

Jack
Bowers



Fidelity

Best Performing
Fidelity Newsletter

20
Years

AUGUST
2011

Monitor™

Low-Priced Stock

Joel Tillinghast is planning to take a 4-month leave of absence early next month, and plans to return at the beginning of next year. His extended time off from running **Low-Priced Stock** will be the first in almost 22 years. Fidelity hasn't pinned down the exact reason for his departure, other than to say that his leave is not for medical reasons, and to discuss some of the things he *might* be doing – such as writing a book, traveling, and mentoring Fidelity analysts.

LOW-PRICED STOCK - *Continued on page 2*

Changes In Several Portfolios

On Monday, 8/8, we'll make the following trades:

Our Income Model will sell **Capital & Income** (38/FAGIX) and buy **Low-Priced Stock** (316/FLPSX). We still like **Capital & Income**, but we also like stocks. In order to boost long-term returns (as described last month), we plan to increase the Income Model's stock exposure to about 35-40% by the end of the year.

Our VIP Income Model will be selling **VIP High Income** and buying **VIP Value**.

Our Growth and Income Model will be selling **Equity-Income** (23/FEQIX), placing four-fifths of the proceeds into **Low-Priced Stock** (316/FLPSX), and adding the remaining one-fifth to **Gov't Income** (54/FGOVX). **Low-Priced** allows us to focus on value stocks without as much volatility from the financial sector. The small increase in **Gov't Income** helps make up for the reduced amount of dividend income.

Our VIP Growth and Income Model will sell **VIP Equity-Income** and buy **VIP Value**.

Our Select System will sell one-eighth of **Natural Gas** (513/FSNGX) and all of **Telecommunications** (96/FSTCX), and place the proceeds in **Chemicals** (69/FSCHX). This move will complete our transition to a fundamental (non-quantitative) strategy.

Our VIP Sector Model will sell **VIP Telecom** and buy **VIP Materials**.

Our Unique Opportunities Model will exchange **Equity-Income** (23/FEQIX) for **Large-Cap Stock** (338/FLCSX). By moving to a large-cap blend fund, we'll reduce the drag of financial stocks and boost our position in growth stocks (large-cap growth stocks have become unusually cheap despite solid earnings growth and robust foreign sales).

Review & Recommendations

U.S. corporations posted strong second quarter earnings as a result of robust foreign sales. Despite the bullish implications, it didn't seem to matter much to investors, who remained focused on sovereign debt issues in Europe and the debt ceiling limit here at home. The S&P 500 declined 2.0% for the month of July.

As we go to press, Congress has yet to muster enough votes for a debt ceiling increase. On page 8 we've listed four possible scenarios that may unfold.

DOMESTIC EQUITY FUNDS

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

Funds focusing on large-cap growth stocks were helped by favorable earnings. **Contrafund** edged up 0.4%. **Blue Chip Growth** and **Trend** both declined 0.1%. On the flip side, small-cap and value funds were hit relatively hard. The group laggards were **Blue Chip Value**, down 4.6%, and **Small Cap Stock** which finished with a 7.3% loss.

INTERNATIONAL FUNDS

Our favorites in this group include **Int'l Small Cap**, **Japan Smaller Companies** and **Pacific Basin**.

Asian funds outperformed, especially those that focused on growth stocks. **Japan Smaller Companies** gained 4.5%, and **Pacific Basin** rose 3.5%. But European stocks were weak as debt problems and austerity moves continued to weigh on economic growth in the region. **Latin America** slid 3.3% and **Nordic** was down 4.4%.

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**.

Real Estate gained 1.8%, and **Global Strategies** edged up 0.3%. Trailing behind, **Telecom** and **Utilities** slipped 2.0%, and **Convertible Securities** lost 2.9%.

INCOME FUNDS

Please see page 7 for current Income Model holdings. Our individual bond favorites, in increasing order of risk, include **Short-Term Bond**, **Total Bond**, **Gov't Income**, **Floating Rate**, and **Capital & Income**.

RECOMMENDATIONS - *Continued on page 8*

LOW-PRICED STOCK - Continued from page 1

Tillinghast does not appear to be bearish. His fund's cash level remains in its normal range of 10-15%, and his comments earlier this year in **Low-Priced**'s semi-annual report had an upbeat tone. As such, we don't think this is the beginning of an early retirement. But even if it does go in that direction, we're not overly concerned. Fidelity has a deep bench of analysts, and **Stock Selector Small Cap** has demonstrated that a multi-manager approach can work well in the small-cap arena – perhaps even better than in the large-cap universe. Finally, substitute manager Jamie Harmon is a great stockpicker in his own right.

This month we take an in-depth look at **Low-Priced Stock**, and discuss why we consider it to be an attractive value play in today's economy.

HISTORY

Low-Priced Stock's original charter was to find attractive stocks selling for less than \$15 per share, and to keep at least two-thirds of its assets invested that way. Low-priced stocks are less likely to be followed by Wall Street, which spells opportunity.

Near the end of 1989, Joel Tillinghast kicked off his tenure with a portfolio of downtrodden stocks whose business models were less than ideal but far from broken. Back then, Tom Sweeney – who was managing **Capital Appreciation** – had posted good results in the wake of the 1987 crash by holding stocks that he once described as “roadkill with a pulse.” Fidelity wanted to expand on the theme of picking dirt-cheap stocks.

As it turned out, Tillinghast posted much better results than Sweeney during the 1990-1991 period, in part because his portfolio was more growth-oriented, but also because he had an eye for business models that were stressed but not broken. **Low-Priced Stock** caught the attention of Fidelity's retail investors, and the inflows began to roll in. For this fund, however, that wasn't necessarily a good thing. Unlike Fidelity's other domestic stocks, **Low-Priced** faced a limited pool of eligible stocks and was far more affected by Fidelity's 10% internal cap on shareholder ownership of smaller stocks. Cash levels began to rise as Joel struggled to find good investment opportunities that met the fund's strict charter.

By March of 1992, 25% of **Low-Priced Stock**'s assets were sitting in cash. Fidelity responded by closing it to new investors while arranging a shareholder vote to increase the stock price threshold to \$25. Shareholders approved, and two months later the fund reopened. But it didn't help – the money kept rolling in faster than it could be put to work. Fidelity added a 3% front-end load at the beginning of 1993, with little effect, then closed the fund a month later when cash levels reached 45%. Some seven months later, Tillinghast had worked the cash level down below 10%, and once again the fund reopened.

From there **Low-Priced** ran with high cash levels (15-25%), but it didn't hold back performance much, so Fidelity left the fund open. By 1997, the fund was enjoying renewed popularity because of its unusually low volatility. Fidelity loosened the fund's charter to permit purchases of stocks up to \$35 in September of that year, but still had to close it a third time in April 1998.

By early 1999, small-caps had gone out of favor due to a credit crunch that resulted from Russia's economic collapse, and the hot money had shifted to chasing tech stocks. Fidelity reopened the fund in March after its assets had shrunk by more than a third to \$7 billion.

By May of 2002, **Low-Priced** was again drawing too much interest due to its good performance during the tech bust. Fidelity announced that it would close the fund for six months to work down cash levels. Cash poured in once the fund reopened, but this time there were enough cheap stocks around that Tillinghast was able to steer much of it into mid-caps and large-caps. By late 2003, assets had mushroomed to \$26 billion. Fidelity announced another closure and hinted that it might be permanent.

And it might have been if the financial crisis hadn't come along. But when a rush of outflows hit in late 2008, Fidelity re-opened all of its closed funds (except for **Growth Company**) to help reduce the impact.

PERFORMANCE

Despite the dilutive impact of running with high cash levels for most of the fund's existence, Tillinghast and his team have still managed to post a return of 14.6% per year for better than two decades. That's more than

LOW-PRICED STOCK AT A GLANCE

Trading Symbol:	FLPSX
Fund Size:	\$27.8 billion
Expense Ratio:	0.99%
Turnover Rate:	18%
Relative Volatility:	1.12
Median Market Cap:	\$3.3 billion
Foreign Exposure:	33.4%
Benchmark:	Russell 2000

Top Countries (as of 6/30)

USA:	66.4%
Japan:	6.8%
Canada:	6.3%
United Kingdom:	3.1%
Netherlands:	2.4%

Top Sectors (as of 6/30)

	Fund	Index
Consumer Discretionary:	25.8%	13.0%
Information Technology:	15.9%	19.2%
Health Care:	13.0%	13.0%
Financial:	7.8%	20.1%

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five percentage points ahead of the Russell 2000 Index for the same period.

What's their secret? It's really been a combination of factors that has kept the fund successful:

- Tillinghast's determination to know (in detail) the business models for all of his top stocks. When running a fund that aims to buy cheap stocks, the most important thing is to avoid buying something that's coming out on the losing end of economic evolution. To do this requires a complete understanding of what makes a company tick, which takes a lot of time and effort. Tillinghast is unique in this respect, because he has shown a level of persistence that few other managers could match.

- Being held hostage to a winning strategy. The charter for **Low-Priced** is restrictive compared to most other stock funds. Its \$35 share price threshold, coupled with a bias toward low price-to-sales ratios, makes for a turnaround theme of sorts. Turnaround strategies can be tough to execute, but with good research the results can be impressive.

- Lots of good ideas. Fidelity analysts track thousands of stocks, and they have a clear edge in uncovering the best opportunities. In effect, Tillinghast has been successful not only because of his own abilities, but also because a small army of researchers comb the field for him.

LOW-PRICED STOCK TODAY

With 55% in domestic stocks, 35% in foreign stocks, and 10% in cash, **Low-Priced Stock** enjoys the benefits of global diversification in a way that keeps volatility relatively low. Its 884 stock holdings result in a risk score of 1.12, which is 15% lower than either the Russell 2000 or the EAFE Index.

Low-Priced currently places in the mid-cap blend category, although it tilts toward the value side of the stylebox. Over the last 10 years, it has beaten 93% of its peers in Lipper's small-cap peer group.

The fund's biggest industry bet is the consumer discretionary group, which currently accounts for 26% of assets (versus 13% of the Russell 2000). Tillinghast appears to have a fondness for retail stocks, possibly because there are a lot of cheap stocks with good prospects, and it's relatively easy to check up on them. Peter Lynch once wrote about standing outside mall stores and counting customers while his daughters went shopping. It would be no surprise to find out that Fidelity researchers – perhaps even Tillinghast himself – might still be using this technique.

Low-Priced Stock's most underweighted position is in financial services, which accounts for 8% of its assets (versus 20% for the Russell 2000). These days there are hundreds of cheap financial stocks to choose from, but

Tillinghast has not scooped up many bargains. Insurance companies make up most of the fund's limited exposure. The fund is also light on industrial stocks, which represent 7% of assets (versus 15% for the Russell 2000). At a time when traditional value funds such as **Equity-Income** are struggling, **Low-Priced** seems to be capturing the benefits of value investing without as much exposure to all the problems. The only significant tradeoff is that it doesn't have much in the way of dividends.

LIFE WITHOUT TILLINGHAST

Low-Priced Stock has a low turnover (18%), which is not likely to change because the fill-in management team must clear any changes to the fund's top 50 positions with Tillinghast himself. That means **Low-Priced Stock**'s behavior will change very little during the 4-month leave.

In addition, the fund will be in capable hands. Jamie Harmon, an experienced and savvy small-cap manager from Fidelity's institutional side, will be the lead manager. He'll also handle the stockpicking in the health care sector. The rest of the team includes Shadman Riaz for materials, energy, and utilities; Kathy Buck for the two consumer groups; Rayna Lesser for telecom and tech; Justin Bennett for financial services; and John Mirshekari for industrials.

In effect, Fidelity has pulled together this team by assigning co-managers from **Stock Selector Small Cap** to the fund's growth-oriented industry groups, and by drawing on co-managers from **Value** to run the value-oriented sectors. We think this will work just fine, and we see very little reason to worry during Tillinghast's 4-month absence.

The bigger concern, of course, is how the fund would fare if Tillinghast decides to retire in the next few years. In that situation, the fund would be losing a manager who obsesses about business model details, a key element in **Low-Priced Stock**'s success. At the same time, it would likely run with a lower level of cash and a smaller foreign position, much as **Stock Selector Small Cap** and **Value** do. Finally, it would likely retain the discipline that's imposed by the fund's \$35 price restriction and low price-to-sales bias. All things considered, the fund might end up being slightly less attractive than it is today, but not dramatically so. Assuming the fund's turnover remains low, it could take as long as five years for the fund to lose its "Tillinghast edge." That leaves plenty of time to evaluate performance if the team managers end up struggling to live up to Tillinghast's legacy.

We don't think a **Magellan**-style performance disaster is all that likely with a fund like this. **Magellan** had no restrictions on investment style, which allowed each new

LOW-PRICED STOCK - *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 ↓.

JULY 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
EQUITY FUNDS:												
130/30 Large Cap (2063/FOTTX)	H ***	1.04	none	7.55	23.9	4.3	-3.2	-7.6	16.9	-8.0		
Growth Strategies (324/FDEGX)	B ****	1.15	1.5(90)	21.36	1975.0	4.5	-0.7	-4.0	26.2	4.7	5.1	0.0
Blue Chip Gth (312/FBGRX)	B ****	1.10	none	48.16	12204.9	6.2	-0.1	-3.0	28.1	8.4	6.7	2.7
Blue Chip Value (1271/FBCVX)	S **	1.19	none	10.86	462.4	0.5	-4.6	-8.6	12.1	-2.2	-1.9	
Capital Apprec (307/FDCAX)	B ****	1.15	none	25.79	4744.4	1.8	-3.4	-5.6	14.8	4.0	3.1	4.7
Contrafund (22/FCNTX)	B ****	0.88	none	70.88	61672.6	4.8	0.4	-2.8	22.7	4.2	5.3	7.2
Disc Equity (315/FDEQX)	H ***	1.01	none	23.28	8573.3	3.3	-2.6	-6.7	14.5	-1.7	0.0	2.5
Dividend Gth (330/FDGFEX)	B ****	1.31	none	28.96	9571.8	1.9	-2.2	-6.7	22.6	7.2	3.8	2.5
Equity-Income (23/FEQIX)	B ****	1.16	none	44.36	9603.8	1.0	-3.6	-7.3	15.7	1.5	0.0	2.7
Equity-Income II (319/FEQTX)	B ****	1.13	none	18.31	4935.8	1.1	-3.6	-7.2	15.4	0.4	-0.1	2.4
Export Fund (332/FEXPX)	S **	1.06	0.75(30)	22.29	2342.9	2.2	-1.7	-5.8	18.3	1.5	2.1	4.6
Fidelity Fifty (500/FFTYX)	B ****	1.15	none	18.47	825.5	4.8	-2.6	-4.1	25.1	0.3	1.6	4.2
Fidelity Fund (3/FFIDX)	H ***	1.05	none	33.90	5138.6	5.5	-1.3	-5.2	23.8	1.9	3.4	2.9
Focused Stock (333/FTQGX)	B ****	0.99	none	14.55	569.4	6.6	-2.6	-4.7	33.2	5.5	5.9	3.1
Growth & Income (27/FGRIX)	H ***	1.18	none	18.58	5333.6	2.2	-2.1	-5.5	19.2	-4.3	-4.6	-1.7
Growth Company (25/FDGRX)	B ****	1.07	Closed	90.43	29343.9	8.8	-1.3	-3.3	31.0	6.7	8.0	4.9
Growth Discovery (339/FDSVX)	B ****	1.11	none	14.82	932.6	8.3	-0.4	-2.8	32.3	2.5	5.6	3.7
Independence (73/FDFFX)	B ****	1.34	none	25.37	4085.0	4.2	-1.2	-5.2	27.0	-0.9	5.7	5.1
Lg Cap Core En Idx (1827/FLCEX)	S **	0.96	none	8.97	73.7	5.2	-2.2	-4.5	20.4	2.2		
Large Cap Growth (763/FSLGX)	B ****	1.02	none	10.53	134.2	8.1	-0.2	-3.0	30.3	4.5	2.9	
Large-Cap Stock (338/FLCSX)	B ****	1.26	none	17.84	976.8	1.6	-2.6	-6.4	19.3	5.2	3.7	2.2
Large Cap Value (708/FLVX)	S **	1.08	none	10.77	614.2	2.4	-3.2	-6.5	14.0	-2.8	-2.4	
Lev Co Stock (122/FLVCX)	B ****	1.65	1.5(90)	28.85	4210.6	1.5	-4.1	-8.7	23.3	-1.6	3.3	13.3
Low-Priced Stock (316/FLPSX)	B ****	1.12	1.5(90)	40.67	27809.3	6.0	-2.4	-4.5	23.5	7.9	5.8	10.0
Magellan (21/FMAGX)	S **	1.27	none	71.85	16949.8	0.4	-1.4	-7.1	17.3	-1.6	0.8	0.7
Mega Cap Stock (361/FGRTX)	B ****	1.05	none	10.27	784.9	2.8	-1.5	-4.8	18.6	2.6	2.5	2.8
Mid Cap Growth (793/FSMGX)	B ****	1.28	0.75(30)	13.01	300.4	4.6	-0.6	-3.9	26.1	4.1	2.0	
Mid Cap Stock (337/FMCSX)	H ***	1.37	0.75(30)	28.44	6611.0	3.6	-2.8	-5.9	23.5	4.8	4.3	4.2
Mid Cap Value (762/FSMVX)	H ***	1.28	0.75(30)	16.19	677.0	1.5	-4.1	-7.9	19.1	5.0	2.8	
New Millennium (300/FMILX)	B ****	1.14	none	30.84	1879.8	5.9	-1.0	-4.4	23.4	7.3	6.7	5.9
OTC Portfolio (93/FOCPX)	B ****	1.24	none	59.27	6462.6	7.9	-0.8	-4.9	31.8	9.9	11.3	6.2
Small Cap Discovery (384/FSCRX)	B ****	1.35	1.5(90)	20.93	2132.0	3.6	-3.5	-6.9	27.1	15.9	9.8	
Small Cap Growth (1388/FCPGX)	B ****	1.25	1.5(90)	16.65	1438.4	6.1	-2.6	-6.7	30.2	7.9	6.8	
Stock Sel Small Cap (336/FDSCX)	B ****	1.36	1.5(90)	19.23	2054.7	3.9	-3.7	-8.2	29.7	5.3	3.7	6.3
Small Cap Stock (340/FSLCX)	B ****	1.48	2 (90)	18.87	4244.8	-3.7	-7.3	-13.0	16.3	6.8	5.9	7.8
Small Cap Value (1389/FCPVX)	H ***	1.29	1.5(90)	15.62	1975.1	0.1	-2.5	-6.7	17.0	10.8	6.1	
Stock Sel All Cap (320/FDSSX)	H ***	1.06	none	26.39	1510.6	2.5	-2.3	-6.3	21.8	2.1	2.6	3.1
Tax Managed Stock (343/FTXMX)	H ***	1.10	none	12.96	73.9	4.0	-3.6	-7.7	20.8	-2.3	0.5	2.0
Trend (5/FTRNX)	B ****	1.09	none	72.80	1120.4	8.0	-0.1	-3.2	30.3	7.0	6.4	4.8
Value (39/FDVXLX)	H ***	1.47	none	69.58	7275.9	1.3	-3.5	-8.3	19.2	2.9	1.8	6.6
Value Discovery (832/FVDFX)	H ***	1.17	none	14.98	569.6	2.3	-3.1	-6.6	17.7	1.0	0.9	
Value Strategies (14/FLSLX)	B ****	1.55	none	28.69	350.9	3.0	-3.0	-6.4	23.0	6.7	4.0	5.5
SPECIALTY / HYBRID FUNDS:												
Balanced (304/FBALX)	B ****	0.75	none	18.85	17032.2	4.3	-0.2	-2.3	15.2	4.8	4.3	6.1
Convertible Sec (308/FCVXS)	B ****	1.26	none	25.75	2495.1	2.5	-2.9	-6.1	18.3	3.9	5.9	6.3
Global Strategies (1960/FDYSX)	B ****	0.79	none	9.55	250.3	3.1	0.3	-4.0	16.2	4.4		
Puritan (4/FPURX)	B ****	0.71	none	18.56	16660.6	4.5	-0.3	-2.7	16.3	5.7	4.5	5.1
Real Estate Income (833/FRIFX)	B ****	0.73	0.75(90)	10.75	1648.6	5.2	0.2	-0.3	13.4	10.6	4.8	
Real Estate (303/FRESX)	H ***	1.94	0.75(90)	28.76	3492.2	12.0	1.8	-0.2	24.7	5.8	1.8	10.9
Strategic Div & Inc (1329/FSDIX)	B ****	1.12	none	11.23	682.0	7.7	-1.2	-2.5	17.7	3.9	2.1	
Strategic Real Rtn (1505/FSRRX)	H ***	0.66	0.75(60)	9.94	4038.4	5.2	2.0	-0.7	14.9	4.5	4.4	
Telecom & Utilities (311/FUIUX)	B ****	0.83	none	16.92	978.2	7.4	-2.0	-1.8	20.5	2.6	2.9	3.4
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H ***	1.54	0.75(30)	36.59	83.2	-6.3	-8.3	-10.7	4.6	12.8	2.7	4.1
Automotive (502/FAVX)	B ****	2.40	0.75(30)	41.52	175.4	-6.6	-6.5	-8.5	24.2	15.5	6.5	6.6
Banking (507/FSRBX)	H ***	1.51	0.75(30)	17.08	402.8	-7.7	-2.6	-7.4	0.9	-1.8	-9.2	-1.4
Biotechnology (42/FBIOX)	S **	1.01	0.75(30)	85.44	1296.8	17.1	-1.2	-0.9	33.2	4.8	7.4	3.3
Brokerage (68/FSLBX)	H ***	1.46	0.75(30)	47.45	413.9	-9.5	-2.7	-11.2	2.2	-1.0	-2.3	4.6
IT Services (353/FBSOX)	B ****	1.12	0.75(30)	22.11	166.1	6.3	-2.4	-5.1	28.2	11.6	11.4	7.3
Chemicals (69/FSCHX)	B ****	1.43	0.75(30)	105.28	802.1	10.3	-1.8	-5.2	40.9	9.2	14.9	13.5
Computers (7/FDCPX)	B ****	1.26	0.75(30)	57.77	527.4	2.4	-2.8	-7.0	25.8	12.7	12.3	3.4
Const & Housing (511/FSHOX)	S **	1.48	0.75(30)	34.76	90.7	-0.9	-3.2	-8.0	20.0	6.0	1.9	6.9
Cons Discretionary (517/FSCPX)	H ***	1.19	0.75(30)	24.32	226.5	3.2	-1.0	-2.8	26.3	12.4	4.7	3.7
Industrials (515/FCYIX)	B ****	1.44	0.75(30)	23.33	562.6	0.3	-6.3	-10.7	20.1	5.9	7.3	8.4
Defense & Aero (67/FSDAX)	S **	1.24	0.75(30)	78.98	717.2	8.0	-4.5	-4.0	21.0	7.1	5.4	10.2
Com Equipment (518/FSDCX)	B ****	1.59	0.75(30)	24.59	478.9	-7.2	-10.5	-18.6	12.2	7.5	6.5	1.4
Electronics (8/FSLEX)	B ****	1.52	0.75(30)	48.40	1152.0	0.1	-3.6	-10.7	26.3	10.8	4.7	-0.6
Energy (60/FSENX)	H ***	1.53	0.75(30)	58.52	2741.8	12.1	1.4	-5.4	45.6	-1.5	5.3	12.0
Energy Service (43/FSSEX)	H ***	1.87	0.75(30)	87.48	1768.2	17.6	5.9	0.1	59.3	-4.4	6.0	13.2
Environ & Alt Energy (516/FSLEX)	H ***	1.08	0.75(30)	17.48	105.5	-1.8	-9.8	-13.6	11.8	-0.2	1.8	3.0
Financial Services (66/FIDSX)	H ***	1.46	0.75(30)	56.22	382.1	-8.7	-3.6	-10.2	-2.8	-6.3	-9.9	-2.0
Consumer Staples (9/FDFAX)	H ***	0.78	0.75(30)	71.43	987.6	5.5	-1.1	-1.7	19.0	7.7	8.7	8.5
Gold (41/FSAGX) Limit to 5% position	S **	2.03	0.75(30)	48.97	3918.7	-4.2	4.7	-7.1	23.3	13.4	13.2	21.0
Health Care (63/FSPHX)	H ***	0.92	0.75(30)	139.62	2328.3	12.0	-2.8	-3.0	34.8	10.0	6.8	5.1
Consumer Finance (98/FSVLX)	H ***	1.22	0.75(30)	11.72	119.0	3.2	-3.7	-5.0	4.2	-11.0	-20.7	-8.1
Indust Equip (510/FSCGX)	B ****	1.53	0.75(30)	33.05	335.2	-2.1	-6.7	-12.0	20.2	3.4	5.8	6.3
Materials (509/FSDPX)	H ***	1.55	0.75(30)	70.46	1192.0	3.8	-1.6	-5.5	33.3	8.0	12.2	14.5
Insurance (45/FSPCX)	H ***	1.29	0.75(30)	45.79	242.3	-2.9	-4.1	-9.8	8.3	2.5	-3.9	2.2
Leisure (62/FDLSX)	H ***	1.05	0.75(30)	97.43	384.5	7.0	0.4	2.8	28.5	16.0	10.1	7.4
Medical Delivery (505/FSHCX)	B ****	1.21	0.75(30)	58.13	900.1	17.0	-2.6	-2.2	43.5	13.5	7.1	10.2
Medical Equip & Sys (354/FSMEX)	S **	1.01	0.75(30)	29.74	1664.5	8.4	-4.1	-5.4	28.7	5.9	9.5	10.0
Multimedia (503/FBMPX)	H ***	1.32	0.75(30)	45.55	219.9	7.0	-4.9	-7.4	24.2	13.4	6.1	5.1
Natural Gas (513/FSNGX)	B ****	1.56	0.75(30)	35.55	993.7	7.1	3.1	-4.2	28.8	-6.5	1.0	9.4
Nat Resources (514/FNARX)	H ***	1.53	0.75(30)	37.90	1815.8	9.1	1.4	-5.8	43.2	0.5	8.2	12.9
Pharmaceuticals (580/FPHAX)	B ****	0.83	0.75(30)	13.74	583.3	13.6	-0.8	-0.5	33.6	13.3	8.6	5.0
Retailing (46/FSRPX)	H ***	1.23	0.75(30)	54.78	195.8	8.0	0.9	0.3	36.1	20.2	10.3	7.1
Software (28/FSCTX)	B ****	1.02	0.75(30)	85.75	1287.1	4.7	-1.6	-4.4	30.0	12.1	11.5	7.2
Technology (64/FSPTX)	B ****	1.40	0.75(30)	96.37	2575.3	0.8	-2.1	-8.1	27.2	13.7	10.8	3.9
Telecom (96/FSTCX)	B ****	1.16	0.75(30)	47.55	427.8	2.5	-5.7	-5.3	18.8	7.2	4.2	2.5
Transportation (512/FSRFX)	H ***	1.27	0.75(30)	53.06	300.9	-2.9	-6.8	-8.7	10.8	7.4	5.6	7.7
Utilities (65/FSUTX)	B ****	0.										

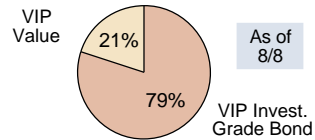
JULY PERFORMANCE						30-day	2011	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
INTERNATIONAL FUNDS:												
Canada (309/FICDX)	B ****	1.34	1.5(90)	59.06	4657.1		1.6	-1.2	-6.7	21.0	0.5	7.8
China Region (352/FHKCX)	H ***	1.28	1.5(90)	32.18	1944.8		-1.0	0.9	-4.7	16.9	9.4	13.0
Diversified Int'l (325/FDIVX)	S **	1.25	1(30)	30.97	22741.4		2.7	-0.5	-5.7	18.6	-2.0	1.2
Emerging EMEA (2053/FEMEX)	B ****	1.47	1.5(90)	9.67	147.0		2.3	0.3	-6.2	20.9	4.9	
Emerging Mkts (322/FEMKX)	B ****	1.59	1.5(90)	26.62	3682.1		1.0	1.3	-4.4	19.2	0.5	7.6
Europe (301/FIEUX)	S **	1.31	1(30)	32.07	785.6		2.4	-2.6	-8.4	19.6	-1.4	1.5
Europe Cap Appr (341/FECAX)	S **	1.35	1(30)	19.45	421.8		2.2	-2.7	-8.6	19.3	-2.3	1.1
Global Balanced (334/FGBLX)	H ***	0.77	1(30)	23.43	552.2		5.1	-0.1	-2.7	18.1	5.5	6.6
Glob Commodity Stk (2120/FFGCX)	B ****	1.6 Est	1(30)	17.28	663.2		0.8	0.4	-6.6	28.7		
Int'l Capital Apprec. (335/FIVFX)	B ****↑	1.50	1(30)	13.29	646.3		3.1	-0.7	-5.3	22.3	2.9	1.5
Int'l Discovery (305/FIGRX)	S **	1.23	1(30)	33.67	7995.3		1.9	-0.6	-6.0	18.5	-1.0	2.2
Int'l Growth (1979/FIGFX)	B ****	1.19	1(30)	8.90	56.9		2.7	-1.3	-5.4	22.2	3.1	
Int'l Real Estate (1368/FIREX)	S **	1.36	1.5(90)	9.30	327.4		-0.9	-0.3	-3.1	17.1	-1.4	-2.6
Int'l Small Cap (818/FISMV)	B ****	1.29	2(90)	22.52	1094.3		5.9	0.6	-2.5	31.4	5.7	4.8
Int'l Small Cap Opp (1504/FSCOX)	B ****	1.44	2(90)	10.69	387.1		2.9	-1.1	-5.2	22.8	-2.8	-1.1
Int'l Value (1597/FIVLX)	S **	1.44	1(30)	8.34	196.9		2.5	-2.2	-7.5	14.5	-2.9	-0.8
Japan (350/FJPNX)	B ****	1.12	1.5(90)	10.75	522.5		-3.8	2.5	0.5	9.6	-2.9	-4.4
Japan Smaller Co (360/FJSCX)	B ****	1.26	1.5(90)	9.59	337.0		4.4	4.5	4.2	17.7	2.0	-5.3
Latin America (349/FLATX)	H ***	1.62	1.5(90)	56.98	3623.8		-3.5	-3.3	-5.4	14.3	0.1	11.7
Nordic (342/FNORX)	B ****	1.63	1.5(90)	33.96	489.4		-1.1	-4.4	-12.4	18.9	-1.3	3.8
Overseas (94/FOSFX)	S **	1.26	1(30)	33.81	3605.4		4.1	-0.6	-4.9	20.5	-3.4	0.1
Pacific Basin (302/FPBFX)	B ****	1.49	1.5(90)	27.18	885.3		4.3	3.5	0.4	29.2	9.0	6.9
Emerging Asia (351/FSEAX)	B ****	1.18	1.5(90)	31.97	1843.3		4.4	1.8	-2.3	24.1	5.6	10.7
Total Int'l Equity (1978/FTIEX)	B ****	1.33	1(30)	7.64	144.4		2.1	-1.3	-6.1	18.4	0.0	
Worldwide (318/FWWFX)	H ***	1.11	1(30)	19.50	1256.8		4.5	-1.4	-5.2	25.2	2.1	4.6
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H ***	0.91	none	28.00	2456.6		3.8	-1.6	-4.2	17.3	3.4	3.2
NASDAQ Comp (1282/FNCMX)	B ****	1.12	0.75(90)	36.68	320.7		4.2	-0.6	-3.9	23.0	6.6	6.4
Spart Ext Mkt Idx (398/FSEMIX)	H ***	1.21	0.75(90)	39.06	4708.9		3.6	-3.3	-6.7	25.9	7.0	5.8
Spart Int'l Index (399/FSIIX)	H ***	1.27	1(90)	36.30	6707.1		3.5	-1.8	-5.8	17.1	-0.9	1.1
Spart 500 Index (650/FUSEX)	H ***	1.00	none	45.78	24310.1		3.8	-2.0	-4.8	19.6	2.9	2.4
Spart Total Mkt Idx (397/FSTMX)	H ***	1.03	0.5(90)	37.74	5686.1		3.9	-2.3	-5.1	20.9	3.6	3.1
Asset Mgr 20% (328/FASIX)	H ***	0.36	none	13.09	3636.0		3.2	0.5	-0.1	8.2	6.1	4.8
Asset Mgr 30% (1957/FTANX)	H ***	0.47	none	9.89	202.9		3.4	0.4	-0.7	10.2	6.3	
Asset Mgr 40% (1958/FFANX)	H ***	0.56	none	9.78	139.4		3.4	0.0	-1.5	11.9	6.2	
Asset Mgr 50% (314/FASMX)	H ***	0.69	none	15.82	6574.4		3.4	-0.2	-2.2	14.0	6.6	4.9
Asset Mgr 60% (1959/FSANX)	H ***	0.76	none	9.81	244.3		3.3	-0.6	-3.1	15.2	6.7	
Asset Mgr 70% (321/FASGX)	H ***	0.89	none	16.83	2474.0		3.1	-1.0	-3.9	17.2	5.8	4.3
Asset Mgr 85% (347/FAMRX)	H ***	1.02	none	13.76	673.8		2.7	-1.5	-5.2	19.3	5.3	3.9
Freedom 2000 (370/FFFBX)	H ***	0.36	none	12.30	1421.5		3.4	0.5	-0.2	8.2	4.8	4.4
Freedom 2005 (1312/FFVFX)	H ***	0.61	none	11.15	899.9		3.5	0.1	-1.7	11.9	4.5	4.2
Freedom 2010 (371/FFFCX)	H ***	0.66	none	14.06	9174.5		3.9	0.0	-2.1	13.6	4.9	4.5
Freedom 2015 (1313/FFVFX)	H ***	0.69	none	11.74	8597.5		3.9	0.0	-2.2	13.9	4.7	4.4
Freedom 2020 (372/FFFDX)	H ***	0.81	none	14.27	19191.3		3.9	-0.2	-2.9	15.6	4.1	4.0
Freedom 2025 (1314/FFTWX)	H ***	0.86	none	11.90	9950.8		3.7	-0.5	-3.7	16.7	4.1	3.9
Freedom 2030 (373/FFFEV)	H ***	0.94	none	14.21	14155.7		3.6	-0.6	-4.0	17.3	3.1	3.3
Freedom 2035 (1315/FFTHX)	H ***	0.98	none	11.81	6733.7		3.4	-0.9	-4.8	18.1	2.9	3.1
Freedom 2040 (718/FFFFX)	H ***	1.00	none	8.25	8672.0		3.4	-1.0	-4.9	18.2	2.7	3.0
Freedom 2045 (1617/FFFGX)	H ***	1.01	none	9.77	2627.7		3.3	-1.0	-5.1	18.5	2.7	3.0
Freedom 2050 (1618/FFFHX)	H ***	1.05	none	9.65	2158.5		3.2	-1.1	-5.3	19.2	2.2	1.6
Freedom Income (369/FFFAX)	H ***	0.33	none	11.58	2804.9		3.3	0.5	-0.2	7.9	5.1	4.5
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	B ****	0.86	1(90)	9.57	10762.3	4.76	4.9	0.0	-2.2	16.0	14.2	10.1
Conservative Income (2267/FCONX)	B ****	0.1 Est	none	10.00	286.6	0.33		-0.1				
Corporate Bond (2208/FCBFX)	B ****	0.4 Est	none	10.64	65.3	3.10	6.9	2.4	3.1	9.1		
Floating Rate (814/FRHIX)	B ****	0.44	1(60)	9.80	6469.0	3.14	1.6	0.1	-0.3	6.3	5.4	4.6
Focused High Inc (1366/FHIFX)	B ****	0.60	1(90)	9.27	776.9	5.20	5.4	1.2	1.1	10.2	9.1	6.9
GNMA Portfolio (15/FGMNX)	H ***	0.15	none	11.78	7956.7	3.45	4.7	1.2	2.7	5.0	7.9	7.2
Global High Income (2297/FGHIX)	B ****	0.7 Est	1(90)	9.89	24.2	5.58		0.8				
Gov't Income (54/FGOVX)	B ****	0.20	none	10.68	4183.6	1.78	3.7	1.4	2.5	3.3	6.1	6.4
High Income (455/SPHIX)	B ****	0.72	1(90)	9.10	4726.2	6.07	5.4	1.0	0.1	12.3	11.6	8.7
Inflation-Protected (794/FINPX)	H ***	0.41	none	12.61	2243.0	0.06	9.4	3.9	4.8	11.1	6.3	6.3
Intermed Bond (32/FTHRX)	B ****	0.25	none	10.82	4273.8	2.17	4.4	1.4	2.2	5.1	7.6	5.8
Intermed Gov't Inc (452/FSTGX)	H ***	0.16	none	10.97	1199.0	1.04	3.3	1.3	2.3	3.0	5.3	5.9
Invest Grade Bond (26/FBNDX)	B ****	0.25	none	7.61	4630.4	3.04	4.9	1.5	2.3	6.3	7.6	5.5
Mortgage Securities (40/FMSFX)	H ***	0.12	none	11.06	761.0	3.39	4.0	1.0	2.1	4.8	7.7	5.0
New Markets Inc (331/FNMIX)	B ****	0.75	1(90)	16.15	4029.0	5.41	6.5	1.9	3.8	9.1	11.5	9.5
Short-Term Bond (450/FSHIX)	B ****	0.10	none	8.54	8008.3	0.89	1.8	0.4	0.8	2.5	3.3	2.6
Spart Intermed Tr Idx (1561/FIBIX)	B ****	0.35	none	11.14	1673.1	2.11	6.2	2.9	4.7	5.4	7.2	7.7
Spart L-Term Tr Idx (1562/FLBIX)	H ***	0.67	none	10.88	140.5	3.86	6.5	4.3	5.4	2.8	7.2	7.5
Spart S-Term Tr Idx (1560/FSBIX)	H ***	0.11	none	10.63	248.2	0.50	2.2	0.8	1.5	2.2	3.8	4.9
Strategic Income (368/FSICX)	B ****	0.46	none	11.38	8820.0	3.81	5.7	1.2	1.1	9.7	10.5	8.5
Total Bond (820/FTBFX)	B ****	0.27	none	11.01	11810.8	3.05	4.8	1.5	2.2	6.5	8.7	6.8
Ultra-Short Bond (812/FUSFX)	H ***	0.04	0.25(60)	8.20	242.9	0.46	0.5	0.0	0.0	1.0	0.5	-1.7
Spart US Bond Index (651/FBIDX)	H ***	0.19	none	11.60	8616.9	2.61	4.2	1.6	2.4	4.2	6.6	5.9
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FSAZX)	H ***	0.27	0.5(30)	11.38	156.0	3.38	4.5	0.8	2.3	2.6	5.3	4.3
CA Municipal Inc (91/FCFX)	H ***	0.29	0.5(30)	11.98	1525.3	3.82	5.6	1.1	3.4	3.1	4.9	4.1
CA Short-Int TF (1534/FCSTX)	H ***	0.13	0.5(30)	10.71	680.5	1.27	3.0	0.6	1.6	2.3	4.4	4.3
CT Municipal Inc (407/FICNX)	H ***	0.23	0.5(30)	11.55	525.6	2.63	5.0	0.9	2.5	3.2	5.4	4.7
Intermediate Muni (36/FLTMX)	H ***	0.17	0.5(30)	10.21	3732.5	2.50	4.0	0.8	2.2	2.8	4.9	4.6
MA Municipal Inc (70/FDMMX)	H ***	0.25	0.5(30)	11.93	2139.9	3.16	4.9	0.9	2.6	2.7	5.3	4.5
MD Municipal Inc (429/SMDMX)	H ***	0.24	0.5(30)	11.01	181.2	2.69	4.2	0.8	2.4	2.4	5.1	4.4
MI Municipal Inc (81/FMHTX)	H ***	0.21	0.5(30)	11.90	591.5	3.14	4.5	1.1	2.6	3.0	5.1	4.5
MN Municipal Inc (82/FMIX)	H ***	0.21	0.5(30)	11.52	491.9	2.51	4.6	0.8	2.1	3.0	5.2	4.5
Municipal Income (37/FHIGX)	H ***	0.26	0.5(30)	12.61	5535.4	3.61	5.3	1.0	3.2	3.2	5.3	4.4
NJ Municipal Inc (416/FNJHX)	H ***	0.26	0.5(30)	11.55	591.9	3.12	4.6	1.3	3.3	2.3	4.9	4.4
NY Municipal Inc (71/FTFMX)	H ***	0.26	0.5(30)	12.89	1676.8	3.31	4.6	0.7	2.6	2.4	5.2	4.6
OH Municipal Inc (88/FOHFX)	H ***	0.24	0.5(30)	11.66	524.0	3.19	4.8	0.8	2.6	3.0	5.2	4.6
PA Municipal Inc (402/FPXTX)	H ***	0.20	0.5(30)	10.76	402.6	3.36	4.7	0.9	2.4	3.1	5.0	4.4
Short-Int Municipal (404/FSTFX)	B ****	0.10	0.5(30)	10.75	3390.8	1.26	2.8	0.6	1.6	2.4	3.8	4.1
Tax-Free Bond (90/FTABX)	H ***	0.26	0.5(30)	10.82	1880.3	3.59	5.2	0.9	3.0	2.8	5.4	4.7

JULY 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	12143.24	6.4	-2.0	-4.6	19.1	5.2	4.4	4.0
S&P 500	1.00	1292.28	3.9	-2.0	-4.7	19.6	2.9	2.4	2.6
NASDAQ	1.12	2756.38	4.4	-0.6	-3.8	23.5	6.9	6.6	3.9
Russell 2000	1.29	797.03	2.3	-3.6	-7.6	23.9	5.2	4.0	6.5
Fidelity Monitor Income Model	0.38	100582.96	4.6	1.2	1.4	7.2	5.5	4.1	4.6
Fidelity Monitor G&I Model	0.66	187283.77	3.7	-0.6	-2.8	12.8	2.8	2.8	6.0
Fidelity Monitor Growth Model	1.04	197766.11	4.3	-1.6	-5.1	22.2	2.3	2.2	5.8
Fidelity Monitor Select System	1.18	409821.18	7.6	-2.3	-4.7	20.3	1.9	5.1	6.4
Fidelity Monitor Unique Opportunities	1.27	133006.75	3.3	-2.6	-6.6	21.6	1.6	2.6	9.7

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.

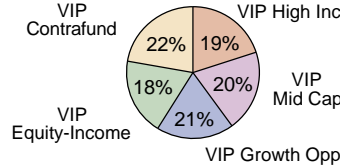
VIP INCOME MODEL



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: + 4.4%
2002: + 7.3%	

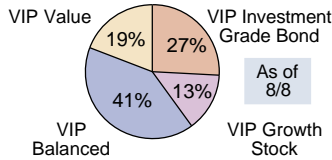
VIP GROWTH MODEL



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: + 3.7%
2002: -21.7%	

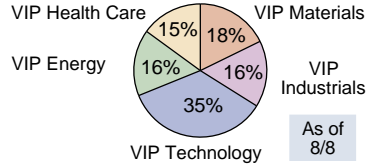
VIP G & I MODEL



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: + 3.7%
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: + 3.7%
2007: +11.2%	

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

JULY 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 ***	1.14	12.38	4.0	-0.8	-4.3	25.0	3.9	4.1
VIP Asset Manager	H ***	0.74	42.07	3.8	0.0	-2.1	14.9	3.5	5.3
VIP Asset Manager: Growth	H ***	0.95	26.68	3.7	-0.5	-3.5	18.7	2.0	4.9
VIP Balanced	B ***	0.93	20.18	2.3	-1.2	-4.3	16.9	6.1	4.8
VIP Consumer Discretionary	H ***	1.19	13.63	2.6	-1.1	-3.1	25.3	11.8	4.1
VIP Consumer Staples	H ***	0.77	12.40	4.7	-1.1	-1.9	17.7	7.1	
VIP Contrafund	B ***	1.10	47.65	3.3	-1.4	-5.4	20.3	3.2	3.2
VIP Disciplined Small Cap	H ***	1.20	10.07	3.6	-3.7	-6.7	24.1	3.8	2.0
VIP Dynamic Capital Appreciation	B ***	1.16	15.01	1.3	-3.6	-5.9	13.9	2.9	2.1
VIP Energy	B ***	1.53	28.09	11.5	1.2	-5.6	44.6	-2.1	4.9
VIP Equity-Income	B ***	1.17	60.06	3.2	-2.7	-5.7	18.0	1.2	-0.4
VIP Financial Services	H ***	1.50	7.88	-9.1	-3.7	-10.4	-3.1	-6.7	-10.2
VIP Freedom 2005	H ***	0.60	12.87	2.9	-0.3	-1.8	10.8	4.1	3.9
VIP Freedom 2010	H ***	0.65	13.10	3.3	-0.2	-2.1	12.7	4.6	4.2
VIP Freedom 2015	H ***	0.68	13.25	3.4	-0.3	-2.1	12.9	4.4	4.0
VIP Freedom 2020	H ***	0.82	13.13	3.7	-0.5	-2.8	15.1	3.9	3.7
VIP Freedom 2025	H ***	0.88	13.26	3.7	-0.8	-3.4	16.7	4.0	3.7
VIP Freedom 2030	H ***	0.97	12.94	3.6	-1.0	-3.7	17.6	2.9	3.0
VIP Freedom Income	H ***	0.31	12.63	2.3	0.1	-0.5	6.1	4.2	3.9
VIP FundsManager 20	H ***	0.27	11.91	2.3	0.4	-0.5	6.4	3.8	3.6
VIP FundsManager 50	H ***	0.58	11.61	3.0	-0.3	-2.4	12.4	4.0	3.4
VIP FundsManager 70	H ***	0.80	11.08	3.2	-0.9	-3.8	16.2	3.2	2.7
VIP FundsManager 85	H ***	0.96	10.62	2.6	-1.3	-4.8	18.0	2.4	2.0
VIP Growth	B ***	1.10	67.66	7.8	-0.4	-3.1	31.4	1.2	4.0
VIP Growth & Income	H ***	1.05	18.39	1.9	-2.1	-5.6	18.5	-0.4	0.9
VIP Growth Opportunities	B ***	1.23	14.19	8.2	-1.5	-4.0	32.4	2.2	4.1
VIP Growth Stock	B ***	1.09	13.10	8.0	-0.3	-3.2	29.4	6.1	6.2
VIP Health Care	B ***	0.91	16.06	11.8	-2.7	-3.1	34.1	9.6	6.1
VIP High Income	B ***	0.68	40.58	5.4	1.1	0.7	11.9	8.7	6.6
VIP Index 500	H ***	1.00	36.93	3.4	-2.1	-5.0	18.6	2.1	1.6
VIP Industrials	B ***	1.45	22.14	-0.1	-6.3	-10.8	19.0	5.7	6.9
VIP Int'l Capital Appreciation	B ***	1.50	12.04	2.7	-0.8	-5.5	21.5	2.2	0.9
VIP Investment Grade Bond	B ***	0.24	37.23	4.2	1.5	2.0	4.8	7.3	5.6
VIP Materials	B ***	1.55	13.94	3.3	-1.7	-5.7	32.6	7.3	
VIP Mid Cap	B ***	1.08	26.01	-1.3	-1.8	-7.8	19.8	4.8	5.2
VIP Money Market			21.65	-0.4	-0.1	-0.2	-0.6	-0.1	1.4
VIP Overseas	S **	1.25	38.74	3.5	-1.5	-5.8	22.0	-1.5	1.2
VIP Real Estate	H ***	2.02	21.66	11.1	0.7	-1.8	23.4	5.8	2.0
VIP Strategic Income	B ***	0.44	16.38	5.0	1.1	0.9	8.4	9.4	7.5
VIP Technology	B ***	1.40	14.97	0.2	-2.3	-8.7	26.7	14.4	10.4
VIP Telecommunications	B ***	1.13	8.98	1.8	-5.5	-5.1	17.7	5.4	
VIP Utilities	B ***	0.86	13.82	7.8	-0.8	-0.2	17.2	-0.3	3.3
VIP Value	B ***	1.43	10.95	1.6	-3.2	-6.6	15.8	0.8	0.0
VIP Value Leaders	S **	1.19	9.77	0.0	-4.7	-8.8	11.3	-2.8	-2.5
VIP Value Strategies	B ***	1.54	15.51	2.6	-3.1	-6.4	22.2	5.6	3.0
Fidelity Monitor VIP Income Model		0.41	23701.46	4.4	1.4	1.7	6.2	5.7	4.7
Fidelity Monitor VIP G&I Model		0.84	27655.55	3.7	-0.6	-2.8	13.9	3.5	3.6
Fidelity Monitor VIP Growth Model		1.00	34473.97	3.7	-1.3	-4.6	20.4	-0.2	-0.1
Fidelity Monitor VIP Sector Model		1.29	21864.67	3.7	-3.2	-6.1	18.9	5.8	5.1

INCOME AND PRESERVATION MODEL

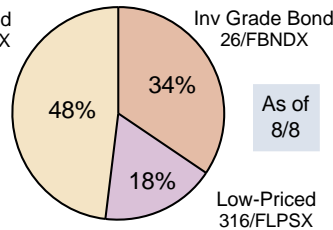
For low-risk investors wanting to stay ahead of inflation.
Target Growth Rate: 8% Target Risk Level: 0.50

FUND	NAV	SHARES	BALANCE
Invest. Grade Bond	\$7.61	4525.714	\$34440.68
Capital & Income	\$9.57	1847.482	\$17680.40
Total Bond	\$11.01	4401.624	\$48461.88

10% Foreign Holdings

Balance as of 7/29/11: \$100582.96
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%	*2011: + 4.6%

We were up 1.2% in July. On 8/8 we will sell **Capital & Income** and buy **Low-Priced Stock**. Mix: 16% stock, 79% bond and 5% cash.

GROWTH AND INCOME MODEL

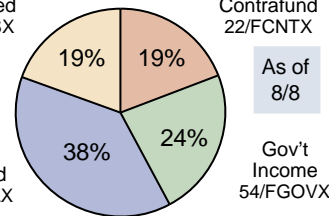
For investors seeking a conservative path to growth.
Target Growth Rate: 10% Target Risk Level: 0.75

FUND	NAV	SHARES	BALANCE
Contrafund	\$70.88	505.431	\$35824.95
Gov't Income	\$10.68	3355.556	\$35837.34
Balanced	\$18.85	3770.493	\$71073.79
Equity-Income	\$44.36	1004.231	\$44547.69

14% Foreign Holdings

Balance as of 7/29/11: \$187283.77
Balance at start of 2011: \$180595.78

Low-Priced
316/FLPSX



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: + 3.7%

We were off 0.6% in July. On 8/8 we'll sell **Equity-Income**, placing 4/5 of the proceeds in **Low-Priced Stock**, and adding the remaining 1/5 to **Gov't Income**. Mix: 58% stock, 37% bond and 5% cash.

GROWTH MODEL

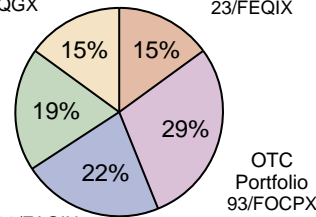
For moderately aggressive stock-oriented investors.
Target Growth Rate: 12% Target Risk Level: 1.00

FUND	NAV	SHARES	BALANCE
Equity-Income	\$44.36	660.213	\$29287.05
OTC Portfolio	\$59.27	984.424	\$58346.81
Capital & Income	\$9.57	4592.246	\$43947.79
Low-Priced Stock	\$40.67	911.107	\$37054.72
Focused Stock	\$14.55	2002.044	\$29129.74

17% Foreign Holdings

Balance as of 7/29/11: \$197766.11
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%	*2011: + 4.3%
1999: +29.0%	

We were off 1.6% in July, versus a 2.0% decline for the S&P. On 7/5 we sold **Div. Growth** (\$30.02) and part of **Equity-Inc.** (\$46.70), buying **Low-Priced** (\$42.10). Mix: 79% stock, 16% bond, 5% cash.

SELECT SYSTEM (SECTOR PORTFOLIO)

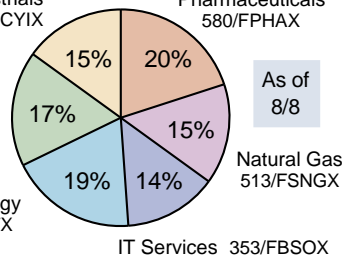
For aggressive stock-oriented investors.
Target Growth Rate: 14% Target Risk Level: 1.25

FUND	NAV	SHARES	BALANCE
Pharmaceuticals	\$13.74	6078.349	\$83516.52
Natural Gas	\$35.55	1931.868	\$68677.91
IT Services	\$22.11	2682.357	\$59306.91
Technology	\$96.37	797.531	\$76858.06
Telecom	\$47.55	1307.934	\$62192.26
Industrials	\$23.33	2540.485	\$59269.52

20% Foreign Holdings

Balance as of 7/29/11: \$409821.18
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%	*2011: + 7.6%
2000: -14.9%	

We lost 2.3% in July, versus a 2.0% decline for the S&P. On 7/5 we traded **Utilities** (\$52.86) for **IT Serv.** (\$23.14), **Medical Del.** (\$60.61) for **Pharmaceuticals** (\$14.02), and **Software** (\$88.73) for **Industrials** (\$25.16). See page 1 for upcoming trades. Mix: 97% stock, 3% cash.

UNIQUE OPPORTUNITIES MODEL

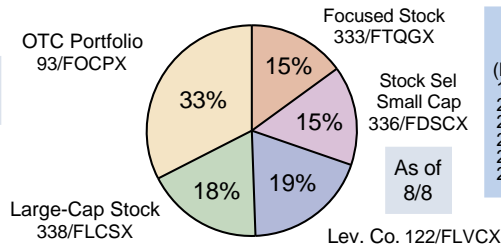
For aggressive stock-oriented investors.
Target Growth Rate: 14% Target Risk Level: 1.25

FUND	NAV	SHARES	BALANCE
Focused Stock	\$14.55	1415.179	\$20590.85
Stock Sel Small Cap	\$19.23	1052.156	\$20232.96
Leveraged Company	\$28.85	860.402	\$24822.60
Equity-Income	\$44.36	539.489	\$23931.73
OTC Portfolio	\$59.27	732.725	\$43428.61

10% Foreign Holdings

Balance as of 7/29/11: \$133006.75
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%	*2011: + 3.3%

Our Unique Opportunities Model was down 2.6% in July, versus a 2.0% decline for the S&P 500. On 8/8 we will sell **Equity-Income** and buy **Large-Cap Stock**. Mix: 99% stock and 1% cash.

solo manager to make bold changes in strategy at the worst possible time. **Low-Priced** has a well-defined investment style, and a team management approach is a good way to make sure that Tillinghast's self-imposed discipline carries forward.

SUMMARY

Low-Priced Stock is a solid bet for stock holdings that would normally be invested in a value-oriented fund. It has less volatility, greater diversification, and its benchmark doesn't require it to maintain an overweighed position in the financial sector. Tillinghast's leave of absence is not likely to affect performance this year or next. We are including the fund in several of our model portfolios as a value play. And for those who crave a little overseas exposure, **Low-Priced** is a good way to take on foreign diversification without boosting risk or diluting returns. That's because it focuses on foreign stocks that are neither popular nor fast-growing. ■

Debt Ceiling Scenarios

With the debt ceiling standoff running into overtime, we see four possible scenarios, none of which are bearish in the long run (although some could lead to a significant short-term selloff for stocks):

- A last-minute deal that passes by the 2nd, but doesn't increase the debt ceiling by enough to get through the 2012 elections. We give this scenario a 40% chance. Stocks would recover their late July losses, and bonds would see little change.
- A far-reaching deal that doesn't get done until after the 2nd – one that raises the debt ceiling by enough to get through the 2012 elections. We also give this 40% odds. Investors continue to make defensive moves in early August as they anticipate heightened volatility, but the deadline arrives and investors realize there's a plan to conserve cash while Congressional wrangling continues, and that treasuries are in no danger of default. But a full market recovery doesn't occur until a deal is secured.
- Failure to reach any agreement on the debt ceiling for many months to come – possibly until after the 2012 elections. We give this 18% odds. The rating agencies downgrade the debt, causing long-term interest rates to rise a point or two, but there is no default because treasury payments are prioritized ahead of other obligations (much as California handled its general obligation munis when it ran short of cash in a budget standoff). Stimulus programs and payments to the states are suspended to maintain critical entitlements and essential operations. A mild bear market hits stocks, but recovery takes hold as investors

Long-term interest rates declined as investors braced for reduced government spending. **Spartan Long-Term Treasury** gained 4.3%, **Inflation-Protected Bond** rose 3.9%, and **Spartan Intermediate Treasury** edged up 2.9%. On the bottom, **Capital & Income** and **Ultra Short** were both flat and **Conservative Income** declined 0.1%.

Municipal bonds also saw a lift from declining rates, posting gains ranging from 0.6% to 1.3%.

SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. Our favorite long-term bets include **Technology, Chemicals, Pharmaceuticals, IT Services, Natural Gas, Telecom, Automotive, Industrials** and **Industrial Equipment**.

The energy group benefited from better-than-expected earnings, and precious metals rose on fears of a treasury default. **Energy Service** jumped 5.9%, **Gold** gained 4.7%, and **Natural Gas** climbed 3.1%. But others suffered due to weak second-quarter earnings. **Air Transportation** lost 8.3%, **Environment & Alt Energy** fell 9.8%, and **Communications Equipment** plunged 10.5%. ■

JULY DISTRIBUTIONS

Asset Manager 20%	\$ 0.022/\$13.11 (7/8)
Asset Manager 30%	\$ 0.018 / \$9.94 (7/8)
Asset Manager 40%	\$ 0.052 / \$9.87 (7/8)
Asset Manager 50%	\$ 0.086/\$16.02 (7/8)
Balanced	\$ 0.101/\$19.17 (7/8)
Convertible Securities	\$ 0.186/\$26.88 (7/8)
Equity-Income	\$ 0.25 / \$46.42 (7/8)
Equity-Income II	\$ 0.099/\$19.17 (7/8)
Freedom Income	\$ 0.013/\$11.60 (7/8)
Global Strategies	\$ 0.303 / \$9.64 (7/8)
Growth & Income	\$ 0.089/\$19.25 (7/8)
Puritan	\$ 0.103/\$18.91 (7/8)
Spartan 500 Index (Inv. Class)	\$ 0.233/\$47.58 (7/8)
Strategic Dividend & Income	\$ 0.087/\$11.55 (7/8)
Strategic Real Return	\$ 0.095 / \$9.88 (7/8)
Telecom & Utilities	\$ 0.17 / \$17.43 (7/8)

Payouts for August include: **Asset Mgr. 20%, Asset Mgr. 30%, Growth Discovery, Fidelity Fifty, Fidelity Fund, Freedom Inc., and Mega Cap Stock.**

realize that corporate earnings aren't dramatically affected.

- Same as the previous scenario, but with an actual treasury default. We give this 2% odds. The impact is similar, except that bonds and the dollar are hit harder, and there are disruptions and negative earnings surprises in the financial sector. It's still not the end of the world, as the smart money knows treasury interest is only being delayed.

Given that these scenarios are only short-term bearish, we don't think it makes sense to hedge against them. And even if we did want to hedge, there's a huge risk of doing long-term damage by selling low and buying high. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	117454.9	0.01	CT MM (418/FCMXX)	1706.2	0.01			
Select MM (85/FSLXX)	6863.5	0.01	MA MM (74/FDMXX)	4973.1	0.01			
Money Market (454/SPRXX)	4073.0	0.01	MI MM (420/FMIXX)	863.1	0.01	MA AMT TF (426/FMSXX)	314.8	0.01
Gov't MM (458/SPAXX)	605.3	0.01	NJ MM (417/FNJXX)	2060.6	0.01	AMT Tax-Free (460/FIMXX)	1361.5	0.01
US Treas. MM (415/FDLXX)	5443.7	0.01	NY MM (92/FNYXX)	4847.1	0.01	NJ AMT TF (423/FSJXX)	260.5	0.01
Tax-Free MM (275/FMOXX)	6651.3	0.01	OH MM (419/FOMXX)	999.5	0.01	NY AMT TF (422/FSNXX)	486.4	0.01
US Gov't Reser (50/FGRXX)	2702.7	0.01	AZ MM (433/FSAXX)	360.4	0.01	PA MM (401/FPTXX)	653.5	0.01
CA MM (97/FCFXX)	5204.6	0.01	CA AMT TF (457/FSPXX)	534.9	0.01	Municipal MM (10/FTEXX)	22918.5	0.01