

# FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

APRIL 2011

VOLUME 27, NUMBER 4

## MARKET OUTLOOK

## Despite Severe Shocks, Stock Backdrop Still Positive

If as the poet T.S. Eliot wrote, "April is the cruellest month..." then this year at least, March may be the most sorrowful. One could not watch the haunting images that flickered daily across our TV screens of slaughter on the streets of Tripoli and Zawiya, or the obliteration of whole towns on the northern coast of Japan, or the ominous smoldering reactors of the Fukushima Daiichi nuclear power plant, without feeling immense sadness for the people of Libya and Japan. Our thoughts and prayers go out to them.



John M. Boyd

Along with the immediate concerns for those directly affected, we also faced anxiety about what lay ahead; how these two events might impact economies and markets

See pages 3 and 8 for details on our  
**Model Portfolio trades.**

around the globe. (In the face of such overwhelming human tragedy, I feel uneasy making this segue, but as they say, we have a job to do.) Indeed, the one-two punch of a worsening situation in Libya and the devastating earthquake and tsunami in Japan, were significant shocks, but at the end of the month, our stock market was still standing. The S&P 500 was flat, but the average Fidelity

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## DELEVERAGING WELL UNDERWAY

Household Financial Obligations  
as % of Disposable Personal Income



Source: St. Louis Federal Reserve

With the collapse of the credit bubble, a key to restoring the consumer back to full health is the need to "de-leverage," that is to reduce the amount of debt relative to income. The chart shows the total estimated household financial obligations, including debt service for mortgages, auto loans, credit cards (and even rent), as a percentage of total disposable income. While the actual percentages should be taken with a grain of salt due to the difficulty of estimation, the direction is clear, deleveraging is well underway.

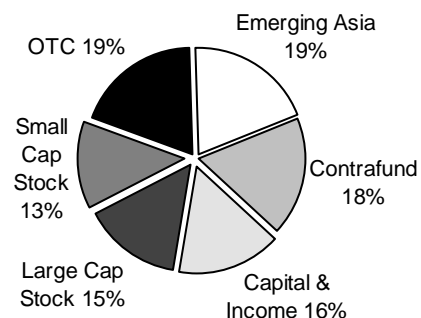
domestic equity fund managed a gain of almost 1%. (International funds were hurt more, especially those with exposure to Japan, but even there stocks recovered from their worst levels.) For those of you old enough to remember John Cameron Swayze's iconic commercials, perhaps we should label this the "Timex" market — "it takes a licking and keeps on ticking."

The fact that stocks could absorb two such "Black Swan," or at least Black-Swan-like, events without a major selloff is certainly a testimony to the market's underlying strength. (Roughly speaking, so-called Black Swans are random events outside the normal range of probability that defy prediction, and have a significant impact.)

But, while these two events are horrific in their impact on human lives, fortunately, their effect on the world economy should be more muted. Yes, growth will slow. Citing concern over rising oil prices and the blow to Japan, J.P. Morgan economists recently lowered their forecast for 2011 global GDP growth from 4.0% to 3.4%, and

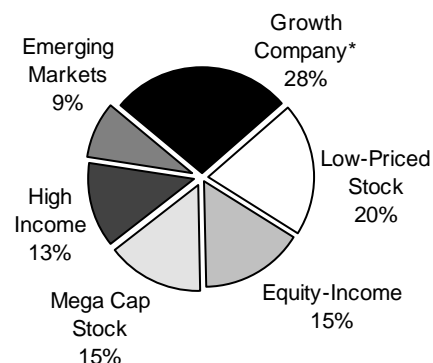
# FIDELITY INSIGHT MODEL PORTFOLIOS - MARCH 31, 2011

Aggressive Growth Model		Rel Vol: 1.08	Est. Yield: 1.1%	YTD Return: 5.7%		
Current Asset Allocation		Stocks 83.7%	Bonds 0.0%	Cash 1.9%	Alternative <sup>1</sup> 14.4%	Foreign 27.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	Mar Ret
OTC	FOCPX	19%	\$60.26	542.94	\$32,717	1.2%
Emerging Asia	FSEAX	19	31.40	1,042.38	32,731	7.1
Contrafund	FCNTX	18	70.99	425.31	30,193	0.2
Capital & Income	FAGIX	16	9.79	2,695.20	26,386	0.1
Large Cap Stock	FLCSX	15	18.58	1,340.24	24,902	-0.9
Small Cap Stock	FSLCX	13	20.90	1,086.39	22,706	0.0
Current Value (4/7/99 = \$100,000)					\$169,634	1.4%



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

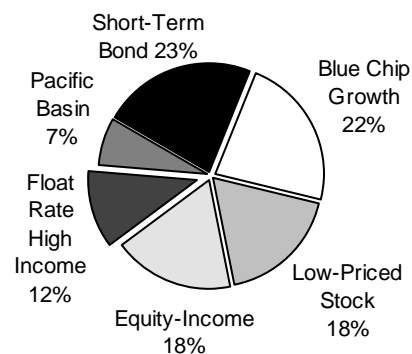
Growth Model		Rel Vol: 1.04	Est. Yield: 1.2%	YTD Return: 5.9%		
Current Asset Allocation		Stocks 83.3%	Bonds 0.3%	Cash 3.9%	Alternative <sup>1</sup> 12.5%	Foreign 20.4%
Holdings	Ticker	Alloc	NAV	Shares	Value	Mar Ret
Growth Company*	FDGRX	28%	\$90.04	3,582.28	\$322,549	2.2%
Low-Priced Stock	FLPSX	20	40.76	5,818.27	237,153	1.2
Equity-Income	FEQIX	15	47.11	3,711.25	174,837	0.4
Mega Cap Stock	FGRTX	15	10.50	16,045.29	168,476	-1.2
High Income	SPHIX	13	9.16	17,124.31	156,859	0.3
Emerging Markets	FEMKX	9	26.73	3,812.35	101,904	5.5
Current Value (1/1/87 = \$100,000)					\$1,161,777	1.2%



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

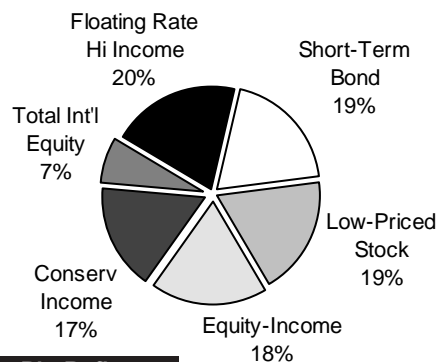
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.78	Est. Yield: 0.9%	YTD Return: 3.6%		
Current Asset Allocation		Stocks 62.3%	Bonds 22.1%	Cash 5.6%	Alternative <sup>1</sup> 9.9%	Foreign 9.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	Mar Ret
Short-Term Bond	FSHBX	23%	\$8.46	25,720.14	\$217,592	0.0%
Blue Chip Growth	FBGRX	22	47.95	4,403.36	211,141	0.3
Low-Priced Stock	FLPSX	18	40.76	4,101.41	167,173	1.2
Equity-Income	FEQIX	18	47.11	3,518.92	165,776	0.4
Floating Rate Hi Income	FFRHX	12	9.87	11,188.82	110,434	0.0
Pacific Basin	FPBFX	7	25.86	2,596.92	67,156	-1.0
Current Value (1/1/87 = \$100,000)					\$939,273	0.3%



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: 0.57	Est. Yield: 1.1%	YTD Return: 2.9%		
Current Asset Allocation		Stocks 40.6%	Bonds 18.3%	Cash 23.6%	Alternative <sup>1</sup> 17.5%	Foreign 14.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	Mar Ret
Floating Rate Hi Income	FFRHX	20%	\$9.87	11,809.37	\$116,558	0.0%
Short-Term Bond	FSHBX	19	8.46	12,727.33	107,673	0.0
Low-Priced Stock	FLPSX	19	40.76	2,586.61	105,430	1.2
Equity-Income	FEQIX	18	47.11	2,166.09	102,045	0.4
Cash Reserves	FDRXX	17	1.00	94,060.99	94,061	0.0
Total Int'l Equity	FTIEX	7	7.73	4,994.01	38,604	0.1
Current Value (1/1/87 = \$100,000)					\$564,371	0.3%



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.

**Pie Reflects 3/31 Trade**

<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.

other economists have made similar estimates. That will have an impact on our own GDP growth and corporate earnings. Exports now account for almost 13% of our total output, up from 10% a decade ago, and now stand at the highest level since the government began keeping records in 1929. Moreover, export gains have been a leading engine of our economic recovery, accounting for almost half of GDP growth since the recovery began. In response, one economic forecasting firm has reduced their first quarter U.S. GDP growth to 2.3% (it was 3.1% in the fourth quarter of 2010).

While slowing GDP and earnings make stocks less attractive than before, it doesn't significantly change the basic story of why stocks are our preferred asset class for 2011.

**Stock Valuations Attractive**

There are a couple of ways to look at current valuations, or P/Es, on stocks relative to history. There are P/Es based on operating earnings (which exclude "extraordinary" or "one-time" items) and P/Es based on reported earnings, or what companies actually report to the tax-man. The current P/E of the S&P 500 based on operating earnings is around 15.0, versus an average of about 20.0 over the past two decades. Based on reported earnings, which have a much longer history, the P/E is 16.3 versus an average of 15.7 since 1935 (and an average of 27 for the last 20 years). On balance, the market is cheap relative to recent history and reasonably valued relative to the longer-term.

Compared to bonds stocks are extremely cheap. Last November, we noted that the ratio of the earnings yield of the S&P 500 to the yield on the 10-Year Treasury was 2.3, versus an historical average of just under 1.0, making stocks extremely undervalued versus Treasury bonds. As Treasury yields have increased this year, that ratio has declined a bit to 1.8, but it

**WHICH FUNDS SHOULD YOU BUY NOW!**

**Equity Funds:** **Blue Chip Growth**, **Growth Co** and **OTC** are our top large-cap growth picks, while **Equity-Income** is a good value play. **Low-Priced Stock** and **Small Cap Stock** ply the mid- and small-cap arenas; **Contrafund** is a conservative "all-cap" approach to growth investing.

**Taxable Bond Funds:** **Short-Term Bond**, with its short duration, is less interest-rate sensitive. **Conservative Income** will get you a bit more yield than a money market fund (see p. 4).

**International Funds:** **Emerging Asia** and **Emerging Markets** are long-term, volatile equity plays in the developing markets. **Pacific Basin** and **Total International Equity** provide broader exposure and less risk.

**High Yield Fund:** **Capital & Income** is an aggressive play on improving corporate balance sheets. **High Income** is a bit less risky and **Floating Rate High Income** is the most conservative high-yield option. ■

is still nearly twice the historic norm. Of course, as Treasury yields have risen, their prices have fallen and all of Fidelity's Treasury and government bond funds are in the red so far this year (see *Fund Commentary* on p. 5). That is why within bonds, we have favored funds with at least some corporate exposure and especially high-yield, which have solidly outperformed government debt.

**Earnings Growth Still Solid**

While corporate earnings estimates will likely start coming down in response to slowing GDP, the dropoff is unlikely to be more than a couple of percentage points. For the full year 2011, earnings growth should still be in the double-digits.

**Of Course, Risks Remain**

Certainly there are still risks to our

outlook. If we were to encounter yet another Black Swan disaster, that could strain the world's ability to finance recovery efforts, with debt burdens already extremely high. Oil could spike even higher, and if it gets over \$150 that could spell real trouble. And here at home, housing looks like it will remain very weak for a long time.

But the overall picture is still one of a continued gradual economic recovery. Moreover, the Fed remains committed to making sure that recovery stays on track. Of course, that is no guarantee of their success, but as a stock fund investor, it's always nice to have the Fed on your side.

Bottom-line: This is not the time to throw caution to the wind, but even acknowledging the risks, stocks remain your best bet. ■

— John M. Boyd

**MODEL PORTFOLIO TRADES**

As announced on our March 25 Hotline, on Thursday, March 31, we made trades in the Select Model and Income and Preservation Model as detailed below.

Action	Fund (ticker)	Shares	Price	Value	Old %	New %
<b>Select Model</b>						
Sold:	Leisure (FDLSX)	175.53	\$92.00	\$16,149.20	15%	0%
Bought:	Natural Gas (FSNGX)	435.64	\$37.07	\$16,149.20	0%	15%
<b>Income &amp; Preservation Model</b>						
Sold:	Cash Reserves (FDRXX)	94,060.99	\$1.00	\$94,060.99	17%	0%
Bought:	Conserv Inc Bnd (FCONX)	9,406.10	\$10.00	\$94,060.99	0%	17%

**Natural Gas** should benefit from both Japan's need to replace the lost power from its nuclear plants as well as a diminished future for nuclear power in general. (See p. 8 for further details.)  
**Note:** Select funds have a redemption fee of 0.75% on shares held fewer than 30 days.  
**Conservative Income Bond** offers a higher yield than money markets with less overall risk than **Ultra-Short Bond**. (See story on p. 4 for more details.)

NEW FUND

## Conservative Income Offers More Yield

With money market funds yielding essentially nothing, Fidelity has responded to investors' desire for more



Kim Miller

income-producing funds by introducing **Conservative Income Bond** [ticker: FCONX].

Essentially, the new fund holds many of the securities that the SEC either prohibits or limits from being in money market funds. Since one money market fund imploded during the 2008 debt crisis, the government has been trying to make such funds "safer" by improving credit standards and shortening maturity dates. If fully implemented, it's unlikely that money markets will ever provide the same inflation-adjusted yields they have for decades.

Regardless, the new offering holds a mix of investment-grade (high quality) short-term debt, including Treasuries, corporate bonds and money markets. However, a small allocation of up to 5% may be in high-yield bonds, plus an allocation of up to 20% in long-term floating-rate notes. Such debt carries higher credit risk than Treasuries. Couple that with the fund's average maturity of 270 days versus only about 30 for a money market fund, and Conservative Income should produce a yield that's roughly 30 basis points (0.30%) higher than a money market fund.

Most notably, the fund has an interesting innovation: its manager will try to maintain a steady NAV of \$10 per share, but this feature will not be given the same top priority as a money market fund's constant \$1.00 NAV. (If a constant \$10 NAV were a "certainty," the fund might offer checkwriting, but it does not.)

The fund is benchmarked against Barclays Capital 3-6 Month U.S. Treasury Bills Index, which is a bit problematic for us because the fund

holds riskier securities. Indeed, Fidelity has given itself plenty of wiggle room for the fund to beat its more conservative benchmark. Regardless, Conservative Income is an innovative option for income-oriented investors, and we applaud Fidelity's fixed-income department for its ingenuity.

So where would this hybrid fund fit in an investor's portfolio?

While we're loath to call it a money market alternative (because the fund is definitely riskier in terms of credit and interest-rate risk), it is a safer alternative to both **Ultra-Short Bond's** 1.3 year average maturity and its more "adventuresome" holdings. This new fund will perhaps have an easier time attracting assets than Ultra, given that fund's poor record

in recent years.

Conservative Income is managed by James "Kim" Miller who joined Fidelity in 1991 as a muni bond analyst. In 2001, he moved to muni money market funds and has since run taxable funds, too.

### Action Recommendation

Conservative Income has an expected expense ratio of 0.40% (which is in line with Fidelity's other taxable bond funds) while it requires a minimum initial investment of \$2,500. Dividends are paid monthly.

We rate it *Buy* for conservative, income-oriented investors who are looking for a higher-yielding alternative to money markets, and less overall risk than Ultra-Short Bond. ■

BOND FUND RISK MATRIX							
		Credit Risk					
		Lower			Higher		
Interest Rate Risk	Higher	Spartan Long-Term Treasury					Higher
		Spartan Intermediate Treasury		Corporate Bond			
		Inflation-Protected					
		Gov't Income	Invest Grade U.S. Bond Index Total Bond	Strategic Income	Capital & Income Focused High Income		Interest Rate Risk
		GNMA Interm Gov't Inc Spartan Short-Term Treasury	Intermediate Bond Mortgage Securities		High Income Floating Rate High Income		
Lower	Cash Reserves	Short-Term Ultra-Short <b>Conservative Income</b>				Lower	
		Lower			Higher		
		Credit Risk					

*This risk matrix shows where Fidelity's new Conservative Income Bond (shown in **Bold**) fund "fits" (in terms of credit and interest-rate risk) relative to their 15 other investment-grade taxable bond funds, five high-yield funds and **Cash Reserves**, which is a money market, not a bond fund. Whereas as all three Treasury index funds have the least amount of credit risk (essentially zero), **Spartan Intermediate Treasury** and especially **Spartan Long-Term Treasury** have a fair amount of interest-rate risk. On the other hand, **Conservative Income** has some credit-risk (more than a Treasury fund), but offers the least amount of interest-risk among bond funds (even less than **Ultra-Short Bond**).*

## Stocks Book Fourth Month Of Gains

It was a close call. But by the time the closing bell of the New York Stock Exchange could be heard, most



John Bonnanzio

major stock indexes finished March (and the first quarter) in positive territory — though just barely. For the month, the large-cap S&P 500 and tech-rich Nasdaq

Composite finished flat, and the Dow Jones Industrials gained 0.9%. However, small-caps (as measured by the Russell 2000) popped 2.5%.

As pointed out in *Market Outlook* (p. 1), some stocks made headway last month in spite of very formidable and worrisome developments far from our shores. Of course, as Japan is the world's third-biggest economy (just behind China), and as the Mideast is very much about oil, the human and financial dimensions of these unrelated developments still warrant close consideration.

With that in mind, **Japan** fund (down 10.8%) and **Japan Smaller Companies** (down 10.1%) suffered in March. But the damage didn't bleed much into other parts of the region. Two of our smaller model portfolio positions, with modest direct Japan holdings, fared okay: **Pacific Basin** fell a modest 1.0% and **Total International Equity** was up a fraction (0.1%). Meanwhile, our model portfolio holdings **Emerging Asia** and **Emerging Markets** were among the best performing of all Fidelity funds last month, gaining 7.1% and 5.5%, respectively. (To learn more, "Our Strategy For Japanese And U.S. Stocks" is posted on our website.)

More broadly, the average return of Fidelity's 24 international stock funds was -0.3%, while **Spartan International Index** (a proxy for developed market stocks) fell 2.5%.

## Stock Funds

Closer to home, the average Fidelity stock fund gained about 1% last month. While by-and-large, smaller-cap funds out paced larger-cap ones, there were so many exceptions that generalizing distorts the picture.

A better way to explain last month's performance-drivers is to look at industry weights. For example, with world events causing increased volatility, holding more defensive stocks helped. Notably, Fidelity's four health-related Select funds were among last month's top-performers (even **Biotechnology**, which isn't at all defensive). So if a fund held pharmaceuticals, for example, it probably fared well. Then again, energy (boosted by both the events in the Mideast and Japan) and economically sensitive cyclicals (**Chemicals, Transportation, Materials**) also performed well.

Apart from the emerging markets funds, other portfolio holdings that fared well versus the market were **Growth Co** (up 2.2%), while **OTC** and **Low-Priced Stock** both gained up 1.2%. Under-performers came from both extremes of the market-cap spectrum: **Mega-Cap Stock** fell 1.2% and **Small Cap Stock** was unchanged for the month.

## Fixed Income Funds

Despite investors' mixed feelings on the economy, high-yield funds enjoyed modest gains in March. **New**

**Markets Income** jumped 1.6%, while fractional gains were scored by **Capital & Income, High Income** and **Floating Rate High Income**.

Among taxable funds, modest gains were also achieved. For the most part, shorter-duration and Treasury-laden funds were laggards. However, **Inflation-Protected Bond**, which is chock-full of Treasury Inflation Protected Securities (TIPS), popped 1.0% in March amid some inflation concerns. (Although this fund's yield is negligible, and it can lose money over the short-term should long-term interest rates rise faster than inflation, we've modestly upgraded its rating to *OK to Buy*.)

On the municipal bond front, only **California Short-Intermediate** and **Short-Intermediate Muni** (which holds a lot of California debt) made headway last month, rising 0.3% and 0.2%, respectively. Some progress on that state's budget (a combination of budget cuts and higher taxes) has bolstered confidence in its ability to close its deficit. We rate these two funds higher than all their other "OK to Sell"-rated peers. That said, we're watching munis closely for possible upgrades based, in part, on a dearth of new supply and investors continuing to pull money out of this asset class.

Finally, **Cash Reserves** is now yielding 0.02%, up from 0.01% a month earlier. ■

— John Bonnanzio

## APRIL SCORECARD RATING CHANGES

Fund	Ratings		Comments
	Old	New	
Conservative Income		<b>B</b>	Launched last month; see p. 4 for details.
Corporate Bond	H	B ↑	Squeezes more yield from investment-grades.
Fidelity Fund	S	H ↑	Departure from "closet" indexing is paying off.
Fifty	H	B ↑	Steve DuFour has taken the reigns of this fund.
Inflation-Protected Bd	H	B ↑	This is a good way to hedge long-term inflation.
Pimco VIT Real Ret	H	B ↑	This is a good way to hedge long-term inflation.
Sel Electronics	B	H ↓	Higher oil prices could slow global spending.
Sel Leisure	<b>B</b>	H ↓	Fast-food holdings are being squeezed by costs.
Sel Natural Gas	H	<b>B</b> ↑	Higher need for safe, clean energy (see p. 8).
Tax Managed Stock	<b>S</b>	H ↑	We like new mid-cap focus and energy stake.
Value Discovery	<b>S</b>	H ↑	Financial holdings are less likely to drag on fund.

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

## FIDELITY SCORECARD - MARCH 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)		
						Mar	YTD	2010	1 Year	3 Year	5 Year				
Comparative Indexes		S&P 500 (Large cap)*				0.0	5.9	15.0	15.6	2.3	2.6	1.00			
		Nasdaq Composite (OTC)*				0.0	5.0	17.8	16.9	7.7	4.3	1.13			
		MSCI EAFE (International)*				-2.5	3.4	7.7	10.4	-2.9	1.4	1.25			
		Sptn Extd Mkt (Small-mid caps)				2.0	7.9	28.6	26.4	8.9	5.3	1.19			
		Barclays Aggregate Bond*				-0.1	0.3	6.3	4.9	5.0	5.4	0.18			
<b>LARGE CAP GROWTH</b>						<b>Category Averages</b>			<b>0.6</b>	<b>6.5</b>	<b>18.6</b>	<b>19.6</b>	<b>4.7</b>	<b>3.9</b>	<b>1.1</b>
312	FBGRX	Blue Chip Growth		47.95	Buy	0.3	5.7	19.6	19.6	8.0	5.4	1.09	\$12,545		
307	FDCAX	Capital Appreciation		26.55	OK to Buy	-0.1	4.8	18.3	14.1	4.7	2.4	1.13	4,943		
22	FCNTX	Contrafund		70.99	Buy	0.2	4.9	16.9	18.4	3.9	4.9	0.88	63,412		
332	FEXPX	Export and Multinational	0.75%/30d	22.92	OK to Sell	0.1	5.1	11.9	13.3	2.1	2.0	1.07	2,488		
500	FFTYX	Fifty		18.68	OK to Buy↑	0.8	6.0	17.8	18.0	0.5	0.4	1.16	830		
333	FTQGX	Focused Stock		14.77	OK to Buy	0.2	8.2	24.1	27.9	7.8	6.1	1.00	411		
25	FDGRX	Growth Company (closed)		90.04	Buy	2.2	8.3	20.6	23.1	7.2	6.0	1.07	29,883		
339	FDSVX	Growth Discovery		14.80	Buy	0.9	8.2	24.0	25.9	2.2	4.5	1.10	904		
73	FDFFX	Independence		25.98	OK to Buy	1.8	6.7	22.2	21.5	1.4	5.0	1.36	4,311		
763	FSLGX	Large Cap Growth		10.47	OK to Buy	1.1	7.5	19.8	22.9	4.9	0.4	1.02	128		
1829	FLGEX	Large Cap Growth Enhcd Index		10.27	Hold	0.8	6.9	14.0	16.9	5.3	--	0.98	71		
338	FLCSX	Large Cap Stock		18.58	Buy	-0.9	5.5	18.2	15.3	4.3	3.7	1.27	1,058		
21	FMAGX	Magellan		75.56	OK to Sell	-0.4	5.4	12.4	12.8	-1.2	0.4	1.27	19,412		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	36.95	OK to Buy	0.0	5.0	17.8	16.9	7.7	4.3	1.13	337		
93	FOCPX	OTC		60.26	Buy	1.2	9.7	20.1	24.6	11.8	8.5	1.24	6,348		
320	FDSSX	Stock Selector All Cap		27.28	Hold	0.6	6.0	19.2	19.1	2.0	2.7	1.05	923		
5	FTRNX	Trend		72.44	OK to Buy	1.1	7.5	19.8	22.7	6.6	5.8	1.09	1,123		
<b>LARGE CAP BLEND</b>						<b>Category Averages</b>			<b>0.5</b>	<b>6.4</b>	<b>14.8</b>	<b>15.7</b>	<b>1.0</b>	<b>1.5</b>	<b>1.08</b>
315	FDEQX	Disciplined Equity		24.01	Sell	1.1	6.6	8.3	10.4	-1.3	0.5	1.00	8,992		
330	FDGFY	Dividend Growth		30.22	Buy	0.5	6.3	21.2	20.8	7.2	4.2	1.29	10,099		
3	FFIDX	Fidelity Fund		34.43	Hold↑	0.4	7.1	14.6	17.8	1.5	3.3	1.04	5,345		
27	FGRIX	Growth & Income		19.13	Hold	-0.5	4.5	14.6	13.2	-6.9	-4.9	1.20	5,591		
1827	FLCEX	Large Cap Core Enhcd Index		9.14	OK to Sell	0.6	6.9	12.2	14.5	1.9	--	0.96	868		
361	FGRTX	Mega Cap Stock		10.50	Buy	-1.2	5.1	14.4	13.9	1.9	2.3	1.05	732		
650	FUSEX	Spartan 500 Index <sup>4</sup>		47.11	Hold	0.0	5.9	15.0	15.6	2.3	2.6	1.00	27,900		
397	FSTMX	Spartan Total Mkt. Index <sup>4</sup>	0.50%/90d	38.73	Hold	0.4	6.3	17.4	17.6	3.6	3.1	1.03	5,613		
343	FTXMX	Tax Managed Stock		13.59	Hold↑	3.0	9.1	14.7	18.1	-0.7	1.1	1.09	74		
832	FVDFX	Value Discovery		15.61	Hold↑	0.6	6.6	15.4	15.3	0.7	1.4	1.17	611		
<b>LARGE CAP VALUE</b>						<b>Category Averages</b>			<b>0.5</b>	<b>6.5</b>	<b>12.2</b>	<b>12.7</b>	<b>-1.1</b>	<b>-0.2</b>	<b>1.11</b>
1271	FBCVX	Blue Chip Value		11.49	Sell	1.1	6.3	10.1	10.1	-3.1	-1.2	1.18	485		
23	FEQIX	Equity-Income		47.11	Buy	0.4	6.4	15.1	15.4	0.9	1.4	1.16	10,219		
319	FEQTX	Equity-Income II		19.41	Buy	0.2	6.4	13.5	14.1	-0.1	0.5	1.13	5,175		
708	FSLVX	Large Cap Value		11.13	OK to Sell	-0.2	5.8	9.3	9.4	-3.0	-1.5	1.07	701		
1828	FLVEX	Large Cap Value Enhcd Index		7.99	OK to Sell	0.9	7.5	12.7	14.4	-0.3	--	1.00	88		
<b>MID-CAP GROWTH</b>						<b>Category Averages</b>			<b>1.7</b>	<b>6.9</b>	<b>23.1</b>	<b>21.2</b>	<b>6.5</b>	<b>2.6</b>	<b>1.21</b>
324	FDEGX	Growth Strategies	1.50%/90d	21.54	Buy	1.4	5.4	25.6	22.0	5.5	2.7	1.16	2,085		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	10.48	Hold	2.0	8.5	22.4	24.4	7.7	--	1.13	67		
793	FMSGX	Mid Cap Growth	0.75%/30d	13.13	Buy	1.3	5.6	25.2	21.9	4.2	-0.4	1.27	316		
337	FMCSX	Mid-Cap Stock	0.75%/30d	30.89	Hold	2.6	7.1	23.6	19.0	7.4	3.3	1.36	7,007		
300	FMILX	New Millennium		31.40	OK to Buy	1.5	7.8	18.9	18.9	7.6	4.9	1.14	1,937		

**Notes:** \*Fidelity's 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 versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. <sup>2</sup> Duration is a measure of interest rate sensitivity. <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 Southeast Asia. <sup>7</sup> Distributed yield is calculated by taking a fund's actual distributions over the past year divided by its current NAV. <sup>8</sup> Formerly Home Finance. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

### 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	'10
AG													31.4	-8.4	-20.9	-15.8	36.6	14.8	17.9	14.2	14.5	-42.0	28.6	10.8
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	11.5
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	9.9
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	6.4

## FIDELITY SCORECARD - MARCH 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)		
						Mar	YTD	2010	1 Year	3 Year	5 Year				
<b>MID-CAP BLEND</b>						<b>Category Averages</b>			<b>1.3</b>	<b>7.0</b>	<b>25.1</b>	<b>22.6</b>	<b>6.0</b>	<b>4.5</b>	<b>1.37</b>
122	FLVCX	Leveraged Company Stock	1.50%/90d	30.70	Buy	0.7	8.0	24.5	25.1	2.3	4.3	1.65	\$4,567		
316	FLPSX	Low-Priced Stock	1.50%/90d	40.76	Buy	1.2	6.2	20.7	18.3	7.2	4.9	1.12	28,360		
398	FSEMXX	Spartan Extended Mkt Index <sup>4</sup>	0.75%/90d	41.17	Hold	2.0	7.9	28.6	26.4	8.9	5.3	1.19	4,603		
14	FSLSX	Value Strategies		29.54	Buy	1.4	6.1	26.5	20.8	5.7	3.6	1.53	374		
<b>MID-CAP VALUE</b>						<b>Category Averages</b>			<b>1.5</b>	<b>7.6</b>	<b>23.8</b>	<b>21.7</b>	<b>5.4</b>	<b>3.1</b>	<b>1.35</b>
762	FSMVX	Mid Cap Value	0.75%/30d	17.18	Hold	2.0	7.7	25.4	22.9	7.1	3.9	1.25	697		
39	FDVLX	Value		73.78	Hold	1.0	7.4	22.3	20.5	3.7	2.2	1.45	7,999		
<b>SMALL CAP GROWTH</b>						<b>Category Averages</b>			<b>2.8</b>	<b>8.4</b>	<b>28.8</b>	<b>29.0</b>	<b>7.4</b>	<b>3.6</b>	<b>1.25</b>
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	10.94	Hold	2.1	8.4	26.1	27.3	7.6	--	1.19	119		
1388	FCPGX	Small Cap Growth	1.50%/90d	16.93	Buy	3.6	7.9	26.6	26.4	8.3	4.6	1.23	1,438		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	20.15	Buy	2.8	8.9	33.7	33.4	6.5	2.6	1.34	1,983		
<b>SMALL CAP BLEND</b>						<b>Category Averages</b>			<b>0.7</b>	<b>7.5</b>	<b>27.7</b>	<b>25.8</b>	<b>13.9</b>	<b>7.0</b>	<b>1.38</b>
384	FSCRX	Small Cap Discovery	1.50%/90d	22.17	OK to Buy	1.4	8.3	32.4	30.8	17.1	8.8	1.34	1,881		
340	FSLCX	Small Cap Stock	2.00%/90d	20.90	Buy	0.0	6.6	23.0	20.8	10.7	5.3	1.42	4,534		
<b>SMALL CAP VALUE</b>						<b>Category Averages</b>			<b>0.9</b>	<b>6.0</b>	<b>25.1</b>	<b>21.5</b>	<b>12.7</b>	<b>5.5</b>	<b>1.29</b>
1389	FCPVX	Small Cap Value	1.50%/90d	16.54	Hold	0.9	6.0	25.1	21.5	12.7	5.5	1.29	2,103		
<b>SPECIALTY</b>						<b>Category Averages</b>			<b>-0.3</b>	<b>2.4</b>	<b>16.1</b>	<b>15.8</b>	<b>-1.0</b>	<b>3.0</b>	<b>1.33</b>
2063	FOTTX	130/30 Large Cap		7.92	OK to Sell	1.9	9.4	9.7	14.3	-7.0	--	1.03	24		
304	FBALX	Balanced		18.99	Hold	0.2	4.2	13.8	13.8	4.0	4.0	0.76	17,607		
308	FCVSX	Convertible Securities		27.17	Buy	-0.2	6.8	20.9	21.4	5.7	6.7	1.26	2,652		
1960	FDYSX	Dynamic Strategies		9.89	Hold	1.1	3.5	15.0	15.4	4.9	--	0.77	242		
355	FFNOX	Four-in-One Index		28.25	Hold	-0.4	4.6	13.7	14.1	2.8	3.2	0.91	2,429		
334	FGBLX	Global Balanced	1.00%/30d	23.14	Hold	-0.5	3.8	12.5	14.4	4.4	6.3	0.75	546		
2120	FFGCX	Global Commodity Stock	1.00%/30d	18.13	Buy	0.1	5.8	18.1	22.9	--	--	--	688		
1368	FIREX	International Real Estate	1.50%/90d	9.23	Sell	-2.7	-1.6	14.5	13.5	-6.1	-2.8	1.38	346		
4	FPURX	Puritan		18.76	OK to Buy	0.3	4.8	14.0	14.4	5.1	4.8	0.71	17,013		
833	FRIFX	Real Estate Income	0.75%/90d	10.77	OK to Buy	0.1	4.1	18.8	16.3	9.9	5.0	0.72	1,562		
303	FRESX	Real Estate Investment	0.75%/90d	27.33	Hold	-1.4	6.4	29.9	24.1	2.7	0.9	1.90	3,458		
1329	FSDIX	Strategic Dividend & Income		11.22	OK to Buy	0.6	6.4	13.7	13.3	1.7	1.7	1.11	612		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.92	Hold	0.7	3.6	13.9	15.9	4.3	4.9	0.65	4,148		
311	FIUIX	Telecom & Utilities		16.83	Hold	2.0	5.5	17.3	22.5	0.5	4.0	0.85	922		
<b>ASSET ALLOCATION</b>						<b>Category Averages</b>			<b>-0.3</b>	<b>2.4</b>	<b>16.1</b>	<b>15.8</b>	<b>-1.0</b>	<b>3.0</b>	<b>1.33</b>
328	FASIX	Asset Manager 20%		12.98	Hold	0.1	1.7	8.9	8.2	5.2	4.5	0.35	3,447		
1957	FTANX	Asset Manager 30%		9.83	Hold	0.1	2.1	10.9	10.0	5.3	--	0.46	176		
1958	FFANX	Asset Manager 40%		9.79	Hold	0.1	2.6	12.1	11.3	5.4	--	0.56	122		
314	FASMXX	Asset Manager 50%		15.90	Hold	0.1	3.1	13.5	13.1	5.7	4.6	0.68	6,613		
1959	FSANX	Asset Manager 60%		9.83	Hold	0.1	3.5	14.3	13.9	5.9	--	0.76	204		
321	FASGX	Asset Manager 70%		16.97	Hold	0.1	3.9	15.8	15.6	5.1	3.9	0.88	2,457		
347	FAMRX	Asset Manager 85%		14.00	Hold	0.1	4.5	16.6	16.7	4.7	3.8	1.02	680		
<b>INTERNATIONAL</b>						<b>Category Averages</b>			<b>-0.3</b>	<b>2.4</b>	<b>16.1</b>	<b>15.8</b>	<b>-1.0</b>	<b>3.0</b>	<b>1.33</b>
309	FICDX	Canada	1.50%/90d	62.51	Buy	0.1	7.5	21.8	23.1	4.3	8.8	1.33	4,962		
352	FHKCX	China Region	1.50%/90d	32.28	Hold	2.2	-0.7	18.0	17.4	7.3	13.5	1.29	2,062		
325	FDIVX	Diversified International	1.00%/30d	31.11	OK to Sell	-1.1	3.2	9.7	12.5	-3.3	1.2	1.24	24,929		
351	FSEAX	Emerging Asia <sup>6</sup>	1.50%/90d	31.40	Buy	7.1	2.6	22.8	23.8	1.1	10.2	1.19	1,852		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	9.92	OK to Buy	5.8	5.0	25.5	23.1	--	--	--	154		
322	FEMKX	Emerging Markets	1.50%/90d	26.73	Buy	5.5	1.4	18.2	17.4	-1.6	6.9	1.59	3,891		
301	FIEUX	Europe	1.00%/30d	32.50	OK to Sell	-1.6	3.8	8.6	13.9	-2.8	1.7	1.28	793		
341	FECAX	Europe Capital App	1.00%/30d	19.75	OK to Sell	-1.4	3.7	8.4	13.5	-4.0	1.3	1.31	437		
335	FIVFX	International Cap App	1.00%/30d	13.34	Hold	1.4	3.5	15.9	15.0	1.0	1.2	1.48	639		
305	FIGRX	International Discovery	1.00%/30d	33.60	OK to Sell	-1.8	1.7	11.0	11.9	-2.6	2.0	1.20	8,265		
2010	FIENX	International Enhanced Index	1.00%/30d	7.58	OK to Sell	-2.5	3.6	8.7	11.4	-4.3	--	1.24	26		
1979	FIGFX	International Growth	1.00%/30d	8.84	OK to Buy	0.2	2.0	16.9	16.9	1.8	--	1.17	49		
818	FISMXX	International Small Cap	2.00%/90d	21.79	Buy	-0.9	2.5	25.4	24.1	2.8	2.7	1.28	1,058		
1504	FSCOX	International Small Cap Opps	2.00%/90d	10.74	Buy	1.4	3.4	23.3	23.6	-5.0	-2.8	1.42	412		
1597	FIVLX	International Value	1.00%/30d	8.59	OK to Sell	-2.5	5.5	5.2	11.6	-4.0	--	1.43	215		
350	FJPNX	Japan	1.50%/90d	10.52	Hold	-10.8	-5.9	14.7	-0.5	-4.8	-6.8	1.14	548		
360	FJSCX	Japan Smaller Companies	1.50%/90d	8.86	Hold	-10.1	-3.6	12.3	3.3	-3.3	-9.9	1.23	330		
349	FLATX	Latin America	1.50%/90d	58.88	Hold	3.7	-0.3	16.5	16.4	1.7	12.2	1.64	3,838		
342	FNORX	Nordic	1.50%/90d	35.82	OK to Buy	2.1	4.3	26.5	24.6	-2.6	4.5	1.58	492		
94	FOSFX	Overseas	1.00%/30d	33.40	OK to Sell	-0.8	2.8	6.6	10.6	-6.5	-0.3	1.25	4,495		
302	FPBFX	Pacific Basin	1.50%/90d	25.86	Buy	-1.0	-0.8	32.8	20.6	3.6	4.5	1.49	945		
399	FSIIX	Spartan Int'l Index <sup>4</sup>	1.00%/90d	36.35	Hold	-2.5	3.4	7.7	10.4	-2.9	1.4	1.25	6,491		
1978	FTIEX	Total International Equity	1.00%/30d	7.73	Buy	0.1	3.3	12.5	14.9	-1.4	--	1.32	96		
318	FWWFX	Worldwide	1.00%/30d	19.62	Hold	-0.5	5.1	17.0	19.4	2.0	4.5	1.13	1,248		

## SELECT MODEL PORTFOLIO

With details about the real status of Japan's nuclear plants still clouded, it's tough to gauge the impact of this disaster on the global power industry. But if any one sector might benefit from the crisis, it would have to be natural gas.

Thanks to modern drilling technology that combines horizontal drilling with high-pressure fracturing, shale gas has gone mainstream in the U.S. and is gaining ground in



Europe. Fracturing allows thousands of square miles to be tapped with little or no risk of dry holes. Over the last three years, the resulting plunge in domestic natural gas pricing has been a drag on the industry's earnings. However, with fewer nuclear plants feeding the global grid now and in the future, odds are that natural gas will

be the hydrocarbon of choice to fill the gap. Power plants fueled by natural gas can be built quickly and cheaply,

and gas has less carbon emissions than coal or oil.

**Select Natural Gas** is positioned to benefit from this trend, prompting its inclusion in the Select Model as part of our energy-

scarcity theme. It replaces **Leisure**, which recently shifted its focus and is no longer an ideal fit from an aging population standpoint (although we retain **Pharmaceuticals** for that purpose). This trade boosts the model's volatility by about 7% to 1.19, although there are signs that Natural Gas is becoming less volatile as growth in reserves contributes to pricing stability. **Note: Select Model trade information is on p. 3. Also, read more about Jack's take on energy on our website: [fidelityinsight.com](http://fidelityinsight.com)** ■

## Select Model Portfolio

Fund	Allocation
Technology (FSPTX)	20%
Chemicals (FSCHX)	18
Pharmaceuticals (FPHAX)	18
Natural Gas (FSNGX)	15
Industrials (FCYIX)	15
IT Services (FBSOX)	14
<i>Table Reflects Mar 31 Trade</i>	
<b>Total Return: Mar: 1.7% YTD: 6.1%</b>	

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)
						Mar	YTD	2010	1 Year	3 Year	5 Year		
<b>SELECT PORTFOLIOS</b>						<b>0.8</b>	<b>6.5</b>	<b>22.2</b>	<b>21.5</b>	<b>6.8</b>	<b>4.6</b>	<b>1.35</b>	
<i>Category Averages</i>													
34	FSAIX	Air Transportation	0.75%/30d	43.26	Hold	0.5	2.2	33.4	12.1	11.1	3.4	1.55	\$102
502	FSAVX	Automotive	0.75%/30d	45.07	OK to Buy	-3.8	-0.3	46.2	35.5	11.4	6.3	2.41	276
507	FSRBX	Banking	0.75%/30d	18.56	Hold	-1.9	0.3	21.4	2.0	-3.8	-7.2	1.59	431
42	FBIOX	Biotechnology	0.75%/30d	78.47	OK to Sell	6.0	7.6	11.4	8.0	8.6	3.4	1.01	1,070
68	FSLBX	Brokerage & Investment	0.75%/30d	52.88	Hold	-2.3	0.8	11.2	2.1	-0.3	-1.6	1.47	529
69	FSCHX	Chemicals	0.75%/30d	104.14	Buy	3.3	9.1	30.7	34.1	11.5	13.5	1.40	736
518	FSDCX	Communications Equipment	0.75%/30d	28.77	OK to Buy	-2.8	8.5	27.7	28.4	14.6	4.6	1.55	567
7	FDCPX	Computers	0.75%/30d	59.51	OK to Buy	-0.5	5.5	23.8	28.2	14.5	9.6	1.28	572
511	FSHOX	Construction & Housing	0.75%/30d	37.34	OK to Sell	-0.2	6.5	21.5	18.1	5.4	0.1	1.48	108
517	FSCPX	Consumer Discretionary	0.75%/30d	24.98	Hold	0.0	1.9	31.2	20.3	9.5	3.7	1.20	194
98	FVLX	Consumer Finance <sup>B</sup>	0.75%/30d	12.02	Hold	0.4	5.8	5.9	-1.6	-18.6	-20.3	1.30	105
9	FDFAX	Consumer Staples	0.75%/30d	69.07	Hold	1.6	1.1	15.2	10.9	3.9	8.8	0.78	886
67	FSDAX	Defense & Aerospace	0.75%/30d	79.61	OK to Sell	1.8	8.7	21.9	17.2	4.5	4.5	1.30	682
8	FSELX	Electronics	0.75%/30d	50.61	Hold↓	-5.2	4.6	16.8	18.3	11.4	2.4	1.50	1,243
60	FSENX	Energy	0.75%/30d	61.69	OK to Buy	2.4	18.0	19.0	39.9	0.4	7.2	1.60	3,148
43	FSESX	Energy Service	0.75%/30d	88.29	Hold	2.8	18.7	27.9	50.7	-0.4	6.3	1.90	2,072
516	FSLEX	Environment & Alt Energy	0.75%/30d	19.47	Hold	1.5	9.4	14.9	26.7	4.6	1.6	1.05	100
66	FIDSX	Financial Services	0.75%/30d	61.54	Hold	-2.0	-0.1	6.5	-5.1	-8.0	-8.5	1.50	475
41	FSAGX	Gold	0.75%/30d	52.10	OK to Sell	1.3	-1.9	35.3	36.4	11.5	14.2	2.00	4,296
63	FSPHX	Health Care	0.75%/30d	137.61	Hold	2.8	10.4	17.0	19.9	10.9	6.0	0.89	2,112
510	FSCGX	Industrial Equipment	0.75%/30d	36.72	OK to Buy	1.6	8.3	33.9	29.3	5.5	6.4	1.50	391
515	FCYIX	Industrials	0.75%/30d	25.69	Buy	1.8	8.6	31.1	28.6	8.4	7.4	1.41	613
45	FSPCX	Insurance	0.75%/30d	49.08	Hold	-1.9	4.0	20.1	9.8	-0.9	-3.0	1.30	258
353	FBSOX	IT Services	0.75%/30d	22.81	Buy	2.2	8.0	18.5	25.4	15.7	10.2	1.13	128
62	FDLSX	Leisure	0.75%/30d	92.00	Hold↓	0.8	0.9	37.9	21.1	11.3	6.2	1.09	370
509	FSDPX	Materials	0.75%/30d	71.45	Hold	1.9	5.2	28.1	28.5	9.6	12.2	1.52	1,215
505	FSHCX	Medical Delivery	0.75%/30d	57.47	OK to Buy	3.9	15.7	15.4	22.5	14.2	4.8	1.21	679
354	FSMEX	Medical Equipment	0.75%/30d	29.96	OK to Sell	1.4	8.6	12.7	13.1	8.9	8.7	0.97	1,498
503	FBMPX	Multimedia	0.75%/30d	47.21	Hold	-1.2	10.3	25.8	27.1	12.9	5.8	1.31	225
513	FSNGX	Natural Gas	0.75%/30d	37.07	Buy↑	1.6	11.5	6.4	19.5	-7.4	2.4	1.64	1,080
514	FNARX	Natural Resources	0.75%/30d	40.06	Hold	2.5	15.1	23.1	41.3	3.1	10.0	1.59	2,105
580	FPHAX	Pharmaceuticals	0.75%/30d	13.15	Buy	3.2	6.7	16.4	17.1	12.1	7.5	0.80	411
46	FSRPX	Retailing	0.75%/30d	54.72	Hold	1.9	2.3	28.1	15.7	17.5	7.5	1.23	161
28	FSCSX	Software & Computer Svcs	0.75%/30d	92.43	OK to Buy	0.9	5.7	18.9	24.3	12.8	11.0	1.07	1,289
64	FSPTX	Technology	0.75%/30d	101.46	Buy	-0.9	6.1	26.7	30.4	15.6	8.8	1.42	2,809
96	FSTCX	Telecommunications	0.75%/30d	48.24	OK to Buy	2.5	3.9	18.3	23.1	6.9	3.2	1.17	366
512	FSRFX	Transportation	0.75%/30d	57.47	OK to Buy	2.2	3.7	41.3	21.4	10.7	5.1	1.26	420
65	FSUTX	Utilities	0.75%/30d	50.36	Hold	0.2	4.1	10.9	17.8	-1.8	3.7	0.88	454
963	FWRLX	Wireless	0.75%/30d	8.25	OK to Buy	-0.5	7.1	15.2	21.2	7.1	4.7	1.21	353

## FIDELITY SCORECARD - MARCH 31, 2011

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						
						Mar	YTD	2010				25%	28%	33%	35%			
<b>TAXABLE BOND</b>						<b>Category Averages</b>			<b>0.0</b>	<b>0.5</b>	<b>6.2</b>	<b>2.32</b>	<b>2.69</b>	<b>4.8</b>				
2267	FCONX	Conservative Income Bond		10.00	Buy	0.2p	0.2p	--	--	--	--							
2208	FCBFX	Corporate Bond		10.23	OK to Buy ↑	-0.2	1.7	5.6p	3.77	--	6.3							
15	FGMNX	Ginnie Mae		11.43	Hold	0.0	0.5	7.0	3.51	3.16	3.8							
54	FGOVX	Government Income		10.37	OK to Sell	0.0	-0.1	5.1	2.09	2.19	4.6							
794	FINPX	Inflation-Protected Bond <sup>5</sup>		11.84	OK to Buy ↑	1.0	2.0	5.9	0.28	3.05	6.2							
32	FTHRFX	Intermediate Bond		10.55	Hold	0.0	0.8	7.6	2.51	3.25	4.0							
452	FSTGX	Intermediate Gov't Income		10.66	OK to Sell	-0.2	-0.1	4.7	1.40	1.71	3.6							
26	FBNDX	Investment Grade Bond		7.41	Hold	0.1	1.0	8.4	2.86	3.12	5.0							
40	FMSFX	Mortgage Securities		10.80	Hold	0.2	0.5	7.3	3.38	3.47	3.6							
450	FSHBX	Short-Term Bond		8.46	Buy	0.0	0.4	3.8	1.10	1.79	1.8							
1561	FIBIX	Sptn Interm Treas Index <sup>5</sup>		10.56	Hold	-0.2	-0.4	8.5	2.61	2.95	6.4							
1562	FLBIX	Sptn Lng-Term Treas Index <sup>5</sup>		10.23	OK to Sell	-0.1	-1.1	9.2	4.11	4.02	13.8							
1560	FSBIX	Sptn Sht-Term Treas Index <sup>5</sup>		10.46	Hold	-0.2	-0.1	3.5	0.83	1.43	2.5							
820	FTBFX	Total Bond		10.74	OK to Buy	0.0	1.1	8.6	3.21	3.94	4.6							
651	FBIDX	U.S. Bond Index		11.28	Hold	-0.1	0.3	6.3	2.73	2.97	4.7							
812	FUSFX	Ultra-Short Bond	0.25%/60d	8.20	Hold	0.1	0.4	1.2	0.45	0.53	0.5							
<b>HIGH-YIELD BOND</b>						<b>Category Averages</b>			<b>0.4</b>	<b>2.9</b>	<b>11.9</b>	<b>4.60</b>	<b>5.58</b>					
38	FAGIX	Capital & Income	1.00%/90d	9.79	Buy	0.1	5.1	17.1	4.69	6.21	--							
814	FFRHX	Floating Rate High Income	1.00%/60d	9.87	Buy	0.0	1.5	7.8	2.76	3.44	--							
1366	FHIFX	Focused High Income	1.00%/90d	9.35	Buy	0.1	2.9	12.1	5.00	6.39	--							
455	SPHIX	High Income	1.00%/90d	9.16	Buy	0.3	4.0	13.7	5.57	6.92	--							
331	FNMIX	New Markets Income	1.00%/90d	15.61	Hold	1.6	1.1	10.9	5.55	5.50	--							
368	FSICX	Strategic Income		11.19	Buy	0.4	2.5	9.9	4.04	4.89	--							
<b>NATIONAL MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>-0.2</b>	<b>0.4</b>	<b>2.3</b>	<b>3.22</b>	<b>3.55</b>	<b>6.3</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
36	FLTMX	Interm Municipal Income	0.50%/90d	9.98	OK to Sell	-0.2	0.5	2.7	2.97	3.51	5.5	4.0	4.1	4.4	4.6			
37	FHIGX	Municipal Income	0.50%/30d	12.18	OK to Sell	-0.4	0.3	2.6	4.07	4.24	8.5	5.4	5.7	6.1	6.3			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.58	OK to Buy	0.2	0.4	2.0	1.75	2.28	2.8	2.3	2.4	2.6	2.7			
90	FTABX	Tax-Free Bond	0.50%/30d	10.47	OK to Sell	-0.3	0.4	2.1	4.07	4.26	8.4	5.4	5.7	6.1	6.3			
<b>STATE-SPECIFIC MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>-0.3</b>	<b>0.4</b>	<b>2.3</b>	<b>3.39</b>	<b>3.68</b>	<b>7.3</b>				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.06	OK to Sell	-0.5	0.3	2.3	3.83	3.79	8.3	5.1	5.3	5.7	5.9			
91	FCFX	California Muni Income	0.50%/30d	11.53	OK to Sell	-0.5	0.2	3.2	4.27	4.36	8.1	5.7	5.9	6.4	6.6			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.55	Hold	0.3	0.6	2.2	1.70	2.37	3.0	2.3	2.4	2.5	2.6			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.20	OK to Sell	-0.2	0.8	2.2	3.05	3.35	7.4	4.1	4.2	4.6	4.7			
429	SMDMX	Maryland Muni Income	0.50%/30d	10.71	OK to Sell	-0.4	0.2	2.3	3.08	3.45	7.3	4.1	4.3	4.6	4.7			
70	FDMMX	Mass Muni Income	0.50%/30d	11.58	OK to Sell	-0.4	0.5	2.4	3.59	3.90	8.2	4.8	5.0	5.4	5.5			
81	FMHTX	Michigan Muni Income	0.50%/30d	11.60	OK to Sell	-0.3	0.5	2.3	3.53	3.99	7.0	4.7	4.9	5.3	5.4			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.25	OK to Sell	-0.2	1.0	2.4	2.86	3.51	6.6	3.8	4.0	4.3	4.4			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.13	OK to Sell	-0.6	-0.5	2.1	3.62	3.94	7.6	4.8	5.0	5.4	5.6			
71	FTFMX	New York Muni Income	0.50%/30d	12.49	OK to Sell	-0.4	0.1	2.4	3.84	3.99	8.4	5.1	5.3	5.7	5.9			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.32	OK to Sell	-0.5	0.5	2.0	3.64	3.95	8.2	4.9	5.1	5.4	5.6			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	10.48	OK to Sell	-0.2	0.7	2.0	3.71	3.97	7.7	4.9	5.2	5.5	5.7			
<b>TAXABLE MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.00</b>	<b>0.04</b>	<b>0.02</b>						
55	FDRXX	Cash Reserves		1.00	--	0.00	0.00	0.06	0.02	na	na							
631	FGMXX	Retirement Government MM		1.00	--	0.00	0.00	0.01	0.01	na	na							
630	FRTXX	Retirement MM		1.00	--	0.00	0.00	0.02	0.01	na	na							
458	SPAXX	Government MM		1.00	--	0.00	0.00	0.01	0.01	na	na							
454	SPRXX	Money Market		1.00	--	0.00	0.00	0.03	0.01	na	na							
85	FSLXX	Select MM		1.00	--	0.01	0.02	0.13	0.11	na	na							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.00	0.00	0.02	0.01	na	na							
415	FDLXX	US Treasury MM		1.00	--	0.00	0.00	0.01	0.01	na	na							
<b>MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.01</b>						
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.00	0.00	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
10	FTEXX	Municipal Money Market		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.00	0.01	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>0.00</b>	<b>0.01</b>	<b>0.01</b>						
433	FSAXX	Arizona		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
457	FSPXX	California AMT Tax-Free		1.00	--	0.00	0.00	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
97	FCFXX	California		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
418	FCMXX	Connecticut		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
74	FDMXX	Massachusetts		1.00	--	0.00	0.00	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
420	FMIXX	Michigan		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
417	FNJXX	New Jersey		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.00	0.00	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
92	FNYXX	New York		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
419	FOMXX	Ohio		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
401	FPTXX	Pennsylvania		1.00	--	0.00	0.00	0.01	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 - MARCH 31, 2011

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>
							Mar	YTD	2010	1 Year	3 Year	5 Year	
<b>FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS</b>													
9067	FLRQC	Fid VIP Asset Manager	Allocation		13.54	Hold	0.7	3.4	13.9	13.5	4.3	5.2	0.75
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		13.24	Hold	0.9	4.4	16.0	15.9	3.3	4.5	0.96
9069	FJBAC	Fid VIP Balanced	Allocation		14.12	Hold	0.4	4.7	17.7	17.0	6.6	5.3	0.92
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	12.49	Hold	0.0	1.9	30.8	20.1	9.5	3.5	1.20
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	12.15	Hold	1.5	0.9	14.8	10.4	3.8	--	0.77
9065	FPDFC	Fid VIP Contrafund	Large Growth		13.37	Hold	0.3	6.2	16.8	17.9	2.9	3.6	1.10
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		10.74	Hold	1.9	8.2	25.1	26.2	6.6	--	1.18
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		13.00	OK to Buy	-0.1	4.8	18.0	13.9	4.1	1.9	1.14
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	9.27	Buy	5.3	1.3	17.5	16.4	--	--	--
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	17.43	Buy	2.4	17.8	19.0	39.6	0.3	7.0	1.60
9061	FLOLC	Fid VIP Equity-Income	Large Value		11.25	Buy	0.3	6.5	14.8	15.3	0.1	0.8	1.17
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	7.21	Hold	-2.1	-0.1	7.0	-4.8	-8.0	-8.5	1.53
9157	FMPAC	Fid VIP FundsManager 20	Allocation		12.11	Hold	0.0	1.4	7.2	6.7	3.6	--	0.27
9158	FMPBC	Fid VIP FundsManager 50	Allocation		11.91	Hold	0.0	2.9	11.6	11.4	3.6	--	0.58
9197	FMPCC	Fid VIP FundsManager 60	Allocation		10.75	Hold	0.0	3.3	13.3	13.0	--	--	--
9159	FMPCC	Fid VIP FundsManager 70	Allocation		11.47	Hold	0.1	4.0	14.0	14.3	2.7	--	0.80
9160	FMPDC	Fid VIP FundsManager 85	Allocation		11.08	Hold	0.1	4.3	15.9	15.5	1.9	--	0.96
9062	FMNDC	Fid VIP Growth	Large Growth		12.46	Buy	0.9	8.2	23.8	25.8	1.4	3.1	1.09
9070	FLFNC	Fid VIP Growth & Income	Large Blend		11.64	Hold	-0.5	4.5	14.4	13.5	-0.5	1.1	1.04
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		11.93	Buy	2.4	8.4	23.4	24.6	1.9	1.9	1.27
9078	FPVDC	Fid VIP Growth Stock	Large Growth		13.03	OK to Buy	1.3	7.7	19.7	22.7	6.4	4.1	1.09
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		12.16	Buy	1.3	5.3	24.5	21.1	5.5	2.1	1.15
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	13.90	Hold	2.8	10.4	16.9	19.7	10.9	5.7	0.89
9060	FBBLC	Fid VIP High Income	High-Yield Bond		14.49	Buy	0.2	3.3	13.8	13.2	8.9	6.9	0.67
9064	FXVLT	Fid VIP Index 500	Large Blend		11.91	Hold	0.0	5.8	14.7	15.3	2.1	2.3	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	16.90	Buy	1.8	8.4	30.6	27.9	8.5	7.5	1.42
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	11.75	Buy	1.4	3.6	15.4	14.7	0.9	0.7	1.49
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		13.13	Hold	0.0	0.7	7.5	5.9	6.1	5.6	0.23
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	14.42	Hold	1.8	5.1	28.1	28.2	9.5	--	1.52
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		15.60	OK to Buy	0.4	4.4	28.4	26.0	7.8	6.0	1.05
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.45	--	0.0	0.0	-0.1	0.0	0.7	2.3	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	12.46	OK to Sell	-2.2	2.6	12.8	14.5	-3.1	1.0	1.23
9072	FFWKC	Fid VIP Real Estate	Sector		13.45	Hold	-1.1	7.9	29.9	26.1	3.9	2.3	1.99
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		14.83	Buy	0.3	2.2	9.4	9.0	8.7	7.7	0.43
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	17.29	Buy	-0.7	6.1	27.3	31.6	17.2	7.4	1.41
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	9.31	OK to Buy	2.4	3.7	17.2	22.2	5.6	--	1.15
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	13.46	Hold	0.2	4.1	10.8	17.7	-1.6	4.4	0.88
9079	FKMSC	Fid VIP Value	Mid Value		11.29	Buy	0.6	6.2	17.4	14.8	1.4	0.9	1.42
9080	FUEBC	Fid VIP Value Leaders	Large Value		10.22	Sell	1.2	6.3	9.8	9.9	-3.3	-1.4	1.18
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		12.81	Buy	1.4	5.9	26.2	20.6	5.0	3.0	1.53
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l		11.66	OK to Sell	-2.0	3.1	12.0	13.2	--	--	--
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		9.41	OK to Sell	-0.5	4.1	10.7	11.0	-3.8	-0.5	0.95
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		15.60	Buy	5.3	-0.9	22.7	14.7	4.4	--	1.49
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		14.03	Hold	1.6	0.9	9.5	6.0	6.9	7.0	0.61
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		13.49	Buy	4.9	-1.2	18.7	15.6	0.1	7.7	1.48
9146	FPRPC	Morgan Stanley Gbl Tactical Alloc	Diversified Int'l		9.97	Hold	-0.1	3.4	5.4	8.6	-4.6	0.9	1.25
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.76	Buy	0.2	0.9	5.0	3.9	--	--	0.11
9277	FPNBC	Pimco VIT Real Return	TIPS		11.31	OK to Buy↑	0.9	1.8	7.8	8.4	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		11.02	OK to Buy	0.2	0.9	7.8	6.0	--	--	--

## ANNUITY MODEL PORTFOLIOS

### Annuity Growth Model

Fund	Allocation
Fidelity VIP Strategic Income	32%
Fidelity VIP Growth Opportunities	27
Fidelity VIP Value	20
Fidelity VIP Equity-Income	11
Lazard Retirement Emerg Mkts	10
<b>Total Return: Mar: 1.4% YTD: 4.8%</b>	

### Annuity Growth & Income Model

Fund	Allocation
Fidelity VIP Strategic Income	26%
Pimco Low Duration	19
Fidelity VIP Value	17
Fidelity VIP Equity-Income	14
Fidelity VIP Growth Opportunities	14
Lazard Retirement Emerg Mkts	10
<b>Total Return: Mar: 1.1% YTD: 3.7%</b>	

### Annuity Income & Preservation Model

Fund	Allocation
Pimco Low Duration	23%
Fidelity VIP Money Market	20
Fidelity VIP Strategic Income	20
Fidelity VIP Value	15
VIP Equity-Income	12
Lazard Retirement Emerg Mkts	10
<b>Total Return: Mar: 0.8% YTD: 2.2%</b>	

## FUND FOCUS

### **Fidelity Ad Touts Select Industrials**

A full-page ad by Fidelity in the *Wall Street Journal* observes that “50% of the world’s energy is consumed by the industrial and manufacturing sectors.” It also notes that “total world energy consumption is projected to rise 49% by 2035.”

While we dispute none of this, we’re not sure that these are the best arguments for buying their **Select Industrials** fund [ticker: FCYIX], which is what the ad is touting. In fact, for altogether different reasons, we happen to own the fund in our Select Model (see p. 8), and here’s why.

Industrials is the broadest of Fidelity’s six Select funds that invest in that cyclical arena. Twenty percent of its assets are in conglomerates like GE, while machinery companies (Caterpillar) and aerospace & defense contractors (United Technologies) are similarly represented. The remaining 40% is quite varied, ranging from railroads to temporary employment agen-

cies. Their common thread: their fortunes are tied to economic growth at home and abroad.

On that score, Industrials only has a few foreign holdings (about 11%), while exports are an important source of revenue for many of its holdings. Whether it’s earth-moving equipment or locomotives, this fund has what every emerging country needs to build infrastructure for new cities, and to boost output of minerals and agricultural products. And, right now, a comparatively weak dollar is giving some of these firms an edge over their Japanese and German competitors.

Simply put, Industrials is a solid play on U.S. export growth.

On the other hand, Manager Tobias Welo has an out-of-index position in a Brazilian construction equipment maker called Mills Estruturas e Servicos de Engenharia. The stock was bought in an April 2010 IPO. Welo calls the company “a pure play on Brazil’s infrastructure development.” Notably, Brazil is a future host for the World Cup soccer tournament (2014) and the Olympic

summer games 2016. In advance of these events, and to address its chronic rolling power blackouts, the country is in the midst of massive hydroelectric projects that rival even China’s ambitions in that area.

### **Action Recommendation**

Select Industrials is positioned for a global economic recovery — albeit a slow one. So, relative to a year ago, Welo has emphasized higher-quality names (companies with strong balance sheets), though the fund can be volatile. “If the economic recovery continues and we see further improvement in corporate revenue and earnings growth,” he says, “I’m confident any sell-offs in stock prices will prove to be buying opportunities.”

In recent months, Welo has had many such opportunities. (Ditto for **Select Chemicals** — another Select Model holding — whose fortunes are both cyclical and volatile.) And while we may disagree with Fidelity’s ad people as to why Industrials is now a *Buy*, at least we’re in agreement with the fund’s manager! ■

### **Fidelity To Roll Out Five New Funds**

*Fidelity Insight* has learned that Fidelity plans to roll out five new funds over the next several months. This development comes on the heels of this month’s introduction of **Conservative Income** (see p. 4).

The first of these offerings joins Fidelity’s high-yield group. **Global High Income** will be managed by John Carlson, Fidelity’s veteran emerging market debt specialist who presently runs **New Markets Income**. The fund will consist of four sub-portfolios with neutral weights as follows: (60%) U.S. high-yield, (15%) European high yield, (5%) Asian high-yield, and (20%) emerging market debt (which will likely have a Latin American focus.) We expect to see this fund open some time in May.

There will also be four new national muni bond funds, but with a “twist” relative to Fidelity’s four existing offerings. These new funds, **Municipal Income 2015, 2017, 2019 and 2021**, will liquidate on those maturity dates, 4, 6, 8 and 10 years out. In addition to this unique feature, they will close to new investors one year prior to their liquidation dates. Taken together, Fidelity hopes to reduce portfolio volatility (a good objective for more conservative investors), while combining the benefits of owning individual bonds with the diversification and portfolio expertise of a managed bond fund. Expenses should run a little lower than “regular” muni funds, thereby boosting their yield.

Product innovation was once Fidelity’s hallmark. But for years, new funds have been few and far between, even as investors’ needs have changed. Frankly, we embrace this new wave of innovation! ■

### **Inside Fidelity**

**Manager Changes** — Stephen DuFour has replaced Peter Saperstone on **Fifty** fund, and he continues to oversee **Focused Stock**.

This is a good fit for Steve as just like Focused Stock, Fifty is large-cap, growth-oriented and “concentrated” with only 50 holdings. (The average domestic stock fund at Fidelity has about 400 positions, although this is skewed considerably by three index funds that have several thousand holdings a piece. Strip them away and 200 holdings is more the norm.)

DuFour’s four-year record on Focused Stock has been strong, while his predecessor on Fidelity Fifty, Peter Saperstone, had trailed his average peer. In fact, given the funds’ common investment objectives and benchmarks, we’d favor a merger of Fifty into Focused, which is one of

**Inside Fidelity** *cont’d on page 12*

Fidelity's three "quant" funds. The others are **Disciplined Equity** and **130/30 Large Cap**, which employ computer-aided quantitative analysis in their stock selection process.

As for Peter, he now focuses on picking consumer discretionary stocks within Fidelity's so-called Stock Selector Large Cap Group. This team has dedicated industry specialists who run the equity portions of **Balanced**, **Stock Selector All Cap** and **VIP Contrafund**. (**Contrafund** continues to be run by 20-year legend Will Danoff.)

As a result of this change, we are upgrading Fifty to *OK to Buy*. ■

**Correction**

Last month we said that Libya accounted for 10% of the world's oil output. The correct figure is 2-3%.

**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 April:*

Asst Mgr 40%, Asst Mgr 50%, Balanced, CA Muni, CA Sh-Int Tax-Free, Convertible Secs, Eqty-Inc, Eqty-Inc II, Fidelity Fund, Four-in-One Idx, Growth & Inc, Int'l Enhcd Idx, L Cap Core Enh Idx, L Cap Gr Enhcd Idx, L Cap Val Enhcd Idx, Mid Cap Enhcd Idx, Puritan, Small Cap Enhcd Idx, Sptn Interm Treas, Sptn Int'l Idx, Sptn Long Treas, Sptn Short Treas, Sptn Extd Mkt Idx, Sptn Total Mkt Idx, Strat Div & Inc, Strat Real Ret, Telecom & Utilities and all Selects.

*The final distributions for March were as follows:*

Fund	Ex-		NAV
	Date	\$ Amt	
NY Muni Income	3/4	0.030	12.54
Real Estate Inc	3/4	0.054	10.72

**MESSAGE TO MEMBERS**

**Another Good Year For Fidelity Funds**

As the saying goes, it's sometimes hard to see the forest for the trees. So with hundreds of other fund families from which to choose, it's only fair to ask: why Fidelity?

Like any company, the 65-year-old firm has had its ups and downs; also its strengths and weaknesses. But its most recent annual report — coupled with our meeting with President Ron O'Hanley — reminds us that Fidelity has grown to its current size because it continues to do far more right for its millions of fund shareholders than not.

In terms of its roughly 500 funds (about half are available through the retail channel we cover in this report), Fidelity reports their collective assets rising 6% last year to \$1.6 trillion — its highest year-end total ever.

That doesn't happen just by accident, but by smart, hard work.

Performance-wise, aggregate fund performance slipped last year though overall results remained well above average at 67%. (This is determined by an asset-weighted formula, so bigger funds matter more and better reflect actual shareholder experience.)

Importantly, Fidelity's domestic stock funds beat 58% of their peers in 2010. Unfortunately, however, that was down from 67% in 2009. Their weakest performers were in the small-cap arena, whereas many of their larger-cap funds shone brightly.

Some bright spots were our *Buy-rated Contrafund* and *Growth Company*. Versus the Lipper Large Cap Growth Funds Group, *Contra* outpaced 69% of its peers last year,

while *Growth Co* topped 86% of its rivals. On the other hand, *Magellan* (which we rate *OK to Sell*) continued to disappoint: it beat just 26% of its peers.

Elsewhere, the giant *Diversified Int'l* outperformed 44% of its peers last year, which dragged down the results of the entire international group. They beat 47% of their peers in 2010, although their emerging market funds fared much better having beaten 54% of their peers.

Turning to fixed-income funds, overall results remained quite strong, but there were minor setbacks. For example, while their high income funds beat 59% of their peers in 2010, this was down from a whopping 78% in 2009. Meanwhile, their money market funds beat an impressive 78% of their competitors in 2010, but this was off from 87% the previous two years.

On the other hand, a strong performance by its investment-grade group got even stronger last year: they beat 64% of their peers, up from 46% in 2009.

As for Fidelity's financials, we all want our money being managed by a financially vibrant firm — and it is! A combination of strong stock market gains and cost controls allowed revenues to rise 6.7% to \$12.3 billion last year, while operating income soared 17.0% to \$2.9 billion. Fidelity's bottom line improved as it held expense growth to roughly 4%.

While Fidelity can't control market forces, we think their strong track record, breadth of products and financial wherewithal will continue to give us an edge in an increasingly difficult investment landscape.

Sincerely,  
John Boyd  
John Bonnanzio  
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