

Eric Kobren's

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FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

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ERIC'S OUTLOOK

Don't Get Burned Counting On Summer Gains

A lot has changed in recent months. At the beginning of the year, as our financial system seemed to be on the verge of collapse, every analyst was comparing the situation to the Great Depression. Assets of all stripes were being priced as if the world was coming to an end. Now, instead of fretting about the Next Great Depression, investors are eagerly anticipating what many assume is an imminent economic recovery!



Eric M. Kobren

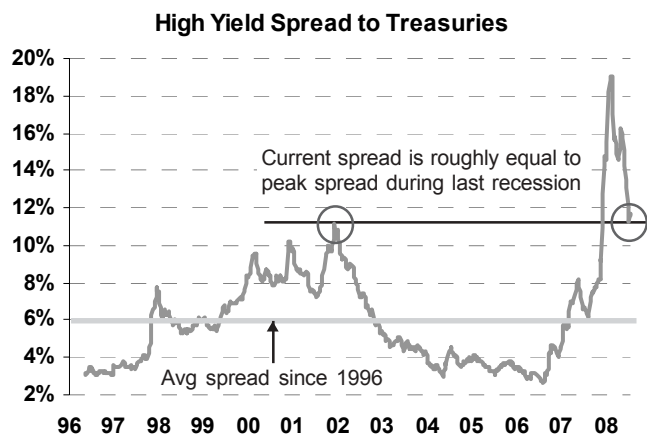
Not surprisingly, the markets have rebounded sharply. While the S&P 500 is still underwater for the year, it is up a sharp 36% since its low reached on March 9.

The more speculative Nasdaq is now up 13.1% on the year after rebounding 40% from its low.

As much as we have enjoyed these gains, don't expect more of the same over the next few months. The low-hanging fruit has been picked and further gains may be harder to come by.

For example, when we spoke with Tom Soviero (see p. 11) who manages **Convertible Securities** (a holding in our Aggressive Growth Model), he estimated that around 80% of the undervaluation in convertibles (that developed as investors expected the world to end) has now been captured. While this, of course, suggests they are still 20% undervalued, capturing that last 20% may be a lot tougher and take a lot longer.

HIGH-YIELD RECOVERY



We ran this chart last November when the high-yield spread (the difference in yield between junk bonds and Treasuries) reached a then record 15%. That was a main reason for the purchase of **High Income** in our Growth Model. At such extreme levels, we felt members would be well rewarded for the risk taken. The spread continued to widen, reaching a peak of just over 19% near the end of 2008. Since then high-yield bonds have rallied sharply and the spread has fallen back to a little over 11% as of 5/21. That is about the same level as the peak of the spread during the last recession (2001-'02), and well above the average spread of 6%, which suggests there is still more upside potential for high-yield (see p. 11).

The situation may be less extreme with many stocks and even high-yield bonds, but the same theme applies.

What Will Move Stocks Higher Now?

The stock gains we have experienced in recent months have come largely from changes in investor expectations, rather than real improvements in fundamentals. So far this year, fundamentals are still deteriorating, but doing so at a slower pace. That has been enough to change perceptions. The world being in really lousy shape is a whole lot better than the world ending. But don't be fooled, the world remains in pretty tough shape.

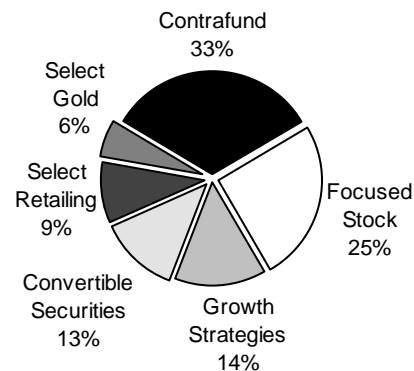
In order for stocks to make significant headway from here we are going to need to see some fundamentals start to get *better* — rather than just *less bad*! That may not come easily, or soon.

INSIDE INSIGHT

Model Portfolios	2
Which Funds Should You Buy Now!	3
Model Portfolio Trades	3
Fund Distinctions Without A Difference	4
Fund Commentary	5
June Scorecard Rating Changes	5
Scorecard	6
Bottoming Economy Spells Opportunity	11
Modest Credit Risk Advised	11
Inside Fidelity	12
Dividend Update	12
Message To Members	12

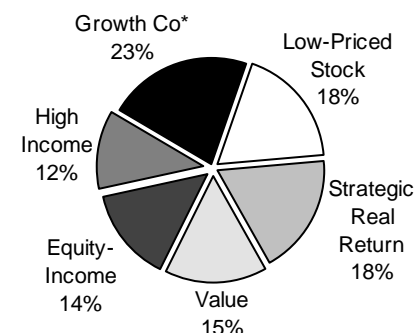
FIDELITY INSIGHT MODEL PORTFOLIOS - MAY 31, 2009

Aggressive Growth Model		Rel Vol: 1.05	Est. Yield: 1.1%	YTD Return: 6.4%		
Current Asset Allocation		Stocks 83.2%	Bonds 0.0%	Cash 4.9%	Alternative ¹ 11.9%	Foreign 12.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	May. Ret
Contrafund	FCNTX	33%	\$47.80	841.70	\$40,233	6.3%
Focused Stock	FTQGX	25	9.25	3,197.95	29,581	6.1
Growth Strategies	FDEGX	14	13.19	1,235.62	16,298	5.1
Convertible Securities	FCVSX	13	17.52	872.28	15,282	13.2
Select Retailing	FSRPX	9	34.92	327.99	11,453	-3.2
Select Gold	FSAGX	6	40.56	171.59	6,960	30.8
Current Value (4/7/99 = \$100,000)					\$119,807	7.0%



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

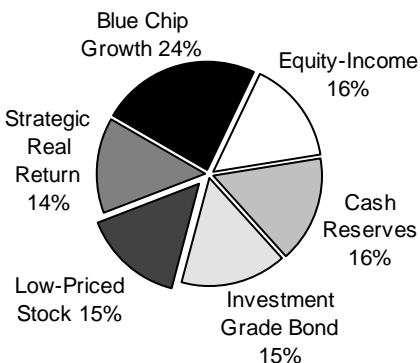
Growth Model		Rel Vol: 1.10	Est. Yield: 2.7%	YTD Return: 9.7%		
Current Asset Allocation		Stocks 67.0%	Bonds 5.3%	Cash 3.3%	Alternative ¹ 24.3%	Foreign 8.9%
Holdings	Ticker	Alloc	NAV	Shares	Value	May. Ret
Growth Company*	FDGRX	23%	\$54.81	3,319.97	\$181,968	5.4%
Low-Priced Stock	FLPSX	18	25.92	5,753.78	149,138	6.3
Strategic Real Return Value	FSRRX	18	7.58	19,622.38	148,738	5.6
Equity-Income	FEQIX	14	32.19	3,599.83	115,879	7.4
High Income	SPHIX	12	7.13	13,707.91	97,737	5.1
Current Value (1/1/87 = \$100,000)					\$817,015	5.9%



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

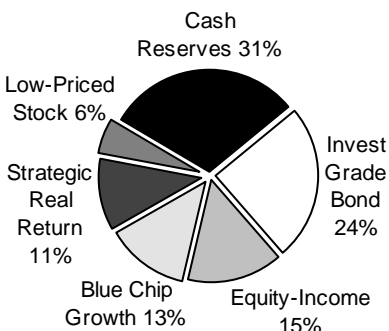
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.76	Est. Yield: 2.3%	YTD Return: 6.0%		
Current Asset Allocation		Stocks 51.4%	Bonds 19.0%	Cash 19.0%	Alternative ¹ 10.6%	Foreign 6.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	May. Ret
Blue Chip Growth	FBGRX	24%	\$29.38	5,645.06	\$165,852	3.5%
Equity-Income	FEQIX	16	32.19	3,413.27	109,873	7.4
Cash Reserves	FDRXX	16	1.00	108,581.37	108,581	0.1
Investment Grade Bond	FBNDX	15	6.60	16,296.41	107,556	2.6
Low-Priced Stock	FLPSX	15	25.92	4,055.95	105,130	6.3
Strategic Real Return	FSRRX	14	7.58	13,332.36	101,059	5.6
Current Value (1/1/87 = \$100,000)					\$698,052	4.1%



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: 0.54	Est. Yield: 2.5%	YTD Return: 5.6%		
Current Asset Allocation		Stocks 32.1%	Bonds 26.8%	Cash 33.0%	Alternative ¹ 8.1%	Foreign 3.5%
Holdings	Ticker	Alloc	NAV	Shares	Value	May. Ret
Cash Reserves	FDRXX	31%	\$1.00	140,756.17	\$140,756	0.1%
Investment Grade Bond	FBNDX	24	6.60	16,860.58	111,280	2.6
Equity-Income	FEQIX	15	32.19	2,101.06	67,633	7.4
Blue Chip Growth	FBGRX	13	29.38	2,076.49	61,007	3.5
Strategic Real Return	FSRRX	11	7.58	6,659.06	50,476	5.6
Low-Priced Stock	FLPSX	6	25.92	999.19	25,899	6.3
Current Value (1/1/87 = \$100,000)					\$457,051	3.1%



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). **Annuity Model Portfolios** are on p. 10.

Areas of Concern

Housing is a prime example of where real positive improvement may be slow in coming. While we have likely seen the worst of the crisis, and existing home sales have risen in three of the last five months, prices are still falling precipitously and inventories of homes for sale have actually increased. The problem with home prices is that the large number of foreclosure sales (up to half of all sales) are forcing prices of all homes down. In addition, foreclosure rates are still increasing. Until prices stop falling it's hard to imagine a robust consumer, and without a robust consumer, it is hard to imagine a robust economy.

Corporate earnings remain another trouble spot. Last month, we noted that given how severely analysts had reduced their forecasts for the first quarter, S&P 500 earnings might be close to expectations or only slightly worse. At that time, with 351 companies reporting, they were running just 2% below estimates. But a month later with 477 firms in, earnings are now running 24% below forecasts. Expectations for the full year have been reduced yet again. At the least, we need to see a quarter where earnings exceed (reduced) expectations. And it would be even better for earnings to exceed those of the year earlier quarter — imagine that!

Still Optimistic Longer-Term

I hope I haven't sounded too glum. I remain positive on the market's direction over the longer-term and still encourage members to put any cash they have pulled out of the market back to work. I just want to prepare you for what I think could be a tough summer. It would not be a shock if the markets were to continue to climb

WHICH FUNDS SHOULD YOU BUY NOW!

Equity Funds: **Blue Chip Growth** provides exposure to high-quality, large-cap growth stocks; **Equity-Income** is your choice for large value. **Growth Strategies** has a mid-cap growth orientation. **Low-Priced Stock** offers a great manager with a penchant for value stocks.

Specialty Funds: **Strategic Real Return** uses a rich mix of four sub-portfolios to provide inflation protection and portfolio diversification.

Fixed-Income Funds: **Investment Grade Bond** offers a mix of government and attractively valued corporate bonds. **Cash Reserves** provides safety in principal and a decent yield versus other money market funds.

International Funds: For aggressive investors, **China Region** offers some of the best growth prospects in the world. For more conservative members, **Int'l Discovery** provides broad developed market exposure. ■

the proverbial "wall of worry" and keep right on moving higher over the summer. But, I think it is wise to prepare yourself emotionally for a bumpier ride. With that in mind, we made a very modest trade in our Growth Model (see below) to take a bit of equity risk off the table. We

trimmed one quarter of **Growth Company** and put it into **Strategic Real Return**, a modestly aggressive bond fund. The trades in our Annuity models primarily reflect our preference for Rich Fentin's positioning in **VIP Value**, a clone of his retail **Value** fund, over **VIP Value Leaders**. ■

MODEL PORTFOLIO TRADES

As announced on our May 22 Hotline, effective Tuesday, May 26, we made a trade in our Growth Model Portfolio, and trades in all three Annuity Model Portfolios.

Action	Fund	Shares	Price	Value	Old%	New%
Growth Model:						
Sold 1/4 of:	Growth Company	1,106.66	\$53.88	\$59,626.69	30%	23%
Bought:	Strategic Real Return	7,971.48	\$7.48	\$59,626.69	11%	18%
Annuity Growth Model						
Sold:	VIP Value Leaders	3,064.24	\$7.05	\$21,613.36	24%	0%
Bought:	VIP Value	3,108.33	\$6.95	\$21,613.36	0%	24%
Sold:	VIP Health Care	611.97	\$8.56	\$5,236.97	6%	0%
Added to:	VIP Equity-Income	709.82	\$7.38	\$5,236.97	5%	11%
Annuity Growth & Income Model						
Sold:	VIP Value Leaders	2,024.43	\$7.05	\$14,279.14	15%	0%
Bought:	VIP Value	2,053.56	\$6.95	\$14,279.14	0%	15%
Annuity Income & Preservation Model						
Sold:	VIP Value Leaders	1,701.58	\$7.05	\$12,001.94	11%	0%
Bought:	VIP Value	1,726.06	\$6.95	\$12,001.94	0%	11%

In our Growth Model we are taking a little stock exposure off the table by trimming **Growth Company**. After such a sharp rebound since March, the market may be due for a pullback. In all three annuity models we prefer the positioning of Rich Fentin's **VIP Value** (a clone of his retail **Value** fund) to **VIP Value Strategies** (a clone of the retail **Blue Chip Value**). In the Annuity Growth Model, we also eliminated our small position in **VIP Health Care**.

ANNUAL MODEL PORTFOLIO RETURNS (%)

Model	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08
Ag Gr													31.4	-8.4	-20.9	-15.8	36.6	14.8	17.9	14.2	14.5	-42.0
Growth	20.8	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	-38.2
Gr & In	5.8	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	-26.5
In & Pr	1.3	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	-18.4

FUND ANALYSIS

Fund Distinctions Without A Difference

When *Fidelity Insight* was launched 25 years ago, one of our main goals was to help members understand the differences between Fidelity's various fund offerings. Back then, the number of fund 'pickings' was quite slim compared to today's lineup — our first *Scorecard* featured a grand total of 12 stock funds! Today there are 48 domestic stock funds and another 25 foreign stock funds from which to choose, and something just short of a DNA test sometimes seems necessary to distinguish one fund from another! While the task may be more daunting, helping you through the maze of funds is more important than ever.

That's why when Fidelity replaced the managers of **Equity-Income II**, **Mid Cap Growth** and **Europe** with managers who were already running a similar fund at Fidelity (Steven Petersen of **Equity-Income**, Steve Calhoun of **Growth Strategies** and Melissa Reilly of **Europe Cap App** respectively), we were watching to see how similar their new assignments might become to their existing funds. After four to six months at their respective helms, the answer is — a lot!

Equity-Income vs Equity-Income II

In 1990, assets in Equity-Income were a then eye-popping \$4 billion. (And that was with a 2% sales load!) Amid concern that assets were growing unwieldy, and rather than close it to new investors and risk losing fee income, Fidelity debuted Equity-Income II (E-I 2).

While the funds were similar, E-I 2 was launched with a different manager (Andy Midler), a lower yield objective, and more flexibility in its asset allocation parameters. While this theoretically allowed for E-I 2 to be the more aggressive of the two, over its history that has depended on who was at the helm. Its most aggressive period was several years ago when

Steve Dufour was its manager.

In 2009, with E-I 2's assets plunging to \$4 billion (down from a peak of almost \$18 billion in 1999), Fidelity took the unusual step of assigning E-I's longtime manager, Steve Petersen, to the fund. We say 'unusual' because Steve already has plenty on his plate. Not only does he manage \$14 billion at E-I, he also runs **VIP Equity-Income** and an Advisor series of funds. Given these responsibilities, change was inevitable at E-I 2, and Steve has moved quickly to remake it in the image of E-I.

Six of E-I 2's top-10 holdings are new, with nine now matching E-I's top-10. Where there were once real differences in industry allocations, they are now quite close. For example, before Steve took over, E-I 2 had 5% in consumer discretionary stocks while E-I had 12%. Today they both have around 14%. And while E-I 2 had just 73 holdings at the end of last year, it now has 187 and climbing (E-I still has more at 248). While these two funds have long been highly correlated, now, they're virtually indistinguishable. As a consequence, we're upgrading Equity-Income II to *Buy* — just like its elder kin. Obviously it makes little sense to own them both and our preference (in taxable

accounts) is for Equity-Income. While their expense ratios are similar, Equity-Income has much larger unrealized losses on its books. (Steve took advantage of most of the losses on E-I 2's books when he repositioned that fund.) This likely means smaller taxable distributions in the near term for Equity-Income.

Growth Strategies vs Mid-Cap Growth

Growth Strategies is a mid-cap growth fund and so is **Mid Cap Growth**. But since Steve Calhoun was assigned to the latter in January, that's not the only thing they have in common. Steve has remade Mid Cap Growth into a mirror image of Growth Strategies, implementing some striking changes. Among them, health care is now the fund's largest sector bet with 26.5% of assets, up from 16.1% at the start of the year and a near perfect match to Growth Strategies' 26.2%. Steve has also reduced financials to be more in line with his Russell Midcap Growth benchmark, and he eliminated a small position in utilities — once again, perfect matches to Growth Strategies.

If these changes don't seem like

Fund Analysis *cont'd on page 5*

ONE MANAGER: THREE FUNDS

Keith Quinton has been managing both **Disciplined Equity** and **Tax Managed Stock** for several years. Whereas Disciplined Equity uses a combination of quantitative and fundamental analysis in portfolio construction, Tax Managed is solely fundamentally driven, with an eye towards reducing capital gains. With such unrelated charters the funds were fairly different, despite sharing a manager. However, we've noted that the two funds have converged over the past year. While not as tightly knit as the other fund pairs mentioned above, they are still quite similar. Both funds are rated *Hold* and their expense ratios and unreal-

ized losses are similar. We have no big preference for either, but would lean towards Disciplined Equity.

Keith also manages the new **130/30 Large Cap** fund, and while its equity holdings resemble his other two funds, it's really quite a different animal. In this unique offering, Keith can use up to 30% of assets to short stocks or entire industries (a bet that they'll decline in value) and then use the proceeds from those short sales to "leverage" the "longs" to 130%, keeping the net exposure at 100%. Despite these structural differences, we'd advise against owning it in combination with either of his other two. ■

much, consider this: 376 stock positions have now been slashed to just 82, in-line with Growth Strategies (89).

While both are now rated *Buy* (we upgraded Mid Cap Growth due to its new positioning), our preference is for Growth Strategies. It has a much larger percentage of unrealized losses on its books, which should eliminate taxable capital gains distributions for the foreseeable future. (Of course this doesn't matter as much if you hold the fund in an IRA, 401(k) or other tax-deferred retirement account.)

Although current expense ratios would seem to favor Mid Cap Growth (.69 vs .83) that is entirely due to a much larger negative performance adjustment to the management fee on Mid Cap Growth. Now that they are virtual clones with the same manager, that performance differential will disappear and the expense ratios should ultimately converge.

Europe vs Europe Cap App

When **Europe Capital Appreciation** was launched in 1993, it was supposed to be a more aggressive version of **Europe** fund. Whereas Europe owned larger-cap growth and value stocks, the expectation was for its 'offspring' to buy faster-growing and smaller-cap firms. While the newer fund did take a few more risks, the differences between the funds' investment strategies have been modest.

Now that Melissa Reilly has added Europe to her duties (last November) on Europe Cap App, which she has run since 2007, any distinctions between the funds have all but vanished. Both funds' top holdings are now identical, and their sector and country exposures are virtually mirror images. As such, Europe is up 9.6% this year versus 9.9% for Europe Cap App.

Both Europe Cap App and Europe are rated *Hold*. Between the two, our preference goes to Europe owing to its slightly lower expense ratio and its much larger amount of unrealized losses. ■

Nothing To Fear Now, But Fear Itself

For just about any market movement one can conjure, Wall Street has an adage. 'Climbing a wall of worry' seems most suitable for today.

As detailed in this month's *Outlook*, it's not that the economy is strengthening, it's simply that it's not getting any worse. First quarter GDP, shrank 5.7%, a bit better than the initial report of a 6.1% drop, but still ugly. GM joined Chrysler in bankruptcy, but that has been widely anticipated for some time now.

That said, there are some new concerns in the bond market that stock investors have to worry about.

The Fed wants long-term rates to remain low because they directly affect mortgage rates, and they need low mortgage rates to help the housing market recover. They have been directly buying long-term Treasuries and mortgage bonds to help accomplish that goal. But a funny thing has happened along the way. The bond market decided that the Fed buying Treasuries with money it doesn't ac-

tually have (not to mention the other \$2 trillion dollars the Fed will be spending to stimulate the economy that it also doesn't have) is inflationary. Since the end of April, selling pressure on the 10-year Treasury has pushed its yield up from around 3% to nearly 4% before settling down to 3.5% at month's end. Another inflation bellwether: Commodities continue to soar with crude prices hitting \$66 a barrel.

Market Indexes

As there's apparently nothing to fear now, but fear itself, stocks have certainly been far hotter this spring than Red Sox slugger Big Pappi's bat (a real concern for us Sox fans!). The S&P 500 and Dow Industrials finished May with their first three-month winning streak since 2007. In percentage terms, it was their biggest three-month spree in a decade.

Turning to the numbers, the S&P 500 gained 5.6% in May, bringing its three-month return to 25.8%. For the year-to-date, it's up a more modest 3.0% as January and February were

Fund Commentary *cont'd on page 6*

June Scorecard Rating Changes

Fund	Rating	Comments
130/30 Large Cap	S ↓	Fund should be performing better in this market.
Blue Chip Value	H ↑	Decent way to achieve large-cap value exposure.
Equity-Income II	B ↑	We like this fund's new positioning (see p. 4).
Global Balanced	B ↑	Offers a nice mix of foreign stocks and bonds.
Large Cap Stock	H ↑	A good way to play big tech and financial stocks.
Leveraged Co. Stock	B ↑	Leveraged equity offers good value (see p. 11).
Mid Cap Growth	B ↑	We like this fund's new positioning (see p. 4).
MS Emg Mk Dbt (Annuity)	B ↑	More positive view of emerging market debt.
New Markets Income	B ↑	More positive view of emerging market debt.
Overseas	S ↓	We prefer other diversified international funds.
Real Estate Income	B ↑	Conservative play on values in real estate.
Sel Automotive	B ↑	After-market for autos is showing promise.
Sel Defense & Aerospace	H ↑	Fund's transportation holdings show signs of life.
Sel Home Finance	S ↓	This area continues to struggle.
Small Cap Enhanced Idx	B ↑	Provides investors with Russell 2000 exposure.
Small Cap Independence	H ↑	Small caps looking more attractive.
Small Cap Value	B ↑	Small caps and value looking more attractive.
Tax Managed Stock	H ↓	We prefer other large-cap funds.
Telecom & Utilities	S ↓	Utilities dragging fund down.
Value Strategies	H ↑	Beaten down financials making a recovery.
VIP Value Leaders	H ↓	Clone of Blue Chip Value.
VIP Value Strategies	H ↑	Beaten down financials making a recovery.
B = Buy; B = OK to Buy; H = Hold; S = OK to Sell; S = Sell, NC = No change		

FIDELITY SCORECARD - MAY 31, 2009

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
						May	YTD	2008	1 Year	3 Year	5 Year	
		S&P 500 (Large Cap)				5.6	3.0	-37.0	-32.6	-8.2	-1.9	1.00
		Dow Industrials (Blue Chip)				4.5	-1.6	-31.9	-29.7	-6.2	-5.4	0.91
		Nasdaq Composite (OTC)				3.5	13.1	-40.0	-28.0	-5.8	-1.4	1.17
		Russell 2000 (Small Cap)				3.0	1.1	-33.8	-31.8	-10.1	-1.2	1.25
LARGE CAP GROWTH FUNDS						<i>Category Averages</i>						
						6.0	11.8	-43.0	-33.8	-7.1	-0.8	1.17
312	FBGRX	Blue Chip Growth		29.38	Buy	3.5	11.7	-38.6	-28.8	-6.2	-2.4	1.06
307	FDCAX	Capital Appreciation		17.36	Buy	7.8	10.4	-40.5	-30.8	-9.2	-1.6	1.11
22	FCNTX	Contrafund		47.80	Buy	6.3	5.7	-37.2	-31.3	-4.9	2.7	0.93
332	FEXPX	Export and Multinational	0.75%/30 days	16.09	OK to Buy	7.3	11.7	-43.4	-33.7	-7.7	0.2	1.13
500	FFTYX	Fifty		12.69	Hold	9.9	15.2	-49.1	-39.1	-10.4	-2.5	1.27
25	FDGRX	Growth Company (closed)		54.81	Buy	5.4	12.0	-40.9	-32.8	-4.6	1.3	1.11
339	FDSVX	Growth Discovery		9.20	Hold	4.8	6.9	-46.7	-39.7	-7.0	-1.2	1.11
73	FDFFX	Independence		15.86	Hold	9.7	11.1	-48.1	-44.8	-6.8	0.5	1.41
763	FSLGX	Large Cap Growth		6.80	Hold	4.6	3.3	-38.1	-32.4	-11.0	-2.8	1.03
1829	FLGEX	Large Cap Growth Enhcd Index		6.92	OK to Buy	5.3	8.5	-37.0	-29.5	--	--	--
338	FLCSX	Large Cap Stock		11.81	Hold↑	6.8	17.9	-47.5	-33.5	-8.0	-2.0	1.29
21	FMAGX	Magellan		53.80	Hold	6.2	17.5	-49.4	-38.2	-9.6	-3.0	1.33
1282	FNCMX	Nasdaq Composite Index	0.75%/90 days	23.54	Hold	3.4	12.9	-40.0	-29.1	-5.9	-1.7	1.17
93	FOCPX	OTC		35.23	Buy	4.7	25.0	-46.0	-28.1	-1.2	1.8	1.34
320	FDSSX	Stock Selector		17.97	OK to Buy	5.0	5.8	-41.7	-35.3	-8.6	-1.6	1.03
5	FTRNX	Trend		44.09	OK to Buy	4.7	12.8	-44.5	-33.5	-6.1	-0.2	1.15
LARGE CAP BLEND FUNDS						<i>Category Averages</i>						
						6.0	4.0	-40.2	-35.1	-9.5	-1.8	1.09
315	FDEQX	Disciplined Equity		17.58	Hold	5.9	1.0	-40.1	-36.3	-9.3	-1.3	1.02
330	FDGFX	Dividend Growth		18.65	Hold	9.8	18.1	-43.0	-29.0	-8.4	-3.2	1.27
3	FFIDX	Fidelity Fund		24.15	OK to Buy	5.6	6.7	-40.3	-33.5	-6.1	-0.6	1.06
333	FTQGX	Focused Stock		9.25	Buy	6.1	4.8	-33.0	-31.3	-5.3	3.2	1.01
27	FGRIX	Growth & Income		13.35	OK to Sell	5.0	1.6	-50.9	-45.6	-18.1	-9.0	1.21
1827	FLCEX	Large Cap Core Enhcd Index		6.45	Hold	5.7	1.2	-35.8	-32.1	--	--	--
361	FGRTX	Mega Cap Stock		7.21	OK to Buy	6.7	3.7	-39.4	-32.6	-8.2	-2.1	1.03
317	FSMKX	Spartan 500 Index ⁴		63.97	Hold	5.6	3.0	-37.1	-32.6	-8.3	-2.0	1.00
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90 days	25.95	Hold	5.2	3.9	-37.2	-32.7	-8.2	-1.3	1.03
343	FTXMX	Tax Managed Stock		9.07	Hold↓	4.0	-0.6	-42.7	-41.5	-10.8	-1.4	1.09
832	FVDFX	Value Discovery		10.57	Hold	6.0	3.8	-42.3	-36.7	-10.3	0.4	1.13
LARGE CAP VALUE FUNDS						<i>Category Averages</i>						
						6.9	0.7	-40.5	-36.7	-11.7	-2.8	1.13
1271	FBCVX	Blue Chip Value		8.22	Hold↑	7.3	4.1	-44.8	-39.4	-12.6	-3.0	1.17
23	FEQIX	Equity-Income		32.19	Buy	7.4	5.2	-41.6	-35.6	-10.9	-2.7	1.15
319	FEQTX	Equity-Income II		13.55	Buy↑	7.2	2.5	-40.4	-35.2	-10.9	-3.2	1.11
708	FSLVX	Large Cap Value		8.16	Hold	6.3	-4.4	-39.7	-38.6	-12.4	-2.4	1.08
1828	FLVEX	Large Cap Value Enhcd Index		5.67	OK to Buy	6.2	-3.7	-35.9	-34.9	--	--	--

Notes: ¹ Relative Volatility of the fund versus the S&P 500 over the last 36 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 Investor 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). ⁶ Formerly Select Utilities Growth. ⁷ Formerly Aggressive Growth. ⁸ Formerly Utilities. ⁹ Name changed to VIP Growth Strategies, will be listed under new name next month. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

Fund Commentary *cont'd from page 5*

negative months for stocks. Elsewhere, the small-cap Russell 2000 gained 3.0% in May and has now risen 1.2% in 2009, while the tech-rich Nasdaq Composite rose 3.5% last month and is up 13.1% this year.

Equity Funds

While a number of Fidelity stock funds turned positive on the year in April, thanks to a strong May, all but a handful are now in the black.

Pulling far ahead of all others last month was **Leveraged Company**

Stock. It gained 13.5% as investors set aside fears of default risk and went on a buying binge and is now up 23.4% for the year. (In spite of its run-up, we remain positive on the area — see p. 11.)

Apart from this specialized product, some good-old-fashion diversified stock funds also enjoyed very solid performances. With energy and financials being bid higher over optimism about the economy, funds that are rich with these exposures were pushed higher. With its 18% stake in financials and 12% position in energy, the large-cap growth fund, **Indepen-**

dence (up 9.7%), was a particularly strong performer. But it was also an exemplary month for value-oriented funds that are typically rich with these same sector exposures. For example, **Value Strategies, Equity-Income and Equity-Income II** (see p. 4) enjoyed monthly gains of 8.2%, 7.4% and 7.2%, respectively. Elsewhere, with Dell and other technology companies moderating investors' expectations, growths funds that hold lots of computer and hardware makers saw more modest gains in May. **OTC**, for example, rose a tamer 4.7% and **Growth Company** gained 'just' 5.4%.

FIDELITY SCORECARD - MAY 31, 2009

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
						May	YTD	2008	1 Year	3 Year	5 Year				
MID-CAP GROWTH FUNDS						Category Averages			6.2	12.2	-44.7	-35.8	-10.2	-1.6	1.26
324	FDEGX	Growth Strategies ⁷	1.50%/90 days	13.19	Buy	5.1	13.2	-49.3	-36.8	-9.0	-3.3	1.25			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30 days	6.51	Hold	4.5	7.3	-38.7	-34.3	--	--	--			
793	FSMGX	Mid Cap Growth	0.75%/30 days	7.69	Buy↑	5.8	13.3	-49.3	-40.8	-14.7	-3.9	1.28			
337	FMCSX	Mid-Cap Stock	0.75%/30 days	18.00	Hold	8.1	15.3	-46.0	-38.3	-10.9	-0.4	1.33			
300	FMILX	New Millennium		19.75	OK to Buy	7.3	12.0	-40.2	-28.9	-6.3	1.3	1.18			
MID-CAP BLEND FUNDS						Category Averages			8.0	15.9	-45.1	-37.4	-9.2	0.2	1.42
122	FLVCX	Leveraged Company Stock	1.50%/90 days	17.82	Buy↑	13.5	23.4	-54.5	-48.4	-10.2	2.0	1.74			
316	FLPSX	Low-Priced Stock	1.50%/90 days	25.92	Buy	6.3	12.1	-36.2	-28.8	-6.5	2.2	1.17			
398	FSEMXX	Spartan Extended Mkt Index ⁴	0.75%/90 days	24.35	Hold	4.1	8.0	-38.5	-33.4	-8.4	0.4	1.19			
14	FSLSX	Value Strategies		16.69	Hold↑	8.2	20.2	-51.2	-39.0	-11.8	-3.6	1.60			
MID-CAP VALUE FUNDS						Category Averages			4.8	7.3	-43.5	-37.9	-12.0	-1.0	1.36
762	FSMVX	Mid Cap Value	0.75%/30 days	9.83	Hold	3.7	3.4	-40.5	-36.3	-11.5	-0.6	1.27			
39	FDVLX	Value		44.32	Buy	6.0	11.2	-46.5	-39.6	-12.5	-1.4	1.45			
SMALL CAP GROWTH						Category Averages			5.6	10.9	-46.0	-35.3	-10.2	-2.5	1.32
2011	FCPEX	Small Cap Enhanced Index	1.50%/90 days	6.51	OK to Buy↑	2.5	-0.7	-33.7	-32.4	--	--	--			
1388	FCPGX	Small Cap Growth	1.50%/90 days	9.90	Hold	6.1	13.9	-44.9	-32.7	-7.9	--	1.27			
336	FDSCX	Small Cap Independence	1.50%/90 days	11.36	Hold↑	5.0	7.9	-47.0	-38.0	-12.4	-2.5	1.36			
SMALL CAP BLEND						Category Averages			5.6	13.5	-36.6	-24.8	-7.5	0.2	1.36
340	FSLCX	Small Cap Stock	2.00%/90 days	11.73	Hold	7.8	19.7	-42.9	-28.8	-8.4	0.2	1.40			
1389	FCPVX	Small Cap Value	1.50%/90 days	10.01	OK to Buy↑	3.3	7.4	-30.3	-20.7	-6.6	--	1.33			
SPECIALTY FUNDS															
2063	FOTTX	130/30 Large Cap (2008 ret from 1st full month)		5.72	OK to Sell↓	3.1	-11.0	-35.3p	-47.1	--	--	--			
304	FBALX	Balanced		14.14	Hold	5.1	8.5	-31.3	-24.9	-4.3	2.1	0.80			
308	FCVSX	Convertible Securities		17.52	Buy	13.2	27.6	-47.8	-36.7	-5.9	0.5	1.38			
1960	FDYSX	Dynamic Strategies		7.43	Hold	8.2	11.2	-28.4	-21.6	--	--	--			
355	FFNOX	Four-in-One Index		20.70	Hold	5.8	4.5	-32.6	-28.0	-5.9	0.3	0.91			
334	FGBLX	Global Balanced	1.00%/30 days	17.53	OK to Buy↑	8.1	5.2	-23.3	-19.7	-0.4	5.1	0.74			
2120	FFGCX	Global Commodity Stock		10.59	Buy	17.7	30.1	NA	NA	NA	NA	--			
1368	FIREX	International Real Estate	1.50%/90 days	7.48	Hold	19.7	12.8	-50.5	-39.9	-12.5	--	1.49			
4	FPURX	Puritan		13.86	OK to Buy	4.9	6.9	-29.2	-21.9	-3.7	1.0	0.72			
833	FRIFX	Real Estate Income	0.75%/90 days	7.72	OK to Buy↑	5.0	17.4	-31.0	-17.1	-6.3	-0.4	0.79			
303	FRESX	Real Estate Investment	0.75%/90 days	13.80	Sell	3.5	-10.9	-38.2	-50.1	-18.7	-2.9	2.07			
1329	FSDIX	Strategic Dividend & Income		7.58	OK to Buy	6.8	7.3	-41.2	-36.5	-10.6	-1.6	1.13			
1505	FSRRX	Strategic Real Return	0.75%/60 days	7.58	Buy	5.6	10.5	-23.4	-19.9	-3.4	--	0.71			
311	FIUIX	Telecom & Utilities ⁸		12.22	Sell↓	2.1	-5.8	-34.6	-36.0	-5.9	3.6	0.93			
ASSET ALLOCATION FUNDS															
328	FASIX	Asset Manager 20%		10.99	Hold	3.4	7.7	-14.2	-6.8	0.7	3.2	0.37			
1957	FTANX	Asset Manager 30%		8.26	Hold	4.1	9.1	-19.7	-11.2	--	--	--			
1958	FFANX	Asset Manager 40%		7.91	Hold	5.1	9.4	-23.2	-14.6	--	--	--			
314	FASMX	Asset Manager 50%		12.03	Hold	5.8	11.6	-27.8	-17.5	-2.7	0.5	0.71			
1959	FSANX	Asset Manager 60%		7.38	Hold	6.7	11.8	-30.0	-19.6	--	--	--			
321	FASGX	Asset Manager 70%		12.10	Hold	7.1	12.7	-34.9	-24.4	-5.2	-1.0	0.91			
347	FAMRX	Asset Manager 85%		9.63	Hold	8.1	13.3	-38.6	-28.0	-6.2	-0.2	1.03			

International Funds

With the notable exception of **Worldwide** (which holds U.S. stocks), every foreign stock fund produced double-digit gains last month. The emerging markets funds fared especially well. With its rich portfolio of raw materials, **Latin America** rose 20.5% and **Emerging Europe, Middle East, Africa (EMEA)**, which is 50% invested in energy and materials, gained 20.8%. But **China Region** took home top honors with a gain of 20.9%.

Among more diversified funds, **International Cap App** led the way

with a gain of 19.4%, **International Value** rose 15.1%, **Total International Equity** gained 14.6%, and **Diversified International** moved up 13.2%.

Fixed-Income Funds

It was two different worlds in the bond markets last month. The more credit risk you took, the better you fared. High-yield bond funds were the big winners with **Capital & Income** (the riskiest of the lot) rising 7.4% and **High Income** gaining 5.1%. Investment grade corporate bond funds also did well with **Intermediate Bond**

adding 3.2% and **Investment Grade** climbing 2.6%.

But, on the other end of the spectrum, government bond funds with little credit risk took a hit. **Spartan Long-Term Treasury** fell 2.8% and **Government Income** lost 0.4%. As noted earlier, inflation fears have been pushing longer-term Treasury yields higher (and prices lower).

Long-term municipal bond funds however, enjoyed a solid month with **Tax-Free Bond** gaining 1.0% and **Municipal Income** rising 0.9%.

The yield on **Cash Reserves** fell from 0.74% to 0.67%. ■

FIDELITY SCORECARD - MAY 31, 2009

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹			
						May	YTD	2008	1 Year	3 Year	5 Year				
INTERNATIONAL FUNDS						Category Averages			15.5	16.9	-47.0	-37.2	-6.5	6.0	1.45
309	FICDX	Canada	1.50%/90 days	43.72	Hold	20.4	24.7	-42.6	-33.5	0.9	12.5	1.50			
352	FHKCX	China Region	1.50%/90 days	23.34	Buy	20.9	37.2	-44.9	-19.3	9.3	13.6	1.61			
325	FDIVX	Diversified International	1.00%/30 days	23.75	OK to Buy	13.2	10.4	-45.2	-38.0	-7.6	3.1	1.30			
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90 days	6.69	Hold	20.8	40.3	-52.4p	-33.2	--	--	--			
322	FEMKX	Emerging Markets	1.50%/90 days	17.36	Hold	20.0	33.6	-60.8	-46.2	-2.5	13.0	1.84			
301	FIEUX	Europe	1.00%/30 days	24.97	Hold	13.5	9.6	-44.0	-36.7	-6.6	5.9	1.26			
341	FECAX	Europe Capital App	1.00%/30 days	15.02	Hold	13.4	9.9	-46.3	-38.2	-8.1	4.3	1.30			
335	FIVFX	Int'l Cap App (formerly Agg Int'l)	1.00%/30 days	9.46	Hold	19.4	27.3	-50.7	-36.0	-9.6	-0.7	1.57			
305	FIGRX	International Discovery	1.00%/30 days	25.41	OK to Buy	12.6	7.5	-44.3	-36.9	-6.7	4.1	1.24			
2010	FIENX	International Enchanced Index	1.00%/30 days	5.90	Hold	13.7	4.3	-43.3	-38.8	--	--	--			
1979	FIGFX	International Growth	1.00%/30 days	5.99	Hold	12.6	8.1	-41.3	-35.2	--	--	--			
818	FISMX	Int'l Small Cap (closed)	2.00%/90 days	14.65	Hold	17.7	18.6	-46.5	-36.5	-9.7	5.2	1.41			
1504	FSCOX	Int'l Small Cap Opportunities	2.00%/90 days	6.70	OK to Sell	14.5	11.9	-58.4	-52.4	-19.0	--	1.57			
1597	FIVLX	International Value	1.00%/30 days	6.72	OK to Buy	15.1	12.8	-46.7	-38.8	-9.2	--	1.45			
350	FJPNX	Japan	1.50%/90 days	9.66	Hold	11.4	8.3	-36.8	-33.0	-13.0	-1.0	1.17			
360	FJSCX	Japan Smaller Companies	1.50%/90 days	7.43	Hold	15.9	3.6	-34.5	-27.9	-19.5	-6.9	1.27			
349	FLATX	Latin America	1.50%/90 days	39.46	Hold	20.5	42.9	-54.6	-43.9	6.9	25.0	1.86			
342	FNORX	Nordic	1.50%/90 days	22.21	Hold	14.5	18.2	-56.0	-47.1	-8.9	5.5	1.65			
94	FOSFX	Overseas	1.00%/30 days	27.04	OK to Sell↓	12.7	7.8	-47.3	-39.8	-8.0	2.3	1.31			
302	FPBFX	Pacific Basin	1.50%/90 days	16.81	Hold	20.3	26.6	-55.8	-37.1	-8.1	3.9	1.72			
351	FSEAX	Southeast Asia	1.50%/90 days	21.88	Hold	11.9	16.0	-51.9	-34.4	2.3	13.0	1.53			
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90 days	28.44	Hold	13.5	6.7	-41.4	-36.0	-7.5	3.1	1.27			
1978	FTIEX	Total International Equity	1.00%/30 days	5.49	Hold	14.6	13.2	-47.2	-39.1	--	--	--			
318	FWWFX	Worldwide	1.00%/30 days	13.38	Hold	9.1	6.3	-40.2	-35.4	-5.4	2.2	1.12			
SELECT PORTFOLIOS						Category Averages			7.1	15.9	-41.0	-30.5	-7.4	1.1	1.43
34	FSAIX	Air Transportation	0.75%/30 days	21.99	Hold	-0.1	-15.6	-32.6	-29.6	-14.8	-1.1	1.52			
502	FSAVX	Automotive	0.75%/30 days	20.11	OK to Buy↑	6.1	42.0	-61.2	-41.9	-15.3	-7.1	2.54			
507	FSRBX	Banking	0.75%/30 days	12.93	Hold	13.7	-11.2	-37.5	-37.6	-21.9	-11.2	1.57			
42	FBIOX	Biotechnology	0.75%/30 days	56.67	Hold	3.2	-4.1	-11.4	-13.0	-2.1	-0.7	0.98			
68	FSLBX	Brokerage & Investment	0.75%/30 days	39.60	Hold	18.8	25.1	-49.3	-30.9	-9.9	2.9	1.54			
69	FSCHX	Chemicals	0.75%/30 days	59.79	Hold	4.5	29.7	-43.3	-33.3	0.8	7.8	1.30			
518	FSDCX	Communications Equipment	0.75%/30 days	16.22	OK to Buy	5.9	40.8	-48.5	-28.3	-7.4	-1.2	1.67			
7	FDCPX	Computers	0.75%/30 days	31.23	Hold	2.2	25.5	-48.5	-31.7	-4.1	-2.1	1.45			
511	FSHOX	Construction & Housing	0.75%/30 days	23.92	OK to Buy	-5.1	0.3	-26.8	-29.9	-11.8	-1.4	1.48			
517	FSCPX	Consumer Discretionary	0.75%/30 days	14.98	OK to Buy	-1.2	9.8	-34.6	-25.9	-9.9	-3.6	1.19			
9	FDFAX	Consumer Staples	0.75%/30 days	51.56	OK to Sell	7.7	1.2	-22.3	-19.9	2.9	5.9	0.81			
67	FSDAX	Defense & Aerospace	0.75%/30 days	50.27	Hold↑	6.4	2.7	-40.2	-34.6	-6.8	4.1	1.34			
8	FSELX	Electronics	0.75%/30 days	29.47	OK to Buy	5.1	30.5	-49.9	-30.2	-11.5	-6.3	1.43			
60	FSENX	Energy	0.75%/30 days	38.78	Buy	18.2	28.9	-54.0	-46.8	-4.6	13.2	1.75			
43	FSESX	Energy Service	0.75%/30 days	50.98	Buy	17.6	41.9	-63.2	-53.4	-8.7	11.8	2.09			
516	FSLEX	Environmental	0.75%/30 days	13.01	Hold	1.7	-2.8	-30.5	-31.9	-9.2	-0.2	1.10			
66	FIDSX	Financial Services	0.75%/30 days	50.39	Hold	16.9	8.5	-49.9	-36.6	-19.1	-8.2	1.51			
41	FSAGX	Gold	0.75%/30 days	40.56	Buy	30.8	28.4	-20.5	-2.4	10.9	20.2	2.27			
63	FSPHX	Health Care	0.75%/30 days	85.51	Hold	4.8	5.8	-32.4	-20.3	-4.4	0.3	0.93			
98	FVLX	Home Finance	0.75%/30 days	9.26	Sell↓	2.3	-15.5	-58.6	-59.4	-38.3	-24.2	1.33			
510	FSCGX	Industrial Equipment	0.75%/30 days	19.62	Hold	4.1	6.5	-46.8	-41.5	-10.0	-0.2	1.49			
515	FCYIX	Industrials	0.75%/30 days	13.81	Hold	2.7	5.3	-40.1	-37.2	-8.3	3.0	1.39			
45	FSPCX	Insurance	0.75%/30 days	31.71	OK to Sell	4.1	-3.2	-47.0	-36.6	-17.7	-7.6	1.36			
353	FBSOX	IT Services	0.75%/30 days	12.80	Hold	2.9	14.2	-32.9	-26.1	-2.5	3.1	1.20			
62	FDLSX	Leisure	0.75%/30 days	57.56	Hold	3.0	7.1	-29.1	-17.4	-4.2	1.7	1.12			
509	FSDPX	Materials	0.75%/30 days	41.29	Hold	10.2	35.8	-47.6	-34.4	-1.4	9.1	1.50			
505	FSHCX	Medical Delivery	0.75%/30 days	32.56	Hold	9.3	12.7	-44.6	-23.6	-7.4	5.0	1.36			
354	FSMEX	Medical Equipment	0.75%/30 days	19.98	Hold	4.7	8.3	-23.4	-18.0	2.3	3.1	0.95			
503	FBMPX	Multimedia	0.75%/30 days	24.77	Hold	4.0	11.7	-39.3	-30.8	-11.1	-4.3	1.30			
513	FSNGX	Natural Gas	0.75%/30 days	28.31	Hold	19.6	40.4	-56.7	-47.8	-4.7	11.3	1.89			
514	FNARX	Natural Resources	0.75%/30 days	24.87	Hold	20.8	32.1	-52.4	-43.4	-1.1	14.7	1.77			
912	FNINX	Networking & Infrastruc (closed)	0.75%/30 days	1.82	Hold	8.3	48.0	-50.4	-22.2	-9.1	-4.4	1.68			
506	FSPFX	Paper & Forest (closed)	0.75%/30 days	20.71	Hold	4.5	32.1	-49.0	-28.1	-8.6	-5.7	1.97			
580	FPHAX	Pharmaceuticals	0.75%/30 days	8.76	Hold	7.9	-0.1	-22.7	-13.7	-2.2	2.0	0.89			
46	FSRPX	Retailing	0.75%/30 days	34.92	Buy	-3.2	22.1	-29.6	-11.2	-4.5	1.6	1.26			
28	FSCSX	Software & Computer Svcs	0.75%/30 days	55.12	Hold	3.5	17.3	-42.1	-29.2	1.0	3.1	1.25			
64	FSPTX	Technology	0.75%/30 days	53.62	OK to Buy	7.0	35.2	-51.1	-30.4	-4.6	-1.8	1.60			
96	FSTCX	Telecommunications	0.75%/30 days	34.20	OK to Buy	4.7	28.5	-47.6	-23.8	-4.8	2.3	1.35			
512	FSRFX	Transportation	0.75%/30 days	28.76	Hold	1.5	-10.7	-27.0	-37.6	-13.6	0.5	1.18			
65	FSUTX	Utilities ⁶	0.75%/30 days	37.83	OK to Sell	4.7	-5.5	-36.0	-38.0	-4.6	4.4	1.01			
963	FWRLX	Wireless	0.75%/30 days	6.06	OK to Buy	7.6	41.3	-49.6	-21.9	-0.6	6.6	1.40			

FIDELITY SCORECARD - MAY 31, 2009

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						
						May	YTD	2008									
TAXABLE BOND FUNDS						<i>Category Averages</i>			0.7	1.3	3.6	3.8	3.31				
15	FGMNX	Ginnie Mae		11.31	OK to Buy	0.4	3.4	7.1	1.4	4.05							
54	FGOVX	Government Income		10.73	Hold	-0.4	-0.6	11.0	4.1	3.10							
794	FINPX	Inflation-Protected Bond ³		10.93	Buy	1.8	4.2	-2.3	6.0	1.29							
32	FTHRX	Intermediate Bond		9.58	Buy	3.2	7.5	-5.8	3.7	5.40							
452	FSTGX	Intermediate Gov't Income		10.80	Hold	-0.4	-0.4	10.1	3.5	1.91							
26	FBNDX	Investment Grade Bond		6.60	Buy	2.6	6.1	-7.1	3.8	5.57							
40	FMSFX	Mortgage Securities		10.20	OK to Buy	1.3	3.4	1.3	1.4	4.82							
450	FSHBX	Short-Term Bond		8.07	OK to Sell	1.2	2.6	-3.7	1.6	2.81							
1561	FIBIX	Sptn Interm Treas Index ⁵		10.61	OK to Sell	-1.9	-5.3	16.4	6.4	2.61							
1562	FLBIX	Sptn Lng-Term Treas Index ⁵		10.37	OK to Sell	-2.8	-13.1	24.1	11.9	3.97							
1560	FSBIX	Sptn Sht-Term Treas Index ⁵		10.48	OK to Sell	-0.1	-0.7	8.7	2.6	1.04							
820	FTBFX	Total Bond		9.78	OK to Buy	3.1	8.5	-5.6	3.3	5.89							
651	FBIDX	U.S. Bond Index		10.82	Hold	0.8	2.0	3.8	3.5	3.25							
812	FUSFX	Ultra-Short Bond	0.25%/60 days	8.09	OK to Sell	0.3	0.0	-7.8	0.4	0.61							
HIGH-YIELD BOND FUNDS						<i>Category Averages</i>			4.3	19.2	-20.4	8.51					
38	FAGIX	Capital & Income	1.00%/90 days	6.64	OK to Buy	7.4	26.3	-31.9	--	10.61							
814	FFRHX	Floating Rate High Income	1.00%/60 days	8.73	OK to Buy	1.9	16.6	-16.5	--	5.30							
1366	FHIFX	Focused High Income	1.00%/90 days	8.29	Buy	1.8	16.2	-20.5	--	8.26							
455	SPHIX	High Income	1.00%/90 days	7.13	Buy	5.1	22.1	-23.7	--	9.95							
331	FNMX	New Markets Income	1.00%/90 days	13.24	Buy↑	5.1	21.4	-18.2	--	9.84							
368	FSICX	Strategic Income		9.61	Buy	4.5	12.9	-11.4	--	7.07							
MUNICIPAL BOND						<i>Category Averages</i>			0.7	5.6	-0.9	6.0	3.31	25%	28%	33%	35%
36	FLTMX	Interm Municipal Income	0.50%/30 days	9.97	Buy	0.5	4.6	1.0	5.2	3.09	4.1	4.3	4.6	4.8			
37	FHIGX	Municipal Income	0.50%/30 days	12.12	Buy	0.9	7.4	-4.6	8.2	4.09	5.5	5.7	6.1	6.3			
404	FSTFX	Short-Int Municipal Income	0.50%/30 days	10.50	Buy	0.2	2.8	3.5	2.6	2.09	2.8	2.9	3.1	3.2			
90	FTABX	Tax-Free Bond	0.50%/30 days	10.46	Buy	1.0	7.6	-3.4	8.0	3.98	5.3	5.5	5.9	6.1			
STATE-SPECIFIC MUNICIPAL BOND						<i>Category Averages</i>			0.8	6.5	-1.9	7.2	3.41				
434	FSAZX	Arizona Muni Income	0.50%/30 days	11.02	OK to Buy	1.3	8.6	-4.2	8.4	3.74	5.2	5.5	5.9	6.1			
91	CTFX	California Muni Income	0.50%/30 days	11.52	OK to Buy	0.6	6.8	-5.6	8.0	4.28	6.3	6.6	7.0	7.3			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30 days	10.39	OK to Buy	-0.2	2.7	4.0	3.2	2.12	3.1	3.2	3.5	3.6			
407	FICNX	Connecticut Muni Income	0.50%/30 days	11.23	OK to Buy	0.7	6.9	-1.1	7.4	3.39	4.7	4.9	5.3	5.5			
429	SMDMX	Maryland Muni Income	0.50%/30 days	10.63	OK to Buy	1.2	8.7	-4.0	7.7	3.34	4.7	4.9	5.2	5.4			
70	FDMMX	Mass Muni Income	0.50%/30 days	11.51	OK to Buy	1.3	7.5	-3.6	8.0	3.68	5.2	5.4	5.8	6.0			
81	FMHTX	Michigan Muni Income	0.50%/30 days	11.64	Hold	1.0	4.8	-0.1	6.8	3.43	4.8	5.0	5.3	5.5			
82	FIMIX	Minnesota Muni Income	0.50%/30 days	11.26	OK to Buy	0.8	6.5	-0.3	6.6	2.91	4.2	4.4	4.7	4.9			
416	FNJHX	New Jersey Muni Income	0.50%/30 days	11.22	OK to Buy	0.5	6.8	-3.0	7.3	3.40	4.8	5.0	5.4	5.6			
71	FTFMX	New York Muni Income	0.50%/30 days	12.51	OK to Buy	0.9	6.9	-2.5	8.3	3.89	5.8	6.0	6.5	6.7			
88	FOHFX	Ohio Muni Income	0.50%/30 days	11.39	OK to Buy	0.9	6.6	-1.6	7.8	3.58	5.1	5.3	5.8	6.0			
402	FPXTX	Pennsylvania Muni Income	0.50%/30 days	10.59	OK to Buy	0.5	5.4	-0.8	6.6	3.21	4.4	4.6	4.9	5.1			
TAXABLE MONEY MARKET						<i>Category Averages</i>			0.0	0.3	2.5	0.48					
55	FDRXX	Cash Reserves		1.00	--	0.06	0.43	2.89	na	0.67							
631	FGMXX	Retirement Government MM		1.00	--	0.03	0.24	2.37	na	0.31							
630	FRTXX	Retirement MM		1.00	--	0.06	0.45	2.93	na	0.69							
458	SPAXX	Government MM		1.00	--	0.03	0.26	2.31	na	0.31							
454	SPRXX	Money Market		1.00	--	0.06	0.45	2.90	na	0.71							
85	FSLXX	Select MM		1.00	--	0.07	0.46	2.97	na	0.74							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.04	0.28	2.45	na	0.41							
415	FDLXX	US Treasury MM (closed)		1.00	--	0.00	0.04	1.49	na	0.01							
MUNICIPAL MONEY MARKET						<i>Category Averages</i>			0.0	0.1	1.8	0.25					
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.03	0.15	1.87	na	0.29	0.4	0.4	0.4	0.4			
10	FTEXX	Municipal Money Market		1.00	--	0.03	0.13	1.91	na	0.32	0.4	0.4	0.5	0.5			
275	FMOXX	Tax-Free Money Market		1.00	--	0.01	0.08	1.70	na	0.15	0.2	0.2	0.2	0.2			
STATE MUNICIPAL MONEY MARKET						<i>Category Averages</i>			0.0	0.1	1.8	0.18					
433	FSAXX	Arizona		1.00	--	0.01	0.07	1.75	na	0.20	0.3	0.3	0.3	0.3			
457	FSPXX	California AMT Tax-Free		1.00	--	0.03	0.12	1.86	na	0.32	0.5	0.5	0.5	0.5			
97	FCFX	California		1.00	--	0.01	0.04	1.67	na	0.15	0.2	0.2	0.2	0.3			
418	FCMXX	Connecticut		1.00	--	0.01	0.07	1.72	na	0.13	0.2	0.2	0.2	0.2			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.03	0.14	1.85	na	0.29	0.4	0.4	0.5	0.5			
74	FDMXX	Massachusetts		1.00	--	0.01	0.06	1.67	na	0.12	0.2	0.2	0.2	0.2			
420	FMIXX	Michigan		1.00	--	0.00	0.02	1.68	na	0.02	0.0	0.0	0.0	0.0			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.02	0.16	1.91	na	0.17	0.2	0.2	0.3	0.3			
417	FNJXX	New Jersey		1.00	--	0.01	0.06	1.67	na	0.05	0.1	0.1	0.1	0.1			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.03	0.15	1.86	na	0.31	0.4	0.5	0.5	0.5			
92	FNYXX	New York		1.00	--	0.02	0.10	1.69	na	0.17	0.3	0.3	0.3	0.3			
419	FOMXX	Ohio		1.00	--	0.02	0.12	1.77	na	0.25	0.4	0.4	0.4	0.4			
401	FPTXX	Pennsylvania		1.00	--	0.01	0.08	1.85	na	0.16	0.2	0.2	0.2	0.3			

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

FIDELITY SCORECARD - MAY 31, 2009

Fund No.	Fund Ticker	Fund Name	Short-Term Trading Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
						May	YTD	2008	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS												
9077	FQBRC	Fid VIP Aggressive Growth ⁹		7.54	OK to Buy	5.2	13.3	-49.0	-36.1	-9.4	--	1.26
9067	FLRQC	Fid VIP Asset Manager		9.82	Hold	6.6	10.0	-29.0	-23.5	-1.6	0.9	0.80
9066	FAEEC	Fid VIP Asset Manager: Growth		9.10	Hold	8.0	10.1	-36.0	-31.2	-3.9	-0.6	1.02
9069	FJBAC	Fid VIP Balanced		9.46	Hold	7.2	14.0	-34.2	-24.2	-4.2	0.2	0.95
9081	FVHAC	Fid VIP Consumer Discretionary	1.00%/60 days	7.44	OK to Buy	-1.4	9.5	-34.3	-25.7	-10.0	-3.8	1.20
9171	FCSAC	Fid VIP Consumer Staples	1.00%/60 days	8.79	OK to Sell	7.7	0.8	-21.6	-19.4	--	--	--
9065	FPDFC	Fid VIP Contrafund		8.70	Hold	6.7	9.2	-42.7	-34.3	-7.5	1.0	1.13
9148	FPRGC	Fid VIP Disciplined Small Cap		6.41	Buy	2.3	-1.6	-34.0	-33.1	--	--	--
9074	FZAMC	Fid VIP Dynamic Capital App		8.52	OK to Buy	7.8	9.9	-41.4	-31.8	-9.8	-0.6	1.14
9198	FEMAC	Fid VIP Emerging Markets	1.00%/60 days	5.95	Hold	19.0	33.7	--	-42.3	--	--	--
9085	FJLLC	Fid VIP Energy	1.00%/60 days	10.88	Buy	18.4	29.1	-54.4	-47.0	-4.9	11.9	1.78
9061	FLOLC	Fid VIP Equity-Income		7.47	Buy	7.4	5.3	-42.9	-36.9	-11.6	-3.3	1.19
9083	FONNC	Fid VIP Financial Services	1.00%/60 days	5.83	Hold	17.3	9.7	-50.3	-37.0	-19.1	-8.3	1.58
9157	FMPAC	Fid VIP FundsManager 20		10.40	Hold	2.0	2.8	-8.5	-5.9	--	--	--
9158	FMPBC	Fid VIP FundsManager 50		9.16	Hold	4.6	4.9	-22.8	-17.3	--	--	--
9197	FMPPC	Fid VIP FundsManager 60		7.98	Hold	5.5	6.0	--	-20.8	--	--	--
9159	FMPCC	Fid VIP FundsManager 70		8.25	Hold	6.1	6.0	-32.2	-25.7	--	--	--
9160	FMPDC	Fid VIP FundsManager 85		7.60	Hold	7.5	6.4	-38.3	-31.4	--	--	--
9062	FMNDC	Fid VIP Growth		7.72	Buy	4.8	6.1	-47.3	-40.9	-9.3	-3.9	1.13
9070	FLFNC	Fid VIP Growth & Income		8.11	Hold	5.0	5.7	-41.9	-35.8	-8.8	-2.6	1.06
9068	FIDPC	Fid VIP Growth Opportunities		7.11	Buy	5.8	15.8	-55.2	-45.4	-11.0	-4.9	1.45
9078	FPVDC	Fid VIP Growth Stock		7.91	OK to Buy	4.9	12.9	-44.8	-33.9	-7.0	--	1.19
9084	FPDRC	Fid VIP Health Care	1.00%/60 days	8.64	Hold	4.7	6.0	-32.5	-20.1	-4.8	0.0	0.93
9060	FBBLC	Fid VIP High Income		10.28	Buy	3.7	19.5	-25.1	-11.9	-0.6	2.8	0.74
9064	FXVLT	Fid VIP Index 500		7.99	Hold	5.6	2.9	-37.2	-32.7	-8.5	-2.2	1.02
9082	FBALC	Fid VIP Industrials	1.00%/60 days	9.03	Hold	2.8	5.6	-40.0	-36.7	-8.0	3.2	1.42
9076	FVJIC	Fid VIP Int'l Capital App	1.00%/60 days	8.06	Hold	19.4	27.2	-50.8	-36.2	-10.1	--	1.59
9090	FBKQT	Fid VIP Investor Freedom 2005		9.83	Hold	4.6	6.7	-24.1	-17.9	-1.9	--	0.63
9091	FCRJT	Fid VIP Investor Freedom 2010		9.74	Hold	5.0	7.2	-25.2	-18.6	-2.3	--	0.66
9092	FTCMT	Fid VIP Investor Freedom 2015		9.72	Hold	5.3	7.5	-27.3	-20.4	-2.8	--	0.71
9093	FTEMT	Fid VIP Investor Freedom 2020		9.24	Hold	6.0	8.1	-32.8	-25.6	-4.6	--	0.85
9094	FVIIT	Fid VIP Investor Freedom 2025		9.12	Hold	6.2	8.4	-34.4	-27.0	-5.3	--	0.89
9095	FXJLT	Fid VIP Investor Freedom 2030		8.75	Hold	6.6	8.5	-38.3	-30.9	-6.7	--	1.00
9089	FBXOT	Fid VIP Investor Freedom Income		10.73	Hold	2.6	5.1	-10.8	-6.1	1.4	--	0.31
9063	FTLKC	Fid VIP Investment Grade Bond		11.18	Buy	2.8	6.5	-3.5	2.7	3.9	3.5	0.25
9172	FVMAC	Fid VIP Materials	1.00%/60 days	8.16	Hold	9.9	35.4	-47.1	-34.2	--	--	--
9071	FNBSIC	Fid VIP Mid Cap		9.58	Buy	7.7	15.0	-39.7	-29.3	-6.0	5.3	1.15
9059	FTNJC	Fid VIP Money Market		11.45	--	0.0	0.4	2.7	1.7	3.6	3.2	0.02
9088	FEMMC	Fid VIP Overseas	1.00%/60 days	8.99	Hold	13.0	5.3	-44.0	-39.3	-8.5	1.6	1.25
9072	FFWKC	Fid VIP Real Estate		6.48	Sell	2.9	-7.4	-40.1	-49.3	-16.9	-1.5	2.21
9075	FGDQC	Fid VIP Strategic Income		11.49	Buy	4.2	12.3	-10.6	-0.9	3.8	5.3	0.45
9086	FYENC	Fid VIP Technology	1.00%/60 days	9.11	OK to Buy	8.3	39.0	-51.0	-27.7	-5.6	-0.9	1.64
9173	FVTAC	Fid VIP Telecommunications	1.00%/60 days	6.50	OK to Buy	4.1	25.1	-47.6	-25.5	--	--	--
9087	FXRRC	Fid VIP Utilities	1.00%/60 days	9.61	OK to Sell	4.9	-5.4	-35.8	-37.8	-3.6	4.9	1.04
9079	FKMSC	Fid VIP Value		7.03	Buy	5.7	10.2	-46.7	-40.1	-12.8	--	1.45
9080	FUEBC	Fid VIP Value Leaders		7.14	Hold↓	7.2	3.8	-44.8	-39.5	-12.8	--	1.19
9073	FRBSC	Fid VIP Value Strategies		7.24	Hold↑	8.1	18.7	-51.3	-39.8	-12.4	-4.2	1.62
9199	FCIFC	Credit Suisse Int'l Focus		6.34	OK to Sell	12.4	3.6	--	-37.5	--	--	--
9147	FPRLC	Lazard Retirement Emerging Mkts		9.98	Hold	15.9	32.2	-48.7	-32.8	--	--	--
9143	FPRMC	Morgan Stanley Emerg Mkt Debt		11.05	Buy↑	3.4	13.0	-15.2	-5.2	4.5	7.8	0.67
9144	FPRNC	Morgan Stanley Emerg Mkt Equity		8.83	Hold	15.9	30.1	-56.7	-40.7	0.1	12.6	1.77
9145	FPROC	Morgan Stanley Gbl Value Equity		7.01	OK to Buy	6.8	-0.7	-40.3	-37.0	-10.3	-2.3	0.98
9146	FPRPC	Morgan Stanley Int'l Magnum		7.56	Buy	13.8	9.2	-44.8	-38.6	-7.6	1.9	1.34
9174	FMCCC	Strategic Advisors Mid Cap Value		6.16	Hold	2.9	1.6	-35.4	-33.6	--	--	--
9175	FSCCC	Strategic Advisors Small Cap		6.34	Hold	4.7	12.7	-38.7	-29.8	--	--	--

Annuity Growth Model

Fund	Allocation
Fidelity VIP Strategic Income	36%
Fidelity VIP Growth Opportunities	24
Fidelity VIP Value	24
Fidelity VIP Equity-Income	11
Morgan Stanley Int'l Magnum	5
Total Return: May: 6.0% YTD: 8.2%	

Annuity Growth & Income Model

Fund	Allocation
Fidelity VIP Investment Grade	32%
Fidelity VIP Strategic Income	27
Fidelity VIP Growth Opportunities	22
Fidelity VIP Value	15
Fidelity VIP Equity-Income	4
Total Return: May: 4.7% YTD: 7.8%	

Annuity Income & Preservation Model

Fund	Allocation
Fidelity VIP Investment Grade	35%
Fidelity VIP Money Market	25
Fidelity VIP Strategic Income	19
Fidelity VIP Value	11
Fidelity VIP Growth Opportunities	10
Total Return: May: 3.1% YTD: 5.7%	

Bottoming Economy Spells Opportunity

What do **Convertible Securities**, **Leveraged Company Stock** and Fidelity's advisor-sold High Income



Tom Soviero

bond fund have in common? If you answered that they invest in companies whose capital structures are distressed, you'd be right. And if you also answered that Tom Soviero manages them all, you'd be right again. (Tom does not run Fidelity's retail-sold **High Income** fund.)

We purchased Tom's Convertible Securities fund for our Aggressive Growth Model at the end of 2008 because we felt that converts were extremely undervalued after the drastic fall sell-off. While the first two months of '09 remained tough, since then the fund has been a big winner (see table). Not only have converts become attractive on a valuation basis, investors are drawn to them for other reasons.

A convertible bond is a hybrid, mixing the characteristics of a regular corporate bond with an option to convert it into equity at a predetermined price. This combination provides the investor with a higher yield plus the upside potential of a stock. (We don't categorize Convertible Securities as a high-yield bond fund — it's listed among Specialty funds in the *Scorecard*. However, because converts are

typically issued by companies with troubled balance sheets, they do provide yields that are greater than the bonds sold by investment-grade companies.)

We spoke with Tom last week for his read on the dramatic reversal in fortunes for the three varieties of distressed securities in which he invests (companies in dire need of balance sheet repair — such as lessening debt), and where he saw their valuations today. Do these securities have more room to run?

Darkest Before Dawn

As recently as early March, it seemed to many that the global economy was imploding. Talk of the 'Next Great Depression' was commonplace. Reflecting this extreme pessimism, the high-yield bond market was pricing in default rates of

	% Return	
	Downturn ¹	Upturn ²
Convertible Sec's	-48%	+39%
Advisor High Income	-38	+34
Leveraged Co Stock	-60	+49

¹Sept. 2008 - Feb. '09; ²March 2008 - May '09

20%. That fully one-fifth of 'junk' bond issuers might not be able to repay their debt was a potential crisis not seen since the 'last' Great Depression.

This extreme view on defaults was reflected in the so-called yield spread between low-quality corporate (junk) bond yields and high quality, ultra-safe (from a credit risk standpoint) Treasuries. This 'spread' had widened to an all-time high of 2,000 basis points. This means that inves-

tors were getting 20 percentage points more in yield for taking on the additional risk inherent in junk bonds.

Today, with expectations turning toward an economic recovery rather than a looming depression, assumptions on default rates have fallen sharply. While estimates differ, the expectations of a 20% default rate have now fallen down to the 10-13% range. As a result, spreads have narrowed to 1,100 basis points. (That's still far above the long-term average of roughly 600 basis points — see chart on page 1.)

While distressed securities have been working their way back, Tom notes that converts are "still moderately cheap." Tom believes they have recaptured perhaps as much as 80% of their undervaluation, leaving them about 20% undervalued. While the big gains have been made, he advises "not to be selling converts" right now.

And, as for Tom's other funds, he says that "high yield bonds are running into profit-taking resistance right now." Meanwhile, the leveraged (i.e., highly indebted) stocks held by Leveraged Co. Stock "are more attractive right now." That's providing one believes that the economy is, in fact, turning. On that score, Tom says that there are finally positive "data points coming out on the economy." Further, he points out that 15 to 20 companies come through Fidelity every day, "and [they indicate that] things are getting a little better."

While we believe that the recovery is likely to be uneven, we agree with Tom that nascent signs of improvement are clear. With each passing day, the selloff appears to have been excessive, thereby leaving some attractively priced opportunities for investors who can handle the risks. Observes Tom: "You can make a heck of a lot of money going from 'horrible' to 'not bad.'"

In addition to our positive view of Convertible Securities, which remains in our Aggressive Growth Model, we have upgraded Leveraged Company Stock to *Buy*. ■

MODEST CREDIT RISK ADVISED

Since late last year, we have favored bonds with more credit risk over Treasuries. Our Aggressive Growth Model holds **Convertible Securities** and the Growth Model owns **High Income**. As you can see from the story above, we still like these positions. In our two more conservative models we own the tamer **Investment Grade Bond** which owns both high-quality corporate

bonds, as well as a 53% stake in U.S. government bonds (including Treasuries). As in the high-yield market, the yield spread on high-grade corporates versus Treasuries remains higher than normal. While Treasury yields have risen recently (large Federal budget deficits are a concern), we still believe that taking on the modest credit risk of Investment Grade will pay dividends. ■

Inside Fidelity

Manager Changes — Effective July 1, Sonu Kalra is leaving **OTC** to take over **Blue Chip Growth** (which we own in two models) from Jennifer Uhrig who is retiring. Stepping into OTC is Gavin Baker, who still runs **Select Wireless**.

Sonu has successfully run OTC since 2005. While 2008 was a challenging year, Sonu's experience led him to reduce OTC's usual overweight in tech to a market-weight, which was a smart move. On the other hand, 2007 was a great year (the fund rose 26.7% vs. 10.7% for the Nasdaq) as solid stock picks drove returns.

In running the more diversified Blue Chip Growth where a typical tech weight is 30% versus OTC's 50%, Kalra may need to rely more upon analysts in other sectors. We feel he's up to the task, and continue to rate Blue Chip Growth a *Buy*.

On OTC, Gavin's experience at Select Wireless, **Telecommunications** and **Pharmaceuticals** is ideal. He's also been a diversified analyst working in the large-cap growth group. We continue to rate OTC a *Buy*.

Elsewhere, Christopher Sharpe will join Joanna Bewick as co-portfo-

lio manager of **Strategic Real Return**, which we hold in three model portfolios. He also takes on **Strategic Dividend & Income**, succeeding Derek Young. (Young was recently named CIO of the Global Asset Allocation group.) Sharpe joins Andrew Dierdorf as co-manager of **Four-In-One Index**, succeeding William Hall. Sharpe continues to run Fidelity's series of Freedom Funds.

No rating changes are advised.

Sector-wise, replacing Gavin Baker at Select Telecom is Kristina Salen. She's been an analyst covering all aspects of this sector and will continue to run **Select Multimedia**.

Finally, Kyle Weaver will co-manage Select Wireless with Baker. Weaver will continue to run **Select IT Services**, which was assigned to him this year. Weaver has followed companies in the telecommunications and IT services sectors.

(More) Management Changes — Last month, there were yet more managerial changes afoot at Fidelity. This time, with the creation of more management.

In the May report, we interviewed Brian Hogan who had just been named president of Fidelity's Equity Division. This is a critically important position as so much of Fidelity's fund assets (and the company's reputation) are tied to this area which has been struggling.

The problems are two-fold: declining assets under management owing to the market meltdown, and fund performance that has failed to meet expectations — especially as the research group has been completely revamped.

Although we're unclear as to how another layer of management is necessary in achieving Fidelity's primary mission (superior fund performance),

Jacques Perold has nonetheless been hired to the new post of chief operating officer of Asset Management. (Perold reports to Michael Wilens, who was hired a year ago from Thomson Reuters to head all of asset management at Fidelity.) Like Hogan, Perold is the ultimate insider, having held a variety of positions throughout the firm. In addition, both men have managed funds.

In his new role, Perold will oversee the day-to-day management of Fidelity's asset management groups, including FMRCo, which oversees fund management. Reporting to Perold are Brian Hogan, Chris Sullivan and Charlie Morrison, the presidents, respectively, of the equity, bond and money market groups. ■

Message To Members

Today's tough climate reminds me of the bleak days of 1974. I was working in market research at Grey Advertising while going to Columbia (full-time, for my MBA. Just after pulling a 24+ hour stint at Grey (I did manage to catch a few naps on top of an IBM 360), I was laid off — along with 120 other colleagues. I was devastated. But I was young and recovered, and so did the economy.

It's important to be pragmatic about your investment portfolio and how it affects your lifestyle. Prudence is good, but folks can go overboard — being too frugal and denying themselves what they worked so hard to achieve.

My advice? Find that bargain travel deal, and take a nice summer vacation.

Sincerely,



Eric M. Kobren

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DIVIDEND UPDATE

In addition to monthly dividends paid by bond and money market funds and Asset Mgr: 20%/30%, the following funds are also expected to pay dividends and/or capital gains in June:

Large Cap Stock, Mid Cap Stock, Real Estate Income, Real Estate Investment, Small Cap Independence, Small Cap Stock, Spart 500 Index.

The final distributions for May were as follows:

Fund	Ex-Date	\$ Amt	NAV
Magellan	5/8	0.09	53.14



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