

Eric Kobren's www.fidelityinsight.com
FIDELITY INSIGHT
 THE INDEPENDENT REPORT ON FIDELITY FUNDS

OCTOBER 2008

VOLUME 24, NUMBER 10

ERIC'S OUTLOOK

Can It Get Any Worse? Yes, But We See Reasons For Optimism

We are living through the worst economic crisis since the Great Depression. In rapid succession; we witnessed the demise of Bear Stearns, Lehman Brothers, Fannie Mae and Freddie Mac. We observed the fire sale of Merrill Lynch, my first Wall Street employer. We saw the biggest bank failure in history, as the Feds turned Washington Mutual over to JP Morgan Chase. The credit markets basically came to a standstill threatening not only *Wall Street*, but *Main Street*, forcing the government to seek an unprecedented \$700 billion to buy troubled assets from our (remaining) financial institutions.



Eric M. Kobren

History will look back on 2008 as a watershed moment for our financial system. Much will be written about who is responsible for this mess; the government, with its ever increasing deficits and lack of oversight of key financial players; Fannie, Freddie and other financial institutions that promoted and issued mortgages to folks based on inflated home values with little or no money down; or American consumers who leveraged themselves to the hilt.

I try to avoid being political in *Fidelity Insight*, but I believe that the blame can be equally shared. And even though I still believe Congress will pass some version of a "rescue bill," I am also hopeful that the "mark-to-market"

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

INSIDE INSIGHT

Eric's Outlook	1
Members' Q&As	1
Model Portfolios	2
Model Portfolio Trades	3
Which Funds Should You Buy Now!	3
Muni Money Market Yields Skyrocket!	4
Scorecard	5
Scorecard Changes	5
Fund Commentary	10
Inside Fidelity/Dividend Update	12
Message To Members	12

MEMBERS' Q&AS

What You Need To Know About Fidelity And The Market Turmoil

Not surprisingly, we've been hearing a lot from our members given the extreme market volatility. One such measure of that volatility — our Special Hotline Updates issued when the Dow moves by 300 or more points — proves the point as we posted seven of them last month. During the week of Sept. 15, there were three Specials.

All this tumult has everyone on edge, so I hope that our "hand-holding" has been helpful. Notably, during that particularly turbulent week, stocks actually finished almost exactly where they began! So we were satisfied to have encouraged members to sit tight, rather than attempt some quick, high-risk trades or throw everything into cash.

In hindsight, of course, it would have been wonderful to have been 100% in cash for the past year. But we're not that smart. On the other hand, we're beginning to see the smoke clear, and we plan to be *both* opportunistic and careful. Certain areas of the market are getting inexpensive in relative and absolute terms. We are not calling a bottom, but we're willing to take measured risks. With that in mind, here are my answers to the most common questions I am hearing from members.

Q: *Is my money "safe" at Fidelity?*

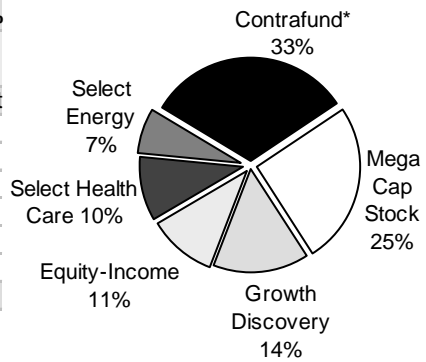
A: Fidelity is the largest fund company in the world and its size has advantages in terms of market clout, research depth and even the capital to protect its money market funds. It also doesn't hurt that Fidelity is privately owned and that its principal owner, Ned Johnson, could well step in to shore up his company's funds.

Apart from that, Fidelity brokerage accounts are SIPC insured up to \$500,000 per account and, in certain instances, have far greater protection through insurer CAPCO. **These entities do not protect your investments from market action.** Rather, they mitigate the risk of losing your assets in the unlikely event that the broker-dealer holding your funds becomes insolvent. Finally, all fund companies have concrete legal barriers between their shareholders' assets and the firm's. Still, every penny in a Fidelity fund is prone to market risk, meaning that you can lose money.

Members' Q&As *cont'd on page 11*

FIDELITY INSIGHT MODEL PORTFOLIOS - SEPTEMBER 30, 2008

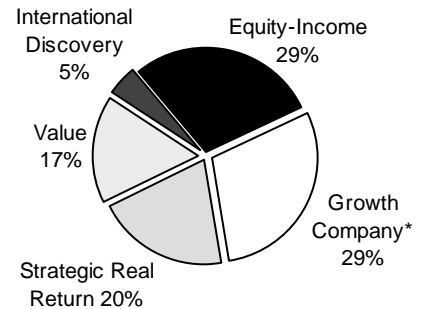
Aggressive Growth Model		Rel Vol: 0.95	Est. Yield: 0.9%	YTD Return: -24.6%		
Current Asset Allocation		Stocks 95.5%	Bonds 0.0%	Cash 4.2%	Alternative ¹ 0.3%	Foreign 17.2%
Holdings	Ticker	Alloc	NAV	Shares	Value	Sep. Ret
Contrafund*	FCNTX	33%	\$57.15	837.40	\$47,857	-9.6%
Mega Cap Stock	FGRTX	25	8.92	4,046.29	36,093	-9.5
Growth Discovery	FDSVX	14	11.82	1,783.63	21,082	-12.8
Equity-Income	FEQIX	11	40.86	388.39	15,869	-10.2
Select Health Care	FSPHX	10	99.20	152.04	15,083	-8.1
Select Energy	FSENX	7	47.19	217.11	10,245	-22.5
Current Value (4/7/99 = \$100,000)					\$146,229	-9.9%



*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.

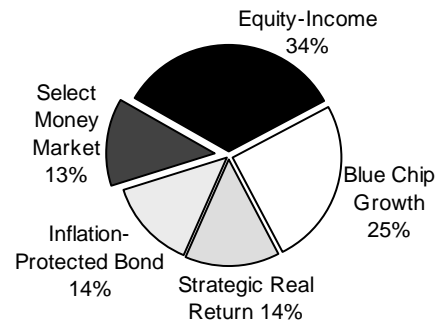
Growth Model		Rel Vol: 0.99	Est. Yield: 1.9%	YTD Return: -18.8%		
Current Asset Allocation		Stocks 76.8%	Bonds 5.6%	Cash 2.3%	Alternative ¹ 15.3%	Foreign 13.2%
Holdings	Ticker	Alloc	NAV	Shares	Value	Sep. Ret
Equity-Income	FEQIX	29%	\$40.86	7,038.01	\$287,573	-10.2%
Growth Company*	FDGRX	29	64.07	4,419.37	283,149	-13.3
Strategic Real Return	FSRRX	20	9.38	21,317.36	199,957	-6.2
Value	FDVLX	17	58.72	2,770.12	162,662	-13.2
International Discovery	FIGRX	5	29.98	1,515.21	45,426	-12.9
Current Value (1/1/87 = \$100,000)					\$978,767	-10.3%



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

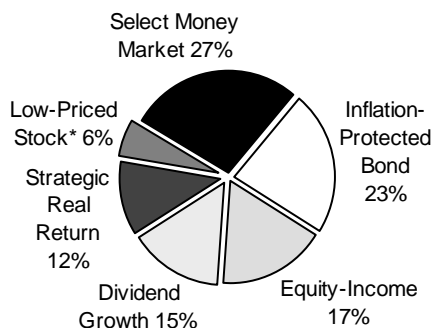
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 1.05	Est. Yield: 2.3%	YTD Return: -10.7%		
Current Asset Allocation		Stocks 55.5%	Bonds 17.3%	Cash 16.3%	Alternative ¹ 11.0%	Foreign 7.2%
Holdings	Ticker	Alloc	NAV	Shares	Value	Sep. Ret
Equity-Income	FEQIX	34%	\$40.86	6,673.27	\$272,670	-10.2%
Blue Chip Growth	FBGRX	25	35.13	5,618.41	197,375	-9.3
Strategic Real Return	FSRRX	14	9.38	12,196.95	114,407	-6.2
Inflation-Protected Bond	FINPX	14	10.87	9,940.93	108,058	-3.8
Select Money Market	FSLXX	13	1.00	107,416.91	107,417	0.2
Current Value (1/1/87 = \$100,000)					\$799,927	-6.4%



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: 1.24	Est. Yield: 2.3%	YTD Return: -6.4%		
Current Asset Allocation		Stocks 35.3%	Bonds 25.5%	Cash 30.5%	Alternative ¹ 8.7%	Foreign 4.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	Sep. Ret
Select Money Market	FSLXX	27%	\$1.00	139,295.16	\$139,295	0.2%
Inflation-Protected Bond	FINPX	23	10.87	10,306.23	112,029	-3.8
Equity-Income	FEQIX	17	40.86	2,053.89	83,922	-10.2
Dividend Growth	FDGFX	15	21.80	3,428.21	74,735	-12.4
Strategic Real Return	FSRRX	12	9.38	6,091.96	57,143	-6.2
Low-Priced Stock*	FLPSX	6	29.20	998.09	29,144	-11.8
Current Value (1/1/87 = \$100,000)					\$496,268	-4.8%



*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.

¹Alternative 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*

accounting standard may be relaxed by Congress. (This year-old rule forces banks to "book" the current market value of their assets and liabilities every quarter. But this well-intentioned rule has wiped out over \$100 billion in mortgage-related assets!)

A new plan will hopefully buy us some breathing room, but there are many challenges ahead. We are in uncharted territory and a prognosis for the economy and the markets cannot be made with any degree of certainty.

That said, I'd like you to consider some of my guiding principles. Yeah, you've read them here before. But during tumultuous times like these, they are more important than ever.

The World Isn't Ending

It is all too easy to become gripped by fear. I've recently heard from some folks who have abandoned their carefully crafted, well-diversified portfolios and moved everything into cash, convinced that we are facing financial Armageddon. If they are wrong, they assure me they will get back in to the market when things settle down. That kind of market timing strategy does not work. I'm not suggesting that you can't make *modest moves* to your portfolio, but darting in and out of the market, especially during the current environment, is not the way to succeed. I won't try to sugarcoat the situation we are facing — it is very serious indeed — but the world is not coming to an end. We have survived financial crises before and we will again, even if this is one for the ages.

I can't make this point strong enough. Since we started *Fidelity Insight* in 1985 we have had plenty of difficult periods. But, except for

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

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.

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

Fixed-Income Funds: **Inflation-Protected Bond**, as its name implies, has inflation-protection features. **Municipal Money Market's** yields are even higher than those offered by taxable funds — it's a no-brainer!

International Funds: While we're becoming less enthusiastic about overseas markets, **International Discovery** remains a reasonable option for exposure outside of the U.S. ■

MODEL PORTFOLIO TRADES

As announced on our Sept. 26 Hotline, effective Monday, September 29, we made several Model Portfolio trades. Please note that International Discovery has a 1.0%/30-day short-term trading fee. If you bought or added to Balanced fund within the past 30 days, you may be subject to Fidelity's "roundtrip transaction" rule, which is designed to discourage excessive trading.

Also, on October 6, we will be exchanging **Select Money Market** for **Municipal Money Market** in both our Growth & Income and Income & Preservation Model Portfolios (see p. 4).

Action	Fund	Shares	Price	Value	Old%	New%
Aggressive Growth:						
Sold :	International Discovery	327.20	\$29.17	\$9,544.28	7%	0%
Bought:	Select Energy	217.11	\$43.96	\$9,544.28	0%	7%
Growth:						
Sold :	Balanced	12,885.05	\$15.48	\$199,460.54	21%	0%
Added 1/2 to:	Equity-Income	2,577.01	\$38.70	\$99,730.27	18%	29%
Added 1/2 to:	Value	1,766.08	\$56.47	\$99,730.27	6%	17%
Growth & Income:						
Sold:	Balanced	16,683.17	\$15.48	\$258,255.42	33%	0%
Bought:	Equity-Income	6,673.27	\$38.70	\$258,255.42	0%	33%
Income & Preservation:						
Sold:	Balanced	5,134.72	\$15.48	\$79,485.42	17%	0%
Bought:	Equity-Income	2,053.89	\$38.70	\$79,485.42	0%	17%
Annuity Growth:						
Sold:	VIP Balanced	589.17	\$9.91	\$5,841.56	6%	0%
Bought:	VIP Equity-Income	658.03	\$8.88	\$5,841.56	0%	6%
Annuity Growth & Income:						
Sold:	VIP Balanced	456.27	\$9.91	\$4,523.82	4%	0%
Bought:	VIP Equity-Income	509.59	\$8.88	\$4,523.82	0%	4%

The overriding theme of these trades is to modestly increase our domestic equity exposure, while, in the Aggressive Growth Model, we further reduced our international stock exposure. At the same time, the sale of **Balanced** and **VIP Balanced** follows a change in the portfolio management of those funds, where a relatively untested team is taking over for an experienced manager (see p. 12).

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

October 19, 1987, we never moved entirely to cash. (Our biggest success was not getting out of the market that day, but rather quickly getting back in.) We stayed on course during Y2K, the Internet collapse, the 9/11 attacks, the invasions of Afghanistan and Iraq, etc. These were difficult times, but we stood our ground and, over the long term, have delivered very reasonable gains for our members.

Fundamentals Matter

The silver lining to all this turmoil is that by many fundamental measures the market is now selling at more reasonable levels than we've seen in a long time. It is not a screaming buy (like the summer of 1982) but the market is reasonably valued. Can earnings go down further? Yes. Can earnings multiples (P/Es) contract? Yes. But, on balance, we are more optimistic on the market than we were two weeks ago.

Most folks consider Warren Buffett to be a pretty savvy investor. Is he running to cash and selling his holdings? No. Indeed, he just invested \$5 billion in Goldman Sachs. I find this

particularly telling, given that his investment in Salomon Brothers years ago did not work out well, and he sort of wrote off investing in brokerage firms after that.

Jamie Dimon, the head of JP Morgan Chase is also a pretty savvy investor/executive. Did he just run to cash? No. He saw value in agreeing to take over Washington Mutual.

While it is important to invest in a good company with high returns on equity, clean balance sheets, and decent growth prospects, it is more important to buy (invest) at *good prices*. That's what we're seeing in today's market. We just have to strip away the emotions.

Buy When Others Are Selling

During the depression, when everyone was dumping stocks, Bernard Baruch was buying. He made a fortune. I'm not suggesting that you try to do the same, putting all your money into stocks (see my warning against market timing). But, the whole trick to investing successfully is to buy stocks at *good prices*, and the time that you are likely to see *good prices*, is when there are a lot more sellers than buyers! It's Economics 101 and

it's the environment I believe we are currently witnessing.

Model Portfolio Trades

I must admit that I am disappointed in the performance of our model portfolios this year. In particular, our more aggressive portfolios have been hurt by our international exposure as well as some poor fund selection. That said, we are not going to run for cover, nor are we going to get overly aggressive now in the hope of hitting a home run (we have always been very happy with singles and doubles that add up).

As outlined on page 3, most of our trades involve moving from **Balanced** to **Equity-Income** (and their VIP cousins). The net effect is to modestly increase our U.S. equity exposure. In addition, Larry Rakers has left **Balanced** and **VIP Balanced** to take over **Dividend Growth**. He has been replaced by a relatively untested management team process. In our **Aggressive Growth Model**, we sold **Int'l Discovery** and bought **Select Energy**. International stocks are less attractively valued and the fundamentals of the energy sector remain strong, having been unduly punished as oil prices fell. ■

FIXED-INCOME

Muni Money Market Yields Skyrocket!

While investors have been pulling billions out of money market funds, yields on Fidelity's national and state-specific municipal money market funds have skyrocketed! About a month ago, **Municipal Money Market's** 30-day yield was a paltry 1.52%. Now it's a whopping 5.93%! Even better, a few state-specific munis can top that yield, including **Michigan Muni MM** with a whopping yield of 6.24%. (You don't have to live in Michigan to benefit from that yield, but if you do, you'll fare even better.)

The sudden surge in yields is partly the result of a freeze-up in the bond market. With demand pull-

ing prices lower, muni money market fund yields shot higher.

We expect this phenomenon to abate as the credit crisis wanes. Nevertheless, **we urge members to take a look at the Scorecard on p. 8 and consider taking advantage of this opportunity.** I'd even consider muni money market funds for an IRA.

Even when their yields fall back to earth, muni funds (including bonds) will likely remain attractive. Why? Assuming that Congress passes a "rescue" package, regardless of who next runs Washington, the deficit will grow and higher taxes will have to address the shortfall. That's not a political prediction, it's the reality of deficit spending.

Munis Versus Taxables

Switching gears a bit, the relation-

ship between all muni funds and taxes is straightforward. Muni bond and money market funds typically yield less than comparable taxable funds. That's because their income is federally (and sometimes state) tax-exempt. So, the higher your income tax bracket, the more likely it is that your muni fund's *tax-equivalent yield* will be greater than a comparable taxable fund.

A quick example: **Intermediate Bond** yields 5.06% versus 3.67% for **Intermediate Muni Income**. But, investors in the 28% tax bracket can about match that on a tax-equivalent basis, while investors in the 33% and 35% brackets enjoy effective yields of 5.5% and 5.6%, respectively. Of course, should tax rates rise, the effective yield on these funds will increase further. ■

FIDELITY SCORECARD - SEPTEMBER 30, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
						Sept	YTD	2007	1 Year	3 Year	5 Year				
		S&P 500 (Large Cap)		1164.7		-8.9	-19.3	5.5	-22.1	0.2	5.1	1.00			
		Dow Industrials (Blue Chip)		10850.7		-5.8	-16.6	8.9	-19.9	5.1	6.7	0.94			
		Nasdaq Composite (OTC)		2091.9		-11.6	-20.6	10.7	-22.3	-0.6	3.6	1.09			
		Russell 2000 (Small Cap)		679.6		-8.0	-10.4	-1.6	-14.5	0.5	10.7	1.23			
LARGE CAP GROWTH FUNDS						Category Averages			-13.2	-24.8	16.3	-24.8	-0.1	4.9	1.1
312	FBGRX	Blue Chip Growth		35.13	Buy	-9.3	-18.4	11.8	-18.9	-0.3	3.1	0.96			
307	FDCAX	Capital Appreciation		19.90	OK to Buy	-12.9	-25.6	6.9	-29.9	-2.7	3.6	1.09			
22	FCNTX	Contrafund (closed)		57.15	Buy	-9.6	-21.0	19.8	-19.0	3.1	9.5	0.86			
332	FEXPX	Export and Multinational	0.75%/30 days	19.33	OK to Buy	-11.8	-24.9	15.3	-24.6	-0.1	6.8	1.09			
500	FFTYX	Fifty		15.29	Hold	-16.4	-29.7	12.6	-33.0	-2.7	2.5	1.10			
25	FDGRX	Growth Company (closed)		64.07	Buy	-13.3	-22.8	19.9	-22.1	2.5	7.2	1.04			
339	FDSVX	Growth Discovery		11.82	Buy	-12.8	-27.0	26.8	-25.0	2.6	5.5	0.96			
73	FDFFX	Independence		20.05	OK to Buy	-20.7	-27.5	29.5	-24.3	3.1	7.4	1.39			
763	FSLGX	Large Cap Growth		8.50	OK to Sell	-8.8	-20.6	2.1	-21.5	-3.8	3.9	0.90			
1829	FLGEX	Large Cap Growth Enhcd Index		8.23	Hold	-11.1	-19.9	2.1p	-21.5	--	--	0.90			
338	FLCSX	Large Cap Stock		13.86	Hold	-12.3	-28.2	13.1	-29.2	-1.4	3.1	1.19			
21	FMAGX	Magellan		63.05	OK to Buy	-18.0	-30.6	18.8	-29.4	-2.7	2.3	1.12			
1282	FNCMX	Nasdaq Composite Index	0.75%/90 days	27.83	Hold	-11.7	-20.7	10.5	-22.1	-0.4	3.6	1.09			
93	FOCPX	OTC		37.16	Buy	-16.7	-28.8	26.1	-27.3	1.1	5.0	1.20			
320	FDSSX	Stock Selector		22.76	Hold	-11.3	-22.8	11.8	-23.8	0.4	5.3	0.98			
5	FTRNX	Trend		51.17	OK to Buy	-14.3	-27.6	18.9	-25.3	0.1	5.2	1.06			
LARGE CAP BLEND FUNDS						Category Averages			-10.7	-22.1	8.8	-23.8	-0.7	5.3	1.1
1271	FBCVX	Blue Chip Value		10.65	OK to Buy	-11.4	-26.3	4.4	-29.8	-2.8	4.9	1.19			
315	FDEQX	Disciplined Equity		23.06	Buy	-8.9	-21.9	10.8	-21.6	0.3	6.4	0.95			
330	FDGFX	Dividend Growth		21.80	Buy	-12.4	-22.1	1.1	-26.7	-2.3	1.7	1.03			
3	FFIDX	Fidelity Fund		29.67	OK to Buy	-11.0	-22.9	16.8	-20.9	2.1	6.0	0.98			
333	FTQGX	Focused Stock		11.25	Hold	-10.9	-15.3	17.0	-15.1	1.8	9.5	1.09			
27	FGRIX	Growth & Income		18.67	OK to Sell	-15.6	-30.9	0.7	-34.6	-7.8	-1.0	1.36			
1827	FLCEX	Large Cap Core Enhcd Index		8.17	Hold	-8.9	-19.4	1.0p	-21.1	--	--	0.96			
361	FGRTX	Mega Cap Stock		8.92	Buy	-9.5	-23.0	11.1	-24.4	-0.2	3.4	1.02			
317	FSMKX	Spartan 500 Index ⁴		81.26	Hold	-8.9	-19.3	5.4	-22.0	0.1	5.1	1.00			
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90 days	33.22	Hold	-9.2	-18.5	5.6	-21.2	0.6	5.9	0.99			
343	FTXMX	Tax Managed Stock	1.00%/2 years	12.40	OK to Buy	-11.6	-22.8	14.2	-22.4	0.1	7.2	0.96			
832	FVDFX	Value Discovery		13.73	Buy	-9.8	-22.9	9.7	-25.4	0.7	8.8	1.16			
LARGE CAP VALUE FUNDS						Category Averages			-8.8	-22.0	3.2	-25.9	-1.7	5.1	1.1
23	FEQIX	Equity-Income		40.86	Buy	-10.2	-23.8	1.4	-28.5	-1.6	4.5	1.13			
319	FEQTX	Equity-Income II		17.36	Hold↑	-10.1	-23.1	4.5	-26.3	-2.3	3.4	1.13			
708	FSLVX	Large Cap Value		11.38	OK to Buy	-7.8	-21.5	3.7	-24.6	-1.2	7.3	1.08			
1828	FLVEX	Large Cap Value Enhcd Index		7.56	Hold	-7.4	-19.7	-5.1p	-24.1	--	--	1.08			

Notes: ¹ 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. ² Durations (a measure of interest rate sensitivity) reflect prior quarter figures. ³ Stated yield is before any inflation adjustment, your effective yield may be different. ⁴ 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). ⁵ 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.

Scorecard Changes

Fund	Style	Prior	New	Comments
Balanced	Specialty	Buy	OK to Sell	We are unimpressed with new management team.
Emg Europe, MidEast Afr	International	Hold	Sell	Russian militarism has stocks down over 50%.
Focused High Income	High-Yield Bond	Hold	Buy	Higher yields offer risk premium, equity-like returns.
High Income	High-Yield Bond	Hold	Buy	Higher yields offer risk premium, equity-like returns.
Investment Grade Bond	Taxable Bond	Hold	OK to Buy	Fund offers attractive yield, in high-quality portfolio.
Select Banking	Sector	Sell	Hold	Shake-out in financials may leave stronger survivors.
Select Brokerage & Invest	Sector	Sell	Hold	Shake-out in financials may leave stronger survivors.
Select Comm Equipment	Sector	Buy	Hold	Slowing economy expected to hit capital spending.
Select Consumer Disc	Sector	OK to Sell	OK to Buy	Any sign of a recovery could benefit this sector.
Select Energy	Sector	OK to Buy	Buy	Sector unduly punished as energy prices fell.
Select Energy Service	Sector	OK to Buy	Buy	Sector unduly punished as energy prices fell.
Select Environmental	Sector	Buy	Hold	Slowing economy may cut sector's income, profits.
Sp Long-Term Treas Index	Taxable Bond	Hold	OK to Buy	Flight to quality benefits Treasury funds.
VIP Balanced	Specialty	Buy	OK to Sell	We are unimpressed with new management team.
VIP Energy	Specialty	OK to Buy	Buy	Sector unduly punished as energy prices fell.
VIP High Income	High-Yield Bond	OK to Sell	Hold	Higher yields offer risk premium, equity-like returns.

FIDELITY SCORECARD - SEPTEMBER 30, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
						Sept	YTD	2007	1 Year	3 Year	5 Year				
MID-CAP GROWTH FUNDS						<i>Category Averages</i>			-13.6	-25.2	11.5	-28.6	-2.3	4.5	1.1
324	FDEGX	Aggressive Growth	1.50%/90 days	15.47	Hold	-13.3	-32.8	18.8	-34.6	-3.8	2.8	1.11			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30 days	8.09	Hold	-11.9	-17.9p	--	--	--	--	--			
793	FSMGX	Mid Cap Growth	0.75%/30 days	9.94	Sell	-15.5	-26.5	2.4	-27.7	-5.8	3.9	1.13			
337	FMCSX	Mid-Cap Stock (closed)	0.75%/30 days	21.33	Hold	-17.4	-26.4	8.2	-30.5	-1.4	5.4	1.11			
300	FMLIX	New Millennium		23.08	OK to Buy	-9.8	-22.3	16.5	-21.6	2.0	6.0	1.01			
MID-CAP BLEND FUNDS						<i>Category Averages</i>			-14.9	-22.4	8.0	-25.1	0.1	8.3	1.1
122	FLVCX	Leveraged Company Stock	1.50%/90 days	23.19	OK to Buy	-23.1	-27.5	17.9	-29.1	0.8	12.5	1.24			
316	FLPSX	Low-Priced Stock (closed)	1.50%/90 days	29.20	Buy	-11.8	-19.5	3.2	-21.8	-0.1	8.2	0.90			
398	FSEMXX	Spartan Extended Mkt Index ⁴	0.75%/90 days	31.55	Hold	-10.6	-16.4	5.4	-19.1	1.4	8.4	1.02			
14	FSLSX	Value Strategies		21.25	Hold	-14.1	-26.2	5.6	-30.5	-1.8	4.1	1.18			
MID-CAP VALUE FUNDS						<i>Category Averages</i>			-12.4	-21.3	2.4	-25.6	-1.6	7.9	1.1
762	FSMVX	Mid Cap Value	0.75%/30 days	12.87	OK to Sell	-11.7	-20.9	2.7	-24.3	-1.9	8.0	1.07			
39	FDVLX	Value		58.72	Buy	-13.2	-21.7	2.2	-27.0	-1.4	7.8	1.12			
SMALL CAP GROWTH						<i>Category Averages</i>			-12.0	-25.1	12.1	-26.4	-1.2	5.9	1.0
2011	FCPEX	Small Cap Enhanced Index	1.50%/90 days	8.74	Hold	-7.7	-9.6p	--	--	--	--	--			
1388	FPCGX	Small Cap Growth	1.50%/90 days	12.00	Buy	-12.2	-24.0	16.8	-23.5	0.4	--	1.02			
336	FDSCX	Small Cap Independence	1.50%/90 days	14.67	Hold	-11.9	-26.3	7.3	-29.2	-2.9	5.9	1.07			
SMALL CAP BLEND						<i>Category Averages</i>			-8.0	-15.7	4.4	-18.4	0.9	6.8	1.1
340	FSLCX	Small Cap Stock (closed)	2.00%/90 days	13.58	Hold	-12.9	-21.0	7.7	-23.6	-0.9	6.8	0.95			
1389	FCPVX	Small Cap Value	1.50%/90 days	12.08	OK to Sell	-3.1	-10.3	1.1	-13.3	2.7	--	1.22			
SPECIALTY FUNDS															
2063	FOTTX	130/30 Large Cap		8.77	OK to Buy	-9.8	-15.0p	--	--	--	--	--			
304	FBALX	Balanced		15.84	OK to Sell	-10.6	-18.3	9.0	-19.5	0.8	6.1	0.70			
308	FCVSX	Convertible Securities		20.14	OK to Buy	-21.7	-27.3	16.2	-28.3	-0.8	4.4	0.92			
1960	FDYSX	Dynamic Strategies		8.35	Hold	-8.3	-12.5	-2.2p	--	--	--	--			
1368	FIREX	International Real Estate	1.50%/90 days	8.76	Hold	-12.4	-34.6	-8.3	-41.3	-3.1	--	1.18			
4	FPURX	Puritan		15.73	OK to Buy	-7.9	-16.2	6.2	-17.1	1.4	5.2	0.61			
833	FRIFX	Real Estate Income	0.75%/90 days	8.92	OK to Sell	-4.6	-10.2	-6.5	-12.4	-1.8	2.8	0.35			
303	FRESX	Real Estate Investment	0.75%/90 days	25.38	Sell	-3.4	-1.2	-21.3	-16.2	2.2	11.7	1.77			
1329	FSDIX	Strategic Dividend & Income		9.64	OK to Buy	-12.3	-22.0	3.1	-25.8	-2.0	--	1.00			
1505	FSRRX	Strategic Real Return	0.75%/60 days	9.38	Buy	-6.2	-4.1	3.8	-3.7	1.4	--	0.28			
311	FIUIX	Utilities		14.82	Hold	-13.5	-27.2	10.8	-28.3	0.6	8.9	0.89			
ASSET ALLOCATION FUNDS															
328	FASIX	Asset Manager 20%		11.36	Hold	-4.3	-6.9	4.8	-6.7	2.2	4.2	0.18			
1957	FTANX	Asset Manager 30%		8.66	Hold	-6.1	-10.2	-1.9p	-11.7	--	--	--			
1958	FFANX	Asset Manager 40%		8.43	Hold	-6.7	-12.3	-2.6p	-14.5	--	--	--			
314	FASMX	Asset Manager 50%		12.97	Hold	-8.4	-15.3	6.3	-16.1	0.3	2.8	0.49			
1959	FSANX	Asset Manager 60%		7.96	Hold	-8.7	-17.1	-3.5p	-19.9	--	--	--			
321	FASGX	Asset Manager 70%		13.63	Hold	-10.5	-19.8	7.2	-21.3	-0.8	2.5	0.71			
347	FAMRX	Asset Manager 85%		10.99	Hold	-11.7	-22.3	7.9	-24.4	-0.7	4.6	0.85			
355	FFNOX	Four-in-One Index		25.08	Hold	-8.5	-17.4	6.2	-19.3	1.2	6.1	0.80			
370	FFFBX	Freedom 2000		11.34	Hold	-3.9	-6.4	5.3	-6.3	2.3	3.4	0.23			
1312	FFVX	Freedom 2005		10.05	Hold	-6.7	-12.7	7.3	-13.1	1.5	--	0.45			
371	FFFCX	Freedom 2010		12.51	Hold	-6.9	-13.1	7.4	-13.5	1.5	4.3	0.47			
1313	FFVFX	Freedom 2015		10.42	Hold	-7.3	-14.3	7.8	-14.9	1.6	--	0.51			
372	FFFDX	Freedom 2020		12.68	Hold	-8.6	-17.1	8.5	-18.0	1.2	5.3	0.64			
1314	FFTXX	Freedom 2025		10.50	Hold	-8.9	-17.9	8.6	-19.0	1.0	--	0.68			
373	FFFEX	Freedom 2030		12.69	Hold	-9.9	-20.1	9.3	-21.5	0.6	5.5	0.79			
1315	FFTHX	Freedom 2035		10.50	Hold	-10.0	-20.6	9.3	-22.0	0.5	--	0.81			
718	FFFFX	Freedom 2040		7.37	Hold	-10.4	-21.2	9.3	-22.6	0.5	5.8	0.84			
1617	FFFGX	Freedom 2045		8.68	Hold	-10.4	-21.5	9.5	-23.1	--	--	0.85			
1618	FFFHX	Freedom 2050		8.61	Hold	-10.9	-22.5	9.8	-24.1	--	--	0.89			
369	FFFAX	Freedom Income		10.51	Hold	-3.5	-5.3	4.8	-5.0	2.3	3.2	0.19			
1884	FIRJX	Income Replacement 2016		45.36	Hold	-4.9	-8.8	0.4p	--	--	--	0.32			
1885	FIRKX	Income Replacement 2018		44.81	Hold	-5.5	-10.1	0.4p	--	--	--	0.37			
1886	FIRLX	Income Replacement 2020		44.23	Hold	-5.9	-11.1	0.2p	--	--	--	0.42			
1887	FIRMX	Income Replacement 2022		44.05	Hold	-6.1	-11.7	0.2p	--	--	--	0.44			
1888	FIRNX	Income Replacement 2024		43.91	Hold	-6.4	-12.4	0.4p	--	--	--	0.46			
1889	FIROX	Income Replacement 2026		43.31	Hold	-6.6	-12.8	0.2p	--	--	--	0.48			
1890	FIRPX	Income Replacement 2028		43.58	Hold	-6.7	-13.2	0.2p	--	--	--	0.50			
1891	FIRQX	Income Replacement 2030		43.00	Hold	-6.9	-13.7	0.2p	--	--	--	0.51			
1892	FIRRX	Income Replacement 2032		42.77	Hold	-7.0	-14.1	0.2p	--	--	--	0.53			
1893	FIRSX	Income Replacement 2034		42.57	Hold	-7.4	-14.8	0.3p	--	--	--	0.55			
1894	FIRUX	Income Replacement 2036		42.74	Hold	-7.6	-15.2	0.3p	--	--	--	0.57			
1995	FIRVX	Income Replacement 2038		41.57	Hold	-7.8	-14.0p	--	--	--	--	--			
2009	FIRWX	Income Replacement 2040		41.46	Hold	-7.9	-14.1p	--	--	--	--	--			
1996	FIXRX	Income Replacement 2042		41.44	Hold	-8.0	-14.3p	--	--	--	--	--			

FIDELITY SCORECARD - SEPTEMBER 30, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
						Sept	YTD	2007	1 Year	3 Year	5 Year				
INTERNATIONAL FUNDS						Category Averages			-14.4	-30.7	20.0	-31.6	2.5	11.7	1.1
335	FIVFX	Aggressive Int'l	1.00%/30 days	10.02	OK to Sell	-16.8	-33.8	5.2	-37.5	-4.8	2.7	1.01			
309	FICDX	Canada	1.50%/90 days	50.64	Hold	-13.6	-17.5	35.0	-16.1	9.7	19.0	1.11			
352	FHKCX	China Region	1.50%/90 days	20.58	OK to Sell	-14.9	-34.0	46.3	-35.5	9.1	12.4	1.40			
325	FDIVX	Diversified International (closed)	1.00%/30 days	28.53	OK to Buy	-13.7	-28.5	16.0	-28.8	2.3	10.4	0.96			
2053	FEMEX	Emerging Europe, MidEast, Africa	1.50%/90 days	6.80	Sell↓	-14.1	-32.9p	--	--	--	--	--			
322	FEMKX	Emerging Markets	1.50%/90 days	20.14	OK to Buy	-19.3	-40.5	45.1	-36.6	8.8	19.2	1.27			
301	FIEUX	Europe	1.00%/30 days	29.22	OK to Buy	-13.9	-30.7	16.4	-28.7	1.4	12.7	0.93			
341	FECAX	Europe Capital App	1.00%/30 days	18.30	OK to Buy	-14.8	-31.2	14.8	-31.1	3.5	11.3	0.97			
334	FGBLX	Global Balanced	1.00%/30 days	19.16	Hold	-8.0	-14.7	13.8	-13.8	4.2	8.7	0.53			
2010	FIENX	International Enchanted Index	1.00%/30 days	7.21	Hold	-13.3	-29.5	--	--	--	--	--			
305	FIGRX	International Discovery	1.00%/30 days	29.98	Buy	-12.9	-30.4	19.0	-30.0	2.8	11.2	0.93			
1979	FIGFX	International Growth	1.00%/30 days	6.83	Hold	-14.5	-28.6	-2.8p	--	--	--	--			
818	FISMX	Int'l Small Cap (closed)	2.00%/90 days	16.03	Hold	-16.0	-30.6	13.2	-33.3	-1.5	11.8	0.86			
1504	FSCOX	Int'l Small Cap Opportunities	2.00%/90 days	9.13	Hold	-18.8	-36.7	3.0	-42.7	-1.7	--	1.25			
1597	FIVLX	International Value	1.00%/30 days	7.90	Buy	-14.8	-30.9	9.5	-33.2	--	--	1.07			
350	FJPNX	Japan	1.50%/90 days	10.88	Hold	-8.3	-24.1	-2.7	-29.5	-5.2	4.2	1.11			
360	FJSCX	Japan Smaller Cos (closed)	1.50%/90 days	8.15	Sell	-7.6	-26.1	-12.4	-32.7	-13.6	0.1	0.90			
349	FLATX	Latin America	1.50%/90 days	43.44	Hold	-21.3	-29.9	43.7	-26.4	15.9	31.2	1.71			
342	FNORX	Nordic	1.50%/90 days	28.08	OK to Buy	-22.2	-38.1	23.2	-39.8	1.1	14.1	1.18			
94	FOSFX	Overseas	1.00%/30 days	32.63	Hold	-13.3	-32.6	21.8	-32.3	2.6	9.3	1.06			
302	FPBFX	Pacific Basin	1.50%/90 days	17.60	Hold	-15.8	-41.7	25.2	-41.5	-1.2	7.2	1.06			
351	FSEAX	Southeast Asia	1.50%/90 days	23.61	OK to Sell	-12.9	-40.5	55.4	-41.7	12.1	17.6	1.24			
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90 days	34.19	Hold	-12.4	-27.6	10.7	-29.3	1.8	9.9	0.98			
1978	FTIEX	Total International Equity	1.00%/30 days	6.47	Hold	-15.4	-31.5	-2.9p	--	--	--	--			
318	FWWFX	Worldwide	1.00%/30 days	16.15	Hold	-12.4	-24.4	18.5	-23.9	3.8	8.8	0.98			
SELECT PORTFOLIOS						Category Averages			-13.0	-23.1	11.3	-25.2	-0.4	7.0	1.3
34	FSAIX	Air Transportation	0.75%/30 days	25.85	OK to Sell	-12.5	-33.1	-1.9	-41.5	-3.9	3.6	1.61			
502	FSAVX	Automotive	0.75%/30 days	26.22	OK to Sell	-7.6	-29.9	0.0	-38.7	-8.3	-0.5	1.50			
507	FSRBX	Banking	0.75%/30 days	18.87	Hold↑	-1.9	-22.4	-21.2	-34.8	-10.0	-2.7	2.14			
42	FBIOX	Biotechnology	0.75%/30 days	65.73	Buy	-8.3	-1.4	2.7	-6.5	3.3	5.9	0.95			
68	FSLBX	Brokerage & Investment	0.75%/30 days	46.26	Hold↑	-9.8	-27.9	-0.2	-27.7	-1.0	7.0	1.48			
69	FSCHX	Chemicals	0.75%/30 days	68.76	Buy	-18.1	-16.8	28.4	-16.2	9.7	16.0	1.35			
518	FSDCX	Communications Equipment	0.75%/30 days	16.63	Hold↓	-20.9	-26.0	9.8	-32.1	-5.3	2.9	1.27			
7	FDCPX	Computers	0.75%/30 days	34.94	OK to Buy	-15.0	-27.7	22.4	-26.7	-0.6	1.8	1.19			
511	FSHOX	Construction & Housing	0.75%/30 days	29.80	Hold	-8.3	-9.6	-13.9	-16.4	-5.9	6.7	1.67			
517	FSCPX	Consumer Discretionary	0.75%/30 days	17.73	OK to Buy↑	-8.4	-15.6	-8.3	-23.3	-2.9	1.5	1.18			
9	FDFAX	Consumer Staples	0.75%/30 days	59.37	Hold	-3.6	-10.8	21.5	-7.5	9.9	11.6	0.62			
67	FSDAX	Defense & Aerospace	0.75%/30 days	60.99	OK to Sell	-13.0	-26.5	17.8	-29.7	1.9	12.4	1.03			
8	FSELX	Electronics	0.75%/30 days	31.02	Hold	-17.5	-32.0	4.7	-38.6	-9.6	-2.8	1.26			
60	FSENX	Energy	0.75%/30 days	47.19	Buy↑	-22.5	-27.8	45.5	-21.3	5.2	22.4	1.73			
43	FSESX	Energy Service	0.75%/30 days	72.87	Buy↑	-24.5	-25.3	55.2	-24.1	8.9	23.3	1.72			
516	FSLEX	Environmental	0.75%/30 days	16.15	Hold↓	-10.6	-16.6	12.4	-14.8	1.0	6.1	0.97			
66	FIDSX	Financial Services	0.75%/30 days	66.12	OK to Sell	-6.2	-30.8	-13.6	-38.8	-9.3	-1.4	1.83			
41	FSAGX	Gold	0.75%/30 days	31.02	Hold	-8.5	-21.9	24.9	-19.9	12.8	12.6	1.84			
63	FSPHX	Health Care	0.75%/30 days	99.20	Buy	-8.1	-17.5	12.5	-16.6	0.2	5.7	0.71			
98	FSVLX	Home Finance	0.75%/30 days	14.39	Sell	-21.2	-49.3	-38.0	-62.1	-28.2	-15.6	2.45			
510	FSCGX	Industrial Equipment	0.75%/30 days	26.32	Hold	-15.9	-25.5	23.2	-25.4	3.6	10.1	1.09			
515	FCYIX	Industrials	0.75%/30 days	17.75	Hold	-14.3	-20.0	17.7	-21.1	4.2	12.6	1.06			
45	FSPCX	Insurance	0.75%/30 days	40.22	OK to Sell	-10.9	-36.1	-4.4	-40.5	-10.5	-0.3	1.49			
353	FBSOX	IT Services	0.75%/30 days	14.71	Hold	-12.3	-12.0	11.5	-10.9	5.9	9.1	1.07			
62	FDLSX	Leisure	0.75%/30 days	61.29	Hold	-7.7	-20.0	4.2	-23.0	1.0	5.8	1.16			
509	FSDPX	Materials	0.75%/30 days	43.90	Hold	-21.2	-24.9	29.2	-24.3	8.0	13.4	1.40			
505	FSHCX	Medical Delivery	0.75%/30 days	37.12	Hold	-9.6	-28.8	16.9	-23.6	-5.1	12.7	0.87			
354	FSMEX	Medical Equipment	0.75%/30 days	24.79	Buy	-5.1	2.9	17.9	2.7	8.2	11.5	0.71			
503	FBMPX	Multimedia	0.75%/30 days	29.44	OK to Sell	-11.4	-19.7	-9.3	-26.4	-4.3	1.0	0.97			
513	FSNGX	Natural Gas	0.75%/30 days	33.52	Buy	-22.6	-28.0	40.9	-20.2	0.7	20.2	1.72			
514	FNARX	Natural Resources	0.75%/30 days	28.67	OK to Buy	-22.5	-27.5	50.1	-20.7	8.9	22.3	1.70			
912	FNINX	Networking & Infrastructure	0.75%/30 days	1.71	OK to Buy	-18.6	-31.0	0.4	-37.6	-9.1	-4.7	1.22			
506	FSPFX	Paper & Forest	0.75%/30 days	25.94	Hold	-6.9	-17.2	0.8	-20.5	1.0	1.2	1.34			
580	FPHAX	Pharmaceuticals	0.75%/30 days	9.83	OK to Buy	-5.4	-14.9	13.4	-13.2	3.4	5.2	0.76			
46	FSRPX	Retailing	0.75%/30 days	35.95	Hold	-7.3	-12.1	-8.0	-19.3	-0.7	4.7	1.35			
28	FSCSX	Software & Computer Svcs	0.75%/30 days	59.32	Hold	-13.3	-27.0	23.9	-20.0	4.6	6.1	1.17			
64	FSPTX	Technology	0.75%/30 days	55.00	Hold	-20.4	-32.4	19.8	-34.1	-3.7	0.5	1.26			
96	FSTCX	Telecommunications	0.75%/30 days	34.84	OK to Sell	-15.7	-32.9	8.2	-40.8	-1.8	5.8	1.23			
512	FSRFX	Transportation	0.75%/30 days	40.21	Hold↑	-10.8	-9.5	-0.6	-16.1	2.0	9.0	1.36			
65	FSUTX	Utilities Growth	0.75%/30 days	45.96	Hold	-15.5	-28.5	18.1	-23.9	2.4	10.8	0.93			
963	FWRLX	Wireless	0.75%/30 days	5.78	Hold	-17.4	-33.1	27.5	-38.5	-2.2	12.9	1.28			

FIDELITY SCORECARD - SEPTEMBER 30, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Duration (Years) ²	30-Day Yld. (%)	Tax-Equivalent Yield Federal Tax Bracket						
						Sept	YTD	2007									
TAXABLE BOND FUNDS						Category Averages			-0.9	0.5	5.1	4.5	3.90				
15	FGMNX	Ginnie Mae		10.89	OK to Buy	0.2	3.3	6.8	4.5	4.85							
54	FGOVX	Government Income		10.39	OK to Buy	-0.3	3.3	7.9	5.1	3.81							
794	FINPX	Inflation-Protected Bond ³		10.87	Buy	-3.8	0.4	9.1	6.2	1.52							
32	FTHRX	Intermediate Bond		9.50	OK to Buy	-3.2	-3.3	4.0	3.9	5.06							
452	FSTGX	Intermediate Gov't Income		10.41	Buy	0.3	3.9	7.9	3.4	3.21							
26	FBNDX	Investment Grade Bond		6.68	OK to Buy↑	-2.7	-3.8	2.6	4.9	5.22							
40	FMSFX	Mortgage Securities		10.09	Hold	0.2	0.2	-0.4	4.3	5.19							
450	FSHBX	Short-Term Bond		8.23	OK to Sell	-0.6	-1.3	1.7	1.5	3.94							
1561	FIBIX	Sptn Interm Treas Index ⁵		10.54	OK to Buy	0.3	5.2	10.1	6.0	3.21							
1562	FLBIX	Sptn Lng-Term Treas Index ⁵		10.37	OK to Buy↑	0.6	4.5	9.5	11.1	4.01							
1560	FSBIX	Sptn Sht-Term Treas Index ⁵		10.44	Buy	0.8	4.2	7.9	2.4	2.14							
820	FTBFX	Total Bond		9.71	Buy	-3.2	-2.5	4.2	4.6	5.54							
651	FBIDX	U.S. Bond Index		10.55	Hold	-1.3	0.2	5.4	4.7	4.69							
812	FUSFX	Ultra-Short Bond	0.25%/60 days	8.21	Hold	-0.3	-7.1	-5.1	0.2	2.19							
HIGH-YIELD BOND FUNDS						Category Averages			-6.2	-6.6	3.8	7.69					
38	FAGIX	Capital & Income	1.00%/90 days	7.32	Hold	-8.5	-11.5	3.8	--	8.99							
814	FFRHX	Floating Rate High Income	1.00%/60 days	8.85	OK to Buy	-5.1	-4.1	2.7	--	5.91							
1366	FHIFX	Focused High Income	1.00%/90 days	8.77	Buy↑	-5.5	-6.9	3.1	--	8.52							
455	SPHIX	High Income	1.00%/90 days	7.60	Buy↑	-6.8	-6.8	2.4	--	9.82							
331	FNMIK	New Markets Income	1.00%/90 days	13.12	Hold	-7.3	-6.5	5.7	--	6.72							
368	FSICX	Strategic Income		9.67	Buy	-3.9	-3.6	5.4	--	6.17							
MUNICIPAL BOND						Category Averages			-3.3	-1.3	3.7	5.9	3.79	25%	28%	33%	35%
36	FLTMX	Interm Municipal Income	0.50%/30 days	9.66	Buy	-2.6	-0.2	4.0	5.1	3.67	4.9	5.1	5.5	5.6			
37	FHIGX	Municipal Income	0.50%/30 days	11.74	OK to Buy	-4.5	-3.6	3.1	7.7	4.31	5.7	6.0	6.4	6.6			
404	FSTFX	Short-Int Municipal Income	0.50%/30 days	10.25	Buy	-1.5	1.8	4.4	2.8	2.75	3.7	3.8	4.1	4.2			
90	FTABX	Tax-Free Bond	0.50%/30 days	10.03	OK to Buy	-4.6	-3.2	3.2	7.8	4.44	5.9	6.2	6.6	6.8			
STATE-SPECIFIC MUNICIPAL BOND						Category Averages			-4.1	-2.5	3.4	6.8	3.86				
434	FSAZX	Arizona Muni Income	0.50%/30 days	10.46	OK to Buy	-4.9	-4.2	2.6	8.1	4.16	5.5	5.8	6.2	6.4			
91	FCITX	California Muni Income	0.50%/30 days	11.36	OK to Buy	-4.4	-3.5	2.9	7.3	4.22	5.6	5.9	6.3	6.5			
1534	FCTSTX	Calif Short-Interm Tax Free	0.50%/30 days	10.08	OK to Buy	-1.6	1.7	4.3	3.3	2.84	3.8	3.9	4.2	4.4			
407	FICNX	Connecticut Muni Income	0.50%/30 days	10.72	OK to Buy	-3.9	-2.2	3.8	7.0	3.80	5.1	5.3	5.7	5.8			
429	SMDMX	Maryland Muni Income	0.50%/30 days	10.15	OK to Buy	-4.3	-3.0	3.0	7.6	3.97	5.3	5.5	5.9	6.1			
70	FDMMX	Mass Muni Income	0.50%/30 days	11.04	OK to Buy	-4.4	-3.3	3.3	7.2	4.02	5.4	5.6	6.0	6.2			
81	FMHTX	Michigan Muni Income	0.50%/30 days	11.16	Hold	-3.9	-2.2	3.7	6.3	3.77	5.0	5.2	5.6	5.8			
82	FIMIX	Minnesota Muni Income	0.50%/30 days	10.71	OK to Buy	-3.5	-1.6	3.2	6.2	3.64	4.9	5.1	5.4	5.6			
416	FNJHX	New Jersey Muni Income	0.50%/30 days	10.81	OK to Buy	-4.4	-3.1	3.7	7.1	3.94	5.3	5.5	5.9	6.1			
71	FTFMX	New York Muni Income	0.50%/30 days	11.93	OK to Buy	-4.7	-3.3	3.3	7.7	4.13	5.5	5.7	6.2	6.4			
88	FOHFX	Ohio Muni Income	0.50%/30 days	10.80	OK to Buy	-4.7	-3.3	3.6	7.4	3.98	5.3	5.5	5.9	6.1			
402	FPXTX	Pennsylvania Muni Income	0.50%/30 days	10.14	OK to Buy	-4.1	-2.7	3.9	6.4	3.90	5.2	5.4	5.8	6.0			
TAXABLE MONEY MARKET						Category Averages			0.2	2.0	4.9	2.17					
55	FDRXX	Cash Reserves		1.00	--	0.21	2.26	5.06	na	2.64							
631	FGMXX	Retirement Government MM		1.00	--	0.17	1.93	4.93	na	2.04							
630	FRTXX	Retirement MM		1.00	--	0.21	2.21	5.12	na	2.72							
458	SPAXX	Government MM		1.00	--	0.17	1.92	4.90	na	1.89							
454	SPRXX	Money Market		1.00	--	0.21	2.24	5.09	na	2.68							
85	FSLXX	Select MM		1.00	--	0.21	2.31	5.14	na	2.70							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.18	2.02	4.97	na	2.08							
415	FDLXX	US Treasury MM		1.00	--	0.09	1.35	4.38	na	0.58							
MUNICIPAL MONEY MARKET						Category Averages			0.2	1.5	3.4	5.26					
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.23	1.54	3.43	na	4.81	6.4	6.7	7.2	7.4			
10	FTEXTX	Municipal Money Market		1.00	--	0.27	1.57	3.34	na	5.93	7.9	8.2	8.9	9.1			
275	FMOXX	Tax-Free Money Market		1.00	--	0.23	1.45	3.30	na	5.05	6.7	7.0	7.5	7.8			
STATE MUNICIPAL MONEY MARKET						Category Averages			0.2	1.5	3.3	5.53					
433	FSAXX	Arizona		1.00	--	0.25	1.44	3.26	na	5.80	7.7	8.1	8.7	8.9			
457	FSPXX	California AMT Tax-Free		1.00	--	0.24	1.56	3.39	na	5.03	6.7	7.0	7.5	7.7			
97	FCFX	California		1.00	--	0.24	1.42	3.20	na	5.33	7.1	7.4	8.0	8.2			
418	FCMXX	Connecticut		1.00	--	0.24	1.48	3.25	na	5.34	7.1	7.4	8.0	8.2			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.25	1.51	3.39	na	5.52	7.4	7.7	8.2	8.5			
74	FDMXX	Massachusetts		1.00	--	0.24	1.41	3.20	na	5.63	7.5	7.8	8.4	8.7			
420	FMIXX	Michigan		1.00	--	0.27	1.43	3.21	na	6.24	8.3	8.7	9.3	9.6			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.24	1.55	3.41	na	4.97	6.6	6.9	7.4	7.6			
417	FNJXX	New Jersey		1.00	--	0.23	1.42	3.23	na	4.90	6.5	6.8	7.3	7.5			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.24	1.52	3.39	na	5.28	7.0	7.3	7.9	8.1			
92	FNYXX	New York		1.00	--	0.24	1.36	3.22	na	5.92	7.9	8.2	8.8	9.1			
419	FOMXX	Ohio		1.00	--	0.25	1.45	3.22	na	5.68	7.6	7.9	8.5	8.7			
401	FPTXX	Pennsylvania		1.00	--	0.26	1.52	3.25	na	6.24	8.3	8.7	9.3	9.6			

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

FIDELITY SCORECARD - SEPTEMBER 30, 2008

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
						Sept	YTD	2007	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS												
9077	FQBRC	Fid VIP Aggressive Growth		8.77	OK to Buy	-13.2	-32.7	17.1	-36.9	-6.0	--	1.15
9067	FLRQC	Fid VIP Asset Manager		10.53	Hold	-11.6	-16.3	15.1	-16.0	0.7	2.7	0.68
9066	FAECC	Fid VIP Asset Manager: Growth		10.30	Hold	-14.0	-20.3	18.5	-20.8	-0.4	2.5	0.91
9069	FJBAC	Fid VIP Balanced		10.20	OK to Sell↓	-11.1	-19.0	8.6	-22.5	-1.4	1.5	0.73
9081	FVHAC	Fid VIP Consumer Discretionary	1.00%/60 days	8.73	OK to Sell	-8.3	-15.6	-8.5	-26.3	-6.0	-0.7	1.26
9171	FCSAC	Fid VIP Consumer Staples	1.00%/60 days	9.92	Buy	-3.5	-10.7	11.6p	-10.6	--	--	0.62
9065	FPDFC	Fid VIP Contrafund		10.37	Hold	-11.8	-25.5	17.2	-28.3	-1.9	6.1	0.99
9148	FPRGC	Fid VIP Disciplined Small Cap		8.65	Buy	-7.5	-12.4	-2.7	-19.6	--	--	1.28
9074	FZAMC	Fid VIP Dynamic Capital App		9.73	OK to Buy	-13.2	-26.5	6.6	-33.8	-3.9	2.2	1.15
9198	FEMAC	Fid VIP Emerging Markets	1.00%/60 days	6.52	Buy	-17.3	-34.8	--	--	--	--	--
9085	FJLLC	Fid VIP Energy	1.00%/60 days	13.30	Buy↑	-22.7	-28.1	45.5	-27.0	3.5	18.4	1.73
9061	FLOLC	Fid VIP Equity-Income		9.39	Buy	-10.5	-24.3	1.1	-33.0	-4.5	2.4	1.19
9083	FONNC	Fid VIP Financial Services	1.00%/60 days	7.44	OK to Sell	-6.3	-30.4	-13.8	-44.2	-12.4	-3.6	1.85
9157	FMPAC	Fid VIP FundsManager 20		10.43	Hold	-3.5	-5.7	5.8	-5.1	--	--	0.18
9158	FMPBC	Fid VIP FundsManager 50		9.77	Hold	-6.7	-13.6	6.8	-15.5	--	--	0.49
9197	FMPPC	Fid VIP FundsManager 60		8.64	Hold	-7.9	-13.6	--	--	--	--	--
9159	FMPCC	Fid VIP FundsManager 70		9.28	Hold	-8.9	-19.2	7.5	-22.6	--	--	0.73
9160	FMPDC	Fid VIP FundsManager 85		8.93	Hold	-10.4	-23.0	8.4	-27.4	--	--	0.90
9062	FMNDC	Fid VIP Growth		9.98	Buy	-13.1	-27.8	26.5	-29.8	-1.9	1.8	1.02
9070	FLFNC	Fid VIP Growth & Income		10.16	Hold	-11.4	-23.1	11.8	-27.6	-2.2	1.8	1.02
9068	FIDPC	Fid VIP Growth Opportunities		8.26	OK to Sell	-23.6	-39.7	22.7	-41.7	-9.8	-2.3	1.44
9078	FPVDC	Fid VIP Growth Stock		9.23	OK to Buy	-14.2	-27.3	22.1	-29.2	-4.9	--	1.10
9084	FPDRC	Fid VIP Health Care	1.00%/60 days	9.92	Buy	-7.9	-17.8	9.7	-19.1	-2.5	3.8	0.72
9060	FBBLC	Fid VIP High Income		10.70	Hold↑	-6.3	-6.9	2.3	-6.8	2.2	4.3	0.15
9064	FXVLT	Fid VIP Index 500		9.95	Hold	-8.9	-19.5	5.2	-26.2	-2.6	3.0	1.03
9082	FBALC	Fid VIP Industrials	1.00%/60 days	11.34	Hold	-14.3	-20.4	17.8	-24.0	2.4	11.2	1.15
9076	FVJIC	Fid VIP Int'l Capital App	1.00%/60 days	8.50	Hold	-16.9	-33.9	4.8	-40.1	-6.6	--	1.03
9090	FBKQT	Fid VIP Investor Freedom 2005		10.52	Hold	-7.0	-13.3	8.3	-14.7	0.6	--	0.44
9091	FCRJT	Fid VIP Investor Freedom 2010		10.46	Hold	-7.3	-13.9	8.4	-15.3	0.5	--	0.45
9092	FTCMT	Fid VIP Investor Freedom 2015		10.54	Hold	-7.8	-15.3	9.0	-17.1	0.5	--	0.51
9093	FTEMT	Fid VIP Investor Freedom 2020		10.38	Hold	-9.2	-18.4	9.9	-20.8	-0.3	--	0.65
9094	FVIIT	Fid VIP Investor Freedom 2025		10.36	Hold	-9.7	-19.2	10.1	-22.0	-0.5	--	0.69
9095	FXJLT	Fid VIP Investor Freedom 2030		10.25	Hold	-10.7	-21.6	11.0	-25.0	-1.1	--	0.82
9089	FBXOT	Fid VIP Investor Freedom Income		10.82	Hold	-3.6	-5.4	5.8	-5.1	2.1	--	0.17
9063	FTLKC	Fid VIP Investment Grade Bond		10.64	Buy	-2.5	-2.2	4.0	0.9	2.3	2.4	0.26
9172	FVMAC	Fid VIP Materials	1.00%/60 days	8.67	Hold	-21.0	-24.0	14.7p	-26.0	--	--	1.41
9071	FNBSC	Fid VIP Mid Cap		10.92	Buy	-13.5	-20.9	15.2	-24.8	0.5	10.5	0.95
9059	FTNJC	Fid VIP Money Market		11.34	--	0.2	2.1	4.9	3.4	3.9	2.7	0.01
9088	FEMMC	Fid VIP Overseas	1.00%/60 days	10.78	Hold	-13.1	-29.3	16.9	-31.1	0.2	--	1.01
9072	FFWKC	Fid VIP Real Estate		11.60	Sell	-2.1	-0.6	-18.0	-18.7	0.0	9.8	1.81
9075	FGDQC	Fid VIP Strategic Income		11.04	Buy	-3.8	-3.4	5.3	-1.2	3.3	--	0.13
9086	FYENC	Fid VIP Technology	1.00%/60 days	9.01	Hold	-20.2	-32.5	14.9	-37.7	-5.5	-0.3	1.41
9173	FVTAC	Fid VIP Telecommunications	1.00%/60 days	6.59	OK to Sell	-15.8	-33.5	-1.1p	-44.0	--	--	1.33
9087	FXRRC	Fid VIP Utilities	1.00%/60 days	11.38	Hold	-15.3	-28.1	20.2	-24.0	1.9	10.3	0.94
9079	FKMSC	Fid VIP Value		9.33	Buy	-13.1	-21.9	1.7	-30.1	-4.8	--	1.19
9080	FUEBC	Fid VIP Value Leaders		9.18	Buy	-11.4	-26.3	4.2	-33.7	-5.8	--	1.22
9073	FRBSC	Fid VIP Value Strategies		9.23	Hold	-14.1	-26.3	5.3	-33.6	-4.4	1.8	1.26
9199	FCIFC	Credit Suisse Int'l Focus		7.56	OK to Sell	-14.1	-24.4	--	--	--	--	--
9147	FPRLC	Lazard Retirement Emerging Mkts		10.94	Hold	-16.3	-25.7	33.3	-27.3	--	--	1.08
9143	FPRMC	Morgan Stanley Emerg Mkt Debt		10.72	Hold	-7.0	-7.0	6.3	-4.7	3.0	6.7	0.21
9144	FPRNC	Morgan Stanley Emerg Mkt Equity		9.69	OK to Buy	-16.1	-38.2	40.1	-39.5	5.1	15.6	1.31
9145	FPROC	Morgan Stanley Gbl Value Equity		8.74	OK to Buy	-9.1	-26.1	6.4	-30.3	-3.2	3.8	0.95
9146	FPRPC	Morgan Stanley Int'l Magnum		8.79	Buy	-14.0	-29.8	14.3	-32.3	-0.3	6.9	0.99
9174	FMCCC	Strategic Advisors Mid Cap Value		7.89	Hold	-8.3	-16.0	-6.3p	-23.9	--	--	1.05
9175	FSCCC	Strategic Advisors Small Cap		7.78	Hold	-9.6	-15.2	-8.5p	-22.4	--	--	1.24

Annuity Growth Model

Fund	Allocation
Fidelity VIP Strategic Income	30%
Fidelity VIP Growth	26
Fidelity VIP Value Leaders	26
Morgan Stanley Int'l Magnum	6
Fidelity VIP Equity-Income	6
Fidelity VIP Health Care	6
Total Returns: Sep: -9.5% YTD: -20.4%	

Annuity Growth & Income Model

Fund	Allocation
Fidelity VIP Investment Grade	28%
Fidelity VIP Growth	26
Fidelity VIP Strategic Income	24
Fidelity VIP Value Leaders	17
Fidelity VIP Equity-Income	5
Total Returns: Sep: -7.6% YTD: -16.3%	

Annuity Income & Preservation Model

Fund	Allocation
Fidelity VIP Investment Grade	32%
Fidelity VIP Money Market	24
Fidelity VIP Strategic Income	17
Fidelity VIP Value Leaders	14
Fidelity VIP Growth	13
Total Returns: Sep: -4.9% YTD: -9.9%	

A Historic Month Of Tumult And Change

By any measure, September was a historic month for Wall Street and Main Street. Not since the Great Depression has there been such massive intervention of federal tax dollars and regulatory reach into American business. The goal: stabilizing the financial markets and keeping the U.S. from sliding into a painful recession.

Before the House rejected the \$700 billion rescue of the financial industry, the most dramatic news concerned once-powerful financial names such as American International Group, Fannie Mae, Freddie Mac, Lehman Brothers, Goldman Sachs, Morgan Stanley, Merrill Lynch and Washington Mutual. These firms were either forced into bankruptcy, taken over by the government or merged with other, hopefully more secure, financial institutions.

All Indexes Negative

All major stock indexes posted steep losses in September. The Dow Jones Industrials fell 5.8%, the S&P 500 was down 8.9%, the tech-rich Nasdaq Composite plunged 11.6% and the small-Cap Russell 2000 was down 8.0%. For the year so far, the Dow is off 16.6%, the S&P 500 is down 19.3%, and the Nasdaq has fallen 20.6%. For its part, the Russell 2000 is the best performer — relatively speaking — having declined 10.4%.

Financials, Energy Hit Funds

With just a few exceptions, Fidelity's stock funds did not escape this turmoil as most — particularly those with significant exposure to financials and energy — fell more than the broad market. To state the obvious, all 48 of their small, mid- and large-cap funds were in the red last month, as well as for the year.

In fact, one of the few funds that did not record a double-digit loss last month was **Small Cap Value**. It

declined 3.1%. Even though the fund has nearly 30% of its assets in financial companies, they were generally smaller firms, many of which were not as caught up in that industry's troubles.

At the other end of the spectrum, **Independence** and **Leveraged Company Stock** fell 20.7% and 23.1%, respectively. They both have large exposures to energy. That was not helpful as oil prices fell from around \$115 a barrel to around \$100. (At one point, the price fell to a few cents over \$90.)

Among Fidelity's biggest funds asset-wise, **Magellan** was off 18.0%, **Growth & Income** fell 15.6%, **Growth Company** lost 13.3%, **Low-Priced Stock** was down 11.8% **Equity-Income** declined 10.2% and **Contrafund** was down 9.6%.

Select Funds

In an uncertain economy, investors turn to stocks that they hope will do a better job of getting them through that time. That often means consumer and health-related companies. September was no exception, as seen in the returns of some of the better performing Select funds, even though they were also all negative for the month. **Consumer Staples**, for example, declined 3.6%, while **Medical Equipment** was off 5.1%, **Pharmaceuticals** was down 5.4% and **Health Care** fell 8.1%. **Gold** was negative, too (down 8.5%), as the price of the metal either declined when inflation seemed to be easing, or shot up when investors looked for safe havens from market turmoil.

Not surprisingly, the worst-performing Select funds focused on energy and housing. **Home Finance**, for example, fell 21.2%, while **Natural Gas** was down 22.6% and **Energy** dropped 22.5%. (Given this drop, we've added this fund to our Aggressive Growth Model - see p. 3.)

Foreign Stock Funds

If September was a difficult month for investors in domestic funds, it was

just as hard — in some cases, worse — for those who had money in Fidelity's international funds. This was especially true for funds that focus on developing markets and those that are large exporters of natural resources, or both. **Latin America**, for example, fell 21.3% last month. **Emerging Markets**, meanwhile, was down 19.3%, **China Region** declined 14.9% and **Pacific Basin** fell 15.8%.

Fidelity's European funds also had a tough month with **Europe** down 13.9%. Indeed, the credit crisis reached into every corner of the globe. So September wasn't any easier on such diversified funds as **Int'l Discovery** (down 12.9%) **Diversified Int'l** (down 13.7%) and **Int'l Value** (down 14.8%).

Bond Funds

If you were looking for funds that ended the month in the black, there was only one place to go: government-focused taxable bond funds. As investors looked for refuge from stock-market turmoil, the demand for Treasuries shot up, which caused their prices to rise and their yields, which move in the opposite direction, to fall. **Spartan Long-Term Treasury Index** gained 0.6% last month, while **Spartan Short-Term Treasury** gained 0.8%. On the other hand, lower commodity prices led to diminished inflation concerns. As a result, **Inflation-Protected Bond** fell 3.8% for the month. (It's still ahead 0.4% for the year.)

Investors' aversion to risk was reflected in the returns of Fidelity's high-yield funds. **High Income**, for example, fell 6.8% in September and **Capital & Income** dropped 8.5%.

Municipal bond funds also struggled, as **Muni Income** declined 4.5% and **Tax-Free Bond** was down 4.6%.

The yield on **Cash Reserves** closed out the month at 2.53%, up from 2.47% in August. While taxable money market yields improved a bit, their municipal counterparts are now where the real action is (see p. 4). ■

Q: *How safe are Fidelity's money market funds?*

A: Again, size is a Fidelity advantage. They have the wherewithal (capital and lines of credit) to keep their money funds from "breaking the buck." However, these funds are not FDIC-insured, so there are no guarantees. (Note: Fidelity sells fee-free FDIC-insured CDs, while their non-insured CDs are penalty-free if sold before maturity.) Also, under extreme circumstances, Fidelity reserves the right to delay paying money market shareholders. Finally, it's worth noting that after the 9/11 terrorist attacks, Fidelity's money market and bond funds were among the first to re-open.

Q: *Which money market funds should I own?*

A: Yields tend to jump around a lot, but it's always important to remember that, just like a bond fund, higher yields often mean more risk. That said, we plan to trade out of **Select Money Market**

and into the now-higher-yielding **Municipal Money Market** whose yield at month-end has soared to 5.93%. (Please see the trade box on p. 3, and see p. 4 for an explanation of the recent jump in municipal money market yields.)

Still, when it comes to safety, there's no question that there's none better than the ultra-safe **US Treasury Money Market**. But it yields just 0.58%. That comes as close to hiding your money under your mattress as you can get! We are confident that we are taking on only a bit more risk for potentially a lot more reward (yield).

Q: *Do you think the most recent federal interventions will settle the*

markets in the foreseeable future?

A: Since the Treasury's \$700 billion bailout plan was first hinted at about two weeks ago, the S&P 500 has risen almost 1%. That positive development has been lost in the fog of extreme market volatility.

Still, there is also concern that raising the national debt limit to \$11.3 trillion from \$10.6 trillion will hurt the dollar (thereby making oil and other commodities more expensive), stoke inflation and perhaps slow the economy. It's also debatable as to whether homeowners at risk of foreclosure will actually be helped. If not, housing prices for everyone are more likely to fall.

But as we went to press, a new deal was reportedly coming together

between Congress and the White House, with the Senate taking the lead. It's our opinion that without a bailout plan, and some safeguards and flexibility in accounting standards, an even greater toll could be taken on the economy and the world's financial markets.

Q: *Are you recommending any asset allocation changes?*

A: The most important investment decision you can make is how your money is divided between — and within — stocks, bonds and cash. (There are others, but these are the Big Three.) Simply put, if this market volatility is too much for you to handle, you should probably alter that mix: lessen your stock exposure, but certainly don't abandon it.

However, if you think there are opportunities to be had, dollar-cost-averaging into stocks or even some severely beaten-up sectors makes some sense. All that said, this month's trades on page 3 modestly increase our equity exposure.

Q: *What's your outlook for domestic stock funds?*

A: By all conventional measures, stocks are cheaper than they were a year ago (see above).

For several reasons, our preference remains with large-cap funds. Big companies have more diversified product lines relative to smaller firms, they tend to operate globally, have economies of scale in purchasing, often have dominant market share, stronger balance sheets and importantly, better access to the credit and capital markets. While they don't grow their sales and earnings as fast as smaller-cap companies (which do tend to rebound faster when coming out of a slowdown), big is more beautiful in an uncertain economy.

Q: *Which areas of the bond market do you currently favor?*

A: Fortunately, we've had exposure to ultra-safe Treasuries via **Inflation-Protected Bond** and **Strategic Real Return**, while lower-quality "credits" (including some floating-rate high-yield) are also held in that fund. But in the past month, the fixed-income market has been turned upside down, which we have to acknowledge.

So what are we starting to like now? You may not want to hear this, but it's the riskier stuff. Relative to the security of lower-yielding Treasuries, corporate bonds and even the higher-quality "junk" bonds (rated around BB) and offering a yield advantage that provides plenty of cushion for investors.

One way to gauge the relative attractiveness of Treasuries versus corporates is the yield spread between the two. While the 10-year Treasury yields 3.82%, corporates yield a whopping 6.81%. That spread of 2.99 percentage points is a big risk premium, and is starting to look interesting. Moreover, high-yield bonds are yielding 10%, so there's some room for defaults, and investors should be handsomely rewarded. We're not there yet, but we're watching this sector carefully. ■

"We can state unequivocally that Fidelity's money market funds and accounts continue to provide security and safety for our customers' cash investments. Our funds continue to invest in money market securities of high quality, and our customers continue to have full access to their investments any time they wish."

—Fidelity

Inside Fidelity

Manager Changes — Larry Rakers has been named manager of **Dividend Growth**. He replaces Charles Mangum who has run this large-cap blend fund since 1997.

As a result of this change, former **Magellan** manager Bob Stansky will oversee a team to run the equity portion of **Balanced** fund and its annuity clone **VIP Balanced**, both of which Larry has run since 2002. George Fischer will continue to run the funds' fixed-income investments

In recent years, Dividend Growth has struggled under some ill-timed bets in health care and an underweighting in energy in 2007. (Of course, that has helped more recently). As a result, since 2004, assets have fallen from \$19.4 billion to just \$9.5 billion today.

DIVIDEND UPDATE

In addition to monthly dividends paid by bond and money market funds, Asset Mgr 20% and 30%, Freedom Inc and Inc Replacement, these funds are expected to pay dividends and/or capital gains in October:

Asset Mgr 40% & 50%, Balanced, Convertible Securities, Equity Income, Equity Income II, Export & Multinational, Fidelity Fund, Growth & Income, Strategic Dividend & Income, Utilities, Puritan.

The final distributions for September were as follows:

Fund	ex-date	Amt (\$)	NAV
Blue Chip Growth	9/12	0.88	37.67
Blue Chip Value	9/12	0.12	11.60
Dividend Growth	9/12	1.21	24.11
Gov't Income	9/12	0.07	10.49
Growth & Income	9/12	0.03	21.91
Leverg Co Stock	9/12	0.29	27.33
Low-Priced Stock	9/12	4.26	31.74
RE Income	9/5	0.15	9.33
RE Investment	9/5	0.22	26.29
Small Cap Value	9/12	0.12	12.49
Value Discovery	9/12	0.11	14.84

With Larry Rakers now assigned to Dividend Growth, we expect performance to improve. He's produced an annualized return of 7.5% since 2002. This compares favorably to the 5.0% return produced by his peers.

As for Balanced, it will now be team-managed in the same way that **VIP Contrafund** has been for the past year. (Will Danoff continues to manage the "regular" **Contrafund**.)

A year ago, Bob Stansky was tapped to oversee eight sector managers who collectively pick stocks for VIP Contrafund. One manager oversees the technology "sleeve" for example, while another handles financials. With Bob's oversight, this same team will also run the equity portion of Balanced.

With Larry leaving Balanced and Bob's team having only a year of experience under its belt, we're lowering our rating on Balanced and VIP Balanced to *OK to Sell*. We also are selling them out of our model portfolios (see Portfolio Trades, p. 3), and keeping Dividend Growth at a *Buy*.

Ben Hesse has been named co-manager of **Select Financial Services** with current manager Richard Manuel. Edward Yoon has been named co-manager of **Health Care**, with current manager Matthew Sabel. Anton An has been named manager of **Transportation**, succeeding Maurice FitzMaurice, who will continue to run **Defense & Aerospace**.

Auction-Rate Settlement — Fidelity has settled a probe into its sales of auction-rate securities by agreeing to buy back \$300 million of these securities purchased through the firm before February 13. The agreement with regulators in New York and Massachusetts applies nationally and comes seven months after the market for them became frozen. While many

investors were unable to get their money, the securities did continue to make interest payments.

Several underwriters of these securities, including Citigroup, UBS and Goldman Sachs, settled claims and paid fines. However, Fidelity is the first retail broker to settle with states but will pay no penalty. ■

Message To Members

As I said in *Outlook*, I try to avoid being political in *Fidelity Insight*. But, in the midst of the current financial crisis, and the government's efforts to address it, let's not forget that another big event is taking place: A presidential election.

Whether John McCain or Barack Obama wins the White House, they will inherit a very different America from when they started campaigning.

For starters, assuming some form of rescue package for the financial services business passes both houses of Congress (at this writing, it's back to the drawing board), it, along with spending for a two-front war, will mean massive federal deficits for years to come. So, if campaign promises mean spending more money (on health care, for example), don't hold your breath waiting for them to become reality.

For the same reason, don't wait for your taxes to go down, either; higher taxes seem far more likely.

Thankfully, I don't have to make campaign promises. But I can promise to continue our commitment to risk-sensitive investing. How's that for a slogan?

Sincerely,



Eric M. Kobren

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