

Jack
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Fidelity

Best Performing
Fidelity Newsletter

20
Years

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Monitor™

Question & Answer Forum

What do you see as the main investment theme going forward in 2011?

Inflation is becoming a growing problem in foreign markets, but is barely registering here at home. There are several reasons for this:

- The deflationary overhang from the housing bust still looms large. Unemployment remains high, consumers are still paying down debt, construction activity is running at a fraction of its former level and many companies are finding it very difficult to pass along cost increases.
- The U.S. is not seeing much cost pressure when it comes to food and energy. Back in 2008, shale fracturing reached critical mass, causing the price of natural gas to collapse. Since then the new drilling technology has led to huge increases in supplies, keeping the price at rock-bottom levels. Here in the U.S. you can buy a million BTUs of natural gas for less than \$5. Getting the same amount of energy from oil now costs almost 4 times as much. Low-cost natural gas has far-reaching benefits for the U.S. economy. It's holding down price increases for electricity, heating, fertilizer, plastic, packaging and even chemicals. Because all of these elements figure into the cost of agriculture and food production, the U.S. is seeing substantially less inflation in that area too. Overseas, where food and energy production are closely tied to the

QUESTION & ANSWER - *Continued on page 2*

Unique Opportunities Change

On Monday, 2/7, we'll sell **Capital & Income** (38/FAGIX) and buy **Leveraged Company Stock** (122/FLVCX). In effect we are transitioning from the bonds of debt-heavy companies to their stocks. While both are attractive, the stock side offers more upside potential at a time when the survivors of the financial crisis have worked their debts down to a manageable level and are beginning to enjoy revenue growth. This move will boost the portfolio's overall volatility to about 1.3 relative to the S&P 500. This makes it more risky than our other stock models, much like it was in the past (over the last year or so we've been defensive – positioning the model similarly to the Growth Model). **Leveraged Company** requires a \$10,000 minimum for taxable accounts, and has a 90-day 1.5% redemption fee. **Value Strategies** is a reasonable substitute if needed.

Review & Recommendations

The threat of higher oil prices, made more immediate by unrest in Egypt, weighed on small caps and consumer stocks in January. But fourth quarter earnings news continued to paint a rosy picture for the U.S. economy, especially for export-driven firms. The S&P 500 finished 2.4% higher for the month.

GROWTH FUNDS

Our Growth Model (page 7) offers a diversified approach to stocks. If you prefer to pick your own funds, our favorites include **Dividend Growth, Equity-Income, Growth Discovery, Leveraged Company, Contrafund, Mega-Cap Stock, OTC Portfolio**, and **Capital Appreciation**.

In January, funds that focused on domestic Blue Chip stocks led the group. **OTC Portfolio** gained 4.0% and **Large Cap Stock** rose 3.6%. On the flip side, funds emphasizing foreign stocks or small-caps tended to lag. **Small Cap Value** returned 0.7%, **Contrafund** increased by 0.6%, and **Small Cap Stock** edged up 0.1%.

INTERNATIONAL FUNDS

In this group our favorites include **Pacific Basin**, offering a diversified bet on Japan, Australia and Asian emerging markets, and **Int'l Small Cap** which focuses on attractive opportunities in developed markets.

The European Central Bank seems to be making strides in dealing with Europe's debt crisis, and Japan's GDP growth has rebounded almost to U.S. levels. **Int'l Value** gained 4.7%, **Europe** gained 2.4% and **Japan Smaller Companies** returned 2.3%. But commodity-oriented emerging market economies are being forced to boost interest rates to fight inflation. **Latin America** declined 5.0%, and **Emerging EMEA** lost 5.3%.

GROWTH & INCOME FUNDS

For a stock/bond approach offering diversification benefits, consider our Growth and Income Model (shown on page 7). For a single fund solution, consider **Balanced** or **Puritan**. For dividend stocks, consider **Equity-Income** or **Mega-Cap Stock**.

Funds with a dividend stock focus continued to benefit from the prospect of increased shareholder compensation. **Mega-Cap Stock** climbed 3.5%, **Convertible Securities** and **Real Estate** both rose 3.3%, and **Equity-Income I & II** gained 3.0%. Trailing behind, **Real Estate Income** edged up 1.5%, and **Telecom & Utilities** returned 1.1%.

RECOMMENDATIONS - *Continued on page 8*

price of oil, many costs have doubled or tripled in the past two years.

- Growth rates for GDP and productivity have slowed in the U.S., but both are still climbing at a sustainable 2-3% clip. Domestic firms can still boost wages each year without having to pass along the added costs. Few other countries are in this enviable situation. They either have stagflation (flat GDP with inflation, like much of Europe) or they are dealing with wage-driven inflation (large annual increases well in excess of productivity growth, like many emerging markets). Furthermore, the U.S. does not consume much additional energy for each additional dollar of GDP it generates (emerging markets need 3-5 times as many BTUs). This means the U.S. can grow without inducing inflation. Emerging markets cannot.

What does all this mean for investors? On the stock side, the lack of an inflationary threat in the domestic economy could give U.S. stocks an edge over foreign stocks. The latter may be at risk from central banks that are compelled to fight rising prices with interest rate increases. As for bonds, U.S. taxables may not be such a bad place either. Despite the widespread perception that interest rates are moving up, the reality is that bond yields are anchored to the rate of inflation, and they usually settle about 2-4 percentage points higher. While long-term treasuries, which are tied in with the global markets, may be vulnerable to some upward pressure on yields, the pricing for investment-grade corporates is about right and high-yield bonds may actually have a little room to run.

I'm surprised you have a sell rating on most muni bond funds. With such attractive after-tax yields, I should think they would be a buy.

Yields are higher than normal mainly because of the heightened credit risk in this segment of the market. Many cities, states and other municipalities are still struggling with a big drop in tax revenue brought on by the financial crisis. Property tax bases have fallen with declining housing values, sales tax revenue has slipped because of restricted credit and high unemployment, and capital gains tax revenue has largely disappeared due to taxpayers' large carryforward losses from the 2008 selloff. It all adds up to a big shortfall in tax revenue.

This means that municipalities must shore up their finances by raising taxes or by cutting costs. Because it's not easy to find the political will to raise taxes in this environment, and because many cities and states were not exactly frugal with taxpayer money over the last decade, most are now looking at cost cutting as a solution. But it's been a struggle. To make meaningful cuts often requires these entities to confront public employee labor unions, many of which have negotiated generous salaries, benefits and pensions. They won't give them up easily.

As a result, many state and local entities have simply turned to borrowing to close their budget gaps, in hopes that things will eventually get back to normal. Even worse, they haven't exactly been willing to disclose their true financial condition. Unlike taxable bonds, the disclosure requirements for municipal issuers are minimal, and penalties are rare. Many entities simply ignore the rules.

Borrowing might work for a typical recession, but this time is different. Tax revenue may not get back to "normal" for 10 or 20 years, if it happens at all. For many taxpayers, carryforward losses for capital gains will not be used up for at least a decade, and property values in some regions may not return to pre-crisis levels for 20 years. Increasingly, it appears that some borrowers will go broke before they can put their finances in order.

The recent expiration of the Build America Bond program is bringing the situation to a head. During 2010, easy money from the Feds kept marginal municipalities afloat, and also kept yields low for the more creditworthy entities. It's estimated the Build America Bond program bankrolled some 25% of municipal financing needs in 2010. That window has now been slammed shut, and all municipalities are back to borrowing from the municipal markets. However, that pool of capital is shrinking, just as the pool of capital for high-yield borrowers shrinks during periods of rising default risk. In effect, a credit crunch is taking hold.

While this credit crunch may be mild in comparison to those that have occurred in the corporate world, it could still shatter some long-held perceptions about the municipal bond market and its low default risk. Most municipal borrowers are not nearly as business-savvy as corporations, so few are prepared for even a mild credit crunch. Those with shaky finances that have been rolling over their debt each year are likely to find themselves cut off within 12 months. The percentage of borrowers in this situation is very small, but it's still large enough to create headlines and municipal bond outflows (the latter has already begun to occur in anticipation).

We have a sell rating on most municipal bond funds because this slow-moving credit crunch is still in its early stages. At some point, when most of the marginal issuers have defaulted, and the stronger borrowers have become more serious about getting their house in order, the yield premium in the municipal arena could then be worth its added risk. We're not there yet. A good guess is that it will take another 6-12 months.

I noticed that you've launched a different type of Select portfolio in your sister publication, Fidelity Insight. Can you explain the reasoning behind it?

We've been using various quantitative methods for the Select System over the past 22 years. These techniques have been a success from the standpoint of long-term performance - the model has typically outperformed the

S&P 500 by 3-4 percentage points per year over any long period of time. But it hasn't always been a smooth ride, because the portfolio has a tendency to post strong years and weak years. This characteristic has not gone over all that well with newsletter subscribers, many of whom take a dim view of any stock model that lags in an up market.

With that in mind, the new Select model in Fidelity Insight uses a fundamental approach – much as our Growth Model and Unique Opportunities Model do. By adopting a theme-based approach, and anchoring this portfolio more closely to the S&P 500, the odds of a disappointing year are reduced. At the same time, a focus on broad industry groups may take better advantage of Fidelity's strength in research. We have no way to backtest this new strategy, so there's no way to know if it will outperform the S&P 500 by 3-4 points a year like the Select System has. But we think the odds are good because the Select population itself tends to beat the averages.

Eventually we would like to have a common Select Model for both newsletters, so we are considering a hybrid approach where the fundamental strategy used by Fidelity Insight would be adopted for the Select System, but we would continue to use the volatility model as a factor in fund selection. We could begin to phase that approach in later this year.

Most of our money management portfolios would remain with the current quantitative approach. The year-to-year variability of the volatility-driven approach is less of a concern in these accounts because the Selects are usually blended with broadly diversified funds (although some clients who follow a long-term capital gain version of the Select System may be switched to the new fundamental approach in an effort to improve after-tax returns).

Why don't you recommend Select Gold? For many time periods, it's the best performing sector.

There is growing evidence that the price of gold (the metal) may have peaked after a long run-up that was fueled by Chinese buyers and ETF investors:

- Short-term interest rates are rising for many of the world's currencies, and the odds are increasing that the Fed will end QE2 in June, and perhaps even make a tightening move in 2012. Gold does not pay interest - it actually has a small negative yield due to its storage costs. It is backed only by jewelry demand, which in itself has fallen off in recent years.

- Gold and other precious metals surged partly on fears that excessive sovereign debt levels would eventually doom paper currencies. But increasingly, it appears that the U.S., Japan, and Europe will have the ability to put their financial house in order (see the next question).

- More investors are being lured by stocks. World class companies with attractive growth rates are selling for relatively cheap multiples. Gold and gold stocks look expensive in comparison.

- A lot of smart money from hedge funds and mutual funds has already checked out. Fidelity's own Jurrien Timmer (**Dynamic Strategies**) recently said he had cut his stake in precious metals by more than half in December.

- Gold ETF inflows were a major reason that gold went up in 2009 and 2010, and now they've turned negative. Some two-thirds of gold ETF investors are novices who have never before owned gold. They have no clue how volatile it can become, and when the herd instinct kicks in, many will conclude they own too much of it.

Select Gold invests mostly in gold *mining stocks*, which are about twice as volatile as the precious metal (its risk rating is 1.97). We've downgraded the fund to a sell, with the recommendation that subscribers cut their overall precious metals position to 5% or less of their investment portfolio.

I'm worried that foreigners are going to stop buying U.S. treasuries, which will lead to a collapse in the dollar. Are we all going to wake up some day and find that all our investments are worthless?

In the highly unlikely event of a dollar collapse, most U.S. stocks would retain their value. Those with significant exports or foreign operations would actually increase in value. But we're jumping ahead. Let's step back, take a deep breath, put on our critical thinking caps, and add a little scrutiny to the media's latest doom theory.

The dollar is the strongest currency around, backed by the largest and most resilient economy on the planet. The U.S. may be facing a significant economic challenge, but the survival of the economy is hardly the issue. It's more a question of GDP growth and the length of time it will take to put the employable portion of the population back to work.

Currencies do not collapse from excessive debt levels alone – if they did, the yen would have been snuffed out over a decade ago. Rather, they collapse when their tax base has been destroyed. Once an economy is in shambles, it doesn't matter how you tax it, because you won't be able to service its national debt. Think Russian Rubles, 1998.

The U.S. economy is hardly in shambles. By most measures (GDP, corporate earnings, wages, productivity, exports) it is barely dented. Granted, our system of taxation is somewhat dysfunctional, and we have a big government spending problem. But those are solvable problems – all you need is political will. Just because it doesn't exist today does not mean it won't come about at

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 ↓.

JANUARY PERFORMANCE						2011	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
GROWTH FUNDS:												
130/30 Large Cap (2063/FOTTX)	S**	1.05	none	7.47	18.5	3.2	3.2	9.4	18.8			
Growth Strategies (324/FDEGX)	H***	1.17	1.5(90)	20.73	2058.2	1.4	1.4	12.8	34.4	1.0	1.7	-5.6
Blue Chip Gth (312/FBGRX)	B****	1.09	none	46.28	12067.9	2.1	2.1	10.2	29.0	6.1	4.6	0.7
Blue Chip Value (1271/FBCVX)	S**	1.18	none	11.04	326.4	2.1	2.1	9.5	15.9	-5.8	-1.8	
Capital Apprec (307/FBCAX)	B****	1.13	none	25.73	4880.2	1.5	1.5	7.2	24.9	1.3	2.1	3.9
Contrafund (22/FCNTX)	B****	0.88	none	68.13	61430.6	0.6	0.6	5.7	23.3	1.8	3.9	6.0
Growth Discovery (339/FDSVX)	B****	1.10	none	14.10	788.3	3.1	3.1	11.9	35.4	-0.9	4.2	2.3
Disc Equity (315/FDEQX)	S**	1.00	none	23.22	9173.3	3.1	3.1	8.2	17.1	-4.0	0.0	1.3
Dividend Gth (330/FDGFEX)	B****	1.29	none	29.13	9428.7	2.5	2.5	12.8	29.0	4.2	4.0	2.3
Export Fund (332/FEXPX)	H***	1.07	0.75(30)	22.24	2517.7	2.0	2.0	9.5	20.0	-0.6	0.9	4.5
Fidelity Fifty (500/FFTYX)	H***	1.16	none	18.00	811.8	2.1	2.1	7.5	25.9	-1.2	0.0	3.5
Focused Stock (333/FTQGX)	H***	0.99	none	13.94	187.8	2.1	2.1	12.5	35.2	5.1	4.7	1.5
Growth Company (25/FDGRX)	B****	1.07	Closed	84.80	28622.0	2.0	2.0	9.6	29.4	4.2	5.0	2.1
Independence (73/FDFFX)	B****	1.36	none	24.65	4143.6	1.2	1.2	9.1	30.4	-0.6	4.2	2.1
Lg Cap Core En Idx (1827/FLCEX)	H***	0.96	none	8.76	931.9	2.5	2.5	8.7	19.5	-0.8		
Lg Cap Gth En Idx (1829/FLGEX)	H***	0.98	none	9.84	54.8	2.4	2.4	8.8	22.3	2.5		
Large Cap Growth (763/FSLGX)	B****	1.03	none	9.93	117.2	2.0	2.0	9.7	29.1	0.5	-0.6	
Large-Cap Stock (338/FLCSX)	H***	1.28	none	18.25	963.9	3.6	3.6	14.5	26.1	1.5	3.7	0.9
Lg Cap Val En Idx (1828/FLVEX)	S**	1.00	none	7.60	76.2	2.3	2.3	9.5	19.2	-3.6		
Large Cap Value (708/FSLVX)	S**	1.07	none	10.78	864.5	2.5	2.5	9.1	16.1	-5.8	-1.8	
Lev Co Stock (122/FLVCSX)	B****	1.65	1.5(90)	29.15	4208.8	2.6	2.6	16.1	31.1	0.5	3.7	12.7
Low-Priced Stock (316/FLPSX)	B****	1.12	1.5(90)	38.89	27094.4	1.3	1.3	8.2	24.3	4.5	4.4	10.6
Magellan (21/FMAGX)	S**	1.26	none	72.83	19913.2	1.6	1.6	9.9	19.4	-3.6	-0.2	-0.3
Mid Cap Growth (793/FSMGX)	H***	1.27	0.75(30)	12.63	291.3	1.5	1.5	12.8	34.0	1.5	-1.0	
Mid Cap Stock (337/FMCSX)	H***	1.37	0.75(30)	29.24	6723.7	1.4	1.4	12.7	29.2	3.7	3.2	3.7
Mid Cap Value (762/FSMVX)	H***	1.25	0.75(30)	16.26	652.4	1.9	1.9	11.0	31.5	3.6	3.1	
New Millennium (300/FMLIX)	H***	1.14	none	29.80	1891.3	2.3	2.3	10.4	26.7	4.1	4.4	3.0
OTC Portfolio (93/FOCPX)	B****	1.24	none	57.13	5640.3	4.0	4.0	12.7	33.4	8.3	7.6	3.3
Small Cap Discovery (384/FSCRX)	H***	1.33	1.5(90)	20.68	1168.3	1.0	1.0	14.4	35.0	13.9	8.1	
Small Cap Growth (1388/FCPGX)	H***	1.23	1.5(90)	15.70	1400.0	0.1	0.1	10.9	30.6	2.9	4.0	
Stock Sel Small Cap (336/FDSCX)	B****	1.33	1.5(90)	18.67	1661.3	0.9	0.9	14.8	39.7	2.2	1.4	5.9
Small Cap Stock (340/FSLCX)	B****	1.42	2(90)	20.18	4287.3	3.0	3.0	13.8	32.2	8.3	5.9	8.3
Small Cap Value (1389/FCPVX)	H***	1.29	1.5(90)	15.72	2017.1	0.7	0.7	12.5	26.3	8.7	5.6	
Stock Sel All Cap (320/FDSSX)	H***	1.05	none	26.28	771.5	2.1	2.1	11.6	26.0	-0.5	2.2	2.0
Tax Managed Stock (343/FTXMX)	S**	1.08	none	12.67	71.5	1.7	1.7	10.2	22.9	-4.2	-0.3	
Trend (5/FTRNX)	B****	1.09	none	68.64	1044.7	1.9	1.9	9.7	28.9	3.4	5.0	3.1
Value (39/FDLVX)	H***	1.45	none	70.83	7668.1	3.1	3.1	12.0	29.7	0.9	1.7	7.8
Value Discovery (832/FVDFX)	H***	1.17	none	14.95	610.8	2.1	2.1	11.0	22.0	-2.4	0.6	
Value Strategies (14/FSLSX)	B****	1.54	none	28.12	391.6	1.0	1.0	10.8	30.7	2.5	2.9	5.9
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.76	none	18.53	17287.9	1.6	1.6	6.0	17.9	2.1	3.5	5.9
Convertible Sec (308/FCVXS)	H***	1.26	none	26.30	2403.8	3.3	3.3	11.1	27.3	4.4	6.0	5.9
Equity-Income (23/FEQIX)	B****	1.16	none	45.57	10038.0	3.0	3.0	11.7	22.3	-1.8	1.1	2.6
Equity-Income II (319/FEQTX)	B****	1.13	none	18.80	5136.7	3.0	3.0	11.9	20.8	-2.7	0.0	2.1
Fidelity Fund (3/FFIDX)	S**	1.03	none	32.94	5115.2	2.5	2.5	11.7	23.1	-1.3	2.6	1.5
Growth & Income (27/FGRIX)	H***↑	1.20	none	18.78	5611.6	2.6	2.6	11.2	21.8	-9.4	-5.1	-2.2
Mega Cap Stock (361/FGRTX)	H***	1.06	none	10.34	560.9	3.5	3.5	12.0	22.3	-0.5	2.3	2.1
Puritan (4/FPURX)	B****	0.71	none	18.20	16687.6	1.6	1.6	6.3	18.2	2.9	4.4	4.8
Real Estate Income (833/FRIFX)	B****	0.73	0.75(90)	10.56	1278.9	1.5	1.5	3.8	19.7	7.0	4.7	
Real Estate (303/FRESX)	H***	1.91	0.75(90)	26.54	3242.5	3.3	3.3	6.6	42.9	3.1	1.6	10.6
Strategic Div & Inc (1329/FSDIX)	B****	1.11	none	10.76	589.4	2.0	2.0	5.2	19.3	-0.8	1.1	
Telecom & Utilities (311/FUIX)	B****	0.86	none	16.13	870.9	1.1	1.1	5.1	24.8	-2.3	3.5	1.6
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.59	0.75(30)	42.68	142.8	0.8	0.8	1.7	33.2	5.0	5.0	4.8
Automotive (502/FSAVX)	H***	2.41	0.75(30)	46.73	305.0	3.4	3.4	21.0	55.3	10.4	8.0	9.3
Banking (507/FSRBX)	H***	1.61	0.75(30)	18.73	526.6	1.2	1.2	16.9	14.4	-7.6	-6.5	-0.5
Biotechnology (42/FBIOX)	H***	1.01	0.75(30)	73.42	1038.5	0.6	0.6	4.8	9.9	4.1	2.4	-0.6
Brokerage (68/FSLBX)	H***	1.47	0.75(30)	53.01	553.1	1.1	1.1	10.9	15.6	-2.8	-0.8	3.8
IT Services (353/FBSOX)	B****	1.13	0.75(30)	21.60	120.6	2.3	2.3	7.2	26.5	12.7	9.7	7.1
Chemicals (69/FSCHX)	B****	1.40	0.75(30)	97.23	575.5	1.8	1.8	12.2	39.0	9.3	12.4	12.9
Computers (7/FDCPX)	H***	1.28	0.75(30)	57.78	562.9	2.4	2.4	9.3	40.1	13.7	8.9	-0.3
Const & Housing (511/FSHOX)	S**	1.49	0.75(30)	36.47	104.9	4.0	4.0	21.0	30.0	2.6	-0.1	8.7
Cons Discretionary (517/FSCPX)	H***	1.21	0.75(30)	24.15	229.1	-1.5	-1.5	6.3	32.7	6.0	3.5	2.9
Industrials (515/FCYIX)	B****	1.41	0.75(30)	24.61	438.1	4.0	4.0	15.6	41.1	6.9	7.7	9.0
Defense & Aero (67/FSDAX)	S**	1.31	0.75(30)	76.89	637.6	5.0	5.0	8.5	29.7	0.9	5.7	9.2
Com Equipment (518/FSDCX)	H***	1.55	0.75(30)	27.71	457.4	4.5	4.5	12.9	43.9	11.9	5.0	-1.5
Electronics (8/FSELX)	B****	1.49	0.75(30)	52.05	1161.5	7.6	7.6	20.4	40.5	11.5	2.3	-2.4
Energy (60/FSENX)	B****	1.60	0.75(30)	56.35	2368.7	7.8	7.8	26.5	34.3	-0.9	4.3	11.0
Energy Service (43/FSESX)	H***	1.91	0.75(30)	79.79	1650.5	7.3	7.3	28.9	41.3	-0.3	2.9	9.1
Envirn & Alt Energy (516/FSLEX)	H***	1.05	0.75(30)	18.61	72.4	4.6	4.6	9.7	27.5	2.3	2.6	4.0
Financial Services (66/FIDSX)	H***	1.52	0.75(30)	61.78	475.3	0.3	0.3	12.3	5.9	-11.7	-8.1	-1.5
Consumer Staples (9/FDFAX)	B****	0.78	0.75(30)	66.55	907.2	-2.6	-2.6	0.9	13.5	3.9	8.7	7.7
Gold (41/FSAGX) Limit to 5% position	S**↓	2.01	0.75(30)	47.06	4591.0	-11.4	-11.4	-5.3	34.5	6.6	12.2	21.7
Health Care (63/FSPHX)	H***	0.91	0.75(30)	128.96	1806.7	3.5	3.5	12.1	20.4	5.0	4.5	3.7
Consumer Finance (98/FSVLX)	H***	1.32	0.75(30)	11.69	81.5	2.9	2.9	11.0	8.4	-23.2	-20.7	-7.1
Indust Equipment (510/FSCGX)	B****	1.50	0.75(30)	35.42	253.0	4.4	4.4	19.0	42.5	4.4	7.2	6.5
Materials (509/FSDPX)	H***	1.52	0.75(30)	68.08	986.7	0.3	0.3	12.1	38.1	8.5	11.6	14.6
Insurance (45/FSPCX)	H***	1.31	0.75(30)	47.67	239.0	1.0	1.0	6.7	20.0	-5.6	-3.4	3.1
Leisure (62/FDLX)	B****	1.10	0.75(30)	88.56	459.4	-2.8	-2.8	2.3	34.1	7.4	7.0	6.0
Medical Delivery (505/FSHCX)	B****	1.29	0.75(30)	52.34	461.0	5.4	5.4	16.3	21.2	2.5	2.9	10.5
Medical Equip & Sys (354/FSMEX)	S**	0.97	0.75(30)	28.19	1310.1	2.2	2.2	12.9	14.0	6.0	6.9	9.2
Multimedia (503/FBMPX)	H***	1.29	0.75(30)	43.17	181.5	0.8	0.8	4.2	33.2	8.4	3.8	4.1
Natural Gas (513/FSNGX)	H***	1.66	0.75(30)	34.82	933.1	4.8	4.8	16.4	15.6	-6.5	-0.7	8.2
Nat Resources (514/FNARX)	H***	1.60	0.75(30)	36.60	1645.3	5.1	5.1	24.1	38.4	1.4	7.4	12.1
Pharmaceuticals (580/FPHAX)	B****	0.82	0.75(30)	12.44	378.7	0.9	0.9	4.0	18.3	7.2	6.6	
Retailing (46/FSRPX)	H***	1.26	0.75(30)	52.06	224.1	-2.7	-2.7	6.2	27.6	12.3	7.3	5.8
Software (28/FSCSX)	B****	1.09	0.75(30)	89.54	1202.6	2.4	2.4	6.8	31.2	9.6	10.6	4.8
Technology (64/FSPTX)	B****	1.42	0.75(30)	99.68	2580.5	4.3	4.3	11.8	45.0	14.3	8.5	0.4
Telecom (96/FSTCX)	B****	1.19	0.75(30)	45.81	388.0	-1.4	-1.4	3.5	26.2	1.6	4.0	-0.8
Transportation (512/FSREX)	H***	1.27	0.75(30)	55.29	504.5	-0.2	-0.2	4.7	47.2	7.5	5.4	8.4
Utilities (65/FSUTX)	B****	0.8										

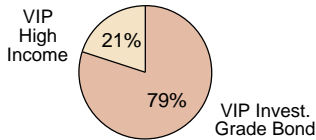
JANUARY PERFORMANCE												
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	30-day Yield	2011 YTD	One Mth	Three Mth	One Year	3-Yr Rate	5-Yr Rate
INTERNATIONAL FUNDS:												
Canada (309/FICDX)	H***	1.34	1.5(90)	58.66	4392.4		0.9	0.9	10.1	32.9	1.9	7.3
China Region (352/FHKCX)	H***	1.29	1.5(90)	32.94	2197.7		1.3	1.3	4.8	29.8	8.6	14.4
Diversified Int'l (325/FDIVX)	S**	1.23	1(30)	30.47	26012.9		1.1	1.1	5.2	16.9	-4.1	1.2
Emerging EMEA (2053/FEMEX)	H***	1.8 Est	1.5(90)	8.95	166.5		-5.3	-5.3	0.6	20.6		
Emerging Mkts (322/FEMKX)	H***	1.60	1.5(90)	25.53	4176.4		-3.1	-3.1	0.7	21.6	-3.3	6.2
Europe (301/FIEUX)	S**	1.27	1(30)	32.06	797.8		2.4	2.4	6.2	19.3	-3.0	1.9
Europe Cap Appr (341/FECAX)	S**	1.31	1(30)	19.47	450.7		2.3	2.3	5.9	19.1	-4.3	2.4
Global Balanced (334/FGLBLX)	B****	0.75	1(30)	22.56	556.0		1.2	1.2	4.1	17.9	3.8	5.9
Glob Commodity Stk (2120/FFGCX)	H***	1.6 Est	1(30)	17.35	458.1		1.2	1.2	12.3	28.6		
Int'l Capital Apprec. (335/FIVFX)	H***	1.48	1(30)	12.81	651.3		-0.6	-0.6	3.4	20.3	-0.6	0.2
Int'l Discovery (305/FIGRX)	S**	1.20	1(30)	33.14	8318.7		0.3	0.3	4.5	17.9	-3.6	2.1
Int'l Growth (1979/FIGFX)	H***	1.17	1(30)	8.54	36.7		-1.5	-1.5	2.6	22.0	0.8	
Int'l Real Estate (1368/FIREX)	S**	1.37	1.5(90)	9.35	366.0		-0.3	-0.3	2.7	22.4	-6.9	-1.1
Int'l Small Cap (818/FISMXX)	B****	1.28	2(90)	21.44	898.2		0.8	0.8	7.4	29.2	2.8	3.1
Int'l Small Cap Opp (1504/FSCOX)	B****	1.43	2(90)	10.33	419.8		-0.6	-0.6	6.0	27.3	-6.3	-2.8
Int'l Value (1597/FIVLX)	S**	1.42	1(30)	8.52	161.5		4.7	4.7	6.9	17.1	-4.5	
Japan (350/FJPNX)	H***	1.10	1.5(90)	11.20	535.9		0.2	0.2	10.0	13.2	-4.1	-5.7
Japan Smaller Co (360/FJSCX)	H***	1.20	1.5(90)	9.40	316.3		2.3	2.3	16.1	14.0	-0.7	-9.7
Latin America (349/FLATX)	H***	1.66	1.5(90)	56.10	4377.7		-5.0	-5.0	-1.6	22.3	0.6	11.2
Nordic (342/FNORX)	H***	1.59	1.5(90)	34.34	497.1		0.0	0.0	7.3	31.1	-2.8	5.6
Overseas (94/FOSEFX)	S**	1.25	1(30)	33.06	4932.1		1.8	1.8	6.3	14.3	-7.4	-0.2
Pacific Basin (302/FPBFX)	B****	1.50	1.5(90)	25.82	958.3		-1.0	-1.0	6.3	33.0	2.1	5.0
Emerging Asia (351/FSEAX)	B****	1.18	1.5(90)	30.57	1823.5		-0.2	-0.2	5.0	29.9	-0.7	9.9
Total Int'l Equity (1978/FIEX)	H***	1.32	1(30)	7.52	71.6		0.5	0.5	3.8	19.9	-2.4	
Worldwide (318/FWWFX)	H***	1.10	1(30)	18.90	1169.7		1.3	1.3	8.4	25.7	0.1	3.9
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FNOX)	H***	0.91	none	27.51	2288.4		1.9	1.9	6.9	19.5	0.9	2.9
NASDAQ Comp (1282/FNCMX)	B****	1.13	0.75(90)	35.82	303.6		1.8	1.8	7.9	26.8	5.0	3.9
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.19	0.75(90)	38.63	3943.7		1.2	1.2	11.9	33.5	5.3	4.5
Spart Int'l Index (399/FSIIX)	H***↑	1.24	1(90)	36.01	6730.3		2.4	2.4	5.1	16.1	-3.3	1.8
Spart 500 Index (650/FUSEX)	H***	1.00	none	45.54	26411.5		2.4	2.4	9.2	22.1	-0.1	2.2
Spart Total Mkt Idx (397/FSTMX)	H***	1.03	0.5(90)	37.22	5963.2		2.2	2.2	9.8	24.2	1.0	2.7
Asset Mgr 20% (328/FASIX)	H***	0.35	none	12.88	3276.1		0.7	0.7	1.8	9.6	4.4	4.3
Asset Mgr 30% (1957/FTANX)	H***	0.47	none	9.73	133.2		0.8	0.8	2.8	12.2	4.2	
Asset Mgr 40% (1958/FFANX)	H***	0.56	none	9.63	92.2		0.9	0.9	3.7	14.1	4.1	
Asset Mgr 50% (314/FASMX)	H***	0.68	none	15.61	6607.7		1.2	1.2	4.9	16.6	4.2	4.4
Asset Mgr 60% (1959/FSANX)	H***	0.76	none	9.63	134.6		1.4	1.4	5.7	18.2	4.2	
Asset Mgr 70% (321/FASGX)	H***	0.89	none	16.57	2505.2		1.5	1.5	6.9	20.5	3.3	3.8
Asset Mgr 85% (347/FAMRX)	H***	1.02	none	13.62	650.7		1.6	1.6	8.3	22.6	2.8	3.5
Dynamic Strategies (1960/FDYXS)	H***↑	0.77	none	9.56	207.3		-0.1	-0.1	4.7	18.5	3.4	
Freedom 2000 (370/FFFBX)	H***	0.36	none	12.04	1560.3		0.8	0.8	2.0	9.0	3.3	3.9
Freedom 2005 (1312/FFVFX)	H***	0.61	none	10.93	942.6		1.1	1.1	3.8	13.5	2.5	3.6
Freedom 2010 (371/FFFCX)	H***	0.65	none	13.76	9971.6		1.3	1.3	4.5	15.1	2.9	3.9
Freedom 2015 (1313/FFVFX)	H***	0.68	none	11.49	8850.6		1.3	1.3	4.6	15.3	2.5	3.7
Freedom 2020 (372/FFFDX)	H***	0.81	none	13.98	19973.5		1.4	1.4	5.5	17.4	1.7	3.3
Freedom 2025 (1314/FFFTX)	H***	0.86	none	11.70	9831.0		1.6	1.6	6.4	18.9	1.7	3.2
Freedom 2030 (373/FFFEEX)	H***	0.94	none	13.99	14727.2		1.6	1.6	6.7	19.7	0.6	2.5
Freedom 2035 (1315/FFTHX)	H***	0.97	none	11.67	6590.5		1.7	1.7	7.4	20.7	0.6	2.5
Freedom 2040 (718/FFFFX)	H***	1.00	none	8.15	9017.4		1.7	1.7	7.5	20.8	0.3	2.3
Freedom 2045 (1617/FFFGX)	H***	1.01	none	9.66	2457.7		1.8	1.8	7.7	21.2	0.2	
Freedom 2050 (1618/FFFHX)	H***	1.05	none	9.55	1993.9		1.8	1.8	8.1	21.6	-0.3	
Freedom Income (369/FFFAFX)	H***	0.33	none	11.37	2858.5		0.8	0.8	1.8	8.7	3.7	4.1
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	B****	0.85	1(90)	9.67	12278.1	5.06	3.0	3.0	5.4	20.6	13.4	10.3
Corporate Bond (2208/FCBFX)	H***	0.4 Est	none	10.21	40.8	4.33	0.8	0.8	-0.3			
Floating Rate (814/FFRHX)	B****	0.43	1(60)	9.89	4170.3	3.00	1.3	1.3	2.5	8.2	6.6	5.0
Focused High Inc (1366/FHIFX)	H***	0.59	1(90)	9.33	663.2	5.39	1.8	1.8	1.1	13.6	7.3	6.2
GNMA Portfolio (15/FGMNX)	H***	0.14	none	11.46	7640.3	3.34	0.2	0.2	-0.7	5.6	6.4	6.4
Gov't Income (54/FGOVX)	B****	0.19	none	10.41	4429.3	1.92	0.0	0.0	-2.0	3.6	4.9	5.7
High Income (455/SPHIX)	B****	0.71	1(90)	9.11	7247.5	5.77	2.4	2.4	3.2	15.4	11.0	8.5
Inflation-Protected (794/FINPX)	H***	0.40	none	11.64	2135.6	0.26	0.1	0.1	-3.2	4.3	3.0	4.4
Intermed Bond (32/FTHRX)	B****	0.24	none	10.58	4511.1	2.67	0.5	0.5	-1.2	6.3	5.6	5.3
Intermed Gov't Inc (452/FSTGX)	H***	0.16	none	10.72	1313.4	1.21	0.2	0.2	-1.7	3.7	4.4	5.4
Invest Grade Bond (26/FBNDX)	B****	0.25	none	7.40	7246.7	2.72	0.4	0.4	-0.9	7.0	5.1	4.7
Mortgage Securities (40/FMSFX)	H***	0.13	none	10.83	793.3	3.32	0.2	0.2	-0.5	6.0	5.7	4.5
New Markets Inc (331/FNMIX)	H***	0.73	1(90)	15.45	4276.3	5.79	-0.8	-0.8	-3.9	9.4	9.0	8.5
Short-Term Bond (450/FSHXX)	B****	0.11	none	8.48	7944.7	1.20	0.3	0.3	-0.1	3.3	2.3	2.7
Spart Intermed Tr Idx (1561/FIBIX)	B****	0.34	none	10.67	1513.9	2.50	0.2	0.2	-3.8	6.5	5.2	6.4
Spart L-Term Tr Idx (1562/FLBIX)	S**	0.64	none	10.18	142.3	4.08	-2.3	-2.3	-7.2	4.0	3.7	5.2
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.12	none	10.52	257.2	0.73	0.3	0.3	-0.8	2.7	3.3	4.7
Strategic Income (368/FSICX)	H***	0.44	none	11.18	7962.5	4.24	1.2	1.2	0.1	10.2	8.9	8.0
Strategic Real Rtn (1505/FSRRX)	H***	0.65	0.75(60)	9.70	4119.0	1.86	1.3	1.3	4.2	17.2	3.9	4.1
Total Bond (820/FTBFX)	B****	0.27	none	10.74	10956.2	3.45	0.5	0.5	-0.6	7.3	6.8	6.2
Ultra-Short Bond (812/FUSEFX)	H***	0.12	0.25(60)	8.19	249.2	0.52	0.3	0.3	0.3	1.0	-1.4	-1.3
US Bond Index (651/FBIDX)	H***	0.18	none	11.32	10794.4	2.58	0.2	0.2	-1.5	4.9	5.0	5.2
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZXX)	S**	0.31	0.5(30)	10.99	161.1	3.98	-0.9	-0.9	-4.7	1.1	3.0	3.4
CA Municipal Inc (91/FCITX)	S**	0.32	0.5(30)	11.46	1508.1	4.38	-1.1	-1.1	-5.4	1.4	2.1	2.9
CA Short-Int TF (1534/FCSTX)	H***	0.14	0.5(30)	10.51	672.5	1.81	-0.2	-0.2	-1.6	1.6	3.4	3.9
CT Municipal Inc (407/FICNX)	S**	0.26	0.5(30)	11.13	554.0	3.19	-0.4	-0.4	-3.7	1.2	3.2	3.8
Intermediate Muni (36/FLTMX)	S**	0.19	0.5(30)	9.96	3797.6	3.08	-0.4	-0.4	-2.8	1.7	3.3	3.9
MA Municipal Inc (70/FDMMX)	S**	0.28	0.5(30)	11.53	2207.8	3.72	-0.5	-0.5	-4.2	1.2	3.0	3.6
MD Municipal Inc (429/SMDMX)	S**	0.27	0.5(30)	10.69	178.1	3.26	-0.5	-0.5	-3.6	1.2	3.1	3.5
MI Municipal Inc (81/FMHTX)	S**	0.24	0.5(30)	11.58	625.6	3.56	-0.3	-0.3	-3.5	1.5	3.1	3.8
MN Municipal Inc (82/FIMIX)	S**	0.23	0.5(30)	11.17	497.2	3.04	-0.4	-0.4	-3.3	1.4	3.3	3.7
Municipal Income (37/FHIGX)	S**	0.29	0.5(30)	12.12	5653.4	4.16	-0.9	-0.9	-4.8	1.2	2.8	3.4
NJ Municipal Inc (416/FNJHXX)	S**	0.28	0.5(30)	11.17	618.5	3.57	-0.8	-0.8	-4.3	0.8	2.7	3.5
NY Municipal Inc (71/FTFXX)	S**	0.29	0.5(30)	12.49	1703.9	3.91	-0.8	-0.8	-4.6	1.2	3.1	3.6
OH Municipal Inc (88/FOHFX)	S**	0.27	0.5(30)	11.30	532.2	3.77	-0.4	-0.4	-3.7	1.2	3.0	3.7
PA Municipal Inc (402/FPXTX)	S**	0.23	0.5(30)	10.43	430.3	3.83	-0.4	-0.4	-3.7	1.3	3.0	3.6
Short-Int Municipal (404/FSTFX)	B****	0.12	0.5(30)	10.57	3456.4	1.73	-0.1	-0.1	-1.2	1.5	3.0	3.6
Tax-Free Bond (90/FTABX)	S**	0.29	0.5(30)	10.42	1784.5	4.27	-0.8	-0.8	-4.8	0.9	3.1	3.7

JANUARY PERFORMANCE Indexes and Model Portfolios	Risk	Value	2011 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.91	11891.93	2.8	2.8	7.7	21.3	0.8	4.6	3.3
S&P 500	1.00	1286.12	2.4	2.4	9.2	22.2	-0.1	2.2	1.3
NASDAQ	1.13	2700.08	1.8	1.8	8.0	27.1	5.2	4.1	0.4
Russell 2000	1.27	781.25	-0.3	-0.3	11.4	31.4	4.6	2.6	5.8
Fidelity Monitor Income Model	0.32	96877.60	0.8	0.8	0.0	8.4	3.2	3.5	4.3
Fidelity Monitor G&I Model	0.71	183617.33	1.7	1.7	4.6	15.7	0.4	2.5	5.5
Fidelity Monitor Growth Model	1.10	195576.33	3.1	3.1	10.8	26.6	-0.1	1.6	4.9
Fidelity Monitor Select System	1.07	394777.56	3.7	3.7	8.6	24.0	1.5	3.0	4.6
Fidelity Monitor Unique Opportunities	1.28	132829.13	3.1	3.1	11.1	27.2	1.3	2.5	9.3

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.

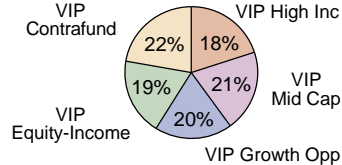
VIP INCOME MODEL



PAST PERFORMANCE

1993: +12.3%	2003: + 9.9%
1994: - 3.8%	2004: + 5.1%
1995: +16.9%	2005: + 1.8%
1996: + 6.9%	2006: + 6.1%
1997: +10.9%	2007: + 6.2%
1998: + 0.4%	2008: -18.3%
1999: + 0.8%	2009: +22.9%
2000: - 2.4%	2010: + 7.3%
2001: - 3.4%	*2011: + 0.7%
2002: + 7.3%	

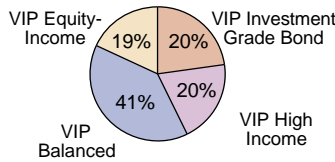
VIP GROWTH MODEL



PAST PERFORMANCE

1993: +20.6%	2003: +30.0%
1994: + 4.6%	2004: + 7.0%
1995: +36.1%	2005: +10.1%
1996: +16.1%	2006: +14.5%
1997: +23.5%	2007: + 9.3%
1998: +22.6%	2008: -45.5%
1999: +22.1%	2009: +25.1%
2000: -10.3%	2010: +17.7%
2001: -14.0%	*2011: + 2.0%
2002: -21.7%	

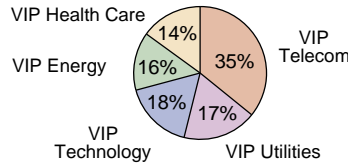
VIP G & I MODEL



PAST PERFORMANCE

1995: +26.4%	2004: + 6.3%
1996: +12.8%	2005: + 4.5%
1997: +21.4%	2006: +11.6%
1998: +15.1%	2007: + 7.7%
1999: + 6.1%	2008: -31.0%
2000: - 4.9%	2009: +27.1%
2001: + 3.1%	2010: +12.0%
2002: - 9.4%	*2011: + 1.8%
2003: +20.8%	

VIP SECTOR MODEL



PAST PERFORMANCE

2003: +57.5%	2008: -41.4%
2004: + 6.3%	2009: +50.2%
2005: +14.0%	2010: +15.0%
2006: +17.7%	*2011: + 2.0%
2007: +11.2%	

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

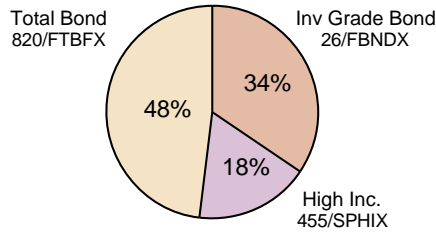
JANUARY VIP PERFORMANCE Portfolio	Rating	Risk	RR Value	2011 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Growth Strategies	H ***	1.16	12.07	1.3	1.3	12.6	32.7	0.4	0.7
VIP Asset Manager	H ***	0.75	40.85	0.8	0.8	3.8	16.7	2.6	4.2
VIP Asset Manager: Growth	H ***	0.96	25.97	0.9	0.9	5.3	20.6	1.4	3.4
VIP Balanced	B ****	0.92	20.10	1.9	1.9	8.6	22.0	4.1	4.4
VIP Consumer Discretionary	B ****	1.21	13.08	-1.5	-1.5	6.2	31.8	5.5	2.9
VIP Consumer Staples	H ***	0.77	11.53	-2.6	-2.6	0.8	12.6	3.4	
VIP Contrafund	B ****	1.10	47.24	2.5	2.5	10.6	24.5	-0.1	2.3
VIP Disciplined Small Cap	H ***	1.18	9.72	0.0	0.0	11.0	29.9	2.2	
VIP Dynamic Capital Appreciation	B ****	1.15	15.04	1.5	1.5	7.0	23.8	0.1	1.1
VIP Energy	B ****	1.61	27.11	7.6	7.6	26.2	33.4	-1.5	4.0
VIP Equity-Income	B ****	1.18	59.90	2.9	2.9	11.7	21.5	-3.0	0.1
VIP Financial Services	H ***	1.55	8.69	0.3	0.3	12.2	5.7	-11.9	-8.4
VIP Freedom 2005	H ***	0.60	12.64	1.0	1.0	3.5	13.1	2.0	3.4
VIP Freedom 2010	H ***	0.64	12.82	1.1	1.1	4.2	15.0	2.4	3.6
VIP Freedom 2015	H ***	0.68	12.97	1.1	1.1	4.3	15.3	2.0	3.5
VIP Freedom 2020	H ***	0.82	12.85	1.5	1.5	5.3	17.7	1.2	3.0
VIP Freedom 2025	H ***	0.87	12.99	1.6	1.6	6.2	19.7	1.2	3.1
VIP Freedom 2030	H ***	0.96	12.70	1.7	1.7	6.7	20.8	0.1	2.4
VIP Freedom Income	H ***	0.30	12.43	0.6	0.6	1.5	7.5	3.1	3.7
VIP FundsManager 20	H ***	0.27	11.68	0.4	0.4	1.2	7.2	2.5	
VIP FundsManager 50	H ***	0.58	11.38	0.9	0.9	4.1	13.7	1.7	
VIP FundsManager 70	H ***	0.80	10.87	1.2	1.2	6.0	17.8	0.3	
VIP FundsManager 85	H ***	0.96	10.48	1.2	1.2	7.2	20.5	-0.8	
VIP Growth	B ****	1.09	64.66	3.0	3.0	11.7	34.3	-2.1	1.8
VIP Growth & Income	B ****↑	1.04	18.49	2.4	2.4	10.8	21.4	-2.8	0.6
VIP Growth Opportunities	B ****	1.27	13.33	1.7	1.7	9.9	32.2	-2.0	-0.1
VIP Growth Stock	H ***	1.09	12.36	1.9	1.9	9.3	27.9	2.7	2.5
VIP Health Care	B ****	0.91	14.85	3.4	3.4	11.9	19.9	4.5	3.8
VIP High Income	B ****	0.66	39.33	2.1	2.1	2.7	14.3	7.7	6.4
VIP Index 500	H ***	1.00	36.55	2.3	2.3	9.0	21.1	-0.8	1.4
VIP Industrials	B ****	1.42	23.04	4.0	4.0	15.4	40.1	6.6	7.4
VIP Int'l Capital Appreciation	H ***	1.49	11.64	-0.7	-0.7	3.2	19.2	-1.3	-0.7
VIP Investment Grade Bond	B ****	0.23	35.85	0.3	0.3	-1.2	5.5	5.2	4.8
VIP Materials	H ***	1.52	13.52	0.2	0.2	11.9	37.5	8.0	
VIP Mid Cap	B ****	1.05	26.62	1.0	1.0	5.0	33.2	5.4	4.9
VIP Money Market			21.72	0.0	0.0	0.0	-0.5	0.4	1.9
VIP Overseas	S **	1.23	37.89	1.2	1.2	5.1	20.7	-4.4	0.7
VIP Real Estate	H ***	1.99	20.18	3.5	3.5	6.6	42.2	3.1	2.6
VIP Strategic Income	H ***	0.43	15.78	1.2	1.2	-0.2	9.1	8.0	7.0
VIP Technology	B ****	1.42	15.52	3.9	3.9	11.8	44.5	15.2	7.0
VIP Telecommunications	B ****	1.16	8.70	-1.5	-1.5	3.4	23.8	0.0	
VIP Utilities	B ****	0.89	13.00	1.4	1.4	1.8	17.1	-4.1	4.2
VIP Value	H ***	1.42	10.99	1.9	1.9	10.4	22.7	-1.8	-0.2
VIP Value Leaders	S **	1.18	9.97	2.1	2.1	9.3	14.9	-6.4	-2.5
VIP Value Strategies	B ****	1.53	15.24	0.8	0.8	10.6	29.8	1.4	2.0
Fidelity Monitor VIP Income Model		0.29	22852.59	0.7	0.7	-0.4	6.6	3.5	4.0
Fidelity Monitor VIP G&I Model		0.71	27142.61	1.8	1.8	5.9	15.3	1.3	3.0
Fidelity Monitor VIP Growth Model		1.00	33920.86	2.0	2.0	8.4	25.2	-3.5	-0.6
Fidelity Monitor VIP Sector Model		1.05	21486.60	2.0	2.0	8.4	25.5	5.1	4.7

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	\$7.40	4454.046	\$32959.94
High Income	\$9.11	1914.477	\$17440.89
Total Bond	\$10.74	4327.446	\$46476.77

7% Foreign Holdings
Balance as of 1/31/11: \$96877.60
Balance at start of 2011: \$96121.82



PAST PERFORMANCE
Starting Balance: \$35,000

1992: +10.1%	2002: + 5.4%
1993: +11.3%	2003: + 8.4%
1994: - 2.1%	2004: + 4.2%
1995: +14.8%	2005: + 3.6%
1996: + 9.0%	2006: + 6.9%
1997: +10.5%	2007: + 4.0%
1998: + 3.5%	2008: -18.2%
1999: + 3.0%	2009: +20.0%
2000: + 0.3%	2010: + 9.1%
2001: + 5.6%	*2011: + 0.8%

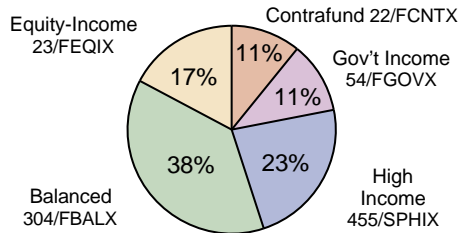
In January our Income Model gained 0.8%. The current asset mix is 98% bond and 2% cash.

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
Contrafund	\$68.13	303.574	\$20682.50
Gov't Income	\$10.41	1990.209	\$20718.08
High Income	\$9.11	4535.377	\$41317.28
Balanced	\$18.53	3738.937	\$69282.50
Equity-Income	\$45.57	693.811	\$31616.97

10% Foreign Holdings
Balance as of 1/31/11: \$183617.33
Balance at start of 2011: \$180595.78



PAST PERFORMANCE
Starting Balance: \$50,000

1994: - 3.7%	2003: +33.0%
1995: +21.6%	2004: +11.5%
1996: +15.8%	2005: + 8.2%
1997: +18.7%	2006: +13.7%
1998: +11.1%	2007: + 6.1%
1999: +12.2%	2008: -33.5%
2000: + 2.7%	2009: +28.1%
2001: + 1.3%	2010: +12.2%
2002: - 6.4%	*2011: + 1.7%

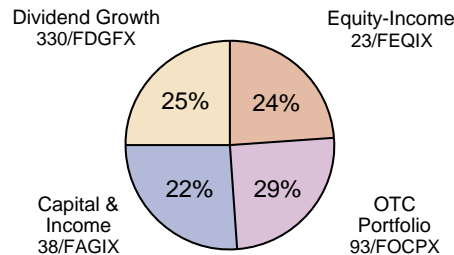
Our Growth and Income Model gained 1.7% in January. On 1/10 we sold **Strategic Inc.** (\$11.11), buying **Contrafund** (\$68.36) and **Gov't Income** (\$10.44). Asset mix is 51% stock, 47% bond and 2% cash.

GROWTH MODEL

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

FUND	NAV	SHARES	BALANCE
Equity-Income	\$45.57	1047.909	\$47753.21
OTC Portfolio	\$57.13	984.424	\$56240.14
Capital & Income	\$9.67	4464.145	\$43168.28
Dividend Growth	\$29.13	1662.022	\$48414.70

13% Foreign Holdings
Balance as of 1/31/11: \$195576.33
Balance at start of 2011: \$189620.99



PAST PERFORMANCE
Starting Balance: \$15,000

1987: + 2.8%	2000: -10.8%
1988: +26.0%	2001: - 6.4%
1989: +30.4%	2002: -17.1%
1990: - 4.4%	2003: +46.1%
1991: +40.6%	2004: +12.4%
1992: +15.7%	2005: +11.2%
1993: +31.9%	2006: +15.7%
1994: - 2.1%	2007: + 7.3%
1995: +27.2%	2008: -42.7%
1996: +19.2%	2009: +31.8%
1997: +25.5%	2010: +17.7%
1998: + 9.9%	*2011: + 3.1%
1999: +29.0%	

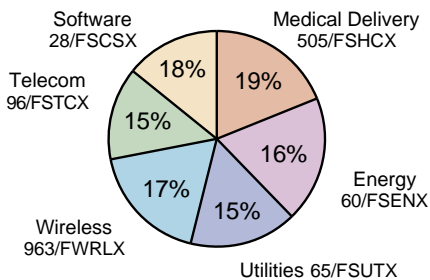
Our Growth Model gained 3.1% in January, versus a gain of 2.4% for the S&P 500. Asset mix is 75% stock, 23% bond and 2% cash.

SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Medical Delivery	\$52.34	1406.013	\$73590.72
Energy	\$56.35	1153.650	\$65008.18
Utilities	\$49.11	1171.695	\$57541.94
Wireless	\$8.08	8206.157	\$66305.75
Telecom	\$45.81	1306.973	\$59872.43
Software	\$89.54	809.231	\$72458.54

14% Foreign Holdings
Balance as of 1/31/11: \$394777.56
Balance at start of 2011: \$380799.72



PAST PERFORMANCE
Starting Balance: ~\$25,000

1989: +23.4%	2001: - 7.3%
1990: +31.3%	2002: -14.7%
1991: +35.3%	2003: +38.4%
1992: +20.4%	2004: + 7.4%
1993: +25.9%	2005: +15.0%
1994: - 0.9%	2006: +13.6%
1995: +39.0%	2007: +15.6%
1996: + 5.2%	2008: -39.3%
1997: +29.3%	2009: +35.4%
1998: +21.7%	2010: +11.6%
1999: +44.9%	*2011: + 3.7%
2000: -14.9%	

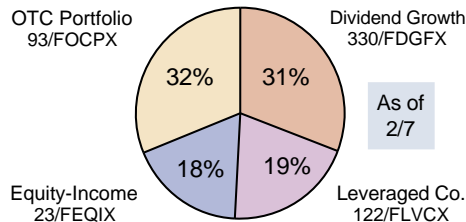
We were up 3.7% in January, versus a 2.4% gain for the S&P 500. On 1/10 we sold **Multimedia** (\$43.52) and bought **Energy** (\$52.51). The current asset mix is 99% stock and 1% cash.

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	\$29.13	1409.793	\$41067.27
Capital & Income	\$9.67	2638.365	\$25512.99
Equity-Income	\$45.57	535.183	\$24388.29
OTC Portfolio	\$57.13	732.725	\$41860.58

12% Foreign Holdings
Balance as of 1/31/11: \$132829.13
Balance at start of 2011: \$128788.38



PAST PERFORMANCE
Starting Balance: \$50,000

(Partial Yr 99)	2005: +18.8%
1999: +33.8%	2006: +16.6%
2000: -20.5%	2007: +11.6%
2001: + 1.6%	2008: -47.6%
2002: - 2.1%	2009: +45.8%
2003: +43.2%	2010: +19.3%
2004: +20.6%	*2011: + 3.1%

Our Unique Opportunities Model gained 3.1% in January, versus a gain of 2.4% for the S&P. On 2/7 we'll replace **Capital & Inc.** with **Leveraged Co. Stock**, for a mix of 98% stock, 1% bond, 1% cash.

some critical juncture a decade or two down the road.

For example, Congress could ultimately chop spending by a third, impose a value-added tax like Canada's 5% GST, and make a substantial dent in the Federal debt over the next 30 years. Realistically, it doesn't even need to get to that point - all we need to do is eliminate future deficits, because servicing the existing Federal debt is manageable given a modest amount of GDP growth. Congress is even working on a baby step in that direction.

The media gives the impression that without emerging countries buying our treasuries, we would be in serious trouble. But the reality is that emerging countries are more at risk than we are. China and other low-wage exporters are desperate to keep their currencies from appreciating against the dollar, and will settle for relatively low returns on their recycled trade surplus money. They end up with a large share of our treasury debt because domestic investors won't usually settle for treasury-like returns. Another way of looking at it is that emerging countries need our import markets more than we need their capital.

Consider the consequences for both sides if this trade game were to end abruptly:

- U.S. inflation and treasury yields would climb by about two percentage points. The former would allow the Fed to begin reversing QE2, the latter would pull in enough domestic investment capital to fully cover Federal borrowing demands.
- Cheap imported goods from emerging countries would climb in price by about 50%, accelerating the return of made in the U.S.A. products and eliminating the trade deficit much sooner in the current decade.
- Emerging countries would enter a long, hard recession that solves their inflation problem but wipes out large segments of their manufacturing base.

The media seems to think we're at the mercy of foreign investors. But if they stop buying our treasuries, the real question is, "Would they be doing us a favor?"

Those who claim that Federal debt will continue to mushroom until there's a day of reckoning do not fully appreciate the powerful forces that are working against that kind of scenario. Throughout history Americans have rarely been stumped by tough economic problems. Moreover, today's threat pales in comparison to the challenges of the Great Depression, World War II and the 1971 collapse of Bretton-Woods (which led to a Federal Funds rate of 20% in 1980). There was, of course, one big advantage in dealing with the problems of the past - there was no drumbeat of financial pundits telling us how hopeless things were. ■

INCOME FUNDS

For a bond portfolio we recommend our Income Model on page 7. Our favorite bond funds, in increasing order of risk, include **Short-Term Bond, Total Bond, Gov't Income, Floating Rate High Income, High Income and Capital & Income.**

Rising inflationary pressures outside the U.S. had a negative impact on both foreign bonds and long-term treasuries, but high-yield bonds logged good gains. **Capital & Income** was up 3.0%, **High Income** rose 2.4%, **Focused High Income** gained 1.8% and **Strategic Income** returned 1.2%. On the losing end, **New Markets Income** was off 0.8% and **Spartan Long-Term Treasury Index** declined 2.3%.

Munis were weak due to the rising threat of default (for marginal issuers) along with an uptick in long-term rates. Declines ranged from 0.1% to 1.1%.

SELECT PORTFOLIOS

Our Select System holdings are on page 7. Sectors currently rated buy include **Telecommunications, Wireless, Utilities, Software, Energy, Medical Delivery, Pharmaceuticals, IT Services, Electronics, Industrials, Industrial Equipment, Leisure, Technology, Chemicals, and Consumer Staples.**

The leading sectors were driven by strong earnings and higher oil prices. **Energy** was up 7.8%, **Electronics** climbed 7.6%, **Energy Service** rose 7.3% and **Medical Delivery** gained 5.4%. But rising interest rates and higher prices at the pump weighed on stocks in the consumer and precious metals groups. **Consumer Staples** slipped 2.6%, **Retailing** declined 2.7%, **Leisure** was down 2.8%, and **Gold** fell 11.4%. ■

Happenings

Matthew Fruhan has been named manager of both **Growth & Income** and **VIP Growth & Income**. We are upgrading the funds to hold. Separately, John Roth has taken over **Mid-Cap Stock**, which remains a hold. ■

JANUARY DISTRIBUTIONS

CT Muni Income \$ 0.007/\$11.20 (1/7)

Funds scheduled for February: **Asset Manager 20%/30%, Contrafund, Dynamic Strategies, Freedom Income, New Markets Income, Real Estate Income, Intermediate Muni, MI Muni, MN Muni, OH Muni, PA Muni, Strategic Income, and Trend.**

Note: Last month's 10-yr return for **Low-Priced Stock** was wrong due to a spreadsheet error. The correct figure for the period ending 12/31/10 was 11.2% per year. Our apologies.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	118978.7	0.03	CT MM (418/FCMXX)	1734.5	0.01			
Select MM (85/FSLXX)	7439.4	0.11	MA MM (74/FDMXX)	5122.0	0.01			
Money Market (454/SPRXX)	4598.6	0.01	MI MM (420/FMIXX)	886.0	0.01	MA AMT TF (426/FMSXX)	357.3	0.01
Gov't MM (458/SPAXX)	638.7	0.01	NJ MM (417/FNJXX)	2132.1	0.01	AMT Tax-Free (460/FIMXX)	1583.9	0.01
US Treas. MM (415/FDLXX)	4864.6	0.01	NY MM (92/FNYXX)	4729.8	0.01	NJ AMT TF (423/FSJXX)	296.5	0.01
Tax-Free MM (275/FMOXX)	6518.4	0.01	OH MM (419/FOMXX)	1005.7	0.01	NY AMT TF (422/FSNXX)	550.6	0.01
US Gov't Reser (50/FGRXX)	2803.2	0.01	AZ MM (433/FSAXX)	362.1	0.01	PA MM (401/FPTXX)	668.5	0.01
CA MM (97/FCFXX)	5159.5	0.01	CA AMT TF (457/FSPXX)	623.9	0.01	Municipal MM (10/FTEXX)	23600.0	0.01