

FIDELITY MONITOR & INSIGHT

Incorporating Fidelity Monitor and Fidelity Insight

JULY 2015

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MESSAGE FROM JACK

Moore's Law Is Not Dead

The semiconductor industry enjoys robust margins, and despite slowing revenue, overall growth is still healthy. So why do valuations remain modest?



Jack Bowers

Pessimists claim the industry's ability to cram more and more circuitry onto a fixed square of silicon is disappearing due to laws-of-physics limits. In losing the ability to double the number of transistors on a chip every two years (Moore's Law), semiconductor manufacturing is sure to become a commodity business as lower-cost rivals

catch up to industry leaders.

Guess again. Moore's Law is not dead, it's just getting more expensive to push things forward. With the size of transistors approaching molecular limits in two dimensions, new techniques must be adopted to reduce power dissipation and improve thermal conductivity. As a result, state-of-the-art chip designs now run \$100 million, and the factories can cost as much as \$5 billion. But the idea that stagnation is at hand is ridiculous.

Memory circuits have already gone 3D — with up to 32 layers of transistors on a chip. Makers of microprocessors and other higher-power chips aren't there yet, but by shrinking component footprints and reducing heat generation (in some cases with gallium nitride), they're laying the groundwork for multiple layers down the road.

There are two main implications for investors. First, industry consolidation is likely to continue. Due to rising fixed costs, there may be less than a dozen major chipmakers ten years from now. Second, margins may in fact grow instead of shrink as these firms cut costs, increase factory utilization, and gain some pricing power.

Bottom line, **Select Electronics** is still an attractive bet. We may reduce its heavy weighting in the *Select* Model because the attractiveness of other sectors is growing. We also want to improve the model's diversification, but its long-term fundamentals are solid.

Sincerely,

MARKET OUTLOOK

Greecing The Skids?

As talks with its creditors broke down over the weekend of June 27-8, the Greek government closed the banks to stem the flight of capital and called for a July 5th public referendum on whether or not to accept the terms proposed by the IMF (International Monetary Fund), ECB (European Central Bank) and others. Without a new injection of funds, Greece was unable to repay \$1.6 billion due to the IMF on June 30. On Monday June 29, European stocks got crushed and the US markets were battered as well. European stocks extended their losses on Tuesday, but US equities had modest gains.



John M. Boyd

Stay Calm And Stay Invested

As I noted in last month's *Outlook*, a Greek default could lead to a period of increased volatility and even a correction in the stock market. The situation remains fluid, but we do not see this as a "turning point" event and investors should not panic.

First, the eurozone has had time to prepare for this since the Greek crisis first reared its head several years ago and has put mechanisms in place to contain the fallout.

Second, the vast majority of Greece's debt is no longer held by banks, but by the IMF, ECB and eurozone governments. Only about \$40 billion is held by commercial banks (and of that only \$14 billion is owed to US banks). That is not nearly enough to cause serious harm to the commercial banking system.

Third, Greece is a very small country with a GDP about the size of Louisiana, so its impact on the world economy is minimal.

In short, while the reaction to this crisis may last for several weeks as events unfold, and stocks may continue to suffer, it should not impact economic growth in the US (or the world) and stocks will recover. A correction, while painful, is long overdue and could prove beneficial to the bull market's longer-term health.

Improving Economy Should Backstop Stocks

While the industrial side of the economy is still in the

Market Outlook *cont'd on page 3*

MODEL PORTFOLIOS

See Model Portfolios Key on p. 3

JUNE 30, 2015

Unique Opportunities

Target Risk: 1.20 (Current: 1.12)

Foreign Holdings: 9.1%

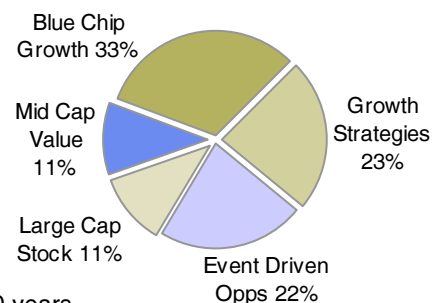
YTD Return: 4.0%

Stocks: 99.1% Bonds: 0.0% Cash: 0.8% Alternatives: 0.0% Yield: 0.2%

Holdings	Ticker	NAV	Shares	Value	Jun Ret
Blue Chip Growth	FBGRX	\$72.44	1,874.44	\$135,785	-1.1%
Growth Strategies	FDEGX	34.35	2,873.22	98,695	-1.2
Event Driven Opps	FARNX	11.27	8,360.34	94,221	-1.1
Large Cap Stock	FLCSX	28.46	1,649.80	46,953	-1.7
Mid Cap Value	FSMVX	25.07	1,861.10	46,658	-2.6

Current Value (3/31/99 = \$100,000) **\$422,312** **-1.3%**

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



Select

Target Risk: 1.20 (Current: 1.09)

Foreign Holdings: 11.7%

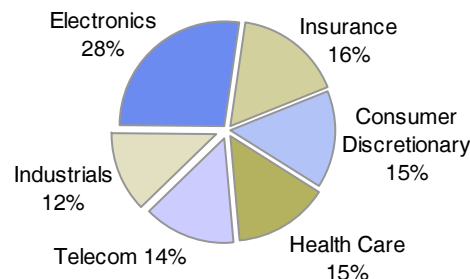
YTD Return: 2.1%

Stocks: 98.3% Bonds: 0.1% Cash: 1.6% Alternatives: 0.0% Yield: 0.5%

Holdings	Ticker	NAV	Shares	Value	Jun Ret
Electronics	FSELX	\$81.23	10,006.90	\$812,861	-7.8%
Insurance	FSPCX	67.84	7,151.69	485,170	0.8
Consumer Discretionary	FSCPX	34.74	12,482.32	433,636	1.5
Health Care	FSPHX	236.92	1,818.93	430,940	-1.8
Telecommunications	FSTCX	62.56	6,668.20	417,163	-1.0
Industrials	FCYIX	31.45	11,653.81	366,512	-1.4

Current Value (12/31/88 = \$100,000) **\$2,946,282** **-2.5%**

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



Growth

Target Risk: 1.00 (Current: 1.09)

Foreign Holdings: 9.0%

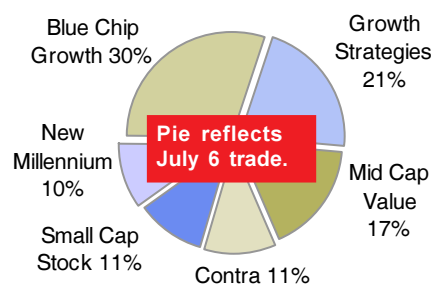
YTD Return: 4.3%

Stocks: 98.7% Bonds: 0.0% Cash: 1.3% Alternatives: 0.0% Yield: 0.3%

Holdings	Ticker	NAV	Shares	Value	Jun Ret
Blue Chip Growth	FBGRX	\$72.44	8,771.74	\$635,425	-1.1%
Growth Strategies	FDEGX	34.35	13,018.47	447,185	-1.2
Mid Cap Value	FSMVX	25.07	14,188.56	355,707	-2.6
Contrafund	FCNTX	101.97	2,305.27	235,068	-0.3
Mega Cap Stock	FGRTX	16.72	13,406.99	224,165	-1.8
New Millennium	FMLIX	39.83	5,231.02	208,352	-1.0

Current Value (12/31/86 = \$100,000) **\$2,105,901** **-1.3%**

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



Pie reflects July 6 trade.

Growth & Income

Target Risk: 0.66 (Current: 0.75)

Foreign Holdings: 11.2%

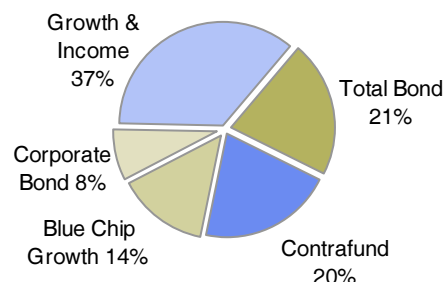
YTD Return: 2.5%

Stocks: 70.6% Bonds: 25.2% Cash: 0.8% Alternatives: 3.4% Yield: 1.6%

Holdings	Ticker	NAV	Shares	Value	Jun Ret
Growth & Income	FGRIX	\$30.61	6,566.72	\$201,007	-1.8%
Total Bond	FTBFX	10.58	10,895.00	115,269	-1.2
Contrafund	FCNTX	101.97	1,098.10	111,973	-0.3
Blue Chip Growth	FBGRX	72.44	1,072.21	77,671	-1.1
Corporate Bond	FCBFX	11.22	3,939.38	44,200	-1.7

Current Value (12/31/93 = \$100,000) **\$550,120** **-1.2%**

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



Income

Target Risk: 0.33 (Current: 0.35)

Foreign Holdings: 10.1%

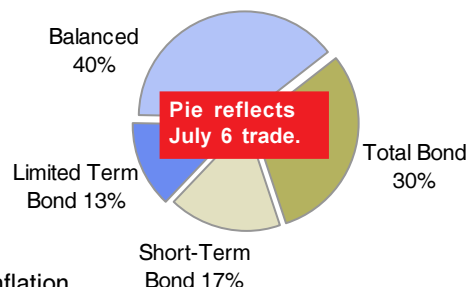
YTD Return: 1.1%

Stocks: 26.9% Bonds: 67.5% Cash: 1.3% Alternatives: 4.3% Yield: 1.8%

Holdings	Ticker	NAV	Shares	Value	Jun Ret
Balanced	FBALX	\$23.21	6,209.46	\$144,122	-1.3%
Total Bond	FTBFX	10.58	10,045.51	106,281	-1.2
Short-Term Bond	FSHBX	8.59	7,142.90	61,358	-0.2
Corporate Bond	FCBFX	11.22	4,278.99	48,010	-1.7

Current Value (12/31/91 = \$100,000) **\$359,771** **-1.1%**

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



Pie reflects July 6 trade.

Market Outlook *cont'd from page 1*

doldrums as the collapse in the energy sector is still being felt, other parts of the economy are showing signs of increasing strength.

Personal income has now increased by 0.5% in both April and May — the biggest two month increase in more than a year. This is backed up by continued improvement in the job market. New job openings have been running more than 20% higher than a year ago for six straight months. And new weekly claims for unemployment continue to hover around historical lows. In fact, if adjusted for the size of the labor force, they are the lowest in history.

Consumers may be finally starting to spend some of their “gas” savings as spending jumped 0.9% in May — the biggest gain in six years.

The health of the housing market continues to improve as well. Sales of existing homes over the past four months are 7.4% higher than a year ago and new home sales have surged 23.7%! And with inventory of new homes at a low 4.5 months, housing starts are starting to pick up speed. People who move into new homes often buy appliances and furniture so there are add-on effects.

All of that should help support better corporate earnings growth in the second half (and better stock prices).

Investor Pessimism Is Bullish

Prior to the last week of June, bullish sentiment in the American Association of Individual Investors had been below 30% for seven straight weeks — the longest such stretch since early 2003, after a crushing 3-year bear market led by the tech collapse. While bulls rebounded to 35.6% in the last week of June (before the Greek default so it may be temporary), that still remains below the long-term average of 39%. This is good news for

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** and **Mid-Cap Value** provide mid-cap exposure; **Event Driven Opportunities** and **Small Cap Stock** are smaller-cap options that enhance 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 **Limited Term Bond** contain interest-rate risk. **Investment Grade Bond** limits credit risk but boosts yield via additional interest-rate risk; **Total Bond** provides the greatest bond diversification (see p. 4) boosting its yields through well-managed credit risk.

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

the market. As I've often noted, bull markets don't die in extreme pessimism, but in excessive optimism.

Model Portfolio Trades

As announced on our June 26 Hotline, we are making a couple of trades on July 6. We are delaying the trades til then to avoid the immediate aftermath of the Greek “default.” (It is not technically a default as the IMF is not an “official” creditor, but we are talking semantics.)

In the *Growth* Model we are selling **Mega Cap Stock** with a market cap 60% greater than the S&P 500 for **Small Cap Stock**. Small caps should benefit most directly from the improvement in economic growth we see in the second half. While **Small Cap Growth** has been an outstand-

ing performer, and would have been a good choice, it carries about 20% more risk.

In the *Income* Model, we are selling **Corporate Bond** in favor of **Limited Term Bond**. Given the low-risk nature of the model, we wanted to take some duration (interest-rate) risk off the table, with the expectation that rates will be moving higher over the rest of the year. Corporate Bond has a duration of 7.0 years, while Limited Term's is a much lower 2.8 years.

We are keeping a *Buy*-rating on Corporate Bond and still own it in the *Growth & Income* Model. That model has a higher risk target and given its much larger holdings of stocks, Corporate Bond still offers risk reduction. ■

— John M. Boyd

MODEL PORTFOLIO TRADES

As announced on our June 26 Hotline, on Monday July 6, we will make the following Model Portfolio trades:

Growth:

We will sell all of **Mega Cap Stock** [FGRTX] and buy **Small Cap Stock** with the proceeds.

Income:

We will sell all of **Corporate Bond** [FCBFX] and buy **Limited Term Bond** [FJRLX] with the proceeds.

For a discussion of the trades see *Market Outlook*.

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.

BOND INVESTING

Total Bond: For Well-Managed Risk

Monday afternoon was an interesting and fortuitous time for us to chat with Ford O'Neil. As the primary manager of **Total Bond**, he picks individual investment-grade bonds for the team-run fund, and makes its big-picture asset allocation calls.

With respect to the latter, Greece's Monday morning announcement that it would not make its \$1.6 billion debt repayment to its lenders sent shudders across the globe. (US stocks fell about 2% and a flight-to-quality pushed Treasury prices up.) Granted, the day had been five years in the making and, the country's leaders have been telegraphing their intransigence for months.

Against that backdrop (and a similar announcement by Puerto Rico), what better day to ask the man who oversees an astounding \$87 billion in fixed-income assets (across multiple funds including "Strategic" offerings) for his perspective on an unprecedented day of events.

The Big Picture

Two weeks earlier, Ford joined Fidelity's "macro" bond and asset allocation teams in Europe. Spending time with everyone from corporate chieftains to regulators to central bankers, their mission was to assess an array of matters, including Greece.

As "Greece simply can't afford to give it back," said Ford, there seemed to be some consensus that the debt crisis would be resolved by stretching out payments "well into the future."

While that might yet happen, regulators seemed "confident" that there wouldn't be "a lot of contagion" as the situation had been "ring-fenced" through measures such as banks increasing their capital reserves. Ford's short-term outlook: "two to three

weeks of drama," stretching past the July 5 referendum. Following that, Greece must make an even larger payment to the ECB. Stay tuned.

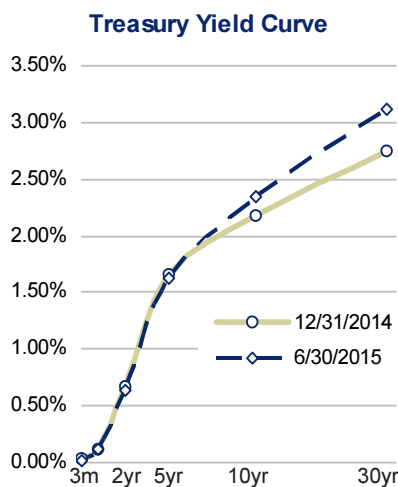
Risk And Reward

While it's impossible and even unwise to tune out macroeconomic and political events that swirl around any fund — and particularly one that buys and sells government bonds — it was clear from our conversation that Ford's team won't be distracted from making the numerous day-to-day investment decisions that ultimately drive Total Bond's risk-adjusted returns. That means good-old-fashioned security selection, whereby Fidelity's massive research arm reviews the credit

See "Our Outlook For TIPS" on p. 8.

quality of each and every bond it buys. So, amid this current flight-to-quality, Total Bond will be opportunistic. Says Ford: "We [will] look for the baby to be thrown out with the bathwater."

Of course, with the Fed looking to raise short-term interest rates and eventually flush from its balance sheet billions in Treasuries and mortgage-backed securities, it's been tough sledding this year for most bond funds.



Longer-term Treasury yields (10 years and longer) have risen dramatically this year, with 20- and 30-year yields over 30 basis points higher! As bond yields move inversely to their price, Fidelity's most interest-rate sensitive bond fund, **Spartan Long-Term Treasury**, has fallen 5.2%.

While Fidelity's short- to-intermediate term offerings kept their heads above water, yields rose further out along the curve (see chart). **Spartan Long-Term Treasury Index** has declined 5.2% this year, and had been down more than 10% during the second quarter. As for Total Bond, it gained a modest 0.5% versus a decline of 0.3% for **U.S. Bond Index**. The latter is a proxy for the Barclays US Aggregate index, which is Total Bond's benchmark.

Fund Positioning

With respect to Total Bond's positioning, it and all other Fidelity bond funds must be duration-neutral — meaning they can't make significant bets on interest rates relative to their benchmarks. In Total's case, duration is about five years. This suggests that a one percentage point rise in rates would send the fund down 5%.

In an effort to mitigate that risk (it can't be eliminated), Ford has "barbelled" Total's holdings, meaning that it owns lots of short-term bonds with maturities of 2 to 3 years, very few at 5 to 7 years, and some longer-term notes of 10 to 20 years.

Another important strategy is its asset allocation mix. Holding both corporates and Treasuries, for example, not only reduces volatility, but the "credits" (as corporates are called) may actually stand to modestly benefit in a gently rising rate environment because rising interest rates should reflect an improving economy.

Frankly, Ford's strategy of overweighting corporates at the expense of "risk-free" Treasuries (credit-wise) is another crucial bet. Whereas the fund's benchmark has 24% in corporates and 37% in Treasuries, Total essentially flips that around: 44% versus 27%. Here's another way to view a slice of Total's credit risk: 39% of its assets are in bonds rated A and BBB versus 22% for its benchmark.

And, partly because of the Fed's likely unwinding of various mortgage-

Total Bond cont'd on page 12

FUND COMMENTARY

Stocks And Bonds Struggle In First Half

Well, June could have been a lot worse. In one day, the Greek debt crisis wiped away two percentage points of already-scrawny stock gains, thereby committing some well-fol-



John Bonnanzio (On the last day of June and the first day of July, equities staged a modest rebound, amid the possibility of a resolution.)

Over in the world of bonds (and I'm being facetious here), the sudden realization that the Greeks have neither the desire or ability to repay their loans without permanently falling into an endless depression created a predictable one-day flight-to-safety. (Though this has been a dark cloud over the markets for many months, if not years.) Greece's default briefly lifted Fidelity's bond funds. But not so much that they ended June in positive territory. In fact, most were in the red for the quarter, which marks the first time in three years that has occurred.

Equity Indexes

June wasn't pretty for stocks, but it was hardly a disaster. The big-cap Dow Jones Industrials and S&P 500 fell 2.0% and 1.9%, respectively, and the Nasdaq Composite fell 1.6%. For its part, the small-cap Russell 2000 eked out a 0.7% gain.

Despite June's declines, equities moved modestly higher in the second quarter, building on its more robust first-quarter results. As such, year-to-date stock gains range from the almost imperceptible (the Dow rose 0.1%) to the Nasdaq's envious 5.9% return. While biotech and tech fueled Nasdaq's performance, large caps were held back partly by the strong

dollar which pared profits from multinationals' offshore operations. Rising just 0.3% in the second quarter, the S&P 500 has gained a modest 1.2% for the year. Less impacted by currency swings were small-caps, which also garnered some support from the same sectors that helped prop the Nasdaq: the Russell 2000 rose a fractional 0.4% in the second quarter. But owing to its 4.2% gain in the first three months of the year, its six-month return is a more satisfying (though hardly electrifying) 4.7%.

Model Portfolios

Against the backdrop of the S&P 500's year-to-date return of 1.2% and bonds declining 0.3% (measured by Barclays Aggregate index), our four diversified model portfolios finished the first half of the year in positive territory. (All equity-oriented models outpaced the S&P 500, without significantly greater risk.)

Unique Opportunities, which is the most "opportunistic" portfolio, returned 4.0% over the past six months. Meanwhile our all-equity *Select* Model gained 2.1% while the *Growth* Model rose 4.3%.

Though a myriad of stock funds have so far helped to drive their re-

turns this year, thematically speaking, much of the credit goes to our various stakes in growth-oriented funds (such as **Blue Chip Growth**, which has gained 5.9% YTD), whereas funds with a value bent were often relative laggards.

And, despite their holding poorly-performing bond funds, the *Growth & Income Model* gained 2.5% while our least-risky portfolio, the *Income Model*, gained 1.1%.

Whereas both of these models have benefited from their equity fund holdings this year, they were also hamstrung by bonds generally, and **Corporate Bond** (down 0.6% YTD) in particular. Though we're still optimistic about that fund's prospects, we are selling it in our *Income Model* to reduce its exposure to higher interest rates (see *Market Outlook*).

Equity Funds

For June, all but Fidelity's small-cap funds lost ground. Large-cap value fared worst as energy and utility stocks performed especially poorly. Even falling gold prices (which hurt miners and processors) were problematic. That said, certain areas of tech, such as

Fund Commentary *cont'd on page 11*

JULY SCORECARD RATING CHANGES				
Fund	Ratings			Comments
	Old	New		
China Region	B	H	↓	Margin requirements tightened amid falling prices.
Convertible Secs	B	H	↓	Corporate credits have become less attractive.
Infl-Protected Bond	S	H	↑	Higher rents portend rising inflation (see p. 8).
Int'l Small Cap	H	B	↑	Foreign debt mkts improving; declining risk.
LC Core Enh Index	B	B	↓	Growth stocks leading mkt - especially small caps.
LC Value Enh Index	B	H	↓	Growth stocks leading mkt - especially small caps.
MSCI Energy	H	S	↓	For foreseeable future, oil glut to keep prices low.
Pimco VIT Real Ret	S	H	↑	Higher rents portend rising inflation (see p. 8).
Sel Biotech	H	S	↓	Risk premium is increasingly unwarranted.
Sel Energy	H	S	↓	For foreseeable future, oil glut to keep prices low.
Sel Energy Service	S	S	↓	Deep-water drillers are highest-cost producers.
Sel Natural Gas	H	S	↓	For foreseeable future, gas glut to keep prices low.
Small Cap Stock	B	B	↑	Manager adding value beyond benchmark.
Sptn Infl-Prot Bond	S	H	↑	Higher rents portend rising inflation (see p. 8).
Strategic Real Ret	S	H	↑	Higher rents portend rising inflation (see p. 8).
VIP Energy	H	S	↓	For foreseeable future, oil glut to keep prices low.

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

FIDELITY SCORECARD

JUNE 30, 2015

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)				Rel Vol (Risk) ¹		
						Jun	YTD	3 Mo.	1 Yr	3 Yr	5 Yr	10 Yr			
Comparative Indexes		S&P 500		2063.1		-1.9	1.2	0.3	7.4	17.3	17.3	7.9	1.00		
		Nasdaq Composite		4986.9		-1.6	5.9	2.0	14.4	20.9	20.2	10.4	1.18		
		Dow Jones Industrials		17619.5		-2.0	0.1	-0.2	7.3	13.8	15.4	8.3	1.07		
		Russell 2000 (Small Caps)		1254.0		0.7	4.7	0.4	6.5	17.8	17.1	8.4	1.46		
		Barclays Aggregate Bond*				-1.1	-0.3	-1.8	1.7	1.6	3.1	4.1	0.36		
Model Portfolios		Unique Opportunities				-1.3	4.0	-0.3	4.6	17.4	15.5	8.2	1.12		
		Select				-2.5	2.1	-0.1	8.3	20.3	18.4	10.0	1.09		
		Growth				-1.3	4.3	0.5	8.2	15.6	15.6	7.0	1.09		
		Growth & Income				-1.2	2.5	0.2	6.1	12.5	11.7	6.5	0.75		
		Income				-1.1	1.1	-0.8	3.0	5.7	6.4	4.8	0.35		
											Rel Vol (Risk) ¹	Assets (\$Mil)			
LARGE CAP GROWTH						Category Averages			-1.1	4.6	0.4	9.0	18.8	18.0	1.15
312	FBGRX	Blue Chip Growth		72.44	Buy	-1.1	5.9	0.4	13.2	21.8	20.2	1.19	\$14,615		
307	FDCAX	Capital Appreciation		37.97	OK to Buy	-0.4	5.4	1.2	12.2	19.1	18.2	1.09	6,284		
22	FCNTX	Contrafund		101.97	Buy	-0.3	5.1	1.0	10.3	17.4	17.1	1.05	77,097		
332	FEXPX	Export and Multinational	0.75%/30d	22.01	Hold	-1.8	3.3	0.6	8.8	14.8	14.4	0.98	1,555		
3	FFIDX	Fidelity Fund		44.69	OK to Sell	-0.6	4.3	0.9	10.5	16.9	16.5	1.05	4,144		
500	FFTYX	Fifty (Closed)		30.48	OK to Buy	-0.4	4.5	0.2	3.6	17.0	17.2	1.21	712		
333	FTQGX	Focused Stock		19.66	OK to Buy	-0.5	4.9	0.1	4.2	17.2	18.4	1.25	1,357		
25	FDGRX	Growth Company (Closed)		139.87	Buy	-1.4	6.2	1.3	14.2	20.5	20.7	1.27	23,206		
339	FDSVX	Growth Discovery		24.93	OK to Buy	-0.1	5.6	0.8	8.2	18.5	19.3	1.15	1,079		
73	FDFFX	Independence		40.50	OK to Sell	-1.2	5.6	-1.3	6.2	21.7	18.4	1.33	4,237		
21	FMAGX	Magellan		93.19	OK to Buy	-0.9	4.0	1.1	11.2	19.7	15.5	1.07	14,106		
300	FMILX	New Millennium		39.83	Buy	-1.0	2.8	1.4	2.6	16.9	17.4	1.09	3,803		
93	FOCPX	OTC		83.21	OK to Buy	-2.8	4.6	-0.2	14.1	23.0	20.8	1.48	9,282		
320	FDSX	Stock Selector All Cap		36.60	OK to Buy	-1.8	3.6	0.1	6.7	18.4	17.1	1.02	4,779		
5	FTRNX	Trend		86.99	OK to Buy	-1.6	3.0	-1.0	9.2	18.6	19.0	1.11	1,485		
LARGE CAP BLEND						Category Averages			-1.8	1.9	0.9	6.5	18.4	17.2	1.07
315	FDEQX	Disciplined Equity		34.43	Buy	-1.7	2.4	-0.1	8.4	18.8	15.6	1.01	1,245		
330	FDGFX	Dividend Growth		33.82	OK to Buy	-2.1	1.2	0.0	6.3	17.6	16.1	1.03	6,393		
27	FGRIX	Growth & Income		30.61	Buy	-1.8	1.8	1.4	5.6	17.6	17.6	1.06	6,521		
338	FLCSX	Large Cap Stock		28.46	Buy	-1.7	2.6	1.6	6.0	20.1	18.8	1.13	3,236		
361	FGRTX	Mega Cap Stock		16.72	Buy	-1.8	1.3	1.6	6.1	17.8	18.0	1.10	3,305		
LARGE CAP VALUE						Category Averages			-1.9	0.8	-0.1	5.2	17.1	15.2	1.01
1271	FBCVX	Blue Chip Value		16.59	OK to Buy	-1.8	1.8	-0.7	8.7	19.1	14.4	1.08	387		
319	FEQTX	Equity Dividend Income		26.51	Hold	-1.9	-0.3	-0.4	3.8	14.8	14.5	0.98	5,006		
23	FEQIX	Equity-Income		57.78	Hold	-1.6	1.4	1.2	2.2	15.0	14.2	0.95	6,779		
708	FSLVX	Stock Sel Large Cap Value		17.27	OK to Buy	-2.3	0.8	0.3	4.7	17.8	15.7	1.01	741		
832	FVDFX	Value Discovery		24.74	OK to Buy	-2.1	0.4	-0.8	6.5	18.7	17.2	1.01	1,168		
MID-CAP GROWTH						Category Averages			-1.1	4.8	-0.4	8.5	18.9	17.2	1.13
324	FDEGX	Growth Strategies	1.50%/90d	34.35	Buy	-1.2	6.4	-0.2	14.2	21.1	17.1	1.13	2,573		
337	FMCSX	Mid-Cap Stock	0.75%/30d	37.16	OK to Buy	-0.8	4.6	0.2	4.7	18.1	17.6	1.13	5,787		
2412	FSSMX	Stock Selector Mid Cap		34.57	OK to Buy	-1.2	3.4	-1.3	6.6	17.6	17.0	1.13	569		
MID-CAP BLEND						Category Averages			-1.2	4.0	0.2	3.1	19.8	17.8	1.17
2624	FARNX	Event Driven Opportunities		11.27	Buy	-1.1	2.6	-0.8	2.4	--	--	--	219		
122	FLVCX	Leveraged Company Stock	1.50%/90d	47.74	Hold	-1.3	5.3	1.1	3.8	19.8	17.8	1.17	3,854		
MID-CAP VALUE						Category Averages			-1.8	3.9	0.9	7.2	20.0	17.8	1.08
316	FLPSX	Low-Priced Stock	1.50%/90d	52.42	OK to Buy	-0.7	4.3	2.5	7.1	18.5	17.2	1.01	30,461		
762	FSMVX	Mid Cap Value	0.75%/30d	25.07	Buy	-2.6	2.6	0.0	10.2	22.0	19.1	1.13	3,271		
39	FDVLX	Value		116.65	Buy	-2.6	3.0	-0.1	5.3	21.0	18.1	1.11	8,010		
14	FSLSX	Value Strategies		45.61	OK to Buy	-1.5	5.7	1.1	6.2	18.4	16.9	1.06	706		
SMALL CAP GROWTH						Category Averages			1.7	13.0	4.0	15.5	21.1	19.2	1.47
1388	FCPGX	Small Cap Growth	1.50%/90d	20.81	Buy	1.7	13.0	4.0	15.5	21.1	19.2	1.47	1,211		
SMALL CAP BLEND						Category Averages			0.3	5.8	1.0	7.8	18.1	16.7	1.34
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	29.48	OK to Buy	0.6	2.6	0.7	5.6	20.2	19.7	1.39	6,008		
340	FSLCX	Small Cap Stock	2.00%/90d	19.17	Buy↑	0.8	8.7	1.5	11.1	17.3	13.3	1.27	1,973		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	26.22	OK to Buy	-0.5	6.2	0.9	6.9	16.9	17.2	1.37	1,422		
SMALL CAP VALUE						Category Averages			0.7	2.2	0.1	5.0	18.2	16.7	1.41
1389	FCPVX	Small Cap Value (Closed)	1.50%/90d	19.35	OK to Buy	0.7	2.2	0.1	5.0	18.2	16.7	1.41	2,051		

Notes: *Fidelity's Spartan U.S. Bond Index used as a proxy for the Barclays Aggregate Bond Index. ¹Relative Volatility versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. ²Duration is a measure of interest rate sensitivity. ³Stated yield is before any inflation adjustment, your effective yield may be different. ⁴Also available in an Advantage share class with a minimum of \$10,000, but a lower expense ratio. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

FIDELITY SCORECARD

JUNE 30, 2015

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)
						Jun	YTD	3 Mo.	1 Year	3 Year	5 Year		
SPECIALTY													
304	FBALX	Balanced		23.21	Buy	-1.3	2.4	0.1	6.4	12.8	12.6	0.70	\$21,006
308	FCVFX	Convertible Securities		31.33	Hold↓	-3.2	-2.5	-3.6	-0.5	13.7	11.9	0.94	2,068
334	FGBLX	Global Balanced	1.00%/30d	23.20	OK to Buy	-1.3	1.5	-0.3	-3.2	7.6	8.8	0.77	493
2120	FFGCX	Global Commodity Stock	1.00%/30d	12.14	Hold	-4.6	-2.5	0.9	-19.1	-2.2	1.0	1.65	193
1960	FDYSX	Global Strategies		8.87	Hold	-1.7	2.3	-0.2	0.6	6.2	7.6	0.67	109
1368	FIREX	International Real Estate	1.50%/90d	10.58	Hold	-2.6	4.4	-1.2	0.7	14.8	12.5	1.32	330
4	FPURX	Puritan		21.92	Buy	-1.2	2.4	-0.3	6.5	12.8	12.8	0.71	19,375
833	FRIFX	Real Estate Income	0.75%/90d	11.50	OK to Buy	-1.9	-0.3	-2.8	2.6	8.1	10.0	0.61	2,563
303	FRESX	Real Estate Investment	0.75%/90d	38.57	Hold	-4.1	-5.3	-9.4	5.0	8.6	14.3	1.57	4,219
1329	FSDIX	Strategic Dividend & Income		14.22	OK to Buy	-2.5	-1.0	-2.0	2.5	11.7	13.7	0.73	3,118
1505	FSRRX	Strategic Real Return	0.75%/60d	9.01	Hold↑	-0.7	-0.3	-0.4	-5.6	0.9	4.2	0.54	581
311	FIUIX	Telecom & Utilities		23.61	OK to Buy	-4.9	-1.8	-2.1	-2.3	11.2	14.9	1.22	930
ASSET ALLOCATION													
328	FASIX	Asset Manager 20%		13.27	Hold	-1.1	0.9	-0.8	1.4	4.4	5.4	0.32	4,923
1957	FTANX	Asset Manager 30%		10.57	Hold	-1.3	1.4	-0.7	1.8	6.0	6.9	0.40	852
1958	FFANX	Asset Manager 40%		10.89	Hold	-1.5	1.9	-0.5	2.2	7.6	8.2	0.49	952
314	FASMX	Asset Manager 50%		17.38	Hold	-1.5	2.4	-0.3	2.6	9.0	9.5	0.58	8,058
1959	FSANX	Asset Manager 60%		11.37	Hold	-1.6	2.7	-0.1	2.8	10.4	10.5	0.67	1,376
321	FASGX	Asset Manager 70%		20.38	Hold	-1.8	3.2	0.1	3.0	11.8	11.7	0.77	4,030
347	FAMRX	Asset Manager 85%		17.05	Hold	-2.0	3.8	0.3	3.3	14.0	13.3	0.90	1,458
EQUITY INDEX													
355	FFNOX	Four-in-One Index		37.98	Hold	-1.9	2.7	0.0	3.4	13.7	13.4	0.86	4,299
2010	FIENX	International Enhanced Index	1.00%/30d	8.82	Hold	-2.4	8.1	2.0	-2.2	13.7	11.0	1.21	145
1827	FLCXX	Large Cap Core Enhanced Index		11.90	OK to Buy↓	-2.2	0.8	-0.2	7.6	17.8	17.6	1.02	396
1829	FLGEX	Large Cap Growth Enhanced Index		14.99	OK to Buy	-2.0	3.3	0.0	10.9	18.1	18.5	1.04	432
1828	FLVEX	Large Cap Value Enhanced Index		11.11	Hold↓	-2.2	-0.5	-0.2	5.1	18.5	17.3	1.05	1,271
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	13.81	OK to Buy	-2.1	2.7	-1.6	8.5	21.0	18.9	1.13	781
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	65.93	Hold	-1.6	5.8	2.0	14.3	20.6	20.0	1.18	1,910
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	13.06	OK to Buy	-0.2	6.1	-0.6	9.5	19.6	18.8	1.42	558
650	FUSEX	Spartan 500 Index ⁴		73.14	Hold	-1.9	1.2	0.3	7.3	17.2	17.2	1.00	7,735
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	9.74	Hold	-2.4	3.5	1.6	-2.8	3.9	--	1.51	24
398	FSEMXX	Spartan Extended Mkt Index ⁴	0.75%/90d	57.08	Buy	-0.8	4.8	-0.5	6.3	19.1	18.1	1.26	1,848
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	12.05	Hold	-2.8	4.5	0.7	-5.3	9.2	--	1.23	18
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	39.54	Hold	-2.9	6.2	0.9	-4.2	11.9	9.8	1.24	2,965
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	17.71	OK to Buy	-2.1	2.2	-1.6	6.4	19.0	--	1.09	31
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	13.86	Hold	-4.4	-5.7	-10.0	5.1	8.5	--	1.60	29
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	17.37	OK to Buy	0.8	4.8	0.5	6.6	17.8	--	1.46	34
397	FSTMXX	Spartan Total Mkt. Index ⁴	0.50%/90d	60.86	Hold	-1.7	1.9	0.1	7.2	17.6	17.4	1.02	1,988
INTERNATIONAL						Category Averages	-1.8	6.7	2.4	-0.6	11.7	10.3	1.35
309	FICDX	Canada	1.50%/90d	49.37	OK to Sell	-2.4	-6.1	-0.5	-11.8	5.0	5.1	1.36	1,552
352	FHKCX	China Region	1.50%/90d	36.42	Hold↓	-5.5	18.8	11.6	23.9	21.3	13.6	1.67	1,852
325	FDIVX	Diversified International	1.00%/30d	37.44	OK to Buy	-1.7	8.7	2.2	2.1	14.1	11.4	1.15	14,093
351	FSEAX	Emerging Asia	1.50%/90d	34.76	OK to Buy	-4.2	6.5	1.2	7.3	11.1	9.1	1.33	1,209
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	8.28	OK to Sell	-0.6	3.6	2.0	-11.4	2.1	4.8	1.57	79
322	FEMKX	Emerging Markets	1.50%/90d	24.53	OK to Buy	-1.3	0.9	-1.8	-4.1	6.2	4.4	1.36	2,960
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	12.16	Hold	-3.3	4.5	2.7	-4.8	6.2	--	1.34	73
301	FIEUX	Europe	1.00%/30d	38.23	Hold	-3.3	8.4	3.0	-3.0	14.4	11.8	1.35	1,471
2406	FGILX	Global Equity-Income	1.00%/30d	12.51	OK to Buy	-1.4	5.0	2.1	4.8	14.8	--	0.94	72
335	FIVFX	International Cap App	1.00%/30d	17.18	Buy	-1.6	5.0	0.9	3.7	14.6	13.6	1.14	1,325
305	FIGRX	International Discovery	1.00%/30d	41.18	Hold	-2.0	8.4	2.3	0.7	13.6	11.1	1.21	7,411
1979	FIGFX	International Growth	1.00%/30d	11.58	OK to Buy	-2.8	7.2	0.7	1.9	12.0	12.4	1.10	825
818	FISMXX	International Small Cap	2.00%/90d	24.06	OK to Buy↑	-0.5	11.1	5.4	1.9	17.2	13.7	1.24	832
1504	FSCOX	International Small Cap Opps	2.00%/90d	15.32	OK to Buy	-0.3	12.0	4.9	3.6	16.7	15.1	1.09	659
1597	FIVLX	International Value	1.00%/30d	8.56	OK to Sell	-2.5	6.3	1.3	-4.1	11.5	8.5	1.30	187
350	FJPNX	Japan	1.50%/90d	12.19	Hold	-1.1	11.4	1.8	0.9	9.4	6.9	1.47	500
360	FJSCX	Japan Smaller Companies	1.50%/90d	14.08	OK to Sell	2.1	14.4	5.3	5.2	20.1	14.7	2.15	502
349	FLATX	Latin America	1.50%/90d	22.03	OK to Sell	-0.1	-7.4	2.1	-26.4	-12.4	-5.7	2.16	624
342	FNORX	Nordic	1.50%/90d	44.78	OK to Sell	-3.0	5.1	0.4	-8.5	19.7	14.5	1.50	422
94	FOSFX	Overseas	1.00%/30d	42.34	OK to Buy	-1.9	11.0	3.6	2.9	16.1	12.6	1.15	3,425
302	FPBFX	Pacific Basin	1.50%/90d	28.73	OK to Buy	-1.1	10.2	2.0	5.3	16.8	13.2	1.26	761
2369	FTEMXX	Total Emerging Markets	1.50%/90d	11.08	Hold	-1.8	3.3	1.4	-6.0	4.8	--	1.27	36
1978	FTIEX	Total International Equity	1.00%/30d	8.12	OK to Buy	-2.2	6.1	0.7	-1.1	10.5	9.5	1.16	328
318	FWWFX	Worldwide	1.00%/30d	23.81	OK to Buy	-0.7	6.8	1.5	3.3	15.9	15.1	1.12	1,593

FIDELITY SCORECARD

JUNE 30, 2015

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)
						Jun	YTD	3 Mo.	1 Year	3 Year	5 Year		
SELECT PORTFOLIOS						-2.0	2.8	0.1	5.1	17.6	16.6	1.54	
<i>Category Averages</i>													
34	FSAIX	Air Transportation	0.75%/30d	68.43	OK to Buy	-2.3	-7.7	-5.9	6.7	24.2	19.9	1.50	\$411
502	FSAVX	Automotive	0.75%/30d	46.27	Hold	-2.3	5.8	-0.3	2.7	23.9	18.1	1.48	124
507	FSRBX	Banking	0.75%/30d	27.67	Hold	3.8	5.6	7.8	9.8	18.4	14.3	1.37	693
42	FBIOX	Biotechnology	0.75%/30d	271.31	OK to Sell↓	2.6	25.6	8.3	53.9	44.1	40.5	2.51	16,382
68	FSLBX	Brokerage & Investment	0.75%/30d	75.92	Hold	0.1	1.4	2.7	8.1	22.7	14.2	1.53	581
69	FSCHX	Chemicals	0.75%/30d	144.67	Hold	-3.1	1.2	0.8	-1.4	15.7	21.5	1.26	1,414
518	FSDCX	Communications Equipment	0.75%/30d	30.48	Hold	-6.4	-3.9	-3.4	0.8	17.1	10.8	1.68	231
7	FDCPX	Computers	0.75%/30d	77.57	Hold	-5.8	-6.2	-1.8	1.8	12.5	14.9	1.52	651
511	FSHOX	Construction & Housing	0.75%/30d	57.41	Buy	-0.7	4.1	-4.2	15.6	19.7	21.5	1.51	439
517	FSCPX	Consumer Discretionary	0.75%/30d	34.74	Buy	1.5	5.5	1.2	14.3	20.3	20.9	1.28	1,181
98	FVLX	Consumer Finance	0.75%/30d	13.83	OK to Buy	0.1	3.7	2.5	8.8	18.2	16.2	1.21	130
9	FDFA	Consumer Staples	0.75%/30d	93.82	Hold	-1.6	-0.7	-2.3	7.2	13.5	16.2	1.23	1,934
67	FSDAX	Defense & Aerospace	0.75%/30d	117.61	OK to Buy	-3.8	3.2	-6.0	6.8	19.4	18.4	1.28	918
8	FSELX	Electronics	0.75%/30d	81.23	Buy	-7.8	1.4	-1.9	13.6	24.3	19.2	1.62	2,130
60	FSENX	Energy	0.75%/30d	44.22	OK to Sell↓	-4.1	-1.1	-2.3	-25.3	5.7	8.5	1.82	2,178
43	FSESX	Energy Service	0.75%/30d	54.50	Sell↓	-4.7	-3.2	3.0	-38.7	1.8	4.9	2.50	712
516	FSLEX	Environment & Alt Energy	0.75%/30d	20.34	Hold	-1.7	1.9	-0.1	-2.2	16.1	11.0	1.24	85
66	FIDSX	Financial Services	0.75%/30d	89.41	OK to Buy	-1.0	0.6	0.6	8.0	18.3	11.6	1.19	1,408
41	FSAGX	Gold	0.75%/30d	16.14	Sell	-6.8	-1.8	-0.7	-31.3	-23.4	-17.2	4.16	847
63	FSPHX	Health Care	0.75%/30d	236.92	Buy	-1.8	13.2	1.2	29.7	36.0	30.1	1.47	10,623
510	FSCGX	Industrial Equipment	0.75%/30d	36.66	OK to Buy	-1.7	1.7	-0.6	-0.2	14.1	15.4	1.35	119
515	FCYIX	Industrials	0.75%/30d	31.45	Buy	-1.4	0.0	-1.6	2.0	17.7	17.4	1.25	1,183
45	FSPCX	Insurance	0.75%/30d	67.84	Buy	0.8	1.4	2.0	8.2	21.1	16.4	1.33	406
353	FBSOX	IT Services	0.75%/30d	39.40	Hold	-0.5	10.5	4.4	19.8	24.5	23.2	1.50	1,272
62	FDLSX	Leisure	0.75%/30d	140.03	Buy	0.6	7.5	2.1	13.1	19.7	20.4	1.35	454
509	FSDPX	Materials	0.75%/30d	77.76	Hold	-2.8	1.0	0.3	-5.6	11.3	14.5	1.25	993
505	FSHCX	Medical Delivery	0.75%/30d	93.63	Hold	2.3	16.0	5.5	33.8	24.4	23.2	1.24	1,029
354	FSMEX	Medical Equipment	0.75%/30d	38.18	Buy	-1.4	8.9	-1.7	22.3	25.8	20.5	1.46	2,132
503	FBMPX	Multimedia	0.75%/30d	83.97	Hold	1.2	6.6	4.1	12.0	24.2	23.9	1.39	820
513	FSNGX	Natural Gas	0.75%/30d	30.55	OK to Sell↓	-6.4	-5.4	-1.7	-33.0	2.4	4.8	2.13	471
514	FNARX	Natural Resources	0.75%/30d	30.29	OK to Sell	-4.5	-0.4	-2.5	-26.1	4.3	6.2	1.86	704
580	FPHAX	Pharmaceuticals	0.75%/30d	23.63	OK to Buy	-1.3	15.1	4.0	23.5	28.3	25.7	1.17	2,256
46	FSRPX	Retailing	0.75%/30d	94.62	Hold	1.5	6.4	0.6	23.2	22.6	23.8	1.48	961
28	FSCSX	Software & Computer Svcs	0.75%/30d	113.75	OK to Buy	-1.9	0.5	-0.5	6.5	19.8	21.5	1.41	2,796
64	FSPTX	Technology	0.75%/30d	120.81	OK to Buy	-2.8	6.9	1.5	10.0	17.4	17.5	1.29	2,870
96	FSTCX	Telecommunications	0.75%/30d	62.56	Buy	-1.0	3.7	1.1	3.5	12.3	13.3	1.21	416
512	FSRFX	Transportation	0.75%/30d	82.99	OK to Buy	-2.5	-13.2	-8.3	1.9	20.7	17.9	1.47	611
65	FSUTX	Utilities	0.75%/30d	67.06	OK to Sell	-6.6	-9.1	-6.4	-7.7	10.2	13.7	1.46	759
963	FWRLX	Wireless	0.75%/30d	9.28	OK to Buy	-2.6	3.5	1.7	4.4	15.9	14.0	1.05	256
SECTOR ETFs													
	FDIS	MSCI Consumer Discretionary		30.88	Buy	0.5	6.3	1.4	15.1	--	--	--	300
	FSTA	MSCI Consumer Staples		28.88	Hold	-1.7	-0.5	-1.7	9.6	--	--	--	148
	FENY	MSCI Energy		21.57	OK to Sell↓	-3.7	-4.3	-2.1	-24.1	--	--	--	388
	FNCL	MSCI Financials		28.98	OK to Buy	-0.0	0.5	1.2	9.1	--	--	--	300
	FHLC	MSCI Healthcare		36.12	OK to Buy	0.0	11.3	3.2	26.4	--	--	--	667
	FIDU	MSCI Industrials		28.15	Buy	-2.2	-1.4	-1.8	1.6	--	--	--	159
	FTEC	MSCI Information Technology		32.01	OK to Buy	-3.9	1.6	0.1	11.1	--	--	--	372
	FMAT	MSCI Materials		27.28	Hold	-3.8	0.0	-1.0	-2.2	--	--	--	110
	FREL	MSCI Real Estate		21.55	Hold	-4.2	-10.4p	--	--	--	--	--	25
	FCOM	MSCI Telecomm Services		26.98	Buy	-1.5	3.0	1.3	3.9	--	--	--	88
	FUTY	MSCI Utilities		26.64	OK to Sell	-5.9	-10.6	-6.3	-3.7	--	--	--	110

Our Outlook For TIPS

Treasury Inflation-Protected Securities, or TIPS, have the same credit quality as conventional Treasuries.

But, unlike Treasuries whose interest rates are fixed, the principal value of TIPS is adjusted twice yearly by changes in the CPI-Urban index of inflation.

Because there are still many global forces holding down the prices of goods and services in the US (to say nothing of lower oil prices from a year ago), we share the view with Ford O'Neil of **Total Bond** (see p. 4) that, for now,

inflation is contained. In fact, for over three years, CPI has been well below the Fed's long-stated target of 2%.

But as we see signs of economic improvement (such as rising rents, lower unemployment, and higher consumer spending), the risk of deflation (which hurts TIPS) has been reduced and inflation will ultimately rise.

For those reasons, and the fact that they're not expensive, we've modestly upgraded **Inflation-Protected Bond**, **Spartan Inflation-Protected Bond**, **Strategic Real Return** and the annuity **Pimco VIT Real Return** to *Hold* (see *Scorecard Rating Changes* box on p. 5). ■

FIDELITY SCORECARD

JUNE 30, 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			
						Jun	YTD	3 Mo.	1 Yr	3 Yr	5 Yr						
TAXABLE BOND						Category Averages			-0.9	-0.4	-1.4	0.1	0.9	3.2	1.84	5.0	0.40
2267	FCONX	Conservative Income Bond		10.03	Buy	0.0	0.2	0.1	0.2	0.5	--	0.31	0.2	0.02			
2208	FCBFX	Corporate Bond		11.22	Buy	-1.7	-0.6	-2.8	1.0	3.4	6.1	3.18	7.0	0.53			
2423	FGBFX	Global Bond		8.99	OK to Sell	-1.1	-3.2	-1.7	-7.7	-1.4	--	2.48	6.8	0.52			
15	FGMNX	GNMA (Ginnie Mae)		11.57	Hold	-0.8	0.1	-0.7	1.9	1.7	3.2	1.88	2.7	0.33			
54	FGOVX	Government Income		10.43	Hold	-0.8	-0.1	-1.5	1.9	1.2	2.7	1.36	4.8	0.32			
794	FINPX	Inflation-Protected Bond ³		11.92	Hold [↑]	-1.0	-0.2	-1.4	-2.3	-1.3	2.8	0.22*	5.8	0.62			
32	FTHRFX	Intermediate Bond		10.88	Buy	-0.7	0.7	-0.8	1.3	1.9	3.2	1.95	3.9	0.26			
452	FSTGX	Intermediate Gov't Income		10.70	Hold	-0.4	0.8	-0.5	1.5	1.0	2.0	1.08	3.6	0.23			
2428	FINUX	International Bond		8.54	OK to Sell	-0.8	-5.0	-1.3	-13.3	-2.9	--	2.12	7.2	0.71			
26	FBNDX	Investment Grade Bond		7.80	Buy	-1.3	-0.2	-1.7	1.3	2.2	4.0	2.64	5.0	0.36			
2622	FJRLX	Limited Term Bond		11.49	Buy	-0.3	1.0	-0.2	1.0	1.7	3.2	1.71	2.8	0.17			
662	FFXSX	Limited Term Government		10.06	OK to Buy	-0.1	0.7	-0.1	1.0	0.7	1.2	0.72	2.5	0.13			
40	FMSFX	Mortgage Securities		11.28	Hold	-0.7	0.5	-0.7	2.6	2.2	3.5	2.18	3.3	0.30			
450	FSHXB	Short-Term Bond		8.59	Buy	-0.2	0.6	0.0	0.7	1.1	1.5	1.07	1.9	0.08			
2415	FSIQX	Sotn Inflation-Protect Index ⁴		9.57	Hold [↑]	-0.9	0.0	-1.3	-2.0	-1.1	--	0.0*	5.8	0.63			
1561	FIBIX	Sotn Inter Term Treas Index ⁴		10.86	Hold	-1.1	0.4	-1.8	2.8	0.8	3.5	1.87	6.5	0.53			
1562	FLBIX	Sotn Lnc-Term Treas Index ⁴		12.47	Hold	-3.7	-5.2	-8.7	5.9	0.8	5.9	2.82	17.2	1.30			
1560	FSBIX	Sotn Sht-Term Treas Index ⁴		10.46	Hold	-0.1	0.8	-0.1	1.1	0.6	1.2	0.75	2.6	0.14			
651	FBIDX	Sotn U.S. Bond Index		11.57	Hold	-1.1	-0.3	-1.8	1.7	1.6	3.1	2.08	5.2	0.36			
820	FTBFX	Total Bond		10.58	Buy	-1.2	0.5	-1.4	1.6	2.6	4.4	2.89	5.4	0.36			
HIGH-YIELD BOND						Category Averages			-1.3	2.6	0.4	-0.1	5.4	6.8	4.58	3.7	0.53
38	FAGIX	Capital & Income	1.00%/90d	9.82	Hold	-1.5	4.2	0.1	3.0	9.5	9.7	3.96	4.1	0.57			
814	FFRHX	Floating Rate High Income	1.00%/60d	9.68	Hold	-0.6	2.5	0.5	0.9	3.5	4.4	3.67	0.2	0.24			
1366	FHIFX	Focused High Income	1.00%/90d	8.57	Hold	-1.7	2.5	-0.3	0.6	5.0	7.0	4.55	4.0	0.48			
2297	FGHNX	Global High Income	1.00%/90d	9.44	Hold	-1.2	3.2	1.4	-0.9	6.6	--	5.20	4.0	0.56			
455	SPHIX	High Income	1.00%/90d	8.86	Hold	-1.6	2.3	0.0	-0.4	5.9	7.8	5.71	3.4	0.52			
331	FNMIX	New Markets Income	1.00%/90d	15.22	Hold	-1.5	2.3	1.5	-3.4	3.5	6.6	5.12	6.4	0.88			
2580	FSAHX	Short Duration High Income	1.00%/90d	9.74	Hold	-1.1	2.9	0.5	-0.1	--	--	4.91	2.4	--			
368	FSICX	Strategic Income		10.66	OK to Buy	-1.2	1.5	-0.3	-0.6	3.9	5.6	3.50	4.8	0.45			
MUNICIPAL BOND						Category Averages			-0.1	0.1	-0.9	2.7	2.8	4.0	1.75	5.7	0.41
434	FSAZX	Arizona Muni Income	0.50%/30d	12.07	OK to Buy	-0.1	0.3	-1.0	3.9	3.5	4.7	1.83	6.5	0.47			
1534	FCSTX	Calif Limited Term Tax Free	0.50%/30d	10.67	Buy	0.2	0.4	-0.2	1.3	1.6	2.3	1.06	3.1	0.19			
91	FCTFX	California Muni Income	0.50%/30d	12.90	OK to Buy	-0.2	0.2	-1.2	4.0	4.1	5.4	1.80	6.3	0.46			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.59	OK to Buy	-0.2	0.0	-1.0	2.7	2.5	3.9	2.03	6.5	0.43			
2578	FCRDXX	Conservative Income Muni		10.03	Buy	0.0	0.0	-0.0	0.1	--	--	0.35	0.8	--			
36	FLTMX	Interm Municipal Income	0.50%/30d	10.39	Buy	-0.1	-0.2	-1.1	1.9	2.3	3.5	1.63	4.9	0.33			
404	FSTFX	Limited Term Muni Income	0.50%/30d	10.60	Buy	0.0	-0.0	-0.4	0.4	1.1	1.8	0.97	2.8	0.16			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.32	OK to Buy	-0.3	-0.0	-1.2	2.9	2.4	3.7	1.92	7.0	0.43			
70	FDMMX	Mass Muni Income	0.50%/30d	12.32	OK to Buy	-0.2	-0.1	-1.1	3.5	3.0	4.5	2.02	6.9	0.48			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.19	OK to Buy	0.0	0.5	-0.6	3.9	3.1	4.3	1.83	5.6	0.40			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.64	OK to Buy	0.1	0.3	-0.6	2.8	2.3	3.7	1.62	5.4	0.35			
37	FHIGX	Municipal Income	0.50%/30d	13.29	Buy	-0.2	-0.1	-1.3	3.4	3.6	4.9	2.07	6.8	0.48			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.68	OK to Buy	-0.1	-1.5	-2.0	1.2	2.2	3.9	2.36	6.9	0.46			
71	FTFMX	New York Muni Income	0.50%/30d	13.42	OK to Buy	0.0	0.6	-0.6	3.7	3.2	4.3	1.88	6.8	0.46			
88	FOHFX	Ohio Muni Income	0.50%/30d	12.12	OK to Buy	-0.2	0.4	-1.1	3.9	3.5	4.6	2.11	7.3	0.49			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.19	OK to Buy	-0.2	0.4	-0.9	3.7	3.3	4.6	1.97	6.4	0.44			
90	FTABX	Tax-Free Bond	0.50%/30d	11.49	Buy	-0.2	-0.2	-1.4	3.4	3.6	4.9	2.23	6.9	0.48			

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. *12 month distributed yield; SEC yield is fluctuating excessively.

TAXABLE MONEY MARKET FUNDS			Total Return (%)		SEC %Yield	MUNICIPAL MONEY MARKET FUNDS			Total Return (%)		SEC %Yield
			Jun	YTD					Jun	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	FNYYX	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 (Closed)	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	FCFX	California Muni MM	0.00	0.00	0.01	275	FMOXX	Tax-Free Money Market	0.00	0.00	0.01

FIDELITY SCORECARD

JUNE 30, 2015

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	SPrice (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Jun	YTD	3 Mo.	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios	Annuity Sector Model						-1.2	4.6	0.8	8.1	19.0	16.8	0.99
	Annuity Growth Model						-1.3	3.9	1.2	8.1	15.9	15.5	1.07
	Annuity Growth & Income Model						-1.5	2.2	0.4	5.9	11.7	11.3	0.76
	Annuity Income Model						-0.9	1.0	-0.5	2.6	4.3	5.7	0.36
9067	FLRQC	Fid VIP Asset Manager	Allocation		17.88	Hold	-1.4	3.2	-0.8	2.3	10.0	9.7	0.69
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		18.32	Hold	-1.5	4.2	-0.7	2.5	13.0	12.1	0.91
9069	FJBAC	Fid VIP Balanced	Allocation		19.92	Buy	-1.3	2.3	0.2	6.2	12.7	12.4	0.71
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	23.61	Buy	1.8	5.5	1.3	13.9	20.0	20.5	1.28
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	21.22	Hold	-1.2	1.5	-0.8	11.3	14.4	16.4	1.27
9065	FPDFC	Fid VIP Contrafund	Large Growth		21.39	Hold	-1.4	3.2	0.8	8.1	17.0	16.3	0.97
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		17.74	OK to Buy	-0.3	5.9	-0.8	8.8	19.0	18.1	1.41
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		23.64	Buy	-0.4	5.2	1.2	11.5	19.5	18.4	1.13
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	8.65	OK to Buy	-1.4	0.7	-1.9	-4.4	5.7	3.9	1.34
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	15.64	OK to Sell↓	-4.2	-1.3	-2.3	-25.5	5.5	8.2	1.82
9061	FLOLC	Fid VIP Equity-Income	Large Value		17.37	Hold	-1.9	0.9	0.8	1.6	14.7	15.3	0.95
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	10.86	Buy	-0.9	0.6	0.6	7.8	18.1	11.5	1.20
9361	FFLCC	Fid VIP Floating Rate High Income	High-Yield Bond		10.20	OK to Buy	-0.4	2.7	0.6	--	--	--	--
9157	FMPAC	Fid VIP FundsManager 20	Allocation		14.14	Hold	-1.0	0.7	-0.8	1.5	4.1	4.7	0.32
9158	FMPBC	Fid VIP FundsManager 50	Allocation		15.49	Hold	-1.5	2.1	-0.4	2.7	8.7	8.8	0.58
9197	FMPPC	Fid VIP FundsManager 60	Allocation		14.47	Hold	-1.6	2.7	-0.2	3.1	10.4	10.1	0.68
9159	FMPCC	Fid VIP FundsManager 70	Allocation		15.85	Hold	-1.7	3.3	0.0	3.3	11.8	11.4	0.77
9160	FMPDC	Fid VIP FundsManager 85	Allocation		15.86	Hold	-1.9	3.8	0.3	3.9	14.1	12.9	0.92
9062	FMNDC	Fid VIP Growth	Large Growth		20.86	OK to Buy	-0.1	5.3	0.7	7.6	18.0	18.8	1.16
9070	FLFNC	Fid VIP Growth & Income	Large Blend		19.84	Buy	-1.9	1.5	1.2	5.2	17.1	17.3	1.06
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		21.48	Buy	-1.4	4.5	1.6	12.1	19.0	20.6	1.35
9078	FPVDC	Fid VIP Growth Stock	Merged into VIP Growth Opportunities										
9077	FQBRC	Fid VIP Growth Strategies	Merged into VIP Mid Cap										
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	38.31	Buy	-1.8	13.6	1.6	30.1	35.6	29.8	1.46
9060	FBBLC	Fid VIP High Income	High-Yield Bond		18.32	Hold	-1.4	3.7	0.7	-0.1	5.6	7.5	0.51
9064	FXVLT	Fid VIP Index 500	Large Blend		20.00	Hold	-2.0	1.1	0.2	7.1	16.9	17.0	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	26.09	Buy	-1.4	-0.0	-1.6	1.9	17.5	17.1	1.24
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	16.21	Buy	-1.5	5.1	0.9	3.6	14.3	13.4	1.14
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		15.20	Buy	-1.1	-0.2	-1.7	1.3	1.9	3.5	0.37
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	18.45	Hold	-2.8	0.8	0.2	-5.9	11.2	14.3	1.25
9071	FNBSIC	Fid VIP Mid Cap	Mid Growth		23.01	Buy	-0.9	5.1	-0.1	6.0	17.5	14.3	1.22
9059	FTNJIC	Fid VIP Money Market	Money Mkt		11.35	--	-0.1	-0.2	-0.1	-0.3	-0.2	-0.2	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	15.68	OK to Buy	-1.4	9.2	4.0	1.0	13.7	11.0	1.24
9072	FFWKC	Fid VIP Real Estate	Sector		19.80	Hold	-4.3	-5.3	-10.2	4.4	8.7	14.3	1.56
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		17.44	Buy	-1.2	1.2	-0.5	-1.0	3.4	5.1	0.44
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	25.87	Buy	-2.8	6.0	1.6	9.5	16.1	16.8	1.24
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	13.60	Buy	-1.0	3.7	1.1	3.2	12.2	13.7	1.23
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	20.80	OK to Sell	-6.6	-9.1	-6.5	-7.9	10.0	13.6	1.46
9079	FKMSC	Fid VIP Value	Large Value		18.84	Buy	-1.9	3.2	0.9	6.7	18.8	16.8	1.00
9080	FUEBC	Fid VIP Value Leaders	Merged into VIP Value										
9073	FRBSC	Fid VIP Value Strategies	Mid Value		20.35	OK to Buy	-1.4	5.4	1.1	5.9	18.2	16.7	1.06
9347	FBMEC	Black Rock Global Allocation	Global Allocation		12.16	Hold	-1.9	2.9	0.2	1.2	8.3	7.8	0.65
9349	FTMEC	Franklin Templeton Goblal Bond	Global Bond		11.06	OK to Sell	-1.4	-0.4	-0.5	-1.9	3.8	5.0	0.56
9348	FFMEC	Franklin Templeton US Gov't	Intermed Gov't		10.20	Hold	-0.6	0.0	-0.6	0.8	0.4	1.6	0.24
9285	FIGXC	Invesco Global Core Eqty	Global Stock		11.65	Hold	-2.3	4.1	0.8	-0.2	12.8	9.5	1.04
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		14.68	Hold	-2.0	-1.0	0.9	-13.3	1.7	3.5	1.69
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		16.60	Hold	-2.4	1.7	-0.4	-3.4	1.6	4.7	0.89
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		13.09	Hold	-0.8	4.5	1.5	-5.6	3.6	4.0	1.30
9146	FPRPC	Morgan Stanley Glb Tactical Alloc	Diversified Int'l		12.17	Hold	-2.4	-1.9	-2.0	-4.5	7.7	9.4	0.73
9346	FPMEC	Pimco Commodity Real Return	Commodities		7.00	OK to Sell	1.6	-1.0	4.5	-26.6	-10.2	-2.5	1.62
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.45	Buy	-0.2	0.6	-0.2	0.1	1.1	1.9	0.20
9277	FPNBC	Pimco VIT Real Return	TIPS		12.48	Hold↑	-0.9	-0.1	-1.7	-3.4	-1.3	2.8	0.70
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		12.57	Hold	-1.0	0.1	-2.0	1.0	1.9	3.3	0.43

Annuity Sector	
Fund	Allocation
VIP Technology	25%
VIP Telecom	16
VIP Cons Discretionary	16
VIP Health Care	15
VIP Industrials	14
VIP Financial Services	14
Total Return:	
Jun: -1.2%	YTD: 4.6%

Annuity Growth	
Fund	Allocation
VIP Mid Cap	24%
VIP Growth Opps	24
VIP Growth & Income	20
VIP Value	19
VIP Dynamic Cap App	13
Total Return:	
Jun: -1.3%	YTD: 3.9%

Annuity Growth & Income	
Fund	Allocation
VIP Investment Grade	30%
VIP Growth Opps	29
VIP Growth & Income	21
VIP Value	20
Total Return:	
Jun: -1.5%	YTD: 2.2%

Annuity Income	
Fund	Allocation
VIP Balanced	40%
VIP Investment Grade	33
Pimco VIT Low Duration	27
Total Return:	
Jun: -0.9%	YTD: 1.0%

Fund Commentary *cont'd from p. 5*

communications equipment makers, were also hurt. Notably, the average Fidelity large-cap growth fund declined a modest 1.1% in June, versus a 1.9% drop for large-cap value funds.

For the year, Fidelity's extensive lineup of actively managed funds are easily beating the indexes.

Whereas the S&P 500 is up 1.2% this year, their average large-cap blend fund has gained 1.9%. At the same time, many other S&P-benchmarked offerings are faring better still. **Magellan**, for example, is up 4.0%. And there are others, including **Focused Stock** (up 4.9%), **Contrafund** (up 5.1%) and **Capital Appreciation** (up 5.4%).

Mid-cap growth funds performed in-line with large caps, but **Growth Strategies** was an outperformer, rising 6.4%. With the above in mind, the year's best performances were scored by (most) small-caps. Topping the charts was the pedal-to-the-metal (meaning risky!) **Small Cap Growth**. It gained 1.7% in June, 4.0% for the second quarter, and 13.0% for the year-to-date.

Select Funds

While oil prices have recovered somewhat, they are still well below last year's levels, contributing to **Energy's** 1.1% decline. **Energy Service** suffered even more (down 3.2%) as low prices caused a steep drop in exploration activities.

Health care, on the other hand, remained the hottest sector generally, while **Biotechnology** was, hands-down, the strongest performer with its year-to-date gain of 25.6%. (We've downgraded this fund another notch this month to *OK to Sell*, as we believe that the sector is overbought.)

Outside that arena, **Leisure** and **Retailing** rose 7.5% and 6.4%, respectively, as consumers are beginning to spend again. Elsewhere, the somewhat diversified **Technology** has risen 6.9% this year. While many areas of tech are faring well, few are performing as

strongly as this fund. So, what's the secret to its strong showing? The answer is provided by **IT Services**, which has so far soared 10.5%.

International Funds

This class of funds has fared well in 2005 as monetary and fiscal stimuli, coupled with investor optimism, has been especially beneficial to European stocks. Whereas **Spartan Int'l Index** gained 6.2% year-to-date, **Europe** fund rose 8.4%. On the other hand, commodity-rich **Latin America** tumbled 7.4%.

The big winner in the first half was **China Region**, with a gain of 18.8%. However, cooling growth on the mainland, coupled with tighter margin requirements and overblown earnings expectations combined to send the fund down 5.5% in June. (We've

downgraded China Region to *Hold*.

Bond Funds

As noted earlier, for the first time since 2013, bonds experienced a quarterly decline — albeit a modest one.

Save **Conservative Income Bond** (which is essentially a money market fund), all of Fidelity's taxable bond funds fell in June, as the 10-year Treasury yield rose to 2.35% from 2.12% a month earlier. (Bond yields move in the opposite direction of the price.) Longer-term bond funds fared the worst: **Spartan Long-Term Treasury** fell 3.7% in June. High-yield funds fell across the board as well.

As for munis, they were a mixed bag in June, and they could become more volatile as Puerto Rico and Chicago address their debt problems. ■

— John Bonanzio

GROWTH MODEL

Step Up To Small Cap Stock Fund

Thanks to its positions in **Blue Chip Growth**, **Contrafund** and **New Millennium** (which have staked out different areas of the large-cap arena), we've decided to draw down the *Growth Model's* market cap by purchasing a small-cap fund that wouldn't materially increase risk.

On the chopping block is **Mega Cap Stock**, which is up 1.3% versus 1.2% for the S&P 500.

In turn, we will purchase one of Fidelity's top-performing funds. That's **Small Cap Stock**, which is up 8.7% versus 4.7% for its Russell 2000 benchmark.

Lionel Harris, was brought to Small Cap Stock late in 2011. His mission: correct two years of terrible performance.

Frankly, that took some time, as both 2012 and 2013 had him underperforming his benchmark. Part of the problem was Lionel's investment style, which is to buy fast-growing stocks at a reasonable price. Other small-cap managers at Fidelity are

more willing to pay up for growth, but he's not. In fact, relative to his peers, Lionel remains a growth-at-a-reasonable price investor, and that suits us just fine.

One place Lionel's conservatism reveals itself is in his reticence to load up on biotech stocks to the same degree as others (health care is 12% of assets versus an average of 16% for his group), and he owns more financials, especially relative to his more growth-oriented counterparts. These measures, and others, result in a relative volatility that is 11% lower (1.27 versus 1.38) than the average Fidelity small cap fund.

Just as important, Small Cap Stock (upgraded this month to *Buy*), increases our exposure to an area of the market which we believe has the potential to outpace the very largest capitalized area of the market.

Note: Small Cap Stock has a 2% redemption fee (paid to shareholders, not Fidelity) on shares held fewer than 90 days. This fee is a strategy for keeping short-term traders at arm's length from the fund, as their somewhat illiquid positions can be hurt during market selloffs. ■

Inside Fidelity

Fund Merger — On June 9, shareholders approved the planned merger of the long-closed **Fifty Fund** into **Focused Stock**. The tax-free transaction of these two large-cap growth funds (both are managed by Stephen DuFour) is expected to take place after close of business on July 24. We continue to rate Focused Stock *OK to Buy*. Though given its high relative volatility of 1.25, we prefer **Blue Chip Growth** or the more conservative **Large Cap Stock**.

Money Market Changes — As we've been reporting, in response to some long-standing and highly controversial changes imposed upon the fund industry by the SEC, a variety of

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 July:

Asset Mgr 40%, Asset Mgr 50%, Balanced, Convertible Secs, Equity Dividend Inc, Equity-Inc, Fidelity Fund, Global Equity Inc, Growth & Inc, Puritan, Spartan 500 Index, Strategic Dividend & Inc, Strategic Real Ret, Telecom & Utilities

The final distributions for June were as follows:

Fund	Ex-Date	\$ Amt	NAV
Capital & Inc	6/5	0.058	9.94
Event Driven Opp	6/5	0.061	11.43
Large Cap Stock	6/5	0.545	28.95
Mid-Cap Stock	6/5	3.008	37.46
Real Estate Inc	6/5	0.130	11.60
Real Estate Invest	6/5	0.106	39.29
Small Cap Dscvry	6/5	1.413	29.65
Small Cap Stock	6/5	1.246	19.17
Spt R Estate Indx	6/5	0.082	14.15
Sptn Mid Cap Indx	6/5	0.123	18.03
Sptn Sm Cap Indx	6/5	0.199	17.44

changes continue to take place within Fidelity's suite of money markets (MM).

Frankly, with funds merging and names changing, we believe that Fidelity has made murkier an already complicated situation. Part and parcel to these changes has been the conversions of their prime money market funds (**Cash Reserves** and **VIP MM**) into theoretically riskless government funds. So, some time in the fourth quarter, Cash Reserves will be renamed Gov't Cash Reserves and VIP MM becomes VIP Gov't MM.

In truth, this change will make them even safer than they already were, but that will come at the cost of a slightly diminished yield.

In addition, there are some fund merger proposals on the table: **U.S. Government Reserves** will merge into Gov't MM and assume that name, and **Select MM** will merge into **Money Market** and assume that name. These changes will occur in November.

Liquidating — **Municipal Income 2015** (not covered in our *Scorecard*) will soon be the first of Fidelity's Defined Maturity funds to reach its maturity date. As such, it will liquidate around July 10 and will distribute its assets in cash to its shareholders.

Et cetera — Fidelity CEO Abigail Johnson ranks #19 in *Forbes* magazine's latest list of the world's 100 most powerful women.

The 54-year-heir-apparent to one of the country's largest asset managers (\$2.1 trillion, with about half that in stocks) barely edged out Beyoncé (at #21). At a distant #76 is Carol Meyrowitz, CEO of TJX discount stores — a major Fidelity holding.

For the record, the top spot in this decidedly arbitrary ranking is Germany's Angela Merkel. ■

Total Bond *cont'd from page 4*

related debt and long-term Treasuries (almost \$2 trillion worth in total — remember QE 1, 2 & 3?), and better values offered elsewhere, mortgage-backed securities are a considerable underweight at 13% versus 24%.

So where are those superior bonds (in terms of risk versus reward) hiding? As it turns out, in a number of areas, says Ford, including some that are admittedly less liquid, and they are currently avoided because they're not especially cheap. (In today's fixed-income market, little is!)

That said, he's upped the fund's allowable out-of-benchmark allocations to about 20% from the more usual 15%. This includes high-yield (7%), floating-rate (5%) and even emerging market debt. In the case of the latter, Ford emphasizes that the majority of developing market bonds (3% of the 5%) are actually investment-grade, noting, for example, that Mexican sovereign bonds are rated A.

There's also a modest 3% stake in TIPS (see p. 8). Why?

With student-loans topping \$1 trillion (more than all credit card debt, he says), Ford believes that this burden is contributing to rising rental prices. How? With that burden, young adults are finding it difficult to amass money for downpayments. At the same time, higher rents are showing up in CPI-U.

Action Recommendation

While Total Bond never chases yield via interest-rate bets, it does strive to pick up incremental income by striking an appropriate balance of risk and reward. Diversification, coupled with Ford's superior track record and a team of specialists, warrants our *Buy* rating and the fund's inclusion in our model portfolios. ■

— John Bonnanzio

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