

# FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

JANUARY 2011

VOLUME 27, NUMBER 1

## 2011 MARKET OUTLOOK

### Go With The Fed

It's that time again. As the calendar turns to a new year, the "seers" will be out in full force with their forecasts of just how 2011 will play out across the investment landscape. All of them (well, most of them anyway) will be well-researched, well-argued, and compelling. Some will even turn out to be correct! Of course, some will not, that is the nature of forecasting after all. Which brings us to our own meager entry in this annual derby.



John M. Boyd

Now I don't pretend to know exactly how next year will unfold, nor do

I have the space to present a detailed analysis of every potential event that could affect the economy and the markets over the next year. (Nor should you want me to. Suffice to say, it's our job to do that analysis and incorporate it into our outlook.)

With that in mind, let me discuss what we see as the key factors that form the backdrop for making investment decisions as we look towards the new year.

### The Fed Has Your Back

Federal Reserve Chairman Bernanke (if not quite all the Fed governors) is committed to avoiding deflation at all costs. With inflation currently not far above zero, they certainly want to avoid a double-dip recession, which would likely push us over the edge. If they see that the

## INSIDE INSIGHT

Market Outlook .....	1
Model Portfolios .....	2
Which Funds Should You Buy Now! .....	3
Model Portfolio Trades .....	3
Backdrop Remains Favorable For Stocks In 2011 .....	4
Fund Commentary .....	5
January Scorecard Rating Changes .....	5
Trouble With Munis .....	6
Scorecard .....	6
New Select Model From Jack Bowers Debuts! .....	8
Annuity Model Portfolios .....	10
2010 Year-End Distributions/Dividend Update .....	11
Message To Members .....	16

## 2010 RETURNS BY STYLE

Small Caps	27.8%
Mid Caps	24.0%
Emerging Markets	21.0%
Growth	20.8%
Value	16.7%
Large Caps	16.4%
S&P 500	15.0%
High-Yield Bond	11.9%
Diversified Int'l	11.1%
Taxable Bond	6.2%

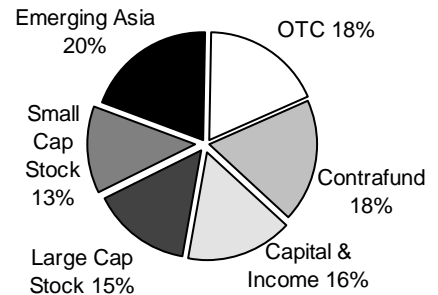
Last year, the smaller the market cap of the fund, the better it did. Fidelity's small-cap funds led the way, followed by mid-caps, while large-cap funds lagged, but on average, they still beat the S&P 500. Growth did much better than value. Overseas, diversified foreign funds trailed the S&P 500 by a good margin, but emerging markets were much stronger. High-yield bonds had a good showing, but gains in taxable bonds were more muted. (See Fund Commentary p. 5.)

economic recovery is faltering, they will do whatever they can to reignite it. With the Federal Funds rate, which determines most other short-term interest rates in the economy, already at essentially zero, the Fed can't get any more "gas" there. So they have turned to so-called "quantitative easing" where they basically "create money" and use it to buy bonds in the market place. While the goal is to increase the *quantity* of money in the economy (hence the name), it can also potentially impact interest rates. If new money is coming into the market to buy bonds, that would in theory drive bond prices higher and yields (interest rates) lower.

The Fed would like longer-term rates to remain low, because it makes it cheaper for corporations to borrow and easier for homebuyers to afford a mortgage. It also creates an incentive for you and I to take our money out of low-yielding, fixed-income investments and redeploy it into "risk assets" such as stocks. And they would also like the stock market to be a hospitable place for our money, so the "wealth effect" from investment gains would encourage us to spend more.

# FIDELITY INSIGHT MODEL PORTFOLIOS - DECEMBER 31, 2010

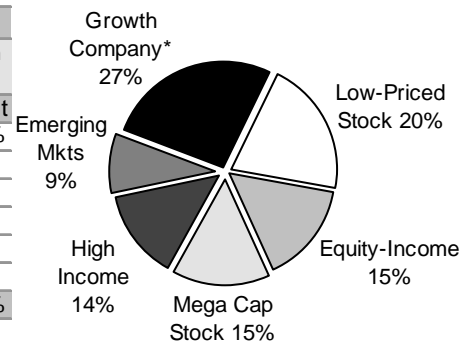
Aggressive Growth Model		Rel Vol: 0.99	Est. Yield: 2.0%	2010 Return: 10.8%		
Current Asset Allocation		Stocks 64.3%	Bonds 15.0%	Cash 2.4%	Alternative <sup>1</sup> 18.3%	Foreign 25.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec Ret
New Markets Income	FNMIX	20%	\$15.65	2,039.47	\$31,918	0.2%
OTC	FOCPX	18	54.93	542.94	29,824	6.9
Contrafund	FCNTX	18	67.73	424.79	28,771	4.0
Capital & Income	FAGIX	16	9.43	2,662.19	25,104	3.3
Large Cap Stock	FLCSX	15	17.61	1,340.24	23,602	9.4
Small Cap Stock	FSLCX	13	19.60	1,086.39	21,293	8.4
Current Value (4/7/99 = \$100,000)					\$160,512	4.9%



Pie reflects Dec 31 trade.

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: 0.90	Est. Yield: 1.4%	2010 Return: 11.5%		
Current Asset Allocation		Stocks 74.1%	Bonds 12.5%	Cash 5.4%	Alternative <sup>1</sup> 8.1%	Foreign 18.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec Ret
Growth Company*	FDGRX	27%	\$83.15	3,582.28	\$297,867	4.7%
Low-Priced Stock	FLPSX	20	38.38	5,818.27	223,305	6.6
Equity-Income	FEQIX	15	44.26	3,711.25	164,260	8.9
Mega Cap Stock	FGRTX	15	9.99	16,045.29	160,292	7.8
Total Bond	FTBFX	14	10.72	14,072.51	150,857	-0.5
New Markets Income	FNMIX	9	15.65	6,418.87	100,455	0.2
Current Value (1/1/87 = \$100,000)					\$1,097,037	4.9%

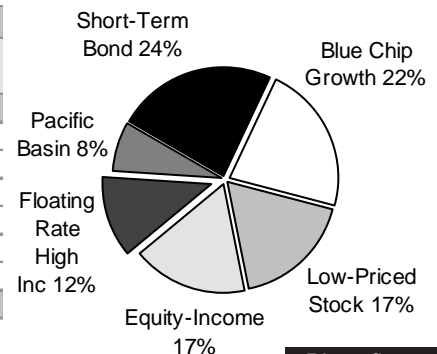


Pie reflects Dec 31 trades.

\*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.

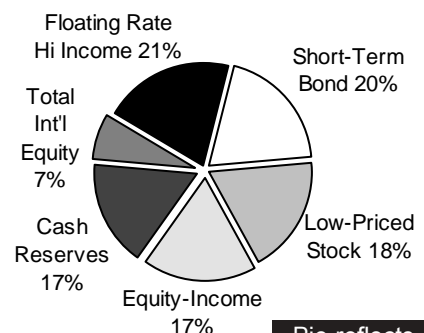
Growth & Income Model		Rel Vol: 0.65	Est. Yield: 1.4%	2010 Return: 9.9%		
Current Asset Allocation		Stocks 53.8%	Bonds 23.2%	Cash 16.4%	Alternative <sup>1</sup> 6.6%	Foreign 15.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec Ret
Investment Grade Bond	FBNDX	24%	\$7.39	29,339.19	\$216,817	-0.6%
Blue Chip Growth	FBGRX	22	45.35	4,403.36	199,692	5.4
Low-Priced Stock	FLPSX	17	38.38	4,101.41	157,412	6.6
Equity-Income	FEQIX	17	44.26	3,518.92	155,747	8.9
Cash Reserves	FDRXX	12	1.00	108,834.89	108,835	0.0
New Markets Income	FNMIX	8	15.65	4,325.99	67,702	0.2
Current Value (1/1/87 = \$100,000)					\$906,205	3.6%



Pie reflects Dec 31 trades.

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: 0.47	Est. Yield: 1.5%	2010 Return: 6.4%		
Current Asset Allocation		Stocks 32.8%	Bonds 39.6%	Cash 21.6%	Alternative <sup>1</sup> 6.0%	Foreign 13.6%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec Ret
Investment Grade Bond	FBNDX	21%	\$7.39	15,544.11	\$114,871	-0.6%
Short-Term Bond	FSHBX	20	8.46	12,681.95	107,289	-0.2
Low-Priced Stock	FLPSX	18	38.38	2,586.61	99,274	6.6
Equity-Income	FEQIX	17	44.26	2,166.09	95,871	8.9
Cash Reserves	FDRXX	17	1.00	94,056.55	94,057	0.0
New Markets Income	FNMIX	7	15.65	2,386.91	37,355	0.2
Current Value (1/1/87 = \$100,000)					\$548,717	2.5%



Pie reflects Dec 31 trades.

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

However, so far, quantitative easing has not resulted in lower rates. Interest rates essentially rose during the Fed's first quantitative easing program (QE1), and only began falling after it finished in March of 2010. Moreover, that decline was mostly driven by a "flight-to-quality" (U.S. Treasuries) as a result of European sovereign debt woes. And since QE2 was announced in November, interest rates have begun to move higher again. Any downward pressure on rates from the Fed's buying has been more than offset by concerns over the potential inflationary effects of the Fed's money creation.

While bonds have sold off, the stock market has rallied on the news of QE2. Regardless of how we might feel about the long-term effectiveness of their actions, in the shorter-run it's nice to have the Fed "backstopping" your investments in stocks.

**Earnings Growth Continues**

The recovery in corporate earnings remains strong, with last year's third quarter operating earnings up 37% from 2009. That's the good news. The less-good news is that fourth quarter earnings are "only" expected to be 27% higher than 2009. From then on, growth is expected to slow to the mid- to low-teens, with full-year 2011 earnings expected to be up 13.2%.

It isn't because current earnings are weakening, just that earnings comparisons are now getting more difficult as we move away from 2009's very weak first half. In fact, 2011 earnings per share for the S&P 500 are projected to be \$94.65, finally surpassing the old high of \$87.72 set way back in 2006. Earnings have risen 69% in the past two years, while the stock market has "only" risen 43%, so valuations have improved. The current P/E ratio of around 15 is modestly below historic averages.

**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:** With our concern over rising rates, we are not enthusiastic about investment-grade bonds. **Short-Term Bond** with its short duration is less interest-rate sensitive.

**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. ■

**MODEL PORTFOLIO TRADES**

As announced on our December 23th Hotline, effective Friday Dec. 31, we made several Model Portfolio trades. Please note that **New Markets Income** has a 1.00%/90-day short-term trading fee.

Action	Fund	Shares	Price	Value	Old %	New %
<b>Aggressive Growth</b>						
Sold:	New Markets Inc (FNMIX)	2,039.47	\$15.65	\$31,917.64	20%	0%
Bought:	Emerging Asia* (FSEAX)	1,042.38	\$30.62	\$31,917.64	0%	20%
<b>Growth Model</b>						
Sold:	New Markets Inc (FNMIX)	6,418.87	\$15.65	\$100,455.36	9%	0%
Bought:	Emerging Markets (FEMKX)	3,812.35	\$26.35	\$100,455.36	0%	9%
Sold:	Total Bond (FTBFX)	14,072.51	\$10.72	\$150,857.27	14%	0%
Bought:	High Income (SPHIX)	16,874.41	\$8.94	\$150,857.27	0%	14%
<b>Growth &amp; Income Model</b>						
Sold:	New Markets Inc (FNMIX)	4,325.99	\$15.65	\$67,701.67	8%	0%
Bought:	Pacific Basin (FPBFX)	2,596.92	\$26.07	\$67,701.67	0%	8%
Sold:	Invest Grade Bd (FBNDX)	29,339.19	\$7.39	\$216,816.61	24%	0%
Bought:	Short-Term Bond (FSHBX)	25,628.44	\$8.46	\$216,816.61	0%	24%
Sold:	Cash Reserves (FDRXX)	108,834.89	\$1.00	\$108,834.89	12%	0%
Bought:	Float Rate Hi Inc (FFRHX)	11,116.95	\$9.79	\$108,834.89	0%	12%
<b>Income &amp; Preservation Model</b>						
Sold:	New Markets Inc (FNMIX)	2,386.91	\$15.65	\$37,355.19	7%	0%
Bought:	Total Int'l Equity (FTIEX)	4,994.01	\$7.48	\$37,355.19	0%	7%
Sold:	Invest Grade Bd (FBNDX)	15,544.11	\$7.39	\$114,870.99	21%	0%
Bought:	Float Rate Hi Inc (FFRHX)	11,733.50	\$9.79	\$114,870.99	0%	21%
<b>Annuity Growth Model</b>						
Sold:	Mrg Stn EM Debt (FPRMC)	943.86	\$13.90	\$13,118.33	10%	0%
Bought:	Lazard Retire EM (FPRLC)	833.66	\$15.74	\$13,118.33	0%	10%
<b>Annuity Growth &amp; Income Model</b>						
Sold:	Mrg Stn EM Debt (FPRMC)	939.56	\$13.90	\$13,058.58	10%	0%
Bought:	Lazard Retire EM (FPRLC)	829.86	\$15.74	\$13,058.58	0%	10%
Sold:	VIP Invest Grade (FTLKC)	2,834.54	\$13.04	\$36,948.92	29%	0%
Bought:	(2/3)Pimco Low Dur (FPMBC)	2,309.13	\$10.67	\$24,632.62	0%	19%
Added:	(1/3)VIP Equity-Inc (FLOLC)	1,165.74	\$10.57	\$12,316.31	4%	14%
<b>Annuity Income &amp; Preservation Model</b>						
Sold:	Mrg Stn EM Debt (FPRMC)	976.40	\$13.90	\$13,570.62	11%	0%
Bought:	Lazard Retire EM (FPRLC)	862.40	\$15.74	\$13,570.62	0%	11%
Sold:	VIP Invest Grade (FTLKC)	3,392.78	\$13.04	\$44,225.72	34%	0%
Bought:	(2/3)Pimco Low Dur (FPMBC)	2,763.90	\$10.67	\$29,483.81	0%	23%
Bought:	(1/3)VIP Equity-Inc (FLOLC)	1,395.32	\$10.57	\$14,741.91	0%	11%

For a discussion of these trades please see **Market Outlook**.

\*Formerly Southeast Asia

**Best Growth Is Overseas**

GDP growth in the US in 2011 is likely to be better than last year, but still quite modest compared to previous recoveries, somewhere between 3.0 and 3.5%. The reason is our still-depressed housing sector, and that is unlikely to change much until the overhanging inventory of homes either in foreclosure or seriously delinquent is worked off.

With most of the world's developed markets also likely to endure below-average growth, the emerging markets offer the best growth prospects. After strong gains in emerging market stocks again last year, valuations are not quite as attractive, but not in "bubble" territory either. Using estimated 2011 earnings, the P/E ratio on emerging markets is 11.4, just below the 11.9 average of the last decade.

Most emerging markets are coping with rising inflation and are raising interest rates or taking other measures to rein in growth. If rates get too high, or growth slows dramatically, that would be a negative for emerging market stocks, but until then, the backdrop favors emerging market stocks over bonds.

**Action Recommendation**

Given a modestly improving economy, the Fed favoring stocks

over bonds, and interest rates still near record lows, we are wary of investment-grade bond funds. If rates rise (and we think they are likely to) investment-grade bonds will suffer. Even if the Fed were to be successful on both boosting stocks and holding interest rates roughly where they are, bonds would just "earn their coupons." That is, you would get the yield on your bonds, but no price appreciation. With today's low yields, that's not a very juicy return.

High-yield bond funds, besides obviously offering better yields, also trade more in line with the economy, so they are less susceptible to rising interest rates. Despite their strong year in 2010, the spread between high-yield and investment-grade bonds remains above historical averages, offering members more than adequate compensation for their added credit risk.

In all our model portfolios, we reduced or eliminated investment-grade bond exposure. In the Growth Model we sold **Total Bond** in favor of **High Income**. In the Growth & Income Model, we sold **Investment Grade Bond** for the less rate-sensitive **Short-Term Bond**. We also exchanged **Cash Reserves** for **Floating Rate High Income** (a shorter-duration, lower-risk high-yield option). In the Income & Preservation Model, we sold Investment Grade Bond and bought Floating Rate High Income.

In the Annuity Models, since we already have high-yield exposure through **Strategic Income**, we replaced **VIP Investment Grade** with a combination of **Pimco Low Duration**, a short-term bond fund and **VIP Equity-Income**.

As noted, the best growth prospects are in emerging market stocks and while we could see a pullback early in 2011, due to their strong 2010, we find them more attractive here than emerging market debt.

Given that, we sold **New Markets Income** in all four of our regular models. In its place we bought **Emerging Asia** (formerly Southeast Asia) in the Aggressive Growth Model; **Emerging Markets** in the Growth Model; **Pacific Basin** (40% in EM) in the Growth & Income Model; and **Total Int'l Equity** (25% in EM) in the Income & Preservation Model.

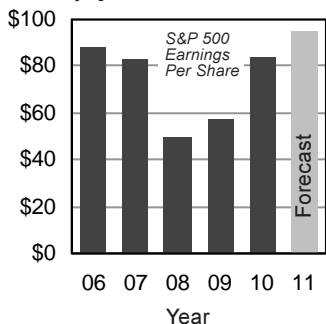
In all three of our Annuity Models we sold **Morgan Stanley Emerging Market Debt** and purchased **Lazard Retirement Emerging Markets** fund.

With many of the same problems that bedeviled the markets in 2010 (European debt woes, weak housing market, etc.) still around, 2011 promises to be another volatile year. So, I remind members not to focus too intently on the market's daily, weekly or monthly gyrations. ■

— John M. Boyd

**BACKDROP REMAINS FAVORABLE FOR STOCKS IN 2011**

**Earnings have risen sharply from the bottom ...**



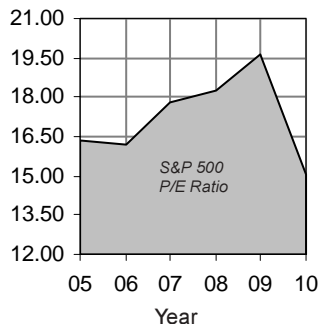
S&P 500 earnings have rebounded sharply from the bottom of the credit crisis. 2010 earnings were 69% higher than 2008. 2011 earnings are expected to grow about 13%.

**stocks have risen nicely but less than earnings so ...**



The S&P 500 is up an impressive 43% over the past two years. However, investors have pulled \$124 billion from stock funds during that time.

**valuations have become more attractive ...**



But, earnings grew ever faster (up 69%), so valuations have improved. They're now modestly below their long-term historical averages.

**but longer-term interest rates are rising.**



10-year Treasury yields fell on European debt woes in April. But since the Fed's announcement of QE2, rates have moved higher.

## Amid High Anxiety And Surprises, Stock And Bond Funds Rise In 2010

If you had the guts to throw caution to the wind last year, you made a lot of money. If you were a bit cautious



John Bonnanzio

(as we were), you made less — but still fared fine. And, if you were convinced that the world was ending (or were betting big on future inflation), gold stocks handsomely rewarded your pessimism as **Select Gold** soared 35.3%!

But wait a minute. While gold rose to over \$1,400 an ounce, the best-performing funds were actually in sectors that portend better economic times, not an approaching apocalypse. Notably, **Select Leisure** (whose holdings include the Las Vegas Sands and the Cheesecake Factory) gained a decidedly optimistic 37.9%!

And so went 2010. Apart from “sleep-tight” money market funds (which made no one anything), most investment themes worked — to varying degrees, of course. In fact, not a single Fidelity mutual fund in our *Scorecard* lost money.

### The Backdrop

The seeds for last year’s rally appear to have been sown in March of 2009 when bargain-hunters first sifted through the rubble of 2008’s market crash. But the bull-market recovery doesn’t owe its thanks to intrepid value investors. Instead, unprecedented deficit spending and unrivaled monetary stimuli by the Fed, proved a potent and effective combination to accomplish several goals: maintain liquidity and confidence in the credit markets, keep the economy from falling into a deeper recession and worse, stave off a deflationary spiral. While many wondered last year if these strategies had gone way too far and were merely postponing some hard decisions about

the country’s true structural problems, Wall Street seized on every bit of improving economic data and corporate earnings as evidence that a real, sustainable recovery was taking root.

But Main Street was less sure.

With unemployment rising, foreclosures accelerating, home prices moribund, and paychecks not growing, retail investors were unwilling to take many risks. Throughout 2010, they moved their assets out of stock funds and into bond funds.

Still, Corporate America was making money last year. Overall, top-line sales growth was thin, but profits were recovering — and fast. Balance sheets were bursting with cash, and dividend-paying stocks, while lagging “gowthier” fare for much of the year, rose sharply last month.

Of course, the May 6 “Flash Crash” unnerved investors as the Dow Industrials experienced an intra-day

free-fall of 1000 points. And if that didn’t signal the end of the market’s recovery, the S&P 500’s 4% fall on May 20 sure seemed to, as the index had quickly retreated 12% from its 2010 high.

All the while, the European debt crisis appeared to threaten the global recovery. And if budget reductions appeared little more than a bureaucratic exercise, the sight of European rioters protesting government austerity measures had some Americans wondering, “Are these scenes coming next to my hometown?” Of course, that question is unanswerable unless — or until — our own social safety nets (spending) are also reduced. In the meantime, between May and September volatility was extreme. In September, the S&P 500 surged an astounding 8.9%! That was its biggest gain for that particular month since 1939. In fact, September accounted for more than half of the year’s total return.

**Fund Commentary** *cont’d on page 12*

### JANUARY SCORECARD RATING CHANGES

Fund	Ratings		Comments
	Old	New	
Convertible Secs	B	<b>B</b> ↑	High yield holdings attractive for 2011.
Corporate Bond	<b>B</b>	H ↓	Long duration is a risk in face of rising rates.
Emerging Asia	B	<b>B</b> ↑	Inclusion of India in new benchmark a plus.
Floating Rate Hi Inc	B	<b>B</b> ↑	"Floating" nature reduces risk of rising rates.
Focused Stock	H	B ↑	Concentrated and unique bets paying off.
Gov't Income	H	S ↓	Treasuries (50% of fund) at risk of rising rates.
Intermediate Bond	<b>B</b>	H ↓	Rising rates a risk for investment-grade bonds.
Intermed Gov't Inc	H	S ↓	Treasuries (65% of fund) at risk of rising rates.
Int'l Small Cap	B	<b>B</b> ↑	Small-cap focus offers greater diversification.
Int'l Small Cap Opps	B	<b>B</b> ↑	Small-cap focus offers greater diversification.
Investment Grade	<b>B</b>	H ↓	Rising rates a risk for investment-grade bonds.
Mid Cap Growth	B	<b>B</b> ↑	Manager showing excellent stock selection skills.
New Markets Inc	<b>B</b>	H ↓	China and Brazil are raising rates.
Small Cap Growth	H	<b>B</b> ↑	Manager finding good values among small caps.
Sptn Interm Treasury	H	S ↓	Intermediate Treasuries face greater rate risk.
Sptn Long Treasury	S	<b>S</b> ↓	Long-Term Treasuries face greatest rate risk.
Sptn Short Treasury	<b>B</b>	H ↓	Short Treasuries face more modest rate risk.
Stock Sel All Cap	S	H ↑	We're impressed with new investment process.
Stock Sel Sm Cap	H	<b>B</b> ↑	New management structure driving returns.
Total Bond	<b>B</b>	B ↓	Rising rates a risk, but high yield portion helps.
<b>Annuity Funds</b>			Changes mimic non-annuity funds; see p. 10.
<b>Muni Bond Funds</b>			See p. 6 for discussion and p. 9 for changes.
<b>Select Funds</b>			See p. 8 for changes and new Select Model.

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

## FIDELITY SCORECARD - DECEMBER 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)			
						Dec	2010	2009	1 Year	3 Year	5 Year					
Comparative Indexes		S&P 500 (Large cap)*				6.7	15.0	26.5	15.0	-2.9	2.3	1.00				
		Nasdaq Composite (OTC)*				6.2	17.8	45.0	17.8	0.8	4.5	1.15				
		MSCI EAFE (International)*				8.1	7.7	28.5	7.7	-6.8	2.5	1.25				
		Sptn Extd Mkt (Small-mid caps)				7.4	28.6	28.5	28.6	2.7	5.6	1.19				
		Barclays Aggregate Bond*				-1.1	6.3	6.5	6.3	5.5	5.2	0.18				
<b>LARGE CAP EQUITY</b>						<b>Category Averages</b>			<b>6.7</b>	<b>16.4</b>	<b>32.6</b>	<b>16.4</b>	<b>-3.6</b>	<b>2.4</b>	<b>1.1</b>	
312	FBGRX	Blue Chip Growth		45.35	Buy	5.4	19.6	45.0	19.6	2.1	4.7	1.11	\$11,510			
1271	FBCVX	Blue Chip Value		10.81	Sell	9.2	10.1	27.8	10.1	-8.1	-1.4	1.17	304			
307	FDCAX	Capital Appreciation		25.34	OK to Buy	4.3	18.3	36.4	18.3	-1.3	3.2	1.13	4,696			
22	FCNTX	Contrafund		67.73	Buy	4.0	16.9	29.2	16.9	-1.7	4.9	0.91	58,904			
315	FDEQX	Disciplined Equity		22.53	Sell	6.2	8.3	22.0	8.3	-7.5	0.1	1.01	8,820			
330	FDGFX	Dividend Growth		28.43	Buy	8.7	21.2	51.0	21.2	1.4	3.9	1.28	8,645			
23	FEQIX	Equity-Income		44.26	Buy	8.9	15.1	29.5	15.1	-4.5	1.1	1.15	9,701			
319	FEQTX	Equity-Income II		18.25	Buy	9.1	13.5	25.1	13.5	-5.4	0.1	1.12	4,784			
332	FEXPX	Export and Multinational	0.75%/30d	21.81	OK to Sell	7.0	11.9	37.1	11.9	-4.6	1.7	1.09	2,412			
3	FFIDX	Fidelity Fund		32.15	OK to Sell	7.8	14.6	26.8	14.6	-4.7	2.8	1.04	4,812			
500	FFTYX	Fifty		17.63	Hold	3.5	17.8	37.1	17.8	-6.3	0.6	1.20	735			
333	FTQGX	Focused Stock		13.65	OK to Buy ↑	7.0	24.1	25.2	24.1	1.3	5.1	1.01	157			
27	FGRIX	Growth & Income		18.30	OK to Sell	7.1	14.6	23.1	14.6	-11.5	-5.0	1.19	5,352			
25	FDGRX	Growth Company (closed)		83.15	Buy	4.7	20.6	41.2	20.6	0.2	5.7	1.09	27,780			
339	FDSVX	Growth Discovery		13.68	Buy	6.4	24.0	29.3	24.0	-5.1	4.3	1.11	726			
73	FDFFX	Independence		24.35	OK to Buy	4.6	22.2	39.9	22.2	-3.9	5.2	1.36	3,990			
1827	FLCEX	Large Cap Core Enhcd Index		8.55	OK to Sell	6.1	12.2	23.3	12.2	-3.9	--	0.96	904			
763	FSLGX	Large Cap Growth		9.74	OK to Buy	5.3	19.8	24.0	19.8	-2.8	-0.2	1.03	110			
1829	FLGEX	Large Cap Growth Enhcd Index		9.61	Hold	5.3	14.0	35.1	14.0	-1.0	--	0.99	50			
338	FLCSX	Large Cap Stock		17.61	Buy	9.4	18.2	50.5	18.2	-2.2	3.6	1.28	933			
708	FSLVX	Large Cap Value		10.52	OK to Sell	7.2	9.3	15.6	9.3	-8.7	-1.5	1.07	817			
1828	FLVEX	Large Cap Value Enhcd Index		7.43	OK to Sell	7.1	12.7	15.6	12.7	-5.8	--	0.99	69			
21	FMAGX	Magellan		71.67	OK to Sell	6.7	12.4	41.1	12.4	-7.1	0.5	1.27	19,325			
361	FGRTX	Mega Cap Stock		9.99	Buy	7.8	14.4	28.6	14.4	-3.8	2.2	1.05	512			
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	35.20	OK to Buy	6.2	17.8	45.0	17.8	0.8	4.5	1.15	280			
93	FOCPX	OTC		54.93	Buy	6.9	20.1	62.2	20.1	1.7	7.8	1.28	5,292			
650	FUSEX	Spartan 500 Index <sup>4</sup>		44.48	Hold	6.7	15.0	26.5	15.0	-2.9	2.3	1.00	24,859			
397	FSTMX	Spartan Total Mkt. Index <sup>4</sup>	0.50%/90d	36.43	Hold	6.8	17.4	28.4	17.4	-1.8	3.0	1.03	5,786			
320	FDSSX	Stock Selector All Cap		25.74	Hold ↑	8.3	19.2	28.8	19.2	-3.6	2.5	1.06	735			
343	FTXMX	Tax Managed Stock		12.46	Sell	6.5	14.7	20.7	14.7	-7.4	0.3	1.09	69			
5	FTRNX	Trend		67.38	OK to Buy	5.4	19.8	44.5	19.8	-1.3	5.3	1.12	990			
832	FVDFX	Value Discovery		14.64	Sell	8.5	15.4	27.7	15.4	-5.3	1.5	1.16	581			

**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
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

## MUNICIPAL BOND FUNDS *Trouble With Munis*

We've downgraded all but two municipal bond funds to *OK to Sell* (see p. 9). The nationally diversified **Short-Intermediate Muni** is still rated *OK to Buy*, and the other less-interest-rate-sensitive **California Short-Intermediate** was down-

graded to *Hold*.) Why are we down on munis? At 13% of the market, California is the country's biggest muni issuer. At the risk of sounding political, their budget problems appear to dwarf their willingness to address it. And, if investors thought that Congress might be its safety net in case of default, that wishful thinking may have vanished when the GOP

took over the House. Public indebtedness is not, of course, only a California problem. But there happens to be a high correlation between high taxes, high public indebtedness and weak state economies. In addition, all but the two previously mentioned muni funds have long durations. If interest rates and/or inflation fears rise, this is another layer of risk. ■

## FIDELITY SCORECARD - DECEMBER 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)		
						Dec	2010	2009	1 Year	3 Year	5 Year				
<b>MID-SMALL CAPS</b>						<b>Category Averages</b>			<b>7.9</b>	<b>25.3</b>	<b>43.4</b>	<b>25.3</b>	<b>0.7</b>	<b>4.6</b>	<b>1.3</b>
324	FDEGX	Growth Strategies	1.50%/90d	20.44	Buy	7.6	25.6	39.7	25.6	-3.8	2.9	1.20	\$1,926		
122	FLVCX	Leveraged Company Stock	1.50%/90d	28.42	Buy	10.1	24.5	59.6	24.5	-3.3	4.6	1.65	3,884		
316	FLPSX	Low-Priced Stock	1.50%/90d	38.38	Buy	6.6	20.7	39.1	20.7	2.3	5.4	1.11	25,663		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	9.66	Hold	6.4	22.4	37.6	22.4	1.0	--	1.14	44		
793	FSMGX	Mid Cap Growth	0.75%/30d	12.44	Buy↑	7.5	25.2	46.4	25.2	-2.4	0.6	1.29	263		
762	FSMVX	Mid Cap Value	0.75%/30d	15.95	Hold	7.0	25.4	35.4	25.4	0.3	3.5	1.26	602		
337	FMCSX	Mid-Cap Stock	0.75%/30d	28.85	Hold	8.9	23.6	50.4	23.6	0.1	4.5	1.37	6,222		
300	FMILX	New Millennium		29.13	OK to Buy	7.0	18.9	40.2	18.9	-0.1	5.7	1.16	1,797		
384	FSCRX	Small Cap Discovery	1.50%/90d	14.07	OK to Buy	9.1	32.4	50.7	32.4	13.1	9.0	1.32	885		
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	10.09	Hold	8.1	26.1	23.6	26.1	1.1	--	1.18	109		
1388	FCPGX	Small Cap Growth	1.50%/90d	15.69	Buy↑	7.4	26.6	42.9	26.6	-0.1	5.7	1.24	1,323		
340	FSLCX	Small Cap Stock	2.00%/90d	19.60	Buy	8.4	23.0	62.7	23.0	0.0	6.7	1.42	3,937		
1389	FCPVX	Small Cap Value	1.50%/90d	15.61	Hold	8.8	25.1	36.6	25.1	6.0	6.9	1.29	1,870		
398	FSEMXX	Spartan Extended Mkt Index <sup>4</sup>	0.75%/90d	38.17	Hold	7.4	28.6	36.7	28.6	2.7	5.6	1.19	3,511		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	18.51	Buy↑	8.4	33.7	32.3	33.7	-2.1	2.9	1.35	1,476		
39	FDVLX	Value		68.69	Buy	7.9	22.3	44.1	22.3	-2.0	2.1	1.44	7,229		
14	FSLSX	Value Strategies		27.85	Buy	8.4	26.5	59.2	26.5	-0.6	3.8	1.53	361		
<b>SPECIALTY</b>															
2063	FOTTX	130/30 Large Cap		7.24	OK to Sell	6.2	9.7	3.6	9.7	--	--	--	18		
304	FBALX	Balanced		18.23	Hold	4.3	13.8	28.1	13.8	0.0	4.0	0.76	16,699		
308	FCVXS	Convertible Securities		25.45	Buy↑	5.8	20.9	64.1	20.9	1.2	6.8	1.26	2,287		
1960	FDYSX	Dynamic Strategies		9.57	Hold	4.8	15.0	28.7	15.0	2.0	--	0.77	184		
355	FFNOX	Four-in-One Index		27.00	Hold	6.0	13.7	25.0	13.7	-1.5	3.2	0.91	2,156		
334	FGBLX	Global Balanced	1.00%/30d	22.30	Hold	5.0	12.5	22.5	12.5	1.9	6.5	0.75	541		
2120	FFGCX	Global Commodity Stock	1.00%/30d	17.14	Hold	10.5	18.1	48.0p	18.1	--	--	--	348		
1368	FIREX	International Real Estate	1.50%/90d	9.38	Sell	8.5	14.5	35.8	14.5	-8.4	0.2	1.36	345		
4	FPURX	Puritan		17.91	OK to Buy	4.4	14.0	26.7	14.0	0.8	4.5	0.71	16,138		
833	FRIFX	Real Estate Income	0.75%/90d	10.40	OK to Buy	2.0	18.8	46.8	18.8	6.4	4.7	0.72	1,192		
303	FRESX	Real Estate Investment	0.75%/90d	25.69	Hold	5.3	29.9	32.9	29.9	2.2	2.2	1.89	3,120		
1329	FSDIX	Strategic Dividend & Income		10.55	OK to Buy	4.0	13.7	37.7	13.7	-2.7	1.6	1.10	537		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.58	Hold	3.5	13.9	28.4	13.9	3.9	4.1	0.64	4,043		
311	FIUIX	Telecom & Utilities		15.95	Hold	6.5	17.3	11.1	17.3	-5.2	4.3	0.87	835		
<b>ASSET ALLOCATION</b>															
328	FASIX	Asset Manager 20%		12.79	Hold	1.5	8.9	19.5	8.9	3.8	4.7	0.35	3,184		
1957	FTANX	Asset Manager 30%		9.65	Hold	2.5	10.9	23.6	10.9	3.3	--	0.46	121		
1958	FFANX	Asset Manager 40%		9.54	Hold	3.2	12.1	26.0	12.1	2.8	--	0.56	83		
314	FASMX	Asset Manager 50%		15.42	Hold	4.1	13.5	30.9	13.5	2.4	4.5	0.68	6,371		
1959	FSANX	Asset Manager 60%		9.50	Hold	4.8	14.3	32.7	14.3	2.0	--	0.76	113		
321	FASGX	Asset Manager 70%		16.33	Hold	5.8	15.8	35.7	15.8	0.7	3.9	0.89	2,364		
347	FAMRX	Asset Manager 85%		13.40	Hold	7.2	16.6	38.7	16.6	-0.3	3.8	1.02	606		
<b>INTERNATIONAL</b>						<b>Category Averages</b>			<b>7.9</b>	<b>16.1</b>	<b>41.9</b>	<b>16.1</b>	<b>-4.9</b>	<b>4.5</b>	<b>1.33</b>
309	FICDX	Canada	1.50%/90d	58.15	Buy	7.1	21.8	39.6	21.8	-0.8	8.7	1.34	\$4,047		
352	FHKCX	China Region	1.50%/90d	32.51	Hold	2.5	18.0	65.6	18.0	2.5	15.4	1.34	2,156		
325	FDIVX	Diversified International	1.00%/30d	30.15	OK to Sell	7.7	9.7	31.8	9.7	-7.5	2.4	1.24	25,138		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	9.45	OK to Buy	9.4	25.5	61.4	25.5	--	--	--	143		
351	FSEAX	Emerging Asia <sup>6</sup>	1.50%/90d	30.62	Buy↑	5.6	22.8	39.2	22.8	-6.3	11.9	1.24	1,717		
322	FEMKX	Emerging Markets	1.50%/90d	26.35	Buy	6.0	18.2	76.0	18.2	0.0	9.5	1.61	3,908		
301	FIEUX	Europe	1.00%/30d	31.32	OK to Sell	8.7	8.6	31.7	8.6	-7.2	3.1	1.28	754		
341	FECAX	Europe Capital App	1.00%/30d	19.04	OK to Sell	8.9	8.4	32.1	8.4	-8.4	3.6	1.32	428		
305	FIGRX	International Discovery	1.00%/30d	33.04	OK to Sell	8.1	11.0	30.1	11.0	-7.0	3.5	1.21	7,810		
2010	FIENX	International Enhanced Index	1.00%/30d	7.32	OK to Sell	8.5	8.7	24.6	8.7	-8.5	--	1.24	21		
1979	FIGFX	International Growth	1.00%/30d	8.67	OK to Buy	7.5	16.9	36.5	16.9	-2.1	--	1.18	30		
1597	FIVLX	International Value	1.00%/30d	8.14	OK to Sell	8.7	5.2	36.1	5.2	-8.6	--	1.41	152		
335	FIVFX	Int'l Cap App	1.00%/30d	12.89	Hold	6.9	15.9	55.2	15.9	-3.9	1.5	1.49	612		
818	FISMXX	Int'l Small Cap	2.00%/90d	21.26	Buy↑	8.5	25.4	45.5	25.4	-0.8	4.8	1.29	809		
1504	FSCOX	Int'l Small Cap Opportunities	2.00%/90d	10.39	Buy↑	9.7	23.3	46.3	23.3	-9.2	-0.6	1.44	386		
350	FJPNX	Japan	1.50%/90d	11.18	OK to Sell	8.6	14.7	15.3	14.7	-5.8	-5.0	1.09	556		
360	FJSCX	Japan Smaller Companies	1.50%/90d	9.19	OK to Sell	10.9	12.3	18.1	12.3	-4.6	-9.8	1.21	279		
349	FLATX	Latin America	1.50%/90d	59.03	Buy	6.2	16.5	91.6	16.5	0.4	16.0	1.64	4,182		
342	FNORX	Nordic	1.50%/90d	34.34	OK to Buy	12.1	26.5	47.5	26.5	-6.3	6.7	1.59	446		
94	FOSFX	Overseas	1.00%/30d	32.48	OK to Sell	8.5	6.6	25.2	6.6	-11.1	0.6	1.25	4,876		
302	FPBFX	Pacific Basin	1.50%/90d	26.07	Buy	6.9	32.8	59.3	32.8	-2.2	6.4	1.52	854		
399	FSIIX	Spartan Int'l Index <sup>4</sup>	1.00%/90d	35.17	OK to Sell	8.1	7.7	28.5	7.7	-6.8	2.5	1.25	6,175		
1978	FTIEX	Total International Equity	1.00%/30d	7.48	Buy↑	7.7	12.5	41.2	12.5	-5.7	--	1.33	60		
318	FWWFX	Worldwide	1.00%/30d	18.66	Hold	7.4	17.0	28.5	17.0	-3.5	4.6	1.14	1,083		

MODEL PORTFOLIOS

## New Select Model From Jack Bowers Debuts!

We're excited to introduce our new Select Model Portfolio, run by President and Publisher, Jack Bowers. If you're wondering "why a Select Model?" the answer is simple: to take advantage Fidelity's stockpicking prowess.



Jack Bowers

Let's start with the Select population itself. Over the last 10 years, 27 out of 38 funds finished ahead of the S&P 500. That's a success rate of 71%, a feat that is unprecedented among a diverse population of actively managed stock funds. And that's no fluke. A decade ago (during the raging bull market of the 1990s), 61% beat the market.

If not the performance champ among domestic stock funds, the research-advantaged Select family certainly represents

the best of Fidelity's active management.

To take full advantage of these unique funds the portfolio will not hold cash or bonds. Anything less is almost certain to dilute long-term re-

turns. As such, it is suitable only for members with no need for income or principal for more than 10 years.

So we've identified a few long-lasting investment themes, and seven Select funds to take advantage of them without incurring too much risk in the process:

**Technology.** Today's rapid advancement heavily favors U.S. firms. Japanese and European companies are too

Select Model	
Fund	Allocation
Technology	19%
Leisure	16
Industrials	15
Chemicals	15
IT Services	14
Pharmaceuticals	12
Consumer Staples	9
<b>Total Return: Dec:</b>	<b>na</b>
<b>YTD:</b>	<b>na</b>

Select Model *cont'd on page 16*

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)
						Dec	2010	2009	1 Year	3 Year	5 Year		
<b>SELECT PORTFOLIOS</b>						<b>7.4</b>	<b>22.2</b>	<b>44.7</b>	<b>22.2</b>	<b>0.7</b>	<b>5.0</b>	<b>1.36</b>	
<b>Category Averages</b>													
34	FSAIX	Air Transportation	0.75%/30d	42.35	Hold	1.2	33.4	22.3	33.4	3.2	5.7	1.57	167
502	FSAVX	Automotive	0.75%/30d	45.19	OK to Buy	10.2	46.2	122.3	46.2	8.0	7.4	2.39	214
507	FSRBX	Banking	0.75%/30d	18.51	Hold	15.8	21.4	5.1	21.4	-7.3	-6.6	1.60	413
42	FBIOX	Biotechnology	0.75%/30d	72.96	Hold	7.2	11.4	10.8	11.4	3.1	3.1	1.00	1,006
68	FSLBX	Brokerage & Investment	0.75%/30d	52.45	Hold	12.4	11.2	50.4	11.2	-5.4	0.5	1.47	500
69	FSCHX	Chemicals	0.75%/30d	95.50	Buy↑	8.2	30.7	65.3	30.7	7.0	12.9	1.39	529
518	FSDCX	Communications Equipment	0.75%/30d	26.51	OK to Buy↓	8.3	27.7	80.7	27.7	5.9	5.9	1.56	428
7	FDCPX	Computers	0.75%/30d	56.42	OK to Buy	5.0	23.8	83.2	23.8	5.3	9.4	1.36	536
511	FSHOX	Construction & Housing	0.75%/30d	35.06	OK to Sell	12.6	21.5	22.9	21.5	3.0	0.2	1.47	85
517	FSCPX	Consumer Discretionary	0.75%/30d	24.51	Hold	3.6	31.2	38.1	31.2	5.8	4.2	1.20	187
98	FVLX	Consumer Finance <sup>B</sup>	0.75%/30d	11.36	Hold↑	8.3	5.9	1.9	5.9	-23.5	-20.8	1.30	77
9	FDFAX	Consumer Staples	0.75%/30d	68.35	Buy↑	5.1	15.2	20.9	15.2	2.7	9.6	0.78	890
67	FSDAX	Defense & Aerospace	0.75%/30d	73.22	OK to Sell	4.3	21.9	24.9	21.9	-3.1	5.3	1.30	624
8	FSELX	Electronics	0.75%/30d	48.37	OK to Buy↓	9.3	16.8	85.0	16.8	2.7	2.6	1.53	1,057
60	FSENX	Energy	0.75%/30d	52.28	OK to Buy↑	9.7	19.0	47.1	19.0	-7.0	6.0	1.60	2,135
43	FSESX	Energy Service	0.75%/30d	74.37	Hold	9.0	27.9	62.0	27.9	-8.6	5.2	1.93	1,448
516	FSLEX	Environment & Alt Energy	0.75%/30d	17.80	Hold	6.8	14.9	17.2	14.9	-2.2	3.1	1.06	66
66	FIDSX	Financial Services	0.75%/30d	61.59	Hold	15.6	6.5	25.9	6.5	-12.4	-7.6	1.50	361
41	FSAGX	Gold	0.75%/30d	53.11	Hold	3.9	35.3	38.0	35.3	14.1	18.4	1.97	4,405
63	FSPHX	Health Care	0.75%/30d	124.61	Hold	7.0	17.0	32.1	17.0	1.4	4.3	0.92	1,655
510	FSCGX	Industrial Equipment	0.75%/30d	33.92	OK to Buy	9.9	33.9	38.9	33.9	-0.3	7.4	1.50	204
515	FCYIX	Industrials	0.75%/30d	23.66	Buy↑	8.2	31.1	38.9	31.1	2.9	8.1	1.40	384
45	FSPCX	Insurance	0.75%/30d	47.18	Hold↑	7.3	20.1	21.8	20.1	-8.1	-3.7	1.31	226
353	FBSOX	IT Services	0.75%/30d	21.12	Buy↑	5.8	18.5	59.1	18.5	8.1	10.1	1.16	114
62	FDLSX	Leisure	0.75%/30d	91.15	Buy↑	1.5	37.9	24.3	37.9	6.7	8.1	1.10	468
509	FSDPX	Materials	0.75%/30d	67.90	OK to Buy	9.8	28.1	78.7	28.1	6.3	13.1	1.51	816
505	FSHCX	Medical Delivery	0.75%/30d	49.68	OK to Buy↑	6.2	15.4	49.0	15.4	-1.6	1.9	1.28	430
354	FSMEX	Medical Equipment	0.75%/30d	27.58	OK to Sell	8.0	12.7	32.6	12.7	4.6	7.0	0.96	1,232
503	FBMPX	Multimedia	0.75%/30d	42.82	Hold↑	5.4	25.8	54.4	25.8	5.7	4.0	1.29	185
513	FSNGX	Natural Gas	0.75%/30d	33.24	Hold	9.1	6.4	56.3	6.4	-10.3	1.4	1.65	877
514	FNARX	Natural Resources	0.75%/30d	34.81	Hold	10.6	23.1	51.7	23.1	-3.8	9.7	1.60	1,470
580	FPHAX	Pharmaceuticals	0.75%/30d	12.33	Buy↑	5.7	16.4	25.4	16.4	4.1	7.5	0.84	348
46	FSRPX	Retailing	0.75%/30d	53.49	Hold	3.1	28.1	57.8	28.1	12.5	8.6	1.24	193
28	FSCSX	Software & Computer Svcs	0.75%/30d	87.46	OK to Buy	6.4	18.9	61.5	18.9	3.6	11.5	1.14	1,111
64	FSPTX	Technology	0.75%/30d	95.61	Buy	6.0	26.7	90.3	26.7	5.6	8.7	1.49	2,376
96	FSTCX	Telecommunications	0.75%/30d	46.44	OK to Buy↑	6.6	18.3	51.6	18.3	-2.1	5.2	1.22	375
512	FSRFX	Transportation	0.75%/30d	55.42	OK to Buy	3.5	41.3	23.3	41.3	8.3	6.7	1.25	453
65	FSUTX	Utilities	0.75%/30d	48.38	Hold	4.4	10.9	14.4	10.9	-6.7	4.5	0.89	415
963	FWRLX	Wireless	0.75%/30d	7.70	OK to Buy	6.2	15.2	59.0	15.2	-2.6	5.0	1.26	318

## FIDELITY SCORECARD - DECEMBER 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						
						Dec	2010	2009										
<b>TAXABLE BOND</b>						<b>Category Averages</b>			<b>-1.2</b>	<b>6.2</b>	<b>5.5</b>	<b>2.16</b>	<b>2.73</b>	<b>4.5</b>				
2208	FCBFX	Corporate Bond		10.16	Hold↓	-0.4	5.6p	--	4.22	--	6.4							
15	FGMNX	Ginnie Mae		11.47	Hold	-0.8	7.0	6.9	3.40	3.00	3.0							
54	FGOVX	Government Income		10.43	OK to Sell↓	-1.3	5.1	1.3	1.80	2.25	4.4							
794	FINPX	Inflation-Protected Bond <sup>3</sup>		11.64	Hold	-1.6	5.9	9.7	0.29	2.96	6.4							
32	FTHRFX	Intermediate Bond		10.55	Hold↓	-1.2	7.6	17.1	2.58	3.33	4.0							
452	FSTGX	Intermediate Gov't Income		10.71	OK to Sell↓	-1.3	4.7	0.9	1.12	1.79	3.7							
26	FBNDX	Investment Grade Bond		7.39	Hold↓	-0.6	8.4	16.0	2.77	3.22	4.6							
40	FMSFX	Mortgage Securities		10.83	Hold	-0.5	7.3	9.6	3.21	3.62	2.8							
450	FSHBX	Short-Term Bond		8.46	Buy	-0.2	3.8	7.4	1.24	1.93	1.9							
1561	FIBIX	Sptn Interm Treas Index <sup>5</sup>		10.67	OK to Sell↓	-3.0	8.5	-5.0	2.49	2.99	6.5							
1562	FLBIX	Sptn Lng-Term Treas Index <sup>5</sup>		10.45	Sell↓	-3.6	9.2	-13.4	4.02	3.93	14.0							
1560	FSBIX	Sptn Sht-Term Treas Index <sup>5</sup>		10.50	Hold↓	-0.7	3.5	-0.1	0.75	1.50	2.6							
820	TOTBFX	Total Bond		10.72	OK to Buy↓	-0.5	8.6	19.8	3.48	3.96	4.2							
651	FBIDX	U.S. Bond Index		11.33	Hold	-1.1	6.3	6.5	2.57	3.05	4.4							
812	FUSFX	Ultra-Short Bond	0.25%/60d	8.17	Hold	0.0	1.2	1.0	0.49	0.65	0.4							
<b>HIGH-YIELD BOND</b>						<b>Category Averages</b>			<b>-0.2</b>	<b>11.9</b>	<b>44.0</b>	<b>5.19</b>	<b>5.72</b>					
38	FAGIX	Capital & Income	1.00%/90d	9.43	Buy	3.3	17.1	72.1	5.59	6.54	--							
814	FFRHX	Floating Rate High Income	1.00%/60d	9.79	Buy↑	1.1	7.8	28.9	3.40	3.50	--							
1366	FHIFX	Focused High Income	1.00%/90d	9.21	Buy	0.9	12.1	35.1	5.95	6.66	--							
455	SPHIX	High Income	1.00%/90d	8.94	Buy	1.8	13.7	51.5	6.45	7.18	--							
331	FNMIK	New Markets Income	1.00%/90d	15.65	Hold↓	0.2	10.9	44.6	5.34	5.51	--							
368	FSICX	Strategic Income		11.09	Buy	1.0	9.9	31.8	4.40	4.94	--							
<b>NATIONAL MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>-1.4</b>	<b>2.3</b>	<b>10.2</b>	<b>3.11</b>	<b>3.54</b>	<b>6.1</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
36	FLTXX	Interm Municipal Income	0.50%/30d	10.03	OK to Sell↓	-1.1	2.7	8.8	2.88	3.46	5.3	3.8	4.0	4.3	4.4			
37	FHIGX	Municipal Income	0.50%/30d	12.27	OK to Sell↓	-1.9	2.6	13.1	3.89	4.20	8.1	5.2	5.4	5.8	6.0			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.60	OK to Buy	-0.6	2.0	5.6	1.62	2.27	2.7	2.2	2.3	2.4	2.5			
90	FTABX	Tax-Free Bond	0.50%/30d	10.54	OK to Sell↓	-2.0	2.1	13.3	4.04	4.21	8.3	5.4	5.6	6.0	6.2			
<b>STATE-SPECIFIC MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>-1.7</b>	<b>2.3</b>	<b>11.1</b>	<b>3.28</b>	<b>3.68</b>	<b>7.1</b>				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.13	OK to Sell↓	-1.9	2.3	13.7	3.73	3.74	8.2	5.0	5.2	5.6	5.7			
91	FCTFX	California Muni Income	0.50%/30d	11.63	OK to Sell↓	-2.2	3.2	11.7	4.12	4.29	7.9	5.5	5.7	6.1	6.3			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.55	Hold↓	-0.6	2.2	6.2	1.71	2.35	3.1	2.3	2.4	2.6	2.6			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.22	OK to Sell↓	-1.8	2.2	11.0	2.94	3.32	6.9	3.9	4.1	4.4	4.5			
429	SMDMX	Maryland Muni Income	0.50%/30d	10.78	OK to Sell↓	-1.5	2.3	13.8	3.10	3.43	7.3	4.1	4.3	4.6	4.8			
70	FDMMX	Mass Muni Income	0.50%/30d	11.63	OK to Sell↓	-1.8	2.4	12.7	3.52	3.90	8.1	4.7	4.9	5.3	5.4			
81	FMHTX	Michigan Muni Income	0.50%/30d	11.66	OK to Sell↓	-1.7	2.3	9.3	3.31	3.96	6.6	4.4	4.6	4.9	5.1			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.25	OK to Sell↓	-1.4	2.4	9.9	2.87	3.50	6.4	3.8	4.0	4.3	4.4			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.30	OK to Sell↓	-1.8	2.1	11.8	3.30	3.85	7.2	4.4	4.6	4.9	5.1			
71	FTFMX	New York Muni Income	0.50%/30d	12.64	OK to Sell↓	-1.7	2.4	12.1	3.62	3.93	8.0	4.8	5.0	5.4	5.6			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.38	OK to Sell↓	-1.8	2.0	11.1	3.52	3.93	7.6	4.7	4.9	5.3	5.4			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	10.51	OK to Sell↓	-1.8	2.0	9.7	3.62	3.98	7.4	4.8	5.0	5.4	5.6			
<b>TAXABLE MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.04</b>	<b>0.45</b>	<b>0.03</b>						
55	FDRXX	Cash Reserves		1.00	--	0.01	0.06	0.61	0.04	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	0.02	0.63	0.01	na	na							
458	SPAXX	Government MM		1.00	--	0.00	0.01	0.32	0.01	na	na							
454	SPRXX	Money Market		1.00	--	0.00	0.03	0.62	0.01	na	na							
85	FSLXX	Select MM		1.00	--	0.01	0.13	0.67	0.11	na	na							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.01	0.02	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	0.02	0.20	0.02	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>0.02</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	0.02	0.15	0.03	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	0.02	na	na	0.0	0.0	0.0	0.0			
74	FDMXX	Massachusetts		1.00	--	0.00	0.02	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	0.06	na	na	0.1	0.1	0.1	0.1			
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	0.02	0.19	0.03	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 - DECEMBER 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>
							Dec	2010	2009	1 Year	3 Year	5 Year	
<b>FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS</b>													
9067	FLRQC	Fid VIP Asset Manager	Allocation		13.09	Hold	2.8	13.9	28.7	13.9	1.3	5.0	0.75
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		12.69	Hold	3.9	16.0	32.4	16.0	-0.6	4.4	0.97
9069	FJBAC	Fid VIP Balanced	Allocation		13.49	Hold	6.0	17.7	38.1	17.7	2.3	5.2	0.92
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	12.26	Hold	3.5	30.8	37.8	30.8	5.8	4.0	1.19
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	12.05	Buy↑	5.0	14.8	20.4	14.8	2.7	--	0.77
9065	FPDFC	Fid VIP Contrafund	Large Growth		12.60	Hold	7.5	16.8	35.3	16.8	-3.3	3.3	1.10
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		9.92	Hold	8.0	25.1	21.8	25.1	0.2	--	1.18
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		12.40	OK to Buy	4.2	18.0	35.7	18.0	-2.1	2.6	1.14
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	9.15	Buy	5.9	17.5	75.1	17.5	--	--	--
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	14.79	OK to Buy↑	9.7	19.0	47.4	19.0	-7.2	6.2	1.60
9061	FLOLC	Fid VIP Equity-Income	Large Value		10.57	Buy	8.9	14.8	29.8	14.8	-5.2	0.5	1.17
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	7.22	Hold	15.6	7.0	27.0	7.0	-12.3	-7.6	1.53
9157	FMPAC	Fid VIP FundsManager 20	Allocation		11.94	Hold	1.4	7.2	10.0	7.2	2.6	--	0.27
9158	FMPBC	Fid VIP FundsManager 50	Allocation		11.57	Hold	3.7	11.6	18.7	11.6	0.8	--	0.58
9197	FMPCC	Fid VIP FundsManager 60	Allocation		10.41	Hold	4.5	13.3	22.2	13.3	--	--	--
9159	FMPCC	Fid VIP FundsManager 70	Allocation		11.02	Hold	5.3	14.0	24.1	14.0	-1.4	--	0.80
9160	FMPDC	Fid VIP FundsManager 85	Allocation		10.62	Hold	6.4	15.9	28.2	15.9	-2.9	--	0.96
9062	FMNDC	Fid VIP Growth	Large Growth		11.51	Buy	6.4	23.8	27.8	23.8	-5.9	2.3	1.11
9070	FLFNC	Fid VIP Growth & Income	Large Blend		11.14	OK to Sell	7.0	14.4	26.8	14.4	-5.5	1.2	1.04
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		11.00	Buy	5.6	23.4	45.2	23.4	-7.0	0.7	1.31
9078	FPVDC	Fid VIP Growth Stock	Large Growth		12.09	OK to Buy	5.1	19.7	44.3	19.7	-1.6	3.2	1.12
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		11.54	Buy	7.5	24.5	39.4	24.5	-4.0	2.3	1.20
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	12.59	Hold	7.1	16.9	32.2	16.9	1.4	3.9	0.92
9060	FBBLC	Fid VIP High Income	High-Yield Bond		14.03	Buy	1.8	13.8	43.4	13.8	6.9	6.7	0.66
9064	FXVLT	Fid VIP Index 500	Large Blend		11.25	Hold	6.7	14.7	26.3	14.7	-3.1	2.0	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	15.59	Buy↑	8.2	30.6	39.6	30.6	3.1	8.2	1.41
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	11.34	Buy	7.0	15.4	55.2	15.4	-4.1	1.0	1.49
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		13.04	Hold↓	-0.8	7.5	15.5	7.5	6.2	5.3	0.23
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	13.72	OK to Buy	9.8	28.1	77.6	28.1	6.4	--	1.51
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		14.94	OK to Buy↑	3.3	28.4	39.6	28.4	2.7	6.9	1.07
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.45	--	0.0	-0.1	0.4	-0.1	1.0	2.4	0.02
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	12.14	OK to Sell	7.6	12.8	26.1	12.8	-7.3	1.8	1.24
9072	FFWKC	Fid VIP Real Estate	Sector		12.47	Hold	5.2	29.9	37.2	29.9	2.2	3.5	1.97
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		14.51	Buy	0.9	9.4	29.7	9.4	8.3	7.5	0.42
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	16.30	Buy	6.1	27.3	95.4	27.3	6.9	8.5	1.49
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	8.98	OK to Buy↑	6.7	17.2	47.5	17.2	-3.2	--	1.19
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	12.93	Hold	4.3	10.8	14.9	10.8	-6.5	5.2	0.90
9079	FKMSC	Fid VIP Value	Mid Value		10.63	Buy	8.2	17.4	42.1	17.4	-3.8	0.6	1.41
9080	FUEBC	Fid VIP Value Leaders	Large Value		9.62	Sell↓	9.3	9.8	27.4	9.8	-8.3	-1.6	1.17
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		12.09	Buy	8.5	26.2	57.1	26.2	-1.2	3.3	1.53
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l		11.31	OK to Sell	8.8	12.0	1.0p	12.0	--	--	--
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		9.04	OK to Sell	7.1	10.7	15.7	10.7	-8.6	-0.4	0.96
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		15.74	Buy	6.7	22.7	69.8	22.7	2.2	--	1.47
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		13.90	Hold↓	-0.3	9.5	29.9	9.5	6.4	7.2	0.60
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		13.65	Buy	5.9	18.7	69.4	18.7	-4.5	10.7	1.50
9146	FPRPC	Morgan Stanley Gbl Tactical Alloc	Diversified Int'l		9.64	Hold	4.7	5.4	32.2	5.4	-8.4	1.8	1.26
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.67	Buy	0.1	5.0	1.6p	5.0	--	--	--
9277	FPNBC	Pimco VIT Real Return	TIPS		11.10	Hold	-1.9	7.8	3.0p	7.8	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		10.93	OK to Buy↓	-0.4	7.8	1.3p	7.8	--	--	--

Note: **Morgan Stanley Int'l Magnum** has been renamed **Morgan Stanley Global Tactical Allocaton**

### ANNUITY MODEL PORTFOLIOS

Funds shown below reflect the Dec. 31 trades but returns reflect the allocations prior to the trades.

Annuity Growth Model		Annuity Growth & Income Model		Annuity Income & Preservation Model	
Fund	Allocation	Fund	Allocation	Fund	Allocation
Fidelity VIP Strategic Income	33%	Fidelity VIP Strategic Income	26%	Pimco Low Duration	23%
Fidelity VIP Growth Opportunities	26	Pimco Low Duration	19	Fidelity VIP Money Market	21
Fidelity VIP Value	20	Fidelity VIP Value	17	Fidelity VIP Strategic Income	20
Fidelity VIP Equity-Income	11	Fidelity VIP Equity-Income	14	Fidelity VIP Value	14
Lazard Retirement Emerg Mkts	10	Fidelity VIP Growth Opportunities	14	VIP Equity-Income	11
		Lazard Retirement Emerg Mkts	10	Lazard Retirement Emerg Mkts	11
<b>Total Return: Dec: 4.2% 2010: 13.3%</b>		<b>Total Return: Dec: 2.4% 2010: 10.4%</b>		<b>Total Return: Dec: 1.0% 2010: 6.1%</b>	

## 2010 YEAR-END DISTRIBUTIONS/DIVIDEND UPDATE

The "legacy" of 2008's bear-market losses continues, as there were few significant fund distributions to contend with in 2010. The reason: fund managers still have unrealized losses they can use to offset gains incurred over the past two years. With that in mind, **Select Gold** was the only fund with a significant distribution equalling 8% of its NAV.

Note that the year-end fund distributions shown below do not include regular income distributions from bond and money market funds.

### Dividend Update

In addition to funds that pay regular monthly dividends, Fidelity funds scheduled to pay a dividend or capital gain dis-

tribution (if any) in January 2011 are: *130/30 Large Cap, Convertible Securities, CT Muni Income, Equity-Income II, Growth Company, Growth Strategies, Independence, Municipal Income, Nasdaq Comp Index, New Millennium, NJ Muni Income* and *Strategic Dividend & Income*. Year-end distributions are shown below. ■

Fund	Ex-Date	Dist\$	NAV\$
Aggressive Int'l	12/3	0.220	12.81
Aggressive Int'l	12/30	0.028	12.83
Air Transportation	12/10	0.130	42.45
Asset Manager 20%	12/17	0.052	12.70
Asset Manager 30%	12/17	0.336	9.56
Asset Manager 40%	12/17	0.316	9.44
Asset Manager 50%	12/17	0.083	15.24
Asset Manager 50%	12/30	0.005	15.40
Asset Manager 60%	12/17	0.370	9.38
Asset Manager 70%	12/17	0.250	16.09
Asset Manager 70%	12/30	0.007	16.31
Asset Manager 85%	12/17	0.171	13.18
Asset Manager 85%	12/30	0.007	13.38
Balanced	12/17	0.079	18.05
Balanced	12/30	0.0100	18.21
Blue Chip Growth	12/17	0.0340	44.92
Blue Chip Value	12/10	0.065	10.58
Brokerage & Invest	12/30	0.070	52.31
Brokerage & Invest	12/10	0.190	51.45
Calif Muni Income	12/10	0.001	11.72
Canada	12/3	0.888	56.90
Canada	12/30	0.010	57.91
Capital Appreciation	12/3	0.020	25.08
Cash Reserves	12/17	0.000	1.00
Chemicals	12/10	0.5300	91.82
China Region	12/3	0.401	32.54
Conn Muni Income	12/17	0.037	11.21
Cons Discretionary	12/10	0.139	24.66
Const & Housing	12/10	0.240	34.15
Consumer Staples	12/10	1.563	67.03
Contrafund	12/17	0.304	67.46
Convertible Securities	12/10	0.255	25.05
CT Muni MM	12/17	0.000	1.00
Defense & Aero	12/10	0.330	72.91
Disciplined Equity	12/3	0.210	22.13
Diversified Int'l	12/3	0.449	29.68
Diversified Int'l	12/30	0.095	30.05
Dividend Growth	12/10	0.097	27.93
Dynamic Strategies	12/30	0.131	9.53
Electronics	12/3	0.035	47.18
Electronics	12/30	0.010	48.30
EMEA	12/10	0.086	9.19
EMEA	12/30	0.022	9.46
Emerging Asia	12/3	0.590	29.97
Emerging Markets	12/3	0.373	25.97
Energy	12/30	0.015	52.24
Energy	12/10	0.230	50.32
Environmental	12/3	0.070	17.45
Equity-Income	12/10	0.242	43.36
Equity-Income II	12/10	0.086	17.86
Europe	12/3	0.665	30.97
Europe Capital App	12/3	0.175	18.81
Europe Capital App	12/30	0.0100	18.97
Export and Multi	12/3	0.0560	21.20
Fidelity Fund	12/17	0.144	31.78
Fifty	12/10	0.035	17.68
Financial Services	12/17	0.180	59.12
Focused High Income	12/3	0.115	9.25

Fund	Ex-Date	Dist\$	NAV\$
Four-in-One Index	12/30	0.536	26.99
Ginnie Mae	12/10	0.079	11.46
Glb Commod Stk	12/10	0.195	16.45
Glb Commod Stk	12/30	0.023	17.09
Global Balanced	12/10	0.3200	21.93
Gold	12/10	4.274	52.62
Government Income	12/17	0.101	10.41
Growth & Income	12/10	0.023	18.05
Growth Company	12/30	0.003	83.44
Growth Discovery	12/17	0.053	13.57
Health Care	12/10	0.170	122.01
Home Finance	12/10	0.235	11.36
Industrial Equipment	12/10	0.120	33.17
Industrials	12/10	0.075	23.23
Industrials	12/30	0.005	23.67
Inflation-Protected	12/17	0.082	11.63
Insurance	12/30	0.040	47.09
Insurance	12/10	0.295	46.42
Interm Gov't Inc	12/10	0.139	10.70
Interm Muni Income	12/22	0.043	10.03
International Growth	12/3	0.068	8.53
International Growth	12/30	0.008	8.66
International Value	12/3	0.222	7.98
International Value	12/30	0.027	8.11
Int'l Discovery	12/3	0.578	32.51
Int'l Discovery	12/30	0.060	32.93
Int'l Enhanced	12/10	0.160	7.16
Int'l Real Estate	12/17	0.246	9.13
Int'l Real Estate	12/30	0.120	9.37
Int'l Small Cap	12/3	0.721	20.51
Int'l Small Cap Opps	12/3	0.126	10.06
Int'l Small Cap Opps	12/30	0.058	10.35
Japan	12/10	0.4060	10.61
Japan Smaller Cos	12/3	0.1400	8.61
L Cap Core Enhcd	12/10	0.120	8.45
L Cap Growth Enhcd	12/10	0.090	9.54
L Cap Value Enhcd	12/10	0.095	7.32
Large Cap Stock	12/3	0.090	16.86
Large Cap Value	12/10	0.127	10.36
Latin America	12/3	0.461	57.80
Latin America	12/30	0.030	58.82
Leisure	12/17	0.370	90.97
Leveraged Co Stock	12/10	0.0710	27.83
Low-Priced Stock	12/10	0.090	37.70
Magellan	12/3	0.527	70.16
Materials	12/10	1.112	65.37
Materials	12/30	0.050	67.92
Mega Cap Stock	12/10	0.038	9.85
Michigan Muni Inc	12/22	0.007	11.68
Mid Cap Enhanced	12/10	0.220	9.58
Mid Cap Value	12/10	0.059	15.74
Mid-Cap Stock	12/17	0.016	28.34
Minnesota Muni Inc	12/22	0.014	11.26
Multimedia	12/10	0.105	42.64
Multimedia	12/30	0.005	42.80
Municipal Income	12/22	0.001	12.29
Nasdaq Comp Index	12/17	0.225	35.07
Natural Gas	12/22	0.100	32.74

Fund	Ex-Date	Dist\$	NAV\$
Natural Gas	12/30	0.160	33.21
Natural Resources	12/10	0.170	33.44
Natural Resources	12/30	0.019	34.75
New Markets Income	12/17	0.130	15.59
New Millennium	12/17	0.150	28.75
New York Muni Inc	12/3	0.002	12.86
Nordic	12/3	0.285	33.29
Ohio Muni Income	12/22	0.004	11.40
Overseas	12/3	0.481	31.91
Pacific Basin	12/3	0.860	25.21
Penn Muni Income	12/22	0.073	10.53
Pharmaceuticals	12/10	0.250	12.16
Puritan	12/17	0.0830	17.75
Real Estate Income	12/30	0.0050	10.39
Real Estate Income	12/17	0.189	10.25
Real Estate Invest	12/17	0.155	24.54
S Cap Enhanced	12/10	0.055	10.04
S Cap Enhanced	12/30	0.003	10.16
Short-Int Muni Income	12/22	0.004	10.61
Sm Cap Discvry	12/3	0.060	19.66
Sm Cap Discvry	12/30	0.040	20.62
Small Cap Growth	12/3	0.017	15.34
Small Cap Growth	12/30	0.0100	15.75
Small Cap Value	12/3	0.072	15.06
Small Cap Value	12/30	0.054	15.72
Software	12/17	2.830	87.56
Spartan Int'l Index	12/17	0.780	34.58
Spartan Int'l Index	12/30	0.030	35.09
Sptn Ext Mkt Index	12/17	0.525	37.72
Sptn Interm Treas	12/17	0.085	10.66
Sptn Lng-Term Treas	12/17	0.110	10.34
Sptn Sht-Term Treas	12/17	0.033	10.50
Sptn Total Mkt. Index	12/17	0.500	36.01
Stock Sel Small Cap	12/3	0.051	17.92
Stock Sel Small Cap	12/30	0.053	18.62
Stock Select All Cap	12/30	0.003	25.75
Stock Select All Cap	12/10	0.138	25.26
Strategic Divi & Inc	12/17	0.128	10.43
Strategic Income	12/17	0.210	11.00
Strategic Real Return	12/17	0.068	9.38
Tax Managed Stock	12/3	0.036	12.21
Telecommunications	12/17	0.631	45.38
Total Bond	12/17	0.095	10.68
Total Int'l Equity	12/3	0.104	7.36
Total Int'l Equity	12/30	0.020	7.46
Transportation	12/10	0.155	55.23
Trend	12/22	0.020	67.72
U.S. Bond Index	12/17	0.018	11.30
US Govt Reserves	12/17	0.000	1.00
Utilities	12/3	1.000	47.36
Utilities	12/3	0.1500	15.34
Value	12/3	0.9000	66.62
Value Discovery	12/10	0.071	14.38
Value Strategies	12/10	0.105	27.39
Wireless	12/3	0.083	7.50
Worldwide	12/3	0.124	18.28
Worldwide	12/30	0.022	18.65

### Market And Equity Indexes

With interest rates remaining low and the economy showing signs of improvement (for everyone except the nation's nearly 10% unemployed!), small-cap stocks did last year what they almost always do in such an environment: they led the market higher. The Russell 2000 index gained 26.9% versus a gain of 15.0% for the large-cap S&P 500. The even larger-cap Dow Industrials did a little worse (up 14.1%) although investors did find their generally higher dividend-paying stocks appealing. Better still, was the tech-rich Nasdaq Composite whose 18.1% gain last year, coupled with its 2009's return of 45%, were enough to wipe out 2008's decline of 40%.

The average return for Fidelity's 49 stock funds was 19.5% last year. Reflecting the broader market, the company's six small-cap funds returned an average of 27.8%, easily outpacing 32 larger-cap offerings which, on average, returned a very-robust 16.4%. As for mid-cap funds, they also fared better than larger-cap offerings, though their volatilities are considerably higher.

The top-performing equity fund was **Stock Selector Small Cap**, which rocketed 33.7% in what was arguably its inaugural year. Called Small Cap Independence as recently as September, the fund adopted a multi-manager approach late in 2009 and emerged in 2010 with five managers overseeing two sectors apiece. So far, the new investment process appears to be working!

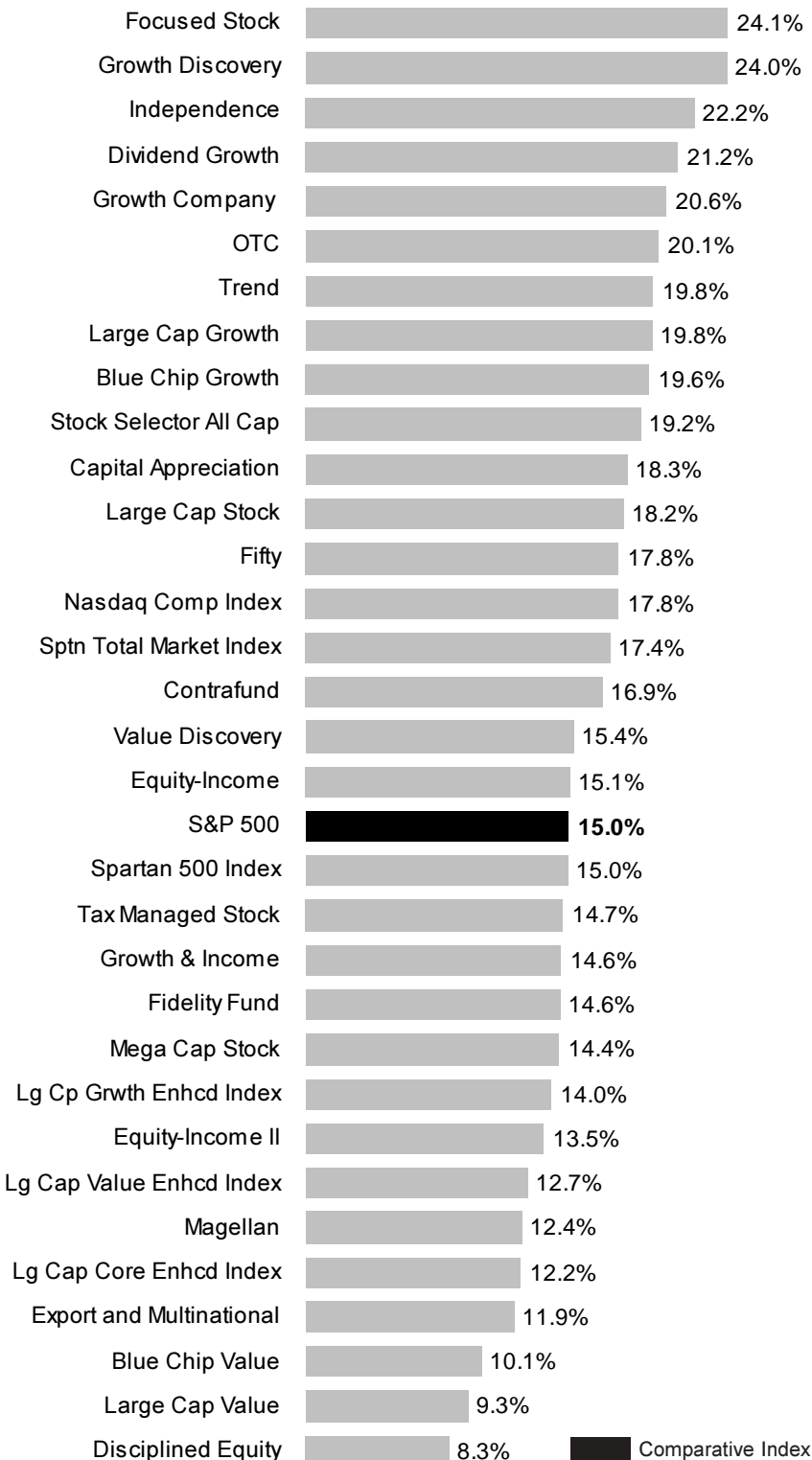
Back on the large-cap side of the aisle, **Focused Stock** (up 24.1%) was somewhat an outlier as its \$16 billion market cap ranks it among the lowest of large-cap funds (the average being \$28 billion). But it was Manager Steve DuFour's computers and his own stockpicking prowess that led to successful overweights in tech and industrials, thereby pushing its performance to the top of its peer group.

Indeed, it and other growth-oriented stock equity funds (whose returns averaged 20.8%) typically outperformed more value-oriented fare (up 16.7%) as the former were often hamstrung by the performances of poorer-performing financials, energy (more specifically, natural gas) and certain

areas of health care, including manufacturers of medical equipment. Not coincidentally, **Blue Chip Value** (up 10.1%) was one of the worst-performing stock funds in 2010 as almost 60% of its assets were in these three related sectors.

As for Fidelity's more widely held

### 2010 LARGE-CAP STOCK FUND RETURNS



stock funds, returns were generally pretty strong. With its \$59 billion in assets, Will Danoff marked his twentieth anniversary running **Contrafund** — Fidelity's largest equity fund — by providing his shareholders with a return of 16.9%. This bested his benchmark by 1.9 percentage points and, in so doing, aided the performance of our Aggressive Growth Model.

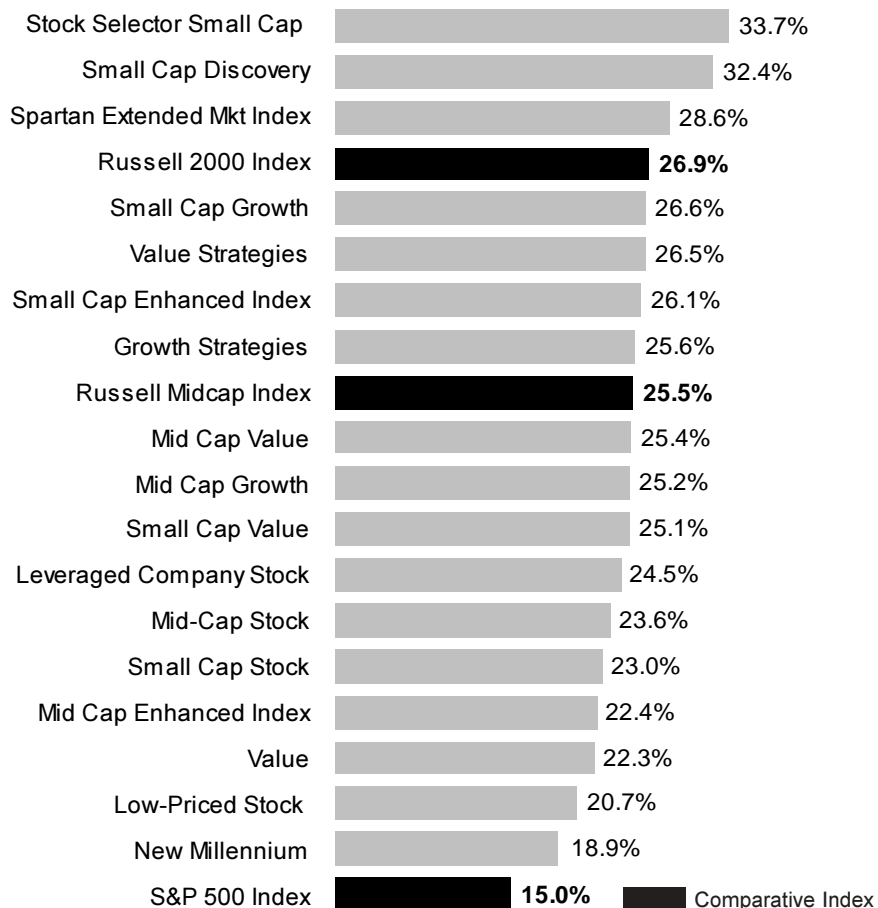
Just behind Contra (in terms of assets) is **Growth Company**. Whereas Will runs a “go anywhere” fund, Steve Wymer is obviously a dedicated growth-stock player (and therefore favors tech) and, with \$28 billion in assets to manage, he needs to bias his portfolio towards large-caps. This combination, to say nothing of his top holding in Apple last year, helped to make it an above-average performer with its return of 20.6%.

Then there's **Low-Priced Stock**. With its 900 holdings and little more than half of its \$26 billion invested domestically (28% is in developed foreign markets plus 7% in emerging markets), it's a challenge to pinpoint what legendary manager Joel Tillinghast did or didn't do right. While I doubt shareholders will be complaining with an absolute return of 20.7%, that was 6 percentage points below the Russell 2000.

Not to be overlooked are **Magellan** and **Blue Chip Growth**. In the case of the former, we do not recommend the fund and, unfortunately, it once again failed to beat the S&P 500 with its return of 12.4%. This is especially disappointing as Manager Harry Lange has a long history of investing wisely when tech stocks are running strong, however, his foreign stock holdings contributed to the fund's underperformance.

As for Blue Chip Growth, we've been fortunate to hold Sonu Kalra's fund in our Growth & Income Model. Up 19.6% last year, Apple and Google have been smart picks. But he's not just added value in tech. Last year, he fared well with consumer discretionary names and industrials —

## 2010 MID- AND SMALL-CAP STOCK FUND RETURNS



each reflecting his spot-on view that the US economy was improving.

As for some of the other stock funds we hold in our models, **Small Cap Stock** (up 23.0%) fared well in absolute terms, but it lagged relative to its peers. Among big-caps, **OTC** (up 20.1%) disappointed no one as Manager Gavin Baker smartly and somewhat aggressively steered more than half the fund's assets into tech.

And thanks to an especially strong December, **Equity-Income** (up 15.1%) finished 2010 neck-and-neck with the S&P 500, as big-cap financials surged. And, finally, **Mega Cap Stock** jumped on to that same year-end wave and also enjoyed good results from its overweight in tech. It finished the year up 14.4%, while we like his higher-yielding stocks.

### International Funds

Fidelity's average foreign stock fund returned 16.1% last year. Gains

ranged from a tepid 5.2% for **International Value** to an impressive 32.8% for **Pacific Basin**. In the former case, its return was hemmed in by the poorly performing financials that dominate the fund's benchmark and, therefore, the fund itself. As for Pac Basin, Manager Dale Nichols underweighted Japan (32%) and overweighted China (21%). More impressively, he not only loaded up on small-caps, his stock selection within that realm was excellent. With these achievements in mind, and as we made an asset allocation shift away from emerging market debt and into the faster growing foreign economies via equities, we have purchased Pacific Basin in our Growth & Income Model (see p. 3 trades).

Elsewhere overseas, **Europe** (up 8.6%) and **Europe Cap App** (up 8.4%) produced only single-digit

**Fund Commentary** *cont'd on page 14*

gains. That they made any money at all last year is miraculous. With some countries' public indebtedness surpassing 100% of GDP, the worst offenders were indelicately dubbed the PIIGS (Portugal, Italy, Ireland, Greece and Spain). But the acronym has since grown to RUPIIIGS, as Romania, the UK and Iceland joined the mix. Dealing with this sovereign debt crisis fell chiefly on Germany (Europe's largest and best fiscally managed economy) — thereby sowing the seeds of resentment. This has contributed to concerns that the euro could disappear and, along with it, the European Union as we know it.

Who cares? We must, as their collapse would surely fan another credit crisis and end the global recovery.

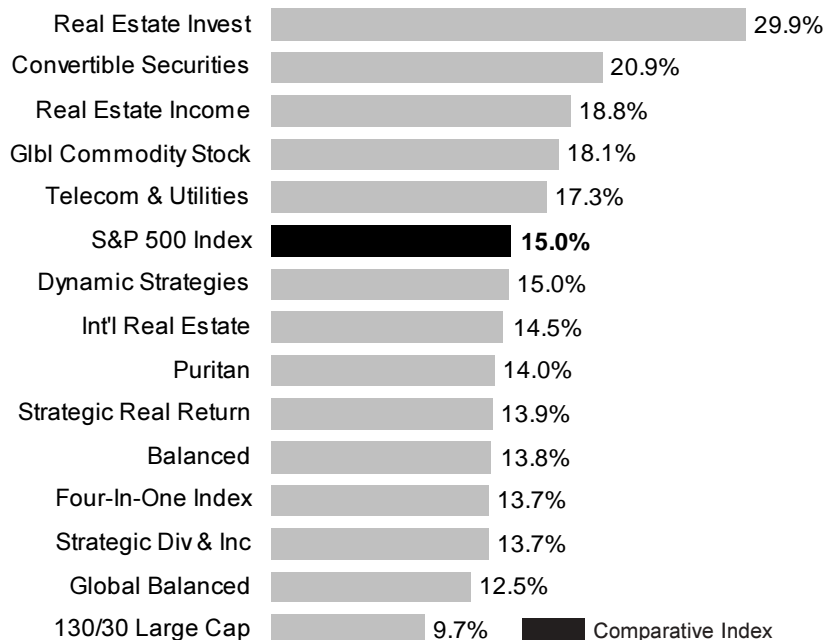
Against this backdrop, we avoided direct fund investments in developed Europe, but at different times and in different models enjoyed varying degrees of success with **China Region** (up 18.0%), though our entry into and out of **New Markets Income** (up 10.9%) was ill-timed. (Note: we classify New Markets Income as a High-Yield bond fund.)

As for Fidelity's largest foreign stock fund, a fourth-quarter rally allowed the \$25 billion **Diversified International** (up 9.7%) to edge out **Spartan International Index** (up 7.7%) for the year. The latter, of course, is a proxy for the EAFE index, Morgan Stanley's benchmark for developed market stock exposure.

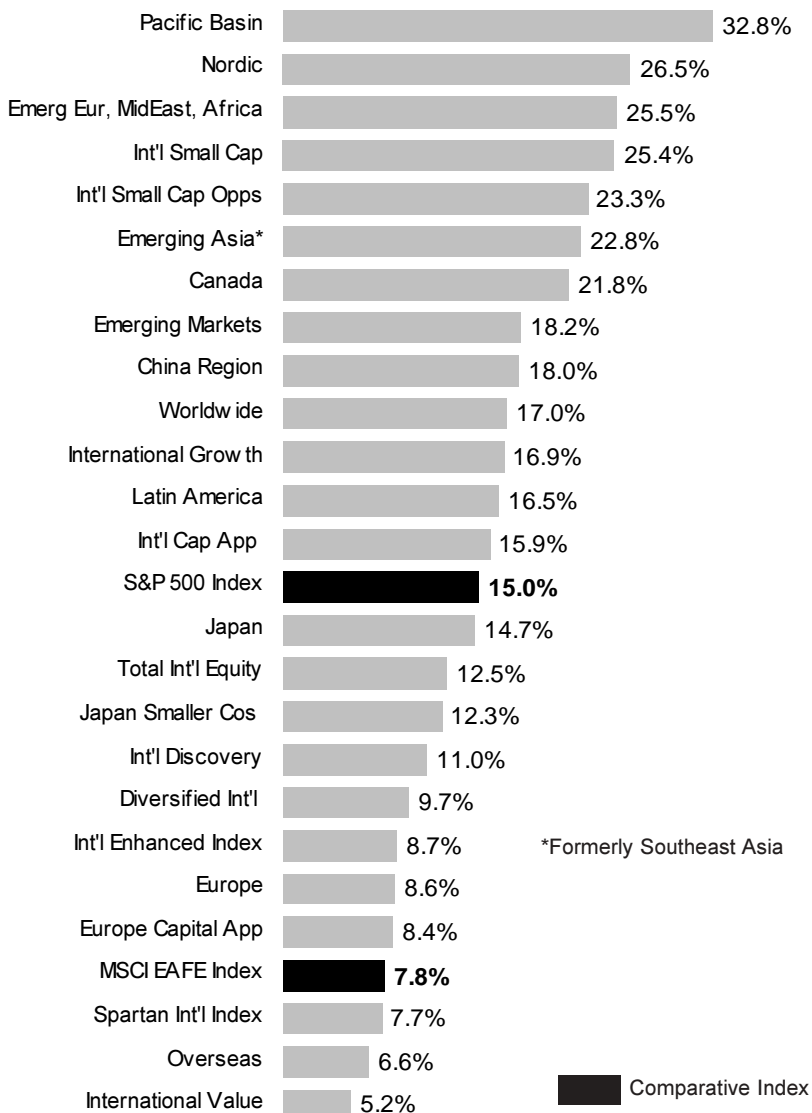
### Specialty Funds

Each of the 15 funds in this group has a distinct tale to tell, so there's little to learn from averaging their 2010 returns. However, all gained ground last year, while the dispersion in their performances (which was not as pronounced during the 2008 selloff) hints that the high correlations that have recently existed among different asset classes of funds (such as real estate, commodities and convertibles) may be normalizing. And, if

## 2010 SPECIALTY FUND RETURNS



## 2010 INTERNATIONAL FUND RETURNS



nothing else, the accompanying table of Specialty funds illustrates that **130/30 Large Cap** (up 9.7%) has yet to devise a means to make meaningful money in bull or bear markets.

### Fixed Income Funds

You already know the story about money market funds: they made you nothing last year, and won't until the Fed raises short-term interest rates.

While Fidelity's most interest-rate sensitive fund, **Spartan Long-Term Treasury**, led the way with a gain of 9.2% for the year, that was less than half its gain (up 21%) the fund briefly enjoyed at the end of August. As the outlook for the economy improved, and the Fed announced another round of quantitative easing, longer term interest rates rose sharply later in the year.

Two of our model holdings **Total Bond** and **Investment Grade Bond** were near the top of the charts with gains of 8.6% and 8.4%, respectively.

With our concerns that longer-term rates could continue to move higher in 2011, if you want to hold investment-grade bonds, stick with the less interest-rate sensitive **Short-Term Bond** (up 3.8% in 2010). But for most members, our preference is for more credit-sensitive, high-yield funds for 2011. So we sold Total and Investment Grade at the end of the year (see Trades on p. 3).

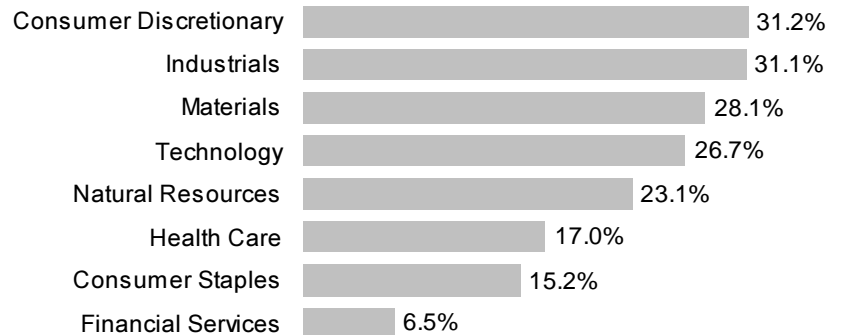
On the high-yield front, **Capital and Income** (held in our Aggressive Growth Model) fared the best with its 17.1% return as the fund also had nearly 20% in stocks. The short-term **Floating Rate High Income** benefited from the strengthening economy and stronger credit markets as its rose a solid 7.8%.

[Note: We have a few thoughts about municipal bond funds and why we rate them as we do on p. 6.]

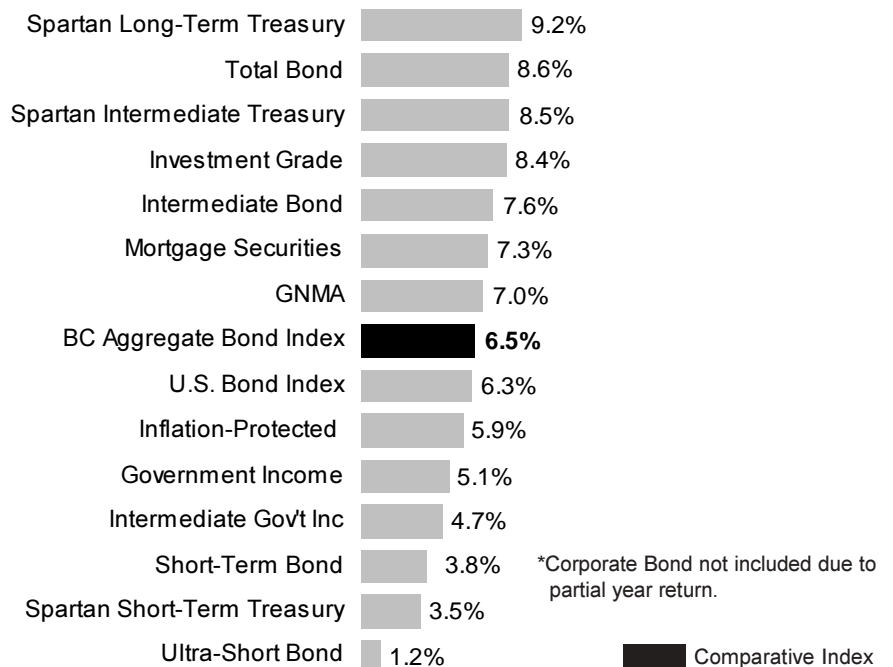
Finally, a reminder: for our detailed analysis of all Fidelity funds, the 2011 edition of the *Independent Guide to Fidelity Funds* will ship to members beginning mid-February. ■

— John Bonnanzio

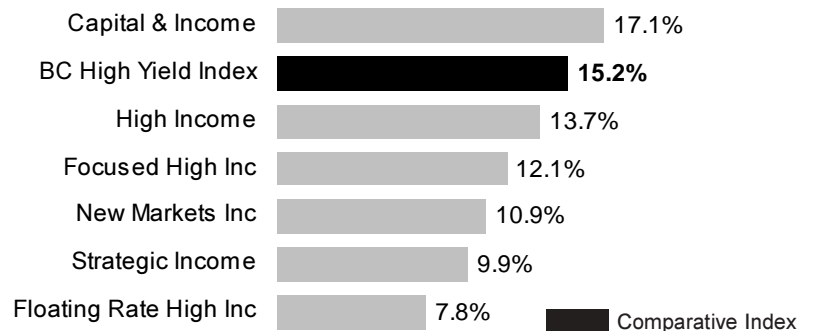
## 2010 BROAD SELECT FUND RETURNS



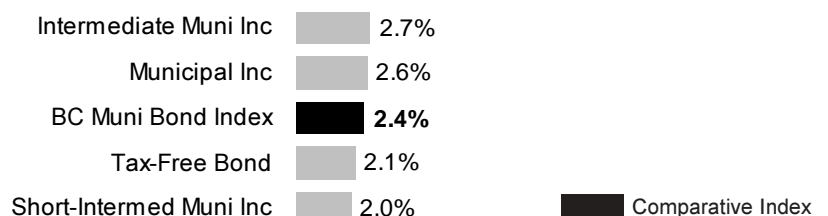
## 2010 TAXABLE BOND FUND RETURNS



## 2010 HIGH-YIELD BOND FUND RETURNS



## 2010 MUNICIPAL BOND FUND RETURNS



## Select Model *cont'd from page 8*

tradition-bound to innovate freely, and emerging market institutions are only capable of cloning products that use well-established technology. **Technology** holds a wide variety of hardware, software, and component suppliers. **IT Services** is a bet on companies that use state-of-the-art technology to grab market share from those who don't.

**Emerging Country Demand. Industrials** is an infrastructure play on U.S. companies that make earth movers, low pollution power plants, water desalination equipment, and other big-ticket capital goods considered essential for a high standard of living. **Consumer Staples** represents a low-risk bet on mostly domestic firms that should benefit as emerging market sales increase for brand names, supermarkets, drug stores, and fast-food restaurants.

**Aging Population.** Of the five different health care options, we see **Pharmaceuticals** having the strongest legs over the long run, because pills have the greatest potential to cut medical costs. **Leisure**, on the other hand, is a bet that baby-boomers will spend more as the burden of college costs grows lighter with each passing year.

**Food And Energy Inflation.** Higher prices for food commodities is a pretty sure bet as emerging market consumers start eating better. But demand growth for energy is not as certain because oil demand is shrinking in the U.S. and Europe. With **Chemicals** for a soft energy play, we hope to do well under a wide variety of conditions. In addition to agricultural commodities, this fund is also a play on market share growth for U.S. mak-

ers of plastic and packaging. These firms use cheap natural gas as a feedstock, unlike their foreign competitors that use expensive oil. Thanks to enormous domestic shale reserves, the spread between U.S. natural gas prices and global oil prices is likely to widen over time.

### **Nuts And Bolts**

Given the long-term nature of our sector bets, we shouldn't have to trade frequently. Ideally we'll hold all profitable positions long enough to qualify for long-term capital gains. We can't promise anything (it makes no sense to put tax strategies ahead of smart investment decisions), but we'll definitely be trying.

The overall volatility of this all-equity portfolio is about 1.12, which means it's a bit riskier than even the Aggressive Growth Model whose volatility (after the trade) is 1.10.

Are there any unique risks? Probably the biggest issue is that we're fairly light when it comes to large-cap value stocks (about 11% of the model versus 34% in large-cap growth). That shouldn't be a problem for the long haul. But with just 3% in financials, we'll lag the S&P 500 if that sector rebounds strongly in 2011. The lack of financials also means that overall market cap is just one-third as great as the S&P 500 (\$14 billion), while roughly 11% of the model's assets are outside the U.S.

Finally, we established the Select Model on Dec. 31, with the percentages shown in the table on p. 8. The model began trading on Jan. 3. Its performance is updated daily on our website, and when necessary, trade information will be provided on the same month-end schedule as our other portfolios. If you have any questions, feel free to drop us a line: [editorial@mfia.com](mailto:editorial@mfia.com) ■

## MESSAGE TO MEMBERS

### **Change Is Good**

Regardless of how fast people embrace new technologies, our DNA still seems resistant to the unfamiliar. As such, we're always apprehensive to alter editorial — even when such changes are good!

So it's with excitement and apprehension that we've introduced Jack Bowers' Select Model on p. 8. In so doing, we've tweaked the layout of the *Scorecard* so that Select funds now occupy the same page as the new model.

We've also consolidated all styles of large-cap funds into one group, and did the same for mid- and small-cap funds. Lastly, historic annual returns (1987 - '09) are now located on p. 6.

Of course, the January report follows our customary expansion to 16 pages. This provides the necessary room for John Boyd to discuss our *Market Outlook* for 2011, whereas my *Fund Commentary* details why your Fidelity funds performed the way they did last year.

On that note, we wish that our growth-oriented models had performed better. Our risk-sensitive positioning held back returns in a very volatile market; we placed too high a premium on capital preservation over growth. Fortunately, our more conservative models (where one's investment time horizon is shorter) struck a better balance between risk and reward.

As always, we thank you for your confidence in us, and look forward to helping you to achieve your investment goals in the years ahead.

Sincerely,  
John Boyd  
John Bonnanzio  
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