

# FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

OCTOBER 2011

VOLUME 27, NUMBER 10

**MARKET OUTLOOK**

## Market Held Hostage By (Non) Actions in Europe

Widespread predictions of a double-dip recession here in the US have not (at least so far) come to pass. In fact, a couple of very important areas — housing and employment — are continuing to show gradual if uneven improvement (more on that in a bit). But you certainly wouldn't guess that from looking at the stock market which turned in a very weak September on the heels of a similarly terrible August.

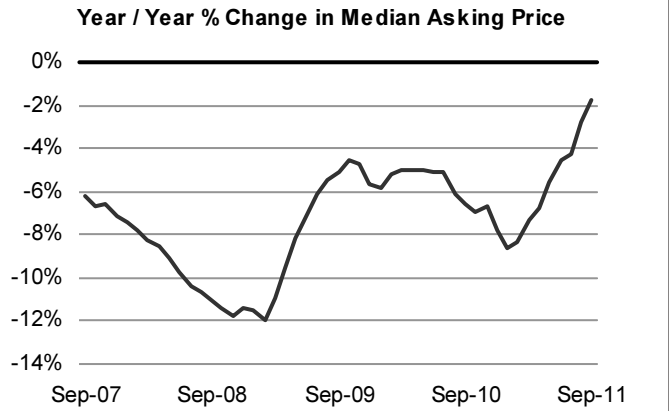


John M. Boyd

In large measure that is because any positives here at home are being overshadowed by fears that the European Debt Crisis will ultimately end badly and drag the rest of the world into a global recession. It is easy to see how much the European crisis is weighing on our market when we get two very big up days late in September on mere rumors (and extremely unfounded rumors at that) of a "solution" being near at hand.

Unfortunately, I do not see any such solution coming anytime soon. I hope I'm wrong, but I doubt it. We know firsthand how difficult it can be to get our government to agree on a course of action about our debt burden, imagine trying to get 17 different governments (members of the European Monetary Union) to agree! So we can expect continued volatility as optimism and pessimism about the eventual outcome trade places. I do believe that an

## HOME PRICES BOTTOMING?



The website Department of Numbers (deptofnumbers.com), tracks the asking prices for homes and condos in 54 metropolitan markets. While asking prices are one thing and sales another, it does provide a useful trend indicator. As seen above, the year over year change in asking prices has been steadily improving over the course of 2011 and is approaching zero. The more widely reported Cash-Shiller home price data (only available through July 2011) shows a similar bottoming with prices for 2011 down just 0.54% on a seasonally adjusted basis.

eventual solution will be reached that staves off the worst fears (a cascading series of sovereign defaults, Greece, then Portugal, then Spain, then Italy) that have, at least in part, been priced-in the market. When it does come we should see a very nice rally here in the US.

### Home Prices Finding A Bottom?

As shown in the graph above and confirmed by recent Case-Shiller price data, US housing prices appear to be bottoming. While that doesn't mean they will start rising anytime soon, it is still important. Before the sector can start to recover, prices need to find a bottom. There is little incentive for buyers to jump into the market when prices are continuing to decline, even with mortgage rates at historic lows. But once prices stabilize, buyers will no longer have a reason to wait.

### Employment Continuing Slow Improvement

On a seasonally adjusted basis, Weekly Initial Claims for unemployment dropped below 400,000 (391,000) for

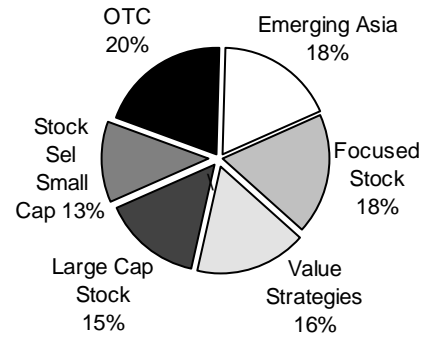
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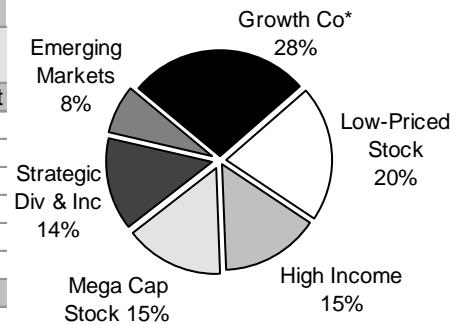
# FIDELITY INSIGHT MODEL PORTFOLIOS - SEPTEMBER 30, 2011

Aggressive Growth Model		Rel Vol: 1.20	Est. Yield: 0.5%	YTD Return: -12.7%		
Current Asset Allocation		Stocks 97.8%	Bonds 0.0%	Cash 2.1%	Alternative <sup>1</sup> 0.0%	Foreign 25.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	Sep Ret
OTC	FOCPX	20%	\$51.45	542.94	\$27,934	-5.5%
Emerging Asia	FSEAX	18	24.42	1,042.38	25,455	-15.4
Focused Stock	FTQGX	18	12.62	2,008.32	25,345	-7.2
Value Strategies	FLSX	16	22.44	1,027.15	23,049	-12.8
Large Cap Stock	FLCSX	15	15.38	1,343.49	20,663	-8.3
Stock Sel Small Cap	FDSCX	13	15.62	1,127.28	17,608	-11.0
Current Value (4/7/99 = \$100,000)					\$140,054	-9.2%



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

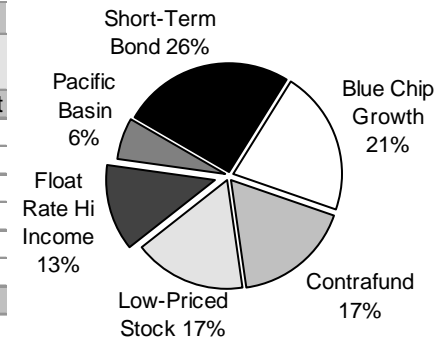
Growth Model		Rel Vol: 1.01	Est. Yield: 2.0%	YTD Return: -9.2%		
Current Asset Allocation		Stocks 78.3%	Bonds 0.0%	Cash 4.2%	Alternative <sup>1</sup> 17.5%	Foreign 18.3%
Holdings	Ticker	Alloc	NAV	Shares	Value	Sep Ret
Growth Company*	FDGRX	28%	\$77.70	3,582.28	\$278,343	-7.9%
Low-Priced Stock	FLPSX	20	32.80	6,221.59	204,068	-8.0
High Income	SPHIX	15	8.30	17,665.02	146,620	-3.3
Mega Cap Stock	FGRTX	15	9.01	16,136.40	145,389	-7.2
Strategic Div & Inc	FSDIX	14	10.20	14,219.72	145,041	-5.6
Emerging Markets	FEMKX	8	19.97	3,812.35	76,133	-17.3
Current Value (1/1/87 = \$100,000)					\$995,594	-7.7%



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

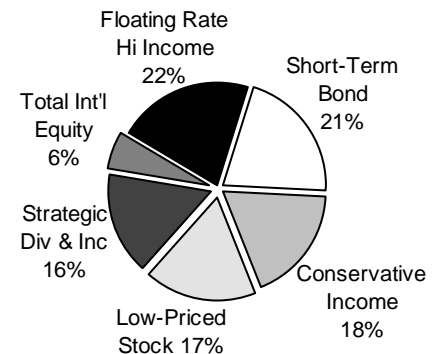
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.70	Est. Yield: 0.9%	YTD Return: -6.0%		
Current Asset Allocation		Stocks 58.7%	Bonds 25.8%	Cash 4.2%	Alternative <sup>1</sup> 11.3%	Foreign 17.4%
Holdings	Ticker	Alloc	NAV	Shares	Value	Sep Ret
Short-Term Bond	FSHBX	26%	\$8.50	25,902.25	\$220,169	-0.2%
Blue Chip Growth	FBGRX	21	39.57	4,573.57	180,976	-8.6
Contrafund	FCNTX	17	62.39	2,317.01	144,558	-7.4
Low-Priced Stock	FLPSX	17	32.80	4,385.71	143,851	-8.0
Floating Rate Hi Income	FFRHX	13	9.46	11,348.71	107,359	0.4
Pacific Basin	FPBFX	6	21.30	2,596.92	55,314	-13.6
Current Value (1/1/87 = \$100,000)					\$852,228	-5.5%



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: 0.52	Est. Yield: 1.9%	YTD Return: -4.9%		
Current Asset Allocation		Stocks 32.4%	Bonds 38.9%	Cash 5.4%	Alternative <sup>1</sup> 23.3%	Foreign 6.0%
Holdings	Ticker	Alloc	NAV	Shares	Value	Sep Ret
Floating Rate Hi Income	FFRHX	22%	\$9.46	11,978.12	\$113,313	0.4%
Short-Term Bond	FSHBX	21	8.50	12,817.44	108,948	-0.2
Conservative Income	FCONX	18	9.98	9,422.65	94,038	-0.1
Low-Priced Stock	FLPSX	17	32.80	2,765.91	90,722	-8.0
Strategic Div & Inc	FSDIX	16	10.20	8,299.42	84,654	-5.6
Total Int'l Equity	FTIEX	6	6.09	4,994.01	30,414	-12.5
Current Value (1/1/87 = \$100,000)					\$522,089	-3.2%



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.

the week ending September 24. This is the first sub-400,000 figure in seven weeks and the lowest since April. There were immediate concerns that some special situations distorted the seasonal adjustment so the news was greeted with suspicion. But, I prefer to look at the unadjusted raw claims on a year over year basis anyway. And those figures show that claims are down 12.7% from a year ago and the lowest since mid-2008.

### Third Quarter Earnings Key

Third quarter earnings season gets underway soon, and other than being whipsawed by developments in Europe, that could hold the key for stock prices over the next couple of months. Analysts estimate that third quarter S&P 500 earnings will be about flat compared to the second quarter of this year and up a robust 19% from the third quarter of 2010. Despite all the turmoil during the quarter, and signs of a slowing global economy, these estimates have come down only about 2.5% over the past couple of months. Are analysts hopelessly behind the curve, or closer to the truth? If they are right, stocks right now are quite cheap with a P/E of just 12.0 based on 12 months trailing earnings.

### A Word On Emerging Markets

I laid out our case for owning emerging markets last month and while we still believe in their merit, they obviously were trounced in September. Fortunately other than the **Aggressive Growth Model's** 18% stake, our exposures are modest and despite their large losses, the impact on our more conservative model's performance ranged from around 1.3% for the **Growth Model** to 0.7% for the **Income & Preservation Model**. As longtime members know, we hate to sell into such sharp declines. That said, we will be reexamining the type and extent of our exposures there. ■

— John M. Boyd

## WHICH FUNDS SHOULD YOU BUY NOW!

**Equity Funds:** **Blue Chip Growth**, **Focused Stock**, **Growth Co.** and **OTC** are our top large-cap growth picks (see trade box below). **Strategic Dividend & Income** is your large-cap value option. **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.

**Bond Funds:** **Short-Term Bond** affords limited interest-rate risk. **Conservative Income** gets you a bit more yield than a money market fund. Muni bond funds may offer higher tax-equivalent yields (see p. 4).

**International Funds:** **Emerging Asia** and **Emerging Markets** are long-term, volatile equity plays in the developing markets. **Pacific Basin** provides broader exposure and, therefore, 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. ■

## MODEL PORTFOLIO TRADE

As announced on our September 23 Hotline, on Monday September 26, we made a trade in our Aggressive Growth Model as detailed below.

Action	Fund (ticker)	Shares	Price	Value	Old %	New %
<b>Aggressive Growth Model</b>						
Sold:	Capital & Income (FAGIX)	2,763.00	\$8.66	\$24,014.81	17%	0%
Bought:	Value Strategies (FSLSX)	1,027.15	\$23.38	\$24,014.81	0%	17%

In the Aggressive Growth Model, our sale of **Capital & Income** and purchase of **Value Strategies** reflects a modest shift in the way we now invest in the “high yield” market.

**Capital & Income** is an expertly managed high-income bond fund that invests in low-rated, “distressed” companies. In addition, **Capital & Income** has roughly 18% invested in stocks. For its part, **Value Strategies** also invests in distressed companies, but entirely through stocks (mid- to large-caps), rather than bonds. Its investment objective is capital appreciation (growth).

With the model's relative volatility (risk) rising about 10% from 1.09 to 1.20 (on par with the Select Model), more conservative investors should take note of the Aggressive Growth Model's stepped-up market risk and consider if it — or a more conservative model — is now more appropriate. (Investors in this model should have a 10-plus-year investment horizon.)

Also, please note that **Capital & Income** has a 1% redemption fee on shares held fewer than 90 days.

### Growth Model “Housekeeping”

Ever since **Growth Company** was closed in 2006, we've been recommending **Blue Chip Growth** as an alternative for our newer members.

Five years later — and despite their differences — we still like both funds. But to better reflect the reality that many of the Growth Model's followers now own **Blue Chip**, that fund's returns and other attributes will be reflected in the Growth Model on page 2 beginning November 1.

How does this “housekeeping” affect you? It doesn't. **If you own Growth Co., you should still hold this expertly-managed fund. And if you own Blue Chip Growth, you should also stay put.** While **Blue Chip** has a higher market cap and is not as growth-oriented as **Growth Co.**, Manager Sonu Kalra has done a good job on the fund since 2009. Meanwhile, the Growth Model's risk profile and asset allocation are essentially unchanged. ■

## FIXED INCOME INVESTING

### **Muni Funds May Face New Headwinds**

Please, don't shoot the messenger!

We won't argue the merits of President Obama's latest tax plan, but we thought you'd appreciate knowing the following: if one of his ideas becomes law — which is to cap the amount of tax deductibility on munis — muni bond prices will inevitably be marked down.

Consistent with the Obama Administration's view that wealthier Americans don't pay enough in income taxes (we're sticking to the sidelines in that debate, though we must point out that most muni bonds and funds are owned by wealthier Americans!), the goal is to reduce the tax-free income that munis provide to no more than 28%. The current limit is 35%.

Let's put some numbers behind this change.

Let's say an investor has \$100,000 invested in Fidelity's **Intermediate Muni Income** fund. With its SEC yield of 2.20%, it's providing investors with income of \$2,200 a year. But

because that's federally tax-free, those in the top 35% tax bracket are enjoying a tax savings of \$777 (35%\*2,220). If that exemption is capped at 28%, the tax savings falls to \$622 (28%\*2,220) or 20% less.

Because the market thinks this aspect of President Obama's tax plan will never see the light of day, the muni market is yet to mark down muni bond prices. If it were, it's possible for Intermediate Muni to see a decline in price of about 3%.

And there are still other headwinds that have not yet materialized for munis, but must be considered. For example, with states, cities and towns facing budget shortfalls, new muni issuance is down about a third. This limited supply has helped to keep their prices solidly higher. But just as individuals can only allow their cars to get so old before having to replace them, government and their agencies must also replace capital goods and infrastructure, and this is typically done through bonding.

Already, supply is picking up, but here's the rub: mounting evidence of slowing tax receipts. Granted, government has the ability to raise user fees,

tolls, income/property taxes to meet their bond obligations. But if we read the current mood in America right, governments' reflex to reach in to taxpayers' wallets without fear of voter retribution is quite real.

But not all is bleak. In our slow-growth economy, inflation is barely a concern right now. If anything, deflation is more of a threat. Couple that with the Fed's desire to bring down longer-term interest rates, and in this important way the wind is actually to the back of muni (and taxable) bond investors.

#### **Action Recommendation**

While we're not expecting to see the same kind of pullback experienced in last year's fourth quarter, we're watching this tax bill and other developments very carefully.

In the meantime, we've downgraded our rating on **Short-Intermediate Muni** from *OK to Buy* to *Hold*, as more interest-rate-sensitive funds like **Muni Income** and **Tax-Free Bond** (both are still rated *Hold*) provide more favorable yields relative to comparable Treasuries.

— John Bonnanzio

## AGGRESSIVE GROWTH MODEL

### **Value Strategies Goes Its Own Way**

**Value Strategies** is a kind of alter-ego for **Capital & Income**. (See the Trade Box on p. 3.)

While the former is a growth-focused stock fund, the latter is an income-oriented high-yield bond fund: but both buy companies that are "distressed." Their respective managers own securities that are inexpensive on a relative and/or absolute basis, and are out-of-favor by the market for (hopefully) temporary reasons.

Balance sheet repair, possible M&A activity, share repurchases and related uses of a company's free cash are recurring fund themes. Indeed, this kind a value investing requires a lot of skill, while its strongest returns have followed bear markets. (We may

be early!) Enter Value Strategies' Tom Soviero whose records at the related **Convertible Securities** and **Leveraged Co. Stock** are pretty darn impressive. (He's been running Value Strategies since last May.)

Though not without his worries, Tom points out that after the "Great Recession," many companies took important steps towards improving their earnings outlook by restructuring their operations and paying off debt. He eagerly predicts that this should lead to a wave of consolidations. His concerns: "Supply disruptions in commodities such as oil, coal, copper and rare earth metals have led to rising input costs for many companies. Higher health care and regulatory costs are also weighing on corporate profits."

Though benchmarked to the Russell Mid-Cap Value Index, Value

Strategies strays far, as Tom's priority is finding unloved stocks. Harkening to his concern about rising commodity prices, his overweight in materials (13% vs. 5%) is a kind of portfolio hedge.

Elsewhere, financials are also underweighted (10% vs. 30%). Consumer discretionary stocks are his largest sector bet at 17% of assets versus a mere 11% or so for the index. He also has 15% invested outside the US (most of that is a materials play via Dutch and Canadian-based firms). In other words, his benchmark means little to Tom, while style-wise, the fund moves between mid-blend and mid-value.

With its volatility of 1.57, this is a "risk-be-damned" offering that's best suited for our Aggressive Growth Model and for investors with a long investment time horizon. ■

FUND COMMENTARY

## Amid Euro-Woes, Stocks Slide Further

For the fifth consecutive month stocks fell. The S&P 500 retreated 7.1% in September; this follows the prior month's loss of 5.4%. Of course, thanks to compounding, the "hurt" has steadily mounted. For its part, the Dow Industrials fell 12% last quarter. (More on that shortly.)



John Bonnanzio

So what was the fuss all about last month?

Like August, September was all about Greece and the possible Euro/US contagion. (And as we went to press today, Monday Oct. 3, Greece's problems showed no sign of abating.) With each and every whisper of a "solution," stocks soared only to fall harder afterwards (see *Market Outlook* on p. 1). And the two months shared something else: long-term Treasuries soared.

Whereas the intra-day yield on the 10-year briefly passed through 2.00% in August, last month they fell further reaching an all-time low of 1.90%. As a result, **Spartan Long-Term Treasury Index** fund soared 10.4% in September — besting its August gain of 8.6%.

This is not to suggest that September and August were carbon copies.

Most notably, **Select Gold** took a pummeling as an ounce of the base metal fell 11% to \$1,622. (Even the "defensive" **Consumer Staples** fund retreated 5%.) There are several reasons for this decline, but one of the more intriguing is that hedge funds and others were harvesting their prior gains to cover mounting losses in their stock positions (see p. 8).

And amid growing concern that world's economy would contract, other materials were also in retreat. A barrel of oil fell \$10 in September to below \$80, with crude prices

plunging 16% in the third quarter.

Elsewhere, to spur economic activity, the Fed said it would try to reduce long-term borrowing costs by selling short-term notes and buy long-term ones. Not surprisingly (and in contrast to August), shorter-term bond funds lost ground.

Ironically, all this red ink occurred amid nascent signs that our own economy may be bottoming. Unfortunately, it was even clearer that Europe and the emerging markets of China and Latin America are slowing, so the overall economic picture remains unclear and challenging.

### Market Indexes

With stocks cratering another 2% or so on the last day of September, the month-to-date results were sobering. The large-cap S&P 500 and Dow Jones Industrials fell 7.1% and 5.8%, respectively. The small-cap Russell 2000 plunged 11.3% while the tech-rich Nasdaq Composite retreated 6.3%.

As suggested, the year-to-date market performance somewhat masks the third-quarter's slaughter: the Dow and S&P 500 are off 3.8% and 8.7%, respectively, versus a decline of 17.1% for the Russell 2000 and a decline of 8.4% for the Nasdaq.

### Equity Funds

The average Fidelity stock fund fell 9.2% last month. Among the biggest losers were those offerings where their managers are looking for opportunities in the "distressed" market. Within this group are **Leveraged Co. Stock** (down 14.1%) and **Value**

**Strategies** (down 12.8%) — see facing page. Relative to large-caps, small- and mid-cap funds were also treated more harshly by investors. Overall, however, US-oriented funds fared better than foreign stock funds where the average decline was 12.4%. Double-digit declines were typical among emerging market funds, but even **Europe** was off 13.0%. More broadly, **Diversified Int'l** fell 12.3% and **Worldwide** slid 9.4%. For its part, **Total Int'l Equity**, which has 23% in the emerging markets but essentially nothing in the US, dropped 12.5% last month.

### Fixed Income Funds

Returning to the bond market, with the notable exception of Fidelity's aforementioned long-term Treasury fund, many government bond funds posted fractional gains last month as investors sought safety from the stock market. However, with inflation fears nixed amid worries about slowing GDP growth, **Inflation Protected Bond** (which owns TIPS) was essentially unchanged. Muni funds, on the other hand, largely held their ground. While **Short-Intermediate** slipped (down 0.1%), but the longer-maturity **Muni Income** and **Tax-Free Bond** both rose 1.3%. (See facing page.)

As for money market funds, well, what's really to say? Their yields remain close to zero percent and, they've returned as much this year. ■

*Note: For up-to-date fund returns (including our Model Portfolio performances), please see our website at: [fidelityinsight.com](http://fidelityinsight.com)*

## OCTOBER SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
130/30 Large Cap	H	S	↓	Fund's "quant" models not in sync with market.
Canada	B	H	↓	Heavy exposures to commodities and financials.
Disciplined Equity	H	S	↓	Fund's "quant" models not in synch with market.
Global Commod Stk	B	H	↓	Slowing global growth sapping demand.
Magellan	S	H	↑	Manager change (see p. 11 for details).
Short-Interm Muni	B	H	↓	We prefer longer-duration offerings (see p. 4).
Tax Managed Stock	H	S	↓	Fund's "quant" models not in sync with market.

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

## FIDELITY SCORECARD - SEPTEMBER 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)			
						Sep	YTD	2010	1 Year	3 Year	5 Year					
Comparative Indexes		S&P 500 (Large cap)*				-7.1	-8.7	15.0	1.1	1.2	-1.2	1.00				
		Nasdaq Composite (OTC)*				-6.3	-8.4	17.8	2.8	5.8	2.1	1.10				
		MSCI EAFE (International)*				-10.2	-15.4	7.7	-9.8	-1.8	-3.5	1.27				
		Sptn Extd Mkt (Small-mid caps)				-10.8	-15.1	28.6	-1.9	3.2	1.1	1.23				
		Barclays Aggregate Bond*				0.8	6.6	6.3	5.1	7.7	5.9	0.18				
<b>LARGE CAP GROWTH</b>						<b>Category Averages</b>			<b>-8.1</b>	<b>-9.9</b>	<b>18.6</b>	<b>1.4</b>	<b>3.8</b>	<b>0.8</b>	<b>1.09</b>	
312	FBRGX	Blue Chip Growth		39.57	Buy	-8.6	-9.4	19.6	3.1	5.7	2.4	1.12	\$11,175			
307	FDCAX	Capital Appreciation		22.69	OK to Buy	-6.6	-10.5	18.3	-0.6	5.0	-0.3	1.12	4,194			
22	FCNTX	Contrafund		62.39	Buy	-7.4	-7.8	16.9	1.0	3.5	2.2	0.88	57,046			
332	FEXPX	Export and Multinational	0.75%/30d	19.28	OK to Sell	-8.2	-11.6	11.9	-2.0	0.7	-1.3	1.04	2,045			
500	FFTYX	Fifty		16.10	OK to Buy	-6.9	-8.6	17.8	1.5	2.3	-1.8	1.09	678			
333	FTQGX	Focused Stock		12.62	Buy	-7.2	-7.6	24.1	6.7	4.4	3.2	0.99	591			
25	FDGRX	Growth Company (closed)		77.70	Buy	-7.9	-6.6	20.6	4.3	6.8	4.1	1.05	26,401			
339	FDSVX	Growth Discovery		12.49	Buy	-8.4	-8.2	24.0	4.5	2.5	0.9	1.09	871			
73	FDFFX	Independence		19.93	OK to Buy	-14.1	-18.2	22.2	-6.1	0.1	0.1	1.29	3,549			
763	FSLGX	Large Cap Growth		9.03	Buy	-7.4	-7.3	19.8	4.9	2.4	-1.3	1.03	127			
1829	FLGEX	Large Cap Growth Enhcd Index		8.98	OK to Buy	-7.1	-6.4	14.0	4.6	4.3	--	0.96	82			
338	FLCSX	Large Cap Stock		15.38	Buy	-8.3	-12.5	18.2	-0.8	4.4	-0.2	1.25	833			
21	FMAGX	Magellan		58.58	Hold↑	-11.7	-18.2	12.4	-8.3	-1.8	-3.9	1.23	14,689			
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	32.23	OK to Buy	-6.3	-8.4	17.8	2.8	5.8	2.1	1.10	301			
93	FOCPX	OTC		51.45	Buy	-5.5	-6.3	20.1	6.5	11.5	6.1	1.18	5,806			
320	FDSSX	Stock Selector All Cap		22.21	Hold	-9.1	-13.7	19.2	-2.5	0.1	-1.8	1.06	1,366			
5	FTRNX	Trend		62.41	Buy	-7.4	-7.4	19.8	4.8	7.2	2.3	1.05	1,040			
<b>LARGE CAP BLEND</b>						<b>Category Averages</b>			<b>-8.5</b>	<b>-11.5</b>	<b>14.8</b>	<b>-0.8</b>	<b>-0.5</b>	<b>-2.7</b>	<b>1.09</b>	
315	FDEQX	Disciplined Equity		19.50	OK to Sell↓	-9.4	-13.5	8.3	-5.5	-4.3	-4.1	1.04	7,381			
330	FDFGX	Dividend Growth		23.33	Buy	-11.5	-17.7	21.2	-5.4	3.3	-1.7	1.32	8,457			
3	FFIDX	Fidelity Fund		29.11	Hold	-8.0	-9.2	14.6	2.5	0.7	-0.6	1.04	4,547			
27	FGRIX	Growth & Income		16.33	Hold	-7.4	-10.1	14.6	1.3	-3.4	-7.7	1.13	4,713			
1827	FLCEX	Large Cap Core Enhcd Index		7.97	OK to Sell	-6.6	-6.5	12.2	3.7	1.0	--	0.96	81			
361	FGRTX	Mega Cap Stock		9.01	Buy	-7.2	-9.3	14.4	1.5	1.6	-1.0	1.05	838			
650	FUSEX	Spartan 500 Index <sup>4</sup>		40.24	Hold	-7.1	-8.7	15.0	1.1	1.2	-1.2	1.00	17,669			
397	FSTMX	Spartan Total Mkt. Index <sup>4</sup>	0.50%/90d	32.73	Hold	-7.8	-9.9	17.4	0.6	1.6	-0.7	1.04	5,238			
343	FTXMX	Tax Managed Stock		10.43	OK to Sell↓	-11.7	-16.3	14.7	-5.1	-4.9	-4.0	1.13	63			
832	FVDFX	Value Discovery		12.61	Hold	-8.3	-13.5	15.4	-3.0	-1.6	-3.0	1.18	491			
<b>LARGE CAP VALUE</b>						<b>Category Averages</b>			<b>-8.5</b>	<b>-13.7</b>	<b>12.2</b>	<b>-4.8</b>	<b>-2.9</b>	<b>-5.2</b>	<b>1.12</b>	
1271	FBCVX	Blue Chip Value		8.96	Sell	-9.6	-16.4	10.1	-8.3	-4.2	-6.1	1.19	405			
23	FEQIX	Equity-Income		37.19	Hold	-8.9	-15.3	15.1	-5.6	-1.1	-4.3	1.17	7,917			
319	FEQTX	Equity-Income II		15.33	Hold	-9.0	-15.4	13.5	-5.9	-2.3	-4.4	1.14	4,248			
1828	FLVEX	Large Cap Value Enhcd Index		6.75	OK to Sell	-6.9	-9.0	12.7	0.6	-1.8	--	1.02	83			
708	FSLVX	Stock Sel Large Cap Value <sup>8</sup>		9.20	OK to Sell	-8.1	-12.6	9.3	-4.7	-5.3	-5.8	1.10	525			
<b>MID-CAP GROWTH</b>						<b>Category Averages</b>			<b>-10.3</b>	<b>-12.5</b>	<b>23.1</b>	<b>-0.5</b>	<b>4.4</b>	<b>0.0</b>	<b>1.21</b>	
324	FDEGX	Growth Strategies	1.50%/90d	16.99	Buy	-12.8	-16.9	25.6	-5.0	3.3	-0.7	1.16	1,712			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	8.29	Hold	-10.1	-12.3	22.4	0.1	3.9	--	1.15	68			
793	FSMGX	Mid Cap Growth	0.75%/30d	10.40	Buy	-12.7	-16.4	25.2	-4.7	1.9	-2.9	1.28	259			
337	FMCSX	Mid-Cap Stock	0.75%/30d	24.55	Hold	-9.1	-10.5	23.6	2.7	6.9	0.4	1.31	5,732			
300	FMLX	New Millennium		27.30	OK to Buy	-7.0	-6.3	18.9	4.4	6.3	3.3	1.14	1,778			

**Notes:** \*Fidelity's Spartan 500 Index, Nasdaq Composite Index, Spartan Int'l Index and U.S. Bond Index used as proxies for their respective indexes. <sup>1</sup> Relative Volatility versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. <sup>2</sup> Duration is a measure of interest rate sensitivity. <sup>3</sup> Stated yield is before any inflation adjustment, your effective yield may be different. <sup>4</sup> Also available in an Advantage share class with a minimum of \$100,000, but a lower expense ratio of 0.07% (versus 0.10% for the Investor class). <sup>5</sup> Also available in Advantage shares with a minimum of \$100,000, but a lower expense ratio of 0.10% (versus 0.20% for the Investor class). <sup>6</sup> Formerly 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. <sup>8</sup> Formerly Large Cap Value. (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 - SEPTEMBER 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)		
						Sep	YTD	2010	1 Year	3 Year	5 Year				
<b>MID-CAP BLEND</b>						<b>Category Averages</b>			<b>-11.4</b>	<b>-16.4</b>	<b>25.1</b>	<b>-4.0</b>	<b>2.8</b>	<b>-0.2</b>	<b>1.38</b>
122	FLVCX	Leveraged Company Stock	1.50%/90d	22.08	Buy	-14.1	-22.3	24.5	-7.5	-1.1	-2.2	1.60	\$3,370		
316	FLPSX	Low-Priced Stock	1.50%/90d	32.80	Buy	-8.0	-8.6	20.7	1.4	6.7	2.1	1.11	24,689		
398	FSEMXX	Spartan Extended Mkt Index <sup>4</sup>	0.75%/90d	32.00	Hold	-10.8	-15.1	28.6	-1.9	3.2	1.1	1.23	4,171		
14	FSLSX	Value Strategies		22.44	Buy	-12.8	-19.4	26.5	-7.8	2.4	-1.8	1.57	281		
<b>MID-CAP VALUE</b>						<b>Category Averages</b>			<b>-9.6</b>	<b>-16.1</b>	<b>23.8</b>	<b>-5.1</b>	<b>1.4</b>	<b>-2.2</b>	<b>1.37</b>
762	FSMVX	Mid Cap Value	0.75%/30d	13.51	Hold	-9.1	-15.3	25.4	-4.6	2.7	-1.3	1.28	545		
39	FDVLX	Value		57.14	Hold	-10.1	-16.8	22.3	-5.7	0.0	-3.0	1.47	6,115		
<b>SMALL CAP GROWTH</b>						<b>Category Averages</b>			<b>-11.4</b>	<b>-14.8</b>	<b>28.8</b>	<b>0.0</b>	<b>2.2</b>	<b>0.3</b>	<b>1.30</b>
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	8.37	Hold	-11.8	-14.6	26.1	-0.6	0.2	--	1.25	112		
1388	FCPGX	Small Cap Growth	1.50%/90d	13.25	Buy	-11.4	-14.1	26.6	-0.1	4.0	1.6	1.27	1,232		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	15.62	Buy	-11.0	-15.6	33.7	0.6	2.4	-1.0	1.38	1,728		
<b>SMALL CAP BLEND</b>						<b>Category Averages</b>			<b>-12.1</b>	<b>-20.5</b>	<b>27.7</b>	<b>-7.4</b>	<b>5.3</b>	<b>2.2</b>	<b>1.46</b>
384	FSCRX	Small Cap Discovery	1.50%/90d	17.01	OK to Buy	-11.6	-15.8	32.4	-1.3	8.0	4.7	1.41	1,873		
340	FSLCX	Small Cap Stock	2.00%/90d	14.66	Hold	-12.7	-25.2	23.0	-13.5	2.6	-0.4	1.51	3,302		
<b>SMALL CAP VALUE</b>						<b>Category Averages</b>			<b>-10.6</b>	<b>-18.1</b>	<b>25.1</b>	<b>-7.5</b>	<b>2.9</b>	<b>1.5</b>	<b>1.34</b>
1389	FCPVX	Small Cap Value	1.50%/90d	12.00	Hold	-10.6	-18.1	25.1	-7.5	2.9	1.5	1.34	1,693		
<b>SPECIALTY</b>						<b>Category Averages</b>			<b>-9.9</b>	<b>-13.1</b>	<b>9.7</b>	<b>-3.5</b>	<b>-10.0</b>	<b>--</b>	<b>1.06</b>
2063	FOTTX	130/30 Large Cap		6.29	OK to Sell↓	-9.9	-13.1	9.7	-3.5	-10.0	--	1.06	20		
304	FBALX	Balanced		17.29	OK to Buy	-4.8	-4.4	13.8	2.3	5.4	1.9	0.71	15,616		
308	FCVSX	Convertible Securities		22.01	Buy	-7.0	-12.4	20.9	-2.6	7.7	2.7	1.15	2,059		
355	FFNOX	Four-in-One Index		24.55	Hold	-7.1	-9.0	13.7	-1.4	1.8	-0.3	0.92	2,240		
334	FGBLX	Global Balanced	1.00%/30d	20.96	Hold	-6.6	-6.0	12.5	-0.4	5.3	3.8	0.76	541		
2120	FFGCX	Global Commodity Stock	1.00%/30d	13.02	Hold↓	-18.8	-24.0	18.1	-10.7	--	--	--	584		
1960	FDYSX	Global Strategies <sup>6</sup>		8.35	Hold	-8.7	-9.9	15.0	-2.4	3.0	--	0.80	237		
1368	FIREX	International Real Estate	1.50%/90d	6.90	Sell	-15.7	-23.4	14.5	-17.9	-3.4	-8.4	1.40	290		
4	FPURX	Puritan		16.82	OK to Buy	-5.1	-5.3	14.0	2.1	5.0	1.7	0.71	15,421		
833	FRIFX	Real Estate Income	0.75%/90d	9.90	OK to Buy	-2.8	-1.2	18.8	3.2	9.8	2.9	0.73	1,539		
303	FRESX	Real Estate Investment	0.75%/90d	23.90	Hold	-11.3	-6.8	29.9	1.0	0.2	-3.1	1.97	3,263		
1329	FSDIX	Strategic Dividend & Income		10.20	Buy	-5.6	-2.1	13.7	3.8	4.9	-0.3	1.08	919		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.24	Hold	-5.4	-2.2	13.9	3.9	4.6	3.1	0.66	3,858		
311	FIUIX	Telecom & Utilities		16.24	Buy	-2.1	3.1	17.3	8.9	6.5	1.3	0.74	890		
<b>ASSET ALLOCATION</b>						<b>Category Averages</b>			<b>-1.9</b>	<b>0.0</b>	<b>8.9</b>	<b>2.5</b>	<b>6.3</b>	<b>3.7</b>	<b>0.34</b>
328	FASIX	Asset Manager 20%		12.64	Hold	-1.9	0.0	8.9	2.5	6.3	3.7	0.34	3,607		
1957	FTANX	Asset Manager 30%		9.37	Hold	-2.9	-1.7	10.9	2.0	6.4	--	0.45	203		
1958	FFANX	Asset Manager 40%		9.13	Hold	-3.9	-3.5	12.1	1.2	6.1	--	0.55	141		
314	FASMX	Asset Manager 50%		14.47	Hold	-4.9	-5.4	13.5	0.4	6.2	2.4	0.67	6,202		
1959	FSANX	Asset Manager 60%		8.80	Hold	-6.0	-7.4	14.3	-0.8	5.9	--	0.75	242		
321	FASGX	Asset Manager 70%		14.80	Hold	-6.9	-9.4	15.8	-1.6	4.9	0.9	0.88	2,272		
347	FAMRX	Asset Manager 85%		11.72	Hold	-8.6	-12.5	16.6	-3.5	3.8	-0.1	1.02	606		
<b>INTERNATIONAL</b>						<b>Category Averages</b>			<b>-12.4</b>	<b>-18.0</b>	<b>16.1</b>	<b>-10.4</b>	<b>0.8</b>	<b>-1.6</b>	<b>1.34</b>
309	FICDX	Canada	1.50%/90d	48.26	Hold↓	-14.5	-17.0	21.8	-6.3	-0.6	2.8	1.35	4,198		
352	FHKCX	China Region	1.50%/90d	24.62	Hold	-16.7	-24.3	18.0	-19.1	7.3	6.0	1.31	1,707		
325	FDIVX	Diversified International	1.00%/30d	24.79	OK to Sell	-12.3	-17.8	9.7	-11.0	-3.1	-3.7	1.26	19,263		
351	FSEAX	Emerging Asia	1.50%/90d	24.42	Buy	-15.4	-20.3	22.8	-13.6	3.3	3.7	1.22	1,644		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	7.56	OK to Buy	-15.6	-20.0	25.5	-12.3	4.6	--	1.48	127		
322	FEMKX	Emerging Markets	1.50%/90d	19.97	Buy	-17.3	-24.2	18.2	-18.3	1.3	1.1	1.57	3,275		
301	FIEUX	Europe	1.00%/30d	24.74	OK to Sell	-13.0	-21.0	8.6	-14.3	-3.0	-4.1	1.33	658		
341	FECAX	Europe Capital App	1.00%/30d	15.01	OK to Sell	-12.9	-21.2	8.4	-14.6	-4.1	-4.9	1.37	352		
335	FIVFX	International Cap App	1.00%/30d	10.40	Buy	-14.3	-19.3	15.9	-12.1	2.6	-3.6	1.49	575		
305	FIGRX	International Discovery	1.00%/30d	27.06	OK to Sell	-12.3	-18.1	11.0	-11.0	-1.8	-2.7	1.24	7,130		
2010	FIENX	International Enhanced Index	1.00%/30d	6.22	OK to Sell	-10.1	-14.8	8.7	-8.5	-2.5	--	1.26	24		
1979	FIGFX	International Growth	1.00%/30d	7.35	OK to Buy	-11.3	-15.2	16.9	-7.4	3.6	--	1.17	56		
818	FISMXX	International Small Cap	2.00%/90d	18.11	Buy	-11.1	-14.8	25.4	-5.0	6.2	0.5	1.27	986		
1504	FSCOX	International Small Cap Opps	2.00%/90d	8.98	Buy	-10.2	-13.6	23.3	-4.3	0.8	-5.1	1.36	346		
1597	FIVLX	International Value	1.00%/30d	6.52	OK to Sell	-11.8	-19.9	5.2	-15.0	-4.0	-5.9	1.45	165		
350	FJPNX	Japan	1.50%/90d	9.60	OK to Buy	-3.0	-14.1	14.7	-3.3	-1.8	-6.3	1.11	479		
360	FJSCX	Japan Smaller Companies	1.50%/90d	8.61	OK to Buy	-6.5	-6.3	12.3	5.4	3.3	-6.7	1.25	341		
349	FLATX	Latin America	1.50%/90d	45.33	Hold	-17.5	-23.2	16.5	-17.5	3.5	6.0	1.57	3,168		
342	FNORX	Nordic	1.50%/90d	26.43	OK to Buy	-12.0	-23.0	26.5	-15.4	0.7	-1.6	1.57	390		
94	FOSFX	Overseas	1.00%/30d	25.77	OK to Sell	-14.2	-20.7	6.6	-13.2	-6.1	-5.5	1.30	2,709		
302	FPBFX	Pacific Basin	1.50%/90d	21.30	Buy	-13.6	-18.3	32.8	-8.1	9.5	1.4	1.48	802		
399	FSIIX	Spartan Int'l Index <sup>4</sup>	1.00%/90d	29.66	Hold	-10.2	-15.4	7.7	-9.8	-1.8	-3.5	1.27	5,875		
1978	FTIEX	Total International Equity	1.00%/30d	6.09	Buy	-12.5	-18.6	12.5	-12.3	-0.1	--	1.32	128		
318	FVWFX	Worldwide	1.00%/30d	16.46	Hold	-9.4	-11.8	17.0	-1.5	1.6	0.5	1.13	1,139		

**SELECT MODEL PORTFOLIO**

Weakness in small-caps weighed on the Select Portfolio as expectations for economic growth were reduced. The growth side of the portfolio (**Pharmaceuticals** and **IT Services**) held up okay, but those leaning toward value (**Natural Gas, Chemicals** and **Industrials**) took a bigger hit. With US firms becoming more competitive globally, I don't see the slowdown having a big impact on earnings. As such, we have no plans to become defensive at this stage.



Jack Bowers

One of last month's more interesting developments was an announcement by Switzerland's central bank that any strengthening of its Franc beyond 1.2 euros would "not be tolerated." The motivation was to keep the strong franc from hurting its economy, but the announcement appears to have raised awareness of the role central banks play in managing their gold reserves. To wit,

investors may be feeling a little less certain about the ability of gold to serve as an independent reserve "currency" that's unaffected by the debt crisis.

While paper currencies are backed by tax revenues and trade flows (both of which are relatively stable), gold is backed only by jewelry demand. If central banks in emerging countries decide to reduce their net purchases of the precious metal, investment flows could turn negative, setting the stage for gold to fall until jewelry demand picks up the slack. That level is probably higher than it was in the 1990s, but it may only be a fraction of today's price. If you own **Select Gold**, consider limiting it to 5% or less of your portfolio. ■

Select Model Portfolio	
Fund	Allocation
Pharmaceuticals (FPHAX)	21%
Technology (FSPTX)	19
Chemicals (FSCHX)	18
IT Services (FBSOX)	15
Industrials (FCYIX)	14
Natural Gas (FSNGX)	13
<b>Total Return: Sep: -9.9% YTD: -13.2%</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)
						Sep	YTD	2010	1 Year	3 Year	5 Year		
<b>SELECT PORTFOLIOS</b>						<b>-9.3</b>	<b>-12.8</b>	<b>22.2</b>	<b>-1.7</b>	<b>5.0</b>	<b>1.0</b>	<b>1.32</b>	
<i>Category Averages</i>													
34	FSAIX	Air Transportation	0.75%/30d	33.58	Hold	-3.4	-14.0	33.4	-6.9	12.2	0.8	1.50	\$58
502	FSAVX	Automotive	0.75%/30d	30.35	OK to Buy	-13.6	-31.8	46.2	-14.3	7.1	-1.0	2.47	114
507	FSRBX	Banking	0.75%/30d	13.66	Hold	-9.4	-26.2	21.4	-14.6	-8.8	-13.6	1.56	397
42	FBIOX	Biotechnology	0.75%/30d	75.44	OK to Sell	-3.7	3.4	11.4	10.5	4.7	4.4	1.01	1,140
68	FSLBX	Brokerage & Investment	0.75%/30d	37.32	Hold	-11.6	-28.9	11.2	-20.1	-5.8	-8.4	1.50	392
69	FSCHX	Chemicals	0.75%/30d	81.39	Buy	-16.4	-14.8	30.7	2.7	7.9	8.0	1.43	760
518	FSDCX	Communications Equipment	0.75%/30d	20.58	OK to Buy	-9.0	-22.4	27.7	-13.8	7.6	0.5	1.51	335
7	FDCPX	Computers	0.75%/30d	49.45	OK to Buy	-4.6	-12.4	23.8	-0.4	12.3	6.3	1.23	513
511	FSHOX	Construction & Housing	0.75%/30d	28.94	OK to Sell	-11.3	-17.5	21.5	-5.1	-0.1	-2.7	1.49	78
517	FSCPX	Consumer Discretionary	0.75%/30d	20.98	Hold	-7.1	-11.0	31.2	1.2	7.7	0.4	1.19	206
98	FVLX	Consumer Finance	0.75%/30d	10.38	Hold	-7.6	-8.6	5.9	-2.4	-6.9	-23.2	1.09	127
9	FDFAX	Consumer Staples	0.75%/30d	67.84	Hold	-5.0	0.2	15.2	7.2	6.7	6.7	0.79	991
67	FSDAX	Defense & Aerospace	0.75%/30d	69.64	OK to Sell	-5.5	-4.7	21.9	4.8	5.7	2.4	1.21	621
8	FSELX	Electronics	0.75%/30d	41.76	Buy	-4.2	-13.7	16.8	4.7	11.2	0.3	1.46	961
60	FSENX	Energy	0.75%/30d	42.79	Hold	-17.0	-18.1	19.0	2.0	-2.9	1.0	1.51	2,403
43	FSESX	Energy Service	0.75%/30d	55.57	Hold	-24.2	-25.3	27.9	-5.5	-8.6	-0.8	1.92	1,541
516	FSLEX	Environment & Alt Energy	0.75%/30d	14.35	Hold	-11.0	-19.4	14.9	-12.8	-3.3	-2.3	1.11	82
66	FIDSX	Financial Services	0.75%/30d	44.90	Hold	-11.6	-27.1	6.5	-20.3	-10.9	-14.8	1.51	325
41	FSAGX	Gold	0.75%/30d	45.52	OK to Sell	-13.7	-10.9	35.3	-2.9	19.2	13.2	2.02	4,488
63	FSPHX	Health Care	0.75%/30d	122.56	Hold	-5.8	-1.7	17.0	9.8	7.6	3.3	0.93	2,009
510	FSCGX	Industrial Equipment	0.75%/30d	26.87	OK to Buy	-11.8	-20.4	33.9	-6.1	1.9	0.8	1.52	260
515	FCYIX	Industrials	0.75%/30d	19.31	Buy	-9.5	-17.0	31.1	-4.4	4.2	2.6	1.42	449
45	FSPCX	Insurance	0.75%/30d	39.34	Hold	-6.7	-16.6	20.1	-9.7	0.4	-8.0	1.29	215
353	FBSOX	IT Services	0.75%/30d	19.26	Buy	-5.8	-7.4	18.5	2.1	10.0	7.7	1.10	203
62	FDLSX	Leisure	0.75%/30d	83.34	Hold	-9.4	-8.5	37.9	3.7	11.6	5.4	1.07	379
509	FSDPX	Materials	0.75%/30d	53.49	Hold	-17.1	-21.2	28.1	-4.8	8.0	6.4	1.52	1,020
505	FSHCX	Medical Delivery	0.75%/30d	49.00	OK to Buy	-8.5	-1.4	15.4	11.4	9.7	2.5	1.23	741
354	FSMEX	Medical Equipment	0.75%/30d	26.45	OK to Sell	-6.5	-3.6	12.7	8.2	2.4	6.3	1.02	1,429
503	FBMPX	Multimedia	0.75%/30d	38.13	Hold	-8.9	-10.5	25.8	0.0	9.6	1.5	1.33	166
513	FSNGX	Natural Gas	0.75%/30d	26.73	Buy	-15.9	-19.5	6.4	-7.0	-6.9	-2.4	1.52	879
514	FNARX	Natural Resources	0.75%/30d	27.78	Hold	-18.3	-20.1	23.1	-0.3	-0.7	3.6	1.52	1,578
580	FPHAX	Pharmaceuticals	0.75%/30d	12.37	Buy	-4.7	2.3	16.4	9.1	10.7	5.8	0.85	588
46	FSRPX	Retailing	0.75%/30d	50.01	OK to Buy	-4.2	-1.4	28.1	10.5	16.9	6.3	1.22	213
28	FSCSX	Software & Computer Svcs	0.75%/30d	75.89	OK to Buy	-5.4	-7.3	18.9	4.9	12.2	6.8	0.98	1,107
64	FSPTX	Technology	0.75%/30d	82.25	Buy	-7.4	-14.0	26.7	-2.3	14.5	5.5	1.30	2,228
96	FSTCX	Telecommunications	0.75%/30d	41.88	Buy	-8.8	-9.8	18.3	-3.6	8.1	-0.4	1.11	344
512	FSRFX	Transportation	0.75%/30d	44.57	Hold	-10.0	-18.5	41.3	-8.8	4.6	1.8	1.28	217
65	FSUTX	Utilities	0.75%/30d	51.02	Buy	-0.8	5.7	10.9	9.7	6.3	2.0	0.73	473
963	FWRLX	Wireless	0.75%/30d	7.19	OK to Buy	-7.8	-6.6	15.2	-1.4	8.8	3.3	1.11	284

## FIDELITY SCORECARD - SEPTEMBER 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						
						Sep	YTD	2010				25%	28%	33%	35%			
<b>TAXABLE BOND</b>						<b>Category Averages</b>			<b>1.0</b>	<b>7.4</b>	<b>6.2</b>	<b>1.77</b>	<b>2.40</b>	<b>4.7</b>				
2267	FCONX	Conservative Income Bond		9.98	Buy	-0.1	0.0p	--	0.64	--	na							
2208	FCBFX	Corporate Bond		10.76	OK to Buy	0.8	8.6	5.6p	2.69	3.64	6.4							
15	FGMNX	Ginnie Mae		11.87	Hold	0.3	6.7	7.0	3.23	3.27	3.1							
54	FGOVX	Government Income		10.86	Hold	1.2	7.1	5.1	1.32	2.02	4.6							
794	FINPX	Inflation-Protected Bond <sup>3</sup>		12.69	Hold	-0.1	10.2	5.9	-0.23	0.85	6.7							
32	FTHRFX	Intermediate Bond		10.85	OK to Buy	-0.1	5.2	7.6	1.97	2.94	3.9							
452	FSTGX	Intermediate Gov't Income		11.03	Hold	0.2	5.1	4.7	0.58	1.50	3.6							
26	FBNDX	Investment Grade Bond		7.69	OK to Buy	0.6	6.6	8.4	2.88	3.09	4.8							
40	FMSFX	Mortgage Securities		11.16	Hold	0.2	5.6	7.3	3.17	3.27	2.9							
450	FSHBX	Short-Term Bond		8.50	Buy	-0.2	1.6	3.8	0.90	1.50	1.8							
1561	FIBIX	Sptn Interm Treas Index <sup>5</sup>		11.66	Hold	1.4	11.7	8.5	1.22	2.56	6.5							
1562	FLBIX	Sptn Lng-Term Treas Index <sup>5</sup>		12.97	Hold	10.4	27.7	9.2	2.70	3.19	15.1							
1560	FSBIX	Sptn Sht-Term Treas Index <sup>5</sup>		10.67	Hold	-0.1	2.8	3.5	0.18	1.29	2.5							
651	FBIDX	Sptn US Bond Index		11.81	Hold	0.8	6.6	6.3	2.26	2.89	4.6							
820	FTBFX	Total Bond		11.02	OK to Buy	0.1	5.5	8.6	3.02	3.67	4.3							
812	ULSFXX	Ultra-Short Bond	0.25%/60d	8.16	Hold	-0.2	0.1	1.2	0.59	0.31	0.4							
<b>HIGH-YIELD BOND</b>						<b>Category Averages</b>			<b>-3.1</b>	<b>-1.0</b>	<b>11.9</b>	<b>5.86</b>	<b>5.82</b>					
38	FAGIX	Capital & Income	1.00%/90d	8.46	Buy	-5.7	-6.5	17.1	6.07	6.90	--							
814	FFRHX	Floating Rate High Income	1.00%/60d	9.46	Buy	0.4	-1.4	7.8	4.46	3.45	--							
1366	FHIFX	Focused High Income	1.00%/90d	8.76	Buy	-1.5	0.6	12.1	6.16	6.52	--							
2297	FGHNX	Global High Income	1.00%/90d	9.48	OK to Buy	-5.1	-8.7p	--	6.61	--	--							
455	SPHIX	High Income	1.00%/90d	8.30	Buy	-3.3	-2.8	13.7	7.90	7.46	--							
331	FNMIX	New Markets Income	1.00%/90d	15.38	OK to Buy	-4.1	2.4	10.9	5.66	5.66	--							
368	FSICX	Strategic Income		10.88	Buy	-2.6	1.7	9.9	4.13	4.93	--							
<b>NATIONAL MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>0.7</b>	<b>6.6</b>	<b>2.3</b>	<b>2.41</b>	<b>3.41</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	10.35	Hold	0.5	6.1	2.7	2.20	3.43	5.4	2.9	3.1	3.3	3.4			
37	FHIGX	Municipal Income	0.50%/30d	12.90	Hold	1.3	8.5	2.6	3.19	4.00	8.2	4.3	4.4	4.8	4.9			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.78	Hold↓	-0.1	3.4	2.0	1.10	2.21	2.7	1.5	1.5	1.6	1.7			
90	FTABX	Tax-Free Bond	0.50%/30d	11.10	Hold	1.3	8.7	2.1	3.16	4.02	8.2	4.2	4.4	4.7	4.9			
<b>STATE-SPECIFIC MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>0.9</b>	<b>7.3</b>	<b>2.3</b>	<b>2.53</b>	<b>3.55</b>	<b>7.0</b>				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.64	Hold	1.1	7.5	2.3	2.95	3.61	7.9	4.1	4.3	4.6	4.8			
91	FCTFX	California Muni Income	0.50%/30d	12.24	Hold	1.2	8.7	3.2	3.37	4.13	7.7	5.0	5.2	5.5	5.8			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.73	Hold	-0.1	3.6	2.2	1.11	2.35	2.9	1.6	1.7	1.8	1.9			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.78	Hold	0.8	7.7	2.2	2.14	3.21	7.0	3.0	3.1	3.4	3.5			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.23	Hold	0.8	6.8	2.3	2.23	3.26	7.2	3.1	3.3	3.5	3.6			
70	FDMMX	Mass Muni Income	0.50%/30d	12.23	Hold	1.2	8.2	2.4	2.74	3.70	8.0	3.9	4.0	4.3	4.5			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.12	Hold	0.8	7.1	2.3	2.77	3.82	6.8	3.9	4.0	4.3	4.5			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.72	Hold	0.7	7.0	2.4	2.12	3.42	6.3	3.1	3.2	3.4	3.5			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.79	Hold	1.1	7.4	2.1	2.68	3.76	7.4	3.8	4.0	4.3	4.5			
71	FTFMX	New York Muni Income	0.50%/30d	13.22	Hold	1.3	7.9	2.4	2.64	3.77	8.0	3.8	3.9	4.3	4.5			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.90	Hold	1.1	7.6	2.0	2.76	3.73	7.6	3.9	4.1	4.4	4.5			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.00	Hold	1.1	7.8	2.0	2.87	3.78	7.6	3.9	4.1	4.4	4.6			
<b>TAXABLE MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.02</b>	<b>0.04</b>	<b>0.01</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	0.01	0.01	0.01	na	na							
630	FRTXX	Retirement MM		1.00	--	0.00	0.01	0.02	0.01	na	na							
458	SPAXX	Government MM		1.00	--	0.00	0.01	0.01	0.01	na	na							
454	SPRXX	Money Market		1.00	--	0.00	0.01	0.03	0.01	na	na							
85	FSLXX	Select MM		1.00	--	0.00	0.05	0.13	0.02	na	na							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.00	0.01	0.02	0.01	na	na							
415	FDLXX	US Treasury MM		1.00	--	0.00	0.01	0.01	0.01	na	na							
<b>MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>						
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.00	0.01	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
10	FTEXX	Municipal Money Market		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.01	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>0.01</b>	<b>0.01</b>	<b>0.01</b>						
433	FSAXX	Arizona		1.00	--	0.00	0.01	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	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
418	FCMXX	Connecticut		1.00	--	0.00	0.01	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	0.01	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
420	FMIXX	Michigan		1.00	--	0.00	0.01	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	0.01	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	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
419	FOMXX	Ohio		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
401	FPTXX	Pennsylvania		1.00	--	0.00	0.01	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 - SEPTEMBER 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>
							Sep	YTD	2010	1 Year	3 Year	5 Year	
<b>FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS</b>													
9067	FLRQC	Fid VIP Asset Manager	Allocation		12.17	Hold	-6.7	-7.0	13.9	-0.9	4.9	3.0	0.70
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		11.23	Hold	-9.4	-11.5	16.0	-3.5	2.9	1.6	0.92
9069	FJBAC	Fid VIP Balanced	Allocation		11.98	OK to Buy	-8.1	-11.2	17.7	-2.0	5.5	1.7	0.92
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	10.87	Hold	-7.3	-11.3	30.8	0.7	7.6	0.2	1.19
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	12.00	Hold	-5.0	-0.4	14.8	6.6	6.5	--	0.78
9065	FPDFC	Fid VIP Contrafund	Large Growth		11.20	Hold	-8.0	-11.1	16.8	-0.3	2.6	0.1	1.08
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		8.44	Hold	-11.8	-15.0	25.1	-1.2	-0.8	-2.3	1.25
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		11.08	OK to Buy	-6.7	-10.7	18.0	-0.9	4.4	-0.8	1.12
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	6.91	Buy	-17.3	-24.5	17.5	-18.8	1.9	--	1.52
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	12.08	Hold	-17.0	-18.4	19.0	1.6	-3.2	0.8	1.51
9061	FLOLC	Fid VIP Equity-Income	Large Value		9.53	Buy	-7.7	-9.8	14.8	0.7	0.5	-3.5	1.16
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	5.25	Hold	-11.5	-27.3	7.0	-20.4	-11.0	-14.8	1.54
9157	FMPAC	Fid VIP FundsManager 20	Allocation		11.93	Hold	-1.6	-0.1	7.2	1.9	4.6	3.2	0.26
9158	FMPBC	Fid VIP FundsManager 50	Allocation		11.00	Hold	-4.5	-4.9	11.6	0.3	4.1	1.7	0.58
9197	FMPPC	Fid VIP FundsManager 60	Allocation		9.70	Hold	-5.6	-6.9	13.3	-0.6	3.9	--	0.69
9159	FMPCC	Fid VIP FundsManager 70	Allocation		10.08	Hold	-6.7	-8.5	14.0	-1.2	2.8	0.0	0.80
9160	FMPDC	Fid VIP FundsManager 85	Allocation		9.35	Hold	-8.3	-12.0	15.9	-3.5	1.5	-1.3	0.97
9062	FMNDC	Fid VIP Growth	Large Growth		10.48	Buy	-8.7	-8.9	23.8	3.6	1.7	-0.1	1.08
9070	FLFNC	Fid VIP Growth & Income	Large Blend		10.01	Hold	-7.4	-10.2	14.4	1.3	-0.5	-2.2	1.03
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		10.39	Buy	-6.8	-5.5	23.4	7.8	8.0	0.4	1.07
9078	FPVDC	Fid VIP Growth Stock	Large Growth		11.31	OK to Buy	-7.3	-6.5	19.7	5.4	7.0	2.4	1.05
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		9.58	Buy	-12.9	-17.0	24.5	-5.3	3.0	-1.2	1.16
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	12.36	Hold	-5.8	-1.9	16.9	9.6	7.6	3.1	0.92
9060	FBBLC	Fid VIP High Income	High-Yield Bond		13.76	Buy	-3.0	-1.9	13.8	1.2	8.8	5.0	0.67
9064	FXVLT	Fid VIP Index 500	Large Blend		10.25	Hold	-7.1	-8.9	14.7	0.8	1.0	-1.4	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	12.93	Buy	-9.5	-17.0	30.6	-4.6	4.5	2.7	1.43
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	9.15	Buy	-14.2	-19.4	15.4	-12.2	2.5	-3.8	1.49
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		13.78	OK to Buy	0.4	5.7	7.5	4.8	9.0	5.9	0.22
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	10.79	Hold	-17.1	-21.3	28.1	-4.9	7.6	--	1.52
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		12.62	OK to Buy	-10.4	-15.5	28.4	-7.7	4.9	2.4	1.06
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.44	--	0.0	-0.1	-0.1	-0.1	0.3	1.8	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	9.74	OK to Sell	-13.5	-19.8	12.8	-12.1	-3.3	-3.9	1.28
9072	FFWKC	Fid VIP Real Estate	Sector		11.47	Hold	-11.4	-8.0	29.9	-0.4	-0.4	-2.5	2.06
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		14.73	Buy	-2.5	1.6	9.4	2.0	10.1	6.8	0.43
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	13.88	Buy	-7.6	-14.8	27.3	-2.8	15.5	4.9	1.31
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	8.22	Buy	-7.7	-8.5	17.2	-2.1	7.6	--	1.07
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	13.64	Buy	-0.8	5.5	10.8	9.4	6.2	2.5	0.74
9079	FKMSC	Fid VIP Value	Mid Value		9.19	Buy	-8.2	-13.5	17.4	-3.6	-0.5	-3.6	1.42
9080	FUEBC	Fid VIP Value Leaders	Large Value		8.02	Sell	-9.7	-16.6	9.8	-8.6	-4.4	-6.3	1.19
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		9.75	Buy	-12.7	-19.3	26.2	-7.6	1.9	-2.2	1.56
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l		9.58	OK to Sell	-9.2	-15.3	12.0	-8.4	--	--	--
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		7.47	OK to Sell	-11.0	-17.3	10.7	-11.5	-5.1	-6.0	0.98
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		12.43	Buy	-14.4	-21.0	22.7	-16.9	4.3	5.4	1.49
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		14.13	OK to Buy	-5.2	1.7	9.5	-1.0	9.7	6.6	0.61
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		10.81	Buy	-13.7	-20.8	18.7	-16.1	3.7	3.0	1.45
9146	FPRPC	Morgan Stanley Glb Tactical Alloc	Diversified Int'l		8.76	Hold	-7.9	-9.1	5.4	-3.6	-0.1	-2.4	1.22
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.66	Buy	-1.5	-0.1	5.0	0.1	--	--	0.12
9277	FPNBC	Pimco VIT Real Return	TIPS		12.06	Hold	-0.4	8.6	7.8	7.2	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		11.11	OK to Buy	-1.6	1.7	7.8	0.7	--	--	--

### ANNUITY MODEL PORTFOLIOS

#### Annuity Growth Model

Fund	Allocation
Fidelity VIP Strategic Income	36%
Fidelity VIP Growth Opportunities	26
Fidelity VIP Value	18
Fidelity VIP Equity-Income	11
Lazard Retirement Emerg Mkts	9
<b>Total Return: Sep: -6.4% YTD: -6.8%</b>	

#### Annuity Growth & Income Model

Fund	Allocation
Fidelity VIP Strategic Income	28%
Pimco Low Duration	21
Fidelity VIP Value	16
Fidelity VIP Equity-Income	13
Fidelity VIP Growth Opportunities	13
Lazard Retirement Emerg Mkts	9
<b>Total Return: Sep: -5.6% YTD: -6.2%</b>	

#### Annuity Income & Preservation Model

Fund	Allocation
Pimco Low Duration	24%
Fidelity VIP Money Market	22
Fidelity VIP Strategic Income	21
Fidelity VIP Value	13
VIP Equity-Income	11
Lazard Retirement Emerg Mkts	9
<b>Total Return: Sep: -4.3% YTD: -5.0%</b>	

## Feingold New Skipper On Listing Magellan

Can Jeff Feingold keep the listing **Magellan** afloat?



Jeff Feingold

The fund's long-suffering shareholders now have to decide if they should pin their hopes on a manager who is untested in running what is still a very large stock fund, even though it is but a shadow of its former self.

Jeff, of course, replaces the once-promising Harry Lange who, through almost five years of unprecedented market turmoil, ultimately came up short.

That Harry couldn't right this storied fund's reputation has been a painful surprise to many — including ourselves. Indeed, with a great track record garnered while at **Capital Appreciation** and elsewhere, he seemed a perfect fit for the fund's helm. Instead, his legacy is this: while the S&P 500 gained an anemic 8.6% during Harry's tenure (11/1/05 to 9/12/11), *Magellan fell 5.7%*.

And, in many ways he lost much more than that.

While this period has been exceptionally difficult for stock fund managers to navigate, *Magellan's* record has been particularly poor. Having inherited a portfolio of \$51 billion (which is half of what it had been from its heyday in 1999), it now stands at "just" \$15 billion! This stunning decline has not only been painful to its longtime shareholders, it has also been agonizing to Fidelity itself

as *Magellan* once provided the company with tens of millions of dollars in annual income. In fact, during its peak years, we'd rhetorically ask: "What's more profitable than owning *Magellan*?" Answer: "Owning *Magellan*!" Today, it ranks just fifth in equity assets behind **Contrafund** (\$57 billion), **Growth Co.**, **Low-Priced Stock** and **Spartan 500 Index**.

### A New Skipper

But all that's ancient history.

Here's what you need to know about Jeff.

First of all, he remains the manager of several other portfolios including **Trend**, **Large Cap Growth** and **VIP Growth Stock**. (We really

(2000-'01). He's also run the equity portions of **Global Balanced** (2004-'07) and **Worldwide** (2006-'07). Jeff has also led Home Finance (now **Consumer Finance**) and **Financial Services**. In fact, he served as the financial services lead researcher (2001 to '04).

We're optimistic that that experience will serve him even better today at *Magellan* than it already has at his other charges. That's because financials are a comparatively smaller percentage of *Trend's* and *Large Cap Growth's* benchmark relative to *Magellan's* (about 4% versus 15%). Moreover, with so many of the world's banks and other financials in trouble (Standard & Poor's busily downgraded a number of money center banks last month), this expertise is a plus.

It will also be interesting to see *Magellan's* forthcoming portfolio changes. Of special interest: will Jeff redeploy the fund's 22% stake (about \$3 billion) in foreign stocks? By comparison, Jeff's funds have less than half as much overseas, suggesting that a realignment may be in the offing. Still other changes could be made,

as there are about 35 stocks that are unique to *Magellan* (not owned by *Trend* or *Large Cap Stock*, which are now essentially clones). And, of course, there are potential tax consequences from a portfolio realignment.

### Action Recommendation

We see this management change as a good one for *Magellan's* many shareholders. Notably, the fund was rated *OK to Sell* (under Harry), while we've been rating Jeff's retail funds *Buy*. (*VIP Growth Stock* is *OK to Buy* given the other options in Fidelity's annuity lineup, but that is also under review.) Given our positive view of Jeff, we're stepping up *Magellan's* rating to *Hold* for now, and we will be eagerly watching for how he repositions this once great fund. ■

— John Bonnanzio

### FEINGOLD'S PLATINUM RECORD

Fund under Feingold	Total Returns (in %)	
	Trend <sup>1</sup>	Large Cap Growth <sup>2</sup>
S&P 500	-10.9	16.4
R1000 Growth	6.8	27.0
Magellan	-18.9	8.2

*During two separate time periods (the first including the 2008 bear market and the second capturing part of the recovery), Jeff's large-cap stock funds outpaced the S&P 500, the Russell 1000 Growth index and Magellan itself.*

*Feingold's fund tenures are both through September 12, 2011 and start <sup>1</sup>Feb 1, 2007 and <sup>2</sup>Nov 1, 2009, respectively.*

hope he'll get some assistance on them as his plate is now plenty full.) With excellent track records on these funds (see table), Jeff certainly has the "portfolio" to resurrect *Magellan's* tattered reputation.

A former co-director of Fidelity's research group (he was managing director from 2004 through 2006), Jeff has worked his way up the ranks. Fresh out of Harvard's B-school, he joined Fidelity in 1997 as a research analyst. Soon he was running Select funds: **Defense and Aerospace** (1998-'01) and later **Air Transportation**

### Possible Portfolio Changes To Magellan

1. Reduce foreign exposure from 22% to about 10%;
2. Increase financials (though already under-weighted at *Magellan*, and only a tiny part of *Trend* and *Large Cap Growth*, Jeff may see the recent selloff as a buying opportunity), and;
3. Increase exposure to defensive consumer staple stocks.

## Inside Fidelity

**Manager Changes** — Alexander Zavratsky now runs **Int'l Value** and **Total Int'l Equity**. (The latter is a holding in our Income & Preservation Model.) He succeeds George Stairs who came to Fidelity five years ago from Putnam Investments. But after years of just decent performance, George has retired. (International Value has been co-managed with Jed Weiss, who remains on the fund.)

Alex joined Fidelity's Fixed Income research group in 1996, and has followed a wide variety of industries both domestically and abroad. In

### DIVIDEND UPDATE

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

Asset Mgr 40%, Asset Mgr 50%, AZ Muni, Balanced, Conservative Inc, Convertible Secs, Corporate Bond, Eqty-Inc, Eqty-Inc II, Export and Multi, Fidelity Fund, Growth & Inc, Intern Bond, Invest Grade Bond, MD Muni, Mortgage Securities, Puritan, Short-Term Bond, Strategic Div & Inc, Strategic Real Return, Tax Managed Stk, Telecom & Utilities, Total Bond, Spartan US Bond Index

*The final distributions for September were as follows:*

Fund	Ex-Date	\$ Amt	NAV
Blue Chip Growth	9/9	1.60	41.34
Blue Chip Value	9/9	0.08	9.25
Dividend Growth	9/9	0.08	24.70
GNMA	9/9	0.07	11.94
Government Inc	9/9	0.14	10.86
Int'l Real Estate	9/9	0.32	7.65
Intmd Gov't Incom	9/9	0.10	11.08
Low-Priced Stock	9/9	2.34	33.80
Real Estate Inc	9/2	0.20	10.07
Real Estate Inv	9/2	0.04	25.85
Small Cap Growth	9/9	0.23	13.87
Small Cap Value	9/9	0.82	12.42
Value Discovery	9/9	0.06	12.95

1998, he joined their European equity research team, and co-managed several sector-oriented and diversified funds.

Since 2006, he's been one of many analysts assisting Bill Bower on **Diversified Int'l**. As such, we assume that Bill has been instrumental in Mr. Zavratsky's promotion.

Indeed, his experience is impressive, but even as we maintain our *Buy* rating and own the fund in our model, we'll be watching Total Int'l Equity closely for changes.

Elsewhere, Robert Bao now runs **China Region**; he succeeds Joseph Tse. (We still rate the fund *Hold*.)

Bob has co-managed various sector portfolio "sleeves" at Fidelity, as well as the diversified Asia Pacific portfolio for Canadian investors.

### MESSAGE TO MEMBERS

#### Practical Advice

No question, these are challenging times. Interest rates are low, housing prices are weak, the stock market is struggling. Meanwhile, energy, college and health care costs continue to take a bigger bite. Add in the uncertainty surrounding future tax rates and government benefits, and Americans' confidence in their futures has dimmed.

Is there any way to prepare for what's coming?

First, it's important not to overreact. We're likely nearing the end of a 12-year stock valuation decline, which in itself sets the stage for better returns in the coming decade. US companies, after 20 years of being on the losing end of a global wage equalization, have finally managed to turn the tide. Exports and foreign sales now account for more than half of S&P 500 earnings, and perhaps two-

He joined Fidelity as analyst in 1997 covering Canadian oil and gas companies, as well as telecom, cable, utilities and pipeline stocks. Bob has managed Select Environmental (now called **Environmental & Alternative Energy**), **Automotive** and **Construction and Housing**.

Finally, and as we reported early last month, Jeffrey Feingold has been named **Magellan's** new manager. He's the seventh manager in that iconic fund's nearly 50-year history. (Please see p. 11 for a discussion on Magellan and our new rating.)

**Fees** — The voluntary fee waiver on **Spartan International Index** will end in February. This means its expense ratio will rise to 0.20%, up from the current 0.10% on retail shares. ■

thirds of revenue growth. Even if global growth slows, an improving competitive position should keep US firms growing. This is not the time to give up on stocks.

Second, for those who like to focus on what they can control, it's hard to argue with spending a little less so that you can save a little more. Or with delaying retirement by a few years to build up your nest egg. Your lifestyle may diminish in the short run, but odds are it will be a temporary setback.

Finally, recognize that government leaders often stumble with ineffective solutions in the short run, but over longer periods of time even the most challenging problems tend to get solved — often with simple strategies that weren't always obvious early in the process.

Sincerely,

John Boyd

John Bonnanzio

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