

Eric Kobren's  
**FIDELITY INSIGHT**  
 THE INDEPENDENT REPORT ON FIDELITY FUNDS

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**ERIC'S OUTLOOK**

**Does Oil's Retreat Signal  
 An Advance For The Stock Market?**

As July began, the stock market continued its downward path. But around mid-month, stocks rallied sharply — driven by financials no less — and hopes were raised that a bottom might finally be in sight. Several financial firms soared 30% or more in just three days.



Eric M. Kobren

A number of factors helped to fuel the financial bounce. First, several major banks such as Bank of America, Wells Fargo, JP Morgan Chase and Citigroup reported better than expected results for the second quarter. (Even so, Citigroup lost

\$2.5 billion and profit declines at the other three ranged from 23% to 53%.) Second, the U.S. Treasury rolled out additional support for beleaguered Fannie Mae and Freddie Mac. Third, the SEC made it more difficult to short 19 selected financial stocks, which resulted in a surge of short-covering in those stocks.

Not to be overlooked, was the impact on the broader market from retreating oil prices. After reaching a peak of around \$147 on July 11, crude oil prices moved sharply lower, falling to \$124 per barrel by month's end.

However, hopes of a market bottom took a battering, as housing sales continued to slide and one prominent bond investor opined that financial firms would ultimately have to write down \$1 trillion in mortgage-related losses — roughly double the amount written down so far.

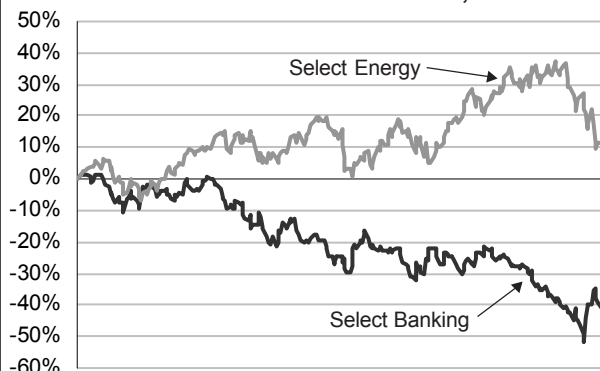
In the end, the market finished mixed in July. The S&P 500 gave up 0.9% but the Dow was up modestly (0.4%) and small caps had a strong 3.7% gain.

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**A CHANGE OF FORTUNES?**

% Total Return Since June 29, 2007



Jun 07 Jul 07 Aug 07 Sep 07 Oct 07 Nov 07 Dec 07 Jan 08 Feb 08 Mar 08 Apr 08 May 08 Jun 08 Jul 08

As noted in **Outlook**, the worst may not be over for financials and the stock market in general, and the long-term picture for energy/commodities remains solid. But, in July, we have seen at least a short-term reversal in these two areas, and with investor sentiment at negative extremes we've taken some profits in commodities and added a bit to large-cap stocks (see trade box on p. 3).

**The Worst May Not Be Over ...**

If the \$1 trillion write-down proves correct, the worst for financials may not be over. David Ellison, one of the most respected fund managers specializing in financial stocks today (we know him from his days at Fidelity where he ran **Select Home Finance**), apparently agrees. He has taken the extraordinary step of putting 30% to 50% of his two funds' assets in cash.

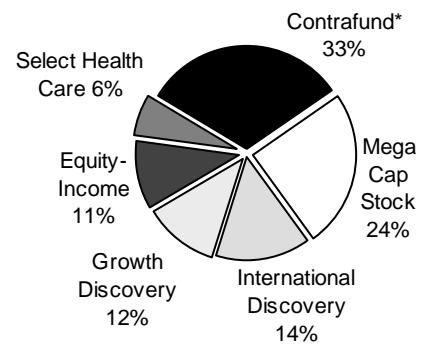
The same is probably true for the housing market. Existing home sales dropped to 10-year lows in June, while home prices continue to fall and inventories of unsold homes continue to rise. And one measure of the bleakness in the housing market that does not get much attention is the home vacancy rate (homes for sale where the owners have left) which stands at 2.9% compared to a long-term average of 1.5%. Roughly one million homes need to be sold to bring that ratio back to 1.5%.

With gas still around \$4.00 a gallon, and the cost of food climbing steadily (but hey, "core" inflation is under control, so let's be happy, right?), it's no wonder consumer sentiment remains dismal despite a modest pickup recently.

**Eric's Outlook** cont'd on page 3

# FIDELITY INSIGHT MODEL PORTFOLIOS - JULY 31, 2008

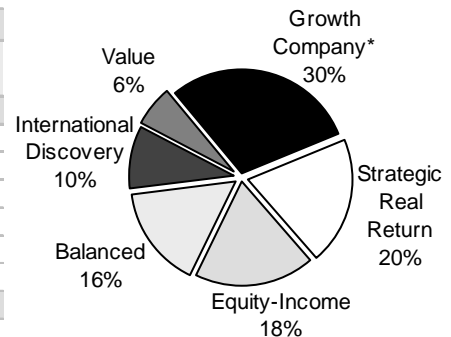
Aggressive Growth Model		Rel Vol: 0.93	Est. Yield: 1.0%	YTD Return: -15.4%		
Current Asset Allocation		Stocks 95.5%	Bonds 0.0%	Cash 4.2%	Alternative <sup>1</sup> 0.4%	Foreign 29.2%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jul. Ret
Contrafund*	FCNTX	33%	\$63.72	837.40	\$53,359	-4.1%
Mega Cap Stock	FGRTX	24	9.89	4,015.74	39,716	-0.2
International Discovery	FIGRX	14	36.37	654.39	23,800	-4.4
Growth Discovery	FDSVX	12	13.99	1,367.15	19,126	-4.2
Equity-Income	FEQIX	11	45.16	388.39	17,540	-1.5
Select Health Care	FSPHX	6	105.75	100.60	10,638	2.1
Current Value (4/7/99 = \$100,000)					\$164,179	-3.1%



\*Closed; new members use **Blue Chip Growth** (FBGRX).

For aggressive members who have no need for income or principal for more than 10 years. Target volatility range: 0.50-1.50.

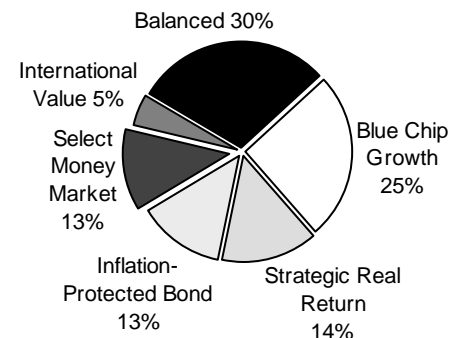
Growth Model		Rel Vol: 0.76	Est. Yield: 1.8%	YTD Return: -8.8%		
Current Asset Allocation		Stocks 72.7%	Bonds 10.3%	Cash 5.2%	Alternative <sup>1</sup> 11.8%	Foreign 19.3%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jul. Ret
Growth Company*	FDGRX	30%	\$74.75	4,419.37	\$330,348	-4.7%
Strategic Real Return	FSRRX	20	10.11	21,317.36	215,519	-3.3
Equity-Income	FEQIX	18	45.16	4,461.00	201,459	-1.5
Balanced	FBALX	16	17.60	9,945.96	175,049	-2.9
International Discovery	FIGRX	10	36.37	3,030.42	110,216	-4.4
Value	FDVLX	6	65.62	1,004.04	65,885	-1.4
Current Value (1/1/87 = \$100,000)					\$1,098,476	-3.2%



\*Closed; new members use **Blue Chip Growth** (FBGRX).

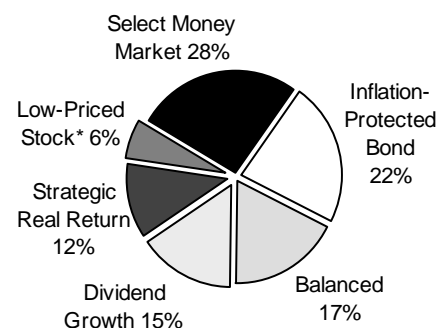
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.43	Est. Yield: 2.0%	YTD Return: -4.8%		
Current Asset Allocation		Stocks 48.8%	Bonds 26.5%	Cash 16.2%	Alternative <sup>1</sup> 8.4%	Foreign 11.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jul. Ret
Balanced	FBALX	30%	\$17.60	14,511.92	\$255,410	-2.9%
Blue Chip Growth	FBGRX	25	39.06	5,490.44	214,456	-1.4
Strategic Real Return	FSRRX	14	10.11	12,196.95	123,311	-3.3
Inflation-Protected Bond	FINPX	13	11.23	9,918.20	111,381	-0.8
Select Money Market	FSLXX	13	1.00	106,752.17	106,752	0.2
International Value	FIVLX	5	9.77	4,160.96	40,653	-3.6
Current Value (1/1/87 = \$100,000)					\$851,963	-2.0%



A good choice for members retiring in five-10 years looking for less volatility than the market. Seeks a yield in excess of the S&P 500. Target volatility range: 0.25-0.75.

Income & Preservation Model		Rel Vol: 0.27	Est. Yield: 2.0%	YTD Return: -2.4%		
Current Asset Allocation		Stocks 31.2%	Bonds 30.9%	Cash 30.9%	Alternative <sup>1</sup> 7.0%	Foreign 4.9%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jul. Ret
Select Money Market	FSLXX	28%	\$1.00	138,558.90	\$138,559	0.2%
Inflation-Protected Bond	FINPX	22	11.23	10,282.67	115,474	-0.8
Balanced	FBALX	17	17.60	5,134.72	90,371	-2.9
Dividend Growth	FDGFX	15	25.40	3,140.59	79,771	-0.9
Strategic Real Return	FSRRX	12	10.11	6,091.96	61,590	-3.3
Low-Priced Stock*	FLPSX	6	37.19	856.20	31,842	-1.4
Current Value (1/1/87 = \$100,000)					\$517,607	-1.3%



\*Closed; new members use **Small Cap Growth** (FCPGX).

For members needing income and protection of their purchasing power against inflation. Seeks a yield at least twice the S&P 500. Target volatility range: 0.10-0.50.

<sup>1</sup>Alternative investments include such areas as high-yield bonds, commodities, real estate. Portfolio trades and total returns do not take taxes into account, however redemption and exchange fees are included. Figures may be rounded. Dividends are reinvested. Consider the tax implications of trades before you decide to buy or sell any fund. Any trades are detailed on p. 3 and are announced on Friday evening Hotline updates via telephone, e-mail, and web (see p. 12). Use non-Spartan fund alternatives if Spartan minimums can't be met. **Annuity Model Portfolios** are on p. 9.

**...But Not Everything Is Bleak**

There are glimmers of hope, however. Corporate earnings for the second quarter are coming in better than expected. With roughly half of the S&P 500 companies reporting, 67% have exceeded estimates, which is a bit higher than is normally the case. And outside of financials and consumer discretionary, the earnings picture is reasonably bright. Seven out of 10 sectors are expected to show positive results, led by technology and energy with estimated gains in the 20%-plus range.

In addition, businesses continue to invest in plant and equipment helping to offset "spent-out" consumers.

And while oil is still well above its levels at the beginning of the year, the recent drop, if sustained, will help on the margin.

Lastly, investor sentiment is now at bearish extremes, which is fertile ground for the market to rally.

**Modest Model Trades**

In our model portfolios (see trade box) we are taking some profits on our commodity exposure (selling 1/3 of **Strategic Real Return** in three models) and adding modestly to our large cap stock exposure via **Balanced**, **Blue Chip Growth** and **Dividend Growth** as large caps remain under-valued relative to the overall market.

On balance, however, we remain somewhat defensive and expect to see continued market volatility. I am not clairvoyant and cannot tell you when this market will finally bottom, but I am confident that it will (once again) happen before the economy starts to rebound. So stay focused on your long-term goals and leave the fixation on the market's daily gyrations to the talking heads on TV. ■

**WHICH FUNDS SHOULD YOU BUY NOW!**

**Equity Funds:** **Mega Cap Stock** provides exposure to very large, "mega-cap" stocks. **Growth Discovery** looks for companies of all market capitalizations that exhibit high growth potential.

**Specialty Funds:** **Strategic Real Return** (p.12), with its mix of sectors, affords inflation protection and portfolio diversification.

**Fixed-Income Funds:** **Inflation-Protected Bond**, as its name implies, has inflation-protection features. **Select Money Market** and **Cash Reserves** are our preferred funds in this interest-rate environment.

**International Funds:** Emerging markets remain volatile. We favor developed-market funds with limited emerging-market exposure such as **International Discovery**. ■

**MODEL PORTFOLIO TRADES**

As announced on our July 25 Hotline, effective Monday, July 28, we made the following trades in our Model Portfolios.

Action	Fund	Shares	Price	Value	Old%	New%
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**Aggressive Growth:**

Sold:	Chemicals	127.08	\$82.77	\$10,518.73	7%	0%
Bought:	Healthcare	100.60	\$104.56	\$10,518.73	0%	7%

Slowing global economic growth is diminishing outlook for commodities such as chemicals while health care is less economically sensitive.

**Growth:**

Sold 1/3:	Strategic Real Return	10,658.68	\$10.07	\$107,332.93	30%	20%
Sold 1/2:	Value	1,004.04	\$63.58	\$63,836.99	12%	6%
Bought:	Balanced	9,945.96	\$17.21	\$171,169.91	0%	16%

**Growth & Income:**

Sold 1/3:	Strategic Real Return	6,098.47	\$10.07	\$61,411.62	22%	15%
Added to:	Blue Chip Growth	1,611.85	\$38.10	\$61,411.62	18%	25%

**Income & Preservation:**

Sold 1/3:	Strategic Real Return	3,045.98	\$10.07	\$30,673.01	18%	12%
Added to:	Dividend Growth	1,239.81	\$24.74	\$30,673.01	9%	15%

In these three models, we're taking profits in Strategic Real Return (driven by commodities and TIPS) and adding to our exposure to large-cap stocks, which are comparatively better valued than other areas of the equity market.

**Annuity Growth:**

Sold:	VIP Value Strategies	1,050.24	\$10.12	\$10,628.43	9%	0%
Added to:	VIP Value Leaders	1,064.97	\$9.98	\$10,628.43	17%	26%
Sold:	VIP Energy	371.30	\$17.24	\$6,401.21	6%	0%
Bought:	VIP Healthcare	611.97	\$10.46	\$6,401.21	0%	6%

**Annuity Growth & Income:**

Sold:	VIP Value Strategies	843.03	\$10.12	\$8,531.46	7%	0%
Added to:	VIP Value Leaders	854.86	\$9.98	\$8,531.46	10%	18%

**Annuity Income & Preservation:**

Sold:	VIP Value Strategies	575.53	\$10.12	\$5,824.36	5%	0%
Added to:	VIP Growth	504.71	\$11.54	\$5,824.36	9%	14%

Taking profits in energy and switching to health care, which is less economically sensitive. Selling the mid-cap oriented Value Strategies for larger-cap oriented options to take advantage of better valuations (some figures may be rounded).

**ANNUAL MODEL PORTFOLIO RETURNS (%)**

Model	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07
Aggr Growth												31.4	-8.4	-20.9	-15.8	36.6	14.8	17.9	14.2	14.5
Growth	18.9	34.3	1.0	24.7	13.0	18.0	-0.1	23.9	13.8	17.2	3.3	30.7	-2.1	-2.7	-14.0	33.0	14.4	11.1	11.8	7.8
Growth & Inc	14.8	29.1	-1.3	24.6	14.2	18.2	-0.1	23.1	18.7	20.9	6.3	22.6	-2.1	-4.0	-9.7	27.1	11.5	5.2	10.2	7.3
Inc & Pres	10.2	17.7	0.8	20.9	11.4	16.7	-2.8	21.1	19.0	18.0	5.2	13.4	-1.4	-5.6	-6.8	18.9	7.0	3.5	7.2	5.2

## Oil-Price Decline Hits Some Fidelity Funds

What oil gives, oil can take away.

Just as it seemed like the price of crude would never stop rising, it finally started moving down after hitting a peak of \$147 a barrel on July 11.

While that was good news for consumers who saw the average price of gasoline dip to around \$4.00 a gallon, it was not so great for a number of Fidelity funds that had been climbing upward on big energy stakes.

**Independence**, for example, had been one of the year's Fidelity's best-performing funds, at least until early July, thanks to having nearly a third of its assets in energy stocks. By the end of July, however, that same big bet had turned against the fund, as it fell 10.7% for the month. An even bigger bet on energy — over 46% — contributed to a 10.2% decline for **Leveraged Company Stock**.

### Positive News On Financials

Apart from oil, the month's other big story was financials. There, it only took a little positive news — like a new law to prop up Fannie Mae and Freddie Mac and provide additional support to housing — to help Fidelity funds with large financial stakes.

**Growth & Income**, for example has more than a quarter of its assets in financials and is down over 19% so far this year, but managed to gain 0.3% in July.

But perhaps the month's biggest surprise was in the reversal of fortune for small-cap funds. After trailing large-caps for much of the

year, Fidelity funds that invest in small-company stocks were at the top of the heap in July. These companies are more economically sensitive and tend to struggle during tough economic times, but historically are the first to rise when the economy is expected to rebound. Thanks to that view, two of Fidelity's best-performing stock funds in July were **Small Cap Value**, which also has a large (30%) financial stake, (up 4.4%) and **Small Cap Stock** (up 1.2%).

Among some of Fidelity's other popular funds, **Magellan** was down 3.9% in July, **Contrafund** declined 4.1%, while **Low-Priced Stock** (off 1.4%) and **Equity-Income** (down 1.5%) fared a bit better.

### Major Indexes Positive

A retreat on the last day of the month, pushed the S&P 500 back into negative territory for July, but other major stock indexes were positive for the month. The Dow Jones Industrials gained 0.4% for the month, the tech-rich Nasdaq rose 1.4% and, reflecting the small-cap bounce, the small-cap Russell 2000 was the best of the lot, advancing 3.7%. For the year so far, however, the Dow is down 13.0%, the S&P 500 is off 12.7%, the Nasdaq is down 11.9%, while the Russell 2000 has fallen 6.0%.

### Select Funds

If declining oil prices were hard on some of Fidelity's diversified funds, they were even harder on Select funds focused on energy or commodities. **Energy** declined 18.8% in July, **Natural Resources** fell 17.6% and **Energy Service** was down 14.6%.

Oil's decline also had an impact on Select funds seen as inflation hedges; **Gold** fell 11.1%.

While several banks and other financial companies reported big quarterly losses last month, the fact that those losses were, in the oft-repeated phrase, "less than expected," helped their stocks. **Banking** gained 9.4% for the month, while **Financial Services** was ahead 4.6%.

### Foreign Stock Funds

All of Fidelity's international funds were negative for the month, particularly those focusing on resource-rich markets. **Latin America** fell 9.5%, while **Canada** was down 5.9% and **Nordic** declined 5.0%.

Despite strong gains in the last week of the month, Fidelity's emerging market funds had a tough July. In addition to Latin America's decline, **Emerging Markets** was off 7.5% and the new **Emerging Europe, Middleast, Africa** lost 7.1%. Among more-globally diversified funds, **Int'l Discovery** was down 4.4%.

### Bond Funds

In spite of declining oil prices, there was still concern among bond investors about the direction of inflation with the CPI jumping up 1.1% in June. Given that, investors favored shorter-term funds. **Spartan Short-Term Treasury Index** gained 0.4% in July, while **Investment Grade** declined 0.6%. Shorter-term muni funds also fared better, as **Short-Intermediate Muni Income** was ahead 1.1%.

The yield on **Cash Reserves** ended the month at 2.45%, essentially unchanged from 2.44% in June. ■

### Scorecard Changes

Fund	Style	Prior	New	Comments
Large Cap Value	Large Value	Hold	OK to Buy	Stock selection has improved; we like this area.
Value Strategies	Mid Blend	Buy	Hold	Sub-par stock selection has hurt this fund.
Sel Biotechnology	Sector	Hold	Buy	Good valuations and a defensive equity play.
Sel Health Care	Sector	Hold	Buy	Good valuations and a defensive equity play.
Sel Natural Resources	Sector	Buy	OK to Buy	Long-term outlook is good, short-term risks persist.
Sel Pharmaceuticals	Sector	Hold	OK to Buy	Good valuations and a defensive equity play.
VIP Health Care	Sector	Hold	Buy	Good valuations and a defensive equity play.
VIP Value Strategies	Mid Blend	Buy	Hold	Sub-par stock selection has hurt this fund.

## FIDELITY SCORECARD - JULY 31, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>			
						July	YTD	2007	1 Year	3 Year	5 Year				
		S&P 500 (Large Cap)		1267.4		-0.9	-12.6	5.5	-11.1	2.9	7.0	1.00			
		Dow Industrials (Blue Chip)		11378.0		0.4	-13.0	8.9	-11.7	6.5	7.8	0.93			
		Nasdaq Composite (OTC)		2325.6		1.4	-11.9	10.7	-7.9	2.5	6.5	1.12			
		Russell 2000 (Small Cap)		714.5		3.7	-6.0	-1.6	-6.7	5.6	12.3	1.25			
<b>LARGE CAP GROWTH FUNDS</b>						<b>Category Averages</b>			<b>-3.4</b>	<b>-13.0</b>	<b>16.3</b>	<b>-6.8</b>	<b>5.4</b>	<b>8.6</b>	<b>1.1</b>
312	FBGRX	Blue Chip Growth		39.06	Buy	-1.4	-11.3	11.8	-6.3	2.1	5.0	0.99			
307	FDCAX	Capital Appreciation		23.28	Buy	-3.8	-13.0	6.9	-13.2	3.0	8.4	1.13			
22	FCNTX	Contrafund (closed)		63.72	Buy	-4.1	-12.0	19.8	-2.4	8.2	12.4	0.90			
332	FEXPX	Export and Multinational	0.75%/30 days	21.85	OK to Buy	-5.7	-15.1	15.3	-8.7	4.4	9.8	1.10			
500	FFTYX	Fifty		18.61	Hold	-6.7	-14.6	12.6	-13.8	4.9	6.5	1.11			
25	FDGRX	Growth Company (closed)		74.75	Buy	-4.7	-9.9	19.9	-0.9	8.7	11.4	1.06			
339	FDSVX	Growth Discovery		13.99	Buy	-4.2	-14.0	26.8	-3.8	8.9	9.3	0.99			
73	FDFFX	Independence		26.27	OK to Buy	-10.7	-5.0	29.5	10.0	13.6	13.5	1.35			
763	FSLGX	Large Cap Growth		9.33	OK to Sell	-0.6	-12.9	2.1	-9.8	-0.7	6.0	0.95			
1829	FLGEX	Large Cap Growth Enhcd Index		9.15	Hold	-1.6	-11.0	2.1p	-8.6	--	--	0.93			
338	FLCSX	Large Cap Stock		15.71	Hold	-1.3	-18.6	13.1	-15.3	3.2	5.8	1.14			
21	FMAGX	Magellan		76.92	OK to Buy	-3.9	-15.3	18.8	-7.5	3.8	6.5	1.11			
1282	FNCMX	Nasdaq Composite Index	0.75%/90 days	30.92	Hold	1.5	-11.9	10.5	-8.0	2.7	--	1.12			
93	FOCPX	OTC		44.67	Buy	-2.0	-14.4	26.1	-5.1	7.5	9.8	1.22			
320	FDSSX	Stock Selector		25.45	Hold	-2.2	-13.7	11.8	-9.1	4.5	7.8	0.99			
5	FTRNX	Trend		60.05	OK to Buy	-3.2	-15.1	18.9	-6.3	5.9	8.7	1.10			
<b>LARGE CAP BLEND FUNDS</b>						<b>Category Averages</b>			<b>-1.7</b>	<b>-13.5</b>	<b>8.8</b>	<b>-10.9</b>	<b>3.3</b>	<b>7.7</b>	<b>1.0</b>
1271	FBCVX	Blue Chip Value		12.15	OK to Buy	-1.9	-16.8	4.4	-16.9	1.6	7.7	1.14			
315	FDEQX	Disciplined Equity		25.43	Buy	-2.8	-13.9	10.8	-9.1	4.1	8.8	0.97			
330	FDGFX	Dividend Growth		25.40	Buy	-0.9	-13.6	1.1	-15.4	0.8	4.1	0.97			
3	FFIDX	Fidelity Fund		34.22	OK to Buy	-3.8	-13.6	16.8	-5.5	6.1	8.4	0.98			
333	FTQGX	Focused Stock		12.56	Hold	-3.7	-5.5	17.0	2.1	6.7	12.4	1.15			
27	FGRIX	Growth & Income		21.88	OK to Sell	0.3	-19.2	0.7	-20.9	-2.9	2.1	1.24			
1827	FLCEX	Large Cap Core Enhcd Index		8.88	Hold	-1.2	-12.4	1.0p	-10.0	--	--	0.97			
361	FGRTX	Mega Cap Stock		9.89	Buy	-0.2	-15.3	11.1	-11.2	4.1	5.4	1.00			
317	FSMKX	Spartan 500 Index <sup>4</sup>		87.95	Hold	-0.8	-12.7	5.4	-11.2	2.8	6.9	1.00			
397	FSTMX	Spartan Total Mkt. Index <sup>4</sup>	0.50%/90 days	36.03	Hold	-0.8	-11.7	5.6	-10.2	3.3	7.9	0.99			
343	FTXMX	Tax Managed Stock	1.00%/2 years	14.20	OK to Buy	-3.4	-11.6	14.2	-7.7	5.2	10.4	0.97			
832	FVDFX	Value Discovery		15.12	Buy	-1.0	-15.7	9.7	-14.7	4.4	10.9	1.12			
<b>LARGE CAP VALUE FUNDS</b>						<b>Category Averages</b>			<b>-1.1</b>	<b>-15.2</b>	<b>3.2</b>	<b>-15.7</b>	<b>1.7</b>	<b>7.1</b>	<b>1.1</b>
23	FEQIX	Equity-Income		45.16	Buy	-1.5	-15.8	1.4	-18.2	1.8	6.8	1.09			
319	FEQTX	Equity-Income II		19.08	OK to Sell	-0.5	-15.5	4.5	-15.3	0.8	5.6	1.09			
708	FSLVX	Large Cap Value		12.31	OK to Buy↑	-1.4	-15.1	3.7	-13.9	2.4	8.9	1.06			
1828	FLVEX	Large Cap Value Enhcd Index		8.08	Hold	-1.1	-14.2	-5.1p	-15.5	--	--	1.06			

**Notes:** <sup>1</sup> Relative Volatility of the fund versus the S&P 500 over the last 12 months; 1.50 means the fund has been 50% more volatile.  
<sup>2</sup> Durations (a measure of interest rate sensitivity) reflect prior quarter figures. <sup>3</sup> Stated yield is before any inflation adjustment, your effective yield may be different. <sup>4</sup> Also available in an "Advantage" share class with a minimum of \$100,000, but a lower expense ratio of 0.07% (versus 0.10% for the existing class). <sup>5</sup> Also available in "Advantage" shares with a minimum of \$100,000, but a lower expense ratio of 0.10% (versus 0.20% for the investor class). (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

### FIXED INCOME

## Where Is Ultra-Short Bond Headed?

On the surface, it appears that **Ultra-Short Bond** has climbed out of the subprime mortgage hole it dug for itself last year. Its exposure to subprime loans contributed to a 5.1% loss in 2007. That was a big come-down for a fund that hadn't had a negative year since its launch in 2002.

So far this year, the fund is still off 6.8%. More recently, however, it appears to have recovered somewhat, and is virtually flat since March.

So, how did the fund pull this off?

One word: Cash

At the end of 2007, the fund had 38% in asset-backed securities (ABS), 19% in collateralized mortgage obligations (CMOs), 12% in corporate bonds, less than 20% in cash and the rest in a variety of other investments.

Six months later, after what can only be called a "house-cleaning," over 85% of the fund was in cash (actually overnight repurchase agreements or repos) just like you would find in a garden-variety money market fund.

So, what we have now is a fund with more risk than a standard money market fund, but with a lower 30-day

yield! Indeed, at the end of July, Ultra-Short's yield was 2.06% vs. 2.45% for **Cash Reserves**. That compares to a 4.05% yield for **Short-Term Bond**.

Separately, Ultra-Short's assets have plunged from over \$1 billion in 2006 to \$325 million today.

All of which leaves us to wonder if Manager Rob Galusza is waiting for the right opportunity to redeploy his assets, or if Fidelity is considering merging this fund into another one, like Short-Term Bond, which has had its own subprime issues. Until we see where Ultra-Short is headed, we will continue to rate it a *Hold*. ■

## FIDELITY SCORECARD - JULY 31, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>			
						July	YTD	2007	1 Year	3 Year	5 Year				
<b>MID-CAP GROWTH FUNDS</b>						<i>Category Averages</i>			<b>-4.1</b>	<b>-13.0</b>	<b>11.5</b>	<b>-12.5</b>	<b>3.9</b>	<b>8.6</b>	<b>1.1</b>
324	FDEGX	Aggressive Growth	1.50%/90 days	18.65	Hold	-5.1	-19.0	18.8	-16.7	2.8	7.2	1.14			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30 days	9.07	Hold	-3.0	-7.9p	--	--	--	--	--			
793	FSMGX	Mid Cap Growth	0.75%/30 days	11.65	Sell	-4.7	-13.8	2.4	-13.2	-0.3	7.7	1.17			
337	FMCSX	Mid-Cap Stock (closed)	0.75%/30 days	26.20	Hold	-6.7	-9.6	8.2	-11.9	6.3	10.2	1.11			
300	FMLIX	New Millennium		25.37	OK to Buy	-0.7	-14.6	16.5	-8.0	7.0	9.1	1.03			
<b>MID-CAP BLEND FUNDS</b>						<i>Category Averages</i>			<b>-3.7</b>	<b>-9.6</b>	<b>8.0</b>	<b>-10.2</b>	<b>5.4</b>	<b>12.9</b>	<b>1.1</b>
122	FLVCX	Leveraged Company Stock	1.50%/90 days	31.09	OK to Buy	-10.2	-3.8	17.9	-2.8	11.7	20.7	1.19			
316	FLPSX	Low-Priced Stock (closed)	1.50%/90 days	37.19	Buy	-1.4	-9.6	3.2	-10.5	4.0	11.5	0.93			
398	FSEMXX	Spartan Extended Mkt Index <sup>4</sup>	0.75%/90 days	34.58	Hold	-0.7	-8.4	5.4	-7.7	4.4	11.0	1.02			
14	FSLSX	Value Strategies		24.01	Hold↓	-2.3	-16.6	5.6	-19.8	1.5	8.4	1.16			
<b>MID-CAP VALUE FUNDS</b>						<i>Category Averages</i>			<b>-1.6</b>	<b>-12.0</b>	<b>2.4</b>	<b>-14.5</b>	<b>2.3</b>	<b>10.9</b>	<b>1.1</b>
762	FSMVX	Mid Cap Value	0.75%/30 days	14.40	OK to Sell	-1.8	-11.5	2.7	-12.8	2.4	11.0	1.08			
39	FDVLX	Value		65.62	Buy	-1.4	-12.5	2.2	-16.2	2.3	10.8	1.11			
<b>SMALL CAP GROWTH</b>						<i>Category Averages</i>			<b>-4.3</b>	<b>-16.2</b>	<b>12.1</b>	<b>-15.1</b>	<b>2.7</b>	<b>8.8</b>	<b>1.1</b>
2011	FCPEX	Small Cap Enhanced Index	1.50%/90 days	9.21	Hold	2.4	-4.7p	--	--	--	--	--			
1388	FCPGX	Small Cap Growth	1.50%/90 days	13.29	Buy	-5.3	-15.8	16.8	-12.0	3.8	--	1.04			
336	FDSCX	Small Cap Independence	1.50%/90 days	16.60	Hold	-3.3	-16.6	7.3	-18.2	1.6	8.8	1.08			
<b>SMALL CAP BLEND</b>						<i>Category Averages</i>			<b>2.8</b>	<b>-11.1</b>	<b>4.4</b>	<b>-12.5</b>	<b>2.7</b>	<b>10.5</b>	<b>1.1</b>
340	FSLCX	Small Cap Stock (closed)	2.00%/90 days	15.49	Hold	1.2	-9.9	7.7	-10.8	3.8	10.5	0.97			
1389	FCPVX	Small Cap Value	1.50%/90 days	11.91	OK to Sell	4.4	-12.4	1.1	-14.1	1.6	--	1.19			
<b>SPECIALTY FUNDS</b>															
2063	FOTTX	130/30 Large Cap		9.86	Hold	-4.2	-4.5p	--	--	--	--	--			
304	FBALX	Balanced		17.60	Buy	-2.9	-9.3	9.0	-7.0	4.9	9.0	0.70			
308	FCVSX	Convertible Securities		26.25	OK to Buy	-8.5	-5.2	16.2	-3.6	9.7	10.6	0.84			
1960	FDYSX	Dynamic Strategies		9.17	Hold	-2.8	-4.0	-2.2p	--	--	--	--			
1368	FIREX	International Real Estate	1.50%/90 days	10.67	Hold	-1.7	-20.4	-8.3	-23.0	5.4	--	1.21			
4	FPURX	Puritan		17.00	OK to Buy	-1.7	-9.4	6.2	-6.9	4.2	7.2	0.62			
833	FRIFX	Real Estate Income	0.75%/90 days	9.43	OK to Sell	-0.9	-6.6	-6.5	-8.3	-0.7	4.3	0.35			
303	FRESX	Real Estate Investment	0.75%/90 days	26.12	Sell	2.4	0.8	-21.3	-7.1	1.7	13.1	1.74			
1329	FSDIX	Strategic Dividend & Income		10.93	OK to Buy	-3.2	-11.6	3.1	-12.6	2.5	--	0.93			
1505	FSRRX	Strategic Real Return	0.75%/60 days	10.11	Buy	-3.3	3.3	3.8	6.5	--	--	0.28			
311	FIUIX	Utilities		17.26	Hold	-6.2	-15.2	10.8	-13.5	7.5	12.6	0.94			
<b>ASSET ALLOCATION FUNDS</b>															
328	FASIX	Asset Manager 20%		11.86	Hold	-0.8	-3.3	4.8	-1.2	4.1	5.5	0.18			
1957	FTANX	Asset Manager 30%		9.20	Hold	-1.1	-5.0	-1.9p	--	--	--	--			
1958	FFANX	Asset Manager 40%		8.99	Hold	-1.3	-6.5	-2.6p	--	--	--	--			
314	FASMX	Asset Manager 50%		14.05	Hold	-1.6	-8.3	6.3	-6.2	3.0	4.8	0.48			
1959	FSANX	Asset Manager 60%		8.67	Hold	-1.8	-9.7	-3.5p	--	--	--	--			
321	FASGX	Asset Manager 70%		15.12	Hold	-2.1	-11.0	7.2	-9.2	2.6	5.0	0.69			
347	FAMRX	Asset Manager 85%		12.37	Hold	-2.4	-12.6	7.9	-11.1	3.7	8.5	0.83			
355	FFNOX	Four-in-One Index		27.27	Hold	-1.1	-10.2	6.2	-8.5	4.3	8.4	0.80			
370	FFFBX	Freedom 2000		11.76	Hold	-0.8	-2.9	5.3	-0.8	3.6	4.5	0.24			
1312	FFVX	Freedom 2005		10.77	Hold	-1.6	-6.4	7.3	-3.8	4.1	--	0.46			
371	FFFCX	Freedom 2010		13.46	Hold	-1.7	-6.5	7.4	-3.8	4.3	6.3	0.47			
1313	FFVFX	Freedom 2015		11.25	Hold	-1.9	-7.5	7.8	-4.8	4.5	--	0.52			
372	FFFDX	Freedom 2020		13.91	Hold	-2.1	-9.0	8.5	-6.2	4.7	7.8	0.65			
1314	FFTWX	Freedom 2025		11.56	Hold	-2.3	-9.6	8.6	-7.0	4.7	--	0.68			
373	FFFEY	Freedom 2030		14.12	Hold	-2.5	-11.1	9.3	-8.4	4.8	8.3	0.80			
1315	FFTHX	Freedom 2035		11.71	Hold	-2.6	-11.4	9.3	-8.9	4.7	--	0.81			
718	FFFFX	Freedom 2040		8.25	Hold	-2.7	-11.8	9.3	-9.2	4.8	8.7	0.84			
1617	FFFGX	Freedom 2045		9.72	Hold	-2.6	-12.1	9.5	-9.5	--	--	0.86			
1618	FFFHX	Freedom 2050		9.71	Hold	-2.7	-12.6	9.8	-10.0	--	--	0.89			
369	FFFAX	Freedom Income		10.92	Hold	-0.7	-2.1	4.8	-0.2	3.6	4.2	0.19			
1884	FIRJX	Income Replacement 2016		47.77	Hold	-0.9	-4.4	0.4p	--	--	--	--			
1885	FIRKX	Income Replacement 2018		47.46	Hold	-1.0	-5.1	0.4p	--	--	--	--			
1886	FIRLX	Income Replacement 2020		47.11	Hold	-1.1	-5.8	0.2p	--	--	--	--			
1887	FIRMX	Income Replacement 2022		47.06	Hold	-1.1	-6.2	0.2p	--	--	--	--			
1888	FIRNX	Income Replacement 2024		46.98	Hold	-1.1	-6.5	0.4p	--	--	--	--			
1889	FIROX	Income Replacement 2026		46.77	Hold	-1.2	-6.8	0.2p	--	--	--	--			
1890	FIRPX	Income Replacement 2028		46.82	Hold	-1.2	-7.1	0.2p	--	--	--	--			
1891	FIRQX	Income Replacement 2030		46.61	Hold	-1.3	-7.3	0.2p	--	--	--	--			
1892	FIRRX	Income Replacement 2032		46.53	Hold	-1.3	-7.6	0.2p	--	--	--	--			
1893	FIRSX	Income Replacement 2034		46.40	Hold	-1.4	-7.9	0.3p	--	--	--	--			
1894	FIRUX	Income Replacement 2036		46.40	Hold	-1.5	-8.2	0.3p	--	--	--	--			
1995	FIRVX	Income Replacement 2038		45.27	Hold	-1.5	-6.6p	--	--	--	--	--			
2009	FIRWX	Income Replacement 2040		45.23	Hold	-1.6	-6.6p	--	--	--	--	--			
1996	FIXRX	Income Replacement 2042		45.20	Hold	-1.6	-6.7p	--	--	--	--	--			

## FIDELITY SCORECARD - JULY 31, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>			
						July	YTD	2007	1 Year	3 Year	5 Year				
<b>INTERNATIONAL FUNDS</b>						<b>Category Averages</b>			<b>-5.0</b>	<b>-14.4</b>	<b>20.0</b>	<b>-10.8</b>	<b>13.1</b>	<b>18.4</b>	<b>1.1</b>
335	FIVFX	Aggressive Int'l	1.00%/30 days	12.69	OK to Sell	-6.6	-16.1	5.2	-19.9	4.6	8.5	0.95			
309	FICDX	Canada	1.50%/90 days	59.90	OK to Buy	-5.9	-2.4	35.0	9.4	20.2	24.7	1.10			
352	FHKCX	China Region	1.50%/90 days	25.40	OK to Sell	-3.6	-18.5	46.3	-3.7	17.4	19.9	1.51			
325	FDIVX	Diversified International (closed)	1.00%/30 days	34.51	OK to Buy	-4.2	-13.5	16.0	-8.9	11.4	16.3	0.99			
2053	FEMEX	Emerging Europe, MidEast, Africa	1.50%/90 days	8.64	Hold	-7.1	-14.8p	--	--	--	--	--			
322	FEMKX	Emerging Markets	1.50%/90 days	27.47	Buy	-7.5	-18.8	45.1	-6.2	25.3	28.5	1.28			
301	FIEUX	Europe	1.00%/30 days	36.02	OK to Buy	-6.1	-14.6	16.4	-6.8	10.7	19.0	0.99			
341	FECAX	Europe Capital App	1.00%/30 days	22.41	OK to Buy	-4.5	-15.8	14.8	-10.3	12.4	16.8	1.00			
334	FGBLX	Global Balanced	1.00%/30 days	21.28	Hold	-2.7	-5.3	13.8	0.9	9.1	12.3	0.57			
2010	FIENX	International Enchanted Index	1.00%/30 days	8.76	Hold	-3.5	-14.1	--	--	--	--	--			
305	FIGRX	International Discovery	1.00%/30 days	36.37	Buy	-4.4	-15.6	19.0	-9.7	12.4	17.2	0.96			
1979	FIGFX	International Growth	1.00%/30 days	8.39	Hold	-3.8	-12.2	-2.8p	--	--	--	--			
818	FISMX	Int'l Small Cap (closed)	2.00%/90 days	20.21	Hold	-6.5	-12.5	13.2	-17.3	9.5	20.7	0.93			
1504	FSCOX	Int'l Small Cap Opportunities	2.00%/90 days	12.12	Hold	-4.6	-16.0	3.0	-23.9	11.0	--	1.25			
1597	FIVLX	International Value	1.00%/30 days	9.77	Buy	-3.6	-14.5	9.5	-13.7	--	--	1.07			
350	FJPNX	Japan	1.50%/90 days	12.60	Hold	-5.8	-12.1	-2.7	-19.9	6.2	9.9	1.10			
360	FJSCX	Japan Smaller Cos (closed)	1.50%/90 days	9.43	Sell	-3.2	-14.5	-12.4	-25.3	-7.1	7.0	0.99			
349	FLATX	Latin America	1.50%/90 days	60.43	OK to Buy	-9.5	-2.5	43.7	11.3	38.4	42.3	1.74			
342	FNORX	Nordic	1.50%/90 days	38.36	OK to Buy	-5.0	-15.4	23.2	-11.5	14.7	22.8	1.25			
94	FOSFX	Overseas	1.00%/30 days	39.35	OK to Buy	-5.1	-18.7	21.8	-12.3	11.7	15.0	1.11			
302	FPBFX	Pacific Basin	1.50%/90 days	22.75	Hold	-5.2	-24.7	25.2	-22.3	11.4	15.4	1.14			
351	FSEAX	Southeast Asia	1.50%/90 days	28.90	OK to Sell	-4.3	-27.1	55.4	-18.5	21.4	24.4	1.39			
399	FSIIX	Spartan Int'l Index <sup>4</sup>	1.00%/90 days	40.75	Hold	-3.4	-13.7	10.7	-12.1	10.5	15.1	0.98			
1978	FTIEX	Total International Equity	1.00%/30 days	8.10	OK to Buy	-4.3	-14.3	-2.9p	--	--	--	--			
318	FWWFX	Worldwide	1.00%/30 days	18.86	Hold	-4.6	-11.7	18.5	-5.5	10.6	13.2	1.01			
<b>SELECT PORTFOLIOS</b>						<b>Category Averages</b>			<b>-1.1</b>	<b>-12.8</b>	<b>11.3</b>	<b>-10.1</b>	<b>4.8</b>	<b>10.4</b>	<b>1.3</b>
34	FSAIX	Air Transportation	0.75%/30 days	27.76	OK to Sell	5.8	-28.1	-1.9	-34.6	-1.0	5.9	1.57			
502	FSAVX	Automotive	0.75%/30 days	28.58	OK to Sell	1.1	-23.6	0.0	-31.7	-5.8	1.7	1.53			
507	FSRBX	Banking	0.75%/30 days	18.90	Sell	9.4	-22.3	-21.2	-32.1	-11.0	-2.7	2.01			
42	FBIOX	Biotechnology	0.75%/30 days	74.15	Buy↑	13.7	11.2	2.7	16.0	7.6	7.6	0.97			
68	FSLBX	Brokerage & Investment	0.75%/30 days	50.69	Sell	2.2	-21.0	-0.2	-18.2	3.5	9.3	1.48			
69	FSCHX	Chemicals	0.75%/30 days	85.72	Buy	-2.9	3.7	28.4	14.5	15.4	19.9	1.36			
518	FSDCX	Communications Equipment	0.75%/30 days	19.96	Buy	-0.3	-11.1	9.8	-13.3	1.9	8.4	1.31			
7	FDCPX	Computers	0.75%/30 days	40.34	OK to Buy	-1.0	-16.6	22.4	-9.1	3.8	5.9	1.28			
511	FSHOX	Construction & Housing	0.75%/30 days	30.03	Hold	-0.1	-8.9	-13.9	-19.0	-7.6	7.8	1.68			
517	FSCPX	Consumer Discretionary	0.75%/30 days	18.10	OK to Sell	1.4	-13.8	-8.3	-20.8	-3.9	2.2	1.20			
9	FDFAX	Consumer Staples	0.75%/30 days	60.74	Hold	1.2	-8.7	21.5	3.2	10.7	12.7	0.65			
67	FSDAX	Defense & Aerospace	0.75%/30 days	66.54	OK to Sell	2.1	-19.9	17.8	-16.2	5.5	14.3	1.07			
8	FSELX	Electronics	0.75%/30 days	36.32	Hold	-5.5	-20.4	4.7	-25.5	-5.0	1.8	1.32			
60	FSENX	Energy	0.75%/30 days	61.73	OK to Buy	-18.8	-5.6	45.5	12.3	20.5	30.2	1.55			
43	FSESX	Energy Service	0.75%/30 days	100.32	OK to Buy	-14.6	2.9	55.2	16.7	25.8	31.9	1.63			
516	FSLEX	Environmental	0.75%/30 days	17.91	Buy	2.2	-7.5	12.4	1.8	4.8	9.2	1.01			
66	FIDSX	Financial Services	0.75%/30 days	71.14	OK to Sell	4.6	-25.5	-13.6	-31.0	-7.1	0.2	1.70			
41	FSAGX	Gold	0.75%/30 days	38.69	Hold	-11.1	-2.6	24.9	18.2	31.1	20.4	1.71			
63	FSPHX	Health Care	0.75%/30 days	105.75	Buy↑	2.1	-12.1	12.5	-5.4	2.8	6.6	0.74			
98	FSVLX	Home Finance	0.75%/30 days	18.60	Sell	-2.6	-34.5	-38.0	-51.7	-23.0	-10.7	2.35			
510	FSCGX	Industrial Equipment	0.75%/30 days	30.96	Hold	0.4	-12.4	23.2	-5.8	9.4	13.9	1.11			
515	FCYIX	Industrials	0.75%/30 days	20.42	Hold	1.9	-7.9	17.7	-4.5	9.0	15.8	1.10			
45	FSPCX	Insurance	0.75%/30 days	44.00	OK to Sell	-0.1	-30.1	-4.4	-30.5	-7.6	1.4	1.35			
353	FBSOX	IT Services	0.75%/30 days	16.14	Hold	-0.9	-3.4	11.5	-5.0	9.5	11.2	1.11			
62	FDLSX	Leisure	0.75%/30 days	63.78	Hold	3.7	-16.7	4.2	-14.2	2.1	7.1	1.14			
509	FSDPX	Materials	0.75%/30 days	57.88	Hold	-6.0	-1.0	29.2	8.4	19.9	21.4	1.39			
505	FSHCX	Medical Delivery	0.75%/30 days	39.74	Hold	3.3	-23.7	16.9	-15.4	-1.5	14.7	0.87			
354	FSMEX	Medical Equipment	0.75%/30 days	25.16	Buy	4.6	4.5	17.9	13.5	8.6	11.9	0.75			
503	FBMPX	Multimedia	0.75%/30 days	31.68	OK to Sell	-1.0	-13.6	-9.3	-21.8	-1.5	2.7	1.00			
513	FSNGX	Natural Gas	0.75%/30 days	44.00	Buy	-21.6	-5.4	40.9	11.3	16.5	28.3	1.52			
514	FNARX	Natural Resources	0.75%/30 days	37.74	OK to Buy↓	-17.6	-4.6	50.1	14.6	24.9	30.3	1.55			
912	FNINX	Networking & Infrastructure	0.75%/30 days	2.04	OK to Buy	-3.3	-17.7	0.4	-21.8	-2.8	0.0	1.27			
506	FSPFX	Paper & Forest	0.75%/30 days	27.06	Hold	9.8	-13.6	0.8	-17.1	0.8	2.9	1.34			
580	FPHAX	Pharmaceuticals	0.75%/30 days	10.18	OK to Buy↑	2.2	-11.9	13.4	-5.1	6.6	6.4	0.83			
46	FSRPX	Retailing	0.75%/30 days	36.21	Hold	0.7	-11.5	-8.0	-18.8	-3.9	5.2	1.42			
28	FSCSX	Software & Computer Svcs	0.75%/30 days	67.16	Hold	-5.0	-17.3	23.9	-5.7	9.9	9.3	1.21			
64	FSPTX	Technology	0.75%/30 days	65.68	Hold	-4.1	-19.2	19.8	-15.4	1.9	5.4	1.30			
96	FSTCX	Telecommunications	0.75%/30 days	40.58	OK to Sell	-0.3	-21.8	8.2	-26.8	3.3	8.8	1.23			
512	FSRFX	Transportation	0.75%/30 days	44.20	OK to Sell	6.7	-0.5	-0.6	-10.0	6.6	11.7	1.41			
65	FSUTX	Utilities Growth	0.75%/30 days	56.58	Hold	-9.1	-12.0	18.1	-1.0	10.6	15.8	0.97			
963	FWRLX	Wireless	0.75%/30 days	7.02	Hold	0.6	-18.8	27.5	-15.6	5.2	18.4	1.36			

## FIDELITY SCORECARD - JULY 31, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Duration (Years) <sup>2</sup>	30-Day Yld. (%)	Tax-Equivalent Yield Federal Tax Bracket						
						July	YTD	2007									
<b>TAXABLE BOND FUNDS</b>						<b>Category Averages</b>			<b>0.0</b>	<b>0.6</b>	<b>5.1</b>	<b>4.4</b>	<b>3.90</b>				
15	FGMNX	Ginnie Mae		10.86	OK to Buy	0.2	2.2	6.8	4.2	5.08							
54	FGOVX	Government Income		10.38	OK to Buy	0.3	2.5	7.9	4.7	3.95							
794	FINPX	Inflation-Protected Bond <sup>9</sup>		11.23	Buy	-0.8	3.5	9.1	6.3	1.06							
32	FTHRXX	Intermediate Bond		9.85	OK to Buy	-0.2	-0.5	4.0	3.9	4.68							
452	FSTGX	Intermediate Gov't Income		10.36	Buy	0.5	2.9	7.9	3.4	3.41							
26	FBNDX	Investment Grade Bond		6.89	Hold	-0.6	-1.6	2.6	4.8	5.00							
40	FMSFX	Mortgage Securities		10.06	Hold	-0.2	-0.9	-0.4	4.1	4.87							
450	FSHBX	Short-Term Bond		8.32	OK to Sell	0.1	-0.9	1.7	1.6	4.05							
1561	FIBIX	Sptn Interm Treas Index <sup>5</sup>		10.42	OK to Buy	0.6	3.3	10.1	5.9	3.54							
1562	FLBIX	Sptn Lng-Term Treas Index <sup>5</sup>		10.14	Hold	0.0	1.5	9.5	10.9	4.38							
1560	FSBIX	Sptn Sht-Term Treas Index <sup>5</sup>		10.33	Buy	0.4	2.6	7.9	2.3	2.56							
820	FTBFX	Total Bond		10.06	Buy	-0.3	0.2	4.2	4.5	5.17							
651	FBIDX	U.S. Bond Index		10.70	Hold	0.0	0.9	5.4	4.7	4.76							
812	FUSFX	Ultra-Short Bond	0.25%/60 days	8.26	Hold	-0.1	-6.8	-5.1	0.2	2.06							
<b>HIGH-YIELD BOND FUNDS</b>						<b>Category Averages</b>			<b>-0.7</b>	<b>-0.7</b>	<b>3.8</b>	<b>7.08</b>					
38	FAGIX	Capital & Income	1.00%/90 days	8.09	Hold	-2.4	-3.3	3.8	--	8.35							
814	FFRHX	Floating Rate High Income	1.00%/60 days	9.37	OK to Buy	0.0	0.8	2.7	--	5.26							
1366	FHIFX	Focused High Income	1.00%/90 days	9.30	Hold	-1.0	-2.4	3.1	--	7.80							
455	SPHIX	High Income	1.00%/90 days	8.22	Hold	-1.0	-0.5	2.4	--	9.03							
331	FNMIXX	New Markets Income	1.00%/90 days	14.27	Hold	0.6	0.7	5.7	--	6.03							
368	FSICX	Strategic Income		10.17	Buy	-0.2	0.5	5.4	--	6.00							
<b>MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>0.6</b>	<b>1.0</b>	<b>3.7</b>	<b>5.7</b>	<b>3.64</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
36	FLTMX	Interm Municipal Income	0.50%/30 days	9.88	Buy	0.7	1.4	4.0	5.0	3.50	4.7	4.9	5.2	5.4			
37	FHIGX	Municipal Income	0.50%/30 days	12.26	OK to Buy	0.3	-0.1	3.1	7.5	4.11	5.5	5.7	6.1	6.3			
404	FSTFX	Short-Int Municipal Income	0.50%/30 days	10.38	Buy	1.1	2.5	4.4	2.8	2.79	3.7	3.9	4.2	4.3			
90	FTABX	Tax-Free Bond	0.50%/30 days	10.47	OK to Buy	0.4	0.3	3.2	7.5	4.15	5.5	5.8	6.2	6.4			
<b>STATE-SPECIFIC MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>0.4</b>	<b>0.5</b>	<b>3.4</b>	<b>6.6</b>	<b>3.70</b>				
434	FSAZX	Arizona Muni Income	0.50%/30 days	10.96	OK to Buy	0.1	-0.2	2.6	7.7	3.95	5.3	5.5	5.9	6.1			
91	FCTFX	California Muni Income	0.50%/30 days	11.82	OK to Buy	0.2	-0.3	2.9	7.2	4.05	5.4	5.6	6.0	6.2			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30 days	10.18	OK to Buy	1.0	2.2	4.3	3.0	2.79	3.7	3.9	4.2	4.3			
407	FICNX	Connecticut Muni Income	0.50%/30 days	11.09	OK to Buy	0.3	0.5	3.8	6.6	3.68	4.9	5.1	5.5	5.7			
429	SMDMX	Maryland Muni Income	0.50%/30 days	10.56	OK to Buy	0.3	0.3	3.0	7.4	3.78	5.0	5.3	5.6	5.8			
70	FDMMX	Mass Muni Income	0.50%/30 days	11.50	OK to Buy	0.3	0.1	3.3	7.2	3.85	5.1	5.3	5.7	5.9			
81	FMHTX	Michigan Muni Income	0.50%/30 days	11.55	Hold	0.6	0.5	3.7	6.2	3.55	4.7	4.9	5.3	5.5			
82	FIMIX	Minnesota Muni Income	0.50%/30 days	11.05	OK to Buy	0.5	0.9	3.2	6.0	3.57	4.8	5.0	5.3	5.5			
416	FNJHX	New Jersey Muni Income	0.50%/30 days	11.26	OK to Buy	0.6	0.3	3.7	6.8	3.79	5.1	5.3	5.7	5.8			
71	FTFMX	New York Muni Income	0.50%/30 days	12.48	OK to Buy	0.5	0.5	3.3	7.4	3.89	5.2	5.4	5.8	6.0			
88	FHFHX	Ohio Muni Income	0.50%/30 days	11.28	OK to Buy	0.3	0.3	3.6	7.1	3.82	5.1	5.3	5.7	5.9			
402	FPXTX	Pennsylvania Muni Income	0.50%/30 days	10.54	OK to Buy	0.5	0.5	3.9	6.1	3.72	5.0	5.2	5.6	5.7			
<b>TAXABLE MONEY MARKET</b>						<b>Category Averages</b>			<b>0.2</b>	<b>1.7</b>	<b>4.9</b>	<b>2.21</b>					
55	FDRXX	Cash Reserves		1.00	--	0.21	1.84	5.06	na	2.45							
631	FGMXX	Retirement Government MM		1.00	--	0.17	1.58	4.93	na	2.07							
630	FRTXX	Retirement MM		1.00	--	0.21	1.78	5.12	na	2.48							
458	SPAXX	Government MM		1.00	--	0.17	1.57	4.90	na	2.05							
454	SPRXX	Money Market		1.00	--	0.21	1.81	5.09	na	2.48							
85	FSLXX	Select MM		1.00	--	0.21	1.88	5.14	na	2.55							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.18	1.65	4.97	na	2.18							
415	FDLXX	US Treasury MM		1.00	--	0.12	1.14	4.38	na	1.43							
<b>MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.1</b>	<b>1.1</b>	<b>3.4</b>	<b>1.97</b>					
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.13	1.17	3.43	na	1.98	2.6	2.8	3.0	3.0			
10	FTEXX	Municipal Money Market		1.00	--	0.13	1.16	3.34	na	2.06	2.7	2.9	3.1	3.2			
275	FMOXX	Tax-Free Money Market		1.00	--	0.11	1.10	3.30	na	1.86	2.5	2.6	2.8	2.9			
<b>STATE MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.1</b>	<b>1.1</b>	<b>3.3</b>	<b>1.87</b>					
433	FSAXX	Arizona		1.00	--	0.12	1.07	3.26	na	1.90	2.5	2.6	2.8	2.9			
457	FSPXX	California AMT Tax-Free		1.00	--	0.12	1.19	3.39	na	1.86	2.5	2.6	2.8	2.9			
97	FCFX	California		1.00	--	0.10	1.07	3.20	na	1.74	2.3	2.4	2.6	2.7			
418	FCMXX	Connecticut		1.00	--	0.11	1.12	3.25	na	1.87	2.5	2.6	2.8	2.9			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.12	1.13	3.39	na	1.96	2.6	2.7	2.9	3.0			
74	FDMXX	Massachusetts		1.00	--	0.11	1.06	3.20	na	1.77	2.4	2.5	2.6	2.7			
420	FMIXX	Michigan		1.00	--	0.11	1.04	3.21	na	1.87	2.5	2.6	2.8	2.9			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.13	1.18	3.41	na	2.01	2.7	2.8	3.0	3.1			
417	FNJXX	New Jersey		1.00	--	0.11	1.07	3.23	na	1.74	2.3	2.4	2.6	2.7			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.12	1.14	3.39	na	1.96	2.6	2.7	2.9	3.0			
92	FNYXX	New York		1.00	--	0.11	1.00	3.22	na	1.79	2.4	2.5	2.7	2.8			
419	FOMXX	Ohio		1.00	--	0.12	1.07	3.22	na	1.91	2.5	2.7	2.9	2.9			
401	FPTXX	Pennsylvania		1.00	--	0.12	1.13	3.25	na	1.90	2.5	2.6	2.8	2.9			

Tax-equivalent yields for state funds assume top state (and city) tax level for that federal bracket, and itemized deductions.

## FIDELITY SCORECARD - JULY 31, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>
						July	YTD	2007	1 Year	3 Year	5 Year	
<b>FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS</b>												
9077	FQBRC	Fid VIP Aggressive Growth		10.59	OK to Buy	-4.5	-18.8	17.1	-17.2	1.5	--	1.18
9067	FLRQC	Fid VIP Asset Manager		12.13	Hold	-6.0	-3.6	15.1	4.1	6.2	6.5	0.67
9066	FAECC	Fid VIP Asset Manager: Growth		12.26	Hold	-7.2	-5.1	18.5	3.8	6.5	7.1	0.90
9069	FJBAC	Fid VIP Balanced		11.42	Buy	-3.0	-9.4	8.6	-7.2	3.9	4.7	0.72
9081	FVHAC	Fid VIP Consumer Discretionary	1.00%/60 days	8.91	OK to Sell	1.3	-13.9	-8.5	-21.0	-5.9	0.7	1.29
9171	FCSAC	Fid VIP Consumer Staples	1.00%/60 days	10.15	Buy	1.2	-8.7	11.6p	2.9	--	--	0.65
9065	FPDFC	Fid VIP Contrafund		11.70	Hold	-4.1	-15.9	17.2	-8.7	5.0	10.2	0.99
9148	FPRGC	Fid VIP Disciplined Small Cap		9.09	Buy	2.5	-7.8	-2.7	-10.8	--	--	1.35
9074	FZAMC	Fid VIP Dynamic Capital App		11.42	Buy	-3.9	-13.7	6.6	-14.0	4.3	--	1.20
9198	FEMAC	Fid VIP Emerging Markets	1.00%/60 days	8.63	Buy	-8.0	-13.7	--	--	--	--	--
9085	FJLLC	Fid VIP Energy	1.00%/60 days	17.41	OK to Buy	-18.7	-5.9	45.5	11.7	21.3	27.7	1.55
9061	FLOLC	Fid VIP Equity-Income		10.43	Buy	-1.5	-16.0	1.1	-18.6	0.8	5.9	1.15
9083	FONNC	Fid VIP Financial Services	1.00%/60 days	8.00	OK to Sell	4.1	-25.2	-13.8	-30.9	-7.5	-0.3	1.73
9157	FMPAC	Fid VIP FundsManager 20		10.79	Hold	-0.8	-2.4	5.8	0.4	--	--	0.18
9158	FMPBC	Fid VIP FundsManager 50		10.46	Hold	-1.6	-7.5	6.8	-5.1	--	--	0.49
9197	FMPPC	Fid VIP FundsManager 60		9.39	Hold	-1.8	-6.1	--	--	--	--	--
9159	FMPCC	Fid VIP FundsManager 70		10.20	Hold	-2.1	-11.2	7.5	-9.1	--	--	0.73
9160	FMPDC	Fid VIP FundsManager 85		10.00	Hold	-2.5	-13.8	8.4	-11.8	--	--	0.91
9062	FMNDC	Fid VIP Growth		11.83	Buy	-4.5	-14.4	26.5	-4.6	5.1	6.7	1.05
9070	FLFNC	Fid VIP Growth & Income		11.37	Hold	-2.3	-14.0	11.8	-9.3	4.1	5.1	1.03
9068	FIDPC	Fid VIP Growth Opportunities		11.02	OK to Sell	-12.1	-19.6	22.7	-10.3	1.5	5.0	1.38
9078	FPVDC	Fid VIP Growth Stock		10.79	OK to Buy	-2.9	-14.9	22.1	-6.9	1.7	--	1.14
9084	FPDRC	Fid VIP Health Care	1.00%/60 days	10.58	Buy↑	2.0	-12.3	9.7	-5.2	1.0	5.2	0.76
9060	FBBLC	Fid VIP High Income		11.35	OK to Sell	-0.9	-1.2	2.3	1.7	4.0	6.2	0.17
9064	FXVLT	Fid VIP Index 500		10.77	Hold	-0.9	-12.8	5.2	-11.4	1.7	5.9	1.03
9082	FBALC	Fid VIP Industrials	1.00%/60 days	13.05	Hold	1.7	-8.3	17.8	-4.8	8.3	15.1	1.21
9076	FVJIC	Fid VIP Int'l Capital App	1.00%/60 days	10.78	Hold	-6.7	-16.2	4.8	-20.5	3.7	--	0.97
9090	FBKQT	Fid VIP Investor Freedom 2005		11.31	Hold	-1.5	-6.8	8.3	-3.8	3.9	--	0.44
9091	FCRJT	Fid VIP Investor Freedom 2010		11.29	Hold	-1.6	-7.1	8.4	-4.1	3.9	--	0.46
9092	FTCMT	Fid VIP Investor Freedom 2015		11.44	Hold	-1.8	-8.0	9.0	-5.0	4.3	--	0.52
9093	FTEMT	Fid VIP Investor Freedom 2020		11.46	Hold	-2.2	-9.9	9.9	-6.7	4.3	--	0.66
9094	FVIIT	Fid VIP Investor Freedom 2025		11.50	Hold	-2.3	-10.3	10.1	-7.2	4.4	--	0.69
9095	FXJLT	Fid VIP Investor Freedom 2030		11.51	Hold	-2.6	-11.9	11.0	-8.8	4.4	--	0.83
9089	FBXOT	Fid VIP Investor Freedom Income		11.17	Hold	-0.6	-2.3	5.8	0.3	3.5	--	0.17
9063	FTLKC	Fid VIP Investment Grade Bond		10.86	Buy	-0.3	-0.2	4.0	2.8	2.6	3.2	0.28
9172	FVMAC	Fid VIP Materials	1.00%/60 days	11.36	Hold	-5.7	-0.4	14.7p	9.0	--	--	1.40
9071	FNBSC	Fid VIP Mid Cap		12.68	Buy	-1.3	-8.1	15.2	-4.7	8.0	15.5	0.99
9059	FTNJC	Fid VIP Money Market		11.30	--	0.2	1.7	4.9	3.8	4.0	2.6	0.02
9088	FEMMC	Fid VIP Overseas	1.00%/60 days	13.00	Hold	-4.6	-14.7	16.9	-10.3	10.2	--	1.05
9072	FFWKC	Fid VIP Real Estate		11.56	Sell	2.3	-0.9	-18.0	-5.7	0.7	--	1.81
9075	FGDQC	Fid VIP Strategic Income		11.50	Buy	-0.1	0.6	5.3	5.1	4.5	--	0.14
9086	FYENC	Fid VIP Technology	1.00%/60 days	10.78	Hold	-3.8	-19.3	14.9	-17.4	2.5	5.4	1.47
9173	FVTAC	Fid VIP Telecommunications	1.00%/60 days	7.71	OK to Sell	-0.6	-22.3	-1.1p	-27.5	--	--	1.34
9087	FXRRC	Fid VIP Utilities	1.00%/60 days	13.94	Hold	-9.3	-11.9	20.2	-0.1	10.3	15.4	0.98
9079	FKMSC	Fid VIP Value		10.43	Buy	-1.4	-12.7	1.7	-16.5	0.2	--	1.20
9080	FUEBC	Fid VIP Value Leaders		10.36	Buy	-1.9	-16.8	4.2	-16.8	0.3	--	1.17
9073	FRBSC	Fid VIP Value Strategies		10.43	Hold↓	-2.4	-16.8	5.3	-20.1	0.2	--	1.26
9199	FCIFC	Credit Suisse Int'l Focus		9.10	OK to Sell	-3.8	-9.0	--	--	--	--	--
9147	FPRLC	Lazard Retirement Emerging Mkts		13.71	Hold	1.3	-6.9	33.3	3.5	--	--	1.14
9143	FPRMC	Morgan Stanley Emerg Mkt Debt		11.51	Hold	0.9	-0.1	6.3	4.1	6.6	9.2	0.22
9144	FPRNC	Morgan Stanley Emerg Mkt Equity		12.54	Buy	-4.9	-20.0	40.1	-7.6	21.4	25.3	1.39
9145	FPROC	Morgan Stanley Gbl Value Equity		9.67	OK to Buy	-3.2	-18.2	6.4	-17.3	2.3	7.4	0.98
9146	FPRPC	Morgan Stanley Int'l Magnum		10.73	Buy	-4.4	-14.3	14.3	-10.8	9.4	13.0	1.04
9174	FMCCC	Strategic Advisors Mid Cap Value		8.34	Hold	-1.8	-11.2	-6.3p	-12.7	--	--	1.04
9175	FSCCC	Strategic Advisors Small Cap		8.39	Hold	1.2	-8.6	-8.5p	-12.5	--	--	1.30

### Annuity Growth Model

Fund	Allocation
Fidelity VIP Growth	28%
Fidelity VIP Strategic Income	28
Fidelity VIP Value Leaders	27
Morgan Stanley Int'l Magnum	12
Fidelity VIP Health Care	5
<b>Total Returns: Jul: -3.5% YTD: -10.8%</b>	

### Annuity Growth & Income Model

Fund	Allocation
Fidelity VIP Growth	28%
Fidelity VIP Investment Grade	26
Fidelity VIP Strategic Income	23
Fidelity VIP Value Leaders	18
Morgan Stanley Int'l Magnum	5
<b>Total Returns: Jul: -1.9% YTD: -8.5%</b>	

### Annuity Income & Preservation Model

Fund	Allocation
Fidelity VIP Investment Grade	31%
Fidelity VIP Money Market	22
Fidelity VIP Strategic Income	17
Fidelity VIP Value Leaders	15
Fidelity VIP Growth	15
<b>Total Returns: Jul: -0.9% YTD: -5.0%</b>	

**AT A GLANCE**

## Hard To Get Excited About Foreign Funds

As any American who has recently been abroad knows, the weak U.S. dollar has made travel a lot more expensive. But for investors in Fidelity's 11 diversified foreign stock funds (which don't hedge currency exposures), a weaker dollar has enhanced returns over the past six years. Indeed, since 2003, **Spartan International Index** (which is a proxy for Morgan Stanley International's Europe, Australasia, Far East Index, or EAFE, a developed foreign stock market barometer) has outpaced the S&P 500.

But not so far this year.

As of July 31, despite a roughly 5% decline in the dollar, the EAFE is down 13.8% and the S&P is off 12.7%.

If not for the falling dollar, the EAFE would be off 19.1%. So, by and large, you would recently have been better off having no foreign stock fund exposure.

Fortunately, the foreign stock exposures in our three more conservative model portfolios are, well, conservative. (They range from 4% to 18%.) The lion's share of this comes from two funds (**International**

**Discovery and International Value**) whose performances are closely aligned. And while they're down this year, their avoidance of the cratering emerging markets — especially in Asia — has been a godsend.

Looking ahead, it's hard for us to get excited about most foreign developed market funds. While they aid in diversification (though less so in recent years), they face some headwinds. The dollar, for example, is down a staggering 40% over the past six years. And while the media would have us believe that the

U.S. economy is falling into an abyss, it is not. In fact, Europe's economic growth is slowing, and regardless of their historic fear of inflation, their central banks will likely cut interest rates. This should buttress the dollar against the euro and pound, so look for the green-

back to stabilize or even strengthen from here.

And speaking of lagging, the credit crisis that has hit the U.S. is just starting to surface in Japan and Europe. As has been the U.S. experience, financial stocks (which are 24% of EAFE) face an uphill battle. Finally, we expect earnings growth abroad to come under pressure and, in turn, valuations of foreign stocks may lose some

of their attractiveness.

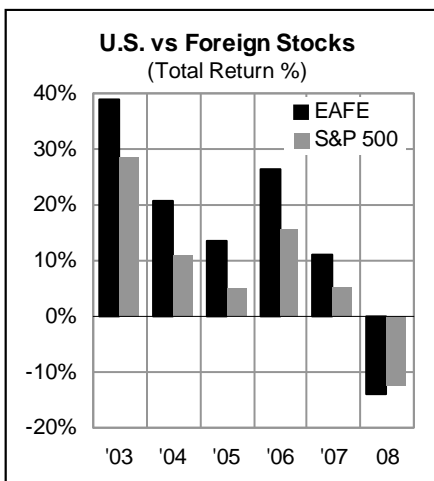
All that said, we are not abandoning this asset class, and are maintaining modest weights where and when appropriate. Even in a difficult market, there are always companies that are well positioned for growth, and certain diversified funds are poised to exploit those opportunities. Our ratings are principally driven by our view of the manager, country and sector exposures, investment styles and expenses.

### Aggressive Int'l — OK to Sell —

This fund's name suggests a pedal-to-the-metal approach to investing, such as loading up on small-caps and/or emerging market stocks. But neither is the case. In 2007, the fund was lackluster precisely because it avoided much of the action in Asia and Latin America. This year, it remains lightly exposed to these regions and, as a result, its performance has been comparatively better than its peers. With new manager Sammy Simnagar joining the fund in January, we'll be interested to see what he can do with this chronically underperforming fund. In the meantime, our preferences lie with more experienced managers whose portfolios are rich with larger-cap fare.

### Diversified Int'l — OK to Buy —

For much of the past four years, this fund has been closed to new investors. The reason? Strong results attracted (and grew) an astounding \$50 billion in assets, much of that



## FOREIGN DIVERSIFIED FUNDS

Fund	Assets \$MM	% Sector Exposures (Top 5 EAFE Sectors)					% Dev. Europe	% Dev. Asia	% Emg. Mkts
		Financials	Industrials	Materials	Cons Disc	Energy			
Aggressive Int'l	412	18.3	13.8	12.3	9.5	12.8	56.6	26.4	12.5
Diversified Int'l	50,320	15.3	12.7	10.3	7.1	12.1	56.8	23.2	4.5
Int'l Discovery	12,464	16.9	9.9	8.7	5.9	10.9	61.9	32.2	6.0
Int'l Enhanced Index	11	20.8	10.9	10.0	9.7	7.8	N/A	N/A	N/A
Int'l Growth	22	8.7	15.6	17.5	3.8	5.7	61.9	21.8	8.9
Int'l Small Cap	1,114	8.0	16.7	15.3	14.4	8.4	45.2	51.5	5.0
Int'l Small Cap Opp's	809	9.5	24.9	13.1	5.8	1.8	37.6	53.5	9.2
Int'l Value	320	30.9	9.0	7.4	9.0	17.6	68.3	23.9	5.1
Overseas	8,431	16.3	13.5	9.3	4.6	10.3	59.0	29.8	12.7
<b>Spartan Int'l Index</b>	<b>4,649</b>	<b>24.0</b>	<b>11.6</b>	<b>11.0</b>	<b>9.4</b>	<b>8.9</b>	<b>67.2</b>	<b>30.5</b>	<b>0.3</b>
Total Int'l Equity	48	20.2	11.2	12.8	6.4	12.7	60.0	26.9	10.4

through retirement accounts. While this is a considerable challenge to run, veteran manager Bill Bower has shown himself to be very capable. In 2007, for example, this large-cap growth fund soared 16.0% as the EAFE Index rose a more modest 11.3%. Underweighting Japan helped that year. In 2008, its more benchmark-like performance presents two different pictures. On the positive side, Bill overweighted Canada with some well-timed energy bets. But now his underweight in Japan has detracted from returns.

**Int'l Discovery** — *Buy* — This is a large-cap fund with some mid- and small-cap exposure. With nearly 300 holdings, Manager Bill Kennedy has the flexibility to invest wherever he thinks he can find the best opportunities, including developed and emerging markets. It is similar to Diversified Int'l in both market cap and regional allocations, though there are differences country-wise. For example, this fund has more in Japan. Asset wise, Int'l Discovery is substantially smaller and, therefore, more nimble. It's our preferred alternative to the closed Diversified Int'l, while members might also consider Int'l Value.

**Int'l Enhanced Index** — *Hold* — This fund was rolled out late last year as part of Fidelity's lineup of other "enhanced" stock funds that are marketed as a mix of inexpensive indexing coupled with active stockpicking (that's done by computers!). If this notion strikes you as akin to being a "little pregnant," we'd agree, though we don't dismiss the possibility that, in certain market environments, its quantitatively driven stockpicking could work. But for now, we're waiting for the fund to prove itself.

**Int'l Growth** — *Hold* — This new fund should be thought of in the same way that the domestic-oriented **Growth Company** or **Capital Appreciation** funds are run. (It also complements the new Int'l Value.)

That is, its manager employs fundamental analysis to buy stocks that exhibit above-average growth potential. In this way, its underlying holdings exhibit higher-than-average P/Es (price-to-earnings) and P/Bs (price-to-book ratios) relative to EAFE. Managed by Jed Weiss, who also co-manages Total Int'l Equity, which started at the same time.

**Int'l Small Cap** — *Hold* — For starters, this fund is more mid-cap-rather than small-cap oriented. In fact, it differs little from Int'l Small Cap Opportunities, which also has a growth-stock bias. From a sector perspective, this fund has held an ever-so-slight performance advantage, in part, because of its larger energy stake (8.4% vs 1.8%). However, Int'l Small Cap Opp's has had less exposure to smaller-cap Japanese stocks, which have struggled mightily this year. That said, our bias is for larger-cap international exposure.

**Int'l Small Cap Opportunities** — *Hold* — See Int'l Small Cap.

**Int'l Value** — *Buy* — Opened for business in May 2006 it is run by George Stairs, who previously managed money at Putnam Investments. (This is one of the few times Fidelity has gone outside its ranks for a fund manager — see p. 12). With its median market cap of over \$40 billion, it invests in larger companies relative to its peers — a fact that we particularly like. Stock selection is traditional, using price-to-earnings and price-to-book to help screen stocks. Though running behind EAFE since its launch, it's actually outpacing the EAFE Value Index which, like the fund itself, is rich in financials. While this sector is worrisome, we like the manager's investment process, and this fund's overall positioning.

**Overseas** — *OK to Buy* — Manager Ian Hart made a great move last year by underweighting the larger-cap Japanese stocks that this fund has his-

torically held. This year, that same strategy has hurt. Likewise, his low double-digit exposure to the emerging markets (which are now part of his benchmark) have trimmed returns. Regardless, Overseas has been mostly performing in line with EAFE, but with a little additional volatility. Ironically, what's helped the fund is Ian's U.S. equity exposure, including high-flying commodities. We like this kind of out-of-the-box approach to investing, and are confident that shareholders will continue to benefit from Ian's considerable experience.

**Spartan Int'l Index** — *Hold* — This fund's performance mimics that of the EAFE. Its 1,000-plus holdings provide large-cap blend exposure to many of the world's developed markets, but none of the faster-growing emerging markets. Expenses are currently capped at a razor-thin 0.10% versus an average of 1.04% for its actively managed peers. Despite this cost advantage, various Fidelity managers, including Bill Kennedy at Int'l Discovery, have added value beyond the index owing to adroit stock selection. For this reason, we prefer actively managed alternatives.

**Total Int'l Equity** — *OK to Buy* This new fund provides investors with exposure to roughly the following: 40% developed-market value stocks; 40% developed-market growth stocks; 15% emerging markets and 5% small caps. These delineations make it different from Fidelity's other funds, while it is also group managed. We like this fund's prospects for the year ahead, though potential investors should have a long-term outlook, especially given the fund's emerging market exposure.

*Note: All of Fidelity's international funds have short-term trading fees (see Scorecard). The fees are designed to dissuade market-timers who can disrupt trading and cost shareholders money. Such fees are paid to fund shareholders and not to Fidelity. ■*

## Why We're Trimming Strategic Real Return

When Fidelity introduced **Strategic Real Return** in the fall of 2005, we soon added it to three of our model portfolios. Since then, the fund has done pretty much what we expected of it: Helped diversify the models, while allowing members to take advantage of market opportunities, in some alternative asset classes such as commodities. Since we bought it, the fund's return has been almost exactly the same as the S&P 500, but with almost 75% less volatility.

This month, however, we are trimming — not selling — the fund's position in those models. (See Model Portfolios Trades, p. 3.)

If we like Strategic Real Return so much, why are we giving it a smaller role in the models?

One reason is commodity prices. As we note in *Outlook*, the price of oil has fallen from \$147 a barrel to \$124, while prices of other commodities also fell sharply last month. With a commodity exposure of 27% (much of that is through levered derivatives which do not show up in the stated commodity exposure, but as "cash and net other assets") the fund took a hit. In addition, the fund holds Treasury Inflation Protected Securities, or TIPS, which have recently sold off.

That said, we still believe in the outlook for commodities in the longer term and we still favor the fund's composition among commodities, TIPS, real estate and floating-rate high-yield securities as an extremely valuable diversifier for our model portfolios.

But, at this time, we just think a little less exposure to commodities on the margin and a little more exposure to undervalued large-cap stocks is a better course for our models. ■

## Inside Fidelity

**Management Changes** — Fidelity continues to hire executives from outside the company. More important than the fact that Fidelity has hired Daniel Petrozzo from Morgan Stanley as its chief information officer, and Ronald DePoalo from Merrill Lynch to head technology development, is that — in increasing numbers — top management at the company has strong experience from elsewhere.

This recognition by Fidelity that there are many different ways to achieve great results is a watershed moment for the firm. They have also begun hiring analysts and even some fund managers from outside. Indeed, Fidelity's returning president Rodger Lawson spent the last 11 years at Prudential. To our way of thinking, Fidelity's cloistered culture needed some sunlight, and we applaud these changes. ■

### DIVIDEND UPDATE

*In addition to monthly dividends paid by bond and money market funds, Asset Mgr 20%, Freedom Inc and Inc Replacement, these funds are expected to pay dividends and/or capital gains in August:*

Fidelity Fund, Fifty, Growth Discovery, Mega Cap Stock, Real Estate Income.

*The final distributions for July were as follows:*

Fund	ex-date	Amt (\$)	NAV
Asset Mgr 30%	7/11	0.02	9.17
Asset Mgr 40%	7/11	0.051	8.94
Asset Mgr 50%	7/11	0.091	13.95
Balanced	7/11	0.106	17.47
Convert Secs	7/11	0.13	27.23
Equity-Income	7/11	0.27	43.66
Equity-Income II	7/11	0.10	18.38
Fidelity Fund	7/11	0.10	34.10
Growth & Income	7/11	0.098	20.42
Puritan	7/11	0.125	16.90
Strat Div & Income	7/11	0.082	10.67
Strat Real Return	7/11	0.111	10.37
Utilities	7/11	0.10	18.12

## Message To Members

All things being equal, I always prefer being in a situation where I have to pay taxes on a capital gain. It's not that I want to pay taxes, it's that I prefer to deal with gains rather than losses!

Although the past five calendar years have been pretty kind to U.S. investors, 2008 is proving to be a tough time to make money. As a result, many investors may be sitting on an unrealized loss in the taxable account. If you are, you may want to recognize that loss through a tax swap.

The process is simple: Exchange the fund you have a loss in for a similar fund. (Our *Scorecard* can help you to determine that by finding say, a stock fund with the same investment style and even a comparable relative volatility.) Now you can apply the loss you've recognized against any capital gains, after that, you can use capital losses to offset up to \$3,000 of ordinary income. (Any excess losses can be carried over to future years.)

If you really prefer the original fund, be sure to **wait 31 days before switching back into it, but be mindful of any possible short-term trading fees.** If you do it sooner, the IRS will consider it a "wash sale" and disallow the loss. Capital losses in tax-free bond funds are also tax-deductible, so tax-swaps for these funds should also be considered.

Sincerely,



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