

Jack  
Bowers



# Fidelity

Best Performing  
Fidelity Newsletter

25  
Years

FEBRUARY  
2012

# Monitor™

## Question & Answer Forum

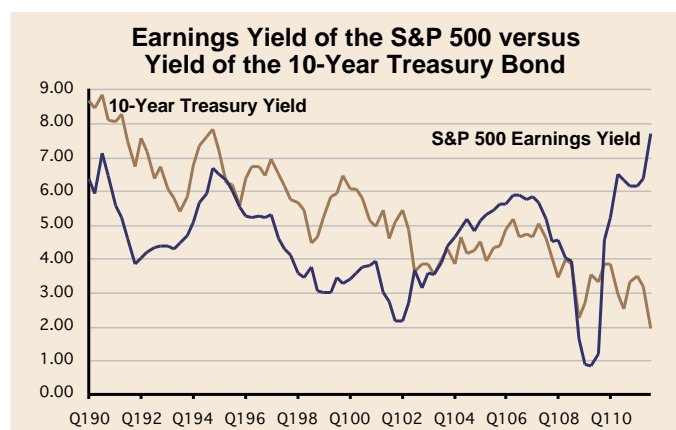
### I don't understand why you remain bullish on stocks after bonds enjoyed such a great year.

Thanks to robust earnings and low interest rates, stocks are relatively cheap. Bonds, on the other hand, are expensive because today's low yields are not high enough to compensate investors for inflation (except for high-yield bonds, which provide a higher income stream because of their heightened default risk).

The valuation disparity between stocks and bonds is highlighted by the difference between the S&P 500's earnings yield (the reciprocal of its P/E ratio) and the 10-year treasury bond yield. This spread, which widened to nearly six percentage points at the end of the third quarter, has often been small or negative in the past. The last time it grew this wide was in September of 1974, after the economic impact of the Arab Oil Embargo was close to being fully reflected. In the five years following the big gap, stocks outperformed bonds by an average of 10 percentage points per year.

While it's possible that today's yield gap will be closed by a big loss on the bond side, that seems unlikely.

QUESTION AND ANSWER - *Continued on page 2*



## Check Hotline For Switches

As announced on our 1/28/12 hotline update, we made a trade in our Select System. Please see page 3 for details. Please check our hotline each weekend by reading the email, logging into [fidelitymonitor.com](http://fidelitymonitor.com), or calling 800-686-7301. Changes will usually be announced near the end of the month.

## Review & Recommendations

Fourth-quarter earnings came in about as expected, but many stock investors were relieved because they were expecting worse. Three-year bank loans have helped stabilize the situation in Europe (except for Greece, which is headed for default). And the Fed's detailed interest rate projections helped risk assets in general because they suggest that rates may remain near zero well into 2014. The S&P 500 gained 4.5% for the month of January.

### DOMESTIC EQUITY FUNDS

Our individual favorites include **Stock Selector Small Cap, OTC Portfolio, Blue Chip Growth, Mega Cap Stock, Growth & Income, Focused Stock, Value Strategies, Contrafund** and **Low-Priced Stock**.

The funds with the highest volatility tended to see the biggest recovery bounce. **Leveraged Company Stock** and **Independence** led the group with respective gains of 10.6% and 9.7%. In contrast, funds holding utility stocks and other defensive issues were weak in comparison. **Equity-Income** rose 3.5% and **Equity Dividend Income** (the former **Equity-Income II**) returned 3.0%.

### INTERNATIONAL FUNDS

Our favorites in this group include **Int'l Small Cap, Int'l Growth, Emerging Asia** and **Emerging Markets**.

Here again, the more aggressive funds were generally the best performers. **Emerging Asia** was up 9.9%, **Latin America** gained 9.6%, and **Global Commodity Stock** climbed 9.5%. **Japan Smaller Companies**, on the other hand, lagged with a 1.1% increase as the strong yen continued to drive manufacturing and automotive jobs out of the country.

### GROWTH & INCOME FUNDS

Our favorite asset allocation funds include **Balanced, Puritan** and **Strategic Dividend & Inc.**

The Fed's extended interest rate projection helped give a lift to funds that are sensitive to borrowing costs. **Convertible Securities** jumped 7.9%, and **Real Estate** gained 6.7%. On the flip side, investors took profits on last year's defensive winners, causing **Telecom & Utilities** to finish on the bottom with a 3.9% loss.

### INCOME FUNDS

Our bond favorites, in increasing order of risk, include **Conservative Income, Short-Term Bond, Strategic Inc., Focused High Inc., High Income**, and **Global High Inc.**

RECOMMENDATIONS - *Continued on page 8*

QUESTION AND ANSWER - *Continued from page 1*

Borrowing demand is too weak, and inflationary pressures are too low to push up bond yields. And with the housing market the way it is, that probably won't change for at least a decade.

Which brings us back to stocks and the relatively low valuation levels for the stocks that make up the S&P 500. Within this group of companies, there is an enormous amount of cash that's being generated and returned to shareholders in the form of dividends and stock buybacks. Third-quarter dividends were up 15% on a year-over-year basis, while buybacks jumped 49%. Total compensation for the 12-month period rose above \$600 billion, for a dividend-plus-buyback yield of 6.1%. Is this sustainable? Yes, because at 7.7%, earnings are even higher.

While it's hard to predict what might happen in the near-term, cheap valuations and robust shareholder compensation suggests that stocks will perform at or above historical rates of return over the next 5-10 years.

**I read somewhere that stock buybacks don't really make much difference in price performance.**

The "studies" that come to this conclusion argue that corporations buy too much of their stock when the price is too high, or they suggest the stock price simply doesn't respond to this kind of shareholder compensation.

Either way, the conclusion is wrong. The same arguments can be made of dividends, but no one is calling dividends an inappropriate form of compensation. In most cases the time period for these studies is ridiculously short, typically just a 12-month period.

Buybacks boost earnings per share (EPS). Some 20% of S&P 500 companies bought back 4% or more of their outstanding shares over the last 12 months. Other things being equal, their EPS numbers should be at least 4% higher over the next 12 months. While small improvements like this may not move the needle much over a 12-month period, a steady commitment to buying back stock can make a big difference over a decade.

Case in point, IBM has bought back about 28% of its outstanding shares over the last ten years, and says it plans to continue its buying spree over the next five years. Exxon and Microsoft have both bought back about a third of their outstanding shares over the same period. Granted, shareholders may have been slightly better off if the money had been paid in the form of dividends, but the favorable impact on EPS in these situations cannot be denied. Furthermore, all three of these firms are sporting P/E ratios that are at or above those of their peers.

**I noticed that you listed both sets of annuity prices in your VIP corner this last month. Which group are you tracking for the total return figures?**

Effective this month, we are now reporting on the performance of the Personal Retirement Annuity (PRA)

group instead of Retirement Reserves (RR). Although the fund choices are the same, the PRA expenses are lower (0.25% versus 0.8% for RR), meaning the total return figures will be slightly higher.

Why make the change? The Retirement Reserves lineup is closed to new investors, so it won't be long until the Personal Retirement Annuity group has a larger asset base. By making this change now, readers who are currently in Personal Retirement Annuity accounts will have a better idea of how their holdings have performed, and our model portfolios will track with our affiliate publication Fidelity Insight (which already follows the PRA group).

The main drawback of converting an RR account to the PRA group is that you give up the life insurance features, including protection against loss over the full ownership period up until age 85 (that feature may be important for investors who are currently underwater in their accounts). But from the standpoint of future model portfolio performance, we'd rather enjoy the improved returns that come with lower expense ratios.

**I noticed several Selects lagged their ETF equivalents in the last 3 months of 2011. Since ETFs have lower fees, why not use them in the Select System?**

Fidelity recently filed to expand its ETF lineup beyond the lonely NASDAQ index-tracking stock. The structure being proposed requires waiving some existing regulations, so it may not happen quickly, but perhaps we'll see a new sector lineup that includes index funds and ETFs around this time next year.

However, adopting ETFs for use in our Select System is no easy decision, because it might end up hurting long-term performance instead of enhancing it. Why? Because expenses are only a minor factor in performance, but Fidelity uses that money for top-notch research, which can have a large and positive impact on performance. The media talks loud and long about the importance of keeping expenses low, but the studies they cite only consider the mutual fund industry as a whole. If they were to look at Fidelity only, a different picture would emerge. The extra 75 basis points in the expense ratio often translates into an annual performance advantage of 225-300 basis points, meaning the money spent on research pays back 3-4 times over. In an environment like this, adopting a passive approach to sectors might actually be a foolish move.

For the 10 years ending 12/31/11, 31 out of 39 Fidelity Selects finished ahead of the S&P 500 index, a success rate of 79%. While there will always be periods like the fourth quarter where domestic blue chips trounce small-caps and foreign issues, this kind of market behavior is the exception rather than the rule. Over the long run, smaller stocks tend to outperform, and Fidelity has done quite well with its research and stockpicking in this segment. ETFs, on the other hand, are largely limited to

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the large-cap universe because it's the only way to maintain liquidity during market hours.

So why is Fidelity motivated to embrace ETFs? Most likely to combat the mind set that permeates individual investors. Many believe that ETFs are the best thing since sliced bread, a view that has been reinforced by the media's low-expense mantra and the lack of any trading restrictions. One possibility is that Fidelity plans to cater to these investors with a Select-like ETF lineup, with the hope that these folks will eventually "discover" the Select family's superior performance.

### **Why have you moved away from preannouncing your switches on page 1?**

The main problem with restricting switch timing to once a month and announcing changes weeks beforehand in the newsletter is that it limits our ability to respond to changes in the market. There were several situations last year where we might have been able to improve results by reducing the lag between switch decisions and their execution. By announcing trades on the weekly hotline (and later summarizing them in the newsletter), we'll have greater flexibility in dealing with any new developments that come along.

This change also makes it possible to keep all of our portfolios running in sync with those of our affiliate, Fidelity Insight. By announcing portfolio changes at the same time for both newsletters, we'll eliminate the drift in performance that might otherwise occur. And it lays the groundwork to present daily performance updates on our Web site, which we plan to do later this year.

### **I've been getting both Fidelity Monitor and Fidelity Insight, mainly to follow the portfolios. Now that both letters have the same model holdings, I don't really need both subscriptions.**

If you have a favorite of the two newsletters, we're happy to transfer the remaining balance of unmailed issues over to the subscription you want to keep. Whenever it's convenient, just give us a call at 800-397-3094.

### **You rated the muni bond group as a sell a year ago, but it ended up being the best performing group for 2011. Your comments?**

A year ago, I was worried that the end of the Build America Bond program would take away a key lifeline for marginal municipalities, resulting in some high-profile defaults and possibly a large-scale exodus from the sector. That scenario never materialized. Instead, a combination of tax increases, pension reforms, and budget cuts helped reduce credit risk, prompting us to upgrade most of the group to a hold rating in early May.

We considered a buy rating for some of the national munis over the summer, but by then there were other concerns. The debt ceiling limit was a potential problem for the less liquid bond markets, and any effort to cap the amount of tax-free income allowed at the taxpayer level could have resulted in a sudden loss in principal for all municipal bonds.

In the end, none of those concerns stopped munis from enjoying a late-year plunge in interest rates. But with that rally comes the latest dilemma. Fidelity's long-term muni group might keep up with inflation, but all of the funds are quite sensitive to interest-rates, with durations in the range of 6-8. That means a one percentage point increase in long-term interest rates would result in share price declines of 6-8%. At today's yields, that's equivalent to 2-3 years worth of income – and it also means the loss may never be recovered if rates move up and stay there.

### **You reported that the S&P 500 was up 2.1% for 2011, but the newspaper says it was flat for the year. What am I missing?**

You're missing the reinvested dividends. Most newspapers report only the change in the index value because they aren't capable of figuring the income stream and they don't want to wait for the official number from Standard & Poor's. But the 2.1% total return number is the correct one for 2011, because that's how much your money would have grown if it had been in an S&P 500 index fund with zero expenses and tracking error.

### **In a recent comment about Strategic Dividend and Income, you mentioned that it largely avoided the financial sector, betting instead on real estate securities. However, Fidelity's web site shows the financials at**

QUESTION AND ANSWER - *Continued on page 8*

## **Model Portfolio Trades**

As announced on our 1/28/12 hotline update, on Monday 1/30/12 we made a trade:

In our Select System, we sold **Natural Gas** (\$31.36), and bought **Energy** (\$52.12). The shale boom has created a glut of natural gas, making that segment of the energy universe less attractive. But at the same time, it is creating major opportunities on the oil side. Horizontal drilling and fracturing techniques are increasingly being adapted for the production of light-sweet crude and other high value liquids from several prolific shale fields in the lower 48 (with new discoveries popping up on a regular basis). In the long run, the major oil companies may be in the best overall position to profit from high-tech drilling.

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

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

JANUARY PERFORMANCE						2012	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)	S **	1.09	none	7.24	18.4	4.0	4.0	2.9	-3.0	6.3		
Growth Strategies (324/FDEGX)	B ****	1.22	1.5(90)	20.25	1536.8	8.8	8.8	4.4	-2.3	22.3	0.5	1.4
Blue Chip Gth (312/FBGRX)	B ****	1.13	none	45.28	10200.9	6.7	6.7	2.6	1.7	24.7	4.0	3.2
Blue Chip Value (1271/FBCVX)	S **	1.19	none	10.20	363.1	4.3	4.3	3.4	-6.1	14.9	-5.2	
Capital Apprec (307/FBCAX)	B ****	1.17	none	26.57	4034.8	7.9	7.9	4.3	3.4	22.8	0.9	5.7
Contrafund (22/FCNTX)	B ****	0.87	none	70.84	54719.2	5.0	5.0	3.2	4.3	18.9	3.2	7.5
Disc Equity (315/FDEQX)	S **	1.05	none	22.43	6679.1	4.3	4.3	4.4	-2.0	12.3	-2.8	2.7
Dividend Gth (330/FDGFEX)	H ***	1.35	none	27.92	7565.8	7.9	7.9	5.2	-3.6	25.2	0.6	2.7
Equity-Income (23/FEQIX)	B ****	1.18	none	42.77	6880.9	3.5	3.5	4.5	-4.1	18.3	-3.0	3.0
Equity-Income II (319/FEQTX)	B ****	1.16	none	17.93	4247.0	3.0	3.0	5.8	-2.7	17.6	-2.6	2.7
Export Fund (332/FEXPX)	S **	1.02	0.75(30)	21.55	1859.3	4.2	4.2	3.4	-1.6	18.1	-0.5	4.5
Fidelity Fifty (500/FFTYX)	B ****	1.00	none	18.17	658.5	4.2	4.2	2.4	1.2	21.2	-1.5	4.2
Fidelity Fund (3/FFIDX)	H ***	1.03	none	32.58	4284.4	4.6	4.6	3.0	-0.3	17.4	0.2	3.2
Focused Stock (333/FTQGX)	B ****	1.02	none	14.27	562.1	4.1	4.1	2.3	2.5	20.8	4.4	3.8
Growth & Income (27/FGRIX)	B ****	1.04	none	19.01	4698.4	4.2	4.2	6.0	3.0	18.9	-6.2	-1.0
Growth Company (25/FDGRX)	B ****	1.07	Closed	87.78	23528.8	8.5	8.5	4.5	7.1	24.6	5.3	6.1
Growth Discovery (339/FDSVX)	B ****	1.09	none	14.42	829.3	5.6	5.6	3.3	2.9	22.2	2.6	4.1
Independence (73/FDFFX)	H ***	1.37	none	23.74	3096.1	9.7	9.7	2.3	-3.4	21.8	2.0	4.7
Lg Cap Core En Idx (1827/FLCEX)	S **	0.97	none	9.29	151.4	4.0	4.0	5.2	6.3	17.9		
Large Cap Growth (763/FSLGX)	B ****	1.03	none	10.36	124.6	7.1	7.1	2.7	4.3	19.1	-0.4	2.2
Large Cap Stock (338/FLCSX)	H ***↓	1.23	none	18.06	806.9	5.3	5.3	5.9	0.0	26.4	1.5	3.2
SS Large Cap Value (708/FSLVX)	S **	1.09	none	10.77	493.3	4.7	4.7	6.5	1.9	14.3	-4.1	2.9
Lev Co Stock (122/FLVCX)	B ****	1.59	1.5(90)	27.78	3015.5	10.6	10.6	9.7	-3.6	27.7	0.6	13.8
Low-Priced Stock (316/FLPSX)	B ****	1.06	1.5(90)	37.93	23444.0	6.2	6.2	4.1	4.7	23.9	3.0	9.1
Magellan (21/FMAGX)	H ***	1.21	none	66.76	12984.9	6.0	6.0	3.3	-7.7	17.2	-2.8	0.8
Mega Cap Stock (361/FGRTX)	B ****	1.08	none	10.57	951.0	4.7	4.7	6.0	3.5	20.0	0.9	3.5
Mid Cap Growth (793/FMSGX)	B ****	1.24	0.75(30)	12.40	229.8	8.8	8.8	4.3	-1.8	24.7	-1.5	3.2
Mid Cap Stock (337/FMCSX)	H ***	1.24	0.75(30)	28.25	5161.5	6.0	6.0	4.9	2.0	26.9	1.6	4.9
Mid Cap Value (762/FSMVX)	H ***	1.24	0.75(30)	15.97	528.6	5.3	5.3	5.9	-1.0	23.9	0.3	6.7
New Millennium (300/FMILX)	B ****	1.07	none	30.19	1795.4	4.6	4.6	5.1	4.8	25.5	3.9	5.9
OTC Portfolio (93/FOCPX)	B ****	1.22	none	58.87	5719.0	7.6	7.6	2.0	3.0	29.1	6.9	6.6
Small Cap Discovery (384/FSCRX)	B ****	1.41	1.5(90)	21.25	2036.5	6.1	6.1	9.3	5.4	32.5	7.8	
Small Cap Growth (1388/FCPGX)	B ****	1.30	1.5(90)	15.78	1147.3	5.8	5.8	3.2	2.8	25.1	3.0	
Stock Sel Small Cap (336/FDSCX)	B ****	1.39	1.5(90)	19.06	1627.5	5.7	5.7	5.7	2.1	26.2	0.2	5.0
Small Cap Stock (340/FSLCX)	B ****	1.58	2 (90)	17.85	3072.3	7.9	7.9	2.9	-11.5	25.2	2.1	6.5
Small Cap Value (1389/FCPVX)	H ***	1.35	1.5(90)	14.78	1627.9	5.7	5.7	8.9	1.2	25.3	3.8	
Stock Sel All Cap (320/FDSSX)	H ***	1.09	none	25.83	1720.6	6.4	6.4	4.3	-1.1	18.9	-0.1	3.4
Tax Managed Stock (343/FTMXM)	S **	1.16	none	12.15	57.3	5.3	5.3	2.9	-3.7	12.7	-2.8	2.1
Trend (5/FTRNX)	H ***↓	1.07	none	71.59	1028.4	7.1	7.1	2.6	4.3	24.6	3.6	5.3
Value (39/FDVLX)	H ***	1.43	none	67.87	5702.5	6.9	6.9	6.2	-3.3	25.3	-1.4	6.4
Value Discovery (832/FVDFX)	H ***	1.19	none	14.86	452.5	5.0	5.0	6.2	0.5	19.1	-1.3	
Value Strategies (14/FSLSX)	B ****	1.51	none	27.36	276.8	9.1	9.1	8.2	-2.0	30.2	-0.2	5.5
<b>SPECIALTY / HYBRID FUNDS:</b>												
Balanced (304/FBALX)	B ****	0.68	none	18.87	14861.7	3.7	3.7	3.3	3.8	17.0	2.5	6.4
Convertible Sec (308/FCV SX)	B ****	1.05	none	24.64	1877.4	7.9	7.9	4.5	-3.2	26.4	3.2	6.2
Global Strategies (1960/FDYSX)	H ***↓	0.79	none	9.06	208.2	5.2	5.2	2.2	-0.2	15.5		
Puritan (4/FPURX)	B ****	0.68	none	18.42	14840.5	4.1	4.1	3.5	3.2	16.6	2.4	5.4
Real Estate Income (833/FRIFX)	B ****	0.54	0.75(90)	10.63	1678.8	3.7	3.7	5.6	6.9	23.2	3.7	
Real Estate (303/FRESX)	B ****↑	1.76	0.75(90)	29.46	3273.8	6.7	6.7	7.5	11.8	34.5	-2.1	10.9
Strategic Div & Inc (1329/FSDIX)	B ****	0.98	none	11.39	1257.9	3.4	3.4	5.1	8.7	23.5	0.5	
Strategic Real Rtn (1505/FSRRX)	H ***	0.49	0.75(60)	9.48	586.4	2.9	2.9	2.0	3.4	15.7	3.8	
Telecom & Utilities (311/FIUIX)	B ****	0.72	none	16.67	908.5	-3.9	-3.9	-0.3	6.4	13.8	-0.1	5.2
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H ***	1.60	0.75(30)	37.92	58.8	9.8	9.8	10.0	2.4	26.2	1.0	6.0
Automotive (502/FAVX)	B ****	2.53	0.75(30)	35.32	95.3	13.4	13.4	3.7	-19.1	50.2	0.2	5.1
Banking (507/FSRBX)	H ***	1.56	0.75(30)	16.98	366.6	6.3	6.3	10.0	-8.9	17.7	-10.3	-1.2
Biotechnology (42/FBIOX)	H ***	1.16	0.75(30)	96.93	1341.0	12.6	12.6	18.7	32.2	17.9	8.0	5.7
Brokerage (68/FSLBX)	H ***	1.58	0.75(30)	44.89	328.6	12.3	12.3	4.8	-14.2	16.8	-6.7	4.1
Chemicals (69/FSCHX)	B ****	1.56	0.75(30)	108.10	673.0	13.6	13.6	14.6	11.9	35.9	11.5	13.6
Com Equipment (518/FSDCX)	H ***	1.56	0.75(30)	23.46	298.3	6.3	6.3	1.7	-15.2	27.1	3.2	3.4
Computers (7/FDCPX)	B ****	1.32	0.75(30)	60.07	557.4	11.5	11.5	6.4	4.0	34.0	8.1	4.7
Const & Housing (511/FSHOX)	H ***	1.60	0.75(30)	38.58	102.3	7.7	7.7	16.4	6.5	23.8	-0.2	7.2
Cons Discretionary (517/FSCPX)	H ***	1.20	0.75(30)	24.67	222.4	7.0	7.0	5.0	6.8	27.6	1.8	4.0
Consumer Finance (98/FSVLX)	H ***	1.08	0.75(30)	11.75	145.9	6.4	6.4	5.6	2.4	11.6	-21.8	-7.8
Consumer Staples (9/FDFAX)	H ***	0.72	0.75(30)	70.83	1110.2	-0.9	-0.9	2.5	10.8	17.4	6.6	8.2
Defense & Aero (67/FSDAX)	H ***	1.27	0.75(30)	82.20	646.6	5.4	5.4	6.8	7.8	20.7	3.3	9.6
Electronics (8/FSLEX)	B ****	1.58	0.75(30)	50.87	980.9	15.1	15.1	8.4	-2.1	33.8	3.3	0.4
Energy (60/FSNEX)	B ****	1.62	0.75(30)	52.05	2233.5	5.5	5.5	1.6	-6.9	20.5	3.2	11.7
Energy Service (43/FSSEX)	H ***	1.95	0.75(30)	69.41	1236.7	6.7	6.7	1.6	-13.0	24.2	2.4	10.6
Environ & Alt Energy (516/FSLEX)	H ***	1.16	0.75(30)	15.96	71.3	5.9	5.9	1.7	-13.2	10.5	-1.2	3.7
Financial Services (66/FIDSX)	H ***	1.64	0.75(30)	54.79	337.1	12.0	12.0	5.4	-11.1	12.8	-12.5	-1.8
Gold (41/FSAGX) Limit to 5% position	S **	1.83	0.75(30)	46.78	3543.6	10.8	10.8	-2.5	4.6	20.6	13.2	18.9
Health Care (63/FSPHX)	H ***	0.88	0.75(30)	129.92	2006.6	6.2	6.2	9.5	10.6	20.7	5.6	5.8
IT Services (353/FBSOX)	B ****	1.07	0.75(30)	22.67	239.6	6.6	6.6	3.8	6.6	29.5	8.8	7.2
Indust Equip (510/FSCGX)	B ****	1.59	0.75(30)	34.54	283.5	11.5	11.5	10.0	-1.4	29.0	4.2	7.1
Industrials (515/FCYIX)	B ****	1.47	0.75(30)	23.77	464.7	9.0	9.0	9.5	-0.3	27.7	5.4	9.2
Insurance (45/FSPCX)	S **	1.26	0.75(30)	46.28	253.4	4.3	4.3	4.2	-2.1	18.8	-5.6	2.4
Leisure (62/FDLSX)	H ***	1.11	0.75(30)	101.93	401.6	5.8	5.8	6.5	15.2	27.9	6.6	8.9
Materials (509/FSDPX)	H ***	1.61	0.75(30)	68.56	923.0	11.6	11.6	10.0	2.2	34.7	8.7	13.6
Medical Delivery (505/FSHCX)	H ***	1.17	0.75(30)	58.39	746.7	6.6	6.6	7.9	11.6	24.4	5.0	10.6
Medical Equip & Sys (354/FSMEX)	H ***	0.95	0.75(30)	27.38	1257.6	8.7	8.7	5.7	2.7	14.5	6.3	9.1
Multimedia (503/FBMPX)	H ***	1.32	0.75(30)	45.73	148.5	6.2	6.2	8.2	7.3	32.1	2.3	6.8
Natural Gas (513/FSNGX)	H ***↓	1.56	0.75(30)	31.37	749.5	3.1	3.1	1.0	-9.1	15.3	-1.5	9.8
Nat Resources (514/FNARX)	H ***	1.62	0.75(30)	33.75	1299.4	7.9	7.9	1.9	-6.9	22.9	5.1	12.6
Pharmaceuticals (580/FPHAX)	B ****	0.88	0.75(30)	13.74	651.3	1.2	1.2	6.4	14.0	20.8	7.5	6.0
Retailing (46/FSRPX)	B ****	1.22	0.75(30)	54.39	341.1	6.2	6.2	1.4	12.8	34.1	6.7	8.2
Software (28/FSCTX)	B ****	1.06	0.75(30)	83.72	1354.1	7.9	7.9	4.5	7.7	29.7	8.0	7.8
Technology (64/FSPTX)	B ****	1.32	0.75(30)	93.65	2028.8	8.3	8.3	0.8	-6.0	34.6	6.3	4.8
Telecom (96/FSCTX)	H ***	0.95	0.75(30)	43.63	331.1	-0.4	-0.4	1.1	-3.3	20.8	-1.8	3.9
Transportation (512/FSRFEX)	H ***	1.37	0.75(30)	53.45	208.4	8.2	8.2	9.4	2.7	28.2	4.1	8.3

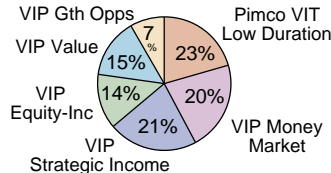
JANUARY PERFORMANCE												
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	30-day Yield	2012 YTD	One Mth	Three Mth	One Year	3-Yr Rate	5-Yr Rate
<b>INTERNATIONAL FUNDS:</b>												
Canada (309/FICDX)	H ***	1.32	1.5(90)	52.39	3520.8		4.5	4.5	1.2	-9.3	17.6	3.6
China Region (352/FHKCX)	H ***	1.41	1.5(90)	27.66	1364.9		9.4	9.4	3.0	-14.0	23.0	6.5
Diversified Int'l (325/FDIVX)	S **	1.23	1 (30)	27.11	15026.9		6.2	6.2	0.5	-9.4	13.8	-3.6
Emerging EMEA (2053/FEMEX)	B ***	1.39	1.5(90)	8.47	104.9		8.2	8.2	3.4	-3.3	26.9	
Emerging Mkts (322/FEMKX)	B ***	1.47	1.5(90)	22.32	2580.8		8.8	8.8	1.8	-11.4	25.1	0.5
Europe (301/FIEUX)	S **	1.39	1 (30)	27.02	566.5		6.1	6.1	0.0	-13.7	12.5	-4.1
Europe Cap Appr (341/FECAX)	S **	1.40	1 (30)	16.41	300.8		6.1	6.1	0.0	-13.8	12.5	-5.1
Global Balanced (334/FGLBX)	H ***	0.77	1 (30)	22.18	482.0		3.5	3.5	1.5	-0.2	14.2	3.8
Glob Commodity Stk (2120/FFGCX)	H ***	1.6 Est	1 (30)	15.27	469.2		9.5	9.5	1.1	-11.4		
Int'l Capital Apprec. (335/FIVFX)	B ***	1.50	1 (30)	12.04	548.8		8.3	8.3	2.4	-5.0	23.7	-3.0
Int'l Discovery (305/FIGRX)	S **	1.24	1 (30)	29.06	6070.2		5.3	5.3	-0.7	-11.0	13.1	-3.2
Int'l Growth (1979/FIGFX)	B ***	1.15	1 (30)	8.26	52.0		5.8	5.8	2.8	-2.2	19.3	
Int'l Real Estate (1368/FIREX)	S **	1.46	1.5(90)	7.61	232.8		9.5	9.5	-0.7	-14.6	15.0	-9.7
Int'l Small Cap (818/FISMX)	B ***	1.20	2 (90)	18.67	762.4		6.6	6.6	-0.5	-10.7	20.8	-0.4
Int'l Small Cap Opp (1504/FSCOX)	B ***	1.17	2 (90)	9.91	305.3		7.1	7.1	2.2	-2.5	23.7	-6.3
Int'l Value (1597/FIVLX)	S **	1.41	1 (30)	6.78	140.9		3.7	3.7	0.0	-17.4	12.3	-6.5
Japan (350/FJPNX)	H ***↓	1.06	1.5(90)	9.58	426.6		4.1	4.1	2.4	-12.5	8.5	-6.5
Japan Smaller Co (360/FJSCX)	B ***	1.28	1.5(90)	8.64	300.8		1.1	1.1	1.5	-6.9	12.7	-6.1
Latin America (349/FLATX)	B ****↑	1.51	1.5(90)	53.59	2630.7		9.6	9.6	3.8	-2.9	27.9	5.8
Nordic (342/FNORX)	H ***	1.58	1.5(90)	28.31	319.1		5.8	5.8	-2.2	-15.7	20.6	-3.5
Overseas (94/FOSEFX)	S **	1.35	1 (30)	28.54	1644.1		7.8	7.8	0.5	-11.0	10.7	-5.1
Pacific Basin (302/FPBFX)	B ***	1.38	1.5(90)	23.07	612.4		7.6	7.6	1.4	-9.8	28.1	1.0
Emerging Asia (351/FSEAX)	B ***	1.25	1.5(90)	27.67	1383.4		9.9	9.9	3.2	-7.7	20.0	3.6
Total Int'l Equity (1978/FIEX)	B ***	1.27	1 (30)	6.69	178.4		5.7	5.7	1.5	-9.7	17.2	
Worldwide (318/FWWFX)	H ***	1.10	1 (30)	18.15	1075.4		4.7	4.7	1.1	-3.6	17.6	0.5
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FNOX)	H ***	0.91	none	27.15	2200.0		4.5	4.5	3.7	1.2	16.7	0.6
NASDAQ Comp (1282/FNCMX)	B ***	1.11	0.75(90)	37.37	308.9		8.0	8.0	5.1	5.1	25.0	3.5
Spart Ext Mkt Idx (398/FSEMXX)	H ***	1.24	0.75(90)	38.14	3415.9		7.6	7.6	6.9	2.2	25.4	2.7
Spart Int'l Index (399/FSIIX)	H ***	1.25	1(90)	31.41	3819.0		5.6	5.6	0.4	-9.4	13.7	-3.8
Spart 500 Index (650/FUSEX)	H ***	1.00	none	46.48	15923.7		4.5	4.5	5.3	4.1	19.2	0.3
Spart Total Mkt Idx (397/FSTMX)	H ***	1.04	0.5(90)	37.95	3791.9		5.1	5.1	5.6	3.8	20.4	0.8
Asset Mgr 20% (328/FASIX)	H ***	0.29	none	12.99	3806.4		2.0	2.0	1.9	4.0	11.0	4.0
Asset Mgr 30% (1957/FTANX)	H ***	0.40	none	9.78	261.5		2.7	2.7	2.3	3.6	13.1	
Asset Mgr 40% (1958/FFANX)	H ***	0.51	none	9.64	207.9		3.3	3.3	2.5	2.9	14.4	
Asset Mgr 50% (314/FASMX)	H ***	0.63	none	15.58	6231.5		3.7	3.7	2.6	1.8	16.3	3.1
Asset Mgr 60% (1959/FSANX)	H ***	0.74	none	9.56	404.8		4.4	4.4	2.8	0.7	17.1	
Asset Mgr 70% (321/FASGX)	H ***	0.85	none	16.19	2315.2		4.9	4.9	2.9	-0.5	18.4	1.7
Asset Mgr 85% (347/FAMRX)	H ***	1.02	none	13.09	622.0		5.6	5.6	3.1	-2.4	19.3	0.9
Freedom 2000 (370/FFBXX)	H ***	0.31	none	12.11	1257.3		1.9	1.9	1.7	3.1	9.9	3.3
Freedom 2005 (1312/FFVFX)	H ***	0.55	none	10.82	789.5		2.9	2.9	2.1	1.9	13.5	2.4
Freedom 2010 (371/FFFCX)	H ***	0.61	none	13.53	7150.0		3.3	3.3	2.5	1.7	14.4	2.6
Freedom 2015 (1313/FFVFX)	H ***	0.63	none	11.30	7208.3		3.4	3.4	2.5	1.7	14.8	2.3
Freedom 2020 (372/FFFDX)	H ***	0.75	none	13.62	15227.8		3.8	3.8	2.7	1.0	16.3	1.6
Freedom 2025 (1314/FFTWX)	H ***	0.83	none	11.28	8231.9		4.3	4.3	2.9	0.0	16.8	1.3
Freedom 2030 (373/FFFEX)	H ***	0.89	none	13.40	11244.4		4.4	4.4	2.9	-0.5	17.2	0.4
Freedom 2035 (1315/FFTHX)	H ***	0.95	none	11.06	5503.5		4.8	4.8	3.1	-1.7	17.2	0.1
Freedom 2040 (718/FFFEFX)	H ***	0.97	none	7.71	6892.6		4.8	4.8	3.0	-1.8	17.4	-0.1
Freedom 2045 (1617/FFFGX)	H ***	0.99	none	9.12	2210.3		4.9	4.9	3.1	-2.1	17.5	-0.2
Freedom 2050 (1618/FFFHX)	H ***	1.03	none	8.97	1844.5		5.0	5.0	3.1	-2.6	17.7	-0.6
Freedom Income (369/FFFA)	H ***	0.29	none	11.46	2395.4		2.0	2.0	1.7	3.2	9.7	3.5
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	B ***	0.77	1(90)	8.99	8907.5	5.98	4.2	4.2	2.8	-0.8	26.0	7.6
Conservative Income (2267/FCONX)	B ***	0.1 Est	none	9.99	387.2	0.99	0.3	0.3	0.3			
Corporate Bond (2208/FCBFX)	B ***	0.4 Est	none	10.99	195.4	2.69	2.2	2.2	3.1	12.6		
Floating Rate (814/FFRHX)	B ***	0.28	1(60)	9.78	5238.6	3.78	1.7	1.7	1.8	2.2	10.5	4.1
Focused High Inc (1366/FHIFX)	B ***	0.40	1(90)	9.15	809.1	5.19	2.7	2.7	3.1	6.8	15.7	6.1
GNMA Portfolio (15/FGMNX)	B ***	0.13	none	11.86	9444.7	2.79	0.4	0.4	1.3	8.2	7.4	7.2
Global High Income (2297/FGHXX)	B ***	0.7 Est	1(90)	9.49	153.3	5.03	3.0	3.0	1.0			
Gov't Income (54/FGOVX)	H ***	0.17	none	10.81	4307.5	1.29	0.5	0.5	1.7	8.4	5.4	6.7
High Income (455/SPHIX)	B ***	0.57	1(90)	8.89	4788.0	6.55	3.5	3.5	3.7	4.5	20.4	7.4
Inflation-Protected (794/FINPX)	H ***	0.32	none	13.06	2778.3		2.2	2.2	2.8	15.4	10.1	7.4
Intermed Bond (32/FTHRX)	B ***	0.19	none	10.98	4293.5	1.97	1.1	1.1	1.7	6.8	10.1	5.8
Intermed Gov't Inc (452/FSTGX)	H ***	0.15	none	11.02	1180.1	0.57	0.6	0.6	1.3	6.1	4.2	6.0
Invest Grade Bond (26/FBNDX)	B ***	0.17	none	7.80	4683.8	2.88	1.3	1.3	2.2	8.9	10.9	5.6
Mortgage Securities (40/FMSFX)	B ***	0.12	none	11.22	752.6	3.08	0.7	0.7	1.5	7.0	7.8	4.9
New Markets Inc (331/FNMIX)	B ***	0.50	1(90)	16.13	4234.9	5.44	2.3	2.3	3.2	11.4	20.2	8.9
Short-Term Bond (450/FSHXX)	B ***	0.08	none	8.54	7796.8	0.92	0.7	0.7	0.7	2.1	4.4	2.2
Spart Intermed Tr Idx (1561/FIBIX)	S **↓	0.33	none	11.67	995.5	1.19	1.0	1.0	2.9	13.7	6.7	8.6
Spart L-Term Tr Idx (1562/FLBIX)	S **	0.69	none	12.94	251.9	2.60	0.0	0.0	4.8	32.5	10.3	10.9
Spart S-Term Tr Idx (1560/FSBIX)	H ***	0.10	none	10.67	261.9	0.20	0.3	0.3	0.5	3.2	2.5	4.6
Strategic Income (368/FSICX)	B ***	0.37	none	11.01	8723.8	3.97	2.2	2.2	2.0	5.7	15.4	7.7
Total Bond (820/FTBFX)	B ***	0.19	none	11.03	11937.4	2.97	1.3	1.3	2.1	8.2	11.7	6.8
Ultra-Short Bond (812/FUSFX)	H ***	0.03	0.25(60)	8.17	223.3	0.73	0.3	0.3	0.1	0.1	0.9	-2.3
Spart US Bond Index (651/FBIDX)	H ***	0.15	none	11.86	7009.3	2.19	0.9	0.9	1.7	8.5	7.3	6.1
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FAZXX)	H ***	0.25	0.5(30)	12.04	165.1	2.51	2.4	2.4	4.9	13.7	8.0	5.2
CA Municipal Inc (91/FCTFX)	H ***	0.29	0.5(30)	12.69	1650.1	2.87	2.7	2.7	5.4	15.5	8.2	5.1
CA Short-Int TF (1534/FCSTX)	H ***	0.12	0.5(30)	10.84	736.4	0.95	0.8	0.8	2.4	5.8	3.9	4.5
CT Municipal Inc (407/FICNX)	H ***	0.22	0.5(30)	12.07	556.4	1.75	2.0	2.0	4.7	12.7	6.9	5.6
Intermediate Muni (36/FLTMX)	H ***	0.17	0.5(30)	10.58	3994.1	1.68	1.5	1.5	3.7	10.0	6.1	5.2
MA Municipal Inc (70/FDMMX)	H ***	0.24	0.5(30)	12.63	2280.1	2.26	2.8	2.8	5.3	14.1	8.1	5.5
MD Municipal Inc (429/SMDMX)	H ***	0.20	0.5(30)	11.55	199.7	1.79	1.9	1.9	4.2	11.6	7.4	5.1
MI Municipal Inc (81/FMHTX)	H ***	0.20	0.5(30)	12.45	620.9	2.39	2.0	2.0	4.4	11.8	6.6	5.3
MN Municipal Inc (82/FIMIX)	H ***	0.19	0.5(30)	11.98	517.4	1.94	1.8	1.8	4.2	11.5	6.5	5.2
Municipal Income (37/FHIGX)	H ***	0.25	0.5(30)	13.30	5902.0	2.65	2.4	2.4	4.8	14.3	8.3	5.3
NJ Municipal Inc (416/FNJHX)	H ***	0.24	0.5(30)	12.21	624.4	2.25	2.7	2.7	5.2	13.5	7.2	5.4
NY Municipal Inc (71/FTFMX)	H ***	0.24	0.5(30)	13.56	1783.8	2.17	2.3	2.3	4.4	13.0	7.5	5.4
OH Municipal Inc (88/FOHFX)	H ***	0.21	0.5(30)	12.24	553.8	2.34	2.2	2.2	4.6	12.5	7.1	5.4
PA Municipal Inc (402/FPXTX)	H ***	0.20	0.5(30)	11.34	422.4	2.49	2.5	2.5	4.7	13.0	7.1	5.4
Short-Int Municipal (404/FSTFX)	H ***	0.09	0.5(30)	10.86	3517.2	0.79	0.6	0.6	1.9	5.1	3.6	4.1
Tax-Free Bond (90/FTABX)	H ***	0.25	0.5(30)	11.45	2099.0	2.64	2.4	2.4	4.9	14.4	8.3	5.6

JANUARY PERFORMANCE Indexes and Model Portfolios	Risk	Value	2012 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.92	12632.91	3.6	3.6	6.5	9.1	19.8	2.8	5.0
S&P 500	1.00	1312.41	4.5	4.5	5.4	4.3	19.3	0.3	3.5
NASDAQ	1.11	2813.84	8.1	8.1	5.1	5.3	25.3	3.7	4.6
Russell 2000	1.34	792.82	7.1	7.1	7.4	2.9	23.0	1.2	6.5
Fidelity Monitor Income Model	0.44	104646.18	2.4	2.4	2.3	8.0	12.6	3.8	4.8
Fidelity Monitor G&I Model	0.69	187565.93	4.2	4.2	2.4	2.2	15.9	0.8	6.1
Fidelity Monitor Growth Model	0.99	196589.42	5.5	5.5	4.0	0.5	20.2	-0.5	5.7
Fidelity Monitor Select System	1.17	411453.48	6.8	6.8	6.1	4.2	20.3	2.2	6.9
Fidelity Monitor Unique Opportunities	1.22	129392.66	6.7	6.7	4.5	-2.6	23.6	0.4	8.9

## 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 Personal Retirement Annuity fee structure. Our model portfolios switched to the Personal Retirement Annuity group on 12/31/11.

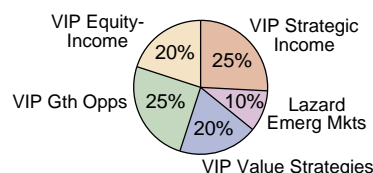
### VIP INCOME MODEL



### 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: + 7.4%
2002: + 7.3%	<b>*2012: + 2.6%</b>

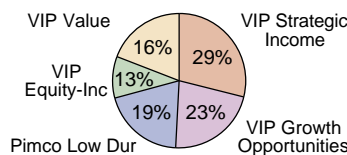
### VIP GROWTH MODEL



### PAST PERFORMANCE

1993: +20.6%	2003: +30.0%
1994: + 4.6%	2004: + 7.0%
1995: +36.1%	2005: +10.1%
1996: +16.1%	2006: +14.5%
1997: +23.5%	2007: + 9.3%
1998: +22.6%	2008: -45.5%
1999: +22.1%	2009: +25.1%
2000: -10.3%	2010: +17.7%
2001: -14.0%	2011: - 2.2%
2002: -21.7%	<b>*2012: + 6.4%</b>

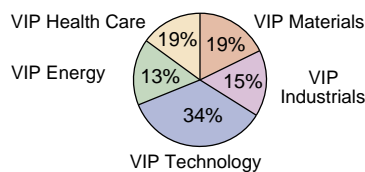
### VIP G & I MODEL



### PAST PERFORMANCE

1995: +26.4%	2004: + 6.3%
1996: +12.8%	2005: + 4.5%
1997: +21.4%	2006: +11.6%
1998: +15.1%	2007: + 7.7%
1999: + 6.1%	2008: -31.0%
2000: - 4.9%	2009: +27.1%
2001: + 3.1%	2010: +12.0%
2002: - 9.4%	2011: - 1.0%
2003: +20.8%	<b>*2012: + 4.2%</b>

### 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: - 5.0%
2007: +11.2%	<b>*2012: + 8.1%</b>

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

JANUARY VIP PERFORMANCE Portfolio	Rating	Risk	PRA Value	2012 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Asset Manager	H ***	0.70	13.31	4.8	4.8	1.7	0.8	15.5	3.8
VIP Asset Manager: Growth	H ***	0.95	12.61	6.3	6.3	1.6	-1.5	17.2	2.7
VIP Balanced	H ***	0.93	13.73	5.9	5.9	4.2	-0.2	20.0	3.1
VIP Consumer Discretionary	H ***	1.21	12.84	6.9	6.9	4.8	6.3	27.3	1.7
VIP Consumer Staples	H ***	0.73	12.86	-1.0	-1.0	2.0	9.6	16.7	
VIP Contrafund	H ***	1.10	12.88	5.2	5.2	3.9	-0.3	20.2	1.2
VIP Disciplined Small Cap	H ***	1.30	10.49	7.4	7.4	6.7	5.6	21.3	0.3
VIP Dynamic Capital Appreciation	B ****	1.17	13.00	7.9	7.9	4.3	3.2	22.4	0.3
VIP Emerging Markets	B ****	1.46	7.84	8.7	8.7	1.8	-11.6	24.2	
VIP Energy	B ****	1.62	14.78	5.5	5.5	1.5	-7.2	20.4	3.0
VIP Equity-Income	B ****	1.14	11.01	3.6	3.6	4.7	1.2	20.3	-2.4
VIP Financial Services	H ***	1.67	6.41	11.9	11.9	5.2	-11.6	13.3	-12.6
VIP FundsManager 20	H ***	0.24	12.41	1.9	1.9	1.7	3.5	7.7	3.4
VIP FundsManager 50	H ***	0.56	11.89	3.5	3.5	2.5	1.8	12.5	2.1
VIP FundsManager 60	H ***	0.67	10.58	3.9	3.9	2.6	0.5	14.1	
VIP FundsManager 70	H ***	0.78	11.16	4.6	4.6	3.0	0.1	15.2	0.6
VIP FundsManager 85	H ***	0.94	10.54	5.0	5.0	3.3	-2.1	16.8	-0.7
VIP Growth	B ****	1.08	12.13	5.5	5.5	3.1	2.2	21.3	1.7
VIP Growth & Income	H ***	1.02	11.75	4.2	4.2	5.9	2.9	18.5	-0.4
VIP Growth Opportunities	B ****	1.12	12.25	9.3	9.3	5.1	9.5	27.3	1.1
VIP Growth Stock	H ***↓	1.05	12.97	6.8	6.8	2.7	5.2	24.9	4.1
VIP Growth Strategies	B ****	1.22	11.40	8.9	8.9	4.3	-2.6	21.9	0.0
VIP Health Care	B ****	0.88	14.40	5.9	5.9	9.5	10.5	20.7	5.1
VIP High Income	B ****	0.49	15.01	3.3	3.3	3.0	4.8	17.6	5.8
VIP Index 500	H ***	1.00	11.96	4.5	4.5	5.2	3.9	18.9	0.1
VIP Industrials	B ****	1.48	16.14	8.9	8.9	9.3	-0.5	27.8	5.5
VIP Int'l Capital Appreciation	B ****	1.51	10.71	8.3	8.3	2.4	-5.0	23.5	-3.2
VIP Investment Grade Bond	B ****	0.18	14.11	1.1	1.1	2.0	7.8	10.0	6.1
VIP Materials	B ****	1.61	14.00	11.6	11.6	9.6	1.8	34.3	
VIP Mid Cap	B ****	1.02	14.16	6.4	6.4	1.2	-6.2	21.4	3.1
VIP Money Market			11.44	0.0	0.0	0.0	-0.2	0.0	1.5
VIP Overseas	S **	1.32	10.72	7.0	7.0	-0.8	-12.8	12.4	-4.0
VIP Real Estate	H ***	1.81	14.26	6.1	6.1	7.5	10.4	35.7	-1.6
VIP Strategic Income	B ****	0.35	15.45	2.1	2.1	1.9	5.2	14.5	7.3
VIP Technology	B ****	1.34	15.84	8.2	8.2	1.0	-6.5	35.6	6.4
VIP Telecommunications	B ****	0.91	8.76	-0.2	-0.2	1.9	-1.1	20.1	
VIP Utilities	B ****	0.76	14.02	-3.9	-3.9	-0.7	6.8	11.6	1.2
VIP Value	B ****	1.35	10.83	4.8	4.8	6.0	-0.1	23.9	-2.2
VIP Value Leaders	S **	1.20	9.21	4.4	4.4	3.4	-6.3	14.7	-5.4
VIP Value Strategies	B ****	1.50	11.99	9.2	9.2	8.3	-1.7	29.7	-0.6
Lazard Retirement Emerging Markets	B ****	1.41	14.38	11.5	11.5	4.3	-3.4	28.0	5.5
Morgan Stanley Emerging Mkt Debt	B ****	0.45	15.19	2.4	2.4	2.4	10.2	15.7	7.1
Morgan Stanley Emerging Mkt Equity	B ****	1.37	12.08	8.5	8.5	1.3	-7.1	25.0	1.6
Morgan Stanley Global Tactical Alloc	H ***	1.13	9.66	4.2	4.2	2.1	-1.4	16.2	-2.8
Pimco VIT Low Duration	B ****	0.1 Est	10.90	1.3	1.3	1.3	1.9		
Fidelity Monitor VIP Income Model		0.48	25000.13	2.6	2.6	2.6	9.4	13.1	4.6
Fidelity Monitor VIP G&I Model		0.69	27490.32	4.2	4.2	3.6	1.3	15.7	1.5
Fidelity Monitor VIP Growth Model		0.97	34589.29	6.4	6.4	4.3	2.0	18.6	-2.1
Fidelity Monitor VIP Sector Model		1.28	21637.25	8.1	8.1	5.3	0.7	23.2	2.8

## INCOME AND PRESERVATION MODEL

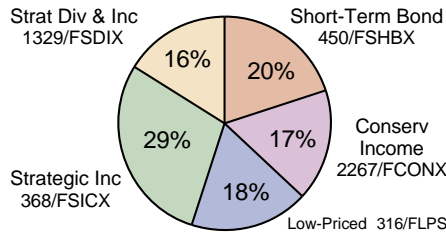
For low-risk investors wanting to stay ahead of inflation.

FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.54	2443.177	\$20864.73
Conservative Income	\$9.99	1742.382	\$17406.40
Low-Priced Stock	\$37.93	499.069	\$18929.69
Strategic Income	\$11.01	2740.131	\$30168.84
Strategic Div. & Inc.	\$11.39	1516.815	\$17276.52

24% Foreign Holdings

Balance as of 1/31/12: \$104646.18

Balance at start of 2012: \$102153.00



PAST PERFORMANCE	
Starting Balance: \$35,000	
1992: +10.1%	2003: +8.4%
1993: +11.3%	2004: +4.2%
1994: -2.1%	2005: +3.6%
1995: +14.8%	2006: +6.9%
1996: +9.0%	2007: +4.0%
1997: +10.5%	2008: -18.2%
1998: +3.5%	2009: +20.0%
1999: +3.0%	2010: +9.1%
2000: +0.3%	2011: +6.3%
2001: +5.6%	<b>*2012: +2.4%</b>
2002: +5.4%	

Our Income Model gained 2.4% in January. Please check our weekly hotline for any potential trades in February.

## GROWTH AND INCOME MODEL

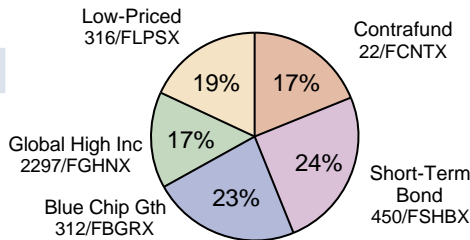
For investors seeking a conservative path to growth.

FUND	NAV	SHARES	BALANCE
Contrafund	\$70.84	442.936	\$31377.59
Short-Term Bond	\$8.54	5249.963	\$44834.68
Blue Chip Growth	\$45.28	964.284	\$43662.78
Global High Inc.	\$9.49	3463.802	\$32871.48
Low-Priced Stock	\$37.93	917.991	\$34819.40

17% Foreign Holdings

Balance as of 1/31/12: \$187565.93

Balance at start of 2012: \$180046.05



PAST PERFORMANCE	
Starting Balance: \$50,000	
1994: -3.7%	2004: +11.5%
1995: +21.6%	2005: +8.2%
1996: +15.8%	2006: +13.7%
1997: +18.7%	2007: +6.1%
1998: +11.1%	2008: -33.5%
1999: +12.2%	2009: +28.1%
2000: +2.7%	2010: +12.2%
2001: +1.3%	2011: -0.3%
2002: -6.4%	<b>*2012: +4.2%</b>
2003: +33.0%	

Our Growth and Income Model gained 4.2% in January. Please check our weekly hotline for any potential trades in February.

## GROWTH MODEL

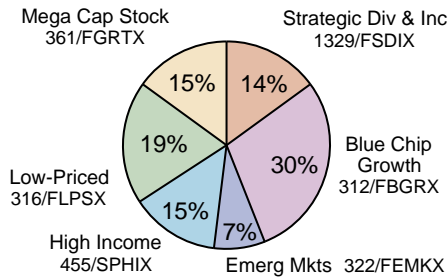
For moderately aggressive stock-oriented investors.

FUND	NAV	SHARES	BALANCE
Strategic Div & Inc	\$11.39	2448.693	\$27890.61
Blue Chip Growth	\$45.28	1292.785	\$58537.30
Emerging Markets	\$22.32	650.260	\$14513.80
High Income	\$8.89	3241.409	\$28816.13
Low-Priced Stock	\$37.93	978.110	\$37099.71
Mega Cap Stock	\$10.57	2812.854	\$29731.87

19% Foreign Holdings

Balance as of 1/31/12: \$196589.42

Balance at start of 2012: \$186390.37



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: -1.7%
1999: +29.0%	<b>*2012: +5.5%</b>

We climbed 5.5% in January, versus a 4.5% gain for the S&P 500. Please check our weekly hotline for any potential trades in February.

## SELECT SYSTEM (SECTOR PORTFOLIO)

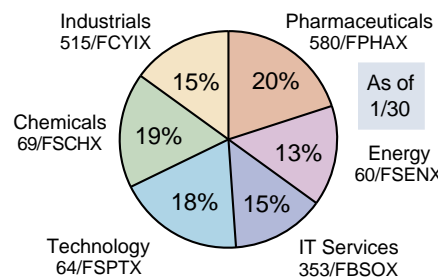
For aggressive stock-oriented investors.

FUND	NAV	SHARES	BALANCE
Pharmaceuticals	\$13.74	6153.925	\$84554.93
Energy	\$52.05	1024.780	\$53339.80
IT Services	\$22.67	2682.357	\$60809.03
Technology	\$93.65	797.531	\$74688.78
Chemicals	\$108.10	710.434	\$76797.92
Industrials	\$23.77	2577.325	\$61263.02

18% Foreign Holdings

Balance as of 1/31/12: \$411453.48

Balance at start of 2012: \$385206.35



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: +1.2%
2000: -14.9%	<b>*2012: +6.8%</b>

We were up 6.8% in January, versus a 4.5% gain for the S&P 500. Please check our weekly hotline for any potential trades in February.

## UNIQUE OPPS MODEL (AGGR. GROWTH)

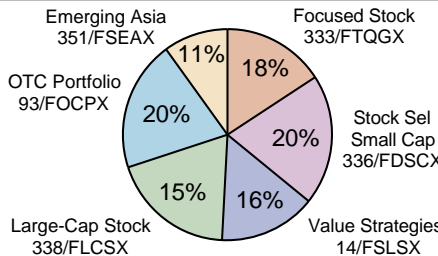
For aggressive stock-oriented investors.

FUND	NAV	SHARES	BALANCE
Focused Stock	\$14.27	1637.747	\$23370.65
Stock Sel Small Cap	\$19.06	1381.467	\$26330.76
Value Strategies	\$27.36	757.747	\$20731.96
Large Cap Stock	\$18.06	1070.353	\$19330.58
OTC Portfolio	\$58.87	427.423	\$25162.39
Emerging Asia	\$27.67	522.816	\$14466.32

18% Foreign Holdings

Balance as of 1/31/12: \$129392.66

Balance at start of 2012: \$121259.18



PAST PERFORMANCE	
Starting Balance: \$50,000	
(Partial Yr 99)	2006: +16.6%
1999: +33.8%	2007: +11.6%
2000: -20.5%	2008: -47.6%
2001: +1.6%	2009: +45.8%
2002: -2.1%	2010: +19.3%
2003: +43.2%	2011: -5.8%
2004: +20.6%	<b>*2012: +6.7%</b>
2005: +18.8%	

Our Unique Opps Model gained 6.7% in January vs. 4.5% for the S&P. Please check our weekly hotline for any trades in February.

QUESTION AND ANSWER - *Continued from page 3*  
**an industry weighting of 25%. What gives?**

Real Estate securities are classified as financial sector investments in Fidelity's sector weightings. But when you subtract out the roughly 15% position in REITs, that leaves about 10% invested in financial sector stocks – a substantial underweight compared with other funds that seek out dividends.

**I heard the shale boom is pushing up the price of guar, a common food ingredient. How has that happened?**

Environmental groups have been trying to derail hydraulic fracturing activity by linking it with water table contamination. While documented cases are few and far between (fracking typically occurs a mile below the water table in solid rock), the drillers are taking no chances. Many have reformulated their fracture fluids so they are “drinkable.” Guar, which comes from a drought-tolerant bean grown mainly in India, is a thickener used in ice cream and other foods. It's used in fracture fluid to suspend sand and ceramic beads in water. When large surface areas of shale rock are fractured open under pressure, those particles get wedged in place so the cracks stay open after the fracking operation is complete.

Because large amounts of water and guar are needed for each new well that is drilled, the guar demand from shale drilling alone is now higher than that of food processors. Fortunately, it's not hard to expand the guar supply. The bean is an annual that can be grown under a wide variety of conditions.

**What do you think of the new charter for Equity-Income II?**

The renamed **Equity Dividend Income** (dividend is its middle name) is now aiming higher when it comes to yield, and will be allowed to deviate more from its not-so-ideal Russell 3000 Value benchmark (the fund is adopting the MSCI US High Dividend Yield as a secondary benchmark). Both of these changes are for the better, in our opinion. But there are other good choices out there: **Strategic Dividend & Income**, **Growth & Income**, and **Mega Cap Stock** are all embracing the non-financial dividend theme to some degree. Time will tell if **Equity Dividend Income**'s new strategy becomes a long-term winner, but we think the odds are in its favor.

**CORRECTION:** In last month's issue, we incorrectly titled the bar charts for the Municipal and Select funds as “2010 performance,” instead of 2011. The actual figures were correct. Our apologies for the oversight.

RECOMMENDATIONS - *Continued from page 1*

Credit sensitive funds benefited from an improved outlook for the global economy, as well as the Fed's more accommodating interest rate stance. **Capital & Income** gained 4.2%, **High Income** was up 3.5%, **Global High Income** rose 3.0% and **Focused High Income** returned 2.7%. Trailing behind, **Spartan Long-Term Treasury Index** finished on the bottom at breakeven for the month.

Munis were helped by improving credit conditions, posting gains ranging from 0.6% to 2.8%.

**SELECT PORTFOLIOS**

Our favorite fundamental picks include **Technology, Chemicals, Pharmaceuticals, IT Services, Energy, Utilities, Industrials, and Retailing.**

Cyclical sectors posted strong gains. **Electronics** jumped 15.1%, **Chemicals** was up 13.6% and **Automotive** gained 13.4%. The former was helped by declining natural gas prices, which reduced feedstock costs. In contrast, defensive groups lagged. **Pharmaceuticals** gained 1.2%, **Telecommunications** slipped 0.4%, **Consumer Staples** was off 0.9% and **Utilities** declined 4.0%. ■

**Happenings**

Joel Tillinghast of **Low-Priced Stock** has returned from his leave of absence and has reassumed his role as lead manager. However, Jamie Harmon and the rest of the team will remain at the fund as co-managers.

**Equity-Income II** was renamed **Equity Dividend Income** to better reflect its focus on current dividends.

A number of new appointments were made in January. David Kelly replaces Jeff Feingold at **Trend, Large Cap Growth** and **VIP Growth Stock** (we're downgrading all three to hold). Matt Friedman is the new stockpicker at **VIP Value**, Sean Gavin has taken over **Value Discovery** and Vincent Montemaggiore is the new leader at **Overseas**. And for the Selects, there were a number of co-manager appointments: John Sheehy to **Banking**, Holger Boerner to **Construction & Housing**, Matthew Moulis to both **Transportation** and **Air Trans**, Douglas Scott to **Defense & Aero**, and Ali Khan to **Communications Equipment**. ■

**JANUARY DISTRIBUTIONS**

**New Millennium** \$ 0.065/\$29.07 (1/6)

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

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	120190.4	0.04	CT MM (418/FCMXX)	1835.9	0.01			
Select MM (85/FSLXX)	5965.3	0.14	MA MM (74/FDMXX)	5478.9	0.01			
Money Market (454/SPRXX)	3715.0	0.01	MI MM (420/FMIXX)	874.7	0.01	MA AMT TF (426/FMSXX)	296.1	0.01
Gov't MM (458/SPAXX)	675.1	0.01	NJ MM (417/FNJXX)	2221.7	0.01	AMT Tax-Free (460/FIMXX)	1273.7	0.01
US Treas. MM (415/FDLXX)	6604.1	0.01	NY MM (92/FNYXX)	5057.6	0.01	NJ AMT TF (423/FSJXX)	238.0	0.01
Tax-Free MM (275/FMOXX)	7317.0	0.01	OH MM (419/FOMXX)	1099.8	0.01	NY AMT TF (422/FSNXX)	464.0	0.01
US Gov't Reser (50/FGRXX)	2648.2	0.01	AZ MM (433/FSAXX)	367.7	0.01	PA MM (401/FPTXX)	680.3	0.01
CA MM (97/FCFXX)	5457.0	0.01	CA AMT TF (457/FSPXX)	486.5	0.01	Municipal MM (10/FTEXX)	24573.9	0.01