

FIDELITY MONITOR & INSIGHT

Incorporating Fidelity Monitor and Fidelity Insight

JUNE 2014

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MESSAGE FROM JACK

This Is Not 1999

Standard & Poor's Chief Equity Strategist Sam Stovall recently published an article noting how the S&P 500 Index has fluctuated in lockstep with earnings per share since September of 2007 (see chart). So, if stock prices have not climbed faster than earnings over the last five years, why does the financial media claim that the market has reached absurd heights?

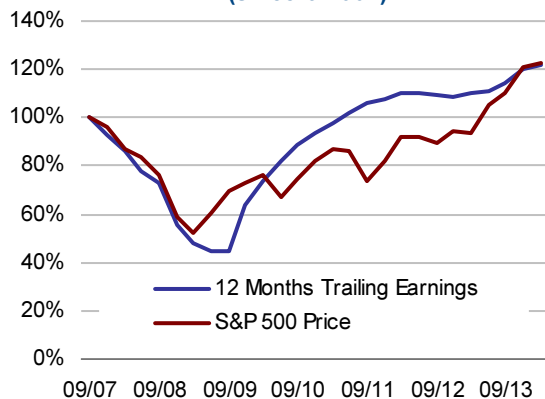


Jack Bowers

Enter the Shiller P/E ratio. This arcane indicator has several problems:

1. It magnifies the impact of past events by adjusting them upward for inflation;
2. It ignores the impact of stock buybacks that would otherwise reduce the ratio; and 3. It includes write-downs of

% Change in S&P 500 Earnings and Price (since 9/2007)



goodwill, which don't really impact the value of a franchise. So should you sell stocks because the Shiller P/E ratio says they are overvalued? In a word, no.

The traditional 12-month S&P 500 P/E ratio, is very close to its 25-year average. In addition, it's normal for the S&P 500 P/E ratio to run *above* its long-term average during periods of low inflation. Why? Because companies are worth more in today's money when inflation isn't eroding away the value of their future earnings.

Consider the earnings yield of the S&P 500, which currently stands at 5.7%. That's twice the 2.5% yield of the 10-year Treasury. Stocks may not be cheap, but they are not as expensive as bonds, and they are still a solid bet for the decade ahead.

Jack

MARKET OUTLOOK

GDP Contraction In First Quarter Not A Harbinger Of Recession

The second estimate of GDP for the first quarter revised a scant 0.1% gain into a 1.0% decline — the first drop since 2011. With two consecutive quarters of negative growth an “unofficial” definition of recession (the National Bureau of Economic Research is the official arbiter of recessions and their formula is more complex) investors may be worried. You needn't be.



John M. Boyd

First, companies added just \$49 billion to inventories in the quarter (down from the initial estimate of \$87 billion) after adding more than \$100 billion in each of the last two quarters of 2013. The current low rate of inventory building bodes well for growth in the second quarter, as firms will have to ramp up inventories at a faster pace to keep inventory-sales ratios steady.

Second, consumer spending rose 3.1%, down slightly from the fourth quarter's 3.3% pace, but still the second largest increase in three years. And there are reasons to believe that spending could stay strong. Consumer confidence is rising, and the deleveraging (reduction in debt) that began in earnest when the financial crisis hit in 2008 appears to be nearing an end as shown in the chart below.

Household Debt Service Payments as a % of Disposable Personal Income



Third, most of the recent economic data points to renewed growth ahead. Retail sales have rebounded nicely after a tough start to the year; both the Empire State Manufacturing and Philadelphia Fed indexes for May pointed to

Market Outlook *cont'd on page 3*

MODEL PORTFOLIOS

See Model Portfolios Key on p. 3

MAY 31, 2014

Unique Opportunities

Target Risk: 1.20 (Current: 1.14)

Foreign Holdings: 7.1%

YTD Return: 1.6%

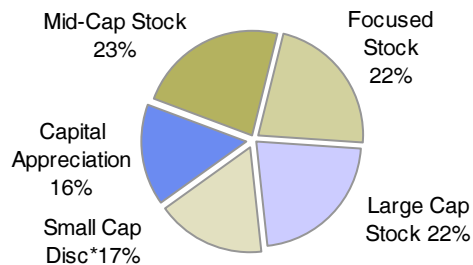
Stocks: 95.5% Bonds: 0.0% Cash: 4.5% Alternatives: 0.0% Yield: 0.4%

Holdings	Ticker	NAV	Shares	Value	May Ret
Mid-Cap Stock	FMCSX	\$40.93	2,223.33	\$91,001	1.7%
Focused Stock	FTQGX	20.20	4,319.47	87,253	3.3
Large Cap Stock	FLCSX	28.31	3,050.87	86,370	2.0
Small Cap Discovery*	FSCRX	31.34	2,126.43	66,642	1.9
Capital Appreciation	FDCAX	36.66	1,654.97	60,671	3.0

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

Current Value (3/31/99 = \$100,000) **\$391,938** **2.3%**

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



Select

Target Risk: 1.20 (Current: 1.20)

Foreign Holdings: 17.8%

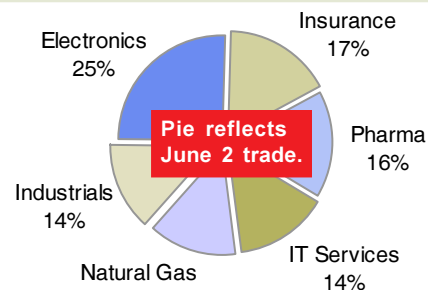
YTD Return: 3.6%

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

Holdings	Ticker	NAV	Shares	Value	May Ret
Electronics	FSELX	\$72.81	9,187.66	\$668,953	4.6%
IT Services	FBSOX	35.63	15,361.96	547,347	2.9
Industrials	FCYIX	32.50	16,321.37	530,445	0.9
Insurance	FSPCX	64.93	6,731.28	437,062	1.1
Pharmaceuticals	FPHAX	20.14	21,123.98	425,437	0.7

Current Value (12/31/88 = \$100,000) **\$2,609,244** **2.2%**

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



Growth

Target Risk: 1.00 (Current: 1.12)

Foreign Holdings: 6.8%

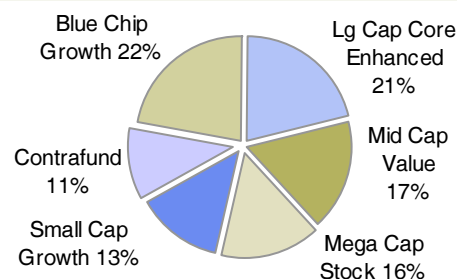
YTD Return: 2.7%

Stocks: 98.9% Bonds: 0.0% Cash: 1.1% Alternatives: 0.0% Yield: 0.6%

Holdings	Ticker	NAV	Shares	Value	May Ret
Blue Chip Growth	FBGRX	\$65.69	6,447.76	\$423,553	3.8%
Lg Cap Core Enhanced	FLCEX	11.63	34,466.64	400,847	2.6
Mid Cap Value	FSMVX	23.28	13,437.86	312,833	1.8
Mega Cap Stock	FGRTX	16.11	18,180.68	292,891	2.6
Small Cap Growth	FCPGX	18.38	13,682.67	251,487	0.9
Contrafund	FCNTX	97.00	2,145.47	208,111	3.3

Current Value (12/31/86 = \$100,000) **\$1,889,723** **2.6%**

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



Growth & Income

Target Risk: 0.66 (Current: 0.76)

Foreign Holdings: 16.7%

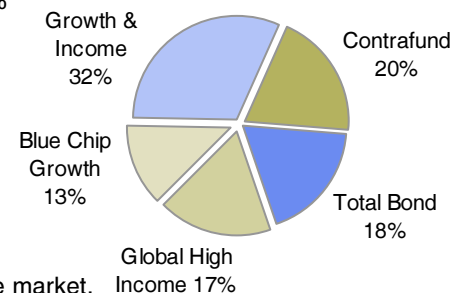
YTD Return: 3.7%

Stocks: 64.0% Bonds: 16.4% Cash: 3.4% Alternatives: 16.2% Yield: 1.8%

Holdings	Ticker	NAV	Shares	Value	May Ret
Growth & Income	FGRIX	\$28.84	5,696.32	\$164,282	2.3%
Contrafund	FCNTX	97.00	1,021.98	99,132	3.3
Total Bond	FTBFX	10.75	8,472.60	91,080	1.2
Global High Income	FGHNX	10.28	8,575.38	88,155	1.1
Blue Chip Growth	FBGRX	65.69	1,010.13	66,356	3.8

Current Value (12/31/93 = \$100,000) **\$509,005** **2.3%**

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



Income

Target Risk: 0.33 (Current: 0.42)

Foreign Holdings: 11.0%

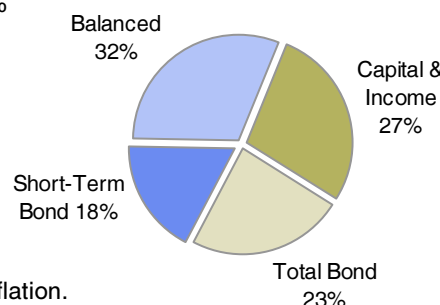
YTD Return: 3.9%

Stocks: 27.8% Bonds: 47.5% Cash: 3.4% Alternatives: 21.3% Yield: 2.2%

Holdings	Ticker	NAV	Shares	Value	May Ret
Balanced	FBALX	\$23.56	4,636.36	\$109,233	2.0%
Capital & Income	FAGIX	10.21	9,265.16	94,597	1.8
Total Bond	FTBFX	10.75	7,488.44	80,501	1.2
Short-Term Bond	FSHBX	8.62	7,070.55	60,948	0.3

Current Value (12/31/91 = \$100,000) **\$345,279** **1.5%**

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



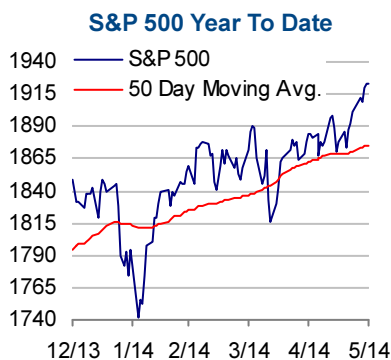
Market Outlook *cont'd from page 1*

strong growth, and initial claims for unemployment continue to trend lower. Housing remains an area of concern (it was a drag on first quarter GDP), but recent data have shown some improvement. Sales for both new and existing homes rose in April and pending sales increased in both March and April. Plus prices have begun to moderate, mortgage rates have declined, and the government has encouraged mortgage lenders to ease up on down payment requirements, all of which should help future sales.

In short, we expect to see a sharp rebound in GDP growth for the second quarter.

Lack Of Enthusiasm A Plus

An old Wall Street maxim is that bull markets climb a wall of worry, but this one seems to be climbing a wall of indifference. Recent readings from the American Association of Individual Investors show that nearly half of investors are neutral on the market versus the long-term average of around 30%, while bullish and bearish readings are both well below their averages. At the same time, large banks are blaming weak trading activity from institutions on a “lack of direction.” You might think from this that the market itself lacks direction. But in fact, after a very rough start to the year, as shown below, the S&P 500 has moved fairly steadily higher (a break in April notwithstanding).



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: Blue Chip Growth, Growth Company and the more conservative **Contrafund** for large-cap growth. **Mid-Cap Stock** is our choice for mid-growth. Our favored alternatives to the closed **Small Cap Discovery** are **Small Cap Growth, Small Cap Enhanced Index** and **Mid Cap Value**.

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

Bond: Short-Term Bond and **Intermediate Bond** limit interest-rate risk. **Total Bond** provides the greatest bond diversification holding US government debt, corporates, mortgages, high-yield and foreign debt, too. (More highly taxed investors should consider muni funds.)

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

Since the low in early February, the S&P 500 has risen over 10% — not bad for four months! Yet investors don't seem to “trust” the advance. This suggests further gains ahead. Bull markets don't end with everyone being neutral!

Rebound In Tech Also Positive

Last month I argued that the nasty slide in tech and small-caps was not a sign of a new bear market. Well, tech rebounded sharply in May with the Nasdaq gaining 3.2% versus the S&P 500's 2.3% return. This is not to give an “all clear” for tech, but it is an encouraging sign for the overall market that this key growth area returned to

market leadership. (Small-caps still lagged the broader market, but improved greatly from their dismal April losses.)

This helped our *Growth Model* to outperform the S&P 500 in May. Despite our positive outlook, I must remind members that a correction of 10-15% or more could occur at any time (as I have mentioned before, we are long overdue). This shouldn't dissuade long-term investors from the market. But if the thought of taking a hit of that magnitude makes you uncomfortable, consider our less risky *Growth & Income* or *Income Model*. That is better than going all to cash. ■

— John M. Boyd

MODEL PORTFOLIO TRADES

As announced on our Friday May 30 Hotline, on Monday June 2, we made trades in two Model Portfolios.

Select Model:

We sold (exchanged) one-third of our position in **Select IT Services** along with one-third of our position in **Select Industrials**. With the proceeds of these sales, we established a new 14% position in **Select Natural Gas** [ticker: FSNGX]. Note that Select funds have a 0.75% short-term trading fee for 30 days.

Annuity Sector Model:

We sold (exchanged) one-third of our position in **VIP Consumer Discretionary** along with another one-third of our position in **VIP Industrials**. With the proceeds of these sales, we established a new 15% position in **VIP Energy** [ticker: FJLLC]. Note that VIP sector funds have a 1.00% short-term trading fee for 60 days.

For the Annuity Sector model, the trade will lead to a slight increase in volatility. While not ideal, it's not a bad time to increase risk given that the majority of market participants are trying to cut back. See p. 4 for a discussion on the newly acquired funds. ■

FUND PROFILE

A Happy Anniversary For Blue Chip Growth

In July, Sonu Kalra can justifiably celebrate his fifth year managing **Blue**



Sonu Kalra

Chip Growth. Although the fund's 3.7% return this year is unremarkable in absolute and relative terms, that serves as an important reminder

that short-term performance can mean very little.

Case in point: Over the past five years (through 3/31/14), Sonu's fund has beaten a whopping 92% of its peers! Over three years the figure is 89%, and over the prior 12 months 96%. Viewed another way, the fund's cumulative total return through April

30 was 157.2%. For its part, **Spartan 500 Index** fund garnered a 139.2% return while **Large Cap Growth Enhanced Index** fund (which is also benchmarked against the Russell 1000 Growth Index) returned 142.8%.

Thank technology (though not exclusively) for helping Sonu to beat his bogey in four of the past five calendar years. Having run several tech-related Select funds and then doing a bang-up job at **OTC** for several years, his new assignment seemed a near-perfect fit.

Our only concern five years ago: **OTC** (benchmarking against the Nasdaq Composite) is typically 50% invested in tech, whereas **Blue Chip Growth** is around 30%. As such, we said, "Kalra may need to rely more upon analysts in other sectors." However, based upon our other observations in his handling **OTC**, we

fortuitously concluded this: "We feel he's up to the task, and continue to rate **Blue Chip Growth** a *Buy*."

Moreover, we continue to hold Sonu's large-cap growth fund in our **Growth & Income Model**. (**Blue Chip Growth** was subsequently added to our **Growth Model**, but frankly, only because the even better-performing **Growth Company** — run by the legendary Steve Wymer — was closed and thus unavailable to many readers.)

Looking ahead, about the only concern we'd have for **Blue Chip Growth** is how it would fare in a steep selloff, as Sonu did stumble in 2008. (**OTC** fell 46.0% that year versus 40% for the Nasdaq.) Of course, this fund is more diversified sector-wise, and he's had five years to hone his skills outside tech. We continue to rate **Blue Chip Growth** a *Buy*. ■

— John Bonnanzio

SELECT/SECTOR MODELS

Time's Right For Natural Gas

A turnaround appears to be in the making for the domestic natural gas sector. The best way to play this change is through **Select Natural Gas**, while the more diversified **VIP Energy** is an alternative for annuity investors. (See **Model Portfolio Trades** on p. 3.)

Six years after the shale boom swamped the Lower 48 with excess supplies that have kept prices depressed, several factors are helping to stabilize the price of the fuel at a modestly higher level that should boost revenue for producers:

- **Cold weather.** The amount of gas in storage is now at an 11-year low, and it may take a year or more for stocks to return to normal levels.

- **Drilling activity.** Because profit margins on oil are greater than that of gas, most of the shale drilling activity

SEL. NATURAL GAS

HALLIBURTON*
DEVONENERGY
ENCANA
CANADIAN NATL RESOURCES
CABOT OIL & GAS*
SOUTHWESTERNENERGY
AGL RESOURCES
HUSKYENERGY
HESS CORP*
EOG RESOURCES*

Select Natural Gas has 58 holdings; 46% of its \$1.0 billion in assets are concentrated in the 10 positions above.

*Positions held in **VIP Energy**.

is now concentrated in oil-rich regions like Bakken (Montana/North Dakota) and Eagle Ford (Texas). Even if natural gas prices stabilize around \$5, new drilling in gas-rich regions like Marcellus will be slow to make a comeback, because most rigs will remain where the producers can earn the highest returns (which is in Bakken and Eagle Ford).

- **Increased demand.** A recent

Supreme Court decision regarding EPA regulations of coal plant emissions will hasten the electric power industry's transition from coal to natural gas, further boosting demand.

- **LNG Exports.** Cheniere Energy appears likely to begin exports of liquefied natural gas by the end of next year, and their potential export volume is large enough to soak up any excess supplies that might pose a pricing threat once storage levels return to normal.

Energy stocks remain volatile, but valuations are reasonably attractive because they have trailed the broad market over the last three years. Because economic growth remains sluggish, there's potential for the energy group to outperform in the coming years. So, while we continue to rate Fidelity's energy-related funds *OK to Buy*, our favorite in the group, **Natural Gas**, was upgraded last month to *Buy* (see ratings on p. 5). ■

— Jack Bowers

Manager's Outlook: "Global geopolitical risk remains elevated, while US producers continue to crack the code of new domestic shale resources and are perfecting processes to make the extraction of these new reserves more efficient and economical. This combination, in my view, sets up great potential for North America-based natural gas and oil producers. With demand increasing and a much improved price outlook, it's certainly a strong environment to invest in natural gas equities, and I think there are interesting investment opportunities out there that are neither richly valued, nor very popular." — Ted Davis, Sel. Natural Gas

FUND COMMENTARY

Stocks Heat Up After Winter Chill

This past winter's Polar Vortex not only socked North America with temperatures that some say haven't been seen in 100 years, but it's apparent that it pushed the US economy into a



John Bonnanzio

deep freeze, too. Indeed, we learned last month that first-quarter GDP shrank by a full percentage point, as the record cold and snow (at least in many parts of continental US) warrants a good deal of the blame. (See *Market Outlook* on p. 1.)

Because of the transient nature of weather and the fact that many — if not most — economic indicators point towards faster growth this quarter and for the rest of the year, May's strong equity gains thawed many a pessimistic investors' frosty demeanor towards stocks. Notably, the Dow Jones Industrials didn't rise that much in May ("just" 1.1%), but that was more than enough to push it in to record territory. The same was true for the S&P 500: it gained 2.3% for the month, thereby establishing its own new record high.

And, coming off a tough period for tech and especially biotech, both snapped back in May: **Select Electronics** surged 4.6% and **Biotech** gained a solid 2.7%. In turn, both those sleeves of the market helped to propel the Nasdaq Composite to a one-month gain of 3.2%. And they also pushed that closely watched barometer of growth stocks into positive territory for the year.

On the other hand, small-cap stocks did show some life last month, but the Russell 2000 gauge only managed a 0.8% gain, and so it remains in negative territory (down 2.0%) for the year. In contrast to that, the big-cap S&P 500 and Dow Industrials are up 5.0% and 1.8%, respectively, for the year-to-date.

Equity Funds

To that end, Fidelity's large-cap growth funds have done something relatively rare this year: they hold a distinct performance edge over all other styles of equity funds.

The average actively managed large-cap growth fund returned 3.0% in May. This compares especially well against the 2.2% returned by the large-cap blend funds, while most small-caps provided only fractional gains.

Back in the large-cap growth space, gains ranged from 4.0% for **OTC** down to 1.3% for **Export & Multinational** (which we've now downgraded — see table). Needless-to-say, all the same sectors and sub-sectors that drove Nasdaq's performance last month were in play at OTC, too.

As for Fidelity's five most popular stock funds (as measured by assets), **Contrafund** and **Growth Company** both enjoyed a 3.3% return in May, **Low-Priced Stock** (this group's only mid-cap fund) rose 1.4%, **Magellan** gained 3.1%, while **Blue Chip Growth** (see facing page) bested all its peers with its 3.8% return.

On a somewhat related note, we've upgraded the large-cap **Independence** fund a notch to *Hold* from *OK to Sell*. Granted, this may seem

like a tepid and late response because it's currently Fidelity's top-performing domestic equity fund this year. (It gained 3.8% in May and 7.0% for the year.) However, under manager Bob Bertelson, **Independence** has a three-year volatility (risk) that's been 50% greater than the S&P 500. But, his rapid turnover style has recently waned, and short-term volatility is falling. While not our favorite big-cap growth fund, our upgrade is a nod to the fund's absolute returns rather than its risk-adjusted performance.

International Funds

With tensions easing in Ukraine, Europe and India signaling an interest in more conservative fiscal policies and faster economic growth, China picking up a bit of economic speed, and the US grinding its way forward, all of Fidelity's international stock funds wound up gaining ground in May. Most impressive were their emerging market funds which are benefiting from investors moving assets into many higher-growth countries. **Emerging Markets**, for example, gained 4.0%. Meanwhile, its alter-ego on the fixed-income/high yield side, **New Markets Income**, popped 3.3% and is now up 8.9% for the year.

Fund Commentary cont'd on page 8

JUNE SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
Export & Multi	S	S	↓	There are superior large-cap alternatives.
Floating Rate HI	B	B	↓	See "New Fund" on p. 12.
Global Strategies	S	S	↑	New managers portend a better performance.
Independence	S	H	↑	Though volatile, manager is getting job done.
MSCI Info Tech ETF	H	B	↑	Sector better positioned for PC slowdown.
Sel Air Transport	H	B	↑	Move to more fuel efficient jets aids entire sector.
Sel Const & Hous	H	S	↓	1st-time buyers face higher purchasing barriers.
Sel Cons Finance	B	B	↓	Loan demand slack as mortgage growth stalls.
Sel Energy Svc	S	H	↑	Deep-water drilling in Mexico's Gulf to accelerate.
Sel Health Care	H	B	↑	Profit-taking appears done; fundamentals solid.
Sel Transportation	H	B	↑	Railroads benefiting from oil shale shipments.
Short Duration HI	B	B	↓	High-yield getting "frothy."
VIP Energy	B	B	↑	See Sel. Natural Gas story on p. 4.
VIP Float Rate HI		B		See "New Fund" on p. 12.

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

FIDELITY SCORECARD

MAY 31, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)				Rel Vol (Risk) ¹		
						May	YTD	3 Mo.	1 Yr	3 Yr	5 Yr	10 Yr			
Comparative Indexes		S&P 500		1923.6		2.3	5.0	4.0	20.4	15.2	18.4	7.8	1.00		
		Nasdaq Composite		4242.6		3.2	2.0	-1.3	24.2	15.8	20.4	8.9	1.15		
		Dow Jones Industrials		16717.2		1.1	1.8	2.9	13.1	12.8	17.5	7.8	0.93		
		Russell 2000 (Small Caps)		1134.5		0.8	-2.0	-3.7	16.8	11.7	19.3	8.6	1.37		
		Barclays Aggregate Bond*				1.1	3.8	1.7	2.4	3.3	4.7	4.6	0.23		
Model Portfolios		Unique Opportunities				2.3	1.6	-1.1	19.4	11.8	18.1	9.6	1.14		
		Select				2.2	3.6	1.1	24.1	15.1	20.3	9.7	1.20		
		Growth				2.6	2.7	0.5	15.9	11.0	16.9	7.2	1.12		
		Growth & Income				2.3	3.7	1.7	14.6	10.0	13.5	6.9	0.76		
		Income				1.5	3.9	1.7	6.6	6.5	9.1	4.9	0.42		
												Rel Vol (Risk) ¹	Assets (\$Mil)		
LARGE CAP GROWTH						Category Averages			3.0	3.3	-1.7	22.7	13.9	18.7	1.17
312	FBGRX	Blue Chip Growth		65.69	Buy	3.8	3.7	-1.4	25.3	15.3	20.9	1.24	\$11,474		
307	FDCAX	Capital Appreciation		36.66	Buy	3.0	1.3	-2.6	19.8	15.6	19.2	1.12	5,976		
22	FCNTX	Contrafund		97.00	Buy	3.3	1.9	-1.2	20.6	14.4	17.8	1.02	73,402		
332	FEXPX	Export and Multinational	0.75%/30d	24.87	Sell↓	1.3	2.2	1.5	15.0	10.7	14.6	0.99	1,683		
3	FFIDX	Fidelity Fund		44.09	OK to Sell	2.6	3.4	0.3	17.5	11.8	15.6	1.03	4,673		
500	FFTYX	Fifty (Closed)		28.58	Buy	3.3	2.6	-4.1	22.9	14.6	18.0	1.11	757		
333	FTQGX	Focused Stock		20.20	Buy	3.3	2.3	-4.3	22.8	14.3	19.7	1.15	1,932		
25	FDGRX	Growth Company (Closed)		122.66	Buy	3.3	2.9	-3.3	22.9	14.8	20.8	1.27	22,769		
339	FDSVX	Growth Discovery		22.11	OK to Buy	2.7	4.2	-3.4	25.1	14.3	19.7	1.17	1,011		
73	FDFFX	Independence		38.77	Hold↑	3.8	7.0	-2.0	29.2	14.2	19.8	1.55	4,009		
21	FMAGX	Magellan		90.12	OK to Buy	3.1	4.0	0.7	23.2	11.6	14.7	1.23	13,269		
300	FMILX	New Millennium		40.67	Buy	1.7	3.8	-0.7	22.4	15.6	20.3	1.00	3,421		
93	FOCPX	OTC		79.06	OK to Buy	4.0	2.2	-5.5	28.4	14.1	20.9	1.39	7,693		
320	FDSSX	Stock Selector All Cap		37.21	OK to Buy	2.5	4.6	1.4	22.5	13.4	17.9	1.15	3,479		
5	FTRNX	Trend		87.08	Buy	3.0	2.8	-1.3	23.6	13.8	20.2	1.15	1,369		
LARGE CAP BLEND						Category Averages			2.2	4.1	3.4	20.7	15.1	18.5	1.14
315	FDEQX	Disciplined Equity		33.65	Hold	1.7	4.1	2.8	22.2	13.7	15.9	1.16	1,235		
330	FDGFX	Dividend Growth		36.83	Hold	2.6	4.1	3.4	20.3	11.6	18.2	1.32	6,563		
27	FGRIX	Growth & Income		28.84	Buy	2.3	3.9	4.5	18.5	16.1	18.4	1.03	6,456		
338	FLCSX	Large Cap Stock		28.31	Buy	2.0	4.0	1.8	22.9	17.1	21.0	1.15	2,794		
361	FGRTX	Mega Cap Stock		16.11	Buy	2.6	4.5	4.4	19.8	16.9	19.3	1.05	2,706		
LARGE CAP VALUE						Category Averages			1.7	5.0	4.7	19.2	12.8	16.3	1.11
1271	FBCVX	Blue Chip Value		15.04	OK to Buy	1.7	2.9	3.6	19.1	10.7	14.6	1.21	373		
319	FEQTX	Equity Dividend Income		25.43	OK to Buy	1.8	4.3	4.9	17.0	11.8	15.8	1.09	5,061		
23	FEQIX	Equity-Income		61.02	OK to Buy	1.4	4.8	4.5	16.3	11.7	16.2	1.08	7,238		
708	FSLVX	Stock Sel Large Cap Value		16.22	Hold	1.6	6.4	5.1	20.0	14.5	16.6	1.08	575		
832	FVDFX	Value Discovery		23.18	OK to Buy	2.1	6.4	5.6	23.8	15.1	18.5	1.12	547		
MID-CAP GROWTH						Category Averages			1.9	3.4	0.2	21.3	12.4	19.0	0.82
324	FDEGX	Growth Strategies	1.50%/90d	29.40	Hold	2.7	3.2	1.1	22.4	10.3	17.5	1.35	1,634		
337	FMCSX	Mid-Cap Stock	0.75%/30d	40.93	Buy	1.7	3.6	-0.7	22.9	14.0	21.1	1.12	5,967		
2412	FSSMX	Stock Selector Mid Cap		31.49	Hold	1.4	3.4	0.1	18.5	13.0	18.5	0.00	231		
MID-CAP BLEND						Category Averages			1.9	3.6	2.0	18.9	13.4	20.6	1.31
2624	FARNX	Event Driven Opportunities		10.31	OK to Buy	2.1	4.7	-0.2	--	--	--	--	61		
122	FLVCX	Leveraged Company Stock	1.50%/90d	45.11	OK to Buy	2.2	4.3	3.6	20.2	13.9	21.2	1.49	4,119		
316	FLPSX	Low-Priced Stock	1.50%/90d	50.55	OK to Buy	1.4	2.2	1.3	18.9	14.0	19.5	1.11	30,800		
14	FSLSX	Value Strategies		42.19	OK to Buy	1.8	3.0	3.1	17.7	12.3	21.0	1.33	703		
MID-CAP VALUE						Category Averages			1.9	5.4	2.9	22.6	15.0	21.7	1.23
762	FSMVX	Mid Cap Value	0.75%/30d	23.28	Buy	1.8	5.2	3.4	22.7	15.1	22.4	1.22	1,517		
39	FDVLX	Value		109.28	Buy	2.0	5.5	2.4	22.4	14.8	21.1	1.24	7,682		
SMALL CAP GROWTH						Category Averages			0.9	-4.6	-8.2	16.7	10.8	19.2	1.41
1388	FCPGX	Small Cap Growth	1.50%/90d	18.38	Buy	0.9	-4.6	-8.2	16.7	10.8	19.2	1.41	1,124		
SMALL CAP BLEND						Category Averages			0.7	-0.6	-1.4	16.5	10.0	19.6	1.42
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	31.34	Buy	1.9	0.3	1.5	17.2	16.2	24.1	1.36	6,462		
340	FSLCX	Small Cap Stock	2.00%/90d	20.94	OK to Sell	0.5	0.0	-1.1	16.2	4.2	15.6	1.56	2,051		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	25.65	OK to Buy	-0.4	-2.0	-4.5	16.2	9.8	19.1	1.34	1,483		
SMALL CAP VALUE						Category Averages			1.3	-0.2	1.4	16.2	14.6	20.3	1.29
1389	FCPVX	Small Cap Value (Closed)	1.50%/90d	20.00	Buy	1.3	-0.2	1.4	16.2	14.6	20.3	1.29	2,149		

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

MAY 31, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						May	YTD	3 Mo.	1 Year	3 Year	5 Year				
SPECIALTY															
304	FBALX	Balanced		23.56	Buy	2.0	4.0	1.8	15.5	10.8	14.1	0.68	\$18,491		
308	FCVXS	Convertible Securities		32.60	Buy	2.2	5.2	1.8	15.1	9.2	17.1	1.03	2,236		
334	FGBLX	Global Balanced	1.00%/30d	25.43	OK to Buy	1.5	2.8	-0.7	13.5	6.9	11.2	0.74	597		
2120	FFGCX	Global Commodity Stock	1.00%/30d	14.65	Hold	-0.2	3.7	3.3	10.6	-5.1	4.4	1.74	264		
1960	FDYSX	Global Strategies		9.90	OK to Sell↑	1.4	3.3	2.5	9.2	4.6	9.8	0.79	168		
1368	FIREX	International Real Estate	1.50%/90d	10.84	Hold	3.1	6.6	5.8	12.4	9.8	13.2	1.56	340		
4	FPURX	Puritan		22.02	Buy	2.3	4.2	1.1	15.8	10.5	14.2	0.72	17,520		
833	FRIFX	Real Estate Income	0.75%/90d	11.98	OK to Sell	1.6	8.5	3.6	6.9	9.8	15.9	0.50	2,561		
303	FRESX	Real Estate Investment	0.75%/90d	37.20	OK to Sell	2.4	16.5	7.2	9.6	9.9	24.0	1.37	3,779		
1329	FSDIX	Strategic Dividend & Income		14.86	OK to Buy	1.8	7.4	5.1	13.6	12.0	17.9	0.73	2,609		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.71	OK to Sell	0.5	6.2	2.3	4.0	2.9	8.6	0.52	647		
311	FIUIX	Telecom & Utilities		24.11	Hold	3.9	11.5	7.9	24.3	14.4	18.0	0.85	1,029		
ASSET ALLOCATION															
328	FASIX	Asset Manager 20%		13.65	Hold	1.1	3.0	1.3	6.0	4.8	7.5	0.28	4,832		
1957	FTANX	Asset Manager 30%		10.77	Hold	1.3	3.5	1.4	8.0	5.9	9.2	0.39	713		
1958	FFANX	Asset Manager 40%		11.01	Hold	1.6	3.7	1.6	10.1	6.9	10.5	0.50	679		
314	FASMX	Asset Manager 50%		18.14	Hold	1.7	3.8	1.6	11.9	7.6	11.8	0.61	7,892		
1959	FSANX	Asset Manager 60%		11.60	Hold	1.8	4.0	1.7	13.6	8.3	12.7	0.73	1,119		
321	FASGX	Asset Manager 70%		21.33	Hold	2.0	4.0	1.6	15.4	9.1	13.8	0.85	3,649		
347	FAMRX	Asset Manager 85%		17.80	Hold	2.1	4.0	1.6	18.3	10.1	15.1	1.02	1,371		
EQUITY INDEX															
355	FFNOX	Four-in-One Index		37.02	Hold	1.8	4.1	2.5	17.1	11.2	14.9	0.93	3,665		
2010	FIENX	International Enhanced Index	1.00%/30d	9.02	Hold	1.6	4.6	2.6	20.1	8.0	11.8	1.30	50		
1827	FLCEX	Large Cap Core Enhanced Index		11.63	Buy	2.6	5.0	4.5	21.6	15.9	18.3	0.98	464		
1829	FLGEX	Large Cap Growth Enhanced Index		14.31	OK to Buy	3.0	4.6	3.1	22.4	15.4	18.9	1.02	248		
1828	FLVEX	Large Cap Value Enhanced Index		10.66	OK to Buy	1.9	6.3	5.9	21.4	16.3	18.3	1.03	226		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	13.13	OK to Buy	2.1	4.8	2.3	24.5	15.0	21.4	1.21	273		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	56.20	Hold	3.3	2.0	-1.2	24.1	15.7	20.2	1.15	804		
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	12.05	Buy	0.8	-1.9	-2.3	18.2	13.6	20.3	1.39	402		
650	FUSEX	Spartan 500 Index ⁴		68.41	Hold	2.3	4.9	3.9	20.3	15.0	18.3	1.00	5,822		
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	9.90	Hold	3.6	3.6	8.1	3.5	--	--	--	12		
398	FSEMX	Spartan Extended Mkt Index ⁴	0.75%/90d	53.42	Hold	1.5	1.6	-1.8	20.1	13.3	21.0	1.30	1,763		
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	12.84	Hold	1.9	3.8	3.6	15.0	--	--	--	14		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	41.97	Hold	1.6	3.9	2.6	18.7	7.3	11.3	1.32	2,719		
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	16.62	Hold	2.2	5.1	1.3	21.1	--	--	--	15		
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	13.50	OK to Sell	2.4	16.9	7.0	10.0	--	--	--	12		
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	16.19	Hold	0.8	-2.0	-3.8	16.8	--	--	--	21		
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	56.28	Hold	2.2	4.3	2.8	20.3	14.7	18.8	1.05	1,683		
INTERNATIONAL						Category Averages			2.7	2.2	2.7	14.1	6.3	12.1	1.41
309	FICDX	Canada	1.50%/90d	61.26	Hold	1.3	5.1	4.4	14.6	1.4	8.4	1.14	2,142		
352	FHKCX	China Region	1.50%/90d	32.44	Hold	3.4	-3.9	-4.2	9.4	3.7	10.4	1.56	1,289		
325	FDIVX	Diversified International	1.00%/30d	37.57	Hold	2.2	1.8	1.0	18.7	7.7	11.4	1.34	14,813		
351	FSEAX	Emerging Asia	1.50%/90d	31.95	Hold	5.1	4.3	5.2	8.2	1.4	10.1	1.52	1,036		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	9.42	Hold	3.6	2.5	5.0	10.0	1.3	9.0	1.51	102		
322	FEMKX	Emerging Markets	1.50%/90d	25.09	Hold	4.0	4.2	5.9	6.0	-1.4	8.8	1.58	2,160		
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	12.45	Hold	4.8	2.5	8.5	3.3	--	--	--	77		
301	FIEUX	Europe	1.00%/30d	40.63	OK to Buy	0.9	4.5	1.0	21.2	8.8	12.4	1.49	1,529		
341	FECAX	Europe Capital App				Merged into Europe									
2406	FGILX	Global Equity-Income	1.00%/30d	12.82	OK to Buy	2.3	4.5	3.0	18.5	--	--	--	45		
335	FIVFX	International Cap App	1.00%/30d	17.14	Buy	2.6	2.3	1.1	16.4	9.2	14.1	1.47	1,005		
305	FIGRX	International Discovery	1.00%/30d	40.56	Hold	2.1	0.2	0.0	15.6	7.4	11.7	1.33	8,075		
1979	FIGFX	International Growth	1.00%/30d	11.34	OK to Buy	1.7	0.9	1.2	15.6	8.2	14.7	1.22	541		
818	FISMX	International Small Cap	2.00%/90d	26.98	Hold	1.0	0.7	-1.1	19.8	8.8	16.0	1.33	1,013		
1504	FSCOX	International Small Cap Opps	2.00%/90d	14.67	Buy	1.7	5.1	1.0	20.2	11.3	18.8	1.17	620		
1597	FIVLX	International Value	1.00%/30d	9.22	Hold	1.3	1.9	1.3	17.2	5.4	9.6	1.37	191		
350	FJPNX	Japan	1.50%/90d	11.65	OK to Sell	5.1	-3.2	0.1	6.4	5.9	6.1	1.16	411		
360	FJSCX	Japan Smaller Companies	1.50%/90d	12.85	OK to Sell	4.0	-4.4	1.5	9.9	14.8	13.7	1.60	447		
349	FLATX	Latin America	1.50%/90d	31.80	OK to Sell	0.8	1.8	11.7	-7.4	-9.7	2.9	1.74	1,057		
342	FNORX	Nordic	1.50%/90d	48.84	Buy	3.5	9.1	5.8	41.1	13.3	20.0	1.69	586		
94	FOSFX	Overseas	1.00%/30d	41.63	OK to Buy	1.8	3.4	1.6	21.2	9.3	11.3	1.49	2,977		
302	FPBFX	Pacific Basin	1.50%/90d	28.37	Hold	3.3	2.6	3.7	13.4	8.7	16.8	1.38	696		
2369	FTEMX	Total Emerging Markets	1.50%/90d	11.70	Hold	4.3	4.0	6.6	7.6	--	--	--	42		
1978	FTIEX	Total International Equity	1.00%/30d	8.32	OK to Buy	1.8	1.6	2.5	13.2	5.4	11.6	1.30	340		
318	FWWFX	Worldwide	1.00%/30d	24.97	OK to Buy	2.8	1.4	-2.3	19.3	11.2	15.9	1.16	1,578		

FIDELITY SCORECARD

MAY 31, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)
						May	YTD	3 Mo.	1 Year	3 Year	5 Year		
SELECT PORTFOLIOS						2.2	4.6	1.3	22.3	13.1	19.2	1.40	
<i>Category Averages</i>													
34	FSAIX	Air Transportation	0.75%/30d	65.13	OK to Buy↑	5.3	10.5	7.3	39.6	21.8	29.2	1.17	\$350
502	FSAVX	Automotive	0.75%/30d	52.35	OK to Buy	3.2	2.3	1.2	24.2	11.9	26.2	1.88	177
507	FSRBX	Banking	0.75%/30d	25.37	Hold	0.7	0.1	0.3	19.8	15.0	16.3	1.34	861
42	FBIOX	Biotechnology	0.75%/30d	186.47	OK to Sell	2.7	2.6	-15.8	27.7	31.2	28.7	1.74	8,130
68	FSLBX	Brokerage & Investment	0.75%/30d	70.27	OK to Buy	0.2	-5.1	-2.1	13.0	12.8	13.3	1.70	657
69	FSCHX	Chemicals	0.75%/30d	151.12	Hold	3.1	6.0	4.3	26.0	16.4	24.5	1.54	1,698
518	FSDCX	Communications Equipment	0.75%/30d	31.80	Hold	3.4	7.9	1.9	26.1	3.6	14.9	1.63	284
7	FDCPX	Computers	0.75%/30d	75.68	OK to Sell	1.2	2.3	0.5	16.0	10.9	21.5	1.48	656
511	FSHOX	Construction & Housing	0.75%/30d	53.01	OK to Sell↓	1.0	1.9	-3.4	6.4	18.2	21.2	1.43	349
517	FSCPX	Consumer Discretionary	0.75%/30d	31.56	Buy	1.8	0.2	-0.3	19.5	17.1	22.7	1.17	875
98	FSVLX	Consumer Finance	0.75%/30d	15.28	OK to Buy↓	1.9	-0.1	1.1	13.9	17.9	17.6	1.07	209
9	FDFAX	Consumer Staples	0.75%/30d	92.66	Hold	2.3	6.2	8.3	14.1	14.1	17.4	0.94	1,390
67	FSDAX	Defense & Aerospace	0.75%/30d	117.65	OK to Buy	0.6	0.4	0.2	26.9	17.6	21.8	1.09	901
8	FSELX	Electronics	0.75%/30d	72.81	Buy	4.6	15.4	6.7	35.5	10.9	20.3	1.61	1,513
60	FSENX	Energy	0.75%/30d	58.50	OK to Buy	1.1	9.6	9.3	21.9	6.0	13.0	1.80	2,371
43	FSESX	Energy Service	0.75%/30d	90.55	Hold↑	2.4	10.5	8.8	23.6	4.2	13.0	2.22	1,124
516	FSLEX	Environment & Alt Energy	0.75%/30d	23.54	Sell	1.3	3.2	0.9	21.5	6.9	13.6	1.31	106
66	FIDSX	Financial Services	0.75%/30d	82.19	OK to Buy	1.7	0.6	1.7	15.5	11.6	11.1	1.52	911
41	FSAGX	Gold	0.75%/30d	19.87	Sell	-6.0	10.6	-11.3	-17.2	-25.9	-10.6	2.55	1,176
63	FSPHX	Health Care	0.75%/30d	196.46	OK to Buy↑	4.2	10.2	-4.2	40.1	24.6	26.9	1.18	5,607
510	FSCGX	Industrial Equipment	0.75%/30d	42.38	Hold	0.1	1.2	0.7	20.6	11.6	21.2	1.52	425
515	FCYIX	Industrials	0.75%/30d	32.50	Buy	0.9	2.1	2.1	23.4	14.5	23.0	1.31	1,364
45	FSPCX	Insurance	0.75%/30d	64.93	Buy	1.1	0.4	4.2	18.7	16.5	19.9	1.20	407
353	FBSOX	IT Services	0.75%/30d	35.63	Buy	2.9	-4.4	-5.5	23.0	17.9	24.2	1.37	1,203
62	FDSLX	Leisure	0.75%/30d	128.25	Buy	1.9	-0.5	-1.9	20.8	16.3	21.6	1.32	555
509	FSDPX	Materials	0.75%/30d	86.04	Hold	1.8	4.4	2.1	18.8	9.6	18.8	1.58	1,254
505	FSHCX	Medical Delivery	0.75%/30d	74.21	Hold	5.4	5.9	2.2	25.2	12.9	21.7	1.18	648
354	FSMEX	Medical Equipment	0.75%/30d	35.97	Buy	3.6	6.4	-0.0	27.6	13.3	18.3	1.16	1,612
503	FBMPX	Multimedia	0.75%/30d	79.48	OK to Buy	4.3	-0.0	-1.0	22.6	20.2	28.2	1.27	848
513	FSNGX	Natural Gas	0.75%/30d	43.48	Buy	1.0	15.3	11.2	30.9	8.1	10.0	1.60	1,028
514	FNARX	Natural Resources	0.75%/30d	40.56	Hold	1.0	10.6	7.8	20.9	3.2	11.5	1.83	1,008
580	FPHAX	Pharmaceuticals	0.75%/30d	20.14	Buy	0.7	10.8	-0.5	32.3	20.5	24.4	0.95	1,577
46	FSRPX	Retailing	0.75%/30d	80.90	Hold	2.4	-3.4	-4.4	18.1	18.9	24.3	1.22	878
28	FSCSX	Software & Computer Svcs	0.75%/30d	114.21	Buy	3.2	-0.8	-5.4	28.6	18.8	24.3	1.33	3,472
64	FSPTX	Technology	0.75%/30d	115.37	OK to Buy	4.0	2.4	-3.6	23.9	10.3	20.6	1.37	2,229
96	FSTCX	Telecommunications	0.75%/30d	61.30	Buy	5.0	3.6	6.3	15.4	8.6	14.8	1.03	346
512	FSRFX	Transportation	0.75%/30d	82.05	OK to Buy↑	5.8	12.8	9.2	37.3	18.6	28.0	1.31	505
65	FSUTX	Utilities	0.75%/30d	75.03	OK to Sell	2.0	15.7	9.1	26.8	15.5	17.8	0.87	904
963	FWRLX	Wireless	0.75%/30d	9.58	OK to Buy	3.6	2.9	2.5	22.3	11.0	14.5	0.95	278
SECTOR ETFs													
	FDIS	MSCI Consumer Discretionary		26.48	Buy	2.5	-1.6	-2.0	--	--	--	--	39
	FSTA	MSCI Consumer Staples		27.31	Hold	2.1	5.4	7.3	--	--	--	--	38
	FENY	MSCI Energy		27.69	OK to Buy	1.3	7.9	9.3	--	--	--	--	59
	FNCL	MSCI Financials		26.46	OK to Buy	1.3	2.2	2.1	--	--	--	--	56
	FHLC	MSCI Healthcare		28.43	OK to Buy	3.0	7.1	-0.5	--	--	--	--	112
	FIDU	MSCI Industrials		28.03	Buy	1.6	2.7	3.1	--	--	--	--	54
	FTEC	MSCI Information Technology		28.36	OK to Buy↑	3.5	5.0	2.4	--	--	--	--	89
	FMAT	MSCI Materials		27.82	Hold	2.5	5.7	3.5	--	--	--	--	29
	FCOM	MSCI Telecomm Services		26.86	Buy	3.9	5.4	9.1	--	--	--	--	21
	FUTY	MSCI Utilities		27.84	OK to Sell	-0.7	12.8	6.3	--	--	--	--	43

Fund Commentary *cont'd from page 5*

Bond Funds

In the closing days of May, the yield on the 10-year Treasury briefly dipped to an 11-month low of 2.40%, but ended the month at 2.47%. This is down from 2.67% a month before, and 3.04% at the start of the year.

While there's plenty of disagreement (and surprise!) as to why Treasuries

have performed so well this year (especially the long-dated variety — **Spartan Long-Term Treasury Index** is up 12.5%!), there's little disagreement in this: there are plenty of skittish investors who remain attracted to "safe harbor" investments. Of course, still others believe that the economy will slow, and that bond yields have further room to fall. With the above in mind, the broadly diver-

sified **Spartan US Bond Index** fund gained 1.1% in May and is now up 3.9% for the year.

Finally, with investors clearly craving tax-free income, and as they're not especially concerned about municipal defaults or rising interest rates, Fidelity's biggest offering in this arena, **Muni Income**, rose 1.5% in May and is up 6.7% YTD. ■

— John Bonnanzio

FIDELITY SCORECARD

MAY 31, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			SEC %Yield	Dur ² (Yrs)	Rel Vol (Risk) ¹			
						May	YTD	3 Mo.	1 Yr	3 Yr	5 Yr						
TAXABLE BOND						Category Averages			1.0	3.6	1.6	2.0	3.1	4.4	1.49	4.8	0.26
2267	FCONX	Conservative Income Bond		10.04	Buy	-0.1	0.1	0.1	0.4	0.7	--	0.14	0.7	--			
2208	FCBFX	Corporate Bond		11.45	Buy	1.5	6.0	2.7	4.9	6.5	--	2.58	6.8	0.37			
2423	FGBFX	Global Bond		9.90	OK to Sell	0.6	4.4	2.0	4.2	--	--	1.95	6.1	--			
15	FGMNX	GNMA (Ginnie Mae)		11.56	Hold	1.1	4.1	1.7	3.1	3.1	4.6	2.56	4.6	0.23			
54	FGOVX	Government Income		10.42	Hold	1.0	3.3	1.4	1.7	2.8	3.6	1.63	4.8	0.23			
794	FINPX	Inflation-Protected Bond ³		12.44	OK to Sell	2.0	5.3	2.8	-0.4	3.3	5.1	-0.19	5.7	0.45			
32	FTHRFX	Intermediate Bond		11.01	Buy	0.8	2.7	1.2	2.1	3.2	5.9	1.77	3.8	0.18			
452	FSTGX	Intermediate Gov't Income		10.68	Hold	0.7	1.9	0.7	1.0	2.0	2.8	1.08	3.5	0.16			
2428	FINUX	International Bond		9.99	OK to Sell	0.3	4.4	2.0	5.9	--	--	1.81	6.2	--			
26	FBNDX	Investment Grade Bond		7.92	Buy	1.2	4.2	1.9	3.1	4.3	6.8	2.34	5.3	0.24			
2622	FJRLX	Limited Term Bond		11.59	Buy	0.6	1.9	0.8	1.7	3.0	5.9	1.55	2.9	0.19			
662	FFXSX	Limited Term Government		10.07	OK to Buy	0.5	1.0	0.5	0.8	1.0	1.8	0.64	2.5	0.08			
40	FMSFX	Mortgage Securities		11.26	Hold	1.2	3.9	1.8	3.1	3.2	5.2	2.64	4.5	0.20			
450	FSHBX	Short-Term Bond		8.62	Buy	0.3	0.9	0.4	1.2	1.4	2.8	0.74	1.9	0.06			
2415	FSIQX	Sptn Inflation-Protect Index ⁴		9.84	OK to Sell	2.0	5.4	2.8	-0.1	--	--	0.05	5.6	--			
1561	FIBIX	Sptn Interm Treas Index ⁴		10.88	OK to Sell	1.4	4.0	1.4	0.2	3.7	4.7	1.88	6.5	0.40			
1562	FLBIX	Sptn Lng-Term Treas Index ⁴		12.17	OK to Sell	2.7	12.5	5.3	2.5	7.9	7.3	3.01	16.4	1.04			
1560	FSBIX	Sptn Sht-Term Treas Index ⁴		10.47	Hold	0.4	0.8	0.2	0.6	1.0	1.7	0.50	2.6	0.09			
651	FBIDX	Sptn US Bond Index		11.68	Hold	1.1	3.9	1.7	2.4	3.3	4.7	2.00	5.3	0.23			
820	FTBFX	Total Bond		10.75	Buy	1.2	4.2	1.9	3.5	4.4	7.2	2.46	5.2	0.24			
812	FUSFX	Ultra-Short Bond (Closed)	0.25%/60d	8.26	Hold	0.0	0.2	0.1	0.4	0.6	0.9	0.15	0.3	0.04			
HIGH-YIELD BOND						Category Averages			1.3	4.4	2.3	6.2	6.7	11.3	3.75	3.5	0.50
38	FAGIX	Capital & Income	1.00%/90d	10.21	Buy	1.8	5.5	2.2	10.1	7.4	16.1	3.81	4.0	0.67			
814	FFRHX	Floating Rate High Income	1.00%/60d	9.97	OK to Buy	0.5	1.5	0.8	3.3	4.0	6.4	3.10	0.3	0.26			
1366	FHIFX	Focused High Income	1.00%/90d	9.16	Buy	0.8	3.7	1.5	5.6	7.0	10.8	3.52	3.5	0.42			
2297	FGHNX	Global High Income	1.00%/90d	10.28	Buy	1.1	4.5	2.0	7.4	7.3	--	4.22	3.4	0.61			
455	SPHIX	High Income	1.00%/90d	9.49	Buy	0.9	3.5	1.2	6.6	7.6	13.1	4.23	2.7	0.56			
331	FNMIX	New Markets Income	1.00%/90d	16.64	Hold	3.3	8.9	6.9	5.2	8.4	11.8	4.92	6.8	0.65			
2580	FSAHX	Short Duration High Income	1.00%/90d	10.13	OK to Buy	0.6	2.6	1.1	--	--	--	2.92	2.3	--			
368	FSICX	Strategic Income		11.22	Buy	1.3	5.1	2.6	5.1	5.3	9.5	3.27	4.9	0.37			
MUNICIPAL BOND						Category Averages			1.2	5.1	2.4	2.9	4.8	4.9	1.87	6.0	0.29
434	FSAZX	Arizona Muni Income	0.50%/30d	12.02	OK to Buy	1.5	6.6	3.4	3.4	5.6	5.5	2.24	7.0	0.34			
1534	FCSTX	Calif Limited Term Tax Free ⁶	0.50%/30d	10.74	Buy	0.6	2.3	0.8	2.1	2.5	3.1	1.09	3.0	0.14			
91	FCTFX	California Muni Income	0.50%/30d	12.87	OK to Buy	1.4	6.5	2.9	4.1	6.7	6.4	2.30	7.2	0.33			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.69	OK to Buy	1.2	5.6	2.8	3.1	4.4	4.7	1.97	6.6	0.31			
2578	FCRDY	Conservative Income Muni		10.04	Buy	0.1	0.3	0.1	--	--	--	0.30	0.6	--			
36	FLTXX	Interm Municipal Income	0.50%/30d	10.49	Buy	1.0	4.4	1.9	2.6	4.2	4.4	1.63	5.0	0.24			
404	FSTFX	Limited Term Muni Income ⁷	0.50%/30d	10.75	Buy	0.4	1.7	0.5	1.5	2.1	2.6	0.69	2.6	0.12			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.34	OK to Buy	1.1	5.5	2.9	2.2	4.4	4.6	1.95	6.9	0.31			
70	FDMMX	Mass Muni Income	0.50%/30d	12.31	OK to Buy	1.4	6.1	3.0	2.8	5.3	5.4	2.28	7.7	0.36			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.13	OK to Buy	1.2	5.4	2.6	2.2	4.8	4.9	2.26	5.9	0.29			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.71	OK to Buy	1.0	4.2	1.9	2.2	4.1	4.3	1.71	5.8	0.26			
37	FHIGX	New Jersey Muni Income	0.50%/30d	13.33	Buy	1.5	6.7	3.3	3.5	6.0	6.0	2.32	7.5	0.34			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.98	OK to Buy	1.6	6.2	2.9	2.8	5.4	5.2	2.14	7.2	0.33			
71	FTFMX	New York Muni Income	0.50%/30d	13.41	OK to Buy	1.5	6.0	3.1	3.1	5.1	5.2	2.11	7.5	0.34			
88	FOHFX	Ohio Muni Income	0.50%/30d	12.06	OK to Buy	1.5	6.5	3.2	3.5	5.3	5.2	2.32	7.8	0.34			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.21	OK to Buy	1.3	5.9	2.9	3.4	5.4	5.2	2.14	6.6	0.32			
90	FTABX	Tax-Free Bond	0.50%/30d	11.53	Buy	1.6	6.8	3.3	3.7	6.2	6.0	2.41	7.5	0.35			

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

TAXABLE MONEY MARKET FUNDS			Total Return (%)		SEC %Yield	MUNICIPAL MONEY MARKET FUNDS			Total Return (%)		SEC %Yield
			May	YTD					May	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	0.01	0.01	10	FTEXX	Municipal Money Market	0.00	0.00	0.01
2543	FLTXX	Treasury MM	0.00	0.00	0.01	417	FNJXX	New Jersey Muni MM	0.00	0.00	0.01
415	FDLXX	Treasury Only MM	0.00	0.00	0.01	423	FSJXX	New Jersey AMT Tax-Free	0.00	0.00	0.01
50	FGRXX	U.S. Gov't Reserves	0.00	0.00	0.01	92	FNXXX	New York Muni MM	0.00	0.00	0.01
MUNICIPAL MONEY MARKET FUNDS						422	FSNXX	New York AMT Tax-Free	0.00	0.00	0.01
460	FIMXX	AMT Tax-Free Money Fnd	0.00	0.00	0.01	419	FOMXX	Ohio Muni MM	0.00	0.00	0.01
433	FSAXX	Arizona Muni MM	0.00	0.00	0.01	401	FPTXX	Pennsylvania Muni MM	0.00	0.00	0.01
97	FCFXX	California Muni MM	0.00	0.00	0.01	275	FMOXX	Tax-Free Money Market	0.00	0.00	0.01

FIDELITY SCORECARD

MAY 31, 2014

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							May	YTD	3 Mo.	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios	Annuity Sector Model						2.3	2.6	-1.3	22.8	12.6	19.1	1.24
	Annuity Growth Model						2.2	2.0	-0.6	15.1	11.8	16.6	1.13
	Annuity Growth & Income Model						1.8	3.3	0.4	11.9	8.9	12.6	0.79
	Annuity Income Model						1.0	3.3	1.3	4.7	6.0	8.3	0.38
9067	FLRQC	Fid VIP Asset Manager	Allocation		17.18	Hold	2.2	4.6	0.2	13.9	7.6	11.8	0.75
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		17.49	Hold	2.8	5.0	-0.1	18.1	9.1	14.0	1.03
9069	FJBAC	Fid VIP Balanced	Allocation		18.37	Buy	1.9	3.7	1.6	13.8	8.8	14.2	0.92
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	20.43	Buy	1.7	-0.2	-0.7	18.8	16.8	22.4	1.17
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	18.96	Hold	2.7	4.5	6.6	12.2	13.1	16.6	0.92
9065	FPDFC	Fid VIP Contrafund	Large Growth		19.26	Hold	2.3	3.7	1.5	20.3	12.5	17.2	1.06
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		15.63	Buy	0.8	-2.1	-2.3	17.5	12.9	19.5	1.38
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		20.66	Buy	3.0	1.6	-2.6	21.7	16.2	19.4	1.14
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	8.83	Hold	4.0	3.9	5.7	5.6	-1.8	8.2	1.57
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	19.91	Buy↑	1.0	9.5	9.2	21.7	5.9	12.8	1.80
9061	FLOLC	Fid VIP Equity-Income	Large Value		16.62	OK to Buy	1.3	4.7	4.5	16.1	13.2	17.3	0.98
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	9.82	Buy	1.6	0.4	1.7	15.0	11.4	11.0	1.52
9361	FFLCC	Fid VIP Floating Rate High Income	High-Yield Bond		10.04	OK to Buy	0.4	--	--	--	--	--	--
9157	FMPAC	Fid VIP FundsManager 20	Allocation		13.84	Hold	1.0	2.4	0.9	5.4	4.0	5.9	0.27
9158	FMPBC	Fid VIP FundsManager 50	Allocation		14.87	Hold	1.5	2.8	0.9	10.9	7.0	10.2	0.59
9197	FMPPC	Fid VIP FundsManager 60	Allocation		13.80	Hold	1.8	3.0	1.0	13.2	8.0	11.6	0.69
9159	FMPCC	Fid VIP FundsManager 70	Allocation		15.06	Hold	1.7	2.9	0.9	14.7	8.8	12.8	0.82
9160	FMPDC	Fid VIP FundsManager 85	Allocation		14.95	Hold	2.0	2.7	0.7	17.6	9.9	14.5	0.99
9062	FMNDC	Fid VIP Growth	Large Growth		18.57	OK to Buy	2.7	4.0	-3.6	24.8	13.8	19.2	1.19
9070	FLFNC	Fid VIP Growth & Income	Large Blend		18.44	Buy	2.3	3.9	4.4	18.3	15.7	17.9	1.03
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		18.50	Buy	2.7	0.7	-5.5	18.4	14.5	21.1	1.29
9078	FPVDC	Fid VIP Growth Stock	Large Growth		19.80	Buy	3.0	2.8	-1.3	23.3	13.8	20.1	1.13
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		16.43	Hold	2.6	3.1	1.0	21.7	9.7	16.9	1.35
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	27.95	Buy	4.1	9.7	-4.6	39.4	23.9	26.5	1.18
9060	FBBLC	Fid VIP High Income	High-Yield Bond		18.18	Buy	0.8	3.9	1.5	6.3	7.3	12.1	0.51
9064	FXVLT	Fid VIP Index 500	Large Blend		18.31	Hold	2.3	4.8	3.9	20.1	14.8	18.0	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	25.17	Buy	0.9	2.1	2.1	23.0	14.3	22.8	1.31
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	15.37	Buy	2.5	2.2	1.0	15.9	8.8	13.8	1.47
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		15.00	Buy	1.1	4.0	1.8	2.7	3.7	6.0	0.24
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	19.12	Hold	1.8	4.5	2.3	18.8	9.4	18.6	1.58
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		20.95	OK to Buy	2.0	1.3	-0.4	20.3	10.7	16.9	1.19
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.38	--	-0.1	-0.1	-0.1	-0.3	-0.2	-0.1	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	15.38	OK to Buy	2.0	-1.9	-1.9	18.5	6.0	11.3	1.47
9072	FFWKC	Fid VIP Real Estate	Sector		18.75	OK to Sell	2.7	16.3	6.8	9.7	9.4	23.7	1.37
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		17.47	Buy	1.2	4.7	2.4	4.6	4.8	8.7	0.36
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	22.54	Buy	3.5	3.1	-3.9	23.4	9.1	19.9	1.36
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	13.14	Buy	4.9	3.4	6.2	14.8	9.7	15.1	1.01
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	21.78	OK to Sell	2.0	15.5	9.0	26.7	15.5	17.8	0.86
9079	FKMSC	Fid VIP Value	Mid Value		17.29	Buy	1.8	5.1	3.6	19.5	14.8	19.7	1.12
9080	FUEBC	Fid VIP Value Leaders	Large Value		13.87	OK to Buy	1.6	2.7	3.4	18.2	10.2	14.2	1.21
9073	FRBSC	Fid VIP Value Strategies	Mid Value		18.69	OK to Buy	1.9	3.0	3.1	17.6	12.3	20.9	1.33
9347	FBMEC	Black Rock Global Allocation	Global Allocation		11.88	OK to Sell	1.5	2.2	1.4	9.9	5.6	8.9	0.78
9349	FTMEC	Franklin Templeton Gobal Bond	Global Bond		11.23	Buy	1.8	2.7	3.5	3.3	3.8	8.3	0.73
9348	FFMEC	Franklin Templeton US Gov't	Intermed Gov't		10.10	Hold	0.6	2.1	0.7	1.0	1.4	2.7	0.17
9285	FIGXC	Invesco Global Core Eqty	Global Stock		11.48	OK to Sell	1.3	3.1	3.1	15.6	6.2	10.4	1.25
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		16.38	Hold	5.4	5.3	12.0	7.1	1.2	10.4	1.58
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		17.09	Hold	3.0	7.6	5.2	2.0	5.8	9.1	0.71
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		13.53	Hold	3.0	2.9	5.0	0.8	-0.4	8.9	1.37
9146	FPRPC	Morgan Stanley Glb Tactical Alloc	Diversified Int'l		12.64	Hold	0.8	3.9	2.0	13.3	7.5	10.8	0.83
9346	FPMEC	Pimco Commodity Real Return	Commodities		9.44	OK to Sell	-1.8	8.8	1.0	0.5	-5.8	5.9	1.35
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.44	Buy	0.4	1.1	0.4	1.0	1.8	--	0.21
9277	FPNBC	Pimco VIT Real Return	TIPS		12.87	OK to Sell	2.3	5.9	3.1	-0.4	3.5	--	0.48
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		12.44	Buy	1.3	3.1	1.1	1.3	3.4	--	0.30

Annuity Sector	
Fund	Allocation
VIP Technology	24%
VIP Health Care	16
VIP Industrials	16
VIP Energy	15
VIP Cons Discretionary	15
VIP Financial Services	14
Total Return:	
May: 2.3% YTD: 2.6%	

Annuity Growth	
Fund	Allocation
VIP Growth Opps	22%
VIP Growth & Income	21
VIP Value	19
VIP Disciplined Sm Cap	16
VIP Dynamic Cap App	13
VIP Growth Stock	9
Total Return:	
May: 2.2% YTD: 2.0%	

Annuity Growth & Income	
Fund	Allocation
VIP Growth Opps	27%
VIP High Income	22
VIP Value	20
VIP Growth & Income	16
VIP Investment Grade	15
Total Return:	
May: 1.8% YTD: 3.3%	

Annuity Income	
Fund	Allocation
VIP High Income	33%
VIP Investment Grade	25
VIP Balanced	22
Pimco VIT Low Duration	20
Total Return:	
May: 1.0% YTD: 3.3%	

BOND STRATEGIES

How To (Modestly) Increase Your Income

After five years of having to adjust to a near-zero interest-rate environment, investors are understandably starved for income. While there's some indication that the Fed is moving closer to implementing "Plan B" (ever-so-slowly raising short-term interest rates), there's something that certain Fidelity investors can do right now to "yield" a bit more income: add money to a fund and switch fund share classes.

We recognize that this is not an option for all investors. Indeed, a tax-free move from Fidelity's Investor Class of shares to their higher-minimum/lower-expense Advantage Class only makes sense under two circumstances: 1. You're already invested in one of their five index bond

funds; 2. You have a minimum of \$10,000 (versus \$2,500) to invest.

As the table shows, lower bond fund expenses typically translate into higher yields which, in turn, means a higher return. Of course, as we're comparing bond index funds as opposed to actively managed funds, comparisons are easy to make.

Many of Fidelity's domestic and international stock index funds offer Advantage shares, too. **Spartan 500 Index**, **Spartan Emerging Markets Index** and **Spartan Int'l Index** are examples. While the investment minimums are \$10,000, with temporary expense caps in place, the differences in expenses are 0.095 vs. 0.05, 0.31 vs. 0.20 and 0.20 vs. 0.12, respectively.

On a related note (and at the risk of making you feel poor!), if you happen to have \$1 million to invest in **Con-**

servative Income Bond or its tax-free counterpart **Conservative Income Muni**, their Institutional share classes trim both funds' expenses by 10 basis points to 0.30%, down from 0.40% for their Retail Class counterparts. Half of this savings is due to a temporary expense cap, though Fidelity is likely to keep it in place indefinitely. These lower fees result in a yield advantage of 1.0% for Conservative Income Bond and 0.9% for Conservative Income Muni.

Both funds mimic money market fund in that they attempt to maintain steady NAVs (share prices) — about \$10.00 instead of an ironclad \$1.00 for money markets. By taking incrementally more credit and interest-rate risk, please keep in mind that these "Conservative" funds are not proxies for nearly riskless money-markets. Indeed, they should only be considered

viable alternatives for investors who can shoulder a small risk to principal. ■

— John Bonnanzio

Bond Index Fund	Ticker		Exp. Ratio		30-Day Yield		36-mos ret. (in %) ¹	
	Inv.	Adv.	Inv.	Adv.	Inv.	Adv.	Inv.	Adv.
Sptn U.S. Bond	FBIDX	FSITX	0.22	0.17	2.00	2.12	3.39	3.46
Sptn Inflation-Protect	FSIQX	FSIYX	0.20	0.10	0.05	0.14	NA ²	NA ²
Sptn Short-Term Treas	FSBIX	FSBAX	0.20	0.10	0.50	0.60	1.07	1.17
Sptn Intermed Treas	FIBIX	FIBAX	0.20	0.10	1.88	1.97	3.93	4.03
Sptn Long-Term Treas	FLBIX	FLBAX	0.20	0.10	3.01	3.11	8.07	8.18

¹Three-year average annual return ending 4/30/2014; ²Fund launched 5/16/2012.

FUND PROFILE

Investment Grade Marches Back

A decade ago, Jeff Moore was assigned to **Investment Grade Bond**.



Jeff Moore

His mission: to beat the Lehman (now Barclays) US Aggregate Bond Index.

Jeff took the fund over from Kevin Grant, who was one of Fidelity's best bond investors. He didn't so much shine at the plain vanilla Investment Grade, as he did running **Total Bond**. There he successfully spiced up performance using emerging market debt and other aggressive strategies that are otherwise unsuitable in a fund where shareholders don't expect surprises.

To that end, Investment Grade has experienced two. The first occurred in 2008 when Jeff misread the ensuing credit/mortgage crises and the fund trailed its benchmark by a staggering 12.3 percentage points. (It fell 7.1% versus a gain of 5.2% for the index.)

The second surprise came in 2009. Correctly anticipating that the Fed's massive monetary interventions, coupled with beneficial fiscal policies would bolster the bond market, Investment Grade rebounded 16.0% versus a 5.9% rise for his benchmark index.

Still, the damage from 2008 has seriously impaired the fund's overall standings. For example, over the past decade, Investment Grade has beaten an underwhelming 44% of its peers. But the fund is clawing its way back.

Since 2009, Jeff has consistently beaten his benchmark and, we'd add, Fidelity's **US Bond Index** fund,

which is pegged to the same Barclays index. In fact, over the past 3- and 5-year periods, Jeff has outperformed 67% of his peers, and over the prior year (ending 3/31/14) the fund outpaced 58% of its peers.

Action Recommendation

As the economy meanders its way in recovering, inflation is no concern. The Fed has plenty of time (and room) to raise rates, and so this fund's performance will continue to be driven by strong security selection and asset allocation; macro bets on rates aren't on the table. Without prejudice to Jeff's *Buy*-rated fund, Total Bond promises a bit more performance "kick," and **Short-Term Bond** less rate-risk. Still, if you're holding this fund for the long-term, you're in good hands with Jeff. ■

— John Bonnanzio

Inside Fidelity

Manager Changes — Curt Hollingsworth is the new lead manager on the team-run **Int'l Bond** and **Global Bond** funds, where he had most recently been co-manager.

At the same time, Michael Foggin and Constantin Petrov have been assigned co-managers to both funds, joining existing co-manager Jeff Moore on Fidelity Global Bond Fund.

As part of these changes, Curt no longer co-manages any of Fidelity's Treasury index funds (see table on p. 11). This falls to Brandon Bettencourt. And, as part of Curt's new responsibilities he will eventually join Fidelity's bond team in London. There he will replace Jamie Stuttard.

As for the London-based Foggin and Petrov, the former is relatively new to Fidelity but has 12 years of fixed-income experience, while Petrov is an 18-year Fidelity veteran.

Finally, Matt Conti, who has had a hand in running the high-yield sleeves of several Fidelity funds including Global Bond and Int'l Bond, will now

focus his attention on **Short Duration High Income**, which he has co-managed with Michael Plage since its November 2013 launch.

Finally, **Global Strategies** has two new managers: Chris Sharpe is the new lead manager and he is joined by co-manager Ruben Calderon. (They've replaced Andrew Dierdorf and Jurrien Timmer.)

As Global Strategies invests almost exclusively in other actively managed Fidelity funds (it can also invest in ETFs and occasionally holds direct investments), Sharpe and Calderon are tasked with making very broad asset allocation decisions. This role is not new to either of them. In fact, Sharpe

does much the same at **Four-in-One Index**, whereas his role at **Stock Selector All-Cap** is similarly limited to balancing the mostly US portfolio with equities selected by sector specialists. For his part, Calderon has been co-manager of **Global Balanced** since 2006. We've upgraded Global Strategies a somewhat symbolic notch to *OK to Sell* (see p. 5).

Clarification — In last month's report we pointed out a special offer for an American Express card through Fidelity. Turns out the offer was "targeted" to certain account holders (Fidelity didn't say which or how many). We apologize for any confusion. ■

Timing Not Perfect For High-Yield Launch

VIP Floating Rate High Income [ticker: FFLCC] is the newest addition to Fidelity's lineup of Personal Retirement Annuities. However, we have some concerns that its roll-out may be a bit on the late side as the bull market for certain high-yield bonds is getting tired.

Like its retail counterpart, Eric Mollenhauer is its primary manager and Kevin Nielsen is the fund's co-manager. And, as its name indicates, the fund invests in floating rate bank loans. Because the issuers' credit quality is low, interest payments are higher (and riskier) in order to attract investors, but do rise and fall with interest rates (much like adjustable-rate mortgages).

The retail version of this fund is currently 40% in BB-bonds with an equal percentage in even lower-rated Bs. (There's also a sprinkling of higher-yielding/riskier junk bonds and non-rated securities, though Fidelity's fixed-income group rates every bond it buys.) So, even with the fund's very short duration of 0.3 years (not much greater than a money market), Floating Rate's yield is a comparatively robust 3.10%. This is comparable to funds that are far more interest-rate sensitive — duration-wise, on the order of about five years!

With interest rates and default rates likely to remain low, corporate balance sheets and the economy improving (though first-quarter GDP data suggests otherwise!), the macro environment for leveraged bank-loans (as well as other types of high-yield securities) is still generally positive. However, valuations are becoming a concern to us. Moreover, the rise of leveraged-loan ETFs has created a systemic concern: a lack of liquidity.

Because these bank loans are thinly traded, whenever investors withdraw assets, there's a squeeze on prices, which adds to downside risk. While this problem can be especially acute for ETFs, Fidelity's own floating-rate funds are not immune.

Taken together, we are downgrading **Floating Rate High Income** to *OK to Buy* from *Buy*, and also rating the new VIP Floating Rate High Income *OK to Buy*. ■

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 June:

Capital & Income, Event-Driven Opps, Focused High Inc, Global High Income, High Income, Large Cap Stock, Mid-Cap Stock, Real Estate Income, Real Estate Investment, Small Cap Discovery, Small Cap Stock, Sptn Mid Cap Index, Sptn Real Estate Index, and Sptn Small Cap Index.

The final distributions for May were as follows:

Fund	Ex-Date	\$ Amt	NAV
Magellan	5/2	5.763	87.59
Inflation-Prot Bond	5/2	0.077	12.27

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