

FIDELITY MONITOR & INSIGHT

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MESSAGE FROM JACK

Energy Loans Not A Financial System Threat

The fear-mongers are at it again — this time with claims that the energy bust could threaten the financial system just like the housing bust did. Don't fall for this ridiculous "prediction."



Jack Bowers

First of all, energy loans play only a minor role in the lending activity of major banks. Wells Fargo, which has the largest energy exposure at \$17 billion, has set aside \$1.2 billion to cover loan losses. But energy loans account

for only 2% of Wells Fargo's loan portfolio. The situation is much the same at other large banks.

Second, most of the U.S. energy debt exposure is in high-yield bonds, which are reasonably liquid and continuously priced. The energy sector accounts for some 15% of high-yield debt, making it a large but manageable problem. High-yield investors are rarely surprised by debt problems — they live in a world of defaults.

Third, unlike sub-prime debt, most energy loans will not go bad. Shale drillers are still boosting the amount of oil and gas that a single drilling rig can bring to market. Even if oil settles out at \$25 per barrel, some firms will be able to make good money, and others will get there eventually. Those that don't will get bought out by stronger competitors who, in many cases, will assume their debts.

Instead of viewing the U.S. energy bust as a second sub-prime mortgage crisis, perhaps it should be seen more like the semiconductor industry in the midst of a memory chip price crash. When innovation creates abundance, the innovators usually still find a way to survive and prosper.

Consumers are starting to appreciate that at least some of today's fuel savings may be permanent, and they should start opening their wallets in response. The energy bust will eventually turn into a net gain for the U.S. economy, it just takes time.

In effect, the energy bust has made all stocks cheaper for no good reason. Instead of running for the hills, consider it a buying opportunity.

Sincerely,

MARKET OUTLOOK

Market's Decline Driven More By Fear Than Fundamentals

From my 2016 *Market Outlook* last month ... "One thing very likely is a continuation of high volatility. This can make it hard for investors to stay with their investments when that volatility is to the downside." That pretty much describes January: More than half of the Dow's 19 trading days (12), featured moves of 200-plus points and eight of those were to the downside, including three where it was down more than 350 points. For the month, the S&P 500 was down 5.0%.



John M. Boyd

Understandably, investors are nervous. In the most recent AAI sentiment survey, nearly 50% were bearish versus a long-term average of 30%. And in January there were more Google searches for the phrase "sell stocks" than there have been since October of 2008 — right in the teeth of the "Great Recession." With memories of that still fresh in their minds, it is indeed a hard time for investors to stay the course with their investment plans and resist the urge to dump their stocks "before things get worse."

But I am here to tell you to do just that. And that's not because I have a crystal ball that tells me this correction has run its course (though it may have) and we are not in the early innings of a larger and more painful decline (though I don't see that as likely). No, I'm telling you that because staying with your investments, as long as they are well diversified and appropriate to your tolerance and capacity for risk, gives you the best chance to reach your long-term goals. Even if we are in a new bear market.

I have often warned against the dangers of trying to time the market by selling stocks when they suffer a sharp decline (say 5.0% in one month!), planning to buy back in when things "look better." I have pointed to data from Morningstar which shows that investors typically earn less over time in a fund than the fund itself does, because they tend to buy after it has gone up and sell after it has gone down. Now we have some new evidence of the failure of market timing from Mark Hulbert who tracks the recommendations in hundreds of investment newsletters (including ours, where he ranks us as the best-performing Fidelity newsletter over the past 25 years).

Market Outlook *cont'd on page 3*

MODEL PORTFOLIOS

See Model Portfolios Key on p. 3

JANUARY 31, 2016

Unique Opportunities

Target Risk: 1.20 (Current: 1.06)

Foreign Holdings: 16.7%

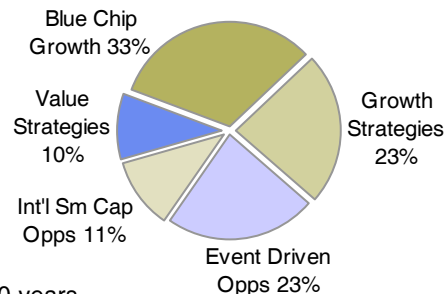
YTD Return: -6.7%

Stocks: 96.9% Bonds: 0.3% Cash: 2.7% Alternatives: 0.0% Yield: 0.3%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Blue Chip Growth	FBGRX	\$63.25	1,976.30	\$125,001	-8.3%
Growth Strategies	FDEGX	31.20	2,877.05	89,764	-6.3
Event Driven Opps	FARNX	10.46	8,394.85	87,810	-4.9
Int'l Sm Cap Opps	FSCOX	14.06	2,957.94	41,589	-5.8
Value Strategies	FSLSX	38.39	1,033.46	39,675	-7.5

Current Value (3/31/99 = \$100,000) **\$383,838** **-6.7%**

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



Select

Target Risk: 1.20 (Current: 1.05)

Foreign Holdings: 12.1%

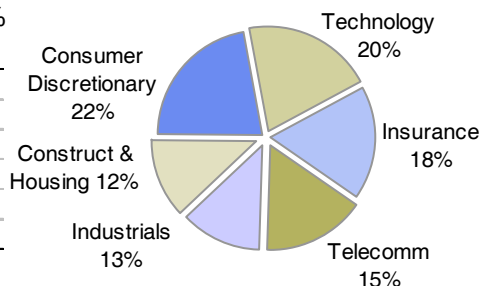
YTD Return: -5.7%

Stocks: 97.7% Bonds: 0.0% Cash: 2.3% Alternatives: 0.0% Yield: 0.1%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Consumer Discretionary	FSCPX	\$32.45	18,204.32	\$590,730	-5.0%
Technology	FSPTX	108.46	4,926.36	534,313	-8.2
Insurance	FSPCX	63.78	7,315.37	466,575	-5.8
Telecommunications	FSTCX	60.57	6,798.41	411,780	0.1
Industrials	FCYIX	27.19	12,295.15	334,305	-6.9
Construction & Housing	FSHOX	53.13	6,134.36	325,919	-8.5

Current Value (12/31/88 = \$100,000) **\$2,663,621** **-5.7%**

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



Growth

Target Risk: 1.00 (Current: 1.07)

Foreign Holdings: 9.5%

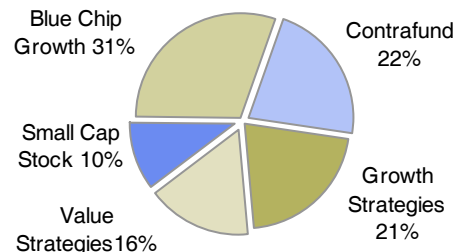
YTD Return: -6.9%

Stocks: 96.8% Bonds: 0.5% Cash: 2.7% Alternatives: 0.0% Yield: 0.4%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Blue Chip Growth	FBGRX	\$63.25	9,248.37	\$584,959	-8.3%
Contrafund	FCNTX	93.30	4,443.44	414,573	-5.7
Growth Strategies	FDEGX	31.20	13,035.84	406,718	-6.3
Value Strategies	FSLSX	38.39	7,878.88	302,470	-7.5
Small Cap Stock	FSLCX	16.33	12,208.44	199,364	-6.0

Current Value (12/31/86 = \$100,000) **\$1,908,084** **-6.9%**

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: 0.73)

Foreign Holdings: 7.9%

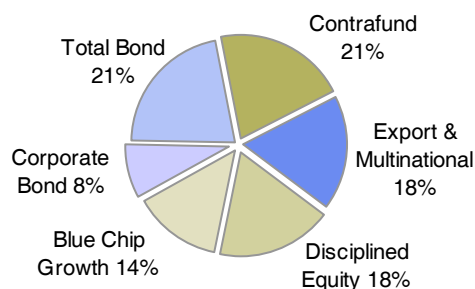
2015 Return: -4.0%

Stocks: 67.6% Bonds: 25.2% Cash: 2.6% Alternatives: 4.6% Yield: 1.6%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Total Bond	FTBFX	\$10.29	11,166.58	\$114,904	0.6%
Contrafund	FCNTX	93.30	1,146.69	106,987	-5.7
Export & Multinational	FEPX	19.38	4,700.70	91,099	-3.9
Disciplined Equity	FDEQX	29.82	3,051.12	90,985	-6.0
Blue Chip Growth	FBGRX	63.25	1,130.47	71,502	-8.3
Corporate Bond	FCBFX	10.89	4,019.03	43,767	-0.2

Current Value (12/31/93 = \$100,000) **\$519,244** **-4.0%**

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



Income

Target Risk: 0.33 (Current: 0.34)

Foreign Holdings: 12.6%

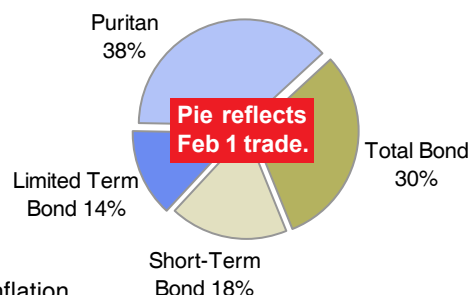
YTD Return: -1.4%

Stocks: 25.3% Bonds: 62.9% Cash: 2.3% Alternatives: 9.4% Yield: 2.1%

Holdings	Ticker	NAV	Shares	Value	Jan Ret
Balanced	FBALX	\$20.32	6,662.27	\$135,377	-4.2%
Total Bond	FTBFX	10.29	10,295.92	105,945	0.6
Short-Term Bond	FSHBX	8.58	7,188.16	61,674	0.5
Limited Term Bond	FJRLX	11.38	4,235.52	48,200	0.4

Current Value (12/31/91 = \$100,000) **\$351,197** **-1.4%**

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



Market Outlook *cont'd from page 1*

Mark recently examined the performance of the market timing newsletters within that group, from the peak of the market in 2007, through the Great Recession and the subsequent recovery. I won't go into all the details but let me summarize the key result. Only 9% of timers had significantly higher stock exposure over the 17 months after the market bottomed in 2009, than they did during the 17 months of the bear market. As a result, they missed out on the large gains at the start of the recovery. In fact, more than half actually had higher stock exposures during the bear market than during the recovery! Just the opposite of what you want.

China and Oil Likely Overdone

There are plenty of doom and gloomers screaming to sell stocks now. Their main reasons are China's slowdown and the collapse in oil prices.

Let's examine each.

First, what will a weakened China mean for our exports? As Alan Blinder points out (he's a former vice chairman of the Fed), basically nothing. Exports to China make up less than 1% of our GDP, and so a 10% drop in demand would reduce GDP by less than 0.1%. (Despite China's slowing growth last year, our exports there were unchanged.) Granted, countries heavily dependent on exports to China may begin to buy less from us, too. But even if that doubled the impact, it is still a minor worry.

Second, industrial production has certainly suffered from the oil industry's contraction. But, we have yet to fully see consumer spending rise amid lower oil prices. And job growth has remained strong even in the face of lost jobs in the oil patch because employment there represents less than two percent of the total. While energy firms are cutting capital expenditures,

FUNDS YOU SHOULD BUY NOW

Growth: For large-cap exposure ... **Blue Chip Growth** and **Growth Co** are aggressive options. **Contrafund** and **Disciplined Equity** are more conservative. **Growth Strategies** and **Value Strategies** provide mid-cap exposure; **Event Driven Opp's** and **Small Cap Stock** are smaller-cap options that enhance portfolio diversification.

Growth & Income: **Puritan** (see p. 12) and **Balanced** use stocks and bonds to mitigate risk.

Foreign: **Int'l Small Cap Opportunities** is a mid-cap growth fund (mostly) in the developed markets; **Overseas** offers large-cap exposure to the same.

Taxable Bond: **Short-Term Bond** and **Limited Term Bond** limit interest-rate risk. **Investment Grade Bond** limits credit risk but boosts yield via additional interest-rate risk; **Total Bond** provides the greatest bond diversification boosting its yield through well-managed credit risk.

Muni Bond: More highly taxed investors should consider muni funds. We prefer the less risky, nationally diversified **Muni Income** and **Tax-Free Bond**. ■

the oil industry makes up only about 5% of our total spending on equipment and structures.

While China and the oil slump are not positive developments, the market's extreme reaction in January was more reflective of fear, than the actual fundamental impact of these two major concerns.

That doesn't mean that the U.S. is the picture of health. The first estimate of fourth quarter 2015 GDP growth was just 0.7%, down from 2.0% in the third quarter and 3.9% in the second. But there are some recent

signs of strength. New and existing home sales jumped over 6% in December. In January, consumer confidence rose. And the Chicago PMI (an indicator of economic activity) was sharply higher at 55.6 (anything over 50 indicates expansion) from an average of just 47.7 in the fourth quarter. New orders surged over 20 points to 58.8.

As I noted earlier, I can't tell you that the market has bottomed and stocks won't slide further. But I can tell you the best course of action is to stick to your long-term plan. ■

— John M. Boyd

MODEL PORTFOLIO TRADE

As announced on our January 29 Hotline, on Monday, February 1, we made the following Model Portfolio trades:

Income Model:

We sold our entire position in **Balanced** [ticker: FBALX]. With the proceeds we bought **Puritan** [ticker: FPURX].

Trade Rationale: This move provides a slight increase in high yield exposure. Note: There's no corresponding trade in our Annuity Income Model, as **VIP Balanced** already has a slightly bigger high-yield exposure. Please see page 12.

VIP Growth Model:

We sold our entire position in **VIP Dynamic Capital Appreciation** [ticker: FZAMC]. With the proceeds we bought **VIP Disciplined Small Cap** [ticker: FPRGC].

Trade Rationale: Dynamic Cap App has become narrowly focused with 60% of the fund in just two sectors. In particular, a large overweight in health care/biotech — 30% versus 15% for the S&P 500 — has us concerned. Disciplined Small Cap is attractive after a sharp selloff in small cap stocks. (Table on p. 10 reflects portfolio trade.)

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.

2016 Independent Guide

The 30th Anniversary edition of our *Independent Guide to Fidelity Funds* is now printing and will be mailed to those of you who have ordered it beginning on February 10. However, the individual fund commentaries will be posted on our online version for all readers by Friday February 5.

This year's edition covers 208 retail-sold funds across all major asset classes (foreign and domestic) and most market sectors. As is always the case, every edition is completely updated with all-new market observations, fund commentaries, holdings and, of course, historical return data.

Below is a preview of six edited fund commentaries on those sector funds that presently make up our *Select Model Portfolio*. — Jack Bowers

Construction & Housing

With over a third of the fund in Home Depot and Lowe's, retail hardware stores play a major role. Reduced energy and materials costs should help home builders, while an improving job market is setting the stage for Millennials to take the home ownership plunge. At the same time, rising rents are benefiting developers that focus on apartment construction. The focus of this fund is rather narrow, so it can behave very differently compared with other consumer groups—even though its volatility is not much higher.

Consumer Discretionary

This fund includes retail, leisure, media, and auto companies. Manager Peter Dixon has placed more emphasis on technology-driven firms since taking over in mid-2014, and where traditional consumer companies are still held he has favored those with robust business models that aren't prone to being disrupted by innovation. His only big miss last year was avoiding Netflix because of its premium valuation (which didn't stop him from owning Tesla Motors). This group is one of our favorites for 2016, because lower energy costs along with an improving job market are giving consumers more discretionary income.

Industrials

The fund maintains a small position in transportation stocks. Low commodity prices may weigh on this group by reducing demand for fuel-efficient aircraft, capital goods for

energy and mining activity, and agricultural equipment. But on the plus side, low energy costs are boosting demand for natural gas power generation and increasing domestic construction activity. Quality and supply chain issues have in some cases prompted manufacturers to move production back to the U.S. And the rising cost of unskilled labor is spurring automation activity on multiple fronts. This fund is a solid long-term bet.

Insurance

The emphasis here is property, casualty, life, and multi-line insurance. These stocks have largely sidestepped the regulatory punishment cycle that has consumed the banks and brokerages. Low interest rates remain a risk, but this group benefits indirectly from consumer spending on homes and autos, while largely avoiding foreign markets. Fears of a new era of extensive weather-related losses have largely subsided. And unlike other financial sectors, this group shouldn't suffer much from bad loans or trading losses on commodity-

related activity. As such, it's still our favorite of the financial group.

Select Technology

It can invest in communications equipment, hardware, IT services, software, semiconductors, and just about anything else that's technology-driven. At a time when a growing share of this industry's earnings are concentrated among a handful of technology giants, this fund has the flexibility to invest wherever innovation generates the greatest rewards. Manager Charlie Chai has focused less on companies that make technology products, choosing instead to bet on firms that use technology to provide a valuable service or disrupt established markets. This fund is a solid long-term bet, especially in today's low inflation environment.

Telecommunications

Dominant players, Verizon and AT&T (which account for about 40% of holdings as of 12/31/15), have been paying robust dividends in the 5% range, so despite a maturing market for smartphones and rising competitive pressures from Sprint and T-Mobile, this is not a bad place to hang out as large-cap value plays go. It may also see more long-term growth than the market expects if cell phone connections become more common for vehicles and mobile monitoring functions, or if data plans evolve in a way that consumers become more willing to accept advertising or pay for attractive package deals. ■

How Fidelity's Diversified Stock Funds Fared In 2015

Of the 38 actively managed equity funds we follow, 23 (or 60%) beat their respective benchmarks last year.

*Among large-cap growth funds, an even more impressive 9 of their 13 offerings (69%) beat their bogey by almost one percentage point. Of course, as the preponderance of investors' assets reside in large, index-beating funds like **Contra**, **Blue Chip Growth** and **Growth Company**, on an asset-weighted basis, this group and Fidelity overall, will have satisfied shareholders*

more than these figures might suggest.

On the other hand, their S&P 500 benchmarked funds disappointed: only 5 of the 15 offerings surpassed it. So it followed that as all large-cap blend funds are measured against the same, none of their 6 offerings outperformed. On average, they trailed by 2.5 percent.

Where Fidelity found considerable success, however, was in the large-cap value space: 4 of their 5 funds (80%) beat their Russell benchmark by an average of one percentage point. ■

FUND COMMENTARY

Stocks Take Beating; Bonds Gain Ground

vol·a·til·i·ty — a measure of the degree to which a security rises or falls in price over a period of time.

That's one way a dictionary describes how stocks fared in January.



John Bonnanzio

John Boyd details volatility in other terms on page 1. As for how the media detailed the unfolding month ... “worst start (day) of the year”

quickly morphed into the “worst four-day start.” That soon devolved into “the worst 10-day” and, if not for a late-month pop, it was nearly “the worst January on record.”

Still, by month's end, a year's worth of modest large-cap stock gains had evaporated, almost all of the Nasdaq Composite's 2015 returns of 7.0% were gone, and small-caps had doubled-down on their prior year's losses of 4.4%. That's volatility!

Market Indexes

Here's the extent of the red ink: Small-cap stocks bore the brunt of sellers' wrath as the Russell 2000 retreated 8.8%, whereas the large-cap S&P 500 lost 5.0%. (Mid caps split the difference with their decline of 6.6%.) And with tech and biotechs also in retreat, the Nasdaq lost 7.8%. And, just to show that stocks are an equal-opportunity pain inflictor, the “blue chip” Dow Industrials (down 5.4%) fared a bit worse than the S&P 500.

Stock Funds

Apple, which fell 7.2% last month, is the lone constituent stock in all three major indexes: the Dow, S&P and Nasdaq. In turn, Fidelity is one of Apple's largest shareholders: its various funds own 168 million shares, or 3% of the company. Suffice to say, this weighed on the performances of many large-cap growth funds including **Contra** (-5.7%), **Growth Com-**

pany (down 10.6%), **Independence** (down 11.8%) and **OTC** (down 12.7%). All but **Contra** were among Fidelity's worst-performing stock funds, but one can't put all the blame on Apple. Indeed, most of their problems were the result of biotech.

As measured by **Select Biotech**, the sector plunged 27.5% last month. And, with concerns mounting that the world's economy was slowing faster than many had suspected (remember, China kicked all of these fears off at the very start of the month when it announced its own slowdown), autos, materials and financials were all double-digit losers in January, too.

On average, Fidelity's 38 stock funds retreated 6.7% last month. (If not for a 2%-plus rally on the last day of January, things would have been that much worse!) Apart from the tech/biotech-oriented funds already mentioned, small-cap offerings suffered greatly, too.

For example, **Small Cap Growth** declined 9.7%. But that had more to do with sector exposure than it did market cap. For example, **Small Cap Value** “limited” its decline to 4.1% as certain natural resource stocks (especially gold), utilities and telecom provided a modest performance cushion.

International Funds

Of course, things weren't any better overseas last month. Back where all the trouble started, **China Region** (down 14.1%) fared far worse than any other fund offering. By that low standard, **Europe** (down 8.3%) did

relatively well, and so did **Emerging Markets** (down 5.6%). And there were some late-month turnaround stories. Thanks to oil prices rebounding almost 5% during the last week of the January, **Canada** fund popped 4% in five days and manage to limit its January loss to “only” 2.7%. Over in Japan, its central bank's surprise announcement to further lower borrowing costs into negative territory spurred a global rally: **Japan Smaller Cos** popped 3% in one day and wound up finishing the month down 3.0%.

Of course, the overall picture was not a good one outside the U.S.: last month **Spartan Int'l Index** lost 5.8%. As for two of Fidelity's more popular, geographically diversified offerings, **Overseas** and **Diversified Int'l** fell 6.4% and 6.3%, respectively.

Fixed Income Funds

With stocks in retreat, taxable and muni bond prices rallied. (High-yield bonds did not — see p. 12 on **Puritan** and **Balanced** funds.) The yield on the 10-year Treasury dropped 35 basis points to end the month at 1.92%.

Spartan Long-Term Treasury Index soared 5.3% in January whereas **Spartan U.S. Bond Index** (a proxy for the broader asset class) gained a healthy 1.4%. (For its part, **Corporate Bond**, which holds many low-credit bonds, slipped 0.2%, while **Int'l Bond** dipped 0.4%.) Most state muni funds and their nationally diversified cousins enjoyed gains of around 1%. ■

— John Bonnanzio

FEBRUARY SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
Capital Appreciation	B	H	↓	Double-overweight in health care/biotech concerning.
Int'l Real Estate	H	S	↓	Slower growth abroad is a negative for this area.
Sel. Air Transport	B	H	↓	Cheaper fuel will attract low-cost competitors.
Sel. Computers	H	S	↓	Windows 10 and tablets continue to weigh on PCs.
Stk Sel Mid Cap	B	H	↓	Mid-cap financials more vulnerable to oil prices.
Small Cap Enh'd Idx	B	B	↑	After selloff, valuations more attractive.
VIP Disc Small Cap	B	B	↑	After selloff, valuations more attractive.
VIP Dynam Cap App	B	H	↓	Double-overweight in health care/biotech concerning.

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, 2016

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		1940.2		-5.0	-5.0	-6.2	-0.7	11.3	10.9	6.5	1.00			
		Nasdaq Composite		4614.0		-7.8	-7.8	-8.4	0.7	15.1	12.6	8.3	1.19			
		Dow Jones Industrials		16466.3		-5.4	-5.4	-6.2	-1.6	8.5	9.5	7.0	1.02			
		Russell 2000 (Small Caps)		1035.4		-8.8	-8.8	-10.5	-4.4	6.1	7.3	4.9	1.36			
		Barclays Aggregate Bond*				1.4	1.4	0.8	-0.4	2.0	3.3	4.3	0.29			
Model Portfolios		Unique Opportunities				-6.7	-6.7	-7.7	-3.4	8.7	7.6	5.0	1.06			
		Select Growth				-5.7	-5.7	-7.3	-5.2	11.2	11.1	7.0	1.05			
		Growth & Income				-6.9	-6.9	-8.0	-3.2	8.0	7.7	4.6	1.07			
		Income				-4.0	-4.0	-5.2	-1.9	7.4	7.2	4.8	0.73			
												Rel Vol (Risk) ¹	Assets (\$Mil)			
LARGE CAP GROWTH						Category Averages			-7.7	-7.7	-7.8	-2.7	11.8	10.4	1.16	
312	FBGRX	Blue Chip Growth		63.25	Buy	-8.3	-8.3	-8.0	-1.8	14.4	11.9	1.17	\$14,209			
307	FDCAX	Capital Appreciation		29.75	Hold↓	-8.2	-8.2	-9.2	-5.9	10.5	10.6	1.16	5,114			
22	FCNTX	Contrafund		93.30	Buy	-5.7	-5.7	-6.4	1.8	12.4	11.2	1.01	73,008			
3	FFIDX	Fidelity Fund		39.77	Hold	-5.3	-5.3	-5.3	0.0	10.6	9.6	1.05	3,677			
333	FTQGX	Focused Stock		16.96	Hold	-5.6	-5.6	-6.0	-2.2	9.5	9.7	1.17	1,688			
25	FDGRX	Growth Company (Closed)		122.06	Buy	-10.6	-10.6	-9.7	-3.1	13.4	12.2	1.29	20,628			
339	FDSVX	Growth Discovery		23.59	OK to Buy	-6.7	-6.7	-5.7	0.6	13.6	11.2	1.11	1,014			
73	FDFFX	Independence		31.73	OK to Sell	-11.8	-11.8	-12.2	-11.3	9.2	7.9	1.38	3,313			
21	FMAGX	Magellan		83.66	Buy	-6.5	-6.5	-6.9	-0.2	12.7	9.1	1.10	12,529			
300	FMILX	New Millennium		31.38	OK to Sell	-5.7	-5.7	-8.9	-4.9	8.3	9.2	1.06	2,876			
93	FOCPX	OTC		72.80	OK to Buy	-12.7	-12.7	-9.5	-3.1	16.8	12.0	1.47	8,738			
320	FDSSX	Stock Selector All Cap		31.33	Hold	-6.6	-6.6	-7.4	-4.8	9.6	8.8	1.06	5,076			
5	FTRNX	Trend		79.09	OK to Buy	-6.6	-6.6	-5.8	0.5	12.9	11.6	1.11	1,374			
LARGE CAP BLEND						Category Averages			-5.9	-5.9	-7.6	-3.3	9.4	9.1	1.06	
315	FDEQX	Disciplined Equity		29.82	Buy	-6.0	-6.0	-7.4	-3.6	11.0	9.4	1.02	1,279			
330	FDGFX	Dividend Growth		28.77	OK to Buy	-5.0	-5.0	-6.3	-2.7	9.7	8.1	1.01	5,616			
332	FEXPX	Export and Multinational	0.75%/30d	19.38	Buy	-3.9	-3.9	-6.1	-0.1	8.8	8.0	0.95	1,580			
27	FGRIX	Growth & Income		27.01	Hold	-6.6	-6.6	-8.3	-4.5	8.5	9.6	1.09	5,141			
338	FLCSX	Large Cap Stock		24.12	Hold	-7.7	-7.7	-9.7	-6.4	9.1	9.5	1.15	2,416			
361	FGRTX	Mega Cap Stock		14.68	Hold	-6.0	-6.0	-7.9	-2.5	9.5	10.2	1.11	3,003			
LARGE CAP VALUE						Category Averages			-4.6	-4.6	-6.2	-4.3	9.0	8.4	0.96	
1271	FBCVX	Blue Chip Value		14.98	OK to Buy	-4.5	-4.5	-6.4	-3.7	10.4	8.1	0.99	485			
319	FEQTX	Equity Dividend Income		23.53	Hold	-4.2	-4.2	-5.9	-3.5	8.4	7.8	0.95	4,476			
23	FEQIX	Equity-Income		48.57	Hold	-4.9	-4.9	-6.2	-4.9	6.4	6.7	0.93	5,761			
708	FSLVX	Stock Sel Large Cap Value		15.47	Hold	-5.0	-5.0	-6.8	-5.1	8.7	9.2	0.95	643			
832	FVDFX	Value Discovery		22.09	OK to Buy	-4.4	-4.4	-5.7	-4.2	10.9	10.1	0.96	1,400			
MID-CAP GROWTH						Category Averages			-6.5	-6.5	-8.8	-5.7	9.3	8.4	1.06	
324	FDEGX	Growth Strategies	1.50%/90d	31.20	Buy	-6.3	-6.3	-7.2	-1.4	12.6	8.8	1.05	2,256			
337	FMCSX	Mid-Cap Stock	0.75%/30d	30.70	Hold	-6.2	-6.2	-9.8	-7.6	8.4	8.4	1.04	4,715			
2412	FSSMX	Stock Selector Mid Cap		29.42	Hold↓	-7.2	-7.2	-9.5	-8.1	6.9	8.0	1.10	432			
MID-CAP BLEND						Category Averages			-9.8	-9.8	-13.8	-12.2	4.2	6.3	1.22	
122	FLVCX	Leveraged Company Stock	1.50%/90d	35.92	Hold	-9.8	-9.8	-13.8	-12.2	4.2	6.3	1.22	2,815			
MID-CAP VALUE						Category Averages			-6.6	-6.6	-9.7	-7.7	8.1	8.8	1.05	
316	FLPSX	Low-Priced Stock	1.50%/90d	45.20	Buy	-5.3	-5.3	-7.5	-2.9	9.0	9.7	0.91	26,318			
762	FSMVX	Mid Cap Value	0.75%/30d	20.76	OK to Buy	-7.1	-7.1	-9.7	-9.6	9.7	10.0	1.07	2,331			
39	FDVLX	Value		89.50	OK to Buy	-6.5	-6.5	-10.6	-10.3	7.8	8.1	1.10	6,457			
14	FSLSX	Value Strategies		38.39	Buy	-7.5	-7.5	-10.9	-7.9	5.9	7.4	1.11	636			
SMALL CAP GROWTH						Category Averages			-9.7	-9.7	-9.7	-3.1	10.2	9.5	1.34	
1388	FCPGX	Small Cap Growth	1.50%/90d	16.89	Buy	-9.7	-9.7	-9.7	-3.1	10.2	9.5	1.34	1,430			
SMALL CAP BLEND						Category Averages			-6.2	-6.2	-8.4	-4.3	7.3	7.1	1.21	
2624	FARNX	Event Driven Opportunities		10.46	Buy	-4.9	-4.9	-6.1	-1.3	--	--	--	193			
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	24.74	OK to Buy	-6.4	-6.4	-10.6	-9.1	6.4	9.9	1.21	4,826			
340	FSLCX	Small Cap Stock	2.00%/90d	16.33	Buy	-6.0	-6.0	-8.4	-1.2	8.3	4.4	1.16	1,865			
336	FDSCX	Stock Selector Small Cap	1.50%/90d	21.33	OK to Buy	-7.5	-7.5	-8.5	-5.8	7.0	7.2	1.25	1,270			
SMALL CAP VALUE						Category Averages			-4.1	-4.1	-7.4	-2.8	8.5	9.7	1.17	
1389	FCPVX	Small Cap Value (Closed)	1.50%/90d	16.05	OK to Buy	-4.1	-4.1	-7.4	-2.8	8.5	9.7	1.17	1,976			

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 Cash Reserves. ⁶ Formerly Retirement Money Market. ⁷ Formerly Select Medical Delivery. ⁸ Formerly Select Software and Computer Services. ⁹ Formerly VIP Money Market. ¹⁰ Formerly Tax-Free MM. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

FIDELITY SCORECARD

JANUARY 31, 2016

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		20.32	Buy	-4.2	-4.2	-5.2	-2.7	7.5	7.6	0.73	\$19,314		
308	FCV SX	Convertible Securities		24.26	OK to Sell	-8.3	-8.3	-11.7	-15.1	2.6	3.4	0.94	1,525		
334	FGBLX	Global Balanced	1.00%/30d	21.13	Hold	-4.0	-4.0	-4.5	-4.2	2.4	3.4	0.71	419		
2120	FFGCX	Global Commodity Stock	1.00%/30d	8.17	Sell	-7.1	-7.1	-16.8	-31.6	-17.0	-12.7	1.58	131		
1960	FDYSX	Global Strategies		8.17	Hold	-2.7	-2.7	-4.2	-3.4	1.9	3.0	0.65	88		
1368	FIREX	International Real Estate	1.50%/90d	9.44	OK to Sell ↓	-5.8	-5.8	-8.1	-6.1	3.1	4.8	1.07	315		
4	FPURX	Puritan		19.52	Buy	-4.0	-4.0	-4.3	-1.2	8.2	8.0	0.73	18,522		
833	FRIFX	Real Estate Income	0.75%/90d	11.04	OK to Buy	-1.8	-1.8	-1.6	-2.3	4.6	7.5	0.49	2,433		
303	FRESX	Real Estate Investment	0.75%/90d	39.25	Hold	-3.3	-3.3	-1.5	-4.2	9.4	10.9	1.34	4,381		
1329	FSDIX	Strategic Dividend & Income		13.25	Hold	-2.6	-2.6	-3.6	-3.3	7.3	9.2	0.71	2,638		
1505	FSRRX	Strategic Real Return	0.75%/60d	8.15	OK to Sell	-1.0	-1.0	-4.4	-9.1	-3.6	-0.3	0.42	486		
311	FIUIX	Telecom & Utilities		22.30	Hold	2.0	2.0	1.2	-3.7	8.3	9.9	1.00	854		
ASSET ALLOCATION															
328	FASIX	Asset Manager 20%		12.59	Hold	-0.9	-0.9	-1.9	-1.8	2.4	3.3	0.30	4,564		
1957	FTANX	Asset Manager 30%		9.96	Hold	-1.5	-1.5	-2.6	-2.2	3.1	4.0	0.39	820		
1958	FFANX	Asset Manager 40%		10.15	Hold	-2.1	-2.1	-3.3	-2.7	3.8	4.6	0.48	940		
314	FASMX	Asset Manager 50%		15.59	Hold	-2.8	-2.8	-4.1	-3.2	4.3	4.9	0.58	7,199		
1959	FSANX	Asset Manager 60%		10.20	Hold	-3.5	-3.5	-4.8	-3.8	4.8	5.2	0.67	1,305		
321	FASGX	Asset Manager 70%		17.80	Hold	-4.3	-4.3	-5.6	-4.2	5.3	5.5	0.78	3,749		
347	FAMRX	Asset Manager 85%		14.75	Hold	-5.3	-5.3	-6.6	-4.8	6.2	6.0	0.92	1,350		
EQUITY INDEX															
355	FFNOX	Four-in-One Index		34.49	Hold	-4.7	-4.7	-6.4	-3.4	6.7	7.2	0.87	4,070		
2010	FIENX	International Enhanced Index	1.00%/30d	7.67	Hold	-5.8	-5.8	-8.2	-5.8	2.7	3.0	1.15	156		
1827	FLC EX	Large Cap Core Enhcd Index		10.84	OK to Buy	-5.5	-5.5	-6.8	-3.3	10.9	11.0	1.00	401		
1829	FLG EX	Lrge Cap Growth Enhcd Index		13.75	OK to Buy	-5.6	-5.6	-7.4	-1.0	12.8	11.7	1.03	436		
1828	FLV EX	Large Cap Value Enhcd Index		9.89	Hold	-5.8	-5.8	-7.5	-5.3	9.4	10.4	1.00	1,506		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	11.71	OK to Buy	-7.0	-7.0	-9.1	-8.4	10.2	10.0	1.05	781		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	60.41	OK to Buy	-7.8	-7.8	-8.5	0.6	14.9	12.5	1.19	2,079		
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	10.79	Buy ↑	-7.5	-7.5	-10.0	-7.1	7.6	9.4	1.31	517		
650	FUSEX	Spartan 500 Index ⁴		68.23	Hold	-5.0	-5.0	-6.2	-0.7	11.2	10.8	1.00	7,348		
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	7.28	Hold	-5.7	-5.7	-11.4	-21.0	-9.2	--	1.35	22		
398	FSEM X	Spartan Extended Mkt Index ⁴	0.75%/90d	45.79	Buy	-8.8	-8.8	-10.9	-10.1	7.0	8.0	1.21	1,377		
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	10.02	Hold	-5.7	-5.7	-9.4	-11.0	-2.0	--	1.14	22		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	33.84	Hold	-5.8	-5.8	-8.6	-7.4	1.0	1.8	1.16	2,657		
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	15.24	OK to Buy	-6.6	-6.6	-8.8	-7.5	9.0	--	1.04	33		
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	14.45	Hold	-4.1	-4.1	-2.5	-6.2	8.8	--	1.36	33		
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	14.09	OK to Buy	-8.8	-8.8	-10.6	-9.9	6.1	--	1.36	34		
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	55.34	Hold	-5.7	-5.7	-7.1	-2.6	10.4	10.3	1.02	1,911		
INTERNATIONAL						Category Averages			-5.9	-5.9	-7.5	-6.6	1.6	2.1	1.22
309	FICDX	Canada	1.50%/90d	40.24	OK to Sell	-2.7	-2.7	-10.3	-15.1	-4.5	-3.6	1.16	1,042		
352	FHKCX	China Region	1.50%/90d	21.84	Hold	-14.1	-14.1	-15.2	-18.4	0.3	0.3	1.94	990		
325	FDIVX	Diversified International	1.00%/30d	32.85	OK to Buy	-6.3	-6.3	-7.7	-4.2	4.1	3.6	1.13	11,630		
351	FSEAX	Emerging Asia	1.50%/90d	28.00	Hold	-6.7	-6.7	-9.9	-15.1	-1.7	-0.5	1.30	871		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	6.38	OK to Sell	-3.5	-3.5	-13.4	-19.1	-9.5	-4.5	1.30	56		
322	FEMKX	Emerging Markets	1.50%/90d	20.53	Hold	-5.6	-5.6	-8.5	-15.4	-3.9	-3.5	1.24	2,683		
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	9.81	Hold	-6.7	-6.7	-10.0	-14.8	-6.8	--	1.14	51		
301	FIEX	Europe	1.00%/30d	33.18	OK to Buy	-8.3	-8.3	-9.4	-5.7	2.3	2.8	1.22	1,219		
2406	FGILX	Global Equity-Income	1.00%/30d	11.41	OK to Buy	-4.3	-4.3	-4.3	-0.9	7.8	--	0.93	68		
335	FIVFX	International Cap App	1.00%/30d	15.75	Buy	-5.2	-5.2	-5.8	-2.7	5.7	6.2	1.05	1,391		
305	FIGRX	International Discovery	1.00%/30d	36.71	OK to Buy	-6.9	-6.9	-7.6	-3.3	3.6	3.5	1.12	6,631		
1979	FIGFX	International Growth	1.00%/30d	10.52	Buy	-5.6	-5.6	-6.9	-2.8	3.7	5.2	1.04	910		
818	FISM X	International Small Cap	2.00%/90d	20.78	OK to Buy	-6.1	-6.1	-6.2	0.9	7.2	4.9	1.05	724		
1504	FSCOX	International Small Cap Opps	2.00%/90d	14.06	Buy	-5.8	-5.8	-4.8	3.6	7.6	7.6	0.96	859		
1597	FIVLX	International Value	1.00%/30d	7.60	OK to Sell	-5.4	-5.4	-7.0	-5.2	1.3	0.7	1.17	289		
350	FJPNX	Japan	1.50%/90d	11.19	Hold	-5.3	-5.3	-5.5	1.1	4.2	1.4	1.31	450		
360	FJSCX	Japan Smaller Companies	1.50%/90d	13.43	Hold	-3.0	-3.0	-1.0	7.1	14.1	9.4	1.71	514		
349	FLATX	Latin America	1.50%/90d	15.19	OK to Sell	-7.0	-7.0	-14.2	-31.2	-23.9	-16.0	1.79	392		
342	FNORX	Nordic	1.50%/90d	44.24	OK to Buy	-5.6	-5.6	-0.4	3.6	11.8	7.7	1.22	404		
94	FOSFX	Overseas	1.00%/30d	38.25	Buy	-6.4	-6.4	-7.0	-0.2	6.0	5.0	1.08	4,070		
302	FPBFX	Pacific Basin	1.50%/90d	25.01	Hold	-5.0	-5.0	-2.8	-0.9	7.6	5.4	1.16	619		
2369	FTEMX	Total Emerging Markets	1.50%/90d	9.27	Hold	-4.4	-4.4	-8.1	-11.0	-4.8	--	1.07	39		
1978	FTIEX	Total International Equity	1.00%/30d	7.18	Hold	-5.4	-5.4	-7.1	-5.7	0.6	1.9	1.07	282		
318	FWWFX	Worldwide	1.00%/30d	20.73	OK to Buy	-6.7	-6.7	-6.9	-2.8	6.9	6.9	1.09	1,436		

FIDELITY SCORECARD

JANUARY 31, 2016

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			-7.2	-7.2	-9.6	-7.7	7.6	7.7	1.43
34	FSAIX	Air Transportation	0.75%/30d	56.86	Hold↓	-8.7	-8.7	-12.9	-13.1	14.7	12.3	1.34	\$310		
502	FSAVX	Automotive	0.75%/30d	33.46	OK to Buy	-15.8	-15.8	-16.1	-14.1	7.5	2.8	1.52	76		
507	FSRBX	Banking	0.75%/30d	22.73	Hold	-11.1	-11.1	-11.6	-1.8	8.4	7.1	1.36	601		
42	FBIOX	Biotechnology	0.75%/30d	171.08	OK to Sell	-27.5	-27.5	-23.2	-22.7	19.8	24.2	2.72	10,568		
68	FSLBX	Brokerage & Investment	0.75%/30d	55.69	Hold	-13.1	-13.1	-14.9	-14.8	3.7	3.8	1.55	330		
69	FSCHX	Chemicals	0.75%/30d	117.99	Hold	-9.8	-9.8	-10.7	-12.6	3.6	8.3	1.45	1,011		
518	FSDCX	Communications Equipment	0.75%/30d	25.17	Hold	-9.1	-9.1	-14.7	-12.9	4.4	0.3	1.38	160		
7	FDCPX	Computers	0.75%/30d	61.67	OK to Sell↓	-9.6	-9.6	-14.8	-17.6	3.9	4.5	1.36	396		
511	FSHOX	Construction & Housing	0.75%/30d	53.13	Buy	-8.5	-8.5	-7.7	-1.9	8.6	13.4	1.25	474		
517	FSCPX	Consumer Discretionary	0.75%/30d	32.45	Buy	-5.0	-5.0	-7.9	3.3	13.7	13.5	1.20	1,150		
98	FVLX	Consumer Finance	0.75%/30d	10.80	Hold	-11.3	-11.3	-14.3	-9.1	4.6	9.1	1.22	87		
9	FDFA	Consumer Staples	0.75%/30d	90.45	Hold	-0.9	-0.9	1.8	0.3	10.1	12.7	1.07	1,968		
67	FSDAX	Defense & Aerospace	0.75%/30d	106.18	OK to Buy	-7.7	-7.7	-7.1	-5.9	12.4	11.1	1.25	893		
8	FSELX	Electronics	0.75%/30d	68.23	Hold	-9.7	-9.7	-8.0	-6.0	18.8	9.4	1.45	1,329		
60	FSENX	Energy	0.75%/30d	34.36	OK to Sell	-2.3	-2.3	-13.9	-20.2	-8.0	-4.9	1.71	1,761		
43	FSESX	Energy Service	0.75%/30d	38.86	Sell	-5.3	-5.3	-15.0	-23.9	-15.5	-10.8	2.07	449		
516	FSLEX	Environment & Alt Energy	0.75%/30d	17.75	Hold	-6.2	-6.2	-9.0	-7.4	5.3	2.9	1.23	71		
66	FIDSX	Financial Services	0.75%/30d	76.76	Hold	-8.6	-8.6	-9.3	-6.5	6.7	5.7	1.17	1,120		
41	FSAGX	Gold	0.75%/30d	13.99	Sell	3.6	3.6	-3.4	-27.3	-25.8	-20.7	3.26	754		
63	FSPHX	Health Care	0.75%/30d	184.99	Hold	-11.1	-11.1	-7.4	-7.2	22.7	20.0	1.55	7,848		
505	FSHCX	Health Care Services ⁷	0.75%/30d	78.18	OK to Buy	-7.4	-7.4	-5.8	-1.0	17.0	13.9	1.06	847		
510	FSCGX	Industrial Equipment	0.75%/30d	34.32	Buy	-5.9	-5.9	-5.4	0.8	6.7	6.5	1.26	156		
515	FCYIX	Industrials	0.75%/30d	27.19	Buy	-6.9	-6.9	-7.6	-6.2	8.3	8.1	1.22	956		
45	FSPCX	Insurance	0.75%/30d	63.78	Buy	-5.8	-5.8	-6.9	4.9	12.8	11.6	1.20	465		
353	FBSOX	IT Services	0.75%/30d	37.66	OK to Buy	-5.8	-5.8	-8.8	10.3	16.8	15.8	1.29	1,971		
62	FDLSX	Leisure	0.75%/30d	125.68	OK to Buy	-3.3	-3.3	-7.0	-0.3	13.3	13.2	1.06	409		
509	FSDPX	Materials	0.75%/30d	60.49	Hold	-11.9	-11.9	-15.3	-17.6	-1.9	1.5	1.43	697		
354	FSMEX	Medical Equipment	0.75%/30d	33.43	OK to Buy	-6.8	-6.8	-3.4	-1.5	17.6	14.3	1.21	1,895		
503	FBMPX	Multimedia	0.75%/30d	69.08	Hold	-5.8	-5.8	-11.2	-1.2	11.2	14.5	1.44	592		
513	FSNGX	Natural Gas	0.75%/30d	19.16	Sell	-4.5	-4.5	-22.2	-36.0	-15.5	-10.1	2.12	273		
514	FNARX	Natural Resources	0.75%/30d	22.86	OK to Sell	-3.3	-3.3	-15.1	-23.7	-9.9	-7.0	1.76	486		
580	FPHAX	Pharmaceuticals	0.75%/30d	19.11	Hold	-7.1	-7.1	-5.3	-1.4	18.2	17.8	1.25	1,826		
46	FSRPX	Retailing	0.75%/30d	99.49	OK to Buy	-5.4	-5.4	-6.3	14.3	19.4	19.1	1.25	1,920		
28	FSCSX	Software & IT Services ⁸	0.75%/30d	114.18	OK to Buy	-6.0	-6.0	-5.6	9.7	17.0	14.9	1.29	3,085		
64	FSPTX	Technology	0.75%/30d	108.46	Buy	-8.2	-8.2	-8.4	0.0	12.2	7.9	1.25	2,824		
96	FSTCX	Telecommunications	0.75%/30d	60.57	Buy	0.1	0.1	-1.0	4.1	7.8	8.2	1.06	588		
512	FSRFX	Transportation	0.75%/30d	67.79	Hold	-7.1	-7.1	-13.2	-19.3	11.6	9.7	1.29	381		
65	FSUTX	Utilities	0.75%/30d	66.00	OK to Sell	2.9	2.9	1.1	-8.6	8.3	9.9	1.15	688		
963	FWRLX	Wireless	0.75%/30d	7.81	OK to Buy	-4.3	-4.3	-7.9	-5.6	5.7	6.1	1.02	209		
SECTOR ETFs															
	FDIS	MSCI Consumer Discretionary		28.92	Buy	-5.7	-5.7	-8.8	3.5	--	--	--	319		
	FSTA	MSCI Consumer Staples		30.31	OK to Buy	0.1	0.1	1.6	7.4	--	--	--	252		
	FENY	MSCI Energy		16.47	OK to Sell	-3.6	-3.6	-14.4	-22.2	--	--	--	282		
	FNCL	MSCI Financials		25.91	Hold	-8.4	-8.4	-8.9	-3.7	--	--	--	253		
	FHLC	MSCI Healthcare		31.31	Hold	-9.3	-9.3	-7.7	-4.4	--	--	--	749		
	FIDU	MSCI Industrials		25.51	Buy	-6.3	-6.3	-7.8	-5.8	--	--	--	128		
	FTEC	MSCI Information Technology		30.91	Buy	-5.9	-5.9	-7.5	2.5	--	--	--	454		
	FMAT	MSCI Materials		21.77	Hold	-10.3	-10.3	-13.6	-17.1	--	--	--	87		
	FREL	MSCI Real Estate		21.70	Hold	-4.1	-4.1	-3.3	-7.9	--	--	--	45		
	FCOM	MSCI Telecomm Services		27.09	Buy	1.4	1.4	0.4	6.6	--	--	--	69		
	FUTY	MSCI Utilities		29.15	OK to Sell	4.5	4.5	4.6	-2.5	--	--	--	127		

SEC REGULATIONS

Money Market Funds

You may have noticed that the money market portion of the *Scorecard* (see facing page) has changed a bit. What we've done is to separate **Money Market** fund into its own category called Prime funds.

A prime money market fund is, according to the SEC's new guide-

lines, a taxable fund that holds a combination of Treasuries and other government securities, plus riskier CDs and commercial paper. These additions may increase Money Market's risk, though the flip side is its higher 7-day yield of 0.20%.

It's worth noting at this juncture that if not for Fidelity's subsidies, all but their prime Money Market fund would continue to have negative yields

ranging from -0.07% for **Gov't Cash Reserves** (formerly Cash Reserves) to -0.46% for **Michigan Tax-Free MM**. And there's one thing else: by October, the SEC may decide to impose on prime and municipal funds "liquidity fees" and "redemption gates." As such, during periods of "market stress," your higher yield may mean restricted, and more costly access to your money. ■

FIDELITY SCORECARD

JANUARY 31, 2016

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			1.2	1.2	0.2	-1.2	0.8	3.3	2.02	5.1	0.31
2267	FCONX	Conservative Income Bond		10.01	Buy	-0.0	-0.0	0.1	0.3	0.3	--	0.73	0.2	0.01			
2208	FCBFX	Corporate Bond		10.89	Buy	-0.2	-0.2	-1.8	-4.3	1.8	4.8	3.61	6.7	0.40			
2423	FGBFX	Global Bond		8.71	OK to Sell	0.2	0.2	-1.7	-4.7	-2.4	--	2.86	6.8	0.41			
15	FGMNX	GNMA (Ginnie Mae)		11.62	OK to Buy	1.0	1.0	0.9	1.6	2.2	3.4	2.20	3.4	0.26			
54	FGOVX	Government Income		10.47	Hold	1.8	1.8	1.2	0.2	1.9	3.1	1.47	5.1	0.27			
794	FINPX	Inflation-Protected Bond ³		11.82	Hold	1.7	1.7	0.4	-3.6	-2.0	2.4	0.24*	5.6	0.49			
32	FTHRX	Intermediate Bond		10.80	Buy	0.9	0.9	0.1	-0.0	1.5	2.9	2.09	3.9	0.21			
452	FSTGX	Intermediate Gov't Income		10.71	Hold	1.4	1.4	0.8	0.6	1.3	2.2	0.99	3.7	0.20			
2428	FINUX	International Bond		8.19	OK to Sell	-0.4	-0.4	-2.6	-6.1	-4.7	--	2.59	7.2	0.55			
26	FBNDX	Investment Grade Bond		7.61	Buy	0.6	0.6	-1.1	-2.8	1.2	3.3	2.85	5.3	0.28			
2622	FJRLX	Limited Term Bond		11.38	Buy	0.4	0.4	-0.2	0.2	1.1	2.7	2.01	2.5	0.13			
662	FFXSX	Limited Term Government		10.08	OK to Buy	1.0	1.0	0.5	0.6	0.9	1.2	0.85	2.6	0.12			
40	FMSFX	Mortgage Securities		11.37	OK to Buy	1.3	1.3	1.0	1.9	2.5	3.5	2.33	3.8	0.24			
450	FSHXB	Short-Term Bond		8.58	Buy	0.5	0.5	0.2	0.6	0.9	1.3	1.11	1.7	0.07			
2415	FSIQX	Sotn Inflation-Protect Index ⁴		9.54	Hold	1.7	1.7	0.4	-3.4	-1.8	--	0.00*	5.6	0.49			
1561	FIBIX	Sotn Inter Term Treas Index ⁴		11.16	Hold	2.9	2.9	2.1	1.1	2.3	4.3	1.66	6.5	0.44			
1562	FLBIX	Sotn Lng-Term Treas Index ⁴		13.41	Hold	5.3	5.3	4.0	-5.1	5.3	9.1	2.53	17.3	1.03			
1560	FSBIX	Sotn Sht-Term Treas Index ⁴		10.50	Hold	1.0	1.0	0.5	0.7	0.8	1.2	0.94	2.6	0.13			
651	FBIDX	Sotn U.S. Bond Index		11.63	Hold	1.4	1.4	0.8	-0.4	2.0	3.3	2.28	5.4	0.29			
820	FTBFX	Total Bond		10.29	Buy	0.6	0.6	-0.8	-1.8	1.7	3.6	3.30	5.2	0.28			
HIGH-YIELD BOND						Category Averages			-1.7	-1.7	-4.9	-4.0	0.6	3.5	6.14	3.8	0.48
38	FAGIX	Capital & Income	1.00%/90d	8.82	Hold	-3.3	-3.3	-6.1	-5.1	3.1	4.4	5.08	4.4	0.56			
814	FFRHX	Floating Rate High Income	1.00%/60d	9.01	Hold	-1.0	-1.0	-3.0	-2.4	0.4	1.8	5.25	0.3	0.21			
1366	FHIFX	Focused High Income	1.00%/90d	7.85	Hold	-1.6	-1.6	-5.3	-4.3	0.8	3.7	6.14	4.0	0.48			
2297	FGHNX	Global High Income	1.00%/90d	8.51	Hold	-1.8	-1.8	-5.4	-4.1	0.5	--	6.61	4.2	0.51			
455	SPHIX	High Income	1.00%/90d	7.79	Hold	-1.5	-1.5	-6.4	-7.2	-0.1	3.2	7.92	3.7	0.50			
331	FNMIX	New Markets Income	1.00%/90d	14.26	Hold	-1.3	-1.3	-3.4	-0.6	-1.0	4.8	6.58	6.6	0.70			
2580	FSAHX	Short Duration High Income	1.00%/90d	8.72	Hold	-2.0	-2.0	-6.5	-5.2	--	--	7.29	2.3	--			
368	FSICX	Strategic Income		10.02	OK to Buy	-1.0	-1.0	-3.4	-3.3	0.5	3.1	4.27	4.9	0.38			
MUNICIPAL BOND						Category Averages			1.1	1.1	2.1	2.3	3.2	5.1	1.43	5.6	0.30
434	FSAZX	Arizona Muni Income	0.50%/30d	12.30	OK to Buy	1.4	1.4	2.4	3.0	3.8	6.0	1.50	6.5	0.35			
1534	FCSTX	Calif Limited Term Tax Free	0.50%/30d	10.79	Buy	0.8	0.8	1.0	1.5	1.9	2.7	0.74	3.0	0.14			
91	FCTFX	California Muni Income	0.50%/30d	13.24	OK to Buy	1.3	1.3	2.5	2.8	4.3	6.8	1.43	6.0	0.34			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.88	OK to Buy	1.5	1.5	2.7	2.8	3.4	5.1	1.64	6.5	0.32			
2578	FCRDY	Conservative Income Muni		10.05	Buy	0.1	0.1	0.1	0.3	--	--	0.33	0.7	--			
36	FLTMX	Interm Municipal Income	0.50%/30d	10.58	Buy	0.9	0.9	1.7	1.6	2.6	4.3	1.38	4.8	0.24			
404	FSTFX	Limited Term Muni Income	0.50%/30d	10.69	Buy	0.7	0.7	0.8	0.9	1.3	2.2	0.79	2.7	0.12			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.50	OK to Buy	1.2	1.2	2.3	2.5	3.2	4.9	1.53	6.6	0.33			
70	FDMMX	Mass Muni Income	0.50%/30d	12.61	OK to Buy	1.1	1.1	2.3	2.5	3.4	5.7	1.59	6.8	0.35			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.50	OK to Buy	1.2	1.2	2.2	3.1	3.6	5.3	1.40	5.7	0.30			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.85	OK to Buy	1.1	1.1	1.9	2.5	2.9	4.6	1.38	5.5	0.26			
37	FHIGX	Municipal Income	0.50%/30d	13.54	Buy	1.0	1.0	2.3	2.3	3.7	6.2	1.77	6.6	0.35			
416	FNJHX	New Jersey Muni Income	0.50%/30d	12.02	OK to Sell	1.4	1.4	3.2	1.7	2.8	5.2	1.96	6.7	0.35			
71	FTFMX	New York Muni Income	0.50%/30d	13.65	OK to Buy	1.3	1.3	2.4	3.1	3.6	5.6	1.54	6.6	0.34			
88	FOHFX	Ohio Muni Income	0.50%/30d	12.43	OK to Buy	1.4	1.4	2.8	3.2	4.0	5.9	1.65	7.1	0.36			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.40	OK to Buy	1.1	1.1	2.2	2.5	3.6	5.6	1.69	6.3	0.32			
90	FTABX	Tax-Free Bond	0.50%/30d	11.77	Buy	1.2	1.2	2.5	2.4	3.8	6.3	1.92	6.8	0.35			

Yields on municipal funds are not directly comparable to yields on taxable funds. In muni funds your effective yield will be higher as your tax-bracket increases. *12 month distributed yield.

TAXABLE GOV'T MONEY MARKETS			Total Return (%)		SEC %Yield	STATE MUNICIPAL MONEY MARKETS			Total Return (%)		SEC %Yield
			Jan	YTD					Jan	YTD	
55	FDRXX	Gov't Cash Reserves ⁵	0.00	0.00	0.01	433	FSAXX	Arizona Muni MM	0.00	0.00	0.01
458	SPAXX	Government MM	0.00	0.00	0.01	97	FCFXX	California Muni MM	0.00	0.00	0.01
631	FGMXX	Retirement Gov't MM	0.00	0.00	0.01	457	FSPXX	California AMT Tax-Free	0.00	0.00	0.01
630	FRTXX	Retirement Gov't MM II ⁶	0.00	0.00	0.01	418	FCMXX	Connecticut Muni MM	0.00	0.00	0.01
2742	FZFX	Treasury MM	0.00	0.00	0.01	426	FMSXX	Mass AMT Tax-Free	0.05	0.05	0.01
415	FDLXX	Treasury Only MM	0.00	0.00	0.01	74	FDMXX	Massachusetts Muni MM	0.00	0.00	0.01
PRIME MONEY MARKETS						420	FMIXX	Michigan Muni MM	0.00	0.00	0.01
454	SPRXX	Money Market	0.01	0.01	0.20	417	FNJXX	New Jersey Muni MM	0.00	0.00	0.01
NATIONAL MUNICIPAL MONEY MARKETS						423	FSJXX	New Jersey AMT Tax-Free	0.00	0.00	0.01
10	FTEXX	Municipal Money Market	0.00	0.00	0.01	92	FNYYX	New York Muni MM	0.00	0.00	0.01
275	FMOXX	Tax-Exempt MM ¹⁰	0.00	0.00	0.01	422	FSNXX	New York AMT Tax-Free	0.00	0.00	0.01
						419	FOMXX	Ohio Muni MM	0.00	0.00	0.01
						401	FPTXX	Pennsylvania Muni MM	0.00	0.00	0.01

FIDELITY SCORECARD							JANUARY 31, 2016						
Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (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						-5.0	-5.0	-6.0	-1.3	11.5	9.7	1.01
	Annuity Growth Model						-8.1	-8.1	-9.6	-5.7	7.1	7.7	1.12
	Annuity Growth & Income Model						-5.6	-5.6	-6.8	-4.0	5.8	6.2	0.78
	Annuity Income Model						-1.4	-1.4	-2.3	-1.9	1.8	4.3	0.35
9067	FLRQC	Fid VIP Asset Manager	Allocation		16.50	Hold	-4.6	-4.6	-5.7	-5.5	4.1	4.6	0.69
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		16.38	Hold	-6.6	-6.6	-7.7	-7.1	4.9	5.0	0.92
9069	FJBAC	Fid VIP Balanced	Allocation		18.68	Buy	-4.4	-4.4	-5.3	-3.0	6.8	6.3	0.73
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	22.27	Buy	-4.7	-4.7	-7.9	2.6	13.1	13.0	1.19
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	22.59	OK to Buy	-1.0	-1.0	3.2	9.0	12.6	14.0	1.07
9065	FPDFC	Fid VIP Contrafund	Large Growth		19.38	Buy	-6.8	-6.8	-7.8	-4.1	9.3	8.5	1.03
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		15.14	Buy↑	-7.6	-7.6	-10.1	-7.6	7.1	8.8	1.31
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		20.82	Hold↓	-8.3	-8.3	-9.4	-6.3	10.7	10.6	1.19
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.27	Hold	-5.7	-5.7	-8.7	-15.6	-4.3	-3.9	1.23
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	12.26	OK to Sell	-2.3	-2.3	-13.9	-20.4	-8.2	-5.1	1.71
9061	FLOLC	Fid VIP Equity-Income	Large Value		15.68	Hold	-4.8	-4.8	-6.3	-5.6	6.1	7.6	0.93
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	9.49	Hold	-8.6	-8.6	-9.2	-6.4	6.6	5.6	1.17
9361	FFLCC	Fid VIP Floating Rate High Income	High-Yield Bond		9.82	Hold	-0.8	-0.8	-2.5	-1.3	--	--	--
9157	FMPAC	Fid VIP FundsManager 20	Allocation		13.88	Hold	-0.9	-0.9	-1.6	-1.8	2.4	3.0	0.29
9158	FMPBC	Fid VIP FundsManager 50	Allocation		14.69	Hold	-3.0	-3.0	-3.9	-3.1	4.3	4.7	0.58
9197	FMPPC	Fid VIP FundsManager 60	Allocation		13.59	Hold	-3.8	-3.8	-4.6	-3.2	5.2	5.2	0.68
9159	FMPCC	Fid VIP FundsManager 70	Allocation		14.70	Hold	-4.5	-4.5	-5.3	-3.6	5.6	5.7	0.77
9160	FMPDC	Fid VIP FundsManager 85	Allocation		14.45	Hold	-5.6	-5.6	-6.6	-4.4	6.6	6.1	0.92
9062	FMNDC	Fid VIP Growth	Large Growth		19.74	OK to Buy	-6.7	-6.7	-5.8	0.1	13.1	10.7	1.11
9070	FLFNC	Fid VIP Growth & Income	Large Blend		17.78	Hold	-6.6	-6.6	-8.4	-4.8	8.2	9.3	1.09
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		19.63	Buy	-9.2	-9.2	-8.9	-3.8	11.9	11.9	1.30
9084	FDPDC	Fid VIP Health Care	Sector	1.00%/60d	31.81	Hold	-11.0	-11.0	-7.7	-7.7	22.2	19.5	1.54
9060	FBBLC	Fid VIP High Income	High-Yield Bond		16.69	Hold	-1.6	-1.6	-6.7	-5.8	-0.0	3.1	0.51
9064	FXVLT	Fid VIP Index 500	Large Blend		19.00	Hold	-5.0	-5.0	-6.3	-1.0	10.9	10.5	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	23.79	Buy	-6.8	-6.8	-7.5	-6.3	8.1	8.0	1.22
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	15.07	Buy	-5.1	-5.1	-5.9	-2.8	5.4	6.0	1.05
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		15.19	Buy	0.7	0.7	-0.5	-2.1	1.2	3.0	0.29
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	14.63	Hold	-11.9	-11.9	-15.4	-18.2	-2.1	1.2	1.42
9071	FNBSCL	Fid VIP Mid Cap	Mid Growth		19.91	Buy	-7.5	-7.5	-9.9	-6.8	7.2	5.7	1.17
9059	FTNJCL	Fid VIP Gov't Money Market ⁹	Money Mkt		11.34	--	0.0	0.0	0.0	-0.3	-0.2	-0.2	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	13.74	OK to Buy	-7.3	-7.3	-8.6	-4.3	3.0	2.2	1.19
9072	FFWKC	Fid VIP Real Estate	Sector		20.70	Hold	-4.2	-4.2	-2.5	-7.5	8.0	9.9	1.33
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		16.74	OK to Buy	-0.9	-0.9	-3.3	-3.5	0.1	2.7	0.37
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	23.69	Buy	-8.2	-8.2	-8.4	-1.0	10.7	6.9	1.22
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	13.39	Buy	0.0	0.0	-1.2	3.9	7.4	8.6	1.07
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	20.93	OK to Sell	2.9	2.9	1.1	-8.8	8.2	9.8	1.14
9079	FKMSC	Fid VIP Value	Large Value		16.94	OK to Buy	-6.3	-6.3	-8.9	-4.2	8.7	9.3	1.03
9073	FRBSC	Fid VIP Value Strategies	Mid Value		17.10	Buy	-8.4	-8.4	-12.1	-9.4	5.2	7.0	1.13
9347	FBMEC	Black Rock Global Allocation	Global Allocation		11.28	Hold	-3.5	-3.5	-5.0	-4.6	2.6	3.0	0.63
9349	FTMEC	Franklin Templeton Global Bond	Global Bond		10.51	OK to Sell	-0.8	-0.8	-1.8	-4.8	-1.0	2.2	0.50
9348	FFMEC	Franklin Templeton US Gov't	Intermed Gov't		10.33	Hold	1.0	1.0	0.7	0.8	0.8	1.7	0.19
9285	FIGXC	Invesco Global Core Eqty	Global Stock		10.30	Hold	-6.4	-6.4	-9.9	-6.4	2.9	2.2	1.03
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		11.53	Hold	-2.7	-2.7	-9.3	-21.8	-10.1	-5.0	1.45
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		15.92	Hold	-1.1	-1.1	-3.2	-2.2	-2.5	2.9	0.70
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		10.50	Hold	-5.9	-5.9	-10.5	-17.1	-7.9	-4.2	1.15
9146	FPRPC	Morgan Stanley Global Strategist ⁵	Diversified Int'l		11.21	Hold	-3.2	-3.2	-5.8	-8.8	1.4	2.7	0.69
9346	FPMEC	Pimco Commodity Real Return	Commodities		5.15	Sell	-1.7	-1.7	-12.3	-25.7	-21.1	-13.7	1.28
9276	FPMBC	Pimco VIT Low Duration	Sht-Term Bond		11.41	Buy	0.2	0.2	-0.2	-0.2	0.2	1.3	0.15
9277	FPNBC	Pimco VIT Real Return	TIPS		12.27	Hold	1.2	1.2	-0.3	-5.1	-2.8	2.0	0.55
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		12.71	Hold	1.0	1.0	0.4	-1.4	1.1	3.0	0.34

Annuity Sector	
Fund	Allocation
VIP Cons Discretionary	28%
VIP Technology	26
VIP Telecom	25
VIP Industrials	21
Total Return:	
Jan: -5.0%	YTD: -5.0%

Annuity Growth	
Fund	Allocation
VIP Growth Opps	25%
VIP Mid Cap	23
VIP Contrafund	20
VIP Value Strategies	19
VIP Disciplined Sm Cap	13
Total Return:	
Jan: -8.1%	YTD: -8.1%

Annuity Growth & Income	
Fund	Allocation
VIP Investment Grade	32%
VIP Growth Opps	28
VIP Contrafund	21
VIP Value Strategies	19
Total Return:	
Jan: -5.6%	YTD: -5.6%

Annuity Income	
Fund	Allocation
VIP Balanced	39%
VIP Investment Grade	33
Pimco VIT Low Duration	28
Total Return:	
Jan: -1.4%	YTD: -1.4%

FOREIGN INVESTING

A Unique Opportunity: Int'l Small Cap Opp's

For the past few years, our models have had little-to-no direct exposure to foreign stocks. That changed in late December, when we purchased



Jed Weiss

Int'l Small Cap Opportunities [ticker: FSCOX] for our *Unique Opportunities Model*.

As we said at the time, the move “reflects our improving view of international developed markets.” In addition to believing that the fund offers the long-term promise of capital appreciation, its smaller-cap holdings further diversified the model away from U.S. equities generally and, more specifically, to the large-cap stocks held by **Blue Chip Growth** and the

fund we had traded out of, **Export & Multinational**.

While the model already had exposure to small-caps through **Event Driven Opportunities** and other funds, the addition of foreign small-cap stocks should actually lower portfolio risk.

As its name partly suggests, Int'l Small Cap Opp's seeks out opportunities in both small-cap and mid-cap firms. The split is actually 47% to 51%, — but who'd want to buy a fund called “Smid-cap”? In any event, its median market cap is \$1.4 billion.

Since December 2008, Jed Weiss has managed the fund with a slight growth bias. (It's trailing price-earnings ratio is 19.0 versus 17.4 for its benchmark.) But because its geographic market is developed Europe, tech and biotech are not significant positions — certainly not relative to the U.S. small-cap market.

Instead, consumer discretionary,

financials and industrials are almost 60% of the fund's assets — further diversifying our *Unique Opp's Model*.

Jed (who also runs the larger-cap **Int'l Growth**) had a solid 2015 as this was one of Fidelity's top-performing funds, gaining 10.1% versus 9.1% for its small-cap benchmark. And it smashed the more widely used (and large cap) EAFE index which fell 0.9%. (Note: Fidelity's foreign stock funds do not hedge away currency risk, as doing so is both expensive, not easy to get right, and lessens the benefits of diversifying abroad.)

With Europe's central bank stimulating its economy in many of the same ways that our Fed had done, economic growth should accelerate, and share prices should rise. That, coupled with this fund's strong manager, help set the table for a promising 2016.

Note: The fund has a 2.0% redemption fee on shares held fewer than 90 days. ■

INCOME INVESTING

Politics May Provide Munis With A Lift

Every four years, a presidential candidate (or two) takes aim at municipal bonds and, more specifically, their federally tax-free income. So far, all's been quiet on that front (none have proposed eliminating the asset class). But as everyone knows, there's been much talk about raising the top marginal income tax rates (which is the tax applied on a filer's last dollar earned).

In this election cycle, one candidate has proposed a 4% surcharge on taxpayers making more than \$5 million a year. (Folks earning above \$466,950 already pay a 3.8% surcharge as per the Affordable Care Act).

Yet another presidential aspirant wants the top marginal rate moved above 50%, and is clearly waxing nostalgic for the 91% rate applied to the very top earners back in the 1950s.

Setting aside for this discussion that there's a big difference between marginal tax rates and what people actually pay (the effective rate), we suspect that stepped-up chatter about raising taxes (not killing off muni bonds) could help to prop up muni bonds as election day draws closer.

Why? Because rising income taxes would increase the tax-equivalent yields for muni bond fund investors. (Unlike any other asset class, the muni market is dominated by wealthier individual investors — not institutions.)

To gauge just how much tax-equivalent yields could rise, we first had to make some assumptions about

where taxes may be headed.

In the purely hypothetical table below, we show Fidelity's five nationally diversified funds and their “Current” tax-equivalent yields for the top two tax brackets. In the first case, we increased the 38.8% bracket (35% + 3.8% ACA tax) to today's top 43.4% bracket. For current top bracket investors, we hiked their marginal rate to 53.8% (50% plus the 3.8% ACA surcharge). Again, this is merely math, not a political statement!

For Fidelity's shortest-duration and highest credit-quality offering, **Conservative Income**, the possible future tax schemes only modestly increase investors' tax-equivalent yields. However, **Muni Income** and **Tax-Free Bond** would experience significant increases.

Regardless of your view on taxes, should the nation's electorate move in favor of higher tax rates, Fidelity's slate of 17 state and federally tax-free munis could benefit. ■

— John Bonnanzio

Projecting Tax-Equivalent Yields

	35% Bracket ¹		39.6% Bracket ¹	
	Current	Future?	Current	Future?
	38.8%	to 43.4%	43.4%	to 53.8%
Conserv Inc	0.62	0.67	0.67	0.82
Interm Muni	2.45	2.65	2.65	3.25
Ltd-Term Muni	1.44	1.55	1.55	1.90
Municipal Inc	3.12	3.37	3.37	4.13
Tax-Free Bond	3.43	3.69	3.69	4.52

¹All tax-equivalent yields (“Current” and “Future”) account for the 3.8% ACA surcharge, which we've added to the 35% and 39.6% top brackets. All fund yields are as of Dec. 31, 2015.

Inside Fidelity

Manager Change — Adam Kutas, whose record was not strong on **Latin America**, will now focus his attention on **Emerging Europe, Middle East, Africa** (EMEA), a fund he's very capably run since its 2008 launch. Will Pruett, who was assigned to Latin America back in October, is now that fund's sole manager.

Separately, Dan Dittler is now the sole manager of **Select Brokerage and Investment**; he had been co-managing the fund with Chris Lee since July 2015. Chris continues to run the broader **Select Financial Services** and runs a similar sleeve for the team-managed **Stock Selector All Cap**.

Correction — Last month, in Fund Commentary, we incorrectly stated the S&P 500's 3-year average annual return (2012 - 2014). The correct figure is 20.4%, not 13.9%. We apologize for the error. ■

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, Limited Term Muni, MI, MN, OH, and PA Muni Income, New Markets Inc, Sptn Inflation-Protected, Strategic Inc, Trend

The final distributions for January were as follows:

Fund	Ex-Date	\$ Amt	NAV
CT Municipal Inc	1/8	0.015	11.86
Equity Div Inc	1/15	0.032	22.65
Growth Company	1/15	0.357	121.84
MA AMT Tx-F MM	1/15	0.001	1.00
Nasdaq Comp Idx	1/15	0.044	58.75
New Millennium	1/15	0.152	30.11
Stock Selector Mic	1/15	0.059	28.64
Strategic Div & Inc	1/15	0.011	12.89

INCOME MODEL

Puritan & Balanced: How They Differ

Truth be told, there's not a vast difference between the two Specialty asset allocation funds named above.

Generally speaking, they both maintain roughly 60%/40% splits between stocks and fixed-income securities. Both funds are actively managed by teams of specialists, although how that division of labor breaks out is a bit different.

As a consequence of their asset allocations, the funds' relative volatilities are nearly identical — just north of 0.70. (This means that they're only 70% as risky as the S&P 500.) And as the table below shows, there are many other characteristics that are much the same.

With more similarities than differences, why have we traded out of **Balanced** fund in our **Income Model** for **Puritan**?

The short answer is Puritan's larger high-yield bond exposure (roughly 18% of its bond holdings versus 9% for Balanced, although in terms of Puritan's total assets it is only about 5%). In 2015, this helped to push Puritan's actual distributed yield to 2.14% versus 1.67% for Balanced.

While we haven't upgraded pure high-yield funds yet, as they fell nearly 5% last year and another 2% so far this year, valuations are now more attractive. Owning some as part of a more diversified fund like Puritan offers the chance to take ad-

vantage without too much risk.

One measure of high-yield's increased attractiveness is the widening "spread" between their yields and the "risk-free" yield on the 10-year Treasury.

In January, the yield on the 10-year Treasury fell to below 2%; it ended the month at 1.92% — a drop of 35 basis points (bps).

Conversely, a growing fear of defaults (partly in the energy sector) has pushed junk bond yields higher. As such, the spread widened to 777 bps, well above the long-term average of 550 to 600 bps. In fact, the spread reached 827 bps on January 20 — a level last seen in September 2011. (The following year, 2012, **High Income** soared 14.9%!)

Of course, high yield fares best when investors are confident that

economic conditions are improving and the fear of defaults ease.

Granted, we don't see U.S. GDP accelerating while much of the world is struggling. But as the year progresses, cheaper energy at home should

translate into higher consumer spending. We also expect to see technology-driven productivity gains. Under these conditions, junk may not only deliver their lofty yields, but could even provide some modest capital appreciation.

The bottom line is that Puritan and Balanced are both well managed, *Buy*-rated asset allocation funds. But Puritan could provide a little extra return to our *Income Model* without much added risk. ■

	Puritan	Balanced
U.S. Stocks	57%	59%
Foreign Stocks	9	6
Bonds	31	33
(% in High-Yield)	18	9
Cash	4	2
Rel. Vol.	0.72	0.71
Yield ⁽¹⁾	2.14	1.67
30-day Yield (%)	1.78	1.77
Exp. Ratio (%)	0.55	0.55
Assets (\$bils)	19.23	20.33
# of holdings	1,964	1,953

⁽¹⁾2015 actual distributed yield

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