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FIDELITY MONITOR & INSIGHT

Incorporating Fidelity Monitor and Fidelity Insight

FEBRUARY 2013 PUBLISHED SINCE 1985

MESSAGE FROM JACK

Permanent Tax Code Is Big Positive For Markets

Congress has made the Bush tax cuts permanent for 99% of filers. While the media largely dismissed this event as "kicking the can down the road" on Federal spending and deficits, there are good reasons to be bullish on the new tax code:

Jack Bowers

• No sunset provision. Unless Congress can agree on additional changes to the income tax system (which I think is unlikely given how difficult it is for Congress to agree on anything), this tax system may be with us for a very long time. That's good news for the economy, because it should boost spending and investment. While there is some concern with the small-business impact of the higher bracket for the top 1%, the positive aspects of having a permanent tax code cannot be underestimated.

• The tax rate on dividends is locked to the long-term capital gains rate. That rate will rise to 18.8% for most taxpayers with the 3.8% Obamacare surcharge kicking in, but that's a minor concern. The big news is that corporations can *finally* make rational decisions when it comes to returning cash to shareholders. Instead of favoring stock buybacks for tax reasons, firms can now focus on growing their dividends, making the stock market a more stable and rewarding place for everyone.

• A permanent fix for AMT. This alternative tax system was never indexed for inflation. Over the decades it evolved into a random "punishment system" for productive mid-level taxpayers who create value through sweat equity. The new tax code puts an end to the yearly circus of patchwork fixes.

Congress has yet to address escalating Federal debt, but that's a longer-term issue that may take years to solve. In the meantime, the new tax code removes a lot of uncertainty. If you've been sitting on large amounts of cash and bonds in your portfolio, now may be a good time to rediscover equities. Our Growth and Income Model in particular offers a nice combination of risk and potential reward.

Sincerely,

Jack

MARKET OUTLOOK

Strong Start For Stocks Reflects Improving Backdrop

Stocks have certainly sprinted out of the gate in 2013 with the S&P 500 up 5.2% in January. Some of this is likely due to a twist on the "January Effect." The January Effect posits that stocks have an upward bias in January since investors often sell losing stocks in December to harvest tax-losses and then reinvest that money back in the market the following month.

John M. Boyd

We don't normally put too much "stock" in that idea — the percentage of "up" Januarys over the past 63 years is 60%, but that trails March, April, November and December.

But this past December, given the expectations of higher capital gains tax-rates in 2013, we likely saw tax-related selling of stocks to harvest *gains* under the old tax rates. While the tax-rate on capital gains did go up, it was less than feared and that may have further encouraged those sellers to come back in January.

In fact, an estimated $19 billion has flowed into stock mutual funds through January 23, only the second positive month out of the last 20, and the largest month since February of 2007. But that year wasn't so great so it's best not to get too carried away with January's results!

However, in our view, January's strong start also reflects an improving backdrop for stocks. One of the biggest improvements, of course, was the simple fact that we didn't plunge headlong over the Fiscal Cliff as many had feared. While we have yet to address the longer-term issues of federal spending and deficits, we did as Jack notes in his *Message* opposite, get a tax deal that has favorable implications for the market. I discussed that and other factors in *Seven Reasons For Optimism* in the December issue, so I won't go over all that ground again.

GDP Not As Bad As It Looks

The surprising 0.1% fall in GDP for the fourth quarter of 2012 seems scary on the surface, but it is not quite as bad as it looks. First, slowing business inventory accumulation trimmed 1.27 percentage points off growth. But that was partly because sales were higher than expected —

Market Outlook *cont'd on page 3*

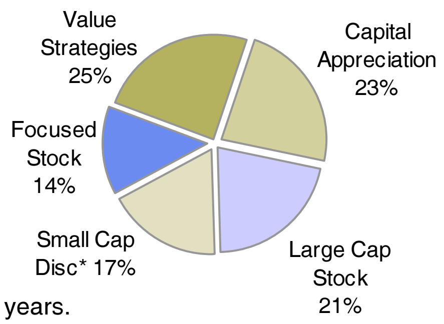
 See Model Portfolios Key on p. 6

Unique Opportunities

Target Risk: 1.20 (Current: 1.19) Foreign Holdings: 8.7% **YTD Return: 5.5%**

Stocks: 94.4% Bonds: 0.0% Cash: 5.6% Alternatives: 0.0% Yield: 0.6%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Value Strategies	FSLSX	$33.37	2,224.92	$74,246	5.4%
Capital Appreciation	FDCAX	30.63	2,248.54	68,873	4.3
Large Cap Stock	FLCSX	21.61	2,911.75	62,923	5.5
Small Cap Discovery*	FSCRX	25.94	1,998.03	51,829	7.8
Focused Stock	FTQGX	15.96	2,567.44	40,976	5.4
* Closed: new investors use Small Cap Value or Small Cap Enhanced Index.					
Current Value (3/31/99 = $100,000)				**$298,846**	**5.5%**



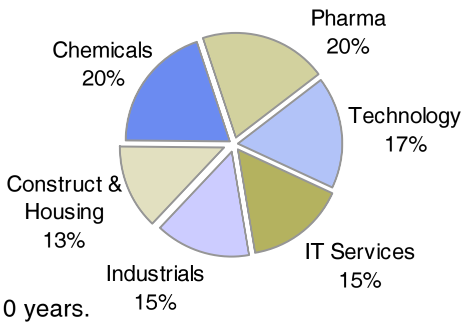
For aggressive members who have no need for income or principal for more than 10 years.

Select

Target Risk: 1.20 (Current: 1.18) Foreign Holdings: 16.3% **YTD Return: 5.8%**

Stocks: 96.5% Bonds: 0.2% Cash: 3.3% Alternatives: 0.0% Yield: 0.2%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Chemicals	FSCHX	$124.49	3,106.62	$386,743	4.6%
Pharmaceuticals	FPHAX	16.03	24,070.45	385,849	6.6
Technology	FSPTX	103.29	3,182.95	328,767	2.0
IT Services	FBSOX	27.39	10,835.17	296,775	8.8
Industrials	FCYIX	27.25	10,480.51	285,594	6.5
Construction & Housing	FSHOX	52.30	4,854.5	253,889	7.3
Current Value (12/31/88 = $100,000)				**$1,937,619**	**5.8%**



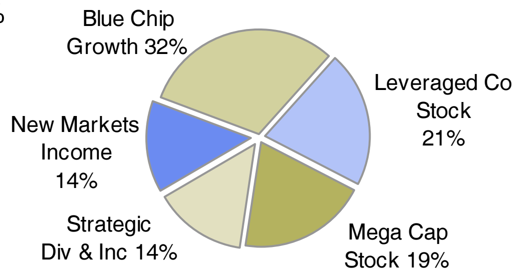
For aggressive members who have no need for income or principal for more than 10 years.

Growth

Target Risk: 1.00 (Current: 1.02) Foreign Holdings: 6.9% **YTD Return: 4.2%**

Stocks: 77.6% Bonds: 0.3% Cash: 7.2% Alternatives: 15.0% Yield: 1.2%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Blue Chip Growth	FBGRX	$51.23	9,318.81	$477,402	4.4%
Leveraged Co Stock	FLVCX	34.42	9,108.37	313,510	6.8
Mega Cap Stock	FGRTX	12.47	23,596.76	294,252	4.9
Strategic Div & Inc	FSDIX	12.81	16,908.70	216,600	4.0
New Markets Income	FNMIX	17.66	12,137.12	214,342	-0.4
Current Value (12/31/86 = $100,000)				**$1,516,106**	**4.2%**



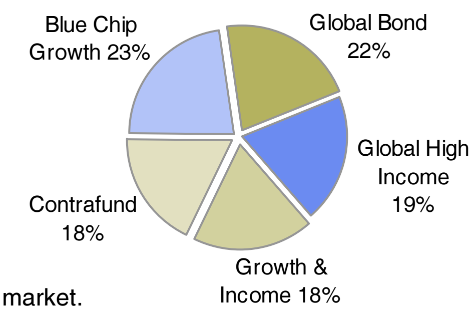
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years.

Growth & Income

Target Risk: 0.66 (Current: 0.68) Foreign Holdings: 27.9% **YTD Return: 2.7%**

Stocks: 58.6% Bonds: 3.9% Cash: 5.4% Alternatives: 32.0% Yield: 1.5%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Blue Chip Growth	FBGRX	$51.23	1,866.42	$95,617	4.4%
Global Bond	FGBFX	10.06	8,958.95	90,127	-0.8
Global High Income	FGHNX	10.33	7,836.39	80,950	1.4
Growth & Income	FGRIX	22.36	3,455.81	77,272	5.2
Contrafund	FCNTX	80.60	934.58	75,327	3.9
Current Value (12/31/93 = $100,000)				**$419,293**	**2.7%**



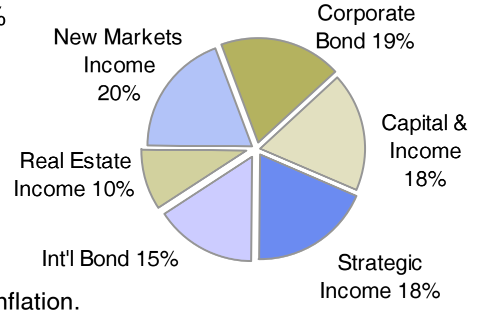
A good choice for members retiring in 5-10 years looking for less volatility than the market.

Income

Target Risk: 0.33 (Current: 0.31) Foreign Holdings: 41.6% **YTD Return: 0.2%**

Stocks: 2.0% Bonds: 24.3% Cash: 9.7% Alternatives: 63.9% Yield: 3.2%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
New Markets Income	FNMIX	$17.66	3,561.65	$62,899	-0.4%
Corporate Bond	FCBFX	11.33	5,370.17	60,844	-0.8
Capital & Income	FAGIX	9.62	6,213.03	59,769	1.7
Strategic Income	FSICX	11.34	5,227.38	59,278	0.0
International Bond	FINUX	10.14	4,926.90	49,959	-0.6
Real Estate Income	FRIFX	11.67	2,651.51	30,943	2.4
Current Value (12/31/91 = $100,000)				**$323,692**	**0.2%**



For members needing income and protection of their purchasing power against inflation.

Market Outlook *cont'd from page 1*

and it bodes well for future GDP growth as those inventories will have to be replenished.

Second, reduced government spending knocked another 1.3 percentage points off growth. Though we may well see continued declines in government spending, either from automatic cuts set to kick in, or a spending agreement in Congress, private demand was solid, with personal outlays rising 3.3%. Other positives include an 8.4% jump in business capital spending and a 12.5% increase in purchases of equipment and software.

Perhaps most important, real personal disposable income rose a strong 6.8%. However, the jump in personal income was boosted by a surge in dividend income as companies issued many special dividends ahead of the higher 2013 tax rates, which won't be repeated.

All-in-all, the GDP report was nothing to celebrate, but it is still consistent with the modest growth we expect for 2013.

Stay Diversified

As Jack points out in *Message*: "If you've been sitting on large amounts of cash and bonds in your portfolio, now may be a good time to rediscover equities."

But that doesn't mean throwing caution to the wind and dumping all your bond funds for stocks. There are still risks out there and the primary role of bonds (especially with yields so low) is risk-reduction. With investor optimism surging (often a contrary indicator) and stocks already out of the gate with large gains, a pullback could come at any time. Plus we still have the debt ceiling debate ahead of us, and we may not have heard the last word from Europe yet, either.

Yes, most bond funds (with the exception of high-yield funds) suffered losses in January. But that is to be expected as (non-high-yield) bonds are negatively correlated to stocks.

In other words, when stocks go up they tend to go down, but when stocks go down, they tend to go up. Not to the same degree, of course, as bonds are much less volatile than stocks. For example, in May of last year when the S&P 500 fell 6.0%, the average Fidelity taxable bond fund gained 1.2%.

By mixing in some bonds, you reduce the chances of large losses if stocks go south. Our *Growth & Income Model*, which Jack highlights, currently has about 40% in bonds and cash (note: much of that is foreign or high-yield exposure which we classify as "Alternatives"). And it is currently about 32% less risky than the S&P 500. The real value of risk reduction, however, isn't just mitigating the losses of an all stock portfolio in a given year. The true payoff comes from avoiding the fate of "panic selling." Investors who get too aggressive, and then face steep losses, often find they simply "can't take it anymore" and sell (usually near the bottom). Then, once burned, they stay out for years and miss the inevitable recovery.

So while we like the outlook for stocks much better than that of bonds, as we have noted in this space in the past few months, we recommend that all but the most aggressive members keep some "bond insurance."

It can be hard to hold on to a fund that is going down when most others are rising, but slow and steady usually wins the race — not just for turtles but for investors, too. ■

— John M. Boyd

Funds You Should Buy Now

Growth: **Blue Chip Growth**, **Cap App** and **Growth Co.** for large-cap growth and the now-closed **Small Cap Discovery** (see p. 12); **Contrafund** is a conservative approach to growth. **Leveraged Co. Stock** and **Value Strategies** play financially distressed but improving companies.

Growth & Income: **Growth & Income**, **Mega Cap Stock** and **Strategic Dividend & Income** seek growth and yield from larger-cap stocks.

Bond: **Global Bond** and **Int'l Bond** invest in higher-yielding, but riskier, foreign markets. **Short-Term Bond** limits interest-rate risk. **Corporate Bond** holds investment-grade (though rate-sensitive) bonds. **Real Estate Income** is an alternative approach to yield and diversification.

High Yield: More risky than investment-grade bond funds, but less risky than stock funds, **Capital & Income** will boost portfolio yield, though its gaol is capital appreciation. **New Markets Income** is attractive for its dollar-denominated, higher-yielding emerging market debt. ■

Model Portfolio Trades

As announced on our February 1 Hotline, on Monday, February 4, we will make trades in our Select Model and our Annuity Sector Model as shown below:

Select Model:
We will sell our entire position in **Select Technology** [FSPTX]. The proceeds will be split three ways, adding 1/3 each to **Construction & Housing** [FSHOX], bringing it to about 19% of the model, **Industrials** [FCYIX], bringing it to about 20%, and **IT Services** [FBSOX], bringing it to about 21% of the model. **Note:** Select Technology has a 0.75% redemption fee on shares held for less than 31 days.

Annuity Sector Model:
We will sell 2/5 of **VIP Technology** [FYENC] bringing it down from roughly 33% of the model's assets to 20%. The proceeds will be split evenly between **VIP Industrials** [FBALC], increasing it to about 22% of the model and **VIP Consumer Discretionary** [FVHAC], increasing it to about 18% of the model. **Note:** VIP Technology has a 1.00% redemption fee on shares held for less than 61 days.

For discussion of these trades, see *Heavy Industry Bouncing Back* on page 11.

Inside Fidelity

A Good Year For Fidelity Investors

Fidelity is inching closer to launching its lineup of ETFs. Unlike standard ETFs, their bond and equity products will be actively run; expenses will fall somewhere between their index funds and super-low-cost ETFs.

However, preliminary data suggests that 2012 was a very good year to invest in their more free-wheeling actively managed funds.

For example, whereas the S&P 500 returned 16.0% last year, Fidelity's 39 Select offerings rose an average of 17.2% with returns ranging from a gain of 38.0% for **Construction & Housing** to a decline of 12.4% for **Gold**. Here are some other performance highlights:

- On an asset-weighted basis, 69% of all Fidelity funds beat their peers;
- **Equity funds** (actively managed): 72% beat their peers;
- **High yield funds:** 62% beat their peers;
- **Investment grade bond funds:** 42% beat their peers. (However, 78% of investment grade fund assets beat their benchmark. Some were beaten owing to their more conservative positioning relative to competitors.);
- **Money market funds:** 72% beat their peers.

On a related note, all 17 equity index fund offerings were positive last year averaging gains of 16.9%. Of the 12 with three-year records, once again, every one was in the black; over five years, only **Spartan Int'l Index** (a proxy for Morgan Stanley's EAFE benchmark) and the related **Int'l Enhanced Index** were in the red, declining 3.3% and 4.3%, respectively. That said, they both gained nearly 19% in 2012! ■

Fixed-Income Investing

Tax Deal Makes Munis More Attractive

A dark cloud has been lifted. Notwithstanding that the spending side of the US budget remains unresolved, at least the revenue (tax) side has been settled — for now anyway!

Notably, the federal tax-exempt status of municipal bonds has been preserved. This is an important development in our outlook for Fidelity's 16 state and nationally diversified muni bond funds. (Our concerns follow.)

As the new federal law raises tax rates from 35% to 39.6% on incomes above $450,000 for married couples and $400,000 for individuals (plus a tax-rate increase on investment income), tax-equivalent yields are even higher now for this group (see far-right column in the table). And, as the most highly taxed investors are typically the biggest buyers of munis, demand is likely to increase.

As for supply, last year, new issuance surged almost 30%! That's because states, towns and government agencies did the same thing as homeowners: they refinanced their higher-interest-paying bonds with lower-yielding ones. With new issuance this year unlikely to reach 2012's feverish pace, the supply/demand imbalance favors more upside for muni bonds.

Granted, muni yields are painfully low. But when compared to Treasuries, they're a better deal.

For example, **Spartan Intermediate Treasury Index** has a duration (a measure of interest-rate risk) of 6.7 years versus an almost identical 7.1 years for **Municipal Income**. But the former yields 0.97% and the latter yields almost twice as much — 1.87%. Even better for Muni Income's shareholders: tax equivalent yields range from 2.52% for those in the 25% tax bracket to over 3.13% for those in the new 39.6% bracket.

With the distinct possibility that Washington will achieve some of its spending cuts by reducing "local" aid, this could place budgetary stress "downstream" (though an improving economy may mitigate that). So for now, we're upgrading only a few muni fund ratings (see p. 5).

With little risk that shorter-term interest rates will rise, we've upgraded **Short-Intermediate Income** and **Intermediate Muni Income** to *OK to Buy* from *Hold*. And, while some may not be happy with California's higher taxes, for now, they have stabilized the state's precarious finances. As such, we have upgraded **California Short-Intermediate Tax-Free** to *OK to Buy*.

With the above in mind, muni bonds have delivered positive returns in each of the past four years. In large part, that's because assets shifted away from stocks to less risky bonds and even money market funds. But with "risk" seemingly back in vogue, we may see another shift, which is a potential negative for both munis and taxable bonds. So while we're optimistic that muni bond investors will earn their funds' yields this year and perhaps a little more, the double-digit returns some have provided just aren't likely in the cards for this year. ■

— *John Bonnanzio*

	SEC	Federal Tax Bracket				
	% Yield	25%	28%	33%	35%	39.6%
Arizona Muni Inc	1.74	2.32	2.42	2.60	2.68	2.88
Calif Short-Interm T-F	0.89	1.19	1.24	1.33	1.37	1.47
California Muni Inc	2.03	2.71	2.82	3.03	3.12	3.36
Connecticut Muni Inc	1.53	2.04	2.13	2.28	2.35	2.53
Interm Municipal Inc	1.35	1.80	1.88	2.01	2.08	2.24
Maryland Muni Inc	1.39	1.85	1.93	2.07	2.14	2.30
Mass Muni Inc	1.76	2.35	2.44	2.63	2.71	2.91
Michigan Muni Inc	1.83	2.44	2.54	2.73	2.82	3.03
Minnesota Muni Inc	1.29	1.72	1.79	1.93	1.98	2.14
Municipal Inc	1.89	2.52	2.63	2.82	2.91	3.13
New Jersey Muni Inc	1.73	2.31	2.40	2.58	2.66	2.86
New York Muni Inc	1.69	2.25	2.35	2.52	2.60	2.80
Ohio Muni Inc	1.77	2.36	2.46	2.64	2.72	2.93
Pennsylvania Muni Inc	1.78	2.37	2.47	2.66	2.74	2.95
Short-Int Municipal Inc	0.56	0.75	0.78	0.84	0.86	0.93
Tax-Free Bond	2.02	2.69	2.81	3.01	3.11	3.34

FUND COMMENTARY

Stocks Sprint Towards Record Territory

US stocks have provided investors with a half-year worth of returns in just one month. There are many reasons for this giddy behavior (see our two discussions on page 1), but some of that glee faded in the last two trading days of January on news that the economy may have stalled. On the other hand, the tea leaves portend more good things to come: whenever the Dow Jones Industrials (which gained 5.9% last month) starts the year in positive territory, over 80% of the time it finishes the year higher, too.

John Bonnanzio

As for the S&P 500, it ended the month just below 1500 (1498), a threshold that has been tough to hold, having surpassed that level a few times before. But with the large-cap barometer effortlessly gaining 5.2% last month, at this pace, its all-time high of 1565 may only be right around the corner.

As for small-cap stocks, they fared even better than their bigger-cap kin. The Russell 2000 soared 6.3% thereby making Fidelity's smaller-cap funds the darlings of their equity-fund lineup. (Value-oriented funds also did very well, but more on that below.)

Separately, the Nasdaq Composite also posted nice gains (up 4.1%), however, tech- and telecom-related stocks dragged on its performance. Everyone knows about Apple's woes (see p. 11), but the ubiquitous maker of "iThings" was hardly alone among PC makers in being blacklisted by investors. (See "Heavy Industry Bouncing Back" on p. 11.)

Equity Funds

All 55 of Fidelity's actively run and passive stock index funds rose last month. The "sweet spot" included mid- and small-cap funds, and especially those with a value bias.

Value was all the rage in January as financials, energy and even utility stocks posted especially strong results. These sectors are far less pervasive in growth-oriented funds, whereas tech is often the top sector bet.

Outpacing all others was **Mid Cap Value**. Up 8.8% last month, 30% of its assets are in financials, with another 20% split between utilities and energy. **Mid Cap Enhanced Index** provided similar results (up 7.4%). Right behind them were other value funds whose market caps ranged from small to large.

At the bottom of the performance heap were, as suggested, tech-rich growth funds. For example, the large-cap **OTC** fund (up 3.7%) and **Large Cap Growth** (up 3.8%) were clear laggards.

As for Fidelity's most widely held funds, **Blue Chip Growth** gained 4.4%, **Contrafund** advanced 3.9%, **Growth Company** rose 4.1%, and **Low-Priced Stock** gained a comfortable 5.0% (though cash and a good helping of tech saddled its returns).

International Funds

As a whole, international stock funds lagged their domestic counterparts. But, despite Europe being mired in recession, **Europe** and its near clone **Europe Cap App** had a solid month rising 4.9% and 4.6%, respectively. Much as here in the US, the continent's central bank is moving aggressively to prop up its many stumbling economies.

On the other hand, with the exception of **China Region**, which rose a healthy 3.9%, the emerging markets were the weak spot overseas. **EMEA** was the laggard with a loss of 0.9%, while most of the rest were up less than 1.5%.

Fixed Income

It was not a good month to own most bond funds. Longer-maturity bonds (meaning those most sensitive to rising interest rates) fared badly, as did US government bonds. Combine these two characteristics, and you get a 3.1% decline for **Spartan Long-Term US Treasury Index** and a 1.1% decline for its **Intermediate** cousin. Inflation-protected bond funds (which also behave like long-duration bonds) were similarly hurt. At the same time, short-term bond funds were essentially unchanged for the period.

Also flat in January were muni income bond funds. Although they tend to have elevated interest-rate risk, a resolution to the new federal tax code provided tax-exempt bonds with some price support. A few state-specific munis even made some money! ■

— *John Bonnanzio*

FEBRUARY SCORECARD RATING CHANGES

Fund	Ratings Old	New		Comments
CA Short-Interm TF	H	B	↑	Improved outlook (see p. 4).
Global Equity Inc	H	B	↑	Large US component enhances its attractiveness.
Growth Discovery	***B***	H	↓	Prefer other options in the large-growth "space."
Interm Muni Inc	H	B	↑	Improved outlook (see p. 4).
Select Technology	***B***	B	↓	Prefer the more narrow IT Services a bit more.
Short-Interm Muni	H	B	↑	Improved outlook (see p. 4).
Sm Cap Enh Index	H	B	↑	Outlook for certain small-cap funds improving.
Small Cap Discov'y	***B***	***B***	NC	Closed to new investors (see p. 12).
Small Cap Growth	S	H	↑	A high-volatility play on small-cap stocks
Small Cap Value	B	***B***	↑	Resurging financials benefitting value funds.
Stk Sel Large Value	S	H	↑	Resurging financials benefitting value funds.
Value	H	B	↑	Resurging financials benefitting value funds.
VIP Disc. Sm Cap	H	B	↑	Outlook for certain small-cap funds improving.
VIP Growth	***B***	H	↓	Clone of Growth Discovery (see above).

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

FIDELITY SCORECARD — JANUARY 31, 2013

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	$Price (NAV)	Advice	Total Return (%) Jan	YTD	3 Mo.	Avg Annual (%) 1 Yr	3 Yr	5 Yr	10 Yr	Rel Vol (Risk)[1]
Comparative Indexes		S&P 500		1498.1		5.2	5.2	6.7	16.8	14.1	4.0	7.9	1.00
		Nasdaq		3142.1		4.1	4.1	6.2	13.4	14.9	6.8	10.0	1.16
		Dow Jones Industrials		13860.6		5.9	5.9	6.6	12.8	14.3	4.8	8.3	0.90
		Russell 2000 (Small Caps)		902.1		6.3	6.3	10.7	15.5	16.0	6.3	10.7	1.34
		Barclays Aggregate Bond*				-0.7	-0.7	-0.7	2.4	5.3	5.2	4.9	0.16
Model Portfolios		Unique Opportunities				5.5	5.5	9.1	15.5	12.7	3.2	11.0	1.19
		Select				5.8	5.8	9.4	18.0	15.1	5.2	10.4	1.18
		Growth				4.2	4.2	5.9	14.6	13.4	2.8	9.3	1.02
		Growth & Income				2.7	2.7	4.8	11.8	9.7	3.0	7.9	0.68
		Income				0.2	0.2	1.8	8.3	8.2	5.2	5.0	0.31
												Rel Vol (Risk)[1]	Assets ($Mil)
LARGE CAP GROWTH					***Category Averages***	***4.6***	***4.6***	***7.0***	***15.5***	***14.3***	***4.2***	***1.13***	
312	FBGRX	Blue Chip Growth		51.23	Buy	4.4	4.4	7.3	15.3	14.8	7.0	1.19	$11,689
307	FDCAX	Capital Appreciation		30.63	Buy	4.3	4.3	7.6	18.3	15.2	5.0	1.09	5,011
22	FCNTX	Contrafund		80.60	Buy	3.9	3.9	6.1	15.0	13.9	4.8	0.93	61,014
332	FEXPX	Export and Multinational	0.75%/30d	22.73	OK to Sell	3.8	3.8	5.7	15.6	11.0	2.2	1.02	1,719
3	FFIDX	Fidelity Fund		37.75	Hold	5.4	5.4	7.1	17.5	13.0	2.4	1.05	4,470
500	FFTYX	Fifty (Closed)		21.29	Buy	5.5	5.5	7.7	17.6	14.4	2.8	1.01	681
333	FTQGX	Focused Stock		15.96	Buy	5.4	5.4	7.7	18.0	17.8	7.0	1.10	673
25	FDGRX	Growth Company (Closed)		97.09	Buy	4.1	4.1	6.8	13.7	16.6	6.6	1.17	23,372
339	FDSVX	Growth Discovery		16.18	Hold↓	3.9	3.9	5.1	12.6	16.2	2.4	1.15	804
73	FDFFX	Independence		27.50	OK to Sell	6.1	6.1	10.2	16.1	13.5	2.0	1.44	3,217
763	FSLGX	Large Cap Growth (Closed)		11.83	Hold	3.8	3.8	5.7	15.0	15.7	4.0	1.11	140
21	FMAGX	Magellan		76.99	OK to Buy	5.1	5.1	6.9	17.0	8.8	-0.7	1.18	12,210
300	FMILX	New Millennium		31.91	OK to Buy	5.3	5.3	7.2	16.5	15.7	6.6	1.06	2,104
93	FOCPX	OTC		62.85	Hold	3.7	3.7	7.9	7.3	13.8	7.0	1.29	5,332
320	FDSSX	Stock Selector All Cap		29.88	Hold	5.6	5.6	7.9	17.0	13.4	2.6	1.16	2,568
5	FTRNX	Trend		76.34	OK to Buy	3.8	3.8	5.8	15.0	15.6	5.8	1.12	1,174
LARGE CAP BLEND					***Category Averages***	***5.4***	***5.4***	***7.8***	***18.7***	***13.3***	***2.1***	***1.17***	
315	FDEQX	Disciplined Equity		25.70	Sell	5.5	5.5	7.4	17.2	10.4	0.3	1.12	1,808
330	FDGFX	Dividend Growth		31.48	Hold	5.3	5.3	7.9	15.8	12.9	4.8	1.32	6,225
27	FGRIX	Growth & Income		22.36	Buy	5.2	5.2	7.3	20.2	14.7	-1.6	1.06	5,160
338	FLCSX	Large Cap Stock		21.61	Buy	5.5	5.5	8.2	20.9	15.1	4.8	1.19	1,362
361	FGRTX	Mega Cap Stock		12.47	Buy	4.9	4.9	6.5	19.7	14.8	4.0	1.09	1,942
343	FTXMX	Tax Managed Stock (Closed)		14.39	Sell	6.1	6.1	10.2	19.4	12.2	0.2	1.25	57
832	FVDFX	Value Discovery		17.20	Hold	5.7	5.7	7.2	17.7	13.0	1.9	1.16	415

Scorecard Key:

Notes: *Fidelity's Spartan U.S. Bond Index used as a proxy for the Barclays Aggregate Bond Index. [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. [6] Formerly Equity-Income II. [7] Formerly Invesco Van Kampen Global Value Equity. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

Model Portfolios Key:

[1] 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.

MODEL PORTFOLIO HISTORICAL RETURNS (FIDELITY MONITOR)

	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12
Regular Models																									
Un Opp												33.8	-20.5	1.6	-2.1	43.2	20.6	18.8	16.6	11.6	-47.6	45.8	19.3	-5.8	16.8
Select		23.4	31.3	35.3	20.4	25.9	-0.9	39.0	5.2	29.3	21.7	44.9	-14.9	-7.3	-14.7	38.4	7.4	15.0	13.6	15.6	-39.3	35.4	11.6	1.2	19.2
Growth	26.0	30.4	-4.4	40.6	15.7	31.9	-2.1	27.2	19.2	25.5	9.9	29.0	-10.8	-6.4	-17.1	46.1	12.4	11.2	15.7	7.3	-42.7	31.8	17.7	-1.7	16.0
G&I							-3.7	21.6	15.8	18.7	11.1	12.2	2.7	1.3	-6.4	33.0	11.5	8.2	13.7	6.1	-33.5	28.1	12.2	-0.3	13.4
Income					10.1	11.3	-2.1	14.8	9.0	10.5	3.5	3.0	0.3	5.6	5.4	8.4	4.2	3.6	6.9	4.0	-18.2	20.0	9.1	6.3	10.7
Annuity (VIP) Models																									
Sector																57.5	6.3	14.0	17.7	11.2	-41.4	50.2	15.0	-5.0	18.1
Growth						20.6	4.6	36.1	16.1	23.5	22.6	22.1	-10.3	-14.0	-21.7	30.0	7.0	10.1	14.5	9.3	-45.5	25.1	17.7	-2.2	17.8
G&I								26.4	12.8	21.4	15.1	6.1	-4.9	3.1	-9.4	20.8	6.3	4.5	11.6	7.7	-31.0	27.1	12.0	-1.0	13.9
Income						12.3	-3.8	16.9	6.9	10.9	0.4	0.8	-2.4	-3.4	7.3	9.9	5.1	1.8	6.1	6.2	-18.3	22.9	7.3	7.4	10.0

FIDELITY SCORECARD — JANUARY 31, 2013

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	$Price (NAV)	Advice	Total Return (%) Jan	YTD	3 Mo.	Avg Annual (%) 1 Year	3 Year	5 Year	Rel Vol (Risk)[1]	Assets ($Mil)
LARGE CAP VALUE					***Category Averages***	***6.1***	***6.1***	***7.8***	***18.0***	***10.8***	***0.3***	***1.13***	
1271	FBCVX	Blue Chip Value		11.57	OK to Sell	6.7	6.7	9.2	16.5	8.2	-1.8	1.20	$256
319	FEQTX	Equity Dividend Income[6]		20.54	OK to Buy	5.4	5.4	5.9	17.4	11.3	1.0	1.13	4,513
23	FEQIX	Equity-Income		49.72	Buy	5.7	5.7	6.8	19.6	11.9	1.6	1.14	6,411
708	FSLVX	Stock Sel Large Cap Value		12.51	Hold↑	6.7	6.7	9.2	18.6	11.9	0.2	1.07	466
MID-CAP GROWTH					***Category Averages***	***6.2***	***6.2***	***9.6***	***12.2***	***13.9***	***3.8***	***1.28***	
324	FDEGX	Growth Strategies	1.50%/90d	22.01	OK to Sell	6.3	6.3	10.3	9.2	12.8	1.9	1.31	1,440
793	FSMGX	Mid Cap Growth (Closed)				Merged into Stock Selector Mid Cap							
337	FMCSX	Mid-Cap Stock	0.75%/30d	31.22	Hold	6.3	6.3	8.7	15.3	15.0	5.6	1.25	4,485
2412	FSSMX	Stock Selector Mid Cap			Hold	6.2	6.2	9.8	--	--	--	--	203
MID-CAP BLEND					***Category Averages***	***5.8***	***5.8***	***11.1***	***21.4***	***15.9***	***5.5***	***1.30***	
122	FLVCX	Leveraged Company Stock	1.50%/90d	34.42	Buy	6.8	6.8	13.2	24.4	16.3	4.0	1.49	3,786
316	FLPSX	Low-Priced Stock	1.50%/90d	41.49	OK to Buy	5.0	5.0	9.5	17.3	15.1	7.0	1.07	24,555
14	FSLSX	Value Strategies		33.37	Buy	5.4	5.4	10.7	22.7	16.3	5.3	1.34	589
MID-CAP VALUE					***Category Averages***	***7.9***	***7.9***	***12.0***	***22.5***	***16.1***	***5.1***	***1.22***	
762	FSMVX	Mid Cap Value	0.75%/30d	19.37	OK to Buy	8.8	8.8	12.4	23.1	17.0	6.2	1.18	637
39	FDVLX	Value		81.62	OK to Buy↑	6.9	6.9	11.6	21.9	15.2	3.9	1.27	5,963
SMALL CAP GROWTH					***Category Averages***	***7.2***	***7.2***	***9.2***	***14.4***	***15.4***	***5.1***	***1.31***	
1388	FCPGX	Small Cap Growth	1.50%/90d	16.92	Hold↑	7.2	7.2	9.2	14.4	15.4	5.1	1.31	1,170
SMALL CAP BLEND					***Category Averages***	***6.6***	***6.6***	***10.9***	***16.4***	***15.9***	***7.7***	***1.39***	
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	25.94	Buy	7.8	7.8	13.9	26.0	21.5	14.4	1.32	4,940
340	FSLCX	Small Cap Stock	2.00%/90d	19.07	Hold	5.4	5.4	9.2	10.4	8.9	4.4	1.51	2,673
336	FDSCX	Stock Selector Small Cap	1.50%/90d	21.41	Hold	6.5	6.5	9.6	12.9	17.2	4.2	1.34	1,327
SMALL CAP VALUE					***Category Averages***	***8.0***	***8.0***	***13.2***	***22.7***	***16.2***	***9.8***	***1.26***	
1389	FCPVX	Small Cap Value	1.50%/90d	17.47	Buy↑	8.0	8.0	13.2	22.7	16.2	9.8	1.26	2,176
SPECIALTY													
2063	FOTTX	130/30 Large Cap (Closed)		8.37	Sell	6.4	6.4	8.8	16.5	10.3	--	1.18	16
304	FBALX	Balanced		20.77	Buy	2.9	2.9	4.2	12.0	11.1	4.4	0.65	15,243
308	FCVSX	Convertible Securities		27.05	Buy	4.4	4.4	10.4	13.0	11.7	4.5	0.96	1,847
334	FGBLX	Global Balanced	1.00%/30d	23.90	OK to Buy	2.1	2.1	3.8	10.5	9.1	4.3	0.76	482
2120	FFGCX	Global Commodity Stock	1.00%/30d	15.10	OK to Sell	2.0	2.0	4.2	0.0	4.5	--	1.58	371
1960	FDYSX	Global Strategies		9.53	OK to Sell	2.6	2.6	4.8	9.7	9.0	3.8	0.74	235
1368	FIREX	International Real Estate	1.50%/90d	9.76	OK to Buy	2.5	2.5	11.4	35.0	12.2	-1.5	1.42	384
4	FPURX	Puritan		19.98	Buy	2.9	2.9	4.2	12.5	11.1	4.8	0.70	15,609
833	FRIFX	Real Estate Income	0.75%/90d	11.67	Buy	2.4	2.4	3.9	17.3	14.5	9.0	0.39	2,821
303	FRESX	Real Estate Investment	0.75%/90d	33.26	Hold	3.5	3.5	6.8	14.5	22.3	7.0	1.21	3,893
1329	FSDIX	Strategic Dividend & Income		12.81	Buy	4.0	4.0	4.7	15.4	14.4	4.1	0.81	2,456
1505	FSRRX	Strategic Real Return	0.75%/60d	9.77	Hold	1.4	1.4	1.5	6.5	8.9	4.3	0.48	705
311	FIUIX	Telecom & Utilities		19.29	OK to Buy	3.5	3.5	2.2	18.5	16.3	3.3	0.69	970
ASSET ALLOCATION													
328	FASIX	Asset Manager 20%		13.25	Hold	0.9	0.9	1.6	5.7	6.4	4.6	0.25	4,878
1957	FTANX	Asset Manager 30%		10.16	Hold	1.4	1.4	2.4	7.3	7.6	4.7	0.37	428
1958	FFANX	Asset Manager 40%		10.20	Hold	2.0	2.0	3.3	8.8	8.5	4.8	0.48	398
314	FASMX	Asset Manager 50%		16.86	Hold	2.5	2.5	4.1	10.0	9.3	4.9	0.60	7,030
1959	FSANX	Asset Manager 60%		10.40	Hold	3.1	3.1	5.0	11.3	9.8	4.9	0.72	686
321	FASGX	Asset Manager 70%		17.95	Hold	3.5	3.5	5.8	12.7	10.5	4.3	0.84	2,920
347	FAMRX	Asset Manager 85%		14.78	Hold	4.4	4.4	7.1	14.5	11.1	3.9	1.02	912
EQUITY INDEX													
355	FFNOX	Four-in-One Index		30.46	Hold	4.3	4.3	7.2	14.8	11.6	3.6	0.92	2,527
2010	FIENX	International Enchanced Index	1.00%/30d	7.53	Hold	4.6	4.6	10.7	17.8	7.8	-1.7	1.28	30
1827	FLCEX	Large Cap Core Enhcd Index		10.53	Hold	5.0	5.0	6.5	15.9	13.8	3.8	0.99	207
1829	FLGEX	Lrge Cap Growth Enhcd Index		11.60	OK to Buy	4.6	4.6	5.5	12.5	14.0	5.4	1.02	170
1828	FLVEX	Large Cap Value Enhcd Index		8.72	Hold	6.2	6.2	8.5	20.5	14.3	2.3	1.02	99
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	10.77	Hold	7.4	7.4	11.5	17.7	16.3	6.4	1.15	85
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	41.72	Hold	4.0	4.0	5.9	13.0	14.6	6.6	1.17	511
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	10.47	OK to Buy↑	6.6	6.6	12.0	18.4	18.3	7.0	1.33	148
650	FUSEX	Spartan 500 Index[4]		53.10	Hold	5.2	5.2	6.7	16.7	14.1	3.9	1.00	4,732
2341	FPEMX	Spartan Emerging Mkts Index[4]	1.50%/90d	10.35	Hold	1.1	1.1	8.0	6.6	--	--	--	45
398	FSEMX	Spartan Extended Mkt Index[4]	0.75%/90d	42.70	Hold	7.0	7.0	11.5	17.4	17.0	7.0	1.26	961
2345	FSGUX	Spartan Global ex U.S. Index[4]	1.00%/90d	11.37	Hold	3.1	3.1	9.5	13.4	--	--	--	4
399	FSIIX	Spartan Int'l Index[4]	1.00%/90d	35.76	Hold	4.3	4.3	11.1	17.3	7.3	-0.8	1.30	2,308
2349	FSCLX	Spartan Mid Cap Index[4]	0.75%/30d	12.77	Hold	6.9	6.9	11.1	17.8	--	--	--	2
2353	FRXIX	Spartan Real Estate Index[4]	0.75%/90d	12.15	Hold	3.4	3.4	6.7	13.4	--	--	--	5
2356	FSSPX	Spartan Small Cap Index[4]	1.50%/90d	12.90	Hold	6.3	6.3	10.7	15.3	--	--	--	5
397	FSTMX	Spartan Total Mkt. Index[4]	0.50%/90d	43.50	Hold	5.5	5.5	7.6	16.8	14.6	4.6	1.04	1,304

FIDELITY SCORECARD — JANUARY 31, 2013

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	$Price (NAV)	Advice	Total Return (%) Jan	Total Return (%) YTD	Total Return (%) 3 Mo.	Avg Annual (%) 1 Year	Avg Annual (%) 3 Year	Avg Annual (%) 5 Year	Rel Vol (Risk)[1]	Assets ($Mil)
INTERNATIONAL					***Category Averages***	***3.3***	***3.3***	***8.7***	***16.0***	***8.7***	***-0.0***	***1.32***	
309	FICDX	Canada	1.50%/90d	54.45	OK to Sell	1.8	1.8	2.2	5.4	8.3	0.2	1.07	$2,813
352	FHKCX	China Region	1.50%/90d	31.85	Hold	3.9	3.9	12.5	16.8	9.3	5.2	1.34	1,542
325	FDIVX	Diversified International	1.00%/30d	31.04	Hold	3.7	3.7	8.7	16.5	7.3	-1.4	1.28	13,813
351	FSEAX	Emerging Asia	1.50%/90d	30.27	Hold	1.3	1.3	7.9	11.4	10.1	0.1	1.36	1,462
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	9.12	Hold	-0.9	-0.9	7.2	10.7	8.9	--	1.47	132
322	FEMKX	Emerging Markets	1.50%/90d	23.44	Hold	1.0	1.0	7.3	6.4	4.7	-3.1	1.41	2,235
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	12.61	Buy	1.0	1.0	8.1	25.0	--	--	--	132
301	FIEUX	Europe	1.00%/30d	32.77	Hold	4.9	4.9	11.2	24.1	8.5	-0.5	1.51	712
341	FECAX	Europe Capital App	1.00%/30d	19.89	Hold	4.6	4.6	11.1	23.9	8.4	-1.3	1.53	355
2406	FGILX	Global Equity-Income	1.00%/30d	10.73	OK to Buy↑	4.3	4.3	6.4	--	--	--	--	31
335	FIVFX	International Cap App	1.00%/30d	14.39	Buy	3.8	3.8	10.7	20.6	11.3	2.4	1.43	857
305	FIGRX	International Discovery	1.00%/30d	34.23	Hold	3.5	3.5	9.2	19.9	7.9	-0.9	1.31	6,471
1979	FIGFX	International Growth	1.00%/30d	9.65	OK to Buy	4.3	4.3	9.0	18.1	12.1	3.4	1.20	191
818	FISMX	International Small Cap	2.00%/90d	21.11	OK to Buy	3.7	3.7	8.1	15.7	10.1	2.3	1.27	727
1504	FSCOX	International Small Cap Opps	2.00%/90d	11.64	Buy	2.8	2.8	8.0	18.6	13.7	-1.0	1.19	368
1597	FIVLX	International Value	1.00%/30d	7.88	Hold	4.1	4.1	10.3	20.4	5.2	-2.8	1.36	146
350	FJPNX	Japan	1.50%/90d	10.14	OK to Sell	3.2	3.2	11.2	8.4	2.4	-3.5	1.05	387
360	FJSCX	Japan Smaller Companies	1.50%/90d	9.56	Hold	5.4	5.4	7.5	13.4	6.4	0.7	1.08	244
349	FLATX	Latin America	1.50%/90d	47.57	Sell	2.7	2.7	6.5	-2.4	5.0	-0.7	1.46	2,205
342	FNORX	Nordic	1.50%/90d	34.06	Hold	6.8	6.8	13.6	22.8	10.7	-1.0	1.70	316
94	FOSFX	Overseas	1.00%/30d	33.59	OK to Buy	3.9	3.9	9.8	20.6	7.0	-3.2	1.44	1,737
302	FPBFX	Pacific Basin	1.50%/90d	25.92	OK to Buy	3.9	3.9	7.6	15.9	11.6	2.2	1.23	631
2369	FTEMX	Total Emerging Markets	1.50%/90d	11.47	OK to Buy	1.2	1.2	7.1	12.6	--	--	--	116
1978	FTIEX	Total International Equity	1.00%/30d	7.58	OK to Buy	3.4	3.4	9.2	19.5	9.0	0.1	1.27	334
318	FWWFX	Worldwide	1.00%/30d	21.26	Hold	4.5	4.5	8.4	18.5	12.8	2.8	1.15	1,175
SELECT PORTFOLIOS					***Category Averages***	***5.7***	***5.7***	***9.2***	***15.7***	***14.4***	***5.3***	***1.33***	
34	FSAIX	Air Transportation	0.75%/30d	43.10	OK to Buy	6.8	6.8	15.2	15.9	16.5	6.6	1.18	94
502	FSAVX	Automotive	0.75%/30d	39.99	OK to Buy	2.5	2.5	18.0	14.1	12.8	4.4	1.83	161
507	FSRBX	Banking	0.75%/30d	20.33	Hold	5.3	5.3	5.7	21.2	8.1	-2.7	1.47	535
42	FBIOX	Biotechnology	0.75%/30d	118.04	OK to Buy	7.3	7.3	10.8	30.2	23.7	14.2	1.23	3,269
68	FSLBX	Brokerage & Investment	0.75%/30d	55.22	Hold	10.1	10.1	14.8	25.8	7.6	-0.2	1.64	528
69	FSCHX	Chemicals	0.75%/30d	124.49	Buy	4.6	4.6	12.7	19.7	23.0	11.8	1.53	1,134
518	FSDCX	Communications Equipment	0.75%/30d	24.49	OK to Sell	5.7	5.7	19.5	5.3	8.7	4.6	1.62	309
7	FDCPX	Computers	0.75%/30d	64.19	Hold	4.5	4.5	8.5	7.1	16.0	10.3	1.37	700
511	FSHOX	Construction & Housing	0.75%/30d	52.30	Buy	7.3	7.3	12.6	37.4	24.0	9.6	1.48	728
517	FSCPX	Consumer Discretionary	0.75%/30d	27.07	OK to Buy	6.0	6.0	8.0	20.0	19.4	8.8	1.20	386
98	FSVLX	Consumer Finance	0.75%/30d	15.26	Buy	4.6	4.6	5.9	32.1	13.6	-9.3	1.16	330
9	FDFAX	Consumer Staples	0.75%/30d	84.74	Hold	5.9	5.9	7.2	23.3	15.8	8.9	0.82	1,401
67	FSDAX	Defense & Aerospace	0.75%/30d	89.39	Hold	2.7	2.7	8.1	10.5	15.6	4.1	1.12	612
8	FSELX	Electronics	0.75%/30d	48.39	Hold	6.0	6.0	14.3	-4.6	9.5	5.3	1.61	914
60	FSENX	Energy	0.75%/30d	54.90	Hold	8.1	8.1	8.1	7.2	10.2	-0.6	1.70	2,156
43	FSESX	Energy Service	0.75%/30d	74.51	OK to Sell	11.7	11.7	15.2	7.4	9.7	-1.5	2.17	1,161
516	FSLEX	Environment & Alt Energy	0.75%/30d	17.98	OK to Sell	5.5	5.5	13.4	13.7	8.0	1.1	1.19	85
66	FIDSX	Financial Services	0.75%/30d	66.00	Hold	6.9	6.9	10.3	21.9	4.7	-5.6	1.59	594
41	FSAGX	Gold	0.75%/30d	34.17	Sell	-7.6	-7.6	-18.4	-27.0	0.9	-1.5	1.73	2,596
63	FSPHX	Health Care	0.75%/30d	142.77	OK to Buy	6.5	6.5	7.8	21.8	17.5	9.3	0.93	2,694
510	FSCGX	Industrial Equipment	0.75%/30d	39.04	OK to Buy	5.7	5.7	11.1	14.4	17.1	5.1	1.51	354
515	FCYIX	Industrials	0.75%/30d	27.25	Buy	6.5	6.5	11.9	16.8	18.0	7.3	1.35	759
45	FSPCX	Insurance	0.75%/30d	55.40	OK to Buy	7.4	7.4	8.7	23.2	13.1	0.3	1.10	293
353	FBSOX	IT Services	0.75%/30d	27.39	Buy	8.8	8.8	11.5	22.3	18.1	13.3	1.25	396
62	FDLSX	Leisure	0.75%/30d	107.10	OK to Sell	5.5	5.5	12.6	11.1	19.8	9.6	1.29	346
509	FSDPX	Materials	0.75%/30d	74.08	Hold	3.8	3.8	8.3	11.7	16.4	7.8	1.54	1,154
505	FSHCX	Medical Delivery	0.75%/30d	59.44	Hold	3.6	3.6	2.8	7.4	13.2	5.2	1.12	577
354	FSMEX	Medical Equipment	0.75%/30d	30.64	Hold	9.9	9.9	12.1	16.9	11.0	7.4	1.10	1,388
503	FBMPX	Multimedia	0.75%/30d	60.57	OK to Buy	5.6	5.6	8.9	33.5	24.0	12.8	1.27	617
513	FSNGX	Natural Gas	0.75%/30d	33.29	Hold	7.9	7.9	8.5	7.2	4.1	-4.4	1.49	667
514	FNARX	Natural Resources	0.75%/30d	34.40	OK to Sell	6.7	6.7	5.8	2.2	9.6	-0.1	1.68	1,088
580	FPHAX	Pharmaceuticals	0.75%/30d	16.03	Buy	6.6	6.6	7.7	20.4	17.5	11.1	0.84	881
46	FSRPX	Retailing	0.75%/30d	66.02	OK to Buy	6.2	6.2	9.1	24.8	21.5	14.8	1.24	617
28	FSCSX	Software & Computer Svcs	0.75%/30d	87.28	Buy	6.1	6.1	8.9	16.1	17.9	10.5	1.24	1,991
64	FSPTX	Technology	0.75%/30d	103.29	OK to Buy↓	2.0	2.0	4.5	10.3	14.5	9.1	1.32	2,130
96	FSTCX	Telecommunications	0.75%/30d	52.28	OK to Buy	2.8	2.8	4.0	22.4	14.3	4.4	0.92	386
512	FSRFX	Transportation	0.75%/30d	55.84	Hold	8.5	8.5	13.6	11.4	19.0	7.3	1.35	192
65	FSUTX	Utilities	0.75%/30d	59.94	OK to Buy	5.8	5.8	4.1	17.9	14.1	2.4	0.66	535
963	FWRLX	Wireless	0.75%/30d	8.61	OK to Buy	3.9	3.9	8.0	18.2	14.0	5.0	0.94	256

FIDELITY SCORECARD — JANUARY 31, 2013

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	$Price (NAV)	Advice	Total Return (%) Jan	YTD	3 Mo.	Avg Annual (%) 1 Yr	3 Yr	5 Yr	SEC %Yield	Dur[2] (Yrs)	Rel Vol (Risk)[1]
TAXABLE BOND				***Category Averages***		***-0.6***	***-0.6***	***-0.5***	***2.4***	***5.3***	***4.8***	***1.12***	***4.6***	***0.21***
2267	FCONX	Conservative Income Bond		10.04	Buy	0.2	0.2	0.2	1.3	--	--	0.37	0.4	--
2208	FCBFX	Corporate Bond		11.33	Buy	-0.8	-0.8	-0.8	6.8	--	--	2.19	6.9	0.25
2423	FGBFX	Global Bond		10.06	Buy	-0.8	-0.8	-0.8	--	--	--	1.18	5.0	--
15	FGMNX	GNMA (Ginnie Mae)		11.69	Hold	-0.3	-0.3	-0.3	2.3	5.3	5.9	1.95	2.6	0.13
54	FGOVX	Government Income		10.50	Hold	-0.7	-0.7	-0.6	1.5	4.5	4.9	1.09	4.3	0.18
794	FINPX	Inflation-Protected Bond[3]		13.27	Hold	-0.7	-0.7	-0.8	3.5	7.6	5.5	-0.41	5.5	0.29
32	FTHRX	Intermediate Bond		11.09	OK to Buy	-0.3	-0.3	-0.1	3.5	5.5	5.4	1.34	4.0	0.14
452	FSTGX	Intermediate Gov't Income		10.81	Hold	-0.3	-0.3	-0.3	1.1	3.6	4.1	0.66	3.5	0.15
2428	FINUX	International Bond		10.14	Buy	-0.6	-0.6	-0.3	--	--	--	1.36	5.4	--
26	FBNDX	Investment Grade Bond		7.94	Buy	-0.6	-0.6	-0.4	4.3	6.7	5.7	1.53	4.8	0.15
40	FMSFX	Mortgage Securities		11.30	Hold	-0.4	-0.4	-0.1	3.1	5.4	5.4	1.92	2.2	0.12
450	FSHBX	Short-Term Bond		8.60	Buy	0.1	0.1	0.2	1.7	2.4	2.2	0.48	1.8	0.06
2415	FSIQX	Sptn Inflation-Protect Index[4]		10.23	Hold	-0.6	-0.6	-0.7	--	--	--	-0.16	5.5	--
1561	FIBIX	Sptn Interm Treas Index[4]		11.24	OK to Sell	-1.1	-1.1	-0.9	1.2	7.0	6.0	1.11	6.7	0.33
1562	FLBIX	Sptn Lng-Term Treas Index[4]		12.56	Sell	-3.1	-3.1	-3.8	-0.0	11.3	8.1	2.67	16.7	0.84
1560	FSBIX	Sptn Sht-Term Treas Index[4]		10.57	Hold	-0.1	-0.1	-0.0	0.3	2.0	2.7	0.21	2.6	0.09
651	FBIDX	Sptn US Bond Index		11.79	Hold	-0.7	-0.7	-0.7	2.4	5.3	5.2	1.50	4.8	0.16
820	FTBFX	Total Bond		10.88	Buy	-0.4	-0.4	-0.2	4.7	6.8	6.7	2.02	4.7	0.15
812	FUSFX	Ultra-Short Bond	0.25%/60d	8.24	Hold	0.0	0.0	0.1	1.3	0.8	-0.6	0.22	0.3	0.03
HIGH-YIELD BOND				***Category Averages***		***0.8***	***0.8***	***3.0***	***11.7***	***9.6***	***8.8***	***3.80***		***0.42***
38	FAGIX	Capital & Income	1.00%/90d	9.62	Buy	1.7	1.7	4.6	13.7	10.8	10.5	4.61	3.6	0.63
814	FFRHX	Floating Rate High Income	1.00%/60d	9.97	Buy	0.8	0.8	1.7	5.8	5.4	5.6	2.81	0.4	0.25
1366	FHIFX	Focused High Income	1.00%/90d	9.42	Buy	0.8	0.8	2.3	9.6	9.9	7.6	3.57	3.2	0.37
2297	FGHNX	Global High Income	1.00%/90d	10.33	Buy	1.4	1.4	4.7	15.1	--	--	4.16	3.0	--
455	SPHIX	High Income	1.00%/90d	9.42	Buy	1.3	1.3	3.3	12.5	10.7	10.0	4.79	2.9	0.50
331	FNMIX	New Markets Income	1.00%/90d	17.66	Buy	-0.4	-0.4	2.6	16.8	12.5	11.0	3.62	6.5	0.45
368	FSICX	Strategic Income		11.34	Buy	0.0	0.0	1.7	8.6	8.1	8.2	3.03	4.7	0.31
MUNICIPAL BOND				***Category Averages***		***0.3***	***0.3***	***0.7***	***4.2***	***5.7***	***5.0***	***1.58***	***6.1***	***0.21***
434	FSAZX	Arizona Muni Income	0.50%/30d	12.25	Hold	0.4	0.4	1.0	5.3	6.6	5.5	1.74	6.8	0.24
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.81	OK to Buy↑	0.3	0.3	0.4	1.9	3.1	3.6	0.89	3.0	0.11
91	FCTFX	California Muni Income	0.50%/30d	12.99	Hold	0.5	0.5	1.3	6.2	7.5	5.5	2.03	6.6	0.27
407	FICNX	Connecticut Muni Income	0.50%/30d	11.98	Hold	0.2	0.2	0.1	2.7	5.5	4.9	1.53	6.4	0.24
36	FLTMX	Interm Municipal Income	0.50%/30d	10.66	OK to Buy↑	0.3	0.3	0.7	3.7	5.1	4.7	1.35	5.0	0.18
429	SMDMX	Maryland Muni Income	0.50%/30d	11.63	Hold	0.2	0.2	0.3	3.6	5.4	4.8	1.39	6.3	0.21
70	FDMMX	Mass Muni Income	0.50%/30d	12.69	Hold	0.3	0.3	0.7	4.5	6.5	5.5	1.76	7.3	0.21
81	FMHTX	Michigan Muni Income	0.50%/30d	12.54	Hold	0.3	0.3	0.8	4.4	5.8	5.1	1.83	6.0	0.21
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.99	Hold	0.2	0.2	0.4	3.3	5.3	4.9	1.29	5.4	0.20
37	FHIGX	Municipal Income	0.50%/30d	13.58	Hold	0.4	0.4	1.0	5.8	6.9	5.6	1.89	7.1	0.25
416	FNJHX	New Jersey Muni Income	0.50%/30d	12.30	Hold	0.7	0.7	0.6	4.4	6.1	5.1	1.73	6.8	0.25
71	FTFMX	New York Muni Income	0.50%/30d	13.69	Hold	0.3	0.3	0.6	4.5	6.1	5.3	1.69	7.1	0.25
88	FOHFX	Ohio Muni Income	0.50%/30d	12.39	Hold	0.3	0.3	1.0	5.1	6.1	5.3	1.77	7.1	0.23
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.46	Hold	0.2	0.2	0.8	4.7	6.2	5.3	1.78	6.7	0.23
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.85	OK to Buy↑	0.2	0.2	0.3	1.8	2.8	3.1	0.56	2.9	0.09
90	FTABX	Tax-Free Bond	0.50%/30d	11.73	Hold	0.4	0.4	1.1	6.1	7.0	5.9	2.02	7.3	0.25
TAXABLE MONEY MARKET				***Category Averages***		***0.0***	***0.0***	***0.0***	***0.0***	***0.0***	***0.5***	***0.01***		
55	FDRXX	Cash Reserves		1.00	--	0.00	0.00	0.00	0.0	0.0	0.6	0.01	na	0.00
631	FGMXX	Retirement Government MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.5	0.01	na	0.00
630	FRTXX	Retirement MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.6	0.01	na	0.00
458	SPAXX	Government MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.5	0.01	na	0.00
454	SPRXX	Money Market		1.00	--	0.00	0.00	0.00	0.0	0.0	0.6	0.01	na	0.00
85	FSLXX	Select MM		1.00	--	0.00	0.00	0.00	0.1	0.1	0.7	0.02	na	0.00
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.00	0.00	0.00	0.0	0.0	0.5	0.01	na	0.00
415	FDLXX	US Treasury MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.3	0.01	na	0.00
MUNICIPAL MONEY MARKET				***Category Averages***		***0.0***	***0.0***	***0.0***	***0.0***	***0.0***	***0.3***	***0.01***		
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.00	0.00	0.00	0.0	0.0	0.4	0.01	na	0.00
433	FSAXX	Arizona Muni MM		1.00	--	0.00	0.00	0.01	0.0	0.0	0.3	0.01	na	0.00
97	FCFXX	California Muni MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.3	0.01	na	0.00
457	FSPXX	California AMT Tax-Free		1.00	--	0.00	0.00	0.00	0.0	0.0	0.4	0.01	na	0.00
418	FCMXX	Connecticut Muni MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.3	0.01	na	0.00
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.00	0.00	0.00	0.0	0.0	0.4	0.01	na	0.00
74	FDMXX	Massachusetts Muni MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.3	0.01	na	0.00
420	FMIXX	Michigan Muni MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.3	0.01	na	0.00
10	FTEXX	Municipal Money Market		1.00	--	0.00	0.00	0.00	0.0	0.0	0.4	0.01	na	0.00
417	FNJXX	New Jersey Muni MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.3	0.01	na	0.00
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.00	0.00	0.00	0.0	0.0	0.4	0.01	na	0.00
92	FNYXX	New York Muni MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.3	0.01	na	0.00
422	FSNXX	New York AMT Tax-Free		1.00	--	0.00	0.00	0.01	0.0	0.0	0.4	0.01	na	0.00
419	FOMXX	Ohio Muni MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.3	0.01	na	0.00
401	FPTXX	Pennsylvania Muni MM		1.00	--	0.00	0.00	0.00	0.0	0.0	0.4	0.01	na	0.00
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.00	0.00	0.0	0.0	0.3	0.01	na	0.00

FIDELITY SCORECARD — JANUARY 31, 2013

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	$Price (NAV)	Advice	Total Return (%) Jan	Total Return (%) YTD	Total Return (%) 3 Mo.	Avg Annual (%) 1 Year	Avg Annual (%) 3 Year	Avg Annual (%) 5 Year	Rel Vol (Risk)[1]
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios		Annuity Sector Model					4.3	4.3	7.5	13.9	12.9	5.9	1.19
		Annuity Growth Model					4.3	4.3	7.1	15.5	13.8	1.2	1.05
		Annuity Growth & Income Model					2.9	2.9	4.7	12.5	9.5	3.4	0.72
		Annuity Income Model					-0.2	-0.2	1.2	7.0	7.7	5.3	0.27
9067	FLRQC	Fid VIP Asset Manager	Allocation		14.62	Hold	2.6	2.6	4.8	9.8	9.1	3.9	0.69
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		14.17	Hold	3.7	3.7	6.9	12.4	10.2	3.2	0.96
9069	FJBAC	Fid VIP Balanced	Allocation		15.34	OK to Buy	3.2	3.2	4.9	11.7	11.0	5.0	0.91
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	15.41	Buy	5.9	5.9	8.0	20.0	19.1	8.8	1.20
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	15.82	Hold	5.9	5.9	7.4	23.0	15.1	8.6	0.81
9065	FPDFC	Fid VIP Contrafund	Large Growth		14.85	Hold	4.6	4.6	6.3	15.3	12.9	3.1	1.08
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		12.34	OK to Buy↑	6.5	6.5	11.8	17.6	17.5	6.1	1.33
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		15.34	Buy	4.2	4.2	7.6	18.0	14.8	4.4	1.09
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	8.29	Hold	1.0	1.0	7.2	5.7	4.2	--	1.41
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	15.83	Hold	8.0	8.0	8.1	7.1	10.0	-0.8	1.70
9061	FLOLC	Fid VIP Equity-Income	Large Value		13.14	Buy	5.6	5.6	6.8	19.3	13.8	2.2	1.08
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	7.83	Hold	6.8	6.8	10.3	22.2	4.7	-5.6	1.58
9157	FMPAC	Fid VIP FundsManager 20	Allocation		12.94	Hold	0.9	0.9	1.4	4.3	5.2	3.4	0.23
9158	FMPBC	Fid VIP FundsManager 50	Allocation		12.93	Hold	2.5	2.5	3.9	8.7	8.2	3.5	0.56
9197	FMPPC	Fid VIP FundsManager 60	Allocation		11.66	Hold	2.9	2.9	4.7	10.2	8.9	--	0.67
9159	FMPCC	Fid VIP FundsManager 70	Allocation		12.48	Hold	3.6	3.6	5.9	11.8	9.8	2.8	0.79
9160	FMPDC	Fid VIP FundsManager 85	Allocation		11.94	Hold	4.6	4.6	7.1	13.3	10.4	2.0	0.97
9062	FMNDC	Fid VIP Growth	Large Growth		13.64	Hold↓	3.8	3.8	5.0	12.4	15.8	1.8	1.16
9070	FLFNC	Fid VIP Growth & Income	Large Blend		14.02	Buy	5.2	5.2	6.7	19.3	14.4	2.7	1.05
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		14.02	Buy	4.9	4.9	7.9	14.4	18.5	3.6	1.22
9078	FPVDC	Fid VIP Growth Stock	Large Growth		14.88	OK to Buy	3.8	3.8	5.6	14.7	15.8	5.8	1.09
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		12.38	OK to Sell	6.1	6.1	10.0	8.6	12.1	1.7	1.30
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	17.44	Buy	6.5	6.5	7.8	21.1	17.3	9.2	0.93
9060	FBBLC	Fid VIP High Income	High-Yield Bond		16.70	Buy	0.8	0.8	2.8	11.3	10.3	8.1	0.46
9064	FXVLT	Fid VIP Index 500	Large Blend		13.92	Hold	5.1	5.1	6.7	16.4	13.8	3.7	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	18.82	Buy	6.4	6.4	11.9	16.6	17.8	7.4	1.36
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	12.86	Buy	3.6	3.6	10.4	20.1	11.0	2.2	1.43
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		14.64	Buy	-0.5	-0.5	-0.5	3.8	5.9	5.8	0.15
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	15.59	Buy	3.7	3.7	8.3	11.4	16.1	7.7	1.54
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		16.17	OK to Buy	6.2	6.2	9.9	14.2	12.8	4.9	1.05
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.42	--	0.0	0.0	0.0	-0.2	-0.1	0.5	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	12.58	OK to Buy	4.4	4.4	10.7	17.4	7.5	-1.9	1.42
9072	FFWKC	Fid VIP Real Estate	Sector		16.42	Hold	3.5	3.5	6.7	15.1	22.1	7.1	1.25
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		16.69	Buy	0.1	0.1	1.7	8.0	7.6	7.8	0.31
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	17.44	Buy	1.6	1.6	4.2	10.1	14.4	9.8	1.32
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	10.80	OK to Buy	2.9	2.9	4.5	23.3	14.9	4.3	0.90
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	16.54	OK to Buy	5.9	5.9	4.0	18.0	14.0	2.5	0.66
9079	FKMSC	Fid VIP Value	Mid Value		13.20	Buy	6.0	6.0	8.6	21.9	14.5	3.2	1.18
9080	FUEBC	Fid VIP Value Leaders	Large Value		10.69	OK to Sell	6.7	6.7	9.2	16.1	8.0	-2.0	1.21
9073	FRBSC	Fid VIP Value Strategies	Mid Value		14.69	Buy	5.4	5.4	10.7	22.5	16.2	5.0	1.34
9285	FIGXC	V.I. Global Core Eqty[7]	Global Stock		9.46	OK to Sell	3.7	3.7	10.3	12.2	6.3	-2.7	1.19
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		15.87	Hold	0.8	0.8	7.4	10.4	8.8	2.8	1.43
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		17.20	Buy	-1.5	-1.5	1.4	13.2	10.7	8.1	0.51
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		13.46	Hold	1.1	1.1	6.5	11.4	7.7	-0.4	1.28
9146	FPRPC	Morgan Stanley Glb Tactical Alloc	Diversified Int'l		10.74	Hold	2.1	2.1	4.8	11.2	7.6	-1.0	1.02
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.34	Buy	-0.2	-0.2	0.1	4.0	3.4	--	0.16
9277	FPNBC	Pimco VIT Real Return	TIPS		13.35	Hold	-0.5	-0.5	-0.4	5.5	8.4	--	0.30
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		12.31	Buy	-0.3	-0.3	0.3	6.7	6.2	--	0.20

Annuity Model Portfolios

Rel Vol: 1.19

Annuity Sector	
Fund	**Allocation**
VIP Technology	33%
VIP Health Care	21
VIP Materials	18
VIP Industrials	15
VIP Cons Discretionary	13
Total Return:	
Jan: 4.3%	**YTD: 4.3%**

Rel Vol: 1.05

Annuity Growth	
Fund	**Allocation**
VIP Growth Opps	32%
VIP Value Strategies	24
VIP Equity-Income	20
VIP Dynamic Cap App	12
MS Emerg Mkt Debt	12
Total Return:	
Jan: 4.3%	**YTD: 4.3%**

Rel Vol: 0.72

Annuity Growth & Income	
Fund	**Allocation**
VIP Strategic Inc	26%
VIP Growth Opps	24
VIP Value	18
VIP Equity-Income	15
Pimco Low Duration	11
MS Emerg Mkt Debt	6
Total Return:	
Jan: 2.9%	**YTD: 2.9%**

Rel Vol: 0.27

Annuity Income	
Fund	**Allocation**
VIP Investment Grade	32%
VIP Strategic Income	31
VIP High Income	22
MS Emerg Mkt Debt	15
Total Return:	
Jan: -0.2%	**YTD: -0.2%**

SECTOR INVESTING

Heavy Industry Bouncing Back

We've been carrying a significant technology overweight in our two sector models, but it's come time to change the focus a bit and place more emphasis on the low-tech side of the economy. This month we're making some changes that will pull our technology weighting back to a market weighting (roughly 19%), while boosting our emphasis on industrial firms and construction and housing stocks. At the same time our technology focus is shifting. Here's my thinking on the long-term trends that are prompting these changes:

• The software and service side of tech is becoming more attractive than hardware. Hardware makers are struggling as consumers abandon PCs in favor of tablets and smartphones, but software and service firms are benefiting as an increasing share of commerce moves online (in the case of Apple, it has a stake in both areas, with investors failing to give it full credit for its software/service franchise). In effect, we are shifting from those that build technology to those that harness it.

• The industrial sector is getting a lift from emerging market economies, many of which are behind the curve on power generation, farm productivity, and transportation infrastructure. At the same time, low financing costs make it easy to replace aging equipment and grow infrastructure here at home.

• The percentage of children aged 25-34 who live at home with their parents peaked above 14% in 2011, and that's enough pent-up demand to power the housing market for the better part of a decade. At the same time, rising rents are also boosting home ownership. In many parts of the country, renters who become homeowners, book a triple win — they step up, save money and get a nice tax break.

• The US shale boom is boosting demand for both the aforementioned groups. Industrial firms benefit from both drilling activity and pipeline construction, which creates demand for equipment and specialty steel. And on the production side, shipping oil by rail is boosting demand for tanker cars while increasing revenue for the railroads who carry it. Normally this might drive up costs for all of these firms, but low cost natural gas is, in some cases, helping to improve margins at the same time.

On the housing front, some of the strongest growth is coming from shale boom regions, where high-wage job creation is stoking demand. This is no longer limited to isolated regions like North Dakota, as many formerly depleted oil regions in Pennsylvania and Ohio are now being brought back to life. Even California's Central Valley is benefiting from renewed activity in the Monterey Shale.

As for the actual trades (see p. 3), in our Select Model we will be selling our entire position in **Technology** and adding the proceeds to three funds that we already hold: **IT Services**, **Industrials** and **Constructions & Housing**.

IT Services is a pure play on the business services side of technology, and includes some exposure to financial transaction processors. Industrials includes not only high-ticket capital goods and housing-related components, but also transportation services such as railroads and package shippers. Construction & Housing includes not only home builders and materials suppliers, but retailers like Home Depot and Lowes (which are benefiting not only from new construction, but remodeling as well).

[Note: If you'd like to learn more about these and other Fidelity funds, the fund commentaries in the online *Independent Guide* have now been updated. The printed version of the 2013 edition will soon be available.]

In our Annuity Sector Model we don't have access to funds like IT Services and Construction & Housing, so we are going with the next best alternatives. **VIP Technology** will continue to be held at close to a market weighting as a stand-in for IT Services. And **VIP Consumer Discretionary** is substituting for Construction & Housing. It's not an ideal alternative, but it does capture the retail side of home construction and has exposure to other areas where consumer spending has increased. ■

— *Jack Bowers*

FUND STRATEGIES

Apple Of Fidelity's Eye

As we've discussed on other occasions, Fidelity is one of the largest holders of Apple Computer stock; **Contra** is the biggest among Fidelity funds with 11.6 million shares that were worth $6.1 billion as of Dec. 31 (the latest holding period available).

While Apple's free-fall has been headline news that has sometimes obscured the fact that stocks had been heading towards record territory, a number of members have inquired as to Apple's effect on their Fidelity funds — as well as our models.

Here's some perspective.

When Apple's shares fell 12% on January 24, the two large-cap stock funds in our Growth Model were overweight the stock relative to the S&P 500 (3.9%). The biggest investor was **Blue Chip Growth** (9.1%) followed by **Mega Cap Stock** (5.4%). In stark contrast to Apple's sharp decline, Blue Chip retreated 1.1% and Mega Cap was off just 0.5%. As the two funds account for just over half the Model's assets, they shaved 0.4 percentage points off its gain for the day. It finished up 0.04% while the S&P 500 was unchanged.

Granted, that day was not ideal for the Growth Model. However, it highlights the importance of two investment principles that we have always embraced: 1. Investment risk is reduced by investing in diversified mutual funds, and; 2. Risk is further reduced by holding multiple asset classes of funds. ■

Inside Fidelity

Lower Minimums & Fees — The big news about Fidelity's passive funds actually came in December: they lowered investment minimums on 16 index funds (including five bond index funds) and another six "Enhanced" index funds. Investor Class minimums were lowered from $10,000 to a standard $2,500. Advantage Class shares (which have lower fees) fell from $100,000 to $10,000.

Fidelity also reduced expenses on eight Spartan index funds. Savings range from as little as 0.01% for **Spartan 500 Index** (Advantage Class) to 0.08% for all classes of their small-cap index funds.

Money Market Values — In an attempt to keep federal regulators from forcing the fund industry to adopt a "floating" NAV for money markets instead of the current and stable $1.00 value, Fidelity and a handful of other firms now provides Per-Share Market Values online.

On January 30, for example, **Cash Reserves** market value was $1.0004. Although you can only buy or sell shares at the usual $1.00 NAV, showing the fund's value in this manner confirms that it's worth at least $1.00, while the inverse would also be true.

[Like others in the industry, and given today's razor-thin interest rates, Fidelity reimburses and/or waives a portion of their money funds' expenses to keep their yields positive.]

Even with this preemptive move by Fidelity, it's entirely possible that the SEC will still prevail on floating NAVs, regardless of strenuous objections from Fidelity and others.

Select Manager Changes — Boris Schepov is the new manager of **Industrial Equipment**. Steven Bullock, who was co-manager with Schepov, will transition off the fund, while remaining manager of **Medical Delivery**.

Elsewhere, the departure of Kristina Salen has triggered Matthew Drukker taking charge of **Telecommunications** and its annuity clone (he continues to oversee the related **Wireless** fund), while Nidhi Gupta is the new manager of **Multimedia**. (She had been the lead analyst in that area since 2008.) ■

Dividend Update

In addition to monthly dividends paid by bond and money market funds and Asset Mgr: 20%/30%, the following funds are scheduled for a distribution in February:

Contrafund, Global Bond, Global Strategies, Int'l Bond, Intermed Muni Inc, MI, MN, OH, and PA Muni Income, New Markets Inc, Real Estate Inc, Sptn Inflation-Protected , Strategic Inc, Trend

The final distributions for January were as follows:

Fund	Ex-Date	$ Amt	NAV
Growth Company	1/11	0.158	96.39
New Millennium	1/11	0.030	31.29
CT Muni Inc	1/11	0.001	12.03

Scorecard Changes

In response to members' requests, we've made a few changes to the *Scorecard.* On the top of page 6, we added a 10-year average annual return for our models and the various indexes. (Note that we don't show it for individual funds as very few have had the same manager for 10 years.) Also for bond funds on page 9, we have added 1-, 3- and 5-year average annual returns. To make room for this, we removed the tax-equivalent yields for municipal bond and money market funds. ■

Fund News

Small Cap Discovery Closed

On January 31, Fidelity closed **Small Cap Discovery** to most new investors. Existing shareholders may purchase additional shares of the fund, but no new accounts may be opened.

Fidelity described its action to us as "preemptive rather than reactive." In other words, Manager Chuck Myers has kept Discovery essentially fully invested even as new assets chase its especially strong performance. Notably, Discovery rose 24.0% last year. But should cash accumulate and small-caps keep rising, fund performance would likely be held back.

At year end, assets stood at $3.9 billion, up from roughly $3.5 billion just a month earlier. Discovery held almost no cash in 2012, and Myers made it clear to us that he doesn't want that to change.

"Flows were getting to a point where they could be disruptive," we were told by Tom Hense, the chief investment officer of Fidelity's small-cap funds (and former fund manager). "[So] there's a need to both reduce inflows and level them to keep them manageable."

As you may know, we hold Small Cap Discovery in our *Unique Opportunities Model*. In fact, we added to that position on December 31, 2012.

Though different from Discovery, we have two alternatives for those members who cannot buy the fund. **Small Cap Value**, as its name implies, is a more value-oriented offering, though it's also run by Myers. Otherwise, **Small Cap Enhanced Index** takes a blended approach like Discovery. ■

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