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Years

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FIDELITY MONITOR & INSIGHT

Incorporating Fidelity Monitor and Fidelity Insight

FEBRUARY 2014

PUBLISHED SINCE 1985

MESSAGE FROM JACK

Electronics Now a Better Bet Than Chemicals For Our Model

Cold weather has pushed up the price of natural gas relative to oil. But even as temperatures warm, the lucrative profit “spread” enjoyed by US chemical companies could still erode.



Jack Bowers

Demand for natural gas is up due to its rising popularity with electric utilities. Also, liquefied natural gas (LNG) is gaining traction in trucking, and it can be exported. On the oil side, robust US shale production is weighing

on global prices, making life a little easier for chemical competitors abroad.

Meanwhile, chipmakers now appear to be turning the corner. Excess semiconductor capacity created by the financial crisis and the PC bust is being worked down by the mobile device boom. Even Intel (which was heavily exposed to the PC bust) now reports that PC-related chip revenue is no longer plunging, and forward revenue will be flat as demand for mobile device chips fills the void.

The picture is brighter for other players in the industry. In addition to rising demand from tablets, smartphones, gaming, flash memory and automotive electronics, the “Internet of Things” could become a significant new source of demand. Last month’s Consumer Electronics Show was a showcase of Wi-Fi enabled household devices that included — don’t laugh — a crock pot that could be remotely controlled with a smartphone. To some it may seem silly, but appliance makers see potential for a new luxury market where millions of tech-savvy consumers pay premium prices for smart products, just as they have for smart phones. Even Google (which has paid over \$3 billion for Nest — a two-product company that makes smart thermostats and smoke detectors) is getting in on the action.

Turning to our Select Model trade, while **Electronics** is a relatively volatile sector fund, its risk score is only about 4% higher than **Chemicals** (1.61 vs. 1.55). And because Electronics has a lower correlation (moves less in tandem) to portfolio holding **Pharmaceuticals**, we can make this change to the Select Model (see page 3) with very little impact to overall risk.

MARKET OUTLOOK

It’s Risk-Off Time Again, But Stay Calm ... And Stay Invested

Take a deep breath. January was certainly a rough month, but it is important to keep things in perspective. While it is not the way anyone would want to start out the new year, it was far from the epic disaster the talking heads of TV are making it out to be. Could the sell-off get worse? Sure. As I noted in January’s *Market Outlook*: “While we do expect another good year for stocks, we also expect more volatility.



John M. Boyd

2013 had only two negative months and we are overdue for a correction of at least 10%. Doesn’t mean we will have one, but if so, remain calm and stick to your long-term investment plan.” That advice still stands.

Much of the downturn has been attributed to an emerging market “crisis.” The emerging markets (EM) are being buffeted by a variety of factors. The trouble began last May when the Fed first talked about reducing their bond purchases, which triggered interest rates on US bonds to rise. A lot of money that had flowed into EM countries in search of higher yields then began to reverse course, and the outflows accelerated when the Fed actually started to taper in December.

When investors *en masse* decide to flee those relatively small markets, the exodus can become a rout. Next, China reported a surprising drop in manufacturing activity, and questions about growth in the world’s biggest importer of raw materials weighed heavily on the many EM countries that are dependent on exports of commodities. Lastly, those countries with high current account deficits thanks to overspending the “easy money,” such as Turkey, are seeing their currencies battered along with their stocks as the liquidity spigot starts to get turned off. Add in government scandals and social unrest in many countries and you have a perfect storm of trouble. And in the face of that trouble, investors have been in a “risk-off” mode again, moving out of all risk assets, including US stocks, indiscriminately.

Emerging Markets Won’t Sink US Economy

However, the turmoil in the emerging markets should have limited impact on the US economy. Most EM coun-

Market Outlook *cont’d on page 3*

Unique Opportunities Target Risk: 1.20 (Current: 1.15) Foreign Holdings: 8.1% YTD Return: -2.0%

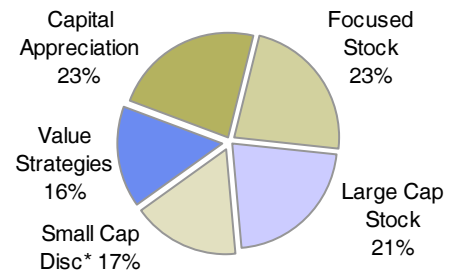
Stocks: 97.7% Bonds: 0.1% Cash: 2.2% Alternatives: 0.0% Yield: 0.4%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Capital Appreciation	FDCAX	\$35.83	2,482.45	\$88,946	-1.0%
Focused Stock	FTQGX	19.89	4,319.47	85,914	0.8
Large Cap Stock	FLCSX	26.53	3,050.87	80,940	-2.6
Small Cap Discovery*	FSCRX	29.69	2,126.43	63,134	-5.0
Value Strategies	FLSX	39.50	1,495.66	59,079	-3.5

* Closed: new investors use Small Cap Enhanced Index or Mid Cap Value.

Current Value (3/31/99 = \$100,000) \$378,013 -2.0%

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



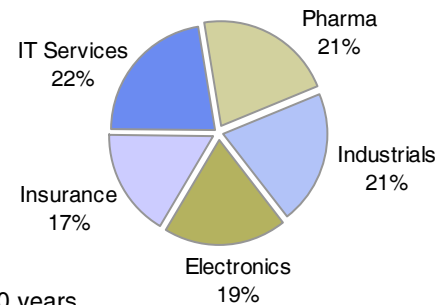
Select Target Risk: 1.20 (Current: 1.16) Foreign Holdings: 19.5% YTD Return: -3.4%

Stocks: 97.9% Bonds: 0.0% Cash: 2.1% Alternatives: 0.0% Yield: 0.1%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
IT Services	FBSOX	\$35.83	15,291.64	\$547,899	-4.3%
Pharmaceuticals	FPHAX	19.53	26,640.54	520,290	1.7
Industrials	FCYIX	32.50	15,425.70	501,335	-3.5
Electronics	FSELX	63.50	7,218.26	458,360	0.6
Insurance	FSPCX	63.73	6,347.62	404,534	-7.1

Current Value (12/31/88 = \$100,000) \$2,432,418 -3.4%

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



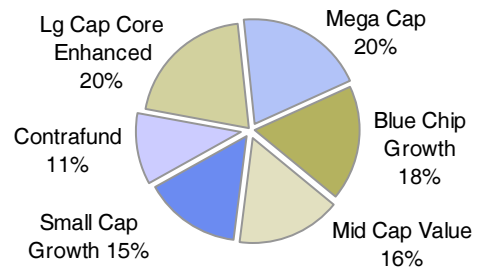
Growth Target Risk: 1.00 (Current: 1.10) Foreign Holdings: 6.1% YTD Return: -2.6%

Stocks: 98.4% Bonds: 0.0% Cash: 1.6% Alternatives: 0.0% Yield: 0.6%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Lg Cap Core Enhanced	FLCEX	\$10.86	33,950.81	\$368,706	-3.5%
Mega Cap Stock	FGRTX	14.77	24,240.91	358,038	-4.2
Blue Chip Growth	FBGRX	62.40	5,043.46	314,712	-1.5
Mid Cap Value	FSMVX	21.96	13,152.70	288,833	-2.8
Small Cap Growth	FCPGX	19.15	13,682.67	262,023	-0.6
Contrafund	FCNTX	93.99	2,123.61	199,598	-2.2

Current Value (12/31/86 = \$100,000) \$1,791,910 -2.6%

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



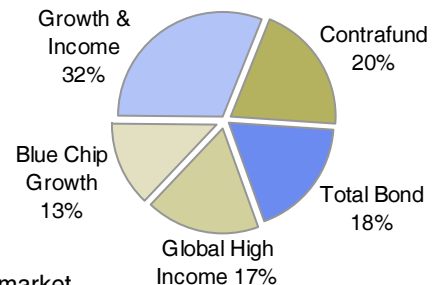
Growth & Income Target Risk: 0.66 (Current: 0.75) Foreign Holdings: 16.1% YTD Return: -1.8%

Stocks: 63.8% Bonds: 17.4% Cash: 2.5% Alternatives: 16.4% Yield: 2.0%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Growth & Income	FGRIX	\$26.66	5,673.18	\$151,247	-4.3%
Contrafund	FCNTX	93.99	1,011.57	95,077	-2.2
Total Bond	FTBFX	10.56	8,394.24	88,643	1.4
Global High Income	FGHNX	10.00	8,437.57	84,376	0.0
Blue Chip Growth	FBGRX	62.40	1,010.13	63,032	-1.5

Current Value (12/31/93 = \$100,000) \$482,375 -1.8%

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



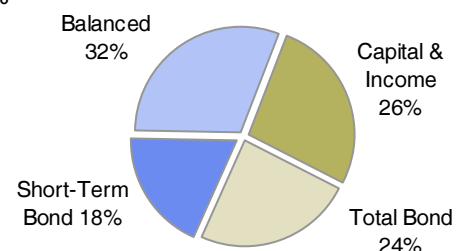
Income Target Risk: 0.33 (Current: 0.40) Foreign Holdings: 10.5% YTD Return: -0.1%

Stocks: 27.5% Bonds: 48.7% Cash: 3.9% Alternatives: 19.9% Yield: 2.3%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Balanced	FBALX	\$22.41	4,615.32	\$103,429	-1.5%
Capital & Income	FAGIX	9.83	9,133.21	89,779	0.1
Total Bond	FTBFX	10.56	7,419.18	78,347	1.4
Short-Term Bond	FSHBX	8.60	7,048.40	60,616	0.3

Current Value (12/31/91 = \$100,000) \$332,172 -0.1%

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



Market Outlook *cont'd from page 1*

tries are too small to have any impact. And sales by US firms to the biggest EM country, China, amount to only 0.9% of GDP. The last time we had a major EM crisis (1997-1999) the S&P 500 initially took a drubbing, but quickly recovered those losses and moved higher.

If you are a long-term investor, nothing that is happening now in the emerging markets should change your investing strategy. The health of the US economy and the strength of corporate earnings will be far more important factors for US stocks.

US Growth Story Intact ...

Fourth quarter GDP grew 3.2% (first estimate) after a 4.1% rise in the third quarter — the strongest two quarters of growth since the end of 2011/start of 2012. Fueling growth was a 3.3% jump in consumer spending — the fastest pace since the fourth quarter of 2010. Export growth was also strong rising 11.4% versus import growth of just 0.9%. This improvement in the balance of trade reflects the US regaining its role as a major petroleum producer — one less reliant on imports for its energy needs.

... But There Are Concerns

However, there are some areas that bear watching. One of the weak items in the GDP report was a 9.8% decline in residential construction — the first negative reading in 14 quarters. This comes as the level of both new and existing home sales has leveled off. The bitter weather in much of the country may have contributed to lackluster sales in December, and January brought no relief from the cold. In addition, the index of pending home sales has been steadily declining since interest rates bottomed last May. On the positive side, the recent surge of Treasury

FUNDS YOU SHOULD BUY NOW

Growth: **Blue Chip Growth**, **Cap App** and **Growth Company** are for large-cap growth; **Contrafund** is an even more conservative approach to growth. Our favored alternatives to the closed **Small Cap Discovery** are **Small Cap Growth**, **Small Cap Enhanced Index** and **Mid Cap Value**.

Growth & Income: **Growth & Income**, **Large Cap Core Enhanced Index** and **Mega Cap Stock** all seek growth and yield from larger-cap stocks.

Bond: **Short-Term Bond** (p. 11) and **Intermediate Bond** limit interest-rate risk. **Total Bond** provides the greatest bond diversification holding US government debt, corporates, mortgages, high-yield and foreign debt, too.

High Yield: More risky than investment-grade bond funds, but less risky than stock funds, **Capital & Income** boosts portfolio yield even as its secondary objective is growth (it holds some stocks). ■

bond buying due to the EM crisis has made mortgages cheaper.

The employment situation is another area that bears watching. Initial claims for unemployment may have bottomed, meaning new job creation will be more important if the jobs picture is to continue to brighten. On that score, December's gain of just 74,000 jobs was a real negative surprise. It is such an outlier that many are expecting it to be revised higher. Needless to say, January's report due on February 7 will be important.

Earnings Growth Solid

To date, 251 companies in the S&P 500 have reported for the fourth quarter and 74% have notched bet-

ter-than-expected earnings and 67% sales that exceeded estimates. Both of those figures are above their respective four-year averages. The blended growth rate for fourth quarter earnings is now 7.9%, up from an estimated 6.3% at the end of last year. While there have been some high profile disappointments (Amazon and Boeing for example) the overall picture is still very solid.

January serves as a reminder that stocks carry risk, but it shouldn't cause you to flee the market. If you are tempted to do so, consider following one of our more conservative models instead. That is a better idea than jumping in and out. ■

— John M. Boyd

MODEL PORTFOLIO TRADES

As announced on our January 24 Hotline, on Monday January 27, we made trades in two Model Portfolios.

Select Model:

We sold (exchanged) our entire position in **Select Chemicals** [ticker: FSCHX] and established a new position in **Select Electronics** [ticker: FSELX].

Annuity Sector Model:

We sold (exchanged) our entire position **VIP Materials** [ticker: FVMAC] and established a new position in **VIP Technology** [ticker: FYENC].

Our outlook has improved for semiconductor makers and the broader tech sector, while a rapidly shifting supply/demand imbalance for natural gas and shale oil threaten to pinch profits for chemicals and material-supply companies.

NOTE: Selects and annuity sector funds both have short-term trading fees, so you may wish to delay your trade until the fee no longer applies. Also, see "Message From Jack" on p. 1 for an overview of the trades.

Model Portfolios Key:

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.

2013 REVIEW

Fidelity Funds Show Long-term Progress

While the media obsesses over ETFs and Fidelity's timid entree into that business, for our money, their focus on fund performance remains right on target. To that end, FMR (its asset management company) continues to improve (though sometimes unevenly) the relative performances of their actively managed funds. While some of the credit goes to its retiring president, Ron O'Hanley (see p. 12), it's Fidelity's managers and analysts who really deserve the praise.

Let's look at Fidelity's numbers and our own.

Beginning with S&P 500-benchmarked funds (arguably, they're the most important as the vast majority of investors' long-term assets are in such funds), Fidelity must get this piece "right." And, they did.

Briefly turning back to 2011, rising unemployment and energy prices, Europe's credit crisis, the debt ceiling and the prospect of the Fed ending QE2, all conspired to rein in the S&P 500's advance to a miserly 2.1%.

Amid this confusion, Fidelity's stockpickers were caught off-guard. Overweighting financials and materials hurt. And, if a fund had any foreign stocks, that hurt even more. Of Fidelity's 16 S&P 500-benchmarked funds, only **New Millennium** (up 2.5%) beat its bogey! That equates to a miserable 6% success rate.

2012 wasn't just a turnaround year for the S&P 500 (up 16.0%), it was also a tremendous year for Fidelity's stock fund managers as 82% (14 out of 17) beat the index. Ditto for 2013: With the market up 32.4%, 81% (13 out of 15) beat the index!

US Equity Funds

Beyond S&P-benchmarked funds, we found that 63% of Fidelity's stock funds (retail-sold funds shown in our *Scorecard*) beat their

indexes last year. This figure is roughly in line with the asset-weighted approach used by Fidelity, whereby big funds like **Contrafund** skew results either way. Last year, 68% of their funds beat their peers. However, this is down from 74% in 2012.

The deterioration was mostly on the small-cap side of the fence, though large-cap value funds struggled, too.

Among all large-caps, 68% (17 out of 25) beat their benchmarks. Large-cap blend and large growth fared especially well having outpaced 83% and 73% of the time. But despite four funds delivering an average return of 31.2%, only **Blue Chip Value** (up 35.6% versus 32.5% for the Russell 1000 Value Index) provided shareholders excess returns.

Among mid-caps, 63% (5 out of 8) were outperformers. In fact, **Mid Cap Value** and **Mid Cap Stock** both beat their respective benchmarks by nearly 6 percentage points! On the other hand, only 40% (2 out of 5 small-cap funds) beat their indexes. Interestingly, the three that didn't are all measured against the Russell 2000. That said, **Small Cap Growth** may have "only" beat its bogey by 1.4 percentage points, but few will gripe over its 44.5% return — the second-highest at Fidelity last year.

As Fidelity's remaining funds use almost as many indexes as there are fund offerings, let's switch back to industry peer comparisons.

Foreign Equity Funds

Foreign equity funds have been strong for a number of years, but 2013 may be a high water mark: 80% beat

their peers! (Special thanks goes to Manager Bill Bowers, whose giant **Diversified Int'l** fund beat 88% of its peers last year; it returned 25.2% versus 22.9% for its benchmark — see p. 8.) Over three years, 77% of Fidelity's foreign funds accomplished the same feat, and over five years 69% beat their peers. Still, owning a foreign stock fund last year was not always a great proposition. Whereas the average return across Fidelity's 25 offshore offerings was 20.2%, their average US stock fund returned 35.5%!

Fixed Income

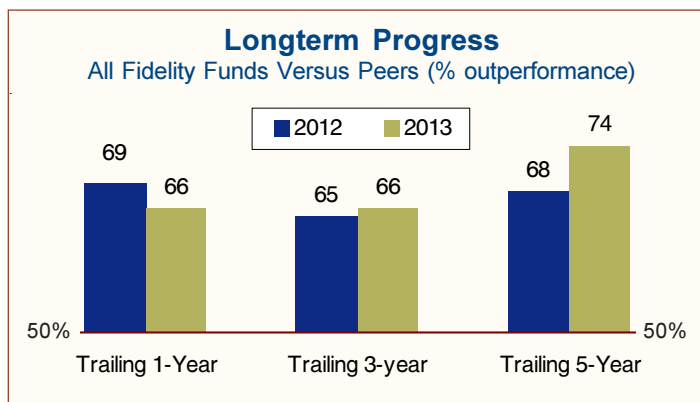
There are three types of funds beneath the fixed-income umbrella: investment grade (a catchall for high-quality bonds like US Treasuries, mortgage- and asset-backed securities and corporate bonds), high-yield and money market funds.

In the investment-grade realm there was vast improvement. Having played defensively in 2012 (especially relative to their peers), Fidelity's bond managers were on the offensive last year, shrugging off fears of rate hikes, debt ceilings and Fed "easing." As a result, 62% beat their peers in 2013, up from 42% a year before.

On the other hand, high yield funds lost ground from the prior year. Despite **Capital & Income** beating a whopping 91% of its peers in 2013, the high yield group was average, beating 52% of its peers. Blame **Focused High Income** and **Floating-Rate High Income** as they surpassed only 9% and 8% of their peers, respectively. (Note: All three funds have the same peer group.)

Finally, if you think that your Fidelity money market fund(s) made you virtually nothing last year (and they did!), stop complaining: you would likely have made even less elsewhere. At least their money markets are among the safest in the business. ■

— John Bonnanzio



FUND COMMENTARY

Tough Start For Stocks; But Bonds Rally

Frankly, 2014 hasn't started out the way stock fund investors would like: stocks traded lower in three of January's four weeks.



John Bonnanzio

Index-wise, the large-cap Dow Jones Industrials fared particularly poorly, having fallen 5.2% in January. While fourth-quarter earnings have, overall, been solid, some of the 30 bellwether names in the blue-chip barometer (like Procter & Gamble, Chevron and Boeing) seemed to take the brunt of investors' disappointments. Indeed, the index suffered its worst one-month performance since May 2012.

The more broadly diversified S&P 500 lost 3.5%. Again, larger companies (and, therefore, large-cap stock funds) shouldered the brunt of the selling. Part of the reason is that they have larger exposures to the emerging markets. In addition, the rising dollar makes US-made goods more expensive (though goods from overseas cheaper). Indeed, as investors fled risky emerging market securities, it's a tad counterintuitive that "safer" companies fell more. Notably, the small-cap Russell 2000 retreated a comparatively modest 2.7% and the Nasdaq Composite fell "just" 1.7%.

Equity Funds

All but 5 of Fidelity's 39 diversified stock funds fell last month. The two top performers were **Independence** and **OTC** which gained 1.6% and 1.5%, respectively. Although poorly-performing consumer discretionary stocks are a 29% weight in Independence (its biggest sector), its performance was boosted by its 18% allocation to health care, which includes biotech names like Gilead Sciences and Biogen. And, whereas technology stocks were a mixed bag in January for OTC fund (**Electron-**

ics was fractionally higher with a gain of 0.6% whereas **IT Services** fell 4.3%), its 18% stake in health care also came to the rescue (as did its top-10 holding in Facebook).

Positive performances were also scored by Manager Steve DuFour's concentrated and essentially cloned **Focused Stock** and **Fifty** funds (they inched up 0.8% and 0.7%, respectively), while **Growth Discovery** gained a welcome 0.4%.

Fidelity's poorest-performing funds included a mix of big-cap funds and, yes, small-cap ones, too. For example, the closed **Small Cap Discovery** and **Small Cap Value** both fell 5.0%. But at the same time, **Mega Cap Stock** and **Growth & Income** (which own the market's biggest names) fell almost as much (down 4.2% and 4.3%, respectively).

As for Fidelity's biggest funds by total assets, **Contrafund** fell 2.2%, **Blue Chip Growth** declined 1.5%, and **Low-Priced Stock** was off 3.4%. Elsewhere, **Growth Company** slipped 0.1%; its returns were aided by (sound familiar?) biotech, and certain types of tech, including Facebook.

Select Funds

Biotech led the market higher in January even as **Select Gold** soared 11.7%. That the two rallied at the same time is mostly an anomaly as the former typically signals bullishness and the latter risk-aversion. Usually, a rising dollar puts downward pressure on US-dollar-denominated commodities, including gold. However, the flight of emerging-market capital went to bonds as well as the erroneously

perceived safety of gold. Indeed, the precious metal popped 3% last month, but **Select Gold**, which invests in the stocks of miners and processors, is essentially leveraged to gold prices, and so the fund gained much more.

We've cautioned members about "fool's gold" and rate the fund *Sell*.

At the bottom performance-wise were energy-related funds (despite the cold weather, slowing global growth and increased supply are expected to depress prices) and consumer-related funds. With the latter, companies like Wal-Mart and even Amazon are facing, alternatively, flat sales and thinner operating margins.

Fixed Income Funds

On the high-yield front, risk-aversion was nowhere in sight. While **New Markets Income** fell 1.6% owing to its emerging market debt exposure, more traditional US junk bond funds gained ground: the diversified **Strategic Income** rose 0.5%.

As for taxable bond funds (and munis, too), January was a great month. As the 10-year Treasury yield fell from 3.01% to 2.67%, longer-maturity bond funds rallied the most. (Bond prices move in the opposite direction of their yields.) **Spartan Long-Term Treasury Index** fared best gaining an impressive 6.2%.

At the opposite end of the maturity spectrum, **Ultra-Short Bond** and **Conservative Income** (up 0.02% and 0.03%, respectively) are essentially juiced-up money market funds — though they are definitely riskier and do not have stable \$1.00 NAVs. ■

— John Bonnanzio

FEBRUARY SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
China Region	B	H	↓	Slowing growth cause for concern.
Int'l Small Cap	B	H	↓	New manager and mandate (see p. 12).
Select Chemicals	B	H	↓	Profit margins being squeezed (see p. 3 Trades).
Value Discovery	B	NC		Re-classified as large-cap value fund.
VIP Materials	B	H	↓	Profit margins being squeezed (see p. 3 Trades).
VIP Technology	B	B	↑	PC slowdown stabilizing (see p. 3 Trades).

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, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)				Rel Vol (Risk) ¹		
						Jan	YTD	3 Mo.	1 Yr	3 Yr	5 Yr	10 Yr			
Comparative Indexes		S&P 500		1782.6		-3.5	-3.5	2.0	21.5	13.9	19.2	6.8	1.00		
		Nasdaq Composite		4103.9		-1.7	-1.7	5.0	32.4	16.4	24.1	8.1	1.12		
		Dow Jones Industrials		15698.9		-5.2	-5.2	1.6	16.0	12.6	17.6	6.8	0.94		
		Russell 2000 (Small Caps)		1130.9		-2.7	-2.7	3.1	27.1	14.7	22.3	8.3	1.36		
		Barclays Aggregate Bond*				1.6	1.6	0.5	-0.1	3.5	4.8	4.3	0.24		
Model Portfolios		Unique Opportunities				-2.0	-2.0	4.1	26.5	12.5	22.5	9.2	1.15		
		Select				-3.4	-3.4	4.2	25.5	15.6	20.9	8.7	1.16		
		Growth				-2.6	-2.6	2.1	18.2	10.8	18.7	6.6	1.10		
		Growth & Income				-1.8	-1.8	1.7	15.0	9.5	14.9	6.2	0.75		
		Income				-0.1	-0.1	1.5	2.6	6.3	9.7	4.4	0.40		
											Rel Vol (Risk) ¹	Assets (\$Mil)			
LARGE CAP GROWTH						Category Averages			-0.8	-0.8	5.3	29.1	14.7	21.9	1.14
312	FBGRX	Blue Chip Growth		62.40	Buy	-1.5	-1.5	4.8	31.8	15.6	24.1	1.19	\$11,347		
307	FDCAX	Capital Appreciation		35.83	Buy	-1.0	-1.0	6.0	29.2	16.5	23.1	1.08	6,261		
22	FCNTX	Contrafund		93.99	Buy	-2.2	-2.2	3.0	26.2	14.8	19.5	0.99	75,076		
332	FEXPX	Export and Multinational	0.75%/30d	23.49	OK to Sell	-3.5	-3.5	1.6	17.2	10.1	17.4	1.00	1,769		
3	FFIDX	Fidelity Fund		41.59	OK to Sell	-2.5	-2.5	3.4	19.3	11.8	17.8	1.03	4,910		
500	FFTYX	Fifty (Closed)		28.07	Buy	0.7	0.7	7.1	31.9	16.2	22.5	1.04	775		
333	FTQGX	Focused Stock		19.89	Buy	0.8	0.8	7.5	32.1	16.9	22.4	1.10	1,722		
25	FDGRX	Growth Company (Closed)		119.08	Buy	-0.1	-0.1	5.3	32.0	17.2	23.8	1.22	23,381		
339	FDSVX	Growth Discovery		21.32	OK to Buy	0.4	0.4	6.2	32.0	15.2	22.1	1.11	954		
73	FDFFX	Independence		36.79	OK to Sell	1.6	1.6	9.4	34.2	14.6	23.0	1.50	3,880		
21	FMAGX	Magellan		90.63	OK to Buy	-1.9	-1.9	4.0	26.3	10.9	18.9	1.22	13,542		
300	FMILX	New Millennium		38.80	Buy	-0.9	-0.9	5.7	29.0	16.4	24.3	0.98	2,954		
93	FOCPX	OTC		78.51	OK to Buy	1.5	1.5	7.4	43.3	16.6	27.0	1.31	7,544		
320	FDSSX	Stock Selector All Cap		34.83	OK to Buy	-2.1	-2.1	3.6	24.3	12.9	19.6	1.14	3,264		
5	FTRNX	Trend		85.47	Buy	-1.3	-1.3	4.8	28.3	15.5	23.4	1.13	1,399		
LARGE CAP BLEND						Category Averages			-3.5	-3.5	2.2	23.7	13.7	20.8	1.15
315	FDEQX	Disciplined Equity		31.40	Hold	-2.9	-2.9	3.4	25.9	13.1	15.9	1.17	1,245		
330	FDGFX	Dividend Growth		34.21	Hold	-3.3	-3.3	1.9	20.8	10.5	22.4	1.32	6,864		
27	FGRIX	Growth & Income		26.66	Buy	-4.3	-4.3	0.5	21.4	14.5	19.7	1.04	6,471		
338	FLCSX	Large Cap Stock		26.53	Buy	-2.6	-2.6	4.0	28.6	15.8	25.7	1.15	2,315		
361	FGRTX	Mega Cap Stock		14.77	Buy	-4.2	-4.2	1.3	21.7	14.6	20.3	1.06	2,663		
LARGE CAP VALUE						Category Averages			-3.6	-3.6	1.8	20.0	11.5	17.7	1.12
1271	FBCVX	Blue Chip Value		14.01	OK to Buy	-4.1	-4.1	2.3	21.9	10.1	16.6	1.21	357		
319	FEQTX	Equity Dividend Income		23.56	OK to Buy	-4.3	-4.3	0.7	17.1	10.2	17.5	1.08	5,079		
23	FEQIX	Equity-Income		56.71	OK to Buy	-3.4	-3.4	0.8	16.8	10.2	18.2	1.08	7,362		
832	FVDFX	Value Discovery		21.04	OK to Buy	-3.4	-3.4	3.9	23.9	13.6	19.8	1.12	499		
708	FSLVX	Stock Sel Large Cap Value		14.81	Hold	-2.9	-2.9	1.2	20.3	13.3	16.3	1.08	541		
MID-CAP GROWTH						Category Averages			-1.9	-1.9	3.5	25.5	12.9	22.7	1.20
324	FDEGX	Growth Strategies	1.50%/90d	27.60	Hold	-3.2	-3.2	3.1	25.6	10.2	20.2	1.33	1,679		
337	FMCSX	Mid-Cap Stock	0.75%/30d	39.01	Buy	-1.3	-1.3	4.5	29.1	14.9	24.9	1.10	5,608		
2412	FSSMX	Stock Selector Mid Cap		30.02	Hold	-1.4	-1.4	2.8	21.8	13.5	23.0	1.17	231		
MID-CAP BLEND						Category Averages			-3.1	-3.1	1.6	21.9	13.8	25.0	1.31
2624	FARNX	Event Driven Opportunities		10.31	Hold	-2.7	-2.7	--	--	--	--	--	22		
122	FLVCX	Leveraged Company Stock	1.50%/90d	41.96	Buy	-3.0	-3.0	1.9	22.7	13.8	26.0	1.50	4,375		
316	FLPSX	Low-Priced Stock	1.50%/90d	47.80	OK to Buy	-3.4	-3.4	0.7	23.6	14.9	22.5	1.11	31,079		
14	FSLSX	Value Strategies		39.50	Buy	-3.5	-3.5	2.3	19.4	12.8	26.4	1.34	710		
MID-CAP VALUE						Category Averages			-2.3	-2.3	3.2	25.0	14.4	24.3	1.23
762	FSMVX	Mid Cap Value	0.75%/30d	21.96	Buy	-2.8	-2.8	3.2	24.1	14.8	23.8	1.21	1,418		
39	FDVLX	Value		101.78	Buy	-1.7	-1.7	3.3	26.0	14.1	24.8	1.24	7,360		
SMALL CAP GROWTH						Category Averages			-0.6	-0.6	6.4	34.0	16.4	24.6	1.37
1388	FCPGX	Small Cap Growth	1.50%/90d	19.15	Buy	-0.6	-0.6	6.4	34.0	16.4	24.6	1.37	974		
SMALL CAP BLEND						Category Averages			-3.5	-3.5	2.0	22.2	11.9	24.4	1.42
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	29.69	Buy	-5.0	-5.0	-1.2	21.8	17.4	29.0	1.36	6,985		
340	FSLCX	Small Cap Stock	2.00%/90d	20.18	OK to Sell	-3.6	-3.6	2.0	18.7	5.0	20.8	1.56	2,360		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	25.71	OK to Buy	-1.8	-1.8	5.3	26.1	13.3	23.4	1.34	1,549		
SMALL CAP VALUE						Category Averages			-5.0	-5.0	-0.4	20.6	14.4	23.8	1.29
1389	FCPVX	Small Cap Value (Closed)	1.50%/90d	19.03	Buy	-5.0	-5.0	-0.4	20.6	14.4	23.8	1.29	2,203		

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 \$10,000, but a lower expense ratio. ⁵ Formerly California Short-Intermediate Tax-Free Bond. ⁶ Formerly Short-Intermediate Municipal Income. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

FIDELITY SCORECARD

JANUARY 31, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Jan	YTD	3 Mo.	1 Year	3 Year	5 Year				
SPECIALTY															
304	FBALX	Balanced		22.41	Buy	-1.5	-1.5	2.4	15.3	10.3	15.6	0.67	\$17,916		
308	FCV SX	Convertible Securities		31.16	Buy	0.2	0.2	5.1	19.0	9.2	22.1	1.03	2,154		
334	FGBLX	Global Balanced	1.00%/30d	24.61	OK to Buy	-0.5	-0.5	1.9	12.5	7.5	13.1	0.74	559		
2120	FFGCX	Global Commodity Stock	1.00%/30d	13.42	Hold	-5.0	-5.0	-4.4	-9.8	-7.2	--	1.74	264		
1960	FDYSX	Global Strategies		9.38	Sell	-2.1	-2.1	-0.5	4.0	4.4	11.9	0.81	188		
1368	FIREX	International Real Estate	1.50%/90d	9.90	Hold	-2.7	-2.7	-4.0	6.9	7.2	17.0	1.57	349		
4	FPURX	Puritan		21.05	Buy	-0.9	-0.9	3.1	15.9	10.4	15.6	0.71	17,308		
833	FRIFX	Real Estate Income	0.75%/90d	11.32	OK to Sell	2.2	2.2	1.3	3.9	9.2	17.9	0.50	2,433		
303	FRESX	Real Estate Investment	0.75%/90d	33.04	OK to Sell	3.5	3.5	-1.3	1.5	9.1	23.1	1.37	3,381		
1329	FSDIX	Strategic Dividend & Income		13.75	OK to Buy	-1.4	-1.4	0.7	11.7	11.9	19.4	0.74	2,593		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.29	OK to Sell	1.4	1.4	0.5	-2.1	2.5	10.0	0.53	626		
311	FIUIX	Telecom & Utilities		22.24	OK to Sell	1.0	1.0	1.8	17.7	14.0	15.5	0.85	1,133		
ASSET ALLOCATION															
328	FASIX	Asset Manager 20%		13.33	Hold	0.1	0.1	0.9	4.3	4.6	8.6	0.27	4,752		
1957	FTANX	Asset Manager 30%		10.45	Hold	-0.2	-0.2	1.0	6.3	5.7	10.5	0.39	629		
1958	FFANX	Asset Manager 40%		10.60	Hold	-0.7	-0.7	1.2	8.2	6.6	12.0	0.50	580		
314	FASMX	Asset Manager 50%		17.38	Hold	-1.0	-1.0	1.3	10.1	7.3	13.8	0.61	7,725		
1959	FSANX	Asset Manager 60%		11.01	Hold	-1.3	-1.3	1.5	12.0	7.9	14.9	0.73	992		
321	FASGX	Asset Manager 70%		20.14	Hold	-1.9	-1.9	1.5	13.9	8.5	16.3	0.85	3,521		
347	FAMRX	Asset Manager 85%		16.70	Hold	-2.4	-2.4	1.8	17.0	9.4	17.9	1.02	1,247		
EQUITY INDEX															
355	FFNOX	Four-in-One Index		34.65	Hold	-2.8	-2.8	0.9	16.1	10.5	16.2	0.93	3,446		
2010	FIENX	International Enhanced Index	1.00%/30d	8.36	Hold	-3.7	-3.7	-1.7	13.3	6.6	14.0	1.32	41		
1827	FLCEX	Large Cap Core Enhanced Index		10.86	Buy	-3.5	-3.5	2.8	23.5	15.0	18.6	0.99	268		
1829	FLGEX	Large Cap Growth Enhanced Index		13.57	OK to Buy	-3.2	-3.2	3.0	25.0	14.8	20.1	1.02	242		
1828	FLVEX	Large Cap Value Enhanced Index		9.83	OK to Buy	-3.3	-3.3	2.8	21.6	15.1	17.8	1.04	165		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	12.89	OK to Buy	-2.9	-2.9	3.1	26.4	15.1	22.9	1.20	318		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	54.12	Hold	-1.8	-1.8	4.9	32.0	16.2	23.8	1.12	721		
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	12.27	Buy	-3.4	-3.4	2.7	25.7	16.5	22.3	1.39	403		
650	FUSEX	Spartan 500 Index ⁴		63.21	Hold	-3.5	-3.5	2.0	21.4	13.8	19.1	1.00	5,695		
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	8.89	Hold	-7.0	-7.0	-9.7	-12.4	--	--	--	10		
398	FSEM X	Spartan Extended Mkt Index ⁴	0.75%/90d	52.43	Hold	-1.9	-1.9	3.5	26.8	15.0	24.0	1.28	1,718		
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	11.75	Hold	-5.0	-5.0	-3.9	5.2	--	--	--	12		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	38.86	Hold	-4.5	-4.5	-2.2	11.5	5.8	14.0	1.34	2,537		
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	15.50	Hold	-2.0	-2.0	2.6	23.4	--	--	--	8		
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	12.03	OK to Sell	4.0	4.0	-1.2	1.8	--	--	--	8		
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	16.06	Hold	-2.8	-2.8	3.1	26.9	--	--	--	19		
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	52.42	Hold	-3.1	-3.1	2.3	22.4	14.1	20.0	1.05	1,650		
INTERNATIONAL						Category Averages			-4.7	-4.7	-2.4	11.0	5.4	16.5	1.43
309	FICDX	Canada	1.50%/90d	56.34	Hold	-3.4	-3.4	-1.4	4.5	-0.0	12.4	1.16	2,222		
352	FHKCX	China Region	1.50%/90d	32.65	Hold	-3.3	-3.3	1.1	13.7	4.5	19.9	1.55	1,487		
325	FDIVX	Diversified International	1.00%/30d	35.26	Hold	-4.5	-4.5	-0.2	15.4	6.8	14.7	1.35	14,907		
351	FSEAX	Emerging Asia	1.50%/90d	29.10	Hold	-5.0	-5.0	-4.7	-2.7	0.0	13.4	1.55	1,140		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	8.62	Hold	-6.2	-6.2	-8.1	-4.1	0.9	16.8	1.56	108		
322	FEMKX	Emerging Markets	1.50%/90d	22.41	Hold	-7.0	-7.0	-8.2	-4.3	-3.4	14.8	1.58	2,215		
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	11.22	Hold	-7.7	-7.7	-7.5	-8.2	--	--	--	94		
301	FIEUX	Europe	1.00%/30d	37.43	OK to Buy	-3.8	-3.8	0.2	15.9	7.5	15.4	1.52	1,009		
341	FECA X	Europe Capital App (Closed)	1.00%/30d	22.65	Hold	-3.8	-3.8	0.1	15.7	7.3	15.3	1.53	371		
2406	FGILX	Global Equity-Income	1.00%/30d	11.97	OK to Buy	-3.5	-3.5	0.6	16.1	--	--	--	45		
335	FIVFX	International Cap App	1.00%/30d	15.99	Buy	-4.5	-4.5	-1.1	11.9	8.7	20.6	1.47	971		
305	FIGRX	International Discovery	1.00%/30d	38.49	Hold	-5.0	-5.0	-1.4	14.7	7.0	14.7	1.36	8,133		
1979	FIGFX	International Growth	1.00%/30d	10.61	OK to Buy	-5.6	-5.6	-1.6	10.6	8.5	17.3	1.24	472		
818	FISM X	International Small Cap	2.00%/90d	26.03	Hold	-2.8	-2.8	0.2	26.6	9.3	20.9	1.34	1,085		
1504	FSCOX	International Small Cap Opps	2.00%/90d	13.79	Buy	-1.2	-1.2	1.0	20.0	11.5	21.9	1.17	542		
1597	FIVLX	International Value	1.00%/30d	8.59	Hold	-5.1	-5.1	-1.9	11.7	3.5	13.8	1.38	184		
350	FJPNX	Japan	1.50%/90d	11.52	OK to Buy	-4.3	-4.3	-3.3	14.7	2.8	9.7	1.27	480		
360	FJSCX	Japan Smaller Companies	1.50%/90d	12.90	OK to Buy	-4.0	-4.0	-4.6	38.3	13.4	17.6	1.68	629		
349	FLATX	Latin America	1.50%/90d	28.09	Sell	-10.1	-10.1	-15.6	-27.6	-11.8	8.1	1.70	1,156		
342	FNORX	Nordic	1.50%/90d	42.88	Buy	-4.2	-4.2	3.7	33.7	11.4	23.6	1.70	504		
94	FOSFX	Overseas	1.00%/30d	38.73	OK to Buy	-3.8	-3.8	0.5	17.4	8.0	13.9	1.51	1,945		
302	FPBFX	Pacific Basin	1.50%/90d	26.44	OK to Buy	-4.4	-4.4	-3.4	17.3	7.0	23.4	1.38	723		
2369	FTEMX	Total Emerging Markets	1.50%/90d	10.59	Hold	-5.9	-5.9	-5.5	-6.0	--	--	--	48		
1978	FTIEX	Total International Equity	1.00%/30d	7.72	OK to Buy	-5.7	-5.7	-3.3	5.7	4.5	15.3	1.31	344		
318	FWWFX	Worldwide	1.00%/30d	24.18	Hold	-1.8	-1.8	3.5	23.7	12.2	19.0	1.15	1,564		

FIDELITY SCORECARD

JANUARY 31, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Jan	YTD	3 Mo.	1 Year	3 Year	5 Year				
SELECT PORTFOLIOS						Category Averages			-1.6	-1.6	3.3	25.0	13.3	22.3	1.39
34	FSAIX	Air Transportation	0.75%/30d	59.51	Hold	0.4	0.4	6.6	41.5	18.9	27.0	1.17	\$366		
502	FSAVX	Automotive	0.75%/30d	53.73	OK to Buy	-4.6	-4.6	-1.4	36.5	8.0	39.5	1.87	333		
507	FSRBX	Banking	0.75%/30d	25.32	Hold	-3.3	-3.3	4.3	28.1	12.3	20.4	1.32	817		
42	FBIOX	Biotechnology	0.75%/30d	205.55	OK to Sell	13.1	13.1	21.2	74.6	44.3	30.1	1.56	7,959		
68	FSLBX	Brokerage & Investment	0.75%/30d	70.52	OK to Buy	-5.0	-5.0	4.3	28.4	11.5	20.8	1.72	921		
69	FSCHX	Chemicals	0.75%/30d	138.55	Hold↓	-5.0	-5.0	1.1	18.0	16.5	28.8	1.55	1,484		
518	FSDCX	Communications Equipment	0.75%/30d	29.95	Hold	1.5	1.5	8.7	23.2	3.2	21.6	1.67	256		
7	FDCPX	Computers	0.75%/30d	72.39	Sell	-2.3	-2.3	5.8	22.6	10.9	25.9	1.48	703		
511	FSHOX	Construction & Housing	0.75%/30d	53.43	Hold	-2.0	-2.0	1.8	10.8	17.5	23.6	1.39	401		
517	FSCPX	Consumer Discretionary	0.75%/30d	31.15	Buy	-6.0	-6.0	-0.3	25.1	17.1	25.6	1.15	627		
98	FVLX	Consumer Finance	0.75%/30d	15.62	Buy	-4.5	-4.5	0.5	21.0	17.9	17.3	1.06	251		
9	FDFAV	Consumer Staples	0.75%/30d	83.40	Hold	-7.6	-7.6	-6.3	6.2	13.2	16.2	0.93	1,475		
67	FSDAX	Defense & Aerospace	0.75%/30d	119.76	OK to Buy	-2.1	-2.1	6.2	41.3	18.9	22.4	1.10	1,005		
8	FSELX	Electronics	0.75%/30d	63.50	Buy	0.6	0.6	8.4	32.1	7.2	24.7	1.61	980		
60	FSENX	Energy	0.75%/30d	53.07	OK to Buy	-5.4	-5.4	-6.0	8.7	2.8	15.3	1.81	2,008		
43	FSESX	Energy Service	0.75%/30d	79.95	OK to Sell	-5.8	-5.8	-7.6	7.5	0.1	17.2	2.22	1,052		
516	FSLEX	Environment & Alt Energy	0.75%/30d	22.07	Sell	-3.3	-3.3	2.1	23.8	6.9	13.7	1.30	95		
66	FIDSX	Financial Services	0.75%/30d	78.58	OK to Buy	-3.9	-3.9	3.7	20.2	9.2	16.1	1.53	746		
41	FSAGX	Gold	0.75%/30d	20.08	Sell	11.7	11.7	-5.3	-41.2	-23.4	-5.5	2.52	942		
63	FSPHX	Health Care	0.75%/30d	201.79	Hold	7.0	7.0	16.7	57.1	28.4	27.4	1.08	4,883		
510	FSCGX	Industrial Equipment	0.75%/30d	44.24	Hold	-3.5	-3.5	3.0	21.2	11.0	24.4	1.52	427		
515	FCYIX	Industrials	0.75%/30d	32.50	Buy	-3.5	-3.5	3.8	26.9	13.9	25.3	1.33	1,321		
45	FSPCX	Insurance	0.75%/30d	63.73	Buy	-7.1	-7.1	-1.4	24.4	14.5	20.8	1.24	655		
353	FBSOX	IT Services	0.75%/30d	35.83	Buy	-4.3	-4.3	5.7	34.8	20.6	29.1	1.31	1,497		
62	FDSLX	Leisure	0.75%/30d	127.28	OK to Buy	-4.4	-4.4	1.9	28.4	18.0	24.5	1.28	584		
509	FSDPX	Materials	0.75%/30d	81.39	Hold	-4.1	-4.1	1.3	12.7	8.7	25.2	1.58	1,230		
505	FSHCX	Medical Delivery	0.75%/30d	73.91	Hold	1.3	1.3	8.7	32.3	16.6	22.3	1.16	736		
354	FSMEX	Medical Equipment	0.75%/30d	36.84	Buy	3.1	3.1	8.6	32.6	16.8	18.4	1.15	1,653		
503	FBMPX	Multimedia	0.75%/30d	77.39	OK to Buy	-4.4	-4.4	2.2	31.8	23.6	32.3	1.30	1,012		
513	FSNGX	Natural Gas	0.75%/30d	36.82	OK to Buy	-2.6	-2.6	-3.3	12.6	3.1	13.1	1.56	696		
514	FNARX	Natural Resources	0.75%/30d	35.57	Hold	-3.6	-3.6	-6.6	6.2	0.3	15.0	1.82	953		
580	FPHAX	Pharmaceuticals	0.75%/30d	19.53	Buy	1.7	1.7	10.1	34.8	22.8	23.4	0.89	1,374		
46	FSRPX	Retailing	0.75%/30d	82.22	Hold	-6.0	-6.0	-1.2	27.4	21.5	30.8	1.15	1,197		
28	FSCSX	Software & Computer Svcs	0.75%/30d	118.53	Buy	-0.1	-0.1	11.2	42.3	21.2	29.2	1.27	3,395		
64	FSPTX	Technology	0.75%/30d	123.39	OK to Buy	0.3	0.3	8.7	29.6	10.3	28.4	1.33	2,232		
96	FSTCX	Telecommunications	0.75%/30d	59.31	OK to Buy	-2.0	-2.0	-0.8	15.9	11.1	20.1	1.02	379		
512	FSRFX	Transportation	0.75%/30d	74.40	Hold	0.7	0.7	8.3	37.8	16.4	26.4	1.29	483		
65	FSUTX	Utilities	0.75%/30d	68.51	OK to Sell	2.9	2.9	3.7	17.2	13.9	14.0	0.86	514		
963	FWRLX	Wireless	0.75%/30d	10.29	OK to Buy	-2.3	-2.3	2.2	20.7	11.2	20.6	0.95	293		
SECTOR ETFs															
	FDIS	MSCI Consumer Discretionary		25.43	Buy	-5.8	-5.8	-0.5	--	--	--	--	35		
	FSTA	MSCI Consumer Staples		24.68	Hold	-5.3	-5.3	-3.6	--	--	--	--	29		
	FENY	MSCI Energy		24.14	Hold	-6.3	-6.3	-3.4	--	--	--	--	27		
	FNCL	MSCI Financials		25.21	OK to Buy	-3.2	-3.2	2.0	--	--	--	--	39		
	FHLC	MSCI Healthcare		27.00	OK to Buy	1.5	1.5	7.4	--	--	--	--	44		
	FIDU	MSCI Industrials		26.21	Buy	-4.4	-4.4	2.8	--	--	--	--	38		
	FTEC	MSCI Information Technology		26.48	Hold	-2.3	-2.3	5.1	--	--	--	--	49		
	FMAT	MSCI Materials		25.30	Hold	-4.3	-4.3	0.9	--	--	--	--	23		
	FCOM	MSCI Telecomm Services		25.16	OK to Buy	-2.2	-2.2	-1.5	--	--	--	--	23		
	FUTY	MSCI Utilities		25.53	OK to Sell	2.6	2.6	0.9	--	--	--	--	22		

FOREIGN FUNDS

Opportunities Abroad?

As you may realize, we've not been particularly enthusiastic about foreign stock funds. (We hold none in our model portfolios, though that could change.) The primary reason has been our correct view that US stocks offer superior upside potential without as much risk.

An example is the large-cap **Diversified International**. Expertly managed by Bill Bower (since April 2001), its 10-year average annual return matches **Spartan 500 Index** (7.3% versus 7.4%). However, Diversified's relative volatility (risk) is a whopping 36% higher than Spartan 500 Index (1.36 vs. 1.00). In fact, **Spartan Int'l Index** — a measure of developed foreign stock perfor-

mance — is just as high. So, while investors in both funds would have enjoyed the same returns, the US investor actually got a much better (risk-adjusted) deal.

If you are considering "harvesting" some of last year's gains from your US funds and rotating them abroad, you should first check a fund's rel vol in the *Scorecard*, as your portfolio's risk may increase. ■

FIDELITY SCORECARD

JANUARY 31, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			SEC %Yield	Dur ² (Yrs)	Rel Vol (Risk) ¹			
						Jan	YTD	3 Mo.	1 Yr	3 Yr	5 Yr						
TAXABLE BOND						Category Averages			1.4	1.4	0.3	-0.9	3.5	4.5	1.65	4.8	0.27
2267	FCONX	Conservative Income Bond		10.04	Buy	0.0	0.0	0.1	0.5	--	--	0.28	0.3	--			
2208	FCBFX	Corporate Bond		11.14	Buy	2.1	2.1	1.5	1.2	6.8	--	2.98	6.6	0.38			
2423	FGBFX	Global Bond		9.61	OK to Sell	0.5	0.5	-0.8	-2.3	--	--	2.72	5.6	--			
15	FGMNX	GNMA (Ginnie Mae)		11.43	Hold	2.1	2.1	0.7	0.2	3.5	4.9	2.27	5.4	0.23			
54	FGOVX	Government Income		10.30	Hold	1.5	1.5	0.4	-0.4	3.1	3.4	1.78	4.9	0.24			
794	FINPX	Inflation-Protected Bond ³		12.16	OK to Sell	2.2	2.2	-0.5	-6.4	3.8	5.3	-0.05	5.5	0.45			
32	FTHRFX	Intermediate Bond		10.92	Buy	1.1	1.1	0.5	0.7	3.6	6.8	1.86	3.8	0.19			
452	FSTGX	Intermediate Gov't Income		10.63	Hold	1.0	1.0	0.3	-0.0	2.4	2.7	1.22	3.5	0.17			
2428	FINUX	International Bond		9.63	OK to Sell	0.0	0.0	-1.4	-2.8	--	--	2.33	5.5	--			
26	FBNDX	Investment Grade Bond		7.77	Buy	1.4	1.4	0.7	0.2	4.4	7.4	2.49	5.3	0.24			
2622	FJRLX	Limited Term Bond		11.53	Buy	0.7	0.7	1.8	0.7	3.5	6.8	1.65	2.9	--			
662	FFXSX	Limited Term Government		10.03	OK to Buy	0.5	0.5	0.2	0.2	1.2	1.9	0.67	2.5	0.09			
40	FMSFX	Mortgage Securities		11.12	Hold	1.8	1.8	0.5	0.3	3.4	5.3	2.60	5.2	0.20			
450	FSHBX	Short-Term Bond		8.60	Buy	0.3	0.3	0.3	0.8	1.6	3.1	0.71	1.8	0.07			
2415	FSIQX	Sptn Inflation-Protect Index ⁴		9.54	OK to Sell	2.1	2.1	-0.5	-6.3	--	--	0.18	5.5	--			
1561	FIBIX	Sptn Interm Treas Index ⁴		10.79	OK to Sell	2.3	2.3	-0.1	-1.5	4.3	3.9	2.05	6.6	0.41			
1562	FLBIX	Sptn Lng-Term Treas Index ⁴		11.62	OK to Sell	6.2	6.2	1.2	-4.4	8.2	5.1	3.39	16.1	1.04			
1560	FSBIX	Sptn Sht-Term Treas Index ⁴		10.47	Hold	0.5	0.5	0.0	0.2	1.2	1.6	0.50	2.5	0.10			
651	FBIDX	Sptn US Bond Index		11.52	Hold	1.6	1.6	0.5	-0.1	3.5	4.8	2.05	5.4	0.24			
820	FTBFX	Total Bond		10.56	Buy	1.4	1.4	0.7	0.9	4.6	8.0	2.75	5.2	0.24			
812	FUSFX	Ultra-Short Bond (Closed)	0.25%/60d	8.25	Hold	0.0	0.0	0.1	0.4	0.6	0.9	0.12	0.4	0.04			
HIGH-YIELD BOND						Category Averages			0.1	0.1	0.6	2.7	6.1	13.3	3.85	3.6	0.48
38	FAGIX	Capital & Income	1.00%/90d	9.83	Buy	0.1	0.1	2.3	7.9	6.8	19.7	3.96	4.1	0.66			
814	FFRHX	Floating Rate High Income	1.00%/60d	9.98	Buy	0.5	0.5	1.2	3.6	3.9	8.2	2.38	0.3	0.26			
1366	FHIFX	Focused High Income	1.00%/90d	9.00	Buy	0.4	0.4	1.0	4.1	6.8	12.0	3.69	3.6	0.42			
2297	FGHNX	Global High Income	1.00%/90d	10.00	Buy	0.0	0.0	1.2	4.2	--	--	4.74	3.6	--			
455	SPHIX	High Income	1.00%/90d	9.37	Buy	0.5	0.5	1.5	5.8	7.5	15.7	4.49	3.0	0.55			
331	FNMIX	New Markets Income	1.00%/90d	15.28	Hold	-1.6	-1.6	-3.3	-7.5	6.4	13.4	5.42	6.2	0.62			
2580	FSAHX	Short Duration High Income	1.00%/90d	10.02	Buy	0.4	0.4	0.7	--	--	--	2.65	--	--			
368	FSICX	Strategic Income		10.87	Buy	0.5	0.5	0.2	0.9	5.0	11.0	3.49	4.7	0.37			
MUNICIPAL BOND						Category Averages			1.7	1.7	1.4	-0.9	5.0	4.8	2.35	6.7	0.30
434	FSAZX	Arizona Muni Income	0.50%/30d	11.64	Hold	2.1	2.1	1.5	-1.5	5.7	5.5	2.87	8.0	0.35			
1534	FCSTX	Calif Limited Term Tax Free ⁶	0.50%/30d	10.67	OK to Buy	0.9	0.9	0.7	1.0	2.9	2.9	1.12	3.2	0.14			
91	FCTFX	California Muni Income	0.50%/30d	12.51	Hold	2.3	2.3	1.8	-0.0	7.0	6.1	2.90	8.0	0.35			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.38	Hold	1.8	1.8	1.3	-1.0	4.7	4.5	2.64	7.4	0.32			
2578	FCRDY	Conservative Income Muni		10.03	OK to Buy	0.1	0.1	--	--	--	--	0.12	0.5	--			
36	FLTXX	Interm Municipal Income	0.50%/30d	10.30	OK to Buy	1.5	1.5	1.1	-0.3	4.4	4.3	2.03	5.6	0.24			
404	FSTFX	Limited Term Muni Income ⁷	0.50%/30d	10.72	OK to Buy	0.7	0.7	0.6	0.7	2.5	2.6	0.81	2.8	0.12			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.03	Hold	1.6	1.6	1.2	-1.8	4.3	4.7	2.60	7.8	0.31			
70	FDMMX	Mass Muni Income	0.50%/30d	12.00	Hold	2.1	2.1	1.5	-1.7	5.4	5.3	2.83	8.4	0.31			
81	FMHTX	Michigan Muni Income	0.50%/30d	11.86	Hold	1.7	1.7	1.3	-1.4	4.8	4.5	2.93	7.0	0.29			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.53	Hold	1.5	1.5	0.9	-0.7	4.6	4.4	2.10	6.3	0.27			
37	FHIGX	Municipal Income	0.50%/30d	12.91	OK to Buy	2.1	2.1	1.8	-1.2	6.1	5.8	2.94	8.3	0.35			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.65	Hold	2.2	2.2	1.7	-1.5	5.3	4.9	2.58	7.7	0.34			
71	FTFMX	New York Muni Income	0.50%/30d	13.02	Hold	1.8	1.8	1.5	-1.5	5.2	5.0	2.72	8.4	0.34			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.69	Hold	2.1	2.1	1.4	-1.4	5.2	4.9	2.93	8.6	0.34			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	10.94	Hold	1.9	1.9	1.5	-0.9	5.5	5.0	2.81	7.6	0.33			
90	FTABX	Tax-Free Bond	0.50%/30d	11.18	OK to Buy	2.3	2.3	1.9	-1.0	6.3	5.9	3.07	8.6	0.35			

Note: Yields on municipal bond and money market funds are not directly comparable to yields on taxable funds. In muni funds your effective yield will be higher as your tax-bracket increases.

TAXABLE MONEY MARKET FUNDS			Total Return (%)		SEC %Yield	MUNICIPAL MONEY MARKET FUNDS			Total Return (%)		SEC %Yield
			Nov	YTD					Nov	YTD	
55	FDRXX	Cash Reserves	0.00	0.00	0.01	457	FSPXX	California AMT Tax-Free	0.00	0.00	0.01
458	SPAXX	Government MM	0.00	0.00	0.01	418	FCMXX	Connecticut Muni MM	0.00	0.00	0.01
454	SPRXX	Money Market	0.00	0.00	0.01	426	FMSXX	Mass AMT Tax-Free	0.00	0.00	0.01
631	FGMXX	Retirement Gov't MM	0.00	0.00	0.01	74	FDMXX	Massachusetts Muni MM	0.00	0.00	0.01
630	FRTXX	Retirement MM	0.00	0.00	0.01	420	FMIXX	Michigan Muni MM	0.00	0.00	0.01
85	FSLXX	Select MM	0.00	0.00	0.01	10	FTEXX	Municipal Money Market	0.00	0.00	0.01
2543	FLTXX	Treasury MM	0.00	0.00	0.01	417	FNJXX	New Jersey Muni MM	0.00	0.00	0.01
415	FDLXX	Treasury Only MM	0.00	0.00	0.01	423	FSJXX	New Jersey AMT Tax-Free	0.00	0.00	0.01
50	FGRXX	U.S. Gov't Reserves	0.00	0.00	0.01	92	FNXXX	New York Muni MM	0.00	0.00	0.01
MUNICIPAL MONEY MARKET FUNDS						422	FSNXX	New York AMT Tax-Free	0.00	0.00	0.01
460	FIMXX	AMT Tax-Free Money Fnd	0.00	0.00	0.01	419	FOMXX	Ohio Muni MM	0.00	0.00	0.01
433	FSAXX	Arizona Muni MM	0.00	0.00	0.01	401	FPTXX	Pennsylvania Muni MM	0.00	0.00	0.01
97	FCFXX	California Muni MM	0.00	0.00	0.01	275	FMOXX	Tax-Free Money Market	0.00	0.00	0.01

FIDELITY SCORECARD

JANUARY 31, 2014

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	SPrice (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Jan	YTD	3 Mo.	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios	Annuity Sector Model						-1.6	-1.6	5.5	28.5	13.8	22.3	1.14
	Annuity Growth Model						-2.2	-2.2	2.5	19.3	12.0	18.1	1.12
	Annuity Growth & Income Model						-0.9	-0.9	1.8	13.5	8.9	14.6	0.78
	Annuity Income Model						0.3	0.3	0.8	1.7	6.0	9.5	0.36
9067	FLRQC	Fid VIP Asset Manager	Allocation		16.48	Hold	0.3	0.3	3.1	12.7	7.7	13.8	0.73
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		16.63	Hold	-0.2	-0.2	4.0	17.4	9.1	16.3	1.01
9069	FJBAC	Fid VIP Balanced	Allocation		17.45	Buy	-1.5	-1.5	1.8	13.8	8.3	17.1	0.92
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	19.24	Buy	-6.0	-6.0	-0.5	24.9	16.8	25.3	1.15
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	16.77	Hold	-7.6	-7.6	-6.3	6.0	12.6	15.7	0.92
9065	FDPFC	Fid VIP Contrafund	Large Growth		18.09	Hold	-2.6	-2.6	3.0	21.8	11.9	19.5	1.05
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		15.43	Buy	-3.4	-3.4	2.6	25.0	15.8	21.3	1.39
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		20.10	Buy	-1.2	-1.2	6.2	31.0	16.9	23.2	1.10
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.91	Hold	-6.9	-6.9	-8.2	-4.6	-3.8	14.0	1.57
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	17.20	OK to Buy	-5.4	-5.4	-6.1	8.7	2.6	15.3	1.80
9061	FLOLC	Fid VIP Equity-Income	Large Value		15.32	OK to Buy	-3.5	-3.5	0.7	16.6	12.1	19.4	0.98
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	9.39	Buy	-4.0	-4.0	3.8	19.9	9.1	16.3	1.52
9157	FMPAC	Fid VIP FundsManager 20	Allocation		13.51	Hold	-0.1	-0.1	0.7	4.4	4.1	6.3	0.26
9158	FMPBC	Fid VIP FundsManager 50	Allocation		14.30	Hold	-1.2	-1.2	1.1	10.6	7.0	11.3	0.59
9197	FMPPC	Fid VIP FundsManager 60	Allocation		13.20	Hold	-1.5	-1.5	1.5	13.2	7.8	13.1	0.69
9159	FMPCC	Fid VIP FundsManager 70	Allocation		14.33	Hold	-2.1	-2.1	1.2	14.8	8.7	14.4	0.82
9160	FMPDC	Fid VIP FundsManager 85	Allocation		14.18	Hold	-2.5	-2.5	1.6	18.8	9.6	16.5	0.99
9062	FMNDC	Fid VIP Growth	Large Growth		17.93	OK to Buy	0.4	0.4	6.2	31.5	14.8	21.4	1.14
9070	FLFNC	Fid VIP Growth & Income	Large Blend		16.98	Buy	-4.3	-4.3	0.4	21.1	14.1	19.2	1.03
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		18.41	Buy	0.2	0.2	5.5	31.3	18.0	25.4	1.23
9078	FPVDC	Fid VIP Growth Stock	Large Growth		19.02	Buy	-1.3	-1.3	4.7	27.8	15.5	23.4	1.10
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		15.44	Hold	-3.1	-3.1	2.9	24.7	9.7	19.6	1.33
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	27.25	Buy	7.0	7.0	16.5	56.3	27.9	27.2	1.08
9060	FBBLC	Fid VIP High Income	High-Yield Bond		17.59	Buy	0.5	0.5	1.3	5.3	7.1	13.8	0.50
9064	FXVLT	Fid VIP Index 500	Large Blend		16.86	Hold	-3.5	-3.5	1.9	21.1	13.6	18.9	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	23.78	Buy	-3.5	-3.5	3.7	26.4	13.6	25.3	1.32
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	14.35	Buy	-4.6	-4.6	-1.2	11.6	8.4	20.3	1.47
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		14.66	Buy	1.7	1.7	0.7	0.1	3.9	6.7	0.24
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	17.54	Hold	-4.2	-4.2	1.2	12.5	8.4	24.8	1.58
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		20.00	OK to Buy	-3.3	-3.3	2.8	23.7	9.8	20.4	1.19
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.39	--	0.0	0.0	-0.1	-0.3	-0.2	-0.1	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	14.88	OK to Buy	-5.1	-5.1	0.1	18.3	6.6	14.6	1.49
9072	FFWKC	Fid VIP Real Estate	Sector		16.73	OK to Sell	3.8	3.8	-1.1	1.9	9.0	24.0	1.38
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		16.75	Buy	0.4	0.4	0.1	0.4	4.5	10.3	0.36
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	22.08	Buy	1.0	1.0	8.6	26.6	9.2	28.3	1.32
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	12.45	OK to Buy	-2.0	-2.0	-1.0	15.3	12.0	19.8	0.99
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	19.40	OK to Sell	2.9	2.9	3.6	17.3	13.9	14.0	0.86
9079	FKMSC	Fid VIP Value	Mid Value		15.94	Buy	-3.1	-3.1	1.2	20.8	13.7	22.9	1.12
9080	FUEBC	Fid VIP Value Leaders	Large Value		12.95	OK to Buy	-4.1	-4.1	2.4	21.1	9.7	16.2	1.22
9073	FRBSC	Fid VIP Value Strategies	Mid Value		17.47	Buy	-3.7	-3.7	2.0	18.9	12.7	26.0	1.34
9347	FBMEC	Black Rock Global Allocation	Global Allocation		11.39	OK to Sell	-2.0	-2.0	0.7	9.0	5.5	10.4	0.79
9349	FTMEC	Franklin Templeton Gobl Bond	Global Bond		10.65	Buy	-2.6	-2.6	-1.8	-1.8	4.2	8.5	0.74
9348	FFMEC	Franklin Templeton US Gov't	Intermed Gov't		10.01	Hold	1.2	1.2	0.2	-0.8	1.8	2.8	0.18
9285	FIGXC	Invesco Global Core Eqty	Global Stock		10.65	OK to Sell	-4.4	-4.4	-1.0	12.6	4.8	10.3	1.25
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		14.30	Hold	-8.0	-8.0	-11.3	-9.9	-1.3	15.9	1.56
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		15.68	Hold	-1.3	-1.3	-3.6	-8.8	4.4	9.8	0.69
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		12.36	Hold	-6.0	-6.0	-8.3	-8.2	-1.7	14.9	1.38
9146	FPRPC	Morgan Stanley Gbl Tactical Alloc	Diversified Int'l		11.94	Hold	-1.9	-1.9	-0.3	11.2	6.8	14.2	0.84
9346	FPMEC	Pimco Commodity Real Return	Commodities		8.75	OK to Sell	0.8	0.8	-0.6	-16.4	-6.6	8.3	1.35
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.35	Buy	0.3	0.3	0.4	0.1	2.0	--	0.21
9277	FPNBC	Pimco VIT Real Return	TIPS		12.42	OK to Sell	2.2	2.2	-0.5	-7.0	3.8	--	0.48
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		12.23	Buy	1.3	1.3	0.3	-0.6	3.8	--	0.30

Annuity Sector		Annuity Growth		Annuity Growth & Income		Annuity Income	
Fund	Allocation	Fund	Allocation	Fund	Allocation	Fund	Allocation
VIP Health Care	25%	VIP Growth Opps	23%	VIP Growth Opps	28%	VIP High Income	33%
VIP Industrials	23	VIP Growth & Income	20	VIP High Income	23	VIP Investment Grade	25
VIP Cons Discretionary	21	VIP Value	19	VIP Value	19	VIP Balanced	22
VIP Technology	16	VIP Disciplined Sm Cap	16	VIP Growth & Income	15	Pimco VIT Low Duration	20
VIP Financial Services	15	VIP Dynamic Cap App	13	VIP Investment Grade	15		
		VIP Growth Stock	9				
Total Return:		Total Return:		Total Return:		Total Return:	
Jan: -1.6% YTD: -1.6%		Jan: -2.2% YTD: -2.2%		Jan: -0.9% YTD: -0.9%		Jan: 0.3% YTD: 0.3%	

FUND PROFILE

Feingold Makes His Mark At Magellan

Suffice it to say, **Magellan** will never be the stock fund of yore.

In case you're new to fund investing, you may be surprised to learn that this is the fund that truly built the Fidelity financial juggernaut. Yes, **Fidelity** fund (1930) was launched decades earlier than **Magellan** (1963). But only **Magellan** enjoyed the stockpicking prowess of Peter Lynch, who racked up a stunning average annual return of 29% between 1977 to 1990.

While avoiding companies he claimed to have not understood (so tech was avoided), he instead bought easy-to-understand companies with above-average sales and earnings growth. In other words, small-cap growth stocks with a distinct bias for consumer stocks. (Yes, we're greatly



Jeff Feingold

oversimplifying Peter's true genius!) Later, **Magellan** prospered under the stewardship of several managers, especially Jeff Vinik (1992-1996) whose returns averaged a comparatively modest — but impressive — 17% per annum!

As rising tides do indeed lift all boats, in early 2000, the bull market helped to propel **Magellan's** assets past \$100 billion. But soon the 2000-2002 correction arrived, and two more disappointing managers. So by late 2011, assets had fallen to a comparatively modest \$13 billion — roughly where they are today.

On the other hand, in September of that year, Jeff Feingold was assigned to the fund. A former manager of **Trend, Large Cap Growth** and a wide variety of Selects, his resume seemed suitable to lead what was now viewed as a snake-bitten fund.

Two-Year Turnaround

While two years is certainly not enough in this business to make one's mark, Jeff has been quietly restoring **Magellan's** reputation.

In his first full year (2012) **Magellan** returned 18.0% versus 16.0% for its "blendier" S&P 500 benchmark. Last year, he did it again (35.3% versus 32.4%), though with almost 25% more risk. That said, his "balanced approach" to investing may, in fact, come to reduce portfolio volatility. Says Jeff, "To reduce volatility, I aim to find growth across stocks, sectors and styles."

Making few sector bets (under- and over-weights rarely deviate more than two percentage points from the S&P), excess alpha (returns) came from eight of 10 sectors; health care and technology added the most value.

Action Recommendation

While we're quite pleased to see **Magellan's** fortunes improve under Jeff, our preferred large-cap growth funds have been providing us with comparable returns but with significantly less risk. On that score, **Blue Chip Growth, Capital Appreciation** and **Contrafund** offer superior risk-adjusted returns. Emulating them should be Jeff's real goal. ■

BOND INVESTING

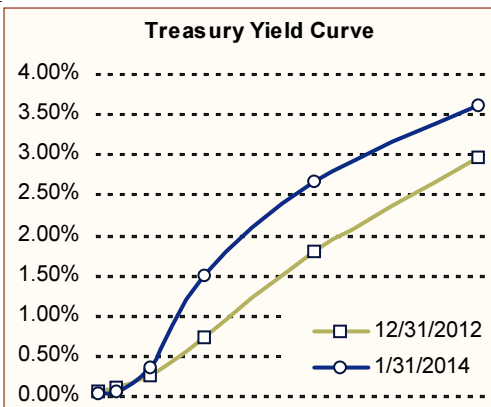
Reduce Risk With Short-Term Bond

With the Fed promising to keep short-term interest rates low through at least 2015, and with longer-maturity bonds the most vulnerable to rising rates anyway, we elected to hold **Short-Term Bond** in our most conservative Income Model. (In the annuity version, we selected **Pimco VIT Low Duration**.)

Because January's topsy-turvy equity market has prompted investors to seek the relative safety of bonds, Fidelity's intermediate- to long-term funds have benefitted the most from falling yields (see p. 5). And, on the margin, so have shorter-duration funds.

Short-Term Bond invests in high-quality (investment-grade) bonds of all types, including corporates (41%), US Treasuries and Agencies (25%),

asset-backed securities (14%), and a variety of mortgage-linked bonds. Still, with 14% of its assets rated BBB and below, the fund's overall credit risk is "medium." And with a duration of 1.8 years, interest-rate risk is very low



So far, short-term interest rates have remained near zero, and will likely remain so for some time. However, talk of tapering in May 2013 (and later begun in Dec.), coupled with an improving economy, pushed intermediate- and longer-term bond yields higher last year. This resulted in falling prices for many bond funds.

(falling closest to **Conservative Income**).

Last year, Manager Robert Galusza shed Treasuries for corporates as he felt the former did not offer enough yield to compensate for the risk of rising rates. That was a good move. Asset-backed automotive securities also helped.

However, when the Fed talked about tapering its bond purchases, bonds with durations of three-plus years were hurt. Currently, that's about 10% of the fund's assets, and in January, those bonds were a help.

Looking ahead, our expectation is for the short end of the yield curve to remain steady. If that's the case, **Short-Term Bond** will return about as much as its yield, which is presently 0.71% (though it is off to a better start, rising 0.3% in January). That may not seem like much, but it's better than losing money — especially when you're a risk-averse investor. ■

Inside Fidelity

Manager Change — On Feb. 28, Sam Chamovitz will run **International Small Cap**. He replaces the fund's three-person team whose collective stock-picking led to a successful 2013.

The change is the result of Fidelity's repatriation of assets from its international affiliate (FIL predominantly handles foreign investors' assets) to FMR. The US-based FMR has been building its own globally positioned management group which handles investments for US fund investors — not overseas accounts.

As for Sam, he has experience in both US and foreign small-cap investing. He joined Fidelity in 2002. Five years later he joined their small-cap research team. Fidelity says he "demonstrated success covering stocks in the technology sector from 2007-2010, real estate from 2009-2011, health care from 2009-2013 and industrials from 2010-2014."

Related to this change, sharehold-

ers (as of Jan. 21) are being asked to change the fund's benchmark to the MSCI All Country World (ACWI) ex-US Small Cap Index. This change would broaden its investible universe to include small-caps in Canada and, more importantly, the emerging markets. If approved on March 18, the fund would become a smaller-cap version of the large-cap **Total Int'l Equity** fund.

While the new index potentially benefits shareholders in that Int'l Small Cap's investible universe is broadened, that development, plus a new and untested manager are, collectively, a bit worrisome. Moreover, with no record to analyze, we've downgraded the fund to *Hold* from *Buy* until we see how Sam oversees his new foreign charge. ■

2014 GUIDE

First the good news: The *2014 Independent Guide to Fidelity Funds* is at the printer. The bad news: Its shipping schedule is unchanged from prior years, so your postman won't be delivering it until mid-to-late February.

Disappointed? You needn't be. The nearly 200 fund commentaries that we provide (which address about \$1 trillion in assets!) in the printed version are already available for you to read on our member's-only website:

www.fmandi.com

On the homepage, simply click the "Go to the Guide Now" button on the right-hand side, and you're there! ■

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
Convert Sec	1/10	0.005	31.77
Growth Company	1/10	0.703	120.32
Nasdaq Comp Idx	1/10	0.026	55.05
New Millennium	1/10	0.303	39.51
NJ Muni Inc	1/10	0.007	11.55
Strategic Div & Inc	1/10	0.089	13.95

ASSET MANAGEMENT "HEAD" STEPS DOWN

Managers are to mutual funds as athletes are to sports teams. While they're the people whose actions we watch and measure most closely, success in the market (and on the field) is impossible without a strong back office.



Ron O'Hanley

We may not discuss Fidelity's senior executives much, but we're certainly watching how they're playing, in this case, at one of the world's largest financial institutions. So when Ron O'Hanley called us two weeks ago, yes, we took his call! And, as you may have read, he called to explain why he was stepping down as head of FMR.

Such changes inevitably prompt media speculation, and most everyone assumes he's being kicked out. But we recall a meeting almost four years ago with this new asset-management chief who understood that his assignment included helping to groom his then-equal, Abigail Johnson, to become his boss. (That happened just over a year ago.) We say officially because as Fidelity's largest shareholder, she's long been everyone's boss (save her Chairman father, who appears to have been preparing Abby since her birth!).

Ron's successes are, first-and-foremost, the funds' improved performances (see p. 4). There are now more, better-defined bond funds, and while we're not fans of ETFs, partnering with BlackRock has made 65 iShares available commission-free (online), and now there are 10 new sector ETFs, too. Next up: actively managed bond ETFs.

Naturally, there's much more, but these are the most visible changes. With an "insider" destined to take Ron's place (he was an "outsider"), we're hoping to see an experienced fund manager — like Ms. Johnson and her father Ned, who long-ago ran **Magellan** — take his place. ■

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