

FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

JUNE 2011

VOLUME 27, NUMBER 6

MARKET OUTLOOK

Looking For A Silver Lining Among The Many Clouds

May was a dismal month for investors as day after day featured another piece of bad news. What appeared to be a temporary jump in unemployment claims back above the 400,000 level in mid-April, continued throughout May making it seven straight weeks now above that mark, and unemployment rose from 8.8% to 9.0%.



John M. Boyd

Retail sales growth slowed, with most of the increase simply due to higher spending on gasoline, as prices topped \$4.00 a gallon. Industrial production was flat and a couple of key surveys of future business/manufacturing activity

*Fidelity adds to its high-yield offerings:
See **Global High Income** on p. 12.*

fell sharply. The Index of Leading Economic Indicators dropped from a plus 0.7% to a minus 0.3%. Although notoriously volatile, durable goods orders fell 3.6% (after rising 4.4% the prior month).

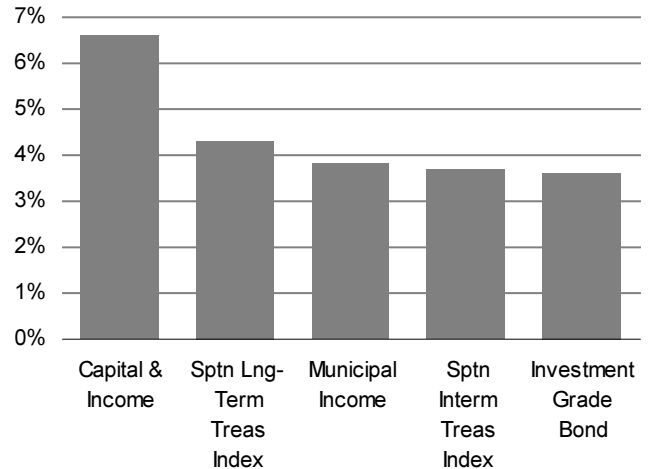
Even a modest upward revision to the anemic 1.8% growth in first quarter GDP failed to materialize. Expectations were for a bounce to 2.2%, but the second estimate for that figure stayed at 1.8%. And arguably, it actually deteriorated, as consumer spending was revised

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BANQUET OF BONDS

Total Returns Through 5/31 for Selected Bond Funds



While stock funds have lead the way so far in 2011, bonds of all varieties have delivered solid returns, too. Not surprisingly, more stock-like high-yield funds such as *Capital & Income* lead the way, but *Treasuries*, *munis* and *investment-grade corporate funds*, have been nothing to sneeze at. We are upgrading several funds this month see "Time To Upgrade *Munis and Taxables*" on page 4.

down, offset by a larger increase in inventories (sales from inventories don't count towards GDP, so rising inventories reduce the potential for GDP in future quarters). As a result, analysts are busy cutting estimates for second-quarter GDP to below 3.0%.

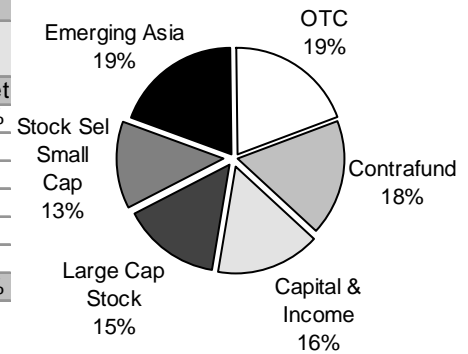
The debt crisis in the European Union reared its ugly head once again as Standard & Poor's downgraded their outlook for Italy's debt to "negative," and yields on 2-year Greek bonds reached 25%! The odds of a Greek default are now priced in the market at 75% — but I would put the number much closer to 100%. (By the way, Republicans and Democrats appear no closer to a compromise budget proposal that would allow agreement to raise the debt ceiling before we face our own struggle to avoid defaulting on our debt. But no worries, Tim Geithner says we have until August 2 before that happens!)

With all that's "going for us" I suppose we should be happy the market only fell 1.1% in May!

Market Outlook cont'd on page 3

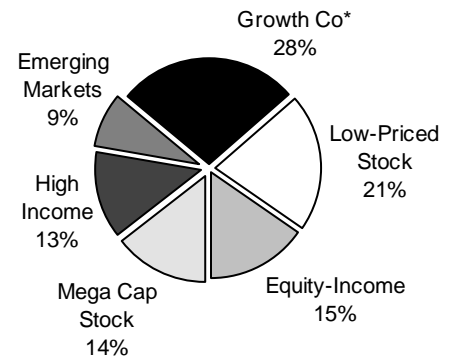
FIDELITY INSIGHT MODEL PORTFOLIOS - MAY 31, 2011

Aggressive Growth Model		Rel Vol: 1.07	Est. Yield: 1.2%	YTD Return: 7.5%		
Current Asset Allocation		Stocks 83.5%	Bonds 0.0%	Cash 2.1%	Alternative ¹ 14.4%	Foreign 27.8%
Holdings	Ticker	Alloc	NAV	Shares	Value	May Ret
Emerging Asia	FSEAX	19%	\$32.26	1,042.38	\$33,627	-1.4%
OTC	FOCPX	19	61.27	542.94	33,266	-1.7
Contrafund	FCNTX	18	71.74	425.31	30,512	-1.6
Capital & Income	FAGIX	16	9.85	2,716.99	26,762	-0.6
Large Cap Stock	FLCSX	15	18.87	1,340.24	25,290	-1.2
Stock Sel Small Cap	FDSCX	13	20.47	1,127.28	23,075	-2.2
Current Value (4/7/99 = \$100,000)					\$172,533	-1.5%



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

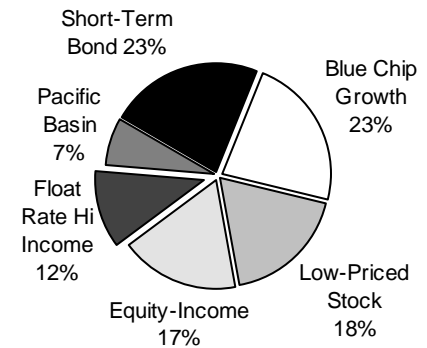
Growth Model		Rel Vol: 1.04	Est. Yield: 1.3%	YTD Return: 8.1%		
Current Asset Allocation		Stocks 83.8%	Bonds 0.3%	Cash 3.2%	Alternative ¹ 12.6%	Foreign 21.1%
Holdings	Ticker	Alloc	NAV	Shares	Value	May Ret
Growth Company*	FDGRX	28%	\$92.76	3,582.28	\$332,293	-0.8%
Low-Priced Stock	FLPSX	21	42.08	5,818.27	244,833	-1.2
Equity-Income	FEQIX	15	47.35	3,721.07	176,193	-1.6
Mega Cap Stock	FGRTX	14	10.65	16,045.29	170,882	-1.3
High Income	SPHIX	13	9.18	17,297.19	158,788	0.0
Emerging Markets	FEMKX	9	26.89	3,812.35	102,514	-3.4
Current Value (1/1/87 = \$100,000)					\$1,185,503	-1.2%



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

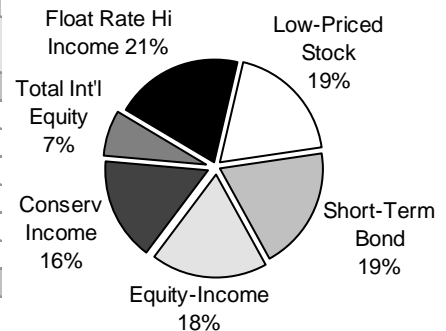
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.79	Est. Yield: 1.0%	YTD Return: 5.5%		
Current Asset Allocation		Stocks 62.9%	Bonds 21.7%	Cash 5.4%	Alternative ¹ 10.0%	Foreign 17.9%
Holdings	Ticker	Alloc	NAV	Shares	Value	May Ret
Short-Term Bond	FSHBX	23%	\$8.53	25,789.17	\$219,982	0.5%
Blue Chip Growth	FBGRX	23	49.14	4,403.36	216,381	-1.0
Low-Priced Stock	FLPSX	18	42.08	4,101.41	172,587	-1.2
Equity-Income	FEQIX	17	47.35	3,528.22	167,061	-1.6
Floating Rate Hi Income	FFRHX	12	9.87	11,237.64	110,916	-0.1
Pacific Basin	FPBFX	7	26.45	2,596.92	68,688	-2.3
Current Value (1/1/87 = \$100,000)					\$955,615	-0.8%



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: 4.1%		
Current Asset Allocation		Stocks 41.3%	Bonds 34.5%	Cash 6.5%	Alternative ¹ 17.7%	Foreign 8.9%
Holdings	Ticker	Alloc	NAV	Shares	Value	May Ret
Floating Rate Hi Income	FFRHX	21%	\$9.87	11,860.89	\$117,067	-0.1%
Low-Priced Stock	FLPSX	19	42.08	2,586.61	108,844	-1.2
Short-Term Bond	FSHBX	19	8.53	12,761.48	108,855	0.5
Equity-Income	FEQIX	18	47.35	2,171.82	102,836	-1.6
Conservative Income	FCONX	16	10.01	9,411.20	94,206	0.1
Total Int'l Equity	FTIEX	7	7.89	4,994.01	39,403	-3.1
Current Value (1/1/87 = \$100,000)					\$571,212	-0.6%



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

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

Silver Lining?

However, despite the seemingly endless string of disappointing news, there is reason to take heart. Not surprisingly, analysts and prognosticators are negative on the market. In my readings of their various reports and articles this month, I was struck by their near-universal agreement that the market is headed for a fall. I did find one or two positive comments, but that's it. An old piece of Wall Street wisdom (if that is not an oxymoron) is that the market moves to disappoint the majority: in this case that would be up.

Individual investors share the negative feelings of their professional brethren. Those who count themselves as bullish in the American Association of Individual Investors sentiment survey fell to 25.6% at the end of May, the lowest reading since last August. You may remember that the market did okay after that, rising over 20% by year-end.

In fact, as shown in the table below, when bullish sentiment falls below 28% (one standard deviation below the average reading of 39% for the statistically inclined), the market fares better than average, and much better than when readings are excessively bullish!

SENTIMENT IS A GOOD CONTRARY INDICATOR

When Bullish Reading is	S&P 500 Return Over Subsequent		
	13 Weeks	26 Weeks	52 Weeks
Above 50%	0.2%	0.6%	1.5%
Below 28%	3.8%	7.6%	13.5%
All Periods	1.9%	4.1%	8.3%

We examined the percentage of investors who called themselves bullish in the weekly readings of investor sentiment published by the American Association of Individual Investors since July of 1987, and the subsequent returns on the S&P 500 over the following 13, 26 and 52 weeks (excluding dividends). For all periods, the following market returns were quite respectable averaging 1.9% for 13 weeks, 4.1% over 26 weeks and 8.3% over the next 52 weeks.

However, when investors were very bullish (over 50% or one standard deviation above the average of 39%), the subsequent returns for the market were quite poor, averaging less than 1.5% over all three subsequent periods.

The reverse was true when bullish sentiment was very low (below 28% or one standard deviation below the average) with future returns averaging 3.8% for the next 13 weeks, 7.6% for the next 26 and 8.3% over the next 52.

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 **Stock Selector Small Cap** ply the mid- and small-cap arenas, respectively; **Contrafund** is a conservative “all-cap” approach to growth.

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

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

High Yield Fund: **Capital & Income** is an aggressive play on improving 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. ■

Now, I am not suggesting that the market looks good here — it doesn't. The analysts and pundits have, as outlined earlier, many good reasons for being pessimistic (and I haven't even mentioned that many technical charts and indicators are flashing warning signs as well). Nor am I changing my advice of last month that now is not the time to be adding to your equity holdings. But to those of contrary heart, and I count myself among them, the rampant pessimism is a reason for optimism!

Déjà Vu

All this is eerily reminiscent of this time last year. In May 2010, the market swooned 8% and the headline

of my *Outlook* in the June issue was “A Normal Correction ... Or Something Worse?” (For the record, I came down on the side of a normal correction.) The central themes were concerns about slowing global growth and the European debt crisis: “China is taking numerous steps to try and slow its growth ... [the assumption of] a US. Economy that is gaining strength, is starting to show some cracks ...” We even have the eruption of an Icelandic volcano (albeit a different one and a few weeks later) disrupting air traffic across Europe.

You may also remember that the summer months of 2010 were quite volatile (-8.0% in May, -5.2% in June, +7.0% in July, -4.5% in August) before the September rally began. I think we are likely to experience a similar bumpy ride ahead. But just like this time last year, I do not believe we are on the verge of a new bear market. As I have said many times before, bull markets don't die in excessive pessimism, but rather excessive optimism.

If we were market timers, we might want to stand aside here and wait until things looked better, but we are not. It is just too hard to time exits, and just as important, re-entrances. As long-term investors, the next few months may be trying, but we believe those with patience will be rewarded by staying the course. ■

— John M. Boyd

FIXED INCOME INVESTING

Time To Upgrade Munis & Taxables

Stocks have hit a soft patch, and investors are once again showing that whenever confidence wanes in equities, fixed-income securities (i.e., bonds), are a reasonable alternative. True, there are some worries about inflation out there (we don't necessarily share them), and bonds yield very little. But as a counter-cyclical move to equities, most portfolios are better off with some exposure. With that in mind, here's our thinking on some rating changes we've implemented this month (see p. 5).

Muni Bond Funds

As the health of state and municipal budgets modestly improve across the country, we've decided to modestly upgrade three of Fidelity's nationally diversified muni bond funds to *Hold* from *OK to Sell*. (A fourth fund, **Short-Intermediate Muni Income** remains *OK to Buy* as its interest-rate risk is lower.)

At the same time, 11 state-specific funds have been upgraded to *Hold* from *OK to Sell*. (**California Short-Intermediate Income** remains a *Hold*.)

Does this step signal our

bullishness on municipal debt?

Not exactly. The improved conditions we're seeing are not so much the result of improved fiscal management by our elected leaders. Rather, balance sheets are marginally improving because the pace of local government spending has slowed (there's less new bond issuance), while the economic recovery (which we recognize is uneven and painfully slow) is helping to put more tax revenues in government coffers. Elsewhere, agencies with the ability to hike fees/revenues are doing so. This is much to the public's chagrin, but also to the warm applause of bond holders.

Also, demand for munis is rising; outflows from funds have turned to inflows. Add to that the fact that munis' tax-equivalent yields marginally trump those offered by Treasuries of equal maturity, and the fact that there are yet to be any meaningful muni defaults, and you have a recipe for an asset class where demand may continue to drive prices modestly higher (and their yields even lower!).

Taxable Bond Funds

We've upgraded a handful of government bond funds (including the most interest-rate-sensitive **Spartan Long-Term Treasury Index**) to

Hold from *OK to Sell*. Despite Standard & Poor's thinly veiled threat to downgrade Treasuries, US government debt will remain in demand as it continues to be a safe harbor (credit-wise) relative to most other countries' sovereign debt. And, with respect to inflation, that's not a major concern for us right now, as China and other economies are cooling the pace of global GDP growth.

We have also upgraded **Intermediate Bond** and **Investment Grade Bond** to *OK to Buy* from *Hold*. With their mix of corporate and US government bonds, they stand to benefit from both improving US corporate profits, low inflation expectations, and skittishness over stocks.

High Yield Funds

Finally, we've upgraded **New Markets Income** to *OK to Buy* from *Hold*. While part of our rationale makes us a bit nervous (investors are yield-hungry, and will remain that way), fundamentals are sound in the emerging markets (meaning growth), and inflation fears have already been priced into the market. This high-yield fund is in an asset class of its own, and is therefore a sound way to increase portfolio diversification. ■

— John Bonnanzio

FUND FOCUS

Growth & Income Returns To Its Roots

Matt Fruhan took over **Growth & Income** (G&I) and its VIP (annuity) clone fund in February. Given our confidence in Matt (we own his **Large Cap Stock** and **Mega Cap Stock** funds in two models), we applauded this change. However, we were not especially pleased with his growing responsibilities. We asked rhetorically: Was there really no one else at Fidelity (or some other fund company) to run G&I?

Predictably, G&I is starting to resemble **Large Cap Stock**, while a series of thematic changes are taking place at all four funds.

Matt's most dramatic step is his move overseas. Foreign stocks have surged in G&I to 18.7% of assets up from 7.4%. More modestly, **Large Cap**'s foreign stake has risen to 13.7% from 9.6%, while **Mega Cap**'s also up over four percentage points to 12.5%.

Given **Mega**'s much bigger market-cap mandate, it's a bit harder for Matt to put as much overseas, as foreign companies are typically not as large as US ones. Nonetheless, **Mega**'s market cap rose about 10% in the first quarter to a huge \$89 billion (half that rise was market action). Far more dramatically, G&I's market cap has leapfrogged over **Large Cap Stock** by 28% to \$54.4 billion (vs. \$49.8b).

This is an especially significant move for the fund's shareholders, because G&I is well on its way to returning to its historic roots: it's becoming true to its growth and income moniker!

When Matt took over G&I, its yield was a skimpy 1.1%. He's now doubled that to 2.2% versus 1.9% for its S&P 500 benchmark. Moreover, **G&I is now Fidelity's highest-yielding diversified stock fund!**

We upgraded G&I to *Hold* with Matt's arrival, and another upgrade may be in the offing with a bit more history. However, we wouldn't be averse to conservative investors buying this fund for their portfolios' equity exposure. ■

— John Bonnanzio

Cooling Economies Wilt Stocks Globally

Stocks fell in each of the four full weeks of May. This marks 2011's first monthly decline, and only the second such setback for equities since August 2010. (In March of this year and November 2010, the S&P 500 was flat.)



John Bonnanzio

Given the market's fairly consistent charge higher, last month's decline by the S&P 500 wasn't a disaster. And in hindsight (of course!), it wasn't much of a surprise, either, as a lowered outlook for economic growth both here and abroad made some profit-taking inevitable.

Slower economic growth is the result of many things, including higher oil prices, lower home values, persistently low employment growth and budget deficits (especially those in the Eurozone — see p. 1). Of course, Japan's biblical-sized problems are hindering global growth, while massive flooding along the Mississippi, torrential rains and tornadoes were problems at home.

Next up: hurricane season!

Indexes

For the month, small-cap stocks were the weakest area of the market relative to higher-performing mid-caps; large-caps fell in between. The Russell 2000 retreated 1.8% in May while the larger-cap S&P 500 lost 1.1% and the even larger-cap Dow Jones Industrials fell 1.7%. For its part, the Nasdaq Composite fell 1.2%.

Thanks to earlier gains, these same indexes are showing positive year-to-date results, which are quite different from what was seen in May.

Owing to tech's strong move, the Nasdaq is up 7.1% over the prior five-month period. The Russell 2000 is ahead 8.8%, the S&P 500 has gained 7.8% and the Dow is up 9.6%.

Equity Funds

All 49 Fidelity equity funds ended May in the red. The average offering declined 1.4%. (Conversely, they are all in the black for the year, with gains averaging 8.6%).

While small-cap funds were generally the worst-performers in May, the large-cap **Magellan** (down 2.2%) hardly distinguished itself, either. Its 13% slug in energy hurt, as did its 16% stake in foreign stocks. As for other widely owned equity funds, **Growth Company** slipped 0.8%, **Low-Priced Stock** was off 1.2%, and **Contrafund** (which also holds a lot of foreign stocks) was down 1.6% for the month.

[Note: **Large Cap Value** will be renamed Stock Selector Large Cap Value. This change is in keeping with **Stock Selector Small Cap**, which was also renamed to reflect its move from a single manager to a team approach with multiple sector leaders.]

Turning to sector funds, the average Select fell 1.5% in May. The worst performers were in **Gold** (down 6.3%), energy-related funds and cyclicals. A handful of funds did gain ground, but they were mostly in the more defensive health-related areas.

Utilities and Telecommunications

were also modest winners with gains of 1.1% and 3.2%, respectively (see p. 8).

International Funds

Looking abroad, all 24 international stock funds fell last month, with declines ranging from just -0.6% for **China Region** to -6.2% for **Emerging Europe, MidEast, Africa**. In the case of the latter, falling gold prices hit miners in South Africa, while slumping energy prices also hurt the fund's Russian oil stocks. The average international fund fell 3.0%, while **Spartan International Index** was off just as much.

High Yield Funds

While emerging market stocks struggled last month, easing inflation fears helped the **New Markets Income** bond to gain 1.0%. Domestic high-yield funds were a mixed bag as fears of an economic slowdown hurt the riskiest funds (**Capital & Income** fell 0.6%) more than the least risky (**Focused High Income** up 0.5%) offerings in that asset class.

Note: For more on bond funds and money markets, see pages 4 and 11, respectively. ■

— John Bonnanzio

JUNE SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
Balanced	H	B	↑	The fund's 36% stake in bonds is appealing.
New Markets Income	H	B	↑	Attractive yields; inflation fears overblown.
Select Telecom	B	B	↑	See article on p. 8
Select Utilities	H	B	↑	Good long-term appeal and nice dividend yield.
Strategic Div & Inc	B	B	↑	Offers nice mix of income-producing securities.
Telecom & Utilities	H	B	↑	Good long-term appeal and nice dividend yield.
VIP Balanced	H	B	↑	The fund's 36% stake in bonds is appealing.
MS Emg Mkt Debt	H	B	↑	Attractive yields; inflation fears overblown.
VIP Telecom	B	B	↑	Good long-term appeal and nice dividend yield.
VIP Utilities	H	B	↑	Good long-term appeal and nice dividend yield.
Taxable & Muni Bond Funds				
Government Income	S	H	↑	See Scorecard on p. 9; discussion on p. 4.
Intermediate Bond	H	B	↑	
Intermediate Gov Inc	S	H	↑	
Investment Grade Bd	H	B	↑	
Muni Bond Funds			↑	
Sp Lg-Trm Treas Idx	S	H	↑	
VIP InvestGrade	H	B	↑	
B = Buy; B = OK to Buy; H = Hold; S = OK to Sell; S = Sell, NC = No change (↑) Rating upgraded; (↓) Rating downgraded.				

FIDELITY SCORECARD - MAY 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)			
						May	YTD	2010	1 Year	3 Year	5 Year					
Comparative Indexes		S&P 500 (Large cap)*				-1.1	7.8	15.0	25.9	0.9	3.3	1.00				
		Nasdaq Composite (OTC)*				-1.2	7.1	17.8	26.5	4.7	6.2	1.12				
		MSCI EAFE (International)*				-3.0	6.7	7.7	31.4	-4.0	1.9	1.26				
		Sptn Extd Mkt (Small-mid caps)				-1.3	9.7	28.6	32.6	5.9	6.5	1.19				
		Barclays Aggregate Bond*				1.2	3.0	6.3	5.8	6.3	6.0	0.18				
LARGE CAP GROWTH						Category Averages			-1.3	8.5	18.6	29.5	1.9	5.2	1.1	
312	FBGRX	Blue Chip Growth		49.14	Buy	-1.0	8.4	19.6	30.1	6.2	6.8	1.09	\$12,680			
307	FDCAX	Capital Appreciation		26.95	OK to Buy	-1.4	6.4	18.3	21.6	2.5	3.1	1.13	4,881			
22	FCNTX	Contrafund		71.74	Buy	-1.6	6.1	16.9	26.0	1.4	5.5	0.88	63,342			
332	FEXPX	Export and Multinational	0.75%/30d	23.15	OK to Sell	-2.1	6.1	11.9	23.3	-1.1	2.8	1.05	2,438			
500	FFTYX	Fifty		19.11	OK to Buy	-0.8	8.4	17.8	30.9	-2.5	1.8	1.14	833			
333	FTQGX	Focused Stock		15.13	OK to Buy	-0.9	10.8	24.1	37.8	4.1	6.9	0.98	495			
25	FDGRX	Growth Company (closed)		92.76	Buy	-0.8	11.6	20.6	34.3	4.5	8.0	1.06	30,427			
339	FDSVX	Growth Discovery		15.00	Buy	-1.6	9.7	24.0	34.6	-0.3	5.8	1.09	951			
73	FDFFX	Independence		26.23	OK to Buy	-1.9	7.7	22.2	31.5	-2.9	6.0	1.34	4,233			
763	FSLGX	Large Cap Growth		10.79	Buy	-0.6	10.8	19.8	33.7	2.5	2.4	1.01	135			
1829	FLGEX	Large Cap Growth Enhcd Index		10.46	Hold	-1.1	9.0	14.0	28.0	2.9	--	0.97	79			
338	FLCSX	Large Cap Stock		18.87	Buy	-1.2	7.2	18.2	26.4	2.5	4.7	1.27	1,024			
21	FMAGX	Magellan		75.63	OK to Sell	-2.2	5.7	12.4	21.3	-4.1	1.1	1.26	18,718			
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	37.70	OK to Buy	-1.2	7.1	17.8	26.5	4.7	6.2	1.12	338			
93	FOCPX	OTC		61.27	Buy	-1.7	11.5	20.1	33.5	7.8	10.9	1.22	6,638			
320	FDSSX	Stock Selector All Cap		27.65	Hold	-1.8	7.4	19.2	28.9	0.3	3.6	1.05	1,021			
5	FTRNX	Trend		74.65	OK to Buy	-0.7	10.8	19.8	33.3	4.2	7.1	1.08	1,176			
LARGE CAP BLEND						Category Averages			-1.5	8.2	14.8	25.5	-0.6	2.3	1.08	
315	FDEQX	Disciplined Equity		24.45	Hold	-2.0	8.5	8.3	19.5	-3.3	1.2	1.00	9,007			
330	FDFGX	Dividend Growth		30.39	Buy	-2.1	6.9	21.2	29.1	5.6	4.9	1.29	10,033			
3	FFIDX	Fidelity Fund		34.93	Hold	-2.3	8.7	14.6	27.0	-0.5	4.2	1.04	5,284			
27	FGRIX	Growth & Income		19.54	Hold	-1.1	7.0	14.6	25.2	-6.9	-4.0	1.20	5,555			
1827	FLCEX	Large Cap Core Enhcd Index		9.28	OK to Sell	-1.2	8.8	12.2	25.5	0.3	--	0.96	756			
361	FGRTX	Mega Cap Stock		10.65	Buy	-1.3	6.6	14.4	25.0	0.6	3.2	1.05	795			
650	FUSEX	Spartan 500 Index ⁴		47.76	Hold	-1.1	7.8	15.0	25.9	0.9	3.3	1.00	28,073			
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	39.31	Hold	-1.2	8.2	17.4	27.2	1.9	3.9	1.03	5,772			
343	FTXMX	Tax Managed Stock		13.83	Hold	-1.5	11.0	14.7	26.6	-3.3	1.9	1.08	77			
832	FVDFX	Value Discovery		15.82	Hold	-1.4	8.1	15.4	23.6	-1.0	2.0	1.17	593			
LARGE CAP VALUE						Category Averages			-1.4	8.0	12.2	22.0	-2.3	0.3	1.11	
1271	FBCVX	Blue Chip Value		11.66	Sell	-1.9	7.9	10.1	19.8	-4.0	-0.6	1.18	478			
23	FEQIX	Equity-Income		47.35	Buy	-1.6	7.3	15.1	23.9	-0.7	1.5	1.16	10,040			
319	FEQTX	Equity-Income II		19.55	Buy	-1.5	7.4	13.5	23.2	-1.2	1.0	1.13	5,121			
708	FSLVX	Large Cap Value		11.42	OK to Sell	-0.9	8.6	9.3	19.2	-4.1	-0.7	1.07	641			
1828	FLVEX	Large Cap Value Enhcd Index		8.09	OK to Sell	-1.1	9.1	12.7	23.9	-1.3	--	1.00	92			
MID-CAP GROWTH						Category Averages			-1.0	9.0	23.1	30.3	3.1	4.2	1.20	
324	FDEGX	Growth Strategies	1.50%/90d	22.04	Buy	-1.0	7.8	25.6	32.1	1.9	4.7	1.14	2,058			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	10.45	Hold	-1.0	10.6	22.4	32.7	4.5	--	1.13	77			
793	FMSGX	Mid Cap Growth	0.75%/30d	13.42	Buy	-0.9	7.9	25.2	32.0	1.1	1.6	1.26	315			
337	FMCSX	Mid-Cap Stock	0.75%/30d	31.49	Hold	-0.9	9.2	23.6	27.0	2.8	4.5	1.34	6,948			
300	FMLX	New Millennium		31.88	OK to Buy	-1.2	9.4	18.9	27.9	5.1	6.0	1.14	1,940			

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. ¹ Relative Volatility versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. ² Duration is a measure of interest rate sensitivity. ³ Stated yield is before any inflation adjustment, your effective yield may be different. ⁴ 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). ⁵ 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). ⁶ Formerly U.S. Bond Index. ⁷ Distributed yield is calculated by taking a fund's actual distributions over the past year divided by its current NAV. ⁸ Formerly Home Finance. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

ANNUAL MODEL PORTFOLIO RETURNS (%)

Model	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10
AG													31.4	-8.4	-20.9	-15.8	36.6	14.8	17.9	14.2	14.5	-42.0	28.6	10.8
G	20.8	18.9	34.3	1.0	24.7	13.0	18.0	-0.1	23.9	13.8	17.2	3.3	30.7	-2.1	-2.7	-14.0	33.0	14.4	11.1	11.8	7.8	-38.2	32.2	11.5
G&I	5.8	14.8	29.1	-1.3	24.6	14.2	18.2	-0.1	23.1	18.7	20.9	6.3	22.6	-2.1	-4.0	-9.7	27.1	11.5	5.2	10.2	7.3	-26.5	25.3	9.9
I&P	1.3	10.2	17.7	0.8	20.9	11.4	16.7	-2.8	21.1	19.0	18.0	5.2	13.4	-1.4	-5.6	-6.8	18.9	7.0	3.5	7.2	5.2	-18.4	19.2	6.4

FIDELITY SCORECARD - MAY 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						May	YTD	2010	1 Year	3 Year	5 Year				
MID-CAP BLEND						Category Averages			-1.0	9.6	25.1	30.3	3.0	5.6	1.37
122	FLVCX	Leveraged Company Stock	1.50%/90d	31.24	Buy	-1.1	9.9	24.5	30.7	-3.0	5.1	1.62	\$4,541		
316	FLPSX	Low-Priced Stock	1.50%/90d	42.08	Buy	-1.2	9.6	20.7	29.2	5.4	6.1	1.12	28,418		
398	FSEMXX	Spartan Extended Mkt Index ⁴	0.75%/90d	41.33	Hold	-1.3	9.7	28.6	32.6	5.9	6.5	1.19	4,815		
14	FSLSX	Value Strategies		30.46	Buy	-0.6	9.4	26.5	28.9	3.8	4.7	1.54	371		
MID-CAP VALUE						Category Averages			-1.1	9.1	23.8	28.6	3.0	3.7	1.35
762	FSMVX	Mid Cap Value	0.75%/30d	17.46	Hold	-0.6	9.5	25.4	29.2	4.7	4.5	1.25	710		
39	FDVLX	Value		74.63	Hold	-1.6	8.7	22.3	28.0	1.3	2.9	1.45	7,764		
SMALL CAP GROWTH						Category Averages			-2.1	10.5	28.8	34.2	5.0	5.3	1.25
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	10.74	Hold	-1.8	9.6	26.1	31.3	5.2	--	1.19	123		
1388	FCPGX	Small Cap Growth	1.50%/90d	17.46	Buy	-2.1	11.3	26.6	33.6	6.0	6.7	1.23	1,496		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	20.47	Buy	-2.2	10.6	33.7	37.7	4.0	4.0	1.34	2,111		
SMALL CAP BLEND						Category Averages			-1.2	9.7	27.7	31.2	12.6	8.6	1.39
384	FSCRX	Small Cap Discovery	1.50%/90d	22.53	OK to Buy	-1.1	10.1	32.4	31.8	16.0	10.2	1.34	2,162		
340	FSLCX	Small Cap Stock	2.00%/90d	21.43	Buy	-1.2	9.3	23.0	30.7	9.2	7.0	1.43	4,540		
SMALL CAP VALUE						Category Averages			-1.8	5.3	25.1	21.4	9.9	6.4	1.29
1389	FCPVX	Small Cap Value	1.50%/90d	16.44	Hold	-1.8	5.3	25.1	21.4	9.9	6.4	1.29	2,066		
SPECIALTY						Category Averages			-2.8	9.7	9.7	23.9	-9.5	--	1.03
2063	FOTTX	130/30 Large Cap		7.94	Hold	-2.8	9.7	9.7	23.9	-9.5	--	1.03	26		
304	FBALX	Balanced		19.25	OK to Buy↑	-0.8	5.9	13.8	19.4	2.2	4.5	0.76	17,588		
308	FCVSX	Convertible Securities		27.49	Buy	-0.5	8.7	20.9	27.4	2.3	7.1	1.25	2,637		
1960	FDYSX	Dynamic Strategies		10.02	Hold	-2.3	4.9	15.0	21.3	3.1	--	0.77	256		
355	FFNOX	Four-in-One Index		28.87	Hold	-1.3	7.0	13.7	25.0	1.6	3.9	0.91	2,501		
334	FGBLX	Global Balanced	1.00%/30d	23.65	Hold	-1.7	6.1	12.5	24.1	3.7	6.6	0.76	560		
2120	FFGCX	Global Commodity Stock	1.00%/30d	17.72	Buy	-4.2	3.4	18.1	37.8	--	--	--	698		
1368	FIREX	International Real Estate	1.50%/90d	9.54	Sell	-0.6	1.7	14.5	32.6	-5.5	-1.3	1.37	339		
4	FPURX	Puritan		18.98	OK to Buy	-1.0	6.3	14.0	20.3	3.9	5.1	0.71	17,044		
833	FRIFX	Real Estate Income	0.75%/90d	10.98	OK to Buy	0.6	6.1	18.8	17.2	9.4	5.4	0.72	1,669		
303	FRESX	Real Estate Investment	0.75%/90d	29.23	Hold	1.4	13.8	29.9	31.5	3.2	3.5	1.91	3,675		
1329	FSDIX	Strategic Dividend & Income		11.65	Buy↑	0.3	10.9	13.7	22.7	1.0	2.9	1.11	644		
1505	FSRRX	Strategic Real Return	0.75%/60d	10.01	Hold	-1.0	4.9	13.9	18.3	3.7	4.6	0.65	4,186		
311	FIUIX	Telecom & Utilities		17.57	Buy↑	1.0	10.5	17.3	31.6	-0.7	5.0	0.85	994		
ASSET ALLOCATION						Category Averages			0.0	3.4	8.9	10.8	5.2	5.0	0.35
328	FASIX	Asset Manager 20%		13.15	Hold	0.0	3.4	8.9	10.8	5.2	5.0	0.35	3,607		
1957	FTANX	Asset Manager 30%		9.98	Hold	-0.2	4.0	10.9	13.6	5.1	--	0.47	199		
1958	FFANX	Asset Manager 40%		9.94	Hold	-0.4	4.5	12.1	16.3	4.9	--	0.56	139		
314	FASMX	Asset Manager 50%		16.14	Hold	-0.8	5.0	13.5	19.1	4.9	5.2	0.68	6,695		
1959	FSANX	Asset Manager 60%		10.02	Hold	-1.0	5.5	14.3	21.4	4.8	--	0.76	241		
321	FASGX	Asset Manager 70%		17.27	Hold	-1.4	5.8	15.8	24.0	3.7	4.7	0.89	2,513		
347	FAMRX	Asset Manager 85%		14.24	Hold	-1.9	6.3	16.6	27.3	3.0	4.6	1.02	692		
INTERNATIONAL						Category Averages			-3.0	4.4	16.1	31.8	-2.9	3.6	1.34
309	FICDX	Canada	1.50%/90d	61.17	Buy	-3.4	5.2	21.8	27.4	-1.5	8.1	1.32	4,897		
352	FHKCX	China Region	1.50%/90d	33.56	Hold	-0.6	3.2	18.0	31.8	5.9	13.9	1.28	2,089		
325	FDIVX	Diversified International	1.00%/30d	31.70	OK to Sell	-3.5	5.1	9.7	30.0	-5.2	1.7	1.24	23,887		
351	FSEAX	Emerging Asia	1.50%/90d	32.26	Buy	-1.4	5.4	22.8	38.0	0.6	10.7	1.19	1,910		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	9.67	OK to Buy	-6.2	2.3	25.5	31.7	-0.5	--	1.47	150		
322	FEMKX	Emerging Markets	1.50%/90d	26.89	Buy	-3.4	2.1	18.2	29.6	-5.1	8.1	1.58	3,826		
301	FIEUX	Europe	1.00%/30d	33.53	OK to Sell	-4.2	7.1	8.6	37.2	-4.1	2.6	1.30	807		
341	FECAX	Europe Capital App	1.00%/30d	20.37	OK to Sell	-4.2	7.0	8.4	36.9	-4.8	1.6	1.33	437		
335	FIVFX	International Cap App	1.00%/30d	13.55	Hold	-3.4	5.1	15.9	32.1	-1.7	1.8	1.49	656		
305	FIGRX	International Discovery	1.00%/30d	34.45	OK to Sell	-3.9	4.3	11.0	30.5	-4.1	2.6	1.22	8,312		
2010	FIENX	International Enhanced Index	1.00%/30d	7.81	OK to Sell	-2.6	7.0	8.7	32.5	-5.3	--	1.25	28		
1979	FIGFX	International Growth	1.00%/30d	9.19	OK to Buy	-2.3	6.0	16.9	36.8	0.5	--	1.18	57		
818	FISMXX	International Small Cap	2.00%/90d	22.54	Buy	-2.4	6.0	25.4	41.2	1.2	3.8	1.29	1,093		
1504	FSCOX	International Small Cap Opps	2.00%/90d	11.06	Buy	-2.0	6.5	23.3	38.3	-6.5	-1.8	1.43	410		
1597	FIVLX	International Value	1.00%/30d	8.67	OK to Sell	-3.9	6.5	5.2	29.2	-6.1	0.2	1.43	222		
350	FJPNX	Japan	1.50%/90d	10.36	Hold	-3.2	-7.3	14.7	6.4	-8.8	-5.7	1.12	524		
360	FJSCX	Japan Smaller Companies	1.50%/90d	9.04	Hold	-1.7	-1.6	12.3	14.0	-3.2	-8.1	1.24	333		
349	FLATX	Latin America	1.50%/90d	59.11	Hold	-1.9	0.1	16.5	31.3	-4.3	13.9	1.61	3,700		
342	FNORX	Nordic	1.50%/90d	37.25	OK to Buy	-3.9	8.5	26.5	47.3	-3.3	5.3	1.60	517		
94	FOSFX	Overseas	1.00%/30d	34.28	OK to Sell	-3.6	5.5	6.6	29.8	-7.7	0.4	1.26	3,916		
302	FPBFX	Pacific Basin	1.50%/90d	26.45	Buy	-2.3	1.5	32.8	33.8	2.2	5.6	1.50	911		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	37.39	Hold	-3.0	6.7	7.7	31.4	-4.0	1.9	1.26	6,751		
1978	FTIEX	Total International Equity	1.00%/30d	7.89	Buy	-3.1	5.5	12.5	32.4	-3.4	--	1.33	103		
318	FWWFX	Worldwide	1.00%/30d	20.08	Hold	-2.3	7.6	17.0	33.3	-0.5	5.2	1.13	1,288		

FIDELITY SCORECARD - MAY 31, 2011

SELECT MODEL PORTFOLIO

With this month's upgrade of **Select Telecommunications** to *Buy* from *OK to Buy*, I'm spotlighting a sector with interesting fundamentals that has the potential to benefit



Jack Bowers

from advancing technology. While not currently held in our Select Model, at some point, we may opt to include it.

Telecom is dominated by major carriers like Verizon, which are currently navigating through an uncertain transition where profitable landlines and wireless voice minutes are being displaced by exploding demand for wireless data – a trend driven by the smartphone revolution. The wireless industry is investing heavily in new wireless infrastructure to get ahead of the curve, but because of competitive pressures, they have yet to begin charging for data usage in a way that generates significant new revenues.

The uncertainty of moving to an untested business

model has depressed stock prices, with major carriers now posting dividend yields in excess of 5%. That's higher than the utility sector, which has traditionally been the dividend champ.

Such carriers will ultimately enjoy plenty of new revenue growth. There's a finite amount of wireless spectrum available, so they will eventually charge for data usage simply to avoid congestion on their networks. Some may also charge higher monthly rates for faster download speeds, as is common practice with DSL service. All things considered, we expect this group to perform slightly better than the S&P 500 in the years ahead. ■

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
Total Return: May: -2.0% YTD: 8.4%	

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)
						May	YTD	2010	1 Year	3 Year	5 Year		
SELECT PORTFOLIOS						-1.5	8.6	22.2	30.9	4.6	5.7	1.34	
Category Averages													
34	FSAIX	Air Transportation	0.75%/30d	40.23	Hold	-1.8	3.0	33.4	18.9	11.9	4.3	1.56	\$92
502	FSAVX	Automotive	0.75%/30d	44.40	OK to Buy	-2.1	-0.2	46.2	41.6	9.9	6.8	2.41	191
507	FSRBX	Banking	0.75%/30d	18.03	Hold	-2.2	-2.6	21.4	2.0	-4.4	-7.8	1.59	393
42	FBIOX	Biotechnology	0.75%/30d	88.60	OK to Sell	2.7	21.4	11.4	39.0	10.8	8.0	1.04	1,314
68	FSLBX	Brokerage & Investment	0.75%/30d	51.12	Hold	-4.3	-2.5	11.2	7.8	-3.4	-0.9	1.48	459
69	FSCHX	Chemicals	0.75%/30d	108.67	Buy	-2.1	13.8	30.7	54.3	8.1	14.2	1.40	828
518	FSDCX	Communications Equipment	0.75%/30d	29.13	OK to Buy	-3.5	9.9	27.7	36.5	8.9	7.4	1.54	555
7	FDCPX	Computers	0.75%/30d	60.61	OK to Buy	-2.5	7.4	23.8	31.9	9.9	11.4	1.27	552
511	FSHOX	Construction & Housing	0.75%/30d	37.23	OK to Sell	-1.4	6.2	21.5	15.5	3.5	1.6	1.48	99
517	FSCPX	Consumer Discretionary	0.75%/30d	24.69	Hold	-1.4	4.7	31.2	24.7	8.6	4.8	1.21	226
98	FSVLX	Consumer Finance ^b	0.75%/30d	12.22	Hold	-1.0	7.6	5.9	5.9	-17.7	-20.2	1.31	114
9	FDFAX	Consumer Staples	0.75%/30d	73.98	Hold	1.8	9.2	15.2	29.7	6.4	10.3	0.79	995
67	FSDAX	Defense & Aerospace	0.75%/30d	81.38	OK to Sell	-1.1	11.3	21.9	26.9	2.6	5.9	1.29	685
8	FSELX	Electronics	0.75%/30d	54.07	Hold	-0.2	11.8	16.8	33.2	8.9	5.2	1.50	1,259
60	FSENX	Energy	0.75%/30d	59.36	Hold	-4.1	13.7	19.0	51.2	-6.4	6.0	1.57	2,903
43	FSESX	Energy Service	0.75%/30d	83.08	Hold	-4.9	11.7	27.9	62.8	-8.7	4.4	1.87	1,820
516	FSLEX	Environment & Alt Energy	0.75%/30d	19.85	Hold	-1.8	11.6	14.9	33.1	1.7	3.0	1.05	110
66	FIDSX	Financial Services	0.75%/30d	60.71	Hold	-3.0	-1.4	6.5	2.8	-8.3	-8.4	1.49	409
41	FSAGX	Gold	0.75%/30d	49.36	OK to Sell	-6.3	-3.4	35.3	22.4	11.1	13.8	2.00	4,161
63	FSPHX	Health Care	0.75%/30d	145.36	Hold	1.0	16.7	17.0	36.4	10.7	8.3	0.90	2,331
510	FSCGX	Industrial Equipment	0.75%/30d	36.37	OK to Buy	-3.2	7.7	33.9	35.0	3.2	6.5	1.50	390
515	FCYIX	Industrials	0.75%/30d	25.18	Buy	-3.6	8.3	31.1	33.2	5.5	7.6	1.42	609
45	FSPCX	Insurance	0.75%/30d	48.93	Hold	-3.6	3.8	20.1	19.5	-0.2	-2.7	1.31	262
353	FBSOX	IT Services	0.75%/30d	22.80	Buy	-2.1	9.6	18.5	34.8	10.2	10.9	1.10	152
62	FDLSX	Leisure	0.75%/30d	96.22	Hold	1.5	5.7	37.9	25.1	11.8	8.2	1.09	372
509	FSDPX	Materials	0.75%/30d	72.37	Hold	-3.0	6.6	28.1	41.8	5.6	11.5	1.52	1,239
505	FSHCX	Medical Delivery	0.75%/30d	60.32	OK to Buy	1.5	21.4	15.4	37.9	12.3	8.0	1.21	899
354	FSMEX	Medical Equipment	0.75%/30d	31.64	OK to Sell	0.6	15.4	12.7	31.6	9.3	11.2	0.98	1,672
503	FBMPX	Multimedia	0.75%/30d	48.84	Hold	-0.7	14.7	25.8	35.8	11.4	7.0	1.32	229
513	FSNGX	Natural Gas	0.75%/30d	35.75	Buy	-3.7	7.7	6.4	30.4	-12.6	2.0	1.62	1,059
514	FNARX	Natural Resources	0.75%/30d	38.54	Hold	-4.2	10.9	23.1	48.6	-3.9	8.7	1.57	1,944
580	FPHAX	Pharmaceuticals	0.75%/30d	14.07	Buy	1.9	16.4	16.4	40.1	13.6	9.7	0.82	559
46	FSRPX	Retailing	0.75%/30d	54.11	Hold	-0.9	6.7	28.1	22.5	16.2	9.0	1.24	187
28	FSCSX	Software & Computer Svcs	0.75%/30d	88.32	OK to Buy	-1.6	7.9	18.9	36.2	7.8	12.7	1.04	1,326
64	FSPTX	Technology	0.75%/30d	101.74	Buy	-3.0	6.4	26.7	36.8	9.7	10.5	1.40	2,771
96	FSTCX	Telecommunications	0.75%/30d	51.78	Buy↑	3.2	11.6	18.3	35.7	5.9	6.1	1.16	416
512	FSRFX	Transportation	0.75%/30d	57.77	Hold	-0.6	5.7	41.3	24.2	8.8	5.9	1.26	322
65	FSUTX	Utilities	0.75%/30d	52.86	Buy↑	1.1	9.5	10.9	26.9	-3.0	5.0	0.87	478
963	FWRLX	Wireless	0.75%/30d	8.57	OK to Buy	0.6	11.3	15.2	31.5	4.1	7.2	1.20	332

FIDELITY SCORECARD - MAY 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			SEC %Yield	Dist ⁷ %Yield	Dur ² (Yrs)	Tax-Equivalent Yield Federal Tax Bracket						
						May	YTD	2010				25%	28%	33%	35%			
TAXABLE BOND						Category Averages			1.2	3.1	6.2	2.19	2.46	4.8				
2267	FCONX	Conservative Income Bond		10.01	Buy	0.1	0.2p	--	0.31	--	na							
2208	FCBFX	Corporate Bond		10.54	OK to Buy	1.6	5.4	5.6p	3.33	--	6.2							
15	FGMNX	Ginnie Mae		11.70	Hold	1.4	3.4	7.0	3.39	3.16	3.6							
54	FGOVX	Government Income		10.60	Hold↑	1.3	2.6	5.1	1.99	2.15	4.7							
794	FINPX	Inflation-Protected Bond ³		12.08	OK to Buy	0.3	4.7	5.9	0.12	1.01	6.3							
32	FTHRX	Intermediate Bond		10.76	OK to Buy↑	1.2	3.3	7.6	2.36	3.14	3.9							
452	FSTGX	Intermediate Gov't Income		10.88	Hold↑	1.2	2.2	4.7	1.21	1.63	3.6							
26	FBNDX	Investment Grade Bond		7.56	OK to Buy↑	1.1	3.6	8.4	3.16	3.09	5.1							
40	FMSFX	Mortgage Securities		11.02	Hold	1.2	3.1	7.3	3.30	3.36	3.4							
450	FSHBX	Short-Term Bond		8.53	Buy	0.5	1.5	3.8	1.00	1.70	1.9							
1561	FIBIX	Sptn Interm Treas Index ⁵		10.92	Hold	2.2	3.7	8.5	2.28	2.80	6.4							
1562	FLBIX	Sptn Lng-Term Treas Index ⁵		10.72	Hold↑	3.2	4.3	9.2	3.82	3.84	14.1							
1560	FSBIX	Sptn Sht-Term Treas Index ⁵		10.57	Hold	0.7	1.5	3.5	0.64	1.37	2.6							
651	FBIDX	Sptn US Bond Index ⁶		11.52	Hold	1.2	3.0	6.3	2.65	2.91	4.7							
820	FTBFX	Total Bond		10.95	OK to Buy	1.0	3.7	8.6	3.16	3.85	4.4							
812	FUSFX	Ultra-Short Bond	0.25%/60d	8.21	Hold	0.0	0.6	1.2	0.44	0.44	0.5							
HIGH-YIELD BOND						Category Averages			0.2	4.5	11.9	4.50	5.46					
38	FAGIX	Capital & Income	1.00%/90d	9.85	Buy	-0.6	6.6	17.1	4.55	6.09	--							
814	FFRHX	Floating Rate High Income	1.00%/60d	9.87	Buy	-0.1	1.9	7.8	2.83	3.40	--							
1366	FHIFX	Focused High Income	1.00%/90d	9.42	Buy	0.5	4.7	12.1	4.89	6.24	--							
455	SPHIX	High Income	1.00%/90d	9.18	Buy	0.0	5.3	13.7	5.51	6.86	--							
331	FNMIK	New Markets Income	1.00%/90d	15.86	OK to Buy↑	1.0	3.7	10.9	5.43	5.43	--							
368	FSICX	Strategic Income		11.37	Buy	0.3	4.9	9.9	3.79	4.78	--							
NATIONAL MUNICIPAL BOND						Category Averages			1.4	3.2	2.3	2.91	3.49	6.2	25%	28%	33%	35%
36	FLTMX	Interm Municipal Income	0.50%/30d	10.17	Hold↑	1.2	3.0	2.7	2.65	3.46	5.3	3.5	3.7	4.0	4.1			
37	FHIGX	Municipal Income	0.50%/30d	12.52	Hold↑	1.7	3.8	2.6	3.69	4.11	8.3	4.9	5.1	5.5	5.7			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.70	OK to Buy	0.8	1.9	2.0	1.56	2.24	2.7	2.1	2.2	2.3	2.4			
90	FTABX	Tax-Free Bond	0.50%/30d	10.76	Hold↑	1.8	3.9	2.1	3.74	4.14	8.4	5.0	5.2	5.6	5.8			
STATE-SPECIFIC MUNICIPAL BOND						Category Averages			1.4	3.4	2.3	3.07	3.63	7.2				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.34	Hold↑	1.4	3.5	2.3	3.45	3.70	8.1	4.8	5.0	5.4	5.6			
91	FCTFX	California Muni Income	0.50%/30d	11.87	Hold↑	1.7	3.9	3.2	3.96	4.24	8.0	5.8	6.1	6.5	6.8			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.66	Hold	0.8	2.1	2.2	1.46	2.35	2.8	2.1	2.2	2.4	2.5			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.50	Hold↑	1.5	4.0	2.2	2.68	3.27	7.1	3.8	3.9	4.2	4.4			
429	SMDMX	Maryland Muni Income	0.50%/30d	10.95	Hold↑	1.3	3.0	2.3	2.87	3.37	7.5	4.0	4.2	4.5	4.7			
70	FDMMX	Mass Muni Income	0.50%/30d	11.87	Hold↑	1.4	3.7	2.4	3.26	3.81	8.1	4.6	4.8	5.1	5.3			
81	FMHTX	Michigan Muni Income	0.50%/30d	11.84	Hold↑	1.5	3.3	2.3	3.17	3.91	6.8	4.4	4.6	4.9	5.1			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.48	Hold↑	1.2	3.6	2.4	2.51	3.45	6.5	3.6	3.8	4.1	4.2			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.43	Hold↑	1.6	2.8	2.1	3.37	3.86	7.5	4.8	5.0	5.4	5.7			
71	FTFMX	New York Muni Income	0.50%/30d	12.84	Hold↑	1.5	3.5	2.4	3.35	3.90	8.3	4.8	5.0	5.4	5.7			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.61	Hold↑	1.6	3.7	2.0	3.29	3.84	7.9	4.6	4.8	5.2	5.4			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	10.71	Hold↑	1.3	3.6	2.0	3.45	3.89	7.6	4.7	4.9	5.3	5.5			
TAXABLE MONEY MARKET						Category Averages			0.00	0.01	0.04	0.02						
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	--	0.01	0.04	0.13	0.08	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							
MUNICIPAL MONEY MARKET						Category Averages			0.00	0.00	0.01	0.01						
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			
STATE MUNICIPAL MONEY MARKET						Category Averages			0.00	0.00	0.01	0.01						
433	FSAXX	Arizona		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
457	FSPXX	California AMT Tax-Free		1.00	--	0.00	0.00	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
97	FCFXX	California		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
418	FCMXX	Connecticut		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
74	FDMXX	Massachusetts		1.00	--	0.00	0.00	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
420	FMIXX	Michigan		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
417	FNJXX	New Jersey		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.00	0.00	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
92	FNXX	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 - MAY 31, 2011

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							May	YTD	2010	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
9067	FLRQC	Fid VIP Asset Manager	Allocation		13.78	Hold	-0.8	5.3	13.9	19.9	2.4	6.0	0.74
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		13.46	Hold	-1.4	6.1	16.0	25.0	0.6	5.6	0.95
9069	FJBAC	Fid VIP Balanced	Allocation		14.27	OK to Buy↑	-1.2	5.8	17.7	22.6	4.5	5.8	0.92
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	12.82	Hold	-1.4	4.6	30.8	24.6	8.6	4.7	1.21
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	13.10	Hold	1.8	8.8	14.8	28.8	6.3	--	0.78
9065	FPDFC	Fid VIP Contrafund	Large Growth		13.52	Hold	-1.9	7.3	16.8	27.0	0.7	4.2	1.09
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		10.85	Hold	-1.8	9.3	25.1	30.3	4.3	--	1.19
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		13.18	OK to Buy	-1.4	6.3	18.0	21.2	1.8	2.6	1.14
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	9.32	Buy	-3.4	1.8	17.5	28.8	-3.3	--	1.51
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	16.79	Hold	-4.1	13.5	19.0	50.9	-6.5	5.8	1.58
9061	FLOLC	Fid VIP Equity-Income	Large Value		11.47	Buy	-1.0	8.6	14.8	25.5	-1.0	1.2	1.17
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	7.11	Hold	-3.0	-1.5	7.0	3.2	-8.4	-8.4	1.53
9157	FMPAC	Fid VIP FundsManager 20	Allocation		12.29	Hold	0.0	3.0	7.2	9.4	3.6	--	0.27
9158	FMPBC	Fid VIP FundsManager 50	Allocation		12.13	Hold	-0.8	4.9	11.6	17.4	3.1	--	0.58
9197	FMPPC	Fid VIP FundsManager 60	Allocation		10.95	Hold	-1.1	5.2	13.3	20.0	2.8	--	0.70
9159	FMPCC	Fid VIP FundsManager 70	Allocation		11.69	Hold	-1.3	6.1	14.0	22.7	1.8	--	0.80
9160	FMPDC	Fid VIP FundsManager 85	Allocation		11.27	Hold	-1.7	6.1	15.9	25.4	0.5	--	0.96
9062	FMNDC	Fid VIP Growth	Large Growth		12.61	Buy	-1.7	9.5	23.8	34.2	-1.2	4.0	1.09
9070	FLFNC	Fid VIP Growth & Income	Large Blend		11.91	Hold	-1.1	7.0	14.4	25.2	-1.9	2.2	1.04
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		12.33	Buy	-0.8	12.1	23.4	37.1	-1.8	4.1	1.25
9078	FPVDC	Fid VIP Growth Stock	Large Growth		13.44	OK to Buy	-0.6	11.1	19.7	33.6	3.9	6.4	1.08
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		12.43	Buy	-0.9	7.7	24.5	31.5	1.8	4.2	1.13
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	14.70	Hold	1.0	16.7	16.9	36.3	10.8	8.0	0.89
9060	FBBLC	Fid VIP High Income	High-Yield Bond		14.73	Buy	0.3	5.0	13.8	16.9	8.1	7.1	0.67
9064	FXVLT	Fid VIP Index 500	Large Blend		12.12	Hold	-1.2	7.7	14.7	25.6	0.7	3.0	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	16.85	Buy	-3.6	8.1	30.6	32.7	5.7	7.7	1.42
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	11.92	Buy	-3.4	5.1	15.4	32.0	-1.9	1.5	1.49
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		13.47	OK to Buy↑	1.1	3.3	7.5	6.9	7.3	6.2	0.23
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	14.59	Hold	-3.1	6.4	28.1	41.7	5.6	--	1.52
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		15.46	OK to Buy	-3.4	3.5	28.4	26.4	4.5	6.0	1.06
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.45	--	0.0	0.0	-0.1	0.0	0.6	2.1	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	12.90	OK to Sell	-3.4	6.2	12.8	35.8	-4.5	1.9	1.25
9072	FFWKC	Fid VIP Real Estate	Sector		14.30	Hold	1.3	14.7	29.9	32.3	3.9	4.9	2.00
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		15.17	Buy	0.3	4.6	9.4	12.8	9.4	8.1	0.43
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	17.34	Buy	-3.1	6.4	27.3	37.7	11.3	9.9	1.40
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	9.95	Buy↑	3.2	10.8	17.2	34.4	4.5	--	1.14
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	14.14	Buy↑	1.0	9.4	10.8	26.7	-2.9	5.7	0.88
9079	FKMSC	Fid VIP Value	Mid Value		11.44	Buy	-1.3	7.6	17.4	22.1	-0.8	1.5	1.42
9080	FUEBC	Fid VIP Value Leaders	Large Value		10.37	Sell	-1.8	7.8	9.8	19.6	-4.2	-0.7	1.18
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		13.20	Buy	-0.6	9.2	26.2	28.4	3.1	4.2	1.53
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l		11.99	OK to Sell	-3.3	6.0	12.0	33.3	--	--	--
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		9.57	OK to Sell	-2.4	5.9	10.7	26.3	-4.9	-0.3	0.96
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		15.79	Buy	-2.3	0.3	22.7	26.9	2.1	--	1.48
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		14.41	OK to Buy↑	1.2	3.7	9.5	11.6	7.4	8.3	0.61
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		13.68	Buy	-2.2	0.2	18.7	27.1	-2.8	9.2	1.48
9146	FPRPC	Morgan Stanley Gbl Tactical Alloc	Diversified Int'l		10.18	Hold	-1.7	5.6	5.4	28.3	-6.1	1.2	1.25
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.86	Buy	-0.1	1.8	5.0	4.9	--	--	0.11
9277	FPNBC	Pimco VIT Real Return	TIPS		11.60	OK to Buy	0.2	4.5	7.8	8.7	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		11.26	OK to Buy	0.6	3.0	7.8	7.2	--	--	--

ANNUITY MODEL PORTFOLIOS

Annuity Growth Model

Fund	Allocation
Fidelity VIP Strategic Income	32%
Fidelity VIP Growth Opportunities	27
Fidelity VIP Value	20
Fidelity VIP Equity-Income	11
Lazard Retirement Emerg Mkts	10
Total Return: May: -0.7% YTD: 7.1%	

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
Total Return: May: -0.6% YTD: 5.7%	

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
Total Return: May: -0.5% YTD: 3.4%	

Fidelity Fights To Save Money Markets

Money market funds may be getting safer, but at what cost? And at what point does a “good thing” go too far?

Fidelity’s Chairman Edward (Ned) C. Johnson 3d and Vanguard president Bill McNabb III believe that point is approaching, and they’ve taken the unprecedented step of saying as much in a recent co-authored *Wall Street Journal* editorial. Setting aside their rivalry, they took aim at regulators who are hellbent on finding a solution to problems that don’t exist.

The Cause ...

Almost three years ago, the Reserve Primary money market fund “broke the buck” (dipped below its \$1.00 NAV) because of an especially large and stupid investment in Lehman Brothers debt. The panic that briefly ensued (partly because of Lehman’s collapse, but mostly because of the credit/mortgage-market meltdown) was understandable. But whereas most investors would have been wise to stay put in their money market funds, enough were rattled and sought to withdraw their assets.

Even with unprecedented redemptions, only Reserve Primary lost money (some others did briefly break the buck), and shareholders’ liquidity was maintained. Nonetheless, the government felt that the \$2.7 trillion industry could do even better at protecting investors’ capital and liquidity, even though money market funds have a near-pristine 40-year record of doing precisely that. (By-the-way, Reserve’s shareholders lost a whopping one penny per \$1 share!)

...And Effect

To enhance money funds’ safety, the SEC took a variety of steps, including shortening their average maturities to no more than 60 days, down from 90 days. Funds also had to diversify even more, and increase their

overall credit quality — typically by owning more low-yielding Treasuries. While this may sound good, there’s something called too much of a good thing, and money market investors have paid the price for this added safety (which is debateable anyway), in the form of lower yields!

At Greatest Risk: The \$1 NAV

One Fidelity-supported idea is that every money market fund would have a shareholder-owned and funded “NAV buffer,” or fund. As the fund builds over time, it would eventually provide money markets with the ability to sell securities below par in a liquidity crisis, because the buffer itself could be used to make up that difference and hopefully stem redemptions.

The “floating” NAV idea, however, is an anathema to the industry. Its advocates, apart from federal financial regulators, include the *Journal* which wrote: “If [a fund’s] asset values floated, investors would better understand the risks.”

But Messrs. Johnson and McNabb disagree, noting that every money market investor is duly forewarned by prospectus:

“An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the FDIC or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money ...”

That seems clear to us, but not to the government. So a floating NAV is being proposed, and so is the idea that your funds should be subject to the same regulatory oversight as bank savings accounts.

Good idea? Johnson and McNabb think not, observing that 350 banks have collapsed since the start of the financial crisis, versus only one money market fund!

In fairness, today’s low money market rates (see p. 9) have everything to do with the Fed Funds target rate of 0.25%, and little to do with SEC’s overzealousness. In the meantime, Fidelity’s nearly half-trillion-

dollars in taxable and muni money market fund assets are the envy of the industry — both in terms of market share and performance.

Last year, their 38 money market funds beat 78% of their peers, while over the past three- and five-year periods they outpaced 87% and 86% of their competitors, respectively. Low expenses are key to their success, but so is security selection. Not to be overlooked is Fidelity’s market might. This allows their fixed-income analysts and traders to buy entire offerings of top-tier issuers without having to tread in the more expensive secondary market for private issues.

While there are differences between Fidelity’s money funds in terms of credit quality, one needs a veritable microscope to detect them. Most dramatically, **Select Money Market** offers a “whopping” yield of 0.08%, but we don’t believe for an instant that the fund is 8-times more risky than that of **US Treasury**, assuming that its risk is measured by its 0.01% yield!

So with yields at historic lows, the best money market fund for you is the fund whose checkwriting and balance requirements best fit your needs.

Apart from that, we are recommending **Conservative Income Bond** [ticker: FCONX] in place of a money market. Launched in March, it holds many of the securities that the SEC either prohibits or limits in money markets. Still, it holds a mix of investment-grade (high quality) short-term debt, including Treasuries, corporate bonds and money markets, while its average maturity is 270 days.

This mix of securities results in a yield of 0.31%, while Manager Kim Miller will strive to maintain a steady NAV of \$10 per share. That said — and unlike a money market — a stable NAV is not a top priority. If it were, Conservative Income might offer checkwriting like some other Fidelity bond funds, but it does not.

We rate Conservative Income a *Buy* for income-oriented investors. ■

— John Bonnanzio

Inside Fidelity

New Fund — As we informed members in April, Fidelity has now introduced **Global High Income** [ticker: FGHNX].

As with other high-yield funds, this one gives its managers plenty of latitude with respect to both the kinds of securities it holds (from dividend-paying common stocks in the US to defaulted foreign bonds) and how much it owns within each asset class.

For example, while the fund's moniker is "Global," its neutral mix is 60% US high yield, although it may allocate as little as 40% of its assets there to as much as 80%. Elsewhere, emerging market debt may range from 5%-35%, and its neutral weight is 20%. European high yield is 0%-30%, with a 15% neutral weight, while Asian high yield bonds range from 0%-10%, with a neutral bet at 5%.

The fund's lead manager is John Carlson. We've known John for a long time, and have invested in his emerging markets bond fund (**New Markets Income**). Asset allocation

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 June:

Capital & Income, Focused High Inc, High Income, Inflation-Protected, Large Cap Stock, Mid-Cap Stock, Real Estate Income, Real Estate Inv, Short-Intmd Muni, Small Cap Disc, Stk Sel Small Cap and Small Cap Stock.

The final distributions for May were as follows:

Fund	Ex-Date	\$ Amt	NAV
Magellan	5/6	0.11	75.15
Inflation-Protected	5/11	0.06	12.06

decisions are his to make, whereas three other veteran high-yield managers will pick individual securities for separate sleeves of the fund.

Note that the fund's expense ratio is 1.31% (which is about the industry average), but it's currently being capped at 1.0%, which is more in line with New Markets Income. And to discourage short-term traders, there is a 1% redemption fee on shares held fewer than 90 days.

This fund is a cousin to the diversified **Strategic Income**, although Global High Income holds no Treasuries and will have a significantly greater foreign exposure. And while you could probably emulate this fund by blending several high-yield funds together, this is a good way to get multiple exposures in one fund.

While we're waiting to examine its holdings, gauge its various risks, and see what the fund yields, we'll be rating it *Hold* or "higher" once it's introduced to our *Scorecard* next month.

Management Shift — We've been saying for a long time that it's only a matter of time until the inevitable occurs: Abby Johnson takes the full reins at Fidelity from her 81-year-old father Edward (Ned) C. Johnson III. Well that change is another step closer as Ned has now relinquished his role as chairman of the board that oversees the company's stock and high income funds (assets: about \$900 billion) to his longtime *aid-de-camp*, Jim Curvey.

Why not Abby?

Two years ago, Ned had already given Abby the chairmanship of those boards overseeing Fidelity's investment-grade bonds, asset allocation and money market funds. That's in addition to her other day-job: president of Personal, Workplace & Insti-

tutional Services, and director of parent company FMR. But even with that workload, we expect Jim Curvey's latest assignment to be temporary if, for no other reason, he's 75-years old, and he's called "acting chairman."

Needless-to-say, mum's the word at Fidelity with respect to succession plans, noting that Ned remains quite active as Chairman (see p. 11). ■

Message To Members

Please don't shoot the messengers!

Whenever we've pointed out that Social Security is in trouble, some have called us Henny Penny — and much worse! But don't take our word for it, listen to the Social Security Administration's trustees. They're saying that the massive retirement safety net will run out of money in 2036. But not to worry, as it can meet three-quarters of its scheduled benefits through 2085. Whoa!

And then there's Medicare: its trustees say it's on course to run out of money in 2024 — five years sooner than previously thought. But again, not to worry, as 90% of its hospital-insurance costs will be funded by "dedicated revenue" sources — meaning users of the program.

We don't pretend to have all the answers to America's budget woes. But this much we do know: stepping up the pace of your retirement savings *now* is a good idea. Will more of your savings be taxed in the years ahead, and will your benefits be means-tested despite your thriftiness today? Probably. But as they say, you can't borrow for retirement — you can only save (and invest) for it.

Sincerely,
John Boyd
John Bonnanzio
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