

Eric Kobren's

www.fidelityinsight.com

# FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

NOVEMBER 2008

VOLUME 24, NUMBER 11

**ERIC'S OUTLOOK**

## Declines Are Painful To Endure But Future Looks Much Brighter

Down 27% on the 27<sup>th</sup> of October, the S&P 500 appeared headed for its second worst monthly decline ever (only September 1931 was worse with its 30% decline). While a late rally trimmed those losses to "just" 16.8%, it was a painful month indeed.



Eric M. Kobren

Unlike many previous declines, this one has been extremely volatile and particularly broad-based. Large- or small-cap, growth or value, domestic or international, losses have been significant in every type of stock fund. Except for Treasuries, bond funds also suffered. So did **Select Gold**, the usual safe haven when Armageddon seems to be in the cross-hairs.

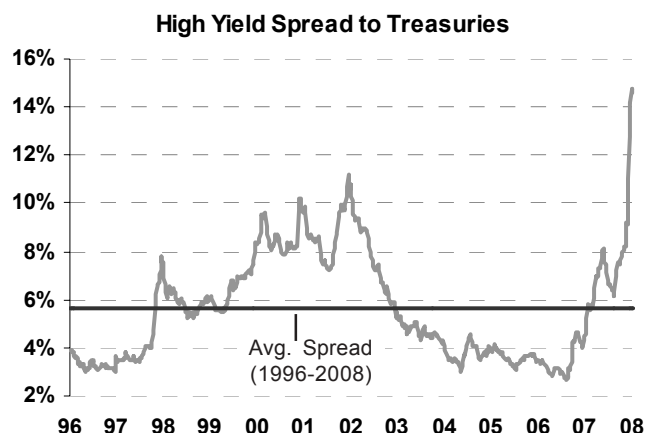
The market meltdown began with the collapse of sub-prime housing loans. The problems cascaded into a near collapse of the banking/finance system, both in the U.S. and abroad. Raising capital came to a screeching halt. Banks wouldn't lend to each other, or their customers. It didn't matter if you were a county government issuing a bond to build a road, a Fortune 100 company rolling over commercial paper, or a small business owner drawing down a previously arranged credit line. Christmas may be seven weeks away, but I'm probably not the only one who's thinking about the problems facing good old George Bailey, in *It's a Wonderful Life*.

Governments from around the world recognized the

**INSIDE INSIGHT**

Eric's Outlook .....	1
Model Portfolios .....	2
Model Portfolio Trades.....	3
Which Funds Should You Buy Now!.....	3
Scorecard Changes .....	4
Scorecard .....	5
Fund Commentary .....	10
Distributions Appear Light For Year-End .....	11
A Tax Swap Will Mitigate Some Pain .....	11
Dividend Update .....	12
Inside Fidelity .....	12
Message To Members .....	12

**HIGH YIELD SPREADS ATTRACTIVE**



The "spread," or difference in yield between high-yield bonds and 10-year Treasuries, hit an all-time record in October reaching nearly 15%. This tops the old record of 13% reached during the recession of 1990-'91, and is well above the peak of 11% in the recession of 2001-'02. While default rates are expected to rise substantially as the current recession intensifies, at these spread levels, we believe that investors are being well rewarded for those risks.

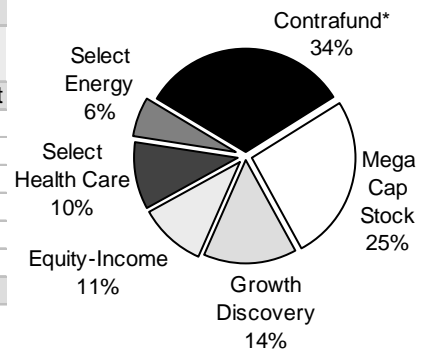
enormity of this problem, and are throwing trillions of dollars at the problem. But these programs will take time to work and they did not prevent the panic selling we've been experiencing. Investors are selling out of stocks and bonds at any price. Individuals are scrambling to meet margin calls and raising cash as *fear* becomes the overwhelming emotion. Institutions are deleveraging, while they find out that the credit default swaps they bought as "insurance" aren't worth the paper they were written on. Faced with the prospect of massive redemptions in an overly volatile market, hedge funds are reacting by unwinding their portfolios. It's a vicious cycle.

**Acknowledge The Dangers**

Do I know when the market will bottom? No, but let me try and put the current declines in perspective. At its low point in October, the S&P 500 was down some 45.8% from its peak in October of 2007. That ranks as the fourth largest decline without a 20% rally in history, trailing only the depression-era period of 1931-'32 and 1937-'38 and the deep recession of 1973-'74. The worst calendar year

# FIDELITY INSIGHT MODEL PORTFOLIOS - OCTOBER 31, 2008

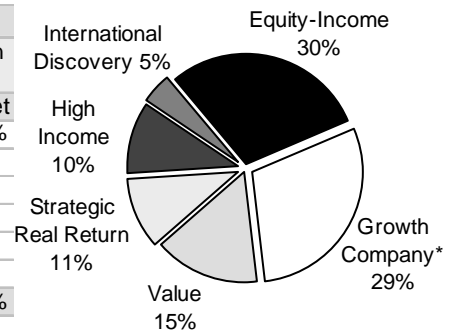
Aggressive Growth Model		Rel Vol: 0.88	Est. Yield: 1.1%	YTD Return: -37.8%		
Current Asset Allocation		Stocks 96.2%	Bonds 0.0%	Cash 3.5%	Alternative <sup>1</sup> 0.3%	Foreign 15.5%
Holdings	Ticker	Alloc	NAV	Shares	Value	Oct. Ret
Contrafund*	FCNTX	34%	\$48.10	837.40	\$40,279	-15.8%
Mega Cap Stock	FGRTX	25	7.50	4,046.29	30,347	-15.9
Growth Discovery	FDSVX	14	9.61	1,783.63	17,141	-18.7
Equity-Income	FEQIX	11	33.19	391.05	12,979	-18.2
Select Health Care	FSPHX	10	81.93	152.04	12,457	-17.4
Select Energy	FSENX	6	34.60	217.11	7,512	-26.7
Current Value (4/7/99 = \$100,000)					\$120,715	-17.4%



\*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.

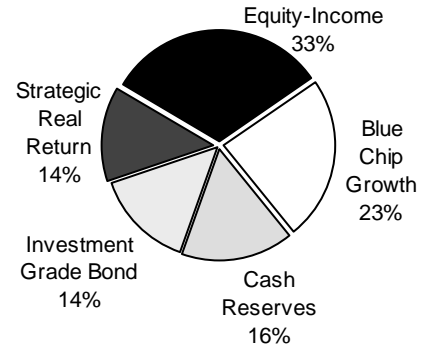
Growth Model		Rel Vol: 0.74	Est. Yield: 3.4%	YTD Return: -34.1%		
Current Asset Allocation		Stocks 76.5%	Bonds 3.3%	Cash 2.7%	Alternative <sup>1</sup> 17.5%	Foreign 12.6%
Holdings	Ticker	Alloc	NAV	Shares	Value	Oct. Ret
Equity-Income	FEQIX	30%	\$33.19	7,086.29	\$235,194	-18.2%
Growth Company*	FDGRX	29	53.12	4,419.37	234,757	-17.1
Value	FDVLX	15	43.78	2,770.12	121,276	-25.4
Strategic Real Return	FSRRX	11	7.75	10,836.92	83,986	-16.0
High Income	SPHIX	10	6.40	12,985.25	83,106	-15.1
International Discovery	FIGRX	5	23.88	1,515.21	36,183	-20.3
Current Value (1/1/87 = \$100,000)					\$794,502	-18.8%



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

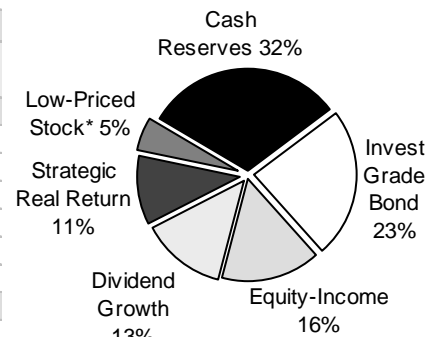
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.43	Est. Yield: 3.5%	YTD Return: -23.4%		
Current Asset Allocation		Stocks 53.6%	Bonds 17.0%	Cash 19.0%	Alternative <sup>1</sup> 10.4%	Foreign 6.5%
Holdings	Ticker	Alloc	NAV	Shares	Value	Oct. Ret
Equity-Income	FEQIX	33%	\$33.19	6,719.05	\$223,005	-18.2%
Blue Chip Growth	FBGRX	23	28.53	5,618.41	160,293	-18.8
Cash Reserves	FDRXX	16	1.00	107,674.11	107,674	0.2
Investment Grade Bond	FBNDX	14	6.30	15,708.55	98,964	-5.3
Strategic Real Return	FSRRX	14	7.75	12,400.92	96,107	-16.0
Current Value (1/1/87 = \$100,000)					\$686,043	-14.2%



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: 0.30	Est. Yield: 3.8%	YTD Return: -16.9%		
Current Asset Allocation		Stocks 32.2%	Bonds 24.2%	Cash 35.6%	Alternative <sup>1</sup> 8.0%	Foreign 4.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	Oct. Ret
Cash Reserves	FDRXX	32%	\$1.00	139,628.69	\$139,629	0.2%
Investment Grade Bond	FBNDX	23	6.30	16,325.07	102,848	-5.3
Equity-Income	FEQIX	16	33.19	2,067.98	68,636	-18.2
Dividend Growth	FDGFX	13	17.03	3,428.21	58,382	-21.9
Strategic Real Return	FSRRX	11	7.75	6,193.83	48,002	-16.0
Low-Priced Stock*	FLPSX	5	23.36	998.09	23,315	-20.0
Current Value (1/1/87 = \$100,000)					\$440,812	-11.2%



\*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.

**Eric's Outlook** *cont'd from page 1*

decline was -47.1% in 1931. Again at the low this October, we were down 41% year to date.

There have also been numerous signs of emotional extremes this month. On October 6, 60% of all issues traded on the NYSE made new lows — the highest level in history, beating the 54% experienced the day after “Black Monday” in 1987. Consumer sentiment just fell to a record low. The long-term average daily volatility in the stock market has been around 0.70%. In October it averaged over 4.0%!

Can it get worse? Yes it can, but unless we are headed toward a worldwide depression — a very remote possibility — the future for stocks looks better than it has in some time, which I'll get to in a minute.

I want to acknowledge that like the stock and bond markets, our investment portfolios have suffered steep losses over the past year. Even our most conservative portfolios have suffered substantial losses.

Despite these severe losses, I strongly believe that we have not lost permanent capital. It will certainly take time to make back the declines suffered over the past twelve months. But, the only way that it becomes a *permanent loss of capital* is if you cash out now.

**A Cleansing Period**

Everyone talks about how bad it is that banks and brokerage firms are going out of business. I'm one of them, having watched my first Wall Street employer, Merrill Lynch, get taken out by Bank of America. We feel bad that some of our auto companies are teetering on the brink of bankruptcy, and that our once proud, profitable airlines now register billion of dollars

**WHICH FUNDS SHOULD YOU BUY NOW!**

**Equity Funds:** **Mega Cap Stock** provides exposure to very large-cap growth and value stocks. **Equity-Income** is a tamer, more value-oriented alternative.

**Bond Funds:** **High Income** offers good values in lower-rated debt. **Capital & Income** is a more aggressive way to bet on “junk” bonds. **Investment Grade Bond** is also a bet on “credits,” but a much less risky approach.

**Money Market Funds:** **Cash Reserves** is our preferred money market fund. With the credit crisis easing and Fidelity still focused on safety (see p. 12), its higher yield is worth minimally higher risk.

**International Funds:** While we remain less enthusiastic about overseas markets, **International Discovery** is still a reasonable option for exposure outside of the U.S. ■

in quarterly losses.

On the other hand, wouldn't fewer banks and widening yield spreads, bode well for the remaining, stronger banks and brokerages? Wouldn't shrinking inefficient manufacturing capacity in the auto industry bode well for the surviving, efficient auto manufacturers? Wouldn't fewer seats, more rational pricing, and lower fuel costs benefit airlines? Wouldn't well-

run companies with healthy balance sheets be able to acquire their rivals at dirt cheap prices? Painful as it is, this is a necessary process.

I'm not happy about the prospects of living through another (perhaps severe) recession, but the global economy will be that much stronger after this cleansing process.

**Eric's Outlook** *cont'd on page 4*

**MODEL PORTFOLIO TRADES**

As announced on our Oct. 24 Hotline, effective Monday, Oct. 27, we made several Model Portfolio trades. Please note that Strategic Real Return has a 0.75%/60-day short-term trading fee. Also, on October 27, we sold **Municipal Money Market** for **Cash Reserves**. You may want to delay this exchange until you've held the fund for 31 days since you went into Muni Money Market in order to avoid being flagged as a short-term trader by Fidelity.

Action	Fund	Shares	Price	Value	Old%	New%
<b>Growth:</b>						
Sold 1/2 :	Strategic Real Return	10,836.92	\$7.52	\$81,493.67	22%	11%
Bought:	High Income	12,874.20	\$6.33	\$81,493.67	0%	11%
<b>Growth &amp; Income:</b>						
Sold :	Municipal Money Mkt	107,416.91	\$1.00	\$107,416.91	16%	0%
Bought:	Cash Reserves	107,416.91	\$1.00	\$107,416.91	0%	16%
Sold :	Inflat-Protected Bond	9,940.93	\$10.03	\$99,707.52	15%	0%
Bought:	Investment Grade Bond	15,677.28	\$6.36	\$99,707.52	0%	15%
<b>Income &amp; Preservation:</b>						
Sold :	Municipal Money Mkt	139,295.16	\$1.00	\$139,295.16	32%	0%
Bought:	Cash Reserves	139,295.16	\$1.00	\$139,295.16	0%	32%
Sold :	Inflat-Protected Bond	10,306.23	\$10.03	\$103,371.50	24%	0%
Bought:	Investment Grade Bond	16,253.38	\$6.36	\$103,371.50	0%	24%

**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

## Scorecard Changes

Fund	Style	Prior	New	Comments
Capital & Income	High Yield	Hold	OK to Buy	Widening credit spread makes "credits" more attractive.
Convertible Securities	Specialty	OK to Buy	Buy	Offers a nice yield and equity participation.
Inflation-Protected Bond	Taxable Bond	Buy	Hold	With the economy slowing, our inflation fears are waning.
Investment Grade Bond	Taxable Bond	OK to Buy	Buy	Corporate balance sheets are in generally good shape.
Mid Cap Value	Mid Value	OK to Sell	Hold	Comparatively strong stock selection
Mid-Cap Stock	Mid Growth	Hold	Hold	Now open to new investors - see p. 12.
Mortgage Secs	Taxable Bond	Hold	OK to Buy	Despite perceptions, this area looks more promising.
Sel Air Transportation	Sector	OK to Sell	Hold	Falling fuel costs bode well for this sector's profitability.
Sel Banking	Sector	Hold	Buy	Easing credit crisis and cheap prices are alluring.
Sel Chemicals	Sector	Buy	Hold	This cyclical fund may be hurt as the economy cools.
Sel Computers	Sector	OK to Buy	Hold	Corporate and consumer spending on IT are waning.
Sel Consumer Staples	Sector	Hold	Buy	Amid a weak economy, shoppers must stick to the basics.
Sel Financial Services	Sector	OK to Sell	Hold	Valuations are improving and credit crunch is easing.
Sel Medical Delivery	Sector	Hold	OK to Buy	This is a defensive bet on a slow-growth economy.
Small Cap Growth	Small Growth	Buy	OK to Buy	Our outlook for equities favors large-cap funds.
Small Cap Independ	Small Growth	Hold	OK to Sell	Our outlook for equities favors large-cap funds.
Total Bond	Taxable Bond	Buy	Hold	Broadly diversified, there are better ways to own bonds.
VIP Aggressive Growth	Mid Growth	OK to Buy	Hold	Relative performance has been deteriorating.
VIP Consumer Discret.	Sector	OK to Sell	OK to Buy	Exhibiting relatively good stockpicking in tough market.
VIP Financial Svcs	Sector	OK to Sell	Hold	Valuations are improving and credit crunch is easing.
VIP High Income	High Yield	Hold	Buy	More favorable outlook for lower-quality debt.

### Eric's Outlook *cont'd from p. 3*

#### Reasons For Hope

It is easy to become depressed focusing on the sharp declines in the market and more importantly our Fidelity accounts. But that is the past and as investors, we should be focusing on the future. Some great companies, with great prospects have gotten *whacked* with the rest of the market – and they are now selling at bargain basement prices. We've heard this comment from dozens of fund managers lately. We may not be at 1982 levels, but there are an awful lot of companies selling for very compelling prices.

Ditto for the bond market. A little over a year ago spreads between AA corporate bonds and Treasuries were under 1.0%. Today, they've widened to nearly 4.0%. And the situation is even more exaggerated in the high-yield market where spreads reached a record high 14.8% (see page 1 chart). Investors are panicked, and running into Treasuries as if every company is on the brink of bankruptcy.

There are several developments that should work towards improving

the market.

1. Regardless of who wins the Presidential election this week, Wall Street should react positively to the removal of at least one uncertainty.

2. Hedge funds will know how

*"... don't try to make back your losses quickly by abandoning your nicely diversified portfolio for a very aggressive, speculative approach."*

much money will be redeemed out of their funds at year-end, by November 15, as most require 45 days notice — removing another uncertainty.

3. There is a tremendous amount of cash on the sidelines.

4. Trillions of dollars in aid have been committed by the government through various rescue plans, but this money has yet to work its way completely through the financial system.

5. Lower oil prices have the same effect on consumers as a tax rebate.

6. Lastly, lower commodity prices will increase margins at many companies, and decrease inflation risks.

When sentiment finally does turn, the market may surge sharply and quickly. (Witness the 889 point surge in the Dow on October 28.) I'm not advising members to bet their life savings on the fact that the market will return to normalcy and that all funds will surge in the coming months. But there are certain things you can do to tweak your investment portfolio to take advantage of the current chaos.

As our recent model portfolio trades reflect, what might be called a "chicken-way" to play a market turnaround is by taking on more credit risk via our bond positions. Switching from **Inflation-Protected Bond** to **Investment Grade Bond** in our more conservative models acknowledges that with today's spreads you are being amply rewarded for lending to corporations rather than the U.S. government.

Moving up the risk spectrum, in our Growth Model we switched from **Strategic Real Return** to a more

**Eric's Outlook** *cont'd on page 5*

## FIDELITY SCORECARD - OCTOBER 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>			
						Oct	YTD	2007	1 Year	3 Year	5 Year				
		S&P 500 (Large Cap)		968.8		-16.8	-32.8	5.5	-36.1	-5.2	0.3	1.00			
		Dow Industrials (Blue Chip)		9325.0		-13.9	-28.2	8.9	-31.2	-1.3	1.3	0.90			
		Nasdaq Composite (OTC)		1721.0		-17.7	-34.7	10.7	-39.3	-6.3	-1.8	1.02			
		Russell 2000 (Small Cap)		537.5		-20.8	-29.0	-1.6	-34.2	-4.8	1.6	1.09			
<b>LARGE CAP GROWTH FUNDS</b>						<b>Category Averages</b>			<b>-18.6</b>	<b>-38.7</b>	<b>16.3</b>	<b>-41.9</b>	<b>-6.3</b>	<b>-0.4</b>	<b>1.0</b>
312	FBGRX	Blue Chip Growth		28.53	Buy	-18.8	-33.7	11.8	-36.4	-6.6	-2.0	0.92			
307	FDCAX	Capital Appreciation		16.68	OK to Buy	-16.2	-37.7	6.9	-43.8	-7.3	-1.4	1.03			
22	FCNTX	Contrafund (closed)		48.10	Buy	-15.8	-33.5	19.8	-35.1	-2.2	4.4	0.85			
332	FEXPX	Export and Multinational	0.75%/30 days	15.72	OK to Buy	-17.8	-38.2	15.3	-41.7	-6.7	1.6	1.02			
500	FFTYX	Fifty		12.01	Hold	-21.5	-44.8	12.6	-49.0	-9.6	-3.2	1.06			
25	FDGRX	Growth Company (closed)		53.12	Buy	-17.1	-36.0	19.9	-39.6	-3.3	1.7	1.02			
339	FDSVX	Growth Discovery		9.61	Buy	-18.7	-40.7	26.8	-43.1	-3.9	0.7	0.93			
73	FDFFX	Independence		15.49	OK to Buy	-22.7	-44.0	29.5	-45.9	-4.4	1.0	1.38			
763	FSLGX	Large Cap Growth		6.84	OK to Sell	-19.5	-36.1	2.1	-39.4	-10.0	-1.4	0.95			
1829	FLGEX	Large Cap Growth Enhcd Index		6.86	Hold	-16.6	-33.3	2.1p	-36.5	--	--	0.93			
338	FLCSX	Large Cap Stock		11.06	Hold	-20.2	-42.7	13.1	-45.5	-8.3	-2.5	1.13			
21	FMAGX	Magellan		49.43	OK to Buy	-21.6	-45.6	18.8	-47.5	-9.9	-3.5	1.09			
1282	FNCMX	Nasdaq Composite Index	0.75%/90 days	22.91	Hold	-17.7	-34.7	10.5	-39.4	-6.2	-1.9	1.04			
93	FOCPX	OTC		30.87	Buy	-16.9	-40.8	26.1	-45.0	-4.6	-0.1	1.11			
320	FDSSX	Stock Selector		18.79	Hold	-17.4	-36.3	11.8	-38.8	-5.5	0.4	0.98			
5	FTRNX	Trend		41.71	OK to Buy	-18.5	-41.0	18.9	-43.6	-6.0	-0.1	1.01			
<b>LARGE CAP BLEND FUNDS</b>						<b>Category Averages</b>			<b>-17.9</b>	<b>-36.0</b>	<b>8.8</b>	<b>-39.0</b>	<b>-6.4</b>	<b>0.1</b>	<b>1.0</b>
1271	FBCVX	Blue Chip Value		8.57	OK to Buy	-19.5	-40.7	4.4	-44.0	-8.9	-0.7	1.16			
315	FDEQX	Disciplined Equity		18.78	Buy	-18.6	-36.4	10.8	-38.7	-5.5	0.9	0.96			
330	FDGFX	Dividend Growth		17.03	Buy	-21.9	-39.2	1.1	-43.3	-9.8	-3.8	1.06			
3	FFIDX	Fidelity Fund		24.46	OK to Buy	-17.3	-36.2	16.8	-38.1	-3.8	0.9	0.97			
333	FTQGX	Focused Stock		9.82	Hold	-12.7	-26.1	17.0	-29.6	-1.5	5.7	0.98			
27	FGRIX	Growth & Income		14.75	OK to Sell	-20.6	-45.2	0.7	-48.6	-14.3	-6.2	1.25			
1827	FLCEX	Large Cap Core Enhcd Index		6.89	Hold	-15.7	-32.0	1.0p	-34.9	--	--	0.98			
361	FGRTX	Mega Cap Stock		7.50	Buy	-15.9	-35.2	11.1	-38.0	-5.5	-1.0	1.00			
317	FSMKX	Spartan 500 Index <sup>4</sup>		67.60	Hold	-16.8	-32.9	5.4	-36.2	-5.3	0.2	1.00			
397	FSTMX	Spartan Total Mkt. Index <sup>4</sup>	0.50%/90 days	27.37	Hold	-17.6	-32.9	5.6	-36.3	-5.1	0.7	0.99			
343	FTXMX	Tax Managed Stock	1.00%/2 years	9.93	OK to Buy	-19.9	-38.2	14.2	-40.1	-6.1	1.3	0.95			
832	FVDFX	Value Discovery		11.21	Buy	-18.4	-37.1	9.7	-40.4	-4.8	3.1	1.09			
<b>LARGE CAP VALUE FUNDS</b>						<b>Category Averages</b>			<b>-17.2</b>	<b>-35.5</b>	<b>3.2</b>	<b>-39.0</b>	<b>-7.2</b>	<b>-0.1</b>	<b>1.1</b>
23	FEQIX	Equity-Income		33.19	Buy	-18.2	-37.7	1.4	-41.6	-7.5	-0.7	1.09			
319	FEQTX	Equity-Income II		14.36	Hold	-16.9	-36.1	4.5	-39.2	-7.5	-1.5	1.07			
708	FSLVX	Large Cap Value		9.29	OK to Buy	-18.4	-35.9	3.7	-39.3	-6.7	1.8	1.04			
1828	FLVEX	Large Cap Value Enhcd Index		6.39	Hold	-15.5	-32.1	-5.1p	-35.9	--	--	1.05			

**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.

### Eric's Outlook *cont'd from p. 4*

aggressive credit bet with **High Income**, a "junk" bond fund. This trade also recognizes the lower inflation and commodity price environment, and goes a step further in acknowledging that junk bond yields are at historically high spreads relative to Treasuries (see p. 1 chart). If you want to get even more aggressive on the junk bond side, consider **Capital & Income**.

While I believe there are great bargains out there, we are hesitant to further increase equity exposure in our

model portfolios, given the historically high volatility levels.

However, if you are sitting on a higher than normal allocation to cash or bonds, you won't get an argument from me about increasing your equity exposure. But I do caution members to do it slowly and methodically. There is no reason to be a hero and try to pick the absolute bottom.

If you do want to increase your equity exposure I'd stick to a large-cap blend fund. These companies are able to withstand an economic slowdown better than their small-cap cousins. These are also the companies that

investors will turn to first, as they scramble to put money back into the market. I'd also favor domestic over international funds. The dollar is strengthening and foreign economies seem to be lagging the U.S.

I know how painful it is to look at the declining values of our Fidelity statements and worry about the future, but don't panic out now. Perhaps just as important, don't try to make back your losses quickly, by abandoning your nicely diversified portfolio for a very aggressive, speculative approach. Trying for a quick fix may leave you broke. ■

## FIDELITY SCORECARD - OCTOBER 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>			
						Oct	YTD	2007	1 Year	3 Year	5 Year				
<b>MID-CAP GROWTH FUNDS</b>						<b>Category Averages</b>			<b>-22.0</b>	<b>-41.6</b>	<b>11.5</b>	<b>-46.9</b>	<b>-9.1</b>	<b>-2.2</b>	<b>1.0</b>
324	FDEGX	Aggressive Growth	1.50%/90 days	12.38	Hold	-20.0	-46.2	18.8	-50.7	-9.7	-2.9	0.99			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30 days	6.48	Hold	-19.9	-34.2p	--	--	--	--	--			
793	FSMGX	Mid Cap Growth	0.75%/30 days	7.38	Sell	-25.8	-45.4	2.4	-48.1	-13.8	-3.7	1.10			
337	FMCSX	Mid-Cap Stock	0.75%/30 days	16.16	Hold	-24.2	-44.2	8.2	-48.0	-8.9	-1.9	1.06			
300	FMLIX	New Millennium		18.42	OK to Buy	-20.2	-38.0	16.5	-41.0	-4.1	-0.6	0.97			
<b>MID-CAP BLEND FUNDS</b>						<b>Category Averages</b>			<b>-23.8</b>	<b>-40.7</b>	<b>8.0</b>	<b>-44.6</b>	<b>-7.5</b>	<b>0.9</b>	<b>1.1</b>
122	FLVCX	Leveraged Company Stock	1.50%/90 days	17.04	OK to Buy	-26.5	-46.7	17.9	-50.0	-7.6	3.8	1.30			
316	FLPSX	Low-Priced Stock (closed)	1.50%/90 days	23.36	Buy	-20.0	-35.6	3.2	-39.3	-5.9	2.1	0.88			
398	FSEMXX	Spartan Extended Mkt Index <sup>4</sup>	0.75%/90 days	25.03	Hold	-20.7	-33.7	5.4	-37.7	-5.4	2.0	0.99			
14	FSLSX	Value Strategies		15.29	Hold	-28.0	-46.9	5.6	-51.3	-10.9	-4.5	1.14			
<b>MID-CAP VALUE FUNDS</b>						<b>Category Averages</b>			<b>-23.1</b>	<b>-39.5</b>	<b>2.4</b>	<b>-43.5</b>	<b>-8.9</b>	<b>1.1</b>	<b>1.0</b>
762	FSMVX	Mid Cap Value	0.75%/30 days	10.20	Hold↑	-20.7	-37.3	2.7	-40.7	-8.2	1.6	1.03			
39	FDVLX	Value		43.78	Buy	-25.4	-41.6	2.2	-46.3	-9.6	0.5	1.06			
<b>SMALL CAP GROWTH</b>						<b>Category Averages</b>			<b>-23.3</b>	<b>-42.6</b>	<b>12.1</b>	<b>-46.5</b>	<b>-8.7</b>	<b>-1.1</b>	<b>1.0</b>
2011	FCPEX	Small Cap Enhanced Index	1.50%/90 days	7.14	Hold	-18.3	-26.1p	--	--	--	--	--			
1388	FPCGX	Small Cap Growth	1.50%/90 days	9.17	OK to Buy↓	-23.6	-41.9	16.8	-44.7	-7.5	--	0.99			
336	FDSCX	Small Cap Independence	1.50%/90 days	11.29	OK to Sell↓	-23.0	-43.3	7.3	-48.4	-9.8	-1.1	1.03			
<b>SMALL CAP BLEND</b>						<b>Category Averages</b>			<b>-21.7</b>	<b>-33.9</b>	<b>4.4</b>	<b>-38.5</b>	<b>-6.1</b>	<b>-0.4</b>	<b>1.0</b>
340	FSLCX	Small Cap Stock (closed)	2.00%/90 days	10.34	Hold	-23.9	-39.8	7.7	-43.4	-8.4	-0.4	0.96			
1389	FCPVX	Small Cap Value	1.50%/90 days	9.71	OK to Sell	-19.6	-27.9	1.1	-33.6	-3.9	--	1.09			
<b>SPECIALTY FUNDS</b>															
2063	FOTTX	130/30 Large Cap		7.04	OK to Buy	-19.7	-31.8p	--	--	--	--	--			
304	FBALX	Balanced		13.58	OK to Sell	-13.5	-29.4	9.0	-31.9	-3.3	2.1	0.66			
308	FCVSX	Convertible Securities		15.43	Buy↑	-22.8	-43.8	16.2	-46.2	-7.8	-1.6	0.89			
1960	FDYX	Dynamic Strategies		7.08	Hold	-15.2	-25.8	-2.2p	-27.5	--	--	--			
1368	FIREX	International Real Estate	1.50%/90 days	6.92	Hold	-21.0	-48.4	-8.3	-55.2	-9.3	--	1.20			
4	FPURX	Puritan		13.59	OK to Buy	-12.8	-26.9	6.2	-29.0	-2.7	1.6	0.59			
833	FRIFX	Real Estate Income	0.75%/90 days	7.61	OK to Sell	-14.7	-23.4	-6.5	-25.9	-6.6	-0.6	0.33			
303	FRESX	Real Estate Investment	0.75%/90 days	17.68	Sell	-30.3	-31.2	-21.3	-41.8	-8.7	3.5	1.54			
1329	FSDIX	Strategic Dividend & Income		7.68	OK to Buy	-19.7	-37.4	3.1	-41.6	-8.2	--	0.93			
1505	FSRRX	Strategic Real Return	0.75%/60 days	7.75	Buy	-16.0	-19.5	3.8	-20.1	-3.7	--	0.29			
311	FIUIX	Utilities		12.63	Hold	-14.1	-37.4	10.8	-39.2	-2.7	4.6	0.94			
<b>ASSET ALLOCATION FUNDS</b>															
328	FASIX	Asset Manager 20%		10.47	Hold	-7.4	-13.8	4.8	-14.3	-0.1	2.1	0.20			
1957	FTANX	Asset Manager 30%		7.81	Hold	-9.3	-18.6	-1.9p	-20.1	--	--	0.31			
1958	FFANX	Asset Manager 40%		7.45	Hold	-10.9	-21.9	-2.6p	-24.0	--	--	0.40			
314	FASMX	Asset Manager 50%		11.17	Hold	-13.0	-26.3	6.3	-28.4	-4.1	-0.5	0.51			
1959	FSANX	Asset Manager 60%		6.86	Hold	-13.8	-28.5	-3.5p	-31.3	--	--	0.61			
321	FASGX	Asset Manager 70%		11.40	Hold	-16.4	-32.9	7.2	-35.7	-6.3	-1.6	0.72			
347	FAMRX	Asset Manager 85%		9.02	Hold	-17.9	-36.3	7.9	-39.5	-6.2	-0.9	0.86			
355	FFNOX	Four-in-One Index		21.16	Hold	-15.6	-30.3	6.2	-33.3	-3.8	1.6	0.83			
370	FFFBX	Freedom 2000		10.53	Hold	-7.1	-13.0	5.3	-14.0	-0.1	1.6	0.24			
1312	FFVX	Freedom 2005		8.88	Hold	-11.6	-22.9	7.3	-24.8	-2.2	--	0.46			
371	FFFCX	Freedom 2010		10.98	Hold	-12.2	-23.7	7.4	-25.7	-2.4	1.0	0.48			
1313	FFVFX	Freedom 2015		9.07	Hold	-13.0	-25.4	7.8	-27.6	-2.6	--	0.52			
372	FFFDX	Freedom 2020		10.74	Hold	-15.3	-29.8	8.5	-32.4	-3.8	1.0	0.65			
1314	FFTXX	Freedom 2025		8.82	Hold	-16.0	-31.1	8.6	-33.8	-4.2	--	0.69			
373	FFFX	Freedom 2030		10.48	Hold	-17.4	-34.0	9.3	-37.1	-5.0	0.6	0.79			
1315	FFTHX	Freedom 2035		8.63	Hold	-17.8	-34.7	9.3	-37.9	-5.2	--	0.81			
718	FFFFX	Freedom 2040		6.03	Hold	-18.2	-35.5	9.3	-38.7	-5.5	0.5	0.84			
1617	FFFGX	Freedom 2045		7.09	Hold	-18.3	-35.8	9.5	-39.1	--	--	0.85			
1618	FFFHX	Freedom 2050		6.97	Hold	-19.0	-37.2	9.8	-40.6	--	--	0.89			
369	FFFAX	Freedom Income		9.80	Hold	-6.5	-11.4	4.8	-12.0	0.2	1.6	0.20			
1884	FIRJX	Income Replacement 2016		41.06	Hold	-9.1	-17.1	0.4p	-18.3	--	--	0.34			
1885	FIRKX	Income Replacement 2018		40.10	Hold	-10.1	-19.2	0.4p	-20.6	--	--	0.40			
1886	FIRLX	Income Replacement 2020		39.29	Hold	-10.9	-20.8	0.2p	-22.4	--	--	0.44			
1887	FIRMXX	Income Replacement 2022		38.88	Hold	-11.4	-21.8	0.2p	-23.5	--	--	0.47			
1888	FIRNXX	Income Replacement 2024		38.56	Hold	-11.9	-22.8	0.4p	-24.4	--	--	0.49			
1889	FIROXX	Income Replacement 2026		37.91	Hold	-12.2	-23.4	0.2p	-25.3	--	--	0.51			
1890	FIRPXX	Income Replacement 2028		38.03	Hold	-12.5	-24.0	0.2p	-26.0	--	--	0.53			
1891	FIRQXX	Income Replacement 2030		37.39	Hold	-12.7	-24.6	0.2p	-26.7	--	--	0.54			
1892	FIRRXX	Income Replacement 2032		37.05	Hold	-13.1	-25.3	0.2p	-27.4	--	--	0.56			
1893	FIRSXX	Income Replacement 2034		36.77	Hold	-13.4	-26.2	0.3p	-28.3	--	--	0.58			
1894	FIRUXX	Income Replacement 2036		36.70	Hold	-13.9	-26.9	0.3p	-29.2	--	--	0.60			
1995	FIRVXX	Income Replacement 2038		35.52	Hold	-14.3	-26.3p	--	--	--	--	--			
2009	FIRWXX	Income Replacement 2040		35.35	Hold	-14.5	-26.6p	--	--	--	--	--			
1996	FIXRXX	Income Replacement 2042		35.27	Hold	-14.7	-26.8p	--	--	--	--	--			

## FIDELITY SCORECARD - OCTOBER 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>			
						Oct	YTD	2007	1 Year	3 Year	5 Year				
<b>INTERNATIONAL FUNDS</b>						<b>Category Averages</b>			<b>-22.9</b>	<b>-46.4</b>	<b>20.0</b>	<b>-49.9</b>	<b>-4.8</b>	<b>4.6</b>	<b>1.1</b>
335	FIVFX	Aggressive Int'l	1.00%/30 days	7.41	OK to Sell	-26.0	-51.0	5.2	-55.4	-13.0	-4.4	1.11			
309	FICDX	Canada	1.50%/90 days	38.37	Hold	-24.2	-37.5	35.0	-42.1	2.4	11.0	1.11			
352	FHKCX	China Region	1.50%/90 days	16.69	OK to Sell	-18.9	-46.5	46.3	-53.8	3.8	6.2	1.22			
325	FDIVX	Diversified International (closed)	1.00%/30 days	21.96	OK to Buy	-23.0	-45.0	16.0	-48.0	-5.2	3.7	1.03			
2053	FEMEX	Emerging Europe, MidEast, Africa	1.50%/90 days	4.76	Sell	-30.0	-53.1p	--	--	--	--	--			
322	FEMKX	Emerging Markets	1.50%/90 days	13.71	OK to Buy	-31.9	-59.5	45.1	-61.8	-2.4	8.7	1.28			
301	FIEUX	Europe	1.00%/30 days	23.58	OK to Buy	-19.3	-44.1	16.4	-46.0	-4.1	6.5	0.98			
341	FECAX	Europe Capital App	1.00%/30 days	14.28	OK to Buy	-22.0	-46.3	14.8	-48.5	-3.4	4.4	1.03			
334	FGBLX	Global Balanced	1.00%/30 days	16.95	Hold	-11.5	-24.6	13.8	-26.9	0.6	5.2	0.51			
2010	FIENX	International Enchanted Index	1.00%/30 days	5.67	Hold	-21.4	-44.6	--	--	--	--	--			
305	FIGRX	International Discovery	1.00%/30 days	23.88	Buy	-20.3	-44.6	19.0	-47.5	-3.7	5.0	0.99			
1979	FIGFX	International Growth	1.00%/30 days	5.47	Hold	-19.9	-42.8	-2.8p	-44.4	--	--	--			
818	FISMX	Int'l Small Cap (closed)	2.00%/90 days	12.03	Hold	-25.0	-47.9	13.2	-53.3	-9.0	3.9	0.82			
1504	FSCOX	Int'l Small Cap Opportunities	2.00%/90 days	6.28	Hold	-31.2	-56.4	3.0	-62.9	-12.0	--	1.25			
1597	FIVLX	International Value	1.00%/30 days	5.95	Buy	-24.7	-47.9	9.5	-51.3	--	--	1.07			
350	FJPNX	Japan	1.50%/90 days	9.04	Hold	-16.9	-37.0	-2.7	-41.8	-10.8	-1.0	1.04			
360	FJSCX	Japan Smaller Cos (closed)	1.50%/90 days	6.99	Sell	-14.2	-36.6	-12.4	-43.6	-18.4	-5.5	0.75			
349	FLATX	Latin America	1.50%/90 days	28.69	Hold	-34.0	-53.7	43.7	-56.2	2.3	19.4	1.75			
342	FNORX	Nordic	1.50%/90 days	20.72	OK to Buy	-26.2	-54.3	23.2	-57.4	-6.6	5.6	1.20			
94	FOSFX	Overseas	1.00%/30 days	25.45	Hold	-22.0	-47.4	21.8	-50.8	-4.7	2.6	1.07			
302	FPBFX	Pacific Basin	1.50%/90 days	12.84	Hold	-27.0	-57.5	25.2	-61.0	-10.3	-0.6	1.02			
351	FSEAX	Southeast Asia	1.50%/90 days	18.49	OK to Sell	-21.7	-53.4	55.4	-59.7	5.2	10.1	1.08			
399	FSIIX	Spartan Int'l Index <sup>4</sup>	1.00%/90 days	27.14	Hold	-20.6	-42.6	10.7	-46.1	-4.9	3.8	1.03			
1978	FTIEX	Total International Equity	1.00%/30 days	4.91	Hold	-24.1	-48.0	-2.9p	-49.6	--	--	--			
318	FWWFX	Worldwide	1.00%/30 days	13.41	Hold	-17.0	-37.2	18.5	-40.6	-1.7	3.6	0.97			
<b>SELECT PORTFOLIOS</b>						<b>Category Averages</b>			<b>-19.9</b>	<b>-38.3</b>	<b>11.3</b>	<b>-42.2</b>	<b>-6.9</b>	<b>0.9</b>	<b>1.2</b>
34	FSAIX	Air Transportation	0.75%/30 days	26.48	Hold↑	2.4	-31.5	-1.9	-40.9	-3.1	2.5	1.37			
502	FSAVX	Automotive	0.75%/30 days	16.19	OK to Sell	-38.3	-56.7	0.0	-64.5	-19.7	-11.0	1.26			
507	FSRBX	Banking	0.75%/30 days	17.98	Buy↑	-4.7	-26.1	-21.2	-35.5	-12.1	-5.1	1.79			
42	FBIOX	Biotechnology	0.75%/30 days	59.56	Buy	-9.4	-10.7	2.7	-18.7	0.8	3.9	0.90			
68	FSLBX	Brokerage & Investment	0.75%/30 days	35.02	Hold	-24.3	-45.4	-0.2	-48.7	-10.4	0.0	1.39			
69	FSCHX	Chemicals	0.75%/30 days	55.98	Hold↑	-18.6	-32.3	28.4	-33.6	2.6	9.2	1.29			
518	FSDCX	Communications Equipment	0.75%/30 days	12.88	Hold	-22.5	-42.7	9.8	-50.3	-12.0	-4.8	1.10			
7	FDCPX	Computers	0.75%/30 days	29.11	Hold↓	-16.7	-39.8	22.4	-44.9	-5.0	-4.1	1.02			
511	FSHOX	Construction & Housing	0.75%/30 days	23.69	Hold	-20.5	-28.1	-13.9	-35.2	-11.0	-0.5	1.38			
517	FSCPX	Consumer Discretionary	0.75%/30 days	14.48	OK to Buy	-18.3	-31.1	-8.3	-37.9	-9.3	-3.7	1.05			
9	FDFAX	Consumer Staples	0.75%/30 days	50.27	Buy↑	-15.3	-24.4	21.5	-24.1	4.1	7.2	0.69			
67	FSDAX	Defense & Aerospace	0.75%/30 days	52.20	OK to Sell	-14.4	-37.1	17.8	-40.6	-1.5	6.7	0.94			
8	FSELX	Electronics	0.75%/30 days	25.85	Hold	-16.7	-43.3	4.7	-48.1	-12.7	-8.5	1.10			
60	FSENX	Energy	0.75%/30 days	34.60	Buy	-26.7	-47.1	45.5	-45.0	-2.7	14.9	1.77			
43	FSESX	Energy Service	0.75%/30 days	46.58	Buy	-36.1	-52.2	55.2	-51.2	-4.3	13.0	1.69			
516	FSLEX	Environmental	0.75%/30 days	13.36	Hold	-17.3	-31.0	12.4	-32.1	-3.7	1.1	0.98			
66	FIDSX	Financial Services	0.75%/30 days	54.51	Hold↑	-17.6	-42.9	-13.6	-49.1	-15.4	-6.4	1.54			
41	FSAGX	Gold	0.75%/30 days	20.06	Hold	-35.3	-49.5	24.9	-53.8	-0.5	1.3	1.66			
63	FSPHX	Health Care	0.75%/30 days	81.93	Buy	-17.4	-31.9	12.5	-33.5	-5.6	1.8	0.76			
98	FSVLX	Home Finance	0.75%/30 days	12.65	Sell	-12.1	-55.4	-38.0	-63.5	-31.2	-19.2	1.89			
510	FSCGX	Industrial Equipment	0.75%/30 days	19.48	Hold	-26.0	-44.9	23.2	-45.5	-4.9	1.8	1.04			
515	FCYIX	Industrials	0.75%/30 days	13.61	Hold	-23.3	-38.6	17.7	-40.8	-3.7	5.0	0.99			
45	FSPCX	Insurance	0.75%/30 days	31.23	OK to Sell	-22.4	-50.4	-4.4	-52.8	-17.9	-6.3	1.42			
353	FBSOX	IT Services	0.75%/30 days	11.52	Hold	-21.7	-31.1	11.5	-33.6	-2.3	2.6	0.99			
62	FDLSX	Leisure	0.75%/30 days	52.03	Hold	-15.1	-32.1	4.2	-37.7	-4.0	1.3	0.99			
509	FSDPX	Materials	0.75%/30 days	32.46	Hold	-26.1	-44.5	29.2	-46.1	-2.1	4.8	1.32			
505	FSHCX	Medical Delivery	0.75%/30 days	28.62	OK to Buy↑	-22.9	-45.1	16.9	-43.4	-12.7	6.2	0.92			
354	FSMEX	Medical Equipment	0.75%/30 days	20.31	Buy	-18.1	-15.7	17.9	-15.4	2.1	6.7	0.73			
503	FBMPX	Multimedia	0.75%/30 days	23.34	OK to Sell	-20.7	-36.3	-9.3	-41.6	-11.4	-5.0	1.05			
513	FSNGX	Natural Gas	0.75%/30 days	24.53	Buy	-26.8	-47.3	40.9	-47.0	-6.4	12.8	1.82			
514	FNARX	Natural Resources	0.75%/30 days	20.49	OK to Buy	-28.5	-48.2	50.1	-46.8	-0.1	13.7	1.70			
912	FNINX	Networking & Infrastructure	0.75%/30 days	1.33	OK to Buy	-22.2	-46.4	0.4	-54.9	-16.2	-10.8	1.08			
506	FSPFX	Paper & Forest	0.75%/30 days	17.75	Hold	-31.6	-43.3	0.8	-47.5	-9.6	-6.7	1.17			
580	FPHAX	Pharmaceuticals	0.75%/30 days	8.75	OK to Buy	-11.0	-24.2	13.4	-25.8	0.1	3.2	0.75			
46	FSRPX	Retailing	0.75%/30 days	29.92	Hold	-16.8	-26.9	-8.0	-32.9	-6.5	-0.5	1.11			
28	FSCSX	Software & Computer Svcs	0.75%/30 days	50.34	Hold	-15.1	-38.0	23.9	-40.7	-1.3	1.5	1.11			
64	FSPTX	Technology	0.75%/30 days	43.74	Hold	-20.5	-46.2	19.8	-52.2	-10.1	-6.0	1.14			
96	FSTCX	Telecommunications	0.75%/30 days	25.85	OK to Sell	-25.8	-50.2	8.2	-55.0	-10.7	-2.1	1.22			
512	FSRFX	Transportation	0.75%/30 days	36.64	Hold	-8.9	-17.5	-0.6	-26.8	-1.1	5.4	1.10			
65	FSUTX	Utilities Growth	0.75%/30 days	40.30	Hold	-12.3	-37.3	18.1	-38.0	-0.6	6.5	0.97			
963	FWRLX	Wireless	0.75%/30 days	4.53	Hold	-21.6	-47.6	27.5	-53.1	-8.7	5.0	1.20			

## FIDELITY SCORECARD - OCTOBER 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						
						Oct	YTD	2007									
<b>TAXABLE BOND FUNDS</b>						<b>Category Averages</b>			<b>-2.4</b>	<b>-1.8</b>	<b>5.1</b>	<b>4.9</b>	<b>4.23</b>				
15	FGMNX	Ginnie Mae		10.71	OK to Buy	-1.3	2.0	6.8	4.3	4.95							
54	FGOVX	Government Income		10.27	OK to Buy	-0.8	3.1	7.9	4.7	3.88							
794	FINPX	Inflation-Protected Bond <sup>5</sup>		9.94	Hold↓	-8.4	-8.1	9.1	11.3	2.61							
32	FTHRXX	Intermediate Bond		9.06	OK to Buy	-4.2	-7.4	4.0	3.9	6.13							
452	FSTGX	Intermediate Gov't Income		10.40	Buy	0.2	4.1	7.9	3.1	3.01							
26	FBNDX	Investment Grade Bond		6.30	Buy↑	-5.3	-8.9	2.6	4.7	6.28							
40	FMSFX	Mortgage Securities		9.88	OK to Buy↑	-1.7	-1.5	-0.4	4.0	5.50							
450	FSHBX	Short-Term Bond		8.11	OK to Sell	-1.2	-2.5	1.7		4.33							
1561	FIBIX	Sptn Interm Treas Index <sup>5</sup>		10.43	OK to Buy	-0.7	4.4	10.1	3.5	3.29							
1562	FLBIX	Sptn Lng-Term Treas Index <sup>5</sup>		10.01	OK to Buy	-3.1	1.2	9.5		4.24							
1560	FSBIX	Sptn Sht-Term Treas Index <sup>5</sup>		10.55	Buy	1.3	5.5	7.9	1.5	1.70							
820	FTBFX	Total Bond		9.06	Hold↓	-5.6	-7.9	4.2	6.5	6.81							
651	FBIDX	U.S. Bond Index		10.26	Hold	-2.4	-2.2	5.4	6.2	4.91							
812	FUSFX	Ultra-Short Bond	0.25%/60 days	8.20	Hold	0.0	-7.1	-5.1		1.54							
<b>HIGH-YIELD BOND FUNDS</b>						<b>Category Averages</b>			<b>-14.1</b>	<b>-19.7</b>	<b>3.8</b>	<b>11.14</b>					
38	FAGIX	Capital & Income	1.00%/90 days	6.12	OK to Buy↑	-15.7	-25.4	3.8	--	12.14							
814	FFRHX	Floating Rate High Income	1.00%/60 days	8.00	OK to Buy	-9.2	-12.9	2.7	--	9.76							
1366	FHIFX	Focused High Income	1.00%/90 days	7.43	Buy	-14.7	-20.6	3.1	--	11.99							
455	SPHIX	High Income	1.00%/90 days	6.40	Buy	-15.1	-20.8	2.4	--	13.75							
331	FNMIXX	New Markets Income	1.00%/90 days	10.51	Hold	-19.3	-24.6	5.7	--	11.41							
368	FSICX	Strategic Income		8.61	Buy	-10.5	-13.7	5.4	--	7.77							
<b>MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>-1.0</b>	<b>-2.3</b>	<b>3.7</b>	<b>7.0</b>	<b>4.29</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
36	FLTMX	Interm Municipal Income	0.50%/30 days	9.56	Buy	-0.7	-0.9	4.0	5.2	4.13	5.5	5.7	6.2	6.4			
37	FHIGX	Municipal Income	0.50%/30 days	11.50	OK to Buy	-1.7	-5.2	3.1	8.0	4.84	6.5	6.7	7.2	7.4			
404	FSTFX	Short-Int Municipal Income	0.50%/30 days	10.21	Buy	-0.1	1.7	4.4		3.32	4.4	4.6	5.0	5.1			
90	FTABX	Tax-Free Bond	0.50%/30 days	9.85	OK to Buy	-1.4	-4.6	3.2	7.9	4.87	6.5	6.8	7.3	7.5			
<b>STATE-SPECIFIC MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>-0.8</b>	<b>-3.3</b>	<b>3.4</b>	<b>6.3</b>	<b>4.40</b>				
434	FSAZX	Arizona Muni Income	0.50%/30 days	10.28	OK to Buy	-1.1	-5.2	2.6		4.69	6.3	6.5	7.0	7.2			
91	FCFTX	California Muni Income	0.50%/30 days	11.12	OK to Buy	-1.7	-5.2	2.9	7.6	4.66	6.2	6.5	7.0	7.2			
1534	F CSTX	Calif Short-Interm Tax Free	0.50%/30 days	10.05	OK to Buy	0.0	1.7	4.3	8.3	3.36	4.5	4.7	5.0	5.2			
407	FICNX	Connecticut Muni Income	0.50%/30 days	10.65	OK to Buy	-0.3	-2.5	3.8	4.4	4.36	5.8	6.1	6.5	6.7			
429	SMDMX	Maryland Muni Income	0.50%/30 days	9.94	OK to Buy	-1.7	-4.6	3.0		4.55	6.1	6.3	6.8	7.0			
70	FDMMX	Mass Muni Income	0.50%/30 days	10.84	OK to Buy	-1.5	-4.7	3.3	7.5	4.58	6.1	6.4	6.8	7.0			
81	FMHTX	Michigan Muni Income	0.50%/30 days	11.12	Hold	0.0	-2.2	3.7	6.4	4.22	5.6	5.9	6.3	6.5			
82	FIMIX	Minnesota Muni Income	0.50%/30 days	10.60	OK to Buy	-0.7	-2.2	3.2	6.4	4.24	5.7	5.9	6.3	6.5			
416	FNJHX	New Jersey Muni Income	0.50%/30 days	10.67	OK to Buy	-0.9	-4.0	3.7		4.52	6.0	6.3	6.7	7.0			
71	FTFMX	New York Muni Income	0.50%/30 days	11.80	OK to Buy	-0.7	-4.0	3.3	8.2	4.71	6.3	6.5	7.0	7.2			
88	FOHFX	Ohio Muni Income	0.50%/30 days	10.67	OK to Buy	-0.8	-4.1	3.6	7.7	4.51	6.0	6.3	6.7	6.9			
402	FPXTX	Pennsylvania Muni Income	0.50%/30 days	10.15	OK to Buy	0.4	-2.2	3.9	0.1	4.35	5.8	6.0	6.5	6.7			
<b>TAXABLE MONEY MARKET</b>						<b>Category Averages</b>			<b>0.2</b>	<b>2.2</b>	<b>4.9</b>	<b>2.38</b>					
55	FDRXX	Cash Reserves		1.00	--	0.24	2.50	5.06	na	3.00							
631	FGMXX	Retirement Government MM		1.00	--	0.16	2.09	4.93	na	2.05							
630	FRTXX	Retirement MM		1.00	--	0.26	2.48	5.12	na	3.28							
458	SPAXX	Government MM		1.00	--	0.14	2.07	4.90	na	1.91							
454	SPRXX	Money Market		1.00	--	0.26	2.50	5.09	na	3.13							
85	FSLXX	Select MM		1.00	--	0.24	2.56	5.14	na	2.98							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.16	2.19	4.97	na	2.03							
415	F DLXX	US Treasury MM		1.00	--	0.05	1.40	4.38	na	0.62							
<b>MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.2</b>	<b>1.7</b>	<b>3.4</b>	<b>1.11</b>					
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.18	1.72	3.43	na	1.14	1.5	1.6	1.7	1.8			
10	FTEXX	Municipal Money Market		1.00	--	0.21	1.78	3.34	na	1.30	1.7	1.8	1.9	2.0			
275	FMOXX	Tax-Free Money Market		1.00	--	0.16	1.61	3.30	na	0.88	1.2	1.2	1.3	1.4			
<b>STATE MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.2</b>	<b>1.7</b>	<b>3.3</b>	<b>1.11</b>					
433	FSAXX	Arizona		1.00	--	0.20	1.65	3.26	na	1.22	1.6	1.7	1.8	1.9			
457	FSPXX	California AMT Tax-Free		1.00	--	0.19	1.75	3.39	na	1.07	1.4	1.5	1.6	1.6			
97	FCFX	California		1.00	--	0.18	1.60	3.20	na	0.98	1.3	1.4	1.5	1.5			
418	FCMXX	Connecticut		1.00	--	0.16	1.64	3.25	na	0.81	1.1	1.1	1.2	1.2			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.21	1.73	3.39	na	1.27	1.7	1.8	1.9	2.0			
74	FDMXX	Massachusetts		1.00	--	0.18	1.59	3.20	na	0.95	1.3	1.3	1.4	1.5			
420	FMIXX	Michigan		1.00	--	0.19	1.62	3.21	na	0.91	1.2	1.3	1.4	1.4			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.19	1.75	3.41	na	1.29	1.7	1.8	1.9	2.0			
417	FNJXX	New Jersey		1.00	--	0.16	1.58	3.23	na	0.83	1.1	1.2	1.2	1.3			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.21	1.73	3.39	na	1.23	1.6	1.7	1.8	1.9			
92	FNYXX	New York		1.00	--	0.21	1.58	3.22	na	1.23	1.6	1.7	1.8	1.9			
419	FOMXX	Ohio		1.00	--	0.19	1.64	3.22	na	1.24	1.7	1.7	1.9	1.9			
401	FPTXX	Pennsylvania		1.00	--	0.22	1.74	3.25	na	1.40	1.9	1.9	2.1	2.2			

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

## FIDELITY SCORECARD - OCTOBER 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>
						Oct	YTD	2007	1 Year	3 Year	5 Year	
<b>FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS</b>												
9077	FQBRC	Fid VIP Aggressive Growth		7.04	Hold↓	-19.7	-46.0	17.1	-50.4	-10.4	--	0.99
9067	FLRQC	Fid VIP Asset Manager		9.13	Hold	-13.3	-27.4	15.1	-28.6	-2.7	0.1	0.64
9066	FAEEC	Fid VIP Asset Manager: Growth		8.60	Hold	-16.5	-33.4	18.5	-35.1	-4.5	-0.8	0.86
9069	FJBAC	Fid VIP Balanced		8.59	OK to Sell	-15.8	-31.8	8.6	-34.3	-4.7	-1.5	0.70
9081	FVHAC	Fid VIP Consumer Discretionary	1.00%/60 days	7.17	OK to Buy↑	-17.8	-30.6	-8.5	-37.5	-9.4	-4.1	1.08
9171	FCSAC	Fid VIP Consumer Staples	1.00%/60 days	8.47	Buy	-14.7	-23.8	11.6p	-23.6	--	--	0.67
9065	FPDFC	Fid VIP Contrafund		8.48	Hold	-18.3	-39.1	17.2	-41.4	-5.8	1.9	0.97
9148	FPRGC	Fid VIP Disciplined Small Cap		7.06	Buy	-18.4	-28.5	-2.7	-40.8	-3.6	4.9	1.10
9074	FZAMC	Fid VIP Dynamic Capital App		8.12	OK to Buy	-16.5	-38.6	6.6	-34.1	--	--	1.06
9198	FEMAC	Fid VIP Emerging Markets	1.00%/60 days	4.59	Buy	-29.7	-54.1	--	-44.8	-7.7	-1.2	--
9085	FJLLC	Fid VIP Energy	1.00%/60 days	9.75	Buy	-26.7	-47.3	45.5	--	--	--	1.74
9061	FLOLC	Fid VIP Equity-Income		7.61	Buy	-19.0	-38.7	1.1	-42.6	-8.2	-1.4	1.10
9083	FONNC	Fid VIP Financial Services	1.00%/60 days	6.09	Hold↑	-18.1	-43.0	-13.8	-49.3	-15.7	-6.8	1.57
9157	FMPAC	Fid VIP FundsManager 20		9.92	Hold	-4.9	-10.3	5.8	-24.8	-2.2	--	0.17
9158	FMPBC	Fid VIP FundsManager 50		8.74	Hold	-10.5	-22.7	6.8	-25.9	-2.5	--	0.45
9197	FMPPC	Fid VIP FundsManager 60		7.55	Hold	-12.6	-24.5	--	-28.0	-2.6	--	--
9159	FMPCC	Fid VIP FundsManager 70		7.95	Hold	-14.3	-30.7	7.5	-33.1	-4.0	--	0.67
9160	FMPDC	Fid VIP FundsManager 85		7.40	Hold	-17.1	-36.2	8.4	-34.5	-4.3	--	0.84
9062	FMNDC	Fid VIP Growth		8.12	Buy	-18.6	-41.3	26.5	-38.1	-5.3	--	0.94
9070	FLFNC	Fid VIP Growth & Income		8.38	Hold	-17.6	-36.6	11.8	-11.2	0.6	--	0.98
9068	FIDPC	Fid VIP Growth Opportunities		6.86	OK to Sell	-17.0	-49.9	22.7	-10.7	--	--	1.33
9078	FPVDC	Fid VIP Growth Stock		7.50	OK to Buy	-18.7	-40.9	22.1	-24.5	--	--	1.02
9084	FPDRC	Fid VIP Health Care	1.00%/60 days	8.21	Buy	-17.3	-32.0	9.7	--	--	--	0.74
9060	FBBLC	Fid VIP High Income		8.96	Buy↑	-16.2	-22.0	2.3	-33.5	--	--	0.22
9064	FXVLT	Fid VIP Index 500		8.28	Hold	-16.8	-33.0	5.2	-39.4	--	--	0.99
9082	FBALC	Fid VIP Industrials	1.00%/60 days	11.34	Hold	-14.3	0.0	17.8	-44.0	-6.2	-2.5	1.02
9076	FVJIC	Fid VIP Int'l Capital App	1.00%/60 days	6.29	Hold	-26.0	-51.1	4.8	-39.1	-6.1	-1.6	1.06
9090	FBKQT	Fid VIP Investor Freedom 2005		9.32	Hold	-11.4	-23.2	8.3	-53.0	-12.0	-4.9	0.44
9091	FCRJT	Fid VIP Investor Freedom 2010		9.20	Hold	-12.0	-24.2	8.4	-43.9	-8.6	--	0.46
9092	FTCMT	Fid VIP Investor Freedom 2015		9.20	Hold	-12.7	-26.1	9.0	-33.7	-6.2	1.2	0.51
9093	FTEMT	Fid VIP Investor Freedom 2020		8.79	Hold	-15.3	-30.8	9.9	-22.8	-3.5	0.2	0.63
9094	FVIIT	Fid VIP Investor Freedom 2025		8.71	Hold	-15.9	-32.1	10.1	-36.3	-5.6	-0.4	0.67
9095	FXJLT	Fid VIP Investor Freedom 2030		8.44	Hold	-17.6	-35.4	11.0	-55.4	-13.6	--	0.78
9089	FBXOT	Fid VIP Investor Freedom Income		10.18	Hold	-5.9	-11.0	5.8	-5.2	0.7	1.4	0.18
9063	FTLKC	Fid VIP Investment Grade Bond		10.17	Buy	-4.5	-6.6	4.0	-45.5	--	--	0.20
9172	FVMAC	Fid VIP Materials	1.00%/60 days	6.39	Hold	-26.2	-43.9	14.7p	-41.0	-4.8	4.6	1.29
9071	FNBSA	Fid VIP Mid Cap		8.59	Buy	-21.4	-37.8	15.2	3.2	4.0	2.8	0.88
9059	FTNJC	Fid VIP Money Market		11.37	--	0.2	2.4	4.9	-45.2	-1.5	12.6	0.01
9088	FEMMC	Fid VIP Overseas	1.00%/60 days	8.63	Hold	-20.0	-43.4	16.9	-46.2	-4.6	--	1.00
9072	FFWKC	Fid VIP Real Estate		7.76	Sell	-33.1	-33.5	-18.0	-42.9	-7.7	3.7	1.55
9075	FGDQC	Fid VIP Strategic Income		9.91	Buy	-10.2	-13.3	5.3	-13.1	-0.2	--	0.15
9086	FYENC	Fid VIP Technology	1.00%/60 days	7.17	Hold	-20.4	-46.3	14.9	-52.4	-11.0	-6.1	1.20
9173	FVTAC	Fid VIP Telecommunications	1.00%/60 days	4.93	OK to Sell	-25.2	-50.3	-1.1p	-55.1	--	--	1.21
9087	FXRRR	Fid VIP Utilities	1.00%/60 days	9.94	Hold	-12.6	-37.1	20.2	-37.5	0.2	6.9	0.94
9079	FKMSC	Fid VIP Value		6.96	Buy	-25.4	-41.7	1.7	-46.4	-11.0	--	1.07
9080	FUEBC	Fid VIP Value Leaders		7.40	Buy	-19.5	-40.6	4.2	-44.0	-9.3	--	1.15
9073	FRBSC	Fid VIP Value Strategies		6.65	Hold	-27.9	-46.9	5.3	-51.3	-11.2	-5.2	1.15
9199	FCIFC	Credit Suisse Int'l Focus		5.99	OK to Sell	-20.7	-40.1	--	--	--	--	--
9147	FPRLC	Lazard Retirement Emerging Mkts		7.73	Hold	-29.4	-47.5	33.3	-49.6	--	--	1.06
9143	FPRMC	Morgan Stanley Emerg Mkt Debt		9.05	Hold	-15.5	-21.4	6.3	-21.9	-1.8	3.2	0.28
9144	FPRNC	Morgan Stanley Emerg Mkt Equity		6.92	OK to Buy	-28.6	-55.9	40.1	-59.7	-1.5	8.4	1.21
9145	FPROC	Morgan Stanley Gbl Value Equity		7.31	OK to Buy	-16.3	-38.1	6.4	-40.8	-6.2	0.5	0.92
9146	FPRPC	Morgan Stanley Int'l Magnum		6.80	Buy	-22.6	-45.7	14.3	-48.6	-6.4	1.6	0.96
9174	FMCCC	Strategic Advisors Mid Cap Value		6.26	Hold	-20.6	-33.3	-6.3p	-36.9	--	--	0.99
9175	FSCCC	Strategic Advisors Small Cap		6.10	Hold	-21.7	-33.6	-8.5p	-38.8	--	--	1.07

Annuity Growth Model	
Fund	Allocation
Fidelity VIP Strategic Income	32%
Fidelity VIP Growth	26
Fidelity VIP Value Leaders	25
Morgan Stanley Int'l Magnum	5
Fidelity VIP Equity-Income	6
Fidelity VIP Health Care	6
<b>Total Return: Oct: -16.5% YTD: -33.5%</b>	

Annuity Growth & Income Model	
Fund	Allocation
Fidelity VIP Investment Grade	31%
Fidelity VIP Strategic Income	25
Fidelity VIP Growth	24
Fidelity VIP Value Leaders	16
Fidelity VIP Equity-Income	4
<b>Total Return: Oct: -12.8% YTD: -27.0%</b>	

Annuity Income & Preservation Model	
Fund	Allocation
Fidelity VIP Investment Grade	34%
Fidelity VIP Money Market	26
Fidelity VIP Strategic Income	17
Fidelity VIP Value Leaders	12
Fidelity VIP Growth	11
<b>Total Return: Oct: -8.3% YTD: -17.3%</b>	

## October: The Great Market Selloff

October was the worst month to own U.S. stock funds since “Black Monday” struck 21 years ago. It was also a bad month to own foreign stock funds (especially those with emerging market exposures), commodity funds, real estate funds, and many bond funds. In short, there was nary a place for investors to hide except for money market funds. And many investors didn’t even want to own those as concern about their safety unnecessarily spread.

As for October, the Dow fell 13.9%. But with that index swinging an average of 600 points every day, the volatility was gut-wrenching and only added to investors’ overall fear.

For its part, the broader S&P 500 retreated 16.8% in October, the small-cap Russell 2000 fell 20.8% and the tech-rich Nasdaq Composite declined 17.7%.

### Stock Funds

If not for a late-month rally that moved many funds higher by 10% or more, October would have been even harsher on Fidelity’s funds.

With major equity indexes down between 14-21% last month, all of Fidelity’s equity funds followed suit. Their average domestic equity fund fell 19.6% in October.

Larger-cap funds held a performance edge over smaller-cap funds, but there was far less disparity between growth and value funds. Given dramatically different market exposures, fund declines ranged from as “little” as 12.7% for **Focused Stock**, to as much as 28.0% for **Value Strategies**.

Among large-cap funds, **Contrafund** and **Mega Cap Stock** declined 15.8% and 15.9%, respectively. **Capital Appreciation** fell 16.2% and **OTC** fell 16.9%, while **Growth Company** (down 17.1%) felt the effects of falling prices in technology, health care and financials.

More value-oriented large-cap funds suffered from some of these same sector exposures, but many were also hurt by energy stocks, which fell in tandem with oil. **Equity-Income** and **Large-Cap Value**, for example, were off 18.2% and 18.4%, respectively. And while **Leveraged Company Stock** is a mid-cap fund blend fund, its 40% stake in energy backfired, sending it down 26.5% for the month.

Elsewhere, **Small Cap Stock** (down 23.9%), **Small Cap Independence** (down 23.0%) and **Small Cap Growth** (down 23.6%) were each hobbled by the perception that smaller companies will suffer more than larger companies since they may have less access to credit and could be hurt more in a recessionary environment.

Among Fidelity’s more widely owned funds, **Blue Chip Growth** fell 18.8% in October, **Dividend Growth** retreated 21.9%, **Growth & Income** was down 20.0%, **Low-Priced Stock** declined 20.0%, **Magellan** lost 21.6% and **Value** was off 25.4%.

### Foreign Stocks Funds

The U.S. dollar gained substantial ground (over 8%) against most major currencies last month. This occurred as Europe and Japan raced to catch up with America in terms of central bank interventions to address the global credit crisis. The downside of the greenback’s strengthening is that it creates a formidable headwind for Fidelity’s unhedged foreign stock funds.

While **Spartan International Index** lost 20.6% in October (the fund is a proxy for EAFE, a widely accepted benchmark for foreign stock performance), **Diversified International** was down 23.0% and **International Discovery** lost 20.3%. Meanwhile **Europe** fund was off 19.3% and **Japan** fund fell 16.9%.

As tough as these losses were, some of the more risky developing markets were very hard hit. **Latin America** fund fell 34.0%, **Emerging Markets** dropped 31.9%.

### Select Funds

Only one Select fund was in the black last month (**Air Transport** up 2.4%). Funds that might typically be considered safe havens in a selloff (such as **Select Gold**, which fell 35.3%), were not. And funds that might be thought of as comparatively better places to be in a recession did fare better, but were still hurt. Indeed, **Health Care** (down 17.4%) and **Consumer Staples** (down 15.3%) were taken down more than a few notches.

Still, the hardest hit area overall were natural resource funds. With crude futures shedding about a third of their value last month, **Energy Service** and **Energy** dropped 36.1% and 26.7%, respectively.

Among financial-oriented funds, there were some surprises. **Banking**, for example, lost a fairly tame 4.7%. Not only did easing concerns about the credit crisis seem to help (comparatively speaking), but the sub-prime mortgage crisis didn’t appear to worsen. Likewise, **Home Finance** “only” lost 12.1% in October, but **Brokerage & Investment** and **Insurance** retreated 24.3% and 22.4%, respectively.

### Fixed Income Funds

With an eye on the slowing economy, inflation concerns eased, sending **Inflation-Protected Bond** down 8.4% for the month. While there were fewer worries about mortgage bonds (thanks to the government’s support), investors still embraced the more secure government-heavy funds. So **Spartan Short-Term Treasury Index** fund gained 1.3%, **Government Income** slipped only 0.8%, but **Investment Grade Bond** (which mostly holds corporate debt) fell 5.3%.

With investors fleeing stocks, in the first 22 days of October, a staggering \$137 billion poured into the country’s money market mutual funds! Cash Reserves yield now stands at 2.99%, up from 2.53% a month ago. With the Fed cutting rates 50 basis points in late in October, look for money fund yields to fall in the weeks ahead. ■

**TAX STRATEGIES**

## Distributions Appear Light For Year-End

Score this one as definitely falling into the “silver lining” department ...

After several prior years of strong market returns, 2008’s declines are so severe that most funds’ unrealized capital gains have been wiped clear by losses. In fact, among roughly 200 retail Fidelity funds, only a handful (see table) are expected to have year-end distributions of 2% or more. Seventy-two funds are not expected to distribute anything at all.

(In the table, model portfolio funds are shown in **bold**.)

We generally don’t recommend putting tax considerations ahead of investment decisions, but if you’re planning to buy a fund in a taxable account, you should still be wary of

Members will find a complete list of Fidelity fund distributions, ex-dates, pay dates and other important details on [www.fidelityinsight.com](http://www.fidelityinsight.com)

buying it just prior to a distribution. Our rule of thumb is this: **if the percentage distribution is more than the number of weeks before it goes ex-dividend, hold off buying the fund until after its ex-date.** (If your funds are in a tax-deferred account, such as an IRA or 401(k), these distributions are not an issue.)

For example, based on its Oct. 27 NAV, **Strategic Real Return** is expected to have a distribution of 6.5% and there are less than six weeks until its Dec. 12 “ex-date.” If you buy it now, you’ll receive a 6.5% distribution on its pay date of Dec. 22 (not shown). But when the fund goes “ex”, the value of your shares will fall by the same 6.5% (not

Fund Distributions	Total \$ Per Share	Ex. Date	% of NAV as of 10/27
<b>Sel Energy</b>	\$2.85	12/12	10.7%
<b>Strategic Real Return</b>	0.49	12/19	6.5%
Nordic	0.97	12/5	5.4%
Pacific Basin	0.52	12/5	4.8%
Europe Capital Appreciation	0.51	12/5	4.2%
Latin America	0.90	12/5	4.0%
Sptn International Index	0.92	12/19	4.0%
Sptn Extended Market Index	0.82	12/19	3.9%
Aggressive International	0.21	12/5	3.5%
Sel Home Finance	0.36	12/12	3.3%
Europe	0.65	12/5	3.2%
Inflation-Protected Bond	0.31	12/19	3.1%
International Value	0.14	12/5	2.8%
Total International Equity	0.11	12/5	2.7%
Emerging Markets	0.28	12/5	2.6%
International Enhanced Index	0.12	12/12	2.5%
Asset Manager 70%	0.23	12/19	2.2%
Sel Banking	0.35	12/12	2.2%
Sel Financial Services	0.95	12/19	2.0%
Overseas	0.44	12/5	2.0%
Sel Brokerage & Inv	0.57	12/12	2.0%

counting market action) so you will gain nothing but a tax bill. So, if you are interested in buying that fund, our recommendation is to wait. ■

**TAXES**

## A Tax Swap Will Mitigate Some Pain

With all varieties of stock funds down considerably this year, and many of them also in negative territory during both 3- and 5-year periods (see *Scorecard*), there is a tax strategy we can suggest for dealing with unrealized losses: recognizing your loss through a tax swap.

The process is simple.

Exchange the fund you have a loss in for a similar fund. Now you can apply the loss you’ve recognized against any capital gains. After that, you can use your 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.** 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.

A few words of caution and advice: When executing a tax swap late in the year, be careful not to buy a distribution (see above).

For example, you don’t want to sell one fund only to purchase another that’s about to go “ex-dividend.” (If you plan to sell a fund to sidestep a distribution, this is also something to watch for!) Also, when swapping funds, trading into one with the same

investment style is not mandatory, but it makes the most sense to maintain the same market exposure. So, in the example below, we moved from one large-cap growth fund into another.

Another option is to swap into an index fund. While they also make distributions, they are typically small, reflecting changes made to the underlying index.

As is always the case, we recommend that members consult with a tax professional prior to making any moves. ■

### HOW A TAX SWAP WORKS

1. You bought 1,000 shares of **Magellan** at \$70 (total value = \$70,000).
2. You sell 1,000 shares of Magellan at \$50 per share (total loss of \$20,000).
3. With the proceeds of the sale, you purchase another *Buy* or *OK to Buy*-rated large-cap growth fund, such as **Blue Chip Growth**.
4. At tax time, you first apply your \$20,000 capital loss against any capital gains made elsewhere in your portfolio. Say your gains are \$5,000, giving you a net loss of \$15,000. You can then deduct up to \$3,000 of that loss from your ordinary income this year and carry the remaining \$12,000 loss forward into future years (when tax rates may be higher!).
5. If you wish, after at least 30 days, you can trade back into Magellan. ■

## Inside Fidelity

**Money Market Safety** — Owing partly to the government's intervention, Fidelity's money market funds remain extremely safe.

To help ease concerns that such funds may "break a buck," the Treasury created its "Temporary Guarantee Program," which Fidelity joined. **It insures shareholders that their money market assets are fully protected.** Unfortunately, only those monies that were in a money fund as of Sept. 18 are covered, while the insurance program itself is set to expire on Dec. 18. (Though the Treasury could extend the program.) Money market purchases made after Sept. 18, are not uninsured.

Between Fidelity's commitment to a stable \$1.00 NAV, the government's backing, and an improved commercial paper market, Fidelity's money funds are the least of our worries.

### DIVIDEND UPDATE

*As usual, Asset Mgr 20% and 30%, Freedom Income and Income Replacement, are expected to pay dividends and/or capital gains in November, but there are no other scheduled for this month. (See p. 11 for year-end distributions.) The final distributions for October were as follows:*

Fund	ex-date	Amt (\$)	NAV
Asset Mgr 20%	10/3	0.06	11.12
Asset Mgr 30%	10/3	0.04	8.40
Asset Mgr 40%	10/3	0.07	8.11
Asset Mgr 50%	10/3	0.13	12.34
Balanced	10/3	0.17	15.00
Convert Secs	10/3	0.15	18.31
Equity-Income	10/3	0.26	38.19
Equity-Inc II	10/3	0.08	16.28
Export & Multi	10/10	0.28	14.78
Fidelity	10/3	0.09	27.53
Growth & Inc	10/3	0.09	17.20
Strat Div & Inc	10/3	0.07	8.90
Strat Real	10/3	0.15	8.90
Utilities	10/3	0.12	14.24
Puritan	10/3	0.14	14.24
Total Bond	10/10	0.12	9.24

**Fund Reopening — Mid-Cap Stock** has reopened to new investors. Down 41.4% for the year through Oct. 31, its assets have fallen from \$15.2 billion at the start of the year to about \$9 billion today.

While many investors will surely greet this news with a yawn, this is certainly a signal from Fidelity that the fund has plenty of capacity for new investor dollars. Indeed, Manager Shep Perkins posted a strong performance during his three-year bull market tenure (2005-2007), and we'd expect him to fare well again once the wind turns to his back. We currently rate the fund a *Hold*.

**Manager Change** — Nicholas Price is the new co-portfolio manager of **Japan Smaller Companies**. He briefly joins Kenichi Mizushita on the fund; Kenichi is retiring next year. As such, Price will assume sole management responsibility on December 31.

Price has been investing in Japanese stocks since 1999. He joined Fidelity in 1993 as an analyst and has covered the retail, large banks, brokerage, consumer electronics and pharmaceutical sectors.

Down 34.6% for the year through Oct. 21, Japan Smaller Companies is closed to new investors, while we continue to rate the fund a *Sell*.

**New Funds** — Fidelity has introduced four new funds that you can't own directly. Its "Series" funds named **All-Sector Equity, Large Cap Value, Emerging Markets and Investment Grade Bond**, will only be used by Fidelity's **Freedom Funds**.

While most of the new funds will be managed in a near-identical fashion to their retail counterparts, Fidelity's Multi-Manager Group will run Series All-Sector Equity, which has no counterpart. The Multi-

Manager group, which also runs the equity portion of **Balanced**, is led by ex-**Magellan** manager Bob Stansky.

**Layoffs Looming?** — According to our sources, Fidelity is preparing to shed about 10-12% of its 45,000-strong workforce. This move wouldn't be surprising as assets have fallen by roughly a quarter trillion dollars in the past year. Most, if not all, of these cuts will occur outside its investment and research operations.

Several years ago, Fidelity doubled the size of its global equity research group, and invested \$100 million into this effort. Keep in mind that Fidelity is privately owned so there's less pressure on management to make quarterly earnings targets. Nevertheless, this is the time to focus on efficiencies and right-size the firm. ■

## Message To Members

This month's (almost) unprecedented decline in stock prices (amid some record daily moves higher), has unnerved millions of investors. It has forced folks to change their retirement plans, cut back on college savings programs, and make other sacrifices.

But as we look back at our market history, optimism for our financial markets has always been tied to our optimism for America itself.

In just a few days, we will elect a new president and perhaps remake Congress, too. We all have a sacred responsibility to participate in this process by voting and, in so doing, helping to write the next chapter in our nation's history.

Sincerely,



Eric M. Kobren  
ekobren@kobren.com



**Executive Editor:** Eric M. Kobren **Group Editor:** John G.F. Bonnazio **Publisher:** John M. Boyd

Fidelity Insight (ISSN 0892-2934) is published monthly for \$229 per year by the **Mutual Fund Investors Association, Inc.**

**Editorial Offices:** 20 William Street, Suite 200, Wellesley Hills, MA 02481.

All material presented is compiled from sources believed reliable, but accuracy cannot be guaranteed. Before buying any mutual fund, you should read its prospectus carefully. MFIA does not render legal or accounting advice. Copyright © 2008. Reproductions in whole or in part are prohibited except by permission. Postmaster: Send address changes to **Fidelity Insight**, P.O. Box 924104, Norcross, GA 30010.

**Editorial Questions:** fidoq&a@kobren.com **Subscription Questions:** memberservices@kobren.com or 1-800-444-MFIA **Hotline:** 781-235-1560