

Jack
Bowers



Fidelity

Best Performing
Fidelity Newsletter

25
Years

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2012

Monitor™

Time – Not Timing – Is Better For Long-Term Wealth Building

At a time when there is no shortage of “experts” vigorously defending their doom and gloom predictions by getting more air time on CNBC, the probability of outperforming stocks by sitting in cash faces the same long odds it always has. Technical/charting systems tend to deliver disappointing results because human emotions cannot be boiled down to simple math formulas or seasonal algorithms. Trying to buy low and sell high based on personal judgment alone is even tougher, because it requires a nervous pessimist to get out near the top and a battle-hardened opportunist to buy back in at the bottom.

Just as the market timers repeatedly shot themselves in the foot during the five years that followed the 1987 crash, the decade ahead is shaping up for a possible encore to that performance. Stocks tend to climb the proverbial Wall of Worry for the simple reason that fear tends to dissipate with time. This month we attempt to debunk some of the doom and gloom theories put forth by those who have something to gain by scaring people out of stocks. At the same time, we make our case for a consistent level of stock exposure with an emphasis on fund selection.

THE SKY IS FALLING

First off, understand that many of the doom and gloomers have an ax to grind. They solidified their bearish positions in the wake of the financial crisis, in effect staking their reputations on their negative views. To do an about-face at this stage would cause a serious loss of credibility, an unnecessary step when you consider that each new correction can be touted as the start of something really bad. So, unless the economic evidence becomes overwhelmingly positive for a sustained period of time, these “permabears” are not about to change their views.

Here are some of the arguments put forth by fear-mongering pundits, followed by our own thoughts on

TIME VERSUS TIMING - *Continued on page 2*

Check Hotline For Switches

As announced on our 3/23 hotline update, on 3/26 we made changes in several of our model portfolios (see page 3 for details). Please continue to check our hotline messages each weekend; trades will typically be announced near the end of the month.

Review & Recommendations

An orderly default by Greece reduced the odds of a sharp contraction in Europe, but high oil prices and a tight money policy in China are weighing on global growth. Here at home, in contrast, cheap natural gas is helping to create jobs and consumer spending is picking up. The S&P 500 gained 3.3% for the month of March.

DOMESTIC EQUITY FUNDS

Buy ratings for our favorite funds are listed on page 4. Please see page 7 for current holdings in our Unique Opportunities Model and our Growth Model. If your account is not big enough to meet Fidelity fund minimums for these portfolios, we recommend **Blue Chip Growth** as an alternative to Unique Opportunities and **Strategic Dividend & Income** as an alternative to the Growth Model.

Growth Company led the group with a 4.5% gain. **Growth Discovery**, **Contrafund** and **Mega Cap Stock** were close behind, with all three posting an increase of 3.8%. On the bottom end, **130/30 Large Cap** posted a 0.8% return.

INTERNATIONAL FUNDS

Our favorite in this group is **International Small Cap Worldwide**, helped by the domestic half of its portfolio, was up 2.4%. **Japan** climbed 1.8%, **Int'l Cap App** rose 1.4%, and **Japan Smaller Companies** edged up 1.1%. Laggards included **Global Commodity Stock**, which lost 4.6% on a weak gold market and signs of slower global growth, and **China Region**, down 5.9% because the government's tight money policies are hurting earnings.

GROWTH & INCOME FUNDS

Buy ratings for our favorite funds in the hybrid category are listed on page 4. Please see page 7 for our current Growth and Income Model holdings. If your account is not big enough to meet Fidelity fund minimums while following the model, we recommend holding **Balanced**.

Real Estate moved up 5.6% on signs of strength in the domestic economy, while **Puritan** gained 2.0% and **Strategic Dividend & Income** rose 1.9%. Weakness among inflation hedges hurt **Strategic Real Return**, which landed on the bottom with a 0.4% decline.

RECOMMENDATIONS - *Continued on page 8*

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why it's hardly the end of the world as we know it.

- *The rate at which Federal debt is growing is not sustainable.* This is a true statement, of course. But unlike the doom and gloomers, we don't see a bad outcome – just a major reality check for Congress at some point in the next 10-15 years. The U.S. is one of the few developed countries trying to fund its entitlement benefits without a broad-based sales tax on goods and services. As the boomers begin to retire, there will eventually be no choice. Current sources of tax revenue just don't bring in enough revenue, and there are limits to how heavy-handed they can become. A sales (or value-added tax) is the only way to bring in the necessary revenue without adversely affecting the economy, job creation, or living standards.

- *Inflation and interest rates are going to surge.* An upward trend is certainly possible, but we're a long way from having too much money chasing too few goods and services. It takes borrowing demand to push up interest rates, and while loan volume is rising it shows no signs of reaching levels prior to the financial crisis. Boomers in particular will remain heavily biased toward paying off debt ahead of their retirement years. Inflation is not likely to be a serious problem either. The Fed's balance sheet expansion may look big, but it's less than 3% of all the dollar-based assets out there, and it's also reversible. The main drivers of inflation are wages, rent, and energy. Only the latter shows any sign of being a problem in the decades ahead, and even there the inflationary impact should be largely offset by fast-rising transportation efficiency and cheap natural gas.

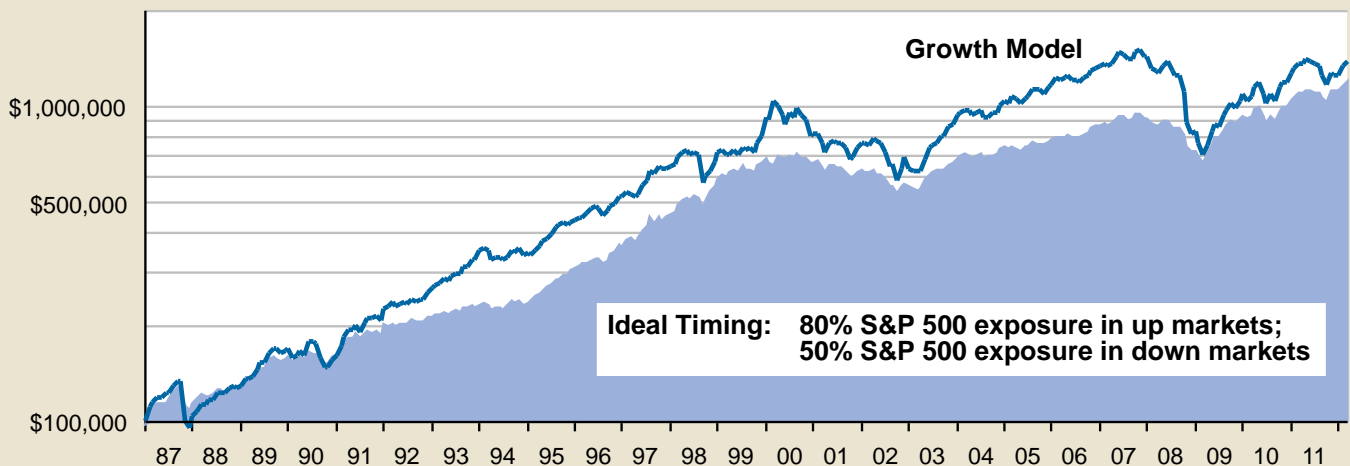
- *Unfriendly regulations and high corporate taxes are killing business.* While this may be a big problem here at home, U.S. companies book about half their revenue and earnings in foreign markets where the money is not taxed if it is reinvested in foreign markets. No surprise, that's exactly what's happening, and it

explains why most of today's growth is coming from exports and foreign operations. While there may not be any relief on the domestic side, at least things won't be getting any worse. No matter how the election turns out, it will be tough for Congress to agree on imposing new constraints on business. And despite the heavy-handed nature of recently passed laws, there are still many good things happening in heavily regulated industries. The shale revolution is benefiting utilities and energy companies, and surging demand for wireless data is lifting telecoms. Other sectors (consumer, industrials, materials and tech) have largely escaped the regulatory assault of recent years, and are now getting a lift from the export markets.

- *Stocks are too expensive.* The Case Shiller P/E ratio was designed to eliminate short-term distortions, but its 10-year averaging method skews high due to the combined effect of the tech bust and the financial crisis. As a result, it has become a rallying cry for the doom and gloomers because it makes stocks look pricey when in fact they are undervalued for today's level of inflation and interest rates. Some large-cap growth stocks are downright cheap, and many firms are sitting on huge cash hoards that can be used for acquiring foreign competitors that have been weakened by the European debt crisis.

- *Retiring boomers will depress the market.* Many of the boomers who might have needed to sell stocks for their retirement have already liquidated their portfolios in recent years, so to some degree this has already happened. Recognize there are actually two waves of boomer retirees going forward – an early retirement group with full pension benefits, and a late retirement group that will live off a combination of social security and personal savings. The early group will largely opt out of the workforce before age 65 and does not need to sell much stock to cover living expenses. The second group may work some 10 years longer than the first group. These folks may sell stock to fund living expenses, but their impact will be

GROWTH MODEL VERSUS IDEAL MARKET TIMING OVER 25 YEARS



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delayed for at least a decade, and even after that it could be spread out over a 20-25 year period. If today's stock buyback activity is any indication, it won't be hard for U.S. companies to absorb this level of liquidation activity.

THE ARGUMENT AGAINST TIMING

Those who attempt to time the market are betting they can outsmart the collective wisdom of millions of savvy investors who know the real story behind the stocks they own. The reality is that switching to cash is a lot like pulling the handle on a slot machine. You might do well if you make a few statistically insignificant bets, but the longer you play the game the more likely you'll come out behind. The market pays you to bear risk. If you are not in stocks, you are not getting paid. Consider:

- Stocks move up more often than they move down, and the big up days outnumber the big down days. When you hold cash in your long-term investment portfolio, you are more likely to dodge gains than to dodge losses.

- Those who move to the sidelines rarely manage to get back in at a lower price, because emotions usually drive them to sell at a low point. At our office, we can often tell when the market is bottoming because we'll get a surge in phone calls from subscribers and clients who ask if it makes sense to go to cash. A similar event plays out when the market has rallied 25% off its lows – this time from folks wanting to know if they should go back in.

- Popular timing strategies cannot succeed long term, because the stock market moves to disappoint the majority. Whether trend-following, seasonal, or stop-loss oriented, anything that aims to protect can only dilute over time. If a majority wants to buy, prices move up (and vice versa). If a majority tries to time the market, they'll lag behind those who maintain constant unhedged equity exposure.

- It's not hard to cut risk with market timing, but it's almost impossible to boost returns. By always running at the first sign of trouble, fewer bad things happen when real trouble shows up. As long as you can live with the false alarms, and their dilutive impact, you might be able to boost risk-adjusted returns. But don't expect to boost performance while cutting risk. From the standpoint of probabilities, pulling off a feat like that over five major market cycles would be like winning the state lottery.

RECOMMENDATIONS

The chart on the left compares the 25-year results of our Growth Model versus a best-in-class market timing strategy: 80% exposure to the S&P 500 during up-markets, and 50% exposure during bearish periods (as timing goes, this is about as good as it gets in the real world).

Although not always ideally positioned, our Growth Model still managed to beat this approach, simply by maintaining steady exposure to stocks and focusing on

fund selection. For the quarter-century ending 12/31/11, our Growth Model delivered a compound return of 10.6% per year, versus 10.3% for an ideal timing strategy and 9.3% for the S&P 500.

Proponents of market timing will argue that their approach is better because it incurs less risk. But there's a big hidden risk with alternating between cash and stocks: you have to execute exceptionally well to get this kind of performance, and it's getting harder because a growing number of investors are playing the same game. The other big issue for professional timers is that they spend so much time researching the market's direction that the job of security selection is mediocre at best. Even for those who index to avoid that problem, there's still the issue of which index to hold.

We firmly believe that the most reliable strategy for building wealth is to maintain steady stock exposure at a risk level that you can tolerate through thick and thin. If your risk tolerance is low (meaning that you have a high tendency to jump into cash when the going gets tough), stick with a lower risk strategy such as our Income Model or our Growth and Income Model. If you can tolerate market-level risk, go with our Growth Model. And if you can roll with the punches and want to maximize returns,

TIME VERSUS TIMING - *Continued on page 8*

Changes In Several Portfolios

As announced on 3/23, we made the following changes on 3/26:

- In our Growth and Income Model, we sold one-twenty-fifth of **Low-Priced Stock** (\$41.08) and added the proceeds to **Contrafund** (\$78.11). This was a follow-up to last month's alignment trades, the last for our non-VIP portfolios.

- In our Growth Model, we sold **Emerging Markets** (\$23.11) and split the proceeds evenly between **Blue Chip Growth** (\$50.85) and **Mega Cap Stock** (\$11.65). This move will reduce our foreign exposure while keeping overall risk at a similar level. With emerging market consumers earning much higher wages and embracing global brand names, the business potential for U.S. multinationals is improving while emerging country firms face growing cost pressures.

- In our Unique Opportunities Model, we sold **Emerging Asia** (\$28.34) and split the proceeds evenly between **OTC Portfolio** (\$65.34) and **Large Cap Stock** (\$19.99).

- In our VIP Growth Model, we sold **Lazard Emerging Markets**, putting three-quarters of the proceeds into **VIP Growth Opportunities** and the remaining quarter into **VIP Value Strategies**.

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 ↓.

MARCH 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)	Sell	1.10	none	7.51	17.8	7.9	0.8	7.9	-5.1	11.3		
Growth Strategies (324/FDEGX)	Hold	1.30	1.5(90)	21.24	1653.4	14.1	1.1	14.1	-1.4	22.9	1.4	2.4
Blue Chip Gth (312/FBGRX)	Buy	1.22	none	50.38	11162.2	18.7	3.6	18.7	9.2	28.3	6.7	4.2
Blue Chip Value (1271/FBCVX)	Sell	1.22	none	10.98	352.9	12.3	2.5	12.3	-2.8	18.9	-4.0	
Capital Apprec (307/FBCAX)	OK to Buy	1.22	none	28.89	4341.0	17.3	3.7	17.3	9.0	26.1	2.8	6.3
Contrafund (22/FCNTX)	Buy	0.91	none	77.54	59470.1	14.9	3.8	14.9	9.4	22.9	5.2	8.2
Disc Equity (315/FDEQX)	Sell	1.08	none	24.24	6824.6	12.7	2.8	12.7	2.4	17.5	-1.5	3.3
Dividend Gth (330/FDGRX)	Hold	1.41	none	30.10	7387.4	16.4	2.1	16.4	0.1	28.6	2.3	3.2
Equity-Income (23/FEQIX)	Buy	1.19	none	45.55	6949.5	10.3	2.5	10.3	-1.3	21.9	-1.7	3.1
Equity Dividend Inc (319/FEQTX)	Buy	1.18	none	19.06	4323.4	9.5	2.8	9.5	0.2	21.0	-1.4	3.0
Export Fund (332/FEXPX)	OK to Sell	1.07	0.75(30)	23.45	1888.4	13.4	3.2	13.4	3.9	20.7	1.3	5.3
Fidelity Fifty (500/FFTYX)	OK to Buy	1.07	none	19.73	698.7	13.1	3.5	13.1	5.9	24.4	-0.2	4.1
Fidelity Fund (3/FFIDX)	Hold	1.07	none	35.57	4502.5	14.2	3.6	14.2	4.1	21.1	2.1	4.1
Focused Stock (333/FTQGX)	Buy	1.09	none	15.53	519.3	13.3	3.5	13.3	5.3	25.3	6.1	4.3
Growth & Income (27/FGRIX)	OK to Buy	1.05	none	20.69	4994.0	13.4	3.5	13.4	10.0	22.6	-4.2	-0.3
Growth Company (25/FDGRX)	Buy	1.13	Closed	98.01	26382.1	21.2	4.5	21.2	12.6	28.7	8.1	7.5
Growth Discovery (339/FDSVX)	Buy	1.16	none	15.90	905.5	16.4	3.8	16.4	8.1	26.6	4.8	5.1
Independence (73/FDFFX)	Hold	1.47	none	25.65	3452.5	18.5	1.7	18.5	-1.0	25.7	3.5	5.2
Large Cap Growth (763/FSLGX)	OK to Buy ↑	1.11	none	11.29	138.3	16.8	3.0	16.8	7.8	24.0	1.7	3.2
Large Cap Stock (338/FLCSX)	Buy	1.28	none	19.83	900.4	15.6	3.6	15.6	7.8	29.1	3.5	4.1
SS Large Cap Val (708/FSLVX)	OK to Sell	1.08	none	11.37	488.1	10.5	2.2	10.5	4.1	19.3	-3.3	3.1
Lev Co Stock (122/FLVCX)	Buy	1.70	1.5(90)	29.40	3367.0	17.1	1.2	17.1	-3.1	33.2	0.8	14.2
Low-Priced Stock (316/FLPSX)	Buy	1.10	1.5(90)	40.72	25650.8	14.0	2.2	14.0	7.2	27.6	4.2	9.3
Magellan (21/FMAGX)	OK to Buy ↑	1.24	none	73.28	13849.9	16.4	3.6	16.4	-2.4	18.8	-0.8	1.5
Mega Cap Stock (361/FGRTX)	Buy	1.09	none	11.59	1121.8	14.8	3.8	14.8	11.7	25.3	2.8	4.3
Mid Cap Growth (793/FSMGX)	Hold	1.32	0.75(30)	13.00	264.9	14.0	1.2	14.0	-1.0	25.8	-0.4	3.6
Mid Cap Stock (337/FMCSX)	Hold	1.32	0.75(30)	30.23	5394.4	13.4	1.1	13.4	3.4	29.5	2.4	5.5
Mid Cap Value (762/FSMVX)	Hold	1.27	0.75(30)	17.11	573.5	12.9	2.2	12.9	0.3	29.2	1.0	6.9
New Millennium (300/FMLIX)	OK to Buy	1.13	none	32.64	1983.2	13.1	2.4	13.1	7.5	27.9	5.6	6.8
OTC Portfolio (93/FOCPX)	Buy	1.31	none	64.11	6518.6	17.2	2.1	17.2	6.4	30.1	8.8	7.7
Small Cap Discov (384/FSCRX)	Buy ↑	1.47	1.5(90)	22.66	2496.1	13.1	2.4	13.1	4.8	36.2	9.3	
Small Cap Growth (1388/FCPGX)	OK to Buy ↓	1.36	1.5(90)	16.75	1222.2	12.3	1.6	12.3	1.2	28.4	3.7	
Stock Sel Small Cap (336/FDSXC)	Buy	1.48	1.5(90)	20.21	1719.2	12.1	2.2	12.1	0.3	30.9	0.9	5.3
Small Cap Stock (340/FSLCX)	Buy	1.62	2 (90)	18.85	3319.7	14.0	2.0	14.0	-9.8	26.3	2.6	6.7
Small Cap Value (1389/FCPVX)	OK to Buy ↑	1.36	1.5(90)	15.65	1732.8	11.9	2.5	11.9	1.8	28.0	4.7	
Stock Sel All Cap (320/FDSSX)	Hold	1.13	none	27.82	2467.2	14.6	2.3	14.6	2.6	22.0	1.4	4.1
Tax Managed Stock (343/FTXMX)	Sell	1.20	none	12.80	59.9	10.9	0.9	10.9	-5.4	17.2	-2.2	2.5
Trend (5/FTRNX)	Hold	1.13	none	77.95	1188.0	16.6	3.0	16.6	7.6	27.6	5.8	6.1
Value (39/FDVLX)	Hold	1.49	none	72.52	6064.4	14.3	2.3	14.3	-0.8	29.9	-0.4	6.3
Value Discovery (832/FVDFX)	Hold	1.23	none	15.95	453.4	12.7	3.2	12.7	3.3	23.3	-0.1	
Value Strategies (14/FSLSX)	Buy	1.58	none	28.87	320.7	15.2	1.0	15.2	-1.5	33.1	0.2	5.7
SPECIALTY / HYBRID FUNDS:												
Balanced (304/FBALX)	OK to Buy	0.69	none	19.85	15280.5	9.1	1.8	9.1	6.5	19.1	3.3	6.6
Convertible Sec (308/FCVXS)	Buy	1.12	none	25.54	2093.0	11.9	0.4	11.9	-1.9	27.7	3.6	6.4
Global Balanced (334/FGBLX)	Hold	0.81	1 (30)	22.99	480.1	7.3	1.0	7.3	0.9	16.3	4.1	7.8
Global Strategies (1960/FDYSX)	Hold	0.82	none	9.30	220.6	8.0	0.3	8.0	-1.2	16.7		
Puritan (4/FPURX)	OK to Buy	0.71	none	19.52	15842.7	10.3	2.0	10.3	6.0	18.9	3.6	5.7
Real Estate Income (833/FRIFX)	OK to Buy	0.57	0.75(90)	10.88	1913.6	6.7	1.5	6.7	7.3	25.0	4.3	
Real Estate (303/FRESX)	OK to Buy	1.74	0.75(90)	30.81	3513.0	11.8	5.6	11.8	13.8	47.6	-0.4	10.6
Strategic Div & Inc (1329/FSDIX)	Buy	0.99	none	11.92	1671.1	8.2	1.9	8.2	9.1	27.5	1.3	
Strategic Real Rtn (1505/FSRRX)	Hold	0.52	0.75(60)	9.50	605.1	3.1	-0.4	3.1	1.3	15.9	3.5	
Telecom & Utilities (311/FUIUX)	OK to Buy ↓	0.73	none	17.43	854.9	0.5	1.3	0.5	6.6	17.5	-0.3	6.0
SELECT FUNDS:												
Air Transportation (34/FSAIX)	Hold	1.59	0.75(30)	38.91	72.7	12.7	2.1	12.7	3.6	35.3	2.0	5.7
Automotive (502/FAVX)	OK to Buy	2.70	0.75(30)	38.45	169.4	23.4	1.1	23.4	-8.6	50.8	2.0	4.8
Banking (507/FSRBX)	Hold	1.63	0.75(30)	19.03	429.1	19.2	6.7	19.2	3.0	25.5	-7.7	-0.7
Biotechnology (42/FBIOX)	Hold	1.25	0.75(30)	103.26	1741.4	20.0	5.6	20.0	31.8	21.6	10.8	6.7
Brokerage (68/FSLBX)	Hold	1.73	0.75(30)	48.73	413.2	21.9	3.1	21.9	-6.7	21.0	-4.4	4.5
Chemicals (69/FSCHX)	Buy	1.67	0.75(30)	112.41	860.3	18.1	1.7	18.1	8.7	34.4	11.7	13.0
Com Equipment (518/FSDCX)	Hold	1.66	0.75(30)	25.40	331.4	15.2	3.7	15.2	-11.6	27.7	4.1	5.3
Computers (7/FDCPX)	OK to Buy	1.39	0.75(30)	67.52	756.6	25.3	4.1	25.3	13.5	36.0	11.2	6.6
Const & Housing (511/FSHOX)	Hold	1.63	0.75(30)	42.42	171.5	18.4	6.0	18.4	14.4	27.9	2.8	7.8
Cons Discretionary (517/FSCPX)	OK to Buy ↑	1.25	0.75(30)	27.17	278.3	17.8	4.6	17.8	13.7	29.7	3.9	4.7
Consumer Finance (98/FSVLX)	OK to Buy ↑	1.17	0.75(30)	13.40	166.4	21.4	6.2	21.4	13.6	17.8	-18.7	-6.9
Consumer Staples (9/FDFAX)	Hold	0.77	0.75(30)	77.37	1199.3	8.3	2.8	8.3	16.6	22.3	8.2	8.6
Defense & Aero (67/FSDAX)	Hold	1.20	0.75(30)	86.10	681.7	10.4	0.1	10.4	9.0	29.4	4.0	9.4
Electronics (8/FSLEX)	Buy	1.70	0.75(30)	54.66	1296.0	23.6	2.6	23.6	8.1	31.2	4.7	1.1
Energy (60/FSLEX)	Buy	1.79	0.75(30)	52.66	2504.5	6.7	-4.5	6.7	-13.9	23.4	2.3	10.6
Energy Service (43/FSSESX)	Hold	2.19	0.75(30)	68.20	1383.7	4.9	-6.6	4.9	-22.7	24.4	0.2	8.5
Environ & Alt Energy (516/FSLEX)	Hold	1.24	0.75(30)	16.42	77.9	8.9	0.6	8.9	-14.7	15.1	-0.3	3.6
Financial Services (66/FIDSX)	Hold	1.73	0.75(30)	60.21	439.0	23.1	4.6	23.1	-1.9	19.2	-10.4	-1.3
Gold (41/FSAGX) Limit to 5% weight	OK to Sell	2.08	0.75(30)	40.77	3923.0	-3.5	-11.3	-3.5	-17.7	11.8	13.2	16.8
Health Care (63/FSPHX)	Hold	0.87	0.75(30)	136.70	2175.7	11.7	2.7	11.7	9.1	23.6	6.9	6.4
IT Services (353/FBSOX)	Buy	1.19	0.75(30)	25.20	249.1	18.5	6.0	18.5	12.2	31.0	10.9	7.7
Indust Equip (510/FSGCGX)	OK to Buy	1.63	0.75(30)	36.74	351.5	18.6	1.0	18.6	1.1	34.4	5.4	7.0
Industrials (515/FCYIX)	Buy	1.49	0.75(30)	25.10	550.9	15.1	1.7	15.1	0.8	32.8	6.7	9.3
Insurance (45/FSPCX)	OK to Sell	1.20	0.75(30)	48.83	270.8	10.1	2.7	10.1	0.4	22.9	-4.6	2.4
Leisure (62/FDLSX)	Hold	1.18	0.75(30)	111.68	442.0	15.9	4.8	15.9	21.5	30.8	8.9	9.3
Materials (509/FSDPX)	Hold	1.74	0.75(30)	69.22	1087.9	12.7	-0.3	12.7	-1.7	31.9	8.0	12.8
Medical Delivery (505/FSHCX)	Hold	1.14	0.75(30)	63.76	870.0	16.4	4.1	16.4	10.9	34.6	6.0	10.9
Medical Equip & Sys (354/FSMEX)	Hold	0.96	0.75(30)	28.90	1361.2	14.7	3.1	14.7	2.0	18.3	7.4	9.5
Multimedia (503/FBMPX)	Hold	1.39	0.75(30)	49.95	182.8	16.0	3.0	16.0	7.2	36.9	4.9	7.2
Natural Gas (513/FSNGX)	Hold	1.72	0.75(30)	31.49	744.8	3.5	-4.3	3.5	-14.3	16.7	-2.6	8.7
Nat Resources (514/FNARX)	Hold	1.80	0.75(30)	33.32	1430.7	6.5	-5.8	6.5	-16.0	23.1	3.4	11.4
Pharmaceuticals (580/FPHAX)	Buy	0.83	0.75(30)	14.48	715.8	6.6	2.6	6.6	13.7	22.6	8.8	6.5
Retailing (46/FSRPX)	OK to Buy	1.24	0.75(30)	61.58	344.7	20.2	7.0	20.2	21.5	31.6	8.9	9.3
Software (28/FSCTX)	OK to Buy	1.16	0.75(30)	93.45	1619.7	20.4	3.9	20.4	16.5	31.9	10.8	9.6
Technology (64/FSPTX)	Buy	1.43	0.75(30)	105.64	2347.9	22.2	4.0	22.2	4.1	35.8	8.6	6.6
Telecom (96/FSCTX)	Hold	1.05	0.75(30)	46.61	341.8	6.4	0.8	6.4</				

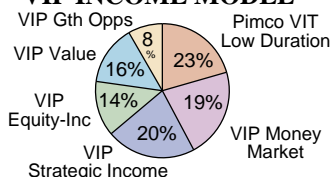
MARCH PERFORMANCE						30-day	2012	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
INTERNATIONAL FUNDS:												
Canada (309/FICDX)	OK to Sell ↓	1.40	1.5(90)	52.95	3641.2		5.6	-1.8	5.6	-14.0	19.1	3.2
China Region (352/FHKCX)	Hold	1.58	1.5(90)	27.89	1558.4		10.3	-5.9	10.3	-11.5	19.7	6.9
Diversified Int'l (325/FDIVX)	OK to Sell	1.31	1 (30)	28.74	15936.5		12.6	0.6	12.6	-5.9	16.7	-2.9
Emerging Asia (351/FSEAX)	Hold ↓	1.37	1.5(90)	28.32	1578.4		12.5	-3.0	12.5	-8.1	19.2	3.0
Emerging EMEA (2053/FEMEX)	OK to Buy	1.53	1.5(90)	8.94	123.6		14.2	-2.5	14.2	-7.9	24.1	
Emerging Markets (322/FEMKX)	Hold ↓	1.60	1.5(90)	23.08	2937.4		12.5	-1.9	12.5	-12.5	24.0	0.3
Emg Mkts Discov (2374/FEDDX)	OK to Buy	1.5 E	2 (90)	11.19	11.9		18.7	-0.6	18.7			
Europe (301/FIEUX)	OK to Sell	1.52	1 (30)	28.95	618.9		13.7	0.4	13.7	-8.8	16.0	-3.0
Europe Cap Appr (341/FECAX)	OK to Sell	1.53	1 (30)	17.58	328.4		13.7	0.3	13.7	-8.9	16.0	-4.4
Glob Commod Stk (2120/FFGCX)	Hold	1.6 E	1 (30)	15.05	528.1		8.0	-4.6	8.0	-16.4		
Int'l Capital Apprec. (335/FIVFX)	Buy	1.59	1 (30)	13.04	684.3		17.3	1.4	17.3	-1.2	26.3	-1.9
Int'l Discovery (305/FIGRX)	OK to Sell	1.34	1 (30)	30.96	6410.7		12.1	1.1	12.1	-6.5	16.6	-2.5
Int'l Growth (1979/FIGFX)	OK to Buy	1.24	1 (30)	8.83	88.8		13.1	0.8	13.1	1.0	22.7	
Int'l Real Estate (1368/FIREX)	Sell	1.52	1.5(90)	8.16	272.0		17.4	-0.9	17.4	-7.2	18.9	-9.2
Int'l Small Cap (818/FISMIX)	Buy	1.32	2 (90)	20.20	825.7		15.3	0.6	15.3	-5.0	25.5	0.3
Int'l Small Cap Opp (1504/FSCOX)	Buy	1.24	2 (90)	10.47	344.7		13.2	0.6	13.2	-1.0	26.8	-5.9
Int'l Value (1597/FIVLX)	OK to Sell	1.45	1 (30)	7.10	147.9		8.6	0.6	8.6	-14.3	14.7	-6.1
Japan (350/FJPNX)	Hold ↓	1.05	1.5(90)	10.22	445.7		11.1	1.8	11.1	-0.6	11.8	-6.1
Japan Smaller Co (360/FJSCX)	Hold	1.18	1.5(90)	8.96	292.8		4.8	1.1	4.8	2.4	17.9	-5.2
Latin America (349/FLATX)	OK to Buy	1.66	1.5(90)	55.39	3012.6		13.3	-0.9	13.3	-4.4	27.7	6.2
Nordic (342/FNORX)	Hold	1.73	1.5(90)	31.32	345.6		17.0	-0.8	17.0	-10.6	25.8	-2.1
Overseas (94/FOSFX)	OK to Sell	1.47	1 (30)	30.59	1762.3		15.5	0.6	15.5	-5.6	15.0	-4.3
Pacific Basin (302/FPBFX)	OK to Buy ↓	1.39	1.5(90)	24.40	658.9		13.8	0.8	13.8	-4.8	29.7	1.2
Total Emerg Mkts (2369/FTEMX)	Hold ↓	1.2 E	1.5(90)	10.71	63.3		11.7	-1.9	11.7			
Total Int'l Equity (1978/FTIEX)	OK to Buy ↓	1.34	1 (30)	7.06	292.6		11.5	0.4	11.5	-7.3	19.7	
Worldwide (318/FWWFX)	Hold	1.18	1 (30)	19.53	1080.2		12.6	2.4	12.6	-0.1	21.6	1.6
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	Hold	0.92	none	28.71	2356.8		10.6	1.8	10.6	4.2	19.7	1.7
Int'l Enhanced Idx (2010/FIENX)	OK to Sell	1.29	1 (30)	6.95	26.1		11.2	0.0	11.2	-5.5	16.9	
Lg Cap Core Eh Idx (1827/FLCEX)	Hold ↑	0.97	none	10.01	262.4		12.1	3.4	12.1	9.8	22.4	
Lg Cap Gth Eh Idx (1829/FLGEX)	OK to Buy	1.01	none	11.30	141.4		13.8	3.4	13.8	11.2	24.4	
Lg Cap Val Eh Idx (1828/FLVEX)	OK to Sell	1.01	none	8.03	71.2		11.2	3.2	11.2	6.0	21.2	
Mid Cap Enh Idx (2012/FMEIX)	Hold	1.19	0.75(30)	9.98	79.1		12.4	1.9	12.4	1.9	27.0	
NASDAQ Comp (1282/FNCMX)	OK to Buy	1.17	0.75(90)	41.16	368.0		19.0	4.3	19.0	12.3	27.5	5.8
Small Cap Enh Idx (2011/FCPEX)	Hold	1.35	1.5(90)	10.10	121.7		13.7	3.0	13.7	3.8	27.2	
Spart 500 Index (650/FUSEX)	Hold	1.00	none	50.08	13412.0		12.6	3.3	12.6	8.4	23.4	2.0
Spart Em Mkts Idx (2341/FPPEX)	Hold	1.5 E	1.5(90)	10.05	49.4		12.9	-3.8	12.9			
Spart Extend Mkt Idx (398/FSEMX)	Hold	1.29	0.75(90)	40.57	2619.9		14.4	2.3	14.4	2.0	28.9	3.8
Spart Glob Ex-US Idx (2345/FSGUX)	Hold	1.3 E	1(90)	10.61	9.5		11.4	-0.8	11.4			
Spart Int'l Index (399/FSIIX)	Hold	1.32	1(90)	33.10	3449.8		11.2	0.1	11.2	-5.4	17.2	-3.4
Spart Mid Cap Idx (2349/FSCLX)	Hold	1.3 E	0.75(30)	11.72	5.3		12.8	2.2	12.8			
Spart Real Estate Idx (2353/FRXIX)	Hold	1.6 E	0.75(90)	11.36	6.9		10.8	5.2	10.8			
Spart Small Cap Idx (2356/FSPPX)	Hold	1.4 E	1.5(90)	11.97	7.8		12.3	2.5	12.3			
Spart Total Mkt Idx (397/FSTMX)	Hold	1.05	0.5(90)	40.78	3406.5		12.9	3.1	12.9	7.2	24.4	2.4
Asset Mgr 20% (328/FASIX)	Hold	0.30	none	13.13	4136.1		3.4	0.1	3.4	4.3	11.4	4.1
Asset Mgr 30% (1957/FTANX)	Hold	0.42	none	9.95	299.9		4.8	0.2	4.8	4.4	13.7	
Asset Mgr 40% (1958/FFANX)	Hold	0.53	none	9.91	243.3		6.2	0.5	6.2	4.0	15.5	
Asset Mgr 50% (314/FASMX)	Hold	0.66	none	16.11	6743.4		7.3	0.6	7.3	3.3	17.5	3.5
Asset Mgr 60% (1959/FSANX)	Hold	0.78	none	9.95	485.4		8.6	0.7	8.6	2.7	18.8	
Asset Mgr 70% (321/FASGX)	Hold	0.90	none	16.98	2721.4		10.0	1.0	10.0	1.9	20.3	2.5
Asset Mgr 85% (347/FAMRX)	Hold	1.08	none	13.86	690.6		11.9	1.2	11.9	0.5	21.9	1.8
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	Buy	0.84	1(90)	9.21	9665.1	5.99	7.7	0.4	7.7	0.6	27.0	7.9
Conservative Inc (2267/FCONX)	Buy	0.1 E	none	10.01	472.4	0.64	0.6	0.2	0.6			
Corporate Bond (2208/FCBFX)	OK to Buy	0.4 E	none	10.92	256.1	2.76	2.0	-0.7	2.0	11.5		
Floating Rate (814/FFRHX)	Buy	0.32	1(60)	9.81	5407.3	3.39	2.6	0.4	2.6	2.8	10.0	4.1
Focused High Inc (1366/FHIFX)	Buy	0.45	1(90)	9.18	946.0	4.95	3.9	-0.5	3.9	6.9	16.1	6.0
GNMA Portfolio (15/FGMNX)	OK to Buy	0.15	none	11.81	10020.9	2.72	0.5	0.1	0.5	7.9	6.5	7.0
Global High Inc (2297/FGHNX)	Buy	0.7 E	1(90)	9.68	187.7	5.57	5.9	-0.1	5.9			
Gov't Income (54/FGOVX)	Hold	0.19	none	10.67	4263.1	1.37	-0.5	-0.6	-0.5	7.4	4.4	6.2
High Income (455/SPHIX)	Buy	0.63	1(90)	9.00	5468.8	5.74	5.7	0.0	5.7	5.2	21.4	7.5
Inflation-Protected (794/FINPX)	Hold	0.30	none	12.86	2831.5	0.00	0.7	-1.0	0.7	11.6	8.3	6.6
Intermed Bond (32/FTHRX)	OK to Buy	0.21	none	10.90	4221.8	1.83	0.9	-0.2	0.9	6.3	9.8	5.4
Intermed Gov't Inc (452/FSTGX)	Hold	0.17	none	10.91	1161.2	0.70	-0.3	-0.4	-0.3	5.6	3.5	5.5
Invest Grade Bond (26/FBNDX)	OK to Buy	0.19	none	7.74	4674.0	2.53	1.1	-0.2	1.1	8.0	10.6	5.2
Mortgage Securities (40/FMSFX)	OK to Buy	0.13	none	11.21	751.7	2.86	1.1	0.2	1.1	7.0	7.6	4.8
New Markets Inc (331/FNMIX)	OK to Buy	0.53	1(90)	16.52	4952.3	4.79	5.9	-0.1	5.9	13.1	19.9	9.2
Short-Term Bond (450/FSHBB)	Buy	0.09	none	8.53	7684.5	0.86	0.8	0.1	0.8	2.2	4.4	2.1
Spart Inter Tr Idx (1561/FIBIX)	OK to Sell	0.36	none	11.38	934.4	1.37	-1.2	-1.3	-1.2	12.0	5.1	7.7
Spart L-Term Tr Idx (1562/FLBIX)	Sell	0.78	none	12.11	147.6	2.85	-5.9	-3.9	-5.9	23.2	6.9	9.2
Spart S-Term Tr Idx (1560/FSBIX)	Hold	0.11	none	10.60	191.3	0.33	-0.2	-0.2	-0.2	3.1	2.2	4.2
Strategic Income (368/FSICX)	Buy	0.40	none	11.06	9415.4	3.94	3.4	-0.2	3.4	5.6	15.3	7.6
Total Bond (820/FTBFX)	OK to Buy	0.21	none	10.97	12878.9	2.68	1.3	-0.3	1.3	7.6	11.4	6.5
Ultra-Short Bond (812/FUSFX)	Hold	0.03	0.25(60)	8.20	251.9	0.59	0.8	0.2	0.8	0.4	1.2	-2.3
Spart US Bond Index (651/FBIDX)	Hold	0.17	none	11.74	5933.6	2.01	0.3	-0.5	0.3	7.7	6.7	5.7
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	Hold	0.28	0.5(30)	11.93	171.3	2.49	2.1	-0.4	2.1	11.8	7.6	5.0
CA Municipal Inc (91/FCITX)	Hold	0.32	0.5(30)	12.57	1736.8	2.76	2.3	-0.5	2.3	13.5	8.2	4.8
CA Short-Int TF (1534/FCSTX)	Hold	0.13	0.5(30)	10.79	785.6	0.85	0.7	-0.4	0.7	4.8	3.9	4.2
CT Municipal Inc (407/FICNX)	Hold	0.25	0.5(30)	11.88	577.7	1.77	0.9	-1.0	0.9	10.1	6.4	5.1
Intermediate Muni (36/FLTMX)	Hold	0.19	0.5(30)	10.49	4193.2	1.71	1.1	-0.4	1.1	8.6	5.8	4.9
MA Municipal Inc (70/FDMMX)	Hold	0.27	0.5(30)	12.45	2391.1	2.26	2.0	-0.8	2.0	12.0	7.6	5.1
MD Municipal Inc (429/SMDMX)	Hold	0.23	0.5(30)	11.42	213.7	1.82	1.2	-0.7	1.2	10.0	6.8	4.7
MI Municipal Inc (81/FMHTX)	Hold	0.22	0.5(30)	12.33	643.6	2.37	1.6	-0.4	1.6	10.4	6.5	5.0
MN Municipal Inc (82/FIMIX)	Hold	0.21	0.5(30)	11.87	528.6	1.75	1.4	-0.6	1.4	9.6	6.1	4.9
Municipal Income (37/FHIGX)	Hold	0.28	0.5(30)	13.21	6184.8	2.46	2.3	-0.2	2.3	12.8	8.1	5.1
NJ Municipal Inc (416/FNJHX)	Hold	0.27	0.5(30)	12.08	658.6	2.10	2.1	-0.5	2.1	12.6	7.0	5.0
NY Municipal Inc (71/FTFMX)	Hold	0.27	0.5(30)	13.39	1854.1	2.14	1.6	-0.6	1.6	11.2	7.2	5.1
OH Municipal Inc (88/FOHFX)	Hold	0.24	0.5(30)	12.08	581.8	2.33	1.5	-0.6	1.5	10.7	6.7	5.0
PA Municipal Inc (402/FPXTX)	Hold	0.22	0.5(30)	11.21	441.3	2.43	1.9	-0.6	1.9	11.1	6.6	5.1
Short-Int Municipal (404/FTSTX)	Hold	0.10	0.5(30)	10.82	3654.6	0.79	0.5	-0.3	0.5	4.5	3.5	3.9
Tax-Free Bond (90/FTABX)	Hold	0.28	0.5(30)	11.36	2275.4	2.53	2.1	-0.4	2.1	12.8	8.0	5.3

MARCH 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	0.89	13212.04	8.9	2.2	8.9	10.2	23.6	4.2	5.0
S&P 500	1.00	1408.47	12.6	3.3	12.6	8.5	23.4	2.0	4.1
NASDAQ	1.17	3091.57	19.0	4.3	19.0	12.4	27.8	6.0	6.1
Russell 2000	1.39	830.30	12.4	2.5	12.4	-0.2	26.9	2.1	6.4
Fidelity Monitor Income Model	0.48	306619.47	5.1	0.8	5.1	9.9	13.1	4.2	5.0
Fidelity Monitor G&I Model	0.73	397841.54	10.5	1.9	10.5	5.6	18.1	1.9	6.4
Fidelity Monitor Growth Model	1.04	1419708.33	13.2	2.1	13.2	4.0	24.1	0.9	6.0
Fidelity Monitor Select System	1.25	1753557.98	14.1	2.1	14.1	5.5	23.7	3.2	7.3
Fidelity Monitor Unique Opportunities	1.18	276889.19	14.2	1.7	14.2	0.0	25.6	1.3	9.2

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.

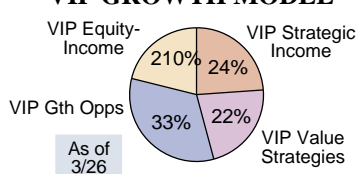
VIP INCOME MODEL



PAST PERFORMANCE

1993: +12.3%	2003: +9.9%
1994: -3.8%	2004: +5.1%
1995: +16.9%	2005: +1.8%
1996: +6.3%	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: +5.8%

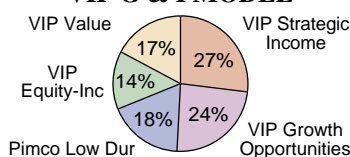
VIP GROWTH MODEL



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: +12.7%

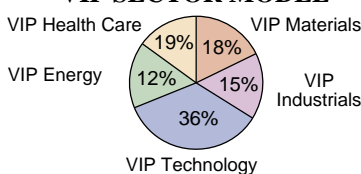
VIP G & I MODEL



PAST PERFORMANCE

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

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: +15.2%

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

MARCH VIP PERFORMANCE Portfolio	Rating	Risk	PRA Value	2012 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Asset Manager	Hold	0.75	13.79	8.6	0.4	8.5	1.9	16.9	4.3
VIP Asset Manager: Growth	Hold	1.02	13.26	11.8	0.8	11.7	0.1	19.6	3.6
VIP Balanced	OK to Buy	0.98	14.47	11.7	1.3	11.6	2.5	22.4	3.9
VIP Consumer Discretionary	OK to Buy ↑	1.26	14.13	17.6	4.6	17.7	13.1	29.3	3.8
VIP Consumer Staples	Hold	0.77	14.00	7.8	2.6	7.8	15.2	21.6	
VIP Contrafund	Hold	1.12	13.94	13.9	3.0	13.9	4.2	24.1	3.0
VIP Disciplined Small Cap	Hold	1.35	11.09	13.5	2.9	13.5	3.3	26.1	1.3
VIP Dynamic Capital Appreciation	OK to Buy	1.22	14.12	17.2	3.7	17.2	8.7	25.8	2.2
VIP Emerging Markets	Hold ↓	1.58	8.10	12.4	-1.9	12.3	-12.7	22.9	
VIP Energy	Buy	1.79	14.94	6.7	-4.5	6.7	-14.3	23.3	2.0
VIP Equity-Income	Buy	1.14	11.71	10.2	2.5	10.1	4.1	23.9	-1.2
VIP Financial Services	Hold	1.73	7.04	22.9	4.5	22.8	-2.5	19.3	-10.5
VIP FundsManager 20	Hold	0.25	12.53	2.9	-0.1	2.8	3.5	8.0	3.3
VIP FundsManager 50	Hold	0.58	12.27	6.8	0.6	6.8	3.1	13.9	2.6
VIP FundsManager 60	Hold	0.70	10.99	8.0	0.7	7.9	2.2	15.8	
VIP FundsManager 70	Hold	0.81	11.67	9.4	1.0	9.3	1.8	17.3	1.3
VIP FundsManager 85	Hold	0.99	11.12	10.8	1.4	10.7	0.3	19.6	0.3
VIP Growth	Buy	1.16	13.38	16.4	3.8	16.3	7.4	31.8	3.8
VIP Growth & Income	OK to Buy	1.04	12.77	13.2	3.3	13.2	9.8	22.0	1.3
VIP Growth Opportunities	Buy	1.19	13.61	21.4	4.3	21.2	14.1	30.7	3.1
VIP Growth Stock	Hold	1.11	14.09	16.0	2.9	16.0	8.1	27.8	6.0
VIP Growth Strategies	Hold	1.31	11.95	14.1	1.2	14.0	-1.8	22.3	1.0
VIP Health Care	Buy	0.87	15.18	11.6	2.8	11.6	9.2	23.5	6.4
VIP High Income	Buy	0.54	15.31	5.3	-0.1	5.3	5.7	18.6	5.8
VIP Index 500	Hold	1.00	12.88	12.5	3.3	12.5	8.2	23.1	1.7
VIP Industrials	Buy	1.51	17.04	15.0	1.5	14.9	0.8	32.9	6.9
VIP Int'l Capital Appreciation	Buy	1.59	11.60	17.3	1.4	17.3	-1.2	26.1	-2.1
VIP Investment Grade Bond	OK to Buy	0.19	14.07	0.9	-0.4	0.8	7.1	9.6	5.8
VIP Materials	Buy	1.75	14.13	12.6	-0.4	12.6	-2.0	31.4	
VIP Mid Cap	OK to Buy	1.08	15.11	13.5	1.3	13.5	-3.2	23.7	4.2
VIP Money Market			11.43	0.0	0.0	-0.1	-0.2	0.0	1.3
VIP Overseas	OK to Sell	1.44	11.51	14.9	0.4	14.8	-7.7	16.8	-3.3
VIP Real Estate	OK to Buy	1.81	14.91	11.0	5.1	10.9	11.0	47.5	0.3
VIP Strategic Income	Buy	0.38	15.62	3.2	-0.3	3.2	5.3	14.3	7.2
VIP Technology	Buy	1.44	17.88	22.1	4.1	22.1	3.3	36.4	8.6
VIP Telecommunications	Hold	1.00	9.37	6.8	0.9	6.7	0.7	18.5	
VIP Utilities	OK to Buy ↓	0.69	14.60	0.0	1.7	0.0	8.4	17.6	0.1
VIP Value	Buy	1.40	11.69	13.2	3.2	13.1	3.5	28.9	-1.0
VIP Value Leaders	Sell	1.22	9.91	12.4	2.6	12.4	-3.0	18.7	-4.1
VIP Value Strategies	Buy	1.57	12.65	15.2	1.1	15.1	-1.2	33.0	-0.2
Lazard Retirement Emerging Markets	Hold ↓	1.52	15.10	17.0	-1.7	17.0	-3.2	27.0	5.8
Morgan Stanley Emerging Mkt Debt	OK to Buy	0.50	15.65	5.5	-0.1	5.4	11.5	15.7	7.2
Morgan Stanley Emerging Mkt Equity	Hold ↓	1.46	12.57	12.9	-1.2	12.9	-6.9	24.2	1.9
Morgan Stanley Global Tactical Alloc	Hold	1.18	10.04	8.3	0.4	8.3	0.6	19.2	-2.5
Pimco VIT Low Duration	Buy	0.1 E	10.93	1.6	0.1	1.5	1.5		
Fidelity Monitor VIP Income Model		0.50	257925.83	5.8	1.1	5.8	12.3	14.1	5.0
Fidelity Monitor VIP G&I Model		0.72	288785.97	9.4	1.8	9.4	3.9	17.6	2.3
Fidelity Monitor VIP Growth Model		1.02	366257.21	12.7	1.6	12.7	4.2	23.1	-1.0
Fidelity Monitor VIP Sector Model		1.36	230558.89	15.2	1.5	15.2	2.2	25.5	3.4

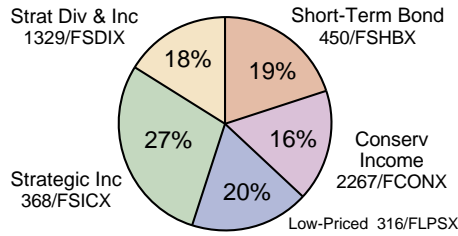
INCOME AND PRESERVATION MODEL

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

FUND	NAV	SHARES**	BALANCE**
Short-Term Bond	\$8.53	6994.969	\$59667.09
Conservative Income	\$10.01	4984.391	\$49893.75
Low-Priced Stock	\$40.72	1480.266	\$60276.43
Strategic Income	\$11.06	7496.189	\$82907.85
Strategic Div. & Inc.	\$11.92	4519.660	\$53874.35

26% Foreign Holdings

Balance as of 3/30/12: \$306619.47
Balance at start of 2012: \$291865.71



PAST PERFORMANCE
Starting Balance: \$100,000

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: + 5.1%
2002: + 5.4%	

Our Income Model gained 0.8% in March. Please check our weekly hotline for any potential changes in April.

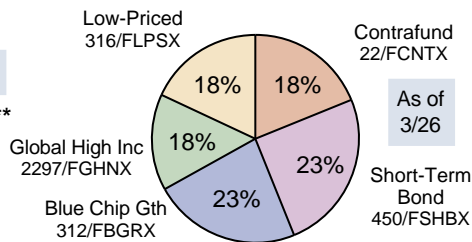
GROWTH AND INCOME MODEL

For investors seeking a conservative path to growth.

FUND	NAV	SHARES**	BALANCE**
Contrafund	\$77.54	924.496	\$71685.42
Short-Term Bond	\$8.53	10521.666	\$89749.81
Blue Chip Growth	\$50.38	1832.140	\$92303.21
Global High Inc.	\$9.68	7472.354	\$72332.39
Low-Priced Stock	\$40.72	1762.542	\$71770.71

21% Foreign Holdings

Balance as of 3/30/12: \$397841.54
Balance at start of 2012: \$360092.10



PAST PERFORMANCE
Starting Balance: \$100,000

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: +10.5%
2003: +33.0%	

Our Growth and Income Model rose 1.9% in March. Please see p. 3 for recent activity, and check our weekly hotline for any April changes.

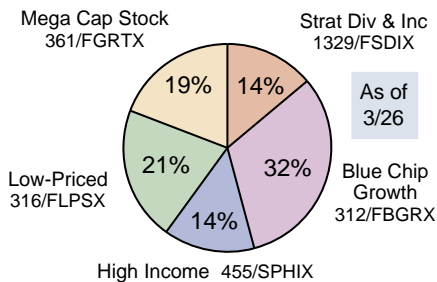
GROWTH MODEL

For moderately aggressive stock-oriented investors.

FUND	NAV	SHARES**	BALANCE**
Strategic Div & Inc	\$11.92	16473.430	\$196363.29
Blue Chip Growth	\$50.38	9147.627	\$460857.45
High Income	\$9.00	22010.105	\$198090.95
Low-Priced Stock	\$40.72	7239.382	\$294787.64
Mega Cap Stock	\$11.59	23262.209	\$269609.00

14% Foreign Holdings

Balance as of 3/30/12: \$1419708.33
Balance at start of 2012: \$1253929.63



PAST PERFORMANCE
Starting Balance: \$100,000

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: +13.2%

We were up 2.1% in March, versus a 3.3% gain for the S&P. Please see p. 3 for our latest trade, and check our hotline for April changes.

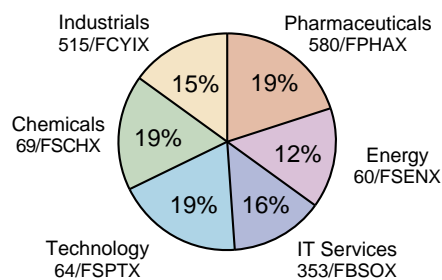
SELECT SYSTEM (SECTOR PORTFOLIO)

For aggressive stock-oriented investors.

FUND	NAV	SHARES**	BALANCE**
Pharmaceuticals	\$14.48	23332.362	\$337852.60
Energy	\$52.66	4089.908	\$215374.56
IT Services	\$25.20	10705.315	\$269773.94
Technology	\$105.64	3182.955	\$336247.37
Chemicals	\$112.41	2990.193	\$336127.60
Industrials	\$25.10	10286.132	\$258181.91

17% Foreign Holdings

Balance as of 3/30/12: \$1753557.98
Balance at start of 2012: \$1537362.65



PAST PERFORMANCE
Starting Balance: \$100,000

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: +14.1%

We were up 2.1% in March, versus a 3.3% gain for the S&P. Please check our weekly hotline for any April changes.

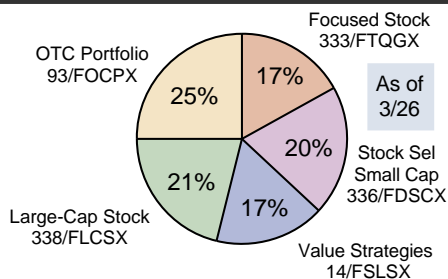
UNIQUE OPPS MODEL (AGGR. GROWTH)

For aggressive stock-oriented investors.

FUND	NAV	SHARES**	BALANCE**
Focused Stock	\$15.23	3111.720	\$48325.01
Stock Sel Small Cap	\$20.21	2762.934	\$55838.90
Value Strategies	\$28.87	1601.496	\$46235.19
Large Cap Stock	\$19.83	2881.906	\$57148.20
OTC Portfolio	\$64.11	1081.608	\$69341.89

10% Foreign Holdings

Balance as of 3/30/12: \$276889.19
Balance at start of 2012: \$242518.36



PAST PERFORMANCE
Starting Balance: \$100,000

(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: +14.2%
2005: +18.8%	

We gained 1.7% in March, versus 3.3% for the S&P 500. Please see p. 3 for our latest trade, and check our hotline for any April changes.

consider the Select System or Unique Opportunities.

This method of locking yourself into a sustainable risk level assures that you'll participate at some level in all market advances. Is it really necessary to impose this kind of discipline? Maybe not for everyone, but for most people fear is a more powerful emotion than greed – meaning the natural tendency is to sabotage your own results by selling low and buying high. By maintaining steady stock exposure, fear and greed are forced to operate at the same level in your portfolio – even if they don't carry the same weighting in your head.

Finally, if you find yourself lacking the discipline to stick with a particular level of risk, our advisory services offer a solution to that problem. Accounts under management are customized for each client, with an appropriate level of stock exposure for the situation. Additionally, any increase or decrease in that risk level is reviewed to make sure the change is being made for the right reasons. ■

Question & Answer Forum

I see you have restated your model share quantities and values to show the results of a \$100,000 initial investment. How can I calculate the old balances?

Keep in mind that performance figures are not affected by this change, so it isn't necessary to convert back to the old balances. But here's how to do it if you prefer to track the old reference points:

- For the Income Model, divide the shares and dollar figures by 2.85714286.
- For the Growth and Income Model and the Unique Opportunities Model, cut them in half (divide by 2).
- For the Growth Model, divide by 6.72743786.
- For the Select System, divide by 3.99101065.
- For all 4 annuity models, divide by an even 10.

I've seen some discussion on CNBC about bonds being more risky than stocks. Is this true?

If interest rates were to move up a lot like in 1994, we would probably see double-digit losses in long-term treasury bonds. But most investment grade bond funds would be limited to single-digit losses, and high yield bonds may not even see losses, because credit risk would likely fall in that kind of scenario.

Furthermore, the odds of a big jump in long-term interest rates is not that great. Domestic borrowing isn't likely to rise much when a large segment of the working population is trying hard to reduce debt. And so far the Fed's "money printing" operations are less than 3% of total dollar-based assets – not enough to ignite inflation. ■

INCOME FUNDS

Buy ratings for our favorite bond funds are listed on page 5. Please see page 7 for our current Income Model holdings. If your account is not big enough to meet Fidelity fund minimums while following the model, we recommend holding **Focused High Income**.

Capital & Income and **Floating Rate High Income** both edged up 0.4%; other low-duration funds logged fractional gains. But the impact of higher long-term interest rates weighed on the more interest-rate sensitive portfolios. **Spartan Int-Term Treasury Index** was off 1.3%, and **Spartan Long-Term Treasury Index** declined 3.9%.

Rising long-term rates impacted munis as well, with losses ranging from 0.2% to 1.0%.

SELECT PORTFOLIOS

Buy ratings for our favorite sector funds are listed on page 4. Please see page 7 for our current Select System holdings. If your account is not big enough to meet fund minimums, we recommend Select **Technology**.

Retailing was up 7.0%, **Banking** climbed 6.7%, **Consumer Finance** gained 6.2%, and **IT Services** rose 6.0%. On the bottom end, **Energy Service** lost 6.6%, and **Gold** fell 11.3%. ■

Happenings

Eirene Kontopoulos has been named co-manager of the health care sleeve for **Stock Selector Small Cap**, and Franco Castagliuolo has been appointed co-manager for **Inflation-Protected Bond** and the inflation-protected side of **Strategic Real Return**. We have no rating changes on the affected funds. ■

MARCH DISTRIBUTIONS

Asset Manager 20%	\$ 0.021/\$13.13 (3/2)
Asset Manager 30%	\$ 0.013 / \$9.94 (3/2)
Freedom Income	\$ 0.014/\$11.59 (3/2)
MA Municipal	\$ 0.006/\$12.50 (3/9)
NY Municipal	\$ 0.011/\$13.44 (3/9)
Real Estate Income	\$ 0.055/\$10.74 (3/2)
Real Estate Index	\$ 0.021/\$10.85 (3/2)
Real Estate Investment	\$ 0.060/\$29.34 (3/2)

Funds scheduled in April include all enhanced index funds, all **Select** portfolios, **Asset Manager 20%** through **50%**, **Balanced**, **CA Muni**, **Conv Sec.**, **Equity-Inc.**, **Equity Dividend Income**, **Fidelity Fund**, **Four-In-One Index**, **Freedom Income**, **Growth & Income**, **Int'l Enhanced Index**, **Mid-Cap Enhanced Index**, **Puritan**, **Small Cap Enhanced Index**, **Spartan 500 Index**, **Spartan Extended Market Idx**, **Spartan Int'l Index**, **Spartan Total Market Index**, all **Spartan Treasury** funds, **Strategic Dividend & Income**, **Strategic Real Rtn**, and **Telecom & Utilities**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	116609.7	0.04	CT MM (418/FCMXX)	1805.4	0.01			
Select MM (85/FSLXX)	5932.3	0.13	MA MM (74/FDMXX)	5327.0	0.01			
Money Market (454/SPRXX)	3500.9	0.01	MI MM (420/FMIXX)	848.5	0.01	MA AMT TF (426/FMSXX)	290.0	0.01
Gov't MM (458/SPAXX)	1465.4	0.01	NJ MM (417/FNJXX)	2213.9	0.01	AMT Tax-Free (460/FIMXX)	1238.1	0.01
US Treas. MM (415/FDLXX)	6260.0	0.01	NY MM (92/FNYXX)	5086.8	0.01	NJ AMT TF (423/FSJXX)	230.1	0.01
Tax-Free MM (275/FMOXX)	7204.0	0.01	OH MM (419/FOMXX)	1080.4	0.01	NY AMT TF (422/FSNXX)	458.2	0.01
US Gov't Reser (50/FGRXX)	2573.1	0.01	AZ MM (433/FSAXX)	384.9	0.01	PA MM (401/FPTXX)	677.6	0.01
CA MM (97/FCFXX)	5464.9	0.01	CA AMT TF (457/FSPXX)	475.9	0.01	Municipal MM (10/FTEXX)	24501.7	0.01