

Jack  
Bowers



# Fidelity

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20  
Years

NOVEMBER  
2010

# Monitor™

## Growth & Income: A Solid Strategy For Today's Market

Thinking about putting cash to work? With the Fed now gearing up for a high-stakes battle against deflation (one in which the outcome is by no means certain), it makes a lot of sense to consider a blend of both stocks and bonds. In the mutual fund universe, this approach is associated with a long list of unusual titles – including but not limited to asset allocation, hybrid, balanced, real return, specialty and conservative growth. Here in this article, we're simply calling it *growth and income*.

Naming conventions aside, don't let there be any confusion about the effectiveness of this approach. When it comes to building wealth over the long run, the growth and income option is without question one of the most reliable and robust strategies available. Here's why:

- Holding overall risk at around 70% of stock market levels for an extended period greatly increases the odds of investment success. In the world of risk management,

GROWTH & INCOME - *Continued on page 2*

## Switches for Income Model, Select System, VIP Sector Model

On Monday, 11/8, we'll make three changes:

Our Income Model will be selling **Corporate Bond** (2208/FCBFX) and adding the proceeds to **Total Bond** (820/FTBFX). Our position in **Corporate Bond** has done well, thanks to declining interest rates. But with a duration of 6.3, it's far enough out on the yield curve that it could be negatively impacted by quantitative easing moves. By moving to **Total Bond**, we'll be in a zone where the impact should be neutral or positive.

Our Select System will be selling **Home Finance** (98/FSVLX) and placing the proceeds into **Medical Delivery** (505/FSHCX). This move is tied in with moving to our new volatility model, which is based on monthly standard deviation (as described last month). But it also makes sense intuitively. With home lending, the road to recovery is less certain because of foreclosure complications. Meanwhile, heavily-regulated medical providers are finding ways to pass along the imposed costs of health care reform, and there may even be some post-election relief in the cards.

Our VIP Sector Model will sell **VIP Financial Services** and buy **VIP Health Care**.

## Review & Recommendations

The third quarter earnings season brought good news, but it was overshadowed by speculation surrounding the Fed's next "easing" move. As market anticipation heated up for the central bank's second quantitative easing (QE2), the dollar plunged, inflationary expectations rose, and intermediate-term bond yields declined. In the end it was mostly good news for stocks, and oddly enough, taxable bonds as well. The S&P 500 gained 3.8% for October.

### GROWTH FUNDS

For a stock-oriented portfolio, we suggest following our Growth Model (holdings are listed in the pie chart on page 7). If you prefer to pick your own funds, our favorites include **Dividend Growth**, **Contrafund**, **Equity-Income**, and **OTC Portfolio**.

The dollar's decline gave a lift to the large-cap growth corner of the stylebox. **Export** gained 6.9%, **Independence** was up 6.4%, and **Blue Chip Growth** rose 5.4%. In contrast, value stocks were weak across the board. **Large Cap Value** gained 2.4%, **Blue Chip Value** rose 2.2, and **Small Cap Value** edged up 1.1%.

### INTERNATIONAL FUNDS

**Global Balanced** offers international exposure with limited risk. **Pacific Basin** is our favorite foreign stock fund. **New Markets Income** provides a conservative way to investing in emerging countries.

An increase in food commodity prices gave a lift to **Global Commodity Stock**, which finished with a 6.0% gain. **Int'l Growth** also did well, rising 4.9%. A strong yen held back **Japan** (2.5% increase) while taking a toll on **Japan Smaller Companies** (0.8% decline).

### 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** or **Puritan**. Go with **Equity-Income** for dividend stocks.

**Real Estate** gained 5.0% in response to heightened expectations for inflation, and **Growth & Income** was up 4.0% — slightly ahead of the S&P 500. Trailing behind, **Real Estate Income** returned 2.3%, and **Telecom & Utilities** edged up 1.6%.

### INCOME FUNDS

For a bond portfolio we suggest following our Income Model (see page 7 for holdings). If you would rather

RECOMMENDATIONS - *Continued on page 8*

GROWTH & INCOME - Continued from page 1

it pays to be the tortoise rather than the hare. The all-too-human tendency to sprint with aggressive stocks during bullish times (and sleep in cash when things get ugly) may feel great in the heat of the moment, but it rarely wins the wealth race. Why? Because it leads to selling low and buying high. Growth and income avoids that trap by keeping overall risk at a steady and sustainable level. That way, you're never in a position where you can dilute your long-term performance with bad timing.

- Growth and income protects against both inflationary tendencies and deflationary tendencies. Stocks provide a hedge against inflation, and bonds offer protection against deflation. As a result, you are in a better position to handle anything that comes along. The Fed may be walking a tightrope for several years to come, which means this advantage is much more important than it's been in the past.

- The mathematics of rebalancing offer a significant performance advantage over time. By reallocating between stocks and bonds on a regular basis, you get some of the same advantages as dollar cost averaging, because you are assured of buying low and selling high more often than not. This can add as much as a full percentage point to long-term returns.

- The effects of reverse compounding are minimized, making for faster recoveries. It takes an 11% gain to break even from a 10% loss, but it takes a 33% gain to recover a 25% loss. Growth and income strategies tend to recover faster after bear markets because they don't have as much ground to recoup. Even in the 2008 financial crisis, which hit growth and income strategies unusually hard, there was a clear advantage to being down by "only" a third as opposed to losing half like many stock funds did. The former could be recovered with a 50% gain, whereas the latter would require 100%. Today, growth and income strategies are almost at full recovery. Most stock funds will be taking significantly longer.

- By combining greater diversification and manager discipline, the odds of being in the wrong place at the wrong time are greatly reduced. **Balanced**, for example, holds 362 stocks and 1827 bond/income securities. Its top stock holding (Apple) accounts for only 1.6% of the portfolio, and its top sector (technology) is only 11% of assets, so any negative surprises that come along aren't likely to have a big impact. Managers of these types of funds are not under as much pressure to outperform. They have their benchmarks, of course, but shareholders are primarily interested in staying ahead of inflation. As a result, there's less pressure to take stupid risks. Together, diversification and prudent security selection allow most growth and income funds operate in a sweet spot of the efficient frontier – where risk-adjusted performance is maximized and screw-ups are minimized.

- When your annual living-expense demands are heavy relative to the size of your portfolio (above 6%), a growth and income approach can make your money last longer than other strategies. An investment-grade bond approach does not throw off enough income to keep up in a situation like that, and going with stocks alone runs too much risk of permanent damage when liquidating after a bear market. In a study we did a few years ago (one that was walked forward from 1976 with rising living expenses factored in), **Puritan** easily outlasted **Contrafund**, **Investment Grade Bond**, and **Cash Reserves**.

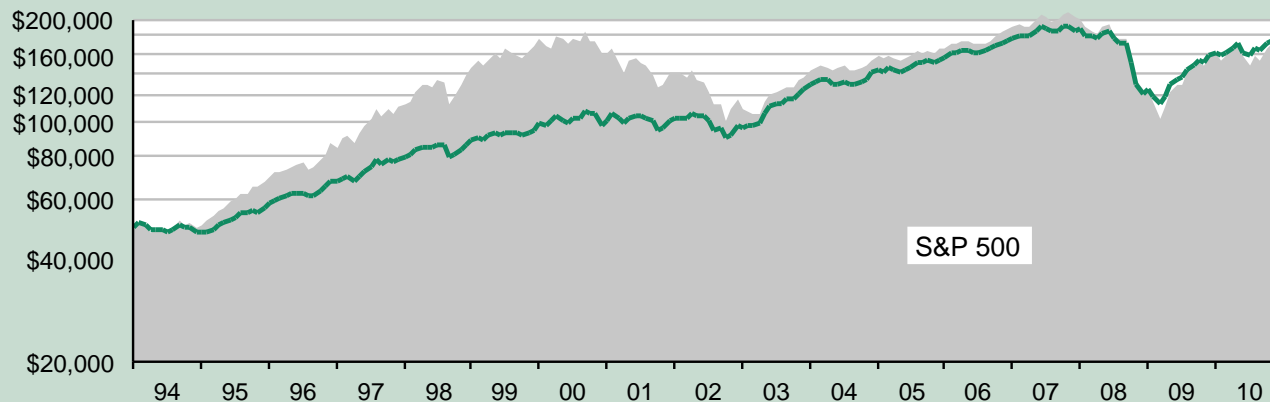
With all these advantages, it's no surprise that growth and income strategies are considered the best option for retirement, pre-retirement, and risk-averse investors. And in a market like this, it's not a bad alternative for those who would normally put most of their money in stocks.

The implied goal of growth and income strategies is to grow faster than inflation without taking on unnecessary risk. With good execution, it's not hard to achieve long-term real returns of 4-7%.

### RECOMMENDATIONS

Our Growth and Income Model has delivered an

Since inception, our Growth and Income Model has returned 7.8% per year, matching the S&P 500 with an average of two-thirds as much risk



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annualized return of 7.8% since inception (almost 17 years ago), matching or outperforming the return of similar risk funds such as **Balanced**, **Global Balanced**, **Puritan**, and **High Income**. It has also kept up with the S&P 500 during that time, although under more normal market conditions it might have trailed by a percentage point or two.

Our Growth and Income Model is by no means the only option. Following is a list of Fidelity funds that blend stocks and bonds for an overall volatility level between 0.7 and 0.8. We've also included **High Income**, a high-yield bond fund that falls in the same volatility range. Generally speaking, it's hard to go wrong with any of these funds provided that your investment horizon is five years or longer:

**Balanced** has considerable diversification, and has performed well under its sector-oriented multi-manager approach (adopted in late 2008). According to Lipper, it has outperformed 88% of its industry peers for the 12-month period ending 7/31. Because the fund's industry weightings reflected the S&P 500 during that period, the fund's advantage came mainly from security selection. The fund's asset allocation mix is very close to the traditional 60/40 stock/bond mix that is most common for funds like this. Foreign stocks account for 8% of the total portfolio, or 14% of equity. The bond side of **Balanced** is high-quality and carries a heavy tilt toward government securities. Although the fund's 36-month standard deviation generates a risk rating of 0.77, that may be a little on the high side. When measured over the more recent multi-manager period, volatility has been running closer to 0.72.

**Global Balanced** is somewhat like a foreign version of **Balanced**, although U.S. companies account for almost half of its stock holdings. Bond exposure, on the other hand, is largely foreign. The overall asset mix is very close to 60/40. For those who have a pessimistic view of the long-term outlook for the U.S., this is a far better choice than emerging markets or gold. But it may still be at a long-term disadvantage to **Balanced** and **Puritan** for several reasons. First, **Global Balanced** does not have as much growth-stock exposure, a natural consequence of investing outside the U.S. Second, although Fidelity's foreign research is getting better, its stockpicking skills may still be stronger with U.S. firms. Finally, its expense ratio is higher, giving it an annual disadvantage of about 50-60 points. The fund's overall volatility is 0.75.

**Puritan**, under the leadership of manager Ramin Arani (George Fischer is co-manager), has outperformed 87% of its peers for the 12 months ending 7/31. That's in keeping with tradition – over its 63-year lifetime the fund has returned 10.9% per year, an impressive seven

percentage points higher than the rate of inflation for the period. Compared with **Balanced**, this fund has slightly less diversification, a bit more emphasis on technology, and a smaller foreign position (7% overall). On the bond side, it has less emphasis on government debt and a higher weighting in high-yield (20% of bond holdings, or 7% overall). While we have a slight preference for **Balanced** owing to its multi-manager approach, from a practical standpoint the two funds are very similar and can more or less be considered interchangeable. **Puritan's** asset mix is also close to 60/40. Overall volatility is 0.72.

**High Income** is Fidelity's mainstream high-yield offering. Although this fund does not have much emphasis on stocks (4%), it's capable of stock-like returns given its robust income stream and the potential for capital appreciation. Over the years, Fidelity has demonstrated a savvy ability to pick bonds with below-average default risk – which leads to upgrades. The fund's 30-day yield is currently about 6.5%, representing a healthy spread over **Spartan Intermediate Treasury Index** (1.8% yield). With defaults projected to stay at unusually low levels due to survivorship bias (firms that haven't gone bust at this stage will probably be around for a while), there is probably still a decent amount of capital appreciation potential over the next 12 months. Rising interest rates are not a big concern in a fund like this. They usually signal that the economy is getting stronger – good news for a fund that carries a lot of credit risk. In previous periods of rising interest rates, **High Income** has often performed quite well. Its overall volatility level is 0.71. ■

## Question & Answer Forum

**I hear that recent auctions of Treasuries were at negative yields. How is this possible? What does it say about the value of your Income Model going forward as inflation rises?**

The negative yield is on the 5-year inflation-indexed treasury (TIPS). These treasury bonds are indexed to the CPI-U price index, meaning they appreciate (or depreciate) in value based on changes in the cost of living. On the surface, a negative TIPS yield suggests investors are so scared from the inflation threat that they're willing take a small loss just to be in an vehicle that protects them from rising prices. But dig a little deeper, and it turns out this is hardly an inflation panic. Regular 5-year treasuries are yielding 1.3%, and 5-year TIPS are yielding negative 0.4%. The difference of 1.7 percentage points reflects the market's expectations for inflation over the next 5 years. While an inflationary outlook of 1.7% is

QUESTION & ANSWER - Continued on page 8

### GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

Gain/loss percentages are for prior month's close (annualized for periods over a year). Reinvested distributions are assumed. Size figures are for the close of the prior month, in millions. Risk is based on standard deviation of monthly gains and losses over a three-year period, relative to the S&P 500. Fee: **0.75(90)** indicates a 0.75% redemption fee on shares held less than 90 days. All retail Fidelity funds are no-load. If a fund is closed to new investors, it is listed as such in the Fee column. Fidelity limits roundtrip trades to two in the last 90 days and four in the last 12 months (a roundtrip trade is defined as the purchase and sale of a fund within 30 days). Fund ratings: **B\*\*\*\*\*** is for a **favorite buy**, **B\*\*\*\*** means **buy**, **H\*\*\*** means **hold** for the long run, **S\*\*** means reduce to below 5% of holdings, **S\*** means **sell** and move to a buy-rated fund within the same asset class. Upgrades and downgrades from the prior month are indicated by ↑ and ↓.

OCTOBER 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**	1.08	none	6.83	18.0	3.5	4.8	5.7	12.1			
Growth Strategies (324/FDEGX)	H***	1.22	1.5(90)	18.38	1863.1	13.0	2.7	8.6	28.2	-9.8	1.8	-8.4
Blue Chip Gth (312/FBGRX)	B****	1.12	none	42.04	10652.1	10.8	5.4	11.7	23.9	-1.8	3.9	-1.1
Blue Chip Value (1271/FBCVX)	S**	1.16	none	10.14	318.5	2.6	2.2	4.1	10.3	-12.0	-1.6	
Capital Apprec (307/FDCAX)	H***	1.16	none	24.03	4535.4	12.1	5.2	6.8	28.6	-6.4	3.0	3.1
Contrafund (22/FCNTX)	B****	0.91	none	64.74	55855.4	11.3	4.2	11.4	20.8	-4.1	5.0	4.6
Growth Discovery (339/FDSVX)	B****↑	1.11	none	12.65	665.4	14.3	4.8	12.5	26.3	-8.9	3.3	0.1
Disc Equity (315/FDEQX)	S**	1.01	none	21.67	8832.1	3.1	4.1	5.6	11.1	-10.1	0.0	-0.1
Dividend Gth (330/FDGFEX)	B****	1.29	none	25.91	8045.4	10.1	4.3	9.3	21.8	-4.0	2.7	1.0
Export Fund (332/FEXPX)	H***	1.11	0.75(30)	20.36	2411.1	7.9	6.9	11.6	16.5	-7.6	1.9	3.7
Fidelity Fifty (500/FFTYX)	H***	1.22	none	16.78	702.0	11.9	5.4	13.4	23.2	-10.3	0.9	3.3
Focused Stock (333/FTQGX)	H***	1.02	none	12.39	123.6	12.6	4.7	13.5	22.4	-3.4	4.1	-0.4
Growth Company (25/FDGRX)	B****	1.10	Closed	77.41	26604.1	12.2	3.9	12.1	25.6	-4.1	5.7	-0.3
Independence (73/FDFFX)	H***	1.38	none	22.59	3699.1	13.4	6.4	13.1	27.2	-7.4	5.1	0.2
Lg Cap Core En Idx (1827/FLCEX)	H***↑	0.96	none	8.17	941.3	5.7	4.5	7.8	14.1	-7.1		
Lg Cap Gth En Idx (1829/FLGEX)	H***↑	1.00	none	9.13	44.3	7.3	5.2	9.9	17.5	-4.6		
Large Cap Growth (763/FSLGX)	H***	1.04	none	9.05	100.8	11.3	5.1	12.0	22.9	-6.8	-0.5	
Large-Cap Stock (338/FLCSX)	B****	1.27	none	16.03	927.5	7.0	2.6	6.4	16.4	-7.0	2.7	-1.2
Lg Cap Val En Idx (1828/FLVEX)	S**	0.99	none	7.03	66.1	5.3	3.2	6.0	13.0	-9.7		
Large Cap Value (708/FLVLX)	S**↓	1.06	none	10.00	835.4	2.7	2.4	4.6	9.7	-12.2	-1.9	
Lev Co Stock (122/FLVXC)	B****	1.65	1.5(90)	25.17	3789.2	10.0	5.1	7.3	22.8	-9.2	3.4	
Low-Priced Stock (316/FLPSX)	B****↑	1.13	1.5(90)	36.02	24868.6	13.0	3.9	9.1	22.4	-1.9	5.3	11.0
Magellan (21/FMAGX)	H***	1.27	none	66.79	19327.4	4.0	3.6	8.0	14.4	-10.5	-0.1	-1.7
Mid Cap Growth (793/FSMGX)	H***	1.29	0.75(30)	11.20	236.3	12.7	2.7	8.5	28.5	-7.3	-0.4	
Mid Cap Stock (337/FMCSX)	B****	1.38	0.75(30)	25.96	6000.8	11.1	3.3	7.2	24.8	-5.6	4.1	2.0
Mid Cap Value (762/FSMVX)	H***	1.27	0.75(30)	14.70	570.5	15.1	3.4	7.7	27.2	-4.3	2.7	
New Millennium (300/FMILX)	H***↓	1.17	none	27.13	1759.9	10.2	3.2	8.0	21.7	-4.2	5.6	1.2
OTC Portfolio (93/FOCPX)	B****	1.30	none	50.70	5213.9	10.9	4.9	12.8	26.8	-3.3	7.4	-0.5
Small Cap Discovery (384/FSCRX)	H***	1.34	1.5(90)	18.16	726.2	16.9	3.5	8.3	29.3	6.1	7.1	
Small Cap Growth (1388/FCPGX)	H***	1.25	1.5(90)	14.18	1244.2	14.2	5.0	10.7	28.1	-5.1	4.1	
Stock Sel Small Cap (336/FDSCX)	H***	1.36	1.5(90)	16.35	1443.2	17.5	4.7	9.7	29.7	-9.2	1.3	4.0
Small Cap Stock (340/FSLCX)	B****	1.44	2 (90)	17.74	3718.2	11.3	4.7	9.3	29.0	-1.0	5.7	7.1
Small Cap Value (1389/FCPVX)	H***	1.31	1.5(90)	14.09	1804.2	12.0	1.1	4.7	23.7	-0.6	5.6	
Stock Sel All Cap (320/FDSSX)	S**	1.05	none	23.68	703.0	9.0	3.4	8.7	19.3	-7.7	1.6	0.0
Tax Managed Stock (343/FTXMX)	S**	1.09	none	11.53	68.9	5.8	4.6	7.2	15.1	-10.8	-0.4	
Trend (5/FTRNX)	B****	1.13	none	62.60	913.6	11.3	5.1	12.0	22.8	-5.1	4.7	1.6
Value (39/FDVLX)	B****	1.45	none	64.09	7097.8	12.6	4.3	8.4	24.7	-7.3	1.9	7.9
Value Discovery (832/FVDFX)	H***	1.16	none	13.53	591.2	6.1	3.1	5.8	16.1	-9.5	1.4	
Value Strategies (14/FLSLX)	B****	1.55	none	25.48	347.2	15.3	4.3	8.8	27.2	-6.3	3.6	5.4
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.77	none	17.57	17363.0	9.1	2.6	6.0	15.3	-2.5	4.2	5.6
Convertible Sec (308/FCVX)	H***	1.27	none	23.92	2244.5	12.4	3.4	7.4	20.9	-2.6	6.1	4.6
Equity-Income (23/FEQIX)	B****	1.15	none	41.03	10674.2	6.1	2.7	5.6	13.2	-9.1	0.4	1.7
Equity-Income II (319/FEQTX)	B****	1.11	none	16.88	4838.7	4.5	2.4	5.0	11.5	-9.5	-0.7	1.1
Fidelity Fund (3/FFID)	S**	1.03	none	29.63	4717.9	5.1	3.6	7.7	12.8	-8.3	2.1	-0.2
Growth & Income (27/FGRIX)	S**	1.18	none	16.91	5247.5	5.7	4.0	7.5	14.7	-15.7	-6.0	-3.8
Mega Cap Stock (361/FGRTX)	B****	1.05	none	9.27	499.8	5.8	3.5	6.6	13.8	-7.6	1.4	0.2
Puritan (4/FPURX)	B****	0.72	none	17.20	15924.9	9.0	3.0	6.4	15.5	-1.7	4.3	4.4
Real Estate Income (833/FRIFX)	B****	0.73	0.75(90)	10.37	1138.0	16.3	2.3	5.5	22.3	4.4	4.6	
Real Estate (303/FRESX)	H***	1.93	0.75(90)	25.05	3098.7	25.8	5.0	7.9	45.9	-4.4	2.7	10.9
Strategic Div & Inc (1329/FSDIX)	B****	1.12	none	10.35	511.6	10.2	2.8	5.9	20.3	-5.9	2.0	
Select & Utilities (311/FUIX)	B****	0.87	none	15.49	859.3	12.8	1.6	7.9	27.7	-7.3	3.8	0.1
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.62	0.75(30)	42.09	145.7	32.2	7.3	10.6	65.3	-2.1	7.6	4.8
Automotive (502/FSAVX)	S**	2.44	0.75(30)	38.61	117.6	24.9	7.3	13.6	47.9	-4.1	5.2	7.0
Banking (507/FSRBX)	H***	1.57	0.75(30)	16.02	458.1	5.1	0.1	-5.4	9.3	-15.5	-8.7	-1.0
Biotechnology (42/FBIOX)	H***	1.01	0.75(30)	70.08	1068.5	7.0	2.6	9.3	20.0	-1.5	3.8	-3.0
Brokerage (68/FSLBX)	H***	1.45	0.75(30)	48.04	480.7	1.3	2.4	3.0	2.4	-10.1	0.4	3.0
IT Ser / Bus Ser (353/FBSOX)	B****	1.18	0.75(30)	20.15	91.7	13.0	5.2	15.1	27.7	5.1	10.3	6.7
Chemicals (69/FSCHX)	H***	1.39	0.75(30)	87.16	452.1	18.6	9.3	16.0	34.3	2.9	12.2	13.2
Computers (7/FDCPX)	H***	1.40	0.75(30)	52.88	495.9	16.0	6.5	15.1	31.7	0.1	9.3	-3.5
Const & Housing (511/FSHOX)	H***	1.47	0.75(30)	30.35	88.3	4.5	-1.2	4.0	17.5	-5.4	-1.6	8.0
Consumer Disc (517/FSCPX)	H***	1.22	0.75(30)	22.84	129.2	21.6	5.4	13.4	35.1	-0.3	3.5	2.5
Industrial / Cyc Ind (515/FCYIX)	H***	1.41	0.75(30)	21.36	353.3	17.9	3.6	7.8	33.4	-1.8	7.4	7.9
Defense & Aero (67/FSDAX)	S**	1.31	0.75(30)	71.17	621.3	17.9	6.4	8.3	33.4	-5.9	6.0	8.4
Com Equip / DevC (518/FSDCX)	H***	1.60	0.75(30)	24.54	426.7	18.2	2.8	12.0	29.4	-1.6	5.5	-4.8
Electronics (8/FSELX)	B****	1.55	0.75(30)	43.27	973.4	4.4	8.3	12.7	25.6	-3.9	2.6	-5.3
Energy (60/FSENX)	H***	1.61	0.75(30)	44.76	1886.9	1.4	6.0	10.7	8.3	-10.6	3.6	8.9
Energy Service (43/FSESX)	S**	1.93	0.75(30)	61.89	1198.1	6.4	5.3	12.7	12.6	-13.4	3.1	7.8
Environ & Alt Energy (516/FSLEX)	H***	1.06	0.75(30)	17.04	61.6	9.6	3.1	8.5	19.5	-4.2	2.9	3.7
Financial Services (66/FIDSX)	H***	1.46	0.75(30)	55.19	412.0	-4.9	-2.3	-4.9	-2.0	-18.8	-8.7	-2.3
Con Stap / Food Ag (9/FDFAX)	H***	0.78	0.75(30)	67.48	877.9	11.1	3.3	8.9	14.0	1.6	9.3	8.2
Gold (41/FSAGX) Limit to 5% position	H***	2.01	0.75(30)	53.71	4076.1	26.5	1.9	20.3	38.6	8.3	22.0	24.1
Health Care (63/FSPHX)	H***	0.91	0.75(30)	115.20	1607.2	8.0	3.0	11.1	19.8	-2.0	3.5	1.9
Home Finance (98/FSVLX)	H***	1.33	0.75(30)	10.75	112.2	-1.8	-1.0	-6.4	6.4	-30.2	-21.3	-7.4
Indust Equip (510/FSCGX)	H***	1.49	0.75(30)	29.86	186.7	17.4	3.5	7.8	31.3	-5.0	6.3	5.2
Materials / Ind Mat (509/FSDPX)	H***	1.52	0.75(30)	61.82	648.4	14.6	8.2	14.9	32.3	1.4	12.7	14.4
Insurance (45/FSPCX)	B****	1.31	0.75(30)	45.00	188.1	13.8	2.5	5.6	17.9	-11.3	-3.9	2.1
Leisure (62/FDLSX)	H***	1.12	0.75(30)	86.89	339.0	30.9	7.6	14.0	42.8	1.9	8.5	5.9
Medical Delivery (505/FSHCX)	B****	1.28	0.75(30)	45.01	407.1	4.6	2.3	11.1	20.2	-3.8	0.9	8.9
Medical Equip/Sys (354/FSMEX)	S**	0.95	0.75(30)	24.96	1239.3	2.0	1.5	7.4	13.0	1.3	5.5	7.8
Multimedia (503/FBMPX)	B****	1.31	0.75(30)	41.55	143.9	21.8	8.1	12.4	39.7	1.5	4.5	3.8
Natural Gas (513/FSNGX)	H***	1.67	0.75(30)	30.14	874.4	-4.2	3.9	8.2	1.0	-13.3	0.2	7.2
Nat Resources (514/FNARX)	H***	1.61	0.75(30)	29.67	1309.0	4.3	5.7	11.3	13.3	-8.2	7.7	10.3
Pharmaceuticals (580/FPHAX)	H***	0.84	0.75(30)	12.21	323.6	12.9	3.5	14.1	26.4	2.3	7.7	
Retailing (46/FSRPX)	H***	1.26	0.75(30)	49.03	162.2	17.4	2.7	15.5	28.3	6.1	7.8	5.9
Software (28/FSCSX)	B****	1.16	0.75(30)	86.57	1025.2	14.0	8.6	19.0	27.9	0.7	10.6	2.6
Technology (64/FSPTX)	H***	1.53	0.75(30)	89.19	2144.6	18.2	6.0	17.7	35.3	-0.7	8.3	-3.3
Telecom (96/FSTCX)	B****	1.23	0.75(30)	44.87	381.3	12.8	1.8	10.5	27.4	-6.8	5.1	-2.6
Transportation (512/FSREX)	H***	1.29	0.75(30)	52.95	358.3	34.6	6.6	8.8	61.8	2.4	7.2	9.4</

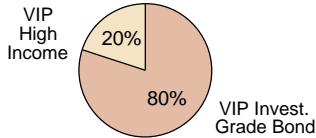
OCTOBER PERFORMANCE						30-day	2010	One	Three	One	3-Yr	5-Yr	
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate	
<b>INTERNATIONAL FUNDS:</b>													
Canada (309/FICDX)	H***	1.37	1.5(90)	54.14	3836.6		11.7	3.5	9.2	23.0	-6.0	9.0	
China Region (352/FHKCX)	H***	1.39	1.5(90)	31.81	2019.5		14.1	3.2	14.1	21.0	-3.5	16.8	
Diversified Int'l (325/FDIVX)	S**	1.24	1 (30)	29.49	26259.1		5.3	4.0	10.9	11.1	-10.5	3.3	
Emerging EMEA (2053/FEMEX)	H***	1.8 Est	1.5(90)	9.00	119.8		18.1	3.2	11.2	24.9			
Emerging Mkts (322/FEMKX)	H***	1.63	1.5(90)	25.72	3742.8		13.8	3.7	13.6	25.8	-9.6	12.5	
Europe (301/FIEUX)	S**	1.27	1 (30)	30.83	1400.2		4.6	4.5	12.5	10.0	-9.4	4.0	
Europe Cap Appr (341/FECAX)	S**	1.31	1 (30)	18.56	444.9		4.6	4.6	12.7	10.1	-10.7	4.5	
Global Balanced (334/FGBLX)	B****↑	0.75	1 (30)	21.99	520.4		9.3	3.0	9.2	13.8	-0.1	6.7	
Glob Commodity Stk (2120/FFGCX)	H***	1.6 Est	1 (30)	15.66	274.4		6.5	6.0	15.1	18.4			
Int'l Capital Apprec. (335/FIVFX)	H***	1.51	1 (30)	12.63	598.9		11.4	4.7	14.0	19.1	-8.1	2.8	
Int'l Discovery (305/FIGRX)	S**	1.21	1 (30)	32.34	8042.4		6.6	4.3	11.6	13.8	-9.9	4.5	
Int'l Growth (1979/FIGFX)	H***	1.5 Est	1 (30)	8.40	25.4		12.3	4.9	14.3	21.0			
Int'l Real Estate (1368/FIREX)	S**	1.37	1.5(90)	9.47	340.7		11.2	4.1	14.7	13.8	-13.5	1.5	
Int'l Small Cap (818/FISMX)	B****	1.31	2 (90)	20.66	744.2		17.7	4.7	16.5	21.0	-6.3	5.8	
Int'l Small Cap Opp (1504/FSCOX)	B****	1.46	2 (90)	9.92	386.0		15.6	3.9	12.0	24.4	-15.7	1.9	
Int'l Value (1597/FIVLX)	S**	1.41	1 (30)	8.22	158.8		3.0	3.9	9.5	7.8	-11.3		
Japan (350/FJPNX)	H***	1.09	1.5(90)	10.57	763.3		4.4	2.5	3.8	7.1	-11.1	-3.0	
Japan Smaller Co (360/FJSCX)	H***	1.20	1.5(90)	8.23	302.8		-1.1	-0.8	-0.6	-2.4	-12.0	-8.1	
Latin America (349/FLATX)	H***	1.66	1.5(90)	57.50	4094.3		12.5	3.7	14.4	25.9	-2.5	17.8	
Nordic (342/FNORX)	H***	1.58	1.5(90)	32.27	427.0		17.9	2.5	12.0	24.1	-10.6	6.4	
Overseas (94/FOSFX)	S**	1.25	1 (30)	31.56	5583.0		2.0	4.8	10.8	6.3	-14.3	2.1	
Pacific Basin (302/FPBFX)	B****	1.54	1.5(90)	25.11	782.8		23.7	4.8	15.4	31.7	-7.2	8.2	
Southeast Asia (351/FSEAX)	H***	1.28	1.5(90)	29.70	1657.4		16.8	3.1	13.1	27.9	-12.2	14.3	
Total Int'l Equity (1978/FTIEX)	H***↑	1.3 Est	1 (30)	7.37	57.1		9.0	4.4	12.3	16.4			
Worldwide (318/FWWFX)	H***	1.11	1 (30)	17.58	1041.7		9.4	4.4	12.0	18.2	-7.4	4.9	
<b>INDEX AND ASSET ALLOCATION:</b>													
Four-In-One Index (355/FNOX)	H***	0.91	none	26.25	2100.7		8.3	3.3	7.8	15.1	-4.4	3.1	
NASDAQ Comp (1282/FNCMX)	B****	1.17	0.75(90)	33.42	263.9		11.1	5.9	11.4	23.6	-3.5	4.1	
Spart Ext Mkt Idx (398/FSEMX)	H***	1.20	0.75(90)	34.99	3186.2		16.2	4.4	9.9	29.0	-2.8	4.6	
Spart Int'l Index (399/FSIIX)	S**	1.24	1(90)	35.06	6189.4		4.9	3.8	10.2	9.6	-9.5	3.4	
Spart 500 Index (650/FUSEX)	H***	1.00	none	41.93	24442.0		7.8	3.8	7.9	16.4	-6.5	1.7	
Spart Total Mkt Idx (397/FSTMX)	H***	1.03	0.5(90)	34.37	5670.0		9.3	3.9	8.3	18.7	-5.8	2.3	
Asset Mgr 20% (328/FASIX)	H***	0.35	none	12.72	3063.0		7.7	1.3	3.6	10.0	3.1	5.0	
Asset Mgr 30% (1957/FTANX)	H***	0.5 Est	none	9.81	109.5		8.7	1.7	4.5	12.0			
Asset Mgr 40% (1958/FFANX)	H***	0.6 Est	none	9.60	77.5		9.2	2.1	5.4	13.3			
Asset Mgr 50% (314/FASMX)	H***	0.69	none	14.97	6314.1		9.6	2.4	6.3	14.8	0.2	4.4	
Asset Mgr 60% (1959/FSANX)	H***	0.8 Est	none	9.47	95.3		9.6	2.7	7.0	15.5			
Asset Mgr 70% (321/FASGX)	H***	0.89	none	15.75	2359.5		9.9	3.1	8.0	16.9	-2.4	3.5	
Asset Mgr 85% (347/FAMRX)	H***	1.02	none	12.75	593.3		9.4	3.6	9.1	17.7	-4.0	3.8	
Dynamic Strategies (1960/FDYXS)	S**↓	0.8 Est	none	9.26	164.8		9.7	3.3	7.6	16.0			
Freedom 2000 (370/FFFBX)	H***	0.36	none	12.03	1584.9		6.6	1.5	3.5	9.5	1.9	4.2	
Freedom 2005 (1312/FFVFX)	H***	0.61	none	10.73	933.8		7.7	2.4	5.3	12.4	-0.7	4.0	
Freedom 2010 (371/FFFCX)	H***	0.65	none	13.44	10000.8		8.1	2.6	5.9	13.3	-0.6	4.2	
Freedom 2015 (1313/FFVFX)	H***	0.69	none	11.21	8586.7		8.3	2.7	6.2	13.6	-1.3	4.2	
Freedom 2020 (372/FFFDX)	H***	0.81	none	13.53	19295.0		8.5	3.1	7.0	15.0	-3.0	3.8	
Freedom 2025 (1314/FFFTX)	H***	0.86	none	11.22	9223.7		8.7	3.3	7.5	15.5	-3.4	3.6	
Freedom 2030 (373/FFFEEX)	H***	0.94	none	13.37	13990.1		8.6	3.6	7.8	16.1	-5.2	3.1	
Freedom 2035 (1315/FFTHX)	H***	0.98	none	11.06	6128.0		8.4	3.8	8.2	16.3	-5.5	2.9	
Freedom 2040 (718/FFFFX)	H***	1.00	none	7.72	8409.0		8.5	3.8	8.3	16.5	-6.0	2.8	
Freedom 2045 (1617/FFFGX)	H***	1.01	none	9.13	2234.3		8.4	3.9	8.4	16.6	-6.1		
Freedom 2050 (1618/FFFHX)	H***	1.05	none	8.98	1791.5		8.2	3.9	8.7	16.5	-6.9		
Freedom Income (369/FFFAFX)	H***	0.33	none	11.30	2800.3		6.6	1.4	3.4	9.3	2.6	4.3	
<b>TAXABLE BOND FUNDS:</b>													
Capital & Income (38/FAGIX)	B****	0.85	1(90)	9.40	11806.3		5.56	14.5	4.0	8.1	23.3	9.5	10.0
Corporate Bond (2208/FCBFX)	H***	0.4 Est	none	10.43	130.9		3.37		0.1	3.1			
Floating Rate (814/FRHX)	H***	0.44	1(60)	9.77	3398.1		3.69	6.5	1.5	3.4	9.2	4.4	4.8
Focused High Inc (1366/FHIFX)	H***	0.59	1(90)	9.52	617.8		5.21	12.8	2.1	5.3	16.6	6.5	6.6
GNMA Portfolio (15/FGMNX)	B****	0.15	none	11.72	8301.9		3.24	8.0	1.1	1.2	7.9	8.1	6.9
Gov't Income (54/FGOVX)	H***	0.20	none	10.78	4891.6		1.60	7.2	0.1	1.6	6.4	7.4	6.4
High Income (455/SPHIX)	B****	0.71	1(90)	9.03	7110.6		6.38	12.8	2.7	5.7	18.2	8.8	8.5
Inflation-Protected (794/FINPX)	H***	0.41	none	12.14	2224.7		0.02	9.5	2.6	4.9	9.9	6.6	5.3
Intermed Bond (32/FTHRX)	B****	0.24	none	10.79	4848.2		2.11	9.5	0.5	2.5	9.7	7.0	5.7
Intermed Gov't Inc (452/FSTGX)	H***	0.16	none	11.09	1428.0		0.80	6.8	0.2	1.7	6.2	6.8	6.0
Invest Grade Bond (26/FBNDX)	B****	0.24	none	7.52	7388.1		2.59	9.8	0.8	2.6	10.4	6.1	5.2
Mortgage Securities (40/FMSFX)	B****	0.12	none	10.97	817.7		3.74	8.0	1.1	1.4	8.5	6.3	4.8
New Markets Inc (331/FNMIX)	B****	0.72	1(90)	16.45	4374.5		4.59	14.5	1.7	5.7	15.3	10.3	10.6
Short-Term Bond (450/FSHBX)	B****	0.11	none	8.52	7838.3		0.99	4.2	0.4	1.2	4.6	2.7	2.9
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.35	none	11.26	1506.1		1.72	13.0	0.2	3.3	11.0	9.0	
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.64	none	11.20	227.5		3.40	15.0	-3.2	1.7	10.5	8.8	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.13	none	10.68	265.3		0.38	4.7	0.4	1.1	4.3	5.2	
Strategic Income (368/FSICX)	B****	0.44	none	11.58	8207.3		3.92	11.1	1.7	4.9	13.4	9.1	8.5
Strategic Real Rtn (1505/FSRRX)	H***	0.65	0.75(60)	9.38	4074.5		1.87	10.8	3.2	6.1	15.8	2.6	3.9
Total Bond (820/FTBFX)	B****	0.26	none	11.02	11261.0		3.24	9.7	0.8	2.7	10.6	8.0	6.6
Ultra-Short Bond (812/FUSFX)	H***	0.14	0.25(60)	8.17	234.2		0.47	1.1	0.2	0.4	1.1	-2.8	-1.2
US Bond Index (651/FBIDX)	H***	0.17	none	11.60	11310.9		2.32	8.1	0.3	1.7	7.8	6.7	5.9
<b>MUNICIPAL BOND FUNDS:</b>													
AZ Municipal Inc (434/FAZAX)	H***	0.29	0.5(30)	11.64	186.8		2.90	6.3	-0.3	2.0	7.5	5.2	4.7
CA Municipal Inc (91/FACTFX)	H***↑	0.30	0.5(30)	12.25	1682.7		3.33	7.9	-0.2	2.1	8.3	4.6	4.4
CA Short-Int TF (1534/FCSTX)	B****↑	0.14	0.5(30)	10.74	729.1		1.15	3.7	0.0	0.7	5.1	5.0	
CT Municipal Inc (407/FICNX)	H***	0.25	0.5(30)	11.70	633.0		2.20	5.6	-0.4	1.6	6.8	5.5	4.8
Intermediate Muni (36/FLTMX)	H***↓	0.18	0.5(30)	10.38	4266.7		2.25	5.1	-0.1	1.2	6.2	5.3	4.8
MA Municipal Inc (70/FDMMX)	H***	0.27	0.5(30)	12.15	2502.5		2.81	6.3	-0.4	1.6	7.6	5.3	4.8
MD Municipal Inc (429/SMDMX)	H***	0.26	0.5(30)	11.18	198.6		2.37	5.5	-0.4	1.4	6.4	5.1	4.6
MI Municipal Inc (81/FMHTX)	H***	0.23	0.5(30)	12.13	680.8		2.69	5.7	-0.1	1.8	6.7	5.3	4.8
MN Municipal Inc (82/FIMIX)	H***	0.22	0.5(30)	11.67	543.6		2.14	5.5	-0.3	1.4	6.6	5.2	4.7
Municipal Income (37/FHIGX)	H***	0.27	0.5(30)	12.87	6248.7		3.12	6.8	-0.1	2.1	7.9	5.2	4.8
NJ Municipal Inc (416/FNJHX)	H***	0.27	0.5(30)	11.79	695.8		2.59	5.8	-0.4	1.4	6.9	5.1	4.8
NY Municipal Inc (71/FTFMX)	H***	0.27	0.5(30)	13.22	1898.0		2.65	6.3	-0.4	1.7	7.7	5.5	4.9
OH Municipal Inc (88/FOHFX)	H***	0.26	0.5(30)	11.86	577.1		2.75	5.5	-0.2	1.7	6.6	5.3	4.8
PA Municipal Inc (402/FPXTX)	H***	0.21	0.5(30)	11.02	474.0		2.90	5.5	-0.3	1.9	6.7	5.1	4.7
Short-Int Municipal (404/FSITFX)	B****	0.12	0.5(30)	10.76	3725.2		1.21	3.1	0.0	0.7	4.1	4.5	4.1
Tax-Free Bond (9													

OCTOBER 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	11118.49	8.9	3.2	6.9	17.6	-4.5	4.0	2.5
S&P 500	1.00	1183.26	7.8	3.8	8.0	16.5	-6.5	1.7	0.0
NASDAQ	1.17	2507.41	11.4	5.9	11.5	23.9	-3.3	4.3	-2.3
Russell 2000	1.28	703.35	13.6	4.1	8.4	26.6	-3.9	3.1	4.9
Fidelity Monitor Income Model	0.32	96885.58	10.0	1.0	3.2	11.2	2.1	4.0	4.6
Fidelity Monitor G&I Model	0.72	175547.93	9.0	2.4	5.7	15.1	-3.4	3.2	5.1
Fidelity Monitor Growth Model	1.12	176548.92	9.6	4.0	9.1	21.2	-7.6	1.6	2.7
Fidelity Monitor Select System	1.09	363630.97	6.6	3.7	6.7	20.3	-5.5	3.8	2.9
Fidelity Monitor Unique Opportunities	1.15	119599.52	10.8	4.2	9.3	22.9	-6.8	3.7	8.3

## 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

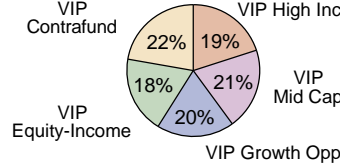


#### PAST PERFORMANCE

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: +8.5%</b>

### VIP GROWTH MODEL

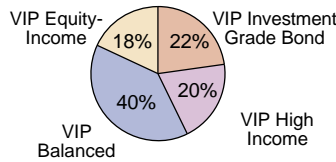


#### PAST PERFORMANCE

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: + 10.8%</b>

### VIP G & I MODEL

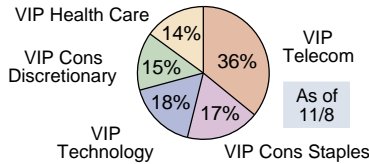


#### PAST PERFORMANCE

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: + 7.7%</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: + 8.2%</b>

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

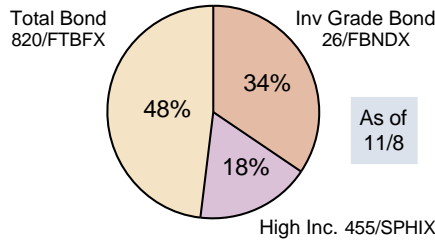
OCTOBER VIP PERFORMANCE Portfolio	Rating	Risk	Value	2010 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Growth Strategies	H ***	1.21	10.72	11.6	2.6	8.2	26.6	-10.3	0.8
VIP Asset Manager	H ***	0.76	39.37	10.1	3.4	7.5	16.2	-0.7	4.6
VIP Asset Manager: Growth	H ***	0.98	24.65	10.6	4.4	9.7	18.9	-3.3	3.8
VIP Balanced	B ****	0.93	18.50	9.8	3.3	7.2	17.8	-1.6	4.5
VIP Consumer Discretionary	B ****	1.22	12.31	20.8	5.3	13.2	33.9	-0.8	2.9
VIP Consumer Staples	H ***	0.77	11.44	10.4	3.2	8.6	13.0	1.2	2.4
VIP Contrafund	B ****	1.10	42.72	7.7	3.8	7.9	17.5	-7.4	2.4
VIP Disciplined Small Cap	H ***	1.19	8.75	12.2	4.6	7.8	24.9	-6.3	2.4
VIP Dynamic Capital Appreciation	H ***	1.17	14.05	11.4	5.0	6.6	27.5	-7.6	2.2
VIP Energy	H ***	1.61	21.48	1.0	6.0	10.6	7.8	-11.3	4.0
VIP Equity-Income	B ****	1.16	53.62	5.3	2.7	5.4	12.2	-10.2	-0.6
VIP Financial Services	H ***	1.49	7.75	-4.8	-2.2	-4.8	-2.1	-19.1	-9.0
VIP Freedom 2005	H ***	0.60	12.21	7.8	2.1	5.1	12.1	-0.9	3.8
VIP Freedom 2010	H ***	0.64	12.30	8.8	2.3	5.9	13.4	-0.9	3.9
VIP Freedom 2015	H ***	0.68	12.43	8.8	2.3	6.0	13.8	-1.6	4.0
VIP Freedom 2020	H ***	0.82	12.20	9.4	2.8	7.0	15.6	-3.3	3.5
VIP Freedom 2025	H ***	0.88	12.23	9.9	3.2	7.7	16.7	-3.7	3.5
VIP Freedom 2030	H ***	0.97	11.90	9.8	3.5	8.2	17.3	-5.6	2.8
VIP Freedom Income	H ***	0.30	12.25	5.8	1.2	2.9	7.8	2.2	4.0
VIP FundsManager 20	H ***	0.27	11.54	5.8	1.1	3.2	7.5	1.6	2.4
VIP FundsManager 50	H ***	0.58	10.93	7.6	2.1	5.8	11.9	-1.6	2.4
VIP FundsManager 70	H ***	0.80	10.25	8.3	3.0	7.5	14.6	-4.7	2.4
VIP FundsManager 85	H ***	0.97	9.77	8.8	3.3	8.6	16.3	-6.9	2.4
VIP Growth	B ****↑	1.11	57.87	13.6	4.8	12.4	25.3	-10.3	1.1
VIP Growth & Income	H ***	1.04	16.68	5.3	4.1	7.5	13.8	-9.6	-0.1
VIP Growth Opportunities	B ****	1.33	12.12	13.5	5.4	13.1	26.7	-11.7	-0.2
VIP Growth Stock	H ***	1.13	11.31	11.1	4.9	11.8	22.3	-6.0	2.4
VIP Health Care	B ****↑	0.91	13.27	7.5	3.0	10.8	19.2	-2.5	2.8
VIP High Income	B ****	0.67	38.31	12.3	2.3	5.6	16.7	5.7	6.4
VIP Index 500	H ***	1.00	33.54	7.1	3.7	7.7	15.6	-7.2	0.9
VIP Industrials	H ***	1.42	19.97	17.2	3.6	7.4	32.6	-2.1	7.1
VIP Int'l Capital Appreciation	H ***	1.51	11.28	10.5	4.8	13.9	18.2	-8.6	1.9
VIP Investment Grade Bond	B ****	0.23	36.28	8.6	0.5	2.1	8.6	6.6	5.3
VIP Materials	H ***	1.52	12.08	14.2	8.1	14.9	31.8	1.0	2.4
VIP Mid Cap	B ****	1.09	25.36	23.0	5.0	16.8	31.6	-0.9	7.2
VIP Money Market			21.74	-0.5	0.0	-0.2	-0.6	0.7	2.1
VIP Overseas	S **	1.23	36.04	8.1	5.5	13.5	14.4	-10.4	2.9
VIP Real Estate	H ***	2.01	18.93	25.6	5.1	7.9	45.0	-4.2	3.8
VIP Strategic Income	B ****	0.42	15.81	10.2	1.6	4.6	12.1	8.2	7.6
VIP Technology	B ****	1.53	13.88	17.8	5.9	17.5	34.5	-0.3	7.9
VIP Telecommunications	B ****	1.21	8.41	11.1	1.9	10.2	25.4	-8.4	2.4
VIP Utilities	B ****	0.89	12.77	9.9	3.2	8.3	21.3	-7.2	5.1
VIP Value	B ****	1.42	9.96	7.9	2.9	5.2	19.4	-9.4	-0.5
VIP Value Leaders	S **	1.16	9.12	1.9	2.2	3.9	9.7	-12.5	-2.3
VIP Value Strategies	B ****	1.54	13.77	14.5	4.3	8.6	26.3	-7.4	2.6
Fidelity Monitor VIP Income Model		0.29	22944.59	8.5	0.9	2.8	9.3	2.4	4.4
Fidelity Monitor VIP G&I Model		0.72	25638.99	7.7	2.4	5.6	13.3	-2.6	3.4
Fidelity Monitor VIP Growth Model		1.02	31289.22	10.8	3.4	9.3	20.9	-10.2	-0.1
Fidelity Monitor VIP Sector Model		1.18	19829.06	8.2	2.8	7.8	21.8	-3.2	5.5

## 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	\$7.52	4422.952	\$33260.60
High Income	\$9.03	1871.402	\$16898.76
Corporate Bond	\$10.43	1546.107	\$16125.90
<b>Total Bond</b>	<b>\$11.02</b>	<b>2776.799</b>	<b>\$30600.32</b>

8% Foreign Holdings  
Balance as of 10/29/10: \$96885.58  
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: + 10.0%**

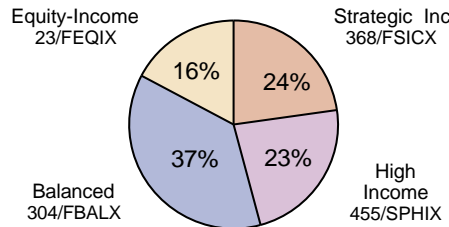
In October we were up 1.0%. On 11/8 we will sell **Corporate Bond** and buy **Total Bond** – for a mix of 1% stock, 93% bond and 6% cash.

## GROWTH AND INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Strategic Income	\$11.58	3612.688	\$41834.93
High Income	\$9.03	4433.331	\$40032.98
Balanced	\$17.57	3720.601	\$65370.96
<b>Equity-Income</b>	<b>\$41.03</b>	<b>689.960</b>	<b>\$28309.06</b>

16% Foreign Holdings  
Balance as of 10/29/10: \$175547.93  
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: + 9.0%**

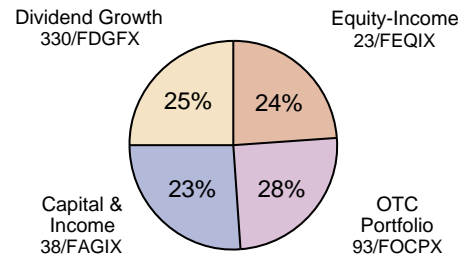
Our Growth and Income Model gained 2.4% in October. The current asset mix is 39% stock, 58% bond and 3% cash.

## GROWTH MODEL

Focuses on domestic funds and aims to hold profitable positions long enough to qualify for long-term gains.  
Target Growth Rate: 13% Target Risk Level: 1.0

FUND	NAV	SHARES	BALANCE
Equity-Income	\$41.03	1042.093	\$42757.08
OTC Portfolio	\$50.70	984.424	\$49910.30
Capital & Income	\$9.40	4358.253	\$40967.58
<b>Dividend Growth</b>	<b>\$25.91</b>	<b>1656.270</b>	<b>\$42913.96</b>

14% Foreign Holdings  
Balance as of 10/29/10: \$176548.92  
Balance at start of 2010: \$161124.81



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

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

**2010 YTD: + 9.6%**

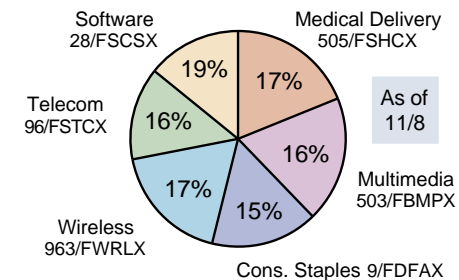
We were up 4.0% in October, versus 3.8% for the S&P 500. The current asset mix is 77% stock, 21% bond and 2% cash.

## SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Home Finance	\$10.75	5924.536	\$63688.76
Multimedia	\$41.55	1388.380	\$57687.19
Consumer Staples	\$67.48	816.730	\$55112.94
Wireless	\$7.57	8116.336	\$61440.66
Telecom	\$44.87	1289.049	\$57839.63
<b>Software</b>	<b>\$86.57</b>	<b>783.895</b>	<b>\$67861.79</b>

12% Foreign Holdings  
Balance as of 10/29/10: \$363630.97  
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: + 6.6%**

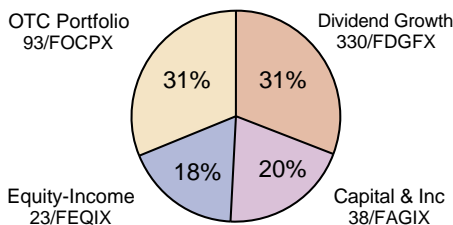
We gained 3.7% in October, versus 3.8% for the S&P. On 10/11 we sold **Banking** (\$16.31) for **Multimedia** (\$39.54). On 11/8 we'll trade **Home Finance** for **Med. Delivery** – for a mix of 98% stock, 2% cash.

## UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Dividend Growth	\$25.91	1404.914	\$36401.32
Capital & Income	\$9.40	2575.781	\$24212.34
Equity-Income	\$41.03	532.213	\$21836.70
<b>OTC Portfolio</b>	<b>\$50.70</b>	<b>732.725</b>	<b>\$37149.16</b>

14% Foreign Holdings  
Balance as of 10/29/10: \$119599.52  
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: + 10.8%**

Our Unique Opportunities Model gained 4.2% in October, versus 3.8% for the S&P. Asset mix is 82% stock, 17% bond and 1% cash.

QUESTION & ANSWER - Continued from page 3

much higher than it was a few weeks ago, it's certainly not anything you need to lose sleep over.

As for our Income Model's positioning, we're about to trim our interest-rate sensitivity a bit, but we don't see any big problem with our current strategy. Most of our holdings have average maturities in the range where the Fed will be trying to pull the yield curve *down*. If yields on long-term (30-year) treasuries move up at the same time, there shouldn't be much impact on **Total Bond** or **Investment Grade Bond**. **High Income** may even see a favorable impact from the Fed's effort to boost inflation. Rising prices make it easier for low-grade corporations to service their heavy debt loads, which in turn reduces credit risk and narrows the yield spread. So, unless you are looking to step up to the Growth and Income Model, we see no need to flee the Income Model. Odds are it's still a much better place than cash.

**I recently received a proxy for Home Finance. Where do you stand on this?**

We see no problem with any of the three proposals. This is actually the second time around for this fund. Originally known as **Savings & Loan**, the fund's universe was opened up to its current level in 1993 after the pool of eligible savings and loan stocks shrank in the wake of the Federal bailout. Back then, an expanded array of opportunities helped turn a 3-year rally into a 7-year bullish streak.

Today's proposal occurs against a more sobering backdrop, but it may still help set the stage for a lasting recovery. By changing the name **Home Finance** to **Consumer Finance** and expanding the fund's charter to include a broad array of transaction-oriented firms, the fund may have more opportunities for growth and would probably be less susceptible to economic downturns.

While we are selling **Home Finance** out of our Select System to join up with a revised version of our volatility model, there's still a chance that we may return to the fund within the next 12-24 months. Right now the opportunities outside the finance sector appear to be on firmer ground, but at some point down the road the fund could begin a lasting recovery. ■

## Happenings

Michael Chren has been named manager of **Blue Chip Value** and **VIP Value Leaders**. We'll be looking to upgrade these funds on signs of improved performance, but for now we continue to favor **Equity-Income** for the large-cap value corner of the stylebox. ■

RECOMMENDATIONS - Continued from page 1

pick your own funds, our favorites include **Total Bond**, **Investment Grade**, **Strategic Income**, **High Income** and **Capital & Income**. **High Income** and **Capital & Income** make good stock fund alternatives. We upgraded **Floating Rate High Income** because it offers an attractive yield with limited interest-rate sensitivity.

The prospect of a higher inflation rate gave a lift to high-yield bonds and hard assets. **Capital & Income** was up 4.0%, **Strategic Real Return** rose 3.2%, and **High Income** returned 2.7%. But higher yields on the long end of the curve prompted **Spartan Long-Term Treasury Index** to pull back 3.2%.

Municipal bond funds were weaker than taxables because of their longer maturities. As a group they posted returns ranging from a 0.4% decline to break-even.

### SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. Sectors that are currently rated buy include **Wireless**, **Telecommunications**, **Utilities**, **Software**, **Med. Delivery**, **Electronics**, **Multimedia**, **IT Services**, and **Insurance**.

**Chemicals** jumped 9.3% thanks to the dollar's weakness. It was followed closely by **Software**, up 8.6%, and **Multimedia** which posted an 8.1% gain. On the bottom end, **Banking** edged up 0.1%, **Home Finance** pulled back 1.0%, **Construction & Housing** declined 1.2% and **Financial Services** was down 2.3%. ■

### OCTOBER DISTRIBUTIONS

Asset Manager 20%	\$ 0.018/\$12.57 (10/1)
Asset Manager 30%	\$ 0.014 / \$9.67 (10/1)
Asset Manager 40%	\$ 0.046 / \$8.60 (10/1)
Asset Manager 50%	\$ 0.066/\$14.66 (10/1)
Balanced	\$ 0.109/\$17.46 (10/15)
Convertible Securities	\$ 0.208/\$23.18 (10/1)
Corporate Bond	\$ 0.035/\$10.52 (10/8)
Equity-Income	\$ 0.165/\$40.23 (10/1)
Equity-Income II	\$ 0.06 / \$16.61 (10/1)
Export & Multinational	\$ 0.80 / \$20.19 (10/8)
Fidelity Fund	\$ 0.052/\$28.71 (10/1)
Freedom Income	\$ 0.02 / \$11.15 (10/1)
Growth & Income	\$ 0.028/\$16.33 (10/1)
Intermediate Bond	\$ 0.012/\$10.77 (10/15)
Puritan	\$ 0.117/\$17.08 (10/15)
Spartan 500 Index (Inv Class)	\$ 0.19 / \$40.58 (10/1)
Strategic Dividend & Income	\$ 0.055/\$10.11 (10/1)
Strategic Real Return	\$ 0.044 / \$9.08 (10/1)
Total Bond	\$ 0.116/\$11.00 (10/15)
U.S. Bond Index	\$ 0.058/\$11.58 (10/15)
Utilities	\$ 0.12 / \$15.37 (10/1)

Funds that are scheduled for November include **Asset Manager 20%**, **30%**, and **Freedom Income**. Year-end payout estimates are now available on fidelity.com (search on "year end distributions" to pull up the link).

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	121561.3	0.04	CT MM (418/FCMXX)	1676.9	0.01			
Select MM (85/FSLXX)	7510.6	0.11	MA MM (74/FDMXX)	4831.6	0.01			
Money Market (454/SPRXX)	5913.0	0.02	MI MM (420/FMIXX)	898.3	0.01	MA AMT TF (426/FMSXX)	366.6	0.01
Gov't MM (458/SPAXX)	665.8	0.01	NJ MM (417/FNJXX)	2080.0	0.01	AMT Tax-Free (460/FIMXX)	1725.7	0.01
US Treas. MM (415/FDLXX)	5025.5	0.01	NY MM (92/FNYXX)	4668.1	0.01	NJ AMT TF (423/FSJXX)	314.5	0.01
Tax-Free MM (275/FMOXX)	6007.0	0.01	OH MM (419/FOMXX)	957.0	0.01	NY AMT TF (422/FSNXX)	582.5	0.01
US Gov't Reser (50/FGRXX)	3037.5	0.01	AZ MM (433/FSAXX)	341.4	0.01	PA MM (401/FPTXX)	662.5	0.01
CA MM (97/FCFXX)	5071.2	0.01	CA AMT TF (457/FSPXX)	673.5	0.01	Municipal MM (10/FTEXX)	22266.2	0.01