

Jack  
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# Fidelity

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Fidelity Newsletter

20  
Years

OCTOBER  
2010

# Monitor™

## Sector Volatility Model Update

It was one year ago that we changed our method of calculating risk, adopting a monthly standard deviation approach that looks back three years. The change was driven by the need for volatility numbers that could do a better job of predicting fund behavior in bear markets (especially in the high-yield bond group).

While there is no perfect way to measure risk, the monthly standard deviation method has worked well, allowing us to manage risk in our model portfolios without any unpleasant surprises. To that end, we are now moving to monthly standard deviation in our sector volatility model, which drives the underlying ranking system for the choices we make in our Select System portfolio.

### BACKGROUND

Using statistics in an attempt to predict the future is no small challenge, even if all you are trying to do is glean a slight advantage in sector selection. Only some of today's best performing sectors will remain in the limelight a year from now, and there will probably be a few laggards that begin to outperform.

Our volatility model attempts to improve the odds of picking winners by comparing each sector's current standard deviation to an historical baseline. We've found that industry groups with lower-than-usual volatility stand a greater chance of sustaining or developing a favorable trend. Conversely, those with larger than usual price swings are more likely to surprise on the downside.

The system we've been using until now involves a

VOLATILITY MODEL - *Continued on page 2*

## Select System, VIP Sector Model To Make Changes

On Monday, 10/11, we'll make two changes:

Our Select System will be selling **Banking** (507/FSRBX) and buying **Multimedia** (503/FBMPX).

Our change to a new monthly volatility model has resulted in lower rankings for the financial group. The banking environment is not improving as we expected, but content providers and cable companies continue to be well-positioned in the current economic environment. Reading and television viewing habits have not been affected much by high unemployment.

Our VIP Sector Model will sell one-half of **VIP Fin. Services** and buy **VIP Consumer Discretionary**.

## Review & Recommendations

Stocks jumped in September as economic conditions improved across the board, making a double-dip recession unlikely. Also helping was the growing probability of an extension of the Bush tax cuts, along with the prospect of regulatory gridlock in Congress. The S&P 500 was up 8.9% for the month.

### GROWTH FUNDS

For a stock-oriented portfolio, we suggest following our Growth Model. See page 7. If you prefer to pick your own funds, our favorites include **Equity-Income**, **Dividend Growth**, **Contrafund**, and **OTC Portfolio**.

A strong showing among technology stocks gave some of the more aggressive funds a big boost. **OTC Portfolio** jumped 14.2%, **Independence** was up 13.6%, **Small Cap Stock** gained 13.2%, and **Focused Stock** climbed 12.7%. The rally was broad, meaning that even the laggards did relatively well. **Blue Chip Value** gained 8.5%, and **Large Cap Value** rose 7.6%.

### INTERNATIONAL FUNDS

**Pacific Basin** remains our favorite foreign stock fund. **New Markets Income** offers a conservative approach to investing in emerging countries.

An encouraging report on Germany's exports helped the European markets. **Nordic** jumped 16.5%, **Int'l Small Cap** was up 13.3%, and **Europe Capital Appreciation** climbed 12.9%. The Bank of Japan intervened to limit the yen's climb, which helped Japanese stocks. But the benefit was muted in U.S. dollar terms, in part because of the quantitative easing that went along with the move. On the bottom end, **Japan**, **Japan Smaller Companies**, and **Canada** all returned 5.3%.

### GROWTH & INCOME FUNDS

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

**Mega Cap Stock** jumped 9.8%, **Growth & Income** and **Fidelity Fund** both climbed 9.5%, **Equity-Income** gained 9.3%, and **Equity-Income II** was up 9.2%. On the bottom end, **Real Estate** increased 4.4%, and **Real Estate Income** returned 2.7%.

### INCOME FUNDS

For a bond portfolio we suggest following our Income

RECOMMENDATIONS - *Continued on page 8*

VOLATILITY MODEL - *Continued from page 1*

comparison of each sector's one-year daily price volatility against a baseline period of three to five years. While the volatility approach does a good job of driving the more speculative sectors to a lower-ranked position, it hasn't been particularly adept in picking winners. In order to point it in the right direction, we've been using a trend-following component that looks at risk-adjusted performance over the last 12 months. Those sectors that are more predictable are biased to respond more to the momentum side of the model, while the less predictable industry groups rely mainly on the volatility calculations. Over the last five years this system has kept us about two percentage points per year ahead of the S&P 500.

This year, the Select System has been struggling in the wake of the financial crisis as the behavior of many groups has been significantly altered. For example, the financials – traditionally a defensive group – are now risky and unpredictable. The high-risk technology group, on the other hand, is now defined by robust business models and large cash holdings. It behaves a lot like value stocks. As a result of these changes and others, the momentum side of our sector model has occasionally been steering the model in the wrong direction.

**A VOLATILITY-ONLY APPROACH**

As we began to look at moving from daily to monthly standard deviation, we found it necessary to increase our historical measurement period to nearly a decade. We found that any calculation of less than 100 monthly data points fell short when used as a baseline for current volatility periods spanning up to 36 months. Initially, we saw this as a disadvantage, as it limited the early years of our 15-year back test to a handful of sectors with a full 25 year history. But that problem was relatively easy to overcome, and we soon realized that the monthly approach worked well enough on its own that we could eliminate the trend-following component. After fully optimizing the volatility side of the model, we're convinced the model is capable of favoring undervalued sectors over a wide variety of market conditions.

Transitioning to the new volatility model will be relatively easy, because many of the Selects that were highly ranked under the previous model continue to be highly ranked under the new one. The main exceptions

are in the financial group (where rankings have slipped due to the longer baseline period), and in the technology arena (where they have increased).

The chart below illustrates how the monthly volatility calculation works for **Electronics**. With current volatility (1.54 relative to the S&P 500) running 4% lower than the baseline period (1.60 relative to current S&P 500), **Electronics** comes in as the sixth highest-ranked Select in our monthly volatility model. Based on that (and the fact that chip pricing has improved in recent months), we've upgraded it to a buy. The calculation for other industry groups is similar, but the measurement periods can be different depending on the characteristics of the sector (volatile Selects generally have longer periods).

**STILL NO MARKET TIMING**

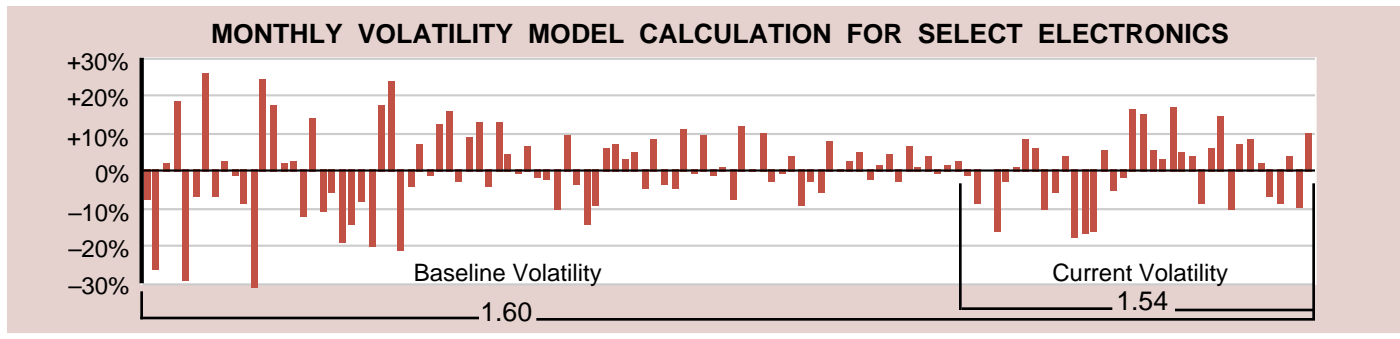
Despite the dramatic impact of the financial crisis, allowing cash as an option in the Select System does not improve back-test performance. If the model parameters are adjusted to allow cash a statistically valid number of times, the impact is always dilutive. And while it might be possible to time the market intuitively, the odds of success are not good. Here are our reasons for sticking with an always-in-stocks approach:

- Stocks are usually moving up twice as often as they are moving down, so the more you try to time the market, the more often you'll be sitting in cash watching stocks go up in value.

- Getting out at the top and back in at the bottom requires two different personalities. It's tough to switch between the role of nervous Nellie and battle-hardened opportunist. And it's even tougher to do it successfully through multiple market cycles.

- It's better to stay focused on the best available opportunities rather than constantly debating whether you should be in the game. Over any long-term period, savvy sector selection beats savvy market timing by a wide margin. In effect, all-weather investors enjoy a compelling long-term advantage over those who try to cherry-pick the bullish periods. Why? Because the market often provides the greatest rewards during the transition from bearish conditions to bullish opportunities.

Following is a review of the Selects that comprise the ten major industry groups. Within each group, we've included additional comments for all buy-rated Selects.



Fidelity Monitor is published by Independent Fidelity Investors, Inc, P.O. Box 1270, Rocklin, CA 95677. Web site: [www.fidelitymonitor.com](http://www.fidelitymonitor.com) For information/service, call (800) 397-3094, email [fidmonserv@aol.com](mailto:fidmonserv@aol.com) or visit the web site. Subscription rate: \$179 per year, including weekly hotline service. Fidelity Monitor is not associated with Fidelity Investments. All facts and figures are obtained from reliable sources but are subject to revision. Before buying a fund, please read its prospectus. Editor: Jack Bowers. Copyright (c) 2010.

## CONSUMER DISCRETIONARY

In theory this group should be one of the hardest hit in an era of debt-reduction and high unemployment. However, consumers with manageable debt loads who remain employed appear to be returning to their normal spending habits, as evidenced by the jump in sales of luxury goods over the last year. **Multimedia**, the highest ranked sub-sector in this group, has a heavy emphasis on cable companies and content providers. These firms have held up well during the spending slowdown, in part because even unemployed consumers are still watching television, reading books and magazines, and renting movies. There is some concern that television over the Internet might eventually pose a threat to cable revenues, but most cable companies are in a strong position to respond to any competitive threat that emerges.

## CONSUMER STAPLES

This defensive sector has always tended to hold up well in tough times, because sales of food, beverages, household products and tobacco don't decline much when the economy tanks. While rising prices for basic food commodities have pressured margins in this group, most firms have stayed ahead of the curve by cutting costs and raising prices. That has prompted a battle of sorts between the brands and the grocery chains that stock them. So far the brand names (which account for a majority of this Select's portfolio) have been gaining the upper hand. **Consumer Staples'** rank is lower in the new version of our volatility model, which means that our Select System may be selling it in the months ahead.

## FINANCIAL SERVICES

At some point this group may be a great place to invest, just as it was in the years that followed the savings and loan bailout. However, last month's global pact that boosted banking capitalization requirements is a stark reminder that the rules of the game are still evolving in an unfavorable manner. And there are continuing signs that consolidation may not be far enough along to be boosting profits at the surviving institutions. Under our new volatility model, **Banking** and **Home Finance** end up with sharply lower ranking positions. We've opted to move out of **Banking** this month, and it's likely we'll sell **Home Finance** before the end of the year. **Insurance**, however, will remain a buy. The industry has largely escaped the wrath of lawmakers, and most consumers are motivated to keep up their coverage because of how difficult it's become to finance a new home or vehicle.

## ENERGY

After a period of retrenchment amid record U.S. inventory levels for oil and natural gas, the prospect of a weaker dollar may help stabilize energy prices near current

levels. Valued by dividend yield, most of the major energy firms represent reasonably attractive values, and if the global recovery stays on track their margins may expand over time. Still, drilling costs are not getting any cheaper, and fracturing methods have completely changed the game in natural gas, making it difficult for traditional producers to remain profitable. As a result of our new model we have upgraded most funds in this group to a hold.

## HEALTH CARE

The prospect of repeal for some of the more onerous portions of health care reform has given this group a lift in recent weeks, but that doesn't change the fact that companies in this group will continue to struggle with liability, patent expirations, unregulated global competition, and high capital costs. In theory there is a lot of potential in emerging markets as demand picks up among growing middle-class populations, but it doesn't change the fact that these consumers will probably be much more frugal than existing users of health care service (unlike most of the developed world, they'll actually be paying for it themselves). We have upgraded **Medical Delivery** to a buy due to its higher ranked position in our new volatility model. Valuations in this sector were driven down due to health care reform, but it now appears the cost of the new legislation will be largely passed along (rather than absorbed) by medical providers.

## INDUSTRIALS

This sector is dominated by makers of capital goods. With the exception of the technology sector, it's the group that stands to benefit most from rising emerging country demand. Making durable heavy equipment is not something that comes easy to China (or any other emerging country for that matter). And because the wage gap is closing fast, the playing field will be level by the time emerging countries are ready to enter the field. However, the favorable long-term outlook is still clouded by the potential for negative global surprises in the short run. Europe is not completely out of the woods when it comes to sovereign debt problems, and China remains at risk for a slowdown in housing and construction activity.

## MATERIALS

Chemical producers and mining companies make up the bulk of this sector. Due to a global bidding war for mining company assets, prices are now at a premium, and the fund's 5-10% allocation to gold mining companies makes the problem even worse. Fortunately, the chemicals side of the portfolio helps balance things out a bit. Domestic chemical producers enjoy a cost advantage over their foreign competitors, thanks to the use of natural gas as a feedstock. Foreign firms use oil, which

VOLATILITY MODEL - *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 ↓.

SEPTEMBER PERFORMANCE						2010	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
<b>GROWTH FUNDS:</b>												
130/30 Large Cap (2063/FOTTX)	S ***	1.09	none	6.52	16.7	-1.2	9.8	8.7	3.2			
Growth Strategies (324/FDEGX)	H ***	1.23	1.5(90)	17.89	1680.9	10.0	11.2	13.8	16.8	-8.8	0.7	-9.7
Blue Chip Gth (312/FBGRX)	B ****	1.12	none	39.88	9618.9	5.1	12.0	13.4	14.1	-2.4	2.6	-1.8
Blue Chip Value (1271/FBCVX)	S ***	1.17	none	9.92	299.9	0.4	8.5	9.1	3.7	-12.3	-2.5	
Capital Apprec (307/FDCAX)	H ***	1.16	none	22.85	4163.2	6.6	10.0	9.9	13.5	-6.6	1.4	1.9
Contrafund (22/FCNTX)	B ****	0.92	none	62.16	50996.2	6.8	10.1	12.2	14.7	-3.8	3.8	3.9
Growth Discovery (339/FDSVX)	H ***	1.13	none	12.07	597.5	9.0	12.6	14.8	15.7	-8.3	2.2	-0.4
Disc Equity (315/FDEQX)	S ***	1.01	none	20.82	8207.5	-0.9	9.0	7.6	3.5	-10.1	-1.3	-0.6
Dividend Gth (330/FDGFEX)	B ****	1.29	none	24.83	7204.2	5.5	11.6	13.3	11.2	-5.1	1.7	0.9
Export Fund (332/FEXPX)	H ***	1.11	0.75(30)	19.80	2236.6	0.9	9.6	10.7	7.6	-7.7	0.8	3.2
Fidelity Fifty (500/FFTYX)	H ***	1.22	none	15.92	654.7	6.2	9.3	14.5	11.6	-10.9	-0.6	2.2
Focused Stock (333/FTQGX)	H ***	1.02	none	11.83	111.5	7.5	12.7	13.4	14.2	-3.3	2.4	-1.3
Growth Company (25/FDGRX)	B ****	1.12	Closed	74.48	24209.0	8.0	11.6	15.1	15.8	-3.2	4.6	-1.2
Independence (73/FDFFX)	H ***	1.39	none	21.23	3336.9	6.6	13.6	14.9	13.0	-6.9	3.2	-0.7
Lg Cap Core En Idx (1827/FLCEX)	S ***	0.96	none	7.82	873.2	1.2	8.6	10.0	6.6	-7.8		
Lg Cap Gth En Idx (1829/FLGEX)	S ***	0.99	none	8.68	40.9	2.0	10.4	11.1	10.0	-5.2		
Large Cap Growth (763/FSLGX)	H ***	1.04	none	8.61	92.2	5.9	10.8	14.5	12.8	-7.0	-1.8	
Large-Cap Stock (338/FLCSX)	B ****	1.28	none	15.63	852.6	4.4	10.4	11.7	9.5	-6.7	2.0	-1.8
Lg Cap Val En Idx (1828/FLVEX)	S ***	0.99	none	6.81	61.5	2.0	7.8	9.1	5.8	-10.6		
Large Cap Value (708/FLVLX)	H ***	1.07	none	9.77	794.0	0.3	7.6	8.3	2.8	-12.4	-3.0	
Lev Co Stock (122/FLVCX)	B ****	1.66	1.5(90)	23.94	3544.8	4.6	11.1	10.2	9.6	-9.5	1.4	
Low-Priced Stock (316/FLPSX)	H ***	1.13	1.5(90)	34.68	22957.8	8.8	9.6	11.5	14.5	-2.1	3.6	10.7
Magellan (21/FMAGX)	H ***	1.28	none	64.46	17722.5	0.3	10.8	9.6	4.4	-10.0	-1.0	-2.2
Mid Cap Growth (793/FSMGX)	H ***	1.30	0.75(30)	10.91	212.7	9.8	11.1	13.8	17.3	-7.1	-1.5	
Mid Cap Stock (337/FMCSX)	B ****	1.39	0.75(30)	25.14	5399.8	7.6	12.1	12.3	12.3	-6.2	2.6	1.5
Mid Cap Value (762/FSMVX)	H ***	1.27	0.75(30)	14.21	499.2	11.3	10.2	12.0	17.1	-5.0	1.4	
New Millennium (300/FMILX)	B ****	1.18	none	26.29	1588.2	6.8	10.5	12.0	10.9	-3.3	4.1	0.3
OTC Portfolio (93/FOCPX)	B ****	1.33	none	48.33	4641.0	5.7	14.2	14.3	14.5	-1.8	6.1	-1.6
Small Cap Discovery (384/FSCRX)	H ***	1.35	1.5(90)	17.54	627.3	12.9	12.0	10.8	16.8	5.8	5.5	
Small Cap Growth (1388/FCPGX)	H ***	1.26	1.5(90)	13.51	1123.5	8.8	11.8	11.1	14.2	-4.8	2.7	
Stock Sel Small Cap (336/FDSCX)	H ***	1.37	1.5(90)	15.61	1314.5	12.1	12.2	13.0	13.2	-8.9	-0.5	2.8
Small Cap Stock (340/FSLCX)	B ****	1.44	2(90)	16.94	3326.5	6.3	13.2	12.1	12.0	-1.5	4.0	6.2
Small Cap Value (1389/FCPVX)	H ***	1.32	1.5(90)	13.93	1643.1	10.7	10.4	10.8	14.2	0.7	5.0	
Stock Sel All Cap (320/FDSSX)	S ***	1.05	none	22.91	648.8	5.5	10.8	12.9	11.9	-7.8	0.8	-0.7
Tax Managed Stock (343/FTXMX)	S ***	1.09	none	11.02	63.3	1.1	10.4	8.1	5.7	-11.1	-1.9	
Trend (5/FTRNX)	B ****	1.15	none	59.58	828.2	5.9	11.0	14.5	14.7	-4.3	3.3	1.0
Value (39/FDVLX)	B ****	1.45	none	61.42	6591.1	7.9	10.1	12.8	12.3	-8.2	0.4	7.6
Value Discovery (832/FVDFX)	H ***	1.17	none	13.12	553.1	2.9	9.5	10.5	7.0	-9.8	0.0	
Value Strategies (14/FSLSX)	B ****	1.56	none	24.42	320.4	10.5	10.6	12.7	14.8	-6.8	2.0	5.0
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B ****	0.77	none	17.23	16789.4	6.3	5.9	8.2	10.4	-2.7	3.2	5.4
Convertible Sec (308/FCVXX)	H ***	1.28	none	23.33	2111.6	8.7	7.1	10.1	14.0	-2.8	4.6	4.0
Equity-Income (23/FEQIX)	B ****	1.15	none	40.10	10273.0	3.3	9.3	11.0	7.1	-9.8	-0.4	1.7
Equity-Income II (319/FEQTX)	B ****	1.12	none	16.55	4495.5	2.1	9.2	10.6	6.0	-9.9	-1.6	1.1
Fidelity Fund (3/FFIDX)	S ***	1.04	none	28.65	4341.2	1.4	9.5	10.1	5.7	-7.7	1.1	-0.5
Growth & Income (27/FGRIX)	S **	1.18	none	16.29	4858.0	1.7	9.5	10.5	6.6	-16.5	-6.9	-4.1
Mega Cap Stock (361/FGRTX)	B ****	1.05	none	8.96	461.7	2.2	9.8	10.9	8.3	-7.9	0.6	0.0
Puritan (4/FPURX)	B ****	0.72	none	16.82	15071.5	5.9	6.5	8.2	10.9	-2.1	3.4	4.2
Real Estate Income (833/FRIFX)	B ****	0.73	0.75(90)	10.14	1073.2	13.7	2.7	6.2	20.4	3.9	3.9	
Real Estate (303/FRESX)	H ***	1.94	0.75(90)	23.86	2985.4	19.8	4.4	12.7	30.9	-5.8	1.3	9.9
Strategic Div & Inc (1329/FSDIX)	B ****	1.12	none	10.12	461.2	7.1	6.4	10.0	12.7	-6.2	0.9	
Telecom & Utilities (311/FUIUX)	B ****	0.87	none	15.37	816.8	11.1	5.1	14.9	19.6	-7.3	2.5	-0.5
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H ***	1.62	0.75(30)	39.23	138.7	23.2	10.6	14.9	34.2	-3.9	6.1	4.8
Automotive (502/FSAVX)	S **↓	2.45	0.75(30)	35.99	111.2	16.4	13.8	23.1	29.2	-4.2	2.0	6.6
Banking (507/FSRBX)	H ***↓	1.58	0.75(30)	16.00	402.9	5.0	8.1	0.1	3.4	-16.7	-8.3	-1.0
Biotechnology (42/FBIOX)	H ***↑	1.02	0.75(30)	68.30	975.3	4.3	10.2	12.8	2.8	-1.0	2.7	-3.6
Brokerage (68/FSLBX)	H ***	1.47	0.75(30)	46.92	450.4	-1.0	8.9	9.9	-5.0	-8.9	0.3	2.6
IT Ser / Bus Ser (353/FBSOX)	B ****↑	1.19	0.75(30)	19.15	80.6	7.4	14.3	16.9	19.3	5.1	9.1	6.6
Chemicals (69/FSCHX)	H ***	1.38	0.75(30)	79.72	415.6	8.5	8.3	22.7	15.9	0.8	10.0	13.1
Computers (7/FDCPX)	H ***↑	1.42	0.75(30)	49.67	427.5	8.9	15.0	14.3	18.4	1.4	6.9	-4.9
Const & Housing (511/FSHOX)	H ***	1.48	0.75(30)	30.72	81.4	5.8	9.4	11.1	8.7	-4.2	-2.6	8.6
Consumer Disc (517/FSCPX)	H ***	1.22	0.75(30)	21.67	108.0	15.4	12.6	16.2	23.5	-1.8	2.4	2.3
Industrial / Cyc Ind (515/FCYIX)	H ***	1.41	0.75(30)	20.62	316.2	13.8	12.1	14.7	23.0	-2.3	6.0	8.2
Defense & Aero (67/FSDAX)	S **↓	1.31	0.75(30)	66.88	581.5	10.8	9.9	10.3	20.5	-7.5	3.6	8.2
Com Equip / DevC (518/FSDCX)	H ***	1.62	0.75(30)	23.87	352.2	15.0	15.3	20.0	18.7	-0.6	4.2	-6.4
Electronics (8/FSSELX)	B ****↑	1.54	0.75(30)	39.95	855.6	-3.6	15.4	7.3	5.9	-6.9	-0.6	-6.8
Energy (60/FSENX)	H ***↑	1.61	0.75(30)	42.22	1739.8	-4.4	10.2	12.9	0.6	-11.0	0.9	7.7
Energy Service (43/FSESX)	S **	1.93	0.75(30)	58.78	1015.0	1.1	15.3	19.6	4.5	-15.1	0.8	5.9
Environ & Alt Energy (516/FSLEX)	H ***	1.07	0.75(30)	16.52	55.5	6.2	9.8	13.5	12.0	-4.0	1.4	3.9
Financial Services (66/FIDSX)	H ***↓	1.47	0.75(30)	56.47	381.9	-2.7	9.4	4.4	-4.2	-18.4	-7.9	-2.0
Con Stap / Food Ag (9/FDFAX)	H ***↓	0.78	0.75(30)	65.34	811.1	7.6	7.7	13.7	11.9	1.6	8.5	8.4
Gold (41/FSAGX) Limit to 5% position	H ***	2.04	0.75(30)	52.69	3749.3	24.1	6.8	11.7	30.0	11.8	20.2	22.4
Health Care (63/FSPHX)	H ***	0.92	0.75(30)	111.80	1465.4	4.8	11.2	8.7	11.4	-1.9	2.6	1.8
Home Finance (98/FSVLX)	H ***↓	1.35	0.75(30)	10.86	107.7	-0.8	6.9	1.1	1.3	-32.1	-21.1	-6.9
Indust Equip (510/FSGEX)	H ***	1.50	0.75(30)	28.86	165.7	13.5	12.7	15.0	21.2	-5.6	4.6	4.7
Materials / Ind Mat (509/FSDPX)	H ***	1.52	0.75(30)	57.16	579.4	5.9	9.3	19.8	15.6	0.0	10.7	14.5
Insurance (45/FSPCX)	B ****	1.31	0.75(30)	43.92	153.7	11.0	7.7	8.5	9.2	-12.6	-4.3	2.4
Leisure (62/FDLSX)	H ***	1.12	0.75(30)	80.78	286.8	21.7	10.5	15.0	25.3	1.1	6.7	4.8
Medical Delivery (505/FSHCX)	B ****↑	1.29	0.75(30)	44.00	366.5	2.2	12.5	6.1	16.3	-3.3	0.2	9.6
Medical Equip/Sys (354/FSMEX)	S **↓	0.95	0.75(30)	24.58	1135.5	0.4	12.0	4.2	5.4	0.6	4.7	7.5
Multimedia (503/FBMPX)	B ****	1.30	0.75(30)	38.44	127.9	12.6	9.6	13.8	24.8	-1.1	2.9	2.6
Natural Gas (513/FSNGX)	H ***↑	1.70	0.75(30)	29.02	847.7	-7.8	8.9	13.2	-7.1	-11.6	-2.4	6.1
Nat Resources (514/FNARX)	H ***↑	1.62	0.75(30)	28.06	1219.4	-1.3	10.1	12.6	4.2	-8.0	4.9	9.4
Pharmaceuticals (580/FPHAX)	H ***↓	0.84	0.75(30)	11.80	285.9	9.1	9.7	12.5	20.0	2.6	6.6	
Retailing (46/FSRPX)	H ***	1.27	0.75(30)	47.74	137.7	14.3	15.5	17.1	23.3	5.3	7.2	5.3
Software (28/FSCSX)	B ****	1.21	0.75(30)	79.75	919.9	5.1	12.6	17.7	19.6	2.5	9.0	1.5
Technology (64/FSPTX)	H ***	1.55	0.75(30)	84.16	1842.4	11.5	15.0	19.4	24.2	0.4	6.5	-4.9
Telecom (96/FSTCX)	B ****	1.24	0.75(30)	44.07	333.0	10.7	10.3	17.6	18.9	-8.2	4.4	-3.3
Transportation (512/FSRFX)	H ***	1.29	0.75(30)	49.66	317.9	26.3	10.1	12.1				

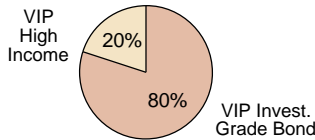
SEPTEMBER PERFORMANCE												
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	30-day Yield	2010 YTD	One Mth	Three Mth	One Year	3-Yr Rate	5-Yr Rate
<b>INTERNATIONAL FUNDS:</b>												
Canada (309/FICDX)	H***	1.39	1.5(90)	52.32	3623.1		7.9	5.3	11.7	12.0	-4.2	6.7
China Region (352/FHKCX)	H***	1.44	1.5(90)	30.82	1802.2		10.5	11.7	19.2	18.8	-0.5	14.7
Diversified Int'l (325/FDIVX)	S**	1.25	1(30)	28.36	24209.4		1.3	10.7	16.7	4.7	-10.0	1.8
Emerging EMEA (2053/FEMEX)	H***	1.8 Est	1.5(90)	8.72	103.0		14.4	11.9	20.3	20.0		
Emerging Mkts (322/FEMKX)	H***	1.67	1.5(90)	24.80	3333.5		9.7	11.7	19.5	19.4	-6.9	10.3
Europe (301/FIEUX)	S**	1.29	1(30)	29.49	1264.5		0.1	12.8	21.2	2.7	-8.8	2.1
Europe Cap Appr (341/FECAX)	S**	1.31	1(30)	17.74	399.9		0.0	12.9	21.1	2.8	-10.7	2.7
Global Balanced (334/FGLBX)	H***	0.75	1(30)	21.34	481.6		6.1	7.7	12.9	8.4	0.3	5.8
Glob Commodity Stk (2120/FFGCX)	H***	1.6 Est	1(30)	14.77	250.1		0.4	9.2	20.3	10.2		
Int'l Capital Apprec. (335/FIVFX)	H***	1.51	1(30)	12.06	533.4		6.3	12.6	20.2	9.9	-8.4	1.2
Int'l Discovery (305/FIGRX)	S**	1.22	1(30)	31.00	7297.3		2.1	11.6	18.0	6.0	-9.3	2.9
Int'l Growth (1979/FIGFX)	H***	1.5 Est	1(30)	8.01	22.9		7.1	11.6	18.8	13.9		
Int'l Real Estate (1368/FIREX)	S**	1.38	1.5(90)	9.10	310.1		6.8	11.5	22.4	9.1	-13.6	0.0
Int'l Small Cap (818/FISMXX)	B****	1.32	2(90)	19.73	656.8		12.4	13.3	19.5	13.9	-5.6	3.8
Int'l Small Cap Opp (1504/FSCOX)	B****	1.47	2(90)	9.55	346.2		11.3	11.6	17.9	18.2	-15.1	0.3
Int'l Value (1597/FIVLX)	S**	1.41	1(30)	7.91	148.3		-0.9	10.6	18.1	1.1	-11.4	
Japan (350/FJPNX)	H***	1.09	1.5(90)	10.31	830.5		1.9	5.3	6.8	0.6	-11.6	-3.6
Japan Smaller Co (360/FJSCX)	H***	1.21	1.5(90)	8.30	290.7		-0.2	5.3	6.5	-4.1	-11.1	-7.6
Latin America (349/FLATX)	H***	1.69	1.5(90)	55.43	3691.7		8.5	11.1	23.2	22.9	-0.3	15.9
Nordic (342/FNORX)	H***	1.59	1.5(90)	31.49	352.7		15.0	16.5	23.7	20.2	-10.1	4.5
Overseas (94/FOSEFX)	S**	1.26	1(30)	30.12	5123.6		-2.6	11.4	15.8	-2.4	-13.6	0.6
Pacific Basin (302/FPBFX)	B****	1.56	1.5(90)	23.97	700.8		18.1	10.8	17.3	22.8	-5.8	6.6
Southeast Asia (351/FSEAX)	H***	1.34	1.5(90)	28.82	1503.8		13.3	10.6	18.6	20.5	-9.4	12.4
Total Int'l Equity (1978/FTIEX)	S**	1.3 Est	1(30)	7.06	52.7		4.4	11.2	18.7	9.5		
Worldwide (318/FWWFX)	H***	1.13	1(30)	16.84	939.6		4.8	11.9	15.9	9.6	-6.8	3.5
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.91	none	25.40	1947.5		4.8	8.1	11.6	9.0	-4.8	2.0
NASDAQ Comp (1282/FNCMX)	B****	1.18	0.75(90)	31.56	236.0		5.0	12.2	12.6	12.5	-3.6	2.6
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.20	0.75(90)	33.50	2835.7		11.3	11.4	12.5	16.8	-3.2	3.2
Spart Int'l Index (399/FSIIX)	S**	1.25	1(90)	33.77	5690.7		1.0	10.0	17.6	3.2	-9.4	2.1
Spart 500 Index (650/FUSEX)	H***	1.00	none	40.59	22398.1		3.8	8.9	11.3	10.1	-7.2	0.6
Spart Total Mkt Idx (397/FSTMX)	H***	1.03	0.5(90)	33.08	5141.7		5.2	9.4	11.5	11.2	-6.4	1.2
Asset Mgr 20% (328/FASIX)	H***	0.35	none	12.57	2932.0		6.3	2.5	4.8	8.5	3.0	4.5
Asset Mgr 30% (1957/FTANX)	H***	0.5 Est	none	9.66	100.2		6.9	3.6	6.1	9.7		
Asset Mgr 40% (1958/FFANX)	H***	0.6 Est	none	9.45	74.2		7.0	4.7	7.5	10.3		
Asset Mgr 50% (314/FASMXX)	H***	0.69	none	14.68	6001.8		7.0	5.7	8.9	10.8	0.0	3.8
Asset Mgr 60% (1959/FSANX)	H***	0.8 Est	none	9.22	87.1		6.7	6.7	10.0	10.9		
Asset Mgr 70% (321/FASGX)	H***	0.90	none	15.28	2197.9		6.6	7.8	11.4	11.2	-2.7	2.8
Asset Mgr 85% (347/FAMRXX)	H***	1.03	none	12.31	542.7		5.7	9.4	13.0	10.8	-4.3	2.5
Dynamic Strategies (1960/FDYSX)	H***	0.8 Est	none	8.96	154.3		6.2	5.2	9.0	11.1		
Freedom 2000 (370/FFFBX)	H***	0.36	none	11.85	1537.6		5.0	2.6	4.2	7.6	1.7	3.7
Freedom 2005 (1312/FFVFX)	H***	0.61	none	10.48	902.3		5.2	4.7	6.8	8.5	-0.8	3.3
Freedom 2010 (371/FFFCX)	H***	0.65	none	13.10	9632.3		5.4	5.4	7.7	8.9	-0.8	3.4
Freedom 2015 (1313/FFVFX)	H***	0.69	none	10.91	8188.8		5.4	5.5	7.9	9.0	-1.5	3.3
Freedom 2020 (372/FFFDX)	H***	0.81	none	13.12	18269.4		5.3	6.5	9.2	9.4	-3.1	2.8
Freedom 2025 (1314/FFFTWX)	H***	0.86	none	10.86	8600.2		5.2	7.3	10.1	9.5	-3.6	2.6
Freedom 2030 (373/FFFEEX)	H***	0.95	none	12.91	13081.0		4.9	7.8	10.6	9.5	-5.3	2.0
Freedom 2035 (1315/FFFTHX)	H***	0.98	none	10.66	5639.1		4.5	8.4	11.3	9.3	-5.7	1.8
Freedom 2040 (718/FFFFX)	H***	1.01	none	7.44	7766.3		4.6	8.6	11.5	9.2	-6.1	1.6
Freedom 2045 (1617/FFFGX)	H***	1.02	none	8.79	2021.4		4.4	8.7	11.7	9.3	-6.3	
Freedom 2050 (1618/FFFHX)	H***	1.06	none	8.64	1616.0		4.1	9.1	12.1	8.9	-7.1	
Freedom Income (369/FFFAFX)	H***	0.33	none	11.16	2707.5		5.1	2.5	4.0	7.5	2.4	3.9
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	B****	0.85	1(90)	9.08	11206.3	6.02	10.1	4.6	8.0	19.0	8.5	8.9
Corporate Bond (2208/FCCBFX)	H***↓	0.4 Est	none	10.49	123.6	3.37		0.8	5.0			
Floating Rate (814/FFRHX)	H***	0.44	1(60)	9.65	3275.7	4.12	4.9	1.4	3.6	7.5	4.1	4.5
Focused High Inc (1366/FHIFX)	H***	0.59	1(90)	9.37	555.8	5.53	10.5	2.5	6.6	15.9	6.0	6.0
GNMA Portfolio (15/FGMNX)	B****	0.15	none	11.63	8377.4	2.75	6.8	-0.3	1.2	7.5	8.1	6.5
Gov't Income (54/FGOVX)	H***	0.20	none	10.79	4918.7	1.65	7.1	-0.1	2.2	6.7	7.6	6.2
High Income (455/SPHIX)	B****	0.71	1(90)	8.84	6849.8	7.04	9.9	3.0	6.6	16.5	8.0	7.9
Inflation-Protected (794/FINPX)	H***	0.40	none	11.84	2230.9	0.23	6.6	0.5	2.3	8.4	5.9	4.5
Intermed Bond (32/FTHRX)	B****	0.24	none	10.77	4804.2	2.15	8.9	0.6	3.2	10.3	6.8	5.5
Intermed Gov't Inc (452/FSTGX)	H***	0.16	none	11.08	1429.5	0.92	6.5	0.3	2.0	6.3	6.9	5.9
Invest Grade Bond (26/FBNDX)	B****	0.24	none	7.48	7323.7	2.55	8.9	0.4	2.9	10.8	5.8	4.9
Mortgage Securities (40/FMSFX)	B****	0.13	none	10.89	827.6	3.64	6.9	-0.1	1.4	8.6	5.7	4.5
New Markets Inc (331/FNMIX)	B****	0.73	1(90)	16.24	4030.0	4.87	12.5	1.7	7.9	14.0	10.7	9.9
Short-Term Bond (450/FSHBX)	B****	0.11	none	8.50	7786.7	1.06	3.8	0.4	1.3	4.9	2.4	2.8
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.35	none	11.26	1492.2	1.91	12.7	0.2	4.1	10.8	9.3	
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.63	none	11.61	269.0	3.25	18.9	-1.7	5.0	12.5	10.5	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.13	none	10.65	260.9	0.54	4.3	0.2	1.3	4.2	5.2	
Strategic Income (368/FSICX)	B****	0.44	none	11.42	7926.2	4.18	9.2	2.2	6.1	12.1	8.9	8.0
Strategic Real Rtn (1505/FSRRX)	H***	0.65	0.75(60)	9.13	4070.9	2.14	7.3	3.2	6.7	12.8	1.9	
Total Bond (820/FTBFX)	B****	0.26	none	11.08	11312.3	3.28	8.8	0.6	3.3	10.9	7.8	6.3
Ultra-Short Bond (812/FUSEFX)	H***	0.15	0.25(60)	8.16	235.5	0.37	0.9	0.0	0.3	1.1	-3.5	-1.2
US Bond Index (651/FBIDX)	H***	0.18	none	11.65	11313.0	2.37	7.8	0.1	2.4	8.0	6.8	5.7
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FAZAX)	H***	0.29	0.5(30)	11.71	183.9	2.90	6.7	-0.1	3.5	5.5	5.5	4.6
CA Municipal Inc (91/FCTFX)	S**	0.30	0.5(30)	12.32	1699.2	3.29	8.1	-0.1	3.7	5.7	4.8	4.3
CA Short-Int TF (1534/FCSTX)	H***	0.14	0.5(30)	10.76	713.9	1.11	3.7	-0.3	1.8	4.1	5.1	
CT Municipal Inc (407/FICNX)	H***	0.25	0.5(30)	11.78	634.6	2.17	6.0	-0.3	3.2	5.1	5.7	4.8
Intermediate Muni (36/FLTMX)	B****	0.18	0.5(30)	10.42	4254.5	2.19	5.3	-0.3	2.4	4.8	5.4	4.7
MA Municipal Inc (70/FDMMX)	H***	0.27	0.5(30)	12.24	2557.1	2.73	6.7	-0.4	3.4	5.8	5.6	4.8
MD Municipal Inc (429/SMDMX)	H***	0.26	0.5(30)	11.25	197.2	2.30	5.8	-0.2	2.8	4.9	5.4	4.6
MI Municipal Inc (81/FMHTX)	H***	0.23	0.5(30)	12.18	680.7	2.71	5.8	-0.2	3.0	5.0	5.5	4.7
MN Municipal Inc (82/FIMIX)	H***	0.22	0.5(30)	11.74	541.4	2.06	5.8	-0.2	2.9	5.3	5.5	4.6
Municipal Income (37/FHIGX)	H***	0.27	0.5(30)	12.93	6241.6	3.11	7.0	0.0	3.3	5.7	5.4	4.7
NJ Municipal Inc (416/FNJHX)	H***	0.27	0.5(30)	11.87	699.4	2.53	6.2	-0.2	3.4	5.0	5.4	4.7
NY Municipal Inc (71/FTFMX)	H***	0.27	0.5(30)	13.31	1896.9	2.66	6.7	-0.1	3.2	5.6	5.8	4.9
OH Municipal Inc (88/FOHFX)	H***	0.26	0.5(30)	11.92	576.5	2.75	5.7	-0.1	3.0	4.9	5.5	4.7
PA Municipal Inc (402/FPXTX)	H***	0.22	0.5(30)	11.09	469.9	2.84	5.9	0.0	3.2	5.6	5.4	4.6
Short-Int Municipal (404/FSTFX)	B****	0.12	0.5(30)	10.78	3721.8	1.14	3.1	-0.2	1.5	3.3	4.6	4.0
Tax-Free Bond (90/FTABX)	H***	0.28	0.5(30)	11.14	2161.2	3.12	6.8	-0.1	3.3	5.7	5.8	5.0

SEPTEMBER 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	10788.05	5.6	7.9	11.2	14.2	-5.4	3.1	2.5
S&P 500	1.00	1141.20	3.9	8.9	11.3	10.2	-7.2	0.6	-0.4
NASDAQ	1.17	2368.62	5.1	12.1	12.6	12.7	-3.4	2.8	-3.7
Russell 2000	1.28	676.14	9.1	12.4	11.2	13.3	-4.3	1.6	4.0
Fidelity Monitor Income Model	0.31	95922.41	8.9	1.0	4.1	11.4	2.2	3.8	4.3
Fidelity Monitor G&I Model	0.71	171375.85	6.4	4.8	8.2	11.3	-3.8	2.3	4.8
Fidelity Monitor Growth Model	1.12	169712.35	5.3	10.7	12.1	12.3	-7.9	0.4	2.0
Fidelity Monitor Select System	1.08	350700.16	2.8	9.5	10.7	10.1	-5.5	2.6	2.2
Fidelity Monitor Unique Opportunities	1.14	114832.76	6.4	10.4	11.7	12.6	-6.6	1.9	7.2

## VIP CORNER

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

### VIP INCOME MODEL

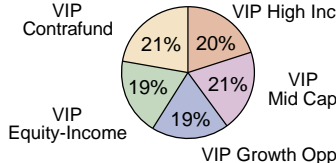


#### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2002: +7.3%
1994: -3.8%	2003: +9.9%
1995: +16.9%	2004: +5.1%
1996: +6.9%	2005: +1.8%
1997: +10.9%	2006: +6.1%
1998: +0.4%	2007: +6.2%
1999: +0.8%	2008: -18.3%
2000: -2.4%	2009: +22.9%
2001: -3.4%	<b>*2010: +7.6%</b>

### VIP GROWTH MODEL

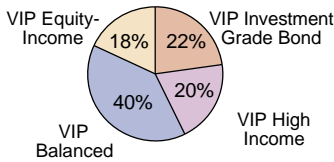


#### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2002: -21.7%
1994: +4.6%	2003: +30.0%
1995: +36.1%	2004: +7.0%
1996: +16.1%	2005: +10.1%
1997: +23.5%	2006: +14.5%
1998: +22.6%	2007: +9.3%
1999: +22.1%	2008: -45.5%
2000: -10.3%	2009: +25.1%
2001: -14.0%	<b>*2010: +7.1%</b>

### VIP G & I MODEL

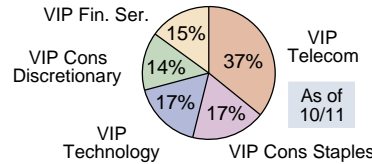


#### PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2003: +20.8%
1996: +12.8%	2004: +6.3%
1997: +21.4%	2005: +4.5%
1998: +15.1%	2006: +11.6%
1999: +6.1%	2007: +7.7%
2000: -4.9%	2008: -31.0%
2001: +3.1%	2009: +27.1%
2002: -9.4%	<b>*2010: +5.2%</b>

### VIP SECTOR MODEL



#### PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2007: +11.2%
2004: +6.3%	2008: -41.4%
2005: +14.0%	2009: +50.2%
2006: +17.7%	<b>*2010: +5.3%</b>

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

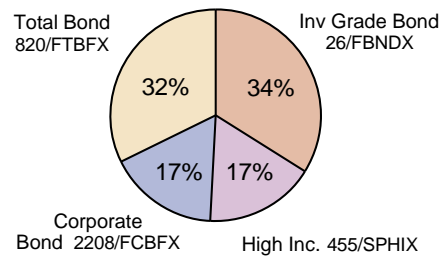
SEPTEMBER VIP PERFORMANCE Portfolio	Rating	Risk	RR Value	2010 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Growth Strategies	H ***	1.23	10.45	8.8	11.1	13.5	15.3	-9.5	-0.3
VIP Asset Manager	H ***	0.78	38.08	6.5	6.4	9.1	9.7	-0.5	3.8
VIP Asset Manager: Growth	H ***	1.00	23.62	5.9	8.9	12.1	9.9	-3.1	2.7
VIP Balanced	B ****	0.93	17.92	6.3	7.8	9.8	10.6	-2.0	3.4
VIP Consumer Discretionary	B ****↑	1.20	11.70	14.8	12.7	16.1	22.3	-2.3	1.8
VIP Consumer Staples	H ****↓	0.78	11.08	7.0	7.7	13.4	10.9	1.1	
VIP Contrafund	B ****	1.12	41.14	3.7	9.6	11.5	9.0	-7.1	1.3
VIP Disciplined Small Cap	H ***	1.18	8.37	7.2	11.2	10.6	11.1	-6.9	
VIP Dynamic Capital Appreciation	H ***	1.18	13.38	6.0	9.9	9.9	12.5	-7.8	1.1
VIP Energy	H ****↑	1.65	20.27	-4.7	10.2	12.8	0.2	-11.6	1.2
VIP Equity-Income	B ****	1.17	52.21	2.5	9.2	10.8	6.1	-11.0	-1.5
VIP Financial Services	H ****↓	1.52	7.92	-2.6	9.3	4.5	-4.6	-18.8	-8.4
VIP Freedom 2005	H ***	0.61	11.96	5.6	4.8	7.1	8.2	-1.0	3.1
VIP Freedom 2010	H ***	0.65	12.02	6.3	5.5	8.0	9.0	-1.0	3.2
VIP Freedom 2015	H ***	0.69	12.15	6.3	5.7	8.3	9.2	-1.7	3.2
VIP Freedom 2020	H ***	0.83	11.87	6.4	6.9	9.7	9.9	-3.4	2.6
VIP Freedom 2025	H ***	0.88	11.86	6.5	7.7	10.7	10.3	-3.9	2.5
VIP Freedom 2030	H ***	0.98	11.50	6.1	8.3	11.3	10.1	-5.7	1.8
VIP Freedom Income	H ***	0.31	12.11	4.5	2.3	3.9	6.1	2.1	3.6
VIP FundsManager 20	H ***	0.27	11.42	4.6	2.4	4.1	5.7	1.7	
VIP FundsManager 50	H ***	0.59	10.71	5.4	5.4	7.8	7.8	-1.7	
VIP FundsManager 70	H ***	0.80	9.96	5.2	7.3	10.2	8.6	-4.9	
VIP FundsManager 85	H ***	0.97	9.46	5.3	8.9	11.9	9.5	-7.0	
VIP Growth	H ***	1.11	55.24	8.4	12.6	14.5	14.8	-9.8	-0.1
VIP Growth & Income	H ***	1.04	16.02	1.2	9.5	10.3	5.8	-10.0	-1.0
VIP Growth Opportunities	B ****	1.36	11.50	7.7	12.2	14.5	15.4	-10.7	-1.4
VIP Growth Stock	H ***	1.15	10.78	5.8	10.8	14.3	14.2	-5.2	0.7
VIP Health Care	H ***	0.89	12.88	4.4	11.2	8.4	10.7	-2.3	1.9
VIP High Income	B ****	0.69	37.44	9.7	2.7	6.5	15.5	5.0	5.8
VIP Index 500	H ***	1.00	32.33	3.2	8.9	11.1	9.3	-7.9	-0.2
VIP Industrials	H ***	1.43	19.29	13.2	12.2	14.3	22.2	-2.5	5.8
VIP Int'l Capital Appreciation	H ***	1.52	10.77	5.5	12.6	20.0	8.8	-9.1	0.2
VIP Investment Grade Bond	B ****	0.24	36.09	8.0	0.3	2.8	9.0	6.5	5.1
VIP Materials	H ***	1.55	11.18	5.6	9.4	19.8	15.1	-0.4	
VIP Mid Cap	B ****	1.08	24.15	17.2	11.6	16.0	22.1	-1.5	5.4
VIP Money Market			21.75	-0.5	-0.1	-0.1	-0.6	0.9	2.1
VIP Overseas	S **	1.23	34.17	2.4	12.3	19.0	5.3	-10.4	1.2
VIP Real Estate	H ***	2.06	18.01	19.5	4.6	13.3	30.4	-5.4	2.2
VIP Strategic Income	B ****	0.43	15.56	8.5	2.1	6.0	10.9	8.0	7.0
VIP Technology	B ****↑	1.54	13.11	11.2	14.8	19.7	23.9	0.7	6.3
VIP Telecommunications	B ****	1.22	8.26	9.1	10.1	17.2	16.9	-9.8	
VIP Utilities	B ****	0.95	12.38	6.5	3.3	13.1	12.3	-5.9	3.6
VIP Value	B ****	1.44	9.67	4.9	9.1	10.0	9.0	-9.9	-1.5
VIP Value Leaders	S **	1.18	8.93	-0.2	8.5	8.9	3.0	-12.8	-3.2
VIP Value Strategies	B ****	1.56	13.21	9.8	10.7	12.4	13.9	-7.9	1.0
Fidelity Monitor VIP Income Model		0.30	22742.49	7.6	0.8	3.5	9.2	2.5	4.1
Fidelity Monitor VIP G&I Model		0.73	25042.54	5.2	5.3	8.5	9.4	-2.8	2.5
Fidelity Monitor VIP Growth Model		1.03	30257.58	7.1	9.9	12.5	12.1	-10.2	-1.1
Fidelity Monitor VIP Sector Model		1.19	19294.97	5.3	10.6	13.1	14.6	-2.6	4.2

## 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	\$7.48	4411.805	\$33000.30
High Income	\$8.84	1861.712	\$16457.53
Corporate Bond	\$10.49	1535.973	\$16112.36
<b>Total Bond</b>	<b>\$11.08</b>	<b>2739.370</b>	<b>\$30352.22</b>

8% Foreign Holdings  
Balance as of 9/30/10: \$95922.41  
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: + 8.9%**

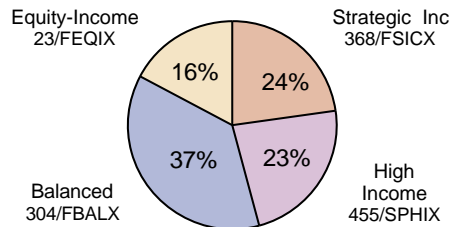
For September our Income Model gained 1.0%. We are considering a sale of **Corporate Bond** in the months ahead.

## 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	\$11.42	3601.182	\$41125.50
High Income	\$8.84	4410.376	\$38987.72
Balanced	\$17.23	3697.518	\$63708.24
Equity-Income	\$40.10	687.142	\$27554.39

16% Foreign Holdings  
Balance as of 9/30/10: \$171375.85  
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: + 6.4%**

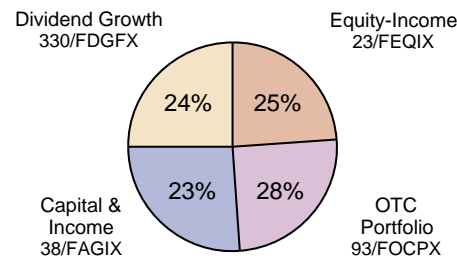
Our Growth and Income Model gained 4.8% in September.

## 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	\$40.10	1037.836	\$41617.22
OTC Portfolio	\$48.33	984.424	\$47577.21
Capital & Income	\$9.08	4338.407	\$39392.74
Dividend Growth	\$24.83	1656.270	\$41125.18

12% Foreign Holdings  
Balance as of 9/30/10: \$169712.35  
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: + 5.3%**

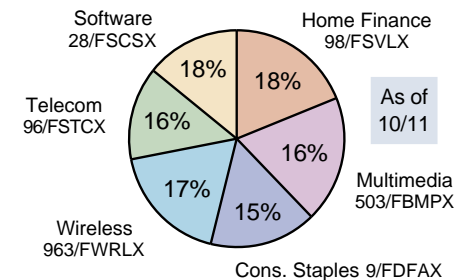
We were up 10.7% in September, versus 8.9% for the S&P. On 9/7 we exchanged **Contrafund** (\$58.69) for **Capital & Income** (\$8.82).

## 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	\$10.86	5924.536	\$64340.46
Banking	\$16.00	3365.821	\$53853.14
Consumer Staples	\$65.34	816.730	\$53365.14
Wireless	\$7.37	8116.336	\$59817.40
Telecom	\$44.07	1289.049	\$56808.39
Software	\$79.75	783.895	\$62515.63

13% Foreign Holdings  
Balance as of 9/30/10: \$350700.16  
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: + 2.8%**

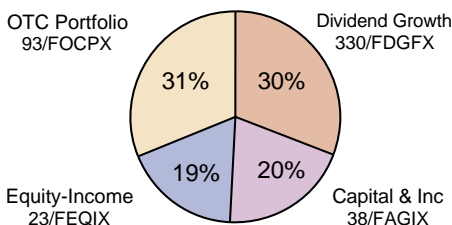
Our Select System gained 9.5% in September, versus 8.9% for the S&P. On 9/7 we sold **Technology** (\$77.11) and bought **Wireless** (\$6.98). On 10/11 we will exchange **Banking** for **Multimedia**.

## 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	\$24.83	1404.914	\$34884.01
Capital & Income	\$9.08	2564.052	\$23281.59
Equity-Income	\$40.10	530.039	\$21254.56
OTC Portfolio	\$48.33	732.725	\$35412.60

12% Foreign Holdings  
Balance as of 9/30/10: \$114832.76  
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: + 6.4%**

Our Unique Opportunities Model gained 10.4% in September, versus 8.9% for the S&P 500. On 9/7 we sold **Small-Cap Value** (\$13.26) and bought **Equity-Income** (\$38.25).

is much more expensive. As such, domestic firms have the edge. Overall this sector is still a hold in the new model.

### TECHNOLOGY

With software becoming ever more powerful, doors are opening to new ways of managing data and hardware. As a consequence, business spending on hardware may be softening, offsetting some of the growth that's coming from foreign markets. But the long-term picture remains bullish, as this sector has plenty of cash to fuel growth, and it's the only one with a demonstrated ability to grow earnings in a deflationary environment. **Software**, the highest ranked technology Select in our new model, is relatively low risk and well-positioned as the Windows 7 upgrade cycle continues. In addition to holding Microsoft (which is nearly a quarter of assets), the fund has a heavy emphasis on business and Web services. **Electronics**, which suffered a fairly sharp pullback over the summer, is relatively cheap and may continue to perform well if chip demand keeps showing signs of improvement.

### TELECOMMUNICATIONS

After years of erosion in the landline business, and with the growth of voice minutes leveling off on the wireless side, domestic carriers have become quite cheap. With yields in the 5-6% range, they're attractive based on dividends alone. The basic business model is looking better too – the long-awaited transition to data-based revenue may not be as disruptive as originally feared, thanks to the strong embrace of smart phones by tech-savvy consumers. **Telecommunications** holds the big diversified carriers, but is also betting heavily on wireless. **Wireless**, in contrast, is emphasizing the faster-growing foreign carriers. It also has about a quarter of its holdings in technology stocks (mostly equipment makers in the wireless infrastructure arena).

### UTILITIES

A year ago, it looked pretty ugly for many of the nation's electric utilities. Year-over-year electricity usage was in decline for the first time since the Great Depression, financing for new power plants had dried up, and a heavy-handed carbon tax appeared to be right around the corner. Things are looking much better now, but the stock prices have been slow to recover, in part because of the uncertainty regarding the future tax rate on stock dividends. If the 15% dividend tax rate is not replaced with anything, this sector could take a hit as investors brace for paying full income rates on 2011 dividends. But we're guessing there will be some sort of extension, allowing valuations to recover. **Utilities** remains highly ranked in our new volatility model. ■

Model. Holdings are listed on page 7. If you prefer to pick your own funds, our favorites include **Investment Grade, Total Bond, Strategic Income, High Income** and **Capital & Income (High Income and Capital & Income** are good stock fund alternatives). We downgraded **Corporate Bond** to a hold because its interest-rate sensitivity remains relatively high. Declining long-term interest rates have helped so far, but the trend could reverse if the economy continues to gain strength.

The reduced likelihood of a double-dip recession was good news for high-yield bonds and real estate income securities. **Capital & Income** was up 4.6%, **Strategic Real Return** rose 3.2%, and **High Income** returned 3.0%. However, with yields edging up for long-term government securities, **Spartan Long-Term Treasury Index** came out on the bottom with a 1.7% decline.

Municipal bond funds posted returns ranging from a 0.4% loss to breakeven.

### SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. Sectors that are currently rated buy include **Wireless, Telecommunications, Utilities, Software, Medical Delivery, Electronics, Multimedia, IT Services, and Insurance**. Please see our main story for more details.

**Retailing** jumped 15.5%, **Electronics** was up 15.4%, **Energy Service** and **Developing Communications** both climbed 15.3%, and **Computers** rose 15.0%. Laggards included **Home Finance** with a 6.9% increase, **Gold** which rose 6.8%, and **Utilities** with a 3.3% return. ■

### SEPTEMBER DISTRIBUTIONS

Asset Manager 20%	\$ 0.021/\$12.36 (9/3)
Asset Manager 30%	\$ 0.016 / \$9.46 (9/3)
Blue Chip Growth	\$ 0.005/\$37.74 (9/8)
Blue Chip Value	\$ 0.075/ \$9.61 (9/8)
Dividend Growth	\$ 0.129/\$23.46 (9/8)
Freedom Income	\$ 0.01 / \$11.00 (9/3)
Ginnie Mae	\$ 0.245/\$11.67 (9/8)
Gov't Income	\$ 0.155/\$10.75 (9/8)
Int. Gov't Income	\$ 0.145/\$11.02 (9/8)
Int'l Real Estate	\$ 0.282 / \$8.53 (9/8)
Leveraged Co. Stock	\$ 0.036/\$22.78 (9/8)
Latin America	\$ 0.80 / \$54.82 (9/29)
Low-Priced Stock	\$ 0.068/\$32.90 (9/8)
Real Estate Income	\$ 0.126/\$10.00 (9/3)
Real Estate	\$ 0.11 / \$24.31 (9/3)
Small Cap Value	\$ 0.102/\$13.25 (9/8)
Value Discovery	\$ 0.117/\$12.64 (9/8)

Funds scheduled for October include **Asset Manager 20%, 30%, 40%, and 50%, AZ Muni Inc., Balanced, Conv. Sec., Corp. Bond, Equity-Income, Equity-Inc. II, Export & Multinational, Fidelity Fund, Freedom Inc., Growth & Income, Puritan, MD Muni Inc., Strategic Dividend & Inc., Strategic Real Return, Short-Int. Muni, Spartan 500 Idx., Total Bond, Telecom & Util.**

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	122137.6	0.05	CT MM (418/FCMXX)	1703.8	0.01			
Select MM (85/FSLXX)	7411.7	0.12	MA MM (74/FDMXX)	4942.1	0.01			
Money Market (454/SPRXX)	5940.2	0.02	MI MM (420/FMIXX)	892.1	0.01	MA AMT TF (426/FMSXX)	376.9	0.01
Gov't MM (458/SPAXX)	664.8	0.01	NJ MM (417/FNJXX)	2081.4	0.01	AMT Tax-Free (460/FIMXX)	1749.5	0.02
US Treas. MM (415/FDLXX)	5105.2	0.01	NY MM (92/FNYXX)	4719.9	0.01	NJ AMT TF (423/FSJXX)	330.6	0.01
Tax-Free MM (275/FMOXX)	6114.9	0.01	OH MM (419/FOMXX)	959.3	0.01	NY AMT TF (422/FSNXX)	594.8	0.01
US Gov't Reser (50/FGRXX)	3124.4	0.01	AZ MM (433/FSAXX)	346.4	0.01	PA MM (401/FPTXX)	643.4	0.01
CA MM (97/FCFXX)	5001.3	0.01	CA AMT TF (457/FSPXX)	684.8	0.01	Municipal MM (10/FTEXX)	22357.5	0.01

