

FIDELITY MONITOR & INSIGHT

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MESSAGE FROM JACK

Select Model Refocuses On U.S. Export Growth

Back in 2015, a plunge in oil prices boosted discretionary income for American households. The dollar began a steep climb as foreign economic growth stalled.

Throughout that year, I cut exposure to exports in the *Select Model*, choosing to rein in risk and focus on sectors that could benefit from increased domestic consumer spending. Since then that Model has kept pace with the S&P 500 (up 23.1% vs. 23.0% since 11/30/15) at a time when many actively managed funds struggled. Now it's time to reverse that strategy.



Jack Bowers

Consumer spending has tapered off here while growth is picking up overseas, and the dollar has recently weakened. These conditions are more favorable for firms that do business abroad, especially exporters.

Let's review our latest *Select Model* trades, which will lift its risk score close to the target level of 1.20.

Construction & Housing has been replaced by **Chemicals** (in the *Annuity Sector Model*, one-half of **VIP Consumer Discretionary** has been sold for **VIP Materials**). Home-builders are struggling with a growing labor shortage and rising lumber prices. The chemicals sector, on the other hand, should benefit from growing exports of plastic — made possible by cheap and plentiful supplies of domestic natural gas. It's also winning more approvals to sell agricultural biotech products in foreign countries.

After a partial pull-back from the domestic telecom sector (which is seeing increased competition and greater risk of technology disruption), we've decided to break from the group entirely by exchanging **Wireless** for **Health Care** (on the annuity side we sold **VIP Telecom** for **VIP Health Care**). My reasons? 1. With or without Obamacare repeal, fundamentals should improve in health care; 2. The FDA has increased the pace of orphan drug approvals; 3. A new class of effective cancer-fighting drugs is coming of age, and; 4. New tools for designing biotech drugs may cut future R&D costs.

MARKET OUTLOOK

Tech Is Partying ... But Not Like It's 1999

On July 19, the S&P 500's information technology sector set a new all-time high, finally taking out its old high set nearly two decades ago in March of 2000 — the peak of the dot-com bubble. Some analysts are warning that tech stocks are in a similar bubble right now and a steep selloff, or worse, is coming soon.

However, there are some major differences in the nature of this tech rally versus the late '90s version. On the eve of its new record this year, the P/E of the S&P 500 tech sector, based on trailing 12 months earnings, was 23.2. That is only a modest 10% premium over the 21.1 P/E for the S&P 500 index as a whole. At its prior peak, the tech sector's P/E was a logic-defying 70.3 versus 27.8 for the whole index — a whopping premium of 153%!

Another way to assess tech's relative valuation is its share of S&P 500 profits versus its share of the market value of that index. Back in 1999/2000, the S&P 500 tech sector contributed 15% of the S&P 500's total profits, but accounted for more than twice that percentage of the index's market value at nearly 33%. Today, by contrast, the tech sector makes up about 22% of the S&P 500's profits and about the same amount of its market value. No excess valuation there.

And the main force propelling tech stocks today is also quite different. In the late-'90s, tech stocks were soaring on hopes of future profits, with many of the hottest names having no earnings at all. But today's tech rally is being driven by the tremendous earnings power of the top tech firms. The biggest tech firm by market cap today is Apple and it earned \$11 billion in its latest quarter alone!

This does not mean that tech stocks are invulnerable. The technology sector has been far and away the best-performing segment of the market this year with **Select Technology** soaring 34.5% through July. So, as we approach the historically weakest investment months of the year, August and September (the only two months with a negative average return since 1964), we could



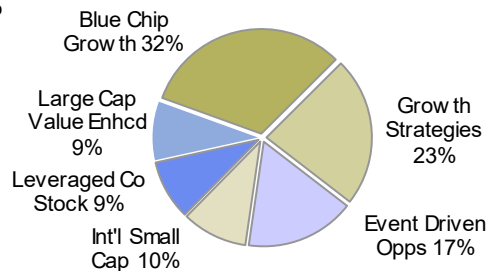
John M. Boyd

Unique Opportunities Target Risk: 1.20 (Current: 1.07) Foreign Holdings: 16.6% **YTD Return: 13.2%**

Stocks: 98.4% Bonds: 0.0% Cash: 1.6% Alternatives*: 0.0% Yield: 0.3%

Holdings	Ticker	NAV	Shares	Value	Jul Ret
Blue Chip Growth	FBGRX	\$83.20	1,933.28	\$160,849	3.4%
Growth Strategies	FDEGX	37.76	3,073.70	116,063	0.6
Event Driven Opps	FARNX	14.56	5,803.60	84,500	3.2
International Small Cap	FISMX	28.50	1,774.23	50,566	3.3
Leveraged Co Stock	FLVCX	37.25	1,244.86	46,371	3.3
Large Cap Value Enhcd	FLVEX	12.55	3,631.57	45,576	1.5
Current Value (3/31/99 = \$100,000)				\$503,925	2.5%

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

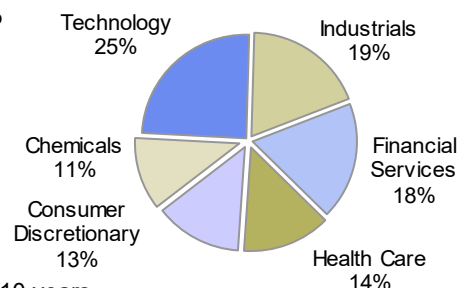


Select Target Risk: 1.20 (Current: 1.18) Foreign Holdings: 9.7% **YTD Return: 11.9%**

Stocks: 99.1% Bonds: 0.1% Cash: 1.0% Alternatives*: 0.0% Yield: 0.4%

Holdings	Ticker	NAV	Shares	Value	Jul Ret
Technology	FSPTX	\$169.32	5,171.53	\$875,643	5.2%
Industrials	FCYIX	33.36	19,905.27	664,040	-0.6
Financial Services	FIDSX	104.63	6,221.71	650,978	1.9
Health Care	FSPHX	225.99	2,153.69	486,713	0.7
Consumer Discretionary	FSCPX	39.06	12,244.66	478,276	1.3
Chemicals	FSCHX	165.48	2,434.44	402,852	3.9
Current Value (12/31/88 = \$100,000)				\$3,558,502	1.4%

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

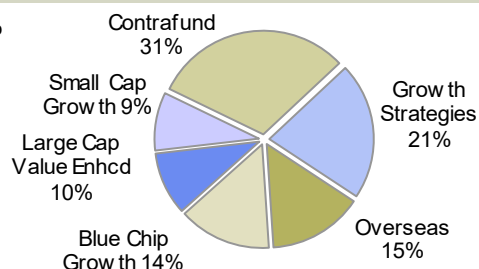


Growth Target Risk: 1.00 (Current: 0.99) Foreign Holdings: 18.6% **YTD Return: 13.2%**

Stocks: 99.0% Bonds: 0.0% Cash: 1.1% Alternatives*: 0.0% Yield: 0.5%

Holdings	Ticker	NAV	Shares	Value	Jul Ret
Contrafund	FCNTX	\$118.28	6,439.36	\$761,647	3.5%
Growth Strategies	FDEGX	37.76	14,010.10	529,022	0.6
Overseas	FOSFX	48.17	7,538.15	363,113	2.7
Blue Chip Growth	FBGRX	83.20	4,275.41	355,714	3.4
Large Cap Value Enhcd	FLVEX	12.55	19,417.91	243,695	1.5
Small Cap Growth	FCPGX	23.84	9,415.47	224,465	2.5
Current Value (12/31/86 = \$100,000)				\$2,477,656	2.5%

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



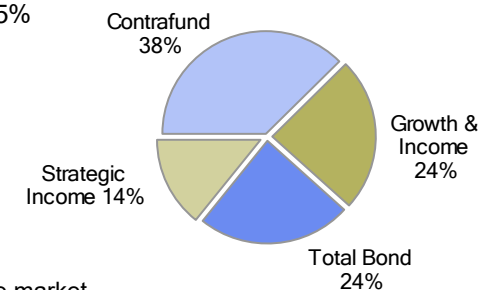
Growth & Income Target Risk: 0.66 (Current: 0.68) Foreign Holdings: 11.8% **YTD Return: 10.4%**

Stocks: 61.3% Bonds: 24.5% Cash: 1.0% Alternatives*: 13.3% Yield: 1.5%

Holdings	Ticker	NAV	Shares	Value	Jul Ret
Contrafund	FCNTX	\$118.28	2,053.44	\$242,881	3.5%
Growth & Income	FGRIX	35.31	4,425.97	156,281	1.6
Total Bond	FTBFX	10.70	14,542.35	155,603	0.6
Strategic Income	FSICX	11.10	8,299.44	92,124	1.3

Current Value (12/31/93 = \$100,000) **\$646,889** **2.0%**

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



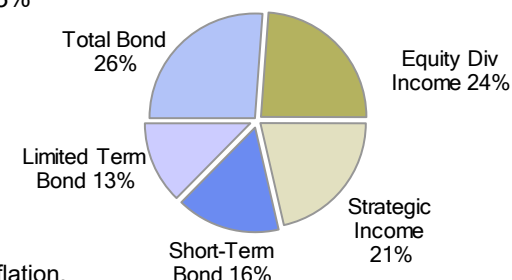
Income Target Risk: 0.33 (Current: 0.34) Foreign Holdings: 16.7% **YTD Return: 4.2%**

Stocks: 23.8% Bonds: 55.7% Cash: 1.7% Alternatives*: 18.9% Yield: 2.3%

Holdings	Ticker	NAV	Shares	Value	Jul Ret
Total Bond	FTBFX	\$10.70	9,670.13	\$103,470	0.6%
Equity Dividend Income	FEQTX	28.22	3,349.44	94,521	1.7
Strategic Income	FSICX	11.10	7,621.79	84,602	1.3
Short-Term Bond	FSHBX	8.63	7,298.88	62,989	0.2
Limited Term Bond	FJRLX	11.55	4,340.28	50,130	0.4

Current Value (12/31/91 = \$100,000) **\$395,713** **0.9%**

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



well see some profit taking in these top-performing stocks. And, it is worth remembering that tech stocks can be quite volatile. Despite the recent steady ascents of the largest tech stocks — that have masked that volatility — Select Technology is still 45% more volatile than the S&P 500. So if you are investing in tech, don't make it too big a portion of your portfolio and be prepared to ride out a pull-back.

Still A Model Mainstay

While valuations on tech stocks have indeed risen this year, they are nowhere near the extreme valuations we saw at the height of the dot-com boom. Rather, their gains have been largely driven by improving earnings and expectations for the full year remain robust. Tech earnings for the (large-cap) S&P 500 are expected to rise 28% in 2017 and projected growth rates in the mid-cap S&P 400 (59%) and the small-cap S&P 600 (77%) are even higher. As such, we continue to focus on the tech sector in our growth-oriented model portfolios with a 25% stake in our *Select Model*, 28% in our *Unique Opportunities Model* and 29% in our *Growth Model*. Note that these weights are not extreme relative to tech's 22% weight in the S&P 500.

Earnings In The Driver's Seat

Strong earnings are not just powering tech, but the whole market. Corporate earnings for the second quarter are continuing their double-digit growth from the first quarter. With 285 firms in the S&P 500 having reported, 71% are beating earnings estimates and, significantly, 71% are beating sales forecasts as well. As of now, second

FUNDS YOU SHOULD BUY NOW

Growth: *Blue Chip Growth* and *Growth Company* are aggressive large-cap options; *Contrafund* is more conservatively positioned. *Large Cap Value Enhanced* offers financial exposure; *Growth Strategies* and *Small Cap Growth* lower market-cap exposure. Style-agnostic, *Event Driven Opportunities* provides smaller-cap portfolio diversification.

Growth & Income: *Growth & Income* and *Equity Dividend Income* hold higher-yielding large-cap value stocks.

International: *Overseas* and *Int'l Small Cap* are lower-risk approaches to developed equity markets (but dabble in emerging markets, too).

High-Yield: *Strategic Income* limits high-yield bond risk; *Leveraged Co. Stock* is a Specialty fund playing high-yield via a company's equity.

Taxable Bond: *Limited Term Bond* and especially *Short-Term Bond* limit interest-rate risk. *Investment Grade Bond* limits credit risk, boosting yield with more rate-risk; *Total Bond* provides the broadest diversification boosting its yield through well-managed credit risk (see p.11).

Muni Bond: More highly taxed investors should consider muni funds. We prefer the short-maturity *Conservative Income Muni*. ■

quarter earnings per share are running 19.5% ahead of last year.

Economic Growth Rebounds

The first estimate of GDP growth for the second quarter came in at 2.6%, a nice jump from the downwardly revised 1.2% of the first quarter. It seems clear now that a problem with seasonal adjustments is causing poor first quarters followed by strong second quarters

as has been the case for the past few years. Overall, growth remains around 2.0% annually. That combined with faster growth around the world and a weaker dollar (which is boosting exports and foreign sales of U.S. firms) is enough to power solid earnings growth. Add in low inflation and (still) low interest rates and you've got a good recipe for further gains from stocks. ■

— John M. Boyd

MODEL PORTFOLIO TRADES

As announced on our Hotline update of Friday, July 21, on Monday, July 24, we made the following model portfolio trades:

Select Model:

We sold our position in **Select Construction & Housing** (ticker: FSHOX) and used the proceeds to purchase **Select Chemicals** (ticker: FSCHX). We also sold **Select Wireless** (ticker: FWRLX) and used the proceeds to purchase **Select Health Care** (ticker: FSPHX).

Annuity Sector Model:

We sold ½ of **VIP Consumer Discretionary** (ticker: FVHAC) and used the proceeds to buy **VIP Materials** (ticker: FVMAC). We also sold all of **VIP Telecommunications** (ticker: FVTAC) and purchased **VIP Health Care** (ticker: FPDRC). *Remember that fund tickers differ among various versions of Fidelity's annuity offerings, so the above tickers may not match yours, but the underlying funds are the same.*

Note: The two Select funds we sold have 0.75% redemption fees on shares held fewer than 30 days, and the two VIP sector funds we sold have a 1.00% fee for 60 days. As such, if these fees apply to you, you may wish to delay the trades until the fee period is over.

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.

STRATEGIC FUNDS

New Asset Allocation Gurus To Shake-up “Strategic” Funds And Others

You may not be familiar with their names, but two Fidelity managers with oversight of billions in assets across multiple share classes (including annuity VIPs), have been shown the exits. The affected **Strategic** funds (whose assets are \$24 billion!) are **Dividend & Income**, **Income** and **Real Return**.

Longtime asset allocation gurus Joanna Bewick and Chris Sharpe, who have often been Fidelity’s “talking heads” to the business media and at investment conferences, unexpectedly left the firm on June 20. Officially, they departed to “pursue other professional responsibilities.” But as we went to press, it was unclear why they’re gone, or where they may be headed.

The comforting news is that there’s no managerial vacuum. And Fidelity has been clear that its aim is to “create a very smooth transition.”

That appears to have happened.

For example, 17-year veteran Adam Kramer is now co-lead manager in place of Ms. Bewick. He now works alongside existing co-lead manager Ford O’Neil. (Ford is also the lead manager on **Total Bond**, see page 11.)

The manager changes detailed above affect a wide variety of Fidelity asset allocation funds and their multiple share classes (and even collateral changes on certain bond funds). These include the retail/Investor share classes shown in this report and *Scorecard*, plus Advisor shares, Institutional, Service Classes 1 and 2, VIP/annuities, and Classes A, B, C, F, K and M of the same portfolios.

Fund Portfolios: Four-in-One Index, Strategic Income, Strategic Dividend & Income, Strategic Real Return, Stock Selector All Cap, FundsManager 20% thru 85%, Global Strategies, Municipal Income, and Target Volatility. ■

Adam is certainly no stranger to asset allocation funds, and has long worked as part of a team effort on **Convertible Securities**, **Leveraged Company Stock** and institutional high-yield portfolios. He’s also run sub-portfolios on various equity-income funds. Importantly, he already has experience working with Ford on Strategic Dividend & Income and elsewhere.

Apart from the Strategic funds, a few other asset allocation funds are also affected.

Stepping in for Chris Sharpe on **Global Strategies** is Geoff Stein (Chris had only been running the fund since mid-2015); he continues his investment roles on **Stock Selector All Cap** and several **Asset Manager** funds.

Finally, Andrew Dierdorf is now sole manager on **Four-in-One Index** (a fund of funds). Dierdorf continues to play much the same roles on other asset allocation product lines, including Fidelity’s Target Date, Freedom and even 529 college savings plans.

Action Recommendations

While we’ve never been fans of asset allocation funds (we prefer to make our own investment decisions where we can better control portfolio exposures and risk), we understand the allure of hands-off investing.

That said, an important Fidelity advantage is its deep bench of managers and analysts, and their commitment to active portfolio management (even as they roll out popular indexing products). To that end, even with their recent staff reductions (see p. 12), their bond and equity research departments have been left untouched. Likewise, our ratings of the funds touched by these manager changes also remain untouched. ■

— John Bonnanzio

SECTOR FOCUS

Health Care’s Pulse Gets Stronger

While Washington has been warring over the “repeal and replace” of Obamacare, Fidelity’s five health care funds have been soaring. In particular, **Select Biotechnology** has more than recovered from its 2016 decline of 23.7%.

Meanwhile, the far more diversified **Health Care** is recovering nicely from a traumatic 2016, when poorly-performing pharmaceuticals contributed to its 10.7% decline. This year it’s up 22.3%!

While our July purchase of the fund in our *Select Model* may look like performance-chasing, our *Select Model* more than doubled Health Care’s return (36.8% vs. 16.5%) during the time we *didn’t own it* (9/28/15 to 7/24/17).

In the political realm, there’s plenty of good news for pharma. For one thing, President Trump is no longer threatening to use the big stick of Medicare to drive down prices. And, his new FDA commissioner is seen as friendly. Among other things, he favors loosening a prohibition on drug firms sharing data with insurers before their therapies are approved. Such a move could make it easier for pharma to get more products through their pipelines faster.

Of course, none of this has been lost on investors: **Pharmaceuticals** is up 11.7% this year and Biotech twice that: up 24.5%!

As enticing as these returns are, biotech’s valuations and volatility are lofty. Meanwhile, drug makers could yet be walloped by law-makers. So a better approach for our two sector models is the more diversified Health Care (and its VIP counterpart). Though it’s 28% weighted in biotech, 17% big pharma, and 24% in equipment/device firms, the fund is still 58% more volatile than the market. ■

FUND COMMENTARY

Stocks Keep Following Profits Higher

Despite endless political rancor and dysfunction in Washington, and the lack of any progress whatsoever on health care, infrastructure or taxes (corporate or individual), share prices continue to march to the beat of two other drummers: rising corporate sales and earnings.



In particular, the latter keeps driving most equity indexes up. In mid-July 19, for example, all three of the market's most widely-followed stock gauges (the Dow Industrials, S&P 500 and Nasdaq Composite) ended the day at record-high levels.

As the profit-picture is detailed in "Market Outlook" on p. 3, I'll skip over it here and get straight to market and fund performances.

Market Indexes

Accounting for dividends, the large-cap S&P 500 and Dow Industrials gained 2.1% and 2.7%, respectively in July, and are now up 11.6% and 12.3% for the year. For its part, the (small cap) Russell 2000 gained 0.7% last month, and is up a comparatively modest 5.8% so far this year. On the other hand, the tech-rich Nasdaq Composite continues to surge ahead of all others: its month and year-to-date gains are 3.4% and 18.7%, respectively.

Stock Funds

Thanks largely to tech, large-cap growth funds outpaced all other categories last month. **Growth Company** (up 4.1%) and **Blue Chip Growth** (up 3.4%) were among the performance leaders. Similarly, **Contrafund** gained 3.5%. For their part, **Mid Cap Value** (up 0.6%) and **Small Cap Discovery** (down 0.2%) were laggards.

Select Funds

Tech shares retreated modestly on the last day of July, but their performance was stellar for the month: **Select Technology** jumped 5.2% and **Software & IT Services** advanced 4.0%.

Elsewhere, soaring shares of Boeing helped propel **Defense & Aerospace** up 4.1% (while also providing the Dow with a lift). On the other hand, an 8% rise in crude oil prices helped to derail **Transportation** (down 3.1%).

Bond Funds

The Fed took a pass on raising interest rates in July, though there's been more and more chatter about shrinking its \$4.5 trillion "balance

sheet" of bonds "relatively soon." The concern now is quantity and timing: unwinding its bond portfolio too fast could overwhelm the fixed-income market with supply, sending bond prices lower.

Despite this worry, the yield on the benchmark 10-year Treasury was largely unchanged in July, finishing the month at 2.29%. As bond yields move in the opposite direction of their price, it followed that **Short-Term Treasury Index** gained 0.3%. On the other hand, the long-dated 30-year Treasury bond saw its yield climb 6 basis points to 2.89%; **Long-Term Treasury Index** fell 0.6%.

Fund Commentary *cont'd on page 8*

August Scorecard Rating Changes					
Fund	Ratings			Comments	
	Old	New			
Export & Multinat'l	H	S	↓	Underweight in tech may continue to weigh on returns.	
Focused Stock	S	H	↑	Fund's 36% stake in tech has been boosting results.	
Global Balanced	S	H	↑	May benefit from weaker dollar and demand for bonds.	
Global Credit	S	H	↑	Portfolio volatility should fall owing to hedged currencies.	
Inflation-Prot Bond	H	S	↓	Lack of inflation deflates fund's relative merits (see p 11).	
Inflation-Prot Index	H	S	↓	Lack of inflation deflates fund's relative merits (see p 11).	
MSCI Cons Staples	B	H	↓	Brand-name goods remain under pricing pressure.	
MSCI Health Care	H	B	↑	Better fundamentals even without reform - see pg 4.	
MSCI Materials	H	B	↑	Chemical segment benefits from low natural gas prices.	
MSCI Telecom Svcs	B	H	↓	Pricing battles over data plans are squeezing margins.	
MSCI Utilities	S	S	↑	Power generators getting lift from cheaper natural gas.	
Pimco VIT Real Return	H	S	↓	Lack of inflation deflates fund's relative merits (see p 11).	
Sel Biotechnology	S	H	↑	Faster FDA approvals are helping pipelines.	
Sel Cons & Housing	B	H	↓	Lack of skilled labor and rising lumber prices may hurt.	
Sel Cons Finance	H	B	↑	Profits from overseas operations on the rise.	
Sel Consum Staples	B	H	↓	Brand-name goods remain under pricing pressure.	
Sel Gold	S	S	↓	Low inflation makes this risky hedge less attractive.	
Sel Health Care	H	B	↑	Better fundamentals even without reform - see pg 4.	
Sel Materials	H	B	↑	Chemical segment benefits from low natural gas prices.	
Sel Med Equipment	H	B	↑	Exports may get a boost from the weaker U.S. dollar.	
Sel Multimedia	B	H	↓	Old-line media likely to keep losing ad dollars to internet.	
Sel Retailing	B	B	↓	Home improvement market & others getting squeezed.	
Sel Telecom's	B	H	↓	Pricing battles over data plans are squeezing margins.	
Sel Utilities	S	S	↑	Power generators getting lift from cheaper natural gas.	
Sel Wireless	B	H	↓	Pricing battles over data plans are squeezing margins.	
VIP Consum Staples	B	H	↓	Brand-name goods remain under pricing pressure.	
VIP Health Care	H	B	↑	Better fundamentals even without reform - see pg 4.	
VIP Materials	H	B	↑	Chemical segment benefits from low natural gas prices.	
VIP Telecommun's	B	H	↓	Pricing battles over data plans are squeezing margins.	
VIP Utilities	S	S	↑	Power generators getting lift from cheaper natural gas.	

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

FIDELITY SCORECARD

JULY 31, 2017

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)				Rel Vol (Risk) ¹		
						Jul	YTD	3 Mo.	1 Yr	3 Yr	5 Yr	10 Yr			
Comparative Indexes		S&P 500		2470.3		2.1	11.6	4.1	16.0	10.9	14.8	7.7	1.00		
		Nasdaq Composite		6348.1		3.4	18.7	5.3	24.4	14.6	18.1	10.8	1.25		
		Dow Jones Industrials		21891.1		2.7	12.3	5.2	21.8	12.5	13.8	8.0	1.05		
		Russell 2000 (Small Caps)		1425.1		0.7	5.8	2.5	18.5	9.9	14.2	7.8	1.44		
		Barclays Aggregate Bond*				0.5	2.6	1.1	-0.7	2.6	1.8	4.1	0.29		
Model Portfolios		Unique Opportunities				2.5	13.2	4.7	19.5	8.9	14.0	6.5	1.07		
		Select Growth				1.4	11.9	2.4	16.4	10.5	15.9	8.8	1.18		
		Growth & Income				2.5	13.2	4.6	17.9	9.2	12.3	5.9	0.99		
		Income				2.0	10.4	3.9	14.0	8.1	10.7	5.7	0.68		
											Rel Vol (Risk) ¹	Assets (\$Mil)			
LARGE CAP GROWTH						Category Averages			3.1	17.7	5.9	19.8	11.2	15.7	1.15
312	FBGRX	Blue Chip Growth		83.20	Buy	3.4	23.5	6.9	24.5	13.2	17.6	1.20	\$16,997		
307	FDCAX	Capital Appreciation		35.92	Hold	3.5	13.4	4.1	16.0	8.3	13.9	1.18	5,062		
22	FCNTX	Contrafund		118.28	Buy	3.5	20.9	6.8	21.1	12.3	15.3	0.99	84,263		
3	FFIDX	Fidelity Fund		45.90	OK to Sell	2.2	11.5	3.7	12.8	9.4	12.8	1.01	3,941		
333	FTQGX	Focused Stock		21.58	Hold↑	4.6	17.5	7.4	14.7	8.1	13.6	1.08	1,626		
25	FDGRX	Growth Company (Closed)		169.27	Buy	4.1	23.8	9.7	28.8	16.0	18.4	1.32	23,187		
339	FDSVX	Growth Discovery		31.61	OK to Buy	3.4	24.4	7.3	23.1	12.1	15.9	1.09	1,198		
73	FDFFX	Independence		38.54	OK to Sell	2.9	15.1	6.1	17.5	5.7	14.5	1.32	3,418		
1829	FLGEX	Lrge Cap Growth Enhcd Index		17.37	OK to Buy	2.4	12.7	3.2	15.3	10.8	14.7	1.04	924		
2823	FSUIX	Lrge Cap Growth Index ⁴		12.14	Hold	2.6	16.9	5.0	17.9	--	--	--	9		
21	FMAGX	Magellan		98.57	Hold	3.0	14.2	5.9	17.5	10.7	15.3	1.09	14,060		
1282	FNCMX	Nasdaq Composite Index		83.71	OK to Buy	3.4	18.5	5.2	24.2	14.5	17.9	1.25	4,405		
300	FMILX	New Millennium		39.53	OK to Sell	2.4	9.7	3.6	17.0	7.9	13.7	1.05	3,206		
93	FOCPX	OTC		105.68	OK to Buy	2.7	26.8	8.7	28.0	17.2	21.2	1.50	12,133		
320	FDSSX	Stock Selector All Cap		41.84	Hold	2.3	15.0	4.5	19.0	10.0	14.8	1.06	6,891		
5	FTRNX	Trend		98.25	OK to Buy	3.8	18.5	6.2	19.6	12.2	15.9	1.10	1,668		
LARGE CAP BLEND						Category Averages			1.7	9.6	3.2	15.5	9.0	13.9	1.05
650	FUSEX	500 Index ⁴		86.46	Hold	2.1	11.5	4.1	15.9	10.8	14.7	1.00	3,820		
315	FDEQX	Disciplined Equity		37.01	Hold	2.3	11.4	3.6	13.9	8.4	13.9	1.01	1,227		
330	FDGFX	Dividend Growth		35.06	Hold	1.4	8.9	2.6	13.1	7.5	13.1	0.96	5,955		
332	FEXPX	Export and Multinational		22.75	OK to Sell↓	0.8	9.1	1.7	12.7	9.1	11.7	0.95	1,504		
27	FGRIX	Growth & Income		35.31	Buy	1.6	7.7	3.1	17.5	8.6	14.0	1.14	6,358		
1827	FLCEX	Lrge Cap Core Enhcd Index		13.64	OK to Buy	1.7	9.2	2.8	13.7	9.1	14.0	1.00	538		
338	FLCSX	Large Cap Stock		31.50	Buy	1.9	8.7	3.4	18.8	8.7	15.4	1.22	4,760		
361	FGRTX	Mega Cap Stock		18.93	Buy	1.9	8.8	3.7	17.5	8.8	14.1	1.14	1,633		
397	FSTMX	Total Market Index ⁴		71.32	Hold	1.9	11.0	3.9	16.1	10.4	14.6	1.02	768		
2939	FENSX	U.S. Sustainability Index		10.41	NA	2.3	--	--	--	--	--	--	2		
LARGE CAP VALUE						Category Averages			1.9	7.5	3.2	15.3	8.1	13.6	1.0
1271	FBCVX	Blue Chip Value		18.85	OK to Buy	2.8	9.2	3.1	17.7	9.0	14.7	1.05	413		
319	FEQTX	Equity Dividend Income		28.22	Buy	1.7	6.3	3.4	13.1	8.6	12.3	0.93	5,273		
23	FEQIX	Equity-Income		59.98	Buy	1.7	6.5	2.5	14.6	7.4	12.1	0.97	6,184		
1828	FLVEX	Lrge Cap Value Enhcd Index		12.55	Buy	1.5	5.7	2.5	14.1	8.4	14.4	1.04	2,943		
2827	FLCDX	Lrge Cap Value Index ⁴		11.55	Hold	1.3	6.0	2.9	13.5	--	--	--	3		
708	FSLVX	Stock Sel Large Cap Value		19.67	Hold	1.6	5.5	2.5	13.1	7.6	13.6	0.98	1,064		
832	FVDFX	Value Discovery		28.10	Buy	2.3	8.7	3.8	17.7	8.6	14.5	0.97	2,717		
14	FSLSX	Value Strategies		42.80	OK to Buy	2.6	12.2	4.6	18.9	7.6	13.6	1.20	445		
MID-CAP GROWTH						Category Averages			0.6	11.1	2.1	10.3	9.2	14.6	1.00
324	FDEGX	Growth Strategies		37.76	Buy	0.6	11.1	2.1	10.3	9.2	14.6	1.00	2,332		
MID-CAP BLEND						Category Averages			1.4	9.3	3.0	15.2	8.8	14.5	1.11
398	FSEMEX	Extended Market Index ⁴		59.56	Buy	1.1	8.5	2.7	16.6	8.9	14.6	1.25	784		
2012	FMEIX	Mid Cap Enhanced Index		15.06	OK to Buy	1.0	7.4	2.0	13.3	9.0	15.4	1.06	1,203		
2349	FSCIX	Mid Cap Index ⁴		19.75	OK to Buy	1.5	9.5	3.4	12.9	9.1	14.8	1.07	68		
337	FMCSX	Mid-Cap Stock		37.23	Hold	2.0	10.2	4.1	15.6	8.4	14.2	1.01	5,616		
2412	FSSMX	Stock Selector Mid Cap		38.66	OK to Buy	1.5	11.1	2.9	17.7	8.4	13.3	1.15	517		
MID-CAP VALUE						Category Averages			1.6	8.5	3.0	14.9	7.6	14.5	1.04
316	FLPSX	Low-Priced Stock ⁵		54.38	OK to Buy	2.0	9.9	3.8	15.2	7.4	13.6	0.89	28,324		
762	FSMVX	Mid Cap Value		26.31	OK to Buy	0.6	6.2	1.8	13.1	7.6	15.0	1.07	2,328		
39	FDVLX	Value		120.26	OK to Buy	2.1	9.6	3.5	16.4	7.8	15.0	1.16	7,437		

Notes: *Fidelity's U.S. Bond Index used as a proxy for the Barclays Aggregate Bond Index. ¹Relative Volatility (Rel Vol) 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 actual distributed yield over prior 12 months. ⁴Also available in a Premium share class with a minimum of \$10,000, but a lower expense ratio. ⁵Almost an Asset Allocation fund with 30%+ typically in foreign stocks. ⁶Formerly Global Bond. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

FIDELITY SCORECARD

JULY 31, 2017

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Jul	YTD	3 Mo.	1 Year	3 Year	5 Year				
SMALL CAP GROWTH						Category Averages			2.5	15.8	4.5	21.2	13.8	16.3	1.24
1388	FCPGX	Small Cap Growth	1.50%/90d	23.84	Buy	2.5	15.8	4.5	21.2	13.8	16.3	1.24	\$2,335		
SMALL CAP BLEND						Category Averages			0.5	3.2	0.8	14.2	8.9	13.5	1.32
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	30.95	OK to Buy	-0.2	1.8	0.5	12.4	7.6	14.3	1.30	5,358		
2011	FCPEX	Small Cap Enhanced Index		13.99	OK to Buy	0.6	1.2	-0.4	15.9	9.8	14.4	1.43	878		
2356	FSSPX	Small Cap Index ⁴		19.20	OK to Buy	0.7	5.8	2.1	18.5	10.0	14.2	1.44	42		
340	FSLCX	Small Cap Stock	2.00%/90d	19.10	Hold	0.6	4.6	1.7	12.3	9.0	12.5	1.16	1,689		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	26.92	OK to Buy	0.9	2.8	0.3	12.0	8.2	12.3	1.25	1,458		
SMALL CAP VALUE						Category Averages			0.5	3.2	1.8	15.0	10.4	15.0	1.12
1389	FCPVX	Small Cap Value (Closed)	1.50%/90d	19.41	OK to Buy	0.5	3.2	1.8	15.0	10.4	15.0	1.12	2,640		
SPECIALTY															
2624	FARNX	Event Driven Opportunities		14.56	Buy	3.2	14.4	6.4	28.5	12.8	--	1.47	418		
308	FCVSX	Convertible Securities		28.04	Hold	1.4	6.5	1.4	9.1	1.8	9.2	0.93	1,460		
2120	FFGCX	Global Commodity Stock	1.00%/30d	11.93	OK to Sell	6.7	5.7	4.2	14.4	-5.7	-1.1	1.86	257		
122	FLVCX	Leveraged Company Stock		37.25	Buy	3.3	11.9	3.8	17.5	4.0	13.0	1.36	2,645		
1329	FSDIX	Strategic Dividend & Income		15.41	OK to Buy	1.5	6.8	2.4	7.9	7.6	10.4	0.72	3,272		
1505	FSRRX	Strategic Real Return		8.81	OK to Sell	1.1	1.5	0.9	2.5	-0.6	0.5	0.48	481		
311	FIUIX	Telecom & Utilities		26.89	Hold	4.5	10.1	4.1	6.3	7.8	10.5	0.99	1,017		
REAL ESTATE															
1368	FIREX	International Real Estate	1.50%/90d	11.17	OK to Sell	2.5	17.7	8.3	9.7	4.5	10.4	1.05	226		
833	FRIFX	Real Estate Income	0.75%/90d	12.38	OK to Buy	1.0	6.5	2.6	5.6	7.2	8.2	0.51	2,634		
2353	FRXIX	Real Estate Index ⁴	0.75%/90d	15.68	Hold	0.9	2.2	2.8	-5.8	8.0	8.5	1.47	32		
303	FRESX	Real Estate Investment		42.92	Hold	1.2	3.4	3.5	-4.9	9.2	9.5	1.46	4,325		
ASSET ALLOCATION															
328	FASIX	Asset Manager 20%		13.51	Hold	0.9	4.6	1.7	4.2	3.4	4.0	0.30	4,841		
1957	FTANX	Asset Manager 30%		11.03	Hold	1.2	6.2	2.2	6.1	4.3	5.3	0.39	1,078		
1958	FFANX	Asset Manager 40%		11.52	Hold	1.3	7.5	2.6	7.8	4.9	6.5	0.48	1,307		
314	FASMX	Asset Manager 50%		18.09	Hold	1.5	8.9	3.0	9.6	5.5	7.6	0.58	8,140		
1959	FSANX	Asset Manager 60%		12.26	Hold	1.8	10.4	3.5	11.5	6.1	8.7	0.67	1,772		
321	FASGX	Asset Manager 70%		21.89	Hold	2.0	11.6	3.9	13.4	6.5	9.7	0.77	4,580		
347	FAMRX	Asset Manager 85%		18.77	Hold	2.3	13.8	4.7	16.1	7.4	11.4	0.91	1,781		
304	FBALX	Balanced		24.13	OK to Buy	1.7	10.4	3.4	12.0	7.8	10.4	0.73	22,867		
355	FFNOX	Four-in-One Index		42.32	Hold	1.9	11.3	4.1	14.1	7.4	11.3	0.85	5,262		
334	FGBLX	Global Balanced		25.01	Hold	2.7	13.2	5.5	7.5	3.4	6.6	0.73	386		
1960	FDYSX	Global Strategies		9.48	Hold	1.7	11.9	4.5	11.7	5.6	6.4	0.67	81		
4	FPURX	Puritan		22.65	OK to Buy	2.0	10.9	3.7	11.8	7.7	10.4	0.72	19,997		
INTERNATIONAL						Category Averages			3.6	20.9	7.6	18.4	5.0	9.6	1.26
309	FICDX	Canada	1.50%/90d	52.47	Hold	4.0	7.3	6.7	9.9	-0.9	4.6	1.30	1,199		
352	FHKCX	China Region	1.50%/90d	31.92	Hold	6.2	34.2	12.5	31.0	7.3	13.0	2.15	1,175		
325	FDIVX	Diversified International		40.01	OK to Buy	3.3	20.1	6.9	16.8	4.7	10.0	1.13	11,175		
351	FSEAX	Emerging Asia	1.50%/90d	40.60	OK to Buy	4.3	30.8	10.9	26.6	7.4	9.9	1.49	1,149		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	9.16	Hold	4.9	8.9	4.4	14.6	0.6	3.6	1.66	82		
322	FEMKX	Emerging Markets	1.50%/90d	29.28	OK to Buy	5.1	31.2	10.9	23.0	5.0	7.4	1.38	3,597		
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	14.35	Hold	3.7	25.7	6.8	22.8	4.7	7.2	1.34	220		
2341	FPEMX	Emerging Markets Index ⁴	1.50%/90d	10.63	Hold	5.9	25.6	9.9	24.0	2.8	4.8	1.58	32		
301	FIEUX	Europe		40.55	Buy	1.9	20.6	7.2	15.8	3.7	10.1	1.32	1,299		
2406	FGILX	Global Equity-Income	1.00%/30d	13.59	Hold	1.8	12.3	4.4	12.6	6.4	10.8	0.86	77		
2345	FSGUX	Global ex U.S. Index ⁴		12.93	OK to Buy	3.7	18.8	7.5	19.2	2.5	7.6	1.17	43		
335	FIVFX	International Cap App		19.89	OK to Buy	3.0	24.5	7.8	14.6	7.7	11.9	1.10	1,858		
305	FIGRX	International Discovery		44.79	OK to Buy	4.0	22.8	8.4	18.6	5.1	10.2	1.13	7,113		
2010	FIENX	International Enhanced Index	1.00%/30d	9.63	OK to Buy	3.3	19.2	6.8	21.1	4.5	10.6	1.14	517		
1979	FIGFX	International Growth		12.94	OK to Buy	1.9	21.6	6.6	14.4	6.1	9.6	1.07	928		
399	FSIIX	International Index ⁴		41.60	Hold	2.9	17.8	6.6	18.4	3.0	9.2	1.14	716		
818	FISMX	International Small Cap	2.00%/90d	28.50	Buy	3.3	22.3	8.5	23.0	9.8	15.4	1.04	1,308		
1504	FSCOX	International Small Cap Opps	2.00%/90d	18.02	OK to Buy	2.8	23.9	8.4	20.5	8.7	13.6	1.04	898		
2986	FNIYX	International Sustainability Idx		10.55	NA	3.5	--	--	--	--	--	--	3		
1597	FIVLX	International Value	1.00%/30d	8.83	Hold	2.4	14.7	5.5	15.8	2.0	8.0	1.06	349		
350	FJPNX	Japan	1.50%/90d	14.10	OK to Buy	1.8	17.7	7.6	17.6	6.4	9.9	1.14	238		
360	FJSCX	Japan Smaller Companies	1.50%/90d	17.50	OK to Buy	3.4	19.5	9.3	17.4	10.8	17.7	0.99	682		
349	FLATX	Latin America	1.50%/90d	23.83	OK to Sell	9.5	25.1	6.0	15.9	-5.9	-5.3	2.34	574		
342	FNORX	Nordic	1.50%/90d	52.99	Hold	-0.6	18.0	6.9	12.1	5.6	15.3	1.20	377		
94	FOSFX	Overseas		48.17	Buy	2.7	21.8	6.8	19.1	7.6	12.5	1.13	6,417		
302	FPBFX	Pacific Basin	1.50%/90d	32.76	OK to Buy	3.3	23.8	9.6	16.6	8.9	14.6	1.15	896		
2369	FTEMX	Total Emerging Markets	1.50%/90d	12.89	OK to Buy	4.1	20.0	6.4	19.1	4.4	6.6	1.13	259		
1978	FTIEX	Total International Equity	1.00%/30d	8.99	OK to Buy	2.9	20.8	7.2	16.9	4.7	8.6	1.07	79		
2831	FTIGX	Total International Index ⁴	1.00%/90d	11.87	Hold	3.6	18.7	7.3	18.7	--	--	--	11		
318	FWWFX	Worldwide		25.92	OK to Buy	4.0	18.8	7.3	16.4	7.0	12.1	1.03	1,566		

FIDELITY SCORECARD

JULY 31, 2017

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)
						Jul	YTD	3 Mo.	1 Year	3 Year	5 Year		
SELECT PORTFOLIOS						1.8	10.3	3.0	16.0	7.9	13.6	1.58	
Category Averages													
34	FSAIX	Air Transportation	0.75%/30d	78.77	Hold	-1.0	7.4	5.3	28.0	11.9	20.4	1.40	\$401
502	FSAVX	Automotive	0.75%/30d	35.44	OK to Sell	1.1	8.5	1.2	9.6	0.7	13.6	1.69	46
507	FSRBX	Banking	0.75%/30d	32.77	OK to Buy	0.1	1.8	3.3	35.2	11.7	15.1	1.81	1,000
42	FBIOX	Biotechnology		216.69	Hold↑	2.6	24.5	6.3	14.9	11.1	20.2	2.87	9,520
68	FSLBX	Brokerage & Investment	0.75%/30d	76.34	OK to Buy	2.9	15.1	10.2	33.9	6.1	15.1	1.84	463
69	FSCHX	Chemicals		165.48	Buy	3.9	16.8	4.4	26.5	9.4	14.7	1.59	1,775
518	FSDCX	Communications Equipment	0.75%/30d	34.57	Hold	1.1	6.0	1.1	15.8	7.0	14.1	1.52	190
7	FDCPX	Computers	0.75%/30d	87.67	Hold	3.5	20.6	2.4	31.5	8.9	12.4	1.65	521
511	FSHOX	Construction & Housing	0.75%/30d	62.51	Hold↓	-0.5	9.6	-0.4	5.7	12.3	15.6	1.37	356
517	FSCPX	Consumer Discretionary		39.06	Buy	1.3	10.5	0.6	10.4	11.0	15.0	1.14	700
98	FSVLX	Consumer Finance	0.75%/30d	14.54	OK to Buy↑	2.6	8.8	8.2	23.6	8.6	13.1	1.41	96
9	FDFAX	Consumer Staples		98.90	Hold↓	-0.1	11.8	0.7	6.3	9.2	10.9	1.01	1,612
67	FSDAX	Defense & Aerospace		147.87	Buy	4.1	15.3	6.3	25.9	15.6	18.7	1.25	1,945
60	FSENX	Energy		39.88	Hold	3.4	-14.5	-4.0	-0.7	-10.4	0.7	2.12	1,921
43	FSESX	Energy Service	0.75%/30d	45.42	Hold	3.0	-18.6	-7.5	3.8	-18.2	-4.2	2.50	518
516	FSLEX	Environment & Alt Energy	0.75%/30d	24.63	OK to Buy	-0.8	12.8	2.9	23.7	9.2	14.8	1.25	181
66	FIDSX	Financial Services		104.63	Buy	1.9	7.6	7.5	27.5	10.1	14.8	1.34	1,073
41	FSAGX	Gold		20.68	Sell↓	2.1	8.1	2.3	-23.4	-2.0	-9.3	3.89	1,192
63	FSPHX	Health Care		225.99	Buy↑	0.7	22.3	5.7	9.8	10.1	21.1	1.58	6,903
505	FSHCX	Health Care Services	0.75%/30d	91.26	Hold	-1.2	16.3	6.0	14.3	12.8	17.8	1.29	834
510	FSCGX	Industrial Equipment	0.75%/30d	40.20	Buy	0.9	6.8	1.5	11.8	8.6	12.6	1.25	159
515	FCYIX	Industrials		33.36	Buy	-0.6	5.1	-0.8	13.0	8.7	14.1	1.26	873
45	FSPCX	Insurance	0.75%/30d	85.56	OK to Buy	3.2	10.9	7.4	26.3	14.5	18.9	1.18	514
353	FBSOX	IT Services		49.45	OK to Buy	4.5	19.0	8.5	21.4	16.3	20.1	1.27	1,805
62	FDSLX	Leisure	0.75%/30d	156.74	Hold	-0.9	14.6	2.5	18.7	11.3	16.6	1.08	542
509	FSDPX	Materials		84.75	Buy↑	2.4	12.7	4.1	19.6	3.7	9.3	1.56	878
354	FSMEX	Medical Equipment		45.56	OK to Buy↑	-1.5	24.3	5.0	12.9	18.1	22.4	1.41	4,026
503	FBMPX	Multimedia	0.75%/30d	84.87	Hold↓	5.9	15.4	2.7	24.0	9.7	16.9	1.45	663
513	FSNGX	Natural Gas	0.75%/30d	23.81	Hold	2.4	-19.2	-6.9	-2.2	-17.3	-4.0	2.75	313
514	FNARX	Natural Resources	0.75%/30d	26.82	Hold	3.1	-12.2	-3.1	-1.3	-11.4	-0.4	2.10	847
580	FPHAX	Pharmaceuticals		19.01	OK to Buy	-0.5	11.7	3.4	-4.2	3.7	12.8	1.36	933
46	FSRPX	Retailing		120.20	OK to Buy↓	0.8	9.6	-0.4	8.6	16.9	18.4	1.12	1,841
8	FSELX	Semiconductors	0.75%/30d	104.74	OK to Buy	2.8	13.5	5.2	31.8	20.7	24.1	1.67	3,006
28	FSCSX	Software & IT Services		154.86	Buy	4.0	23.4	6.0	25.5	17.3	21.1	1.39	4,460
64	FSPTX	Technology		169.32	Buy	5.2	34.5	9.7	40.2	19.0	19.7	1.45	5,707
96	FSTCX	Telecommunications		68.83	Hold↓	3.1	0.9	-1.4	3.2	8.0	10.6	1.07	378
512	FSRFX	Transportation	0.75%/30d	92.50	OK to Sell	-3.1	3.6	1.5	21.3	8.4	17.1	1.53	543
65	FSUTX	Utilities		82.98	OK to Sell↑	4.3	16.4	6.4	10.4	8.8	11.3	1.14	718
963	FWRLX	Wireless	0.75%/30d	9.90	Hold↓	4.5	18.4	5.1	21.4	8.7	12.9	1.19	291
SECTOR ETFs													
	FDIS	MSCI Consumer Discretionary		36.09	Buy	1.7	12.9	1.9	14.4	12.2	--	1.15	294
	FSTA	MSCI Consumer Staples		33.23	Hold↓	0.6	7.8	0.7	3.9	11.1	--	0.95	312
	FENY	MSCI Energy		18.41	Hold	2.4	-11.9	-2.1	-0.7	-10.8	--	1.86	431
	FNCL	MSCI Financials		36.92	Buy	1.6	7.7	6.1	31.3	13.9	--	1.42	922
	FHLC	MSCI Health Care		38.41	Buy↑	0.3	17.6	6.1	9.3	11.4	--	1.34	819
	FIDU	MSCI Industrials		34.95	Buy	0.5	9.4	2.5	18.0	11.1	--	1.22	355
	FTEC	MSCI Information Technology		44.49	Buy	4.1	21.2	6.0	28.7	16.4	--	1.40	1,010
	FMAT	MSCI Materials		31.62	Buy↑	1.2	10.6	2.9	16.1	6.5	--	1.65	212
	FREL	MSCI Real Estate		24.53	Hold	1.3	6.3	3.2	-1.7	--	--	--	393
	FCOM	MSCI Telecomm Services		32.65	Hold↓	2.2	3.4	0.5	4.6	9.5	--	1.24	116
	FUTY	MSCI Utilities		34.66	OK to Sell↑	2.6	11.3	4.1	6.6	12.9	--	1.26	277
FACTOR ETFs													
	FDVW	Core Dividend		27.02	OK to Buy	0.8	5.2	2.0	--	--	--	--	57
	FDRR	Dividend for Rising Rates		28.56	OK to Buy	1.1	9.4	3.2	--	--	--	--	152
	FDLO	Low Volatility Factor		28.22	Hold	1.6	10.1	3.5	--	--	--	--	34
	FDMO	Momentum Factor		28.63	Hold	2.6	12.8	4.2	--	--	--	--	36
	FQAL	Quality Factor		29.18	Hold	1.9	11.9	4.4	--	--	--	--	31
	FVAL	Value Factor		29.77	OK to Buy	2.1	10.0	4.4	--	--	--	--	39

Fund Commentary *cont'd from page 5*

Elsewhere, the diversified U.S. **Bond Index** gained 0.4% and **Total Bond** (see p. 11) rose 0.6%.

Favorable economic conditions plus fading concerns that the indi-

vidual tax rate will be cut for high-earners, also helped tax-advantaged muni funds: gains ranged from 0.2% for **Conservative Income Muni** to 0.9% for **Muni Income** and 1.0% for **Tax-Free Bond**. Elsewhere, economically sensitive high-

yield funds (which tend to be correlated with stocks) continued to post strong gains: **Capital & Income** (which holds some stocks) surged 1.9% for the month and is up 8.4% for the year. ■

—John Bonnanzio

FIDELITY SCORECARD

JULY 31, 2017

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			
						Jul	YTD	3 Mo.	1 Yr	3 Yr	5 Yr						
TAXABLE BOND						Category Averages			0.4	2.4	0.8	-0.5	2.0	1.4	1.92	5.1	0.30
2267	FCONX	Conservative Income Bond		10.04	Buy	0.1	0.7	0.3	1.1	0.7	0.6	1.08	0.2	0.02			
2208	FCBFX	Corporate Bond		11.62	Buy	0.7	4.9	2.3	2.5	3.9	3.6	2.79	7.0	0.41			
2423	FGBFX	Global Credit ⁶		9.16	Hold [↑]	0.8	7.3	2.9	0.5	0.3	0.5	2.19	6.8	0.53			
15	FGMNX	GNMA (Ginnie Mae)		11.45	OK to Buy	0.4	1.4	0.5	0.2	2.2	1.7	2.14	3.4	0.16			
54	FGOVX	Government Income		10.27	Hold	0.2	2.0	0.6	-1.7	2.0	1.3	1.73	5.5	0.29			
794	FINPX	Inflation-Prot Bond (closed) ³		11.98	OK to Sell [↓]	0.5	1.2	-0.4	-1.2	0.4	-0.4	0.17*	5.7	0.39			
2415	FSIQX	Inflation-Protected Index ^{3,4}		9.80	OK to Sell [↓]	0.5	1.2	-0.4	-1.0	0.7	-0.2	0.01*	5.7	0.40			
32	FTHRXX	Intermediate Bond		10.91	Buy	0.5	2.4	0.8	0.4	2.3	1.9	1.94	4.0	0.21			
452	FSTGX	Intermediate Gov't Income		10.52	Hold	0.3	1.5	0.4	-1.0	1.4	0.9	1.51	3.8	0.21			
1561	FIBIX	Intermediate Treasury Index ⁴		10.80	Hold	0.4	2.6	0.6	-2.9	2.6	1.2	1.93	6.5	0.44			
26	FBNDX	Investment Grade Bond		7.93	Buy	0.6	3.0	1.1	1.0	2.8	2.3	2.21	5.6	0.30			
2622	FJRLX	Limited Term Bond		11.55	Buy	0.4	1.9	0.8	1.0	1.8	1.6	1.70	2.6	0.14			
662	FFXSX	Limited Term Government		9.96	OK to Buy	0.2	1.0	0.3	-0.4	0.9	0.6	1.26	2.7	0.14			
1562	FLBIX	Long-Term Treasury Index ⁴		13.00	Hold	-0.6	5.0	1.8	-9.9	5.0	1.7	2.64	17.6	1.12			
40	FMSFX	Mortgage Securities		11.27	OK to Buy	0.4	1.8	0.7	0.2	2.6	2.1	2.16	4.0	0.18			
450	FSHBX	Short-Term Bond		8.63	Buy	0.2	1.1	0.4	0.8	1.2	1.1	1.31	1.7	0.07			
1560	FSBIX	Short-Term Treasury Index ⁴		10.42	Hold	0.3	1.0	0.3	-0.4	1.0	0.6	1.36	2.7	0.14			
820	FTBFX	Total Bond		10.70	Buy	0.6	3.3	1.1	1.6	3.4	2.9	2.48	5.3	0.30			
651	FBIDX	U.S. Bond Index		11.64	Hold	0.4	2.6	1.1	-0.8	2.6	1.8	2.26	5.7	0.29			
HIGH-YIELD BOND						Category Averages			1.2	6.0	2.0	8.9	4.4	5.5	3.92	3.4	0.52
38	FAGIX	Capital & Income	1.00%/90d	10.18	OK to Buy	1.9	8.4	2.9	12.7	6.1	8.0	3.62	3.5	0.59			
814	FFRHX	Floating Rate High Income	1.00%/60d	9.69	OK to Buy	0.9	2.7	1.3	6.6	3.3	3.6	3.17	0.2	0.31			
1366	FHIFX	Focused High Income	1.00%/90d	8.73	OK to Buy	1.0	5.4	1.8	8.3	4.4	5.0	3.75	3.6	0.51			
2297	FGHNX	Global High Income	1.00%/90d	9.75	OK to Buy	1.5	8.0	3.3	10.2	4.7	6.4	3.93	3.2	0.58			
455	SPHIX	High Income	1.00%/90d	9.00	Buy	1.3	6.4	1.9	11.9	4.9	5.9	5.15	3.4	0.61			
331	FNMIX	New Markets Income	1.00%/90d	16.26	OK to Buy	0.7	7.4	0.9	8.2	5.3	5.2	5.03	6.7	0.72			
2580	FSAHX	Short Duration High Income	1.00%/90d	9.58	OK to Buy	0.6	3.6	1.1	7.3	2.9	--	3.81	2.0	0.47			
368	FSICX	Strategic Income		11.10	Buy	1.3	6.1	2.4	6.4	3.9	4.2	2.91	4.8	0.41			
MUNICIPAL BOND						Category Averages			0.6	3.7	1.7	-0.3	3.0	2.8	1.76	5.8	0.30
434	FSAZX	Arizona Muni Income		12.14	Hold	0.6	4.3	2.1	-0.4	3.7	3.3	1.74	6.8	0.34			
1534	FCSTX	Calif Limited Term Tax Free		10.67	OK to Buy	0.4	2.7	1.0	0.2	1.5	1.6	0.98	2.9	0.17			
91	FCTFX	California Muni Income		12.99	Hold	0.6	4.3	1.9	-0.4	3.7	3.6	1.82	6.5	0.35			
407	FICNX	Connecticut Muni Income		11.45	Hold	0.6	3.2	1.3	-1.5	2.9	2.5	2.10	6.8	0.35			
2578	FCRDXX	Conservative Income Muni		10.04	Buy	0.2	0.9	0.3	0.6	0.5	--	0.87	0.6	0.05			
36	FLTMX	Interm Municipal Income		10.41	Hold	0.8	3.5	1.7	0.0	2.6	2.4	1.73	4.9	0.27			
404	FSTFX	Limited Term Muni Income		10.60	OK to Buy	0.5	2.5	0.9	0.3	1.2	1.2	1.13	2.6	0.16			
429	SMDMX	Maryland Muni Income		11.42	Hold	0.6	4.5	1.8	-0.3	3.5	2.7	1.72	6.8	0.34			
70	FDMMX	Mass Muni Income		12.22	Hold	0.6	3.9	2.1	-0.9	3.4	2.9	1.97	7.3	0.35			
81	FMHTX	Michigan Muni Income		12.21	Hold	0.6	3.9	1.9	-0.3	3.5	3.0	1.91	6.5	0.32			
82	FIMIX	Minnesota Muni Income		11.65	Hold	0.6	3.6	1.7	-0.2	2.9	2.5	1.61	6.0	0.29			
37	FHIGX	Municipal Income		13.19	Hold	0.9	4.7	2.3	-0.3	3.7	3.4	2.17	7.1	0.36			
416	FNJHX	New Jersey Muni Income		11.75	Hold	0.7	4.0	2.1	-0.6	3.1	2.6	2.28	6.4	0.37			
71	FTFMX	New York Muni Income		13.32	Hold	0.8	4.2	2.0	-0.4	3.6	3.1	1.80	6.8	0.33			
88	FOHFX	Ohio Muni Income		12.21	Hold	0.6	4.4	2.2	-0.4	4.0	3.5	1.99	7.6	0.37			
402	FPXTX	Pennsylvania Muni Income		11.19	Hold	0.7	4.0	2.0	0.0	3.5	3.1	1.91	6.5	0.30			
90	FTABX	Tax-Free Bond		11.54	Hold	1.0	4.6	2.3	-0.2	3.8	3.5	2.26	7.0	0.35			

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

TAXABLE GOV'T MONEY MARKETS			Total Return (%)		SEC %Yield	STATE MUNICIPAL MONEY MARKETS			Total Return (%)		SEC %Yield
			Jul	YTD					Jul	YTD	
55	FDRXX	Gov't Cash Reserves	0.06	0.24	0.68	433	FSAXX	Arizona Muni MM	0.04	0.20	0.41
458	SPAXX	Government MM	0.05	0.21	0.63	97	FCFXX	California Muni MM	0.04	0.20	0.42
631	FGMXX	Retirement Gov't MM	0.05	0.21	0.63	457	FSPXX	California AMT Tax-Free	0.05	0.29	0.55
630	FRTXX	Retirement Gov't MM II	0.05	0.22	0.64	418	FCMXX	Connecticut Muni MM	0.04	0.21	0.42
2742	FZFXX	Treasury MM	0.05	0.20	0.66	426	FMSXX	Mass AMT Tax-Free	0.05	0.29	0.53
415	FDLXX	Treasury Only MM	0.05	0.18	0.64	74	FDMXX	Massachusetts Muni MM	0.04	0.27	0.40
PRIME MONEY MARKETS						420	FMIXX	Michigan Muni MM	0.03	0.17	0.36
454	SPRXX	Money Market	0.08	0.46	0.98	417	FNJXX	New Jersey Muni MM	0.04	0.20	0.43
NATIONAL MUNICIPAL MONEY MARKETS						423	FSJXX	New Jersey AMT Tax-Free	0.05	0.30	0.58
10	FTEXX	Municipal Money Market	0.05	0.26	0.53	92	FNYYX	New York Muni MM	0.04	0.25	0.43
275	FMOXX	Tax-Exempt MM	0.04	0.22	0.44	422	FSNXX	New York AMT Tax-Free	0.05	0.30	0.57
						419	FOMXX	Ohio Muni MM	0.04	0.21	0.42
						401	FPTXX	Pennsylvania Muni MM	0.03	0.19	0.38

FIDELITY SCORECARD

JULY 31, 2017

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Jul	YTD	3 Mo.	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios	Annuity Sector Model						1.6	13.2	2.4	17.0	11.2	15.9	1.20
	Annuity Growth Model						2.1	11.1	4.4	18.1	9.3	12.7	1.09
	Annuity Growth & Income Model						1.5	7.2	2.7	10.8	6.8	9.2	0.70
	Annuity Income Model						0.9	3.7	1.5	5.9	4.4	4.2	0.36
9067	FLRQC	Fid VIP Asset Manager	Allocation		19.32	Hold	1.5	8.7	3.0	9.0	4.0	7.4	0.65
9066	FAECC	Fid VIP Asset Manager: Growth	Allocation		19.97	Hold	2.0	11.5	3.9	12.8	4.5	9.5	0.86
9069	FJBAC	Fid VIP Balanced	Allocation		22.99	OK to Buy	1.7	10.1	3.3	11.6	7.5	10.2	0.73
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	27.02	Buy	1.2	10.3	0.7	10.2	10.7	14.6	1.11
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	26.48	Hold↓	1.4	12.2	2.0	5.3	12.9	12.6	1.02
9065	FPDFC	Fid VIP Contrafund	Large Growth		25.47	Buy	2.2	13.8	4.3	17.0	9.4	13.4	1.05
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Blend		20.17	Buy	0.5	0.7	-0.5	15.3	9.2	13.8	1.43
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		26.37	Hold	3.5	13.3	3.9	15.6	7.7	13.8	1.19
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts		10.36	OK to Buy	5.1	30.8	10.7	22.3	4.6	7.0	1.38
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	14.29	Hold	3.4	-14.6	-4.1	-0.8	-10.7	0.5	2.12
9061	FLOLC	Fid VIP Equity-Income	Large Value		20.49	Buy	1.7	5.8	2.3	13.9	6.9	11.8	0.97
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	13.20	Buy	1.9	7.6	7.5	27.0	9.9	14.7	1.34
9361	FFLCC	Fid VIP Floating Rate High Income	High-Yield Bond		11.03	OK to Buy	0.6	2.3	1.1	5.7	3.1	--	0.27
9157	FMPAC	Fid VIP FundsManager 20	Allocation		15.04	Hold	0.8	4.7	1.8	3.4	2.9	3.5	0.28
9158	FMPBC	Fid VIP FundsManager 50	Allocation		17.18	Hold	1.4	9.1	3.1	8.6	5.0	7.1	0.56
9197	FMPPC	Fid VIP FundsManager 60	Allocation		16.33	Hold	1.7	10.6	3.6	10.6	5.8	8.5	0.66
9159	FMPCC	Fid VIP FundsManager 70	Allocation		18.05	Hold	1.9	12.0	4.1	12.4	6.3	9.5	0.75
9160	FMPDC	Fid VIP FundsManager 85	Allocation		18.44	Hold	2.0	14.3	4.7	15.2	7.3	11.3	0.90
9062	FMNDC	Fid VIP Growth	Large Growth		26.42	OK to Buy	3.4	24.3	7.4	22.9	11.8	15.5	1.09
9070	FLFNC	Fid VIP Growth & Income	Large Blend		23.66	Buy	1.6	7.4	3.0	17.0	8.3	13.5	1.14
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		26.68	Buy	3.0	23.3	7.4	22.9	12.8	15.8	1.28
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	39.06	Buy↑	0.6	22.4	5.8	9.9	9.9	20.7	1.58
9060	FBBLC	Fid VIP High Income	High-Yield Bond		20.42	Buy	0.9	5.3	1.7	10.1	4.1	5.3	0.59
9064	FXVLT	Fid VIP Index 500	Large Blend		24.85	Hold	2.0	11.3	4.0	15.6	10.5	14.4	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	30.92	Buy	-0.6	5.0	-0.8	12.6	8.6	13.9	1.26
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l		19.10	OK to Buy	3.0	24.3	7.7	14.4	7.5	11.7	1.10
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		16.24	Buy	0.6	3.0	1.1	0.6	2.8	2.1	0.30
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	20.88	Buy↑	2.4	12.5	4.0	19.3	3.3	9.1	1.55
9071	FNBSB	Fid VIP Mid Cap	Mid Growth		26.51	Buy	1.2	10.1	3.4	16.1	8.0	13.1	1.16
9059	FTNJC	Fid VIP Gov't Money Market	Money Mkt		11.35	--	0.1	0.2	0.1	0.2	-0.1	-0.1	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l		17.10	Buy	2.6	21.9	6.9	18.4	4.1	9.7	1.22
9072	FFWKC	Fid VIP Real Estate	Sector		23.37	Hold	0.6	2.6	2.5	-5.5	7.1	8.3	1.45
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		19.34	Buy	1.3	6.0	2.4	6.0	3.5	3.8	0.39
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	38.64	Buy	5.3	34.7	9.4	41.3	18.2	18.7	1.45
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	16.56	Hold↓	3.2	1.0	-1.3	3.2	7.8	10.3	1.08
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	26.85	OK to Sell↑	4.2	16.0	6.2	9.8	8.5	11.0	1.14
9079	FKMSC	Fid VIP Value	Large Value		21.91	OK to Buy	1.9	8.6	3.9	15.4	8.1	13.9	1.07
9073	FRBSC	Fid VIP Value Strategies	Mid Value		22.87	OK to Buy	2.5	12.2	4.6	18.5	6.6	13.0	1.22
9347	FBMEC	Black Rock Global Allocation	Global Allocation		13.29	Hold	1.9	9.7	3.7	10.6	3.8	6.6	0.64
9349	FTMEC	Franklin Templeton Global Bond	Global Bond		11.12	OK to Sell	-0.6	2.2	-1.4	7.9	-0.4	1.9	0.55
9348	FFMEC	Franklin Templeton US Gov't	Intermed Gov't		10.37	Hold	0.4	1.0	0.3	-0.9	0.9	0.4	0.15
9285	FIGXC	Invesco Global Core Eqty	Global Stock		13.43	Hold	3.2	14.6	6.3	16.2	5.6	10.6	1.07
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		17.05	Hold	5.4	19.1	5.7	20.2	-0.1	3.8	1.67
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		18.99	OK to Buy	0.9	7.0	1.3	5.1	3.4	2.9	0.67
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		14.97	OK to Buy	5.3	26.0	9.2	20.0	2.8	4.6	1.41
9146	FPRPC	Morgan Stanley Global Strategist	Diversified Int'l		13.45	Hold	1.7	10.3	3.9	10.2	2.2	6.5	0.73
9346	FPMEC	Pimco Commodity Real Return	Commodities		5.82	OK to Sell	2.6	-3.2	0.2	1.0	-13.6	-10.9	1.44
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.62	Buy	0.3	0.9	0.4	1.1	0.7	0.8	0.11
9277	FPNBC	Pimco VIT Real Return	TIPS		12.94	OK to Sell↓	0.5	1.7	-0.5	-0.2	0.1	-0.4	0.43
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		13.38	Hold	0.6	3.8	1.5	1.2	2.6	2.1	0.31

Annuity Sector	
Fund	Allocation
VIP Technology	32%
VIP Industrials	20
VIP Cons Discretionary	13
VIP Materials	12
VIP Financial Services	12
VIP Health Care	11
Total Return:	
Jul: 1.6%	YTD: 13.2%

Annuity Growth	
Fund	Allocation
VIP Contrafund	26%
VIP Growth Opps	25
VIP Mid Cap	15
VIP Overseas	15
VIP Equity-Income	11
VIP Disciplined Sm Cap	8
Total Return:	
Jul: 2.1%	YTD: 11.1%

Annuity Growth & Income	
Fund	Allocation
VIP Contrafund	22%
VIP Investment Grade	21
VIP Equity-Income	20
VIP Growth & Income	20
VIP Strategic Income	17
Total Return:	
Jul: 1.5%	YTD: 7.2%

Annuity Income	
Fund	Allocation
VIP Investment Grade	28%
Pimco VIT Low Duration	25
VIP Equity Income	25
VIP Strategic Income	22
Total Return:	
Jul: 0.9%	YTD: 3.7%

FUND PROFILE

Shedding Risk, Total Bond Gets Makeover

Total Bond fund has gotten a makeover. The strategic changes that were implemented by Manager Ford O'Neil and his team of specialists and analysts are not only significant because they signal a shift in his economic outlook, but also because we hold his hugely successful and large (\$30 billion!) fund in our *Growth & Income* and *Income Model* portfolios.

What's Ford been up to?

In big-picture terms, he's ratcheted down the fund's exposures to the bond market's riskier areas. For example, he's cut higher-yielding (junk) bonds to 11.9% from 14.6% in February, even though he believes that the pace of U.S. growth "will be a little stronger in 2017."

Moreover, Ford said earlier in the year that "we have a fair degree of confidence that core inflation will rise." That view (which has yet to materialize, and is not consistent with our own view — see below), led to a modestly larger weighting in TIPS and commercial mortgage-backed securities.

Risk-reduction was also accomplished by slightly trimming Total Bond's already-modest emerging-market bond exposure down to less than 5% of assets. (Though that's still a small overweight relative to the fund's benchmark.)

The most significant change has been the portfolio's reduction of investment-grade corporates in favor of even higher-quality, lower-yielding Treasuries. Indeed, Treasuries (including about 7% in TIPS) are now almost 40% of assets, more than double year-ago levels.

Ford explains things this way:

"We remain overweight short- and intermediate-term investment-grade corporate bonds, which provide enough incremental yield to compensate for their higher credit risks relative to U.S. Treasuries."

So, where best to harness those higher corporate yields? From financials — the sector we hope to cull capital gains from in our *Select Model*. Ford calls financials "a stalwart in the portfolio" since 2009 — the year they started to recover from the 2007-'08 meltdown.

Action Recommendation

While the highly diversified and capably run Total Bond is now more defensive, our models' stakes in **Strategic Income** (see May 2017 report) still provide plenty us plenty exposure to higher-yielding junk and emerging market debt. We continue to rate Total Bond *Buy*. ■

— John Bonnanzio

BOND INVESTING

Once-Popular, Inflation-Hedging Funds Deservedly Out Of Favor

Here's the non-technical reason why we downgraded **Inflation-Protected Index** fund (see p. 5) and its soon-to-be-eliminated sidekick, **Inflation-Protected Bond**: With CPI mostly running under 2% for years, and with no sign that inflation is poised to accelerate, "paying" for inflation protection does not make sense. Of course, today's low-rate, low-inflation environment may not last forever. But for now, many factors are exerting downward pressure on inflation, thereby keeping low-yielding bonds relatively attractive.

These conditions include tepid economic growth, cheap domestic energy, a large contingent labor force, low capacity utilization, and technology-driven efficiencies that reach from the factory floor through distribution channels to the end user. (Think Amazon.) So, with the notable exceptions of health care and college (where the government is

working on your behalf to help rein-in costs!) everything from the price of a dozen eggs to your smartphone plan is more affordable.

None of the above has been lost on investors, including bond-buyers, gold/silver bugs, and those seeking 30-year mortgages. With yields, prices and interest rates all in retreat, the market is signaling that it sees low inflation and slow economic growth ahead.

As for the Treasury Inflation-Protected Securities (TIPS) that are the backbone of Fidelity's aforementioned funds, they operate a bit differently than regular bonds: Twice a year, the Treasury adjusts a TIPS' principal (par value) to reflect inflation, or deflation. So, whenever investors have diminished expectations for inflation, their value declines. Despite their management fees, you're probably better off holding TIPS in a fund rather than

individually. That's because the semiannual coupon adjustment from TIPS can create federally taxable "phantom" income.

A good way to evaluate TIPS versus conventional Treasuries is the breakeven inflation rate. If inflation runs higher than that, TIPS are the better deal and vice versa. That rate is simply the difference between a TIPS yield and the yield on the same maturity Treasury. Right now, the breakeven rate for 10-Year TIPS is 1.83%, versus an actual inflation rate of just 1.6% over the past year.

While you can buy TIPS directly (they come in 5-, 10-, and 30-year denominations) or through funds, we don't see any compelling reasons to own them right now.

As noted, we have downgraded Fidelity's two offerings (and the annuity fund **PIMCO Real Return**) from *Hold* to *OK* to *Sell*. We prefer that income-oriented investors use a diversified mix of corporate and government bonds (of varying maturities) found in our models. ■

— John Bonnanzio

Inside Fidelity

Money Market Mergers — **Retirement Gov't MM** and **Retirement Gov't MM II** [tickers FGMXX and FRTXX, respectively] will merge into the retail class of the **Gov't MM** fund [ticker: SPAXX].

The merging of the money market funds (MMF) makes practical sense as there are materially few differences between them, either in terms of credit quality or interest-rate-sensitivity. (The funds' average maturities are measured in mere days, about 27, and they all yield about 0.5%.) Moreover, the newly combined MMF will continue to have the same low expense ratio they all now have: 0.42%.

Finally, the mergers do not require shareholder approval, and are expected to be completed around

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 August.

Fidelity Fund, Growth Discovery, and Mega Cap Stock.

The final distributions for July were as follows:

Fund	Ex-Date	\$ Amt	NAV
500 Index	7/7	0.403	84.84
Asset Mgr 40%	7/7	0.048	11.34
Asset Mgr 50%	7/7	0.075	17.75
Balanced	7/7	0.092	23.68
Convert Sec	7/7	0.202	27.55
Equity Div Inc	7/7	0.139	27.71
Equity-Inc	7/7	0.318	58.92
Glb Equity Inc	7/7	0.065	13.25
Global Bond	7/7	0.042	9.07
Global Strategies	7/7	0.181	9.28
Growth & Inc	7/7	0.038	34.72
Puritan	7/7	0.089	22.23
Strat Real Return	7/7	0.050	8.67
Strategic Div & Inc	7/7	0.100	15.14
Telecom and Util	7/7	0.138	25.51

September 22, 2017.

The consolidation of Fidelity's current 31 unique money market fund offerings (45 if you count various share classes!) spread across three categories (government, prime and muni) is long overdue and necessary — there are simply too many options with minimal differences among them. And, while we're on that subject, much the same can be said of Fidelity's equity-fund lineup where, for example, there are 16 retail large-cap growth fund offerings (to say nothing of their many different share classes of the same).

Fund Expenses — It doesn't have quite the same intensity of "Game of Thrones," but the indexing war between Fidelity, Vanguard, Schwab and others was ratcheted up as we prepared to go to press.

Fidelity has once again reduced expenses on 14 of their 20 different stock and bond index funds. Expenses are unchanged at these six index funds: **Extended Market, Real Estate, Inflation-Protected Bond** (see p. 11), **Nasdaq Composite, U.S. Sustainability** and **Int'l Sustainability**.

According to Fidelity, the average reduction is a razor-thin 1.1 basis points to 9.9 basis points (0.099%).

As for Fidelity's most popular index fund, **500 Index**, fees on their lower-minimum Investor shares remain at 0.090%, whereas Premium Class shares (which require a \$10,000 initial investment) fall 0.010% to 0.035%.

Across Fidelity's index fund lineup, the fee reductions are expected to trim \$18 million from last year's company-wide revenues of \$15.9 billion (see facing article), or a barely perceptible 0.1%. ■

Fidelity Trims Head Count And Expenses

In May, Fidelity is said to have offered buyout packages to 3,000 employees, with about half accepting. Generally targeting individuals over age 55 with at least 10 years at the company, the cost-cutting measure appeared to target support staff outside of its Boston headquarters.

Largely left alone in that regard (see p. 4) were its fund managers and analysts who are the heart of their active funds.

Fast-forward to July, and Fidelity took another, more aggressive step towards reducing its headcount (about 44,000 globally) when it announced 1,500 layoffs.

The timing of the cuts is ironic as 2016 was a banner year for the private concern with operating income rising 19.5% to a record \$3.5 billion.

But, the payroll cuts are partly in response to declining assets in Fidelity's more profitable actively run funds. (Their low-cost index funds continue to enjoy modest inflows — see facing article.)

2017 has also been tough on fees for Fidelity's active funds. For example, even though **Contrafund** was trouncing its S&P 500 benchmark by 7.5 percentage points through the end of June (up 16.8% versus 9.3%), investors still withdrew about \$5 billion from Contra during that period.

While we take no joy in learnings of anyone's job loss, we do wonder if these layoffs portend that the irrational exuberance surrounding index-investing may be nearing its climax, much as it did in 1998. ■

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