

FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

AUGUST 2010

VOLUME 26, NUMBER 8

MARKET OUTLOOK

Cognitive Dissonance

Those of you who still remember your Psych 101, may recall the definition of the above title phrase as the “uncomfortable feeling caused by holding two contradictory ideas simultaneously.”



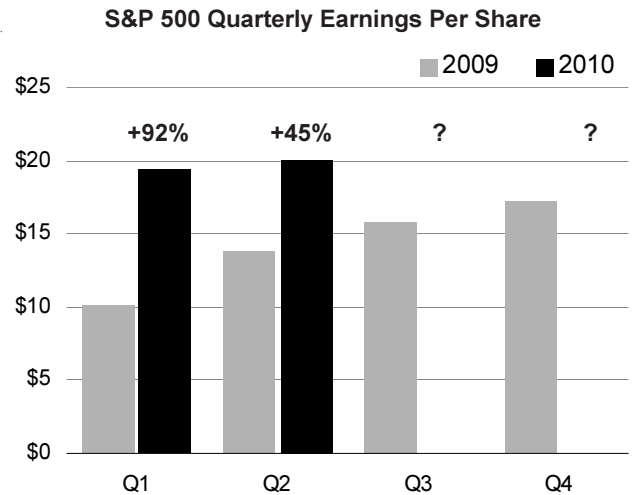
Or perhaps you are more familiar with the idea as expressed by the Robot character (no he didn't have a name) in the late 1960's TV show “Lost in Space.” When presented with conflicting data he would repeatedly drone, “Does not compute! Does not compute!”

In any case, it seems to me a pretty apt description of what we face in trying to grapple with where the stock market is headed these days.

Things Are Bad ... And Getting Worse

Most economic indicators are flashing warning signs (“Danger Will Robinson!”) suggesting a significant slowing of growth in the second half of the year, with some pointing to a double-dip recession. Admittedly, with meaningful job growth frustratingly hard to come by, and housing still in the dumpster, it's hard to see how the consumer is going to drive the economy as the stimulus monies run out. Indeed, growth in consumer spending slowed to 1.6% in the second quarter from 1.9% in the first. Overall GDP grew at just 2.4% (down from an upwardly revised 3.7% in the first). That is why you are beginning to hear talk of yet additional stimulus measures. (In terms of housing, don't let June's 24% jump in new home sales fool you —

EARNINGS BOOST TO FADE?



Corporate earnings growth has been nothing short of spectacular so far this year, jumping 92% in the first quarter and 45% in the second. This has provided strong support for stocks amid gloomy economic news. But much of these gains were due to the depressed state of earnings early in 2009. As the recovery took hold, earnings improved steadily as 2009 progressed, making comparisons for the second half of this year a lot tougher to beat.

that was after a 37% drop in May. June sales were still down 22% from April. In fact, May and June were the worst two months of sales since they started tracking the data in 1963!

Things Are Good ... And Getting Better

On the other hand, corporations are flush with cash and continue to deliver strong earnings growth. So far, with a third of the S&P 500 companies reporting, operating earnings (which exclude so-called extraordinary items) for the second quarter are running 45% ahead of last year, with 77% beating analysts' estimates.

Importantly, earnings gains are not just coming from cost-cutting, but from growth in sales as well (at least outside of financials). And, critically, a number of firms are raising their guidance for future earnings. To be fair, a good percentage remain cautious about the second half. However, of particular significance were recent reports from package delivery firms, FedEx and UPS, which are

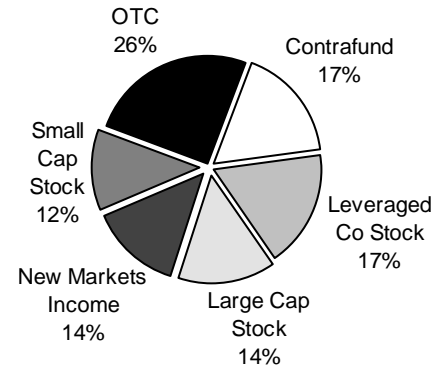
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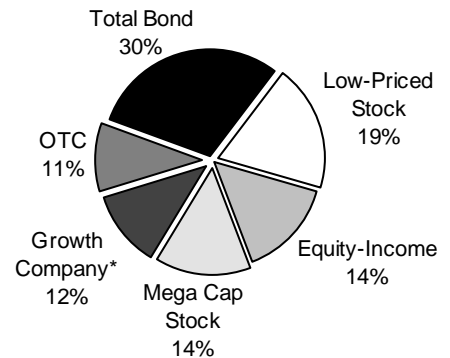
FIDELITY INSIGHT MODEL PORTFOLIOS - JULY 31, 2010

Aggressive Growth Model		Rel Vol: 1.18	Est. Yield: 0.8%	YTD Return: -1.1%		
Current Asset Allocation		Stocks 84.4%	Bonds 0.6%	Cash 2.1%	Alternative ¹ 12.8%	Foreign 9.2%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jul Ret
OTC	FOCPX	26%	\$44.96	814.41	\$36,616	6.3%
Contrafund	FCNTX	17	58.10	422.89	24,570	4.9
Leveraged Co Stock	FLVCX	17	23.50	1,043.99	24,534	8.1
Large Cap Stock	FLCSX	14	15.07	1,333.12	20,090	7.7
New Markets Income	FNMI	14	15.76	1,259.13	19,844	3.7
Small Cap Stock	FSLCX	12	16.23	1,086.39	17,632	7.4
Current Value (4/7/99 = \$100,000)					\$143,285	6.1%



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

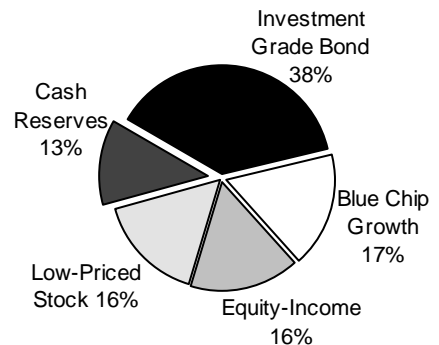
Growth Model		Rel Vol: 0.84	Est. Yield: 1.4%	YTD Return: 0.8%		
Current Asset Allocation		Stocks 67.0%	Bonds 26.4%	Cash 5.9%	Alternative ¹ 0.6%	Foreign 10.4%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jul Ret
Total Bond	FTBFX	30%	\$10.95	27,116.13	\$296,922	1.4%
Low-Priced Stock	FLPSX	19	33.07	5,792.44	191,556	6.1
Equity-Income	FEQIX	14	39.03	3,675.58	143,458	8.0
Mega Cap Stock	FGRTX	14	8.73	15,920.66	138,987	7.6
Growth Company*	FDGRX	12	69.03	1,663.07	114,802	6.6
OTC	FOCPX	11	44.96	2,354.34	105,851	6.3
Current Value (1/1/87 = \$100,000)					\$991,576	5.2%



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

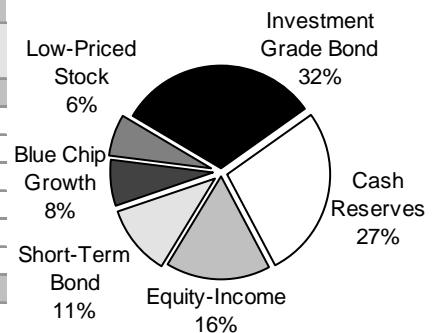
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.61	Est. Yield: 1.4%	YTD Return: 2.2%		
Current Asset Allocation		Stocks 46.3%	Bonds 34.4%	Cash 18.7%	Alternative ¹ 0.7%	Foreign 7.6%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jul Ret
Investment Grade Bond	FBNDX	38%	\$7.39	43,429.01	\$320,940	1.1%
Blue Chip Growth	FBGRX	17	37.63	3,782.10	142,320	7.0
Equity-Income	FEQIX	16	39.03	3,485.09	136,023	8.0
Low-Priced Stock	FLPSX	16	33.07	4,083.20	135,031	6.1
Cash Reserves	FDRXX	13	1.00	108,803.55	108,804	0.0
Current Value (1/1/87 = \$100,000)					\$843,119	3.8%



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: 0.39	Est. Yield: 1.4%	YTD Return: 2.1%		
Current Asset Allocation		Stocks 28.2%	Bonds 40.0%	Cash 31.2%	Alternative ¹ 0.6%	Foreign 4.0%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jul Ret
Investment Grade Bond	FBNDX	32%	\$7.39	23,009.00	\$170,037	1.1%
Cash Reserves	FDRXX	27	1.00	141,044.19	141,044	0.0
Equity-Income	FEQIX	16	39.03	2,145.27	83,730	8.0
Short-Term Bond	FSHBX	11	8.46	7,053.21	59,670	0.5
Blue Chip Growth	FBGRX	8	37.63	1,043.41	39,263	7.0
Low-Priced Stock	FLPSX	6	33.07	1,005.90	33,265	6.1
Current Value (1/1/87 = \$100,000)					\$527,010	2.5%



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

¹Alternative investments include such areas as high-yield bonds, emerging market bonds, commodities, real estate. Portfolio trades and total returns do not take taxes into account, however, redemption and exchange fees are included. Some percentage figures may not sum to 100 due to rounding. 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.

considered bellwethers for their sensitivity to the overall economy. FedEx increased its estimate for its next fiscal quarter (ending 8/31) by 21%. It cites improving volumes in its international priority service, as well as growing sales in business-to-consumer ground service here in the U.S. The latter reflects a strong performance in online retail sales which were up 9.7% over last June. UPS delivered a similar story, beating estimates and raising its future guidance owing to “strong revenue growth across the board.”

If the economic indicators are right and we are headed for a big slowdown or worse, then, despite their historically low yields, high-quality bonds are a good bet and stocks much less so. However, if the view of the economy from corporate boardrooms is a more accurate reflection of what’s to come, then stocks are cheap and bonds a bit pricey.

Quoth the Robot: “Does not compute!”

In science fiction, robots have often been depicted as growing increasingly “agitated” as they try to process contradictory ideas until they finally self-destruct in a cheesy special effects shower of warning messages, sparks and smoke. Fortunately, humans typically have a less spectacular (but potentially still dangerous) response to such contradictions. They tend to embrace the version of events that they are most “invested” in and discount or rationalize away anything that conflicts with that view.

This can lead to serious loss of capital!

We come down on the side of things being better than they seem, with growth slowing, but no double-dip recession, making stocks attrac-

WHICH FUNDS SHOULD YOU BUY NOW!

Equity Funds: **Equity-Income, Mega Cap Stock and OTC/Large Cap Stock** alternatively provide large-cap value, blend and growth exposures. **Low-Priced Stock, Mid Cap Stock and Small Cap Stock** play the mid- and small-cap arenas.

Taxable Bond Funds: **Total Bond** invests in both Treasuries and corporate debt with an added kick from about 15% in high-yield/emerging market debt. For a bit less risk, **Investment Grade Bond** blends government and high-grade corporates.

High Yield Funds: **New Markets Income** is a high-yield bond fund that invests in a broad swath of emerging markets. ■

tive here. But, we acknowledge that we don’t *know* that, so we don’t discount contrary data. That’s why we are keeping our model portfolios at roughly our neutral weightings between stocks and bonds while we wait for a clearer picture. To quote Ben Bernanke, the economic outlook today is “unusually uncertain.”

Is July’s Rally Sustainable?

Last month, I noted that with sentiment very negative, the S&P 500 pretty cheap after the May/June selloff, and with second quarter earnings likely to be strong, we had the seeds for a rally in July. As if on cue, a strong and broad rally ensued.

Can the rally continue? As we go to press on August 2, it looks like the S&P 500 will close solidly above its 200-day moving average, a key indicator of future strength. (We are not technicians, but as many traders follow technical signals, they are important to watch). But the boost from earnings may begin to lose steam. A big reason earnings growth has been strong so far is because the comparative quarters in 2009 were at very depressed recession levels (see p.1 chart). In the third quarter last year, however, the recovery began to take hold and earnings were much better. For example, 2009’s first quarter earnings were 39% below 2008’s, but

third quarter earnings were nearly on par. This will make comparisons going forward more difficult.

Europe Aces Stress[less] Test

A few months ago, a Greek default seemed likely, and it was feared that the rest of the “PIIGs” would be next to fall like so many dominos. This caused stocks to tumble around the world. Nowhere was the carnage worse than Europe itself, of course, as a plunging euro magnified losses.

Borrowing a page from the U.S. playbook, Europe first created a TARP-like program and then successfully completed “stress tests” on their banks. With better-than-expected economic data coming from Europe (German unemployment fell to 7.6%), the euro has climbed about 10% versus the dollar and European markets have rallied sharply. However, we would not be so quick to sound the “all clear” signal. The stress tests were hardly stressful; they didn’t even consider the possibility of a Greek default or even a significant restructuring of their debt.

While the worst may be over for Europe, I suspect we’ve not heard the end of the sovereign debt story. We are keeping our *OK to Sell* ratings on Fidelity’s Europe-focused funds as we still prefer the U.S. market. ■

— John M. Boyd

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	'09
AG													31.4	-8.4	-20.9	-15.8	36.6	14.8	17.9	14.2	14.5	-42.0	28.6
G	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	32.2
G&I	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	25.3
I&P	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	19.2

MODEL PORTFOLIOS

A Fresh Look At Portfolio Volatility

Volatility is an important measure of risk, both for individual funds and for our model portfolios.

We express the risk of Fidelity's funds by comparing the volatility of their returns to that of the stock market itself, as represented by the S&P 500. That gives us a fund's "relative volatility" or "Rel Vol." A relative volatility of 1.25 means the fund is 25% more volatile than the S&P 500.

In computing volatilities, as is industry practice, we use the last 3-years of monthly returns. Most funds don't change their stripes that often, their asset and style allocations don't tend to move that much. So a fund's volatility over the past three years is a pretty good indicator of what to expect from that fund today.

But this is not the case with our models, because we adjust their as-

set mixes in terms of market cap, investment style (growth/value) and, most significantly, stocks and bonds.

New Calculation Method

Until now, we have calculated the Rel Vol of our models in the same manner as the funds, using the monthly returns for each model for the past three years. While the resulting figure may be a good indicator of what to expect from a given model over a longer period, it can be quite misleading about its likely current volatility.

Let's take our Growth Model as an example. Its relative volatility using the last three years of actual returns is 1.01.

But the model's composition is quite a bit more conservative now than it was three years ago. Bond funds make up a much bigger piece (30% versus 20% or less) of the Growth Model today, and the bonds tend to be of higher quality. Among stock funds, we have moved towards

less volatile large-caps. **Growth Company** for example is down from 30% of the model to about 10%.

To better reflect the "current" situation in calculating the models' volatility, we are now using what the monthly returns of the model would have been over the past three years if **we had owned the current line up of funds for that whole period.** On this basis, the relative volatility of the Growth Model is 0.84 a more accurate reflection of its positioning.

The Growth & Income and Income & Preservation Models have reduced volatilities (0.61 vs. 0.71 and 0.39 vs. 0.50, respectively) under the new calculation method for the same reasons. The volatility for the Aggressive Growth Model actually increases to 1.18 from 1.00. That reflects our efforts earlier this year (irrespective of the market environment) to make the model's positioning a more aggressive alternative to the Growth Model, as its name would suggest. ■

FUND PROFILE

Low-Priced Stock: In Most Ways, Unique

A few pages away (p. 11), we profile a large-cap value fund that many members likely own, or have owned



Joel Tillinghast

in years past: **Equity-Income.**

But in this space, we're updating you on an altogether different fund that we're quite certain that most all of our members own — and probably have for a great long while: **Low-Priced Stock.**

In some respects, Low-Priced is Equity-Income's alter-ego. Yes, they both have a value bias and, yes, they are both chock-full-o'-assets. (Low-Priced has \$24 billion, making it Fidelity's third-largest fund, while Equity-Income's \$11.3 billion ranks it sixth among domestic stock funds.) And not to be overlooked, both funds' managers are among the most expe-

rienced in the business.

But comparisons beyond this point quickly fade.

Launched just over 20 years ago with Joel Tillinghast at its helm, Low-Priced was a domestic small-cap value fund. Most of its investments were in stocks initially priced below \$10 per share. This gave the fund its small-cap bias.

But over the years, this figure

moved steadily higher as assets soared. A near-victim of its own success, Low-Priced has been closed numerous times, and a 3% sales load was temporarily imposed — all to curtail inflows. At one point, cash levels approached 40%, and performance temporarily stalled.

And there was another significant transformation.

Well before the fund's assets reached a high water mark of \$40 billion (in 2006), Joel was forced to look abroad for smaller companies that, most importantly, met his all-important value metrics.

Over time, Low-Priced Stock's foreign equity exposure rose from the low single digits (he was an early and longtime buyer of British water utilities) to the current level of 33%. That's nearly \$8 billion in foreign stocks, which actually makes Joel Fidelity's second-biggest international manager behind Bill Bower who runs the \$25 billion **Diversified**

LOW-PRICED STOCK		
Fund Data		
Trading Symbol:	FLPSX	
Fund Size:	\$23.5 billion	
Expense Ratio:	0.99%	
Turnover Rate:	17%	
Relative Volatility:	1.13	
Market Cap	\$2.4 billion	
Foreign Exposure	32.5%	
Top Sectors		
	Fund	Index ¹
Consumer Discret.	23.9%	13.8%
Information Technology	14.6	18.0
Health Care	13.0	13.8
Financials	9.1	21.4
Industrials	8.3	15.3

¹ Russell 2000

Low-Priced Stock *cont'd on page 5*

International. Notably, Joel's been increasing the fund's holdings in Singapore, South Korea and Taiwan.

Like any fund, Low-Priced has had years when it's stumbled. But even as it transformed itself, it has defied the pundits and remains one of the best-performing funds of the last 20 years. And, from a portfolio construction perspective, its unusual asset allocation and country diversification have made it a great way to reduce portfolio risk while also scoring above-average returns.

While it once held over 1,300 stocks, today, 932 positions somehow seems far more manageable. (With similar assets, **Growth Company** holds about 300 holdings.) Reflecting this high number, its top-10 holdings comprise barely 15% of its net assets. Its biggest holding (Unitedhealth Group) is 2.7% of assets, while hundreds of positions that account for just 0.5% and much less dominate the fund.

Sector-wise, Joel's outlook is similar to Stephen Petersen's on Equity-Income at least in one area: they both favor consumer discretionary stocks. In fact, it's Joel's biggest sector exposure with 24% of assets. (It's #2 for E-I behind financials.) He considers himself "moderately optimistic," noting that "businesses are enjoying wider availability of credit, consumers appear to be spending a little more and inventories are being restocked." This he says, "may eventually lift gross domestic product (GDP)" which, in turn, will help boost his consumer discretionary stocks.

Action Recommendation

Joel's penchant for high-quality, low-priced stocks with consistent growth potential has made his fund an unparalleled success story. While in declining equity markets Low-Priced can't avoid the undertow, Joel's consistent process, patience (turnover is an incredibly low 17%!) and an eye for value are all reasons for us to maintain our *Buy* rating. ■

Stocks Beat Even The Heat In July

It may sound like a bad Johnny Carson joke, but just how hot were stocks in July? As it turns out, even hotter than the nation's weather. (One of the warmest, by the way, on record.) As John Boyd notes in *Market Outlook*, last month we suggested that after stocks had slid badly for two straight months, the seeds of a potential rally were actually in place. With the decline, the S&P was now reasonably cheap, investor sentiment was very bearish, and second quarter earnings — which we expected would show strong growth — were soon to start coming out.

That mix did indeed provide positive fireworks in July, with the S&P 500 logging a solid 7.0% gain for the month. The tech-heavy Nasdaq also came in at 7.0%, but the small-cap Russell 2000 scored a slightly smaller, but still robust gain of 6.9%. The large-cap Dow did best among U.S. indexes with a gain of 7.2%.

Gains would have been even larger but for a selloff during the last few days of the month; companies reporting earnings later in the month were more cautious in their forward guidance. Also jobless claims, while down in the last week, were still at an uncomfortably high 457,000, and durable goods orders unexpectedly fell.

While gains were widespread across most of Fidelity's stock funds,

in a change of form, some larger-cap funds appeared atop the leader board in July. Heretofore, smaller-caps had led the way during market rallies and larger fare had won the day (by falling less) during market declines.

But the really big gainers were to be found overseas. Fidelity's domestic equity funds averaged a gain of 7.0% for the month, while their average international offering was up 9.5%. That was largely driven by strong gains in Europe, snapping several months of weak returns. Contributing to the gains, the euro rose around 6% for the month versus the dollar. Europe's version of our TARP program for distressed debt (i.e. sovereign debt of Greece and other PIIGs) as well as bank "stress tests" similar to ours (although a lot less stressful — see *Market Outlook*) was responsible for the turnaround in sentiment. Better-than-expected economic data coming out of the continent also helped to power stocks.

This also gave a lift to stocks here, as concern that a weakening European economy would lower global growth faded from investors' fears.

Equity Funds

As noted above, the leaders among Fidelity's domestic stock funds were a mix of mid- and large caps. Among mid-caps, **Value** (up 8.6%), **Mid-Cap Stock** (up 8.2%) and **Leveraged Co. Stock** (up 8.1%) led the way.

Fund Commentary *cont'd on page 6*

AUGUST SCORECARD RATING CHANGES

Fund	Ratings		Comments
	Old	New	
Capital Appreciation	H	B ↑	Smart stock selection boosting returns.
Growth Discovery	S	H ↑	Picks in tech, industrials and health adding value.
Sel Envir & Alt Egy	S	H ↑	New focus on alternative energy raises potential.
Int'l Small Cap	H	B ↑	Small-cap focus offers good diversification.
Int'l Small Cap Opps	H	B ↑	Small-cap focus offers good diversification.
Latin America	B	B ↑	Brazil (60% of the fund) offers excellent growth.
Nordic	H	B ↑	Region has escaped problems of rest of Europe.
Annuity Funds			
VIP Dyn Cap App	H	B ↑	Clone of retail Cap App (see above).
VIP Growth	S	H ↑	Clone of retail Growth Discovery (see above).
B = Buy; B = OK to Buy; H = Hold; S = OK to Sell; S = Sell, NC = No change (↑) Rating upgraded; (↓) Rating downgraded.			

FIDELITY SCORECARD - JULY 31, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Jul	YTD	2009	1 Year	3 Year	5 Year				
Comparative Indexes		S&P 500 (Large Cap)*				7.0	-0.2	26.5	13.8	-6.8	-0.2	1.00			
		Nasdaq Composite (OTC)*				7.0	-0.2	45.0	14.8	-3.2	1.3	1.16			
		MSCI EAFE (International)*				10.8	-4.8	28.5	5.7	-10.0	2.3	1.26			
		Barclays Aggregate Bond*				1.0	6.4	6.5	8.6	6.8	5.4	0.18			
LARGE CAP GROWTH						Category Averages			6.7	-0.5	38.3	14.8	-5.5	1.1	1.14
312	FGBRX	Blue Chip Growth		37.63	Buy	7.0	-0.8	45.0	18.3	-2.3	1.2	1.10	\$9,791		
307	FDCAX	Capital Appreciation		22.49	OK to Buy↑	8.2	5.0	36.4	24.7	-5.3	1.3	1.15	4,262		
22	FCNTX	Contrafund		58.10	Buy	4.9	-0.2	29.2	15.2	-3.5	3.1	0.92	51,938		
332	FEXPX	Export and Multinational	0.75%/30d	18.96	Hold	6.0	-3.4	37.1	10.1	-6.9	0.1	1.12	2,323		
500	FFTYX	Fifty		14.84	Hold	6.4	-1.3	37.1	12.0	-11.4	-1.4	1.23	646		
333	FTQGX	Focused Stock		10.92	Hold	4.7	-0.7	25.2	12.8	-3.5	1.4	1.01	113		
25	FDGRX	Growth Company (closed)		69.03	Buy	6.6	0.1	41.2	16.6	-2.8	3.6	1.12	24,665		
339	FDSVX	Growth Discovery		11.27	Hold↑	6.9	1.5	29.3	14.9	-7.9	1.0	1.12	604		
73	FDFFX	Independence		19.98	Hold	8.2	0.3	39.9	19.3	-5.5	2.3	1.40	3,373		
763	FSLGX	Large Cap Growth		8.08	Hold	7.5	-0.6	24.0	10.2	-7.6	-3.0	1.03	91		
1829	FLGEX	Large Cap Growth Enhcd Index		8.31	Hold	6.4	-2.4	35.1	11.8	-5.2	--	0.98	44		
338	FLCSX	Large Cap Stock		15.07	Buy	7.7	0.6	50.5	16.1	-6.1	1.4	1.29	916		
21	FMAGX	Magellan		61.82	Hold	5.1	-3.8	41.1	7.8	-9.1	-1.9	1.29	18,865		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	30.00	OK to Buy	7.0	-0.2	45.0	14.8	-3.2	1.3	1.16	242		
93	FOCPX	OTC		44.96	Buy	6.3	-1.7	62.2	16.1	-1.5	4.6	1.31	4,862		
320	FDSX	Stock Selector All Cap ⁶		21.79	OK to Sell	7.3	0.3	28.8	13.3	-7.4	0.0	1.04	651		
5	FTRNX	Trend		55.90	OK to Buy	7.4	-0.6	44.5	17.2	-4.2	2.2	1.15	813		
LARGE CAP BLEND						Category Averages			6.9	-0.9	27.8	12.4	-8.5	-1.1	1.08
315	FDEQX	Disciplined Equity		20.53	Sell	6.1	-2.3	22.0	10.2	-9.0	-1.3	1.00	8,704		
330	FDGFX	Dividend Growth		23.84	Buy	8.2	0.7	51.0	18.6	-5.3	0.6	1.28	7,198		
3	FFIDX	Fidelity Fund		27.56	OK to Sell	5.9	-2.4	26.8	7.9	-6.9	0.4	1.05	4,414		
27	FGRIX	Growth & Income		15.75	OK to Sell	6.9	-1.7	23.1	10.3	-16.5	-7.6	1.18	5,190		
1827	FLCEX	Large Cap Core Enhcd Index		7.58	Hold	6.6	-1.9	23.3	10.6	-7.2	--	0.96	893		
361	FGRTX	Mega Cap Stock		8.73	Buy	7.6	-0.8	28.6	12.5	-6.8	0.6	1.04	502		
650	FUSEX	Spartan 500 Index ⁴		39.03	Hold	7.0	-0.2	26.5	13.8	-6.8	-0.2	1.00	22,079		
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	31.73	Hold	6.9	0.9	28.4	15.1	-6.1	0.3	1.03	5,065		
343	FTXMX	Tax Managed Stock		10.76	Sell	5.6	-1.3	20.7	12.1	-10.7	-2.1	1.07	66		
832	FVDFX	Value Discovery		12.91	Hold	7.8	0.3	27.7	12.6	-9.2	0.0	1.17	567		
LARGE CAP VALUE						Category Averages			7.1	-0.8	22.7	12.2	-10.4	-2.1	1.10
1271	FBCVX	Blue Chip Value		9.82	Sell	7.2	-1.4	27.8	11.2	-11.5	-2.6	1.17	308		
23	FEQIX	Equity-Income		39.03	Buy	8.0	0.6	29.5	14.4	-9.6	-1.0	1.15	11,288		
319	FEQTX	Equity-Income II		16.13	Buy	7.8	-0.5	25.1	12.7	-9.4	-2.1	1.11	4,544		
708	FSLVX	Large Cap Value		9.56	OK to Sell	6.0	-1.9	15.6	11.2	-11.5	-2.9	1.08	810		
1828	FLVEX	Large Cap Value Enhcd Index		6.63	OK to Sel	6.3	-0.7	15.6	11.5	-10.2	--	1.00	62		

Notes: *Fidelity's index funds (Spartan 500 Index, Nasdaq Composite Index, Spartan Int'l Index and U.S. Bond Index) used as proxies for their respective indexes. ¹Relative Volatility of the fund versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. ²Durations (a measure of interest rate sensitivity) reflect prior quarter figures. ³Stated yield is before any inflation adjustment, your effective yield may be different. ⁴Also 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). ⁵Also 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). ⁶Formerly Stock Selector. ⁷Distributed yield is calculated by taking a fund's actual distributions over the past year divided by its current NAV. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

Fund Commentary *cont'd from page 5*

They were joined by large caps **Dividend Growth** (up 8.2%), **Independence** (up 8.2%), and **Equity-Income** (up 8.0%).

Large caps benefited as big multinational firms reported strong earnings gains from overseas operations, especially in the emerging markets.

International Funds

Foreign funds outpaced the domestic variety nearly across the board. Aided by a strengthening euro and improved perceptions of European

economic growth, funds focused there were among the biggest winners in July. **Europe** and its near clone, **Europe Cap App** (both are run by the same manager), jumped 12.6% and 12.4% respectively, while **Int'l Value**, which has a heavy European tilt, followed closely behind with a gain of 12.1%. **Nordic** was tops overall with a gain of 13.2%.

Emerging Markets also fared well with **Emerging Europe Middle East, Africa** rising 11.6% and **Latin America** adding 11.8%. More Asian-focused emerging markets fared a bit less well with **Southeast Asia** gain-

ing 8.1% and **China Region** moving up 7.8%.

Sector Funds

Among Fidelity's Select Portfolios, cyclical areas dominated thanks to a slew of very strong second quarter earnings reports. **Automotive** led the way with a gain of 16.2%, followed by **Chemicals** (up 15.7%), **Materials** (up 12.7%) and **Energy Service** (up 11.8%). Transportation firms continued to shine with **Air Transport** adding 11.5%, giving it a year-to-date gain of 19.4%, and **Transportation** moving up 9.9% for

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Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Jul	YTD	2009	1 Year	3 Year	5 Year				
MID-CAP GROWTH						Category Averages			7.4	3.1	42.9	20.9	-6.5	0.9	1.27
324	FDEGX	Growth Strategies	1.50%/90d	16.92	Hold	7.6	4.0	39.7	20.9	-8.9	-0.3	1.24	\$1,720		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	8.23	Hold	6.5	1.9	37.6	19.0	--	--	--	36		
793	FSMGX	Mid Cap Growth	0.75%/30d	10.32	Hold	7.6	3.9	46.4	23.5	-8.1	-2.4	1.29	210		
337	FMCSX	Mid-Cap Stock	0.75%/30d	24.22	OK to Buy	8.2	3.7	50.4	22.8	-6.3	2.3	1.38	5,944		
300	FMILX	New Millennium		25.13	OK to Buy	7.0	2.1	40.2	18.1	-2.7	4.2	1.18	1,590		
MID-CAP BLEND						Category Averages			7.3	4.5	48.6	21.6	-5.8	1.7	1.39
122	FLVCX	Leveraged Company Stock	1.50%/90d	23.50	Buy	8.1	2.5	59.6	20.8	-9.1	1.5	1.67	3,796		
316	FLPSX	Low-Priced Stock	1.50%/90d	33.07	Buy	6.1	3.5	39.1	18.1	-3.1	2.7	1.13	23,517		
398	FSEMXX	Spartan Extended Mkt Index ⁴	0.75%/90d	31.85	Hold	7.0	5.8	36.7	21.9	-3.6	2.1	1.19	2,791		
14	FSLSX	Value Strategies		23.42	Buy	8.0	5.9	59.2	25.8	-7.5	0.6	1.57	337		
MID-CAP VALUE						Category Averages			8.1	5.4	39.8	25.6	-6.9	0.2	1.37
762	FSMVX	Mid Cap Value	0.75%/30d	13.65	Hold	7.6	6.9	35.4	29.2	-5.3	0.9	1.27	497		
39	FDVLX	Value		59.14	Buy	8.6	3.9	44.1	22.1	-8.5	-0.4	1.46	6,931		
SMALL CAP GROWTH						Category Averages			6.9	5.1	32.9	18.2	-7.5	0.2	1.30
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	8.44	Hold	7.5	4.9	23.6	18.0	--	--	--	90		
1388	FCPGX	Small Cap Growth	1.50%/90d	12.81	Hold	5.4	3.1	42.9	17.6	-5.3	1.5	1.24	1,152		
336	FDSCX	Small Cap Independence	1.50%/90d	14.91	Hold	7.9	7.1	32.3	18.8	-9.7	-1.1	1.36	1,369		
SMALL CAP BLEND						Category Averages			6.7	4.9	56.7	22.3	2.0	4.0	1.38
384	FSCRX	Small Cap Discovery	1.50%/90d	14.07	OK to Buy	5.9	7.9	50.7	22.6	4.1	4.8	1.34	602		
340	FSLCX	Small Cap Stock	2.00%/90d	16.23	Buy	7.4	1.8	62.7	22.1	0.0	3.3	1.42	3,468		
SMALL CAP VALUE						Category Averages			7.0	6.9	36.6	21.3	0.0	4.0	1.32
1389	FCPVX	Small Cap Value	1.50%/90d	13.56	Hold	7.0	6.9	36.6	21.3	0.0	4.0	1.32	1,655		
SPECIALTY															
2063	FOTTX	130/30 Large Cap		6.46	OK to Sell	7.7	-2.1	3.6	11.1	--	--	--	18		
304	FBALX	Balanced		16.68	Hold	4.8	2.9	28.1	13.9	-2.5	2.8	0.78	16,784		
308	FCVXX	Convertible Securities		22.48	OK to Buy	6.1	4.7	64.1	20.3	-3.0	4.6	1.31	2,171		
1960	FDYSX	Dynamic Strategies		8.61	Hold	4.7	2.0	28.7	12.9	--	--	--	147		
355	FFNOX	Four-in-One Index		24.35	Hold	7.0	0.5	25.0	12.0	-4.8	1.4	0.91	1,899		
334	FGBLX	Global Balanced	1.00%/30d	20.13	Hold	6.5	0.1	22.5	9.2	0.1	5.2	0.76	460		
2120	FFGCX	Global Commodity Stock	1.00%/30d	13.60	Hold	10.8	-7.6	48.0p	--	--	--	--	237		
1368	FIREX	International Real Estate	1.50%/90d	8.53	Sell	11.1	-3.1	35.8	5.3	-14.3	-0.9	1.40	289		
4	FPURX	Puritan		16.28	OK to Buy	4.8	2.5	26.7	13.8	-1.9	2.8	0.72	15,482		
833	FRIFX	Real Estate Income	0.75%/90d	9.95	OK to Buy	2.9	10.2	46.8	28.3	3.0	3.2	0.75	929		
303	FRESX	Real Estate Investment	0.75%/90d	23.32	Hold	9.7	16.6	32.9	63.1	-4.1	0.0	2.00	2,811		
1329	FSDIX	Strategic Dividend & Income		9.83	OK to Buy	6.8	4.1	37.7	21.4	-5.9	0.6	1.15	456		
1505	FSRRX	Strategic Real Return	0.75%/60d	8.88	Hold	3.7	4.4	28.4	16.1	1.9	--	0.67	4,282		
311	FIUIX	Telecom & Utilities		14.47	Hold	8.2	4.6	11.1	15.1	-8.1	2.2	0.89	708		
ASSET ALLOCATION															
328	FASIX	Asset Manager 20%		12.33	Hold	2.4	3.9	19.5	10.4	2.9	4.4	0.36	2,795		
1957	FTANX	Asset Manager 30%		9.43	Hold	3.3	4.0	23.6	11.8	--	--	--	94		
1958	FFANX	Asset Manager 40%		9.15	Hold	4.1	3.6	26.0	12.6	--	--	--	68		
314	FASMXX	Asset Manager 50%		14.14	Hold	4.9	3.0	30.9	13.4	-0.2	3.0	0.70	5,901		
1959	FSANX	Asset Manager 60%		8.85	Hold	5.6	2.4	32.7	13.6	--	--	--	83		
321	FASGX	Asset Manager 70%		14.59	Hold	6.3	1.8	35.7	14.1	-2.8	1.8	0.90	2,154		
347	FAMRX	Asset Manager 85%		11.69	Hold	7.4	0.3	38.7	13.8	-4.6	1.7	1.03	532		

a year-to-date gain of 23.7%. The more defensive health care sector dominated the bottom of the performance chart in July with all six funds in that group falling among the bottom eleven funds.

Medical Delivery (down 2.3%) and **Medical Equipment** (down 1.5%) were two of only three equity funds at Fidelity to suffer losses in July. The other was the highly volatile **Gold** fund (down 5.4%). We are still not long-term fans of the yellow metal, but given its up and down performance so far this year, it will probably shine in August!

Fixed-Income

More often than not this year, stocks and bonds have moved in opposite directions, but most bond funds enjoyed gains in July, too, although far more modest. Not surprisingly, high-yield funds led the way given their more equity-like characteristics. **Capital & Income** notched a solid 3.9% return, while **New Markets Income**, which we added to our Aggressive Growth Model at the beginning of the month, rose 3.7%.

Fidelity's new **Corporate Bond** fund was the top performer among non-high yield taxable bonds rising

1.9%, followed by **Total Bond** with a gain of 1.4%. The worst performer was Fidelity's longest duration fund, **Spartan Long-Term Treasury Index**, (down 0.1%). And with nary a whiff of inflation in the air, **Inflation-Protected Bond** rose just 0.1%.

Fidelity's municipal bond funds enjoyed a solid month with gains of between roughly 0.8% and 1.5%.

The yield on **Cash Reserves** increased from 0.06% in June to 0.10% at the end of July and **Select Money Market's** rose to a "whopping" 0.18%. ■

—John Bonnanzio

FIDELITY SCORECARD - JULY 31, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Jul	YTD	2009	1 Year	3 Year	5 Year				
INTERNATIONAL						Category Averages			9.5	-1.2	41.9	10.6	-8.6	4.7	1.40
309	FICDX	Canada	1.50%/90d	49.56	Hold	5.8	2.2	39.6	10.0	-2.8	7.8	1.45	\$3,466		
352	FHKCX	China Region	1.50%/90d	27.87	Hold	7.8	-0.1	65.6	8.4	2.6	12.6	1.52	1,791		
325	FDIVX	Diversified International	1.00%/30d	26.59	OK to Sell	9.4	-5.0	31.8	6.1	-10.3	1.9	1.26	24,666		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	8.09	OK to Buy	11.6	6.2	61.4	19.9	--	--	--	96		
322	FEMKX	Emerging Markets	1.50%/90d	22.65	Buy	9.2	0.2	76.0	19.9	0.0	10.8	1.73	3,442		
301	FIEUX	Europe	1.00%/30d	27.40	OK to Sell	12.6	-7.0	31.7	3.8	-9.3	1.7	1.28	1,624		
341	FECAX	Europe Capital App	1.00%/30d	16.47	OK to Sell	12.4	-7.2	32.1	3.9	-11.1	2.2	1.32	383		
335	FIVFX	Int'l Cap App	1.00%/30d	11.08	Buy	10.5	-2.3	55.2	11.3	-10.6	0.4	1.53	501		
305	FIGRX	International Discovery	1.00%/30d	28.97	OK to Sell	10.3	-4.6	30.1	7.0	-9.6	3.1	1.23	7,037		
2010	FIENX	International Enhanced Index	1.00%/30d	6.56	OK to Sell	10.4	-4.8	24.6	5.8	--	--	--	19		
1979	FIGFX	International Growth	1.00%/30d	7.35	Hold	9.1	-1.7	36.5	13.6	--	--	--	21		
818	FISMX	Int'l Small Cap	2.00%/90d	17.74	OK to Buy↑	7.5	1.1	45.5	12.9	-9.4	3.4	1.33	630		
1504	FSCOX	Int'l Small Cap Opportunities	2.00%/90d	8.86	OK to Buy↑	9.4	3.3	46.3	22.8	-17.2	--	1.49	325		
1597	FIVLX	International Value	1.00%/30d	7.51	OK to Sell	12.1	-5.9	36.1	5.3	-11.7	--	1.43	137		
350	FJPNX	Japan	1.50%/90d	10.18	OK to Sell	5.5	0.6	15.3	-1.7	-12.6	0.0	1.12	909		
360	FJSCX	Japan Smaller Companies	1.50%/90d	8.28	OK to Sell	6.3	-0.5	18.1	-0.6	-12.4	-6.3	1.24	293		
349	FLATX	Latin America	1.50%/90d	51.01	Buy↑	11.8	-1.6	91.6	24.4	-0.8	18.4	1.75	3,513		
342	FNORX	Nordic	1.50%/90d	28.81	OK to Buy↑	13.2	5.2	47.5	21.8	-10.6	4.0	1.59	310		
94	FOSFX	Overseas	1.00%/30d	28.49	OK to Sell	9.6	-7.9	25.2	-0.4	-13.1	0.8	1.28	5,199		
302	FPBFX	Pacific Basin	1.50%/90d	21.75	Buy	6.5	7.1	59.3	19.8	-8.0	6.8	1.60	673		
351	FSEAX	Southeast Asia	1.50%/90d	26.26	Hold	8.1	3.3	39.2	13.7	-8.2	11.2	1.39	1,447		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	31.82	OK to Sell	10.8	-4.8	28.5	5.7	-10.0	2.3	1.26	5,250		
1978	FTIEX	Total International Equity	1.00%/30d	6.56	OK to Buy	10.3	-3.0	41.2	11.1	--	--	--	48		
318	FVWFX	Worldwide	1.00%/30d	15.70	Hold	8.1	-2.3	28.5	10.3	-7.0	2.9	1.16	923		
SELECT PORTFOLIOS						Category Averages			7.2	2.5	44.7	18.8	-4.4	2.4	1.39
34	FSAIX	Air Transportation	0.75%/30d	38.04	OK to Buy	11.5	19.4	22.3	58.5	-3.6	5.9	1.63	122		
502	FSAVX	Automotive	0.75%/30d	33.98	OK to Buy	16.2	9.9	122.3	22.6	-5.4	0.7	2.50	117		
507	FSRBX	Banking	0.75%/30d	16.93	Hold	5.9	11.1	5.1	25.8	-14.0	-8.0	1.58	430		
42	FBIOX	Biotechnology	0.75%/30d	64.12	OK to Sell	5.9	-2.1	10.8	-1.8	0.1	1.5	1.03	921		
68	FSLBX	Brokerage & Investment	0.75%/30d	46.65	Hold	9.3	-1.6	50.4	7.0	-8.1	1.1	1.49	462		
69	FSCHX	Chemicals	0.75%/30d	75.16	OK to Buy	15.7	2.3	65.3	17.8	1.9	7.3	1.42	338		
518	FSDCX	Communications Equipment	0.75%/30d	21.91	Buy	10.2	5.5	80.7	19.5	-1.4	3.2	1.61	318		
7	FDCPX	Computers	0.75%/30d	45.93	OK to Buy	5.7	0.8	83.2	24.5	1.2	5.0	1.40	446		
511	FSHOX	Construction & Housing	0.75%/30d	29.17	OK to Buy	5.5	0.4	22.9	9.9	-7.1	-4.8	1.50	102		
517	FSCPX	Consumer Discretionary	0.75%/30d	20.14	Hold	8.0	7.2	38.1	24.7	-3.8	-0.1	1.20	110		
9	FDFAX	Consumer Staples	0.75%/30d	61.98	Hold	7.9	2.1	20.9	12.2	2.7	7.3	0.80	876		
67	FSDAX	Defense & Aerospace	0.75%/30d	65.69	Hold	8.4	8.9	24.9	31.8	-5.3	3.6	1.32	590		
8	FSELX	Electronics	0.75%/30d	38.38	Buy	3.1	-7.4	85.0	9.4	-7.1	-1.6	1.50	979		
60	FSENX	Energy	0.75%/30d	40.43	Hold	8.2	-8.4	47.1	7.5	-9.7	2.8	1.65	1,746		
43	FSESX	Energy Service	0.75%/30d	54.91	Hold	11.8	-5.6	62.0	12.7	-13.9	1.7	1.96	1,004		
516	FSLEX	Environment & Alt Energy	0.75%/30d	15.70	Hold↑	7.9	1.0	17.2	12.1	-3.3	0.5	1.08	46		
66	FIDSX	Financial Services	0.75%/30d	58.01	Hold	7.3	0.0	25.9	10.0	-16.4	-7.5	1.46	445		
41	FSAGX	Gold	0.75%/30d	44.63	OK to Sell	-5.4	5.1	38.0	21.7	11.9	21.7	2.18	3,559		
63	FSPHX	Health Care	0.75%/30d	103.73	Hold	0.8	-2.8	32.1	11.0	-2.3	1.4	0.90	1,561		
98	FVLX	Home Finance	0.75%/30d	11.48	OK to Sell	6.9	4.9	1.9	14.0	-31.2	-21.0	1.34	119		
510	FSCGX	Industrial Equipment	0.75%/30d	27.71	OK to Buy	10.4	9.0	38.9	28.5	-4.7	3.8	1.50	151		
515	FCYIX	Industrials	0.75%/30d	19.82	OK to Buy	10.3	9.4	38.9	28.4	-1.9	5.1	1.41	283		
45	FSPCX	Insurance	0.75%/30d	42.62	OK to Sell	5.3	7.8	21.8	22.7	-11.6	-4.7	1.34	154		
353	FBSOX	IT Services	0.75%/30d	17.51	Hold	6.9	-1.8	59.1	21.9	1.0	7.3	1.18	83		
62	FDLSX	Leisure	0.75%/30d	76.20	OK to Buy	8.4	14.8	24.3	29.4	1.4	5.3	1.12	281		
509	FSDPX	Materials	0.75%/30d	53.78	OK to Buy	12.7	-0.3	78.7	18.5	0.8	10.2	1.56	536		
505	FSHCX	Medical Delivery	0.75%/30d	40.52	Hold	-2.3	-5.9	49.0	12.9	-4.8	-0.5	1.28	406		
354	FSMEX	Medical Equipment	0.75%/30d	23.24	OK to Sell	-1.5	-5.0	32.6	7.9	1.6	3.4	0.92	1,317		
503	FBMPX	Multimedia	0.75%/30d	36.98	OK to Buy	9.5	8.4	54.4	37.2	-2.8	2.4	1.31	113		
513	FSNGX	Natural Gas	0.75%/30d	27.85	Hold	8.6	-11.5	56.3	0.5	-11.0	0.0	1.75	855		
514	FNARX	Natural Resources	0.75%/30d	26.66	Hold	7.0	-6.3	51.7	10.1	-6.7	6.7	1.66	1,224		
580	FPHAX	Pharmaceuticals	0.75%/30d	10.70	Hold	2.0	-1.1	25.4	15.1	1.1	5.7	0.83	241		
46	FSRPX	Retailing	0.75%/30d	42.46	Hold	4.1	1.7	57.8	18.1	1.2	2.5	1.24	167		
28	FSCSX	Software & Computer Svcs	0.75%/30d	72.77	OK to Buy	7.4	-4.1	61.5	19.4	0.7	7.5	1.21	912		
64	FSPTX	Technology	0.75%/30d	75.76	Buy	7.5	0.4	90.3	23.6	-0.7	4.1	1.55	1,854		
96	FSTCX	Telecommunications	0.75%/30d	40.62	Hold	8.4	2.1	51.6	14.2	-8.8	2.7	1.25	289		
512	FSRFX	Transportation	0.75%/30d	48.67	OK to Buy	9.9	23.7	23.3	50.0	0.2	6.3	1.29	286		
65	FSUTX	Utilities	0.75%/30d	45.31	Hold	7.7	1.8	14.4	11.5	-5.7	2.7	0.94	362		
963	FWRLX	Wireless	0.75%/30d	6.89	Hold	8.3	1.9	59.0	10.7	-5.3	3.2	1.32	262		

FIDELITY SCORECARD - JULY 31, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			SEC %Yield	Dist ⁷ %Yield	Dur ² (Yrs)	Tax-Equivalent Yield Federal Tax Bracket						
						Jul	YTD	2009				25%	28%	33%	35%			
TAXABLE BOND						Category Averages			0.7	6.1	5.5	2.07	2.90	4.1				
2208	FCBFX	Corporate Bond		10.25	Buy	1.9	3.5p	--	--	--	--							
15	FGMNX	Ginnie Mae		11.91	Hold	1.1	6.7	6.9	2.57	2.87	1.2							
54	FGOVX	Government Income		10.82	Hold	0.6	5.5	1.3	1.77	2.45	4.4							
794	FINPX	Inflation-Protected Bond ³		11.60	Hold	0.1	4.3	9.7	0.46	2.95	6.4							
32	FTHRFX	Intermediate Bond		10.62	Buy	1.2	6.8	17.1	2.63	3.86	3.8							
452	FSTGX	Intermediate Gov't Income		11.10	Hold	0.6	5.1	0.9	1.17	1.91	3.6							
26	FBNDX	Investment Grade Bond		7.39	Buy	1.1	7.1	16.0	2.82	3.63	4.0							
40	FMSFX	Mortgage Securities		10.92	Hold	1.0	6.5	9.6	3.38	4.35	1.3							
450	FSHBX	Short-Term Bond		8.46	Buy	0.5	3.0	7.4	1.29	2.33	1.8							
1561	FIBIX	Sptn Interm Treas Index ⁵		10.98	Hold	1.1	9.4	-5.0	2.30	2.95	6.6							
1562	FLBIX	Sptn Lng-Term Treas Index ⁵		11.11	Hold	-0.1	13.1	-13.4	3.60	3.73	13.7							
1560	FSBIX	Sptn Sht-Term Treas Index ⁵		10.60	Buy	0.6	3.6	-0.1	0.73	1.56	2.6							
820	FTBFX	Total Bond		10.95	Buy	1.4	6.9	19.8	3.31	4.05	3.7							
651	FBIDX	U.S. Bond Index		11.55	OK to Buy	1.0	6.4	6.5	2.59	3.21	3.7							
812	FUSFX	Ultra-Short Bond	0.25%/60d	8.15	Hold	0.1	0.7	1.0	0.34	0.77	0.4							
HIGH-YIELD BOND						Category Averages			3.2	6.2	44.0	5.84	5.78					
38	FAGIX	Capital & Income	1.00%/90d	8.82	OK to Buy	3.9	5.9	72.1	6.64	6.50	--							
814	FFRHX	Floating Rate High Income	1.00%/60d	9.53	OK to Buy	1.8	3.1	28.9	4.44	3.19	--							
1366	FHIFX	Focused High Income	1.00%/90d	9.18	Buy	3.4	7.1	35.1	6.40	6.89	--							
455	SPHIX	High Income	1.00%/90d	8.68	Buy	3.6	6.7	51.5	7.78	6.92	--							
331	FNMIX	New Markets Income	1.00%/90d	15.76	Buy	3.7	8.3	44.6	5.05	6.53	--							
368	FSICX	Strategic Income		11.15	Buy	3.0	5.9	31.8	4.70	4.62	--							
NATIONAL MUNICIPAL BOND						Category Averages			1.0	3.9	10.2	2.65	3.47	6.0	25%	28%	33%	35%
36	FLTXX	Interm Municipal Income	0.50%/30d	10.34	Buy	1.1	3.9	8.8	2.37	3.36	5.0	3.2	3.3	3.5	3.6			
37	FHIGX	Municipal Income	0.50%/30d	12.73	Buy	1.1	4.6	13.1	3.46	4.08	8.1	4.6	4.8	5.2	5.3			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.74	OK to Buy	0.8	2.4	5.6	1.32	2.38	2.7	1.8	1.8	2.0	2.0			
90	FTABX	Tax-Free Bond	0.50%/30d	10.97	Buy	1.1	4.5	13.3	3.46	4.06	8.0	4.6	4.8	5.2	5.3			
STATE-SPECIFIC MUNICIPAL BOND						Category Averages			1.2	4.1	11.1	2.82	3.58	6.9				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.51	Hold	1.1	4.2	13.7	3.18	3.62	7.9	4.2	4.4	4.7	4.9			
91	FCTFX	California Muni Income	0.50%/30d	12.12	Hold	1.4	5.7	11.7	3.67	4.14	7.8	4.9	5.1	5.5	5.6			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.72	OK to Buy	1.0	2.9	6.2	1.36	2.36	3.0	1.8	1.9	2.0	2.1			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.61	Hold	1.2	4.0	11.0	2.56	3.29	6.8	3.4	3.6	3.8	3.9			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.12	Hold	1.1	4.1	13.8	2.66	3.40	7.2	3.5	3.7	4.0	4.1			
70	FDMXX	Mass Muni Income	0.50%/30d	12.07	Hold	1.3	4.6	12.7	2.98	3.77	7.8	4.0	4.1	4.4	4.6			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.03	Hold	1.1	3.8	9.3	2.98	3.84	6.6	4.0	4.1	4.4	4.6			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.60	Hold	1.2	4.0	9.9	2.41	3.43	6.4	3.2	3.3	3.6	3.7			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.73	Hold	1.5	4.3	11.8	2.83	3.70	7.1	3.8	3.9	4.2	4.4			
71	FTFMX	New York Muni Income	0.50%/30d	13.12	Hold	1.1	4.6	12.1	3.03	3.77	7.9	4.0	4.2	4.5	4.7			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.77	OK to Buy	1.1	3.8	11.1	3.07	3.83	7.5	4.1	4.3	4.6	4.7			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	10.92	OK to Buy	1.0	3.6	9.7	3.06	3.83	7.0	4.1	4.3	4.6	4.7			
TAXABLE MONEY MARKET						Category Averages			0.00	0.02	0.45	0.06						
55	FDRXX	Cash Reserves		1.00	--	0.01	0.03	0.61	0.10	na	na							
631	FGMXX	Retirement Government MM		1.00	--	0.00	0.01	0.29	0.01	na	na							
630	FRTXX	Retirement MM		1.00	--	0.00	0.01	0.63	0.04	na	na							
458	SPAXX	Government MM		1.00	--	0.00	0.01	0.32	0.01	na	na							
454	SPRXX	Money Market		1.00	--	0.01	0.01	0.62	0.08	na	na							
85	FSLXX	Select MM		1.00	--	0.01	0.07	0.67	0.18	na	na							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.00	0.01	0.37	0.01	na	na							
415	FDLXX	US Treasury MM		1.00	--	0.00	0.01	0.05	0.01	na	na							
MUNICIPAL MONEY MARKET						Category Averages			0.00	0.01	0.15	0.01						
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.00	0.01	0.20	0.01	na	na	0.0	0.0	0.0	0.0			
10	FTEXX	Municipal Money Market		1.00	--	0.00	0.01	0.17	0.01	na	na	0.0	0.0	0.0	0.0			
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.01	0.09	0.01	na	na	0.0	0.0	0.0	0.0			
STATE MUNICIPAL MONEY MARKET						Category Averages			0.00	0.01	0.11	0.01						
433	FSAXX	Arizona		1.00	--	0.00	0.01	0.08	0.01	na	na	0.0	0.0	0.0	0.0			
457	FSPXX	California AMT Tax-Free		1.00	--	0.00	0.01	0.15	0.01	na	na	0.0	0.0	0.0	0.0			
97	FCFXX	California		1.00	--	0.00	0.01	0.05	0.01	na	na	0.0	0.0	0.0	0.0			
418	FCMXX	Connecticut		1.00	--	0.00	0.01	0.09	0.01	na	na	0.0	0.0	0.0	0.0			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.00	0.01	0.18	0.01	na	na	0.0	0.0	0.0	0.0			
74	FDMXX	Massachusetts		1.00	--	0.00	0.01	0.07	0.01	na	na	0.0	0.0	0.0	0.0			
420	FMIXX	Michigan		1.00	--	0.00	0.01	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.00	0.01	0.19	0.01	na	na	0.0	0.0	0.0	0.0			
417	FNJXX	New Jersey		1.00	--	0.00	0.01	0.07	0.01	na	na	0.0	0.0	0.0	0.0			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.00	0.01	0.19	0.01	na	na	0.0	0.0	0.0	0.0			
92	FNYXX	New York		1.00	--	0.00	0.01	0.11	0.01	na	na	0.0	0.0	0.0	0.0			
419	FOMXX	Ohio		1.00	--	0.00	0.01	0.15	0.01	na	na	0.0	0.0	0.0	0.0			
401	FPTXX	Pennsylvania		1.00	--	0.00	0.01	0.09	0.01	na	na	0.0	0.0	0.0	0.0			

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

FIDELITY SCORECARD - JULY 31, 2010

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)		
							Jul	YTD	2009	1 Year	3 Year	5 Year
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS												
9067	FLRQC	Fid VIP Asset Manager	Allocation		11.24	Hold	4.9	2.6	28.7	14.1	0.4	3.3
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		10.36	Hold	6.8	1.1	32.4	14.9	-2.1	2.0
9069	FJBAC	Fid VIP Balanced	Allocation		11.13	Hold	5.8	2.7	38.1	16.3	-1.5	3.3
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	9.28	Hold	8.0	7.0	37.8	24.2	-3.9	-0.3
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	9.92	Hold	7.8	1.9	20.4	11.7	2.7	--
9065	FPDFC	Fid VIP Contrafund	Large Growth		10.05	Hold	7.4	0.1	35.3	14.4	-5.5	1.7
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		7.71	Hold	7.4	4.4	21.8	17.0	-6.7	--
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		10.17	OK to Buy↑	8.3	4.8	35.7	24.5	-6.0	2.0
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.15	Buy	8.9	0.0	75.1	19.1	--	--
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	10.53	Hold	8.2	-8.4	47.4	7.6	-9.9	3.5
9061	FLOLC	Fid VIP Equity-Income	Large Value		8.53	Buy	8.1	0.2	29.8	13.9	-10.4	-1.6
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	6.30	Hold	7.2	0.1	27.0	9.9	-16.4	-7.6
9157	FMPAC	Fid VIP FundsManager 20	Allocation		11.22	Hold	2.0	2.8	10.0	7.1	2.1	--
9158	FMPBC	Fid VIP FundsManager 50	Allocation		10.16	Hold	4.1	2.0	18.7	10.1	-1.3	--
9197	FMPPC	Fid VIP FundsManager 60	Allocation		8.93	Hold	4.9	1.9	22.2	11.3	--	--
9159	FMPCC	Fid VIP FundsManager 70	Allocation		9.25	Hold	5.6	1.0	24.1	11.5	-4.5	--
9160	FMPDC	Fid VIP FundsManager 85	Allocation		8.65	Hold	6.6	0.5	28.2	13.0	-6.7	--
9062	FMNDC	Fid VIP Growth	Large Growth		8.82	Hold↑	6.8	1.3	27.8	14.4	-8.7	-1.3
9070	FLFNC	Fid VIP Growth & Income	Large Blend		8.94	OK to Sell	6.9	-1.8	26.8	9.4	-8.6	-0.8
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		8.41	Buy	6.8	0.7	45.2	17.2	-9.9	-2.2
9078	FPVDC	Fid VIP Growth Stock	Large Growth		9.38	OK to Buy	7.3	-0.4	44.3	17.0	-4.6	-0.2
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		8.90	Hold	7.7	3.3	39.4	20.0	-9.2	-0.8
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	10.39	Hold	0.8	-2.7	32.2	11.0	-2.1	1.1
9060	FBBLC	Fid VIP High Income	High-Yield Bond		12.74	Buy	3.5	6.9	43.4	18.3	5.7	5.6
9064	FXVLT	Fid VIP Index 500	Large Blend		9.14	Hold	7.0	-0.3	26.3	13.5	-7.0	-0.5
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	11.83	OK to Buy	10.2	9.3	39.6	28.4	-1.6	5.2
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	8.66	Buy	10.5	-2.7	55.2	10.9	-11.0	-0.2
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		12.78	Buy	1.1	6.6	15.5	11.0	7.0	5.2
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	9.47	OK to Buy	12.7	-0.4	77.6	18.2	0.8	--
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		11.78	Hold	4.3	5.6	39.6	19.7	-2.6	4.4
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.45	--	0.0	-0.1	0.4	0.0	1.7	2.7
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	9.29	OK to Sell	10.6	-4.5	26.1	6.4	-10.8	1.4
9072	FFWKC	Fid VIP Real Estate	Sector		10.14	Hold	10.5	16.8	37.2	61.5	-2.9	1.3
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		13.61	Buy	3.0	5.7	29.7	14.4	8.6	6.9
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	11.93	Buy	7.8	0.4	95.4	23.6	-0.5	4.9
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	7.15	Hold	8.4	1.1	47.5	12.8	-10.0	--
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	11.02	Hold	7.8	1.7	14.9	11.5	-5.2	3.3
9079	FKMSC	Fid VIP Value	Mid Value		8.65	Buy	7.6	2.8	42.1	20.6	-9.3	-1.5
9080	FUEBC	Fid VIP Value Leaders	Large Value		8.05	OK to Sell	7.1	-1.5	27.4	11.0	-11.5	-3.0
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		9.38	Buy	7.9	5.7	57.1	25.4	-8.1	0.0
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l		8.80	OK to Sell	10.5	-3.7	1.0p	--	--	--
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		12.38	Buy	11.4	7.6	69.8	25.4	1.3	--
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		13.20	Buy	4.5	8.6	29.9	19.8	7.7	8.1
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		10.74	Buy	9.6	2.4	69.4	18.5	-4.6	11.3
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		7.39	OK to Sell	8.4	-1.9	15.7	7.4	-11.8	-1.9
9146	FPRPC	Morgan Stanley Int'l Magnum	Diversified Int'l		7.77	Hold	10.5	-6.2	32.2	5.0	-10.6	1.3
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.43	Buy	0.9	3.6	1.6p	--	--	--
9277	FPNBC	Pimco VIT Real Return	TIPS		10.85	Hold	0.3	5.7	3.0p	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		10.68	Buy	1.3	6.8	1.3p	--	--	--

Note: Morgan Stanley Global Value Equity has now become Invesco Van Kampen Global Value Equity.

ANNUITY MODEL PORTFOLIOS

Annuity Growth Model	
Fund	Allocation
Fidelity VIP Strategic Income	35%
Fidelity VIP Growth Opportunities	23
Fidelity VIP Value	19
Fidelity VIP Emerging Markets	12
Fidelity VIP Equity-Income	11
Total Return: Jul: 5.9% YTD: 2.6%	

Annuity Growth & Income Model	
Fund	Allocation
Fidelity VIP Investment Grade	30%
Fidelity VIP Strategic Income	27
Fidelity VIP Growth Opportunities	23
Fidelity VIP Value	16
Fidelity VIP Equity-Income	4
Total Return: Jul: 4.2% YTD: 4.1%	

Annuity Income & Preservation Model	
Fund	Allocation
Fidelity VIP Investment Grade	35%
Fidelity VIP Money Market	21
Fidelity VIP Strategic Income	20
Fidelity VIP Value	13
Fidelity VIP Growth Opportunities	11
Total Return: Jul: 2.6% YTD: 3.8%	

FUND PROFILE

Equity-Income Bets On Recovery

Veteran manager Stephen Petersen has “structured” **Equity-Income** for an economic recovery.

While we have our own view as to the strength of that recovery (see John Boyd’s *Market Outlook* on p. 1), there’s no question that this fund is taking a stand that better times lie ahead. Of course, as **Equity-Income**



Stephen Petersen

is a large-cap value fund — and therefore has significant sector weights in financials, energy and cyclicals — almost by definition, it’s typically positioned for a

healthy economy. Then again, so is any stock fund!

Positioned For Growth

Stephen’s optimism is most evident with the fund’s near-16% stake in consumer discretionary stocks.

EQUITY-INCOME		
Fund Data		
Trading Symbol:	FEQIX	
Fund Size:	\$11.3 billion	
Expense Ratio:	0.74%	
Turnover Rate:	30%	
Relative Volatility:	1.15	
Market Cap	\$31.9 billion	
Foreign Exposure	10.0%	
Top Sectors		
	Fund	Index ¹
Financials	27.4%	29.3%
Cons Discretionary	15.6	7.6
Energy	15.3	10.3
Industrials	10.5	9.2
Info Tech	7.6	5.8
¹ Russell 3000 Value		
Top Ten Holdings		
Exxon Mobil		
JP Morgan Chase		
Bank of America		
Wells Fargo		
AT&T		
PNC Financial		
Chevron		
Pfizer		
Verizon Communications		
Merck & Co		

This is Equity-Income’s biggest sector bet relative to its benchmark, the Russell 3000 Value index. In fact, it’s an overweight by a factor of two — an unusually aggressive commitment for a manager we’ve long viewed as conservative.

Consumer discretionary is a very broad category including subsectors like automakers, travel-related services, media companies and retailers. To state the obvious, sales will improve in these areas as people have more money to spend or, are simply more comfortable spending what they have. (The nation’s savings rate has been rising.) Right now, consumer confidence remains at low levels normally associated with the middle of recessions. That’s likely the result of high unemployment and essentially no income growth.

By the way, the fund’s consumer discretionary stocks are not visible in the table below. That’s because they’re too small market-cap wise to “reach” the fund’s top-10 holdings. However, positions in Home Depot, Harley-Davidson, Whirlpool, Target and Time Warner are good examples of companies whose fortunes should improve alongside the economy.

The Strategy

Notwithstanding this sector bet, Stephen’s 17 years at this fund’s helm have taught him the perils of making really big macro bets. Instead, he embraces the “Fidelity way” of adding value through stock selection. The investment universe in which to make his individual stock picks is tied directly into Equity-Income’s name and twin investment objectives: to generate income (a yield greater than the S&P 500) as well as capital appreciation. Along with the fund’s large-cap value benchmark, that means big, dividend-paying companies.

A smattering of convertible securities in the fund, or even high-yield bonds, sometimes serves both these needs. But the lion’s share of the strategy is shouldered by big company stocks. Notably, the fund’s median

market cap is \$32 billion versus \$26 billion for Fidelity’s average large-cap fund, and just \$19 billion for all their diversified stock funds.

In the case of income, the fund currently yields 2.2% versus 1.8% for the S&P 500. This is where Equity-Income’s Russell 3000 Value benchmark lends a hand: 29% of that index is in generally higher-yielding financials, versus just 16% for the S&P 500. So in merely keeping an index-weight in financials (see below), the fund is likely to reach its yield goal.

As for the capital appreciation component, Stephen looks for stocks he views as inexpensive based on metrics such as a low price-to-earnings and low-price-to-book ratios. Like all equity investors, he must be convinced that a stock’s fundamentals are not yet fully recognized by the market, though “cheap” remains in the eye of the beholder. In this case, undervalued may be measured in absolute and/or relative terms.

Great Minds And Financials...

While Stephen’s own process is clearly key to the fund’s success (not to mention the fortunes of **Equity-Income II** and its other clone **VIP Equity-Income**, both of which he runs), he’s not alone in looking for value at Fidelity. His stock analysis is informally buttressed by his like-minded peers who run **Blue Chip Value** (Charles Hebard), **Dividend Growth** (Larry Rakers), **Large Cap Value** (Bruce Dirks) and **Value** (Matt Friedman). Collectively, they oversee a whopping \$100 billion in value-oriented investments. And, notably, none appear all-too-excited about financials.

Big-cap banks, brokers and others may have juicy yields, but they are in-and-out of favor on a daily basis. Since the start of the credit crisis, they’ve been the bane of every value investor — including Petersen. In fact, Fannie Mae and Freddie Mac once formed the backbone of many a

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Equity-Income *cont'd from page 11*

value fund — at Fidelity and elsewhere — but no more. As so-called GSE's (government-sponsored enterprises) have effectively gone bankrupt and have been taken over by Uncle Sam, yield-hungry funds (and even those with value bents) have had to look elsewhere for income.

Impact Of Financial Reform

The recently passed financial reform bill promises to touch every corner of the financial services industry. In our conversation with Steve last month, he acknowledged that a lot remains unknown about the impact of the new law. Why? Because much of the forthcoming regulation is yet to be written. So it's impossible to know the full extent of how banks, brokers, insurance companies, etc. will be re-regulated, and how this will impact

their profits. As a result, as a group, Fidelity's five large-cap value funds are modestly underweighted in that sector versus the Russell 3000 Value.

Notwithstanding all the uncertainty, Steve still argues that there's actually much to like about financials — providing you buy the right ones.

He notes that the balance sheets of many financial firms today are now more reality-based — and healthier. Indeed, second-quarter earnings improved for banks, brokers and others. (E-Trade even posted its first profit in three years.)

However, there's some concern about the quality of these earnings. Much of the profit growth has come from reductions in reserves for bad loans. That's not a secret, but it does mean that banks are betting that the worst is over in terms of mortgage defaults. Those loan loss reserves could just as easily reverse and those prof-

its disappear, if they are wrong.

Action Recommendation

We own Equity-Income in three models for several reasons: 1. We like its stakes in large multinational companies who we expect to benefit from emerging-market growth; 2. Large-caps have underperformed small-caps for years, and as a result are historically cheap relative to smaller fare; 3. Its dividend yield is attractive — especially in a low-growth environment; 4. We expect its volatility (a measure of risk), which has been a bit elevated, to normalize to historically lower levels relative to other stock funds; 5. Its value bias helps to provide diversification from the models' growth stocks.

These factors coupled with Stephen's solid long-term record, lead us to rate Equity-Income a *Buy*. ■

—John Bonnanzio

DIVIDEND UPDATE

In addition to regular monthly dividends paid by bond and money market funds and Asset Mgr: 20%/30%, the following funds may make a dividend or cap gain distribution in August.

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

The final distributions for July were as follows:

Fund	Ex-Date	\$ Amt	NAV
Asset Manager 40	7/9	0.05	8.98
Asset Manager 50	7/9	0.08	13.84
Balanced	7/9	0.08	16.37
Convertible Secs	7/9	0.17	21.74
Equity-Income	7/9	0.18	37.92
Equity-Income II	7/9	0.07	15.71
Fidelity	7/9	0.06	27.14
Growth & Income	7/9	0.02	15.43
Puritan	7/9	0.09	15.96
Spartan 500 Index	7/9	0.18	38.17
Strategic Div & Inc	7/9	0.04	9.50
Telecom & Utilities	7/9	0.08	14.06

Inside Fidelity

Last month, the 21-year-old Select Environmental fund was re-cast for the second time. Now called **Environment and Alternative Energy**, it's Fidelity's first "green" fund and, arguably, it's a product that Fidelity has long told us it would never offer: a socially conscious fund.

But make no mistake about it: first and foremost, its objective is to make money. If, in the process, it helps to reduce greenhouse gases, well that's good, too.

Manager Anna Davydova, who took over the fund in March of this year, sits on the editorial board of the *Journal of Environmental Investing*, and has spent her investment career dedicated to analyzing companies in the environmental and alternative energy-related fields. We like this new direction and have upgraded the fund to a *Hold*. ■

MESSAGE TO MEMBERS

SEC Limits Fund Fees

The SEC wants to impose limits on the fees fund investors pay over time. Its ruling, said agency chair Mary Schapiro, "is designed to enhance clarity, fairness and competition" when investors buy funds. In particular, it would limit the cumulative sales charges an investor could pay.

Fortunately, at Fidelity, retail investors don't pay a "sales load" just for the privilege of owning one of its funds. Moreover, fund expenses at Fidelity are about half the industry average. Of course, low fees mean higher returns for us all — which is why we invest in Fidelity funds in the first place!

Sincerely,

John Boyd &
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