

# FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

JULY 2011

VOLUME 27, NUMBER 7

**MARKET OUTLOOK**

## Reversal Of Fortune?

Since the beginning of May, stocks have been mostly heading lower. After a 1.1% drop in May, as of June 24, the S&P 500 was off almost another 6%. But in the waning days of the month, a powerful rally shaved that loss down to 1.7%. Does this signal a reversal in the trend?



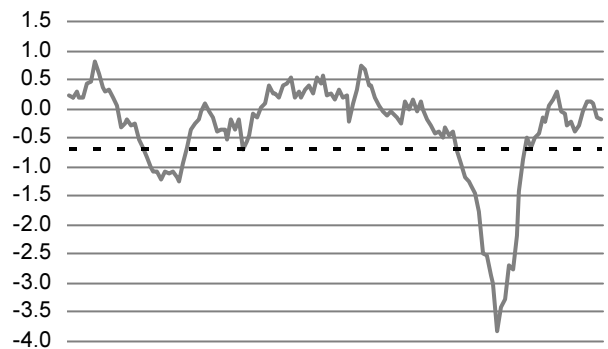
In order to get a read on that, let's focus on the three biggest worries that have been weighing on the market.

### The Risk Of A Greek Default

In June, fears over Greece peaked. As one analyst put it, "the market has now discounted everything in Greece except a revolution." With the June 29 vote by its parliament to approve new austerity measures to secure another (short-term) aid package, default has been avoided — for now. By August they'll need more aid. The problem has simply been pushed down the road a bit. The European Central Bank is trying to postpone what seems an inevitable default, "voluntary restructuring," or whatever you want to call it, until they can figure out how to keep it from becoming a contagion (see p. 4). Expect more potential market impact from this problem in the months ahead. Still, the fact that the Greek Parliament had the will to approve austerity measures in the face of riots in the streets of Athens counts for something.

## GAUGING THE "SOFT PATCH"

Chicago Fed's National Economic Activity Index (3 Month Moving Average)



May-99 May-01 May-03 May-05 May-07 May-09 May-11

A good gauge of economic activity is the Chicago Federal Reserve Bank's National Economic Activity Index, which incorporates 85 other economic data series. When the 3-month moving average of the index drops below -0.7 (dark dotted line) that suggests a recession is on the way. While the index has indeed slowed recently, it is comfortably above the -0.7 mark, and unless things deteriorate further from here, it should remain so. This is consistent with the "soft patch" case (See Market Outlook.)

## INSIDE INSIGHT

Model Portfolios .....	2
Which Funds Should You Buy Now! .....	3
Model Portfolio Trades .....	3
Nothing To Fear But Fear Itself .....	4
Heads Up On TIPS .....	4
Fund Commentary .....	5
July Scorecard Rating Changes .....	5
Scorecard .....	6
Annuity Model Portfolios .....	10
Four Muni Bond Funds Debut .....	11
Dynamic Strategies Goes "Global" .....	12
Dividend Update .....	12
Message To Members .....	12

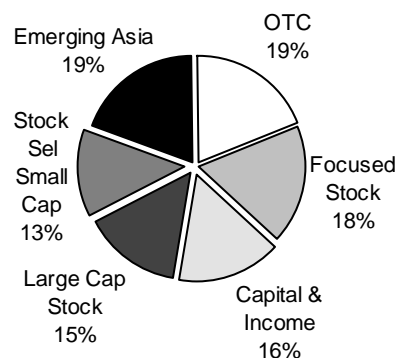
### Gridlock Over Our Own Credit Mess

Come August 2, if Congress doesn't agree to raise the national debt ceiling, we may begin to default on some of our Treasury debt. Without a budget compromise with the Democrats, the Republicans won't vote to raise the ceiling. I don't believe the market considers default a real possibility. As we get closer to August 2, most believe a deal will get done. The real issue is what kind of deal. Will the Democrats agree to cut spending on social programs? Will the Republicans be willing to cut defense? If Democrats compromise on tax hikes, will Republicans compromise on closing corporate tax loopholes? And most importantly, will both (either?) parties be willing to address the 800 lb. gorilla in the room — Social Security and Medicare. Unfortunately, there is simply no way we can ultimately get out of our debt problem without cuts in those heretofore "sacred cows." According to a recent Gerald Seib column in *The Wall Street Journal*, the answers to those questions are a lot closer to "yes" than you might think.

Market Outlook cont'd on page 3

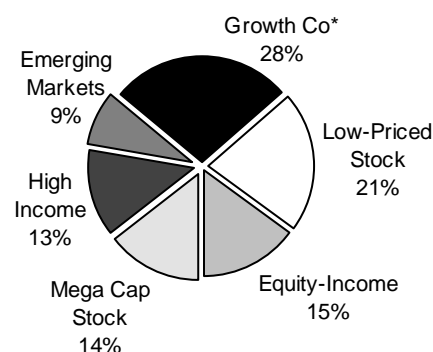
# FIDELITY INSIGHT MODEL PORTFOLIOS - JUNE 30, 2011

Aggressive Growth Model		Rel Vol: 1.09	Est. Yield: 1.2%	YTD Return: 5.0%		
Current Asset Allocation		Stocks 83.0%	Bonds 0.0%	Cash 2.1%	Alternative <sup>1</sup> 14.9%	Foreign 26.1%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jun Ret
Emerging Asia	FSEAX	19%	\$31.40	1,042.38	\$32,731	-2.7%
OTC	FOCPX	19	59.74	542.94	32,435	-2.5
Focused Stock	FTQGX	18	14.94	2,008.32	30,004	-1.3
Capital & Income	FAGIX	16	9.61	2,740.03	26,332	-1.6
Large Cap Stock	FLCSX	15	18.31	1,343.49	24,599	-2.7
Stock Sel Small Cap	FDSCX	13	19.97	1,127.28	22,512	-2.4
Current Value (4/7/99 = \$100,000)					\$168,613	-2.3%



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

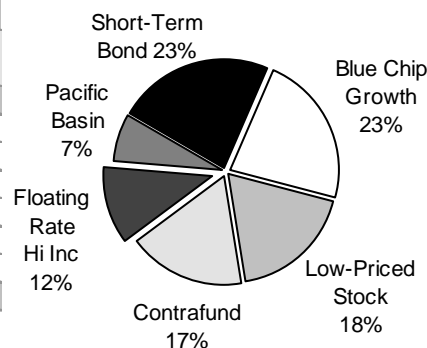
Growth Model		Rel Vol: 1.05	Est. Yield: 1.4%	YTD Return: 6.4%		
Current Asset Allocation		Stocks 83.2%	Bonds 0.3%	Cash 3.8%	Alternative <sup>1</sup> 12.6%	Foreign 20.9%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jun Ret
Growth Company*	FDGRX	28%	\$91.63	3,582.28	\$328,245	-1.2%
Low-Priced Stock	FLPSX	21	41.66	5,818.27	242,389	-1.0
Equity-Income	FEQIX	15	46.25	3,721.07	172,099	-2.3
Mega Cap Stock	FGRTX	14	10.43	16,045.29	167,352	-2.1
High Income	SPHIX	13	9.05	17,384.81	157,332	-0.9
Emerging Markets	FEMKX	9	26.29	3,812.35	100,227	-2.2
Current Value (1/1/87 = \$100,000)					\$1,167,645	-1.5%



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

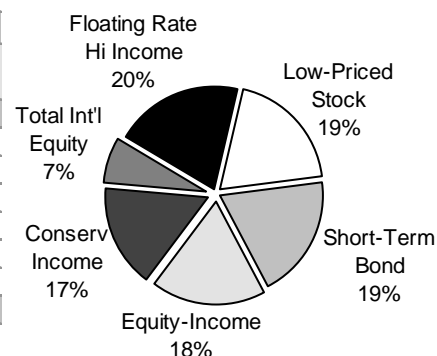
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.75	Est. Yield: 0.7%	YTD Return: 4.3%		
Current Asset Allocation		Stocks 62.4%	Bonds 20.8%	Cash 6.6%	Alternative <sup>1</sup> 10.2%	Foreign 18.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jun Ret
Short-Term Bond	FSHBX	23%	\$8.51	25,816.22	\$219,696	-0.1%
Blue Chip Growth	FBGRX	23	48.21	4,403.36	212,286	-1.9
Low-Priced Stock	FLPSX	18	41.66	4,101.41	170,865	-1.0
Contrafund	FCNTX	17	70.61	2,317.01	163,604	-1.6
Floating Rate Hi Income	FFRHX	12	9.81	11,262.83	110,488	-0.4
Pacific Basin	FPBFX	7	26.25	2,596.92	68,169	-0.8
Current Value (1/1/87 = \$100,000)					\$945,108	-1.1%



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: 0.58	Est. Yield: 1.3%	YTD Return: 3.2%		
Current Asset Allocation		Stocks 40.6%	Bonds 34.2%	Cash 7.3%	Alternative <sup>1</sup> 17.9%	Foreign 8.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	Jun Ret
Floating Rate Hi Income	FFRHX	20%	\$9.81	11,887.48	\$116,616	-0.4%
Low-Priced Stock	FLPSX	19	41.66	2,586.61	107,758	-1.0
Short-Term Bond	FSHBX	19	8.51	12,774.87	108,714	-0.1
Equity-Income	FEQIX	18	46.25	2,171.82	100,447	-2.3
Conservative Income	FCONX	17	10.01	9,413.74	94,232	0.0
Total Int'l Equity	FTIEX	7	7.74	4,994.01	38,654	-1.9
Current Value (1/1/87 = \$100,000)					\$566,420	-0.8%



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

<sup>1</sup>Alternative investments include such areas as high-yield bonds, commodities, real estate. Portfolio trades and total returns do not take taxes into account, however, redemption and exchange fees are included. Some percentage figures may not sum to 100 due to rounding. Dividends are reinvested. Consider the tax implications of trades before you decide to buy or sell any fund. Any trades are detailed on p. 3 and are announced on Friday evening Hotline updates via telephone, e-mail, and web (see p. 12). **Annuity Model Portfolios** are on p. 10.

**A “Soft Patch” Or Rollover?**

The fact that our economy was losing steam was abundantly clear in May, as each new data point seemed worse than the last. Most economists, Fed Chair Ben Bernanke, and ourselves were of the belief that this was a soft patch due to the huge disruptions from the loss of Japanese production, damage from floods in our country’s midsection, and other temporary factors. Yet as the weak data continued to roll in, we had the unpleasant specter of Bernanke saying the Fed “didn’t know” why the economy was still slowing, and that maybe some non-temporary factors were at play.

But, there are a few bits of good news out there that are bolstering the soft patch case. Oil prices have declined and that should both ease inflationary pressures and provide a potential boost to consumer spending. Judging by a number of consumer goods firms such as Nike, Fossil, and Phillips Van-Heusen, which have recently reported improving sales, June’s consumer sales figure may well show a pickup.

Importantly, Japan is starting to recover as industrial production jumped 5.7% in May, its fastest growth in nearly 60 years. This is key to the auto industry here as delayed parts from Japan contributed to poor auto sales. Indeed, both Ford and GM recently noted upticks in their businesses. Japan is also a big part of the tech supply chain and they expect that to be fully back to normal by the fall.

We also saw some glimmers of good news from a most unlikely sector: housing. Pending home sales for May were up 8.2% over April (which admittedly were down 11.3% from March) and up 13.4% from a year ago, their first year-over-year increase in 13 months. And the Case-Shiller home price index rose in April for the first time in eight months.

There have been other rays of hope in stronger-than-expected du-

**WHICH FUNDS SHOULD YOU BUY NOW!**

**Equity Funds:** **Blue Chip Growth**, **Focused Stock**, **Growth Co** and **OTC** are our top large-cap growth picks, while **Equity-Income** is a good value play. **Low-Priced Stock** and **Stock Selector Small Cap** ply the mid- and small-cap arenas, respectively; **Contrafund** (see trade box below) is a conservative “all-cap” approach to growth.

**Bond Funds:** **Short-Term Bond** is short on interest-rate-risk. **Conservative Income** gets you a bit more yield than a money market fund. **Short-Intermediate Muni** is your tax-free income option (see p. 11).

**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 company balance sheets. **High Income** is a bit less risky and **Floating Rate High Income** is the most conservative high-yield option, but **Corporate Bond** (listed among Taxables) is an even less risky alternative. ■

table goods orders, and the Chicago Purchasing Manager’s Index (PMI) which rose to 61.1% for June up from 56.6% in May. Any number over 50% indicates expansion.

Despite the slowing economy, corporate earnings forecasts for the second quarter have not been cut, so that bears watching as earnings start to come out this month. Future guidance will also be important.

This is not to sound the “all clear.” Greece’s debt woes and our own are only a few bad decisions away from getting worse. And the economy isn’t out of the woods yet either. Without

job growth, it’s hard to see the market making a sustained move higher. But with investors seemingly discounting the worst outcome in each of the big three worries (at least until recently) we don’t need “boffo” improvements to spark a rebound in stocks.

Second quarter GDP is likely to remain weak and I continue to expect a volatile summer with significant ups and downs. But, if the soft patch theory is correct, data will gradually improve, third quarter GDP should look a lot better, and then, the market could be singing a different tune. ■

— *John M. Boyd*

**MODEL PORTFOLIO TRADES**

As announced on our June 24 Hotline, on Monday June 27, we made trades in the Aggressive Growth and Growth & Income Models as detailed below.

Action	Fund (ticker)	Shares	Price	Value	Old %	New %
<b>Aggressive Growth Model</b>						
Sold:	Contrafund (FCNTX)	425.31	\$68.28	\$29,040.30	18%	0%
Bought:	Focused Stock (FTQGX)	2,008.32	\$14.46	\$29,040.30	0%	18%
<b>Growth &amp; Income Model</b>						
Sold:	Equity-Income (FEQIX)	3,528.22	\$44.84	\$158,205.60	17%	0%
Bought:	Contrafund (FCNTX)	2,317.01	\$68.28	\$158,205.60	0%	17%

In the Aggressive Growth Model, Contrafund is being replaced by Focused Stock (which is now rated *Buy*). With less than half of Contra’s market cap (\$15 billion versus \$34 billion), far fewer holdings (a concentrated mix of just 54 stocks versus 469), and less gold and cash (about 3% versus 10%), the more aggressively positioned Focused Stock will *increase* the Aggressive Growth Model’s relative volatility (risk) a bit. Notably, under Manager Steven DuFour, Focused Stock’s volatility is about 10% greater than Contra’s, which is the lowest among all its stock fund peers.

Conversely, replacing Equity-Income (which we still like!) with Contra in the Growth & Income Model will slightly *reduce* that model’s volatility.

To be clear, we still like Will Danoff and Contra a lot. But given his lower volatility approach, it is a better fit in our Growth & Income Model than the Aggressive Growth Model. ■

**MONEY MARKET FUNDS**

**Nothing To Fear, But Fear Itself?**

With apologies to FDR, when it comes to owning a Fidelity money market fund, the only thing their mil-



Bob Brown

lions of shareholders have to fear, is fear itself.

On the eve of the Greek austerity vote, we spoke with Bob Brown, the president of Fidelity's money market group. Bob has the responsibility of looking after almost a half-trillion dollars in assets. That not only places him at the center of the global credit-market storm, he's also knee-deep in his own

government's ill-advised attempt to further regulate the money market industry (perhaps to the point where they no longer exist!).

My initial questions were straight-

forward and broad: do his fund's shareholders need to be worried about how the 35 funds he oversees are going to fare should tomorrow's vote in Greece spark a panic, and over the longer term, what has Fidelity done to safeguard assets?

Bob assured me that every day when he walks in to the office, he asks himself this question: "What can we do today to protect shareholders?"

Since the credit markets imploded with the Lehman collapse and money funds found themselves under severe stress, Fidelity and the rest of the industry have had to bow to a number of new SEC-imposed rules. They boil down to this: increasing credit quality, liquidity and transparency.

As the chart shows, **Cash Reserves** (with a whopping \$116 billion

in assets, it's the country's largest money market fund) now holds a lot more short-term paper. And, if you're inclined to review its holdings, you can go online and do precisely that.

In terms of credit quality, Fidelity hasn't had to make many changes at its prime funds (those that hold non-US government debt) because they've always been driven by credit-quality. Still, there is a big government component. But, to put a number on it, 98.47% of Cash Reserves' assets are categorized as "First Tier."

Still, we were concerned that First Tier paper is often the debt from banks and sovereign governments whose finances are less than stellar — starting with Greece (which is still not out of the woods). But Bob tells me his funds have no exposure to

Greek debt, nor do they own paper from Ireland, Portugal or Spain.

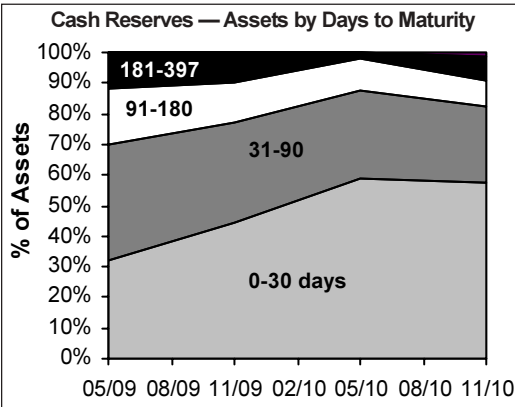
But if there is a contagion, what about the paper his funds hold from France, Germany and the UK — since their banks still own

plenty of Greek debt?

Bob replied that at the beginning of the year, Fidelity built and modeled a contagion strategy — and the Lehman debacle has been invaluable in helping them to determine ways to further protect their shareholders' assets. Short-maturity, highly liquid paper is central to their strategy, but owning the debt from only "national champion banks" which have already increased their own creditworthiness is the job of 10 London-based analysts whose sole responsibility is to examine banks' creditworthiness.

While there are no guarantees in investing, we can assure you that Fidelity's money market funds are about as safe as it gets. ■

— John Bonnanzio



**INCOME INVESTING**

**Heads-Up On TIPS**

Late last month, \$7 billion in 30-year Treasury Inflation Protected Securities (TIPS) were sold at auction. Their yield was just 1.744% — the lowest level since the long-maturity notes were reintroduced in February 2010. At that time, they yielded 2.190%.

Despite these still-low yields, demand remains very high. The question is why?

Notwithstanding some legitimate concerns, there's theoretically no credit risk as TIPS are Treasuries. This safety makes them attractive during periods of market stress. And, of course, TIPS are long-term hedges against inflation. However, we don't see inflation as a threat right now.

The current slow-growth US economy is an inflation tamer — especially on the wage side. (Who's getting raises these days?) Granted, another spike in oil prices and food would send the CPI gauge higher (triggering an upward adjustment to a TIPS' interest rate), and that always warrants watching. But a sudden acceleration in inflation at a time when even Ben Bernanke can't figure out why the economy is moribund is just one more reason for us to reconsider our rating on **Inflation-Protected Bond**.

The fund is almost entirely invested in TIPS. Its duration is similar to **Spartan Intermediate Treasury Index** (just over 6 years), but the latter yields considerably more (see *Scorecard*). Of course, Spartan Intermediate doesn't offer inflation-protection, but that's now a reasonable tradeoff. As such, we've lowered Inflation-Protected Bond's rating to *Hold* from *OK to Buy*. And, if you can handle more credit and interest-rate risk, consider buying the higher-yielding **Corporate Bond** fund (3.13%) — providing you can really handle more risk. ■

FUND COMMENTARY

## June Bleeds Red For Stocks And Bonds

Just as it appeared that itsy-bitsy Greece and its gargantuan debt load would wind up being the straw that breaks the developed world's financial back, out of nowhere sanity suddenly prevailed in the form of a market rally. Seemingly anticipating that a debt-relief-package-cum-austerity plan from the IMF, Germany and others would be approved by Greece's parliament, June's painful market retreat was stopped dead in its tracks.

The last four days of the month saw the S&P 500 surge 4% (with more gains on July 1), and so the large-cap barometer saw its June's losses cut to "only" -1.7%.

Likewise, the Dow Jones Industrials finished the month down 1.1%, while the tech-heavy Nasdaq and small-cap Russell 2000 fared worse, with losses of -2.1% and -2.4%, respectively.

Halfway through the year, however, stocks and bonds are still in positive territory. The S&P 500 is up 6.0% while the Dow has gained 8.6%. The Russell 2000 is ahead 6.1% and the Nasdaq has risen 5.0%.

### Model Portfolios

As noted on page 3, we made trades late last month in our Aggressive Growth and Growth & Income Model Portfolios. Performance-wise, the weight of June's stock- and bond-market losses weighed down our models. It didn't help that virtually all other asset classes also fell (including foreign stocks and high-yield bonds), so diversification afforded scant shelter. June's losses ranged from -2.3% for our Aggressive Growth Model to a modest -0.8% for the Income & Preservation Portfolio. But halfway through the year, there's



John Bonnanzio

still good news for members who follow our portfolios: all are above water for the year-to-date. The Growth and Select models are leading the way with gains of 6.4% and 6.3%, respectively. In the case of Select Model, holding **Pharmaceuticals** over the past six months has been especially beneficial as that fund is up 14.5% through June, while **Chemicals** is up 12.3%. For its part, the Growth Model's largest fund position has been in **Growth Company**, which has enjoyed a 10.2% return so far this year, and is Fidelity's top-performing stock fund.

Elsewhere, international diversification was not helpful. While most markets were higher, Fidelity's international fund offerings largely lagged the S&P 500. Especially disappointing were our emerging-market exposures. (They were held back by a combination of rising inflation fears and governmental efforts to slow economic growth to address inflation.)

Of course, it didn't help that **Emerging Markets** (down 0.2%), **Pacific Basin** and others were also negatively affected by Japan's triple tragedies, though the latter finished the six-month period up 0.7%. **Emerging Asia**, which holds no Japan, gained 2.6%. Given the magnitude of Japan's recent troubles, **Japan** fund's loss of 6.2% for the year could have been worse.

With many large, export-driven companies knocked out of commission (a shortfall of electricity still has many factories operating at less than full capacity), economic activity took a big hit. **Japan Smaller Companies** (which is less affected by exports), fell just 0.1%. But recent data

indicates that things are starting to improve and we have upgraded both funds this month to *OK to Buy*.

### Stock Funds

Returning to the US equity markets, the average Fidelity stock fund fell 2.2% in June (none were positive), but are up 6.3% through the first half of the year (none were negative).

The biggest losers in June defied market cap: **Small Cap Stock** fell 5.0% and the large-cap **Magellan** declined 3.6%. At the same time, **Small Cap Enhanced Index** (down 1.1%) and the large-cap **Growth Discovery** (down 0.8%) were relative out-performers.

So what was the key to last month's performance disparities? Answer: sector exposures.

Certain areas of tech were hit especially hard in June, including chip makers. For example, **Electronics** was the worst-performing Select (down 7.1%) while **Communications Equipment** didn't fare much better (down 5.6%).

But areas unrelated to electronics or tech were also problematic for certain stock funds. Notably, **Gold** fell 5.2% in June (that didn't help **Magellan**), and **Financial Services** retreated 3.9% (which hindered **Large Cap Stock**, which fell 2.7% in June).

Related to stock funds are lower-volatility high-yield bond funds. The least risky of these is **Floating-Rate High Income**, and it fell just 0.4% in June. However, the more equity-like and aggressive **Capital & Income** fell 1.6% for the month.

Note: **Global High Income** joins its peers this month with a rating of *OK to Buy*. ■

JULY SCORECARD RATING CHANGES			
Fund	Ratings		Comments
	Old	New	
Focused Stock	B	<b>B</b> ↑	Own for Manager Steve DuFour's stockpicking.
Inflation-Prot. Bond	B	H ↓	Inflation-protection less valuable now.
Japan	H	B ↑	Large-cap exporters are rebuilding inventories.
Japan Smaller Cos	H	B ↑	Reconstruction will benefit the economy.
Pimco VIT Real Ret	B	H ↓	Inflation-protection less valuable now.
<b>B</b> = Buy; <b>B</b> = OK to Buy; <b>H</b> = Hold; <b>S</b> = OK to Sell; <b>S</b> = Sell, <b>NC</b> = No change (↑) Rating upgraded; (↓) Rating downgraded.			

## FIDELITY SCORECARD - JUNE 30, 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)			
						Jun	YTD	2010	1 Year	3 Year	5 Year					
Comparative Indexes		S&P 500 (Large cap)*				-1.7	6.0	15.0	30.6	3.3	2.9	1.00				
		Nasdaq Composite (OTC)*				-2.2	4.8	17.8	32.4	7.4	5.7	1.12				
		MSCI EAFE (International)*				-1.2	5.4	7.7	32.1	-1.5	1.7	1.27				
		Sptn Extd Mkt (Small-mid caps)				-2.3	7.1	28.6	39.2	7.9	5.9	1.20				
		Barclays Aggregate Bond*				-0.4	2.6	6.3	3.6	6.1	5.9	0.18				
<b>LARGE CAP GROWTH</b>						<b>Category Averages</b>			<b>-1.9</b>	<b>6.5</b>	<b>18.6</b>	<b>35.5</b>	<b>3.4</b>	<b>4.7</b>	<b>1.1</b>	
312	FBGRX	Blue Chip Growth		48.21	Buy	-1.9	6.3	19.6	37.2	8.0	6.6	1.11	\$12,680			
307	FDCAX	Capital Appreciation		26.71	OK to Buy	-0.9	5.4	18.3	28.6	3.8	3.1	1.15	4,881			
22	FCNTX	Contrafund		70.61	Buy	-1.6	4.4	16.9	28.2	2.6	5.0	0.89	63,342			
332	FEXPX	Export and Multinational	0.75%/30d	22.67	OK to Sell	-2.1	3.9	11.9	27.6	0.1	2.2	1.07	2,438			
500	FFTYX	Fifty		18.97	OK to Buy	-0.7	7.6	17.8	36.7	-1.1	1.3	1.17	833			
333	FTQGX	Focused Stock		14.94	Buy↑	-1.3	9.5	24.1	43.2	5.1	6.0	1.00	495			
25	FDGRX	Growth Company (closed)		91.63	Buy	-1.2	10.2	20.6	41.6	5.5	7.7	1.08	30,427			
339	FDSVX	Growth Discovery		14.88	Buy	-0.8	8.8	24.0	42.1	1.1	5.7	1.12	951			
73	FDFFX	Independence		25.69	OK to Buy	-2.1	5.5	22.2	39.1	-4.2	5.4	1.37	4,233			
763	FSLGX	Large Cap Growth		10.55	Buy	-2.2	8.3	19.8	40.3	4.3	1.9	1.02	135			
1829	FLGEX	Large Cap Growth Enhcd Index		10.34	Hold	-1.2	7.8	14.0	33.9	4.9	--	0.98	79			
338	FLCSX	Large Cap Stock		18.31	Buy	-2.7	4.2	18.2	31.9	5.7	4.2	1.26	1,024			
21	FMAGX	Magellan		72.90	OK to Sell	-3.6	1.9	12.4	25.0	-2.5	0.5	1.28	18,718			
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	36.89	OK to Buy	-2.2	4.8	17.8	32.4	7.4	5.7	1.12	338			
93	FOCPX	OTC		59.74	Buy	-2.5	8.8	20.1	41.2	9.4	10.4	1.24	6,638			
320	FDSSX	Stock Selector All Cap		27.01	Hold	-2.3	4.9	19.2	33.8	2.1	3.1	1.06	1,021			
5	FTRNX	Trend		72.90	OK to Buy	-2.3	8.2	19.8	40.2	5.9	6.6	1.09	1,176			
<b>LARGE CAP BLEND</b>						<b>Category Averages</b>			<b>-2.1</b>	<b>5.9</b>	<b>14.8</b>	<b>31.0</b>	<b>1.6</b>	<b>1.8</b>	<b>1.09</b>	
315	FDEQX	Disciplined Equity		23.89	Hold	-2.3	6.0	8.3	24.6	-1.8	0.6	1.01	9,007			
330	FDFGX	Dividend Growth		29.60	Buy	-2.6	4.1	21.2	35.6	7.6	4.5	1.31	10,033			
3	FFIDX	Fidelity Fund		34.35	Hold	-1.7	6.9	14.6	32.9	1.0	3.7	1.05	5,284			
27	FGRIX	Growth & Income		19.07	Hold	-2.4	4.5	14.6	30.1	-3.5	-4.4	1.18	5,555			
1827	FLCEX	Large Cap Core Enhcd Index		9.17	OK to Sell	-1.2	7.6	12.2	31.2	2.5	--	0.96	756			
361	FGRTX	Mega Cap Stock		10.43	Buy	-2.1	4.4	14.4	29.6	3.1	2.8	1.05	795			
650	FUSEX	Spartan 500 Index <sup>4</sup>		46.96	Hold	-1.7	6.0	15.0	30.6	3.3	2.9	1.00	28,073			
397	FSTMX	Spartan Total Mkt. Index <sup>4</sup>	0.50%/90d	38.61	Hold	-1.8	6.3	17.4	32.3	4.2	3.5	1.03	5,772			
343	FTXMX	Tax Managed Stock		13.45	Hold	-2.8	8.0	14.7	32.4	-2.2	0.9	1.10	77			
832	FVDFX	Value Discovery		15.46	Hold	-2.3	5.6	15.4	30.9	1.8	1.4	1.17	593			
<b>LARGE CAP VALUE</b>						<b>Category Averages</b>			<b>-2.2</b>	<b>5.7</b>	<b>12.2</b>	<b>27.9</b>	<b>0.3</b>	<b>-0.2</b>	<b>1.11</b>	
1271	FBCVX	Blue Chip Value		11.38	Sell	-2.4	5.3	10.1	26.0	-1.2	-1.0	1.18	478			
23	FEQIX	Equity-Income		46.25	Buy	-2.3	4.8	15.1	29.6	2.2	1.1	1.15	10,040			
319	FEQTX	Equity-Income II		19.09	Buy	-2.4	4.9	13.5	29.0	1.5	0.6	1.13	5,121			
708	FSLVX	Large Cap Value		11.13	OK to Sell	-2.5	5.8	9.3	24.9	-2.2	-1.4	1.08	641			
1828	FLVEX	Large Cap Value Enhcd Index		7.98	OK to Sell	-1.4	7.6	12.7	29.8	1.2	--	1.00	92			
<b>MID-CAP GROWTH</b>						<b>Category Averages</b>			<b>-2.2</b>	<b>6.6</b>	<b>23.1</b>	<b>36.7</b>	<b>4.6</b>	<b>3.7</b>	<b>1.22</b>	
324	FDEGX	Growth Strategies	1.50%/90d	21.51	Buy	-2.4	5.2	25.6	36.8	3.2	4.5	1.16	2,058			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	10.30	Hold	-1.4	9.0	22.4	39.3	6.4	--	1.14	77			
793	FMSGX	Mid Cap Growth	0.75%/30d	13.09	Buy	-2.5	5.2	25.2	36.5	2.6	0.9	1.29	315			
337	FMCSX	Mid-Cap Stock	0.75%/30d	29.26	Hold	-2.3	6.6	23.6	37.5	3.4	4.0	1.38	6,948			
300	FMLX	New Millennium		31.14	OK to Buy	-2.3	6.9	18.9	33.3	7.4	5.5	1.15	1,940			

**Notes:** \*Fidelity's Spartan 500 Index, Nasdaq Composite Index, Spartan Int'l Index and Spartan US 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 Dynamic Strategies. <sup>7</sup>Distributed yield is calculated by taking a fund's actual distributions over the past year divided by its current NAV. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

### 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 - JUNE 30, 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)		
						Jun	YTD	2010	1 Year	3 Year	5 Year				
<b>MID-CAP BLEND</b>						<b>Category Averages</b>			<b>-2.5</b>	<b>6.9</b>	<b>25.1</b>	<b>37.4</b>	<b>4.8</b>	<b>5.1</b>	<b>1.39</b>
122	FLVCX	Leveraged Company Stock	1.50%/90d	30.08	Buy	-3.7	5.8	24.5	38.9	-3.7	3.9	1.67	\$4,541		
316	FLPSX	Low-Priced Stock	1.50%/90d	41.66	Buy	-1.0	8.6	20.7	34.3	8.3	6.1	1.12	28,418		
398	FSEMXX	Spartan Extended Mkt Index <sup>4</sup>	0.75%/90d	40.38	Hold	-2.3	7.1	28.6	39.2	7.9	5.9	1.20	4,815		
14	FSLSX	Value Strategies		29.59	Buy	-2.9	6.3	26.5	37.0	7.0	4.3	1.55	371		
<b>MID-CAP VALUE</b>						<b>Category Averages</b>			<b>-3.3</b>	<b>5.5</b>	<b>23.8</b>	<b>33.9</b>	<b>4.8</b>	<b>2.9</b>	<b>1.37</b>
762	FSMVX	Mid Cap Value	0.75%/30d	16.89	Hold	-3.3	5.9	25.4	33.6	5.9	3.4	1.28	710		
39	FDVLX	Value		72.14	Hold	-3.3	5.0	22.3	34.2	3.7	2.4	1.46	7,764		
<b>SMALL CAP GROWTH</b>						<b>Category Averages</b>			<b>-1.9</b>	<b>8.4</b>	<b>28.8</b>	<b>42.0</b>	<b>6.6</b>	<b>4.9</b>	<b>1.27</b>
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	10.62	Hold	-1.1	8.3	26.1	40.0	7.4	--	1.20	123		
1388	FCPGX	Small Cap Growth	1.50%/90d	17.09	Buy	-2.1	8.9	26.6	40.8	6.8	6.2	1.26	1,496		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	19.97	Buy	-2.4	7.9	33.7	45.3	5.5	3.5	1.36	2,111		
<b>SMALL CAP BLEND</b>						<b>Category Averages</b>			<b>-3.7</b>	<b>5.6</b>	<b>27.7</b>	<b>37.2</b>	<b>14.5</b>	<b>8.1</b>	<b>1.41</b>
384	FSCRX	Small Cap Discovery	1.50%/90d	21.70	OK to Buy	-2.4	7.4	32.4	39.6	18.9	9.9	1.35	2,162		
340	FSLCX	Small Cap Stock	2.00%/90d	20.36	Buy	-5.0	3.9	23.0	34.8	10.0	6.3	1.46	4,540		
<b>SMALL CAP VALUE</b>						<b>Category Averages</b>			<b>-2.6</b>	<b>2.6</b>	<b>25.1</b>	<b>28.5</b>	<b>13.4</b>	<b>5.8</b>	<b>1.29</b>
1389	FCPVX	Small Cap Value	1.50%/90d	16.02	Hold	-2.6	2.6	25.1	28.5	13.4	5.8	1.29	2,066		
<b>SPECIALTY</b>						<b>Category Averages</b>			<b>-1.5</b>	<b>2.8</b>	<b>16.1</b>	<b>32.2</b>	<b>-0.7</b>	<b>3.5</b>	<b>1.35</b>
2063	FOTTX	130/30 Large Cap		7.80	Hold	-1.9	7.7	9.7	30.0	-8.4	--	1.05	26		
304	FBALX	Balanced		18.99	OK to Buy	-1.4	4.5	13.8	21.0	3.8	4.3	0.76	17,588		
308	FCVXX	Convertible Securities		26.70	Buy	-2.9	5.6	20.9	29.3	1.8	6.4	1.29	2,637		
1960	FDYSX	Global Strategies <sup>6</sup>		9.82	Hold	-2.0	2.8	15.0	21.3	3.3	--	0.79	256		
355	FFNOX	Four-in-One Index		28.46	Hold	-1.4	5.5	13.7	27.7	3.6	3.6	0.91	2,501		
334	FGBLX	Global Balanced	1.00%/30d	23.45	Hold	-0.9	5.2	12.5	25.8	4.6	6.6	0.77	560		
2120	FFGCX	Global Commodity Stock	1.00%/30d	17.21	Buy	-2.9	0.4	18.1	42.0	--	--	--	698		
1368	FIREX	International Real Estate	1.50%/90d	9.33	Sell	-2.2	-0.5	14.5	30.5	-1.9	-2.1	1.37	339		
4	FPURX	Puritan		18.72	OK to Buy	-1.4	4.9	14.0	22.3	5.2	4.8	0.72	17,044		
833	FRIFX	Real Estate Income	0.75%/90d	10.73	OK to Buy	-1.1	5.0	18.8	16.5	10.2	5.0	0.73	1,669		
303	FRESX	Real Estate Investment	0.75%/90d	28.26	Hold	-3.3	10.0	29.9	34.4	6.0	1.8	1.94	3,675		
1329	FSDIX	Strategic Dividend & Income		11.45	Buy	-1.7	9.0	13.7	27.3	3.2	2.5	1.12	644		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.84	Hold	-1.7	3.2	13.9	16.9	2.7	4.3	0.67	4,186		
311	FIUIX	Telecom & Utilities		17.44	Buy	-0.7	9.7	17.3	33.1	1.1	4.2	0.85	994		
<b>ASSET ALLOCATION</b>						<b>Category Averages</b>			<b>-1.5</b>	<b>2.8</b>	<b>16.1</b>	<b>32.2</b>	<b>-0.7</b>	<b>3.5</b>	<b>1.35</b>
328	FASIX	Asset Manager 20%		13.05	Hold	-0.6	2.8	8.9	10.3	5.6	4.9	0.36	3,607		
1957	FTANX	Asset Manager 30%		9.87	Hold	-0.9	3.0	10.9	13.4	5.7	--	0.47	199		
1958	FFANX	Asset Manager 40%		9.83	Hold	-1.1	3.4	12.1	16.4	5.8	--	0.57	139		
314	FASMX	Asset Manager 50%		15.94	Hold	-1.2	3.7	13.5	19.8	6.1	4.9	0.69	6,695		
1959	FSANX	Asset Manager 60%		9.87	Hold	-1.5	3.9	14.3	22.4	6.2	--	0.76	241		
321	FASGX	Asset Manager 70%		17.00	Hold	-1.6	4.1	15.8	25.9	5.4	4.4	0.89	2,513		
347	FAMRX	Asset Manager 85%		13.97	Hold	-1.9	4.3	16.6	30.0	4.9	4.2	1.03	692		
<b>INTERNATIONAL</b>						<b>Category Averages</b>			<b>-1.5</b>	<b>2.8</b>	<b>16.1</b>	<b>32.2</b>	<b>-0.7</b>	<b>3.5</b>	<b>1.35</b>
309	FICDX	Canada	1.50%/90d	59.78	Buy	-2.3	2.8	21.8	29.6	-1.1	8.1	1.35	4,897		
352	FHKCX	China Region	1.50%/90d	31.90	Hold	-5.0	-1.9	18.0	24.9	7.8	13.0	1.29	2,089		
325	FDIVX	Diversified International	1.00%/30d	31.14	OK to Sell	-1.8	3.3	9.7	30.5	-3.3	1.4	1.26	23,887		
351	FSEAX	Emerging Asia	1.50%/90d	31.40	Buy	-2.7	2.6	22.8	31.8	3.5	10.6	1.19	1,910		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	9.64	OK to Buy	-0.3	2.0	25.5	34.5	2.2	--	1.49	150		
322	FEMKX	Emerging Markets	1.50%/90d	26.29	Buy	-2.2	-0.2	18.2	28.5	-2.5	7.8	1.61	3,826		
301	FIEUX	Europe	1.00%/30d	32.93	OK to Sell	-1.8	5.1	8.6	38.2	-2.6	2.3	1.32	807		
341	FECAX	Europe Capital App	1.00%/30d	19.99	OK to Sell	-1.9	5.0	8.4	37.8	-2.9	1.9	1.36	437		
335	FIVFX	International Cap App	1.00%/30d	13.38	Hold	-1.3	3.8	15.9	36.0	0.8	1.7	1.51	656		
305	FIGRX	International Discovery	1.00%/30d	33.87	OK to Sell	-1.7	2.5	11.0	31.5	-2.2	2.5	1.24	8,312		
2010	FIENX	International Enhanced Index	1.00%/30d	7.74	OK to Sell	-0.9	6.0	8.7	33.6	-2.9	--	1.27	28		
1979	FIGFX	International Growth	1.00%/30d	9.02	OK to Buy	-1.9	4.0	16.9	35.0	2.2	--	1.19	57		
818	FISMXX	International Small Cap	2.00%/90d	22.38	Buy	-0.7	5.3	25.4	40.3	3.2	4.3	1.31	1,093		
1504	FSCOX	International Small Cap Opps	2.00%/90d	10.81	Buy	-2.3	4.0	23.3	35.9	-4.0	-1.8	1.45	410		
1597	FIVLX	International Value	1.00%/30d	8.53	OK to Sell	-1.6	4.8	5.2	31.3	-3.4	0.0	1.45	222		
350	FJPNX	Japan	1.50%/90d	10.49	OK to Buy↑	1.3	-6.2	14.7	12.9	-5.6	-5.2	1.13	524		
360	FJSCX	Japan Smaller Companies	1.50%/90d	9.18	OK to Buy↑	1.6	-0.1	12.3	19.8	-0.6	-7.1	1.26	333		
349	FLATX	Latin America	1.50%/90d	58.92	Hold	-0.3	-0.2	16.5	32.1	-2.1	13.1	1.64	3,700		
342	FNORX	Nordic	1.50%/90d	35.54	OK to Buy	-4.6	3.5	26.5	40.8	-1.5	4.6	1.63	517		
94	FOSFX	Overseas	1.00%/30d	34.03	OK to Sell	-0.7	4.8	6.6	32.9	-4.9	0.3	1.27	3,916		
302	FPBFX	Pacific Basin	1.50%/90d	26.25	Buy	-0.8	0.7	32.8	32.9	5.9	5.8	1.50	911		
399	FSIIX	Spartan Int'l Index <sup>4</sup>	1.00%/90d	36.96	Hold	-1.2	5.4	7.7	32.1	-1.5	1.7	1.27	6,751		
1978	FTIEX	Total International Equity	1.00%/30d	7.74	Buy	-1.9	3.5	12.5	32.3	-1.1	--	1.34	103		
318	FVWFX	Worldwide	1.00%/30d	19.78	Hold	-1.5	6.0	17.0	37.2	1.0	4.9	1.15	1,288		

## FIDELITY SCORECARD - JUNE 30, 2011

### SELECT MODEL PORTFOLIO

Amid all the gloom in June, came the bullish announcement that the US trade gap shrank by almost 7% between March and April. The markets largely ignored the news.

A golden era of exports is dawning for the US economy, and it almost seems like a secret. Over the last five years, our trade gap has shrunk by 30%. Helped by declining consumption of foreign oil, our imports have only grown about 20%. Exports, on the other hand, have been on a tear, growing almost 50%. Going forward, this is likely to accelerate. A weaker dollar and rising emerging market wages have set the stage for an export boom, pushing US trade into surplus in as little as 10 years.



Jack Bowers

It's no accident that most of the funds in our Model are benefiting from overseas growth. **Technology** and **IT Services** have no foreign competi-

tion to speak of, and they provide the tools that allow global businesses to boost productivity. **Chemicals** plays to the strength of US firms that use cheap natural gas as a feedstock, thereby undercutting their foreign competitors using oil. **Industrials** is a bet on reliable, high-ticket capital goods that emerging markets need to enjoy a higher standard of living. **Pharmaceuticals** is seeing growth as billions of emerging market consumers can begin to afford modern health care. **Natural Gas** is not an export sector yet, but it is helping the US economy to better compete in a world where energy costs are beginning to matter more than wages. ■

### Select Model Portfolio

Fund	Allocation
Technology (FSPTX)	19%
Chemicals (FSCHX)	19
Pharmaceuticals (FPHAX)	19
Industrials (FCYIX)	15
Natural Gas (FSNGX)	14
IT Services (FBSOX)	14
<b>Total Return: Jun: -1.9% YTD: 6.3%</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)
						Jun	YTD	2010	1 Year	3 Year	5 Year		
<b>SELECT PORTFOLIOS</b>						<b>-2.1</b>	<b>6.4</b>	<b>22.2</b>	<b>36.3</b>	<b>7.1</b>	<b>5.3</b>	<b>1.34</b>	
<i>Category Averages</i>													
34	FSAIX	Air Transportation	0.75%/30d	39.92	Hold	-0.8	2.2	33.4	27.2	18.3	3.2	1.52	\$92
502	FSAVX	Automotive	0.75%/30d	44.40	OK to Buy	0.0	-0.2	46.2	54.3	18.5	7.3	2.39	191
507	FSRBX	Banking	0.75%/30d	17.53	Hold	-2.8	-5.3	21.4	9.7	2.1	-8.2	1.53	393
42	FBIOX	Biotechnology	0.75%/30d	86.45	OK to Sell	-2.4	18.5	11.4	42.8	9.9	7.2	1.07	1,314
68	FSLBX	Brokerage & Investment	0.75%/30d	48.75	Hold	-4.6	-7.1	11.2	14.8	0.6	-1.3	1.46	459
69	FSCHX	Chemicals	0.75%/30d	107.26	Buy	-1.3	12.3	30.7	66.1	8.8	14.5	1.43	828
518	FSDCX	Communications Equipment	0.75%/30d	27.49	OK to Buy	-5.6	3.7	27.7	38.2	11.4	6.9	1.56	555
7	FDCPX	Computers	0.75%/30d	59.44	OK to Buy	-1.9	5.4	23.8	36.8	13.4	11.7	1.26	552
511	FSHOX	Construction & Housing	0.75%/30d	35.91	OK to Sell	-3.6	2.4	21.5	30.8	7.1	1.3	1.48	99
517	FSCPX	Consumer Discretionary	0.75%/30d	24.56	Hold	-0.5	4.2	31.2	37.7	13.3	4.6	1.19	226
98	FVLX	Consumer Finance	0.75%/30d	12.17	Hold	-0.4	7.2	5.9	15.7	-10.7	-20.2	1.22	114
9	FDFAX	Consumer Staples	0.75%/30d	72.21	Hold	-2.4	6.6	15.2	29.7	8.6	9.5	0.78	995
67	FSDAX	Defense & Aerospace	0.75%/30d	82.70	OK to Sell	1.6	13.1	21.9	37.3	9.5	6.5	1.23	685
8	FSELX	Electronics	0.75%/30d	50.23	Hold	-7.1	3.9	16.8	35.1	10.1	4.2	1.52	1,259
60	FSENX	Energy	0.75%/30d	57.74	Hold	-2.7	10.6	19.0	55.4	-8.5	5.0	1.61	2,903
43	FSESX	Energy Service	0.75%/30d	82.58	Hold	-0.6	11.0	27.9	68.1	-11.1	4.4	1.91	1,820
516	FSLEX	Environment & Alt Energy	0.75%/30d	19.37	Hold	-2.4	8.9	14.9	33.7	4.1	3.0	1.05	110
66	FIDSX	Financial Services	0.75%/30d	58.32	Hold	-3.9	-5.3	6.5	8.2	-3.7	-8.9	1.47	409
41	FSAGX	Gold	0.75%/30d	46.79	OK to Sell	-5.2	-8.4	35.3	11.4	7.4	13.1	2.06	4,161
63	FSPHX	Health Care	0.75%/30d	143.59	Hold	-1.2	15.2	17.0	39.8	11.8	8.1	0.91	2,331
510	FSCGX	Industrial Equipment	0.75%/30d	35.42	OK to Buy	-2.6	4.9	33.9	42.3	6.0	6.2	1.52	390
515	FCYIX	Industrials	0.75%/30d	24.89	Buy	-1.2	7.0	31.1	41.4	8.9	7.6	1.42	609
45	FSPCX	Insurance	0.75%/30d	47.74	Hold	-2.4	1.3	20.1	18.8	3.9	-3.1	1.29	262
353	FBSOX	IT Services	0.75%/30d	22.65	Buy	-0.7	8.9	18.5	40.4	12.2	10.6	1.12	152
62	FDLSX	Leisure	0.75%/30d	97.00	Hold	0.8	6.5	37.9	38.7	17.3	8.3	1.05	372
509	FSDPX	Materials	0.75%/30d	71.61	Hold	-1.1	5.5	28.1	52.7	6.3	11.5	1.56	1,239
505	FSHCX	Medical Delivery	0.75%/30d	59.69	OK to Buy	-1.0	20.2	15.4	43.9	15.8	7.6	1.21	899
354	FSMEX	Medical Equipment	0.75%/30d	31.00	OK to Sell	-2.0	13.0	12.7	32.1	9.0	11.1	1.01	1,672
503	FBMPX	Multimedia	0.75%/30d	47.92	Hold	-1.9	12.5	25.8	43.1	15.0	6.5	1.31	229
513	FSNGX	Natural Gas	0.75%/30d	34.49	Buy	-3.5	3.9	6.4	35.8	-14.7	0.5	1.66	1,059
514	FNARX	Natural Resources	0.75%/30d	37.36	Hold	-3.1	7.5	23.1	51.0	-6.2	7.6	1.61	1,944
580	FPHAX	Pharmaceuticals	0.75%/30d	13.85	Buy	-1.6	14.5	16.4	37.4	14.4	9.5	0.83	559
46	FSRPX	Retailing	0.75%/30d	54.30	Hold	0.4	7.1	28.1	40.4	20.1	9.0	1.24	187
28	FSCSX	Software & Computer Svcs	0.75%/30d	87.13	OK to Buy	-1.4	6.4	18.9	41.8	10.8	12.1	1.04	1,326
64	FSPTX	Technology	0.75%/30d	98.45	Buy	-3.2	3.0	26.7	39.7	13.0	10.1	1.40	2,771
96	FSTCX	Telecommunications	0.75%/30d	50.44	Buy	-2.6	8.7	18.3	36.6	9.2	5.2	1.15	416
512	FSRFX	Transportation	0.75%/30d	56.95	Hold	-1.4	4.2	41.3	30.7	12.4	4.8	1.26	322
65	FSUTX	Utilities	0.75%/30d	52.68	Buy	-0.3	9.1	10.9	28.2	-2.9	4.2	0.90	478
963	FWRLX	Wireless	0.75%/30d	8.18	OK to Buy	-4.6	6.2	15.2	30.0	6.7	6.8	1.19	332

# FIDELITY SCORECARD - JUNE 30, 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						
						Jun	YTD	2010										
<b>TAXABLE BOND</b>						<b>Category Averages</b>			<b>-0.3</b>	<b>2.8</b>	<b>6.2</b>	<b>2.12</b>	<b>2.57</b>	<b>4.7</b>				
2267	FCONX	Conservative Income Bond		10.01	Buy	0.0	0.2p	--	0.30	--	na							
2208	FCBFX	Corporate Bond		10.42	OK to Buy	-0.9	4.5	5.6p	3.13	4.05	6.3							
15	FGMNX	Ginnie Mae		11.67	Hold	0.0	3.5	7.0	3.51	3.21	3.4							
54	FGOVX	Government Income		10.55	Hold	-0.3	2.3	5.1	1.77	2.15	4.6							
794	FINPX	Inflation-Protected Bond <sup>3</sup>		12.15	Hold↓	0.7	5.4	5.9	0.10	0.99	6.3							
32	FTHRFX	Intermediate Bond		10.69	OK to Buy	-0.4	2.9	7.6	2.26	3.11	3.9							
452	FSTGX	Intermediate Gov't Income		10.84	Hold	-0.2	2.0	4.7	0.99	1.61	3.6							
26	FBNDX	Investment Grade Bond		7.52	OK to Buy	-0.2	3.4	8.4	3.19	3.13	4.9							
40	FMSFX	Mortgage Securities		10.98	Hold	-0.1	3.0	7.3	3.36	3.37	3.2							
450	FSHBX	Short-Term Bond		8.51	Buy	-0.1	1.3	3.8	0.93	1.63	1.9							
1561	FIBIX	Sptn Interm Treas Index <sup>5</sup>		10.85	Hold	-0.4	3.3	8.5	2.09	2.80	6.4							
1562	FLBIX	Sptn Lng-Term Treas Index <sup>5</sup>		10.47	Hold	-2.0	2.2	9.2	3.86	3.93	14.3							
1560	FSBIX	Sptn Sht-Term Treas Index <sup>5</sup>		10.56	Hold	0.0	1.5	3.5	0.48	1.36	2.5							
651	FBIDX	Sptn US Bond Index		11.45	Hold	-0.4	2.6	6.3	2.59	2.96	4.6							
820	FTBFX	Total Bond		10.88	OK to Buy	-0.4	3.3	8.6	3.14	3.81	4.5							
812	ULSFXX	Ultra-Short Bond	0.25%/60d	8.20	Hold	-0.1	0.5	1.2	0.42	0.40	0.4							
<b>HIGH-YIELD BOND</b>						<b>Category Averages</b>			<b>-0.5</b>	<b>4.0</b>	<b>11.9</b>	<b>4.89</b>	<b>5.51</b>					
38	FAGIX	Capital & Income	1.00%/90d	9.61	Buy	-1.6	4.9	17.1	4.88	6.20	--							
814	FFRHXX	Floating Rate High Income	1.00%/60d	9.81	Buy	-0.4	1.5	7.8	3.08	3.39	--							
1366	FHIFX	Focused High Income	1.00%/90d	9.20	Buy	-0.6	4.1	12.1	5.25	6.33	--							
2297	FGHXX	Global High Income	1.00%/90d	9.85	OK to Buy	-0.6	-0.9p	--	5.80	--	--							
455	SPHIX	High Income	1.00%/90d	9.05	Buy	-0.9	4.3	13.7	6.11	6.93	--							
331	FNMIX	New Markets Income	1.00%/90d	15.92	OK to Buy	0.8	4.5	10.9	5.28	5.44	--							
368	FSICX	Strategic Income		11.28	Buy	-0.5	4.4	9.9	3.83	4.79	--							
<b>NATIONAL MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>0.3</b>	<b>3.5</b>	<b>2.3</b>	<b>2.80</b>	<b>3.49</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	10.16	Hold	0.2	3.2	2.7	2.55	3.47	5.2	3.4	3.5	3.8	3.9			
37	FHIGX	Municipal Income	0.50%/30d	12.53	Hold	0.4	4.3	2.6	3.61	4.11	8.2	4.8	5.0	5.4	5.6			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.70	OK to Buy	0.2	2.1	2.0	1.37	2.24	2.6	1.8	1.9	2.0	2.1			
90	FTABX	Tax-Free Bond	0.50%/30d	10.76	Hold	0.3	4.3	2.1	3.65	4.14	8.3	4.9	5.1	5.4	5.6			
<b>STATE-SPECIFIC MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>0.2</b>	<b>3.7</b>	<b>2.3</b>	<b>2.97</b>	<b>3.63</b>	<b>7.1</b>				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.32	Hold	0.1	3.7	2.3	3.39	3.71	8.0	4.7	4.9	5.3	5.5			
91	FCTFX	California Muni Income	0.50%/30d	11.89	Hold	0.5	4.5	3.2	3.86	4.24	7.9	5.7	5.9	6.4	6.6			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.67	Hold	0.3	2.4	2.2	1.37	2.35	2.8	2.0	2.1	2.3	2.3			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.48	Hold	0.1	4.1	2.2	2.58	3.27	7.0	3.6	3.8	4.1	4.2			
429	SMDMX	Maryland Muni Income	0.50%/30d	10.95	Hold	0.3	3.3	2.3	2.74	3.36	7.3	3.8	4.0	4.3	4.5			
70	FDMMX	Mass Muni Income	0.50%/30d	11.86	Hold	0.2	4.0	2.4	3.13	3.81	8.0	4.4	4.6	4.9	5.1			
81	FMHTX	Michigan Muni Income	0.50%/30d	11.81	Hold	0.1	3.4	2.3	3.08	3.92	6.8	4.3	4.5	4.8	5.0			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.46	Hold	0.1	3.7	2.4	2.49	3.46	6.4	3.6	3.8	4.0	4.2			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.44	Hold	0.4	3.3	2.1	3.23	3.87	7.4	4.6	4.8	5.1	5.5			
71	FTFMX	New York Muni Income	0.50%/30d	12.84	Hold	0.3	3.9	2.4	3.33	3.90	8.1	4.8	5.0	5.4	5.6			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.60	Hold	0.2	3.9	2.0	3.15	3.84	7.8	4.4	4.6	5.0	5.2			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	10.70	Hold	0.2	3.8	2.0	3.31	3.90	7.5	4.6	4.7	5.1	5.3			
<b>TAXABLE MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.01</b>	<b>0.04</b>	<b>0.02</b>						
55	FDRXX	Cash Reserves		1.00	--	0.00	0.01	0.06	0.01	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	--	0.00	0.04	0.13	0.05	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	0.01	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	0.01	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	0.01	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	0.01	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 (City tax excluded) tax level for that federal bracket.

## FIDELITY SCORECARD - JUNE 30, 2011

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>
							Jun	YTD	2010	1 Year	3 Year	5 Year	
<b>FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS</b>													
9067	FLRQC	Fid VIP Asset Manager	Allocation		13.61	Hold	-1.3	4.0	13.9	21.1	1.8	5.9	0.76
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		13.26	Hold	-1.5	4.5	16.0	27.9	0.1	5.5	0.98
9069	FJBAC	Fid VIP Balanced	Allocation		13.99	OK to Buy	-1.9	3.7	17.7	25.8	5.9	5.5	0.93
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	12.75	Hold	-0.6	4.0	30.8	37.4	13.2	4.5	1.18
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	12.79	Hold	-2.4	6.2	14.8	29.0	8.4	--	0.77
9065	FPDFC	Fid VIP Contrafund	Large Growth		13.23	Hold	-2.1	5.0	16.8	31.6	2.7	3.6	1.10
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		10.71	Hold	-1.3	8.0	25.1	39.0	6.5	2.4	1.20
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		13.08	OK to Buy	-0.8	5.4	18.0	28.5	3.2	2.6	1.16
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	9.10	Buy	-2.3	-0.5	17.5	27.3	-1.0	--	1.54
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	16.33	Hold	-2.7	10.4	19.0	55.1	-8.6	4.8	1.62
9061	FLOLC	Fid VIP Equity-Income	Large Value		11.23	Buy	-2.1	6.3	14.8	31.6	2.0	0.9	1.17
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	6.82	Hold	-4.1	-5.5	7.0	8.3	-3.9	-8.9	1.50
9157	FMPAC	Fid VIP FundsManager 20	Allocation		12.20	Hold	-0.8	2.2	7.2	8.7	3.9	4.2	0.28
9158	FMPBC	Fid VIP FundsManager 50	Allocation		11.98	Hold	-1.3	3.6	11.6	17.9	4.1	4.1	0.59
9197	FMPPC	Fid VIP FundsManager 60	Allocation		10.79	Hold	-1.5	3.6	13.3	20.9	4.1	--	0.70
9159	FMPCC	Fid VIP FundsManager 70	Allocation		11.50	Hold	-1.6	4.4	14.0	24.4	3.3	3.5	0.80
9160	FMPDC	Fid VIP FundsManager 85	Allocation		11.07	Hold	-1.8	4.2	15.9	28.1	2.6	2.8	0.97
9062	FMNDC	Fid VIP Growth	Large Growth		12.49	Buy	-0.9	8.5	23.8	41.6	0.3	4.1	1.11
9070	FLFNC	Fid VIP Growth & Income	Large Blend		11.63	Hold	-2.4	4.4	14.4	30.0	0.0	1.8	1.05
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		12.11	Buy	-1.8	10.1	23.4	44.1	-1.1	3.6	1.28
9078	FPVDC	Fid VIP Growth Stock	Large Growth		13.12	OK to Buy	-2.4	8.5	19.7	39.9	5.7	6.1	1.09
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		12.12	Buy	-2.5	5.0	24.5	36.2	3.0	3.9	1.15
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	14.51	Hold	-1.2	15.3	16.9	39.6	11.8	7.9	0.91
9060	FBBLC	Fid VIP High Income	High-Yield Bond		14.63	Buy	-0.7	4.3	13.8	14.8	8.5	7.0	0.68
9064	FXVLT	Fid VIP Index 500	Large Blend		11.91	Hold	-1.7	5.9	14.7	30.3	3.1	2.7	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	16.66	Buy	-1.1	6.9	30.6	40.8	9.1	7.7	1.43
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	11.76	Buy	-1.3	3.7	15.4	35.9	0.6	1.5	1.51
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		13.41	OK to Buy	-0.4	2.9	7.5	5.0	7.2	6.1	0.24
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	14.44	Hold	-1.0	5.3	28.1	52.6	6.3	--	1.56
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		15.05	OK to Buy	-2.7	0.8	28.4	27.8	5.4	5.8	1.08
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.45	--	0.0	0.0	-0.1	0.0	0.5	2.1	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	12.78	OK to Sell	-0.9	5.3	12.8	37.6	-2.1	1.8	1.26
9072	FFWKC	Fid VIP Real Estate	Sector		13.79	Hold	-3.6	10.6	29.9	35.9	6.9	2.9	2.02
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		15.10	Buy	-0.4	4.1	9.4	10.9	9.5	8.1	0.44
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	16.77	Buy	-3.3	2.9	27.3	40.6	14.4	9.9	1.40
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	9.70	Buy	-2.5	8.0	17.2	35.7	7.8	--	1.13
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	14.09	Buy	-0.4	8.9	10.8	27.9	-2.9	4.8	0.90
9079	FKMSC	Fid VIP Value	Mid Value		11.18	Buy	-2.3	5.1	17.4	29.2	1.9	1.1	1.43
9080	FUEBC	Fid VIP Value Leaders	Large Value		10.11	Sell	-2.5	5.2	9.8	25.6	-1.4	-1.1	1.18
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		12.82	Buy	-2.9	6.1	26.2	36.7	6.3	3.8	1.54
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l		11.85	OK to Sell	-1.1	4.8	12.0	34.7	--	--	--
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		9.39	OK to Sell	-1.9	3.9	10.7	27.0	-2.0	-0.5	0.95
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		15.66	Buy	-0.8	-0.5	22.7	26.4	5.0	--	1.50
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		14.56	OK to Buy	1.0	4.8	9.5	10.3	8.5	8.5	0.62
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		13.50	Buy	-1.3	-1.1	18.7	25.7	0.8	8.8	1.48
9146	FPRPC	Morgan Stanley Glb Tactical Alloc	Diversified Int'l		10.06	Hold	-1.2	4.3	5.4	29.5	-3.6	1.1	1.27
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.85	Buy	-0.1	1.7	5.0	4.0	--	--	0.12
9277	FPNBC	Pimco VIT Real Return	TIPS		11.66	Hold↓	0.5	5.0	7.8	7.4	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		11.23	OK to Buy	-0.3	2.8	7.8	5.2	--	--	--

## ANNUITY MODEL PORTFOLIOS

### Annuity Growth Model

Fund	Allocation
Fidelity VIP Strategic Income	32%
Fidelity VIP Growth Opportunities	27
Fidelity VIP Value	19
Fidelity VIP Equity-Income	12
Lazard Retirement Emerg Mkts	10
<b>Total Return: Jun: -1.4% YTD: 5.7%</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: Jun: -1.2% YTD: 4.4%</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: Jun: -0.8% YTD: 2.6%</b>	

## NEW FUNDS

# Four Muni Bond Funds Debut

You got to hand it to Fidelity's bond department: their creativity engines are firing on all cylinders. The result: more new funds!

Earlier this year, they introduced **Conservative Income Bond** (a slightly riskier and higher yielding money market alternative) and **Global High Income** (which invests in "junk" bonds worldwide). Now Fidelity has launched four nationally diversified, actively managed, "Defined Maturity" muni bond funds: **Municipal Income 2015, 2017, 2019** and **2021**. The funds, which have a

\$10,000 minimum, will liquidate on their respective maturity dates.



Mark Sommer

Just like individual muni bonds or Fidelity's muni bond funds, income from these

funds is federally tax-exempt, while capital preservation is paramount. While we discussed the fund with co-manager Mark Sommer, we've "borrowed" this pithy (and accurate!) summary from Fidelity:

*"These funds may be appropriate for income-seeking investors who are interested in combining the defined-maturity feature of individual bonds with the many features of bond funds, including diversification and professional management, thus removing much of the legwork of individual bond investing."*

Mark shared several more points with us. He said that the funds will "automatically dial down interest-rate-sensitivity" as they move closer to maturity, whereas other muni funds maintain a tight maturity range.

He also anticipates the funds having lower turnover. But this won't have a huge impact on fund expenses

which will run 0.40% — in the range of Fidelity's other nationally diversified muni funds. That's half as expensive as competitors' funds. But to Mark's larger point, fund expenses are not negligible because Defined Maturity Funds are not passively managed index funds. They are "credit-intensive" products with three co-managers, including Kevin Ramundo who runs several state muni funds, and Jamie Pagliocco who oversees a gaggle of munis funds. There are also 21 credit analysts and muni traders in the wings.

Of course, these days, credit analysis is more important than ever. With AAA monoline muni bond insurers following the dinosaur into extinction, the mom and pop bond buyer is more vulnerable than ever!

It should also be noted that the funds will close to new investors one year before their maturity dates.

If the concept of "maturing" funds sounds familiar, the new funds refine an older idea: Target Timeline funds. They were sidelined partly because of poor timing: investors were less interested in income-producing vehicles when stocks were achieving double-digit returns. And, of course, today's low interest rates are creating another challenge to the income-oriented investor.

But there's an important structural difference, too. Whereas Target Timeline funds were "duration matched," Municipal Income 2015 and its three siblings are "maturity matched." In the case of the former, bonds that had both shorter and longer maturities than the fund's target could be used, as long as they averaged out to the fund's duration target. Whereas, for example, Muni Income 2015 will only buy munis that are actually maturing that year. This eliminates unintended interest-rate-risk, and keeps the fund's focus on creditworthiness.

## Muni Outlook

We're true believers in active, professional portfolio management. That

goes for picking stocks as well as for municipal bonds. To that end, Fidelity's Defined Maturity Funds are designed for the retail investor who may need his or her money at a predetermined time for a specific purchase or income need. These funds are also good for investors who want to "ladder" their bond investments, while allowing Fidelity's credit analysts to do the really hard work for you at a competitive price.

More broadly, in June we upgraded most state-specific muni bond funds to *Hold*, while our strongest rating (*OK to Buy*) still belongs to the nationally diversified **Short-Intermediate Muni**. (June's downgrade of Connecticut's debt by Standard & Poor's and the possibility of New Jersey following suit are reasons why we still prefer Fidelity's more geographically diversified offerings.)

Notably, Jamie Pagliocco observed on a conference call that the muni market "has recently been acting quite well" for a few reasons. They include "the general improvement in tax receipts," a diminished supply of new muni issuance, and the record pace of bonds maturing (about \$30 to 40 billion a month), with much of that being recycled into munis themselves. In other words, despite some real credit concerns, the law of supply and demand has put the wind to the backs of muni investors.

## Action Recommendation

If you're already holding individual muni bonds in your portfolio, Defined Maturity Funds are a better alternative. They may also make sense as a replacement to your muni bond funds, but that's a more complicated discussion as you need to understand how to best deploy them in your portfolio.

All that said, we are not adding these four new funds to our *Scorecard* coverage at this time, but suspect that we will do so if investor interest (measured by fund assets and members' interest) warrants this step. ■

— John Bonnanzio

FUND UPDATE

## Dynamic Strategies Goes "Global"

Dynamic Strategies has been renamed **Global Strategies** [ticker: FDYSX].

Its new moniker is a better reflection of what the fund has already been



Timmer



Dierdorf

doing: investing pretty aggressively through a combination of Fidelity mutual funds and third-party ETFs, in stocks, bonds, commodities and real estate around the world. It also makes currency bets.

However with the new name comes a formalization of its increased global focus as shown in the table of benchmark changes above.

The fund's equity benchmark has

### DIVIDEND UPDATE

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

Asset Mgr 40%, Asset Mgr 50%, Balanced, Convertible Secs, Equity-Inc, Equity-Inc II, Fidelity Fund, Growth & Inc, Puritan, Spartan 500 Index, Strategic Div & Inc, Strategic Real Ret, Telecom & Utilities

*The final distributions for June were as follows:*

Fund	Date	Amt	NAV
Capital & Income	6/10	0.04	9.58
Focused High Inc	6/10	0.12	9.23
Large Cap Stock	6/10	0.04	17.70
Mid-Cap Stock	6/10	1.44	27.90
Real Estate Inc	6/3	0.13	10.76
S Cap Discovery	6/10	0.27	20.50
Small Cap Stock	6/10	0.003	19.49

Changing Benchmark Indexes		
Component	Previous	New
Equity	50% S&P 500	60% MSCI All Country World Index
Bonds	40% Barclays Aggregate Bond	30% Barclays Aggregate Bond; 10% Citigroup Non-U.S. Group of 7
Short-Term (Cash)	10% Barclays U.S. 3-Month T-Bill	None

been shifted from 50% in the S&P 500 to a 60% weight in an "All Country World Index" which is 57% foreign. This increases its neutral foreign stock exposure from 0% to 34%. While commodities are not part of the fund's new benchmark, as of May 31, they made up 19% of the fund.

On the bond side, the fund has replaced a 40% target in US bonds with 30%, plus 10% in sovereign debt from the so-called G-7 countries (other than the US): Canada, France, Germany, Italy, Japan the UK. Even so, we expect that the fund will continue to hold emerging market debt.

The fund has eliminated its benchmark of 10% in short-term funds, which again merely formalizes the fact that there was little cash anyway.

Given these changes, analyzing or comparing the new Global Strategies' prior four-year track record to today's new fund has little value — but it's not a completely useless exercise as the same managers are running it!

While Dynamic Strategies never caught investors' interest (assets recently peaked at only \$256 million), it did top the S&P 500 in a disastrous 2008, and again in a rebounding 2009 market. Last year, this fund matched the US stock barometer, and that was achieved while the fund briefly carried a cash weight of 24%!

If, in fact, the fund's history is prologue, co-managers Andrew Dierdorf and Jurrien Timmer will continue to use economic research, quantitative analysis, fundamental research, and

technical analysis to manage this fund's many, many moving parts. Moreover, they're not afraid to trade. And, as just suggested, we've seen them make swift and large tactical asset allocation adjustments. In other words, this has not been a buy-and-hold

Asset Manager fund — it's extremely opportunistic.

### Action Recommendation

While we could use this fund to provide a model with multiple exposures in one investment, we generally prefer to make our own investment decisions. However, if you like to invest the same way that Ron Popeil suggests you use his rotisserie ovens ("set it and forget it"), then the new Global Strategies fund may be just what you are looking for. We rate it *Hold*. ■

### MESSAGE TO MEMBERS We're Listening

You may have noticed that this month's report is quite rich with respect to fixed-income advice and analysis. That's no accident.

While Fidelity has been busy introducing funds, the bond market has become more of a concern to investors. That doesn't mean we've taken our eye off the equity markets, — only that the credit markets warranted a closer look this month. Of course, if there are matters of investment concerns to you, always feel free to send us an e-mail. While we can't provide individual investment advice, your mutual fund questions will help us to craft a newsletter that will better address your investment needs.

Sincerely,  
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