

# FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

SEPTEMBER 2010

VOLUME 26, NUMBER 9

## MARKET OUTLOOK

## Sometimes The Crowd Is Right

There wasn't much to cheer investors last month. Housing, which had been slipping, fell off a cliff in July. Sales of existing homes plunged 27% and new home sales dropped 12%. Both are now down 33% since the expiration of the government's \$8,000 tax credit in April. The jobs picture continued to disappoint with weekly claims for unemployment hitting their highest level since last November at 504,000. And second quarter GDP growth was revised downward from 2.4% to 1.6%.

Other than that, how did you like the play Mrs. Lincoln?

It is no surprise then that pessimism among investors is again reaching extremes. In the American Association of Independent Investors weekly survey of investor sentiment, bullishness fell to 20.7% — about half its long term average. That could bode well for stocks. When everyone is negative, it doesn't take much in the way of good news to send stocks higher. In fact, at the start of July, bullishness had also fallen to the same extreme (20.9%), and the S&P 500 rose a solid 7.0% that month.

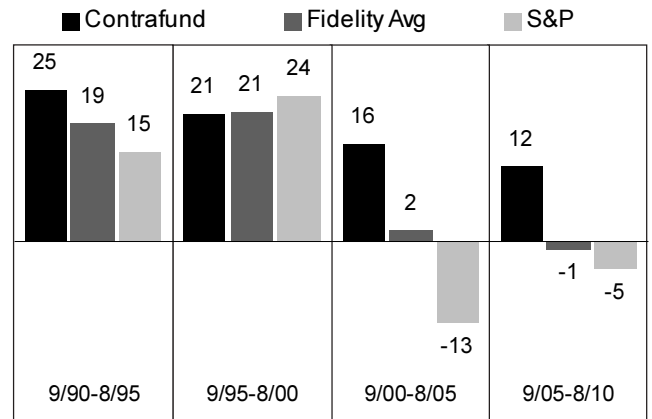
We got another demonstration of this on August 27 when the market rallied on the "good" news that while GDP had fallen from 2.4% to 1.6%, that wasn't as bad as the 1.3% many had feared! The market was also lifted by the fact that jobless claims the day before, declined from 564,000 to "only" 473,000. (They were 432,000 at the beginning of the year.)

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## DANOFF EXCELS IN TOUGH TIMES

Total Returns (in %) by 5-year Periods (9/90-8/10)



It's no secret that Will Danoff of **Contrafund** is one of Fidelity's top managers. But as the fund hit the \$40 billion mark at the start of this decade, fears that "asset bloat" would hamper returns going forward seemed warranted. Fortunately for his shareholders, while gross returns are down, Will has actually outperformed both the S&P 500 and his average Fidelity peer by a greater margin in the last two five-year periods than in his first two! On p. 11, John Bonnanzio discusses the fund's 20-year record with Will, and why Contra will continue to excel in these tough times.

### A Bump In The Recovery Road?

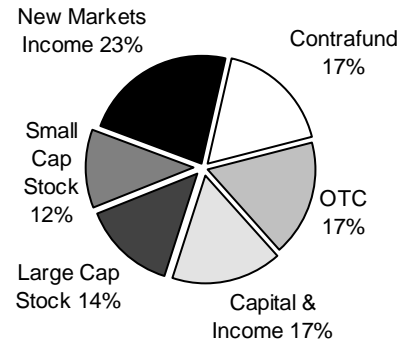
The big question of course, is whether or not the current slowdown is merely a bump in the recovery road or the beginning of a new downward trend. Mr. Bernanke recently assured us that the recovery remains on track and that conditions for solid growth in 2011 are in place. Maybe, but I am leery of putting too much trust in the man who also stated in 2008, that the subprime mortgage situation was well contained!

Last month I discussed the dichotomy between negative economic indicators and strong corporate profits. Well, the economic indicators certainly remain negative. But the corporate profit story has begun to weaken, with firms like tech bellwether Intel warning about slower growth ahead.

A big part of GDP growth coming out of the recession (assuming we *are* actually out — it has yet to be *officially* declared over) has been the restocking of inventories. That,

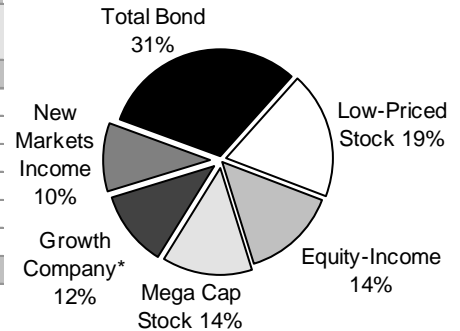
# FIDELITY INSIGHT MODEL PORTFOLIOS - AUGUST 31, 2010

Aggressive Growth Model		Rel Vol: 0.99	Est. Yield: 2.4%	YTD Return: -5.9%		
Current Asset Allocation		Stocks 62.8%	Bonds 0.8%	Cash 2.8%	Alternative <sup>1</sup> 33.6%	Foreign 28.3%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
New Markets Income	FNMIX	23%	\$16.03	1,986.04	\$31,836	2.2%
Contrafund	FCNTX	17	56.46	422.89	23,876	-2.8
OTC	FOCPX	17	42.32	542.94	22,977	-5.9
Capital & Income	FAGIX	17	8.72	2,586.42	22,554	-0.7
Large Cap Stock	FLCSX	14	14.16	1,333.12	18,877	-6.0
Small Cap Stock	FSLCX	12	14.97	1,086.39	16,263	-7.8
Current Value (4/7/99 = \$100,000)					\$136,383	-4.8%



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

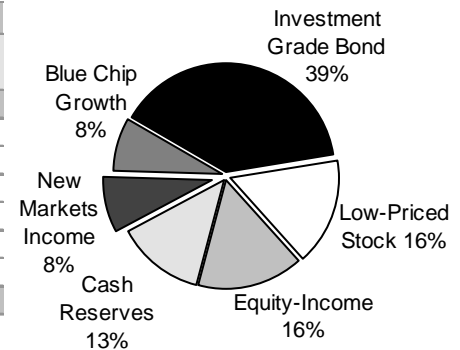
Growth Model		Rel Vol: 0.77	Est. Yield: 2.0%	YTD Return: -2.4%		
Current Asset Allocation		Stocks 55.5%	Bonds 28.3%	Cash 6.2%	Alternative <sup>1</sup> 10.1%	Foreign 20.9%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Total Bond	FTBFX	31%	\$11.05	27,197.56	\$300,533	1.2%
Low-Priced Stock	FLPSX	19	31.72	5,792.44	183,736	-4.1
Equity-Income	FEQIX	14	36.70	3,675.58	134,894	-6.0
Mega Cap Stock	FGRTX	14	8.16	15,983.62	130,426	-6.2
Growth Company*	FDGRX	12	66.74	1,663.07	110,993	-3.3
New Markets Income	FNMIX	10	16.03	6,250.71	100,199	2.2
Current Value (1/1/87 = \$100,000)					\$960,782	-3.1%



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

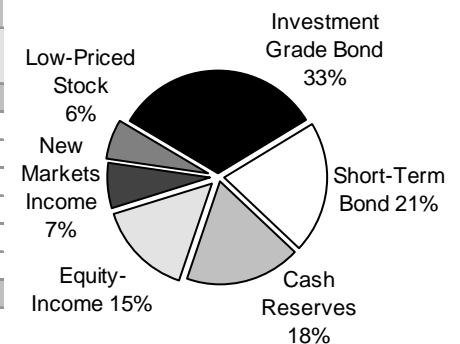
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.52	Est. Yield: 1.8%	YTD Return: 0.2%		
Current Asset Allocation		Stocks 36.9%	Bonds 35.9%	Cash 19.2%	Alternative <sup>1</sup> 8.0%	Foreign 16.2%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Investment Grade Bond	FBNDX	39%	\$7.47	43,539.18	\$325,238	1.3%
Low-Priced Stock	FLPSX	16	31.72	4,083.20	129,519	-4.1
Equity-Income	FEQIX	16	36.70	3,485.09	127,903	-6.0
Cash Reserves	FDRXX	13	1.00	108,813.31	108,813	0.0
New Markets Income	FNMIX	8	16.03	4,212.65	67,529	2.2
Blue Chip Growth	FBGRX	8	35.60	1,891.05	67,321	-5.4
Current Value (1/1/87 = \$100,000)					\$826,323	-2.0%



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: 0.37	Est. Yield: 1.8%	YTD Return: 1.0%		
Current Asset Allocation		Stocks 19.9%	Bonds 50.0%	Cash 23.0%	Alternative <sup>1</sup> 7.1%	Foreign 13.0%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Investment Grade Bond	FBNDX	33%	\$7.47	23,067.37	\$172,313	1.3%
Short-Term Bond	FSHBX	21	8.48	12,608.51	106,920	0.4
Cash Reserves	FDRXX	18	1.00	94,037.90	94,038	0.0
Equity-Income	FEQIX	15	36.70	2,145.27	78,731	-6.0
New Markets Income	FNMIX	7	16.03	2,324.38	37,260	2.2
Low-Priced Stock	FLPSX	6	31.72	1,005.90	31,907	-4.1
Current Value (1/1/87 = \$100,000)					\$521,170	-1.1%



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.

<sup>1</sup>Alternative investments include such areas as high-yield bonds, commodities, real estate. Portfolio trades and total returns do not take taxes into account, however, redemption and exchange fees are included. 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.

however, would seem to be over, as inventory accumulation accounted for just 0.6% of second quarter GDP growth (down from 2.6% in the first quarter). In fact, the lower inventory figure accounts for the lion's share of the drop in second quarter GDP. With fully restocked inventories, if we are to see higher growth, we will need a pick-up in demand. And unless we see real improvement in the employment picture, that is hard to imagine.

### Model Portfolio Trades

At the end of March, we made several trades to reduce risk. We were concerned about a slowing economy and the fact that the market had already risen a steep 63% since March of 2009. We made additional risk reduction trades at the end of May. These moves have helped all but our Aggressive Model stay ahead of the S&P 500 so far this year.

While the economy now has slowed, we are concerned that it may slow further, bringing stock prices down with it. While the pessimism that prevails today may bear the seeds of a future rally, we want to err on the side of caution going into September — historically, the worst month for stocks. It is the only month where the market is down more often than it's up, and has featured some pretty grisly plunges in recent years (down 9% in '08, down 11% in '02 and down 8% in '01). We are therefore taking further risk-reduction trades in all models this month (see box). The trades primarily involve switching from stocks to high-yield bonds (or "stocks-light"). While I must admit feeling uncomfortable going "with the crowd" on this one, sometimes the crowd is right. ■

—John M. Boyd

## WHICH FUNDS SHOULD YOU BUY NOW!

**Equity Funds:** **Equity-Income**, **Mega Cap Stock** and **Large Cap Stock** alternatively provide large-cap value, blend and growth exposures. **Low-Priced Stock** and **Small Cap Stock** play the mid- and small-cap arenas; **Contrafund** is a conservative "all-cap" approach to play growth stocks.

**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; **Short-Term Bond** affords less interest-rate risk.

**High Yield Fund:** **New Markets Income** buys high-yield bonds — with a secondary interest in growth — throughout the emerging markets. ■

## MODEL PORTFOLIO TRADES

As announced on our August 27 Hotline, effective Monday August 30, we made trades in our four Model Portfolios (p. 2) and three Annuity Model Portfolios (p. 10).

Action	Fund (ticker)	Shares	Price	Value	Old %	New %
<b>Aggressive Growth Model</b>						
Sold 1/3:	OTC (FOCPX)	271.47	\$42.50	\$11,537.42	25%	17%
Added To:	New Mkts Inc (FNMIX)	720.64	16.01	11,537.42	15	23
Sold:	Leveraged Co. Stk (FLVCX)	1,043.99	21.60	22,550.11	17	0
Bought:	Capital & Income (FAGIX)	2,586.02	8.72	22,550.11	0	17
<b>Growth Model</b>						
Sold:	OTC (FOCPX)	2,354.34	42.50	100,059.45	10%	0%
Bought:	New Mkts Inc (FNMIX)	6,249.81	16.01	100,059.45	0	10
<b>Growth &amp; Income Model</b>						
Sold 1/2:	Blue Chip Gr. (FBGRX)	1,891.05	\$35.66	\$67,434.85	16%	8%
Bought:	New Mkts Inc (FNMIX)	4,212.05	16.01	67,434.85	0	8
<b>Income &amp; Preservation Model</b>						
Sold:	Blue Chip Gr. (FBGRX)	1,043.41	\$35.66	\$37,207.97	7%	0%
Bought:	New Mkts Inc (FNMIX)	2,324.05	16.01	37,207.97	0	7
Sold 1/3:	Cash Reserves (FDRXX)	47,018.83	1.00	47,018.83	27	18
Added to:	Short-Term Bond (FSHBX)	5,544.67	8.48	47,018.83	12	21
<b>Annuity Growth Model</b>						
Sold:	VIP Emerg Mkts (FEMAC)	1,747.69	7.59	\$13,258.44	12%	0%
Bought:	MrgnStly EM Debt (FPRMC)	943.86	14.05	13,258.44	0	12
<b>Annuity Growth &amp; Income Model</b>						
Sold 1/2:	VIP Growth Opps (FEMAC)	1,533.42	\$8.61	\$13,198.05	22%	11%
Bought:	MrgnStly EM Debt (FPRMC)	939.56	14.05	13,198.05	0	11
<b>Annuity Income &amp; Preservation Model</b>						
Sold:	VIP Growth Opps (FEMAC)	1,593.55	\$8.61	\$13,715.56	11%	0%
Bought:	MrgnStly EM Debt (FPRMC)	976.40	14.05	13,715.56	0	11

These trades reduce our stock fund exposures in favor of less risky high-yield bonds. **Capital & Income**, which invests in U.S. high-yield bonds (with some equity exposure), is about half as risky as **Leveraged Co. Stock**. **New Markets Income**, and **Morgan Stanley Emerging Market Debt** (see p. 4.) invest in high-yield emerging market bonds, and carry 30% to 64% less risk than the funds they replace. As an "alternative" asset class, EM bonds also increase portfolio diversification; their correlation to the U.S. stock market is about half that of stock funds. Separately, we have modestly hiked the yield of our Income & Preservation Model by moving some cash into **Short-Term Bond**. Note: Leveraged Company Stock has a 1.5% redemption fee on shares held for less than 90 days. ■

## 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 PORTFOLIO TRADES

### **Emerging Mkt Debt: A Stock Alternative**

As detailed in our trade box on page 3, we've lightened our stock exposures and bought (or added to) the emerging market debt fund, **New Markets Income** in all our Model Portfolios. (**Morgan Stanley Emerging Market Debt** fund was purchased in our Annuity Model Portfolios.) Almost immediately after we announced these trades, a member dropped us this no-nonsense, straight-to-the-point e-mail: "Russia, Brazil, Mexico?? I don't have a real comfortable feeling ... I hope you know what you're doing on this one."

While this asset allocation call is

squarely on our shoulders, the security selection falls to John Carlson. He's the fund's 15-year-long manager, and a grizzled veteran of both developing market debt and equity long before he came to Fidelity. In fact, his experience dates back to the 1980's when Latin America's defaulting debt was restructured into so-called Brady Bonds — a precursor for Russian and other Eastern European bond restructurings. In other words, John knows his way around the emerging market neighborhood.

As far as the fund's strategy, yes, it's a risky one relative to Fidelity's investment-grade bond funds. In fact, we've classified this fund alongside Fidelity's high-yield funds to draw attention to the fact that the mostly

sovereign debt it holds (about 4% is in corporate bonds) carries a similar risk along with its generous yield (currently 5.23%). Almost all the bonds it owns (97%) are denominated in US dollars which eliminates currency risk, but that does not lessen default risk.

However, **we are buying the fund not as a substitute for investment-grade bond funds, but as a lower-risk alternative to stocks.** New Markets Income carries only about 75% of the risk of the stock market, and even less than that when compared to the funds it is replacing. **OTC** for example is around one third riskier than the S&P 500.

*Trades cont'd on page 5*

## TAX STRATEGIES

### **Take Steps Now To Address Rising Taxes!**

Without Congressional action, the December 31 expiration of the Bush-era tax cuts means that Uncle Sam will soon have his hand 2.7% deeper in the pockets of the average American wage earner.

Many are hopeful that a new Congress will extend the cuts or, better yet, make them permanent. In the meantime, the smart money suggests that households with less than \$250,000 in income (and individuals with less than \$200,000), may be spared at the eleventh hour. Why? Many congressmen will see little political wisdom in increasing taxes at a time when their constituents are worried about holding onto their jobs — and even their homes.

Of course, the biggest hit is always felt by the more highly taxed: the top two brackets will revert to 35% and 39.6%, up from 33% and 36%, respectively. Perhaps even more worrisome from an investment perspective, taxes on long-term capital gains will rise from 15% to 20%. And the rate on qualified dividends will pop from the current 15% maximum back to your personal income

tax rate — as high as 39.6%.

But even below the top rates, unless the cuts are extended, someone with about \$200,000 in income will pay at least \$5,500 *more* in taxes next year. This should prompt all high earners to consider reversing their usual practice of deferring taxable income into the following year. Our advice ... **to whatever degree you can, move income into this year to mitigate tomorrow's higher rates.**

Barring that strategy, there are other "timeless" approaches to reduce taxes. For example, a conversion from a traditional IRA into a Roth-IRA may make sense for you. And, higher-income investors often benefit from annuities. Fidelity offers 49 annuity funds, many mimicking a re-

Higher taxes lower a stock's after-tax yield. All things being equal — and assuming that the market hasn't already discounted the upcoming tax hike — a stock's share price must fall under the higher tax scheme in order to provide the investor with the same after-tax yield. In fact, one calculation suggests that investors in the top 39.6% bracket would have to pay 30% less for the same stock to realize today's tax-equivalent yield! ■

tail counterpart. And we offer three annuity models (p. 10) that allow you to pursue your investment goals and manage your portfolio risk.

Meanwhile, the easiest and most overlooked options are maximizing your retirement contributions and a tax swap. (This involves exchanging a fund with an unrealized loss into a similar fund, and applying that loss you've recognized against any capital gains. After that, you can use capital losses to offset up to \$3,000 of ordinary income.) Easier still, shift more of your taxable fixed-income funds into federally tax-exempt muni bond and money market funds. Under the new tax structure, we estimate that tax-equivalent yields on **Tax-Free Bond** and **Municipal Income** would rise modestly from about 4.9% to 5.3%.

While it's always possible for Congress to change course, the massive (and growing) federal budget deficit makes top-income earners easy pickins for politicians. So it's okay to hope for the best, but plan for the worst. This, of course, means consulting with an experienced tax planner. Short of that, Fidelity's website has a number of useful online tools and articles on this important and time-sensitive matter. ■

With Treasury rates so low, we expect investor demand for higher-yielding debt to remain strong, and the emerging markets are an attractive way to get it. Besides boosting yield, New Markets Income provides access to many of the world's fastest-growing economies, and increases diversification. Most stock funds are highly correlated to the S&P 500, with a correlation of 0.95 or greater today (1.00 is perfect correlation). But New Markets Income has a correlation of just 0.53 to the stock market.

Of course, there is individual country risk (economic and political). And, like other high-yield bond funds, deteriorating credit quality and default risk are concerns, but once again we leave that in the capable hands of John Carlson and Fidelity's excellent team of debt analysts.

Should the world economy slow considerably (such as it did in 2008), even the powerful internal GDP growth rates that many emerging markets enjoy might not be enough to avoid a sharp decline. But it's worth noting that in 2008, while the fund's 18.2% loss was painful, it was a lot easier on the wallet than the 41.8% decline of the average Fidelity domestic stock fund. ■

— John Bonnanzio

### NEW MARKETS INC.

#### Fund Data

Trading Symbol:	FNMI
Fund Size:	\$4.0 billion
Expense Ratio:	0.90%
Relative Volatility:	0.75
US Dollar Exposure	97.0%
30-Day SEC Yield	5.23%

#### Country Diversification

	% of Fund
USA .....	10.1%
Brazil .....	8.4
Turkey .....	8.3
Russia .....	8.1
Indonesia .....	6.2
Venezuela .....	5.8
Philippines .....	4.8
Mexico .....	4.7
Netherlands .....	4.7
Argentina .....	4.3

### FUND COMMENTARY

## Stocks Turn Cold In August Heat

The stomach-churning rollercoaster ride that has come to define this year's stock market, has once again kept investors holding on for dear life.

Thanks to a strong July rally, the S&P 500 and Nasdaq Composite were barely under water for the year. But plunging share prices in August erased prior gains. Last month, these same two stock barometers fell 4.5% and 6.1%, respectively. Now, on a year-to-date basis, the large-cap S&P 500 is down 4.6% while the tech-rich Nasdaq has retreated 6.3%.

Like Hurricane Earl moving along the Atlantic seaboard (you know it's somewhere out there, but you're not sure if it's headed right at you), the economy's undertow is drowning stocks. The fear is palpable — and measurable. The so-called "fear gauge," the VIX, registered its highest jump for August in 12 years.

### Stock Funds

The worst-hit funds last month were financials. Three of Fidelity's five Select funds in this area experienced doubled-digit declines and were also the worst-performing sector-specific offerings. This rogues gallery consists of **Banking** (down 12.6%), **Home Finance** (down 11.5%) and **Financial Services** (down 11.1%).

Of course, financials are often the bread-and-butter of value-oriented funds. So **Blue Chip Value** (down

6.2%), **Value Strategies** (down 5.7%) and **Small Cap Value** (down 6.3%) found themselves burdened by these exposures. On the other hand, more defensive sectors such as health care, energy and materials (including gold), were relative winners last month.

As for **Select Gold**, it was the top-performing fund last month, soaring 10.6%! We've just upgraded the fund to *Hold* (see below). Although its recent pop has us uneasy (we'd prefer to upgrade on a dip), we're okay with the notion that a conservative investor may want to establish a small position (about 5%) in their portfolios and simply *hold* the fund and forget that it's there!

Returning to value funds, steep declines served up by financials were offset by these other, better-performing sectors. Specifically, drug stocks helped push higher the entire (defensive) health sector, while utilities and consumer staples also helped on a relative basis.

For its part, **Contrafund** (down 2.8%) was the second-best performing stock fund in August — it was helped by its stake in gold (see p. 11). Other big funds (asset-wise) that held up relatively well were **Growth Company** (down 3.3%) and **Low-Priced Stock** (down 4.1%). In both cases, consumer stocks and health care appear to have cushioned declines.

Among the poorer-performing funds last month were many small-cap offerings. While the average

**Fund Commentary** *cont'd on page 6*

### SEPTEMBER SCORECARD RATING CHANGES

Fund	Ratings		Comments
	Old	New	
Canada	H	<b>B</b> ↑	Long-term and indirect play on natural resources.
Capital & Income	B	<b>B</b> ↑	High-yield bonds are a lower-risk stock alternative.
Growth Strategies	H	B ↑	Manager's mid-cap stock picks have been good.
Int'l Cap App	<b>B</b>	H ↓	We prefer funds with more emerging mkt exposure.
Mid Cap Growth	H	B ↑	Manager's mid-cap stock picks have been good.
Sel Construction	B	S ↓	Avoid until tax credits or job growth repair sector.
Sel Gold	S	H ↑	A safe-harbor investment during uncertain times.
Southeast Asia	H	B ↑	Expect short-term volatility, long-term gains.

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

## FIDELITY SCORECARD - AUGUST 31, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)		
						Aug	YTD	2009	1 Year	3 Year	5 Year				
Comparative Indexes		S&P 500 (Large Cap)*				-4.5	-4.7	26.5	4.9	-8.7	-1.0	1.00			
		Nasdaq Composite (OTC)*				-6.2	-6.4	45.0	6.0	-6.0	0.3	1.16			
		MSCI EAFE (International)*				-3.5	-8.1	28.5	-2.5	-10.7	0.9	1.26			
		Barclays Aggregate Bond*				1.3	7.7	6.5	9.1	7.0	5.4	0.18			
<b>LARGE CAP GROWTH</b>						<b>Category Averages</b>			<b>-4.9</b>	<b>-5.3</b>	<b>38.3</b>	<b>6.3</b>	<b>-7.5</b>	<b>0.2</b>	<b>1.14</b>
312	FBRGX	Blue Chip Growth		35.60	Buy	-5.4	-6.2	45.0	7.3	-4.6	0.3	1.11	\$9,619		
307	FDCAX	Capital Appreciation		20.78	OK to Buy	-7.6	-3.0	36.4	11.1	-8.0	-0.2	1.16	4,163		
22	FCNTX	Contrafund		56.46	Buy	-2.8	-3.0	29.2	10.0	-5.0	2.4	0.92	50,996		
332	FEXPX	Export and Multinational	0.75%/30d	18.07	Hold	-4.7	-7.9	37.1	3.2	-8.7	-0.7	1.12	2,237		
500	FFTYX	Fifty		14.57	Hold	-1.5	-2.8	37.1	6.6	-12.2	-1.7	1.23	655		
333	FTQGX	Focused Stock		10.50	Hold	-3.9	-4.6	25.2	4.9	-5.0	0.6	1.01	112		
25	FDGRX	Growth Company (closed)		66.74	Buy	-3.3	-3.3	41.2	10.3	-4.5	3.0	1.12	24,209		
339	FDSVX	Growth Discovery		10.72	Hold	-4.6	-3.2	29.3	7.7	-9.8	0.1	1.12	597		
73	FDFFX	Independence		18.69	Hold	-6.5	-6.2	39.9	7.1	-8.1	1.1	1.40	3,337		
763	FSLGX	Large Cap Growth		7.77	Hold	-3.8	-4.4	24.0	4.8	-9.2	-3.7	1.03	92		
1829	FLGEX	Large Cap Growth Enhcd Index		7.86	Hold	-5.4	-7.7	35.1	3.6	-7.2	--	0.98	41		
338	FLCSX	Large Cap Stock		14.16	Buy	-6.0	-5.4	50.5	3.3	-8.2	0.2	1.29	853		
21	FMAGX	Magellan		58.16	Hold	-5.9	-9.5	41.1	-0.8	-11.3	-2.9	1.29	17,723		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	28.14	OK to Buy	-6.2	-6.4	45.0	6.0	-6.0	0.3	1.16	236		
93	FOCPX	OTC		42.32	Buy	-5.9	-7.4	62.2	7.3	-4.1	3.5	1.32	4,641		
320	FDSX	Stock Selector All Cap		20.68	OK to Sell	-5.1	-4.8	28.8	4.3	-9.5	-1.0	1.04	649		
5	FTRNX	Trend		53.68	OK to Buy	-4.0	-4.6	44.5	9.8	-5.7	1.5	1.15	828		
<b>LARGE CAP BLEND</b>						<b>Category Averages</b>			<b>-5.8</b>	<b>-6.6</b>	<b>27.8</b>	<b>1.8</b>	<b>-10.6</b>	<b>-2.1</b>	<b>1.08</b>
315	FDEQX	Disciplined Equity		19.10	Sell	-7.0	-9.1	22.0	-1.1	-11.5	-2.6	1.01	8,208		
330	FDGFX	Dividend Growth		22.38	Buy	-6.1	-5.5	51.0	5.9	-7.9	-0.4	1.28	7,204		
3	FFIDX	Fidelity Fund		26.17	OK to Sell	-5.0	-7.3	26.8	-0.5	-8.6	-0.4	1.05	4,341		
27	FGRIX	Growth & Income		14.88	OK to Sell	-5.5	-7.1	23.1	0.5	-18.1	-8.4	1.18	4,858		
1827	FLCEX	Large Cap Core Enhcd Index		7.20	Hold	-5.0	-6.8	23.3	1.5	-9.1	--	0.96	873		
361	FGRTX	Mega Cap Stock		8.16	Buy	-6.2	-6.9	28.6	1.5	-9.2	-0.9	1.05	462		
650	FUSEX	Spartan 500 Index <sup>4</sup>		37.27	Hold	-4.5	-4.7	26.5	4.9	-8.7	-1.0	1.00	22,398		
397	FSTMX	Spartan Total Mkt. Index <sup>4</sup>	0.50%/90d	30.24	Hold	-4.7	-3.9	28.4	5.9	-8.1	-0.5	1.03	5,142		
343	FTXMX	Tax Managed Stock		9.98	Sell	-7.3	-8.4	20.7	-0.5	-13.1	-3.4	1.08	63		
832	FVDFX	Value Discovery		12.09	Hold	-6.4	-6.1	27.7	0.2	-11.3	-1.4	1.17	553		
<b>LARGE CAP VALUE</b>						<b>Category Averages</b>			<b>-5.6</b>	<b>-6.3</b>	<b>22.7</b>	<b>0.4</b>	<b>-12.4</b>	<b>-3.2</b>	<b>1.10</b>
1271	FBCVX	Blue Chip Value		9.21	Sell	-6.2	-7.5	27.8	-1.2	-13.5	-3.8	1.18	300		
23	FEQIX	Equity-Income		36.70	Buy	-6.0	-5.5	29.5	1.6	-11.7	-2.0	1.15	10,273		
319	FEQTX	Equity-Income II		15.16	Buy	-6.0	-6.5	25.1	0.2	-11.6	-3.1	1.12	4,495		
708	FSLVX	Large Cap Value		9.08	OK to Sell	-5.0	-6.8	15.6	0.1	-13.4	-3.8	1.08	794		
1828	FLVEX	Large Cap Value Enhcd Index		6.32	OK to Sel	-4.7	-5.4	15.6	1.5	-11.8	--	1.00	61		

**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. <sup>1</sup>Relative Volatility of the fund versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. <sup>2</sup>Durations (a measure of interest rate sensitivity) reflect prior quarter figures. <sup>3</sup>Stated yield is before any inflation adjustment, your effective yield may be different. <sup>4</sup>Also available in an Advantage share class with a minimum of \$100,000, but a lower expense ratio of 0.07% (versus 0.10% for the Investor class). <sup>5</sup>Also available in Advantage shares with a minimum of \$100,000, but a lower expense ratio of 0.10% (versus 0.20% for the Investor class). <sup>6</sup>Formerly Small Cap Independence. <sup>7</sup>Distributed 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*

Fidelity stock fund retreated 5.5% in August, small-cap funds were off 6.7%. The worst of the group was **Small-Cap Stock** (down 7.8%). Financials and economically sensitive industrials (which combined, are almost half its assets) weighed on its performance.

### High Yield

The performance of junk bond funds is tied closely to economic vitality, so it's not surprising that **Capital & Income** (which also holds some

equity) did not perform well in August (it fell 0.7%). The slightly less risky **High Income** was flat for the month. But an altogether different high-yield fund called **New Markets Income** (up 2.2%) gained some ground (see p. 4).

### International Funds

We've not been especially bullish on the equity markets of foreign developed markets, and last month's fund performances are a reminder as to why. **Europe** and **Europe Cap App** both fell 4.6% last month, although **Japan** fund (down 3.8%) was

a comparatively better performer. **Canada** (up 0.3%), on the other hand, was the only international fund to gain ground, as its 20% weight in materials (which includes gold) helped make its performance shine. It's also worth noting that unlike New Market Income's portfolio of debt that rose last month, its equity counterpart, **Emerging Markets** fell 1.9% in August.

### Fixed Income

All 15 of Fidelity's taxable bond funds were all higher last month, as investors continued to crave their

## FIDELITY SCORECARD - AUGUST 31, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)		
						Aug	YTD	2009	1 Year	3 Year	5 Year				
<b>MID-CAP GROWTH</b>						<b>Category Averages</b>			<b>-5.4</b>	<b>-2.5</b>	<b>42.9</b>	<b>8.8</b>	<b>-8.3</b>	<b>-0.4</b>	<b>1.28</b>
324	FDEGX	Growth Strategies	1.50%/90d	16.09	OK to Buy↑	-4.9	-1.1	39.7	10.7	-10.2	-1.3	1.24	\$1,681		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	7.84	Hold	-4.7	-2.9	37.6	8.0	--	--	--	36		
793	FSMGX	Mid Cap Growth	0.75%/30d	9.82	OK to Buy↑	-4.8	-1.2	46.4	11.8	-9.5	-3.4	1.29	213		
337	FMCSX	Mid-Cap Stock	0.75%/30d	22.43	OK to Buy	-7.4	-4.0	50.4	6.4	-8.6	0.6	1.39	5,400		
300	FMILX	New Millennium		23.79	OK to Buy	-5.3	-3.4	40.2	7.0	-4.9	2.6	1.19	1,588		
<b>MID-CAP BLEND</b>						<b>Category Averages</b>			<b>-5.9</b>	<b>-1.7</b>	<b>48.6</b>	<b>8.8</b>	<b>-7.5</b>	<b>0.6</b>	<b>1.39</b>
122	FLVCX	Leveraged Company Stock	1.50%/90d	21.58	Buy	-8.2	-5.9	59.6	5.8	-11.1	-0.6	1.68	3,545		
316	FLPSX	Low-Priced Stock	1.50%/90d	31.72	Buy	-4.1	-0.7	39.1	8.5	-4.2	1.9	1.13	22,958		
398	FSEMXX	Spartan Extended Mkt Index <sup>4</sup>	0.75%/90d	30.06	Hold	-5.6	-0.1	36.7	10.9	-5.8	1.1	1.19	2,836		
14	FSLSX	Value Strategies		22.07	Buy	-5.7	-0.2	59.2	9.8	-9.1	-0.1	1.57	320		
<b>MID-CAP VALUE</b>						<b>Category Averages</b>			<b>-5.6</b>	<b>-0.5</b>	<b>39.8</b>	<b>10.0</b>	<b>-8.7</b>	<b>-0.7</b>	<b>1.37</b>
762	FSMVX	Mid Cap Value	0.75%/30d	12.90	Hold	-5.5	1.0	35.4	12.8	-7.0	0.0	1.27	499		
39	FDVLX	Value		55.81	Buy	-5.6	-2.0	44.1	7.3	-10.4	-1.4	1.46	6,591		
<b>SMALL CAP GROWTH</b>						<b>Category Averages</b>			<b>-6.5</b>	<b>-1.8</b>	<b>32.9</b>	<b>7.1</b>	<b>-9.5</b>	<b>-1.1</b>	<b>1.31</b>
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	7.84	Hold	-7.1	-2.6	23.6	6.8	--	--	--	88		
1388	FCPGX	Small Cap Growth	1.50%/90d	12.08	Hold	-5.7	-2.7	42.9	8.0	-7.5	0.5	1.25	1,123		
336	FDSCX	Stock Selector Small Cap <sup>6</sup>	1.50%/90d	13.91	Hold	-6.7	-0.1	32.3	6.6	-11.5	-2.6	1.37	1,315		
<b>SMALL CAP BLEND</b>						<b>Category Averages</b>			<b>-7.2</b>	<b>-2.7</b>	<b>56.7</b>	<b>7.8</b>	<b>0.5</b>	<b>2.5</b>	<b>1.39</b>
384	FSCRX	Small Cap Discovery	1.50%/90d	14.07	OK to Buy	-6.6	0.8	50.7	9.1	1.0	3.3	1.35	627		
340	FSLCX	Small Cap Stock	2.00%/90d	14.97	Buy	-7.8	-6.1	62.7	6.4	0.0	1.7	1.43	3,326		
<b>SMALL CAP VALUE</b>						<b>Category Averages</b>			<b>-6.3</b>	<b>0.2</b>	<b>36.6</b>	<b>9.1</b>	<b>-2.3</b>	<b>2.8</b>	<b>1.32</b>
1389	FCPVX	Small Cap Value	1.50%/90d	12.71	Hold	-6.3	0.2	36.6	9.1	-2.3	2.8	1.32	1,643		
<b>SPECIALTY</b>															
2063	FOTTX	130/30 Large Cap		5.94	OK to Sell	-8.1	-10.0	3.6	-2.5	--	--	--	17		
304	FBALX	Balanced		16.27	Hold	-2.5	0.4	28.1	8.1	-3.6	2.3	0.78	16,789		
308	FCVXX	Convertible Securities		21.79	OK to Buy	-3.1	1.5	64.1	11.7	-3.4	3.6	1.30	2,112		
1960	FDYSX	Dynamic Strategies		8.52	Hold	-1.1	1.0	28.7	10.0	--	--	--	154		
355	FFNOX	Four-in-One Index		23.49	Hold	-3.5	-3.0	25.0	4.5	-6.2	0.7	0.91	1,947		
334	FGBLX	Global Balanced	1.00%/30d	19.81	Hold	-1.6	-1.5	22.5	4.7	-0.5	4.5	0.76	482		
2120	FFGCX	Global Commodity Stock	1.00%/30d	13.53	Hold	-0.5	-8.0	48.0p	--	--	--	--	250		
1368	FIREX	International Real Estate	1.50%/90d	8.43	Sell	-1.2	-4.2	35.8	2.8	-14.9	-1.6	1.39	310		
4	FPURX	Puritan		15.80	OK to Buy	-3.0	-0.5	26.7	7.6	-3.1	2.2	0.72	15,071		
833	FRIFX	Real Estate Income	0.75%/90d	10.00	OK to Buy	0.5	10.7	46.8	22.1	3.6	3.4	0.75	1,073		
303	FRESX	Real Estate Investment	0.75%/90d	22.96	Hold	-1.5	14.8	32.9	36.2	-6.1	0.5	1.99	2,985		
1329	FSDIX	Strategic Dividend & Income		9.51	OK to Buy	-3.3	0.7	37.7	10.1	-7.1	-0.1	1.14	461		
1505	FSRRX	Strategic Real Return	0.75%/60d	8.85	Hold	-0.3	4.0	28.4	12.7	2.1	--	0.66	4,071		
311	FIUIX	Telecom & Utilities		14.62	Hold	1.0	5.7	11.1	16.4	-7.8	2.1	0.89	817		
<b>ASSET ALLOCATION</b>															
328	FASIX	Asset Manager 20%		12.28	Hold	-0.3	3.7	19.5	8.3	2.6	4.2	0.36	2,932		
1957	FTANX	Asset Manager 30%		9.34	Hold	-0.8	3.2	23.6	8.8	--	--	--	100		
1958	FFANX	Asset Manager 40%		9.03	Hold	-1.3	2.2	26.0	8.7	--	--	--	74		
314	FASMX	Asset Manager 50%		13.89	Hold	-1.8	1.2	30.9	8.8	-0.9	2.7	0.69	6,002		
1959	FSANX	Asset Manager 60%		8.64	Hold	-2.4	0.0	32.7	8.0	--	--	--	87		
321	FASGX	Asset Manager 70%		14.17	Hold	-2.9	-1.1	35.7	7.8	-4.0	1.3	0.90	2,198		
347	FAMRX	Asset Manager 85%		11.25	Hold	-3.8	-3.4	38.7	6.3	-5.9	1.0	1.03	543		

safety relative to stocks. Once again, the top-performing fund was the interest-rate-sensitive and essentially free-of-credit-risk **Spartan Long-Term Treasury Index**; it gained 7.0% in August and is now up 21.0% for the year. The Intermediate-Term version of this fund also did well in August (up 2.8%), while **Inflation-Protected Bond** (which is laden with TIPS) gained 1.7%. At the bottom performance-wise were **Ginnie Mae** and **Mortgage Securities**, whose fractional gains reflect continued nervousness about credit quality and economic stability.

Turning to diversified municipal bond funds (see our tax story on p. 4 for additional thoughts), all were up sharply with the two biggest winners being the most interest-rate-sensitive: **Tax-Free Bond** and **Municipal Income**. In August, they gained 2.3% and 2.2%, respectively.

Finally, there's nothing interesting happening in the world of money market funds, except for the fact that assets from skittish investors keep pouring in to them. **Cash Reserves** yield fell slightly from 0.10% to 0.09%. This is up from 0.08% at the start of the year.

### **Housekeeping**

On an altogether separate note, we've just added a new feature on our members-only website. If you like ranking funds by performance, you may now print those results from our online *Scorecard*. (Not so for iPhone and iPad users because your Apple "appliance" doesn't yet run the necessary Flash application — call Steve Job about that, not us!) As always, our online *Scorecard* updates daily after 6:15 pm Eastern time, when the latest fund performances and model returns are also available. ■

— John Bonnanzio

## FIDELITY SCORECARD - AUGUST 31, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)		
						Aug	YTD	2009	1 Year	3 Year	5 Year				
<b>INTERNATIONAL</b>						<b>Category Averages</b>			<b>-3.1</b>	<b>-4.3</b>	<b>41.9</b>	<b>4.5</b>	<b>-8.9</b>	<b>3.2</b>	<b>1.39</b>
309	FICDX	Canada	1.50%/90d	49.69	Buy↑	0.3	2.5	39.6	12.5	-3.1	6.7	1.44	\$3,623		
352	FHKCX	China Region	1.50%/90d	27.60	Hold	-1.0	-1.0	65.6	15.3	1.1	12.9	1.51	1,802		
325	FDIVX	Diversified International	1.00%/30d	25.61	OK to Sell	-3.7	-8.5	31.8	-1.1	-11.1	0.4	1.26	24,209		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	7.79	OK to Buy	-3.7	2.2	61.4	13.6	--	--	--	103		
322	FEMKX	Emerging Markets	1.50%/90d	22.21	Buy	-1.9	-1.8	76.0	17.6	0.0	10.0	1.72	3,334		
301	FIEUX	Europe	1.00%/30d	26.14	OK to Sell	-4.6	-11.3	31.7	-5.4	-10.5	0.1	1.28	1,264		
341	FECAX	Europe Capital App	1.00%/30d	15.71	OK to Sell	-4.6	-11.4	32.1	-5.5	-12.2	0.6	1.31	400		
335	FIVFX	Int'l Cap App	1.00%/30d	10.71	Hold↓	-3.3	-5.6	55.2	2.3	-10.5	-0.8	1.52	533		
305	FIGRX	International Discovery	1.00%/30d	27.79	OK to Sell	-4.1	-8.4	30.1	-0.9	-10.5	1.5	1.23	7,297		
2010	FIENX	International Enhanced Index	1.00%/30d	6.34	OK to Sell	-3.4	-8.0	24.6	-2.1	--	--	--	20		
1979	FIGFX	International Growth	1.00%/30d	7.18	Hold	-2.3	-4.0	36.5	7.7	--	--	--	23		
818	FISMV	Int'l Small Cap	2.00%/90d	17.42	OK to Buy	-1.8	-0.7	45.5	6.1	-7.7	2.0	1.31	657		
1504	FSCOX	Int'l Small Cap Opportunities	2.00%/90d	8.56	OK to Buy	-3.4	-0.2	46.3	12.2	-16.5	-0.9	1.48	346		
1597	FIVLX	International Value	1.00%/30d	7.15	OK to Sell	-4.8	-10.4	36.1	-4.2	-12.7	--	1.43	148		
350	FJPNX	Japan	1.50%/90d	9.79	OK to Sell	-3.8	-3.3	15.3	-7.5	-12.4	-2.7	1.11	830		
360	FJSCX	Japan Smaller Companies	1.50%/90d	7.88	OK to Sell	-4.8	-5.3	18.1	-9.9	-12.1	-7.9	1.23	291		
349	FLATX	Latin America	1.50%/90d	50.62	Buy	-0.8	-2.4	91.6	23.4	0.2	16.8	1.74	3,692		
342	FNORX	Nordic	1.50%/90d	27.02	OK to Buy	-6.2	-1.3	47.5	7.1	-12.0	1.9	1.59	353		
94	FOSFX	Overseas	1.00%/30d	27.04	OK to Sell	-5.1	-12.6	25.2	-9.8	-14.4	-0.8	1.28	5,124		
302	FPBFX	Pacific Basin	1.50%/90d	21.64	Buy	-0.5	6.6	59.3	15.6	-6.7	5.9	1.59	701		
351	FSEAX	Southeast Asia	1.50%/90d	26.05	OK to Buy↑	-0.8	2.4	39.2	16.1	-8.9	11.7	1.38	1,504		
399	FSIIX	Spartan Int'l Index <sup>4</sup>	1.00%/90d	30.70	OK to Sell	-3.5	-8.1	28.5	-2.5	-10.7	0.9	1.26	5,691		
1978	FTIEX	Total International Equity	1.00%/30d	6.35	OK to Buy	-3.2	-6.1	41.2	4.1	--	--	--	53		
318	FVWFX	Worldwide	1.00%/30d	15.05	Hold	-4.1	-6.4	28.5	2.3	-8.3	1.8	1.15	940		
<b>SELECT PORTFOLIOS</b>						<b>Category Averages</b>			<b>-4.6</b>	<b>-2.3</b>	<b>44.7</b>	<b>9.1</b>	<b>-6.0</b>	<b>1.5</b>	<b>1.39</b>
34	FSAIX	Air Transportation	0.75%/30d	35.47	OK to Buy	-6.8	11.4	22.3	32.6	-5.9	4.5	1.64	139		
502	FSAVX	Automotive	0.75%/30d	31.62	OK to Buy	-7.0	2.3	122.3	16.5	-6.5	-1.0	2.49	111		
507	FSRBX	Banking	0.75%/30d	14.80	Hold	-12.6	-2.9	5.1	-2.6	-18.8	-10.0	1.60	403		
42	FBIOX	Biotechnology	0.75%/30d	61.98	OK to Sell	-3.3	-5.4	10.8	-4.1	-2.1	0.7	1.03	975		
68	FSLBX	Brokerage & Investment	0.75%/30d	43.09	Hold	-7.6	-9.1	50.4	-8.8	-9.3	-0.5	1.50	450		
69	FSCHX	Chemicals	0.75%/30d	73.64	OK to Buy	-2.0	0.2	65.3	12.8	0.5	7.8	1.41	416		
518	FSDCX	Communications Equipment	0.75%/30d	20.70	Buy	-5.5	-0.3	80.7	13.7	-3.4	2.0	1.61	352		
7	FDCPX	Computers	0.75%/30d	43.18	OK to Buy	-6.0	-5.3	83.2	11.0	-2.1	3.9	1.40	428		
511	FSHOX	Construction & Housing	0.75%/30d	28.08	OK to Sell↓	-3.7	-3.3	22.9	-0.5	-8.3	-4.6	1.50	81		
517	FSCPX	Consumer Discretionary	0.75%/30d	19.24	Hold	-4.5	2.4	38.1	15.2	-5.7	-0.2	1.20	108		
9	FDFAX	Consumer Staples	0.75%/30d	60.66	Hold	-2.1	-0.1	20.9	7.8	0.9	7.1	0.79	811		
67	FSDAX	Defense & Aerospace	0.75%/30d	60.83	Hold	-7.4	0.8	24.9	14.8	-8.3	1.9	1.32	581		
8	FSELX	Electronics	0.75%/30d	34.61	Buy	-9.8	-16.5	85.0	-5.5	-10.5	-3.3	1.52	856		
60	FSENX	Energy	0.75%/30d	38.30	Hold	-5.3	-13.3	47.1	1.7	-11.4	0.1	1.65	1,740		
43	FSESX	Energy Service	0.75%/30d	50.97	Hold	-7.2	-12.3	62.0	1.0	-16.7	-1.1	1.95	1,015		
516	FSLEX	Environment & Alt Energy	0.75%/30d	15.05	Hold	-4.1	-3.2	17.2	5.3	-4.9	-0.4	1.08	56		
66	FIDSX	Financial Services	0.75%/30d	51.60	Hold	-11.1	-11.1	25.9	-10.3	-20.0	-9.3	1.48	382		
41	FSAGX	Gold	0.75%/30d	49.35	Hold↑	10.6	16.2	38.0	35.8	17.7	22.9	2.18	3,749		
63	FSPHX	Health Care	0.75%/30d	100.51	Hold	-3.1	-5.8	32.1	3.9	-3.9	0.5	0.90	1,465		
98	FSVLX	Home Finance	0.75%/30d	10.16	OK to Sell	-11.5	-7.2	1.9	-3.9	-33.6	-22.3	1.36	108		
510	FSCGX	Industrial Equipment	0.75%/30d	25.60	OK to Buy	-7.6	0.7	38.9	13.4	-7.4	2.3	1.50	166		
515	FCYIX	Industrials	0.75%/30d	18.39	OK to Buy	-7.2	1.5	38.9	14.1	-4.4	3.8	1.42	316		
45	FSPCX	Insurance	0.75%/30d	40.78	OK to Sell	-4.3	3.1	21.8	3.9	-13.4	-5.1	1.34	154		
353	FBSOX	IT Services	0.75%/30d	16.75	Hold	-4.3	-6.1	59.1	12.5	1.7	6.5	1.16	81		
62	FDLSX	Leisure	0.75%/30d	73.11	OK to Buy	-4.1	10.1	24.3	18.6	-0.7	4.8	1.12	287		
509	FSDPX	Materials	0.75%/30d	52.31	OK to Buy	-2.7	-3.0	78.7	12.2	-0.2	9.7	1.55	579		
505	FSHCX	Medical Delivery	0.75%/30d	39.12	Hold	-3.5	-9.1	49.0	4.1	-6.4	-1.6	1.28	367		
354	FSMEX	Medical Equipment	0.75%/30d	21.95	OK to Sell	-5.6	-10.3	32.6	-2.7	-1.3	2.3	0.93	1,136		
503	FBMPX	Multimedia	0.75%/30d	35.08	OK to Buy	-5.1	2.8	54.4	23.1	-3.8	1.3	1.31	128		
513	FSNGX	Natural Gas	0.75%/30d	26.66	Hold	-4.3	-15.3	56.3	-4.6	-11.5	-2.5	1.75	848		
514	FNARX	Natural Resources	0.75%/30d	25.49	Hold	-4.4	-10.4	51.7	5.6	-8.0	4.2	1.66	1,219		
580	FPHAX	Pharmaceuticals	0.75%/30d	10.76	Hold	0.6	-0.5	25.4	12.1	0.5	5.2	0.83	286		
46	FSRPX	Retailing	0.75%/30d	41.34	Hold	-2.6	-1.0	57.8	11.1	-0.4	3.5	1.24	138		
28	FSCSX	Software & Computer Svcs	0.75%/30d	70.80	OK to Buy	-2.7	-6.7	61.5	12.7	0.5	7.1	1.20	920		
64	FSPTX	Technology	0.75%/30d	73.20	Buy	-3.4	-3.0	90.3	16.8	-2.1	3.8	1.54	1,842		
96	FSTCX	Telecommunications	0.75%/30d	39.96	Hold	-1.6	0.4	51.6	15.0	-9.5	2.6	1.25	333		
512	FSRFX	Transportation	0.75%/30d	45.10	OK to Buy	-7.3	14.7	23.3	29.6	-1.5	4.6	1.30	318		
65	FSUTX	Utilities	0.75%/30d	46.06	Hold	1.7	3.4	14.4	10.3	-5.7	3.0	0.94	425		
963	FWRLX	Wireless	0.75%/30d	6.73	Hold	-2.3	-0.4	59.0	11.9	-7.1	2.6	1.32	273		

## FIDELITY SCORECARD - AUGUST 31, 2010

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			SEC %Yield	Dist <sup>7</sup> %Yield	Dur <sup>2</sup> (Yrs)	Tax-Equivalent Yield Federal Tax Bracket						
						Aug	YTD	2009				25%	28%	33%	35%			
<b>TAXABLE BOND</b>						<b>Category Averages</b>			<b>1.5</b>	<b>7.7</b>	<b>5.5</b>	<b>1.89</b>	<b>2.81</b>	<b>4.0</b>				
2208	FCBFX	Corporate Bond		10.44	Buy	2.2	0.0	--	--	--	--							
15	FGMNX	Ginnie Mae		11.94	Hold	0.5	7.2	6.9	2.44	2.82	0.5							
54	FGOVX	Government Income		10.97	Hold	1.6	7.2	1.3	1.63	2.33	4.2							
794	FINPX	Inflation-Protected Bond <sup>3</sup>		11.79	Hold	1.7	6.1	9.7	0.30	2.85	6.3							
32	FTHRX	Intermediate Bond		10.74	Buy	1.4	8.3	17.1	2.26	3.70	3.9							
452	FSTGX	Intermediate Gov't Income		11.21	Hold	1.1	6.3	0.9	0.98	1.87	3.6							
26	FBNDX	Investment Grade Bond		7.47	Buy	1.3	8.5	16.0	2.61	3.51	4.1							
40	FMSFX	Mortgage Securities		10.94	Hold	0.5	7.0	9.6	3.44	4.29	0.9							
450	FSHBX	Short-Term Bond		8.48	Buy	0.4	3.4	7.4	1.10	2.24	1.8							
1561	FIBIX	Sptn Interm Treas Index <sup>5</sup>		11.26	Hold	2.8	12.5	-5.0	1.93	2.86	6.6							
1562	FLBIX	Sptn Lng-Term Treas Index <sup>5</sup>		11.85	Hold	7.0	21.0	-13.4	3.20	3.49	13.7							
1560	FSBIX	Sptn Sht-Term Treas Index <sup>5</sup>		10.64	Buy	0.5	4.1	-0.1	0.56	1.54	2.6							
820	FTBFX	Total Bond		11.05	Buy	1.2	8.2	19.8	3.21	3.98	3.7							
651	FBIDX	U.S. Bond Index		11.67	OK to Buy	1.3	7.7	6.5	2.38	3.14	3.6							
812	FUSFX	Ultra-Short Bond	0.25%/60d	8.16	Hold	0.2	0.9	1.0	0.37	0.75	0.4							
<b>HIGH-YIELD BOND</b>						<b>Category Averages</b>			<b>0.6</b>	<b>6.8</b>	<b>44.0</b>	<b>5.66</b>	<b>5.77</b>					
38	FAGIX	Capital & Income	1.00%/90d	8.72	Buy ↑	-0.7	5.2	72.1	6.60	6.53	--							
814	FFRHX	Floating Rate High Income	1.00%/60d	9.54	OK to Buy	0.4	3.5	28.9	4.25	3.23	--							
1366	FHIFX	Focused High Income	1.00%/90d	9.19	Buy	0.6	7.8	35.1	6.02	6.87	--							
455	SPHIX	High Income	1.00%/90d	8.63	Buy	0.0	6.7	51.5	7.48	6.99	--							
331	FNMIX	New Markets Income	1.00%/90d	16.03	Buy	2.2	10.7	44.6	5.23	6.45	--							
368	FSICX	Strategic Income		11.21	Buy	0.9	6.9	31.8	4.36	4.57	--							
<b>NATIONAL MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>1.8</b>	<b>5.7</b>	<b>10.2</b>	<b>2.43</b>	<b>3.40</b>	<b>6.0</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
36	FLTXX	Interm Municipal Income	0.50%/30d	10.48	Buy	1.6	5.6	8.8	2.16	3.30	5.1	2.9	3.0	3.2	3.3			
37	FHIGX	Municipal Income	0.50%/30d	12.97	Buy	2.2	7.0	13.1	3.20	3.99	8.1	4.3	4.4	4.8	4.9			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.82	OK to Buy	0.9	3.4	5.6	1.19	2.33	2.8	1.6	1.7	1.8	1.8			
90	FTABX	Tax-Free Bond	0.50%/30d	11.19	Buy	2.3	7.0	13.3	3.18	3.97	7.9	4.2	4.4	4.7	4.9			
<b>STATE-SPECIFIC MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>2.1</b>	<b>6.3</b>	<b>11.1</b>	<b>2.59</b>	<b>3.51</b>	<b>7.0</b>				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.76	Hold	2.5	6.8	13.7	3.04	3.54	8.3	4.1	4.2	4.5	4.7			
91	FCTFX	California Muni Income	0.50%/30d	12.37	Hold	2.4	8.2	11.7	3.36	4.05	7.7	4.5	4.7	5.0	5.2			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.81	OK to Buy	1.0	4.0	6.2	1.13	2.31	3.0	1.5	1.6	1.7	1.7			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.84	Hold	2.3	6.3	11.0	2.30	3.20	6.9	3.1	3.2	3.4	3.5			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.30	Hold	1.9	6.0	13.8	2.38	3.32	7.0	3.2	3.3	3.6	3.7			
70	FDMXX	Mass Muni Income	0.50%/30d	12.32	Hold	2.4	7.1	12.7	2.77	3.69	7.8	3.7	3.8	4.1	4.3			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.24	Hold	2.1	6.0	9.3	2.80	3.77	6.8	3.7	3.9	4.2	4.3			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.79	Hold	1.9	6.0	9.9	2.17	3.37	6.3	2.9	3.0	3.2	3.3			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.93	Hold	2.0	6.4	11.8	2.59	3.64	7.2	3.5	3.6	3.9	4.0			
71	FTFMX	New York Muni Income	0.50%/30d	13.36	Hold	2.2	6.8	12.1	2.78	3.71	7.9	3.7	3.9	4.1	4.3			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.97	OK to Buy	2.0	5.8	11.1	2.81	3.75	7.6	3.7	3.9	4.2	4.3			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.12	OK to Buy	2.2	5.8	9.7	2.90	3.76	7.1	3.9	4.0	4.3	4.5			
<b>TAXABLE MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.02</b>	<b>0.45</b>	<b>0.05</b>						
55	FDRXX	Cash Reserves		1.00	--	0.01	0.04	0.61	0.09	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	0.02	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	0.02	0.62	0.07	na	na							
85	FSLXX	Select MM		1.00	--	0.01	0.08	0.67	0.16	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							
<b>MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.01</b>	<b>0.15</b>	<b>0.01</b>						
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			
<b>STATE MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.01</b>	<b>0.11</b>	<b>0.01</b>						
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 - AUGUST 31, 2010

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>
							Aug	YTD	2009	1 Year	3 Year	5 Year	
<b>FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS</b>													
9067	FLRQC	Fid VIP Asset Manager	Allocation		11.54	Hold	-2.2	0.4	28.7	8.6	-0.6	2.9	0.78
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		10.68	Hold	-3.5	-2.4	32.4	7.4	-3.5	1.5	1.00
9069	FJBAC	Fid VIP Balanced	Allocation		11.34	Hold	-3.7	-1.1	38.1	7.8	-3.0	2.4	0.93
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	9.57	Hold	-4.5	2.1	37.8	14.5	-5.7	-0.4	1.20
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	10.46	Hold	-2.1	-0.3	20.4	7.4	0.9	--	0.78
9065	FPDFC	Fid VIP Contrafund	Large Growth		10.24	Hold	-5.1	-5.0	35.3	4.7	-7.7	0.4	1.12
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		7.68	Hold	-7.2	-3.2	21.8	5.9	-9.3	--	1.18
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		10.18	OK to Buy	-7.6	-3.1	35.7	10.8	-8.7	0.2	1.18
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.63	Buy	-2.0	-2.0	75.1	17.1	--	--	--
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	10.79	Hold	-5.3	-13.2	47.4	1.8	-11.7	0.9	1.65
9061	FLOLC	Fid VIP Equity-Income	Large Value		8.67	Buy	-6.0	-5.8	29.8	1.2	-12.4	-2.6	1.17
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	6.03	Hold	-10.7	-10.6	27.0	-10.4	-20.0	-9.4	1.52
9157	FMPAC	Fid VIP FundsManager 20	Allocation		11.43	Hold	-0.2	2.6	10.0	5.6	1.9	--	0.27
9158	FMPBC	Fid VIP FundsManager 50	Allocation		10.40	Hold	-1.6	0.4	18.7	6.0	-2.1	--	0.59
9197	FMPCC	Fid VIP FundsManager 60	Allocation		9.16	Hold	-2.1	-0.3	22.2	6.2	--	--	--
9159	FMPCC	Fid VIP FundsManager 70	Allocation		9.51	Hold	-2.6	-1.6	24.1	5.7	-5.6	--	0.81
9160	FMPDC	Fid VIP FundsManager 85	Allocation		8.89	Hold	-3.5	-3.0	28.2	5.7	-8.0	--	0.97
9062	FMNDC	Fid VIP Growth	Large Growth		8.98	Hold	-4.7	-3.4	27.8	7.2	-10.8	-2.0	1.11
9070	FLFNC	Fid VIP Growth & Income	Large Blend		9.02	OK to Sell	-5.6	-7.4	26.8	0.3	-10.9	-2.1	1.04
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		8.59	Buy	-4.3	-3.7	45.2	9.6	-11.6	-2.8	1.36
9078	FPVDC	Fid VIP Growth Stock	Large Growth		9.68	OK to Buy	-3.8	-4.2	44.3	10.0	-6.0	-0.6	1.15
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		9.10	Hold	-5.0	-1.8	39.4	9.9	-10.5	-1.9	1.23
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	10.14	Hold	-3.3	-5.8	32.2	3.7	-3.9	0.2	0.89
9060	FBBLC	Fid VIP High Income	High-Yield Bond		13.22	Buy	0.3	7.2	43.4	17.8	5.3	5.6	0.69
9064	FXVLT	Fid VIP Index 500	Large Blend		9.33	Hold	-4.5	-4.8	26.3	4.6	-8.9	-1.3	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	12.07	OK to Buy	-7.5	1.1	39.6	13.7	-4.3	3.9	1.43
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	9.24	Buy	-3.4	-6.0	55.2	1.8	-10.8	-1.4	1.52
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		13.09	Buy	1.3	8.0	15.5	11.0	7.3	5.2	0.24
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	10.38	OK to Buy	-2.7	-3.1	77.6	12.0	-0.1	--	1.55
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		12.25	Hold	-0.3	5.3	39.6	17.5	-2.8	4.0	1.08
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.45	--	0.0	-0.1	0.4	-0.1	1.6	2.6	0.02
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	9.85	OK to Sell	-4.1	-8.5	26.1	-1.7	-11.7	0.0	1.23
9072	FFWKC	Fid VIP Real Estate	Sector		10.99	Hold	-2.0	14.5	37.2	34.6	-5.2	1.8	2.07
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		14.14	Buy	0.8	6.6	29.7	13.2	8.5	6.9	0.43
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	12.44	Buy	-3.2	-2.8	95.4	17.2	-1.5	4.3	1.54
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	7.61	Hold	-1.9	-0.8	47.5	13.5	-10.8	--	1.22
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	12.06	Hold	1.6	3.4	14.9	10.2	-5.3	3.6	0.95
9079	FKMSC	Fid VIP Value	Mid Value		8.73	Buy	-6.2	-3.5	42.1	5.5	-11.4	-2.6	1.44
9080	FUEBC	Fid VIP Value Leaders	Large Value		8.09	OK to Sell	-6.3	-7.7	27.4	-1.5	-13.6	-4.2	1.17
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		9.54	Buy	-5.8	-0.4	57.1	9.6	-9.7	-0.7	1.56
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l		9.41	OK to Sell	-3.2	-6.8	1.0p	--	--	--	--
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		13.47	Buy	-2.3	5.1	69.8	20.8	1.3	--	1.53
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		14.03	Buy	1.7	10.5	29.9	18.7	8.3	8.1	0.62
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		11.61	Buy	-1.3	1.1	69.4	18.3	-4.6	10.6	1.63
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		7.72	OK to Sell	-3.6	-5.4	15.7	-0.3	-13.0	-2.9	0.94
9146	FPRPC	Morgan Stanley Int'l Magnum	Diversified Int'l		8.26	Hold	-3.8	-9.7	32.2	-1.9	-11.5	0.0	1.29
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.58	Buy	0.5	4.1	1.6p	--	--	--	--
9277	FPNBC	Pimco VIT Real Return	TIPS		11.10	Hold	2.0	7.8	3.0p	--	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		10.97	Buy	1.4	8.3	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	18
Mrgn Stnly Emerg Mkt Debt	12
Fidelity VIP Equity-Income	11
<b>Total Return: Aug: -2.9% YTD: -0.3%</b>	

Annuity Growth & Income Model	
Fund	Allocation
Fidelity VIP Investment Grade	32%
Fidelity VIP Strategic Income	27
Fidelity VIP Value	15
Mrgn Stnly Emerg Mkt Debt	11
Fidelity VIP Growth Opportunities	11
Fidelity VIP Equity-Income	4
<b>Total Return: Aug: -1.6% YTD: 2.4%</b>	

Annuity Income & Preservation Model	
Fund	Allocation
Fidelity VIP Investment Grade	36%
Fidelity VIP Money Market	21
Fidelity VIP Strategic Income	20
Fidelity VIP Value	12
Mrgn Stnly Emerg Mkt Debt	11
<b>Total Return: Aug: -0.6% YTD: 3.1%</b>	

FUND PROFILE

## Danoff & Contrafund: 20 Years Of Excellence

If there's such a thing as a marriage made in heaven — or at least on Wall Street — the 20-year-old union between Will Danoff and his beloved **Contrafund** is as close as it gets.

Two decades ago this month, Fidelity hatched a round of “Musical Chairs” (our headline detailing the story at that time) affecting 10 funds, including many of their biggest. The trigger for these changes was the launch of **Equity-Income II** (a sequel that has never lived up to the stellar reputation of its namesake).

At that time, Will was a relative unknown outside Fidelity. However, we knew him as a talented assistant on **Magellan**, while more visibly running **Select Retailing**. Coupled with a prior stint as an analyst at Furman Selz, the 30-year-old Harvard- and Wharton-educated Danoff's experience suggested to us that he was well-suited for the job. And was he ever!

### Distant History

Like his recent predecessors, Will ignored Contra's implied strategy of

CONTRAFUND		
Fund Data		
Trading Symbol:	FCNTX	
Fund Size:	\$51.0 billion	
Expense Ratio:	0.96%	
Turnover Rate:	46%	
Relative Volatility:	0.92	
Market Cap	\$31.0 billion	
Foreign Exposure	19.1%	
# of Holdings	467	
Top 5 Sectors		
	Fund	Index <sup>1</sup>
Technology	31.6%	18.7%
Consumer Discretionary	18.0	10.1
Financials	10.3	16.3
Health Care	9.6	11.3
Consumer Staples	7.6	11.3
<sup>1</sup> Spartan 500 Index as a proxy for S&P 500		
Top 10 Holdings		
1. Apple	6. Visa	
2. Google	7. Coca-Cola	
3. Berkshire Hathaway	8. Walt Disney	
4. Wells Fargo	9. Nike	
5. McDonald's	10. TJX Cos	

## Contra's Will Danoff talks about ...



**Fidelity's Investment Edge:** “Technology has leveled the playing field. What has become more important is ... adding industry expertise. [Our] research scale is a competitive advantage.”

**Small-caps:** “[They] help you to understand the risks of bigger-cap companies. The difficulty ... is owning enough to make a difference in [fund] performance.”

**US Bonds:** “John Q. Public is saying, ‘I don’t want to lose money.’ But those investors are fighting the battle they should have fought two years ago.”

**Sector Bets:** “Financials feel like they’re picked over. Low interest rates and regulation are negatives, so I’m underweight ... despite lower valuations, the golden years for **Big Pharma** are [right now] over ... **Tech** offers growth at a reasonable price.”

**Stockpicking:** “The key is to find truly great companies at a fair price.” ■

investing in out-of-favor stocks. To wit, in September of 1990, prior manager Jeff Vinik handed Will a defensively positioned Contra with nearly 30% in cash and bonds — well suited to the 3.1% decline in the market that year. But early the next year, as the tide began to turn, Will shed his bonds and cash, in favor of gargantuan bets in high-flying technology stocks, financials and health care.

His aggressiveness paid off. Contra was Fidelity's #2-performing growth fund in 1991, gaining 54.9% versus 30.5% for the S&P 500! Suffice to say, Will was on his way to turning the \$330 million fund he inherited into Fidelity's largest stock fund. Assets today are \$51 billion. (Will also manages roughly \$10 billion more at the similarly run and advisor-sold New Insights fund.)

While 1991 was Contra's best-ever performance, both in absolute terms and relative to the S&P 500, the long-term mark of Will's success has been his management of risk. For example, Will has “only” beaten his S&P 500 benchmark in 11 of the past 19 full calendar years. But when he has, he's trounced the market by an average of 8.9%. Conversely, on the eight occasions when Contra trailed the S&P, he has held relative losses to an average of just 2.6%. This illuminates an important part of Will's strategy: he runs Fidelity's lowest-risk large-cap stock fund, while also

sporting one of the lowest portfolio turnovers at 58%. Notes Will, “I haven't hit more grandslams, I've just struck out less.”

Indeed. Over the past 20 years (Sept. 1990 to Aug. 2010), Contra has returned 918% versus 378% for Spartan 500 Index. In dollar terms, an initial \$100,000 investment in Contra is worth \$1,017,997 today, while Spartan 500 Index has grown to \$477,595.

That's not to say there haven't been periods when investors' pain wasn't great. Like most funds, the tech selloff (2000-2002) was Contra's worst three-year period. A banner 2003 (+28.0%) restored most of those losses, while the next four years were extraordinarily productive.

Remarking to us last month that “you have to be flexible in this business,” Will's “go-anywhere” investment style leads him to both growth and value stocks, and the broadest range of equities in terms of market caps. He's also moved assets abroad, made strategic use of fixed-income securities and, of course, increased the number of portfolio holdings. “As the fund has grown and changed, I've grown up with the fund. **What hasn't changed in 20 years is what we're looking for: people who can grow a business.**”

Of course, great fund returns attract assets, and Contra's reached

**Contrafund** cont'd on page 12

\$40 billion by 2000. Pundits worried that Contra's fate would eventually mimic the once-mighty Magellan, whose performance tumbled as assets soared. But, as shown in the chart on page 1, Contra's relative performance has actually improved since then.

**Recent History**

In comparative terms, the Great Bear Market of 2008 was no more painful for Contra's shareholders than most other stock fund investors, as its 37.2% decline was right in line with the S&P. But that was no consolation for Will. Neither was there comfort in the fact that Contra was Fidelity's best-performing large-cap growth fund that year. (The worst in this category was Magellan, which shed half its value!) "I should have done a lot better in '08," he admitted to us. On the other hand, he added: "You have to look forward."

And Will's doing exactly that.

**DIVIDEND UPDATE**

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

Blue Chip Growth, Blue Chip Value, Dividend Growth, Ginnie Mae, Gov't Inc., Growth & Inc., Inter Gov't Inc., Int'l Real Estate, Leveraged Company Stock, Low-Priced Stock, OTC, Real Estate Inc., Real Estate Investment, Small Cap Growth, Small Cap Value, Ultra-Short Bond, Value Discovery.

*The final distributions for August were as follows:*

Fund	Ex-Date	\$ Amt	NAV
Growth Discovery	8/6	0.03	11.46
Mega Cap Stock	8/6	0.04	8.85
Fidelity Fifty	8/6	0.05	15.07
Value Strategies	8/12	0.01	22.67

On a day that saw the Dow Industrials plunge 245 points, Will spoke to us in pragmatic terms about "the conflicting forces" in today's market (the same theme John Boyd laid out for members in last month's Market Outlook, "*Cognitive Dissonance*").

On the one hand, says Will, "corporate America continues to run their businesses in a very smart way: controlling costs and capital spending. They're generating lots of cash. What they can control, they're doing well."

The problem, he says, is "sluggish" revenue growth. Consumers are two-thirds of the U.S. economy and they aren't spending because "the macro environment is difficult." Big government deficits are "unsustainable, health care is unaffordable and Social Security is in trouble." He adds. "Wages are not keeping up."

In turn, Will sees "global opportunities, especially in Latin America and Asia, where economic growth rates trump those in the developed world. Accordingly, 19% of assets are outside the U.S., though a chunk of that consists of Canadian gold miners, which has been a helpful performance hedge on down days.

**Action Recommendation**

In strong markets, you may find a better-performing stock fund. But Will's patience in seeing a company's story manifest itself in the form of a higher share price is legendary. Contra isn't always our preferred stock fund, but we find it especially attractive in this challenging market (thus our *Buy* rating). Throughout Will's career on Contra, we've known him to be an excellent steward of his shareholder's money. We cannot provide a higher endorsement, nor think of a better manager to run this fund for (hopefully) the next 20 years! ■

— John Bonnanzio

**MESSAGE TO MEMBERS**

**Low Expenses Key To Performance Edge**

As far as public confessions go, this one's titillating — at least for those of us who rate funds!

Last month, Morningstar acknowledged that its "star" rating system is not a useful indicator of future performance. That didn't surprise us, as we all know that "past performance is no guarantee of future results." Yet its system of ranking funds suggests precisely that. Indeed, through our nearly 40 combined years of rating funds, we've regularly fielded this question: "Why are you buying a fund that only has "X" stars?"

Well, now even Morningstar can answer that question for us.

But to give them their due, they recognized something that we've

Stock Funds	Avg. Fund Exp. (%)*	
	Fidelity	Industry
Capital Appreciation	0.88	1.47
Equity Income	0.75	1.34
Growth	0.86	1.28
Growth & Income	0.79	1.02
International Stock	1.09	1.45
Mid-Cap	0.85	1.41
Small-Cap	1.06	1.51
<b>Bond Funds</b>		
General Muni Bond	0.37	1.02
High Yield Bond	0.77	1.24

\*Source: Lipper Inc. per Fidelity documents.

known for a very long time: that **one of the best predictors of relative future performance are fund expenses.**

On that score, few compare favorably against Fidelity. And, as our table above details, that advantage persists across asset classes.

Bottom line: Low expenses aren't the only reason for investing in a particular fund, or with Fidelity overall. But it's a very good starting point.

Sincerely,  
John Boyd &  
John Bonnanzio  
*editorial@mfi.com*

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