

Jack
Bowers



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20
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JULY
2010

Monitor™

Gold: Timeless Value or Emerging Bubble?

It's been a store of value for millennia. Central banks used to settle their debts with it. The dollar used to be backed by it. And it has always been viewed as a hedge for uncertain times. Still, today's gold rally is not quite like those of the past. This month we take a hard look at one of the world's most popular hard assets.

Unlike other commodities, almost all of the gold that's ever come out of the ground is still around in various

GOLD - *Continued on page 2*

Trades For Income Model, VIP Income, Select System, VIP Sector and Unique Opportunities

On Tuesday, 7/6, we will be making the following changes:

Our Income Model will sell **Strategic Income** (368/FSICX), and buy **High Income** (455/SPHIX). Debt problems in Europe have weighed down the high yield bond sector and pushed up yields, making for a relatively attractive opportunity. The combination of **Corporate Bond** and **High Income** carries about the same amount of risk as our original position in **Strategic Income**, but with very little foreign bond exposure.

Our VIP Income Model will sell **VIP Strategic Income** and buy **VIP High Income**.

Our Select System will be selling **Health Care** (63/FSPHX) and buying **Banking** (507/FSRBX). The earnings outlook for the health care group is less certain, partly because of the stronger dollar and partly due to the impact of reform. Banking valuations have been pushed down more than necessary by heavy-handed legislation that's nearly final, and may be in position to outperform over the balance of the year.

Our VIP Sector Model will sell **VIP Health Care** and add the proceeds to **VIP Financial Services**.

Our Unique Opportunities Model will be selling **Low-Priced Stock** (316/FLPSX) and buying **Capital & Income** (38/FAGIX). Given the recent pullback in the high yield sector, we see an opportunity to reduce risk with the potential for a neutral-to-positive impact on performance. If inflation keeps inching toward zero, high-yield bonds could rival the S&P 500 over the next 12-18 months.

Review & Recommendations

Domestic stocks continued to pull back in June as investors worried about the oil spill, renewed weakness in housing and consumer spending, and new financial sector regulations. However, bonds got a lift as long-term interest rates declined amid a weaker outlook for the global economy. The S&P 500 declined 5.2% for the month.

Despite all the pessimism surrounding domestic stocks, manufacturing is still rebounding strongly – which could make for a decent second-quarter earnings season.

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 **Equity-Income**, **Dividend Growth**, **Contrafund**, **Small Cap Value**, and **OTC Portfolio**. We downgraded **Low-Priced Stock** because the yield curve is becoming less steep, which makes small-caps less attractive, and because of its heavy exposure to consumer stocks.

Contrafund was off 3.2%, and **Low-Priced Stock** slid 4.8%. **Fidelity Fifty** and **Focused Stock** both lost 5.0%. On the bottom end, **Leveraged Company** was down 9.4%, and **Mid-Cap Stock** fell 9.7%.

INTERNATIONAL FUNDS

Pacific Basin remains our favorite foreign stock fund. The dollar's weakness against the yen and other currencies, due in part to China's decision to allow the yuan to strengthen, provided a modest exchange-rate boost to foreign stock funds.

Asian emerging markets saw the biggest benefit as the yuan's ties to the dollar were loosened. **Southeast Asia** rose 1.9%, and **China Region** edged up 0.3%. But the prospect of a global slowdown weighed down **Japan** (which declined 4.5%) and **Global Commodity Stock** (5.8% loss).

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**.

Dividends helped limit losses for **Real Estate Income** and **Telecom & Utilities**, which posted respective declines of 0.5% and 1.8%. But heavy exposure to bank stocks weighed on **Equity-Income** and **Equity-Income II**, which posted respective losses of 6.6% and 6.8%.

RECOMMENDATIONS - *Continued on page 8*

forms. Only a small amount of what's produced is consumed by industrial needs, so most of it gets made into jewelry, coins, or bars. Gold is ideal for jewelry, because it's attractive, and does not easily tarnish. It's also heavy (the giant 30-inch gold coins made by the Royal Canadian Mint are only 1.2 inches thick, but weigh in at 220 pounds), and malleable (a single ounce of gold can be pounded into a 300 square foot sheet – so thin that it becomes semi-transparent).

GOLD AS AN INVESTMENT

There's a big difference between buying the precious metal itself or investing in gold mining stocks. We'll get into that in a little bit, but first a little background on why gold often serves as an alternative to paper money.

Scarcity and jewelry demand is what gives gold its value. If you took all the gold in the world and melted it into a giant cube, it would stand only 67 feet high. Divided equally among the world's population, there would be less than one ounce available to each inhabitant.

Because paper currencies have a long history of mismanagement, gold has often served as a fall-back money standard. Its main benefit is that it can't be debased by government officials. However, because the gold supply cannot expand fast enough to keep pace with rising productivity, using it as a money standard can result in punishingly high interest rates that choke off GDP growth (no surprise, the U.S. suffered through three major depressions while it was on the gold standard).

The modern era for gold as a unique asset class began with the collapse of Bretton-Woods in 1971, when the U.S. government eliminated the dollar's convertibility into gold to stem a run on Fort Knox. Investor ownership of gold, made illegal in 1933, was allowed beginning in 1974. South African Krugerrand coins were initially the most popular vehicle for personal ownership. Canadian Gold Maple Leaf coins debuted in 1979. The U.S. Mint

began selling American Gold Eagle coins in 1986. Fidelity launched **Precious Metals & Minerals** in mid-1981, followed by **American Gold** (later renamed **Gold**) in late 1985. The former was merged into the latter in early 2000.

It may not seem like it today, but the world's major central banks have actually become fairly sophisticated in managing their currencies. Paper money backed by tax revenue has a fundamental advantage over gold when it comes to economic growth and raising the standard of living. The tradeoff is a little inflation, but interest rates run lower and GDP growth is maximized. And unlike gold, those who hold paper money get paid interest.

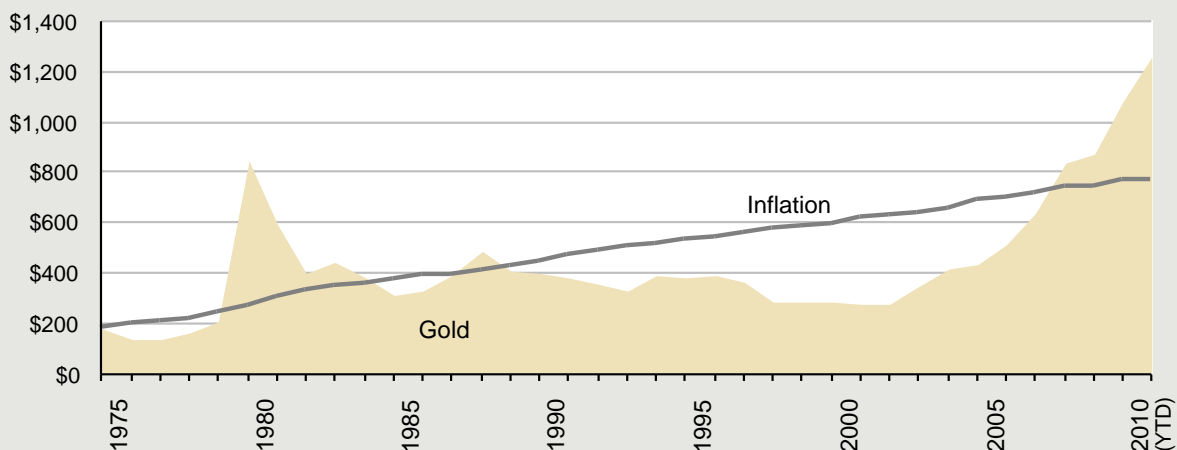
But once in a while, as is the case today, the paper currency model comes under stress. Gold, ignored but not forgotten, is always waiting in the wings for those who see it as a preferred alternative. Generally speaking, gold becomes more popular when any of the following conditions are present:

- Inflation expectations are rising, meaning that the rate-of-increase for prices is accelerating.
- The yield on cash investments is near zero, eliminating gold's zero-yield disadvantage.
- The credit quality of sovereign debt drops to the point where the premise of paper currencies can be called into question.

The last big gold rally in 1979-1980 was driven mainly by rising inflationary expectations. Today's rally, in contrast, is driven mainly by the zero yield on cash and growing concern over sovereign debt.

Gold is also getting a strong boost from the Chinese government, which is encouraging its citizens to buy and hold gold, and from the ease and convenience of buying gold through Exchange-Traded Funds (ETF). Gold may not be in bubble territory yet, but even the gold bulls will admit that gold ETFs are responsible for a price premium of several hundred dollars an ounce. In a few short years,

A volatile asset class: gold wins no awards for its long-term risk-adjusted performance



the physical gold reserves that back ETF shares have grown larger than those held by Switzerland's central bank!

Gold bulls argue that gold is an under-owned asset class which can rally for a long time as global investors become willing to give it a place in their portfolio. They also cite the diminishing supply of gold available from the world's oldest mines, and the growing demand for jewelry in emerging Asia. These arguments may sound compelling, but they don't tell the whole story. Gold is traditionally under-owned because it doesn't pay interest and its long-term after-inflation return is essentially zero (from the beginning of 1980 until now it actually has a negative real return). The supply/demand situation might be a reasonable argument for other commodities, but gold is no ordinary metal because it doesn't get consumed in any meaningful way. If the price stays high for any length of time, supply starts coming out of the woodwork. And it's already started. At a time when many consumers feel overburdened by debt, the neighborhood gold "party" provides a simple and easy way for old jewelry to be re-born as shiny bars sitting in an ETF storage vault.

Some investors don't really care about supply and demand, they just see gold as a form of insurance for paper currencies that have been weakened by the financial crisis. With the tiny but growing possibility that all the world's paper currencies could be debased by unsustainable debt loads, these folks are simply trying to buy protection.

But despite all the headlines about out-of-control government debt, currency debasement is still a very low-probability event that would likely occur some 15-20 years from now, because it would take at least that long for sovereign debts in the U.S., Japan, and Germany to become unmanageable. Furthermore, the path to such an event would have to include heavy-handed deflation, as anything less would probably generate enough GDP growth and tax revenue to keep the paper currency system intact.

As such, the question for today's gold buyer becomes, "How much do you want to dilute the long-term real return of your portfolio in order to hedge against a 1% probability event?"

RECOMMENDATIONS

The answer to that question, in our opinion, is "Not much." Over the next two decades, a 10% position in a gold metal ETF is likely to reduce the after-inflation return of a balanced portfolio by about 10%. That's a tolerable tradeoff if it helps you sleep better at night, but any more than that and the risk-reward tradeoff goes downhill fast. Not only can gold dilute your long-term return, but it can also increase portfolio volatility.

The better way to hedge is to cut your exposure in half and go with gold stocks. Unlike the yellow metal,

gold stocks have the long-term potential of a positive real return. Over 24.5 years, **Select Gold** has posted an after-inflation return of 5.6% per year, versus 2.5% for the metal itself. And because the stocks climb about twice as fast as the underlying metal if a crisis hits, you only need half the weighting to get equivalent hedging capability. Bottom line: a 5% position in **Select Gold** is better than a 10% weighting in the metal itself, because a smaller portion of your portfolio gets diluted, and the dilution factor is not as great. Think of it as the most efficient way to hedge with gold.

In recognition of this approach to hedging against inflation, we've upgraded **Select Gold** to a hold rating with a stipulated limit of 5%. We're not suggesting that readers should immediately put 5% of their portfolio holdings into **Select Gold**. We're simply saying that for those who insist on some sort of precious metals hedge, a 5% weighting in **Select Gold** is the prudent approach.

What if your main goal is to profit from the short-term runup in gold? Like any other bubble, gold's runup could easily go to excess before it breaks. In some ways, gold is already on borrowed time because expectations for inflation are no longer rising. The current rally might stay alive as long as the Fed keeps short-term interest rates at near-zero levels, provided global investors continue to fear a day of reckoning for paper currencies. But once short-term interest rates begin to climb, or if confidence in the world's major paper currencies starts to return, the short-term situation for gold could turn ugly.

Between 1980 and 1983, as investors began to realize that the world's central banks were probably going to win their epic battle against inflation, gold lost about half its value. Today, the stakes could be even higher. If ETF investors bail out in unison, the metal could ultimately return to its main trading range of the last 30 years: \$300 to \$500 per ounce.

GOLD'S LONG-TERM FUTURE

The assumption that gold represents a timeless store of value is based on the assumption that it will remain scarce, but from a very long-term perspective it could also be on a collision course with advancing technology. Advances in machinery and mining techniques led to a factor of 4 expansion for the amount of gold in circulation over the last century. Gold enthusiasts like to point out that the world's oldest mines are nearly depleted, but in this day and age that shouldn't be a major consideration. New mines are coming on line quickly, and advancing technology could make new extraction methods possible. Over the next 100 years, gold's promise of scarcity may be undermined by silicon, carbon, and lithium (chips, nanotech/biotech, and energy storage).

GOLD - *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 ↓.

JUNE 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**	1.09	none	6.00	19.0	-9.1	-6.4	-13.4	8.2			
Growth Strategies (324/FDEGX)	H***	1.24	1.5(90)	15.72	1842.3	-3.4	-5.8	-10.9	20.6	-10.6	-0.7	-11.0
Blue Chip Gth (312/FBGRX)	B****	1.11	none	35.18	10545.4	-7.3	-7.0	-12.3	21.2	-4.8	0.7	-3.2
Blue Chip Value (1271/FBCVX)	H***	1.18	none	9.16	334.3	-8.0	-7.2	-13.4	13.9	-14.8	-3.1	
Capital Apprec (307/FDCAX)	H***	1.15	none	20.79	4567.4	-3.0	-6.3	-10.7	23.8	-8.5	0.9	0.5
Contrafund (22/FCNTX)	B****	0.93	none	55.39	54199.1	-4.8	-3.2	-8.1	16.4	-5.3	3.1	2.8
Growth Discovery (339/FDSVX)	S**	1.12	none	10.54	651.8	-5.0	-6.1	-10.9	17.0	-9.4	0.4	-1.7
Disc Equity (315/FDEQX)	S**	1.01	none	19.35	9440.2	-7.9	-6.3	-11.9	11.3	-12.0	-1.7	-1.4
Dividend Gth (330/FDGFV)	B****	1.29	none	22.03	7845.3	-6.9	-7.3	-12.7	20.0	-8.9	-0.3	0.0
Export Fund (332/FEXPX)	H***	1.13	0.75(30)	17.89	2517.4	-8.8	-5.3	-12.1	13.8	-9.4	0.1	2.0
Fidelity Fifty (500/FFTYX)	H***	1.24	none	13.95	686.3	-7.2	-5.0	-12.4	11.3	-13.5	-1.6	0.3
Focused Stock (333/FTQGX)	H***	1.02	none	10.43	119.1	-5.2	-5.0	-9.7	13.7	-5.6	1.6	-2.3
Growth Company (25/FDGRX)	B****	1.13	Closed	64.73	26620.9	-6.2	-6.3	-11.5	17.3	-4.9	3.2	-2.3
Independence (73/FDFFX)	H***	1.41	none	18.47	3668.1	-7.3	-7.4	-13.6	19.8	-8.4	1.9	-2.1
Lg Cap Core En Idx (1827/FLCEX)	S**↓	0.96	none	7.11	929.5	-8.0	-5.5	-12.2	11.4	-11.0		
Lg Cap Gth En Idx (1829/FLGEX)	S**↓	0.98	none	7.81	46.1	-8.2	-5.4	-12.0	13.0	-8.8		
Large Cap Growth (763/FSLGX)	H***	1.03	none	7.52	98.6	-7.5	-6.8	-11.7	10.8	-11.0	-3.6	
Large-Cap Stock (338/FLCSX)	B****	1.29	none	13.99	995.2	-6.6	-6.8	-13.7	19.1	-9.0	0.8	-3.2
Lg Cap Val En Idx (1828/FLVEX)	S**↓	1.00	none	6.24	66.0	-6.5	-5.9	-11.8	13.0	-13.4		
Large Cap Value (708/FSLVX)	H***	1.09	none	9.02	881.7	-7.4	-7.0	-12.4	13.4	-14.6	-3.3	
Lev Co Stock (122/FLVXC)	B****	1.69	1.5(90)	21.75	4239.2	-5.1	-9.4	-11.8	24.7	-12.3	1.0	
Low-Priced Stock (316/FLPSX)	H***↓	1.15	1.5(90)	31.16	24848.3	-2.4	-4.8	-10.0	21.1	-6.4	2.3	10.2
Magellan (21/FMAGX)	H***	1.31	none	58.84	20392.0	-8.4	-6.5	-12.8	11.5	-11.1	-2.1	-3.2
Mid Cap Growth (793/FSMGX)	H***	1.30	0.75(30)	9.59	223.8	-3.5	-5.7	-11.0	25.3	-11.3	-2.8	
Mid Cap Stock (337/FMCSX)	B****	1.39	0.75(30)	22.39	6741.6	-4.2	-9.7	-13.8	26.1	-9.8	2.1	1.0
Mid Cap Value (762/FSMVX)	H***	1.29	0.75(30)	12.69	527.6	-0.6	-6.5	-9.6	31.3	-9.6	0.4	
New Millennium (300/FMILX)	B****	1.19	none	23.48	1718.0	-4.6	-6.3	-11.6	19.7	-5.5	4.1	-0.2
OTC Portfolio (93/FOCPX)	B****	1.33	none	42.30	5305.3	-7.5	-7.8	-12.5	16.7	-2.8	4.4	-3.3
Small Cap Discovery (384/FSCRX)	B****	1.39	1.5(90)	15.83	597.9	1.9	-7.9	-7.1	26.5	-1.2	4.8	
Small Cap Growth (1388/FCPGX)	H***	1.26	1.5(90)	12.16	1234.7	-2.1	-7.1	-9.4	21.1	-8.2	1.8	
Small Cap Indep (336/FDSCX)	H***	1.37	1.5(90)	13.82	1521.0	-0.7	-7.6	-9.0	22.5	-13.4	-1.5	1.7
Small Cap Stock (340/FSLCX)	B****	1.44	2(90)	15.11	3839.0	-5.2	-7.9	-12.7	26.0	-5.4	3.0	5.1
Small Cap Value (1389/FCPVX)	B****	1.35	1.5(90)	12.67	1788.3	-0.1	-7.9	-8.4	24.1	-4.5	4.2	
Stock Selector (320/FDSSX)	H***	1.04	none	20.30	697.8	-6.5	-5.9	-11.9	13.6	-10.1	-0.6	-1.8
Tax Managed Stock (343/FTXMX)	S**	1.08	none	10.19	72.3	-6.5	-7.0	-11.7	14.2	-13.3	-2.3	
Trend (5/FTRNX)	B****	1.15	none	52.03	808.0	-7.5	-7.1	-11.9	17.2	-6.4	1.5	-0.5
Value (39/FDVLX)	B****	1.48	none	54.47	7666.7	-4.3	-7.8	-12.2	26.9	-12.2	-1.1	6.5
Value Discovery (832/FVDFX)	H***	1.17	none	11.98	620.1	-6.9	-7.7	-12.7	15.9	-12.2	-0.4	
Value Strategies (14/FSLSX)	B****	1.59	none	21.68	368.9	-1.9	-8.6	-11.7	30.1	-11.4	0.0	5.0
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.79	none	16.00	17340.8	-1.7	-2.7	-5.7	15.9	-4.6	2.6	4.9
Convertible Sec (308/FCVXS)	H***	1.32	none	21.35	2293.4	-1.3	-4.3	-7.2	24.2	-5.3	4.1	3.3
Equity-Income (23/FEQIX)	B****	1.15	none	36.31	12744.1	-6.9	-6.6	-12.3	15.4	-13.0	-1.7	1.4
Equity-Income II (319/FEQTX)	B****	1.11	none	15.02	4903.4	-7.7	-6.8	-12.8	13.5	-12.6	-2.8	1.0
Fidelity Fund (3/FFIDX)	S**	1.06	none	26.08	4727.2	-7.9	-6.0	-11.5	10.4	-9.3	-0.1	-1.6
Growth & Income (27/FGRIX)	S**	1.19	none	14.76	5579.5	-8.0	-6.0	-13.0	11.3	-19.4	-8.3	-4.9
Mega Cap Stock (361/FGRTX)	B****	1.04	none	8.11	539.8	-7.8	-5.6	-12.7	13.9	-9.6	0.1	-0.7
Puritan (4/FPURX)	B****	0.72	none	15.63	16042.2	-2.2	-3.0	-6.3	15.0	-4.2	2.3	3.9
Real Estate Income (833/FRIFX)	B****	0.78	0.75(90)	9.67	911.2	7.1	-0.5	0.7	30.6	0.3	2.9	
Real Estate (303/FRESX)	H***	2.03	0.75(90)	21.26	2944.2	6.3	-5.4	-4.5	63.7	-9.4	-0.3	9.4
Strategic Div & Inc (1329/FSDIX)	B****	1.15	none	9.24	481.7	-2.6	-5.2	-8.7	24.6	-8.8	0.0	
Telecom & Utilities (311/FUIX)	H***	0.88	none	13.45	699.7	-3.3	-1.8	-4.4	10.2	-11.6	1.1	-2.3
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.64	0.75(30)	34.13	137.0	7.2	-7.3	-11.9	58.2	-6.6	5.0	4.6
Automotive (502/FAVX)	H***	2.51	0.75(30)	29.24	135.2	-5.4	-8.2	-12.1	34.3	-11.9	-0.7	4.6
Banking (507/FSRBX)	B****	1.61	0.75(30)	15.98	488.4	4.8	-9.6	-12.2	27.3	-17.8	-8.5	0.8
Biotechnology (42/FBIOX)	S**	1.04	0.75(30)	60.55	981.6	-7.5	-5.0	-16.6	0.2	-2.1	2.1	-3.8
Brokerage (68/FSLBX)	H***	1.51	0.75(30)	42.69	542.0	-9.9	-10.5	-18.0	6.7	-12.8	0.3	3.5
IT Ser / Bus Ser (353/FBSOX)	B****	1.19	0.75(30)	16.38	88.3	-8.1	-4.6	-10.0	26.1	-2.1	7.0	5.7
Chemicals (69/FSCHX)	H***	1.38	0.75(30)	64.96	376.6	-11.6	-8.3	-16.8	18.3	-3.3	5.5	9.8
Computers (7/FDCPX)	H***	1.42	0.75(30)	43.45	468.2	-4.7	-5.5	-6.4	31.4	-0.2	5.2	-6.7
Const & Housing (511/FSHOX)	H***	1.54	0.75(30)	27.65	135.6	-4.8	-14.8	-13.1	17.3	-10.6	-4.5	8.2
Consumer Disc (517/FSCPX)	H***	1.21	0.75(30)	18.65	117.2	-0.7	-9.9	-10.7	25.6	-8.0	-0.8	0.4
Industrial / Cyc Ind (515/FCYIX)	H***	1.41	0.75(30)	17.97	305.5	-0.8	-6.8	-10.4	31.0	-5.1	4.5	7.4
Defense & Aero (67/FSDAX)	H***	1.32	0.75(30)	60.61	643.5	0.4	-6.1	-11.2	24.8	-7.4	2.8	8.3
Com Equip / DevC (518/FSDCX)	H***	1.62	0.75(30)	19.89	346.6	-4.2	-6.8	-11.2	17.7	-4.7	2.4	-8.3
Electronics (8/FSLEX)	H***	1.53	0.75(30)	37.22	1079.5	-10.2	-8.4	-13.1	23.9	-8.3	-0.5	-8.8
Energy (60/FSENX)	H***	1.67	0.75(30)	37.38	1855.0	-15.3	-5.4	-15.7	7.7	-12.1	2.8	7.2
Energy Service (43/FSESX)	H***	1.97	0.75(30)	49.13	1062.9	-15.5	-3.7	-16.1	5.6	-15.7	1.4	4.7
Environ & Alt Energy (516/FSLEX)	H***↑	1.07	0.75(30)	14.55	47.2	-6.4	-2.9	-5.7	8.7	-6.5	0.3	3.2
Financial Services (66/FIDSX)	B****	1.48	0.75(30)	54.09	509.7	-6.8	-8.7	-16.8	10.0	-20.4	-8.2	-0.4
Con Stap / Food Ag (9/FDFAX)	B****	0.78	0.75(30)	57.47	897.1	-5.3	-2.5	-9.9	11.5	0.0	6.6	7.4
Gold (41/FSAGX) Limit to 5% position	H***↑	2.22	0.75(30)	47.19	3243.5	11.1	4.1	14.3	35.0	16.0	23.0	20.1
Health Care (63/FSPHX)	H***	0.92	0.75(30)	102.89	1651.5	-3.6	-3.6	-10.5	15.9	-3.4	2.2	1.3
Home Finance (98/FSVLX)	B****	1.37	0.75(30)	10.74	131.3	-1.9	-8.8	-13.9	19.8	-35.5	-21.7	-4.5
Indust Equip (510/FSCGX)	H***	1.50	0.75(30)	25.10	166.1	-1.3	-7.6	-11.9	31.1	-7.9	3.3	2.6
Materials / Ind Mat (509/FSDPX)	H***	1.55	0.75(30)	47.73	604.2	-11.5	-8.1	-15.7	22.1	-3.6	9.4	12.2
Insurance (45/FSPCX)	B****	1.37	0.75(30)	40.49	156.8	2.4	-1.9	-10.0	29.3	-15.3	-5.0	4.0
Leisure (62/FDLSX)	H***	1.12	0.75(30)	70.27	284.8	5.9	-9.1	-7.9	24.4	-2.6	4.1	3.1
Medical Delivery (505/FSHCX)	H***	1.31	0.75(30)	41.48	415.6	-3.6	-5.2	-11.5	25.7	-5.4	0.3	11.1
Medical Equip/Sys (354/FSMEX)	H***	0.94	0.75(30)	23.60	1361.5	-3.6	-2.4	-10.9	12.5	2.3	4.6	8.1
Multimedia (503/FBMPX)	H***	1.31	0.75(30)	33.77	129.7	-1.0	-6.9	-9.3	34.7	-7.2	0.9	0.8
Natural Gas (513/FSNGX)	H***	1.77	0.75(30)	25.64	917.6	-18.5	-7.3	-18.0	0.7	-14.6	-0.2	6.5
Nat Resources (514/FNARX)	H***	1.69	0.75(30)	24.92	1301.6	-12.4	-4.6	-12.6	12.0	-8.9	7.0	8.8
Pharmaceuticals (580/FPHAX)	B****	0.86	0.75(30)	10.49	240.9	-3.0	0.4	-8.5	18.8	-1.2	6.1	
Retailing (46/FSRPX)	H***	1.28	0.75(30)	40.78	199.6	-2.4	-12.4	-13.8	26.5	-2.3	3.0	3.6
Software (28/FSCTX)	B****	1.22	0.75(30)	67.77	966.9	-10.7	-5.2	-11.7	17.3	-1.3	6.6	0.7
Technology (64/FSPTX)	B****	1.57	0.75(30)	70.46	1953.5	-6.6	-5.3	-9.4	26.3	-2.9	3.9	-7.1
Telecom (96/FSTCX)	B****	1.26	0.75(30)	37.48	295.2	-5.8	-3.2	-5.7	10.2	-11.9	2.1	-6.3
Transportation (512/FSRFV)	H***	1.29	0.75(30)	44.29	271.2	12.6	-6.4	-6.7	52.1	-3.0	6.0	8.8

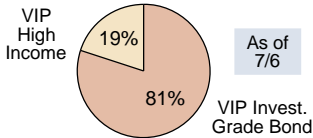
JUNE PERFORMANCE						30-day	2010	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
INTERNATIONAL FUNDS:												
Canada (309/FICDX)	H***	1.47	1.5(90)	46.84	3579.5		-3.4	-4.0	-9.2	15.9	-4.8	7.7
China Region (352/FHKCX)	H***	1.56	1.5(90)	25.86	1797.0		-7.3	0.3	-7.1	13.2	2.7	12.0
Diversified Int'l (325/FDIVX)	S**	1.26	1 (30)	24.30	25880.8		-13.2	-2.1	-13.7	5.6	-13.2	0.8
Emerging EMEA (2053/FEMEX)	H***	1.8 Est	1.5(90)	7.25	102.2		-4.9	-2.4	-11.0	11.7		
Emerging Mkts (322/FEMKX)	H***	1.75	1.5(90)	20.75	3507.5		-8.2	-1.4	-10.1	22.3	-8.5	10.5
Europe (301/FIEUX)	S**	1.26	1 (30)	24.34	1693.6		-17.4	-2.5	-16.5	1.7	-13.6	0.3
Europe Cap Appr (341/FECAX)	S**	1.29	1 (30)	14.65	399.4		-17.4	-2.5	-16.6	1.8	-15.0	0.8
Global Balanced (334/FGBLX)	H***	0.76	1 (30)	18.91	470.1		-6.0	-2.2	-7.9	9.5	-1.9	4.4
Glob Commodity Stk (2120/FFGCX)	H***	1.6 Est	1 (30)	12.28	250.7		-16.5	-5.8	-17.9	6.2		
Int'l Capital Apprec. (335/FIVFX)	H***	1.53	1 (30)	10.03	505.5		-11.6	-4.1	-15.2	10.6	-13.9	-1.0
Int'l Discovery (305/FIGRX)	S**	1.22	1 (30)	26.27	7256.5		-13.4	-2.4	-14.2	6.5	-12.6	1.7
Int'l Growth (1979/FIGFX)	H***	1.5 Est	1 (30)	6.74	21.0		-9.9	-0.6	-11.7	14.5		
Int'l Real Estate (1368/FIREX)	S**	1.38	1.5(90)	7.68	292.0		-12.7	-0.6	-12.1	3.8	-18.2	-2.5
Int'l Small Cap (818/FISMX)	B****	1.34	2 (90)	16.51	643.8		-5.9	-0.1	-9.1	12.8	-11.3	2.8
Int'l Small Cap Opp (1504/FSCOX)	H***	1.49	2 (90)	8.10	313.2		-5.6	-0.5	-8.5	22.5	-19.5	
Int'l Value (1597/FIVLX)	S**	1.41	1 (30)	6.70	143.2		-16.0	-3.2	-15.6	3.0	-15.5	
Japan (350/FJPNX)	H***	1.13	1.5(90)	9.65	1007.8		-4.6	-4.5	-12.1	-1.9	-13.7	-0.9
Japan Smaller Co (360/FJSCX)	H***	1.25	1.5(90)	7.79	303.8		-6.4	-3.3	-10.7	-2.0	-13.4	-7.1
Latin America (349/FLATX)	H***	1.76	1.5(90)	45.63	3595.9		-12.0	-1.0	-11.8	20.6	-3.9	17.0
Nordic (342/FNORX)	H***	1.57	1.5(90)	25.45	311.9		-7.0	-0.2	-12.2	19.8	-14.1	2.5
Overseas (94/FOSFX)	S**	1.27	1 (30)	26.00	5406.0		-15.9	-3.0	-15.2	-0.5	-15.8	-0.2
Pacific Basin (302/FPBFX)	B****	1.63	1.5(90)	20.43	676.9		0.6	0.0	-7.9	24.3	-8.9	6.1
Southeast Asia (351/FSEAX)	H***	1.42	1.5(90)	24.29	1483.1		-4.5	1.9	-6.1	15.5	-8.3	11.0
Total Int'l Equity (1978/FIEX)	S**	1.3 Est	1 (30)	5.95	48.3		-12.0	-1.8	-13.0	10.8		
Worldwide (318/FWWFX)	H***	1.12	1 (30)	14.53	970.5		-9.6	-4.3	-12.3	10.7	-9.7	2.2
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FNOX)	H***	0.91	none	22.75	1964.7		-6.1	-3.5	-9.9	12.2	-7.8	0.6
NASDAQ Comp (1282/FNCMX)	B****	1.17	0.75(90)	28.04	256.3		-6.8	-6.5	-11.9	15.8	-6.1	1.2
Spart Ext Mkt Idx (398/FSEMX)	B****	1.21	0.75(90)	29.78	2951.9		-1.1	-7.0	-9.8	24.2	-7.2	1.8
Spart Int'l Index (399/FISIX)	S**	1.24	1(90)	28.72	5202.8		-14.1	-1.7	-14.8	4.7	-13.5	0.8
Spart 500 Index (650/FUSEX)	H***	1.00	none	36.65	23354.3		-6.7	-5.2	-11.4	14.4	-9.8	-0.8
Spart Total Mkt Idx (397/FSTMX)	H***	1.03	0.5(90)	29.67	5325.3		-5.7	-5.5	-11.1	16.1	-9.3	-0.2
Asset Mgr 20% (328/FASIX)	H***	0.36	none	12.06	2727.9		1.5	-0.2	-1.0	11.5	1.9	4.1
Asset Mgr 30% (1957/FTANX)	H***	0.5 Est	none	9.15	91.6		0.8	-0.7	-2.1	13.0		
Asset Mgr 40% (1958/FFANX)	H***	0.6 Est	none	8.84	66.2		-0.5	-1.2	-3.6	13.6		
Asset Mgr 50% (314/FASMX)	H***	0.70	none	13.56	6035.0		-1.7	-1.8	-5.1	14.4	-2.2	2.4
Asset Mgr 60% (1959/FSANX)	H***	0.8 Est	none	8.38	84.6		-3.0	-2.3	-6.6	14.5		
Asset Mgr 70% (321/FASGX)	H***	0.90	none	13.72	2232.7		-4.3	-3.0	-8.0	14.9	-5.5	1.0
Asset Mgr 85% (347/FAMRX)	H***	1.03	none	10.89	560.2		-6.5	-4.0	-10.4	14.5	-7.5	1.4
Dynamic Strategies (1960/FDYSX)	H***	0.8 Est	none	8.22	151.1		-2.6	-2.0	-5.5	13.3		
Freedom 2000 (370/FFFBX)	H***	0.37	none	11.37	1578.9		0.8	-0.5	-1.5	11.1	0.8	3.1
Freedom 2005 (1312/FFVFX)	H***	0.62	none	9.81	954.6		-1.6	-1.7	-4.3	13.1	-2.3	2.4
Freedom 2010 (371/FFFCX)	H***	0.66	none	12.16	10269.7		-2.2	-1.9	-5.1	13.3	-2.5	2.4
Freedom 2015 (1313/FFVFX)	H***	0.70	none	10.11	8439.4		-2.4	-2.0	-5.3	13.6	-3.3	2.5
Freedom 2020 (372/FFDXX)	H***	0.83	none	12.02	19130.9		-3.6	-2.7	-6.8	14.7	-5.2	1.9
Freedom 2025 (1314/FFTXX)	H***	0.87	none	9.86	8837.9		-4.5	-3.1	-7.9	14.4	-6.0	1.6
Freedom 2030 (373/FFEX)	H***	0.96	none	11.67	13614.9		-5.2	-3.5	-8.7	14.7	-7.7	0.9
Freedom 2035 (1315/FFTHX)	H***	0.98	none	9.58	5753.4		-6.1	-3.8	-9.6	14.2	-8.3	0.6
Freedom 2040 (718/FFFFX)	H***	1.01	none	6.67	8049.6		-6.2	-4.0	-9.9	14.4	-8.8	0.4
Freedom 2045 (1617/FFFGX)	H***	1.02	none	7.87	1983.9		-6.5	-4.1	-10.1	14.5	-8.9	
Freedom 2050 (1618/FFFHX)	H***	1.06	none	7.71	1590.6		-7.1	-4.2	-10.7	14.3	-9.8	
Freedom Income (369/FFFAFX)	H***	0.34	none	10.77	2710.4		1.0	-0.5	-1.2	10.9	1.5	3.3
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	B****	0.90	1(90)	8.53	11108.1	7.08	1.9	-0.3	-2.9	33.2	5.5	7.7
Corporate Bond (2208/FCEBFX)	B****	0.3 Est	none	10.09	10.8	3.80		2.0				
Floating Rate (814/FFRHX)	H***	0.48	1(60)	9.39	3004.7	4.43	1.2	-0.2	-1.8	9.3	2.8	4.1
Focused High Inc (1366/FHIFX)	H***↓	0.63	1(90)	8.93	477.5	6.88	3.7	1.5	0.1	18.7	4.1	4.9
GNMA Portfolio (15/FGMNX)	B****	0.15	none	11.81	7588.5	2.54	5.5	1.4	3.5	9.0	8.6	6.2
Gov't Income (54/FGOVX)	H***	0.21	none	10.77	4618.3	1.87	4.9	1.5	3.5	6.7	8.0	5.6
High Income (455/SPHIX)	B****	0.75	1(90)	8.43	6559.0	8.28	3.0	0.7	-1.1	24.0	5.9	6.8
Inflation-Protected (794/FINPX)	H***	0.43	none	11.60	2201.4	0.46	4.2	1.4	3.7	9.2	6.3	4.0
Intermed Bond (32/FTHRX)	B****	0.25	none	10.53	4587.3	2.92	5.5	1.4	3.1	13.4	6.2	4.8
Intermed Gov't Inc (452/FSTGX)	H***	0.17	none	11.05	1392.4	1.35	4.4	1.4	3.3	5.9	7.3	5.3
Invest Grade Bond (26/FBNDX)	B****	0.26	none	7.33	6824.1	3.00	5.9	1.5	3.4	14.3	5.2	4.2
Mortgage Securities (40/FMSFX)	B****	0.14	none	10.84	805.8	3.29	5.4	1.2	3.3	10.8	5.4	4.2
New Markets Inc (331/FNMIX)	H***	0.76	1(90)	15.25	3288.6	5.56	4.3	1.6	-0.2	20.4	8.8	9.1
Short-Term Bond (450/FSHBX)	B****	0.12	none	8.43	7513.0	1.51	2.5	0.5	1.2	6.6	2.0	2.6
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.36	none	10.89	1349.3	2.50	8.3	2.7	6.6	9.1	9.4	
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.64	none	11.16	196.7	3.63	13.2	4.7	12.2	11.9	10.5	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.14	none	10.55	230.4	0.89	2.9	0.8	2.0	3.9	5.8	
Strategic Income (368/FSICX)	B****	0.46	none	10.87	7397.1	5.00	2.9	1.2	0.1	17.1	7.6	6.9
Strategic Real Rtn (1505/FSRRX)	H***	0.67	0.75(60)	8.56	4466.9	2.35	0.6	-0.5	-1.2	15.8	0.3	
Total Bond (820/FTBFX)	B****	0.28	none	10.83	11054.7	3.50	5.4	1.4	2.8	14.5	7.2	5.5
Ultra-Short Bond (812/FUSFX)	H***	0.18	0.25(60)	8.15	236.6	0.46	0.6	0.0	0.2	1.3	-4.5	-1.1
US Bond Index (651/FBIDX)	H***	0.18	none	11.46	10389.0	2.68	5.3	1.7	3.6	9.3	6.7	5.0
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H***	0.30	0.5(30)	11.42	175.1	3.33	3.1	0.2	2.0	8.8	4.9	3.8
CA Municipal Inc (91/FCFX)	S**	0.31	0.5(30)	12.00	1599.5	3.81	4.3	0.0	2.3	10.8	4.2	3.6
CA Short-Int TF (1534/FCSTX)	H***	0.15	0.5(30)	10.63	664.4	1.61	1.8	0.2	1.2	5.7	5.1	
CT Municipal Inc (407/FICNX)	H***	0.26	0.5(30)	11.50	608.0	2.72	2.7	0.1	2.0	7.5	5.4	4.0
Intermediate Muni (36/FLTMX)	B****	0.19	0.5(30)	10.26	4023.7	2.50	2.8	0.2	1.7	7.3	5.3	4.2
MA Municipal Inc (70/FDMMX)	H***	0.28	0.5(30)	11.95	2447.0	3.10	3.2	0.0	2.0	9.0	5.1	4.0
MD Municipal Inc (429/SMDMX)	H***	0.27	0.5(30)	11.03	184.2	2.85	2.9	0.2	1.9	8.1	5.1	3.9
MI Municipal Inc (81/FMHTX)	H***	0.24	0.5(30)	11.94	664.9	3.11	2.7	0.1	1.8	7.7	5.2	4.0
MN Municipal Inc (82/FMIX)	H***	0.23	0.5(30)	11.50	505.0	2.54	2.8	0.1	1.8	6.8	5.1	4.0
Municipal Income (37/FHIGX)	H***	0.29	0.5(30)	12.64	5990.1	3.53	3.5	0.1	2.1	10.0	4.9	4.0
NJ Municipal Inc (416/FNJHX)	H***	0.28	0.5(30)	11.59	679.4	2.94	2.8	-0.2	1.9	8.3	5.0	3.9
NY Municipal Inc (71/FTFMX)	H***	0.28	0.5(30)	13.02	1822.0	3.20	3.4	0.1	2.0	9.0	5.4	4.1
OH Municipal Inc (88/FOHFX)	H***	0.27	0.5(30)	11.68	533.3	3.16	2.6	0.0	1.7	7.9	5.2	4.0
PA Municipal Inc (402/FPXTX)	H***	0.22	0.5(30)	10.85	454.5	3.11	2.6	0.1	1.7	7.3	5.0	3.9
Short-Int Municipal (404/FSTFX)	B****	0.13	0.5(30)	10.68	3530.0	1.44	1.6	0.2	1.1	4.5	4.7	3.7
Tax-Free Bond (90/FTABX)	H***	0.29	0.5(30)	10.89	1960.3	3.60	3.4	0.1	2.0	9.8	5.3	4.2

JUNE 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	0.91	9774.02	-5.0	-3.4	-9.3	19.0	-7.4	1.7	1.7
S&P 500	1.00	1030.71	-6.7	-5.2	-11.4	14.4	-9.8	-0.8	-1.6
NASDAQ	1.17	2109.24	-6.6	-6.5	-11.8	16.1	-5.9	1.4	-5.5
Russell 2000	1.28	609.49	-2.0	-7.8	-10.0	21.4	-8.6	0.4	3.0
Fidelity Monitor Income Model	0.33	92187.51	4.6	1.3	2.0	16.4	1.1	3.2	4.1
Fidelity Monitor G&I Model	0.75	158358.68	-1.7	-2.5	-5.7	16.2	-5.9	1.5	4.2
Fidelity Monitor Growth Model	1.14	151423.49	-6.0	-6.3	-11.5	18.2	-11.2	-0.9	0.8
Fidelity Monitor Select System	1.11	316884.90	-7.1	-5.0	-10.1	18.6	-7.1	2.2	1.2
Fidelity Monitor Unique Opportunities	1.17	102783.50	-4.8	-7.1	-11.3	19.9	-9.4	1.3	5.6

VIP CORNER

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

VIP INCOME MODEL

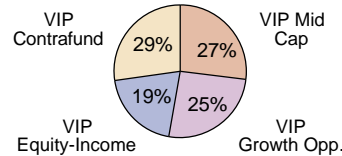


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2002: +7.3%
1994: -3.8%	2003: +9.9%
1995: +16.9%	2004: +5.1%
1996: +6.9%	2005: +1.8%
1997: +10.9%	2006: +6.1%
1998: +0.4%	2007: +6.2%
1999: +0.8%	2008: -18.3%
2000: -2.4%	2009: +22.9%
2001: -3.4%	*2010: +3.9%

VIP GROWTH MODEL

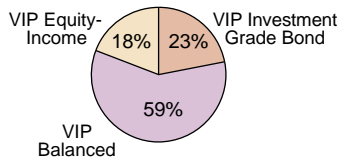


PAST PERFORMANCE

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: -4.8%

VIP G & I MODEL

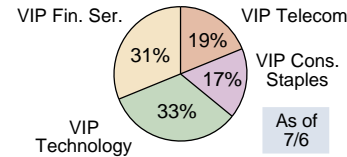


PAST PERFORMANCE

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: -3.0%

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: -6.9%

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

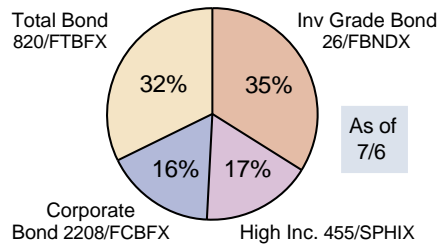
JUNE VIP PERFORMANCE Portfolio	Rating	Risk	RR Value	2010 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Growth Strategies	H ***	1.23	9.21	-4.1	-5.8	-11.3	19.1	-11.3	
VIP Asset Manager	H ***	0.78	34.89	-2.4	-2.3	-5.8	14.6	-1.8	2.3
VIP Asset Manager: Growth	H ***	1.00	21.07	-5.5	-3.8	-9.4	14.8	-5.0	0.8
VIP Balanced	B ****	0.94	16.31	-3.2	-4.5	-8.0	17.3	-4.4	2.3
VIP Consumer Discretionary	H ***	1.21	10.08	-1.1	-9.8	-10.9	24.7	-8.5	-1.5
VIP Consumer Staples	B ****	0.77	9.77	-5.7	-2.5	-10.1	10.6	-0.5	
VIP Contrafund	B ****	1.12	36.89	-7.0	-5.6	-11.5	15.7	-8.4	0.7
VIP Disciplined Small Cap	H ***	1.19	7.56	-3.1	-7.4	-9.5	18.2	-11.5	
VIP Dynamic Capital Appreciation	H ***	1.17	12.17	-3.5	-6.5	-11.1	22.7	-9.7	1.1
VIP Energy	H ***	1.67	17.97	-15.4	-5.4	-15.8	7.4	-12.7	3.1
VIP Equity-Income	B ****	1.16	47.12	-7.5	-6.7	-12.6	14.5	-14.2	-2.7
VIP Financial Services	B ****	1.53	7.58	-6.9	-8.7	-16.9	9.5	-20.8	-8.7
VIP Freedom 2005	H ***	0.61	11.17	-1.4	-1.9	-4.5	13.0	-2.5	
VIP Freedom 2010	H ***	0.65	11.13	-1.6	-2.1	-5.1	13.4	-2.7	
VIP Freedom 2015	H ***	0.70	11.22	-1.9	-2.2	-5.3	14.0	-3.5	
VIP Freedom 2020	H ***	0.83	10.81	-3.0	-2.9	-6.9	15.1	-5.5	
VIP Freedom 2025	H ***	0.88	10.71	-3.8	-3.4	-7.9	15.3	-6.2	
VIP Freedom 2030	H ***	0.98	10.34	-4.6	-3.9	-8.9	15.7	-8.1	
VIP Freedom Income	H ***	0.31	11.66	0.7	-0.7	-1.5	9.0	1.4	
VIP FundsManager 20	H ***	0.28	12.96	0.5	-0.2	-1.3	7.1	0.7	
VIP FundsManager 50	H ***	0.59	9.93	-2.3	-1.7	-5.1	10.3	-3.7	
VIP FundsManager 70	H ***	0.81	9.04	-4.5	-3.0	-8.0	11.6	-7.5	
VIP FundsManager 85	H ***	0.97	8.45	-5.9	-3.9	-10.0	13.5	-9.9	
VIP Growth	H ***	1.12	48.23	-5.4	-6.1	-11.0	15.8	-10.8	-1.9
VIP Growth & Income	H ***	1.04	14.53	-8.3	-6.0	-12.8	9.8	-11.6	-1.4
VIP Growth Opportunities	B ****	1.37	10.05	-6.0	-6.6	-12.2	18.3	-12.9	-3.2
VIP Growth Stock	B ****	1.16	9.43	-7.4	-6.7	-11.7	16.9	-7.0	
VIP Health Care	H ***	0.92	11.88	-3.7	-3.8	-10.6	15.3	-3.9	1.4
VIP High Income	B ****	0.71	35.14	3.0	1.2	-0.6	20.2	2.8	4.8
VIP Index 500	H ***	1.00	29.11	-7.0	-5.3	-11.6	13.5	-10.5	-1.6
VIP Industrials	H ***	1.42	16.87	-1.0	-6.8	-10.5	30.9	-5.2	4.3
VIP Int'l Capital Appreciation	H ***	1.53	8.97	-12.1	-4.1	-15.5	9.8	-14.6	
VIP Investment Grade Bond	B ****	0.24	35.12	5.1	1.4	2.9	12.0	6.2	4.3
VIP Materials	H ***	1.55	9.33	-11.8	-8.3	-16.0	21.1	-4.1	
VIP Mid Cap	B ****	1.10	20.83	1.0	-3.7	-5.0	23.1	-4.7	4.3
VIP Money Market			21.79	-0.3	-0.1	-0.2	-0.5	1.3	2.3
VIP Overseas	S **	1.22	28.72	-13.9	-2.3	-14.7	5.1	-14.6	-0.2
VIP Real Estate	H ***	2.11	15.90	5.5	-6.2	-5.0	59.2	-9.0	0.5
VIP Strategic Income	B ****	0.44	14.68	2.3	1.2	-0.1	15.0	6.7	5.9
VIP Technology	B ****	1.57	10.96	-7.1	-5.4	-9.4	25.3	-3.2	4.2
VIP Telecommunications	B ****	1.22	7.05	-7.0	-3.6	-6.2	8.3	-13.7	
VIP Utilities	H ***	0.95	10.94	-5.9	-1.4	-3.8	8.9	-9.5	2.1
VIP Value	B ****	1.45	8.79	-4.7	-7.7	-12.2	25.4	-13.2	
VIP Value Leaders	H ***	1.18	8.20	-8.4	-7.2	-13.5	13.2	-15.3	
VIP Value Strategies	B ****	1.58	11.75	-2.3	-8.7	-11.8	29.1	-12.3	-0.9
Fidelity Monitor VIP Income Model		0.30	21968.15	3.9	1.2	1.6	14.5	2.0	3.3
Fidelity Monitor VIP G&I Model		0.80	23094.48	-3.0	-3.6	-6.9	13.6	-5.1	1.5
Fidelity Monitor VIP Growth Model		1.15	26894.70	-4.8	-5.5	-10.2	17.2	-13.2	-2.3
Fidelity Monitor VIP Sector Model		1.23	17065.17	-6.9	-4.8	-10.1	21.8	-5.4	3.5

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	\$7.33	4375.857	\$32075.03
Strategic Income	\$10.87	1414.837	\$15379.28
Corporate Bond	\$10.09	1520.699	\$15343.85
Total Bond	\$10.83	2713.698	\$29389.35

7% Foreign Holdings
Balance as of 6/30/10: \$92187.51
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: + 4.6%

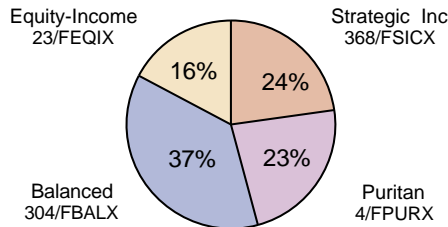
For June we were up 1.3%. On 6/7 we sold half of **Strategic Income** (\$10.74) and bought **Corporate Bond** (\$9.99). On 7/6 we will sell the rest of **Strategic Income** and buy **High Income**.

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	\$10.87	3564.624	\$38747.46
Puritan	\$15.63	2297.127	\$35904.10
Balanced	\$16.00	3679.760	\$58876.16
Equity-Income	\$36.31	683.860	\$24830.96

15% Foreign Holdings
Balance as of 6/30/10: \$158358.68
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: - 1.7%

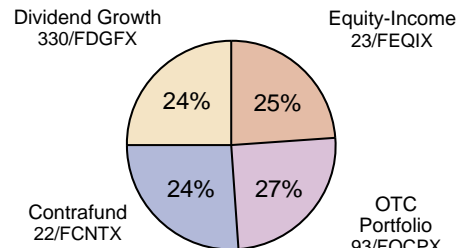
Our Growth and Income Model declined 2.5% in June.

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	\$36.31	1032.879	\$37503.84
OTC Portfolio	\$42.30	984.424	\$41641.14
Contrafund	\$55.39	649.764	\$35990.43
Dividend Growth	\$22.03	1647.212	\$36288.08

13% Foreign Holdings
Balance as of 6/30/10: \$151423.49
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: - 6.0%

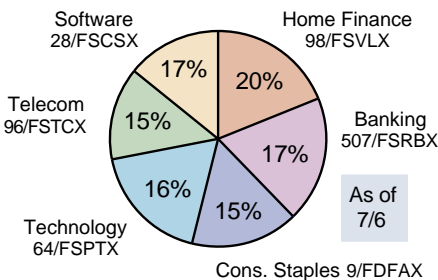
Our Growth Model was down 6.3% in June, compared to a decline of 5.2% for the S&P 500.

SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Home Finance	\$10.74	5924.536	\$63629.52
Health Care	\$102.89	516.216	\$53113.46
Consumer Staples	\$57.47	816.730	\$46937.47
Technology	\$70.46	734.691	\$51766.33
Telecom	\$37.48	1289.049	\$48313.56
Software	\$67.77	783.895	\$53124.56

9% Foreign Holdings
Balance as of 6/30/10: \$316884.90
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: - 7.1%

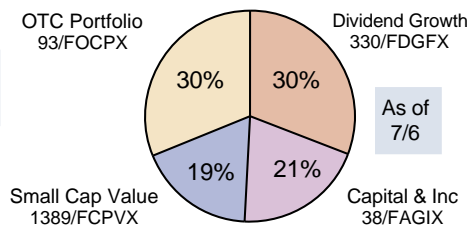
Our Select System declined 5.0% in June, compared to a 5.2% loss for the S&P 500. On 7/6 we will sell **Health Care** and buy **Banking**.

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	\$22.03	1397.231	\$30781.00
Low-Priced Stock	\$31.16	694.362	\$21636.32
Small Cap Value	\$12.67	1528.959	\$19371.91
OTC Portfolio	\$42.30	732.725	\$30994.27

11% Foreign Holdings
Balance as of 6/30/10: \$102783.50
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: - 4.8%

Our Unique Opportunities Model lost 7.1% in June, versus a 5.2% decline for the S&P 500. On 7/6 we will sell **Low-Priced Stock** and buy **Capital & Income**.

There are several ways that gold could slowly become a “fiat” metal. Let’s start with microbes. Bacteria by the name of *Cupriavidus metallidurans*, which are believed to play a role in the formation of gold grains and nuggets from gold tetrachloride, have been fully sequenced. Perhaps a similar microbe may some day be engineered to extract gold by passing a less toxic fluid through the ground, much like modern uranium mines. Alternatively, robotic exploration could reach to the asteroid belt, where the metal exists in relatively abundant concentrations. Less likely, but still a game-changer, is the possibility that nanotech materials could make it possible to drill to the center of the Earth, where large quantities of the molten precious metal may exist due to gravitational effects. And someday the nuclear process that forms gold in the center of stars could be replicated by tech-savvy alchemists, although it’s hard to envision that it would ever be a cost-effective source of supply.

Science fiction? Perhaps. But even without these developments, advancing technology may still put paper currencies on a progressively stronger foundation, weakening gold’s fundamental attraction. Technology does two things. First, it boosts productivity growth, leading to a rising standard of living and increased tax revenue. Second, it reduces inflationary pressures by introducing new types of competition into the economy. Together, those two factors create an environment hostile to gold. If today’s concerns about sovereign debt are eventually put to rest, gold could end up posting a long period of dismal performance, much as it did in the 1980s and 1990s. Investors would have little use for an inflation hedge when cost pressures are minimal, and those holding gold in place of cash would eventually see the benefit of holding a paper currency that pays interest. ■

JUNE DISTRIBUTIONS

Asset Manager 20%	\$ 0.021/\$12.04 (6/4)
Asset Manager 30%	\$ 0.017 / \$9.16 (6/4)
Freedom Income	\$ 0.02 / \$10.78 (6/4)
Focused High Income	\$ 0.275 / \$8.79 (6/11)
Inflation-Protected Bond	\$ 0.015/\$11.48 (6/11)
Large Cap Stock	\$ 0.015/\$14.91 (6/11)
Mid Cap Stock	\$ 0.063/\$24.43 (6/11)
Real Estate	\$ 0.10 / \$21.16 (6/4)
Real Estate Income	\$ 0.149 / \$9.61 (6/4)

Funds scheduled for July include **Asset Manager 20%, 30%, 40%, and 50%, Balanced, Convertible Securities, Equity-Income, Equity-Income II, Fidelity Fund, Freedom Inc., Growth & Income, Puritan, Strategic Dividend & Income, Strategic Real Return, and Telecom & Utilities.**

INCOME FUNDS

We suggest following our Income Model on page 7. If you would rather pick your own funds, our favorites include **Investment Grade, Total Bond, Corporate Bond, Strategic Income, High Income, and Capital & Income.** The high-yield funds are back on our favorites list because their income streams have again reached attractive levels. **High Income** and **Capital & Income** should be viewed as lower-risk alternatives to stock funds.

Declining long-term interest rates gave a lift to bonds, especially those with high interest rate sensitivity. **Spartan Long-Term Treasury Index** was up 4.7%, and **Spartan Intermediate Treasury Index** gained 2.7%. But easing inflation and credit concerns weighed on **Strategic Real Return** (off 0.5%) and **Capital & Income** (which declined 0.3%). Municipal bond funds posted returns ranging from a 0.2% loss to a 0.2% gain.

SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. Our volatility model has turned bullish on the financial group, but keep in mind that the risks in this group will remain heightened until pending legislation is finalized. Buy rated sectors include **Home Finance, Insurance, Banking, Telecom, Financial Services, Consumer Staples, Pharmaceuticals, IT Serv., Software, and Technology.**

Gold gained 4.1%, **Pharmaceuticals** edged up 0.4%, and **Utilities** limited its loss to 1.3%. On the bottom end, **Brokerage** lost 10.5%, **Retailing** was down 12.4%, and **Construction & Housing** tumbled 14.8%. ■

Happenings

Select Environmental has broadened its objective beyond waste management and cleanup to include alternative and renewable energy, energy efficiency, pollution control and water infrastructure. Anna Davydova has taken over as sole manager. The fund has also changed its name to **Environment and Alternative Energy.** Being a long-time engineering enthusiast of alternative energy and electric vehicles, I’ve often joked about how it’s much more enjoyable to buy and use alternative energy products than to own the companies that make them. But there are growing signs that this fledgling industry may be gaining some traction, and Fidelity’s willingness to include it in the portfolio’s objective is a significant endorsement. We’ve upgraded the fund to a hold.

Fidelity has reopened **U.S. Treasury Money Market** in response to improving credit conditions. The fund is a top choice for safety of principal, which is why the interest in owning it has continued despite its 0.01% yield. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	125492.8	0.06	CT MM (418/FCMXX)	1722.4	0.01			
Select MM (85/FSLXX)	7307.6	0.13	MA MM (74/FDMXX)	4917.1	0.01			
Money Market (454/SPRXX)	6302.8	0.03	MI MM (420/FMIXX)	882.3	0.01	MA AMT TF (426/FMSXX)	406.6	0.01
Gov’t MM (458/SPAXX)	705.7	0.01	NJ MM (417/FNJXX)	2150.3	0.01	AMT Tax-Free (460/FIMXX)	2024.1	0.01
US Treas. MM (415/FDLXX)	5189.0	0.01	NY MM (92/FNYXX)	4995.5	0.01	NJ AMT TF (423/FSJXX)	356.2	0.01
Tax-Free MM (275/FMOXX)	6279.0	0.01	OH MM (419/FOMXX)	981.8	0.01	NY AMT TF (422/FSNXX)	649.6	0.01
US Gov’t Reser (50/FGRXX)	3385.0	0.01	AZ MM (433/FSAXX)	359.6	0.01	PA MM (401/FPTXX)	677.9	0.01
CA MM (97/FCFXX)	4919.2	0.01	CA AMT TF (457/FSPXX)	727.2	0.03	Municipal MM (10/FTEXX)	22856.6	0.01