

Jack
Bowers



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Inflation or Deflation?

The year is 1971, and the inflationary event of the century is about to be unleashed. After six years of trying to salvage a global fixed-exchange rate system that doesn't allow free market forces to correct trade imbalances, the U.S. has just suspended the dollar's convertibility into gold to stem a run on Fort Knox. This sets off a chain reaction of events that ultimately causes the collapse of the Bretton Woods agreement.

On one hand, it's a good thing, because free-floating currencies do a much better job of absorbing shocks and correcting financial imbalances without constraining economic growth. On the other, a painful adjustment period lies ahead. The U.S. Government has lost its ability to fix the price for key commodities such as oil. Basic materials must now become market-priced based on supply and demand, causing prices to skyrocket. That, in turn, will cause labor unions to begin demanding generous cost of living increases.

The Fed has yet to grasp the inflationary threat that lies ahead, and it adds to the problem by allowing real borrowing costs to go negative in 1975, making it very

INFLATION OR DEFLATION - *Continued on page 2*

Changes for Select System, VIP Sector Model

On Monday, 5/10, we'll be making the following changes:

Our Select System will sell **Computers** (7/FDCPX) and buy **Home Finance** (98/FSVLX). Our volatility model now ranks **Computers** the lowest of our six holdings. And in true contrarian fashion, **Home Finance** is on track to be the top-ranked sector. While it may not seem wise to give up a strong performer for one that is just recovering, valuations are attractive in the consumer lending arena. And now that housing prices have stabilized, the surviving institutions are making good money with today's steep yield curve. **Home Finance** focuses mainly on smaller lenders, which are less likely to be negatively impacted by new regulations. Many of the stocks held by **Computers** are similar to those held by **Technology**, so even after this move we'll still have a significant position in hardware and software.

Our VIP Sector Model will sell one-third of **VIP Technology** and buy **VIP Financial Services**.

Review & Recommendations

The U.S. economic recovery remains firmly on track, and first quarter earnings are coming in on a strong note. However, debt problems in Europe are continuing to deteriorate, making it all but certain that a major bailout will be necessary to keep Greece from defaulting. The conditions that go with it are likely to further reduce economic growth in the region, raising the possibility that Europe could eventually see some deflationary pressures of its own. The S&P 500 gained 1.6% for the month of April.

GROWTH FUNDS

We suggest following our Growth Model for stock exposure. Holdings are listed on page 7. If you prefer instead to pick your own funds, our favorites include **Dividend Growth, Equity-Income, OTC Portfolio, Small Cap Value, Contrafund, and Low-Priced Stock**.

Small-caps performed strongly as it became clear that the U.S. economy is strengthening while Europe gets weaker. **Small Cap Discovery** jumped 8.2%, **Small Cap Value** gained 7.7%, and **Leveraged Company Stock** climbed 6.3%. On the flip side, **Fidelity Fifty** increased 1.3%, **Large Cap Growth Enhanced Idx** and **Disciplined Equity** rose 1.0%, and **130/30 Large Cap** edged up 0.4%.

INTERNATIONAL FUNDS

Pacific Basin remains our favorite foreign stock fund. For global diversification in a hybrid fund that blends stocks and bonds, consider **Global Balanced**.

A selloff in European stocks weighed on funds with heavy exposure to the region, but the Pacific Region helped carry the day for others. Leading the pack, **Japan Smaller Companies** gained 3.0%, **Pacific Basin** rose 2.5%, and **Nordic** was up 2.3%. On the bottom end, **Global Commodity Stock** was off 1.8%, **Int'l Value** slid 1.9% and **Int'l Enhanced Index** declined 2.3%.

GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are on page 7. For a well-diversified hybrid fund that includes stocks and bonds, consider **Balanced** or **Puritan**. For dividend stocks, go with **Equity-Income**.

Real Estate jumped 6.3% on continuing signs of strength in the U.S. economy. **Strategic Dividend & Income**, which includes a real estate component in its portfolio, rose 3.8%. **Equity-Income** was up 2.8%.

RECOMMENDATIONS - *Continued on page 8*

INFLATION OR DEFLATION - Continued from page 1

attractive to borrow money and buy hard assets. A culture of inflation sets in. By the time Paul Volker becomes Fed chairman in 1979, there's only one option left for regaining price stability. The Fed raises short-term interest rates in major steps, pushing the Federal Funds rate up until it finds the economy's breaking point at 20%. A severe recession takes hold, but wage pressures persist, making it necessary to keep borrowing costs high. Only after another decade of increasing global competition and rising productivity growth can inflation be considered back under control.

The year is 1990, and a deflationary event of epic proportions has been unleashed in Japan. An overheated property bubble has been pricked, setting the stage for commercial and residential real estate values to fall by more than two-thirds. The resulting reverse-wealth effect will create a strong desire to pay down debt and hoard cash. Japan's central bank is slow to recognize the threat, but eventually cuts short-term interest rates to near-zero levels. It's not enough. Rents begin to decline on a year-over-year basis and strapped businesses begin to cut employee wages on a regular basis. Inflation gives way to deflation, making it unattractive to borrow. Consumers stop spending, boosting the country's trade surplus, which puts upward pressure on the yen. The government tries to weaken the currency with continuous intervention, but the effort fails. Job losses accelerate as domestic manufacturers shift production out of the country, adding to the downward pressure on wages. The central bank tries to expand the money supply through quantitative easing. But without loan demand there is no easy way to "print" yen and boost the money supply. With politicians unable to agree on a way to deal with bad bank debt, the only option left is a long workout period. Deflation tends to end naturally when consumer debt drops to comfortable

levels. However, in a country where it's not considered honorable to walk away from your obligations, it's a slow process. Some 20 years after the initial event, Japanese consumer spending is just now returning to normal.

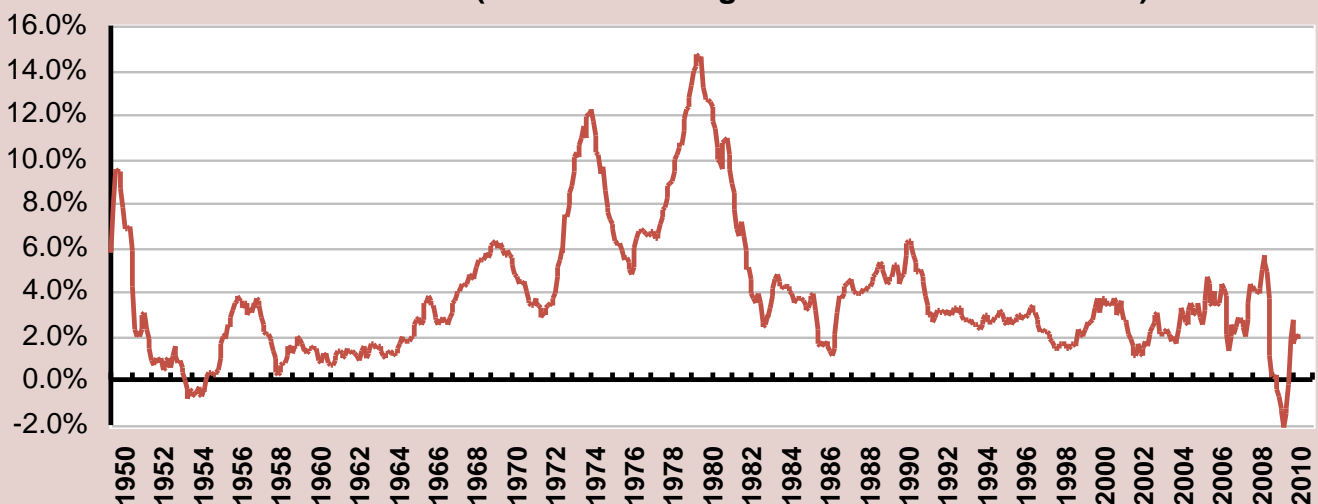
So what does all this mean for today's U.S. situation? At a time when there is sharp disagreement about the future path of inflation, it's worth noting that our economy currently has more in common with Japan in the 1990s than with the sugar and canning lid shortages of the mid-1970s. Furthermore, the downward trend in consumer debt also suggests that deflation is a bigger threat than inflation. The real estate bust may be yesterday's news, but its reverse wealth-effect lives on, putting downward pressure on rents and leases for many years to come. Our situation is not as dire as Japan's was, but the next decade will hardly be a picnic for landlords and job-seekers.

The definition of inflation is too many dollars chasing too few goods and services. In other words, inflation is the result of money being spent at a rate that exceeds the economy's ability to deliver goods and services. Hardly today's problem, when far more consumers are trying to pay down debt than buy a larger house or new car.

Bernanke's recent comments seem to reflect the Fed's growing unease with core inflation levels that are slipping back toward zero, even with the strong rebound in commodity prices over the last year. Like the Bank of Japan in the 1990s, the Fed never expected to hold the Fed Funds rate at near-zero levels for any length of time. But it may not have much choice. A tightening move at this stage would only serve to increase the cost of borrowed money when real (net-of-inflation) interest rates are already choking off borrowing demand. Even if the Fed does make a symbolic tightening move, it's not likely to be very big, nor is it likely to be followed by additional rate hikes.

There are many forces keeping inflation under control

U.S. Inflation (12-month Change In Consumer Price Index)



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in today's economy. Global competition makes labor markets too competitive for wage inflation to become a problem. Excess industrial capacity means that cost pressures cannot be passed along. Technology keeps advancing, allowing for an ongoing stream of productivity-boosting opportunities. Back in the 1970s, productivity growth was sliding toward zero. Today it is well above 5%. Even if wage pressures did exist, they would not be much of a problem for an economy that can free up labor at such a robust pace.

On the energy front, the U.S. is quickly gaining the technical capability for full independence. If global oil prices were to keep rising, domestic shale gas and shale oil production would quickly ramp up, and the transition to higher mileage vehicles would accelerate. Exports of natural gas would surge, offsetting the trade value of any remaining oil imports. This is significant, because it means that any commodity-induced pricing pressures would not have a permanent effect.

In summary, inflation is likely to remain subdued until consumers reduce their debts to a level they are comfortable with. It's hard to say how long this will take, but most likely it will range between the remaining term of the average car loan and the average payoff period for existing mortgage debt. A good guess would be about 10 years. During this period, the risk of an inflationary surge is very low.

The most important implication of this situation is that the Fed will have to keep short-term interest rates low for a very long time. Even if today's near-zero target is increased, it may be a long time before the Fed Funds rate moves above 1%.

FAVORABLE SURPRISE POTENTIAL

Many investors expect inflation and interest rates to surge for a variety of reasons. Some think the recovery cycle will drive borrowing demand, but they don't realize that without commercial construction it just doesn't happen. Some think that foreigners will stop buying our government debt. But they've already cut back in a big way and domestic demand has quickly filled the void. Some think the Fed's balance sheet expansion will come home to roost, but they don't realize that most of that \$2 trillion was needed to keep the banks in business. And most of it can be "unprinted" the same way it was "printed" when the time is right. Some think the dollar will take a pounding, causing commodity inflation like the 1970s, but they don't realize the dollar actually stands to gain strength as our trade gap continues to close.

With so much skepticism, the scenario that is most likely to unfold is one that is favorable for both stocks and bonds. As investors continue to be surprised by near-zero inflation (and a Fed that talks tough but keeps

rates low), bonds will be sought out for their relatively high yields, and stocks will be sought out for earnings that grow at above-average rates in today's favorable interest-rate environment.

Oddly enough, even those who remain frozen in cash could benefit from near-zero inflation. With little or no increase in overall living expenses, after-tax purchasing power is eroding less than if yields and inflation were both running at a 3% rate. ■

Question & Answer Forum

I don't understand why a debt problem in Greece can rattle the global financial markets. Is this really on the same scale as the mortgage meltdown?

No, but the problem may be much bigger than Greece. It stems from the fact that GDP has stalled in some European countries, and may not pick up for years to come. Greece is most vulnerable because it has the weakest tax collection system, but other countries may also have problems servicing their sovereign debt, including Portugal, Ireland, Italy and Spain. Spain is particularly worrisome because it may be too big to be bailed out if things get ugly.

Prior to the Economic Union, problems like this would have been rare. If Greece still had its own currency, it would have tumbled long before now, boosting both its exports and its cost of borrowed money, leaving it with less debt and more tax revenue with which to service it. The structure of the Economic Union, like any fixed exchange-rate system, tends to mask free-market signals. Interest rates are held artificially low for the most reckless borrowers, allowing bigger abuses to occur.

Trying to solve this problem within the confines of the E.U. structure entails its own set of challenges. Citizens of fiscally responsible countries aren't going to like the idea of bailing out prolific spenders, and citizens of bailed-out countries will blame the lending countries for their reduced standard of living. The underlying financial forces are big enough that a breakup of the Economic Union cannot be ruled out, although such an event would probably take many years to play out.

In the meantime, the situation has deflationary implications for the global economy. If millions of people end up living on less, the world could ultimately see less demand for natural resources, consumer goods, and housing. Gold may initially jump as Europeans try to protect against a weakening euro, but longer term the metal could suffer as real borrowing costs rise.

For U.S. investors, the implications are mixed. A severe credit crunch in Europe could cause a correction

QUESTION & ANSWER - *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 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 ↓.

APRIL 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
GROWTH FUNDS:												
130/30 Large Cap (2063/FOTTX)	S**	1.13	none	6.96	20.8	5.5	0.4	10.7	26.6			
Growth Strategies (324/FDEGX)	H***	1.25	1.5(90)	18.18	1988.6	11.7	3.0	17.9	44.9	-4.4	4.0	-9.2
Blue Chip Gth (312/FBGRX)	B****	1.10	none	40.93	11434.5	7.9	2.0	14.0	44.9	0.9	4.6	-1.5
Blue Chip Value (1271/FBCVX)	H***	1.18	none	10.85	367.7	8.9	2.6	12.3	43.6	-9.1	1.0	
Capital Apprec (307/FDCAX)	H***	1.17	none	23.63	4973.8	10.3	1.5	14.6	46.9	-3.3	4.8	1.6
Contrafund (22/FCNTX)	B****	0.94	none	61.28	58318.1	5.3	1.7	10.4	36.9	-0.8	6.5	3.8
Growth Discovery (339/FDSVX)	S**	1.14	none	12.07	714.8	8.7	2.0	15.2	37.9	-3.1	4.1	0.1
Disc Equity (315/FDEQX)	S**	1.02	none	22.19	10646.2	5.6	1.0	10.8	35.1	-7.4	2.1	0.1
Dividend Gth (330/FGDFX)	B****	1.29	none	26.04	8185.8	10.0	3.2	14.3	54.4	-2.8	3.9	2.2
Export Fund (332/FEXPX)	H***	1.13	0.75(30)	20.79	2790.2	6.0	2.1	11.4	39.6	-3.7	4.4	3.9
Fidelity Fifty (500/FFTYX)	H***	1.25	none	16.12	771.4	7.2	1.3	12.2	40.1	-7.9	2.7	1.6
Focused Stock (333/FTQGX)	H***	1.02	none	11.95	128.8	8.6	3.5	15.9	37.6	-0.5	6.0	-0.9
Growth Company (25/FDGRX)	B****	1.12	Closed	74.76	29164.9	8.4	2.2	14.6	44.1	1.2	7.8	-0.7
Independence (73/FDFFX)	H***	1.42	none	21.70	4039.9	8.9	1.5	14.8	50.4	-1.3	6.7	0.7
Lg Cap Core En Idx (1827/FLCEX)	H***	1.0 Est	none	8.21	1049.3	6.3	1.4	10.4	36.8			
Lg Cap Gth En Idx (1829/FLGEX)	H***	1.2 Est	none	8.96	51.8	5.3	1.0	10.3	38.0			
Large Cap Growth (763/FSLGX)	H***	1.04	none	8.66	106.7	6.5	1.6	12.6	33.7	-6.8	0.7	
Large-Cap Stock (338/FLCSX)	B****	1.29	none	16.55	995.0	10.4	2.0	13.7	50.5	-2.6	5.0	-1.3
Lg Cap Val En Idx (1828/FLVEX)	H***	1.2 Est	none	7.24	70.4	8.4	2.3	12.1	38.2			
Large Cap Value (708/FSLVX)	H***	1.09	none	10.49	979.3	7.7	1.8	11.6	38.4	-10.1	0.9	
Lev Co Stock (122/FLVCX)	B****	1.71	1.5(90)	26.21	4411.8	14.4	6.3	17.4	67.8	-4.8	6.3	
Low-Priced Stock (316/FLPSX)	B****	1.16	1.5(90)	35.46	26567.6	11.0	2.5	12.9	46.4	-1.4	6.6	11.9
Magellan (21/FMAGX)	H***	1.32	none	68.54	22631.2	6.6	1.5	11.4	36.0	-5.4	1.6	-1.7
Mid Cap Growth (793/FSMGX)	H***	1.32	0.75(30)	11.04	238.0	11.1	2.5	17.1	51.9	-6.9	1.8	
Mid Cap Stock (337/FMCSX)	B****	1.38	0.75(30)	27.26	7119.5	16.4	4.7	20.0	64.1	-2.7	8.2	3.7
Mid Cap Value (762/FSMVX)	H***	1.30	0.75(30)	14.54	537.7	13.9	3.6	17.2	54.7	-5.3	5.0	
New Millennium (300/FMILX)	B****	1.19	none	27.28	1822.7	10.8	2.7	15.4	49.0	0.8	8.8	1.9
OTC Portfolio (93/FOCPX)	B****	1.33	none	49.73	5806.4	8.8	2.8	16.1	47.8	4.5	9.7	-1.2
Small Cap Discovery (384/FSCRX)	B****	1.40	1.5(90)	18.43	444.0	18.6	8.2	19.8	64.2	5.5	10.2	
Small Cap Growth (1388/FCPGX)	H***	1.28	1.5(90)	14.11	1288.7	13.6	5.1	17.2	51.2	-1.6	7.3	
Small Cap Indep (336/FDSCX)	H***	1.39	1.5(90)	16.13	1597.5	15.9	6.2	20.0	49.2	-7.2	3.7	3.3
Small Cap Stock (340/FSLCX)	B****	1.45	2 (90)	17.74	4009.0	11.3	2.5	16.3	63.2	1.2	8.0	7.6
Small Cap Value (1389/FCPVX)	B****	1.35	1.5(90)	14.90	1769.9	17.5	7.7	17.8	54.4	2.1	9.6	
Stock Selector (320/FDSSX)	H***	1.04	none	23.54	762.8	8.4	2.2	12.3	38.5	-4.8	3.2	-0.2
Tax Managed Stock (343/FTXMX)	S**	1.10	none	11.70	78.0	7.3	1.4	13.2	35.7	-8.2	2.0	
Trend (5/FTRNX)	B****	1.15	none	60.10	858.7	6.9	1.8	12.8	43.2	-0.6	5.3	1.1
Value (39/FDVLX)	B****	1.48	none	65.24	8114.6	14.6	5.1	17.9	57.3	-6.1	4.0	8.1
Value Discovery (832/FVDFX)	H***	1.16	none	14.28	672.9	11.0	4.0	14.9	44.7	-6.0	4.7	
Value Strategies (14/FSLSX)	B****	1.60	none	25.82	341.3	16.8	5.2	19.5	67.4	-5.1	5.7	6.7
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.80	none	17.28	18314.6	6.1	1.9	8.2	31.6	-1.5	5.3	5.8
Convertible Sec (308/FCVXS)	H***	1.35	none	23.71	2493.9	9.6	3.1	11.7	59.6	0.3	7.5	5.3
Equity-Income (23/FEQIX)	B****	1.15	none	42.55	15090.2	9.1	2.8	12.6	44.2	-7.5	2.0	2.9
Equity-Income II (319/FEQTX)	B****	1.11	none	17.67	5394.6	8.6	2.6	12.1	42.0	-7.3	1.1	2.4
Fidelity Fund (3/FFIDX)	S**	1.05	none	30.28	5166.1	7.0	2.7	12.2	34.3	-3.8	3.6	0.0
Growth & Income (27/FGRIX)	S**	1.20	none	17.28	6226.4	7.7	1.8	11.6	36.9	-14.2	-5.0	-3.2
Mega Cap Stock (361/FGRTX)	B****	1.04	none	9.40	508.9	6.8	1.2	10.3	41.2	-4.3	3.2	0.9
Puritan (4/FPURX)	B****	0.72	none	17.05	17014.5	6.7	2.2	8.8	32.6	-0.9	4.6	4.8
Real Estate Income (833/FRIFX)	B****	0.80	0.75(90)	10.02	829.3	9.4	2.9	8.5	43.7	0.4	3.9	
Real Estate (303/FRESX)	H***	2.10	0.75(90)	23.77	2984.6	18.3	6.3	26.1	82.6	-9.7	3.3	11.4
Strategic Div & Inc (1329/FSDIX)	B****	1.16	none	10.51	493.6	10.8	3.8	14.0	51.9	-4.5	3.5	
Telecom & Utilities (311/FUIX)	H***	0.91	none	14.44	727.4	3.8	2.7	9.2	25.0	-9.0	3.5	-1.5
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.66	0.75(30)	38.87	148.6	22.0	0.4	20.9	76.7	-1.4	8.9	6.2
Automotive (502/FSAVX)	H***	2.56	0.75(30)	35.05	163.6	13.4	5.4	16.5	88.3	-3.6	4.2	5.0
Banking (507/FSRBX)	H***	1.62	0.75(30)	19.61	455.9	28.7	7.7	19.8	73.1	-12.4	-4.2	2.7
Biotechnology (42/FBIOX)	H***	1.00	0.75(30)	72.63	1161.6	10.9	0.0	8.7	32.2	2.5	7.2	0.6
Brokerage (68/FSLBX)	H***	1.50	0.75(30)	53.55	606.9	13.0	2.9	16.2	61.3	-6.7	7.9	6.6
IT Ser / Bus Ser (353/FBSOX)	B****	1.20	0.75(30)	18.84	100.6	5.7	3.6	10.4	51.4	5.3	11.6	7.0
Chemicals (69/FSCHX)	H***	1.37	0.75(30)	79.26	440.8	7.9	1.5	12.7	43.7	6.1	10.2	11.3
Computers (7/FDCPX)	H***	1.45	0.75(30)	48.18	532.5	5.7	3.8	16.9	57.7	5.9	9.2	-5.7
Const & Housing (511/FSHOX)	H***	1.51	0.75(30)	35.55	106.9	22.4	11.7	25.9	42.3	-2.3	3.3	9.8
Consumer Disc (517/FSCPX)	H***	1.20	0.75(30)	22.11	101.3	17.7	5.9	20.8	46.3	-2.5	3.9	2.2
Industrial / Cyc Ind (515/FCYIX)	H***	1.42	0.75(30)	21.16	293.1	16.8	5.5	20.9	58.2	2.3	9.2	8.4
Defense & Aero (67/FSDAX)	H***	1.34	0.75(30)	69.76	684.5	15.6	2.2	17.1	49.5	-1.6	7.0	9.5
Com Equip / DevC (518/FSDCX)	H***	1.64	0.75(30)	23.26	390.8	12.0	3.8	20.8	52.4	2.5	7.8	-6.2
Electronics (8/FSLEX)	H***	1.54	0.75(30)	43.60	1170.6	5.2	1.8	17.6	56.8	-2.1	4.7	-7.4
Energy (60/FSNEX)	H***	1.68	0.75(30)	45.38	2145.4	2.8	2.4	7.6	38.7	-3.7	9.5	9.9
Energy Service (43/FSSES)	H***	1.96	0.75(30)	62.99	1273.9	8.3	7.5	11.6	45.4	-4.6	9.6	7.9
Environmental (516/FSLEX)	S**	1.08	0.75(30)	16.32	48.5	5.0	5.8	11.4	28.7	-2.5	4.9	5.3
Financial Services (66/FIDSX)	H***	1.49	0.75(30)	66.27	552.6	14.2	1.9	13.2	54.9	-15.4	-3.4	1.9
Con Stap / Food Ag (9/FDFAX)	B****	0.78	0.75(30)	63.10	995.6	3.9	-1.0	5.2	33.8	3.0	9.0	9.5
Gold (41/FSAGX)	S**	2.28	0.75(30)	46.43	2882.2	9.4	12.5	22.8	53.7	14.6	25.1	21.0
Health Care (63/FSHPX)	B****	0.93	0.75(30)	113.72	1837.3	6.6	-1.0	6.1	39.5	-0.2	5.0	3.8
Home Finance (98/FSVLX)	B****↑	1.40	0.75(30)	12.70	101.4	16.0	1.8	15.4	43.0	-32.2	-18.1	-2.9
Indust Equip (510/FSGTX)	H***	1.50	0.75(30)	29.97	137.8	17.9	5.2	20.1	60.0	-0.1	7.6	3.8
Materials / Ind Mat (509/FSDPX)	H***	1.55	0.75(30)	57.51	663.6	6.6	1.6	14.6	54.6	4.6	13.7	13.4
Insurance (45/FSPCX)	B****↑	1.40	0.75(30)	44.71	174.7	13.0	-0.7	11.8	48.1	-12.0	-1.5	5.8
Leisure (62/FDLSX)	H***	1.11	0.75(30)	82.18	238.4	23.8	7.7	24.0	47.9	3.4	9.0	4.3
Medical Delivery (505/FSHCX)	B****	1.35	0.75(30)	44.73	493.5	3.9	-4.6	3.6	50.1	-2.7	3.5	13.3
Medical Equip/Sys (354/FSMEX)	B****	0.93	0.75(30)	26.20	1509.9	7.1	-1.1	5.9	37.3	6.2	7.2	10.5
Multimedia (503/FBMPX)	H***	1.32	0.75(30)	39.06	119.1	14.5	4.9	20.2	64.5	-1.4	5.0	2.2
Natural Gas (513/FSNGX)	H***	1.78	0.75(30)	31.73	1089.4	0.8	1.5	4.5	34.2	-6.5	7.0	9.9
Nat Resources (514/FNARX)	H***	1.71	0.75(30)	29.43	1496.4	3.5	3.2	10.6	43.6	-0.9	13.0	11.1
Pharmaceuticals (580/FPHAX)	B****	0.86	0.75(30)	11.24	261.2	3.9	-1.9	4.7	40.7	1.0	7.8	
Retailing (46/FSRPX)	H***	1.25	0.75(30)	49.63	183.4	18.8	4.9	21.6	48.7	4.0	9.8	5.3
Software (28/FSCTX)	B****	1.21	0.75(30)	77.90	1046.3	2.6	1.5	10.5	46.3	4.1	11.7	2.5
Technology (64/FSPTX)	B****	1.59	0.75(30)	80.28	2149.0	6.4	3.2	16.8	60.2	3.9	8.6	-5.6
Telecom (96/FSTCX)	B****	1.31	0.75(30)	40.02	317.5	0.6	0.7	8.8	24.2	-7.4	4.8	-6.0
Transportation (512/FSRFX)	H***	1.31	0.75(30)	50.06	198.1	27.3	5.4	32.9	78.3	1.5	9.2</	

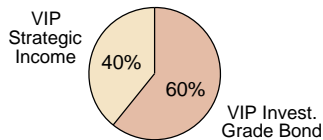
APRIL PERFORMANCE						30-day	2010	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
INTERNATIONAL FUNDS:												
Canada (309/FICDX)	H***	1.52	1.5(90)	52.16	3746.3		7.6	1.1	16.4	45.1	1.8	11.6
China Region (352/FHKCX)	H***	1.60	1.5(90)	27.54	2173.8		-1.3	-1.0	7.2	44.0	9.2	14.2
Diversified Int'l (325/FDIVX)	S**	1.26	1 (30)	27.76	31331.9		-0.9	-1.5	4.6	33.9	-8.5	4.0
Emerging EMEA (2053/FEMEX)	H***	1.8 Est	1.5(90)	8.06	122.1		5.8	-1.1	7.3	47.0		
Emerging Mkts (322/FEMKX)	H***	1.78	1.5(90)	23.26	4172.6		2.9	0.7	9.3	62.5	-1.9	14.7
Europe (301/FIEUX)	S**	1.24	1 (30)	28.65	2326.6		-2.8	-1.7	4.4	32.5	-8.5	4.4
Europe Cap Appr (341/FECAX)	S**	1.27	1 (30)	17.28	497.6		-2.6	-1.7	4.7	32.7	-10.3	4.9
Global Balanced (334/FGBLX)	B****	0.75	1 (30)	20.76	445.5		3.2	1.1	6.9	29.9	1.5	6.8
Glob Commodity Stk (2120/FFGCX)	H***	1.6 Est	1 (30)	14.68	287.7		-0.2	-1.8	7.4	39.5		
Int'l Capital Apprec. (335/FIVFX)	H***	1.54	1 (30)	11.71	569.6		3.3	-1.0	7.9	50.3	-8.4	2.8
Int'l Discovery (305/FIGRX)	S**	1.22	1 (30)	30.12	8429.6		-0.8	-1.6	5.1	35.2	-7.5	5.1
Int'l Enhanced Index (2010/FIENX)	S**	1.4 Est	1 (30)	6.80	21.9		-1.3	-2.3	4.0	34.1		
Int'l Growth (1979/FIGFX)	H***	1.5 Est	1 (30)	7.52	23.6		0.5	-1.4	6.5	42.9		
Int'l Real Estate (1368/FIREX)	S**	1.40	1.5(90)	8.62	343.7		-2.0	-1.4	5.0	41.1	-16.7	0.2
Int'l Small Cap (818/FISMIX)	B****	1.35	2 (90)	18.52	726.4		5.5	1.9	7.8	52.3	-5.7	5.6
Int'l Small Cap Opp (1504/FSCOX)	H***	1.52	2 (90)	9.04	339.9		5.4	2.1	9.4	57.8	-15.7	
Int'l Value (1597/FIVLX)	S**	1.42	1 (30)	7.79	172.4		-2.4	-1.9	3.9	35.6	-10.5	
Japan (350/FJPNX)	H***	1.13	1.5(90)	11.12	1105.2		9.9	1.3	8.3	30.4	-8.3	1.7
Japan Smaller Co (360/FJSCX)	H***	1.26	1.5(90)	8.98	330.3		7.9	3.0	7.2	42.6	-8.2	-4.6
Latin America (349/FLATX)	H***	1.81	1.5(90)	51.09	4506.0		-1.5	-1.3	8.9	59.2	4.2	22.6
Nordic (342/FNORX)	H***	1.57	1.5(90)	29.68	362.5		8.4	2.3	12.4	54.1	-8.8	7.1
Overseas (94/FOSFX)	S**	1.27	1 (30)	30.41	6710.8		-1.7	-0.8	3.5	28.6	-10.2	3.6
Pacific Basin (302/FPBFX)	B****	1.65	1.5(90)	22.74	684.9		12.0	2.5	13.3	69.7	-3.1	9.1
Southeast Asia (351/FSEAX)	H***	1.47	1.5(90)	26.24	1798.5		3.2	1.5	9.4	38.6	-0.7	13.8
Total Int'l Equity (1978/FTIEX)	S**	1.3 Est	1 (30)	6.76	55.7		0.0	-1.2	6.0	42.9		
Worldwide (318/FWWFX)	H***	1.12	1 (30)	16.81	1073.2		4.6	1.4	11.0	38.1	-4.1	6.0
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.91	none	25.46	2176.6		5.1	0.8	8.4	33.0	-3.7	3.7
NASDAQ Comp (1282/FNCMX)	B****	1.16	0.75(90)	32.66	260.5		8.6	2.6	14.8	44.2	-0.1	5.8
Spart Ext Mkt Idx (398/FSEMX)	B****	1.21	0.75(90)	34.62	2962.5		15.0	4.8	18.0	51.5	-1.5	6.8
Spart Int'l Index (399/FSIIX)	S**	1.24	1(90)	32.90	5897.8		-1.6	-2.3	3.7	34.6	-8.8	3.8
Spart 500 Index (650/FUSEX)	H***	1.00	none	42.03	25088.8		7.0	1.6	11.0	38.8	-5.1	2.6
Spart Total Mkt Idx (397/FSTMX)	H***	1.03	0.5(90)	34.11	5701.1		8.4	2.1	12.2	40.9	-4.3	3.5
Asset Mgr 20% (328/FASIX)	H***	0.37	none	12.34	2714.8		3.5	1.0	3.4	18.7	2.6	5.2
Asset Mgr 30% (1957/FTANX)	H***	0.5 Est	none	9.49	85.2		4.1	1.1	4.5	22.8		
Asset Mgr 40% (1958/FFANX)	H***	0.6 Est	none	9.28	57.4		4.5	1.2	5.3	26.4		
Asset Mgr 50% (314/FASMX)	H***	0.70	none	14.47	6297.8		4.8	1.3	6.4	30.1	0.3	4.3
Asset Mgr 60% (1959/FSANX)	H***	0.8 Est	none	9.09	83.8		5.2	1.3	7.3	33.2		
Asset Mgr 70% (321/FASGX)	H***	0.90	none	15.12	2355.5		5.5	1.3	8.2	36.0	-1.8	3.7
Asset Mgr 85% (347/FAMRX)	H***	1.03	none	12.32	629.4		5.8	1.3	9.4	39.9	-2.9	5.1
Dynamic Strategies (1960/FDYSX)	H***	0.8 Est	none	8.87	155.3		5.1	2.0	8.4	31.5		
Freedom 2000 (370/FFBFX)	H***	0.37	none	11.74	1709.1		3.4	1.1	3.7	18.3	1.9	4.1
Freedom 2005 (1312/FFVFX)	H***	0.63	none	10.46	1016.6		4.3	1.4	5.9	26.4	-0.1	4.2
Freedom 2010 (371/FFFCX)	H***	0.67	none	13.07	11112.9		4.5	1.4	6.3	28.1	0.0	4.4
Freedom 2015 (1313/FFVFX)	H***	0.71	none	10.89	8849.6		4.5	1.4	6.5	29.0	-0.6	4.6
Freedom 2020 (372/FFFDX)	H***	0.83	none	13.18	20611.9		5.0	1.5	7.7	33.2	-1.9	4.4
Freedom 2025 (1314/FFFTWX)	H***	0.88	none	10.93	9300.9		5.2	1.5	8.2	34.7	-2.3	4.3
Freedom 2030 (373/FFFEH)	H***	0.96	none	13.06	14629.9		5.4	1.5	8.9	36.7	-3.7	3.9
Freedom 2035 (1315/FFTHX)	H***	0.99	none	10.82	6080.1		5.5	1.5	9.3	37.6	-4.0	3.9
Freedom 2040 (718/FFFFX)	H***	1.02	none	7.56	8637.8		5.6	1.5	9.4	38.3	-4.4	3.7
Freedom 2045 (1617/FFFGX)	H***	1.03	none	8.94	2069.4		5.5	1.5	9.6	38.7	-4.4	
Freedom 2050 (1618/FFHHX)	H***	1.07	none	8.81	1665.8		5.5	1.4	9.7	39.6	-5.1	
Freedom Income (369/FFFAH)	H***	0.34	none	11.07	2737.5		3.5	1.2	3.6	17.8	2.4	4.2
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	B****	0.90	1(90)	9.12	11704.0	6.15	7.9	2.7	7.8	57.9	7.6	9.7
Floating Rate (814/FFRHX)	H***	0.48	1(60)	9.67	2804.8	3.43	3.7	0.6	2.8	16.8	3.9	4.7
Focused High Inc (1366/FHIFX)	B****	0.64	1(90)	9.44	441.1	6.10	5.1	1.5	4.7	24.4	4.1	5.8
GNMA Portfolio (15/FGMNX)	B****	0.16	none	11.56	7434.8	2.97	2.8	0.9	1.3	6.7	7.2	5.8
Gov't Income (54/FGOVX)	H***	0.22	none	10.53	4558.5	2.34	2.2	0.9	0.7	3.8	6.8	5.4
High Income (455/SPHIX)	B****	0.76	1(90)	8.82	7046.6	6.88	6.6	2.3	5.6	39.2	6.8	8.2
Inflation-Protected (794/FINPX)	H***	0.44	none	11.49	2174.8	0.57	2.9	2.4	1.2	10.2	5.3	4.0
Intermed Bond (32/FTHRX)	B****	0.26	none	10.38	4524.2	3.07	3.4	1.1	1.6	16.3	5.1	4.6
Intermed Gov't Inc (452/FSTGX)	H***	0.18	none	10.81	1411.7	1.75	1.8	0.7	0.5	2.7	6.2	5.0
Invest Grade Bond (26/FBNDX)	B****	0.26	none	7.23	6614.5	3.32	3.8	1.4	2.1	16.5	4.1	4.2
Mortgage Securities (40/FMSFX)	B****	0.15	none	10.64	802.2	3.63	2.9	0.9	1.4	10.4	3.9	3.9
New Markets Inc (331/FNMIX)	H***	0.78	1(90)	15.55	3319.9	5.65	5.4	0.8	4.8	32.0	8.4	10.4
Short-Term Bond (450/FSHBX)	B****	0.12	none	8.40	7361.2	1.66	1.8	0.5	0.9	7.8	1.8	2.6
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.37	none	10.41	1232.8	3.14	3.0	1.4	0.8	1.3	7.0	
Spart L-Term Tr Idx (1562/FLBIX)	H***↑	0.65	none	10.28	173.2	4.25	3.7	2.7	1.0	0.4	6.3	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.14	none	10.42	207.8	1.27	1.4	0.5	0.3	2.0	5.3	
Strategic Income (368/FSICX)	B****	0.46	none	11.08	7476.3	4.65	4.1	1.3	3.1	27.0	7.6	7.6
Strategic Real Rtn (1505/FSRRX)	H***	0.69	0.75(60)	8.87	4737.8	2.02	4.2	2.4	5.8	27.9	1.0	
Total Bond (820/FTBFX)	B****	0.29	none	10.76	11208.3	3.58	4.0	1.4	2.3	18.4	6.3	5.6
Ultra-Short Bond (812/FUSFX)	H***	0.18	0.25(60)	8.16	237.6	0.43	0.6	0.2	0.2	1.9	-4.3	-1.0
US Bond Index (651/FBIDX)	H***	0.19	none	11.23	10688.6	2.90	2.7	1.0	1.2	7.9	5.4	4.8
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H***	0.31	0.5(30)	11.38	171.2	3.50	2.1	1.0	1.9	8.3	4.2	3.8
CA Municipal Inc (91/FCFAX)	S**	0.32	0.5(30)	12.01	1566.0	3.90	3.6	1.7	3.0	9.1	3.6	3.7
CA Short-Int TF (1534/FCSTX)	H***	0.15	0.5(30)	10.61	631.3	1.74	1.2	0.7	0.7	4.5	4.9	
CT Municipal Inc (407/FICNX)	H***	0.27	0.5(30)	11.46	603.2	2.82	1.8	1.1	1.3	6.4	4.7	4.1
Intermediate Muni (36/FLTMX)	B****	0.19	0.5(30)	10.23	3926.2	2.71	1.9	0.9	1.4	6.5	4.8	4.2
MA Municipal Inc (70/FDMMX)	H***	0.29	0.5(30)	11.92	2387.9	3.31	2.3	1.1	1.7	8.7	4.4	4.1
MD Municipal Inc (429/SMDMX)	H***	0.28	0.5(30)	10.99	181.2	2.88	2.0	0.9	1.5	8.0	4.4	3.9
MI Municipal Inc (81/FMHTX)	H***	0.25	0.5(30)	11.91	649.8	3.24	1.8	0.9	1.3	7.3	4.5	4.1
MN Municipal Inc (82/FIMIX)	H***	0.24	0.5(30)	11.46	492.7	2.74	1.9	0.9	1.3	5.9	4.5	4.0
Municipal Income (37/FHIGX)	H***	0.29	0.5(30)	12.63	5804.0	3.67	2.7	1.3	2.2	9.3	4.2	4.1
NJ Municipal Inc (416/FNJHX)	H***	0.29	0.5(30)	11.61	662.1	3.08	2.3	1.4	1.9	7.6	4.4	4.1
NY Municipal Inc (71/FTFAX)	H***	0.29	0.5(30)	12.99	1788.4	3.30	2.5	1.1	2.2	8.5	4.7	4.2
OH Municipal Inc (88/FOHFX)	H***	0.28	0.5(30)	11.66	539.1	3.32	1.8	0.9	1.4	7.1	4.5	4.1
PA Municipal Inc (402/FPXTX)	H***	0.23	0.5(30)	10.82	442.5	3.25	1.7	0.8	1.3	6.4	4.4	4.0
Short-Int Municipal (404/FSFAX)	B****	0.13	0.5(30)	10.65	3461.2	1.58	1.0	0.4	0.6	4.0	4.5	3.7
Tax-Free Bond (90/FTABX)	H***	0.30	0.5(30)	10.88	1881.4	3.76	2.6	1.2	2.1	9.2	4.7	4.4

APRIL 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	11008.61	6.4	1.5	10.1	38.7	-2.8	4.2	2.6
S&P 500	1.00	1186.68	7.1	1.6	11.1	38.8	-5.0	2.6	-0.2
NASDAQ	1.16	2461.19	8.7	2.7	14.9	44.7	0.1	6.0	-3.8
Russell 2000	1.29	716.60	15.0	5.6	19.4	48.9	-2.8	5.7	4.9
Fidelity Monitor Income Model	0.33	91586.31	4.0	1.4	2.5	19.8	1.1	3.1	4.0
Fidelity Monitor G&I Model	0.75	171049.01	6.2	1.9	7.8	32.0	-2.9	3.9	5.3
Fidelity Monitor Growth Model	1.14	175615.35	9.0	2.6	13.7	43.7	-5.9	3.3	2.5
Fidelity Monitor Select System	1.07	357042.06	4.6	1.3	12.2	41.2	-2.8	6.1	2.4
Fidelity Monitor Unique Opportunities	1.24	120225.88	11.4	3.7	15.1	49.5	-3.9	6.0	7.1

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

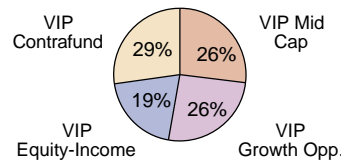


PAST PERFORMANCE

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%	*2010: +3.5%

VIP GROWTH MODEL

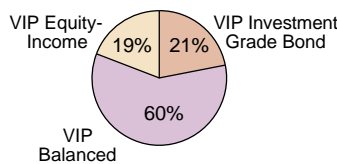


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2002: -21.7%
1994: +4.6%	2003: +30.0%
1995: +36.1%	2004: +7.0%
1996: +16.1%	2005: +10.1%
1997: +23.5%	2006: +14.5%
1998: +22.6%	2007: +9.3%
1999: +22.1%	2008: -45.5%
2000: -10.3%	2009: +25.1%
2001: -14.0%	*2010: +9.1%

VIP G & I MODEL

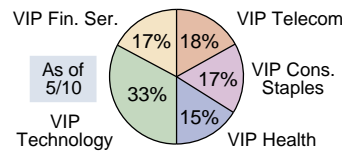


PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2003: +20.8%
1996: +12.8%	2004: +6.3%
1997: +21.4%	2005: +4.5%
1998: +15.1%	2006: +11.6%
1999: +6.1%	2007: +7.7%
2000: -4.9%	2008: -31.0%
2001: +3.1%	2009: +27.1%
2002: -9.4%	*2010: +6.3%

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%	*2010: +5.1%

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

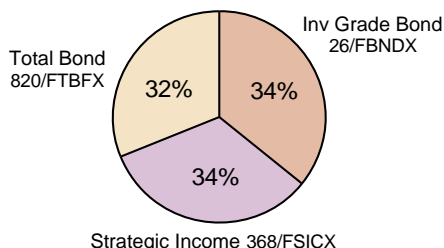
APRIL VIP PERFORMANCE Portfolio	Rating	Risk	RR Value	2010 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Growth Strategies	H ***	1.24	10.65	10.8	2.5	17.0	42.9	-5.3	4.3
VIP Asset Manager	H ***	0.79	37.44	4.7	1.0	6.9	30.1	1.3	4.3
VIP Asset Manager: Growth	H ***	1.01	23.45	5.2	0.8	8.9	36.1	-0.3	3.7
VIP Balanced	B ****	0.94	18.19	8.0	2.6	10.4	39.9	-0.3	4.7
VIP Consumer Discretionary	H ***	1.20	11.95	17.2	5.7	20.4	44.8	-3.0	3.2
VIP Consumer Staples	B ****	0.8 Est	10.75	3.7	-1.1	4.9	32.9		
VIP Contrafund	B ****	1.12	42.56	7.3	2.1	12.2	41.5	-2.8	5.0
VIP Disciplined Small Cap	S **	1.19	8.81	12.8	5.4	17.7	42.5	-5.9	
VIP Dynamic Capital Appreciation	H ***	1.18	13.90	10.1	1.5	14.4	46.1	-4.4	6.1
VIP Energy	H ***	1.68	21.83	2.7	2.3	7.4	38.5	-4.3	9.5
VIP Equity-Income	B ****	1.17	55.38	8.7	2.7	12.3	43.5	-8.7	1.1
VIP Financial Services	B ****↑	1.53	9.28	14.0	1.7	12.9	54.5	-15.8	-3.9
VIP Freedom 2005	H ***	0.62	11.86	4.7	1.4	6.1	25.4	-0.1	
VIP Freedom 2010	H ***	0.65	11.90	5.2	1.5	6.8	27.1	-0.1	
VIP Freedom 2015	H ***	0.70	12.03	5.2	1.5	6.9	28.3	-0.7	
VIP Freedom 2020	H ***	0.84	11.81	5.9	1.8	8.4	32.8	-2.1	
VIP Freedom 2025	H ***	0.89	11.84	6.3	1.8	9.1	34.6	-2.4	
VIP Freedom 2030	H ***	0.99	11.55	6.6	1.8	9.9	37.1	-3.8	
VIP Freedom Income	H ***	0.31	11.95	3.2	1.0	3.4	15.0	2.4	
VIP FundsManager 20	H ***	0.28	11.20	2.6	0.8	2.8	11.6	1.5	
VIP FundsManager 50	H ***	0.59	10.57	4.1	1.1	5.7	22.7	-1.3	
VIP FundsManager 70	H ***	0.81	9.94	4.9	1.2	7.7	29.9	-3.9	
VIP FundsManager 85	H ***	0.97	9.51	5.9	1.4	9.4	36.7	-5.6	
VIP Growth	H ***	1.13	55.22	8.4	1.9	14.7	36.4	-4.8	1.7
VIP Growth & Income	H ***	1.04	16.96	7.1	1.8	11.4	34.5	-6.2	1.7
VIP Growth Opportunities	B ****	1.39	11.70	9.5	2.2	16.0	44.9	-7.3	0.6
VIP Growth Stock	B ****	1.16	10.86	6.6	1.6	12.4	42.4	-1.4	
VIP Health Care	B ****	0.92	13.15	6.6	-1.0	6.2	38.7	-0.9	4.3
VIP High Income	B ****	0.72	36.02	5.6	1.9	4.7	31.1	3.4	5.9
VIP Index 500	H ***	1.00	33.43	6.8	1.5	10.8	37.8	-5.8	1.8
VIP Industrials	H ***	1.42	19.88	16.6	5.4	20.9	57.8	2.1	9.0
VIP Int'l Capital Appreciation	H ***	1.54	10.51	2.9	-1.1	7.6	49.3	-9.0	
VIP Investment Grade Bond	B ****	0.25	34.55	3.4	1.3	1.7	14.9	5.1	4.3
VIP Materials	H ***	1.5 Est	11.27	6.6	1.5	14.7	53.1		
VIP Mid Cap	B ****	1.12	22.89	11.1	4.4	14.6	44.8	-0.3	7.7
VIP Money Market			21.81	-0.2	-0.1	-0.2	-0.4	1.6	2.4
VIP Overseas	S **	1.22	33.05	-0.9	-1.8	5.3	33.6	-9.6	3.3
VIP Real Estate	H ***	2.17	17.91	18.8	7.0	26.2	80.6	-8.5	4.4
VIP Strategic Income	B ****	0.44	14.88	3.7	1.3	2.9	24.5	6.8	6.7
VIP Technology	B ****	1.59	12.49	5.9	3.2	16.3	60.6	3.7	9.0
VIP Telecommunications	B ****	1.3 Est	7.56	-0.1	0.7	7.6	22.3		
VIP Utilities	H ***	0.97	11.75	1.2	3.4	5.9	28.4	-8.3	4.7
VIP Value	B ****	1.46	10.51	14.0	5.0	17.4	54.7	-7.3	
VIP Value Leaders	H ***	1.18	9.72	8.6	2.5	12.0	42.5	-9.7	
VIP Value Strategies	B ****	1.59	14.02	16.5	5.2	19.4	66.3	-6.1	4.7
Fidelity Monitor VIP Income Model		0.32	21892.76	3.5	1.3	2.2	20.7	2.1	3.5
Fidelity Monitor VIP G&I Model		0.81	25293.85	6.3	2.0	7.5	31.8	-1.7	3.9
Fidelity Monitor VIP Growth Model		1.16	30812.54	9.1	2.8	13.8	41.0	-8.4	1.3
Fidelity Monitor VIP Sector Model		1.16	19248.76	5.1	1.4	12.4	45.0	-1.4	7.5

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	\$7.23	4351.928	\$31464.44
Strategic Income	\$11.08	2808.357	\$31116.60
Total Bond	\$10.76	2695.657	\$29005.27

16% Foreign Holdings
Balance as of 4/30/10: \$91586.31
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: + 4.0%

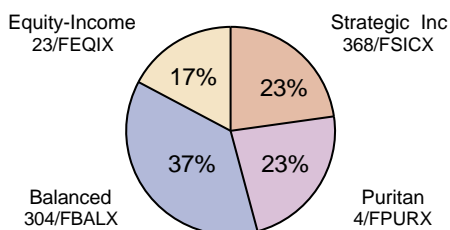
For April our Income Model finished with a 1.4% increase. The current asset mix is 97% bond and 3% cash.

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
Strategic Income	\$11.08	3537.771	\$39198.50
Puritan	\$17.05	2297.127	\$39166.02
Balanced	\$17.28	3679.760	\$63586.25
Equity-Income	\$42.55	683.860	\$29098.24

15% Foreign Holdings
Balance as of 4/30/10: \$171049.01
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: + 6.2%

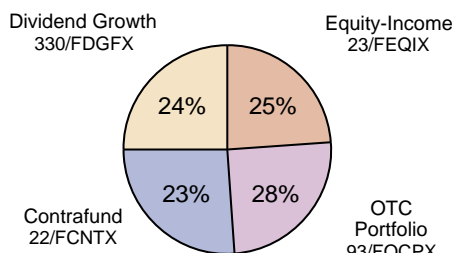
We were up 1.9% in April. On 4/5 we sold **High Income** (\$8.68) for **Equity-Income** (\$42.43), and half of **Puritan** (\$16.93) for **Strategic Income** (\$10.97). Asset mix is 54% stock, 44% bond, 2% cash.

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	\$42.55	1032.879	\$43949.00
OTC Portfolio	\$49.73	984.424	\$48955.41
Contrafund	\$61.28	649.764	\$39817.54
Dividend Growth	\$26.05	1647.212	\$42893.40

13% Foreign Holdings
Balance as of 4/30/10: \$175615.35
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: + 9.0%

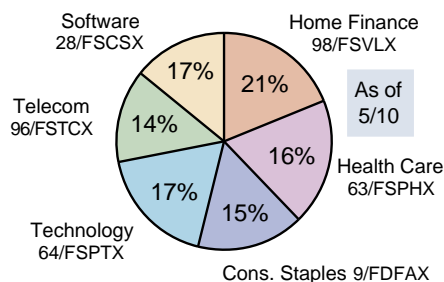
Our Growth Model was up 2.6% in April, versus 1.6% for the S&P. The current asset mix is 98% stock, 2% cash.

SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Computers	\$48.18	1560.153	\$75168.17
Health Care	\$113.72	516.216	\$58704.08
Consumer Staples	\$63.10	816.730	\$51535.66
Technology	\$80.28	734.691	\$58980.99
Telecom	\$40.02	1289.049	\$51587.74
Software	\$77.90	783.895	\$61065.42

11% Foreign Holdings
Balance as of 4/30/10: \$357042.06
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: + 4.6%

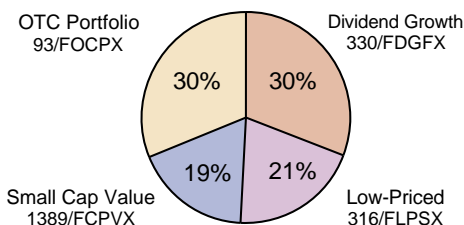
Our Select System was up 1.3% for the month of April, versus a gain of 1.6% for the S&P 500. On 5/10 we'll be selling **Computers** and buying **Home Finance**. Asset mix is 98% stock, 2% cash.

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	\$26.04	1397.231	\$36383.90
Low-Priced Stock	\$35.46	694.362	\$24622.08
Small Cap Value	\$14.90	1528.959	\$22781.49
OTC Portfolio	\$49.73	732.725	\$36438.41

15% Foreign Holdings
Balance as of 4/30/10: \$120225.88
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: + 11.4%

Our Unique Opportunities Model gained 3.7% in April, ahead of the S&P 500's 1.6% return. The portfolio's current asset mix is 97% stock, 3% cash.

here at home, but probably not a bear market. On the negative side, earnings for multinationals could be affected by reduced sales in Europe. On the plus side, U.S. banks could gain market share from money that flees Europe, and U.S. consumer spending could benefit from weaker commodity prices. Overall, it probably doesn't make sense to make any big changes in investment strategy. But if you own any foreign stock funds that focus on Europe, sell them and consider moving into our Growth and Income Model. ■

APRIL DISTRIBUTIONS

Asset Manager 20%	\$0.022/\$12.30	(4/9)
Asset Manager 30%	\$0.017/\$ 9.47	(4/9)
Asset Manager 40%	\$0.03 / \$ 9.28	(4/9)
Asset Manager 50%	\$0.051/\$14.50	(4/9)
Balanced	\$0.082/\$17.24	(4/9)
CA Short-Int. Muni	\$0.008/\$10.57	(4/16)
Convertible Securities	\$0.179/\$23.52	(4/9)
Equity-Income	\$0.15 / \$42.77	(4/9)
Equity-Income II	\$0.059/\$17.77	(4/9)
Fidelity Fund	\$0.036/\$30.25	(4/9)
Four-In-One Index	\$0.035/\$25.74	(4/16)
Freedom Income	\$0.02 / \$ 11.02	(4/9)
Growth & Income	\$0.021/\$17.38	(4/9)
International Enhanced Index	\$0.013/\$ 7.07	(4/16)
Large Cap Core Enhanced Index	\$0.025/\$ 8.28	(4/16)
Large Cap Growth Enhanced Index	\$0.02 / \$ 9.05	(4/16)
Large Cap Value Enhanced Index	\$0.025/\$ 7.28	(4/16)
Puritan	\$0.085/\$16.95	(4/9)
Select Automotive	\$0.63 / \$34.36	(4/9)
Select Banking	\$0.01 / \$19.21	(4/9)
Select Brokerage	\$0.05 / \$53.78	(4/9)
Select Chemicals	\$1.94 / \$79.85	(4/9)
Select Construction & Housing	\$0.035/\$33.15	(4/9)
Select Consumer Discretionary	\$0.01 / \$21.64	(4/9)
Select Consumer Staples	\$0.081/\$64.26	(4/9)
Select Defense & Aero	\$0.95 / \$68.59	(4/9)
Select Electronics	\$0.065/\$43.72	(4/9)
Select Gold	\$0.397/\$45.23	(4/9)
Select Health Care	\$0.005/\$115.82	(4/9)
Select Home Finance	\$0.04 / \$13.00	(4/9)
Select Industrial Equipment	\$0.03 / \$29.28	(4/9)
Select Industrials	\$0.02 / \$20.73	(4/9)
Select Insurance	\$0.005/\$45.57	(4/9)
Select Leisure	\$0.145/\$79.41	(4/9)
Select Materials	\$0.032/\$58.64	(4/9)
Select Multimedia	\$0.005/\$38.35	(4/9)
Select Natural Gas	\$0.055/\$32.67	(4/9)
Select Natural Resources	\$0.01 / \$29.79	(4/9)
Select Pharmaceuticals	\$0.07 / \$11.47	(4/9)
Select Retailing	\$1.34 / \$49.14	(4/9)
Select Telecommunications	\$0.24 / \$40.50	(4/9)
Select Transportation	\$0.01 / \$49.15	(4/9)
Select Utilities	\$0.19 / \$44.46	(4/9)
Strategic Dividend & Income	\$0.057/\$10.41	(4/9)
Spartan 500 Index	\$0.17 / \$42.29	(4/9)
Spartan Extended Mkt Index	\$0.345/\$34.50	(4/16)
Spartan Int. Treasury Bond Index	\$0.038/\$10.35	(4/16)
Spartan International Index	\$0.03 / \$34.20	(4/16)
Spartan ST Treasury Bond Index	\$0.01 / \$10.40	(4/16)
Spartan Total Mkt Index	\$0.12 / \$34.21	(4/16)
Telecom & Utilities	\$0.11 / \$14.36	(4/9)

Funds scheduled for May payouts include **Asset Manager 20%**, **Asset Manager 30%**, and all **Freedom** funds.

Growth & Income finished on the bottom but still beat the S&P 500 with a 1.8% increase.

INCOME FUNDS

We suggest following our Income Model for income – its holdings are listed on page 7. If you would rather make your own selections, our favorite bond funds include **Investment Grade**, **Total Bond**, and **Strategic Income**.

Even with concerns about the European debt situation, high-yield bonds still enjoyed a good month on the growing strength of the U.S economy. And higher-quality funds benefited from a decline in long-term interest rates.

Capital & Income and **Spartan Long-Term Treasury Index** gained 2.7%, while **Strategic Real Return** returned 2.4% on the strength of the real estate sector. On the bottom end, **Ultra-Short Bond** edged up 0.2%.

Municipal bonds were helped as long-term interest rates moved lower, posting increases that ranged from 0.4% to 1.7%.

SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. We suggest following the six-sector portfolio, but if you prefer to pick your own sectors, the following funds have above-average scores in our volatility model:

Consumer Staples, **Home Finance**, **Insurance**, **Telecommunications**, **Pharmaceuticals**, **Health Care**, **Medical Equipment**, **Medical Delivery**, **Software**, **IT Services**, and **Technology**.

Cyclical groups rallied on the strength of the U.S. recovery. **Gold**, aided by European investors who are fleeing the euro, was up 12.5%. **Construction & Housing** jumped 11.7%, and both **Banking** and **Leisure** gained 7.7%. Defensive sectors tended to finish on the bottom end. **Pharmaceuticals** slipped 1.9%, while **Medical Delivery** declined 4.6%. ■

Happenings

Peter Dixon has been named portfolio manager of **Select Retailing**, Steven Bullock has taken over at **Industrial Equipment**, and Jonathan Kasen is the new stockpicker at **Energy Service**.

Richard Fentin, manager of **Value** and **VIP Value**, will be retiring in August. For **Value**, Fidelity will be moving to a multi-manager approach that splits stock selection responsibilities by industry group, with Matthew Friedman helping to manage the transition between now and then. For **VIP Value**, Scott Offen has assumed co-manager responsibilities, and will become manager in August. We'll continue to rate both funds a buy. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	125263.6	0.02	CT MM (418/FCMXX)	1799.8	0.01			
Select MM (85/FSLXX)	7612.6	0.07	MA MM (74/FDMXX)	4906.9	0.01			
Money Market (454/SPRXX)	6685.8	0.01	MI MM (420/FMIXX)	879.0	0.01	MA AMT TF (426/FMSXX)	420.8	0.01
Gov't MM (458/SPAXX)	740.7	0.01	NJ MM (417/FNJXX)	2234.0	0.01	AMT Tax-Free (460/FIMXX)	2126.6	0.01
US Treas. MM (415/FDLXX)	5356.5	0.01	NY MM (92/FNYXX)	5029.4	0.01	NJ AMT TF (423/FSJXX)	382.9	0.01
Tax-Free MM (275/FMOXX)	6186.7	0.01	OH MM (419/FOMXX)	1002.1	0.01	NY AMT TF (422/FSNXX)	684.8	0.02
US Gov't Reser (50/FGRXX)	3486.0	0.01	AZ MM (433/FSAXX)	354.6	0.01	PA MM (401/FPTXX)	704.0	0.01
CA MM (97/FCFXX)	4987.3	0.01	CA AMT TF (457/FSPXX)	771.7	0.05	Municipal MM (10/FTEXX)	23356.0	0.01