

FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

JULY 2010

VOLUME 26, NUMBER 7

MID-YEAR MARKET OUTLOOK

Economic Slowdown Fears Spook Stock Investors

According to the old Wall Street wisdom, bull markets climb a “wall-of-worry.” Well, we’ve certainly got a wall-of-worry right now. But rather than climbing it, stocks are sliding down its side. After peaking at 1217 on April 23, the S&P 500 has fallen 15% to 1031 as of June 30.

The list of woes are familiar by now. The European credit crisis remains unchecked (the probability of a Greek default has increased to nearly 70%). U.S. job losses are stubbornly high. The housing recovery remains fragile and heavily dependent on government incentives. (With the expiration of the \$8,000 home-buyer tax-credit in April, existing home sales fell 2% in May, while new homes sales plunged over 30%.) And oil continues to pour into the Gulf with unknown future consequences. While the latter event might not have the same immediate economic impact as the others, it contributes to a general feeling that the world is beset with problems that governments are unable to fix. It’s no wonder that consumer confidence fell sharply in June.

Heading For A Double Dip?

If that list was not daunting enough, we can now add concerns that the economic recovery is losing steam, perhaps even heading for a “double-dip” recession. The

Market Outlook *cont'd on page 3*

INSIDE INSIGHT

Fund Commentary	1
Model Portfolios	2
Model Portfolio Trade	3
Which Funds Should You Buy Now!	3
Mid-Year Review: Model Portfolio Holdings	4
Scorecard	6
July Scorecard Rating Changes	7
Annuity Model Portfolios	10
Is A “Perfect Storm” Brewing For Munis?	11
Five Muni Funds Get New Managers	11
Dividend Update	12
Inside Fidelity	12
Message To Members	12

FUND COMMENTARY

Stocks Fall In First Half Of Year; Treasuries And Gold Shine

Once again, investors are craving safety.

Although January was tough on stock fund investors, February and March saw strong gains, thereby lifting first-quarter returns into positive territory. April brought spring showers and more gains, and it seemed that January’s selloff was a fluke. But it wasn’t.

By the second quarter, Greece’s debt problem spread into a euro-flu. If left untreated, went the thinking, it could morph into a pandemic and kill the European Economic Union. Although America’s own debt woes seem tame by Continental standards (thereby causing the dollar to gain dramatically against the euro this year), burning cars in Athens was a signal that not everyone will politely embrace government austerity plans.

Closer to home, our government continued to spend like drunken sailors on shore leave (no disrespect to sailors intended) in an attempt to keep the economy from slipping back into recession. At the same time, unemployment hovered around 10%, and a growing list of economic maladies prompted many to wonder if \$2 trillion in borrowed stimulus spending was either a waste, or not nearly enough!

Uncertainty didn’t quite turn into all-out fear, but volatility was back in force. Stock-market losses in May (-8.0%) and June (-5.2%) pulled the S&P 500 back into negative territory (-6.7%) for the first half of the year.

Through much of this period, the world’s nervous Nellies (and the simply cautious) ploughed their money into such safe harbor investments as Treasuries and gold. With essentially all concerns of inflation gone for the time, Fidelity’s most interest-rate- (and inflation-) sensitive fund, **Spartan Long-Term Treasury Index** ended the six-month period with a gain of 13.3%. And with gold rising this year to \$1,243 an ounce (or +12.7%), **Select Gold** was close behind the Treasury fund with its 11.2% gain.

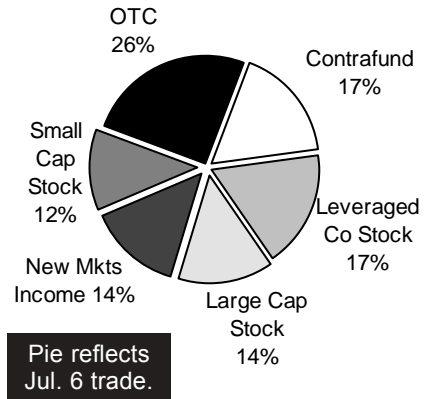
Market Indexes

The **Spartan 500 Index** (a proxy for the S&P) fund rose 6.0% in Q1 and retreated 11.4% in Q2. As mentioned, the large-cap barometer is down 6.7% for the year-to-date.

Fund Commentary *cont'd on page 6*

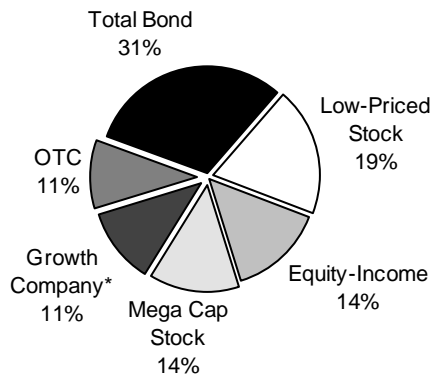
FIDELITY INSIGHT MODEL PORTFOLIOS - JUNE 30, 2010

Aggressive Growth Model		Rel Vol: 1.02	Est. Yield: 0.8%	YTD Return: -6.8%		
Current Asset Allocation		Stocks 84.7%	Bonds 0.7%	Cash 2.8%	Alternative ¹ 11.8%	Foreign 9.4%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jun Ret
OTC	FOCPX	26%	\$42.30	814.41	\$34,449	-7.8%
Contrafund	FCNTX	17	55.39	422.89	23,424	-3.3
Leveraged Co Stock	FLVCX	17	21.75	1,043.99	22,707	-9.4
Large Cap Stock	FLCSX	14	13.99	1,333.12	18,650	-6.8
Convertible Securities	FCVSX	14	21.35	908.65	19,400	-4.3
Small Cap Stock	FSLCX	12	15.11	1,086.39	16,415	-7.9
Current Value (4/7/99 = \$100,000)					\$135,045	-6.7%



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

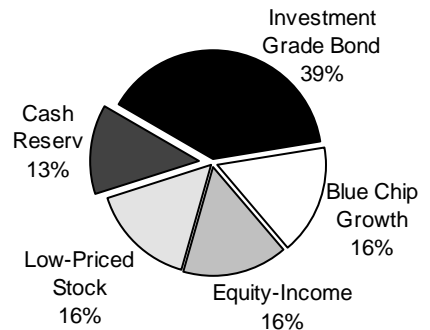
Growth Model		Rel Vol: 1.03	Est. Yield: 1.5%	YTD Return: -4.2%		
Current Asset Allocation		Stocks 66.1%	Bonds 29.8%	Cash 3.7%	Alternative ¹ 0.5%	Foreign 10.1%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jun Ret
Total Bond	FTBFX	31%	\$10.83	27,030.70	\$292,743	1.4%
Low-Priced Stock	FLPSX	19	31.16	5,792.44	180,493	-4.8
Equity-Income	FEQIX	14	36.31	3,658.02	132,823	-6.6
Mega Cap Stock	FGRTX	14	8.11	15,920.66	129,117	-5.6
Growth Company*	FDGRX	11	64.73	1,663.07	107,651	-6.3
OTC	FOCPX	11	42.30	2,354.34	99,589	-7.8
Current Value (1/1/87 = \$100,000)					\$942,413	-3.9%



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

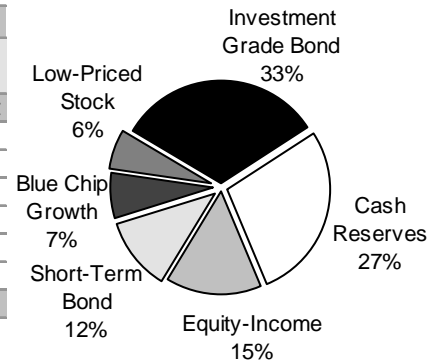
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.72	Est. Yield: 1.6%	YTD Return: -1.5%		
Current Asset Allocation		Stocks 45.1%	Bonds 39.0%	Cash 15.4%	Alternative ¹ 0.5%	Foreign 7.2%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jun Ret
Investment Grade Bond	FBNDX	39%	\$7.33	43,302.07	\$317,404	1.5%
Blue Chip Growth	FBGRX	16	35.18	3,782.10	133,054	-7.0
Equity-Income	FEQIX	16	36.31	3,468.44	125,939	-6.6
Low-Priced Stock	FLPSX	16	31.16	4,083.20	127,233	-4.8
Cash Reserves	FDRXX	13	1.00	108,794.49	108,794	0.0
Current Value (1/1/87 = \$100,000)					\$812,425	-2.5%



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: 0.51	Est. Yield: 1.5%	YTD Return: -0.4%		
Current Asset Allocation		Stocks 27.1%	Bonds 43.8%	Cash 28.7%	Alternative ¹ 0.5%	Foreign 3.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jun Ret
Investment Grade Bond	FBNDX	33%	\$7.33	22,941.75	\$168,163	1.5%
Cash Reserves	FDRXX	27	1.00	141,032.45	141,032	0.0
Equity-Income	FEQIX	15	36.31	2,135.02	77,523	-6.6
Short-Term Bond	FSHBX	12	8.43	7,040.65	59,353	0.5
Blue Chip Growth	FBGRX	7	35.18	1,043.41	36,707	-7.0
Low-Priced Stock	FLPSX	6	31.16	1,005.90	31,344	-4.8
Current Value (1/1/87 = \$100,000)					\$514,122	-1.3%



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, 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.

widely respected Economic Cyclical Research Institute's weekly leading index flashed a recession signal on June 11. Since 1967, this index has generated 9 recession signals; 8 times a recession has shortly followed!

That said, other recession indicators, such as the Conference Board's Leading Economic Indicators have not reached recession territory, but are suggesting a slowdown in growth for the second half of the year.

On top of that, economic growth to-date is turning out to be less than we thought. First quarter GDP was twice revised downward to 2.7% mostly due to lower consumer spending than originally estimated.

Seeds Of A Rally?

There is still good news out there for the market. Thanks to cost-cutting and some top-line growth, corporate earnings exceeded expectations rather nicely in the first quarter. They were expected to rise (from very depressed levels) a strong 64% — but they actually rose 92%!

And, in the "silver lining" department, recent price declines have made the S&P 500 pretty cheap. It's selling at just 12.6 times full-year estimated operating earnings, compared to an average of over 19 for the past 20 years. At the same time, investor sentiment, while not at extreme lows, is still quite negative. In the American Association of Individual Investors' weekly sentiment survey as of June 24, only 34% are bullish, 5 percentage points below the long-term average of 39%.

With cheap valuations and negative sentiment, a good showing by firms as second quarter earnings start to come out over the next few weeks (and early indications are that earn-

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. (We're not fans of foreign stock funds at this time.)

High Yield Funds: **Strategic Income** and **New Markets Income** aggressively reach for yield through differing mixes of lower-quality bonds.

Taxable Bond Funds: **Total Bond** gets a yield boost from some emerging market debt (see High Yield above). **Investment Grade Bond** blends government and corporates, as does **Short-Term Bond**. **Spartan Short-Term Treasury Index** is for minimal credit- and modest interest-rate risk.

Muni Bond Funds: **Tax-Free Bond** delivers the highest tax-equivalent yields; **Short-Intermediate Muni** is far less rate-sensitive.

Money Market Funds: **Select Money Market** delivers the highest yield at 0.13% while **Cash Reserves** comes in at 0.06%. (Muni money market funds yield even less, and are not now good alternatives.) ■

ings will be strong) could be the catalyst for a market rebound.

Jobs are still the critical factor and the Non-Farm Payrolls report that comes out on Friday July 2, just after we go to press, could spark a rally if it shows better-than-expected job growth (the reverse is also true).

Risk Reduction

We're not (yet) in the double-dip camp, but we do expect growth will slow in the second half. While the recovery should muddle along, the risks are very real, and we believe it pays to be a bit more cautious these days. Last month we reduced risk in

our three more conservative model portfolios by moving some money out of stock funds in favor of bonds. While still in negative territory for the year-to-date, these trades helped all three models fare better than the S&P 500's 6.7% decline. The Growth Model is down 4.2%, the Growth & Income Model is down 1.5%, while the Income & Preservation Model is down just 0.4%.

This month we are making a similar, though more modest, risk-reduction trade in our Aggressive Growth Model (see Model Portfolio Trade box below). ■

— John M. Boyd

MODEL PORTFOLIO TRADE

Effective Tuesday July 6 (and as will be announced on our July 2 Hotline), we are making a trade in our **Aggressive Growth Model Portfolio**.

Action	Fund	Ticker	Est. % of Model	
			Before Trade	After Trade
Sell:	Convertible Securities	(FCVSX)	14%	0%
Buy:	New Markets Income	(FNMIX)	0%	14%

We are taking profits in **Convertible Securities** (and have downgraded the fund) and are using the proceeds to purchase **New Markets Income**.

Investing mostly in dollar-denominated emerging market bonds, New Markets Inc. currently yields a high 5.56%. However, most of its historic returns have come from capital appreciation, not income. It has been successfully managed for 15 years by John Carlson. With a relative volatility of 0.76 versus 1.32 for Convertible Securities, the addition of John's fund lowers overall portfolio risk. *Note: New Markets Income has a redemption fee of 1.0% on shares held 90 days or less.*

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

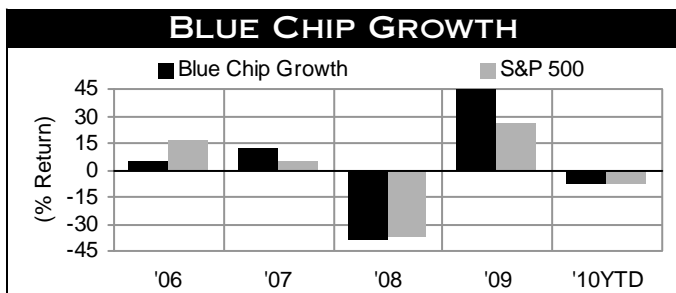
As discussed in this month's *Fund Commentary*, stock market volatility has been through the roof this year. Daily swings of 1% and far greater have been frequent and unnerving. (Do you remember May 6 when the Dow Jones Industrials plunged almost 1,000 points — or 10% — only to finish the day “just” 348 points lower?!) Understandably, such violent moves tend to keep investors away from stocks. And, without positive investor flows into stock funds, rallies are tougher to sustain.

At the same time, when assets stream out of funds, (investors withdrew \$24 billion from stock funds in May) managers have a far more difficult task running their portfolios. Selling stocks in a downturn to meet redemptions

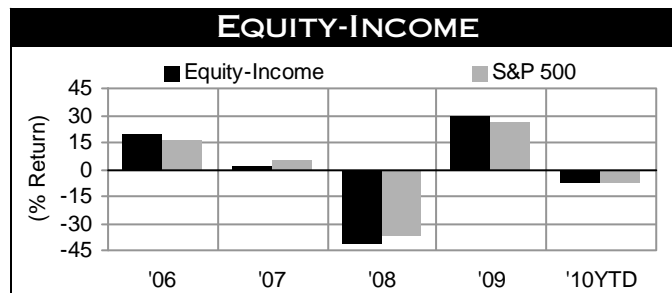
isn't helpful, especially as managers also need that money to buy suddenly “discounted” stocks.

With the year now half over, 2010 has been tough sledding as the Dow Jones Industrials are once again below 10,000. (It ended 2009 at 10,428 and closed the first half of the year at 9,774. Not accounting for dividends, that's a drop of 6.3%.)

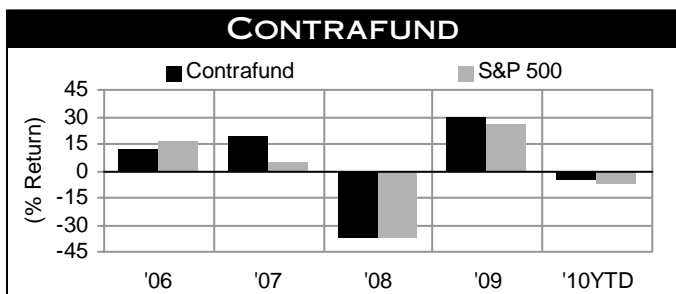
Below, we review 14 different funds that are held in our four model portfolios. (**Convertible Securities** is being sold immediately after we go to press, while we discuss **Cash Reserves** in Fund Commentary.) Some of these same funds have VIP fund counterparts that are held in our p. 10 Annuity Models. ■



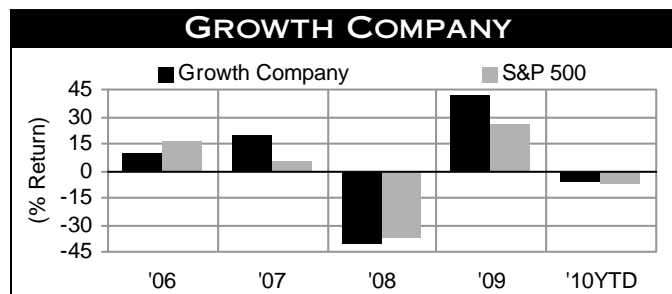
Although run by different managers, Blue Chip Growth and Mega Cap Stock are thematically consistent in that they both principally hold high-quality, multinational companies. That said, at “only” \$30 billion, Blue Chip's market cap is less than half that of Mega Cap. Manager Sonu Kalra also has a bigger bet in technology and holds much less in financials. This is a solid core holding.



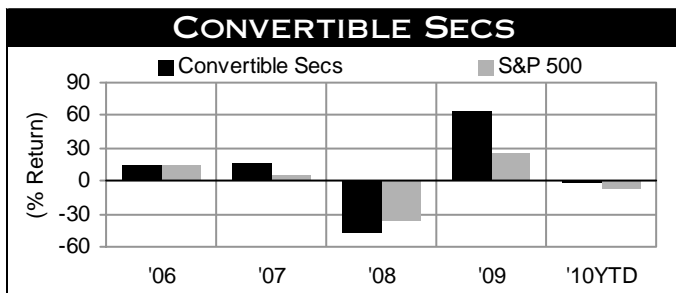
Longtime manager Steve Petersen runs this large-cap value fund (and its near-clone Equity-Income II). As is typical of value-oriented funds, over 40% of its assets are in just two sectors: financials, and energy. That has hurt this year as financials have been a rollercoaster ride, and energy has been the worst major sector. Still your best choice for large cap value exposure.



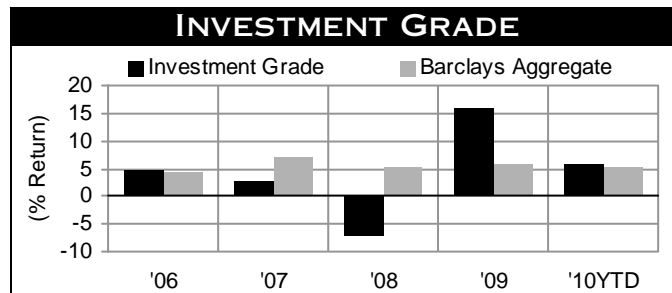
This fund has required some patience this year, as it lagged other large-cap growth funds early on. But legendary manager Will Danoff invests to the beat of a different drummer, which is one reason why he'll celebrate 20 years running Contrafund this September. When the markets turned more difficult in the second quarter, Contra's more defensive positioning paid off.



Less tech and more health care are the obvious ways this Growth Model holding differs from OTC. But drill deeper and you'll find that Manager Steve Wymer steers the significantly larger (asset-wise) Growth Company into more classic growth names, choosing Big Pharma, for example, over more aggressive biotechs. Closed to new investors, Blue Chip Growth is a good alternative.

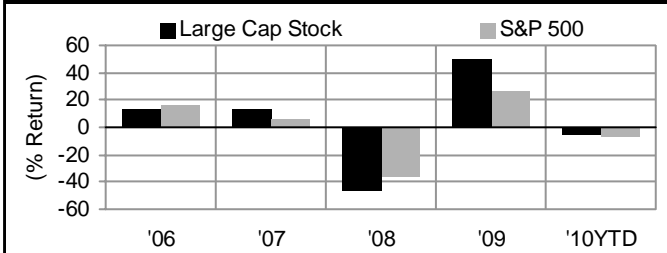


As we indicate in the trade box on p. 3, this rather unique fund is being sold from our Aggressive Growth Model. We purchased it as a way to capitalize on the recovering equity, credit and financial markets at the tail end of 2008. Manager Tom Soviero has made the “easy money” for us (a gain of over 60% through 6/30), and valuations are now less enticing, we rate it OK to Buy.



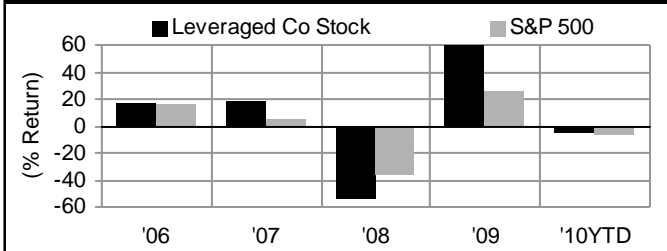
If you're looking for a bond fund that provides a good mix of Treasuries, corporates and even some mortgage-backed securities, this high-quality (investment grade) fund's for you. Manager Jeff Moore takes few chances with either credit or interest-rate risk. Indeed, the fund is the backbone of both our Growth & Income and Income & Preservation models.

LARGE CAP STOCK



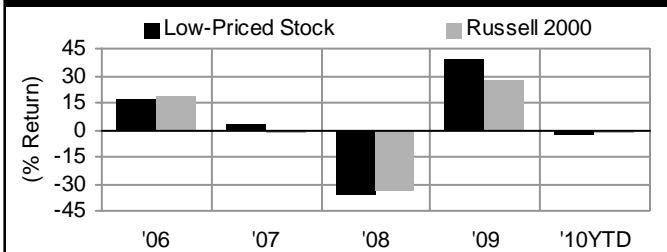
This fund's sector bets are the same as Mega Cap Stock, while their top-10 holdings are also nearly identical. That's not surprising as Matt Fruhan manages both. So where does Large Cap Stock get its additional juice? The answer lies mostly in its smaller market capitalization (\$38 billion versus \$72 billion) and, on the individual stock level, Matt picks "growthier" names for this fund.

LEVERAGED CO STOCK



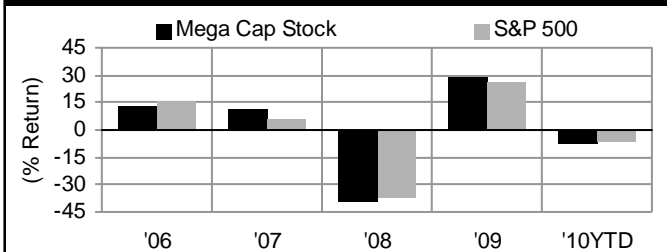
This fund invests in the equities of companies whose balance sheets may be over-burdened (stressed) by debt, but whose prospects are likely to improve thanks to changes in management, cheaper borrowing costs, and/or an improving economy. Veteran high-yield investor Tom Soviero runs this volatile offering which you'll only find in our Aggressive Growth Model.

LOW-PRICED STOCK



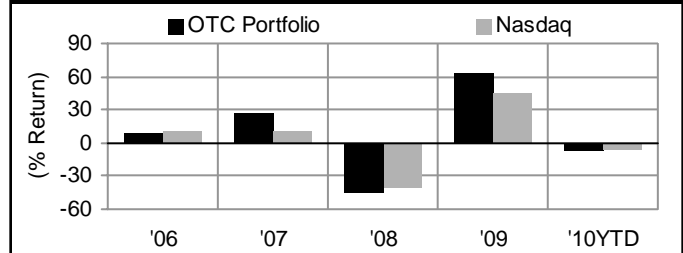
Our confidence in this offering can be traced back to the only manager this storied fund has had since its 1989 inception — Joel Tillinghast. In May, its performance was set back by its large (25%) stake in consumer discretionary stocks, its "smallish" market cap, and especially its traditionally high (30%) allocation to foreign holdings. Still one of the top funds year-to-date.

MEGA CAP STOCK



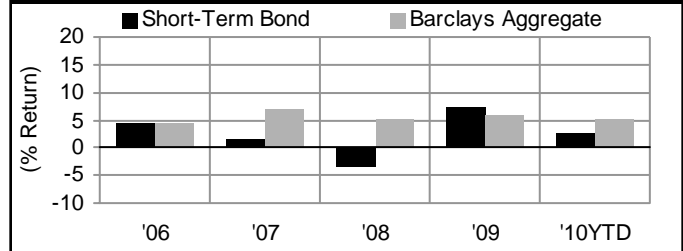
At \$72 billion, this fund's median market cap is the highest at Fidelity. (The S&P 500 comes in at "just" \$46 billion.) One of five stock funds held in our Growth Model, we like it for its lower risk (relative to other equity funds), and cheaper valuations, which results from the slower-growing, big multi-national, blue-chips that Manager Matt Fruhan has chosen to populate this fund.

OTC PORTFOLIO



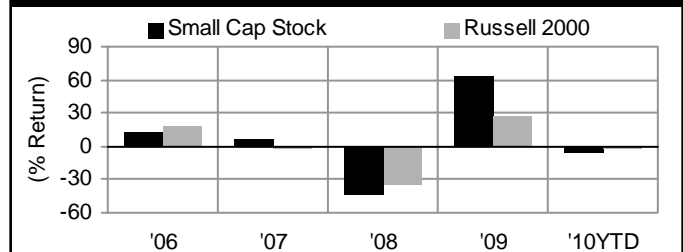
As with so many other stock funds, OTC's nice gains through April were lost in May and June. A large-cap growth fund that's held in our two most growth-oriented models, more than half its assets are in tech stocks — the highest allocation at Fidelity. This area of the market has seen strong sales and earnings growth, but unfortunately, the prices of tech stocks haven't followed suit.

SHORT-TERM BOND



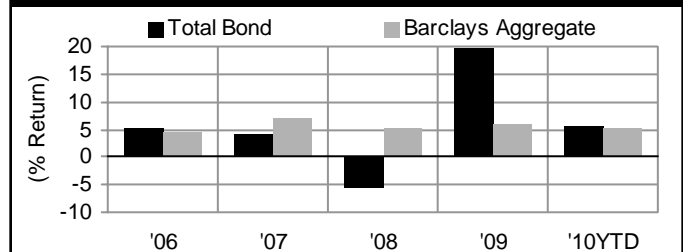
There's little that's glamorous about this taxable bond fund. Held in our Income & Preservation Model, it's an investment-grade fund with half its assets in U.S. government bonds. Its mission is to deliver a yield (1.51%) that's greater than a money market, which it does with the help of its 25% stake in corporates and a variety of mortgage and asset-backed securities.

SMALL CAP STOCK



Small-cap stocks have been outpacing large-caps for years. As a result, valuations now favor large-caps. But small caps tend to do better in the early stages of an economic expansion. Small caps remain among the top performers for the year, but got hurt the most in June's selloff. Expect small caps to outperform when the broad market rallies and lag during downturns.

TOTAL BOND



We purchased this fund in place of Strategic Real Return on March 1 in our Growth Model. Whereas the former was a play on inflation (which no longer concerns us in the short term), Total Bond offers a mix of corporates and Treasuries. With a duration of 3.8 years, it is modestly sensitive to rising interest rates, while its yield gets a boost from some emerging market debt.

FIDELITY SCORECARD - JUNE 30, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Jun	YTD	2009	1 Year	3 Year	5 Year				
Comparative Indexes		S&P 500 (Large Cap)*				-5.2	-6.7	26.5	14.4	-9.8	-0.8	1.00			
		Nasdaq Composite (OTC)*				-6.5	-6.8	45.0	15.8	-6.1	1.2	1.17			
		MSCI EAFE (International)*				-1.7	-14.1	28.5	4.7	-13.5	0.8	1.24			
		Barclays Aggregate Bond*				1.7	5.3	6.5	9.3	6.7	5.0	0.18			
LARGE CAP GROWTH						Category Averages			-6.1	-6.7	38.3	16.0	-7.9	0.7	1.15
312	FBGRX	Blue Chip Growth		35.18	Buy	-7.0	-7.3	45.0	21.3	-4.8	0.7	1.11	\$9,791		
307	FDCAX	Capital Appreciation		20.79	Hold	-6.3	-3.0	36.4	23.8	-8.5	0.9	1.15	4,262		
22	FCNTX	Contrafund		55.39	Buy	-3.3	-4.8	29.2	16.4	-5.3	3.1	0.93	51,938		
332	FEXPX	Export and Multinational	0.75%/30d	17.89	Hold	-5.3	-8.8	37.1	13.8	-9.4	0.1	1.13	2,323		
500	FFTYX	Fifty		13.95	Hold	-5.0	-7.3	37.1	11.3	-13.5	-1.6	1.24	646		
333	FTQGX	Focused Stock		10.43	Hold	-5.0	-5.2	25.2	13.7	-5.6	1.6	1.02	113		
25	FDGRX	Growth Company (closed)		64.73	Buy	-6.3	-6.2	41.2	17.3	-4.9	3.2	1.13	24,665		
339	FDSVX	Growth Discovery		10.54	OK to Sell	-6.1	-5.1	29.3	17.0	-9.4	0.4	1.12	604		
73	FDFFX	Independence		18.47	Hold	-7.4	-7.3	39.9	19.8	-8.4	1.9	1.41	3,373		
763	FSLGX	Large Cap Growth		7.52	Hold	-6.8	-7.5	24.0	10.8	-11.0	-3.6	1.03	91		
1829	FLGEX	Large Cap Growth Enhcd Index		7.81	Hold	-5.5	-8.2	35.1	13.0	-7.8	--	0.98	44		
338	FLCSX	Large Cap Stock		13.99	Buy	-6.8	-6.6	50.5	19.1	-9.0	0.8	1.29	916		
21	FMAGX	Magellan		58.84	Hold	-6.5	-8.4	41.1	11.5	-11.1	-2.1	1.31	18,865		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	28.04	OK to Buy	-6.5	-6.8	45.0	15.8	-6.1	1.2	1.17	242		
93	FOCPX	OTC		42.30	Buy	-7.8	-7.5	62.2	16.7	-2.8	4.4	1.33	4,862		
320	FDSX	Stock Selector All Cap ⁶		20.30	OK to Sell↓	-5.9	-6.5	28.8	13.6	-10.1	-0.6	1.04	651		
5	FTRNX	Trend		52.03	OK to Buy	-7.1	-7.5	44.5	17.2	-6.4	1.5	1.15	813		
LARGE CAP BLEND						Category Averages			-6.2	-7.2	27.8	13.9	-11.4	-1.6	1.08
315	FDEQX	Disciplined Equity		19.35	Sell	-6.3	-7.9	22.0	11.3	-12.0	-1.7	1.01	8,704		
330	FDGFX	Dividend Growth		22.03	Buy	-7.3	-6.9	51.0	20.0	-8.9	-0.4	1.29	7,198		
3	FFIDX	Fidelity Fund		26.08	OK to Sell	-6.0	-7.9	26.8	10.4	-9.3	-0.1	1.06	4,414		
27	FGRIX	Growth & Income		14.76	OK to Sell	-6.1	-8.0	23.1	11.3	-19.4	-8.3	1.19	5,190		
1827	FLCEX	Large Cap Core Enhcd Index		7.11	Hold	-5.5	-8.0	23.3	11.4	-10.2	--	0.96	893		
361	FGRTX	Mega Cap Stock		8.11	Buy	-5.6	-7.8	28.6	13.9	-9.6	0.1	1.04	502		
650	FUSEX	Spartan 500 Index ⁴		36.65	Hold	-5.2	-6.7	26.5	14.4	-9.8	-0.8	1.00	22,079		
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	29.67	Hold	-5.5	-5.7	28.4	16.1	-9.3	-0.2	1.03	5,065		
343	FTXMX	Tax Managed Stock		10.19	Sell	-7.0	-6.5	20.7	14.2	-13.3	-2.3	1.08	66		
832	FVDFX	Value Discovery		11.98	Hold	-7.7	-6.9	27.7	15.9	-12.2	-0.4	1.17	567		
LARGE CAP VALUE						Category Averages			-6.7	-7.3	22.7	13.9	-13.7	-2.7	1.11
1271	FBCVX	Blue Chip Value		9.16	Sell↓	-7.2	-8.0	27.8	13.9	-14.8	-3.1	1.18	308		
23	FEQIX	Equity-Income		36.31	Buy	-6.6	-6.9	29.5	15.4	-13.0	-1.7	1.15	11,288		
319	FEQTX	Equity-Income II		15.02	Buy	-6.8	-7.7	25.1	13.5	-12.6	-2.8	1.11	4,544		
708	FSLVX	Large Cap Value		9.02	OK to Sell	-7.0	-7.4	15.6	13.4	-14.6	-3.3	1.09	810		
1828	FLVEX	Large Cap Value Enhcd Index		6.24	OK to Sell↓	-5.9	-6.6	15.6	13.0	-13.4	--	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 Small Cap Retirement. 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 1*

As for the small-cap Russell 2000, it was up a robust 8.7% in Q1, but is down 2.0% on the year, while the tech-rich Nasdaq Composite was up 5.9% in Q1 and fell 11.8% in Q2; this leaves it down 6.6% for the year.

Equity Funds

The average Fidelity domestic equity fund is down 5.5% this year. Thanks to earlier gains, smaller-cap funds outpaced their larger-cap peers. Among the best performers were **Small Cap Discovery** (up 1.9%),

Small Cap Value (down 0.1%) and **Small Cap Independence** (down 0.7%). As for the worst-performers, they were a mixed bag in terms of their sector allocations and market caps. However, some of Fidelity's most widely owned funds fared poorly, including **Magellan** (down 8.4%), **Growth & Income** (down 8.0%) and **Blue Chip Growth** (down 7.3%). For mid-year fund reviews, see pages 4 and 5.

International Funds

The average foreign stock fund fell 9.7% this year. Declines were

accentuated by the dollar's rise. The nearly identical **Europe** and **Europe Cap App** funds fared worst (down 17.4% each). And, the once-hot **China Region** fell a more modest 7.3% as China moved to slow the pace of its economic growth.

Fixed-Income Funds

Our take on muni funds begins on page 11, so we'll start with taxable funds: they've performed great!

As already noted, risk-averse investors sought the safety of Fidelity's three Treasury index funds, while **Gov't Income** (up 4.9%) was

FIDELITY SCORECARD - JUNE 30, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Jun	YTD	2009	1 Year	3 Year	5 Year				
MID-CAP GROWTH						Category Averages			-6.7	-4.0	42.9	22.8	-9.3	0.7	1.28
324	FDEGX	Growth Strategies	1.50%/90d	15.72	Hold	-5.8	-3.4	39.7	20.6	-10.6	-0.7	1.24	\$1,720		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	7.73	Hold	-6.1	-4.3	37.6	22.2	--	--	--	36		
793	FMSGX	Mid Cap Growth	0.75%/30d	9.59	Hold	-5.7	-3.5	46.4	25.3	-11.3	-2.8	1.30	210		
337	FMCSX	Mid-Cap Stock	0.75%/30d	22.39	OK to Buy	-9.7	-4.2	50.4	26.1	-9.8	2.1	1.39	5,944		
300	FMILX	New Millennium		23.48	OK to Buy	-6.3	-4.6	40.2	19.7	-5.5	4.1	1.19	1,590		
MID-CAP BLEND						Category Averages			-7.4	-2.6	48.6	25.0	-9.3	1.3	1.41
122	FLVCX	Leveraged Company Stock	1.50%/90d	21.75	Buy	-9.4	-5.1	59.6	24.7	-12.3	1.0	1.69	3,796		
316	FLPSX	Low-Priced Stock	1.50%/90d	31.16	Buy	-4.8	-2.4	39.1	21.1	-6.4	2.3	1.15	23,517		
398	FSEMXX	Spartan Extended Mkt Index ⁴	0.75%/90d	29.78	Hold	-7.0	-1.1	36.7	24.2	-7.2	1.8	1.20	2,791		
14	FSLSX	Value Strategies		21.68	Buy	-8.6	-1.9	59.2	30.1	-11.4	0.0	1.59	337		
MID-CAP VALUE						Category Averages			-7.2	-2.5	39.8	29.1	-10.9	-0.3	1.38
762	FSMVX	Mid Cap Value	0.75%/30d	12.69	Hold	-6.5	-0.6	35.4	31.3	-9.6	0.4	1.29	497		
39	FVVLX	Value		54.47	Buy	-7.9	-4.3	44.1	26.9	-12.2	-1.1	1.48	6,931		
SMALL CAP GROWTH						Category Averages			-7.3	-1.7	32.9	21.1	-10.8	0.1	1.32
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	7.85	Hold	-7.3	-2.4	23.6	19.6	--	--	--	90		
1388	FCPGX	Small Cap Growth	1.50%/90d	12.16	Hold	-7.1	-2.1	42.9	21.1	-8.2	1.8	1.26	1,152		
336	FDSCX	Small Cap Independence	1.50%/90d	13.82	Hold	-7.6	-0.7	32.3	22.5	-13.4	-1.5	1.37	1,369		
SMALL CAP BLEND						Category Averages			-7.9	-1.7	56.7	26.3	-0.6	3.9	1.41
384	FSCRX	Small Cap Discovery	1.50%/90d	14.07	OK to Buy	-7.9	1.9	50.7	26.5	-1.2	4.8	1.39	602		
340	FSLCX	Small Cap Stock	2.00%/90d	15.11	Buy	-7.9	-5.2	62.7	26.0	0.0	3.0	1.44	3,468		
SMALL CAP VALUE						Category Averages			-7.9	-0.1	36.6	24.1	-4.5	4.2	1.34
1389	FCPVX	Small Cap Value	1.50%/90d	12.67	Hold	-7.9	-0.1	36.6	24.1	-4.5	4.2	1.34	1,655		
SPECIALTY															
2063	FOTTX	130/30 Large Cap		6.00	OK to Sell	-6.4	-9.1	3.6	8.2	--	--	--	18		
304	FBALX	Balanced		16.00	Hold	-2.7	-1.7	28.1	15.9	-4.6	2.6	0.79	16,784		
308	FCVXX	Convertible Securities		21.35	OK to Buy	-4.3	-1.3	64.1	24.3	-5.3	4.1	1.32	2,171		
1960	FDYSX	Dynamic Strategies		8.22	Hold	-2.0	-2.6	28.7	13.3	--	--	--	147		
355	FFNOX	Four-in-One Index		22.75	Hold	-3.5	-6.1	25.0	12.2	-7.8	0.6	0.91	1,899		
334	FGBLX	Global Balanced	1.00%/30d	18.91	Hold	-2.2	-6.0	22.5	9.5	-1.9	4.4	0.76	460		
2120	FFGCX	Global Commodity Stock	1.00%/30d	12.28	Hold	-5.8	-16.5	48.0p	--	--	--	--	237		
1368	FIREX	International Real Estate	1.50%/90d	7.68	Sell	-0.7	-12.7	35.8	3.8	-18.2	-2.5	1.38	289		
4	FPURX	Puritan		15.63	OK to Buy	-3.0	-2.2	26.7	15.1	-4.2	2.3	0.72	15,482		
833	FRIFX	Real Estate Income	0.75%/90d	9.67	OK to Buy	-0.5	7.1	46.8	30.6	0.3	2.9	0.78	929		
303	FRESX	Real Estate Investment	0.75%/90d	21.26	Hold	-5.4	6.3	32.9	63.7	-9.4	-0.3	2.03	2,811		
1329	FSDIX	Strategic Dividend & Income		9.24	OK to Buy	-5.2	-2.6	37.7	24.6	-8.8	0.0	1.15	456		
1505	FSRRX	Strategic Real Return	0.75%/60d	8.56	Hold	-0.5	0.6	28.4	15.8	0.3	--	0.67	4,282		
311	FIUIX	Telecom & Utilities		13.45	Hold	-1.8	-3.3	11.1	10.2	-11.7	1.1	0.88	708		
ASSET ALLOCATION															
328	FASIX	Asset Manager 20%		12.06	Hold	-0.2	1.5	19.5	11.5	1.9	4.1	0.36	2,795		
1957	FTANX	Asset Manager 30%		9.15	Hold	-0.7	0.8	23.6	13.0	--	--	--	94		
1958	FFANX	Asset Manager 40%		8.84	Hold	-1.2	-0.5	26.0	13.6	--	--	--	68		
314	FASMX	Asset Manager 50%		13.56	Hold	-1.8	-1.8	30.9	14.4	-2.2	2.4	0.70	5,901		
1959	FSANX	Asset Manager 60%		8.38	Hold	-2.3	-3.0	32.7	14.5	--	--	--	83		
321	FASGX	Asset Manager 70%		13.72	Hold	-3.0	-4.3	35.7	14.9	-5.5	1.0	0.90	2,154		
347	FAMRX	Asset Manager 85%		10.89	Hold	-4.0	-6.5	38.7	14.5	-7.5	1.4	1.03	532		

a related beneficiary of investor angst. Corporate credits also fared well as profits rose and some investors reallocated their assets away from stocks. **Investment Grade Bond** (which also holds Treasuries) popped 5.9%. Meanwhile, **Short-Term Bond** moved up 2.5%.

For the truly risk-averse, money market funds still offer investors little more than a good night's sleep — though these days, that's saying a lot! The giant **Cash Reserves** has seen its yield fall from 0.08% at the start of the year to 0.06% as of June 30. ■

— John Bonnanzio

JULY SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
Blue Chip Value	H	S	↓	Large stakes in financials and energy are negatives.
Convertible Secs	B	B	↓	Large stakes in financials and energy are negatives.
Global Commodity Stk	B	H	↓	Slowing global growth is pressuring prices.
Lg-Cap Val Enh Idx	H	S	↓	Large stakes in financials and energy are negatives.
Sel Consumer Disc	B	H	↓	More jobs needed to support stepped-up spending.
Sel Environmental	S	S	-	See p. 12 for new name and investment parameters.
Sel Retailing	B	H	↓	More jobs needed to support stepped-up spending.
Southeast Asia	S	H	↑	Solid stock selection from Manager Colin Chickles.
State Muni Bonds	-	H	↓	See Scorecard and p. 11 for details on downgrades.
Stock Selector	H	S	↓	Prefer other large-cap growth funds.
VIP Consumer Disc	B	H	↓	More jobs needed to support stepped-up spending.
VIP Value Leaders	H	S	↓	Large stakes in financials and energy are negatives.

B = Buy; B = OK to Buy; H = Hold; S = OK to Sell; S = Sell, NC = No change
(↑) Rating upgraded; (↓) Rating downgraded.

FIDELITY SCORECARD - JUNE 30, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Jun	YTD	2009	1 Year	3 Year	5 Year				
INTERNATIONAL						Category Averages			-1.9	-9.7	41.9	10.4	-10.9	3.7	1.40
309	FICDX	Canada	1.50%/90d	46.84	Hold	-4.0	-3.4	39.6	15.9	-4.8	7.7	1.47	\$3,466		
352	FHKCX	China Region	1.50%/90d	25.86	Hold	0.3	-7.3	65.6	13.2	2.7	12.0	1.55	1,791		
325	FDIVX	Diversified International	1.00%/30d	24.30	OK to Sell	-2.1	-13.2	31.8	5.6	-13.2	0.8	1.26	24,666		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	7.25	OK to Buy	-2.4	-4.9	61.4	11.7	--	--	--	96		
322	FEMKX	Emerging Markets	1.50%/90d	20.75	Buy	-1.4	-8.2	76.0	22.3	0.0	10.5	1.75	3,442		
301	FIEUX	Europe	1.00%/30d	24.34	OK to Sell	-2.5	-17.4	31.7	1.7	-13.6	0.3	1.26	1,624		
341	FECAX	Europe Capital App	1.00%/30d	14.65	OK to Sell	-2.5	-17.4	32.1	1.8	-15.1	0.8	1.29	383		
335	FIVFX	Int'l Cap App	1.00%/30d	10.03	Buy	-4.1	-11.6	55.2	10.6	-13.9	-1.0	1.52	501		
305	FIGRX	International Discovery	1.00%/30d	26.27	OK to Sell	-2.4	-13.4	30.1	6.5	-12.6	1.7	1.22	7,037		
2010	FIENX	International Enhanced Index	1.00%/30d	5.94	OK to Sell	-1.7	-13.8	24.6	4.5	--	--	--	19		
1979	FIGFX	International Growth	1.00%/30d	6.74	Hold	-0.6	-9.9	36.5	14.5	--	--	--	21		
818	FISMX	Int'l Small Cap	2.00%/90d	16.51	Hold	-0.1	-5.9	45.5	12.8	-11.2	2.8	1.34	630		
1504	FSCOX	Int'l Small Cap Opportunities	2.00%/90d	8.10	Hold	-0.5	-5.6	46.3	22.5	-19.5	--	1.49	325		
1597	FIVLX	International Value	1.00%/30d	6.70	OK to Sell	-3.2	-16.0	36.1	3.0	-15.5	--	1.41	137		
350	FJPNX	Japan	1.50%/90d	9.65	OK to Sell	-4.6	-4.6	15.3	-1.9	-13.7	-0.9	1.13	909		
360	FJSCX	Japan Smaller Companies	1.50%/90d	7.79	OK to Sell	-3.4	-6.4	18.1	-2.0	-13.4	-7.1	1.25	293		
349	FLATX	Latin America	1.50%/90d	45.63	OK to Buy	-1.0	-12.0	91.6	20.6	-3.9	17.0	1.76	3,513		
342	FNORX	Nordic	1.50%/90d	25.45	Hold	-0.2	-7.1	47.5	19.8	-14.1	2.5	1.57	310		
94	FOSFX	Overseas	1.00%/30d	26.00	OK to Sell	-3.0	-15.9	25.2	-0.5	-15.8	-0.3	1.27	5,199		
302	FPBFX	Pacific Basin	1.50%/90d	20.43	Buy	-0.1	0.6	59.3	24.3	-8.9	6.1	1.63	673		
351	FSEAX	Southeast Asia	1.50%/90d	24.29	Hold↑	1.9	-4.5	39.2	15.5	-8.3	11.0	1.42	1,447		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	28.72	OK to Sell	-1.7	-14.1	28.5	4.7	-13.5	0.8	1.24	5,250		
1978	FTIEX	Total International Equity	1.00%/30d	5.95	OK to Buy	-1.8	-12.0	41.2	10.8	--	--	--	48		
318	FVWFX	Worldwide	1.00%/30d	14.53	Hold	-4.3	-9.6	28.5	10.7	-9.7	2.2	1.15	923		
SELECT PORTFOLIOS						Category Averages			-6.0	-4.4	44.7	20.9	-7.4	2.1	1.40
34	FSAIX	Air Transportation	0.75%/30d	34.13	OK to Buy	-7.3	7.2	22.3	58.2	-6.6	5.0	1.64	122		
502	FSAVX	Automotive	0.75%/30d	29.24	OK to Buy	-8.2	-5.4	122.3	34.3	-11.9	-0.7	2.51	117		
507	FSRBX	Banking	0.75%/30d	15.98	Hold	-9.6	4.8	5.1	27.3	-17.8	-8.6	1.61	430		
42	FBIOX	Biotechnology	0.75%/30d	60.55	OK to Sell	-5.0	-7.5	10.8	0.2	-2.1	2.1	1.04	921		
68	FSLBX	Brokerage & Investment	0.75%/30d	42.69	Hold	-10.5	-10.0	50.4	6.7	-12.8	0.3	1.51	462		
69	FSCHX	Chemicals	0.75%/30d	64.96	OK to Buy	-8.3	-11.6	65.3	18.3	-3.3	5.5	1.38	338		
518	FSDCX	Communications Equipment	0.75%/30d	19.89	Buy	-6.8	-4.2	80.7	17.7	-4.7	2.4	1.62	318		
7	FDCPX	Computers	0.75%/30d	43.45	OK to Buy	-5.5	-4.7	83.2	31.4	-0.2	5.2	1.42	446		
511	FSHOX	Construction & Housing	0.75%/30d	27.65	OK to Buy	-14.8	-4.8	22.9	17.4	-10.6	-4.5	1.53	102		
517	FSCPX	Consumer Discretionary	0.75%/30d	18.65	Hold↓	-9.9	-0.7	38.1	25.6	-8.0	-0.8	1.21	110		
9	FDFAX	Consumer Staples	0.75%/30d	57.47	Hold	-2.5	-5.3	20.9	11.5	--	6.6	0.78	876		
67	FSDAX	Defense & Aerospace	0.75%/30d	60.61	Hold	-6.1	0.4	24.9	24.8	-7.4	2.8	1.32	590		
8	FSELX	Electronics	0.75%/30d	37.22	Buy	-8.4	-10.2	85.0	23.9	-8.3	-0.5	1.53	979		
60	FSENX	Energy	0.75%/30d	37.38	Hold	-5.4	-15.3	47.1	7.7	-12.1	2.8	1.66	1,746		
43	FSESX	Energy Service	0.75%/30d	49.13	Hold	-3.7	-15.5	62.0	5.6	-15.7	1.4	1.97	1,004		
516	FSLEX	Environmental & Alt Energy	0.75%/30d	14.55	Sell	-2.9	-6.4	17.2	8.7	-6.5	0.3	1.07	46		
66	FIDSX	Financial Services	0.75%/30d	54.09	Hold	-8.7	-6.8	25.9	10.0	-20.4	-8.2	1.48	445		
41	FSAGX	Gold	0.75%/30d	47.19	OK to Sell	4.1	11.2	38.0	35.0	16.0	23.0	2.22	3,559		
63	FSPHX	Health Care	0.75%/30d	102.89	Hold	-3.6	-3.6	32.1	16.0	-3.4	2.2	0.92	1,561		
98	FSVLX	Home Finance	0.75%/30d	10.74	OK to Sell	-8.8	-1.9	1.9	19.8	-35.6	-21.7	1.37	119		
510	FSCGX	Industrial Equipment	0.75%/30d	25.10	OK to Buy	-7.6	-1.3	38.9	31.1	-7.9	3.3	1.50	151		
515	FCYIX	Industrials	0.75%/30d	17.97	OK to Buy	-6.8	-0.8	38.9	31.0	-5.1	4.5	1.41	283		
45	FSPCX	Insurance	0.75%/30d	40.49	OK to Sell	-1.9	2.4	21.8	29.3	-15.3	-5.0	1.37	154		
353	FBSOX	IT Services	0.75%/30d	16.38	Hold	-4.6	-8.1	59.1	26.1	-2.1	7.0	1.19	83		
62	FDLSX	Leisure	0.75%/30d	70.27	OK to Buy	-9.1	5.9	24.3	24.4	-2.6	4.1	1.12	281		
509	FSDPX	Materials	0.75%/30d	47.73	OK to Buy	-8.1	-11.5	78.7	22.1	-3.6	9.4	1.55	536		
505	FSHCX	Medical Delivery	0.75%/30d	41.48	Hold	-5.2	-3.6	49.0	25.7	-5.4	0.3	1.31	406		
354	FSMEX	Medical Equipment	0.75%/30d	23.60	OK to Sell	-2.4	-3.6	32.6	12.5	2.3	4.6	0.94	1,317		
503	FBMPX	Multimedia	0.75%/30d	33.77	OK to Buy	-6.9	-1.0	54.4	34.7	-7.2	0.9	1.31	113		
513	FSNGX	Natural Gas	0.75%/30d	25.64	Hold	-7.3	-18.5	56.3	0.7	-14.6	-0.3	1.77	855		
514	FNARX	Natural Resources	0.75%/30d	24.92	Hold	-4.6	-12.4	51.7	12.0	-8.9	7.0	1.69	1,224		
580	FPHAX	Pharmaceuticals	0.75%/30d	10.49	Hold	0.4	-3.0	25.4	18.8	-1.2	6.1	0.86	241		
46	FSRPX	Retailing	0.75%/30d	40.78	Hold↓	-12.4	-2.4	57.8	26.5	-2.3	3.0	1.28	167		
28	FSCSX	Software & Computer Svcs	0.75%/30d	67.77	OK to Buy	-5.2	-10.7	61.5	17.3	-1.4	6.6	1.22	912		
64	FSPTX	Technology	0.75%/30d	70.46	Buy	-5.3	-6.6	90.3	26.3	-2.9	3.9	1.57	1,854		
96	FSTCX	Telecommunications	0.75%/30d	37.48	Hold	-3.2	-5.8	51.6	10.2	-11.9	2.1	1.26	289		
512	FSRFX	Transportation	0.75%/30d	44.29	OK to Buy	-6.4	12.6	23.3	52.1	-3.0	6.0	1.28	286		
65	FSUTX	Utilities	0.75%/30d	42.06	Hold	-1.3	-5.6	14.4	9.3	-9.6	1.9	0.94	362		
963	FWRLX	Wireless	0.75%/30d	6.36	Hold	-3.5	-5.9	59.0	5.7	-7.6	2.9	1.33	262		

FIDELITY SCORECARD - JUNE 30, 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						
						Jun	YTD	2009										
TAXABLE BOND						Category Averages			1.6	5.3	5.5	2.19	2.90	4.2				
2208	FCBFX	Corporate Bond		10.09	Buy	2.0	1.5p	--	--	--	--							
15	FGMNX	Ginnie Mae		11.81	Hold	1.4	5.5	6.9	2.54	3.08	2.2							
54	FGOVX	Government Income		10.77	Hold	1.5	4.9	1.3	1.87	2.69	4.5							
794	FINPX	Inflation-Protected Bond ³		11.60	Hold	1.4	4.2	9.7	0.46	1.15	6.4							
32	FTHRFX	Intermediate Bond		10.53	Buy	1.5	5.6	17.1	2.92	3.99	3.9							
452	FSTGX	Intermediate Gov't Income		11.05	Hold	1.4	4.4	0.9	1.35	1.99	3.6							
26	FBNDX	Investment Grade Bond		7.33	Buy	1.5	5.9	16.0	3.00	3.77	4.1							
40	FMSFX	Mortgage Securities		10.84	Hold	1.2	5.5	9.6	3.29	4.60	2.0							
450	FSHBX	Short-Term Bond		8.43	Buy	0.5	2.5	7.4	1.51	2.46	1.8							
1561	FIBIX	Sptn Interm Treas Index ⁵		10.89	Hold	2.7	8.3	-5.0	2.50	3.07	6.5							
1562	FLBIX	Sptn Lng-Term Treas Index ⁵		11.16	Hold	4.7	13.3	-13.4	3.63	3.87	13.0							
1560	FSBIX	Sptn Sht-Term Treas Index ⁵		10.55	Buy	0.8	2.9	-0.1	0.89	1.60	2.6							
820	FTBFX	Total Bond		10.83	Buy	1.4	5.4	19.8	3.50	4.16	3.8							
651	FBIDX	U.S. Bond Index		11.46	OK to Buy	1.7	5.3	6.5	2.68	3.38	3.9							
812	FUSFX	Ultra-Short Bond	0.25%/60d	8.15	Hold	0.1	0.6	1.0	0.46	0.76	0.5							
HIGH-YIELD BOND						Category Averages			0.7	2.9	44.0	6.21	5.90					
38	FAGIX	Capital & Income	1.00%/90d	8.53	OK to Buy	-0.3	1.9	72.1	7.08	6.62	--							
814	FFRHX	Floating Rate High Income	1.00%/60d	9.39	OK to Buy	-0.2	1.3	28.9	4.43	3.11	--							
1366	FHIFX	Focused High Income	1.00%/90d	8.93	Buy	1.5	3.7	35.1	6.88	6.89	--							
455	SPHIX	High Income	1.00%/90d	8.43	Buy	0.7	3.1	51.5	8.28	7.01	--							
331	FNMIX	New Markets Income	1.00%/90d	15.25	Buy	1.6	4.3	44.6	5.56	6.97	--							
368	FSICX	Strategic Income		10.87	Buy	1.2	2.9	31.8	5.00	4.78	--							
NATIONAL MUNICIPAL BOND						Category Averages			0.1	2.8	10.2	2.77	3.52	6.0	25%	28%	33%	35%
36	FLTXX	Interm Municipal Income	0.50%/30d	10.26	Buy	0.2	2.8	8.8	2.50	3.42	5.1	3.3	3.5	3.7	3.8			
37	FHIGX	Municipal Income	0.50%/30d	12.64	Buy	0.1	3.6	13.1	3.53	4.09	8.0	4.7	4.9	5.3	5.4			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.68	OK to Buy	0.2	1.6	5.6	1.44	2.47	2.8	1.9	2.0	2.1	2.2			
90	FTABX	Tax-Free Bond	0.50%/30d	10.89	Buy	0.1	3.4	13.3	3.60	4.09	8.0	4.8	5.0	5.4	5.5			
STATE-SPECIFIC MUNICIPAL BOND						Category Averages			0.1	2.9	11.1	2.96	3.62	6.9				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.42	Hold↓	0.2	3.1	13.7	3.33	3.67	8.0	4.4	4.6	5.0	5.1			
91	FCTFX	California Muni Income	0.50%/30d	12.00	Hold	0.0	4.3	11.7	3.81	4.17	7.8	5.1	5.3	5.7	5.9			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.63	OK to Buy	0.2	1.9	6.2	1.61	2.43	3.0	2.1	2.2	2.4	2.5			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.50	Hold↓	0.1	2.7	11.0	2.72	3.37	6.9	3.6	3.8	4.1	4.2			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.03	Hold↓	0.2	2.9	13.8	2.85	3.44	7.2	3.8	4.0	4.3	4.4			
70	FDMXX	Mass Muni Income	0.50%/30d	11.95	Hold↓	0.0	3.2	12.7	3.10	3.80	7.8	4.1	4.3	4.6	4.8			
81	FMHTX	Michigan Muni Income	0.50%/30d	11.94	Hold	0.1	2.7	9.3	3.11	3.85	6.6	4.1	4.3	4.6	4.8			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.50	Hold↓	0.1	2.8	9.9	2.54	3.47	6.4	3.4	3.5	3.8	3.9			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.59	Hold	-0.2	2.8	11.8	2.94	3.72	7.1	3.9	4.1	4.4	4.5			
71	FTFMX	New York Muni Income	0.50%/30d	13.02	Hold	0.1	3.4	12.1	3.20	3.78	8.0	4.3	4.4	4.8	4.9			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.68	OK to Buy	0.0	2.6	11.1	3.16	3.86	7.4	4.2	4.4	4.7	4.9			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	10.85	OK to Buy	0.1	2.6	9.7	3.11	3.83	6.8	4.1	4.3	4.6	4.8			
TAXABLE MONEY MARKET						Category Averages			0.00	0.01	0.45	0.03						
55	FDRXX	Cash Reserves		1.00	--	0.00	0.02	0.61	0.06	na	na							
631	FGMXX	Retirement Government MM		1.00	--	0.00	0.00	0.29	0.01	na	na							
630	FRTXX	Retirement MM		1.00	--	0.00	0.01	0.63	0.01	na	na							
458	SPAXX	Government MM		1.00	--	0.00	0.00	0.32	0.01	na	na							
454	SPRXX	Money Market		1.00	--	0.00	0.01	0.62	0.03	na	na							
85	FSLXX	Select MM		1.00	--	0.01	0.05	0.67	0.13	na	na							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.00	0.00	0.37	0.01	na	na							
415	FDLXX	US Treasury MM		1.00	--	0.00	0.00	0.05	0.01	na	na							
MUNICIPAL MONEY MARKET						Category Averages			0.00	0.00	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	0.00	0.17	0.01	na	na	0.0	0.0	0.0	0.0			
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.00	0.09	0.01	na	na	0.0	0.0	0.0	0.0			
STATE MUNICIPAL MONEY MARKET						Category Averages			0.00	0.00	0.11	0.01						
433	FSAXX	Arizona		1.00	--	0.00	0.00	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	0.03	na	na	0.0	0.0	0.0	0.0			
97	FCFXX	California		1.00	--	0.00	0.00	0.05	0.01	na	na	0.0	0.0	0.0	0.0			
418	FCMXX	Connecticut		1.00	--	0.00	0.00	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	0.00	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	0.00	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	0.00	0.15	0.01	na	na	0.0	0.0	0.0	0.0			
401	FPTXX	Pennsylvania		1.00	--	0.00	0.00	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 - JUNE 30, 2010

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Jun	YTD	2009	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
9067	FLRQC	Fid VIP Asset Manager	Allocation		11.24	Hold	-2.3	-2.2	28.7	15.1	-1.4	2.7	0.79
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		10.36	Hold	-3.8	-5.3	32.4	15.3	-4.6	1.2	1.01
9069	FJBAC	Fid VIP Balanced	Allocation		11.13	Hold	-4.4	-2.9	38.1	17.9	-3.9	2.7	0.95
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	9.28	Hold↓	-9.8	-1.0	37.8	25.1	-8.1	-1.1	1.23
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	9.92	Hold	-2.5	-5.5	20.4	11.0	0.0	--	0.78
9065	FPDFC	Fid VIP Contrafund	Large Growth		10.05	Hold	-5.5	-6.8	35.3	16.2	-8.0	1.1	1.14
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		7.71	Hold	-7.4	-2.8	21.8	18.8	-11.0	--	1.21
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		10.17	Hold	-6.5	-3.2	35.7	23.3	-9.3	1.5	1.18
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.15	Buy	-1.2	-8.2	75.1	21.9	--	--	--
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	10.53	Hold	-5.4	-15.3	47.4	7.8	-12.4	3.5	1.69
9061	FLOLC	Fid VIP Equity-Income	Large Value		8.53	Buy	-6.7	-7.3	29.8	14.9	-13.8	-2.4	1.18
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	6.30	Hold	-8.6	-6.6	27.0	10.0	-20.4	-8.4	1.55
9157	FMPAC	Fid VIP FundsManager 20	Allocation		11.22	Hold	-0.1	0.8	10.0	7.7	1.3	--	0.28
9158	FMPBC	Fid VIP FundsManager 50	Allocation		10.16	Hold	-1.7	-2.0	18.7	10.9	-3.2	--	0.60
9197	FMPPC	Fid VIP FundsManager 60	Allocation		8.93	Hold	-2.2	-2.8	22.2	12.1	--	--	--
9159	FMPCC	Fid VIP FundsManager 70	Allocation		9.25	Hold	-2.9	-4.3	24.1	12.3	-6.9	--	0.82
9160	FMPDC	Fid VIP FundsManager 85	Allocation		8.65	Hold	-3.8	-5.7	28.2	14.1	-9.4	--	0.98
9062	FMNDC	Fid VIP Growth	Large Growth		8.82	OK to Sell	-6.0	-5.1	27.8	16.3	-10.4	-1.6	1.13
9070	FLFNC	Fid VIP Growth & Income	Large Blend		8.94	OK to Sell	-6.0	-8.1	26.8	10.2	-11.2	-1.1	1.06
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		8.41	Buy	-6.5	-5.7	45.2	18.7	-12.5	-2.9	1.39
9078	FPVDC	Fid VIP Growth Stock	Large Growth		9.38	OK to Buy	-6.7	-7.2	44.3	17.4	-6.6	-0.8	1.18
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		8.90	Hold	-5.9	-4.0	39.4	19.5	-11.0	-1.3	1.25
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	10.39	Hold	-3.6	-3.5	32.2	15.8	-3.4	1.8	0.93
9060	FBBLC	Fid VIP High Income	High-Yield Bond		12.74	Buy	1.1	3.3	43.4	20.7	3.4	5.2	0.72
9064	FXVLT	Fid VIP Index 500	Large Blend		9.14	Hold	-5.3	-6.8	26.3	14.1	-10.0	-1.2	1.01
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	11.83	OK to Buy	-6.8	-0.8	39.6	31.4	-4.8	4.7	1.44
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	8.66	Buy	-4.1	-11.9	55.2	10.3	-14.2	-1.8	1.55
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		12.78	Buy	1.4	5.4	15.5	12.7	6.8	4.8	0.24
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	9.47	OK to Buy	-8.1	-11.6	77.6	21.7	-3.6	--	1.57
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		11.78	Hold	-3.7	1.3	39.6	23.7	-4.3	4.7	1.12
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.45	--	0.0	-0.1	0.4	0.0	1.8	2.7	0.03
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	9.29	OK to Sell	-2.2	-13.7	26.1	5.7	-14.2	0.2	1.24
9072	FFWKC	Fid VIP Real Estate	Sector		10.14	Hold	-6.1	5.7	37.2	59.9	-8.6	0.8	2.14
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		13.61	Buy	1.2	2.6	29.7	15.7	7.3	6.4	0.45
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	11.93	Buy	-5.3	-6.8	95.4	25.9	-2.8	4.5	1.59
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	7.15	Hold	-3.4	-6.7	47.5	8.8	-13.3	--	1.24
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	11.02	Hold	-1.3	-5.6	14.9	9.4	-9.1	2.5	0.96
9079	FKMSC	Fid VIP Value	Mid Value		8.65	Buy	-7.7	-4.5	42.1	26.1	-12.8	-2.2	1.47
9080	FUEBC	Fid VIP Value Leaders	Large Value		8.05	OK to Sell↓	-7.1	-8.0	27.4	13.8	-14.9	-3.5	1.19
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		9.38	Buy	-8.7	-2.1	57.1	29.9	-11.9	-0.6	1.60
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l		8.80	OK to Sell	-2.1	-12.9	1.0p	--	--	--	--
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		12.38	Buy	-0.5	-3.4	69.8	24.9	-1.6	--	1.56
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		13.20	Buy	2.2	4.0	29.9	18.0	5.8	7.2	0.63
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		10.74	Buy	-0.2	-6.6	69.4	21.5	-6.4	10.6	1.67
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		7.39	OK to Sell	-9.2	-7.2	15.7	6.1	-15.4	-3.1	0.94
9146	FPRPC	Morgan Stanley Int'l Magnum	Diversified Int'l		7.77	Hold	-2.0	-15.1	32.2	4.1	-14.0	-0.1	1.30
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.43	Buy	0.8	2.7	1.6p	--	--	--	--
9277	FPNBC	Pimco VIT Real Return	TIPS		10.85	Hold	1.6	5.4	3.0p	--	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		10.68	Buy	1.6	5.3	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	36%
Fidelity VIP Growth Opportunities	23
Fidelity VIP Value	19
Fidelity VIP Emerging Markets	11
Fidelity VIP Equity-Income	11
Total Return: Jun: -3.5% YTD: -3.1%	

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: Jun: -2.3% YTD: -0.1%	

Annuity Income & Preservation Model	
Fund	Allocation
Fidelity VIP Investment Grade	35%
Fidelity VIP Money Market	22
Fidelity VIP Strategic Income	20
Fidelity VIP Value	12
Fidelity VIP Growth Opportunities	11
Total Return: Jun: -1.0% YTD: 1.1%	

Is A “Perfect Storm” Brewing For Munis?

Harkening back to 2008, we’ve been proponents of the \$2.8 trillion muni bond market — and still are for the most part. Federal and state tax-free income is an alluring notion. And it’s hard to resist as the tax-equivalent yields offered today by Fidelity’s muni bond funds are attractive for even modestly taxed investors.

But there are increasing concerns about the fiscal health of many of the entities that issue these bonds. Falling state tax revenues (three years running!), underfunded public pensions, a stubbornly high unemployment rate, and declining home values all weigh on the ability of states, cities and towns to service their debt. Last year, there were 226 credit downgrades by Fitch Ratings, up from 85 in 2008, and we expect more this year. Moreover, the cost of insuring against payment defaults has risen more than 25% this year.

In the past, few investors seemed worried about the fact that so many local and state entities were struggling financially. For example, even during the worst of the auto industry’s problems in 2008, **Michigan Muni Income** lost just 0.06%, while Fidelity’s more diversified national funds actually fared worse (down about 2%).

Providing price support was the not-unrealistic view that, during the dire circumstances of 2008, Uncle Sam wouldn’t have allowed a significant municipal default — certainly not when everyone was getting bailout money. And, of course, because states have taxing and spending authority, they can raise one and cut the other to meet their debt obligations.

Turns out, that’s sort-of-what’s been happening. Build America Bonds, which the are subsidized by the Federal Government, now account for an estimated 25% of municipal financing. In 2009, the Michigan muni fund jump 9.3%, while

some other muni funds scored double-digit gains.

This year has, so far, been different. While muni bond funds are on track to deliver decent returns, they have been outperformed by both less-risky Treasuries and more-risky corporate bonds. Treasuries have benefited from a “flight-to-quality” triggered by woes in Europe and the turmoil in global equity markets.

High quality corporates, on the other hand, have attracted those investors with greater risk appetites. Moreover, given the strong balance sheets of many American firms, some

corporate bonds are seen as safer than munis and even Treasuries.

So here’s the question: Are the fiscal woes of states a brewing “perfect storm” for muni funds, or will a combination of budget cuts, higher taxes, an improving economy and the fail-safe prospect of federal bailouts mean that the risks to this market are actually overblown?

In short, we believe the risk of muni defaults is probably overblown (just 223 of the 40,000 muni issuers defaulted last year, representing just

Income Investing *cont’d on page 12*

MANAGER CHANGE

Five Muni Funds Get New Managers

The promotion of longtime fund manager Christine Thompson to CIO of Fidelity’s bond fund group has triggered manager changes at a handful of muni bond funds. Most importantly, the newly created post gives the veteran manager of taxable and municipal bond funds day-to-day oversight of \$114 billion in assets.

Christine has long been one of the country’s premier bond fund investors. Having been at Fidelity for almost a quarter century, she has distinguished herself managing both taxable and muni funds. Now, she’s supervising her colleagues and focusing on “resource development issues” while giving up her posts on **Muni Income**, **Tax-Free Bond**, and the **Arizona**, **Massachusetts** and **Minnesota** state-specific funds.

“Once I transfer my responsibilities,” Christine told us, “I will be reengaging myself on the taxable side.” In her new role, she’ll be making sure that bond funds are taking appropriate credit and interest-rate bets, while also making certain that Fidelity research can handle the

unprecedented changes occurring in the credit markets.

With this change, team management becomes standard practice. Notably, Mark Sommer and Kevin Ramundo become co-managers of Municipal Income and Tax-Free Bond (replacing Christine) alongside current co-portfolio manager Jamie Pagliocco. He now serves as that funds’ lead manager.

In turn, Pagliocco and Ramundo now co-manage **Intermediate Muni Income** and **Short-Intermediate Muni Income** alongside current manager Mark Sommer. Mark becomes the

lead manager of the two funds.

Elsewhere, Ramundo succeeds Thompson on her three state funds. Pagliocco and Sommer continue with their other fund responsibilities.

Importantly, our ratings on these five funds are not affected by the recent management shifts.

While we’ve always had a certain level of comfort knowing that Christine was the lead manager on certain funds, we’re quite pleased that she’s staying at Fidelity and will now be able to lend a hand in running all their bond products — if only from a distance. ■

Fidelity’s Bond Funds¹

Taxable Bonds	
Assets	\$86B
# of funds	23
Municipal Bonds	
Assets	\$28B
# of funds	17

¹17 High Yield funds with \$57B in assets are managed alongside the equity group. Figures include non-retail funds.

0.02% of outstanding muni debt!

However, we think the prudent course is to favor Fidelity's nationally diversified muni funds over most individual state funds, as their portfolio diversification means fewer concerns about defaults. As such, this month we've downgraded to *Hold* five state-specific Muni Income funds whose corresponding states have especially high ratios of debt-to-tax

revenues. They are **Arizona, Connecticut, Maryland, Massachusetts** and **Minnesota**. As for the financially challenged **New York** and **California**, they're already rated *Hold*, while **California Short-Intermediate** remains *OK to Buy* because of its more limited interest-rate risk (shorter-term notes are less likely to default).

In the meantime, if Fidelity's muni bond analysts keep doing their jobs well (see p. 11), credit- and interest-rate risks within their funds should be

contained.

You may wonder why we don't own munis in any of our model portfolios. That's because we run them as if they were held in tax-deferred accounts such as IRAs or 401(k)s. Munis don't make sense in such accounts. If you have "taxable" accounts as well, owning munis there and taxable bonds in your IRA can offer greater risk reduction than just owning one or the other. ■

— *John Bonnanzio*

Inside Fidelity

Fund Reopening — **US Treasury Money Market** has reopened to new investors. It had been closed to new investors since December 23, 2008, when the credit crisis was near its zenith. Fidelity cites the "improved market conditions" for this move.

Theoretically, this is Fidelity's absolute safest fund. Notably, the fund's yield stood at 0.49% when it closed, whereas its yield is now just 0.01%.

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 July:

Strategic Div & Inc, Strategic Real Return, Balanced, Convertible Secs, Telecom & Utilities, Fidelity Fund, Puritan, Equity-Income, Growth & Income, Asset Manager 50%, Equity-Income II, Asset Manager 40%.

The final distributions for June were as follows:

Fund	Ex-Date	\$ Amt	NAV
Real Estate Inv	6/4	0.10	21.16
Real Estate Inc	6/4	0.15	9.61
Mid-Cap Stock	6/11	0.06	24.43
Large Cap Stock	6/11	0.02	14.91
Inflation-Protected	6/11	0.02	11.48
Focused High Inc	6/11	0.28	8.79

Manager Changes — See p. 11 for changes at several municipal bond funds. Separately, Ryan Oldham has replaced Jim McElligott as the manager of **Natural Gas** and Jonathan Kasen has taken over **Energy Service** from John Dowd. We continue to rate both funds *Hold*. Anna Davydova is now sole manager of the newly re-named **Environment and Alternative Energy**. The name change reflects the fact that the fund's investment parameters have been broadened beyond waste management. In keeping with this change, Anna has experience in the energy and renewable energy sectors. Pending review, we continue to rate the fund *Sell*. ■

MESSAGE TO MEMBERS

Unchartered Territory

It's not your imagination — making money has gotten tougher!

For a time, whether you were day-trading, flipping real estate, invested in a hedge fund, or simply owned a handful of mutual funds, everyone was an investment pro. We recall quite well the twenty-something-year-olds who ran an array of Janus funds in the late 1990s. Every one of them was an investment genius — until, of course, the tech bubble burst in 2000. Ever since, investing has become

much more challenging.

Throughout this country's history, there have been plenty of bear and bull markets that were bracketed by recessions and even a handful of depressions. But, the "old playbook" hasn't been working, and investment risk has clearly been underestimated.

Are Americans and the financial markets in unchartered territory?

The answer is yes and no. The federal government has been in deeper hock before (immediately after World War II), and we've also waged simultaneous wars — on a much larger scale. But in no time in our history has combined government and personal indebtedness been greater. The economic and political consequences of that are only now being felt. That Treasury yields stand at historic lows says many things, most of which are not particularly good.

While we do not "market-time," we do adjust our asset allocations to provide our members with better downside protection. This may mean leaving money on the table when the market rallies. But we believe that's a "risk" worth taking — hopefully you agree.

Sincerely,
John Boyd
& John Bonnanzio
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