

25
Years

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FIDELITY MONITOR & INSIGHT

Incorporating Fidelity Monitor and Fidelity Insight

MARCH 2015

PUBLISHED SINCE 1985

MESSAGE FROM JACK

The Four Percent Rule

You've just retired, and your portfolio is your main source of retirement income. How should you invest, and how much can you safely withdraw each year? Bill Bengen, the father of the four percent rule, concluded that a conservative growth and income portfolio (one with a nearly even split between stocks and bonds) can handle annual liquidations equal to 4.5% of the portfolio balance as of retirement. He concluded that even with cost-of-living increases at the rate of inflation, an investor could reasonably expect such an income stream to last 30 years or more.



Jack Bowers

Bengen's nearly even split between stocks and bonds was no accident — that particular mix creates a robust portfolio that can stand the test of time. Tilt too much toward cash and bonds and the portfolio can't keep up with inflation, causing early depletion. Tilt too much toward stocks and the portfolio becomes too vulnerable to bear markets, with post bear market draws either limiting the portfolio's ability to recover, or sending it off the deep end.

But a portfolio that's split between stocks and bonds is not easily damaged or depleted. We encourage our own money management clients who are living off their portfolios to limit their annual liquidations to four percent a year, allowing any remaining portfolio growth to provide cost-of-living increases. We then configure a portfolio with a volatility target of 0.6 (which translates roughly to a 55/45 stock-bond mix). Assuming advancing technology keeps the future rate of inflation close to 2% (one point lower than the actual rate since 1926), this approach may have the ability to generate retirement income indefinitely.

We don't have a single newsletter portfolio that does this, but you can approximate the approach by allocating two-thirds of your holdings to the Growth and Income Model and one third to the Income Model. The yield on the bond side will be a little lower than what we realize for our managed account clients, but the overall volatility level and stock-bond mix will be very close.

Sincerely,

MARKET OUTLOOK

Economy Still On Solid Footing

After two quarters of above 4.5% growth, the economy has hit a "soft patch." Buffeted by an array of headwinds — a rising dollar, slowing growth overseas, and a steep plunge in the energy sector — fourth quarter 2014 GDP growth slowed to 2.2% (just revised down from a first estimate of 2.6%).

However, those headwinds are no longer blowing quite so hard. And while some recent economic data are less than robust, the labor market — an area watched closely by the Fed to gauge the health of the economy — continues to strengthen.

In short, the current soft patch is likely just that and not a harbinger of a deeper economic slowdown to come.

Headwinds May Be Abating

A rising dollar, coupled with anemic growth in foreign developed markets, especially the Eurozone, has put large US firms with substantial overseas sales in a bind. If they hold prices the same in foreign currencies, those sales are worth less when translated back into dollars. If they raise prices to account for that, they risk losing sales altogether.

The reasons for the strength in the dollar are several. But a key factor is that the Fed's next move will be to hike interest rates while most of the rest of the world is in easing mode. Tighter monetary policy supports a currency, while looser policy tends to erode it. However, now that the European Central Bank has formally announced its QE program and the Fed appears closer to raising rates, much of that effect is already "priced in" to the dollar. Indeed after rising sharply in January, the dollar was mostly flat in February.

While US growth may be nothing to write home about, it has been much better than the Eurozone's. (Stronger growth attracts foreign capital to US equity markets and thus also supports the dollar.) Europe's weak growth has hampered US exporters. But recent data suggest that things on the continent are getting better. The Markit Eurozone Composite Purchasing Managers' Index for February moved higher for the third straight month, hitting 53.5 (a number over 50 indicates expansion). And Germany's GDP



John M. Boyd

Market Outlook *cont'd on page 3*

MODEL PORTFOLIOS

See Model Portfolios Key on p. 3

FEBRUARY 28, 2015

Unique Opportunities

Target Risk: 1.20 (Current: 1.16)

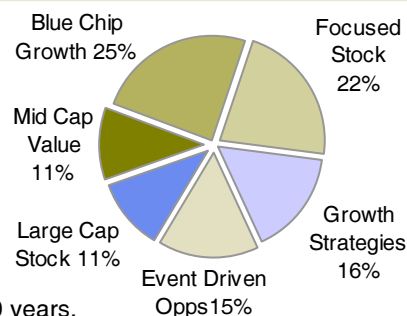
Foreign Holdings: 8.2%

YTD Return: 4.4%

Stocks: 98.8% Bonds: 0.0% Cash: 1.2% Alternatives: 0.0% Yield: 0.2%

Holdings	Ticker	NAV	Shares	Value	Feb Ret
Blue Chip Growth	FBGRX	\$72.26	1,450.86	\$104,839	6.5%
Focused Stock	FTQGX	19.52	4,757.74	92,871	6.4
Growth Strategies	FDEGX	34.11	1,982.61	67,627	7.7
Event Driven Opps	FARNX	11.51	5,636.36	64,874	7.6
Large Cap Stock	FLCSX	29.05	1,619.32	47,041	7.7
Mid Cap Value	FSMVX	25.24	1,847.31	46,626	4.5
Current Value (3/31/99 = \$100,000)				\$423,879	6.7%

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



Select

Target Risk: 1.20 (Current: 1.13)

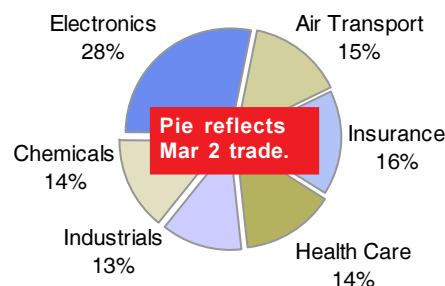
Foreign Holdings: 12.1%

YTD Return: 3.0%

Stocks: 97.2% Bonds: 0.2% Cash: 2.6% Alternatives: 0.0% Yield: 0.1%

Holdings	Ticker	NAV	Shares	Value	Feb Ret
Electronics	FSELX	\$89.46	9,458.70	\$846,176	7.5%
Air Transportation	FSAIX	73.09	7,463.88	545,535	2.0
Insurance	FSPCX	66.87	7,088.69	474,020	6.5
Health Care	FSPHX	236.44	1,749.32	413,609	6.4
Industrials	FCYIX	32.69	11,524.37	376,732	5.7
Chemicals	FSCHX	153.34	2,068.74	317,221	6.7
Current Value (12/31/88 = \$100,000)				\$2,973,293	5.9%

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



Growth

Target Risk: 1.00 (Current: 1.10)

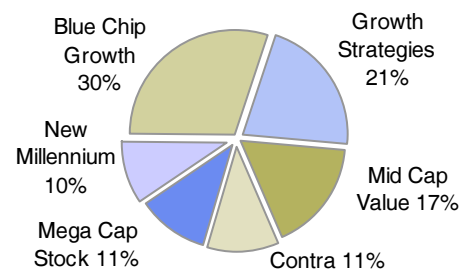
Foreign Holdings: 8.0%

YTD Return: 4.0%

Stocks: 98.3% Bonds: 0.0% Cash: 1.7% Alternatives: 0.0% Yield: 0.4%

Holdings	Ticker	NAV	Shares	Value	Feb Ret
Blue Chip Growth	FBGRX	\$72.26	8,771.74	\$633,846	6.5%
Growth Strategies	FDEGX	34.11	13,018.47	444,060	7.7
Mid Cap Value	FSMVX	25.24	14,083.41	355,465	4.5
Contrafund	FCNTX	101.46	2,305.27	233,893	6.0
Mega Cap Stock	FGRTX	16.84	13,406.99	225,774	7.4
New Millennium	FMLIX	39.47	5,231.02	206,468	6.1
Current Value (12/31/86 = \$100,000)				\$2,099,506	6.5%

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)

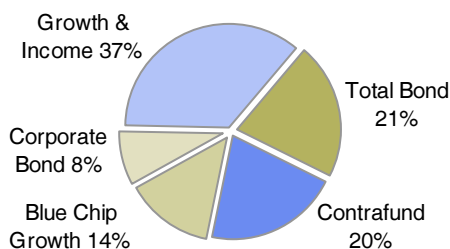
Foreign Holdings: 10.6%

YTD Return: 3.0%

Stocks: 70.3% Bonds: 23.5% Cash: 1.3% Alternatives: 4.8% Yield: 1.5%

Holdings	Ticker	NAV	Shares	Value	Feb Ret
Growth & Income	FGRIX	\$30.92	6,538.78	\$202,179	7.1%
Total Bond	FTBFX	10.79	10,794.35	116,471	-0.4
Contrafund	FCNTX	101.46	1,098.10	111,413	6.0
Blue Chip Growth	FBGRX	72.26	1,072.21	77,478	6.5
Corporate Bond	FCBFX	11.63	3,899.43	45,350	-0.8
Current Value (12/31/93 = \$100,000)				\$552,891	4.5%

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)

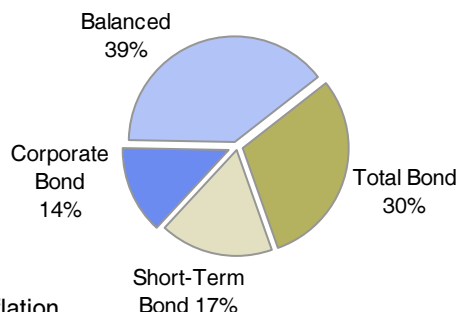
Foreign Holdings: 9.7%

YTD Return: 1.9%

Stocks: 27.5% Bonds: 63.0% Cash: 2.4% Alternatives: 7.0% Yield: 1.8%

Holdings	Ticker	NAV	Shares	Value	Feb Ret
Balanced	FBALX	\$23.39	6,183.57	\$144,634	3.9%
Total Bond	FTBFX	10.79	9,952.71	107,390	-0.4
Short-Term Bond	FSHBX	8.60	7,118.53	61,219	-0.2
Corporate Bond	FCBFX	11.63	4,235.59	49,260	-0.8
Current Value (12/31/91 = \$100,000)				\$362,503	1.2%

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



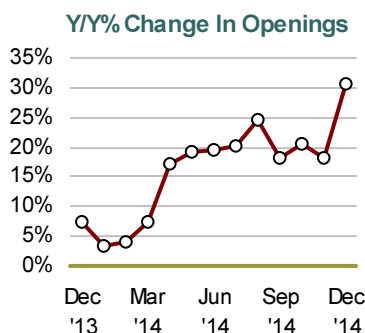
Market Outlook *cont'd from page 1*

grew at an annualized rate of 2.8% in the fourth quarter, up from zero just two quarters earlier.

The last headwind is oil. As I noted last month, the negative effects of oil's precipitous price drop have been felt immediately, but the positive effects on consumers' pocketbooks may take a little longer to materialize. In the meantime, oil prices seemed to have found a floor around the \$50 mark. While we don't see prices going much higher in the near (or even longer) term, at least the steep slide appears to be over.

Labor An Area Of Strength

The most positive development for continued solid economic growth going forward is the strength in the labor market. New job openings have been running at 20% over year-ago



levels for eight straight months with December checking in at over 30%. New hires have also been rising solidly over last year at 12-14%. Most



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.

FUNDS YOU SHOULD BUY NOW

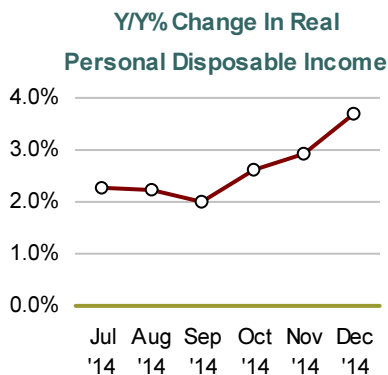
Growth: For large-cap exposure ... **Blue Chip Growth**, **Growth Company** and **Large Cap Stock** take more aggressive approaches to growth, while **Contrafund** is more conservative. **Growth Strategies** (see p. 4) and **Mid-Cap Value** provide mid-cap exposure; **Event Driven Opp's** is a smaller-cap option offering portfolio diversification.

Growth & Income: **Growth & Income** and **Mega Cap Stock** seek growth and yield from large-caps; **Balanced** and **Puritan** use a mix of stocks and bonds to mitigate risk.

Taxable Bond: **Short-Term Bond** and **Intermediate Bond** limit interest-rate risk. **Total Bond** provides the greatest bond diversification. **Investment Grade Bond** limits credit risk but boosts yield via additional interest-rate risk, while **Corporate Bond** steps up risk on both fronts. (See p. 12.)

Muni Bond: More highly taxed investors should consider muni funds. (We prefer the less risky, nationally diversified variety.) ■

importantly, this improvement is being reflected in rising personal income, which bodes well for future spending.



While economic growth may not be hot as we begin 2015, we expect it to pick up as the year goes along and the headwinds abate. Overall, we expect 2015's growth will exceed last year's 2.4%. Still no barn-burner, but an improvement nonetheless.

In fact, the "frustratingly" slow growth of this recovery so far has been a major reason for its longevity. It has kept the usual price/inflation pressures that often derail an expansion at bay, and stocks in the black. ■

— John M. Boyd

MODEL PORTFOLIO TRADES

As announced on our February 27 Hotline, on Monday March 2, we made the following Model Portfolio trades:

Select Model:

We sold one-fifth (1/5) of **Air Transportation** [FSAIX], bringing it down to about 15% of the model. With the proceeds we added to our position in **Select Chemicals** [FSCHX] bringing it up to about 14%.

Annuity Sector Model:

We sold one-fifth (1/5) of **VIP Consumer Discretionary** [FVHAC] bringing it down to about 16% of the model and added the proceeds to **VIP Materials** [FVMAC] bringing it up to about 17%.

Note: Select funds have a 0.75% short-term trading fee on shares held less than 30 days and VIP sector funds a 1.00% fee on shares held less than 60 days. You may wish to delay your trades until the fee(s) no longer apply.

Trade Rationale: Domestic airlines have not been helped by lower oil prices as much as we expected, as competitive pressures from foreign airline expansion in the US market have held back shares. On the other hand, chemical producers that use oil as a feedstock are benefiting. While there are no direct counterparts in the Annuity Model, the trade there approximates this exposure shift.

FUND PROFILE

For Mid-Cap Growth: Growth Strategies

Take a quick look at Jean Park's **Growth Strategies** fund, and it might appear that she's taking things a bit easy. After all, portfolio turnover is a slow-moving 47%, whereas **Stock**



Jean Park

Selector Mid Cap is twice as high. In addition, sector bets are minimal (it presently deviates no more than three percentage points from its Russell MidCap Growth benchmark), and so are stocks bets. Now drill deeper.

In our conversation with Jean last week, we suggested that her investment strategy is "growth-at-a-reasonable price," or GAARP. Jean clarified that to "proven-growth-at-a-reasonable price."

She makes a good point. The fund's one-year (trailing) earnings-per-share growth is 13.4% versus a more tepid 8.5% for her benchmark. While anyone can find and buy big past earners, Jean tries to protect her shareholders' flank by not paying too much for them.

Growth Strategies' trailing P/E is 21.7 versus 26.3 for the Russell. Moreover, price-to-cashflow is a comfortable 14.0 — the Russell's is a loftier 16.4.

How does this cost-conscious attention play out with respect to performance?

With only about 18 months at the fund's helm, Jean's track record is clearly short. However, there's already evidence that it may well weather downturns relatively better than its comparable peers. On the other hand, when mid-cap growth stocks are running, she freely admits that it will likely lag. That said, the fourth quarter proved her wrong. With mid-caps charging higher during that period, her fund's underweighting in energy and stepped up exposure to airlines, helped to further propel Growth Strategies ahead of its benchmark.

But don't expect that to happen all the time. In this instance, the fund's good fortune was the result of shrewd top-down investment management, and to a lesser degree the implementation of her bottom-up (fundamental) approach to security selection.

"I'm really good at stockpicking," declares Jean. And, so far the evi-

dence supports her.

Last year, for example, sector selection added a full percentage point of return beyond her benchmark. But thanks to savvy stockpicking, shareholders enjoyed an additional 1.7 percentage points of return. Together, that was enough excess return to catapult the fund into the top seventh percentile among its peers.

While we'd need several more pages to fully explain Jean's investment process (we've barely touched upon her reliance on stocks that generate positive free cash flow), we've been gratified to see her dramatically reduce the fund's risk while staying fully committed to finding stocks that should keep growing their earnings at a pace just ahead of its benchmark.

Under Jean, Growth Strategies has become a fund that appropriately balances risk and return. We rate it *Buy*.

Note: **VIP Growth Strategies** is a near-clone to Growth Strategies, though the latter charges a short-term trading fee of 1.50% on shares held fewer than 90 days. This fee may have made sense back when managers dabbled in less liquid stocks. Not now; the fee (which accrues to shareholders) should be removed. ■

— John Bonnanzio

2014 ANNUAL REPORT

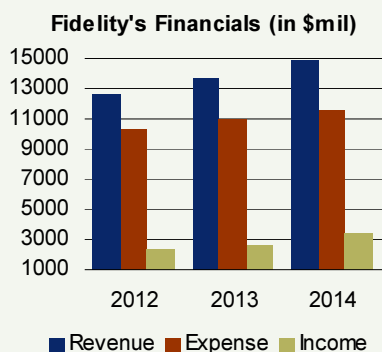
66% Of Fidelity Funds Beat Peers

Last year, a combination of investors' continued flight to passively managed funds and lackluster performance on the part of Fidelity's actively run stock funds led to equity outflows of \$16 billion across 327 different funds. While the press has made much of that figure, it's practically a rounding error: Owing to market gains, equity assets grew 7.3% to \$833 billion as of Dec. 31, 2014 — up from \$776 billion a year earlier.

With expense growth held to 5% and revenues rising 9.4% (thanks partly to total assets under management growing 4% to \$2.02

trillion), Fidelity's operating income jumped 29% last year to \$3.4 billion.

While most of us are far more concerned about Fidelity fund performance rather than the company's



profit-picture, the two go hand-in-hand: The better their funds perform, the better Fidelity's bottom line.

With that in mind, 66% of all

Fidelity funds beat their peers last year (on an asset-weighted basis). Despite some outflows, US stock funds outpaced 64% of their peers in 2014. Over the past three years (an important measure as many fund managers have their compensation tied to these results), 75% of Fidelity's equity funds outperformed their peers. As for their international counterparts, 59% of their funds beat their peers. (The rising dollar trimmed the returns of Fidelity's unhedged foreign stock funds — though last year's disadvantage has been an advantage in other years.)

On the fixed-income front, Fidelity's taxable and municipal bond fund managers demonstrated the merits of active management as they beat 68% of their peers. ■

FUND COMMENTARY

Rebound Puts Stock Funds Back In Black

While much of the US stood frozen in deep snow last month, investors in Fidelity's stock funds were bathed in the warmth of outsized returns. In fact, February stormed in with the precise



John Bonnanzio

mix of conditions upon which their equity funds tend to thrive: growth (especially tech) outpacing value, and small-caps leading large caps. Mind you, these outperformances were modest, but they were good enough. Here's the breakout.

Equity Funds

Fidelity's five large-cap blend funds averaged returns of 6.8% in February, handily beating the S&P 500's 5.7%. **Large Cap Stock** fared best in that group having jumped 7.7%.

Among large-cap growth offerings, the average return was 6.3%. Owing to their large stakes in tech, **Growth Company** and **Trend** were top performers (both gained 6.8%), while **OTC** gained a none-too-shabby 6.6% for the period.

Large-cap value funds advanced 5.4% on average — a strong showing in absolute terms, but trailing growth-stocks a bit as investors were willing to spend more money for future earnings growth.

This same story played out among small caps and mid-caps, too.

Small Cap Growth soared 7.2% last month while the closed **Small Cap Value** gained a solid 4.5%. (The average small-cap blend fund was nested right between the two with returns of 6.2%.)

As for mid-cap growth, three funds averaged returns of 6.4% (**Growth Strategies** led all others with its 7.7% return — see facing page), and mid-cap value offerings rose 5.9%.

As for the two mid-cap blend of-

ferings, **Event Driven Opportunities** (up 7.6%) and **Leveraged Company Stock** (up 7.4%) are arguably, special situations funds that are not the least-bit benchmark-oriented, and so benefited from investors' willingness to take on some risk.

Whereas all 39 of Fidelity's actively managed funds finished January in the red, February's gains were so strong as to lift this entire slate of equity offerings into the black for the year.

Much the same was true for Fidelity's stock index funds and their Enhanced Index offerings. An exception was **Spartan Real Estate Index** (down 3.5%), which fell in line with **Real Estate Investment's** 3.7% decline. (Note that on p. 12 we review Fidelity's new real estate ETF.)

International Funds

Germany blinked last month in agreeing to kick Greece's debt crisis down the road for four more months. This ignited a relief rally in the Eurozone: **Europe** fund jumped 6.2%. In addition, there were also signs of "green shoots," meaning some better-than-expected economic growth.

Developed markets fared better than emerging ones: **Spartan Int'l Index** gained 6.0% in February, as did **Diversified Int'l** (Fidelity's biggest international fund by assets). In contrast to those results, **Emerging Markets** rose 3.7%. And, partly as a result of oil prices firming a bit, **Canada** and **Nordic** funds rose 6.0% and 5.4%, respectively.

Select Funds

Of Fidelity's 39 Selects, only two lost ground in February. **Gold** re-

treated 3.9% and **Utilities** lost 3.4%. That they declined is not surprising as both sectors tend to be safe-harbor investments for the risk-averse.

That's certainly not the case for tech-oriented funds.

Select Tech surged 7.0% last month, while subsets of the sector did even better: **Software & Computer Services** took flight with its 8.7% return while **Communications Equipment** blasted into orbit with its 10.6% return. As for laggards, **Air Transportation** gained just 2.0% as higher fuel prices and foreign competition threaten to clip earnings. (See our Model Portfolio trade on p. 3.)

Fixed-Income Funds

Although certain types of high-yield funds are highly correlated to US stocks (and less so to interest rates), concerns about yield spreads, credit-risk and earnings forecasts did weigh a bit on the group's performance. That said, all gained ground in February. As is so often the case in such an environment, **Capital & Income** (up 2.8%) led the pack (it was helped by its roughly 20% slug in stocks).

Taxable bond fund investors were frozen out of February's bull market for stocks as the yield on the 10-year Treasury dramatically reversed course. Keeping in mind that bond prices move in the opposite direction of their yields, the 10-year Treasury ended the month at 1.99%, up from just 1.64% the month before. **Spartan US Bond Index** fell 1.1%, though fractional losses were more common. However, the especially rate-sensitive **Spartan Long-Term Treasury Index** cratered 5.9%. ■

— John Bonnanzio

MARCH SCORECARD RATING CHANGES

Fund	Ratings		Comments
	Old	New	
Mid-Cap Stock	B	B ↓	Similar funds offer better risk-adjusted returns.
MSCI Real Estate	NA	H NA	ETF just launched; REITs are pricey.
Nordic	H	S ↓	Low oil prices stressing the region's economy.
Stock Sel Mid Cap	H	B ↑	Delivering better returns for reasonable risk.

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

FIDELITY SCORECARD

FEBRUARY 28, 2015

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)				Rel Vol (Risk) ¹		
						Feb	YTD	3 Mo.	1 Yr	3 Yr	5 Yr	10 Yr			
Comparative Indexes		S&P 500		2104.5		5.7	2.6	2.3	15.5	18.0	16.2	8.0	1.00		
		Nasdaq Composite		4963.5		7.2	5.0	3.8	16.5	20.2	18.6	10.3	1.19		
		Dow Jones Industrials		18132.7		5.9	2.1	2.2	13.6	14.7	14.8	8.1	1.03		
		Russell 2000 (Small Caps)		1233.4		6.0	2.6	5.5	5.7	16.6	16.0	8.3	1.41		
		Barclays Aggregate Bond*				-1.1	1.1	1.2	4.9	2.6	4.1	4.5	0.32		
Model Portfolios		Unique Opportunities				6.7	4.4	4.0	7.0	15.9	14.4	8.4	1.16		
		Select				5.9	3.0	4.8	15.2	20.1	17.5	10.5	1.13		
		Growth				6.5	4.0	3.7	11.6	14.7	14.3	7.1	1.10		
		Growth & Income				4.5	3.0	2.4	10.4	12.3	11.4	6.6	0.75		
		Income				1.2	1.9	1.6	6.7	6.0	7.2	5.0	0.34		
												Rel Vol (Risk) ¹	Assets (\$Mil)		
LARGE CAP GROWTH						Category Averages			6.3	4.6	3.8	10.5	18.1	16.7	1.16
312	FBGRX	Blue Chip Growth		72.26	Buy	6.5	5.6	5.1	15.2	20.2	18.6	1.22	\$13,371		
307	FDCAX	Capital Appreciation		37.89	Buy	6.0	5.2	4.0	12.0	19.7	17.1	1.02	6,016		
22	FCNTX	Contrafund		101.46	Buy	6.0	4.6	4.0	11.0	17.3	16.3	1.03	73,786		
332	FEXPX	Export and Multinational	0.75%/30d	22.04	Hold	6.6	3.5	3.2	12.6	14.7	12.6	0.99	1,541		
3	FFIDX	Fidelity Fund		44.68	OK to Sell	6.6	4.3	4.6	14.1	17.1	14.9	1.06	4,670		
500	FFTYX	Fifty (Closed)		30.26	Buy	6.1	3.8	2.0	1.6	16.8	15.5	1.21	718		
333	FTQGX	Focused Stock		19.52	Buy	6.4	4.2	2.4	1.9	17.0	17.3	1.24	1,488		
25	FDGRX	Growth Company (Closed)		139.96	Buy	6.8	6.3	6.2	14.4	19.6	19.6	1.29	23,003		
339	FDSVX	Growth Discovery		24.85	OK to Buy	5.7	5.2	3.9	8.7	17.8	18.2	1.15	1,040		
73	FDFFX	Independence		40.47	OK to Sell	5.8	5.5	4.2	7.7	19.3	16.6	1.29	4,090		
21	FMAGX	Magellan		96.03	OK to Buy	6.4	3.8	3.7	14.7	18.9	13.8	1.10	13,673		
300	FMILX	New Millennium		39.47	Buy	6.1	1.9	1.3	4.2	16.1	16.2	1.12	3,958		
93	FOCPX	OTC		84.70	OK to Buy	6.6	6.5	5.8	14.8	20.8	19.9	1.48	8,624		
320	FDSSX	Stock Selector All Cap		36.68	Hold	5.9	3.9	3.5	12.0	17.6	15.7	1.04	4,311		
5	FTRNX	Trend		88.32	Buy	6.8	4.6	3.8	13.0	18.5	17.9	1.10	1,434		
LARGE CAP BLEND						Category Averages			6.8	2.6	2.0	13.4	18.1	15.7	1.11
315	FDEQX	Disciplined Equity		34.72	Hold	5.8	3.2	3.1	14.3	18.7	14.2	1.09	1,211		
330	FDGFX	Dividend Growth		34.33	OK to Buy	5.9	2.7	2.0	14.2	16.4	14.8	1.09	6,371		
27	FGRIX	Growth & Income		30.92	Buy	7.1	2.4	1.5	13.6	17.9	15.9	1.07	6,358		
338	FLCSX	Large Cap Stock		29.05	Buy	7.7	2.8	2.0	10.9	19.5	17.1	1.17	3,011		
361	FGRTX	Mega Cap Stock		16.84	Buy	7.4	2.1	1.3	13.9	17.9	16.4	1.11	3,061		
LARGE CAP VALUE						Category Averages			5.4	1.9	2.2	14.2	17.4	13.7	1.03
1271	FBCVX	Blue Chip Value		16.75	OK to Buy	5.7	2.8	4.1	17.0	17.9	12.6	1.15	348		
319	FEQTX	Equity Dividend Income		27.04	OK to Buy	4.8	1.3	1.2	13.7	16.3	13.2	0.96	5,017		
23	FEQIX	Equity-Income		60.28	Hold	5.3	1.5	0.8	10.1	15.4	12.7	0.96	6,687		
708	FSLVX	Stock Sel Large Cap Value		17.43	OK to Buy	5.6	1.7	1.8	14.0	17.9	14.2	1.02	762		
832	FVDFX	Value Discovery		25.18	OK to Buy	5.5	2.2	3.1	16.3	19.4	15.9	1.04	971		
MID-CAP GROWTH						Category Averages			6.4	4.4	4.8	11.6	17.1	15.9	1.14
324	FDEGX	Growth Strategies	1.50%/90d	34.11	Buy	7.7	5.6	5.5	17.6	17.9	16.1	1.17	2,032		
337	FMCSX	Mid-Cap Stock	0.75%/30d	39.81	OK to Buy	5.4	3.7	3.8	6.5	16.5	15.8	1.15	5,645		
2412	FSSMX	Stock Selector Mid Cap		34.74	OK to Buy	6.3	3.9	5.1	10.8	17.0	16.0	1.10	544		
MID-CAP BLEND						Category Averages			7.5	4.0	5.7	8.7	18.1	16.1	1.17
2624	FARNX	Event Driven Opportunities		11.51	Buy	7.6	4.3	6.5	8.6	--	--	--	165		
122	FLVCX	Leveraged Company Stock	1.50%/90d	46.98	Hold	7.4	3.7	4.8	8.7	18.1	16.1	1.17	3,701		
MID-CAP VALUE						Category Averages			5.9	3.3	3.9	12.7	18.8	16.6	1.09
316	FLPSX	Low-Priced Stock	1.50%/90d	51.64	Hold	6.0	2.8	3.1	9.7	16.5	15.8	1.09	29,008		
762	FSMVX	Mid Cap Value	0.75%/30d	25.24	Buy	4.5	2.5	3.8	17.5	21.5	18.4	1.11	2,685		
39	FDVLX	Value		116.69	Buy	5.8	3.0	3.6	11.8	19.9	16.7	1.13	7,775		
14	FSLSX	Value Strategies		45.28	OK to Buy	7.2	4.9	5.0	11.7	17.5	15.7	1.05	721		
SMALL CAP GROWTH						Category Averages			7.2	5.7	9.0	5.6	17.5	17.2	1.39
1388	FCPGX	Small Cap Growth	1.50%/90d	19.45	OK to Buy	7.2	5.7	9.0	5.6	17.5	17.2	1.39	905		
SMALL CAP BLEND						Category Averages			6.2	3.3	5.5	8.5	15.8	15.6	1.31
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	30.54	Hold	5.1	1.5	4.2	9.9	19.0	19.6	1.33	5,862		
340	FSLCX	Small Cap Stock	2.00%/90d	19.67	Hold	7.5	4.7	6.3	11.0	13.8	11.2	1.27	1,742		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	25.60	Hold	5.9	3.7	6.1	4.6	14.5	16.2	1.33	1,372		
SMALL CAP VALUE						Category Averages			4.5	1.4	4.4	9.8	17.7	16.2	1.35
1389	FCPVX	Small Cap Value (Closed)	1.50%/90d	19.19	Hold	4.5	1.4	4.4	9.8	17.7	16.2	1.35	2,005		

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

FEBRUARY 28, 2015

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)
						Feb	YTD	3 Mo.	1 Year	3 Year	5 Year		
SPECIALTY													
304	FBALX	Balanced		23.39	Buy	3.9	2.7	2.4	10.9	12.9	12.3	0.70	\$19,830
308	FCV SX	Convertible Securities		33.09	OK to Buy	5.0	2.7	2.7	8.6	13.4	12.4	0.88	2,200
334	FGBLX	Global Balanced	1.00%/30d	23.44	OK to Sell	3.2	2.6	1.1	-1.4	7.5	8.1	0.77	508
2120	FFGCX	Global Commodity Stock	1.00%/30d	12.97	Hold	5.7	4.2	1.6	-7.1	-5.0	-0.3	1.60	204
1960	FDYSX	Global Strategies		8.94	Hold	2.9	3.1	1.7	5.2	6.5	7.4	0.62	117
1368	FIREX	International Real Estate	1.50%/90d	10.86	OK to Sell	5.0	7.2	6.6	10.8	15.3	11.3	1.34	320
4	FPURX	Puritan		22.13	Buy	4.1	3.0	2.7	10.7	13.0	12.3	0.71	18,654
833	FRIFX	Real Estate Income	0.75%/90d	11.90	OK to Buy	-0.3	2.0	2.2	9.5	10.5	11.5	0.53	2,777
303	FRESX	Real Estate Investment	0.75%/90d	42.08	Hold	-3.7	3.0	4.2	23.3	14.9	17.6	1.43	5,091
1329	FSDIX	Strategic Dividend & Income		14.72	OK to Buy	2.4	1.9	1.7	13.1	13.7	13.6	0.70	3,205
1505	FSRRX	Strategic Real Return	0.75%/60d	9.14	OK to Sell	0.2	1.1	-1.2	-1.5	1.5	4.7	0.52	629
311	FIUIX	Telecom & Utilities		24.44	Hold	1.2	1.3	-0.4	11.1	15.3	15.8	1.06	988
ASSET ALLOCATION													
328	FASIX	Asset Manager 20%		13.43	Hold	1.0	1.6	1.2	3.9	4.8	5.7	0.28	4,964
1957	FTANX	Asset Manager 30%		10.70	Hold	1.6	2.0	1.6	4.9	6.3	7.1	0.38	803
1958	FFANX	Asset Manager 40%		10.99	Hold	2.1	2.4	1.8	5.5	7.7	8.2	0.47	854
314	FASMX	Asset Manager 50%		17.52	Hold	2.8	2.8	2.1	6.1	8.9	9.2	0.57	7,988
1959	FSANX	Asset Manager 60%		11.42	Hold	3.4	3.2	2.4	6.6	10.1	10.1	0.67	1,297
321	FASGX	Asset Manager 70%		20.44	Hold	4.1	3.5	2.6	6.9	11.2	11.0	0.78	3,848
347	FAMRX	Asset Manager 85%		17.08	Hold	5.0	4.0	2.9	7.5	13.1	12.2	0.93	1,350
EQUITY INDEX													
355	FFNOX	Four-in-One Index		38.45	Hold	4.8	3.6	2.6	8.9	13.4	12.4	0.90	4,011
2010	FIENX	International Enhanced Index	1.00%/30d	8.77	Hold	5.7	7.2	3.7	1.3	10.7	8.7	1.35	91
1827	FLCEX	Large Cap Core Enhanced Index		12.29	Buy	5.7	2.7	2.1	16.0	18.4	16.3	1.01	349
1829	FLGEX	Large Cap Growth Enhanced Index		15.42	OK to Buy	6.1	4.6	3.5	17.5	18.4	17.0	1.03	365
1828	FLVEX	Large Cap Value Enhanced Index		11.38	OK to Buy	5.4	1.2	1.3	15.4	19.2	16.1	1.05	989
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	14.16	OK to Buy	5.3	4.4	4.6	15.2	20.4	18.1	1.10	502
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	65.43	Hold	7.2	5.0	3.8	16.5	20.0	18.5	1.20	1,494
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	13.05	Hold	6.5	4.2	6.4	9.5	18.1	17.8	1.38	434
650	FUSEX	Spartan 500 Index ⁴		74.71	Hold	5.7	2.6	2.3	15.4	17.9	16.1	1.00	6,896
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	9.78	Hold	3.7	3.9	-1.1	8.8	-0.3	--	1.47	19
398	FSEMX	Spartan Extended Mkt Index ⁴	0.75%/90d	57.40	OK to Buy	6.0	4.0	5.1	8.2	17.8	17.2	1.24	1,886
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	12.16	Hold	5.5	5.5	1.4	0.6	6.4	--	1.31	15
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	39.75	Hold	6.0	6.8	2.8	-0.3	9.5	7.8	1.37	2,843
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	18.11	OK to Buy	5.5	3.8	4.1	13.1	18.7	--	1.08	33
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	15.25	Hold	-3.5	3.0	4.8	23.9	14.9	--	1.43	35
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	17.19	Hold	5.9	2.5	5.4	5.7	16.5	--	1.41	27
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	61.58	Hold	5.8	2.9	2.8	13.9	17.9	16.3	1.03	1,838
INTERNATIONAL						Category Averages	4.8	4.9	2.3	2.4	8.6	8.7	1.37
309	FICDX	Canada	1.50%/90d	50.99	Hold	6.0	-3.1	-4.8	-0.1	3.7	5.2	1.24	1,737
352	FHKCX	China Region	1.50%/90d	31.47	OK to Buy	2.1	2.6	3.5	6.9	11.2	10.1	1.34	1,365
325	FDIVX	Diversified International	1.00%/30d	36.84	Hold	6.0	6.9	4.1	2.7	11.4	9.1	1.25	13,354
351	FSEAX	Emerging Asia	1.50%/90d	33.89	Hold	2.3	3.8	3.4	12.6	6.5	8.7	1.30	1,100
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	8.41	OK to Sell	4.7	5.3	-2.6	-3.9	-0.6	4.5	1.47	82
322	FEMKX	Emerging Markets	1.50%/90d	25.29	Hold	3.7	4.0	-0.2	7.5	3.2	4.5	1.44	2,286
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	11.88	Hold	2.3	2.1	-1.5	3.5	3.6	--	1.22	65
301	FIEUX	Europe	1.00%/30d	37.96	Hold	6.2	7.6	4.4	-3.3	11.9	9.2	1.43	1,195
2406	FGILX	Global Equity-Income	1.00%/30d	12.40	OK to Buy	4.8	3.7	2.5	8.5	--	--	--	58
335	FIVFX	International Cap App	1.00%/30d	17.32	Buy	5.4	5.9	4.1	7.7	13.0	12.1	1.24	1,251
305	FIGRX	International Discovery	1.00%/30d	40.59	Hold	5.8	6.8	3.6	0.8	11.5	9.0	1.31	7,278
1979	FIGFX	International Growth	1.00%/30d	11.54	OK to Buy	5.9	6.9	3.8	3.8	10.5	11.0	1.17	645
818	FISMX	International Small Cap	2.00%/90d	22.72	Hold	5.9	4.9	5.1	-2.5	11.7	11.6	1.34	707
1504	FSCOX	International Small Cap Opps	2.00%/90d	14.49	Hold	5.8	5.9	6.2	0.6	12.8	13.3	1.14	527
1597	FIVLX	International Value	1.00%/30d	8.58	OK to Sell	5.5	6.6	2.5	-2.1	10.2	6.3	1.39	187
350	FJPNX	Japan	1.50%/90d	11.88	OK to Sell	6.6	8.6	5.2	2.8	7.2	4.8	1.47	387
360	FJSCX	Japan Smaller Companies	1.50%/90d	13.08	OK to Sell	2.8	6.3	7.0	5.2	16.4	11.5	2.06	392
349	FLATX	Latin America	1.50%/90d	23.46	OK to Sell	4.0	-1.4	-10.4	-9.3	-14.6	-5.9	1.92	694
342	FNORX	Nordic	1.50%/90d	45.61	OK to Sell	5.4	7.1	4.3	-1.2	16.1	13.8	1.61	435
94	FOSFX	Overseas	1.00%/30d	41.34	Hold	6.8	8.4	6.1	2.6	13.0	9.5	1.26	2,736
302	FPBFX	Pacific Basin	1.50%/90d	27.53	Hold	3.9	5.6	3.9	7.4	12.9	12.2	1.30	653
2369	FTEMX	Total Emerging Markets	1.50%/90d	10.98	Hold	2.4	2.3	-2.1	2.0	2.0	--	1.25	39
1978	FTIEX	Total International Equity	1.00%/30d	8.13	Hold	5.5	6.3	2.8	2.3	9.0	8.0	1.23	318
318	FWWFX	Worldwide	1.00%/30d	23.51	OK to Buy	6.0	5.4	3.4	2.0	14.6	13.4	1.20	1,472

FIDELITY SCORECARD

FEBRUARY 28, 2015

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Feb	YTD	3 Mo.	1 Year	3 Year	5 Year				
SELECT PORTFOLIOS						Category Averages			6.1	3.6	3.8	10.1	16.8	15.6	1.46
34	FSAIX	Air Transportation	0.75%/30d	73.09	Buy	2.0	-2.0	-0.2	21.9	26.8	20.5	1.31	\$744		
502	FSAVX	Automotive	0.75%/30d	48.82	Hold	8.2	6.3	5.6	8.0	18.3	16.8	1.51	122		
507	FSRBX	Banking	0.75%/30d	26.24	Hold	7.2	-2.3	-0.3	5.3	17.1	11.6	1.33	554		
42	FBIOX	Biotechnology	0.75%/30d	248.00	Hold	5.2	12.1	14.7	24.2	44.5	34.2	2.18	12,201		
68	FSLBX	Brokerage & Investment	0.75%/30d	74.78	Hold	7.6	-1.0	0.9	7.4	18.9	11.4	1.59	547		
69	FSCHX	Chemicals	0.75%/30d	153.34	Buy	6.7	4.5	4.2	7.5	16.7	19.3	1.18	1,531		
518	FSDCX	Communications Equipment	0.75%/30d	32.99	Hold	10.6	3.6	5.0	12.5	13.4	11.4	1.76	241		
7	FDCPX	Computers	0.75%/30d	83.27	Hold	6.4	0.6	0.7	13.4	12.8	16.4	1.45	761		
511	FSHOX	Construction & Housing	0.75%/30d	59.74	OK to Buy	6.8	6.6	8.1	17.0	22.7	20.2	1.46	370		
517	FSCPX	Consumer Discretionary	0.75%/30d	35.23	Buy	8.0	4.7	6.1	14.8	20.5	19.8	1.23	986		
98	FSVLX	Consumer Finance	0.75%/30d	14.01	OK to Buy	7.1	-0.6	-1.8	7.7	18.4	13.5	1.24	131		
9	FDFAX	Consumer Staples	0.75%/30d	102.04	Hold	3.7	4.4	2.4	22.3	16.9	15.9	1.16	2,102		
67	FSDAX	Defense & Aerospace	0.75%/30d	128.97	OK to Buy	7.7	9.5	9.5	12.5	19.8	19.3	1.21	819		
8	FSELX	Electronics	0.75%/30d	89.46	Buy	7.5	5.5	9.8	34.9	20.4	18.7	1.60	2,185		
60	FSENX	Energy	0.75%/30d	45.64	Hold	4.6	1.9	1.1	-11.3	1.1	5.8	1.78	1,987		
43	FSESX	Energy Service	0.75%/30d	54.33	OK to Sell	5.4	-3.5	-9.5	-27.8	-5.2	1.3	2.23	639		
516	FSLEX	Environment & Alt Energy	0.75%/30d	20.94	Hold	6.2	2.7	2.5	2.2	14.2	10.6	1.22	83		
66	FIDSX	Financial Services	0.75%/30d	88.84	OK to Buy	6.4	-0.1	0.1	11.9	17.1	9.4	1.24	1,303		
41	FSAGX	Gold	0.75%/30d	18.50	Sell	-3.9	12.5	12.9	-17.5	-26.2	-12.3	3.69	1,034		
63	FSPHX	Health Care	0.75%/30d	236.44	Buy	6.4	8.6	9.0	25.4	36.0	27.5	1.32	9,058		
510	FSCGX	Industrial Equipment	0.75%/30d	38.86	OK to Buy	8.1	3.4	3.4	3.4	12.3	14.9	1.33	213		
515	FCYIX	Industrials	0.75%/30d	32.69	Buy	5.7	2.8	3.2	8.7	17.2	17.5	1.21	1,100		
45	FSPCX	Insurance	0.75%/30d	66.87	Buy	6.5	-0.9	0.4	13.0	20.5	15.2	1.28	380		
353	FBSOX	IT Services	0.75%/30d	38.88	Hold	9.5	5.8	7.1	11.2	22.7	21.1	1.54	860		
62	FDSLX	Leisure	0.75%/30d	140.13	Buy	5.5	5.7	5.7	12.9	17.8	20.2	1.33	418		
509	FSDPX	Materials	0.75%/30d	80.77	OK to Buy	7.3	4.8	4.2	2.5	10.7	13.1	1.22	1,034		
505	FSHCX	Medical Delivery	0.75%/30d	87.26	Hold	6.2	6.3	8.1	26.9	20.7	19.4	1.18	831		
354	FSMEX	Medical Equipment	0.75%/30d	41.90	Buy	6.5	7.9	9.7	28.5	26.2	18.7	1.37	1,972		
503	FBMPX	Multimedia	0.75%/30d	82.48	Hold	10.1	2.7	2.9	10.2	24.5	22.6	1.35	747		
513	FSNGX	Natural Gas	0.75%/30d	32.05	Hold	5.1	-1.0	-5.2	-17.2	0.5	1.6	1.76	511		
514	FNARX	Natural Resources	0.75%/30d	31.49	OK to Sell	4.3	3.6	2.5	-11.5	-0.8	4.9	1.80	724		
580	FPHAX	Pharmaceuticals	0.75%/30d	23.08	OK to Buy	5.9	8.0	5.8	20.0	27.6	23.2	1.12	1,768		
46	FSRPX	Retailing	0.75%/30d	95.27	Hold	8.0	5.8	8.5	17.3	23.8	21.8	1.48	822		
28	FSCSX	Software & Computer Svcs	0.75%/30d	119.38	OK to Buy	8.7	3.0	3.8	6.3	19.7	20.5	1.42	2,828		
64	FSPTX	Technology	0.75%/30d	120.85	OK to Buy	7.0	5.6	4.3	10.0	15.4	16.6	1.31	2,644		
96	FSTCX	Telecommunications	0.75%/30d	63.54	OK to Buy	7.0	5.2	2.5	11.9	14.2	13.6	1.12	330		
512	FSRFX	Transportation	0.75%/30d	94.04	Buy	4.1	-2.3	-1.0	26.8	26.2	22.0	1.22	1,194		
65	FSUTX	Utilities	0.75%/30d	72.85	OK to Sell	-3.4	-3.1	-2.3	11.2	15.8	15.1	1.26	1,076		
963	FWRLX	Wireless	0.75%/30d	9.54	OK to Buy	6.7	4.8	2.9	7.6	15.0	13.9	1.08	254		
SECTOR ETFs															
	FDIS	MSCI Consumer Discretionary		30.66	Buy	8.3	4.9	5.7	14.4	--	--	--	157		
	FSTA	MSCI Consumer Staples		30.34	Hold	4.3	3.0	2.2	21.4	--	--	--	210		
	FENY	MSCI Energy		22.76	Hold	4.7	-0.3	-0.7	-9.0	--	--	--	204		
	FNCL	MSCI Financials		28.90	OK to Buy	5.1	-0.8	1.1	13.0	--	--	--	225		
	FHLC	MSCI Healthcare		35.00	OK to Buy	4.8	6.4	5.6	23.6	--	--	--	455		
	FIDU	MSCI Industrials		29.45	Buy	6.7	2.3	2.4	9.6	--	--	--	153		
	FTEC	MSCI Information Technology		33.09	OK to Buy	8.3	4.4	3.3	20.5	--	--	--	353		
	FMAT	MSCI Materials		28.90	OK to Buy	7.9	5.0	4.8	8.8	--	--	--	94		
	FREL	MSCI Real Estate		23.79	Hold	-2.8p	--	--	--	--	--	--	--		
	FCOM	MSCI Telecomm Services		27.82	OK to Buy	6.4	4.5	1.4	15.0	--	--	--	84		

BOND FUNDS

Manager Changes

Fidelity has announced a series of manager changes within its lineup of taxable and municipal bond funds.

Pramod Atluri succeeds Ford O'Neil as the new co-portfolio manager of **VIP Balanced**; Pramod now runs its investment-grade sleeve. He also succeeds O'Neil as manager of

VIP Investment Grade, and has been named co-manager on **Investment Grade Bond** alongside existing co-manager Jeff Moore.

On the tax-free bond side, Kevin Ramundo is now lead manager on the nearly \$3 billion **Tax-Free Bond** (and many other funds, while also co-managing the nearly \$6 billion **Muni Income**), which he will continue to run with existing co-managers Jamie

Pagliocco and Mark Sommer.

These changes are largely about allowing Ford O'Neil (who oversees **Total Bond**) and Kevin Ramundo the opportunity to focus their attention a bit more as their responsibilities sprawl across many different portfolios — though there's significant overlap.

We applaud these changes, and continue to rate all of the funds mentioned a *Buy*. ■

FIDELITY SCORECARD

FEBRUARY 28, 2015

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			
						Feb	YTD	3 Mo.	1 Yr	3 Yr	5 Yr						
TAXABLE BOND						Category Averages			-0.9	0.9	0.6	3.3	2.3	4.0	1.49	4.8	0.34
2267	FCONX	Conservative Income Bond		10.03	Buy	0.0	0.1	-0.0	0.2	0.6	--	0.19	0.2	0.02			
2208	FCBFX	Corporate Bond		11.63	Buy	-0.8	2.0	1.9	6.7	5.1	--	2.66	7.0	0.47			
2423	FGBFX	Global Bond		9.33	OK to Sell	-0.3	-0.3	-1.4	-2.3	--	--	1.87	6.4	--			
15	FGMNX	GNMA (Ginnie Mae)		11.67	Hold	-0.2	0.4	0.4	4.2	2.3	4.0	2.43	1.3	0.29			
54	FGOVX	Government Income		10.57	Hold	-1.3	0.8	0.9	4.3	2.0	3.5	1.28	4.7	0.30			
794	FINPX	Inflation-Protected Bond ³		12.22	OK to Sell	-1.4	1.8	0.6	2.7	0.1	4.0	-0.29	5.7	0.58			
32	FTHRFX	Intermediate Bond		11.00	Buy	-0.5	1.0	0.7	2.8	2.5	4.0	1.78	3.8	0.24			
452	FSTGX	Intermediate Gov't Income		10.74	Hold	-0.8	0.8	0.4	2.2	1.3	2.6	0.92	3.5	0.22			
2428	FINUX	International Bond		8.90	OK to Sell	-0.2	-1.8	-3.6	-7.4	--	--	1.71	6.9	--			
26	FBNDX	Investment Grade Bond		7.99	Buy	-0.5	1.3	1.3	4.9	3.4	5.1	2.52	5.3	0.32			
2622	FJRLX	Limited Term Bond		11.53	Buy	-0.2	0.7	0.4	1.7	2.1	3.8	1.41	2.7	--			
662	FFXSX	Limited Term Government		10.05	OK to Buy	-0.5	0.4	0.1	1.1	0.8	1.5	0.68	2.5	0.12			
40	FMSFX	Mortgage Securities		11.39	Hold	-0.2	0.8	0.9	5.0	2.8	4.2	2.56	2.6	0.26			
450	FSHXB	Short-Term Bond		8.60	Buy	-0.2	0.4	0.1	0.8	1.2	1.7	0.96	1.8	0.08			
2415	FSIQX	Sotn Inflation-Protect Index ⁴		9.75	OK to Sell	-1.4	1.9	0.6	3.0	--	--	-0.03	5.6	--			
1561	FIBIX	Sotn Inter Term Treas Index ⁴		11.09	Hold	-2.1	1.3	1.2	5.0	1.9	4.8	1.52	6.4	0.50			
1562	FLBIX	Sotn Lnc-Term Treas Index ⁴		13.62	Hold	-5.9	2.7	5.7	20.4	5.7	9.8	2.26	17.6	1.27			
1560	FSBIX	Sotn Sht-Term Treas Index ⁴		10.46	Hold	-0.6	0.4	0.1	0.9	0.6	1.4	0.61	2.6	0.13			
651	FBIDX	Sotn U.S. Bond Index		11.82	Hold	-1.1	1.1	1.2	4.9	2.6	4.1	2.05	5.2	0.32			
820	FTBFX	Total Bond		10.79	Buy	-0.4	1.5	1.1	4.8	3.6	5.3	2.61	5.0	0.32			
HIGH-YIELD BOND						Category Averages			2.0	2.3	0.7	2.8	5.7	7.2	4.70	4.0	0.48
38	FAGIX	Capital & Income	1.00%/90d	9.98	Hold	2.8	3.7	2.8	6.7	9.4	9.9	3.82	4.2	0.53			
814	FFRHX	Floating Rate High Income	1.00%/60d	9.74	Hold	1.6	1.9	0.4	1.5	3.6	4.3	4.09	0.3	0.22			
1366	FHIFX	Focused High Income	1.00%/90d	8.76	Hold	2.3	3.2	1.9	3.4	5.7	7.7	4.50	4.0	0.43			
2297	FGHNX	Global High Income	1.00%/90d	9.52	Hold	2.1	2.1	0.2	1.3	6.5	--	5.55	4.2	0.53			
455	SPHIX	High Income	1.00%/90d	9.06	Hold	2.3	2.7	1.2	2.0	6.5	8.3	5.58	3.6	0.48			
331	FNMIX	New Markets Income	1.00%/90d	15.22	Hold	1.1	0.6	-2.9	3.0	3.6	6.9	5.57	8.1	0.80			
2580	FSAHX	Short Duration High Income	1.00%/90d	9.87	Hold	2.8	2.8	1.8	1.4	--	--	5.04	2.5	--			
368	FSICX	Strategic Income		10.82	OK to Buy	1.0	1.8	0.6	3.2	4.3	6.0	3.43	5.2	0.41			
MUNICIPAL BOND						Category Averages			-1.0	0.7	1.2	6.0	3.5	4.5	1.31	5.4	0.37
434	FSAZX	Arizona Muni Income	0.50%/30d	12.24	OK to Buy	-1.2	0.7	1.4	7.8	4.2	5.2	1.41	6.3	0.42			
1534	FCSTX	Calif Limited Term Tax Free ⁶	0.50%/30d	10.76	Buy	-0.4	0.6	0.5	2.3	1.8	2.5	0.63	3.0	0.17			
91	FCTFX	California Muni Income	0.50%/30d	13.15	OK to Buy	-1.0	1.0	1.6	7.9	5.0	6.1	1.42	6.0	0.41			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.77	OK to Buy	-1.4	0.6	1.1	6.3	3.0	4.3	1.55	6.1	0.40			
2578	FCRDXX	Conservative Income Muni		10.05	Buy	0.0	0.1	0.1	0.4	--	--	0.06	0.8	--			
36	FLTXX	Interm Municipal Income	0.50%/30d	10.57	Buy	-0.9	0.6	1.0	4.8	3.0	4.0	1.21	4.8	0.30			
404	FSTFX	Limited Term Muni Income ⁷	0.50%/30d	10.71	Buy	-0.5	0.5	0.3	1.4	1.4	2.1	0.50	2.7	0.14			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.51	OK to Buy	-1.2	0.8	1.4	6.9	3.1	4.2	1.45	6.5	0.40			
70	FDMMX	Mass Muni Income	0.50%/30d	12.54	OK to Buy	-1.3	0.7	1.3	7.4	3.7	5.0	1.66	6.6	0.44			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.37	OK to Buy	-0.9	0.9	1.5	7.3	3.7	4.6	1.37	5.5	0.36			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.78	OK to Buy	-1.0	0.6	1.1	5.0	2.7	4.0	1.23	5.3	0.32			
37	FHIGX	Municipal Income	0.50%/30d	13.58	Buy	-1.1	0.9	1.7	8.0	4.5	5.5	1.59	6.4	0.43			
416	FNJHX	New Jersey Muni Income	0.50%/30d	12.01	OK to Buy	-1.5	0.3	1.0	5.8	3.2	4.5	1.76	6.7	0.41			
71	FTFMX	New York Muni Income	0.50%/30d	13.60	OK to Buy	-1.1	0.8	1.2	7.3	3.7	4.8	1.46	6.4	0.42			
88	FOHFX	Ohio Muni Income	0.50%/30d	12.32	OK to Buy	-1.3	1.0	1.9	8.0	4.2	5.0	1.66	6.8	0.44			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.36	OK to Buy	-1.0	0.8	1.4	7.1	4.0	5.0	1.48	5.7	0.40			
90	FTABX	Tax-Free Bond	0.50%/30d	11.74	Buy	-1.2	0.8	1.5	8.0	4.6	5.6	1.77	6.4	0.43			

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
			Feb	YTD					Feb	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	FNXX	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

Annuity Sector Model reflects March 2 trade (see Trade Box on p. 3).

FIDELITY SCORECARD							FEBRUARY 28, 2015						
Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	SPrice (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Feb	YTD	3 Mo.	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios	Annuity Sector Model						6.8	4.4	4.2	10.5	17.6	15.7	1.08
	Annuity Growth Model						6.4	4.0	3.4	10.8	15.4	14.6	1.07
	Annuity Growth & Income Model						4.1	2.9	2.6	9.2	11.9	10.7	0.77
	Annuity Income Model						1.4	1.6	1.3	5.4	4.5	6.3	0.35
9067	FLRQC	Fid VIP Asset Manager	Allocation		17.93	Hold	2.7	3.5	2.4	4.6	9.3	9.3	0.66
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		18.33	Hold	3.9	4.3	2.9	4.7	11.7	11.0	0.89
9069	FJBAC	Fid VIP Balanced	Allocation		19.98	Buy	3.8	2.6	2.2	10.5	11.8	11.7	0.75
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	23.42	Buy	7.9	4.6	6.0	13.9	20.1	19.4	1.23
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	21.87	Hold	5.5	4.6	3.1	22.9	17.0	15.6	1.20
9065	FPDFC	Fid VIP Contrafund	Large Growth		21.41	Hold	5.9	3.3	2.9	12.8	16.5	15.0	1.01
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		17.44	Hold	6.4	4.1	6.1	9.0	17.4	17.1	1.37
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		23.59	Buy	6.1	4.9	3.8	11.2	20.1	17.2	1.05
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	8.93	Hold	3.7	4.0	-0.2	6.9	2.6	4.0	1.42
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	16.12	Hold	4.6	1.8	0.9	-11.6	1.0	5.6	1.78
9061	FLOLC	Fid VIP Equity-Income	Large Value		17.47	Hold	5.2	1.5	0.8	9.9	15.2	13.8	0.96
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	10.79	Buy	6.4	-0.1	0.0	11.7	17.0	9.3	1.24
9361	FFLCC	Fid VIP Floating Rate High Income	High-Yield Bond		10.10	OK to Buy	1.5	1.7	0.3	--	--	--	--
9157	FMPAC	Fid VIP FundsManager 20	Allocation		14.26	Hold	0.9	1.6	1.4	3.9	4.4	5.0	0.29
9158	FMPBC	Fid VIP FundsManager 50	Allocation		15.58	Hold	2.8	2.7	2.2	5.7	8.5	8.5	0.58
9197	FMPCC	Fid VIP FundsManager 60	Allocation		14.54	Hold	3.6	3.2	2.7	6.4	10.0	9.7	0.68
9159	FMPCC	Fid VIP FundsManager 70	Allocation		15.90	Hold	4.3	3.6	2.8	6.5	11.2	10.6	0.79
9160	FMPDC	Fid VIP FundsManager 85	Allocation		15.89	Hold	5.2	4.0	3.1	7.0	13.1	11.9	0.95
9062	FMNDC	Fid VIP Growth	Large Growth		20.81	OK to Buy	5.5	5.0	3.8	8.0	17.3	17.7	1.16
9070	FLFNC	Fid VIP Growth & Income	Large Blend		19.99	Buy	7.1	2.3	1.4	13.2	17.4	15.6	1.07
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		21.65	Buy	6.1	5.4	4.9	10.6	18.4	19.8	1.33
9078	FPVDC	Fid VIP Growth Stock	Large Growth		22.62	Buy	6.8	4.6	3.7	12.8	18.2	17.8	1.10
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		19.06	Buy	7.7	5.5	5.4	17.1	17.3	15.4	1.17
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	36.65	Buy	6.4	8.7	9.0	25.1	35.4	27.2	1.32
9060	FBBLC	Fid VIP High Income	High-Yield Bond		18.24	Hold	2.9	3.3	1.3	1.8	6.0	7.9	0.46
9064	FXVLT	Fid VIP Index 500	Large Blend		20.29	Hold	5.7	2.5	2.3	15.2	17.6	15.8	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	26.84	Buy	5.8	2.8	3.2	8.9	16.9	17.3	1.20
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	16.33	Buy	5.4	5.8	3.9	7.3	12.6	11.8	1.24
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		15.41	Buy	-0.7	1.2	1.1	4.5	2.9	4.5	0.33
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	19.19	Buy	7.3	4.8	4.2	2.7	10.6	12.9	1.21
9071	FNBSJ	Fid VIP Mid Cap	Mid Growth		22.77	OK to Buy	6.6	4.0	4.2	8.2	15.1	14.3	1.21
9059	FTNJ	Fid VIP Money Market	Money Mkt		11.36	--	-0.1	-0.1	-0.1	-0.3	-0.2	-0.2	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	15.19	Hold	5.9	5.8	2.4	-3.1	9.8	8.5	1.35
9072	FFWKC	Fid VIP Real Estate	Sector		21.64	Hold	-3.3	3.5	5.1	23.3	15.1	17.6	1.41
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		17.52	Buy	1.0	1.7	0.5	2.7	3.8	5.5	0.40
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	25.57	Buy	6.9	4.8	3.2	9.0	14.2	15.9	1.28
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	13.79	OK to Buy	7.0	5.1	2.3	11.5	14.1	13.8	1.13
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	22.17	OK to Sell	-3.4	-3.1	-2.2	10.9	15.6	15.0	1.26
9079	FKMSC	Fid VIP Value	Mid Value		18.72	Buy	5.8	2.5	3.0	12.2	18.2	15.3	1.08
9080	FUEBC	Fid VIP Value Leaders	Large Value		15.62	OK to Buy	5.7	2.7	4.0	16.4	17.4	12.2	1.15
9073	FRBSC	Fid VIP Value Strategies	Mid Value		20.21	OK to Buy	7.1	4.7	4.7	11.5	17.3	15.6	1.05
9347	FBMEC	Black Rock Global Allocation	Global Allocation		12.23	Hold	3.4	3.5	1.8	4.4	6.9	7.2	0.70
9349	FTMEC	Franklin Templeton Gobl Bond	Global Bond		11.18	OK to Sell	1.3	0.7	-1.1	3.0	3.5	5.6	0.65
9348	FFMEC	Franklin Templeton US Gov't	Intermed Gov't		10.23	Hold	-0.2	0.3	0.2	2.0	0.8	2.2	0.21
9285	FIGXC	Invesco Global Core Eqty	Global Stock		11.71	Hold	6.5	4.6	2.4	5.2	9.9	8.0	1.20
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		15.08	Hold	2.2	1.7	-6.1	3.1	-0.6	4.0	1.64
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		16.62	Hold	2.2	1.8	-1.1	2.3	2.0	5.2	0.83
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		13.02	Hold	2.8	3.9	-1.4	1.0	0.8	3.9	1.32
9146	FPRPC	Morgan Stanley Glb Tactical Alloc	Diversified Int'l		12.65	Hold	2.9	2.0	0.3	2.1	8.2	7.8	0.74
9346	FPMEC	Pimco Commodity Real Return	Commodities		7.12	OK to Sell	2.7	0.7	-9.2	-23.9	-12.1	-3.0	1.48
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.48	Buy	0.4	0.9	0.1	0.7	1.7	2.2	0.19
9277	FPNBC	Pimco VIT Real Return	TIPS		12.82	OK to Sell	-0.9	2.6	0.5	2.7	0.5	4.3	0.65
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		12.80	Hold	-0.7	1.9	1.3	4.1	3.4	4.4	0.38

Annuity Sector	
Fund	Allocation
VIP Technology	24%
VIP Materials	17
VIP Cons Discretionary	16
VIP Industrials	15
VIP Health Care	14
VIP Financial Services	14
Total Return:	
Feb: 6.8%	YTD: 4.4%

Annuity Growth	
Fund	Allocation
VIP Growth Stock	24%
VIP Growth Opps	23
VIP Growth & Income	20
VIP Value	19
VIP Dynamic Cap App	14
Total Return:	
Feb: 6.4%	YTD: 4.0%

Annuity Growth & Income	
Fund	Allocation
VIP Investment Grade	30%
VIP Growth Opps	29
VIP Growth & Income	21
VIP Value	20
Total Return:	
Feb: 4.1%	YTD: 2.9%

Annuity Income	
Fund	Allocation
VIP Balanced	40%
VIP Investment Grade	33
Pimco VIT Low Duration	27
Total Return:	
Feb: 1.4%	YTD: 1.6%

MONEY MARKET FUNDS

Big Changes Afoot For Money Funds

As we've long-discussed, the financial crisis that began in 2008 has resulted in wide-ranging SEC reforms.

Frankly, some have made more sense than others.

In the case of the \$2.6 trillion money market fund (MMF) arena (over \$400 billion of which is run by Fidelity!), the SEC's new regulations will layer-on more safeguards. This is in response to The Reserve Fund breaking its stable \$1.00 NAV because its managers made an oversized and irresponsible bet in Lehman Brothers, which soon went bankrupt.

Fast-forward to July 24, 2014, when the SEC announced its new MMF rules, and it became clear that changes were afoot in both the way Fidelity and others would have to manage "cash" for individuals and institutions. Perhaps most onerous is a

floating NAV for certain institutional funds that will effectively turn them into ultra-short bond funds.

Says Fidelity, "[In] listening to our investors' preferences ... many ... want access to MMFs with a stable NAV that will not be subject to liquidity fees or redemption gates, which would restrict their use ..." We'd add, that these fees and gates (meant to deter redemptions during panics) will further trim a MMF's yield, irrespective of the interest-rate environment.

Among the many changes Fidelity will make is altering the investment policies on its government and US Treasury funds, merging some prime MMFs into government ones, and combining still other funds to simplify its lineup. Finally, some funds will change their names for clarity. Also, some changes require shareholder approval, others not. Most notably, next month **Cash Reserves'** shareholders will be asked to convert their prime fund into an even safer govern-

While all MMFs have been yielding virtually nothing (which helps to explain why \$13 billion flowed out of Fidelity's 37 MMFs last year), there's a silver lining: In 2014, 69% of them outperformed their peers (see p. 4). Over the past three years, that figure rises to 73%. ■

ment fund. If approved, its new name will be Government Cash Reserves (see table). In today's near-zero rate environment, its already-barely-perceptible yield may be further trimmed, but nicked it will be!

Also, Fidelity has yet to decide which MMFs will have retail and/or institutional shares. Those decisions will be partly driven by its customers' needs, it says. But the new SEC rules are the primary drivers.

Finally, shareholders receiving proxies next month should support Fidelity's Board of Trustees and vote "For" the proposed changes. ■

— John Bonnanzio

Ticker	MMF Name	Status
FDRXX	Cash Reserves	Pending shareholder approval, will convert from prime to gov't fund called Gov't Cash Reserves.
SPAXX	Government MM	Will amend investment policies to conform to new SEC rules. No shareholder action required.
SPRXX	Money Market	Pending shareholder approval, will absorb Select MM [FSLXX].
FGMXX	Retirement Gov't MM	Will amend investment policies to conform to new SEC rules. No shareholder action required.
FRTXX	Retirement MM	Pending shareholder approval, will convert to gov't fund and become Retirement Gov't MM II.
FSLXX	Select MM	Pending shareholder approval, will merge into Money Market Fund [SPRXX].
FLTXX	Treasury MM	Will amend investment policies to conform to new SEC rules. No shareholder action required.
FDLXX	Treasury Only MM	Will amend investment policies to conform to new SEC rules. No shareholder action required.
FGRXX	U.S. Gov't Reserves	Pending shareholder approval, will merge into Gov't Money Market Fund [SPAXX].
FTNJC	VIP Money MM	Pending shareholder approval, will convert to gov't fund and become VIP Gov't Money MM.
FIMXX	AMT Tax-Free MM	Will merge into a similar tax-exempt fund, but not change name. No shareholder action required.

ASSET ALLOCATION

Strategic Income Gets Makeover

Fidelity has changed the **Strategic Income** and **VIP Strategic Income** funds' asset allocations. In addition, new benchmarks have been introduced to track their four subportfolios, while the fund itself has a new index.

Why do these changes matter?

In theory, at least, the funds' yields and long-term returns may slightly rise even as their interest-rate sensitivity falls a bit. That's because the funds' new "neutral" allocations add a 5%

sliver of high-yield floating-rate debt. This comes at the expense of generally lower-yielding US government and investment-grade bonds, which will decline to 25% from 30%.

There's also something more subtle occurring.

As the emerging markets have matured since the funds' inceptions almost 20 years ago, they've become less risky. So, yields have declined. To partly restore that income, floating-rate bonds have been introduced.

Because floating-rate bonds have shorter durations relative to the bonds they're replacing, the Strategic

Income funds are likely to become less interest-rate-sensitive.

With their lower correlation to investment-grade securities and even junk bonds, short-term floating-rate debt is actually a distinct asset class from the funds' other three bond sleeves. As such, the funds' new and broader asset mix may result in the best of both worlds: a tad less risk and a tad more yield.

Finally, bond veteran Ford O'Neil joins Joanna Bewick as the funds' co-lead manager. For our part, we welcome these changes and continue to like both funds. ■

QUESTION & ANSWER

Outlook For Interest Rates And Bonds

Q: *Given the Fed's plans for raising rates later this year, I'm wondering how wise it is to maintain large positions in Corporate Bond and Total Bond in your models.*

K.D. – via phone

A: While short-term bonds could see some negative impact over the next year, the Fed's likely action is largely priced in at this point. Furthermore, long-term bonds are less affected because their yields are set largely by fundamental forces, primarily inflation and the supply/demand of money available to lend. Neither factor is particularly bearish for them:

- On the inflation front, the recent oil price collapse is likely to hold down inflation over the next 12 months. Longer-term, technology continues to reduce inflationary pressures by cre-

ating abundance out of scarcity, and by creating new forms of competition on all fronts. As such, I think it's reasonable to expect US inflation to run at 2% or less in future decades — a full percentage point below the average run rate since 1926.

- On money supply and demand, US yields are much higher than the rest of the developed world, so much of the world's lendable capital continues to show up on our doorstep in search of higher yields. Any future tightening moves could reinforce that trend. At the same time, US businesses and consumers remain wary of debt — major purchases are being delayed in favor of bigger down payments or cash-only purchases. Together these factors suggest that today's relatively small lending premiums could remain that way for many years to come.

Because long-term bond yields are set more or less by the rate of inflation plus the lending premium, it's not unreasonable to assume that not much will change if the Fed gets its timing right.

If it becomes too hawkish (raises rates too much) and moves early, long-term bond yields might actually decline a bit, whereas a dovish Fed might let inflation creep up, boosting yields and hurting bondholders.

But this is not 1994 — the worst year on record for bonds. Today's lending markets are global, and the Fed's ability to move the bond markets may only be a fraction of what it was back then.

Bottom line, the most likely scenario for bond funds this year is that they earn a little less than their yields, but still much more than a money market fund (see p. 11). Since the major role of bonds in our model portfolios is risk reduction, we're not planing any major changes. So, see our bond fund ratings on p. 9. ■

Inside Fidelity

New ETF — MSCI Real Estate joins Fidelity's lineup of 10 other exchange-traded sector funds.

While Fidelity already offers several real estate funds, including **Spartan Real Estate Index** and an actively run real estate bond fund, this new ETF is actually a nod to the long-held view that real estate investment trusts (REITs) stand apart from stocks and bonds as both a distinct asset class and industry segment.

To the latter point, various index providers (such as S&P and MSCI) are likely to parse real estate stocks away from the broader financials sector, which also includes banks, investment managers, brokers and insurers. While this suggests that a Select real estate fund may be forthcoming, **Real Estate Investment** largely serves that purpose.

With an expense ratio of 0.12%, MSCI Real Estate has an expense advantage over Investor Class shares of **Spartan Real Estate Index** (0.23%), though not over its Advantage Class shares (0.09%). That said, Advantage shares could rise by 10 basis points as their expense cap is set to expire on September 30.

Setting aside expenses for a moment, we'd be remiss not to mention two things: 1. REITs are generally overvalued. 2. Active portfolio management in the REIT arena has served Fidelity investors well. In Steve Buller's deft hands, his Real Estate Investment fund has surpassed 64%, 76% and 86% of its peers over the prior 1-, 3- and 5-year periods.

Finally, while new managers now run **Select Communications Equipment, Retailing and Software & Computer Services**, there were other, and more significant, changes on several bond portfolios (see p. 8). ■

DIVIDEND UPDATE

In addition to regular monthly dividends paid by bond and money market funds and Asset Mgr: 20%/30%, the following funds may make a dividend or cap gain distribution in March:

Equity-Inc, MA Muni Inc, Mid Cap Value, NY Muni Inc, Real Estate Inc, Real Estate Inv, Sptn Real Estate Index, Stk Sel Large Cap Value, Tax-Free Bond, Telecom & Utilities.

The final distributions for February are shown below.

Fund	Ex-Date	\$ Amt	NAV
Contrafund	2/6	0.950	97.92
Intmtd Muni Inc	2/6	0.002	10.63
Lmtd Trm Muni Inc	2/6	0.004	10.76
MN Municipal Inc	2/6	0.005	11.85
OH Municipal Inc	2/6	0.008	12.38
PA Municipal Inc	2/6	0.017	11.41
Sp Infl-Prot Bond	2/13	0.010	9.64
Trend	2/6	1.178	84.57

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