3	21.5	2.1	3.8
Freedom 2005 (1312/FFVFX)	H***	0.63	none	10.32	991.5		2.9	3.1	2.9	32.8	0.3	3.8
Freedom 2010 (371/FFFCX)	H***	0.67	none	12.89	10839.1		3.0	3.5	3.0	35.0	0.4	3.9
Freedom 2015 (1313/FFVFX)	H***	0.70	none	10.74	8457.1		3.1	3.5	3.1	36.3	-0.1	4.1
Freedom 2020 (372/FFFDX)	H***	0.83	none	12.98	19643.8		3.4	4.3	3.4	42.2	-1.3	3.8
Freedom 2025 (1314/FFFTWX)	H***	0.88	none	10.77	8749.2		3.7	4.7	3.7	44.4	-1.7	3.7
Freedom 2030 (373/FFFEK)	H***	0.96	none	12.87	13779.0		3.9	5.1	3.9	47.6	-2.9	3.2
Freedom 2035 (1315/FFTHX)	H***	0.99	none	10.66	5667.6		3.9	5.4	3.9	48.8	-3.2	3.1
Freedom 2040 (718/FFFFX)	H***	1.02	none	7.45	8085.8		4.1	5.5	4.0	50.1	-3.5	3.0
Freedom 2045 (1617/FFFGX)	H***	1.03	none	8.81	1897.0		4.0	5.6	4.0	50.9	-3.6	
Freedom 2050 (1618/FFHHX)	H***	1.07	none	8.69	1529.3		4.1	5.8	4.1	52.5	-4.2	
Freedom Income (369/FFFAK)	H***	0.34	none	10.96	2658.0		2.2	1.6	2.2	20.6	2.5	3.9
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	B****	0.90	1(90)	8.92	11211.9	6.52	5.0	4.1	5.0	73.8	7.4	8.9
Floating Rate (814/FFRHX)	H***	0.48	1(60)	9.63	2605.6	3.63	3.0	1.9	3.1	22.0	3.8	4.6
Focused High Inc (1366/FHIFX)	B****	0.64	1(90)	9.35	408.6	6.38	3.6	2.7	3.6	31.6	3.9	5.5
GNMA Portfolio (15/FGMNX)	B****	0.16	none	11.49	7409.6	2.82	1.9	0.1	1.9	6.1	7.1	5.9
Gov't Income (54/FGOVX)	H***	0.22	none	10.46	4647.4	2.34	1.3	-0.5	1.3	2.2	6.6	5.5
High Income (455/SPHIX)	B****	0.76	1(90)	8.67	6800.1	7.17	4.2	3.0	4.2	49.9	6.4	7.5
Inflation-Protected (794/FINPX)	H***	0.43	none	11.23	2217.5	0.62	0.4	0.1	0.5	5.8	4.7	3.8
Intermed Bond (32/FTHRZ)	B****	0.26	none	10.30	4489.3	3.07	2.3	0.1	2.3	17.7	4.9	4.6
Intermed Gov't Inc (452/FSTGX)	H***	0.18	none	10.75	1464.5	1.65	1.1	-0.5	1.1	1.5	6.1	5.1
Invest Grade Bond (26/FBNDX)	B****	0.26	none	7.15	6469.7	3.44	2.4	0.3	2.4	17.0	3.8	4.1
Mortgage Securities (40/FMSFX)	B****	0.14	none	10.58	812.5	3.87	2.0	0.1	2.0	10.0	3.7	4.0
New Markets Inc (331/FNMIX)	H***	0.78	1(90)	15.49	3095.1	5.76	4.5	3.2	4.5	42.1	8.5	10.4
Short-Term Bond (450/FSHFX)	B****	0.12	none	8.37	7178.3	1.70	1.2	0.0	1.2	8.0	1.7	2.6
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.37	none	10.33	1225.9	3.07	1.5	-1.0	1.6	-2.5	6.7	
Spart L-Term Tr Idx (1562/FLBIX)	S**	0.64	none	10.04	175.0	4.30	0.9	-1.5	0.9	-7.4	5.6	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.14	none	10.39	203.6	1.18	0.9	-0.4	0.9	0.9	5.2	
Strategic Income (368/FSICX)	B****	0.46	none	10.98	7231.6	4.85	2.8	1.8	2.8	32.4	7.6	7.4
Strategic Real Rtn (1505/FSRRX)	H***↓	0.68	0.75(60)	8.66	4919.9	2.16	1.8	1.9	1.8	32.4	0.4	
Total Bond (820/FTBFX)	B****↓	0.28	none	10.64	11067.1	3.73	2.6	0.6	2.6	20.0	6.0	5.6
Ultra-Short Bond (812/FUSFX)	H***	0.18	0.25(60)	8.15	235.4	0.48	0.4	-0.1	0.4	2.0	-4.2	-1.0
US Bond Index (651/FBIDX)	H***	0.19	none	11.15	10741.4	2.97	1.7	-0.1	1.7	7.4	5.2	4.9
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FSAZX)	H***	0.31	0.5(30)	11.30	170.0	3.45	1.1	0.0	1.1	9.6	3.9	4.0
CA Municipal Inc (91/FCTFX)	S**	0.32	0.5(30)	11.85	1556.7	3.95	1.9	0.1	1.9	9.9	3.1	3.7
CA Short-Int TF (1534/FCSTX)	H***	0.15	0.5(30)	10.57	623.1	1.49	0.6	-0.5	0.6	4.6	4.7	
CT Municipal Inc (407/FICNX)	H***	0.27	0.5(30)	11.37	599.3	2.74	0.7	-0.6	0.8	7.1	4.4	4.2
Intermediate Muni (36/FLTMX)	B****	0.19	0.5(30)	10.17	3887.1	2.61	1.0	-0.3	1.0	6.9	4.6	4.3
MA Municipal Inc (70/FDMMX)	H***	0.28	0.5(30)	11.83	2398.3	3.33	1.2	-0.3	1.2	9.4	4.1	4.2
MD Municipal Inc (429/SMDMX)	H***	0.28	0.5(30)	10.92	178.1	2.85	1.0	-0.3	1.0	9.3	4.2	4.1
MI Municipal Inc (81/FMHTX)	H***	0.25	0.5(30)	11.84	650.8	3.18	0.9	-0.4	0.9	7.5	4.3	4.2
MN Municipal Inc (82/FIMIX)	H***	0.23	0.5(30)	11.39	490.0	2.58	0.9	-0.6	1.0	6.3	4.3	4.1
Municipal Income (37/FHIGX)	H***	0.29	0.5(30)	12.51	5770.1	3.67	1.4	0.0	1.4	10.3	3.9	4.2
NJ Municipal Inc (416/FNJHX)	H***	0.28	0.5(30)	11.48	663.2	3.09	0.8	-0.6	0.9	8.1	4.0	4.2
NY Municipal Inc (71/FTFMX)	H***	0.29	0.5(30)	12.89	1766.6	3.24	1.4	0.0	1.4	9.6	4.4	4.3
OH Municipal Inc (88/FOHFX)	H***	0.28	0.5(30)	11.59	536.9	3.25	0.9	-0.3	0.9	8.0	4.3	4.3
PA Municipal Inc (402/FPXTX)	H***	0.23	0.5(30)	10.77	435.9	3.12	0.9	-0.2	0.9	7.1	4.2	4.1
Short-Int Municipal (404/FSTFX)	B****	0.13	0.5(30)	10.63	3385.7	1.40	0.6	-0.4	0.6	4.3	4.4	3.8
Tax-Free Bond (90/FTABX)	H***	0.29	0.5(30)	10.79	1874.7	3.64	1.4	0.1	1.4	10.3	4.4	4.5

MARCH PERFORMANCE Indexes and Model Portfolios	Risk	Value	2010 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.92	10856.63	4.8	5.3	4.8	46.9	-1.5	3.3	2.3
S&P 500	1.00	1169.43	5.4	6.0	5.4	49.8	-4.2	1.9	-0.6
NASDAQ	1.16	2397.96	5.9	7.2	5.9	58.3	0.6	4.6	-5.7
Russell 2000	1.27	678.64	8.7	8.0	8.7	62.6	-4.0	3.3	3.7
Fidelity Monitor Income Model	0.33	90364.38	2.6	0.9	2.6	21.9	1.1	2.9	3.8
Fidelity Monitor G&I Model	0.75	167923.19	4.3	4.0	4.3	39.1	-2.5	3.2	4.7
Fidelity Monitor Growth Model	1.14	171126.12	6.2	7.0	6.2	54.8	-5.4	2.0	1.4
Fidelity Monitor Select System	1.12	352329.30	3.2	6.1	3.2	51.8	-2.2	5.3	1.4
Fidelity Monitor Unique Opportunities	1.23	115885.39	7.3	7.3	7.3	66.1	-3.7	4.5	6.0

## 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

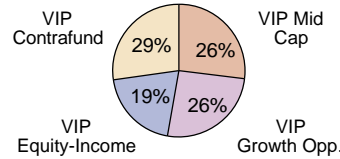


### PAST PERFORMANCE

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: +22.9%
2001: -3.4%	<b>*2010: +2.3%</b>

### VIP GROWTH MODEL

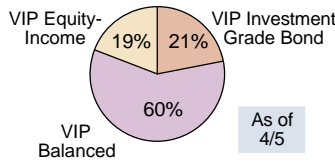


### PAST PERFORMANCE

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: +25.1%
2001: -14.0%	<b>*2010: +6.1%</b>

### VIP G & I MODEL

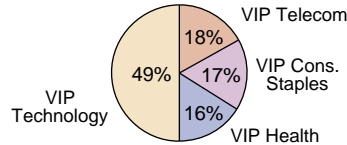


### PAST PERFORMANCE

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: +27.1%
2002: -9.4%	<b>*2010: +4.2%</b>

### 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: +50.2%
2006: +17.7%	<b>*2010: +3.7%</b>

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

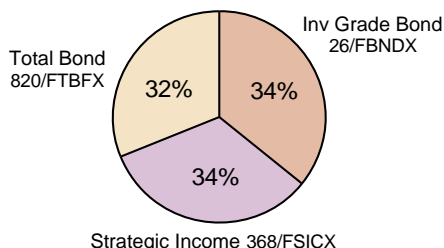
MARCH VIP PERFORMANCE Portfolio	Rating	Risk	RR Value	2010 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Growth Strategies	H ***	1.24	10.39	8.1	7.8	8.1	53.1	-4.6	
VIP Asset Manager	H ***	0.79	37.05	3.6	3.7	3.6	37.6	1.8	3.9
VIP Asset Manager: Growth	H ***	1.00	23.26	4.3	5.1	4.3	47.0	0.4	3.2
VIP Balanced	B ****	0.93	17.72	5.2	4.8	5.2	52.5	-0.1	3.9
VIP Consumer Discretionary	H ***	1.18	11.31	10.9	7.7	10.9	58.4	-4.4	1.2
VIP Consumer Staples	B ****	0.8 Est	10.87	4.9	4.0	4.9	40.8		
VIP Contrafund	B ****	1.12	41.67	5.1	6.7	5.1	55.0	-2.4	3.8
VIP Disciplined Small Cap	S **	1.18	8.36	7.1	7.2	7.1	53.2	-6.8	
VIP Dynamic Capital Appreciation	H ***	1.17	13.70	8.5	6.9	8.5	60.2	-3.9	4.7
VIP Energy	H ***	1.68	21.34	0.4	1.7	0.4	56.0	-3.1	7.6
VIP Equity-Income	B ****	1.16	53.94	5.9	6.5	5.9	57.9	-8.1	0.0
VIP Financial Services	H ***	1.53	9.12	12.1	9.6	12.1	81.7	-15.1	-4.5
VIP Freedom 2005	H ***	0.62	11.70	3.3	3.3	3.3	32.2	0.2	
VIP Freedom 2010	H ***	0.65	11.72	3.6	3.6	3.6	34.3	0.1	
VIP Freedom 2015	H ***	0.70	11.85	3.6	3.8	3.6	36.2	-0.3	
VIP Freedom 2020	H ***	0.84	11.61	4.1	4.6	4.1	42.9	-1.6	
VIP Freedom 2025	H ***	0.89	11.63	4.5	5.1	4.5	45.5	-1.9	
VIP Freedom 2030	H ***	0.99	11.34	4.6	5.5	4.6	49.4	-3.2	
VIP Freedom Income	H ***	0.31	11.83	2.2	1.6	2.2	18.0	2.4	
VIP FundsManager 20	H ***	0.28	11.11	1.8	1.4	1.8	13.3	1.6	
VIP FundsManager 50	H ***	0.59	10.46	3.0	3.2	3.0	27.9	-0.9	
VIP FundsManager 70	H ***	0.81	9.82	3.7	4.6	3.7	37.9	-3.3	
VIP FundsManager 85	H ***	0.97	9.38	4.5	5.7	4.5	46.7	-4.9	
VIP Growth	H ***	1.13	54.19	6.3	7.6	6.3	46.9	-4.1	0.7
VIP Growth & Income	H ***	1.03	16.66	5.2	5.7	5.2	44.8	-5.5	0.9
VIP Growth Opportunities	B ****	1.38	11.45	7.2	9.0	7.2	56.4	-6.9	-0.3
VIP Growth Stock	B ****	1.16	10.69	4.9	6.4	4.9	56.6	-0.1	
VIP Health Care	B ****	0.92	13.28	7.7	5.2	7.7	43.3	1.0	5.3
VIP High Income	B ****	0.71	35.34	3.6	2.9	3.6	38.9	3.1	5.2
VIP Index 500	H ***	1.00	32.93	5.2	5.9	5.2	48.6	-4.9	1.1
VIP Industrials	H ***	1.41	18.85	10.6	9.3	10.6	81.2	2.1	6.6
VIP Int'l Capital Appreciation	H ***	1.53	10.62	4.0	9.4	4.0	76.4	-7.8	
VIP Investment Grade Bond	B ****	0.25	34.12	2.1	0.2	2.1	15.4	4.8	4.3
VIP Materials	H ***	1.5 Est	11.11	5.0	7.7	5.0	80.0		
VIP Mid Cap	B ****	1.11	21.93	6.4	6.0	6.4	54.3	-0.3	5.8
VIP Money Market			21.82	-0.2	-0.1	-0.2	-0.4	1.7	2.4
VIP Overseas	S **	1.22	33.67	0.9	7.5	0.9	50.2	-7.6	3.0
VIP Real Estate	H ***	2.14	16.73	11.0	10.8	11.0	128.8	-10.5	3.9
VIP Strategic Income	B ****	0.44	14.69	2.5	1.6	2.5	29.5	6.7	6.4
VIP Technology	B ****	1.57	12.10	2.6	7.5	2.6	85.9	3.2	7.1
VIP Telecommunications	B ****	1.3 Est	7.51	-0.8	5.5	-0.8	34.8		
VIP Utilities	H ***	0.97	11.37	-2.2	3.6	-2.2	26.7	-8.2	4.2
VIP Value	B ****	1.45	10.01	8.6	7.2	8.5	79.3	-7.5	
VIP Value Leaders	H ***	1.18	9.48	5.9	5.7	5.9	56.1	-9.2	
VIP Value Strategies	B ****↑	1.58	13.33	10.8	8.4	10.8	96.6	-6.3	1.9
Fidelity Monitor VIP Income Model		0.31	21620.38	2.3	0.7	2.3	24.7	2.3	3.4
Fidelity Monitor VIP G&I Model		0.80	24802.38	4.2	3.7	4.2	39.7	-1.2	3.2
Fidelity Monitor VIP Growth Model		1.15	29961.09	6.1	7.1	6.1	52.8	-8.0	0.1
Fidelity Monitor VIP Sector Model		1.19	18990.85	3.7	6.3	3.7	62.8	-0.8	6.5

## INCOME MODEL

Focuses on income funds that hold bonds or cash.  
Target Growth Rate: 7% Target Risk Level: 0.33

FUND	NAV	SHARES	BALANCE
Invest. Grade Bond	\$7.15	4340.521	\$31034.73
Strategic Income	\$10.98	2798.507	\$30727.61
<b>Total Bond</b>	<b>\$10.64</b>	<b>2688.162</b>	<b>\$28602.04</b>

16% Foreign Holdings  
Balance as of 3/31/10: \$90364.38  
Balance at start of 2010: \$88095.63



**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: +20.0%

**2010 YTD: + 2.6%**

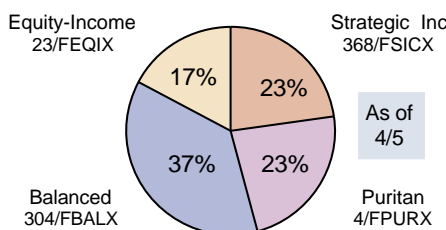
For March our Income Model finished with a 0.9% increase.

## GROWTH AND INCOME MODEL

Focuses on asset allocation funds to help limit risk.  
Target Growth Rate: 10% Target Risk Level: 0.75

FUND	NAV	SHARES	BALANCE
Puritan	\$16.77	4571.343	\$76661.42
Balanced	\$17.04	3662.341	\$62406.29
High Income	\$8.67	3328.198	\$28855.48

14% Foreign Holdings  
Balance as of 3/31/10: \$167923.19  
Balance at start of 2010: \$161025.23



**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: +28.1%

**2010 YTD: + 4.3%**

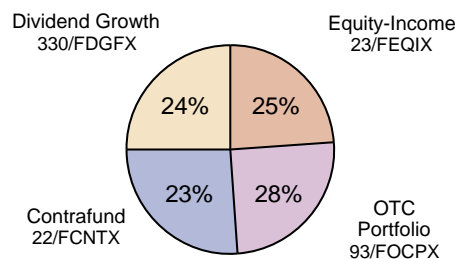
Our Growth and Income Model gained 4.0% in March. On 4/5 we'll sell **High Income** and buy **Equity-Income**. We'll also exchange one-half of **Puritan** for **Strategic Income**.

## 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
Equity-Income	\$41.55	1029.269	\$42766.13
OTC Portfolio	\$48.37	984.424	\$47616.59
Contrafund	\$60.28	649.764	\$39167.77
Dividend Growth	\$25.24	1647.212	\$41575.63

13% Foreign Holdings  
Balance as of 3/31/10: \$171126.12  
Balance at start of 2010: \$161124.81



**PAST PERFORMANCE**  
Starting Balance: \$15,000

1987: + 2.8%	1999: +29.0%
1988: +26.0%	2000: -10.8%
1989: +30.4%	2001: - 6.4%
1990: - 4.4%	2002: -17.1%
1991: +40.6%	2003: +46.1%
1992: +15.7%	2004: +12.4%
1993: +31.9%	2005: +11.2%
1994: - 2.1%	2006: +15.7%
1995: +27.2%	2007: + 7.3%
1996: +19.2%	2008: -42.7%
1997: +25.5%	2009: +31.8%
1998: + 9.9%	

**2010 YTD: + 6.2%**

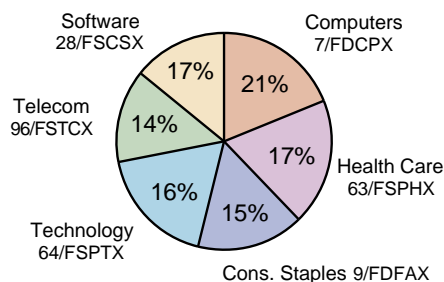
Our Growth Model was up 7.0% in March, versus 6.0% for the S&P. On 3/8 we traded **Low-Priced** (\$33.71) for **Equity-Income** (\$40.32).

## SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Computers	\$46.41	1560.153	\$72406.70
Health Care	\$114.93	516.194	\$59326.18
Consumer Staples	\$63.84	815.702	\$52074.42
Technology	\$77.80	734.691	\$57158.96
Telecom	\$39.96	1281.455	\$51206.94
Software	\$76.74	783.895	\$60156.10

12% Foreign Holdings  
Balance as of 3/31/10: \$352329.30  
Balance at start of 2010: \$341250.55



**PAST PERFORMANCE**  
Starting Balance: ~\$25,000

1989: +23.4%	2000: -14.9%
1990: +31.3%	2001: - 7.3%
1991: +35.3%	2002: -14.7%
1992: +20.4%	2003: +38.4%
1993: +25.9%	2004: + 7.4%
1994: - 0.9%	2005: +15.0%
1995: +39.0%	2006: +13.6%
1996: + 5.2%	2007: +15.6%
1997: +29.3%	2008: -39.3%
1998: +21.7%	2009: +35.4%
1999: +44.9%	

**2010 YTD: + 3.2%**

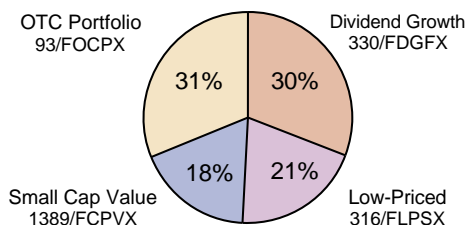
Our Select System was up 6.1% for the month of March, compared to a gain of 6.0% for the S&P 500. On 3/8 we sold **Leisure** (\$72.61) and bought **Telecommunications** (\$38.92).

## 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	\$25.24	1397.231	\$35266.11
Low-Priced Stock	\$34.61	694.362	\$24031.87
Small Cap Value	\$13.83	1528.959	\$21145.50
OTC Portfolio	\$48.37	732.725	\$35441.91

15% Foreign Holdings  
Balance as of 3/31/10: \$115885.39  
Balance at start of 2010: \$107961.13



**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: +45.8%

**2010 YTD: + 7.3%**

Our Unique Opportunities Model gained 7.3% in March, slightly ahead of the S&P 500's 6.0% return. On 3/8 we sold one-third of **Low-Priced Stock** (\$33.71) and bought **Dividend Growth** (\$24.59).

for 30% of today's market cap, barely existed back then.

So if the market "tops out" at 100-120% of GDP, does this mean that future stock market opportunities will be limited? Not at all. Stock investors will still log gains from GDP growth, share buybacks, and reinvested dividends. If we assume that GDP will grow at 3% per year, and that total shareholder compensation will run 5%, a total market index position could still grow 8% annually even if valuations stay flat. ■

## Question & Answer Forum

**I noticed the risk figures for your Income Model and Growth & Income Model are running above the targets you list on page 7. It also seems to me that your growth rate goals are too aggressive for your stock-only models.**

Effective this month we are raising the risk target to 0.33 for the Income Model, and to 0.75 for the Growth and Income Model. Last October we changed the risk calculation approach to a monthly standard deviation method which generates higher readings for bond funds. The new targets reflect that shift. We're not looking to be more aggressive in these portfolios. If anything, the two models are actually positioned more conservatively than they have been in the past.

As for the growth rate goals, you have a valid point. While our goals are reasonable targets for a favorable 3-5 year recovery cycle, they're probably too optimistic for the long haul. Over the past 21 years, our Select System has compounded at just over 13% per year, and our Growth Model has finished just under 11%. That puts them 1-2 points shy of their targets (although prior to 2008 both portfolios were ahead).

A year or two from now, perhaps when stock values have fully recovered, we'll have a chance to take a good look at the long-term rates. At the same time, we'll have a better idea of how shareholder compensation and GDP growth are settling out. Hopefully we can put it all together and come up with a reasonable expectation for the future.

### Why do you delay your portfolio switches so much?

Our current approach was put in place about a decade ago, when a substantial number of readers were getting the newsletter by mail and having a hard time remembering to call the telephone hotline for switches. We simplified the process by announcing trades in our monthly issues well in advance of the actual switch date. The idea was to allow for mail delays and prospectus reading. It also made life a little easier on Fidelity's stock fund managers, who sometimes had to deal with large amounts of money

Nor is the Fed's wind-down of mortgage securities activity likely to be a big problem. There is far too much investor pessimism for any major bond-selling wave to develop.

The high-yield sector got a big lift as credit fears eased. **Capital & Income** gained 4.1%, **New Markets Income** was up 3.2%, and **High Income** rose 3.0%. On the losing end, **Spartan Int. Treasury Index** slipped 1.0%, and **Spartan Long-Term Treasury Index** declined 1.5%.

Municipal bonds were hurt by rising long-term rates, with returns ranging from a 0.6% loss to a 0.1% gain.

### SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. The following funds have above-average scores in our volatility model: **Health Care, Medical Delivery, Medical Equip., Cons. Staples, Pharmaceuticals, Telecom, Software, IT Services, and Technology.**

**Transportation** jumped 13.2%, **Brokerage** climbed 10.2%, and **Defense** gained 10.1%. On the bottom end, **Gold** edged up 2.0%, **Energy** rose 1.8%, **Energy Service** edged up 0.5%, and **Natural Gas** slid 0.1%. ■

### MARCH DISTRIBUTIONS

<b>Asset Manager 20%</b>	\$ 0.015/\$12.14 (3/5)
<b>Asset Manager 30%</b>	\$ 0.014 / \$9.30 (3/5)
<b>Freedom Income</b>	\$ 0.01 / \$10.88 (3/5)
<b>Mid-Cap Growth</b>	\$ 0.004/\$10.50 (3/5)
<b>Real Estate Income</b>	\$ 0.04 / \$9.52 (3/5)
<b>Real Estate</b>	\$ 0.07 / \$21.06 (3/5)

Funds scheduled in April include all enhanced index funds, all **Select** portfolios, **Asset Manager 20%** through **50%**, **Balanced, CA Muni, Conv Sec., Equity-Inc., Equity-Income II, Fidelity Fund, Four-In-One Index, Freedom Inc., Growth & Inc., Mega Cap, Puritan, Spartan Ext. Mkt. Index, Spartan Int'l Index, Spartan Total Mkt. Index**, all **Spartan Treasury** funds, **Strategic Dividend & Income, Strategic Real Return, and Utilities Fund.**

moving on our switch recommendations (advance notice gave them more time to plan for inflows and outflows).

Today, many readers get their weekly updates by email (or by logging into [fidelitymonitor.com](http://fidelitymonitor.com)). And a growing number are acting on the advice as soon as they get it. On the Fidelity side, the money that follows our models is no longer concentrated in the most aggressive stock portfolios, so our switches are not usually a problem for Fidelity's fund managers.

Starting this month, we're going to shorten the switch "delay" by about a week, meaning our trades will occur earlier in the month. In most cases, model performance is not significantly impacted by trades that are executed a few days early or a few days late, so we hope this change will strike a balance that everyone can live with. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	127951.6	0.02	CT MM (418/FCMXX)	1761.2	0.01			
Select MM (85/FSLXX)	7760.9	0.09	MA MM (74/FDMXX)	4930.4	0.01			
Money Market (454/SPRXX)	6904.3	0.01	MI MM (420/FMIXX)	870.7	0.01	MA AMT TF (426/FMSXX)	435.7	0.02
Gov't MM (458/SPAXX)	780.1	0.01	NJ MM (417/FNJXX)	2236.5	0.01	AMT Tax-Free (460/FIMXX)	2175.5	0.01
US Treas. MM (415/FDLXX)	5498.7	0.01	NY MM (92/FNYXX)	5089.7	0.01	NJ AMT TF (423/FSJXX)	396.0	0.03
Tax-Free MM (275/FMOXX)	6183.4	0.01	OH MM (419/FOMXX)	1019.5	0.01	NY AMT TF (422/FSNXX)	707.2	0.03
US Gov't Reser (50/FGRXX)	3559.7	0.01	AZ MM (433/FSAXX)	354.3	0.01	PA MM (401/FPTXX)	664.6	0.01
CA MM (97/FCFXX)	5037.8	0.01	CA AMT TF (457/FSPXX)	807.5	0.04	Municipal MM (10/FTExX)	23481.8	0.01