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Manager Sees Opportunities In Blue Chip Growth Stocks

Last October we did a story on the large-cap growth arena, characterizing it as the most attractive corner in the stylebox (we still believe that to be the case). Last month, we were able to catch up with Sonu Kalra, manager of **Blue Chip Growth**. Following is a summary of the key topics he addressed in the interview.

SEEKING GROWTH IN BLUE CHIPS

Kalra defines a blue chip stock as a large company with a sustainable business model - meaning favorable returns on equity and capital, and faster growth relative to its peers. Not every one of Kalra's holdings qualify, but they all have the potential. He points to Apple as an example of a company that was not generally considered a blue chip 7 or 8 years ago, noting few would question its status today (more on Apple later). Identifying blue chips - before they are widely recognized as such - can be an advantage for shareholders in a fund like this.

As for growth stocks, Kalra believes today is a great time to be a growth investor. Stock values still haven't recovered from the tech bust over the last decade, but earnings have. As a result, it's nice to see growth stocks trading at today's attractive valuations.

With dividends once again playing a significant role in the total return equation, we wanted to know if Kalra was making them a priority. He acknowledged that while dividends can be important, in a fund like this they are not an overriding consideration.

ECONOMIC OUTLOOK

Kalra described himself as cautiously optimistic as he briefly discussed the environment here and abroad:

- Jobs are looking up on the home front, which is good news for investors (weekly and monthly employment trends usually correlate well with stock market behavior).

MANAGER SEES OPPORTUNITY - *Continued on page 2*

Check Hotline For Switches

As announced on our 2/25/12 hotline update, we made several small trades to bring our models into close alignment with those of our affiliate publication Fidelity Insight (see page 3). Please check our hotline each weekend for upcoming changes; trades will typically be announced near the end of the month.

Review & Recommendations

The global relief rally continued as the probability of a banking system collapse in Europe grew increasingly remote. And despite rising military tension with Iran, stocks responded favorably to stronger-than-expected improvement on the domestic jobs front. The S&P 500 gained 4.3% for the month of February.

DOMESTIC EQUITY FUNDS

Please see page 7 for current Growth Model holdings. Our individual favorites include **OTC Portfolio**, **Blue Chip Growth**, **Stock Selector Small Cap**, **Mega Cap Stock**, **Growth & Income**, **Focused Stock**, **Value Strategies**, **Contrafund** and **Low-Priced Stock**.

After ignoring some pretty good earnings stories for most of 2011, the market finally became willing to give growth stocks their due. **Blue Chip Growth** gained 7.5%, **Growth Company** rose 6.8% and **OTC Portfolio** was up 6.7%. But the rotation into growth stocks took a slight toll on dividend stocks - **Equity-Income** and **Equity Dividend Income** posted respective increases of 3.9% and 3.4%. Also trailing were **Large Cap Value** and **Small Cap Value**, both with a gain of 3.3%, and **130/30 Large Cap**, which landed on the bottom with a 2.9% return.

INTERNATIONAL FUNDS

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

Nordic was up 11.6%, and **Emerging EMEA** logged an 8.3% increase. But conservative **Global Balanced** was left behind with a 2.7% return, and **Japan Smaller Companies** rose only 2.5%.

GROWTH & INCOME FUNDS

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

Puritan and **Balanced** posted respective gains of 3.9% and 3.3%, thanks gains in growth stocks and high yield. But REITs lagged, partly because cubicle footage is shrinking at a faster rate, cutting office space demand. **Real Estate Inc.** rose 1.3%, and **Real Estate** was off 0.7%.

INCOME FUNDS

Please see page 7 for current Income Model holdings. Our individual bond favorites, in increasing order of risk, include **Conservative Income**, **Short-Term Bond**, **Strategic Income**, **Focused High Income**, **High Income**,

RECOMMENDATIONS - *Continued on page 8*

MANAGER SEES OPPORTUNITY - *Continued from page 1*
While today's 8.3% unemployment figure doesn't take into account those who have stopped looking for work, the more telling jobless figures make it clear that there is steady improvement.

- The domestic housing market is firming. The latest numbers are a positive sign, even if the figures on new construction are getting a boost from the mild weather.

- Recent actions taken in the Euro-zone have reduced the risk of an extreme event. But the ongoing progress in resolving the Euro-debt crisis still requires close attention.

- Emerging markets are somewhat uncertain – these countries must engineer a soft landing, which could be tricky in the current environment.

Overall, Kalra is encouraged that growth companies are delivering on earnings, but he thinks they will need to generate revenue growth at some point. Fortunately, valuations are modest, and the interest rate environment is positive. Kalra tries to own stocks that can do well regardless of what plays out in the global economy, especially in cases where emerging market demand is a factor. He cites Coca-Cola as an example. Beverages are a consumer staple, so demand is relatively steady. That makes the stock safer than a materials play, and it also offers a nice dividend yield. Coca-Cola may do okay even if the emerging markets come in for a hard landing.

SECTOR OUTLOOK

We didn't discuss every industry group, but Kalra made some interesting comments on several sectors:

- Technology (this group accounted for 33% of the fund's holdings at year-end): Kalra has an overweight relative to the Russell 1000 Growth benchmark, and feels good about what is going on. Business spending has held up well this time around, because many firms have been using technology to improve productivity. In addition, there are several product cycles driving sales: cloud computing, mobile devices, fragmentation of media, and tablets. Looking out 12 months, Windows 8 may also drive spending. On top of it all, large-cap technology companies have great balance sheets and sport below-market multiples.

- Energy: The energy resource mix in the U.S. has changed dramatically due to unconventional drilling, and Kalra is trying to find companies that are more oil-exposed than gas-exposed. He also sees some opportunity in firms that can benefit from the big spread between WTI and Brent crude. While rising prices at the pump remain a concern, he sees the process as being self-correcting. At some point consumers will tend to cut back, although he's not exactly sure where the threshold is.

- Financials: Kalra sees firms in this sector as cheap with an improving business profile. Balance sheets are being cleaned up, but the stocks are still trading near book value. Only a small slice (3% at year-end) of fund

assets are in this group (the Russell 1000 Growth Index has only a tiny 4% weighting in the sector).

TOP STOCKS

Blue Chip Growth's year-end holdings report shows a 15% weighting in its top two stocks: Apple accounts for 9.1% of assets, and Google for 5.9%. We asked Kalra to comment on these two companies.

Regarding Apple, Kalra believes the company still has room to grow despite its impressive rebound from the depths of the financial crisis. He sees three main areas of opportunity:

- PCs. Apple's global share stands at 5%, and their success in portable devices has created a nice halo effect. Product acceptance is on the upswing on campuses and in the business world. Apple's laptops, even the under \$1000 models, are considered a premium product – they represent an aspirational brand. People are willing to spend extra.

- Smartphones. This business is growing 40% a year, and Apple has about 20% of the global market. They are adding new carriers overseas, and their stream of new products is likely to continue (Fidelity is not privy to Apple's product development efforts; its analysts learn about new introductions at the same time as the public).

- Tablets. This is a product category that Apple invented, and the firm still has a 70% market share. So far this segment is growing faster than either PCs or smartphones – in fact it looks a lot like the iPod music players. Apple has done a nice job of creating an ecosystem (or eco-lock-in, depending on your point of view). As a result, consumers do not seem to mind spending an extra \$200-300 versus a Kindle product.

Overall, Kalra feels that Apple has many vectors to help them continue to grow their business, and he feels comfortable that the stock is selling at a significant discount given its rate of earnings growth. The firm has a lot of cash on its books, which could be used in a strategic acquisition that complements the existing business model.

As for the loss of Steve Jobs, Kalra feels he was a brilliant person, and that his biography provides some insight into how he thought. But Apple is far from a one-person company – Job's thinking is now ingrained in Apple's DNA to a significant degree. Furthermore, its customer base remains passionate, allowing the firm to get by with relatively little advertising. While the lack of a visionary leader may someday become a problem, Kalra doesn't see it as much of an issue in the coming years.

Kalra had less to say about Google, but his comments were still enlightening. While the firm is classified as a technology stock, and often compared to other firms in that sector, he sees it as a media company that is using technology to serve up ads. His heavy bet stems from evaluating Google's earnings and revenue growth against other media stocks.

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SUMMARY

While Fidelity has many funds that fall into the large-cap growth segment, **Blue Chip Growth** stands out for its broad-based position in domestic growth stocks and its five-year track record. While Sonu has only been picking stocks for about half that time, his experience with the technology sector makes him a natural fit. We continue to favor **Blue Chip Growth** as a core holding for our Growth Model, and as our most aggressive position in the Growth and Income Model. ■

Changes To Rating System and Model Balances

You'll notice a larger-than-usual number of funds have been upgraded on pages 4-6 this month. No, we're not suddenly more bullish because the year is off to a good start. Rather, we've raised a number of our buy-rated funds by a notch in preparation for a new rating system that will begin with the April issue.

Why the change? The main reason is we want to be consistent with our affiliate, Fidelity Insight. But the new approach will also solve a "disappearing stars" problem that some subscribers run into when viewing or printing downloaded PDF files. It will also distance us from Morningstar's star system, which uses a backward-looking risk-adjusted algorithm that doesn't consider fundamentals or future potential.

Here is the new language we'll be using starting with next month's issue:

- **Buy** (replaces **B *******). Our top rating will be used mainly for the funds in our model portfolios and others that we consider as the best bets in their asset class.
- **OK to Buy** (replaces **B *******). Our second highest rating is for funds that we like enough to be okay with buying them, but we're not as certain that they'll be winners. Feel free to accumulate them at the expense of lower-rated funds in the same asset class.
- **Hold** (replaces **H *****). This is a neutral rating. If you are sitting on unrealized capital gains, and you have no offsetting carryforward losses, it probably makes sense to hold these funds for the long run. In other situations, we're okay with holding them or with moving on to a higher-rated fund in the same asset class.
- **OK to Sell** (replaces **S ****). It's okay to sell a fund that carries this rating, and if taxes are not an issue you should consider reducing your position to less than 5% of total portfolio holdings. But if you've got a large unrealized gain, or if you are using the fund to help balance risk in a diversified portfolio, we don't see a problem with hanging tight.

• **Sell** (replaces **S ****). There's a significant risk that the fund could remain (or become) a laggard in its asset class, so it's time to move on to a higher-rated fund.

For readers who rely heavily on our ratings, we'd like to caution against reading too much into them. One reason we hold multiple funds in our model portfolios is to reduce the impact of any one position should we suddenly find ourselves holding a laggard. It's easy to look back at what happened in the past and make judgments, but predicting the future is tough. Even in a year when we get the big story right, a significant percentage of our higher-rated funds could end up lagging, and some of our lower-rated funds may outperform.

With this in mind, we much prefer that readers follow our model portfolios instead of choosing individual funds based on our ratings. We've noticed over the years that subscribers who express disappointment with our recommendations are almost always relying solely on our buy ratings, without giving much consideration to diversification. In contrast, those who follow our model portfolios are dissatisfied far less often.

MODEL BALANCES

The other change we'll be implementing is to make it more obvious how our model portfolios have performed

RATINGS / MODEL BALANCES - *Continued on page 8*

Model Portfolio Adjustments

As announced on our 2/25 hotline update, on Monday, 2/27, we made several tiny adjustments to bring our model weightings to within a half percentage point of those in our affiliate publication Fidelity Insight (we are doing this so that Fidelity Monitor subscribers can access a feature-rich web site common to both publications later this year). Unless your account is large and you want to match the models precisely, it isn't necessary to follow these trades:

In our Income Model, we sold one-twentieth of **Strategic Income** (\$11.11), splitting the proceeds evenly into **Low-Priced Stock** (\$40.05) and **Strategic Dividend & Income** (\$11.71).

In our Growth and Income Model, we sold one-twentieth of **Blue Chip Growth** (\$48.57) and bought **Global High Income** (\$9.70).

In our Growth Model, we sold one-sixteenth of **Blue Chip Growth** (\$48.57) and bought **Low-Priced Stock** (\$40.05).

In our Select System, we exchanged one-twentieth of **Pharmaceuticals** (\$14.14) for **Chemicals** (\$112.14).

In our Unique Opportunities Model, we sold one-twentieth of **Focused Stock** (\$15.05) and bought **Value Strategies** (\$28.66).

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 30-day roundtrip trades to two in the last 90 days and four in the last 12 months. Fund ratings: **Buy** means the fund is one of our top choices in its category, **OK to Buy** means accumulate at the expense of lower-rated funds, **Hold** means we have a neutral view, **OK to Sell** means reduce to below 5% of holdings, **Sell** means move on to a higher-rated fund within the same asset class. Upgrades and downgrades from the prior month are indicated by ↑ and ↓.

FEBRUARY 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
EQUITY FUNDS:												
130/30 Large Cap (2063/FOTTX)	S*↓	1.08	none	7.45	18.0	7.0	2.9	6.8	-4.0	12.6		
Growth Strategies (324/FDEGX)	H***↓	1.30	1.5(90)	21.00	1619.5	12.8	3.7	10.2	-1.2	26.5	1.2	2.8
Blue Chip Gth (312/FBGRX)	B****↑	1.21	none	48.65	10561.5	14.7	7.5	12.9	5.8	30.6	6.0	4.3
Blue Chip Value (1271/FBCVX)	S*↓	1.22	none	10.71	340.7	9.5	5.0	11.6	-4.2	21.8	-4.2	
Capital Apprec (307/FDCAX)	B****	1.22	none	27.87	4213.4	13.2	4.9	13.0	5.1	28.6	2.3	6.5
Contrafund (22/FCNTX)	B****↑	0.90	none	74.73	56729.3	10.8	5.5	9.6	5.6	24.1	4.7	8.1
Disc Equity (315/FDEQX)	S*↓	1.07	none	23.58	6733.7	9.6	5.1	10.3	0.8	18.9	-1.6	3.4
Dividend Gth (330/FDGFEX)	H***	1.41	none	29.49	7101.0	14.0	5.6	13.7	-1.4	32.1	2.0	3.4
Equity-Income (23/FEQIX)	B****↑	1.19	none	44.42	6847.1	7.5	3.9	9.8	-3.4	24.9	-2.0	3.3
Equity Dividend Inc (319/FEQTX)	B****↑	1.18	none	18.54	4293.6	6.6	3.4	9.6	-2.4	23.9	-1.8	3.1
Export Fund (332/FEXPX)	S**	1.07	0.75(30)	22.73	1879.1	9.9	5.5	10.2	0.9	23.1	1.0	5.4
Fidelity Fifty (500/FFTXX)	B****	1.05	none	19.06	676.7	9.3	4.9	9.0	3.2	25.9	-0.3	4.4
Fidelity Fund (3/FFIDX)	H***	1.07	none	34.32	4377.3	10.2	5.3	10.1	0.8	23.2	1.7	4.0
Focused Stock (333/FTQGX)	B****↑	1.06	none	15.01	509.8	9.5	5.2	9.3	2.0	26.2	5.5	4.5
Growth & Income (27/FGRIX)	B****	1.06	none	19.99	4836.7	9.6	5.2	11.9	5.7	25.1	-4.9	-0.4
Growth Company (25/FDGRX)	B****↑	1.13	Closed	93.78	24952.7	15.9	6.8	13.8	10.1	30.6	7.2	7.5
Growth Discovery (339/FDSVX)	B****↑	1.14	none	15.32	859.7	12.2	6.2	10.9	5.1	28.0	4.4	4.9
Independence (73/FDFFX)	H***	1.44	none	25.21	3300.3	16.4	6.2	13.1	-0.9	28.3	3.6	5.5
Lg Cap Core En Idx (1827/FLCEX)	S**	0.97	none	9.68	246.3	8.4	4.2	9.8	6.8	24.0		
Large Cap Growth (763/FSLGX)	H***↓	1.08	none	10.96	132.1	13.3	5.8	11.5	5.8	24.8	1.3	3.3
Large Cap Stock (338/FLCSX)	B****↑	1.29	none	19.15	842.5	11.7	6.0	13.4	3.2	32.7	2.8	4.1
SS Large Cap Value (708/FLSVX)	S**	1.07	none	11.13	483.0	8.2	3.3	10.1	1.8	21.2	-3.2	3.3
Lev Co Stock (122/FLVCX)	B****↑	1.66	1.5(90)	29.04	3263.5	15.7	4.5	16.2	-3.6	35.2	1.0	15.0
Low-Priced Stock (316/FLPSX)	B****↑	1.09	1.5(90)	39.83	24614.6	11.5	5.0	11.1	6.2	30.1	4.1	9.7
Magellan (21/FMAGX)	H***	1.28	none	70.75	13320.9	12.3	6.0	12.0	-6.1	22.6	-1.3	1.5
Mega Cap Stock (361/FGRTX)	B****↑	1.08	none	11.17	1035.3	10.6	5.7	12.5	6.4	27.3	2.3	4.2
Mid Cap Growth (793/FSMGX)	H***↓	1.31	0.75(30)	12.84	252.1	12.6	3.5	9.9	-0.9	29.1	-0.5	4.1
Mid Cap Stock (337/FMCSX)	H***	1.30	0.75(30)	29.90	5222.4	12.2	5.8	11.4	4.9	32.7	2.5	5.9
Mid Cap Value (762/FSMVX)	H***	1.25	0.75(30)	16.74	554.0	10.4	4.8	11.3	0.2	31.5	1.0	7.1
New Millennium (300/FMILX)	B****	1.13	none	31.88	1874.8	10.4	5.6	11.2	6.6	30.9	5.4	7.3
OTC Portfolio (93/FOCPX)	B****↑	1.31	none	62.79	6101.3	14.8	6.7	12.1	5.4	34.1	8.7	8.4
Small Cap Discovery (384/FSCRX)	B****	1.45	1.5(90)	22.12	2276.2	10.4	4.1	11.6	3.8	39.8	8.9	
Small Cap Growth (1388/FCPGX)	B****↑	1.34	1.5(90)	16.49	1188.7	10.5	4.4	11.5	3.1	31.4	3.7	
Stock Sel Small Cap (336/FDSCX)	B****↑	1.44	1.5(90)	19.77	1681.4	9.7	3.7	9.9	0.8	32.8	0.7	5.8
Small Cap Stock (340/FSLCX)	B****↑	1.65	2 (90)	18.48	3260.2	11.7	3.5	11.6	-11.6	31.9	2.5	7.2
Small Cap Value (1389/FCPVX)	H***	1.38	1.5(90)	15.27	1692.8	9.2	3.3	10.8	0.2	32.2	4.4	
Stock Sel All Cap (320/FDSSX)	H***	1.13	none	27.20	2376.9	12.1	5.3	11.5	0.9	24.8	1.2	4.2
Tax Managed Stock (343/FTXMX)	S*↓	1.18	none	12.68	59.2	9.9	4.4	9.4	-3.5	19.4	-1.9	2.9
Trend (5/FTRNX)	H***	1.13	none	75.68	1100.4	13.2	5.7	11.3	5.7	30.0	5.3	6.1
Value (39/FDVLX)	H***	1.46	none	70.88	5926.3	11.7	4.4	12.1	-2.0	32.9	-0.7	6.7
Value Discovery (832/FVDFX)	H***	1.22	none	15.45	444.4	9.2	4.0	11.1	0.7	25.5	-0.5	
Value Strategies (14/FSLSX)	B****↑	1.56	none	28.58	298.3	14.0	4.5	13.5	-1.1	37.6	0.3	6.3
SPECIALTY / HYBRID FUNDS:												
Balanced (304/FBALX)	B****	0.69	none	19.50	14917.4	7.2	3.3	7.8	4.9	20.9	3.1	6.7
Convertible Sec (308/FCVXS)	B****↑	1.10	none	25.44	2017.6	11.4	3.2	12.1	-2.5	30.7	3.7	6.9
Global Strategies (1960/FDYSX)	H***	0.81	none	9.27	215.8	7.7	2.3	5.3	-1.3	18.9		
Puritan (4/FPURX)	B****	0.71	none	19.14	15378.4	8.2	3.9	8.9	4.3	20.4	3.3	5.7
Real Estate Income (833/FRIFX)	B****	0.56	0.75(90)	10.77	1812.3	5.1	1.3	7.4	5.8	25.3	4.0	
Real Estate (303/FRESX)	B****	1.69	0.75(90)	29.24	3527.2	5.9	-0.7	10.5	6.2	46.0	-2.1	10.6
Strategic Div & Inc (1329/FSDIX)	B****↑	0.97	none	11.70	1508.2	6.2	2.7	9.1	7.8	29.3	1.0	
Strategic Real Rtn (1505/FSRRX)	H***	0.51	0.75(60)	9.54	599.7	3.6	0.6	3.7	2.4	17.4	3.6	
Telecom & Utilities (311/FUIX)	B****↑	0.71	none	17.21	844.1	-0.7	3.2	2.3	7.3	18.4	0.2	6.2
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.54	0.75(30)	38.12	62.0	10.4	0.5	10.5	2.0	36.4	1.3	5.7
Automotive (502/FSAVX)	B****	2.69	0.75(30)	38.05	124.7	22.1	7.7	22.5	-13.0	60.5	1.8	5.4
Banking (507/FSRFX)	H***	1.60	0.75(30)	17.83	418.5	11.6	5.0	15.6	-5.3	26.3	-9.2	-0.7
Biotechnology (42/FBIOX)	H***	1.22	0.75(30)	97.81	1656.1	13.6	0.9	17.3	32.3	21.5	8.9	6.2
Brokerage (68/FSLBX)	H***	1.69	0.75(30)	47.27	373.2	18.3	5.3	17.0	-11.5	22.0	-4.9	5.0
Chemicals (69/FSCHX)	B****↑	1.67	0.75(30)	110.52	801.8	16.2	2.2	16.1	10.3	39.6	11.6	13.4
Com Equipment (518/FSDCX)	H***	1.67	0.75(30)	24.51	308.9	11.1	4.5	7.1	-17.1	31.9	3.7	5.1
Computers (7/FDCPX)	B****	1.41	0.75(30)	64.89	638.9	20.4	8.0	17.7	8.5	40.4	10.6	7.1
Const & Housing (511/FSHOX)	H***	1.64	0.75(30)	40.01	178.4	11.7	3.7	16.0	7.6	31.5	1.0	7.1
Cons Discretionary (517/FSCPX)	H***	1.26	0.75(30)	25.97	250.3	12.6	5.3	12.8	8.7	32.9	3.3	4.5
Consumer Finance (98/FSVLX)	H***	1.14	0.75(30)	12.62	156.1	14.3	7.4	15.6	7.4	18.0	-20.2	-7.2
Consumer Staples (9/FDFAX)	H***	0.75	0.75(30)	75.29	1121.2	5.4	6.3	7.4	15.3	22.7	8.2	8.5
Defense & Aero (67/FSDAX)	H***	1.17	0.75(30)	86.02	655.9	10.3	4.6	10.8	10.9	31.6	4.2	9.9
Electronics (8/FSLEX)	B****↑	1.72	0.75(30)	53.29	1204.6	20.5	4.8	18.3	0.0	36.7	3.5	2.2
Energy (60/FSENX)	B****↑	1.72	0.75(30)	55.15	2351.1	11.8	6.0	8.0	-7.7	26.9	4.5	11.9
Energy Service (43/FSSESX)	H***	2.10	0.75(30)	73.01	1297.1	12.3	5.2	5.7	-15.0	29.2	3.3	10.4
Environ & Alt Energy (516/FSLEX)	H***	1.20	0.75(30)	16.31	76.5	8.2	2.2	5.5	-14.0	15.2	-0.4	3.8
Financial Services (66/FIDSX)	H***	1.69	0.75(30)	57.57	387.3	17.7	5.1	17.7	-8.1	20.8	-11.3	-1.2
Gold (41/FSAGX) Limit to 5% position	S**	1.99	0.75(30)	45.96	4024.3	8.8	-1.8	-6.6	-6.0	20.5	13.2	17.9
Health Care (63/FSPHX)	H***	0.87	0.75(30)	133.07	2146.1	8.8	2.4	10.9	9.1	25.8	6.3	6.2
IT Services (353/FBSOX)	B****↑	1.16	0.75(30)	23.77	230.2	11.8	4.9	9.8	8.2	31.5	9.7	7.8
Indust Equip (510/FSFCGX)	B****	1.61	0.75(30)	36.37	322.0	17.4	5.3	14.7	1.7	38.7	5.4	7.4
Industrials (515/FCYIX)	B****↑	1.47	0.75(30)	24.69	518.5	13.2	3.9	13.1	0.9	36.5	6.4	9.4
Insurance (45/FSPCX)	S**	1.23	0.75(30)	47.56	260.8	7.2	2.8	7.6	-4.1	26.8	-5.1	2.2
Leisure (62/FDLSX)	H***	1.17	0.75(30)	106.53	421.3	10.5	4.5	12.1	16.8	32.7	8.1	9.3
Materials (509/FSDDPX)	H***	1.73	0.75(30)	69.41	1042.1	13.0	1.2	10.0	0.5	37.8	8.4	13.5
Medical Delivery (505/FSHCX)	H***	1.10	0.75(30)	61.26	857.1	11.9	4.9	10.9	10.7	33.8	5.6	11.4
Medical Equip & Sys (354/FSMEX)	H***	0.95	0.75(30)	28.02	1342.2	11.2	2.3	11.5	0.2	19.6	7.1	9.4
Multimedia (503/FBMPX)	H***	1.37	0.75(30)	48.48	170.9	12.6	6.0	15.1	2.7	39.3	4.4	7.3
Natural Gas (513/FSNGX)	H***	1.67	0.75(30)	32.91	728.0	8.2	4.9	4.6	-9.0	20.5	-0.7	10.2
Nat Resources (514/FNARX)	H***	1.73	0.75(30)	35.36	1376.2	13.0	4.8	7.0	-8.6	27.9	5.8	12.7
Pharmaceuticals (580/FPHAX)	B****↑	0.87	0.75(30)	14.11	714.0	3.9	2.7	7.7	14.3	26.0	8.4	6.2
Retailing (46/FSRPX)	B****	1.32	0.75(30)	57.53	331.8	12.3	5.8	9.3	15.7	36.3	7.7	8.9
Software (28/FSCSX)	B****	1.15	0.75(30)	89.96	1468.5	15.9	7.5	14.6	13.1	34.1	10.3	9.9
Technology (64/FSPTX)	B****↑	1.44	0.75(30)	101.57	2157.1	17.5	8.5	13.7	-0.8	39.9	7.8	7.0
Telecom (96/FSTCX)	H***	1.05	0.75(30)	46.26	324.2	5.6	6.0	7.1	-0.2	21.8	-0.4	5.4
Transportation (512/FSRFX)												

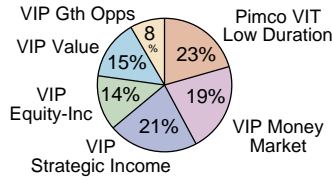
FEBRUARY PERFORMANCE						30-day	2012	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
INTERNATIONAL FUNDS:												
Canada (309/FICDX)	H ***	1.38	1.5(90)	53.91	3604.3		7.5	2.9	5.4	-12.3	22.8	4.1
China Region (352/FHKCX)	H ***	1.54	1.5(90)	29.63	1464.9		17.2	7.1	14.5	-4.0	26.5	8.4
Diversified Int'l (325/FDIVX)	S **	1.29	1(30)	28.56	15420.8		11.9	5.3	8.9	-7.6	19.4	-2.4
Emerging EMEA (2053/FEMEX)	B ****	1.52	1.5(90)	9.17	111.9		17.1	8.3	11.5	-0.1	30.3	
Emerging Mkts (322/FEMKX)	B ****↑	1.58	1.5(90)	23.53	2825.7		14.7	5.4	9.6	-5.8	29.7	1.7
Europe (301/FIEUX)	S **	1.49	1(30)	28.84	588.4		13.2	6.7	11.1	-10.6	18.3	-2.4
Europe Cap Appr (341/FECAX)	S **	1.50	1(30)	17.52	311.0		13.3	6.8	11.2	-10.5	18.3	-3.8
Global Balanced (334/FGLBX)	H ***	0.80	1(30)	22.77	474.5		6.3	2.7	6.3	-0.6	17.6	4.2
Glob Commodity Stk (2120/FFGCX)	H ***	1.6 Est	1(30)	15.78	517.3		13.2	3.3	7.3	-12.3		
Int'l Capital Apprec. (335/FIVFX)	B ****↑	1.58	1(30)	12.86	613.1		15.6	6.8	12.0	-1.2	30.9	-1.8
Int'l Discovery (305/FIGRX)	S **	1.31	1(30)	30.61	6193.3		10.9	5.3	8.4	-9.3	18.5	-2.1
Int'l Growth (1979/FIGFX)	B ****	1.21	1(30)	8.76	77.5		12.2	6.1	10.5	0.4	25.0	
Int'l Real Estate (1368/FIREX)	S ↓	1.52	1.5(90)	8.23	252.8		18.4	8.1	13.3	-9.0	23.7	-8.6
Int'l Small Cap (818/FISMX)	B ****↑	1.28	2(90)	20.07	777.0		14.6	7.5	11.0	-6.4	26.8	0.8
Int'l Small Cap Opp (1504/FSCOX)	B ****↑	1.21	2(90)	10.41	328.0		12.5	5.0	11.1	-0.1	29.6	-5.5
Int'l Value (1597/FIVLX)	S **	1.45	1(30)	7.06	143.7		8.0	4.1	7.1	-16.9	19.0	-5.8
Japan (350/FJPNX)	B ****↑	1.07	1.5(90)	10.04	430.7		9.1	4.8	7.5	-12.9	14.9	-6.2
Japan Smaller Co (360/FJSCX)	H ***↓	1.20	1.5(90)	8.86	296.9		3.6	2.5	1.8	-8.9	21.8	-5.7
Latin America (349/FLATX)	B ****	1.63	1.5(90)	55.87	2867.1		14.3	4.3	13.8	0.0	31.7	7.4
Nordic (342/FNORX)	H ***	1.69	1.5(90)	31.58	315.0		18.0	11.6	14.9	-8.0	29.6	-0.8
Overseas (94/FOSFX)	S **	1.43	1(30)	30.42	1684.6		14.9	6.6	10.3	-6.9	16.9	-3.7
Pacific Basin (302/FPBFX)	B ****↑	1.42	1.5(90)	24.20	639.1		12.9	4.9	8.3	-6.5	35.6	1.7
Emerging Asia (351/FSEAX)	B ****↑	1.35	1.5(90)	29.20	1499.4		16.0	5.5	11.5	1.5	24.2	4.3
Total Int'l Equity (1978/FIEX)	B ****↑	1.33	1(30)	7.03	285.5		11.1	5.1	8.9	-7.6	23.2	
Worldwide (318/FWWFX)	H ***	1.16	1(30)	19.07	1045.2		10.0	5.1	8.8	-2.9	23.0	1.6
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H ***	0.92	none	28.20	2284.6		8.6	3.9	8.8	1.9	21.9	1.6
NASDAQ Comp (1282/FNCMX)	B ****	1.18	0.75(90)	39.46	335.4		14.1	5.6	13.5	7.6	30.1	5.0
Spart Ext Mkt Idx (398/FSEMXX)	H ***	1.28	0.75(90)	39.66	3645.4		11.8	4.0	11.8	1.8	31.5	3.6
Spart Int'l Index (399/FSIIX)	H ***	1.30	1(90)	33.06	4010.5		11.1	5.3	8.8	-7.9	20.1	-2.9
Spart 500 Index (650/FUSEX)	H ***	1.00	none	48.49	16062.7		9.0	4.3	10.1	5.0	25.5	1.5
Spart Total Mkt Idx (397/FSTMX)	H ***	1.04	0.5(90)	39.55	3994.7		9.5	4.2	10.4	4.5	26.6	2.0
Asset Mgr 20% (328/FASIX)	H ***	0.30	none	13.14	4020.1		3.3	1.3	3.9	4.4	12.2	4.2
Asset Mgr 30% (1957/FTANX)	H ***	0.42	none	9.94	283.1		4.5	1.8	5.0	4.3	14.9	
Asset Mgr 40% (1958/FFANX)	H ***	0.53	none	9.86	224.9		5.7	2.3	5.9	3.6	16.8	
Asset Mgr 50% (314/FASMX)	H ***	0.65	none	16.02	6592.8		6.7	2.8	6.9	2.9	19.2	3.6
Asset Mgr 60% (1959/FSANX)	H ***	0.77	none	9.88	451.8		7.9	3.3	7.8	2.1	20.7	
Asset Mgr 70% (321/FASGX)	H ***	0.89	none	16.82	2637.4		8.9	3.9	8.6	1.0	22.6	2.5
Asset Mgr 85% (347/FAMRX)	H ***	1.06	none	13.70	656.6		10.6	4.7	9.8	-0.5	24.4	1.9
Freedom 2000 (370/FFBXX)	H ***	0.31	none	12.26	1250.8		3.2	1.2	3.4	3.4	11.5	3.5
Freedom 2005 (1312/FFFVX)	H ***	0.55	none	11.05	794.5		5.0	2.1	5.1	2.6	16.3	2.8
Freedom 2010 (371/FFFCX)	H ***	0.62	none	13.89	7167.0		6.0	2.7	6.2	2.7	17.6	3.2
Freedom 2015 (1313/FFVFX)	H ***	0.64	none	11.61	7209.4		6.2	2.7	6.3	2.7	18.1	2.9
Freedom 2020 (372/FFFDX)	H ***	0.76	none	14.04	15314.5		7.0	3.1	7.1	2.1	20.3	2.3
Freedom 2025 (1314/FFTXX)	H ***	0.85	none	11.69	8353.0		8.1	3.6	8.1	1.4	21.2	2.1
Freedom 2030 (373/FFFEV)	H ***	0.90	none	13.92	11413.8		8.4	3.9	8.4	1.0	22.1	1.3
Freedom 2035 (1315/FFTHX)	H ***	0.98	none	11.54	5614.6		9.4	4.3	9.2	0.0	22.4	1.1
Freedom 2040 (718/FFFFX)	H ***	1.00	none	8.05	7035.3		9.4	4.4	9.2	-0.1	22.8	0.8
Freedom 2045 (1617/FFFGX)	H ***	1.02	none	9.53	2273.8		9.7	4.5	9.5	-0.4	23.0	0.8
Freedom 2050 (1618/FFFHX)	H ***	1.06	none	9.39	1913.5		10.0	4.7	9.8	-0.7	23.4	0.4
Freedom Income (369/FFFAV)	H ***	0.29	none	11.59	2393.0		3.2	1.2	3.4	3.5	11.1	3.7
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	B ****↑	0.82	1(90)	9.22	9335.8	5.83	7.3	3.0	9.2	0.3	28.4	8.0
Conservative Income (2267/FCONX)	B ****↑	0.1 Est	none	10.00	424.4	0.69	0.4	0.2	0.5			
Corporate Bond (2208/FCBFX)	B ****	0.4 Est	none	11.02	239.7	2.60	2.7	0.5	5.2	12.0		
Floating Rate (814/FFRHX)	B ****↑	0.31	1(60)	9.80	5347.8	3.44	2.2	0.4	3.0	2.4	10.5	4.1
Focused High Inc (1366/FHIFX)	B ****↑	0.43	1(90)	9.27	896.4	4.73	4.5	1.7	6.5	7.5	16.8	6.2
GNMA Portfolio (15/FGMNX)	B ****	0.15	none	11.83	9846.6	2.80	0.4	0.0	1.0	7.8	7.0	7.0
Global High Income (2297/FGHXX)	B ****↑	0.7 Est	1(90)	9.73	174.9	5.46	5.9	2.9	7.2			
Gov't Income (54/FGOVX)	H ***	0.19	none	10.75	4302.8	1.28	0.1	-0.4	0.9	8.0	5.2	6.3
High Income (455/SPHIX)	B ****↑	0.61	1(90)	9.04	5142.8	5.85	5.7	2.2	8.7	5.5	22.1	7.6
Inflation-Protected (794/FINPX)	H ***	0.33	none	13.00	2871.4		1.8	-0.4	1.8	13.9	10.6	6.9
Intermed Bond (32/FTHRX)	B ****	0.20	none	10.95	4234.2	1.78	1.1	-0.1	2.0	6.4	10.3	5.5
Intermed Gov't Inc (452/FSTGX)	H ***	0.16	none	10.96	1180.3	0.58	0.1	-0.5	0.7	5.8	4.1	5.6
Invest Grade Bond (26/FBNDX)	B ****	0.18	none	7.78	4665.1	2.66	1.3	0.0	2.6	8.3	11.1	5.3
Mortgage Securities (40/FMSFX)	B ****	0.13	none	11.22	754.6	3.01	0.9	0.2	1.6	7.1	7.9	4.8
New Markets Inc (331/FNMIX)	B ****	0.53	1(90)	16.61	4590.8	4.87	6.1	3.7	7.5	15.1	22.4	9.4
Short-Term Bond (450/FSHBX)	B ****↑	0.09	none	8.53	7788.3	0.81	0.6	0.0	0.9	2.1	4.4	2.1
Spart Intermed Tr Idx (1561/FIBIX)	S **	0.36	none	11.55	1026.8	1.16	0.1	-0.9	1.5	13.2	6.7	8.0
Spart L-Term Tr Idx (1562/FLBIX)	S ↓	0.76	none	12.63	253.5	2.64	-2.1	-2.2	0.8	28.0	10.0	9.8
Spart S-Term Tr Idx (1560/FSBIX)	H ***	0.11	none	10.63	265.6	0.21	0.0	-0.3	0.2	3.1	2.5	4.4
Strategic Income (368/FSICX)	B ****↑	0.39	none	11.12	9141.0	3.85	3.6	1.4	5.1	6.2	16.5	7.7
Total Bond (820/FTBFX)	B ****	0.20	none	11.04	12515.9	2.76	1.6	0.3	3.0	8.0	12.0	6.6
Ultra-Short Bond (812/FUSFX)	H ***	0.04	0.25(60)	8.19	254.3	0.67	0.6	0.3	0.6	0.5	1.0	-2.3
Spart US Bond Index (651/FBIDX)	H ***	0.16	none	11.83	7077.8	2.05	0.9	0.0	2.0	8.2	7.3	5.8
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H ***	0.27	0.5(30)	12.01	170.1	2.32	2.5	0.0	4.4	11.7	7.7	5.0
CA Municipal Inc (91/FCFPX)	H ***	0.31	0.5(30)	12.67	1722.7	2.59	2.8	0.2	4.9	13.6	8.1	4.9
CA Short-Int TF (1534/FCSTX)	H ***	0.13	0.5(30)	10.85	762.6	0.77	1.1	0.3	2.1	5.6	4.2	4.4
CT Municipal Inc (407/FICNX)	H ***	0.24	0.5(30)	12.02	574.5	1.59	1.9	-0.2	3.7	11.0	6.8	5.3
Intermediate Muni (36/FLTMX)	H ***	0.18	0.5(30)	10.56	4126.8	1.59	1.6	0.1	3.1	8.9	6.0	4.9
MA Municipal Inc (70/FDMMX)	H ***	0.26	0.5(30)	12.59	2364.1	2.09	2.8	0.0	4.8	12.4	7.9	5.2
MD Municipal Inc (429/SMDMX)	H ***	0.22	0.5(30)	11.53	210.0	1.69	2.0	0.1	3.6	10.5	7.3	4.9
MI Municipal Inc (81/FMHTX)	H ***	0.22	0.5(30)	12.42	638.0	2.16	2.1	0.1	3.9	10.6	6.8	5.1
MN Municipal Inc (82/FMIX)	H ***	0.20	0.5(30)	11.97	530.0	1.64	2.0	0.2	3.7	10.0	6.4	5.0
Municipal Income (37/FHIGX)	H ***	0.27	0.5(30)	13.28	6110.2	2.38	2.6	0.2	4.3	12.7	8.1	5.1
NJ Municipal Inc (416/FNJHX)	H ***	0.26	0.5(30)	12.18	651.3	1.99	2.7	0.0	4.9	12.5	7.2	5.0
NY Municipal Inc (71/FTFXX)	H ***	0.26	0.5(30)	13.52	1838.8	1.97	2.2	0.0	3.9	11.6	7.3	5.1
OH Municipal Inc (88/FOHFX)	H ***	0.23	0.5(30)	12.19	575.0	2.09	2.1	-0.1	4.0	10.9	6.9	5.1
PA Municipal Inc (402/FPXTX)	H ***	0.21	0.5(30)	11.31	438.0	2.26	2.5	0.0	4.3	11.5	7.0	5.2
Short-Int Municipal (404/FSTFX)	H ***	0.10	0.5(30)	10.87	3633.6	0.66	0.9	0.2	1.8	5.0	3.8	4.0
Tax-Free Bond (90/FTABX)	H ***	0.27	0.5(30)	11.44	2227.2	2.38	2.6	0.2	4.6	13.0	8.1	

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	0.89	12952.07	6.3	2.7	8.0	8.6	25.7	3.9	5.1
S&P 500	1.00	1365.68	9.0	4.3	10.1	5.1	25.5	1.6	4.2
NASDAQ	1.18	2966.89	14.0	5.5	13.4	7.7	30.4	5.2	6.4
Russell 2000	1.37	810.94	9.6	2.3	10.3	-0.2	29.4	1.8	7.0
Fidelity Monitor Income Model	0.47	106510.81	4.3	1.8	5.1	9.2	13.5	4.1	4.9
Fidelity Monitor G&I Model	0.72	195221.22	8.4	4.1	8.1	4.1	19.4	1.7	6.6
Fidelity Monitor Growth Model	1.03	206645.37	10.9	5.1	11.5	2.4	26.1	0.7	6.3
Fidelity Monitor Select System	1.25	430211.03	11.7	4.6	11.1	5.0	26.1	3.1	7.5
Fidelity Monitor Unique Opportunities	1.28	136151.82	12.3	5.2	11.5	-0.9	29.0	1.4	9.6

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.

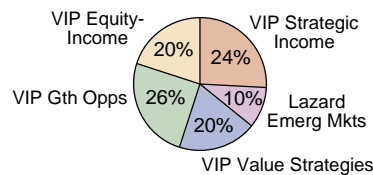
VIP INCOME MODEL



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%	*2012: +4.6%

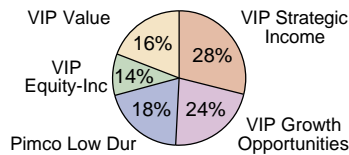
VIP GROWTH MODEL



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%	*2012: +10.9%

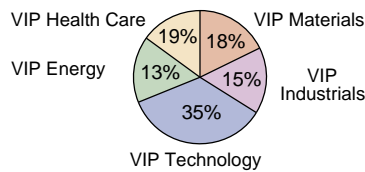
VIP G & I MODEL



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%	*2012: +7.5%

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%	*2012: +13.5%

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

FEBRUARY 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 ***	0.73	13.73	8.1	3.2	7.3	2.1	18.6	4.5
VIP Asset Manager: Growth	H ***	1.00	13.16	10.9	4.4	9.4	0.2	21.6	3.7
VIP Balanced	B ****↑	0.97	14.28	10.2	4.0	10.5	1.5	24.6	3.8
VIP Consumer Discretionary	H ***	1.27	13.51	12.5	5.2	12.5	8.1	32.7	3.1
VIP Consumer Staples	H ***	0.75	13.64	5.0	6.1	6.9	13.8	21.9	
VIP Contrafund	H ***	1.12	13.54	10.6	5.1	10.7	1.5	26.7	2.6
VIP Disciplined Small Cap	H ***	1.33	10.78	10.4	2.8	10.6	2.3	27.8	1.1
VIP Dynamic Capital Appreciation	B ****	1.22	13.62	13.0	4.8	12.8	4.7	28.2	1.6
VIP Emerging Markets	B ****↑	1.57	8.26	14.6	5.4	9.6	-6.1	28.5	
VIP Energy	B ****↑	1.72	15.65	11.7	5.9	7.9	-8.1	26.8	4.2
VIP Equity-Income	B ****↑	1.14	11.42	7.4	3.7	9.6	1.8	27.0	-1.4
VIP Financial Services	H ***	1.71	6.74	17.7	5.1	17.5	-8.4	21.8	-11.3
VIP FundsManager 20	H ***	0.25	12.54	2.9	1.0	3.2	3.5	8.8	3.4
VIP FundsManager 50	H ***	0.57	12.20	6.1	2.6	6.1	2.4	15.2	2.6
VIP FundsManager 60	H ***	0.69	10.91	7.2	3.1	6.9	1.4	17.5	
VIP FundsManager 70	H ***	0.80	11.55	8.2	3.5	7.6	0.8	19.1	1.3
VIP FundsManager 85	H ***	0.97	10.97	9.3	4.1	8.5	-0.9	21.7	0.2
VIP Growth	B ****↑	1.14	12.89	12.1	6.3	10.8	4.3	27.0	3.3
VIP Growth & Income	B ****↑	1.05	12.36	9.6	5.2	12.0	5.7	24.3	0.9
VIP Growth Opportunities	B ****↑	1.18	13.05	16.3	6.5	14.4	11.9	33.0	2.7
VIP Growth Stock	H ***	1.10	13.69	12.8	5.6	10.9	6.4	30.3	5.5
VIP Growth Strategies	H ***↓	1.30	11.81	12.7	3.6	10.0	-1.6	25.8	0.7
VIP Health Care	B ****↑	0.88	14.77	8.6	2.6	10.7	9.2	25.7	5.9
VIP High Income	B ****↑	0.52	15.32	5.5	2.1	8.0	5.8	18.9	6.0
VIP Index 500	H ***	1.00	12.47	8.9	4.3	10.0	4.7	25.2	1.3
VIP Industrials	B ****↑	1.49	16.78	13.3	4.0	13.1	1.0	36.8	6.6
VIP Int'l Capital Appreciation	B ****↑	1.59	11.44	15.7	6.8	12.1	-1.2	30.7	-2.1
VIP Investment Grade Bond	B ****	0.19	14.13	1.4	0.1	2.6	7.6	10.3	5.9
VIP Materials	B ****↑	1.73	14.18	13.0	1.3	9.8	0.0	37.2	
VIP Mid Cap	B ****	1.07	14.92	12.1	5.4	8.8	-4.0	26.5	4.1
VIP Money Market			11.43	-0.1	-0.1	-0.1	-0.3	0.0	1.4
VIP Overseas	S **	1.40	11.46	14.4	6.9	10.3	-10.1	18.9	-2.6
VIP Real Estate	B ****↑	1.76	14.18	5.5	-0.6	10.7	4.3	47.2	-1.3
VIP Strategic Income	B ****↑	0.37	15.66	3.5	1.4	4.8	5.9	15.5	7.3
VIP Technology	B ****↑	1.45	17.18	17.3	8.5	13.9	-1.3	40.7	7.8
VIP Telecommunications	H ***↓	1.00	9.29	5.9	6.1	8.1	2.3	21.4	
VIP Utilities	B ****↑	0.67	14.35	-1.6	2.4	1.0	6.7	17.6	0.6
VIP Value	B ****↑	1.38	11.33	9.6	4.6	11.3	0.9	31.3	-1.5
VIP Value Leaders	S ↓	1.22	9.66	9.5	4.9	11.5	-4.5	21.4	-4.4
VIP Value Strategies	B ****↑	1.55	12.51	13.9	4.3	13.3	-1.0	37.0	-0.1
Lazard Retirement Emerging Markets	B ****↑	1.52	15.36	19.0	6.8	14.1	3.6	33.4	6.8
Morgan Stanley Emerging Mkt Debt	B ****	0.49	15.67	5.6	3.2	6.9	13.5	17.4	7.5
Morgan Stanley Emerging Mkt Equity	B ****↑	1.47	12.72	14.3	5.3	10.3	-1.1	30.1	3.1
Morgan Stanley Global Tactical Alloc	H ***	1.16	10.00	8.0	3.5	7.4	0.2	21.9	-2.0
Pimco VIT Low Duration	B ****↑	0.1 Est	10.92	1.5	0.2	2.0	1.7		
Fidelity Monitor VIP Income Model		0.50	25500.11	4.6	2.0	5.5	11.0	14.4	4.9
Fidelity Monitor VIP G&I Model		0.71	28361.09	7.5	3.2	8.1	2.6	18.6	2.1
Fidelity Monitor VIP Growth Model		1.01	36060.26	10.9	4.3	10.7	3.3	24.6	-1.1
Fidelity Monitor VIP Sector Model		1.35	22713.42	13.5	5.0	11.6	2.2	29.0	3.5

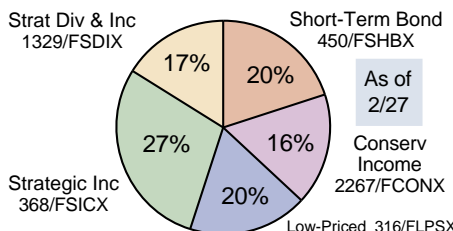
INCOME AND PRESERVATION MODEL

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

FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.53	2445.385	\$20859.13
Conservative Income	\$10.00	1743.462	\$17434.62
Low-Priced Stock	\$39.83	518.093	\$20635.64
Strategic Income	\$11.12	2614.515	\$29073.41
Strategic Div. & Inc.	\$11.70	1581.881	\$18508.01

24% Foreign Holdings

Balance as of 2/29/12: \$106510.81
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%	2012: + 4.3%
2002: + 5.4%	

Our Income Model gained 1.8% in February. Please see page 3 for recent trades, and check our weekly hotline for any trades in March.

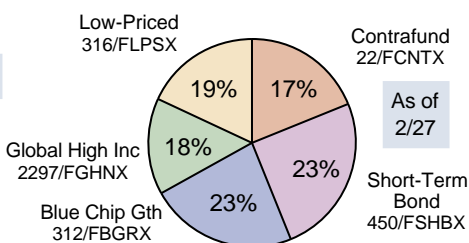
GROWTH AND INCOME MODEL

For investors seeking a conservative path to growth.

FUND	NAV	SHARES	BALANCE
Contrafund	\$74.73	442.936	\$33100.61
Short-Term Bond	\$8.53	5254.701	\$44822.60
Blue Chip Growth	\$48.65	916.070	\$44566.81
Global High Inc.	\$9.73	3717.124	\$36167.62
Low-Priced Stock	\$39.83	917.991	\$36563.58

19% Foreign Holdings

Balance as of 2/29/12: \$195221.22
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%	2012: + 8.4%
2003: +33.0%	

Our Growth and Income Model rose 4.1% in February. Please see p. 3 for recent activity, and check our hotline updates for trades in March.

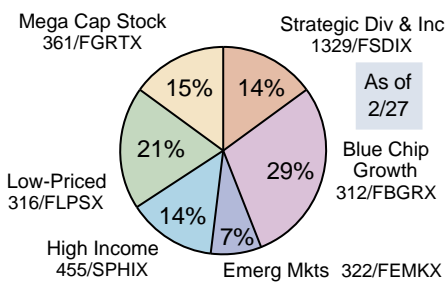
GROWTH MODEL

For moderately aggressive stock-oriented investors.

FUND	NAV	SHARES	BALANCE
Strategic Div & Inc	\$11.70	2448.693	\$28649.71
Blue Chip Growth	\$48.65	1211.986	\$58963.12
Emerging Markets	\$23.53	650.260	\$15300.62
High Income	\$9.04	3257.894	\$29451.36
Low-Priced Stock	\$39.83	1076.098	\$42860.98
Mega Cap Stock	\$11.17	2812.854	\$31419.58

19% Foreign Holdings

Balance as of 2/29/12: \$206645.37
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%	2012: +10.9%

We were up 5.1% in February, versus a 4.3% gain for the S&P. Please see p. 3 for recent activity, and check our hotline for any March trades.

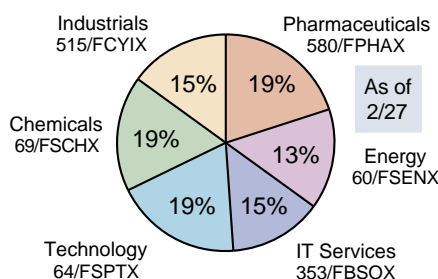
SELECT SYSTEM (SECTOR PORTFOLIO)

For aggressive stock-oriented investors.

FUND	NAV	SHARES	BALANCE
Pharmaceuticals	\$14.11	5846.229	\$82490.29
Energy	\$55.15	1024.780	\$56516.62
IT Services	\$23.77	2682.357	\$63759.63
Technology	\$101.57	797.531	\$81005.22
Chemicals	\$110.52	749.232	\$82805.12
Industrials	\$24.69	2577.325	\$63634.15

17% Foreign Holdings

Balance as of 2/29/12: \$430211.03
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%	2012: +11.7%

We were up 4.6% in February, versus a 4.3% gain for the S&P. Please see p. 3 for recent activity, and check our hotline for any March trades.

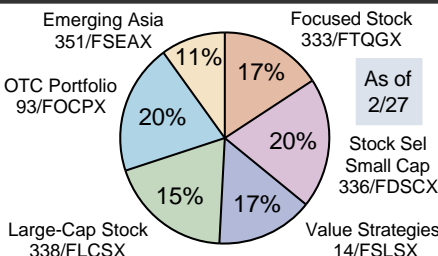
UNIQUE OPPS MODEL (AGGR. GROWTH)

For aggressive stock-oriented investors.

FUND	NAV	SHARES	BALANCE
Focused Stock	\$15.01	1555.860	\$23353.46
Stock Sel Small Cap	\$19.77	1381.467	\$27311.60
Value Strategies	\$28.58	800.748	\$22885.38
Large Cap Stock	\$19.15	1070.353	\$20497.26
OTC Portfolio	\$62.79	427.423	\$26837.89
Emerging Asia	\$29.20	522.816	\$15266.23

19% Foreign Holdings

Balance as of 2/29/12: \$136151.82
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%	2012: +12.3%
2005: +18.8%	

Our Unique Opps Model rose 5.2% in February vs. 4.3% for the S&P. See page 3 for recent activity, and check our hotline for March trades.

over the years by increasing all of the starting balances to an even \$100,000 (up from our current starting points that range between \$15,000 and \$50,000). This means that current share balances and dollar values will be scaled up proportionately, starting with the April issue. *This move will not affect any of our performance figures, now or in the future.*

For those who are interested in the details, the models as they currently appear reflect real-world accounts owned by either Fidelity Monitor or Jack and Karen Bowers. To reflect the growth of \$100,000, we'll apply multipliers to the share balances and dollar figures based on each model's starting balance. For Growth and Income and Unique Opportunities, the listed balances will double. For the Income Model, they'll be multiplied by a factor of 2.85714286. The Select System will scale up by a factor of 3.99101065, the Growth Model will get a multiplier of 6.72743786, and all four VIP models will scale up by 10x. Why go to all this trouble? We're proud of our long-term record, and if starting with a nice round number does a better job of conveying how much our portfolios have grown over the years, we need to put our best foot forward.

The new model balances will initially appear on our web site in late March as we bring up the capability to log in and get daily performance updates for all nine model portfolios (5 regular and 4 VIP). There's no need to register if we have your email address on file; just go to fidelitymonitor.com, click the subscriber log-in button, and use your 5-digit zip code for the password. If you need any help, call our office at 800-397-3094. ■

Question & Answer Forum

I liked it better when you had just 3-4 funds in your model portfolios.

While we recognize that structuring our portfolios with 5-7 funds makes it more difficult to meet Fidelity minimums in smaller accounts, the added diversification has important benefits. The Growth Model in particular has suffered over the years from a handful of big bets on higher risk funds that ultimately became laggards because of unexpected negative events. The present approach should help in that regard, because it allows us to run with smaller bets for the more risky positions, reducing the overall impact for any fund that suddenly underperforms. And for our less risky portfolios that blend stock funds and bond funds, the ability to hold a larger number of positions gives us exposure to a greater number of funds (in both asset classes) that have good potential on a risk-adjusted basis. ■

Global High Income and Capital & Income.

The high-yield group got a lift as fears of a major credit crunch subsided (although yield spreads narrowed significantly). **New Markets Income** gained 3.7%, **Capital & Income** was up 3.0%, **Global High Income** rose 2.9%, and **High Income** returned 2.2%. In contrast, long-term interest rates continued to edge up, weighing on funds with high duration factors. **Spartan Long-Term Treasury Index** landed on the bottom with a 2.2% loss.

Higher long-term rates weighed on munis as well. Total returns ranged from a 0.2% loss to a 0.3% gain.

SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. Our favorite fundamental picks are **Technology, Chemicals, Pharmaceuticals, IT Services, Energy, Electronics, Industrials, Utilities, and Retailing.**

The outperforming groups in February were tech, energy and consumer discretionary. **Technology** was up 8.5%, **Computers** rose 8.0% and **Automotive** gained 7.7%. Laggards included **Transport**, off 0.8%, and **Gold** which declined 1.8%. ■

Happenings

Pramod Atiuri has been appointed co-manager of **Balanced** and **Puritan** – he'll succeed George Fisher on the fixed income side. Franco Castagliuolo has been named co-manager of **Inflation-Protected** and **Strategic Real Return**, Anmol Mehra now shares responsibility with co-manager Rich Thompson for consumer stock picks at **Stock Selector Small Cap**, and Ashish Swarup succeeds Robert von Rekowsky as co-manager of the emerging markets sleeve for **Total International Equity**.

Fidelity has increased **Government Income's** allowed position in mortgage-backed securities to 60% from 40%. We see no problem with this move, which will boost yield.

Fidelity has filed for three new bond funds: **Global Bond, Int'l Bond** and **Inflation-Protected Bond Index**. ■

FEBRUARY DISTRIBUTIONS

Asset Manager 20%	\$ 0.014/\$13.06 (2/3)
Asset Manager 30%	\$ 0.013 / \$9.86 (2/3)
Freedom Income	\$ 0.008/\$11.52 (2/3)
New Markets Income	\$ 0.045/\$16.22 (2/10)
OH Municipal	\$ 0.002/\$12.19 (2/3)
Strategic Income	\$ 0.012/\$11.02 (2/10)

Funds scheduled for March payouts include: **Asset Mgr. 20% & 30%, Equity-Income, Freedom Income, Large Cap Growth, Large Cap Value, Mid Cap Growth, Mid Cap Value, Real Estate, Real Estate Income, MA Muni, NY Muni, Tax-Free Bond, and Telecom & Utilities.**

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	118259.6	0.01	CT MM (418/FCMXX)	1803.4	0.01			
Select MM (85/FSLXX)	5934.3	0.11	MA MM (74/FDMXX)	5356.3	0.01			
Money Market (454/SPRXX)	3613.0	0.01	MI MM (420/FMIXX)	859.8	0.01	MA AMT TF (426/FMSXX)	290.2	0.01
Gov't MM (458/SPAXX)	831.1	0.01	NJ MM (417/FNJXX)	2170.1	0.01	AMT Tax-Free (460/FIMXX)	1255.2	0.01
US Treas. MM (415/FDLXX)	6446.7	0.01	NY MM (92/FNYXX)	5138.7	0.01	NJ AMT TF (423/FSJXX)	234.3	0.01
Tax-Free MM (275/FMOXX)	7205.7	0.01	OH MM (419/FOMXX)	1092.3	0.01	NY AMT TF (422/FSNXX)	462.3	0.01
US Gov't Reser (50/FGRXX)	2615.4	0.01	AZ MM (433/FSAXX)	369.6	0.01	PA MM (401/FPTXX)	674.7	0.01
CA MM (97/FCFXX)	5498.9	0.01	CA AMT TF (457/FSPXX)	484.1	0.01	Municipal MM (10/FTEXX)	24635.9	0.01