

FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

SEPTEMBER 2011

VOLUME 27, NUMBER 9

MARKET OUTLOOK

Where Do We Go From Here: Five Questions Answered

There's no doubt about it: August was a terrible month. Though losses were halved by month-end, amidst such sharp declines it can be difficult to maintain your perspective, and easy to let emotions rule your investments. And that, with homage to Milton Friedman, "always and everywhere," leads to bad decisions. To help members better weather this storm we tackle five key questions about where we go from here.



John M. Boyd

The Economy and Stocks

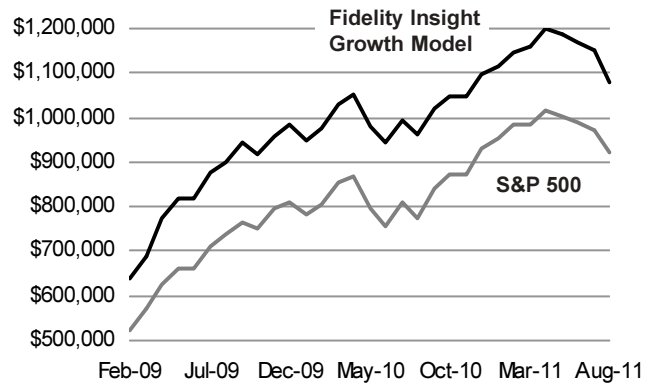
Q1: Do you believe we're headed for a double-dip recession and, if so, isn't it likely that stocks will fall further?

A: There have been a lot of predictions lately that we will soon be back in recession again. Indeed, some pundits are claiming we are already in one. The point is more than academic as the average peak-to-trough decline in the stock market in a recession is 40%! As of the end of August, the S&P 500 is down some 10% from its peak so we could have another 30% to go, if we slipped into recession.

That the economy is very weak is unambiguous. Second quarter GDP growth was just revised down to 1.0%, after a nearly flat 0.4% in the first quarter, and several indicators of manufacturing activity have dropped sharply

KEEP YOUR PERSPECTIVE

Growth Model vs S&P 500
(Value of \$100,000 invested at inception)



The financial media's constant reminders of how far the S&P 500 has fallen since its peak on April 29 (-18% as of 8/8) can lead one to think stocks have been a disaster. But for the year, the S&P 500 is only down 1.8%. Not great, but no disaster either. And if we looked at where we've come since the bottom in Feb '09, we get a much different picture indeed.

in recent readings. However, the case for a double-dip recession is far more muddled.

Against the backdrop of a weak first half, year-over-year GDP growth has now fallen to 1.55% — a level that has previously always heralded a recession. The good news that we can also point to are several other indicators (industrial production, employment, capacity utilization, car and light truck sales) that are improving — even if modestly — and we have never had a recession when they are improving. Warren Buffet's favorite economic indicator, rail shipments, continues to show modest growth that is not consistent with a double-dip recession. Retail sales have also hung in there pretty well, rising in both June and July and running 8% higher than a year ago.

Add it all up and we still see modestly improving economic growth in the second half of the year. If right, this should benefit stock prices.

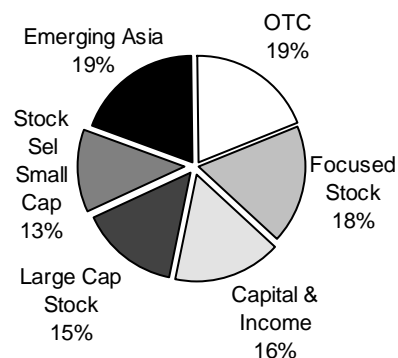
Q2: Even if we don't dip back into recession, with growth much weaker than previously expected, won't corporate earnings have to come down?

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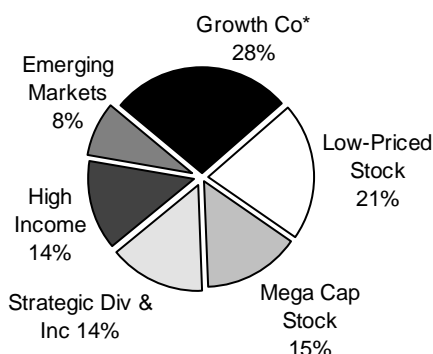
FIDELITY INSIGHT MODEL PORTFOLIOS - AUGUST 31, 2011

Aggressive Growth Model		Rel Vol: 1.09	Est. Yield: 1.4%	YTD Return: -4.0%		
Current Asset Allocation		Stocks 83.3%	Bonds 0.0%	Cash 2.1%	Alternative ¹ 14.6%	Foreign 25.3%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Emerging Asia	FSEAX	19%	\$28.85	1,042.38	\$30,073	-9.8%
OTC	FOCPX	19	54.44	542.94	29,558	-8.2
Focused Stock	FTQGX	18	13.60	2,008.32	27,313	-6.5
Capital & Income	FAGIX	16	9.01	2,763.00	24,895	-5.4
Large Cap Stock	FLCSX	15	16.78	1,343.49	22,544	-5.9
Stock Sel Small Cap	FDSCX	13	17.55	1,127.28	19,784	-8.7
Current Value (4/7/99 = \$100,000)					\$154,166	-7.5%



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

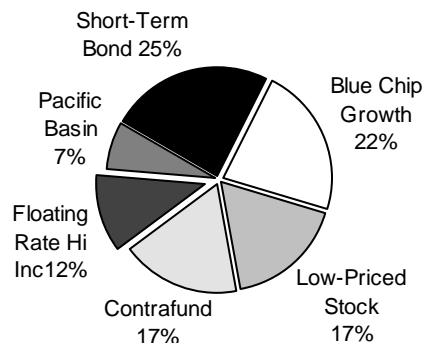
Growth Model		Rel Vol: 1.04	Est. Yield: 1.9%	YTD Return: -1.7%		
Current Asset Allocation		Stocks 78.8%	Bonds 0.0%	Cash 4.0%	Alternative ¹ 17.2%	Foreign 19.3%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Growth Company*	FDGRX	28%	\$84.35	3,582.28	\$302,166	-6.7%
Low-Priced Stock	FLPSX	21	38.12	5,818.27	221,793	-6.3
Mega Cap Stock	FGRTX	15	9.71	16,136.40	156,684	-4.9
Strategic Div & Inc	FSDIX	14	10.81	14,219.72	153,715	-3.7
High Income	SPHIX	14	8.63	17,568.36	151,615	-4.6
Emerging Markets	FEMKX	8	24.16	3,812.35	92,106	-9.2
Current Value (1/1/87 = \$100,000)					\$1,078,079	-6.4%



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

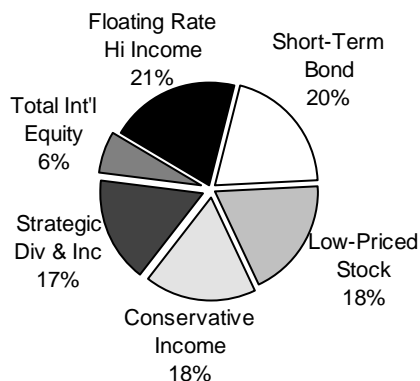
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.73	Est. Yield: 0.8%	YTD Return: -0.4%		
Current Asset Allocation		Stocks 60.4%	Bonds 21.5%	Cash 7.7%	Alternative ¹ 10.4%	Foreign 18.4%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Short-Term Bond	FSHBX	25%	\$8.53	25,869.63	\$220,668	0.0%
Blue Chip Growth	FBGRX	22	44.97	4,403.36	198,019	-6.6
Low-Priced Stock	FLPSX	17	38.12	4,101.41	156,346	-6.3
Contrafund	FCNTX	17	67.40	2,317.01	156,167	-4.9
Floating Rate Hi Income	FFRHX	12	9.45	11,319.09	106,965	-3.3
Pacific Basin	FPBFX	7	24.66	2,596.92	64,040	-9.3
Current Value (1/1/87 = \$100,000)					\$902,205	-4.5%



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: 0.55	Est. Yield: 1.8%	YTD Return: -1.7%		
Current Asset Allocation		Stocks 33.9%	Bonds 35.2%	Cash 8.2%	Alternative ¹ 22.7%	Foreign 6.3%
Holdings	Ticker	Alloc	NAV	Shares	Value	Aug Ret
Floating Rate Hi Income	FFRHX	21%	\$9.45	11,946.86	\$112,898	-3.3%
Short-Term Bond	FSHBX	20	8.53	12,801.30	109,195	0.0
Low-Priced Stock	FLPSX	18	38.12	2,586.61	98,601	-6.3
Conservative Income	FCONX	18	9.99	9,419.58	94,102	-0.1
Strategic Div & Inc	FSDIX	17	10.81	8,299.42	89,717	-3.7
Total Int'l Equity	FTIEX	6	6.96	4,994.01	34,758	-8.9
Current Value (1/1/87 = \$100,000)					\$539,271	-3.8%



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

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.

A: Despite all the forecasts of doom and gloom, earnings expectations for the S&P 500 have barely budged. Over the past tough month, forecasts for the second half of 2011 and 2012 have dropped by less than 1%. Perhaps that merely shows that analysts are out of touch with what's going on, and once they wake up to reality those estimates will tumble. But, in the first half of this year, corporations proved they can deliver strong earnings growth despite weak economic growth. So unless our economy weakens substantially from here, it seems likely earnings will continue to provide support for stock prices. One of the reasons for that seeming dichotomy is that the S&P 500 companies earn about half of their revenues from overseas, especially from emerging markets. While growth is slowing there, too, it's still robust.

Bond Funds

Q3: *Investment grade bond funds (especially Treasury funds) have delivered strong returns this year. Aren't they a better bet than stocks in this difficult economy?*

A: So far, investment-grade bond funds have fared much better than we anticipated, outperforming stocks by a wide margin. A number of factors have contributed to their surprising gains: a flight to safety amid Europe's debt woes, deteriorating economic data, and a flight to safety from stocks. And over the short-term, should the economy weaken further, investment-grade bond funds could continue their outperformance. That said, as longer-term investors, the relative valuation between stocks and bonds is so skewed in favor of stocks, that it is hard to recommend bonds heartily (we have them rated *Hold* or *OK to Buy*) over most stock funds.

Let me explain. A common measure of the value relationship between

WHICH FUNDS SHOULD YOU BUY NOW!

Equity Funds: **Blue Chip Growth**, **Focused Stock**, **Growth Co** and **OTC** are our top large-cap growth picks. **Strategic Dividend & Income** is your large-cap value option (see p. 11). **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. **Short-Intermediate Muni** is our preferred choice for tax-free income.

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 TRADES

As announced on our August 12 Hotline, on Monday August 15, we made a trade in our Growth and Growth & Income Models as detailed below.

Action	Fund (ticker)	Shares	Price	Value	Old %	New %
Growth Model						
Sold:	Equity-Income (FEQIX)	3,741.11	\$40.48	\$151,440.02	14%	0%
Bought:	Strat Div & Inc (FSDIX)	14,219.72	\$10.65	\$151,440.02	0%	14%
Income & Preservation Model						
Sold:	Equity-Income (FEQIX)	2,183.52	\$40.48	\$88,388.87	16%	0%
Bought:	Strat Div & Inc (FSDIX)	8,299.42	\$10.65	\$88,388.87	0%	16%

Our sale of **Equity-Income** reflects our overall disappointment with portfolio management. We're also concerned about its large financial stake generally, and its big bank stocks in particular. Granted, this sector has suddenly gotten a lot less expensive. But for a variety of reasons, including greater regulations and historically low interest rates, banks face considerable challenges to increase their profits. Unfortunately, Equity-Income holds many of these troubled stocks.

As for our purchases of **Strategic Dividend & Income** (see p. 11) it does not alter our models' overall equity exposures. Like Equity-Income, it also invests in large-cap stocks, but with an emphasis on preferred stocks, along with a bit of real estate investment trusts, or REITs. This gives it a higher dividend yield of 3.0% versus 2.3% for Equity-Income. And ex-REITs, its financial exposure is only about 9% versus 27% for Equity-Income.

While there are no other model portfolio trades advised, we recognize that our three annuity models hold **VIP Equity-Income** (see p. 10). We are holding on to these positions, as the VIP fund and Equity-Income now have different managers. Since the new management team took over the annuity version in April, it has been consistently performing better, in part, owing to a diminishing stake in the big bank stocks that have hurt its counterpart.

Our diminished outlook for financials has prompted us to downgrade Equity-Income to *Hold*. We have also taken this step for **Equity-Income II**, which has become a clone of its namesake since Stephen Petersen took it over in 2009. ■

stocks and bonds is to compare the earnings yield of the S&P 500 (the inverse of the P/E) to the yield on the 10-year Treasury. Since 1974, the ratio between the two has averaged just under 1.0. Today that ratio stands at over 3.0 (the earnings yield on the S&P 500 is three times greater than the yield on the 10-year Treasury). This makes stocks either very cheap, or bonds very expensive. Either way, we prefer to cast our lot with stocks.

Q4: *What's your outlook for high-yield bonds? Won't a slowing economy be bad for them?*

A: It is true that high-yield bonds fare better when the economy is gaining rather than losing strength, as the risk of default on these less creditworthy bonds goes down. However, given the lumps they have already taken, unless the economy deteriorates markedly from here (see **Question 1**), their higher yields should more than compensate for their added risk.

The yield spread between high-yield bonds and Treasuries spiked to over 7.4% in August. The ratio of that spread compared to the yield on the 10-Year Treasury now stands at 4.3. Since 1987, when that ratio has been above 2.5, Fidelity's high-yield funds have done extremely well. For example, when the ratio has been above 2.5, **Capital & Income** has had an average return of 17.9% over the next 12 months, versus 8.0% for **Investment Grade Bond** and 6.2% for **Government Income**.

International Funds

Q5: *Emerging market funds have been hard hit this year. So why do you still recommend them?*

A: Emerging market funds have been the weakest part of our model portfolios this year. Even with a terrible August, most of the weakness in emerging markets versus US stocks came in January. From February on,

THE DIFFICULTY OF MARKET-TIMING

This article is adapted from our Special Hotline update of August 11.

Why don't we attempt to time the market?

For one thing, it's tough to do consistently right. It takes not one correct decision (when to get out), but two (also when to get back in). Investors most often end up selling low (after the market has already declined) and buying high (after the market has rebounded sharply).

Over the past 20 years, if you missed just the best 10 days in the market, excluding dividends, you would have missed out on over 70% of the market's gain for the whole period. And most of those days come at or near a bottom, when timers are still anchored to the sidelines. Six of the 10 best days came within 32 days of a market bottom and eight out of 10 came within 56 days.

"What about missing the 10 worst days?" Well, of course, that would be a great strategy, vastly outperforming the market. But there is no timing system that can ensure you miss only those 10 worst days!

On the other hand, staying in the

market with a well-diversified portfolio, with good fund selection, and making modest asset allocation shifts, guarantees you will get the 10 best days. More importantly, it has worked very well for us over the years (see p. 12). Over the past 3, 5, 10 and 20 years, our Growth Model has outperformed the less-diverse S&P 500. Even our Growth & Income Model, which takes a good deal less risk than the market, has outperformed the S&P for all but the last three years, and there it is only slightly behind. Our Aggressive Growth Model, being more sensitive to declines, has lagged modestly over the past 3 and 5 years, but has more than doubled the all-stock S&P 500 over the past 10.

So while sticking with your portfolio may not be the most "satisfying" advice in the face of steep market declines, and may fly in the face of the understandable urge to just "get out of stocks," over the long-run it should continue to prove to be the most profitable. ■

the S&P 500 has dropped 3.4%, while **Emerging Asia** has dropped 5.6%, **Emerging Markets** has lost 5.4% and **Pacific Basin** has fallen 4.5%.

The main reasons we liked emerging markets heading into this year remain intact: they are still the world's fastest growing economies, yet their valuations are lower than the developed markets. The P/E on emerging market stocks is 12.6 versus 14.4 for developed stocks globally, and they sport an average GDP growth rate of 6.3%, whereas most developed markets are just barely growing.

Many emerging market countries have been raising interest rates and taking other measures to combat rising inflation. (In China, for example, inflation hit a three-year high of 6.5% in July.) These tightening moves have raised fears of a "hard-landing." But so far, we have seen no evidence for

that. Over the last quarter, for example, China's growth has "slowed" from 9.7% to 9.5%.

On the other hand, we have not seen moderation in inflation yet either. However, the decline in commodity prices since the beginning of the summer should provide some inflationary relief. Once inflation does start to slow, it's our view that emerging markets are poised to rebound.

A Final Thought

You may have noticed one theme that flows through these answers is that we are favoring those areas that offer better valuations. To quote Benjamin Graham: "In the short-run, the market is a voting machine, but in the long-run, it's a weighing machine." Long-term investors would do well to keep the weight on their side. ■

— John M. Boyd

FUND COMMENTARY

Stocks Slide — Treasuries Rally

Go figure. In a historic month that saw the US Government lose its top credit rating by Standard & Poor's, investors drove Treasury prices up into the stratosphere. With bond yields moving in the opposite direction of their price, the 10-year note's yield briefly hit an unprecedented low of 1.97%. In the meantime, gold soared to almost \$1,900 an ounce, but has since retreated.



John Bonnanzio

Massive trading volume and extreme volatility were the stock market's hallmark. Although investors seemed surprisingly sanguine about the lack of a debt-ceiling deal in July, that mood changed dramatically in the hours leading up to the August 2 debt deadline.

Once met, the market's sigh of relief was brief. Investor angst, coupled with the start of an onslaught of disappointing economic news, set the stage for several four-hundred-point market swings by the Dow Industrials. There were also down days of 513-points and 635-points stirred into the trading frenzy. Granted, some of that was offset by back-to-back 400-point up days. But the net affect was ugly: The Dow lost 530 points in August, or 4.1%. Similarly, the S&P 500 retreated 5.4%, while the somewhat more volatile Nasdaq Composite and Russell 2000 retreated 6.3% and 8.7%, respectively.

With these losses, 2011's modest equity gains were largely washed away. For the year-to-date, the Dow is up 2.0%, but the S&P is off 1.8%, the Nasdaq has now fallen 2.2% since the start of the year and the Russell 2000 has lost 6.5%. Not a huge disaster, but definitely disappointing.

Stock Funds

Against that backdrop, every Fidelity stock fund fell in August; their average decline was 7.3%. **Leveraged Co Stock** (which is especially sensitive to perceptions of economic changes) fell more than most (down 10.9%), while Will Danoff's more conservatively positioned **Contrafund** minimized its losses to 4.9%. (We're fortunate to own it in our Growth & Income Model.)

Performance-wise, market cap mattered a great deal in last month's market, but so did sector exposures. Small-cap funds suffered more than big-caps — especially those with energy and financials. But it was often the latter that undermined the performances of large-caps, including **Equity-Income** (see p. 3), which did recover some of its losses as bank stocks staged a late-month bounce.

Select Funds

All but two of Fidelity's 39 Select equity funds were in the red last month. **Gold** obviously shone brightest with its 7.7% gain; this is in stark contrast to the group's average loss of 7.2%. Double-digit declines hit most energy and finance-related funds. **Energy Service** fared worst (down 16.2%) and **Banking** was none-too-impressive either (down 11.8%). Apart from that group was **Automotive's** retreat of 15.4%. It was also a tough month for technology-related Selects: **Computers** fared the worst falling 10.3%.

(Note: Fidelity is among Apple Inc's biggest shareholders, while the stock itself is a top holding in many of its funds. But even with last month's resignation of Steve Jobs, Apple was down just 1.4%.)

Other relatively good performers were, not surprisingly, more defensive in nature, including **Consumer Staples** (which was flat for the month) and **Utilities** (down 1.7%).

International Funds

While the US struggled to comprehend its own debt and economic problems last month, Europe's were close in mind. The average foreign stock fund fell 8.5%. **Europe** and **Europe Cap App** and **Int'l Value** were among the worst-hit funds — all fell 11.4%. But fears of a global economic slowdown also dragged on emerging market funds, including **Emerging Asia** (down 9.8%), **Emerging markets** (down 9.2%) and even the more global **Diversified Int'l** (down 8.7%), which is only 14% invested in the emerging markets.

Fixed Income

Economically sensitive high-yield funds took a hit in August with the most aggressive of Fidelity's offerings (**Capital & Income**) retreating 5.4%. But the fortunes of most taxable and muni bond funds were far better as investors embraced what they saw as "safer." In fact, every diversified and state-specific muni fund scored gains in August, while on the taxable side only three shorter-term funds lost a tiny bit of ground.

And, as hinted at earlier, falling bond yields were a boon to Fidelity's Treasury and other government-rich funds. **Spartan Long-Term Treasury Index** soared 8.6%, while the **Intermediate** version gained a more modest 3.6%. Meanwhile money market yields remain painfully close to zero. ■

— John Bonnanzio

SEPTEMBER SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
Equity-Income	B	H	↓	Exposure to troubled bank stocks (see p. 3).
Equity-Income II	B	H	↓	Exposure to troubled bank stocks (see p. 3).
Select Retailing	H	B	↑	Falling gas prices and low interest rates helpful.
Small Cap Stock	B	H	↓	Stock selection hampering returns vs peers.
B = Buy; B = OK to Buy; H = Hold; S = OK to Sell; S = Sell, NC = No change (↑) Rating upgraded; (↓) Rating downgraded.				

FIDELITY SCORECARD - AUGUST 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)			
						Aug	YTD	2010	1 Year	3 Year	5 Year					
Comparative Indexes		S&P 500 (Large cap)*				-5.4	-1.8	15.0	18.4	0.5	0.7	1.00				
		Nasdaq Composite (OTC)*				-6.3	-2.3	17.8	23.0	3.7	4.1	1.12				
		MSCI EAFE (International)*				-9.1	-5.8	7.7	10.4	-2.6	-1.4	1.27				
		Sptn Extd Mkt (Small-mid caps)				-8.2	-4.8	28.6	22.5	3.3	3.6	1.22				
		Barclays Aggregate Bond*				1.5	5.7	6.3	4.3	6.9	5.9	0.18				
LARGE CAP GROWTH						Category Averages			-6.7	-2.0	18.6	22.9	1.9	2.9	1.11	
312	FBRGX	Blue Chip Growth		44.97	Buy	-6.6	-0.8	19.6	26.4	5.5	4.7	1.11	\$11,175			
307	FDCAX	Capital Appreciation		24.30	OK to Buy	-5.8	-4.1	18.3	17.0	2.6	1.5	1.14	4,194			
22	FCNTX	Contrafund		67.40	Buy	-4.9	-0.4	16.9	20.1	2.7	4.1	0.88	57,046			
332	FEXPX	Export and Multinational	0.75%/30d	20.98	OK to Sell	-5.9	-3.8	11.9	16.9	-0.6	0.6	1.06	2,048			
500	FFTYX	Fifty		17.30	OK to Buy	-6.2	-1.7	17.8	19.1	-1.3	-0.1	1.15	678			
333	FTQGX	Focused Stock		13.60	Buy	-6.5	-0.4	24.1	29.5	2.9	4.6	1.00	591			
25	FDGRX	Growth Company (closed)		84.35	Buy	-6.7	1.4	20.6	26.4	4.6	6.2	1.08	26,401			
339	FDSVX	Growth Discovery		13.64	Buy	-7.4	0.3	24.0	28.5	0.8	3.1	1.11	871			
73	FDFFX	Independence		23.20	OK to Buy	-8.6	-4.7	22.2	24.1	-2.6	3.4	1.34	3,549			
763	FSLGX	Large Cap Growth		9.75	Buy	-7.4	0.1	19.8	25.5	1.9	0.8	1.03	127			
1829	FLGEX	Large Cap Growth Enhcd Index		9.67	OK to Buy	-5.2	0.8	14.0	24.4	2.8	--	0.98	82			
338	FLCSX	Large Cap Stock		16.78	Buy	-5.9	-4.5	18.2	19.4	2.9	2.0	1.26	833			
21	FMAGX	Magellan		66.31	OK to Sell	-7.7	-7.4	12.4	15.0	-4.2	-1.3	1.27	14,689			
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	34.38	OK to Buy	-6.3	-2.3	17.8	23.0	3.7	4.1	1.12	301			
93	FOCPX	OTC		54.44	Buy	-8.2	-0.9	20.1	28.6	6.9	8.3	1.25	5,806			
320	FDSSX	Stock Selector All Cap		24.44	Hold	-7.4	-5.1	19.2	18.8	-0.8	0.5	1.07	1,366			
5	FTRNX	Trend		67.43	Buy	-7.4	0.1	19.8	25.7	4.5	4.3	1.10	1,040			
LARGE CAP BLEND						Category Averages			-6.6	-3.3	14.8	18.8	-1.2	-0.5	1.09	
315	FDEQX	Disciplined Equity		21.53	Hold	-7.5	-4.4	8.3	13.8	-4.1	-1.8	1.02	7,381			
330	FDFGX	Dividend Growth		26.44	Buy	-8.7	-7.0	21.2	19.2	3.0	1.4	1.32	8,457			
3	FFIDX	Fidelity Fund		31.63	Hold	-6.5	-1.4	14.6	21.9	-0.5	1.6	1.05	4,547			
27	FGRIX	Growth & Income		17.63	Hold	-5.1	-3.0	14.6	19.7	-6.4	-5.9	1.18	4,713			
1827	FLCEX	Large Cap Core Enhcd Index		8.54	OK to Sell	-4.8	0.2	12.2	20.6	0.2	--	0.96	81			
361	FGRTX	Mega Cap Stock		9.71	Buy	-4.9	-2.3	14.4	20.1	0.8	0.9	1.05	838			
650	FUSEX	Spartan 500 Index ⁴		43.29	Hold	-5.4	-1.8	15.0	18.4	0.5	0.7	1.00	17,669			
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	35.48	Hold	-6.0	-2.3	17.4	19.3	1.0	1.4	1.03	5,238			
343	FTXMX	Tax Managed Stock		11.81	Hold	-8.9	-5.2	14.7	18.7	-4.9	-1.5	1.11	63			
832	FVDFX	Value Discovery		13.82	Hold	-7.7	-5.6	15.4	15.9	-2.1	-1.1	1.17	491			
LARGE CAP VALUE						Category Averages			-7.4	-5.7	12.2	12.9	-3.2	-3.0	1.12	
1271	FBCVX	Blue Chip Value		10.00	Sell	-7.9	-7.5	10.1	10.1	-4.8	-3.9	1.19	405			
23	FEQIX	Equity-Income		40.82	Hold↓	-8.0	-7.0	15.1	13.2	-1.6	-2.0	1.16	7,917			
319	FEQTX	Equity-Income II		16.85	Hold↓	-8.0	-7.0	13.5	13.0	-2.7	-2.1	1.14	4,248			
1828	FLVEX	Large Cap Value Enhcd Index		7.25	OK to Sell	-6.0	-2.2	12.7	16.5	-2.0	--	1.01	83			
708	FSLVX	Stock Sel Large Cap Value ⁸		10.01	OK to Sell	-7.1	-4.9	9.3	11.6	-5.2	-4.0	1.08	525			
MID-CAP GROWTH						Category Averages			-6.8	-2.5	23.1	23.2	3.2	2.6	1.22	
324	FDEGX	Growth Strategies	1.50%/90d	19.48	Buy	-8.8	-4.7	25.6	21.1	3.0	2.4	1.16	1,712			
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	9.22	Hold	-6.9	-2.5	22.4	22.9	3.2	--	1.15	68			
793	FSMGX	Mid Cap Growth	0.75%/30d	11.91	Buy	-8.5	-4.3	25.2	21.3	0.8	0.2	1.28	259			
337	FMCSX	Mid-Cap Stock	0.75%/30d	27.01	Hold	-5.0	-1.6	23.6	26.7	3.5	2.8	1.36	5,732			
300	FMLX	New Millennium		29.34	OK to Buy	-4.9	0.7	18.9	24.0	5.2	5.2	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. 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 Dynamic Strategies. ⁷ Distributed yield is calculated by taking a fund's actual distributions over the past year divided by its current NAV. ⁸ Formerly Large Cap Value. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgrade

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 - AUGUST 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Aug	YTD	2010	1 Year	3 Year	5 Year				
MID-CAP BLEND						Category Averages			-8.9	-5.7	25.1	20.0	1.4	2.4	1.39
122	FLVCX	Leveraged Company Stock	1.50%/90d	25.70	Buy	-10.9	-9.6	24.5	19.6	-4.7	0.6	1.66	\$3,370		
316	FLPSX	Low-Priced Stock	1.50%/90d	38.12	Buy	-6.3	-0.7	20.7	20.7	5.2	4.1	1.12	24,689		
398	FSEMXX	Spartan Extended Mkt Index ⁴	0.75%/90d	35.87	Hold	-8.2	-4.8	28.6	22.5	3.3	3.6	1.22	4,171		
14	FSLSX	Value Strategies		25.74	Buy	-10.3	-7.6	26.5	17.1	1.9	1.2	1.56	281		
MID-CAP VALUE						Category Averages			-8.4	-7.2	23.8	15.5	0.3	0.1	1.38
762	FSMVX	Mid Cap Value	0.75%/30d	14.86	Hold	-8.2	-6.8	25.4	15.6	1.7	0.8	1.29	545		
39	FDVLX	Value		63.55	Hold	-8.7	-7.5	22.3	15.4	-1.1	-0.6	1.47	6,115		
SMALL CAP GROWTH						Category Averages			-8.3	-3.8	28.8	26.1	2.5	2.8	1.28
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	9.49	Hold	-7.3	-3.2	26.1	25.3	1.7	--	1.21	112		
1388	FCPGX	Small Cap Growth	1.50%/90d	15.20	Buy	-8.7	-3.1	26.6	26.1	3.7	4.2	1.26	1,232		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	17.55	Buy	-8.7	-5.2	33.7	26.9	2.1	1.3	1.37	1,728		
SMALL CAP BLEND						Category Averages			-9.5	-9.6	27.7	18.6	6.8	5.0	1.43
384	FSCRX	Small Cap Discovery	1.50%/90d	19.24	OK to Buy	-8.1	-4.8	32.4	25.1	11.0	7.4	1.36	1,873		
340	FSLCX	Small Cap Stock	2.00%/90d	16.79	Hold↓	-11.0	-14.3	23.0	12.2	2.6	2.6	1.49	3,302		
SMALL CAP VALUE						Category Averages			-8.5	-8.4	25.1	14.3	5.7	4.1	1.29
1389	FCPVX	Small Cap Value	1.50%/90d	14.30	Hold	-8.5	-8.4	25.1	14.3	5.7	4.1	1.29	1,693		
SPECIALTY						Category Averages			-8.5	-8.4	25.1	14.3	5.7	4.1	1.29
2063	FOTTX	130/30 Large Cap		6.98	Hold	-7.6	-3.6	9.7	17.5	-10.0	--	1.05	20		
304	FBALX	Balanced		18.17	OK to Buy	-3.6	0.5	13.8	13.9	3.3	3.1	0.75	15,616		
308	FCVSX	Convertible Securities		23.66	Buy	-8.1	-5.8	20.9	12.1	1.7	4.1	1.27	2,059		
355	FFNOX	Four-in-One Index		26.43	Hold	-5.6	-2.1	13.7	14.8	1.2	1.6	0.92	2,240		
334	FGBLX	Global Balanced	1.00%/30d	22.43	Hold	-4.3	0.6	12.5	14.9	4.7	5.3	0.77	541		
2120	FFGCX	Global Commodity Stock	1.00%/30d	16.03	Buy	-7.2	-6.5	18.1	20.0	--	--	--	584		
1960	FDYSX	Global Strategies ⁶		9.15	Hold	-4.2	-1.2	15.0	12.5	3.2	--	0.79	237		
1368	FIREX	International Real Estate	1.50%/90d	8.52	Sell	-8.4	-9.2	14.5	8.6	-2.2	-5.0	1.36	290		
4	FPURX	Puritan		17.72	OK to Buy	-4.5	-0.2	14.0	14.4	3.9	3.1	0.72	15,421		
833	FRIFX	Real Estate Income	0.75%/90d	10.39	OK to Buy	-3.4	1.6	18.8	9.1	9.1	3.8	0.73	1,539		
303	FRESX	Real Estate Investment	0.75%/90d	26.99	Hold	-6.2	5.1	29.9	18.8	3.1	-0.2	1.92	3,263		
1329	FSDIX	Strategic Dividend & Income		10.81	Buy	-3.7	3.7	13.7	17.1	2.4	1.0	1.11	919		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.77	Hold	-1.7	3.4	13.9	13.3	4.3	4.0	0.66	3,858		
311	FIUIX	Telecom & Utilities		16.59	Buy	-1.9	5.3	17.3	17.0	2.2	2.0	0.83	890		
ASSET ALLOCATION						Category Averages			-8.5	-8.4	25.1	14.3	5.7	4.1	1.29
328	FASIX	Asset Manager 20%		12.91	Hold	-1.2	2.0	8.9	7.2	5.4	4.3	0.35	3,607		
1957	FTANX	Asset Manager 30%		9.67	Hold	-2.1	1.3	10.9	8.8	5.2	--	0.47	203		
1958	FFANX	Asset Manager 40%		9.50	Hold	-2.9	0.4	12.1	10.2	5.0	--	0.56	141		
314	FASMX	Asset Manager 50%		15.22	Hold	-3.8	-0.5	13.5	11.6	4.9	3.7	0.69	6,202		
1959	FSANX	Asset Manager 60%		9.36	Hold	-4.6	-1.5	14.3	12.6	4.8	--	0.76	242		
321	FASGX	Asset Manager 70%		15.90	Hold	-5.5	-2.6	15.8	14.0	3.6	2.6	0.89	2,272		
347	FAMRX	Asset Manager 85%		12.82	Hold	-6.8	-4.3	16.6	15.5	2.6	2.0	1.03	606		
INTERNATIONAL						Category Averages			-8.5	-6.4	16.1	13.4	-0.1	1.1	1.34
309	FICDX	Canada	1.50%/90d	56.44	Buy	-4.4	-2.9	21.8	15.4	-0.3	5.7	1.33	4,198		
352	FHKCX	China Region	1.50%/90d	29.57	Hold	-8.1	-9.0	18.0	8.5	8.1	10.4	1.28	1,707		
325	FDIVX	Diversified International	1.00%/30d	28.28	OK to Sell	-8.7	-6.2	9.7	12.5	-3.6	-1.1	1.26	19,263		
351	FSEAX	Emerging Asia	1.50%/90d	28.85	Buy	-9.8	-5.8	22.8	12.9	4.3	7.9	1.18	1,644		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	8.96	OK to Buy	-7.3	-5.2	25.5	16.4	5.2	--	1.45	127		
322	FEMKX	Emerging Markets	1.50%/90d	24.16	Buy	-9.2	-8.3	18.2	10.3	0.5	5.0	1.57	3,275		
301	FIEUX	Europe	1.00%/30d	28.42	OK to Sell	-11.4	-9.3	8.6	11.1	-3.4	-1.5	1.32	658		
341	FECAX	Europe Capital App	1.00%/30d	17.24	OK to Sell	-11.4	-9.5	8.4	10.8	-4.8	-2.0	1.36	352		
335	FIVFX	International Cap App	1.00%/30d	12.13	Buy	-8.7	-5.9	15.9	15.5	1.6	-0.8	1.49	575		
305	FIGRX	International Discovery	1.00%/30d	30.84	OK to Sell	-8.4	-6.7	11.0	13.2	-2.1	-0.1	1.23	7,130		
2010	FIENX	International Enhanced Index	1.00%/30d	6.92	OK to Sell	-9.0	-5.2	8.7	11.9	-3.7	--	1.27	24		
1979	FIGFX	International Growth	1.00%/30d	8.29	OK to Buy	-6.9	-4.4	16.9	16.5	2.4	--	1.18	56		
818	FISMXX	International Small Cap	2.00%/90d	20.37	Buy	-9.6	-4.2	25.4	21.1	4.2	2.4	1.30	986		
1504	FSCOX	International Small Cap Opps	2.00%/90d	10.00	Buy	-6.5	-3.8	23.3	19.0	-2.6	-2.9	1.42	346		
1597	FIVLX	International Value	1.00%/30d	7.39	OK to Sell	-11.4	-9.2	5.2	6.6	-5.1	-3.6	1.45	165		
350	FJPNX	Japan	1.50%/90d	9.90	OK to Buy	-7.9	-11.5	14.7	5.0	-3.6	-6.3	1.12	479		
360	FJSCX	Japan Smaller Companies	1.50%/90d	9.21	OK to Buy	-4.0	0.2	12.3	18.8	2.9	-6.0	1.24	341		
349	FLATX	Latin America	1.50%/90d	54.94	Hold	-3.6	-6.9	16.5	11.1	1.9	10.3	1.59	3,168		
342	FNORX	Nordic	1.50%/90d	30.02	OK to Buy	-11.6	-12.6	26.5	12.1	-3.3	0.9	1.63	390		
94	FOSFX	Overseas	1.00%/30d	30.02	OK to Sell	-11.2	-7.6	6.6	12.7	-5.8	-2.8	1.28	2,709		
302	FPBFX	Pacific Basin	1.50%/90d	24.66	Buy	-9.3	-5.4	32.8	17.8	8.6	4.6	1.48	802		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	33.01	Hold	-9.1	-5.8	7.7	10.4	-2.6	-1.4	1.27	5,875		
1978	FTIEX	Total International Equity	1.00%/30d	6.96	Buy	-8.9	-7.0	12.5	11.5	-1.2	--	1.33	128		
318	FVWFX	Worldwide	1.00%/30d	18.16	Hold	-6.9	-2.7	17.0	21.6	0.5	2.7	1.14	1,139		

FIDELITY SCORECARD - AUGUST 31, 2011

SELECT MODEL PORTFOLIO

Given its aggressive positioning and long investment time horizon, the Select Portfolio performed as could be expected in August; it lost more than the large-cap S&P 500, but less than the small-cap Russell 2000. Our least risky fund position (**Pharmaceuticals**) held up best, and our most aggressive bet (**Natural Gas**) fell the most amid concerns of a global economic slowdown.



Jack Bowers

At this stage, I don't see any pressing need to make changes in the model. While there were some valid reasons for global stock markets to fall in value, last month's selloff was driven largely by fear, rumors and hedge fund selling. To me, it looks a lot like August 1998, when Russia defaulted on its debt. That correction had a similar impact on the S&P 500, but the rout was short-lived. Within months it was clear that US earnings were hold-

ing up well, and the market made a full recovery by year-end. That may not happen this time around, but in my mind there is at least a 50% chance that it could.

Select Model Portfolio	
Fund	Allocation
Pharmaceuticals (FPHAX)	20%
Chemicals (FSCHX)	19
Technology (FSPTX)	18
Natural Gas (FSNGX)	15
Industrials (FCYIX)	14
IT Services (FBSOX)	14
Total Return: Aug: -7.8% YTD: -3.7%	

This month we are upgrading **Retailing** to *OK to Buy*. Fuel prices have begun to decline, and there's a good chance they will fall further. Fully employed consumers could become more willing to open their wallets as the holiday season approaches, which would give the fund a lift. Fidelity analysts seem to have a good handle on this segment of the consumer discretionary group. According to Lipper, Retailing ranks at or near the top of its peer group over the last 3, 5, and 10-year periods. ■

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)
						Aug	YTD	2010	1 Year	3 Year	5 Year		
SELECT PORTFOLIOS						-7.2	-4.0	22.2	20.3	3.5	3.2	1.34	
Category Averages													
34	FSAIX	Air Transportation	0.75%/30d	34.77	Hold	-5.0	-11.0	33.4	6.6	8.6	2.2	1.53	\$58
502	FSAVX	Automotive	0.75%/30d	35.13	OK to Buy	-15.4	-21.0	46.2	12.8	9.5	2.6	2.42	114
507	FSRBX	Banking	0.75%/30d	15.07	Hold	-11.8	-18.6	21.4	1.8	-6.4	-11.5	1.53	397
42	FBIOX	Biotechnology	0.75%/30d	78.30	OK to Sell	-8.4	7.3	11.4	26.3	3.0	5.3	1.02	1,140
68	FSLBX	Brokerage & Investment	0.75%/30d	42.20	Hold	-11.1	-19.5	11.2	-1.4	-5.1	-4.8	1.47	392
69	FSCHX	Chemicals	0.75%/30d	97.36	Buy	-7.5	2.0	30.7	33.0	7.1	12.6	1.43	760
518	FSDCX	Communications Equipment	0.75%/30d	22.62	OK to Buy	-8.0	-14.7	27.7	9.3	2.7	3.1	1.58	335
7	FDCPX	Computers	0.75%/30d	51.85	OK to Buy	-10.3	-8.1	23.8	20.1	8.0	8.0	1.28	513
511	FSHOX	Construction & Housing	0.75%/30d	32.62	OK to Sell	-6.2	-7.0	21.5	17.0	1.1	0.1	1.46	78
517	FSCPX	Consumer Discretionary	0.75%/30d	22.59	Hold	-7.1	-4.2	31.2	22.8	7.2	2.6	1.18	206
98	FVLX	Consumer Finance	0.75%/30d	11.23	Hold	-4.2	-1.1	5.9	13.0	-11.8	-21.5	1.20	127
9	FDFAX	Consumer Staples	0.75%/30d	71.43	Hold	0.0	5.5	15.2	21.6	7.2	8.1	0.77	991
67	FSDAX	Defense & Aerospace	0.75%/30d	73.71	OK to Sell	-6.7	0.8	21.9	21.9	2.9	4.1	1.24	621
8	FSELX	Electronics	0.75%/30d	43.58	Buy	-10.0	-9.9	16.8	26.1	5.8	1.1	1.53	961
60	FSENX	Energy	0.75%/30d	51.57	Hold	-11.9	-1.2	19.0	35.5	-5.1	3.6	1.54	2,403
43	FSESX	Energy Service	0.75%/30d	73.33	Hold	-16.2	-1.4	27.9	43.9	-8.8	3.8	1.90	1,541
516	FSLEX	Environment & Alt Energy	0.75%/30d	16.12	Hold	-7.8	-9.4	14.9	7.6	-3.1	0.1	1.09	82
66	FIDSX	Financial Services	0.75%/30d	50.80	Hold	-9.6	-17.5	6.5	-1.1	-9.1	-12.0	1.47	325
41	FSAGX	Gold	0.75%/30d	52.74	OK to Sell	7.7	3.2	35.3	20.1	21.5	15.0	1.97	4,488
63	FSPHX	Health Care	0.75%/30d	130.05	Hold	-6.9	4.4	17.0	29.6	6.7	4.7	0.93	2,009
510	FSCGX	Industrial Equipment	0.75%/30d	30.45	OK to Buy	-7.9	-9.8	33.9	19.9	0.3	3.7	1.53	260
515	FCYIX	Industrials	0.75%/30d	21.34	Buy	-8.5	-8.3	31.1	18.4	2.3	5.1	1.44	449
45	FSPCX	Insurance	0.75%/30d	42.15	Hold	-8.0	-10.6	20.1	4.3	-1.1	-6.1	1.30	215
353	FBSOX	IT Services	0.75%/30d	20.44	Buy	-7.6	-1.7	18.5	23.9	7.4	8.9	1.13	203
62	FDLSX	Leisure	0.75%/30d	91.94	Hold	-5.6	1.0	37.9	26.4	12.3	8.0	1.05	379
509	FSDPX	Materials	0.75%/30d	64.51	Hold	-8.4	-5.0	28.1	25.5	6.2	10.1	1.54	1,020
505	FSHCX	Medical Delivery	0.75%/30d	53.57	OK to Buy	-7.8	7.8	15.4	36.9	9.3	4.3	1.22	741
354	FSMEX	Medical Equipment	0.75%/30d	28.30	OK to Sell	-4.8	3.2	12.7	29.6	2.9	7.5	1.01	1,429
503	FBMPX	Multimedia	0.75%/30d	41.86	Hold	-8.1	-1.7	25.8	20.3	8.6	3.9	1.33	166
513	FSNGX	Natural Gas	0.75%/30d	31.77	Buy	-10.6	-4.3	6.4	20.3	-9.5	-0.6	1.56	879
514	FNARX	Natural Resources	0.75%/30d	34.02	Hold	-10.2	-2.1	23.1	34.5	-2.4	6.7	1.54	1,578
580	FPHAX	Pharmaceuticals	0.75%/30d	12.98	Buy	-5.5	7.3	16.4	25.5	10.4	6.9	0.84	588
46	FSRPX	Retailing	0.75%/30d	52.21	OK to Buy↑	-4.7	2.9	28.1	33.2	15.6	8.7	1.22	213
28	FSCSX	Software & Computer Svcs	0.75%/30d	80.20	OK to Buy	-6.5	-2.0	18.9	24.9	8.9	8.8	1.03	1,107
64	FSPTX	Technology	0.75%/30d	88.82	Buy	-7.8	-7.1	26.7	21.4	8.9	7.5	1.40	2,228
96	FSTCX	Telecommunications	0.75%/30d	45.93	Buy	-3.4	-1.0	18.3	16.6	5.3	2.4	1.15	344
512	FSRFX	Transportation	0.75%/30d	49.53	Hold	-6.7	-9.4	41.3	11.6	4.3	4.6	1.27	217
65	FSUTX	Utilities	0.75%/30d	51.41	Buy	-1.7	6.5	10.9	14.2	0.7	2.5	0.84	473
963	FWRLX	Wireless	0.75%/30d	7.80	OK to Buy	-1.8	1.3	15.2	17.2	4.9	5.5	1.18	284

FIDELITY SCORECARD - AUGUST 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						
						Aug	YTD	2010				25%	28%	33%	35%			
TAXABLE BOND						Category Averages			1.6	6.3	6.2	1.83	2.45	4.9				
2267	FCONX	Conservative Income Bond		9.99	Buy	-0.1	0.1p	--	0.51	--	na							
2208	FCBFX	Corporate Bond		10.70	OK to Buy	0.8	7.8	5.6p	2.67	3.76	6.4							
15	FGMNX	Ginnie Mae		11.94	Hold	1.6	6.4	7.0	3.25	3.21	3.8							
54	FGOVX	Government Income		10.88	Hold	2.0	5.8	5.1	1.48	2.05	4.7							
794	FINPX	Inflation-Protected Bond ³		12.71	Hold	0.9	10.4	5.9	-0.19	0.89	6.4							
32	FTHRFX	Intermediate Bond		10.89	OK to Buy	0.9	5.3	7.6	1.92	2.98	3.9							
452	FSTGX	Intermediate Gov't Income		11.12	Hold	1.5	4.9	4.7	0.70	1.52	3.7							
26	FBNDX	Investment Grade Bond		7.67	OK to Buy	1.1	6.0	8.4	2.86	3.09	5.0							
40	FMSFX	Mortgage Securities		11.17	Hold	1.3	5.4	7.3	3.32	3.29	3.7							
450	FSHFX	Short-Term Bond		8.53	Buy	0.0	1.8	3.8	0.82	1.51	1.9							
1561	FIBIX	Sptn Interm Treas Index ⁵		11.52	Hold	3.6	10.1	8.5	1.42	2.60	6.5							
1562	FLBIX	Sptn Lng-Term Treas Index ⁵		11.78	Hold	8.6	15.7	9.2	3.09	3.51	14.7							
1560	FSBIX	Sptn Sht-Term Treas Index ⁵		10.69	Hold	0.7	2.9	3.5	0.22	1.31	2.5							
651	FBIDX	Sptn US Bond Index		11.74	Hold	1.5	5.7	6.3	2.35	2.91	4.8							
820	FTBFX	Total Bond		11.04	OK to Buy	0.6	5.4	8.6	2.95	3.71	4.3							
812	FSFX	Ultra-Short Bond	0.25%/60d	8.18	Hold	-0.2	0.3	1.2	0.53	0.34	0.5							
HIGH-YIELD BOND						Category Averages			-3.0	1.9	11.9	5.65	5.63					
38	FAGIX	Capital & Income	1.00%/90d	9.01	Buy	-5.4	-0.8	17.1	5.70	6.52	--							
814	FFRHX	Floating Rate High Income	1.00%/60d	9.45	Buy	-3.3	-1.7	7.8	4.41	3.46	--							
1366	FHIFX	Focused High Income	1.00%/90d	8.94	Buy	-3.1	2.1	12.1	6.06	6.41	--							
2297	FGHFX	Global High Income	1.00%/90d	9.48	OK to Buy	-3.7	-3.8p	--	6.32	--	--							
455	SPHIX	High Income	1.00%/90d	8.63	Buy	-4.6	0.5	13.7	7.56	7.20	--							
331	FNMIX	New Markets Income	1.00%/90d	16.11	OK to Buy	0.2	6.8	10.9	5.39	5.39	--							
368	FSICX	Strategic Income		11.21	Buy	-1.2	4.4	9.9	4.13	4.78	--							
NATIONAL MUNICIPAL BOND						Category Averages			1.5	5.9	2.3	2.50	3.43	6.2	25%	28%	33%	35%
36	FLTXX	Interm Municipal Income	0.50%/30d	10.33	Hold	1.5	5.6	2.7	2.27	3.44	5.4	3.0	3.2	3.4	3.5			
37	FHGX	Municipal Income	0.50%/30d	12.78	Hold	1.7	7.1	2.6	3.35	4.04	8.3	4.5	4.7	5.0	5.2			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.81	OK to Buy	0.7	3.6	2.0	1.08	2.20	2.6	1.4	1.5	1.6	1.7			
90	FTABX	Tax-Free Bond	0.50%/30d	10.99	Hold	1.9	7.2	2.1	3.30	4.06	8.3	4.4	4.6	4.9	5.1			
STATE-SPECIFIC MUNICIPAL BOND						Category Averages			1.6	6.3	2.3	2.67	3.57	7.2				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.55	Hold	1.8	6.4	2.3	3.11	3.64	8.1	4.3	4.5	4.9	5.0			
91	FCTFX	California Muni Income	0.50%/30d	12.14	Hold	1.7	7.4	3.2	3.54	4.16	7.9	5.2	5.4	5.8	6.1			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.76	Hold	0.7	3.7	2.2	1.06	2.34	2.8	1.6	1.6	1.7	1.8			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.72	Hold	1.8	6.9	2.2	2.34	3.22	7.1	3.3	3.4	3.7	3.9			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.17	Hold	1.7	6.0	2.3	2.37	3.28	7.3	3.3	3.5	3.7	3.9			
70	FDMMX	Mass Muni Income	0.50%/30d	12.12	Hold	1.9	6.9	2.4	2.90	3.73	8.1	4.1	4.3	4.6	4.7			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.06	Hold	1.7	6.3	2.3	2.86	3.84	7.0	4.0	4.2	4.5	4.6			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.67	Hold	1.6	6.3	2.4	2.25	3.42	6.3	3.3	3.4	3.6	3.8			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.70	Hold	1.6	6.3	2.1	2.82	3.79	7.5	4.0	4.2	4.5	4.8			
71	FTFMX	New York Muni Income	0.50%/30d	13.09	Hold	1.9	6.6	2.4	2.86	3.81	8.2	4.1	4.3	4.6	4.8			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.81	Hold	1.6	6.5	2.0	2.92	3.77	7.8	4.1	4.3	4.6	4.8			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	10.91	Hold	1.7	6.5	2.0	3.06	3.82	7.7	4.2	4.4	4.7	4.9			
TAXABLE MONEY MARKET						Category Averages			0.00	0.01	0.04	0.01						
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	0.04	0.13	0.04	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							
MUNICIPAL MONEY MARKET						Category Averages			0.00	0.01	0.01	0.01						
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			
STATE MUNICIPAL MONEY MARKET						Category Averages			0.00	0.01	0.01	0.01						
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 - AUGUST 31, 2011

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Aug	YTD	2010	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
9067	FLRQC	Fid VIP Asset Manager	Allocation		13.04	Hold	-4.3	-0.4	13.9	13.0	3.0	4.6	0.74
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		12.39	Hold	-6.1	-2.4	16.0	16.0	1.1	3.8	0.96
9069	FJBAC	Fid VIP Balanced	Allocation		13.04	OK to Buy	-5.8	-3.4	17.7	15.0	4.3	3.6	0.93
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	11.72	Hold	-7.1	-4.4	30.8	22.5	7.2	2.5	1.18
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	12.64	Hold	-0.1	4.9	14.8	20.8	7.1	--	0.76
9065	FPDFC	Fid VIP Contrafund	Large Growth		12.18	Hold	-6.7	-3.4	16.8	18.9	1.1	2.0	1.10
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		9.57	Hold	-7.3	-3.6	25.1	24.6	0.8	0.5	1.20
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		11.87	OK to Buy	-5.8	-4.3	18.0	16.6	2.0	1.0	1.15
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	8.35	Buy	-9.3	-8.7	17.5	9.4	1.9	--	1.50
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	14.55	Hold	-12.0	-1.6	19.0	34.9	-5.4	3.5	1.55
9061	FLOLC	Fid VIP Equity-Income	Large Value		10.33	Buy	-5.6	-2.2	14.8	19.1	-0.5	-1.5	1.16
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	5.93	Hold	-9.8	-17.8	7.0	-1.6	-9.3	-12.1	1.50
9157	FMPAC	Fid VIP FundsManager 20	Allocation		12.12	Hold	-1.1	1.5	7.2	6.1	3.9	3.7	0.27
9158	FMPBC	Fid VIP FundsManager 50	Allocation		11.53	Hold	-3.6	-0.4	11.6	10.8	3.3	2.9	0.59
9197	FMPPC	Fid VIP FundsManager 60	Allocation		10.27	Hold	-4.3	-1.4	13.3	12.1	3.1	--	0.70
9159	FMPCC	Fid VIP FundsManager 70	Allocation		10.80	Hold	-5.3	-2.0	14.0	13.6	2.0	1.8	0.81
9160	FMPDC	Fid VIP FundsManager 85	Allocation		10.19	Hold	-6.8	-4.1	15.9	14.6	0.8	0.7	0.97
9062	FMNDC	Fid VIP Growth	Large Growth		11.49	Buy	-7.7	-0.2	23.8	27.9	0.0	2.2	1.11
9070	FLFNC	Fid VIP Growth & Income	Large Blend		10.80	Hold	-5.1	-3.0	14.4	19.8	-2.0	-0.3	1.04
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		11.15	Buy	-6.6	1.3	23.4	29.8	1.0	2.5	1.23
9078	FPVDC	Fid VIP Growth Stock	Large Growth		12.20	OK to Buy	-6.9	0.9	19.7	26.0	4.3	4.3	1.09
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		11.00	Buy	-8.6	-4.7	24.5	20.8	2.9	1.9	1.15
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	13.12	Hold	-7.1	4.2	16.9	29.4	6.8	4.4	0.93
9060	FBBLC	Fid VIP High Income	High-Yield Bond		14.20	Buy	-4.1	1.2	13.8	7.3	7.6	5.9	0.68
9064	FXVLT	Fid VIP Index 500	Large Blend		11.03	Hold	-5.5	-2.0	14.7	18.1	0.3	0.5	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	14.29	Buy	-8.5	-8.3	30.6	18.4	2.6	5.2	1.45
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	10.66	Buy	-8.7	-6.0	15.4	15.3	1.4	-1.1	1.49
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		13.73	OK to Buy	0.8	5.3	7.5	4.8	8.0	6.0	0.23
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	13.02	Hold	-8.4	-5.1	28.1	25.4	5.9	--	1.54
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		14.09	OK to Buy	-4.7	-5.7	28.4	15.0	3.7	4.4	1.07
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.44	--	0.0	0.0	-0.1	-0.1	0.4	1.9	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	11.26	OK to Sell	-10.6	-7.3	12.8	14.3	-3.2	-1.1	1.27
9072	FFWKC	Fid VIP Real Estate	Sector		12.94	Hold	-6.9	3.8	29.9	17.7	3.0	0.4	2.01
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		15.11	Buy	-1.1	4.2	9.4	6.9	9.6	7.5	0.44
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	15.02	Buy	-8.3	-7.8	27.3	20.7	10.0	7.2	1.40
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	8.91	Buy	-2.8	-0.8	17.2	17.1	4.4	--	1.13
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	13.75	Buy	-1.7	6.4	10.8	14.0	0.8	3.0	0.85
9079	FKMSC	Fid VIP Value	Mid Value		10.02	Buy	-7.6	-5.8	17.4	14.7	-2.3	-1.4	1.43
9080	FUEBC	Fid VIP Value Leaders	Large Value		8.89	Sell	-7.9	-7.6	9.8	9.9	-5.0	-4.0	1.19
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		11.17	Buy	-10.2	-7.6	26.2	17.1	1.3	0.8	1.55
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l		10.54	OK to Sell	-8.7	-6.8	12.0	12.0	--	--	--
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		8.40	OK to Sell	-7.9	-7.1	10.7	8.7	-4.4	-3.5	0.96
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		14.51	Buy	-7.1	-7.8	22.7	7.7	3.5	9.2	1.49
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		14.90	OK to Buy	0.6	7.2	9.5	6.2	9.0	7.8	0.61
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		12.53	Buy	-7.3	-8.2	18.7	7.9	2.8	6.1	1.45
9146	FPRPC	Morgan Stanley Gbl Tactical Alloc	Diversified Int'l		9.51	Hold	-4.9	-1.4	5.4	15.2	-2.4	-0.7	1.24
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.82	Buy	-0.5	1.4	5.0	2.3	--	--	0.11
9277	FPNBC	Pimco VIT Real Return	TIPS		12.10	Hold	0.6	9.0	7.8	9.0	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		11.30	OK to Buy	-0.5	3.4	7.8	3.0	--	--	--

ANNUITY MODEL PORTFOLIOS

Annuity Growth Model

Fund	Allocation
Fidelity VIP Strategic Income	34%
Fidelity VIP Growth Opportunities	27
Fidelity VIP Value	18
Fidelity VIP Equity-Income	11
Lazard Retirement Emerg Mkts	10
Total Return: Aug: -4.9% YTD: -0.5%	

Annuity Growth & Income Model

Fund	Allocation
Fidelity VIP Strategic Income	27%
Pimco Low Duration	20
Fidelity VIP Value	16
Fidelity VIP Equity-Income	14
Fidelity VIP Growth Opportunities	13
Lazard Retirement Emerg Mkts	10
Total Return: Aug: -4.0% YTD: -0.6%	

Annuity Income & Preservation Model

Fund	Allocation
Pimco Low Duration	23%
Fidelity VIP Money Market	21
Fidelity VIP Strategic Income	21
Fidelity VIP Value	14
VIP Equity-Income	11
Lazard Retirement Emerg Mkts	10
Total Return: Aug: -2.8% YTD: -0.8%	

Strategic Dividend & Income Hunts For Yield

Listed alongside “Specialty” funds in our *Scorecard*, **Strategic Dividend & Income** [ticker: FSDIX] could be shown alongside large-cap value funds (or even Fidelity’s Asset Allocation offerings). That’s because both are stock funds in the hunt for income.

As you likely know, we traded **Equity-Income** in two models for Strategic D&I as we’ll call it (see p. 3). While both funds have a bit more than a quarter of their assets in financials, Strategic D&I’s are largely Real Estate Investment Trusts (17%) rather than bank stocks as with E-I. Strategic D&I’s non-REIT financial exposure is just 10%.

Strategic D&I, is led by a team of two asset allocation specialists (Joanna Bewick and Chris Sharpe) who fine-tune the fund’s holdings among a neutral allocation of common stocks (50%), REITs (15%), convertible securities (15%) and preferred stocks (20%).

In turn, there are individual managers who run each of these subport-

INCOME VIA STOCKS

“Ask and you shall receive.”

With apologies to St. Matthew (and with thanks and high praise to Fidelity for their flurry of recent new fund launches — see below), we remain hopeful that our latest petition for a global, dividend-oriented, blue-chip stock fund will be granted. (We appear to have had some successes in this arena before, so we’re trying again!)

Rather than merely invest in common stocks that may one day increase their dividends (think **Dividend Growth**), or holds relatively inexpensive high-quality stocks (**Blue Chip Value**), we’d like a global stock fund whose objective includes a consistent yield in excess of the S&P 500 (currently about 2%-plus). In so doing, we’d want it to minimize the financials that hobble **Equity-Income I** and **II**, while also investing more globally than **Growth & Income**. In this income-deprived landscape, we beseech Fidelity to set our table with funds that offer the promise of income plus some long-term capital appreciation. In the meantime, our online *Independent Guide* (the “button” for it appears on the left side of our website) provides readers with the ability to compare stock funds’ current dividend yields. ■

folio “sleeves.” So, for example, **Value Discovery’s** Scott Offen oversees Strategic D&I’s common stocks. Not surprisingly, five of their 10 biggest stock positions overlap.

Although we are unlikely to favor all four subportfolios at any given time, the added diversification (risk reduction) the fund affords our models is quite appealing — especially in the extraordinarily volatile market we’re now experiencing.

Moreover, we like Strategic D&I’s hunt for yield. At a time when stocks are actually yielding more than Treasuries on a forward-looking basis (see *Market Outlook* on p. 1), this diversified portfolio’s 3.01% yield (looking back over 12 months) is especially appealing. Compare that to Equity-Income at 2.32%, the S&P 500 at 2.30% and especially the 10-year Treasury at 2.23%, and you can see why this fund appeals to us. ■

NEW FUNDS

Fidelity To Launch 5 New Index Funds

In mid-September, Fidelity will add five equity index funds to its series of seven low-cost “Spartan” offerings and six “Enhanced” funds.

Spartan index funds require a \$10,000 minimum investment on retail accounts, while expenses are kept considerably less than their actively managed counterparts (from 0.10% for stock funds to 0.20% for bond offerings). The “Advantage” share class of index funds have even higher minimums but lower expenses.

Geode Capital is the subadviser for Fidelity’s index and Enhanced Index funds. (Enhanced funds attempt to add value strictly through security selection.)

Here are the new funds with their respective benchmarks in parentheses. We plan to add them to next month’s *Scorecard*:

Spartan Emerging Markets Index (FTSE Emerging Index). Its closest actively managed cohort is **Emerging Markets** whose investments range from Asia to Latin America and Eastern Europe.

Spartan Global ex U.S. Index (MSCI ACWI — All Country World Index — ex USA Index). It invests in both developed and emerging market stocks, but has no US positions. In these ways it’s similar to **Int’l Cap App**, which is roughly 56% in developed markets, 28% emerging and 16% US stocks.

Spartan Mid Cap Index (Russell

Midcap Index). This fund will be pitted against **Mid Cap Enhanced** whose market cap is \$9 billion, and to less of an extent the \$5 billion market cap of **Mid-Cap Stock**.

Spartan Real Estate Index (Dow Jones U.S. Select Real Estate Securities Index). This fund will offer an unmanaged alternative to Steve Buller’s **Real Estate Investment**.

Spartan Small Cap Index (Russell 2000 Index). This fund is instant competition for a slew of actively managed funds including the team-managed **Stock Selector Small Cap**, **Small Cap Discovery**, **Small Cap Stock** and **Small Cap Enhanced Index** and even **Low-Priced Stock** — which all share the same benchmark. ■

Inside Fidelity

New Funds — Fidelity is introducing five new index funds; see p. 11.

Management Changes — There was deep sadness and change that took place last month with the top echelons of Fidelity's management.

Shortly after we went to press, Fidelity announced that Derek Young had been promoted to head the firm's vast Asset Allocation division.

Derek was replacing Boyce Greer who, it was earlier announced, was now running Fidelity Institutional Investments and was named vice chair of its related unit called Pyramis Global Advisors.

But no sooner had these changes been made when tragedy struck: Boyce, an expert kayaker, was accidentally killed while kayaking near his vacation home in Idaho.

As a result, Derek has now assumed both of these roles for Boyce, while Charlie Morrison will

take part of Derek's roles. The former Fidelity fund manager is now the president of the fixed-income group overseeing bonds and money markets, and along with Derek, he also becomes a vice chair at Pyramis.

We've watched both Charlie and Derek over the years, and are quite comfortable with them in their new roles. Of course, the untimely loss of Boyce's life (even as he was enjoying his recreational passion) is a tremendous loss for Fidelity and

especially his family. Our condolences go out to all.

Name Change — Effective August 31, the perennially struggling **Large Cap Value Fund** was renamed **Stock Selector Large Cap Value**. As we discussed in last month's report, the name change reflects the fund's new multi-manager, sector-based investment structure. While we're hopeful for its performance to improve, we continue to rate it *OK to Sell*. ■

MESSAGE TO MEMBERS

What Kind Of An Investor Are You?

On p. 4, we explain the difficulties of market-timing. Here, we want you to consider a related question: Are you an investor or a trader?

If this sounds like semantics, it's not. It goes to the heart of how we've always invested at Fidelity.

Almost by definition, someone who invests in a professionally managed, diversified mutual fund is an investor. Someone who sits in front of a computer all day resetting price triggers on stocks, options and the like is certainly a trader.

Yes, we incorporate momentum into our process (the latter helps us to target areas that are benefiting from heightened investor interest). But this is a modest concession to "trading" versus our fundamental discipline of buying securities that are attractively priced relative to both their risk and growth potential.

We also consider a fund's near- and long-term outlook given the necessity of risk reduction via portfolio diversification, how we like a fund relative to its peers, and what we think of its manager or management team. (Are they good stock pickers, sector pickers or both?) Are

fund expenses reasonable? Except for the latter, none of these questions have simple answers, and they're not easily quantified.

There's an element of art to investing, and not everyone's tastes are the same. But for the past 25+ years, we've eschewed *trading* in favor of *investing*, and we are unlikely to change that over the next 25.

Sincerely,
John Boyd
John Bonnanzio
editorial@mfi.com

PS — We just want to remind you that Special Hotline updates are provided whenever the Dow Jones Industrials finish a trading day up or down by 300 points or more (about 3% at today's level).

While it's rare for us to make model portfolio trades on such occasions, or even mid-month (though we did in August), many of you have told us that you appreciate these Specials as they tell you what's on our minds. If you are not already signed up to automatically receive our e-mailed Hotlines, you can do so by registering on our website. Otherwise, you can merely check our homepage or call our toll-free number provided below.

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 September:

Blue Chip Growth, Blue Chip Value, Dividend Growth, Ginnie Mae, Gov't Inc., Growth & Inc., Inter Gov't Inc., Int'l Real Estate, Leveraged Company Stock, Low-Priced Stock, OTC, Real Estate Inc., Real Estate Investment, Small Cap Growth, Small Cap Value, Ultra-Short Bond, Value Discovery.

The final distributions for August were as follows:

Fund	Ex-Date	\$ Amt	NAV
Fidelity	8/5	0.07	30.91
Growth Discovery	8/5	0.02	13.37
Mega Cap Stock	8/5	0.05	9.51
Fidelity Fifty	8/5	0.02	16.90

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