

Jack  
Bowers



# Fidelity

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20  
Years

JULY  
2011

# Monitor™

## Model Portfolio Review & Update

This month we are tweaking the risk targets and long-term return goals for several of our model portfolios. In part, these adjustments are driven by our plan to adopt a common set of model holdings for both Fidelity Monitor and our sister publication Fidelity Insight. By operating with similar portfolios in 2012, we can start expanding fidelitymonitor.com to include some of the additional Web site content that Insight subscribers have long enjoyed. We can also expand the editorial portion of Fidelity Monitor's hotline messages to include more discussion about the week's events.

Our Income Model will see the biggest impact, but other model portfolios will see beneficial changes as well. Following is a breakdown of what to expect in each model.

### INCOME MODEL

We made a significant change to this portfolio in late 2008, placing it 100% in bond funds to take full  
MODEL PORTFOLIOS - *Continued on page 2*

## Changes In Growth Model, Select System and VIP Sector Portfolio

On Tuesday, 7/5, we'll make the following trades:

Our Growth Model will sell three-eighths of **Equity-Income** (23/FEQIX) and the remaining shares of **Dividend Growth** (330/FDGF), investing the proceeds in **Low-Priced Stock** (316/FLPSX). Despite a heavy position in consumer discretionary stocks, Tillinghast's unique value-oriented style continues to hold its own, even with a relatively high cash position (11%). The fund will also give us a bit more exposure to small-caps and foreign stocks, both of which have become more attractive from a valuation standpoint. Note: we've decided not to reduce **Capital & Income's** weighting in the portfolio.

Our Select System will make 3 trades to align with our fundamental approach (as described last month): **Utilities** (65/FSUTX) will be exchanged for **IT Services** (353/FBSOX), **Medical Delivery** (505/FSHCX) will be traded for **Pharmaceuticals** (580/FPHAX), and **Software** (28/FSCSX) will be sold for **Industrials** (515/FCYIX). **Chemicals** will be added later on, but first we must decide which fund to sell.

Our VIP Sector Model will make only a single trade: sell all of **Utilities** and buy **Industrials**.

## Review & Recommendations

European debt concerns reached a critical stage as Greece flirted with default, threatening the European banking system and prompting investors to cut back on risk worldwide. Here at home, manufacturing output took a dip due to Japanese supply bottlenecks and housing prices pulled back on rising foreclosure inventory. The Fed lowered its growth forecast and said there wasn't much it could do to help. For the month of June, the S&P 500 declined 1.7%.

Although it was almost completely ignored, our trade gap shrank by 7% in one month. Exports continued to outgrow imports, reinforcing a 5-year trend. This is bullish from an earnings standpoint; we may see positive surprises when second-quarter results come out later this month.

### DOMESTIC EQUITY FUNDS

Please see page 7 for current Growth Model holdings. Our favorites include **OTC Portfolio**, **Stock Selector Small Cap**, **Focused Stock**, **Growth Discovery**, **Trend**, **Leveraged Company**, **Contrafund** and **Low-Priced**.

Declining energy prices helped funds that held an overweighted position in the consumer discretionary sector. **Fidelity Fifty** declined 0.7%, **Growth Discovery** was off 0.8%, and **Capital Appreciation** slipped 0.9%. On the flip side, those that bet heavily on small cap growth stocks or basic materials were hit relatively hard. **Magellan** declined 3.6%, **Leveraged Company Stock** lost 3.7%, and **Small Cap Stock** was down 5.0%.

### INTERNATIONAL FUNDS

We still favor U.S. stock funds over foreign stock funds, but overseas volatility is beginning to create some opportunities. Our favorites in this group are **Int'l Small Cap**, **Japan Smaller Companies** and **Pacific Basin**.

Japan's markets held their own amid signs that exporters are beginning to rebuild inventory levels, and because reconstruction activity is likely to boost the Japanese economy. **Japan Smaller Companies** gained 1.5%; **Japan** rose 1.3%. Reduced expectations for growth in Europe and China pushed down **Nordic** (4.6% loss) and **China Region** (sliding 4.9%).

### GROWTH & INCOME FUNDS

Please see page 7 for current Growth and Income Model holdings. Our favorite hybrid and asset allocation funds include **Balanced** and **Puritan**.

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## MODEL PORTFOLIOS - Continued from page 1

advantage of an economy with less inflation and lower interest rates, much as Japan experienced after its real estate bust in the early 90s. That bet paid off in 2009 and 2010, thanks to a significant recovery in high yield bonds, but now the portfolio is challenged by a lack of attractive long-term options in the bond universe. If today's low interest rates persist for many years into the future, as we expect may be the case, it could be difficult to achieve anything close to a 7% annualized growth rate with a bond-only portfolio.

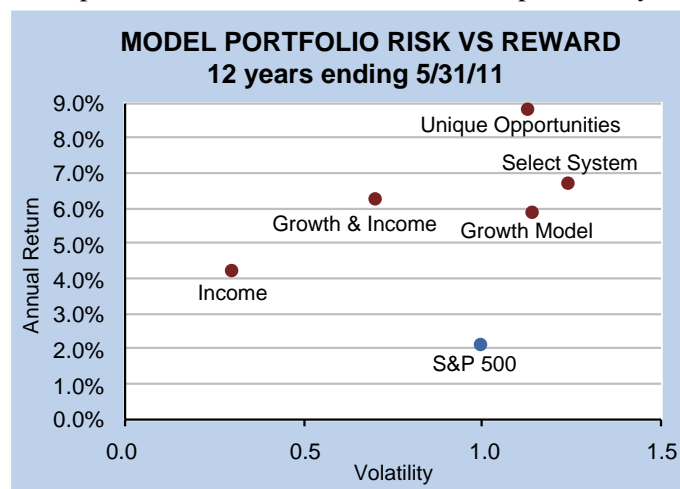
As such, we've decided to boost the model's risk target to 0.50, which will allow for stock exposure of 35-40%. By operating this portfolio more like a conservative version of our Growth & Income Model, we can stay further ahead of inflation and better protect against any surprise jumps in long-term interest rates. And instead of struggling to meet a target growth rate of 7%, we're comfortable boosting the long-term goal to 8% per year.

The only drawback is that our existing positions will need to be replaced between now and the end of the year. We plan to introduce stock fund exposure in stages, with most of the increase in volatility coming near the end of this year when the odds of a pullback are reduced by the market's seasonally favorable year-end period.

### GROWTH & INCOME MODEL

We're not making any strategic changes here. We've done well with this portfolio over the years, earning a good return for the amount of risk incurred. By blending stocks and bonds in an approximate mix of 60/40, the bond side usually helps when stocks sell off and the stock side sometimes helps when long-term interest rates move up. Along with a little rebalancing from time to time, it's possible to perform a little better than expected for this ratio of stocks to bonds.

But we do plan to make a tactical change. Instead of relying heavily on Fidelity hybrid funds such as **Balanced**, we plan to start holding stock funds for the model's stock portion, and bond funds for the bond portion. By



doing so we'll have greater control over the rebalancing process and the stylebox positions used for each asset class.

We'll be shuffling things around between now and the end of the year, much like our Income Model but with less turnover. It's likely that we'll be replacing **Balanced** and **Equity-Income** in the coming months. But we won't be changing the overall risk level by much, and we don't expect the model to behave much differently either.

### GROWTH MODEL

Our longest-running portfolio aims to outperform the S&P 500 while maintaining similar risk (over a period of 24.5 years it has returned 11.3% per year, compared to an annual return of 9.6% for the S&P 500). Over the last five years the Growth Model has slipped a little behind the index, in part because of the hit it took in 2008.

We don't plan to change our risk target (1.00), nor do we expect the kind of repositioning the Income and Growth and Income models will see. An exchange of **OTC Portfolio** for a slightly more diversified large-cap growth fund is under consideration.

But we do see a need to adopt a more realistic growth target. In order to remain close to a volatility level of 1.00, it's likely we will have to keep an ongoing portion of the portfolio in something less risky than stocks, much like the existing 22% position in **Capital & Income** (which invests mainly in high yield bonds). Simply put, our growth target of 13% seems too optimistic, so we are dropping it down to 12% per year.

### SELECT SYSTEM

Last month we discussed the conversion of this model from its long-time quantitative strategy (using volatility calculations) to a fundamental approach. This shift, which will be mostly complete after our June trades, should keep the portfolio more closely aligned with the S&P 500 while retaining an ability to outperform (through Fidelity stock picks in combination with the long-term themes that we described in the June issue).

We don't see a need to change the Select System's long-term growth target of 14%, but we are nudging the risk target up a bit to 1.25. The fundamental strategy is a bit more growth-oriented than the previous volatility-driven approach, so we'll be running with a slightly higher risk level than we've had in the past.

### UNIQUE OPPORTUNITIES MODEL

Our most popular model portfolio continues to look for contrarian opportunities in both U.S. and foreign stocks, while trying to focus on funds where Fidelity is adding the most value in security selection.

This year has been more of a struggle than usual when it comes to investing aggressively. We've taken the opportunity to trim risk and reduce the model's financial sector exposure, which should put us in a better position for the balance of the year.

Fidelity Monitor is published by Independent Fidelity Investors, Inc., P.O. Box 1270, Rocklin, CA 95677. Web site: [www.fidelitymonitor.com](http://www.fidelitymonitor.com)  
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Very little will be changing here. The volatility target is being raised from 1.2 to 1.25 to provide a bit more headroom. We may also change the title of the portfolio to Aggressive Growth, but that won't take place until later this year. As for holdings, one change that's under consideration is the addition of an international fund to take advantage of the selloff in foreign stocks.

### VIP PORTFOLIOS

The VIP portfolios will be re-positioned as well, but in some case may lag the changes in our regular models.

In the case of the VIP Income Model, we may opt to discontinue the portfolio. Most annuity investors prefer portfolios that grow fast enough to realize tax-deferral benefits, so an income portfolio doesn't really cut it. Furthermore, a limited number of fixed-income choices on the annuity side makes it tough to add much value. Case in point: a 100% position in **VIP Strategic Income** would have outperformed the VIP Income Model on a risk-adjusted basis over the last five years. ■

## Question & Answer Forum

**I subscribe to both Fidelity Monitor and Fidelity Insight. Given your plan for a similar set of models, does it make sense to continue with both subscriptions?**

At this point we have no firm time table for merging the newsletters themselves, so this plan affects only the models. From an editorial standpoint, Fidelity Insight will continue to offer more extensive coverage, and Fidelity Monitor will stick with its contrarian themes.

As for the models, we don't expect to have a common set of holdings until late this year or early in 2012. At that point, if you have a favorite, we'll be happy to transfer any unread issues from one publication to the other. Please call our Rocklin office (800-397-3094) to arrange it.

**Do you have any plans to start an ETF model portfolio or put ETFs in your existing models?**

No. We think using ETFs in our model portfolios would disadvantage our readers in several ways:

- Performance dilution. In our view, investing in actively-managed Fidelity mutual funds provides a long-term tailwind, thanks to Fidelity's extensive commitment to research-based stock selection. If we were to switch to low-cost ETFs, we would be locked into an index-only strategy. That could reduce the annual returns of our stock models by as much as 2-3 percentage points per year.
- Tax-time headaches. The Wall Street Journal recently published a story titled *ETF: Extreme Tax Frustration*. The article describes how accountants are pulling their hair out dealing with clients who have suddenly embraced ETFs. With arcane capital gain

rules, K-1 forms and hunting down cost basis figures, some are spending many extra hours on 1040 tax returns. In some cases tax preparation costs have doubled or tripled. Clearly, it's a lot easier having all your money in Fidelity mutual funds – you get a single 1099 form that makes it relatively easy to file a personal return.

- Liquidity. It was no coincidence that a majority of the canceled flash-crash trades involved ETF transactions. Like other derivative investments, ETFs don't always behave as they should when liquidity disappears. Many ETF enthusiasts operate under the delusion that stop-loss orders will protect them from serious market disruptions, but in reality they may be setting themselves up to have their shares sold at the low point of the trading day. Here again, the nice thing about holding open-ended mutual funds is that you have a willing buyer (in our case Fidelity), and everyone gets the same price at the end of the day. ETF proponents try hard to make that sound like a bad thing, but the joke is actually on them.

**Maybe I'm reading too many newspapers or watching too much television, but it seems really ugly out there. Yet you still remain fully invested. Why?**

No question, the global economy is slowing down a little, and here at home the rising tide of foreclosed homes continues to weigh on home prices, prompting consumers to focus more on debt reduction and less on spending.

And then there's the media factor. When it comes to putting a doom and gloom spin on the state of the economy, the pundits are doing an exceptional job of suppressing positive stories while giving unlimited air time to those with cataclysmic predictions.

But even if we are heading down Japan's path in some ways, our economy has adjusted faster and now has a firmer footing. There are reasons to be bullish:

- First and foremost, U.S. corporate earnings are in good shape. Today's companies are running lean and have picked up market share from competitors that went out of business. Earnings are strong and have almost fully recovered to pre-crisis levels.
- Thanks to strong exports, the domestic economy is still growing. Suddenly, the world needs our goods and services more than we need theirs. The U.S. economy exports a surprisingly diverse range of high-margin goods: drugs, chips, high-tech seeds, entertainment, communications gear, earth movers, electric generators, medical scanners and jet planes (to name a few). Even low-value commodities like grain, coal and lumber are seeing robust demand. It's not a stretch to say that our trade balance is likely to shift into surplus within a decade.
- Finally, we are seeing both short-term and long-term

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 ↓.

JUNE 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
<b>EQUITY FUNDS:</b>												
130/30 Large Cap (2063/FOTTX)	H ***	1.05	none	7.80	26.1	7.6	-1.9	-1.6	29.8	-8.4		
Growth Strategies (324/FDEGX)	B ****	1.16	1.5(90)	21.51	2058.0	5.2	-2.4	-0.1	36.8	3.1	4.5	-1.3
Blue Chip Gth (312/FBGRX)	B ****	1.11	none	48.21	12679.9	6.3	-1.9	0.5	37.2	8.0	6.6	2.4
Blue Chip Value (1271/FBCVX)	S **	1.18	none	11.38	478.5	5.3	-2.4	-1.0	26.0	-1.2	-0.9	
Capital Apprec (307/FDCAX)	B ****	1.15	none	26.71	4880.8	5.4	-0.9	0.6	28.6	3.8	3.1	4.7
Contrafund (22/FCNTX)	B ****	0.89	none	70.61	63342.0	4.4	-1.6	-0.5	28.2	2.6	5.0	7.1
Disc Equity (315/FDEQX)	H ***	1.01	none	23.89	9007.4	6.0	-2.3	-0.5	24.6	-1.8	0.6	2.5
Dividend Gth (330/FDGRX)	B ****	1.31	none	29.60	10032.6	4.1	-2.6	-2.1	35.6	7.6	4.5	2.8
Equity-Income (23/FEQIX)	B ****	1.15	none	46.25	10040.3	4.8	-2.3	-1.6	29.6	2.2	1.1	3.0
Equity-Income II (319/FEQTX)	B ****	1.13	none	19.09	5121.4	4.9	-2.4	-1.4	29.0	1.5	0.6	2.7
Export Fund (332/FEXPX)	S **	1.07	0.75(30)	22.67	2437.7	3.9	-2.1	-1.1	27.6	0.1	2.1	4.7
Fidelity Fifty (500/FFTYX)	B ****	1.17	none	18.97	833.0	7.6	-0.7	1.6	36.7	-1.1	1.3	4.4
Fidelity Fund (3/FFIDX)	H ***	1.05	none	34.35	5284.5	6.9	-1.7	-0.2	32.9	1.0	3.7	2.5
Focused Stock (333/FTQGX)	B ****	1.00	none	14.94	494.7	9.5	-1.3	1.2	43.2	5.1	5.9	3.0
Growth & Income (27/FGRIX)	H ***	1.18	none	19.07	5555.0	4.5	-2.4	-0.1	30.1	-3.5	-4.4	-1.6
Growth Company (25/FDGRX)	B ****	1.08	Closed	91.63	30427.3	10.2	-1.2	1.8	41.6	5.4	7.6	4.7
Growth Discovery (339/FDSVX)	B ****	1.12	none	14.88	950.7	8.8	-0.8	0.5	42.1	1.1	5.7	3.4
Independence (73/FDFFX)	B ****	1.37	none	25.69	4233.1	5.5	-2.1	-1.1	39.1	-4.2	5.4	4.7
Lg Cap Core En Idx (1827/FLCEX)	S **	0.96	none	9.17	756.4	7.5	-1.2	0.6	31.2	2.5		
Large Cap Growth (763/FSLGX)	B ****	1.02	none	10.55	134.6	8.3	-2.2	0.8	40.3	4.3	1.9	
Large-Cap Stock (338/FLCSX)	B ****	1.26	none	18.31	1024.4	4.2	-2.7	-1.2	31.9	5.7	4.2	2.1
Large Cap Value (708/FSLVX)	S **	1.08	none	11.13	640.6	5.8	-2.5	0.0	24.9	-2.2	-1.4	
Lev Co Stock (122/FLVCX)	B ****	1.67	1.5(90)	30.08	4541.0	5.8	-3.7	-2.0	38.9	-3.7	3.9	13.6
Low-Priced Stock (316/FLPSX)	B ****	1.12	1.5(90)	41.66	28418.5	8.5	-1.0	2.2	34.3	8.3	6.1	10.4
Magellan (21/FMAGX)	S **↓	1.28	none	72.90	18717.9	1.9	-3.6	-3.4	25.0	-2.5	0.5	0.7
Mega Cap Stock (361/FGRTX)	B ****	1.05	none	10.43	794.8	4.4	-2.1	-0.7	29.6	3.1	2.8	2.7
Mid Cap Growth (793/FSMGX)	B ****	1.29	0.75(30)	13.09	314.9	5.2	-2.5	-0.3	36.5	2.6	0.9	
Mid Cap Stock (337/FMCSX)	H ***	1.38	0.75(30)	29.26	6947.7	6.6	-2.3	-0.4	37.5	3.4	4.0	4.1
Mid Cap Value (762/FSMVX)	H ***	1.28	0.75(30)	16.89	709.6	5.9	-3.3	-1.7	33.6	5.9	3.4	
New Millennium (300/FMILX)	B ****	1.15	none	31.14	1939.8	6.9	-2.3	-0.8	33.3	7.4	5.5	5.3
OTC Portfolio (93/FOCPX)	B ****	1.24	none	59.74	6637.6	8.8	-2.5	-0.9	41.2	9.4	10.4	5.5
Small Cap Discovery (384/FSCRX)	B ****	1.35	1.5(90)	21.70	2162.0	7.4	-2.4	-0.8	39.6	18.9	9.8	
Small Cap Growth (1388/FCPGX)	B ****	1.26	1.5(90)	17.09	1496.4	8.9	-2.1	0.9	40.8	6.8	6.2	
Stock Sel Small Cap (336/FDSCX)	B ****	1.36	1.5(90)	19.97	2110.9	7.9	-2.4	-0.9	45.3	5.5	3.5	6.4
Small Cap Stock (340/FLCSX)	B ****	1.46	2 (90)	20.36	4540.1	3.9	-5.0	-2.6	34.8	10.0	6.3	8.4
Small Cap Value (1389/FCPVX)	H ***	1.29	1.5(90)	16.02	2065.6	2.6	-2.6	-3.1	28.5	13.4	5.8	
Stock Sel All Cap (320/FDSSX)	H ***	1.06	none	27.01	1021.2	4.9	-2.3	-1.0	33.8	2.1	3.1	3.1
Tax Managed Stock (343/FTXMX)	H ***	1.10	none	13.45	76.6	7.9	-2.7	-1.0	32.4	-2.2	0.9	2.2
Trend (5/FTRNX)	B ****	1.09	none	72.90	1176.0	8.2	-2.3	0.6	40.2	5.8	6.6	4.6
Value (39/FDVLX)	H ***	1.47	none	72.14	7763.8	5.0	-3.3	-2.2	34.2	7.7	2.4	7.0
Value Discovery (832/FVDFX)	H ***	1.17	none	15.46	592.8	5.6	-2.3	-1.0	30.9	1.8	1.4	
Value Strategies (14/FSLSX)	B ****	1.55	none	29.59	371.3	6.2	-2.9	0.2	37.0	7.0	4.3	5.3
<b>SPECIALTY / HYBRID FUNDS:</b>												
Balanced (304/FBALX)	B ****	0.76	none	18.99	17588.2	4.5	-1.4	0.3	21.0	3.8	4.3	6.2
Convertible Sec (308/FCVXSX)	B ****	1.29	none	26.70	2637.4	5.6	-2.9	-1.1	29.3	1.8	6.4	6.4
Global Strategies (1960/FDYSX)	B ****	0.80	none	9.82	255.6	2.8	-2.0	-0.7	21.3	3.3		
Puritan (4/FPURX)	B ****	0.72	none	18.72	17044.1	4.9	-1.4	0.1	22.3	5.2	4.8	5.2
Real Estate Income (833/FRIFX)	B ****	0.73	0.75(90)	10.73	1669.3	5.0	-1.1	0.9	16.5	10.2	5.0	
Real Estate (303/FRESX)	H ***	1.94	0.75(90)	28.26	3675.5	10.0	-3.3	3.4	34.4	6.0	1.8	10.4
Strategic Div & Inc (1329/FSDIX)	B ****	1.12	none	11.45	643.6	9.0	-1.7	2.5	27.3	3.2	2.5	
Strategic Real Rtn (1505/FSRRX)	H ***	0.67	0.75(60)	9.84	4185.9	3.2	-1.7	-0.4	16.9	2.7	4.3	
Telecom & Utilities (311/FUIUX)	B ****	0.85	none	17.44	994.1	9.7	-0.7	3.9	33.1	1.1	4.2	3.5
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H ***	1.52	0.75(30)	39.92	91.6	2.2	-0.8	0.1	27.2	18.3	3.2	5.2
Automotive (502/FAVX)	B ****	2.40	0.75(30)	44.40	191.2	-0.1	0.0	0.1	54.3	18.5	7.3	7.9
Banking (507/FSRBX)	H ***	1.53	0.75(30)	17.53	392.5	-5.3	-2.8	-5.5	9.7	2.1	-8.2	-1.1
Biotechnology (42/FBIOX)	S **	1.08	0.75(30)	86.45	1313.8	18.5	-2.4	10.2	42.8	9.9	7.2	2.3
Brokerage (68/FSLBX)	H ***	1.46	0.75(30)	48.75	459.0	-7.1	-4.6	-7.8	14.8	0.6	-1.3	4.5
IT Services (353/FBSOX)	B ****	1.12	0.75(30)	22.65	152.5	8.9	-0.7	0.8	40.4	12.2	10.6	7.5
Chemicals (69/FSCHX)	B ****	1.43	0.75(30)	107.26	827.8	12.3	-1.3	3.0	66.1	8.8	14.5	13.7
Computers (7/FDCPX)	B ****↑	1.26	0.75(30)	59.44	552.0	5.4	-1.9	-0.1	36.8	13.4	11.7	3.2
Const & Housing (511/FSHOX)	S **	1.48	0.75(30)	35.91	98.5	2.4	-3.5	-3.8	30.8	7.1	1.3	7.6
Cons Discretionary (517/FSCPX)	H ***	1.19	0.75(30)	24.56	225.7	4.2	-0.5	2.2	37.7	13.3	4.6	3.6
Industrials (515/FCYIX)	B ****	1.42	0.75(30)	24.89	609.3	7.0	-1.2	-1.4	41.4	8.9	7.6	9.3
Defense & Aero (67/FSDAX)	S **	1.23	0.75(30)	82.70	685.0	13.1	1.6	4.0	37.3	9.5	6.5	10.8
Com Equipment (518/FSDCX)	B ****	1.56	0.75(30)	27.49	554.8	3.7	-5.6	-4.4	38.2	11.4	6.9	2.1
Electronics (8/FSELX)	H ***	1.52	0.75(30)	50.23	1258.9	3.9	-7.1	-0.7	35.1	10.1	4.2	-0.3
Energy (60/FSENX)	H ***	1.61	0.75(30)	57.74	2902.9	10.6	-2.7	-6.3	55.4	-8.5	5.0	11.8
Energy Service (43/FSSESX)	H ***	1.91	0.75(30)	82.58	1820.3	11.0	-0.6	-6.5	68.1	-11.0	4.4	11.5
Environ & Alt Energy (516/FSLEX)	H ***	1.05	0.75(30)	19.37	110.0	8.8	-2.4	-0.5	33.7	4.0	3.0	3.7
Financial Services (66/FIDSX)	H ***	1.47	0.75(30)	58.32	408.7	-5.3	-3.9	-5.2	8.1	-3.7	-8.9	-1.8
Consumer Staples (9/FDFAX)	H ***	0.78	0.75(30)	72.21	995.5	6.6	-2.4	5.5	29.7	8.6	9.5	8.8
Gold (41/FSAGX) <i>Limit to 5% position</i>	S **	2.06	0.75(30)	46.79	4160.7	-8.4	-5.2	-6.7	11.4	7.4	13.2	20.3
Health Care (63/FSPHX)	H ***	0.91	0.75(30)	143.59	2330.7	15.2	-1.2	4.3	39.8	11.8	8.1	5.8
Consumer Finance (98/FSVLX)	H ***	1.22	0.75(30)	12.17	114.5	7.2	-0.4	1.3	15.7	-10.7	-20.2	-7.5
Indust Equipment (510/FSCGX)	B ****	1.52	0.75(30)	35.42	390.0	4.9	-2.6	-3.1	42.3	6.0	6.2	6.9
Materials (509/FSDPX)	H ***	1.56	0.75(30)	71.61	1238.9	5.5	-1.1	0.2	52.7	6.3	11.5	14.7
Insurance (45/FSPCX)	H ***	1.29	0.75(30)	47.74	262.0	1.2	-2.4	-2.7	18.8	3.9	-3.1	2.3
Leisure (62/FDLSX)	H ***	1.05	0.75(30)	97.00	372.0	6.5	0.8	5.5	38.7	17.3	8.2	6.9
Medical Delivery (505/FSHCX)	B ****	1.21	0.75(30)	59.69	899.0	20.1	-1.0	3.9	43.9	15.8	7.6	11.1
Medical Equip & Sys (354/FSMEX)	S **	1.01	0.75(30)	31.00	1672.2	13.0	-2.0	4.0	32.1	9.0	11.1	10.4
Multimedia (503/FBMPX)	H ***	1.31	0.75(30)	47.92	229.2	12.5	-1.9	2.1	43.0	15.0	6.5	5.3
Natural Gas (513/FSNGX)	B ****	1.66	0.75(30)	34.49	1059.0	3.9	-3.5	-6.8	35.8	-14.7	0.5	8.8
Nat Resources (514/FNARX)	H ***	1.61	0.75(30)	37.36	1944.0	7.5	-3.1	-6.6	51.0	-6.2	7.6	12.8
Pharmaceuticals (580/FPHAX)	B ****	0.83	0.75(30)	13.85	558.8	14.5	-1.6	7.4	37.4	14.4	9.5	
Retailing (46/FSRPX)	H ***	1.24	0.75(30)	54.30	187.2	7.1	0.4	4.7	40.4	20.1	9.0	7.2
Software (28/FSCSX)	B ****	1.04	0.75(30)	87.13	1326.3	6.4	-1.3	0.7	41.8	10.8	12.1	6.3
Technology (64/FSPTX)	B ****	1.40	0.75(30)	98.45	2771.0	3.0	-3.2	-3.0	39.7	13.0	10.1	3.4
Telecom (96/FSCTX)	B ****	1.15	0.75(30)	50.44	416.5	8.7	-2.6	4.6	36.6	9.2	5.2	3.1
Transportation (512/FSRFX)	H ***	1.26	0.75(30)	56.95	321.7	4.2	-1.4	0.5	30.7	12.4	4.8	8.7
Utilities (65/FSUTX												

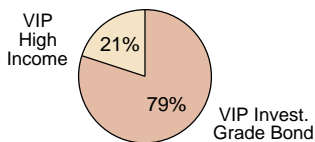
JUNE PERFORMANCE						30-day	2011	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
<b>INTERNATIONAL FUNDS:</b>												
Canada (309/FICDX)	B ****	1.35	1.5(90)	59.78	4897.3		2.8	-2.3	-4.4	29.6	-1.1	8.1
China Region (352/FHKCX)	H ***	1.29	1.5(90)	31.90	2089.2		-1.9	-4.9	-1.2	24.9	7.7	13.0
Diversified Int'l (325/FDIVX)	S ***	1.26	1 (30)	31.14	23886.9		3.3	-1.8	0.1	30.5	-3.3	1.4
Emerging EMEA (2053/FEMEX)	B ****	1.49	1.5(90)	9.64	150.4		2.0	-0.3	-2.8	34.5	2.2	
Emerging Mkts (322/FEMKX)	B ****	1.61	1.5(90)	26.29	3825.7		-0.2	-2.2	-1.6	28.5	-2.5	7.8
Europe (301/FIEUX)	S **	1.32	1 (30)	32.93	807.4		5.1	-1.8	1.3	38.2	-2.6	2.3
Europe Cap Appr (341/FECAX)	S **	1.36	1 (30)	19.99	436.9		5.0	-1.9	1.2	37.8	-2.9	1.9
Global Balanced (334/FGBLX)	H ***	0.77	1 (30)	23.45	560.2		5.2	-0.8	1.3	25.8	4.6	6.6
Glob Commodity Stk (2120/FFGCX)	B ****	1.6 Est	1 (30)	17.21	698.1		0.4	-2.9	-5.1	42.0		
Int'l Capital Apprec. (335/FIVFX)	H ***	1.51	1 (30)	13.38	655.5		3.8	-1.3	0.3	36.0	0.8	1.7
Int'l Discovery (305/FIGRX)	S **	1.24	1 (30)	33.87	8312.2		2.5	-1.7	0.8	31.5	-2.2	2.5
Int'l Growth (1979/FIGFX)	B ****	1.20	1 (30)	9.02	56.6		4.0	-1.8	2.0	35.0	2.2	
Int'l Real Estate (1368/FIREX)	S **	1.37	1.5(90)	9.33	338.6		-0.5	-2.2	1.1	30.5	-1.9	-2.1
Int'l Small Cap (818/FISMX)	B ****	1.31	2 (90)	22.38	1092.9		5.3	-0.7	2.7	40.3	3.2	4.4
Int'l Small Cap Opp (1504/FSCOX)	B ****	1.45	2 (90)	10.81	410.3		4.0	-2.3	0.7	35.9	-4.0	-1.8
Int'l Value (1597/FIVLX)	S **	1.45	1 (30)	8.53	221.6		4.8	-1.6	-0.7	31.3	-3.4	0.0
Japan (350/FJPNX)	B ****↑	1.13	1.5(90)	10.49	523.7		-6.2	1.3	-0.3	12.9	-5.6	-5.2
Japan Smaller Co (360/FJSCX)	B ****	1.27	1.5(90)	9.18	333.0		-0.1	1.5	3.6	19.8	-0.6	-7.1
Latin America (349/FLATX)	H ***	1.65	1.5(90)	58.92	3700.2		-0.2	-0.3	0.1	32.1	-2.1	13.1
Nordic (342/FNORX)	B ****	1.63	1.5(90)	35.54	517.2		3.5	-4.6	-0.8	40.8	-1.5	4.6
Overseas (94/FOSFX)	S **	1.27	1 (30)	34.03	3915.8		4.8	-0.7	1.9	32.9	-4.9	0.3
Pacific Basin (302/FPBFX)	B ****	1.51	1.5(90)	26.25	910.6		0.7	-0.8	1.5	32.9	5.9	5.8
Emerging Asia (351/FSEAX)	B ****	1.19	1.5(90)	31.40	1910.2		2.5	-2.7	0.0	31.8	3.5	10.6
Total Int'l Equity (1978/FTIEX)	B ****	1.34	1 (30)	7.74	103.2		3.5	-1.9	0.1	32.3	-1.0	
Worldwide (318/FWWFX)	H ***	1.12	1 (30)	19.78	1287.5		6.0	-1.5	0.8	37.2	1.0	4.9
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FNOX)	H ***	0.92	none	28.46	2501.0		5.5	-1.4	0.8	27.7	3.6	3.6
NASDAQ Comp (1282/FNCMX)	B ****	1.12	0.75(90)	36.89	337.9		4.8	-2.1	-0.2	32.4	7.3	5.7
Spart Ext Mkt Idx (398/FSEMXX)	H ***	1.21	0.75(90)	40.38	4814.7		7.1	-2.3	-0.7	39.2	7.9	5.9
Spart Int'l Index (399/FSIIX)	H ***	1.27	1(90)	36.96	6751.4		5.4	-1.2	2.0	32.1	-1.5	1.7
Spart 500 Index (650/FUSEX)	H ***	1.00	none	46.96	28073.2		6.0	-1.7	0.1	30.6	3.3	2.9
Spart Total Mkt Idx (397/FSTMXX)	H ***	1.03	0.5(90)	38.61	5772.1		6.3	-1.8	0.0	32.3	4.2	3.5
Asset Mgr 20% (328/FASIX)	H ***	0.36	none	13.05	3607.0		2.7	-0.6	1.0	10.3	5.6	4.9
Asset Mgr 30% (1957/FTANX)	H ***	0.47	none	9.87	198.7		3.0	-0.9	0.9	13.4	5.7	
Asset Mgr 40% (1958/FFANX)	H ***	0.57	none	9.83	138.5		3.4	-1.1	0.7	16.4	5.8	
Asset Mgr 50% (314/FASMX)	H ***	0.69	none	15.94	6694.9		3.7	-1.2	0.5	19.8	6.1	4.9
Asset Mgr 60% (1959/FSANX)	H ***	0.76	none	9.87	240.6		3.9	-1.5	0.4	22.4	6.2	
Asset Mgr 70% (321/FASGX)	H ***	0.89	none	17.00	2513.1		4.1	-1.6	0.2	25.9	5.4	4.4
Asset Mgr 85% (347/FAMRX)	H ***	1.03	none	13.97	691.5		4.3	-1.9	-0.2	30.0	4.9	4.2
Freedom 2000 (370/FFBXX)	H ***	0.36	none	12.24	1476.7		2.9	-0.6	0.8	10.1	4.3	4.3
Freedom 2005 (1312/FFVXX)	H ***	0.61	none	11.14	935.5		3.4	-1.1	0.5	16.2	3.9	4.2
Freedom 2010 (371/FFFCX)	H ***	0.66	none	14.06	9605.6		3.9	-1.2	0.5	18.5	4.4	4.6
Freedom 2015 (1313/FFVFX)	H ***	0.69	none	11.74	8969.1		3.9	-1.3	0.4	18.9	4.0	4.4
Freedom 2020 (372/FFFDX)	H ***	0.82	none	14.30	20061.6		4.1	-1.5	0.2	21.9	3.4	4.0
Freedom 2025 (1314/FFTWX)	H ***	0.87	none	11.96	10366.9		4.2	-1.7	-0.1	24.2	3.4	4.0
Freedom 2030 (373/FFFEY)	H ***	0.94	none	14.30	14865.2		4.3	-1.9	-0.2	25.4	2.4	3.3
Freedom 2035 (1315/FFTHX)	H ***	0.98	none	11.92	7038.1		4.3	-2.1	-0.6	27.1	2.4	3.2
Freedom 2040 (718/FFFFX)	H ***	1.01	none	8.33	9167.3		4.4	-2.0	-0.6	27.6	2.1	3.1
Freedom 2045 (1617/FFFGX)	H ***	1.02	none	9.87	2752.1		4.4	-2.1	-0.7	28.1	2.1	
Freedom 2050 (1618/FFFHX)	H ***	1.06	none	9.76	2257.3		4.4	-2.1	-0.8	29.1	1.7	
Freedom Income (369/FFFAX)	H ***	0.33	none	11.53	2874.1		2.8	-0.6	0.8	9.5	4.6	4.5
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	B ****	0.87	1(90)	9.61	11012.9	4.88	4.9	-1.6	-0.2	20.5	13.3	10.3
Conservative Income (2267/FCONX)	B ****	0.1 Est	none	10.01	197.6	0.30						
Corporate Bond (2208/FCBFX)	B ****	0.4 Est	none	10.42	52.9	3.13	4.5	-0.9	2.7	8.6		
Floating Rate (814/FFRHX)	B ****	0.44	1(60)	9.81	6485.5	3.08	1.5	-0.4	0.1	8.1	5.3	4.7
Focused High Inc (1366/FHIFX)	B ****	0.61	1(90)	9.20	784.0	5.25	4.1	-0.6	1.1	12.5	8.3	6.8
GNMA Portfolio (15/FGMNX)	H ***	0.15	none	11.67	7869.4	3.51	3.5	0.0	3.0	4.9	7.5	7.3
Global High Income (2297/FGHXX)	B ****	0.7 Est	1(90)	9.85		5.80		-0.6				
Gov't Income (54/FGOVX)	B ****	0.20	none	10.55	4197.0	1.77	2.2	-0.3	2.3	2.5	5.8	6.3
High Income (455/SPHIX)	B ****	0.72	1(90)	9.05	4826.3	6.11	4.3	-0.9	0.3	15.1	10.8	8.6
Inflation-Protected (794/FINPX)	H ***↓	0.40	none	12.15	2183.9	0.10	5.4	0.6	3.3	7.1	4.7	5.9
Intermed Bond (32/FTHRX)	B ****	0.25	none	10.69	4287.1	2.26	2.9	-0.4	2.1	4.8	7.0	5.7
Intermed Gov't Inc (452/FSTGX)	H ***	0.16	none	10.84	1203.9	0.99	2.0	-0.2	2.1	2.3	5.0	5.8
Invest Grade Bond (26/FBNDX)	B ****	0.25	none	7.52	4646.0	3.19	3.4	-0.3	2.3	5.9	6.8	5.5
Mortgage Securities (40/FMSFX)	H ***	0.12	none	10.98	766.0	3.36	3.0	-0.1	2.4	4.8	7.3	5.1
New Markets Inc (331/FNMIX)	B ****	0.75	1(90)	15.92	3965.1	5.28	4.5	0.8	3.4	11.2	11.0	9.8
Short-Term Bond (450/FSHXX)	B ****	0.10	none	8.51	8000.5	0.93	1.3	-0.1	1.0	2.6	3.2	2.7
Spart Intermed Tr Idx (1561/FIBIX)	B ****	0.35	none	10.85	1685.5	2.09	3.3	-0.4	3.6	3.6	6.4	7.4
Spart L-Term Tr Idx (1562/FLBIX)	H ***	0.67	none	10.47	140.8	3.86	2.2	-2.0	3.4	-1.5	5.7	7.0
Spart S-Term Tr Idx (1560/FSBIX)	H ***	0.11	none	10.56	249.4	0.48	1.5	0.0	1.5	2.0	3.7	4.9
Strategic Income (368/FSICX)	B ****	0.46	none	11.28	8797.5	3.83	4.4	-0.5	1.8	11.5	10.0	8.5
Total Bond (820/FTBFX)	B ****	0.27	none	10.88	11746.1	3.14	3.3	-0.4	2.2	6.4	8.1	6.8
Ultra-Short Bond (812/FUSEX)	H ***	0.04	0.25(60)	8.20	246.2	0.42	0.5	-0.1	0.1	1.0	0.5	-1.6
Spart US Bond Index (651/FBIDX)	H ***	0.18	none	11.45	10602.0	2.59	2.6	-0.4	2.3	3.6	6.1	5.9
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FSAZX)	H ***	0.27	0.5(30)	11.32	154.8	3.39	3.6	0.1	3.3	2.9	5.0	4.4
CA Municipal Inc (91/FCTFX)	H ***	0.29	0.5(30)	11.89	1505.7	3.86	4.5	0.5	4.2	3.4	4.5	4.1
CA Short-Int TF (1534/FCSTX)	H ***	0.13	0.5(30)	10.67	658.8	1.37	2.4	0.3	1.8	2.8	4.6	4.4
CT Municipal Inc (407/FCNXX)	H ***	0.23	0.5(30)	11.48	525.2	2.58	4.1	0.1	3.3	3.6	5.2	4.8
Intermediate Muni (36/FLTMX)	H ***	0.17	0.5(30)	10.16	3675.7	2.55	3.2	0.2	2.7	3.1	4.9	4.6
MA Municipal Inc (70/FDMMX)	H ***	0.25	0.5(30)	11.86	2123.8	3.13	4.0	0.2	3.4	3.1	5.1	4.6
MD Municipal Inc (429/SMDMX)	H ***	0.24	0.5(30)	10.95	179.3	2.74	3.3	0.3	3.1	2.7	4.9	4.4
MI Municipal Inc (81/FMHTX)	H ***	0.21	0.5(30)	11.81	591.2	3.08	3.3	0.1	2.8	3.0	5.0	4.6
MN Municipal Inc (82/FIMIX)	H ***	0.21	0.5(30)	11.46	490.8	2.49	3.7	0.1	2.8	3.3	5.1	4.6
Municipal Income (37/FHIGX)	H ***	0.26	0.5(30)	12.53	5544.5	3.61	4.3	0.4	3.9	3.3	5.0	4.5
NJ Municipal Inc (416/FNJHX)	H ***	0.26	0.5(30)	11.44	588.4	3.23	3.3	0.4	3.8	2.6	4.6	4.4
NY Municipal Inc (71/FTFMX)	H ***	0.26	0.5(30)	12.84	1663.2	3.33	3.9	0.3	3.8	2.8	5.1	4.7
OH Municipal Inc (88/FOHFX)	H ***	0.24	0.5(30)	11.60	523.8	3.15	3.9	0.2	3.4	3.2	5.0	4.7
PA Municipal Inc (402/FPXTX)	H ***	0.20	0.5(30)	10.70	405.6	3.31	3.8	0.2	3.1	3.2	4.9	4.5
Short-Int Municipal (404/FSITFX)	B ****	0.11	0.5(30)	10.70	3339.2	1.37	2.1	0.2	1.7	2.5	4.0	4.1
Tax-Free Bond (90/FTABX)	H ***	0.26	0.5(30)	10.76	1848.7	3.65	4.3	0.3	3.8	3.0	5.2	4.7

JUNE 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	0.90	12414.34	8.6	-1.1	1.5	30.4	6.1	5.0	4.2
S&P 500	1.00	1320.64	6.0	-1.7	0.1	30.7	3.3	2.9	2.7
NASDAQ	1.12	2773.52	5.0	-2.1	0.0	32.8	7.6	6.0	3.3
Russell 2000	1.29	827.43	6.1	-2.4	-1.7	37.3	7.8	4.1	6.3
Fidelity Monitor Income Model	0.35	99379.00	3.4	-0.6	1.8	7.8	4.6	3.9	4.6
Fidelity Monitor G&I Model	0.73	188456.64	4.4	-1.4	0.0	19.0	1.7	3.1	6.0
Fidelity Monitor Growth Model	1.05	200949.32	6.0	-2.1	-1.0	32.7	1.9	2.5	5.8
Fidelity Monitor Select System	1.14	419668.56	10.2	-2.1	0.8	32.4	0.2	5.3	6.3
Fidelity Monitor Unique Opportunities	1.26	136625.91	6.1	-2.5	-1.3	32.9	0.4	3.1	9.8

## 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.

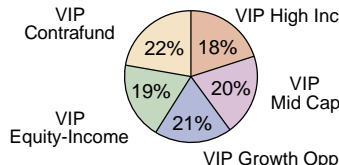
### VIP INCOME MODEL



### 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%	<b>*2011: + 3.0%</b>
2002: + 7.3%	

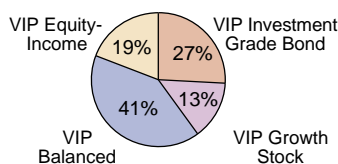
### VIP GROWTH MODEL



### 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%	<b>*2011: + 5.0%</b>
2002: -21.7%	

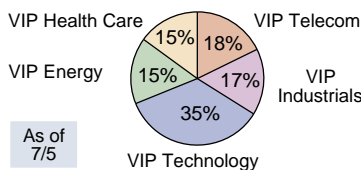
### VIP G & I MODEL



### 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%	<b>*2011: + 4.4%</b>
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%	<b>*2011: + 7.2%</b>
2007: +11.2%	

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

JUNE VIP PERFORMANCE Portfolio	Rating	Risk	RR Value	2011 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Growth Strategies	B ***	1.15	12.48	4.8	-2.4	-0.4	35.5	2.6	3.5
VIP Asset Manager	H ***	0.76	42.07	3.8	-1.2	0.5	20.6	1.3	5.4
VIP Asset Manager: Growth	H ***	0.98	26.82	4.2	-1.6	0.0	27.3	-0.3	5.0
VIP Balanced	B ***	0.93	20.42	3.5	-2.0	-1.1	25.2	5.4	5.0
VIP Consumer Discretionary	H ***	1.19	13.77	3.7	-0.6	1.9	36.6	12.7	4.0
VIP Consumer Staples	H ***	0.77	12.54	5.9	-2.4	5.1	28.3	7.9	
VIP Contrafund	B ***	1.10	48.31	4.8	-2.1	-1.2	31.0	2.3	3.1
VIP Disciplined Small Cap	H ***	1.20	10.46	7.6	-1.2	-0.4	38.3	6.0	2.0
VIP Dynamic Capital Appreciation	B ***	1.16	15.58	5.1	-0.8	0.6	28.0	2.7	2.1
VIP Energy	B ***	1.62	27.74	10.1	-2.7	-6.4	54.3	-9.0	4.4
VIP Equity-Income	B ***	1.17	61.71	6.0	-2.1	-0.2	31.0	1.5	0.4
VIP Financial Services	H ***	1.51	8.18	-5.6	-4.0	-5.5	7.9	-4.3	-9.3
VIP Freedom 2005	H ***	0.61	12.91	3.2	-0.9	0.6	15.5	3.6	4.0
VIP Freedom 2010	H ***	0.65	13.13	3.6	-1.1	0.6	18.0	4.1	4.3
VIP Freedom 2015	H ***	0.69	13.30	3.7	-1.1	0.7	18.6	3.9	4.2
VIP Freedom 2020	H ***	0.82	13.20	4.2	-1.3	0.6	22.0	3.3	3.8
VIP Freedom 2025	H ***	0.88	13.37	4.5	-1.4	0.5	24.8	3.4	3.8
VIP Freedom 2030	H ***	0.97	13.07	4.7	-1.4	0.5	26.4	2.3	3.2
VIP Freedom Income	H ***	0.31	12.62	2.1	-0.5	0.8	8.2	4.0	4.0
VIP FundsManager 20	H ***	0.28	11.86	1.9	-0.8	0.6	8.1	3.3	3.7
VIP FundsManager 50	H ***	0.59	11.64	3.3	-1.3	0.5	17.3	3.5	3.6
VIP FundsManager 70	H ***	0.80	11.18	4.1	-1.7	0.2	23.7	2.8	2.9
VIP FundsManager 85	H ***	0.97	10.76	3.9	-1.8	-0.2	27.4	2.0	2.3
VIP Growth	B ***	1.11	67.96	8.3	-0.9	0.2	40.9	-0.2	3.6
VIP Growth & Income	H ***	1.05	18.79	4.1	-2.5	-0.2	29.3	-0.5	1.3
VIP Growth Opportunities	B ***	1.28	14.40	9.9	-1.8	1.4	43.4	-1.6	3.1
VIP Growth Stock	B ***	1.09	13.14	8.3	-2.3	0.6	39.2	5.2	5.7
VIP Health Care	B ***	0.91	16.51	15.0	-1.3	4.3	39.0	11.3	7.4
VIP High Income	B ***	0.68	40.13	4.2	-0.7	0.9	14.2	7.9	6.5
VIP Index 500	H ***	1.00	37.72	5.6	-1.7	-0.1	29.6	2.5	2.1
VIP Industrials	B ***	1.43	23.64	6.7	-1.2	-1.5	40.1	8.6	7.2
VIP Int'l Capital Appreciation	B ***	1.51	12.13	3.5	-1.3	0.1	35.2	0.1	1.0
VIP Investment Grade Bond	B ***	0.24	36.69	2.7	-0.4	-2.0	4.5	6.6	5.5
VIP Materials	B ***	1.56	14.17	5.1	-1.1	0.0	52.0	5.8	
VIP Mid Cap	B ***	1.08	26.49	0.5	-2.7	-3.6	27.2	4.9	5.3
VIP Money Market			21.66	-0.3	-0.1	-0.2	-0.6	0.0	1.5
VIP Overseas	S **	1.26	39.33	5.1	-1.0	2.5	36.9	-2.6	1.4
VIP Real Estate	H ***	2.02	21.51	10.3	-3.7	2.4	35.3	6.4	2.5
VIP Strategic Income	B ***	0.44	16.19	3.8	-0.6	1.6	10.3	8.9	7.5
VIP Technology	B ***	1.40	15.32	2.6	-3.4	-3.3	39.9	13.9	9.4
VIP Telecommunications	B ***	1.12	9.51	7.7	-2.5	4.1	35.0	7.2	
VIP Utilities	B ***	0.90	13.93	8.7	-0.4	4.6	27.4	-3.3	4.4
VIP Value	B ***	1.43	11.31	4.9	-2.3	-1.1	28.7	1.4	0.7
VIP Value Leaders	S **	1.18	10.25	5.0	-2.5	-1.1	25.1	-1.9	-1.6
VIP Value Strategies	B ***	1.54	19.99	5.8	-2.9	0.1	36.1	5.8	3.3
Fidelity Monitor VIP Income Model		0.30	23373.41	3.0	-0.5	1.8	6.4	4.8	4.5
Fidelity Monitor VIP G&I Model		0.79	27833.69	4.4	-1.6	0.1	20.5	2.6	3.8
Fidelity Monitor VIP Growth Model		1.01	34917.95	5.0	-1.9	-0.6	29.8	-1.6	0.1
Fidelity Monitor VIP Sector Model		1.21	22593.26	7.2	-2.3	0.2	32.4	4.3	5.9

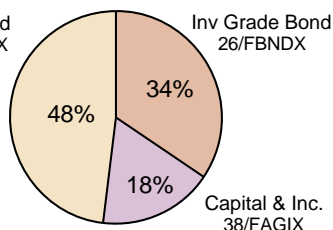
## INCOME AND PRESERVATION MODEL

For low-risk investors wanting to stay ahead of inflation.  
Target Growth Rate: 8% Target Risk Level: 0.50

FUND	NAV	SHARES	BALANCE
Invest. Grade Bond	\$7.52	4513.260	\$33939.72
Capital & Income	\$9.61	1840.175	\$17684.08
<b>Total Bond</b>	<b>\$10.88</b>	<b>4389.265</b>	<b>\$47755.20</b>

7% Foreign Holdings  
Balance as of 6/30/11: \$99379.00  
Balance at start of 2011: \$96121.82

Total Bond  
820/FTBFX



### 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%	<b>*2011: +3.4%</b>

For the month of June our Income Model declined 0.6%. We expect to replace most of our holdings as described in our lead story.

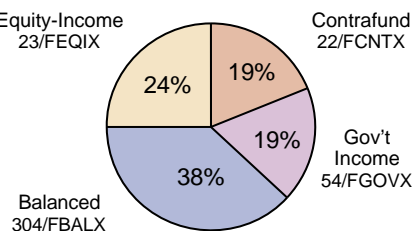
## GROWTH AND INCOME MODEL

For investors seeking a conservative path to growth.  
Target Growth Rate: 10% Target Risk Level: 0.75

FUND	NAV	SHARES	BALANCE
Contrafund	\$70.61	505.431	\$35688.48
Gov't Income	\$10.55	3350.223	\$35344.85
Balanced	\$18.99	3750.732	\$71226.40
Equity-Income	\$46.25	998.852	\$46196.91

11% Foreign Holdings  
Balance as of 6/30/11: \$188456.64  
Balance at start of 2011: \$180595.78

Equity-Income  
23/FEQIX



### 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%	<b>*2011: +4.4%</b>

Our Growth and Income Model declined 1.4% in June. We expect to replace **Balanced** and **Equity-Income** in the months ahead.

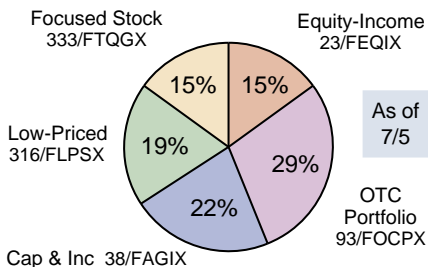
## GROWTH MODEL

For moderately aggressive stock-oriented investors.  
Target Growth Rate: 12% Target Risk Level: 1.00

FUND	NAV	SHARES	BALANCE
Equity-Income	\$46.25	1050.681	\$48594.00
OTC Portfolio	\$59.74	984.424	\$58809.49
Capital & Income	\$9.61	4574.083	\$43956.94
Dividend Growth	\$29.60	664.809	\$19678.35
Focused Stock	\$14.94	2002.044	\$29910.54

15% Foreign Holdings  
Balance as of 6/30/11: \$200949.32  
Balance at start of 2011: \$189620.99

Focused Stock  
333/FTQGX



### 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%	<b>*2011: +6.0%</b>
1999: +29.0%	

We were down 2.1% in June, versus a 1.7% loss for the S&P. On 6/6 we traded **Dividend Growth** (\$28.91) for **Focused Stock** (\$14.40). Please see page 1 for details on upcoming 7/5 trades.

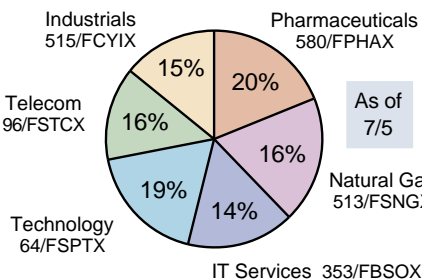
## SELECT SYSTEM (SECTOR PORTFOLIO)

For aggressive stock-oriented investors.  
Target Growth Rate: 14% Target Risk Level: 1.25

FUND	NAV	SHARES	BALANCE
Medical Delivery	\$59.69	1406.013	\$83924.92
Natural Gas	\$34.49	1931.868	\$66630.13
Utilities	\$52.68	1174.229	\$61858.38
Technology	\$98.45	797.531	\$78516.93
Telecom	\$50.44	1307.934	\$65972.19
Software	\$87.13	720.372	\$62766.01

11% Foreign Holdings  
Balance as of 6/30/11: \$419668.56  
Balance at start of 2011: \$380799.72

Industrials  
515/FCYIX



### 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%	<b>*2011: +10.2%</b>
2000: -14.9%	

Our portfolio was down 2.1% in June, versus a 1.7% slip for the S&P 500. On 6/6 we sold one-sixth of **Software** (\$84.20) and bought **Technology** (\$97.15). Please see page 1 for upcoming 7/5 trades.

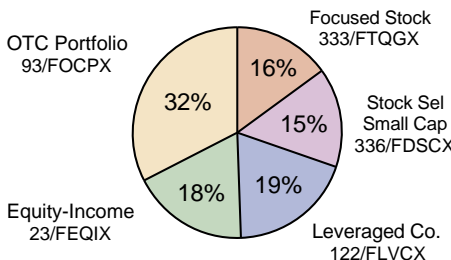
## UNIQUE OPPORTUNITIES MODEL

For aggressive stock-oriented investors.  
Target Growth Rate: 14% Target Risk Level: 1.25

FUND	NAV	SHARES	BALANCE
Focused Stock	\$14.94	1415.179	\$21142.77
Stock Sel Small Cap	\$19.97	1052.156	\$21011.56
Leveraged Company	\$30.08	860.402	\$25880.89
Equity-Income	\$46.25	536.599	\$24817.70
OTC Portfolio	\$59.74	732.725	\$43772.99

11% Foreign Holdings  
Balance as of 6/30/11: \$136625.91  
Balance at start of 2011: \$128788.38

OTC Portfolio  
93/FOCPX



### 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%	<b>*2011: +6.1%</b>

We were down 2.5% in June, versus a 1.7% decline for the S&P 500. On 6/6 we sold **Dividend Growth** (\$28.91) and bought **Focused Stock** (\$14.40). **Equity-Income** may eventually be replaced.

relief on the energy front. The slowdown in global growth has already caused fuel prices to pull back a bit. More importantly, a mini-boom in U.S. shale-oil production is kicking in, causing a record spread between Brent crude and domestic oil stored at Cushing. Domestic inventory levels are so high that it may be tough to absorb the release of 30 million barrels from the Strategic Petroleum Reserve. With new investment in pipeline infrastructure, low-cost fracturing may take us all the way to energy independence — perhaps in as little as 10 years, depending on how fast automotive efficiency rises. We've already got a good start; oil imports have shrunk about 10% since 2008.

**Shouldn't you be more worried about the impending deadline for raising the Treasury debt ceiling?**

While there's a chance that reduced government spending could weigh on the economy, we don't see a potential treasury default as being all that disruptive from an investment standpoint.

Most likely, some sort of last-minute deal will allow Congress to raise the limit. Failing that, it's by no means certain that a default would even occur. Interest on the Federal debt is a relatively small part of the overall budget. The Administration may decide that it's easier and less controversial to delay payments to the states while continuing to work toward a compromise. Finally, even in the event of an actual default, it's unlikely that investors would react in traditional fashion. The smart money would know that the interest payments are being delayed, not disappearing. Treasuries might even increase in value if the market views the standoff as something that could slow the economy and narrow future deficits.

**Why are you changing the Select System during one of the few years in which it has outperformed the Unique Opportunities Model?**

The Select System has performed well this year because of its defensive positioning (one-third of its holdings are in the utility sectors), and because it has excluded the financial groups. This month's conversion to a fundamental approach (as described in last month's issue) will tilt the portfolio more towards growth, but will continue to exclude the financials.

It doesn't seem like a bad time to take on a little more risk by shifting in the direction of growth. Ideally we would make this kind of change near the bottom of a selloff. It's hard to know exactly where we are today, but it feels like we're close. The worst time to step up in risk is right after a strong rally, when investors are optimistic. Clearly, that's not the situation we face today. ■

**Telecom & Utilities** held losses to 0.7% and **Real Estate Income** was off a modest 1.1%. On the flip side, risk-aversion weighed on **Convertible Securities** (down 2.9%) and **Real Estate** (3.3% loss).

**INCOME FUNDS**

Our individual bond favorites, in increasing order of risk, are **Short-Term Bond**, **Total Bond**, **Gov't Income**, **Floating Rate High Income**, and **Capital & Income**.

Lower energy prices eased emerging market inflation fears, giving **New Markets Income** a 0.8% boost. The rush to dump commodities and replace them with TIPS gave a small lift to **Inflation-Protected Bond**, which gained 0.6%. However, a potential slowdown for the U.S. weighed on **Capital & Income** (off 1.6%), while an uptick in long-term interest rates resulted in a 2.0% decline for **Spartan Long-Term Treasury Index**.

Municipal bonds finished just ahead of breakeven, with monthly returns ranging from 0.1% to 0.5%.

**SELECT PORTFOLIOS**

Select System holdings are listed on page 7. Our favorite fundamental funds are **Technology**, **Chemicals**, **Pharmaceuticals**, **Industrials**, **Industrial Equipment**, **IT Services**, **Telecom**, **Natural Gas** and **Automotive**.

**Defense & Aero** rose 1.6%, **Leisure** edged up 0.8%, and **Retailing** returned 0.4%. On the bottom, **Gold** lost 5.2%, **Communications Equipment** was down 5.6%, and **Electronics** dropped 7.1%. ■

**Happenings**

Andrew Dierdorf has been named co-manager of the Freedom family, including the VIP versions.

**Dynamic Strategies** has become **Global Strategies**. ■

**JUNE DISTRIBUTIONS**

<b>Asset Manager 20%</b>	\$ 0.023/\$13.07 (6/3)
<b>Asset Manager 30%</b>	\$ 0.019 / \$9.89 (6/3)
<b>Capital &amp; Income</b>	\$ 0.043 / \$9.58 (6/10)
<b>Freedom Income</b>	\$ 0.012/\$11.55 (6/3)
<b>Focused High Income</b>	\$ 0.124 / \$9.23 (6/10)
<b>Large Cap Stock</b>	\$ 0.043/\$17.70 (6/10)
<b>Mid Cap Stock</b>	\$ 1.435/\$27.90 (6/10)
<b>Small Cap Discovery</b>	\$ 0.268/\$20.50 (6/10)
<b>Small Cap Stock</b>	\$ 0.003/\$19.49 (6/10)
<b>Real Estate Income</b>	\$ 0.132/\$10.76 (6/3)

Funds scheduled for July include **Asset Manager 20%**, **30%**, **40%**, and **50%**, **Balanced**, **Convertible Securities**, **Equity-Income**, **Equity-Income II**, **Fidelity Fund**, **Freedom Inc.**, **Growth & Income**, **Puritan**, **Strategic Dividend & Income**, **Spartan 500 Index**, **Strategic Real Return**, and **Telecom & Utilities**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	116101.6	0.01	CT MM (418/FCMXX)	1737.0	0.01			
Select MM (85/FSLXX)	6916.1	0.05	MA MM (74/FDMXX)	5036.2	0.01			
Money Market (454/SPRXX)	4151.5	0.01	MI MM (420/FMIXX)	854.8	0.01	MA AMT TF (426/FMSXX)	322.7	0.01
Gov't MM (458/SPAXX)	574.1	0.01	NJ MM (417/FNJXX)	2068.7	0.01	AMT Tax-Free (460/FIMXX)	1397.6	0.01
US Treas. MM (415/FDLXX)	4686.4	0.01	NY MM (92/FNYXX)	4812.4	0.01	NJ AMT TF (423/FSJXX)	264.0	0.01
Tax-Free MM (275/FMOXX)	6504.0	0.01	OH MM (419/FOMXX)	1004.1	0.01	NY AMT TF (422/FSNXX)	496.9	0.01
US Gov't Reser (50/FGRXX)	2619.7	0.01	AZ MM (433/FSAXX)	353.4	0.01	PA MM (401/FPTXX)	660.4	0.01
CA MM (97/FCFX)	5044.0	0.01	CA AMT TF (457/FSPXX)	548.7	0.01	Municipal MM (10/FTEXX)	22699.5	0.01