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Years

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FIDELITY MONITOR & INSIGHT

Incorporating Fidelity Monitor and Fidelity Insight

SEPTEMBER 2013

PUBLISHED SINCE 1985

MESSAGE FROM JACK

Should You Turn It Off?

Financial television, in its quest for ratings, is probably not doing its viewers any favors. At best, the medium takes what should be a structured, logical, risk-managed approach to investing, and turns it into an emotional, herd-driven scramble.



Jack Bowers

Then there's the problem of altered perceptions. By giving too much air time to emotionally compelling topics, viewers are left with a warped view of the system — one where corruption and scandal seem to be a never-ending

problem, and the next big disaster is always lurking around the corner.

These tactics are not unlike regular television news, where viewers are inundated with stories of fatal crashes, foodborne illnesses, or predators on the loose. But while most folks are not going to stop driving, eating, or walking around, they will stop investing if they think the system is rigged. Judging from the large number of individuals sitting in cash, many have come to that conclusion.

The other big problem with financial television is that advice is rendered without accountability. It should come as no surprise that extreme viewpoints, market timing and the wholesale elimination of asset classes often leads to poor results. But many viewers are none the wiser, because there's no model portfolio or long-term track record to show how bad the advice really is.

Ironically, financial television actually retains a high degree of credibility, for the simple reason that it breaks the latest stories ahead of everyone else. But while the medium can report immediately on the events of the day, there is little time available to think critically about the situation. Furthermore, the sources who are willing to interrupt their day for an interview are not always the most knowledgeable. And even if they are, they are sharply limited in the amount of information they're allowed to convey.

So, next time you see an emotionally-charged television expert compelling you to take immediate action, try this: pick up the remote, and press the power button.

Sincerely,

MARKET OUTLOOK

Market Has An Awful Lot To Worry About ... And That Is Fine

There is no shortage of worries for investors in the stock market these days. If interest rates have risen sharply just in anticipation of Fed tapering, how high will rates soar when tapering actually starts (which consensus has beginning this month)? With the debt ceiling looming again (now expected by mid-October), will we see a repeat of the partisan wrangling that caused the S&P 500 to fall more than 17% in just two weeks back in 2011? Are we about to be dragged into the Syrian conflict with unknown consequences? With GDP growth anemic and growth in corporate earnings slowing to under 4% in the second quarter, are P/E's about to contract? That is just a sampling, I could go on.



John M. Boyd

Contrary Indicators?

It's no wonder that fear has gripped the retail investor. Recently, the American Association of Individual Investor's weekly survey of its members showed 49% to be bearish versus a long-term average of 30.5%. While bearishness since ticked down a bit, it had moved higher for six straight weeks. And things are no better among the pros. The Sell Side Consensus indicator developed by Bank of America Merrill Lynch (which measures the recommended level of equities from nine major brokerage firms) sits at just 52.3%, well below the average of 60.4%. Indeed, August was a dismal month with the S&P 500 falling 2.9%.

But the market is a perverse entity. As the old saying goes, "the market tends to move in the direction that causes the most pain to the most people." In this case, with most everyone waiting for the next shoe to drop and the market to crack, that would be for it to move higher.

In fact, if we return to the AAI sentiment data, Bespoke Investment Group points out that, historically, when bearish sentiment has increased for five straight weeks the market has been higher by an average of 9% over the next six months.

Furthermore, Bank of America notes that when their Sell Side indicator has been as low as it is now, total returns on the S&P 500 over the next 12 months have been

Market Outlook *cont'd on page 3*

Unique Opportunities Target Risk: 1.20 (Current: 1.18) Foreign Holdings: 7.7% **YTD Return: 18.5%**

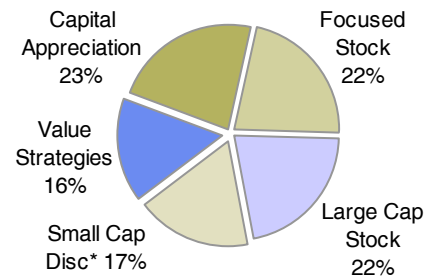
Stocks: 96.8% Bonds: 0.0% Cash: 3.2% Alternatives: 0.0% Yield: 0.6%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
Capital Appreciation	FDCAX	\$34.30	2,248.54	\$77,125	-3.1%
Focused Stock	FTQGX	18.03	4,075.82	73,487	-1.9
Large Cap Stock	FLCSX	24.17	2,989.36	72,253	-2.2
Small Cap Discovery*	FSCRX	28.27	2,069.16	58,495	-3.0
Value Strategies	FSLSX	36.49	1,483.28	54,125	-3.1

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

Current Value (3/31/99 = \$100,000) \$335,485 -2.6%

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



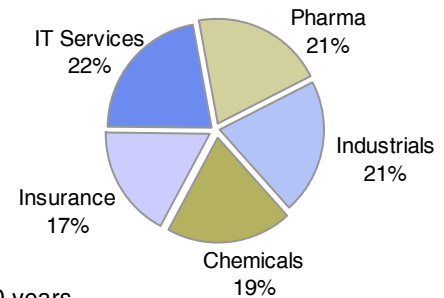
Select Target Risk: 1.20 (Current: 1.17) Foreign Holdings: 19.5% **YTD Return: 16.6%**

Stocks: 98.9% Bonds: 0.1% Cash: 1.0% Alternatives: 0.0% Yield: 0.3%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
IT Services	FBSOX	\$31.75	14,909.73	\$473,384	-0.1%
Pharmaceuticals	FPHAX	17.99	24,472.56	440,261	-1.7
Industrials	FCYIX	29.45	14,887.17	438,427	-2.8
Chemicals	FSCHX	130.66	3,157.01	412,495	-0.7
Insurance	FSPCX	61.82	6,004.5	371,197	-3.8

Current Value (12/31/88 = \$100,000) \$2,135,765 -1.8%

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



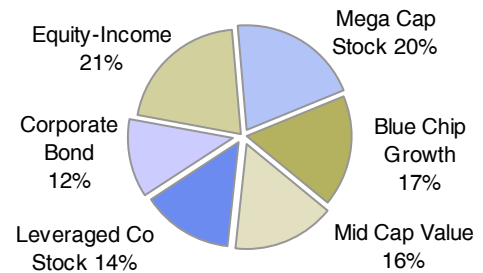
Growth Target Risk: 1.00 (Current: 1.04) Foreign Holdings: 7.2% **YTD Return: 12.6%**

Stocks: 84.7% Bonds: 12.4% Cash: 2.9% Alternatives: 0.0% Yield: 1.1%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
Equity-Income	FEQIX	\$53.95	6,414.49	\$346,062	-3.3%
Mega Cap Stock	FGRTX	13.89	23,748.62	329,868	-2.4
Blue Chip Growth	FBGRX	58.97	4,659.40	274,765	-1.1
Mid Cap Value	FSMVX	21.38	12,017.19	256,927	-3.9
Leveraged Co Stock	FLVCX	38.33	6,072.25	232,749	-2.8
Corporate Bond	FCBFX	10.81	18,350.71	198,371	-1.0

Current Value (12/31/86 = \$100,000) \$1,638,743 -2.5%

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



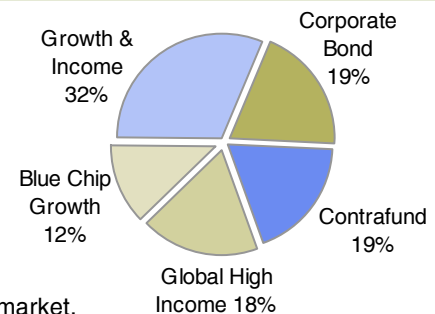
Growth & Income Target Risk: 0.66 (Current: 0.75) Foreign Holdings: 14.2% **YTD Return: 9.0%**

Stocks: 61.4% Bonds: 18.6% Cash: 3.0% Alternatives: 16.9% Yield: 2.3%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
Growth & Income	FGRIX	\$24.98	5,619.99	\$140,387	-2.7%
Corporate Bond	FCBFX	10.81	7,903.81	85,440	-1.0
Contrafund	FCNTX	88.70	943.15	83,657	-1.5
Global High Income	FGHNX	9.82	8,176.72	80,295	-1.0
Blue Chip Growth	FBGRX	58.97	933.21	55,031	-1.1

Current Value (12/31/93 = \$100,000) \$444,812 -1.6%

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



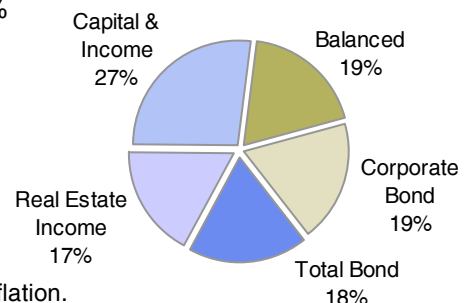
Income Target Risk: 0.33 (Current: 0.42) Foreign Holdings: 8.9% **YTD Return: -2.7%**

Stocks: 16.8% Bonds: 40.4% Cash: 4.4% Alternatives: 38.4% Yield: 3.4%

Holdings	Ticker	NAV	Shares	Value	Aug Ret
Capital & Income	FAGIX	\$9.45	8,898.73	\$84,093	-1.3%
Balanced	FBALX	21.85	2,715.32	59,330	-1.8
Corporate Bond	FCBFX	10.81	5,458.46	59,006	-1.0
Total Bond	FTBFX	10.47	5,516.63	57,759	-0.8
Real Estate Income	FRIFX	11.37	4,770.03	54,235	-2.9

Current Value (12/31/91 = \$100,000) \$314,423 -1.5%

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



higher 95% of the time, with a median return of 27%.

That is not to make light of all the concerns investors have. There are things that worry me, too. Housing in particular has me a bit concerned. Existing home sales for July continued their solid upward trend, but new home sales unexpectedly fell to their lowest level in about 8 months. And pending home sales also fell in July.

New home sales (given their higher prices and lack of institutional activity) are more sensitive to rising mortgage rates, and rates have risen by a full percentage point in the last several months. Housing has been one of the big contributors to 2013 GDP growth, and with growth already weak so far this year, a drop-off in housing would hurt.

New home sales represent only about 6% of the total housing market, and we're talking about just one month of data, so we don't want to get carried away. Assuming rates don't move much higher, it is likely to be just a pause, but we will be watching.

Don't Fear The Taper

Since the Federal Reserve first made it known that they were considering scaling back on their \$85 billion a month of bond purchases (The Taper) on May 22, interest rates have risen and the stock market has stalled. Both of these developments are somewhat curious responses.

On the surface it might seem to make perfect sense that if the Fed

FUNDS YOU SHOULD BUY NOW

Growth: Blue Chip Growth, Cap App and Growth Company for large-cap growth; **Contrafund** is a more conservative approach. **Leveraged Co. Stock and Value Strategies** are admittedly higher-risk plays on financially distressed but improving mid-caps. Our favored alternatives to the closed **Small Cap Discovery** fund are **Small Cap Enhanced Index** and **Mid Cap Value**.

Growth & Income: Equity-Income, Growth & Income, Mega Cap Stock all seek growth and yield from larger-cap stocks.

Bond: Short-Term Bond limits interest-rate risk. **Corporate Bond** holds investment-grade (though rate-sensitive) bonds. **Total Bond** provides the greatest bond diversification as it holds (mostly) US government debt, followed by corporates, mortgage bonds and foreign debt, too.

High Yield: More risky than investment-grade bond funds, but less risky than stock funds, **Capital & Income** will boost portfolio yield, though its goal includes capital appreciation. ■

slows their buying of bonds, rates should go up, simple supply and demand right? Only one problem with that — whenever the Fed has started a round of bond buying, whether in QE1, 2 or 3, interest rates actually went up and when they stopped buying they declined (see chart below)!

What has happened is that when the Fed has stepped in to buy, private bond-buyers have stepped away, not wanting to “compete” against the government over those assets. And when the Fed has exited, they have come back in. So once the Fed *actually* starts to taper it seems unlikely rates will rise much higher, and they could even reverse course.

On the stock side, obviously the market is driven by other concerns than the potential removal of stimulus, but it definitely has been a significant factor in holding back stock

performance in recent months. This makes even less sense. The Fed has made it quite clear that they will only begin to taper should the data on the economy show it was strengthening enough to warrant them to begin to gradually remove the stimulus. Also, they would be just as ready to *add* more stimulus if the data showed the economy was weakening. Under those conditions, we should welcome tapering with open arms!

Imagine you had a loved one in the hospital with a serious illness that required supplemental oxygen because they were not healthy enough to breathe on their own. Then the doctor tells you she is encouraged by the progress your loved one has made, and if it keeps up she will begin to gradually reduce the amount of supplemental oxygen. If they respond well, she will keep reducing the oxygen, if not, she will add it back. You would be rooting very hard for that oxygen to be removed.

In short, we believe the reaction to tapering on the part of both stocks and bonds has been overdone. We continue to like stocks for the balance of the year. And while we do prefer stocks to bonds, we continue to recommend bond exposure as a means to reduce risk in your portfolio as we do not think yields will move substantially higher from here. ■

— John M. Boyd



QUESTIONS & ANSWERS

Is The Wealth Effect Real?

Q: *I'm struggling to understand why consumers are opening their wallets even as increased taxes have reduced their discretionary income.*

R. S. – via phone

A: Just as US consumers became very frugal after the financial crisis hit some five years ago, these days they are going the other way. *The Wall Street Journal* recently quoted Mark Zandi, chief economist at Moody's Analytics, saying that for every dollar of wealth created in the stock market, today's average consumer will spend two additional cents over the following 18 months. And for every dollar of wealth created by rising home prices, five additional cents will be spent.

In effect, this year's combined surge in stock prices and home prices means that the Fed's mission has been accomplished. While there is some risk that pulling back on bond purchases may slow the economy, consumer spending at this point is likely to be

self-sustaining. Higher interest rates and higher taxes may limit some of that extra spending, but aren't likely to reverse Wealth Effect spending that is "in the queue."

In our model portfolios, we've been emphasizing funds that overweight the financial sectors as a way to benefit from the recovery in consumer spending. (For example, financials are a 19% weight in the Unique Opportunities Model and 15% in the Growth Model.) Compared with the consumer discretionary group, financial stocks are less likely to get hurt if long-term interest rates continue to creep up. That's because most of them make money on the spread between long-term and short-term interest rates. Ditto for insurance companies, which is one reason why we own **Select Insurance** in the Select Model.

The end of risk-on/risk-off?

Q: *I read that it's becoming a stockpicker's market again. If that's the case, what does this mean for those of us who hold Fidelity equity funds?*

A. M. – via phone

A: After five years of worrying that the financial system might be about to take another big hit, the market is finally beginning to move on. Investors with big fears of a lurking disaster have either dialed down their worrying or have moved entirely to cash. As a result, the risk-on/risk-off market behavior is fading as investor attention shifts to profitability and company-specific situations. The recent debate over whether P/E ratios are higher or lower than long-term averages is a case in point on how earnings have again taken center stage.

This is good news for those of us who hold actively managed funds, because astute stockpicking is no longer lost on a preoccupied market, and those funds are now more likely to outperform their benchmarks (fundamentals were largely ignored over the last five years because investors were too focused on asset class mix to consider company-specific situations). With many individual stock valuations out of whack, a growing number of investors are seeing opportunity in these inefficiencies, suggesting that good research may once again see its full reward. (See *Market Favoring Stockpickers Again* on p. 11.) ■

INTERNATIONAL FUNDS

Europe: On The Mend And On The Cheap

A few of your intrepid fund analysts have had the recent good fortune to visit with family and/or vacation in Europe. If you've been anywhere in the eurozone, you know why we'd recommend such a trip to this beautiful and diverse region.

However, when it comes to investing in the region, our enthusiasm is a bit more muted. While we're feeling more optimistic about Europe's economic recovery, we believe it will look much like our own: arduous and tepid.

On the other hand, many European stocks are a pretty good value. And just like our own stock market, they're likely to keep advancing ahead of its economy recovery. That brings us to

Europe fund, which we have upgraded to *OK to Buy*. We have left the rating on its sibling **Europe Capital Appreciation** at *Hold*, however.

Over the years the two funds have alternately been both similar and fairly different. But with Europe fund's Richard Hogan adding Europe Cap App to his responsibilities in March, any differences between the two are now insignificant.

However, with Europe Cap App now closed to new investors and with Fidelity still mum as to its ultimate fate (our assumption that it will be merged into Europe fund has not been corroborated by Fidelity), we're leaving its rating at *Hold*. Truthfully, we could just as easily rate it *Sell*, as its expense ratio is a "highish" 0.95% versus 0.83% for Europe fund. With our "Hold" in mind, please be ready

to make a trade elsewhere.

Of course, if you're really anxious to put your money to work outside the US, there are several funds that we rate a more enthusiastic *Buy*, partly because they're more geographically diversified and tend to invest in smaller, faster-growing companies and markets. Those funds are **Int'l Small Cap** and **Int'l Small Cap Opportunities**. On the larger-cap side, we recommend **Int'l Cap App**.

Risk-wise, their relative volatilities (shown in the *Scorecard* on page 8) are lower than either Europe or Europe Cap App. However, given the credit meltdown that Europe experienced in 2010 to 2011, we expect to see their volatilities edging down relative to our preferred, more diversified options. ■

— John Bonnanzio

Stocks And Bonds Cool In August Heat

The heat was on both stock and bond fund investors in August. The bulls found themselves on the run and, somewhat surprisingly, so did the bears. By bears, I mean bond investors who, under more normal circumstances, would respond positively to the same news that has stock investors running for cover.



John Bonnanzio

But as it turned out, there was plenty for almost everyone to hate in August unless you like to gamble on gold, oil and/or China. (I'll get to each in just a bit.)

While investors' love-hate relationship with stocks and bonds is too complex to fully explore in this space, here's what drove much of the market's anxieties:

Fiscal: US government spending is again approaching its debt ceiling, and Congress must respond; another round of sequestration is in the offing. Also, Detroit's bankruptcy and the specter of others is forcing borrowing costs higher in the municipal bond market.

Monetary: The economy is slowly recovering, but not fast enough for the millions of unemployed; will the Fed's bond-purchasing program be curtailed or not? Meanwhile, rising mortgage interest rates have sent new home purchases into a tailspin.

Profits: Overall, corporate earnings (the ultimate long-term driver of share prices) are good but not great. Amid tepid GDP growth at home and abroad, some see stock valuations as too rich (expensive) and have harvested profits.

Spending: Consumers are feeling better and are spending more right now, especially on cars and, yes, even homes. But concerns over Syria, rising interest rates, and the stock market's direction could quickly cloud Americans' sunny disposition.

Stock Funds

Most of the damage inflicted upon Fidelity's stock funds occurred in the last week of August, but it was a rollercoaster ride throughout the month: the average equity fund fell 2.4%, with only **Growth Discovery** (up 0.3%) finishing in the black. Generally speaking, growth-oriented funds fared better than their value-leaning counterparts as the former drew strength from comparatively better-performing technology stocks. (The Nasdaq Composite slipped just 0.9% in August.)

On the other hand, value funds got some help from their larger exposures to gold, energy and cyclicals, even as financials and consumer stocks weighed on their returns. Market-cap wise, there was little performance difference as the large-cap S&P 500 retreated 2.9% in August against a 3.1% decline by the small-cap Russell 2000. As for the Dow Industrials, it lost 4.2% in August and is now back to a level last seen in June.

International Funds

Of course, things were not much better for foreign fund investors. Against the backdrop of **Spartan Int'l Index** falling 1.7% in August, all but two of their overseas offerings were in the red: **China Region** gained 2.5% over signs of recovery while **Nordic** (up 0.1%) benefited from a combination of good stock and market selection, and especially the perception that northern European

countries are rebounding faster than those in the still-struggling south. Elsewhere, Japanese shares were lower partly owing to profit-taking, while rising oil prices threaten to crimp that country's all-important exports (**Japan** and **Japan Smaller Companies** retreated 3.7% and 3.9%, respectively). For its part, **Latin America** (down 4.6% for the month) continued to lead all other emerging market funds lower. (The specter of rising interest rates and slow global growth are exacting a toll this year the developing markets.)

Fixed-Income

Except for Fidelity's least interest-rate-sensitive bond funds (such as **Ultra-Short Bond**, up 0.02%), all of their high-yield, taxable and municipal offerings experienced declines.

On the high-yield side, **New Markets Income** (down 2.1%) took the worst drubbing as it holds emerging market debt. Another casualty was **Capital & Income** (down 1.3%). Though not especially vulnerable to rising rates, this junk bond fund often moves in sync with much riskier stock funds. On the taxable side, inflation-protected funds were performance laggards (down about 1.7%) as rising rates with no corresponding increase in inflation is a bad combination for these long duration offerings.

Lastly, the muni bond market continued to shudder from Detroit's bankruptcy, while they were also pressured by higher rates. ■

— John Bonnanzio

SEPTEMBER SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
Emerging Mkts Disc	B	H	↓	Illiquid small-caps especially vulnerable to selloffs.
Europe	H	B	↑	Nascent signs of recovery, especially in Germany.
Europe Cap App	H	NC		Please see p. 4 for a review of the fund.
Mid-Cap Stock	H	B	↑	Manager stockpicking remains strong (see p. 11).
New Millennium	B	B	↑	Manager stockpicking remains strong (see p. 11).
Sel Air Transport	B	H	↓	Airline mergers may face Fed antitrust lawsuits.
Sel Biotechnology	H	S	↓	Too much money now chasing expensive stocks.
Sel Retailing	B	H	↓	Too much emphasis on big-box hardware stores.
Sel Transportation	B	H	↓	Safety and regulatory issues may cut into profits.

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

FIDELITY SCORECARD

AUGUST 31, 2013

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)				Rel Vol (Risk) ¹
						Aug	YTD	3 Mo.	1 Yr	3 Yr	5 Yr	10 Yr	
Comparative Indexes		S&P 500		1633.0		-2.9	16.2	0.7	18.7	18.4	7.3	7.1	1.00
		Nasdaq		3589.9		-0.9	19.9	4.2	18.9	20.8	10.0	8.1	1.17
		Dow Jones Industrials		14810.3		-4.2	14.9	-1.5	16.0	16.9	8.1	7.3	0.91
		Russell 2000 (Small Caps)		1010.9		-3.1	20.1	3.1	26.3	20.5	8.0	8.8	1.38
		Barclays Aggregate Bond*				-0.7	-3.1	-2.1	-3.0	2.3	4.7	4.5	0.22
Model Portfolios		Unique Opportunities				-2.6	18.5	2.2	24.3	17.3	6.2	9.8	1.18
		Select				-1.8	16.6	1.6	21.7	18.7	6.6	8.4	1.17
		Growth				-2.5	12.6	0.5	15.3	16.7	5.8	7.4	1.04
		Growth & Income				-1.6	9.0	0.2	11.6	10.8	5.3	6.6	0.75
		Income				-1.5	-2.7	-2.9	0.5	5.0	5.0	4.3	0.42

												Rel Vol (Risk) ¹	Assets (\$Mil)
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LARGE CAP GROWTH Category Averages

				-1.7	18.2	3.0	20.7	19.0	7.6	1.16			
312	FBGRX	Blue Chip Growth	58.97	Buy	-1.1	20.2	3.9	21.7	20.7	10.3	1.22	\$12,943	
307	FDCAX	Capital Appreciation	34.30	Buy	-3.1	16.8	1.5	20.7	19.3	9.4	1.08	5,742	
22	FCNTX	Contrafund	88.70	Buy	-1.5	15.4	1.8	17.1	17.3	7.8	0.99	67,133	
332	FEXPX	Export and Multinational	0.75%/30d	24.42	OK to Sell	-2.5	11.6	-0.4	14.1	14.9	4.9	1.02	1,735
3	FFIDX	Fidelity Fund	38.26	Hold	-3.0	12.5	-0.8	14.9	16.6	5.1	1.05	4,623	
500	FFTYX	Fifty (Closed)	24.08	Buy	-1.8	19.3	2.3	24.0	18.6	6.1	1.04	706	
333	FTQGX	Focused Stock	18.03	Buy	-1.9	19.0	3.4	23.9	21.9	8.8	1.16	1,239	
25	FDGRX	Growth Company (Closed)	112.39	Buy	-0.9	20.6	4.6	20.2	21.5	10.2	1.23	25,098	
339	FDSVX	Growth Discovery	18.55	Hold	0.3	19.2	4.7	18.2	20.7	7.0	1.17	809	
73	FDFFX	Independence	30.81	OK to Sell	-1.9	18.9	2.3	25.0	18.3	4.3	1.52	3,478	
763	FSLGX	Large Cap Growth	Merged into Stock Selector All Cap on June 21										
21	FMAGX	Magellan	85.65	OK to Buy	-1.9	17.4	2.9	20.2	15.0	3.1	1.23	12,569	
300	FMLX	New Millennium	36.18	Buy↑	-1.8	19.4	2.6	23.6	20.3	10.4	1.02	2,448	
93	FOCPX	OTC	78.60	Hold	-0.5	29.7	11.3	29.1	23.1	12.1	1.38	6,693	
320	FSSX	Stock Selector All Cap	33.22	Hold	-2.2	17.3	2.6	21.1	18.0	6.2	1.18	2,919	
5	FTRNX	Trend	84.29	Hold	-1.1	15.3	2.7	17.7	19.5	9.1	1.14	1,237	

LARGE CAP BLEND Category Averages

				-2.5	18.2	1.6	22.5	19.2	6.8	1.15		
315	FDEQX	Disciplined Equity	28.76	Hold	-2.4	18.0	1.3	21.1	16.4	4.1	1.15	1,114
330	FDGFX	Dividend Growth	34.42	Hold	-2.6	15.1	1.1	19.7	17.0	8.0	1.35	6,635
27	FGRIX	Growth & Income	24.98	Buy	-2.7	18.5	1.3	23.3	20.9	3.9	1.04	6,061
338	FLCSX	Large Cap Stock	24.17	Buy	-2.2	21.1	2.8	27.0	21.6	10.4	1.18	1,762
361	FGRTX	Mega Cap Stock	13.89	Buy	-2.4	17.6	1.2	21.7	20.9	8.5	1.07	2,340
343	FTXMX	Tax Managed Stock	Merged into Stock Selector All Cap on June 21									
832	FVDFX	Value Discovery	19.36	OK to Buy	-2.9	18.9	2.1	22.5	18.6	6.2	1.13	456

Scorecard Key:

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. ⁵Formerly California Short-Intermediate Tax-Free Bond. ⁶Formerly Short-Intermediate Municipal Income. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

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.

MODEL PORTFOLIO HISTORICAL RETURNS (FIDELITY MONITOR)

	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12
Regular Models																									
Un Opp												33.8	-20.5	1.6	-2.1	43.2	20.6	18.8	16.6	11.6	-47.6	45.8	19.3	-5.8	16.8
Select	23.4	31.3	35.3	20.4	25.9	-0.9	39.0	5.2	29.3	21.7	44.9	-14.9	-7.3	-14.7	38.4	7.4	15.0	13.6	15.6	-39.3	35.4	11.6	1.2	19.2	
Growth	26.0	30.4	-4.4	40.6	15.7	31.9	-2.1	27.2	19.2	25.5	9.9	29.0	-10.8	-6.4	-17.1	46.1	12.4	11.2	15.7	7.3	-42.7	31.8	17.7	-1.7	16.0
G&I							-3.7	21.6	15.8	18.7	11.1	12.2	2.7	1.3	-6.4	33.0	11.5	8.2	13.7	6.1	-33.5	28.1	12.2	-0.3	13.4
Income					10.1	11.3	-2.1	14.8	9.0	10.5	3.5	3.0	0.3	5.6	5.4	8.4	4.2	3.6	6.9	4.0	-18.2	20.0	9.1	6.3	10.7
Annuity (VIP) Models																									
Sector																57.5	6.3	14.0	17.7	11.2	-41.4	50.2	15.0	-5.0	18.1
Growth					20.6	4.6	36.1	16.1	23.5	22.6	22.1	-10.3	-14.0	-21.7	30.0	7.0	10.1	14.5	9.3	-45.5	25.1	17.7	-2.2	17.8	
G&I							26.4	12.8	21.4	15.1	6.1	-4.9	3.1	-9.4	20.8	6.3	4.5	11.6	7.7	-31.0	27.1	12.0	-1.0	13.9	
Income					12.3	-3.8	16.9	6.9	10.9	0.4	0.8	-2.4	-3.4	7.3	9.9	5.1	1.8	6.1	6.2	-18.3	22.9	7.3	7.4	10.0	

FIDELITY SCORECARD

AUGUST 31, 2013

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Aug	YTD	3 Mo.	1 Year	3 Year	5 Year				
LARGE CAP VALUE						Category Averages			-3.1	17.4	1.1	21.9	16.0	4.6	1.13
1271	FBCVX	Blue Chip Value		12.92	OK to Buy	-3.0	19.2	1.7	25.2	14.1	3.1	1.22	\$282		
319	FEQTX	Equity Dividend Income		22.22	OK to Buy	-3.6	15.2	0.2	17.6	16.0	5.0	1.11	4,897		
23	FEQIX	Equity-Income		53.95	Buy	-3.3	15.8	0.7	20.3	16.4	5.8	1.12	7,205		
708	FSLVX	Stock Sel Large Cap Value		13.97	Hold	-2.5	19.3	1.8	24.4	17.5	4.4	1.08	505		
MID-CAP GROWTH						Category Averages			-2.4	19.2	2.8	24.1	18.2	8.0	1.25
324	FDEGX	Growth Strategies	1.50%/90d	24.83	Hold	-2.0	19.9	3.2	24.1	15.7	7.0	1.34	1,542		
337	FMCSX	Mid-Cap Stock	0.75%/30d	35.39	Buy ↑	-2.0	21.6	3.8	24.0	20.6	9.0	1.17	5,081		
2412	FSSMX	Stock Selector Mid Cap		27.03	Hold	-3.2	16.2	1.5	--	--	--	--	212		
MID-CAP BLEND						Category Averages			-2.6	17.7	1.8	26.7	20.2	8.3	1.32
122	FLVCX	Leveraged Company Stock	1.50%/90d	38.33	Buy	-2.8	19.0	1.4	30.7	21.9	5.6	1.51	4,229		
316	FLPSX	Low-Priced Stock	1.50%/90d	46.98	OK to Buy	-1.8	18.9	3.0	25.2	19.6	10.6	1.10	28,181		
14	FSLSX	Value Strategies		36.49	Buy	-3.1	15.3	1.0	24.1	18.9	8.7	1.34	649		
MID-CAP VALUE						Category Averages			-3.4	20.0	1.1	27.5	19.4	8.2	1.23
762	FSMVX	Mid Cap Value	0.75%/30d	21.38	Buy	-3.9	20.1	0.8	26.5	19.4	9.1	1.20	1,286		
39	FDVLX	Value		91.48	Buy	-3.0	19.8	1.4	28.5	19.4	7.3	1.25	6,811		
SMALL CAP GROWTH						Category Averages			-2.0	24.5	5.4	26.2	21.2	9.5	1.38
1388	FCPGX	Small Cap Growth	1.50%/90d	19.66	OK to Buy	-2.0	24.5	5.4	26.2	21.2	9.5	1.38	1,316		
SMALL CAP BLEND						Category Averages			-2.9	18.2	2.7	25.0	19.5	10.4	1.44
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	28.27	Buy	-3.0	21.6	2.8	34.9	25.8	16.8	1.36	6,336		
340	FSLCX	Small Cap Stock	2.00%/90d	19.39	OK to Sell	-2.6	13.7	1.8	17.3	12.4	6.4	1.58	2,422		
336	FDCSX	Stock Selector Small Cap	1.50%/90d	23.97	OK to Buy	-3.2	19.3	3.5	22.9	20.3	7.9	1.38	1,470		
SMALL CAP VALUE						Category Averages			-3.7	20.4	2.3	31.6	20.3	12.4	1.28
1389	FCPVX	Small Cap Value (Closed)	1.50%/90d	19.48	Buy	-3.7	20.4	2.3	31.6	20.3	12.4	1.28	2,682		
SPECIALTY						Merged into Stock Selector All Cap on June 21									
2063	FOTTX	130/30 Large Cap													
304	FBALX	Balanced		21.85	Buy	-1.8	9.1	0.5	11.3	12.4	6.5	0.67	16,620		
308	FCVSX	Convertible Securities		28.54	Buy	-2.0	11.6	-1.5	21.0	12.9	6.2	1.03	1,964		
334	FGBLX	Global Balanced	1.00%/30d	24.75	OK to Buy	-1.6	5.8	1.1	9.9	9.7	5.7	0.79	498		
2120	FFGCX	Global Commodity Stock	1.00%/30d	13.31	OK to Sell	2.2	-10.1	-1.0	-3.4	0.5	--	1.75	260		
1960	FDYSX	Global Strategies		9.37	Sell	-1.9	1.6	-1.5	4.4	7.2	3.8	0.80	205		
1368	FIREX	International Real Estate	1.50%/90d	10.01	Hold	-2.0	5.2	-1.5	23.6	12.1	4.0	1.59	368		
4	FPURX	Puritan		20.98	Buy	-1.6	9.0	0.6	11.3	12.7	7.0	0.71	16,229		
833	FRIFX	Real Estate Income	0.75%/90d	11.37	Buy	-2.9	1.3	-4.2	5.7	10.6	10.0	0.47	2,884		
303	FRESX	Real Estate Investment	0.75%/90d	31.74	Hold	-6.7	-0.7	-8.0	-0.4	12.8	5.8	1.29	3,962		
1329	FSDIX	Strategic Dividend & Income		13.36	Buy	-3.0	9.6	-1.6	12.1	15.1	6.9	0.74	2,680		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.33	Hold	-0.5	-2.3	-2.2	-1.9	5.6	3.4	0.55	719		
311	FIUIX	Telecom & Utilities		20.05	Hold	-3.7	8.8	0.6	10.8	14.2	6.3	0.82	915		
ASSET ALLOCATION															
328	FASIX	Asset Manager 20%		13.23	Hold	-0.8	1.5	-0.7	2.8	5.4	5.0	0.28	4,770		
1957	FTANX	Asset Manager 30%		10.21	Hold	-1.1	2.8	-0.6	4.6	6.9	5.5	0.39	543		
1958	FFANX	Asset Manager 40%		10.37	Hold	-1.2	4.4	-0.2	6.6	8.2	5.9	0.51	463		
314	FASMIX	Asset Manager 50%		17.27	Hold	-1.4	5.7	-0.0	8.4	9.5	6.3	0.62	7,285		
1959	FSANX	Asset Manager 60%		10.82	Hold	-1.6	7.2	0.2	10.4	10.6	6.7	0.74	798		
321	FASGX	Asset Manager 70%		18.86	Hold	-1.7	8.8	0.5	12.5	11.8	6.4	0.87	3,147		
347	FAMRX	Asset Manager 85%		15.76	Hold	-1.9	11.3	1.1	15.7	13.5	6.5	1.05	1,052		
EQUITY INDEX															
355	FFNOX	Four-in-One Index		32.49	Hold	-2.3	11.3	0.5	16.1	14.0	6.0	0.94	2,960		
2010	FIENX	International Enhanced Index	1.00%/30d	7.72	Hold	-2.0	7.5	0.4	18.4	9.9	1.2	1.33	33		
1827	FLCEX	Large Cap Core Enhcd Index		11.03	Hold	-3.2	16.5	0.5	19.0	19.1	7.1	0.98	244		
1829	FLGEX	Lrge Cap Growth Enhcd Index		12.64	Hold	-2.5	16.1	0.6	15.8	19.3	8.2	1.02	206		
1828	FLVEX	Large Cap Value Enhcd Index		9.44	OK to Buy	-3.8	17.5	0.3	23.3	19.1	6.4	1.02	140		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	11.90	Hold	-2.6	20.6	2.4	26.1	20.3	9.3	1.20	231		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	48.01	Hold	-0.9	19.7	4.2	18.5	20.5	9.7	1.17	564		
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	11.33	Buy	-3.7	18.2	2.7	26.3	21.8	8.7	1.38	268		
650	FUSEX	Spartan 500 Index ⁴		58.06	Hold	-2.9	16.1	0.7	18.6	18.3	7.3	1.00	5,205		
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	8.98	Hold	-3.0	-12.3	-7.9	-1.3	--	--	--	9		
398	FSEMIX	Spartan Extended Mkt Index ⁴	0.75%/90d	47.66	Hold	-2.8	20.2	2.8	26.7	20.7	9.6	1.30	1,325		
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	11.23	Hold	-1.7	1.8	-1.1	12.6	--	--	--	8		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	36.74	Hold	-1.7	7.2	0.7	18.6	9.4	1.9	1.35	2,427		
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	14.14	Hold	-2.7	18.7	1.7	24.7	--	--	--	6		
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	11.57	Hold	-6.8	-0.8	-7.8	-0.6	--	--	--	7		
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	14.48	Hold	-3.2	19.9	3.0	26.1	--	--	--	12		
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	48.05	Hold	-2.9	16.9	1.1	20.1	18.8	7.7	1.05	1,479		

FIDELITY SCORECARD

AUGUST 31, 2013

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Aug	YTD	3 Mo.	1 Year	3 Year	5 Year				
INTERNATIONAL						Category Averages			-2.3	5.7	-1.6	15.8	9.5	3.0	1.42
309	FICDX	Canada	1.50%/90d	54.00	OK to Sell	-2.1	0.9	0.0	4.2	4.4	-0.5	1.14	\$2,304		
352	FHKCX	China Region	1.50%/90d	32.63	OK to Buy	2.5	6.4	-0.8	27.2	7.5	7.7	1.52	1,279		
325	FDIVX	Diversified International	1.00%/30d	32.28	Hold	-2.7	7.8	0.4	17.1	10.0	1.2	1.35	13,641		
351	FSEAX	Emerging Asia	1.50%/90d	27.80	Hold	-2.2	-7.0	-7.0	5.6	4.2	2.5	1.50	1,136		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	8.40	Hold	-2.3	-8.7	-3.3	0.3	4.7	2.8	1.56	104		
322	FEMKX	Emerging Markets	1.50%/90d	21.55	Hold	-4.4	-7.2	-9.0	3.6	0.4	-1.5	1.53	2,099		
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	11.40	Hold↓	-4.0	-8.7	-8.4	5.7	--	--	--	87		
301	FIEUX	Europe	1.00%/30d	34.41	OK to Buy↑	-1.9	10.2	1.2	22.8	12.1	2.7	1.56	756		
341	FECAX	Europe Capital App (Closed)	1.00%/30d	20.85	Hold	-1.9	9.6	1.1	23.3	11.9	1.8	1.58	332		
2406	FGILX	Global Equity-Income	1.00%/30d	11.28	OK to Buy	-2.8	11.0	0.4	15.2	--	--	--	39		
335	FIVFX	International Cap App	1.00%/30d	14.53	Buy	-3.1	4.8	-2.1	16.2	12.2	5.1	1.47	871		
305	FIGRX	International Discovery	1.00%/30d	35.67	Hold	-2.7	7.9	-0.4	18.3	10.6	2.3	1.37	6,965		
1979	FIGFX	International Growth	1.00%/30d	9.86	OK to Buy	-1.6	6.6	-0.0	14.0	12.3	5.4	1.26	307		
818	FISMX	International Small Cap	2.00%/90d	23.90	Buy	-0.0	17.4	3.4	29.2	14.2	6.9	1.38	845		
1504	FSCOX	International Small Cap Opps	2.00%/90d	12.41	Buy	-1.9	9.6	0.4	20.5	14.8	3.3	1.24	443		
1597	FIVLX	International Value	1.00%/30d	8.05	Hold	-3.0	6.3	-0.1	17.3	7.7	-0.0	1.42	165		
350	FJPNX	Japan	1.50%/90d	11.08	OK to Buy	-3.7	12.7	0.3	21.4	7.2	1.0	1.20	475		
360	FJSCX	Japan Smaller Companies	1.50%/90d	12.32	OK to Buy	-3.9	35.8	2.8	40.5	18.2	8.6	1.52	571		
349	FLATX	Latin America	1.50%/90d	36.60	Sell	-4.6	-21.0	-13.1	-15.8	-6.1	-4.7	1.62	1,343		
342	FNORX	Nordic	1.50%/90d	38.36	Hold	0.1	20.3	4.3	29.4	14.3	3.8	1.76	343		
94	FOSFX	Overseas	1.00%/30d	35.42	OK to Buy	-1.8	9.6	1.3	20.5	12.0	0.8	1.52	1,789		
302	FPBFX	Pacific Basin	1.50%/90d	28.00	OK to Buy	-2.0	12.2	-2.6	23.8	11.7	8.6	1.34	659		
2369	FTEMX	Total Emerging Markets	1.50%/90d	10.26	Hold	-2.4	-9.5	-7.3	0.4	--	--	--	48		
1978	FTIEX	Total International Equity	1.00%/30d	7.49	OK to Buy	-2.5	2.2	-1.8	12.9	8.7	2.1	1.32	313		
318	FWWFX	Worldwide	1.00%/30d	23.12	Hold	-2.4	13.6	1.6	21.3	16.3	5.6	1.19	1,328		
SELECT PORTFOLIOS						Category Averages			-1.7	17.7	2.7	23.0	18.3	9.0	1.39
34	FSAIX	Air Transportation	0.75%/30d	48.61	Hold↓	-4.2	21.6	1.9	36.0	17.7	14.4	1.12	139		
502	FSAVX	Automotive	0.75%/30d	51.08	OK to Buy	-0.5	30.9	8.3	53.6	20.3	15.2	1.89	286		
507	FSRBX	Banking	0.75%/30d	23.38	OK to Buy	-4.0	21.3	4.2	23.0	17.2	5.4	1.41	697		
42	FBIOX	Biotechnology	0.75%/30d	161.18	OK to Sell↓	-2.6	46.6	10.2	50.5	40.7	19.2	1.42	6,472		
68	FSLBX	Brokerage & Investment	0.75%/30d	61.73	OK to Buy	-4.1	23.1	-1.6	37.4	14.3	5.3	1.68	683		
69	FSCHX	Chemicals	0.75%/30d	130.66	Buy	-0.7	11.5	2.0	21.3	23.8	11.9	1.51	1,150		
518	FSDCX	Communications Equipment	0.75%/30d	26.25	OK to Sell	-2.2	13.2	3.2	20.6	8.6	4.9	1.73	296		
7	FDCPX	Computers	0.75%/30d	66.41	OK to Sell	-1.6	16.7	0.9	12.0	18.5	11.8	1.53	691		
511	FSHOX	Construction & Housing	0.75%/30d	52.62	OK to Buy	-5.5	8.5	-6.5	22.1	24.7	11.3	1.43	617		
517	FSCPX	Consumer Discretionary	0.75%/30d	30.99	OK to Buy	-2.9	22.0	3.2	25.9	23.0	13.3	1.15	528		
98	FVLX	Consumer Finance	0.75%/30d	16.10	OK to Buy	-3.1	18.3	1.7	26.8	21.6	1.8	1.04	303		
9	FDFA	Consumer Staples	0.75%/30d	87.07	Hold	-3.6	11.7	-1.4	13.9	17.4	10.4	0.86	1,505		
67	FSDAX	Defense & Aerospace	0.75%/30d	105.59	Hold	-2.5	22.3	4.3	30.6	21.7	10.0	1.08	758		
8	FSELX	Electronics	0.75%/30d	55.70	OK to Sell	-1.6	22.0	2.9	18.9	17.4	8.7	1.72	939		
60	FSENX	Energy	0.75%/30d	58.48	Hold	-0.1	15.3	3.3	16.9	16.4	-0.2	1.82	2,026		
43	FSESX	Energy Service	0.75%/30d	79.45	OK to Sell	1.5	19.1	4.6	17.6	16.0	-3.8	2.25	1,132		
516	FSLEX	Environment & Alt Energy	0.75%/30d	19.82	OK to Sell	-3.1	16.4	1.5	26.4	10.6	2.7	1.29	78		
66	FIDSX	Financial Services	0.75%/30d	71.69	OK to Buy	-3.9	16.2	-0.2	25.2	12.4	1.5	1.61	703		
41	FSAGX	Gold	0.75%/30d	23.59	Sell	8.1	-36.2	-1.7	-38.5	-18.4	-4.1	2.33	1,150		
63	FSPHX	Health Care	0.75%/30d	171.96	OK to Buy	-1.8	31.2	6.8	36.6	28.7	14.8	1.07	3,677		
510	FSCGX	Industrial Equipment	0.75%/30d	41.45	OK to Buy	-3.0	12.4	0.9	19.9	18.5	7.0	1.54	370		
515	FCYIX	Industrials	0.75%/30d	29.45	Buy	-2.8	18.1	2.0	26.1	20.2	9.4	1.34	1,027		
45	FSPCX	Insurance	0.75%/30d	61.82	Buy	-3.8	22.6	0.8	29.8	17.5	8.5	1.15	530		
353	FBSOX	IT Services	0.75%/30d	31.75	Buy	-0.1	26.6	6.4	32.6	25.1	14.3	1.33	797		
62	FDSLX	Leisure	0.75%/30d	118.63	OK to Buy	-1.1	20.8	3.5	28.0	21.3	14.8	1.26	388		
509	FSDPX	Materials	0.75%/30d	77.04	Hold	-0.9	8.0	0.9	15.9	16.3	8.5	1.58	1,110		
505	FSHCX	Medical Delivery	0.75%/30d	67.44	Hold	-2.1	19.8	4.6	20.6	22.8	12.0	1.21	725		
354	FSMEX	Medical Equipment	0.75%/30d	33.62	OK to Buy	-2.8	22.1	3.7	26.3	19.7	7.6	1.19	1,475		
503	FBMPX	Multimedia	0.75%/30d	70.28	OK to Buy	-3.3	22.6	3.2	32.1	27.0	16.9	1.27	1,001		
513	FSNGX	Natural Gas	0.75%/30d	35.36	OK to Buy	1.7	14.7	4.4	14.6	10.9	-3.4	1.55	619		
514	FNARX	Natural Resources	0.75%/30d	36.15	OK to Sell	1.2	12.1	4.3	14.2	13.0	--	1.84	972		
580	FPHAX	Pharmaceuticals	0.75%/30d	17.99	Buy	-1.7	21.6	2.7	24.8	22.7	14.7	0.92	1,169		
46	FSRPX	Retailing	0.75%/30d	76.64	Hold↓	-1.8	23.3	4.7	25.9	27.2	19.0	1.20	822		
28	FSCSX	Software & Computer Svcs	0.75%/30d	101.99	OK to Buy	0.5	23.9	6.3	24.4	24.0	14.6	1.31	2,467		
64	FSPTX	Technology	0.75%/30d	114.88	Hold	0.2	14.4	5.0	12.2	16.6	11.0	1.41	2,040		
96	FSTCX	Telecommunications	0.75%/30d	55.49	OK to Buy	-3.4	9.5	0.4	13.1	13.6	8.0	1.04	464		
512	FSRFX	Transportation	0.75%/30d	62.94	Hold↓	-3.4	23.3	1.2	31.2	17.0	10.2	1.27	339		
65	FSUTX	Utilities	0.75%/30d	62.88	Hold	-3.9	11.0	0.9	12.5	12.9	5.2	0.83	620		
963	FWRLX	Wireless	0.75%/30d	9.11	OK to Buy	0.9	9.9	1.8	17.0	13.6	7.6	0.97	248		

FIDELITY SCORECARD

AUGUST 31, 2013

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	SPrice (NAV)	Advice	Total Return (%)			Avg Annual (%)			SEC %Yield	Dur ² (Yrs)	Rel Vol (Risk) ¹			
						Aug	YTD	3 Mo.	1 Yr	3 Yr	5 Yr						
TAXABLE BOND						Category Averages			-0.7	-3.4	-2.1	-3.1	2.4	4.2	1.57	4.9	0.25
2267	FCONX	Conservative Income Bond		10.04	Buy	0.0	0.5	0.1	0.7	--	--	0.28	0.5	--			
2208	FCBFX	Corporate Bond		10.81	Buy	-1.0	-3.8	-3.2	-2.1	5.4	--	3.00	6.7	0.35			
2423	FGBFX	Global Bond		9.49	OK to Sell	-1.2	-5.2	-1.8	-4.5	--	--	2.85	5.8	--			
15	FGMNX	GNMA (Ginnie Mae)		11.24	Hold	-0.4	-3.2	-2.1	-3.2	2.4	5.1	2.04	5.8	0.19			
54	FGOVX	Government Income		10.18	Hold	-0.6	-3.0	-2.0	-3.0	1.8	4.2	1.45	4.9	0.22			
794	FINPX	Inflation-Protected Bond ³		12.23	OK to Sell	-1.7	-8.4	-4.7	-7.5	3.2	3.7	-0.07	5.7	0.43			
32	FTHR	Intermediate Bond		10.79	OK to Buy	-0.6	-1.8	-1.6	-0.9	2.8	5.4	1.98	3.9	0.18			
452	FSTGX	Intermediate Gov't Income		10.58	Hold	-0.6	-1.8	-1.4	-1.7	1.4	3.5	1.00	3.6	0.17			
2428	FINUX	International Bond		9.48	OK to Sell	-1.4	-5.8	-1.1	-4.2	--	--	2.44	5.6	--			
26	FBNDX	Investment Grade Bond		7.65	Buy	-0.7	-3.0	-2.3	-2.1	3.6	5.6	2.40	5.2	0.22			
662	FFXSX	Limited Term Government		9.99	Hold	-0.4	-0.8	-0.7	-0.7	0.8	2.6	0.47	2.6	0.09			
40	FMSFX	Mortgage Securities		10.92	Hold	-0.5	-2.8	-1.8	-2.2	2.7	5.1	2.15	5.1	0.17			
450	FSHBX	Short-Term Bond		8.55	Buy	-0.1	-0.1	-0.3	0.4	1.5	2.4	0.65	1.9	0.07			
2415	FSIQX	Sptn Inflation-Protect Index ⁴		9.44	OK to Sell	-1.7	-8.3	-4.7	-7.4	--	--	0.17	5.7	--			
1561	FIBIX	Sptn Interm Treas Index ⁴		10.65	Hold	-1.2	-4.8	-3.6	-5.2	2.3	4.9	1.91	6.6	0.39			
1562	FLBIX	Sptn Lng-Term Treas Index ⁴		11.40	Hold	-1.3	-10.5	-6.4	-13.4	2.6	6.2	3.36	16.1	0.98			
1560	FSBIX	Sptn Sht-Term Treas Index ⁴		10.44	Hold	-0.4	-0.7	-0.6	-0.7	0.9	2.3	0.44	2.6	0.09			
651	FBIDX	Sptn US Bond Index		11.36	Hold	-0.7	-3.1	-2.1	-3.0	2.3	4.7	1.96	5.3	0.22			
820	FTBFX	Total Bond		10.47	Buy	-0.8	-2.7	-2.5	-1.7	3.8	6.3	2.81	5.2	0.22			
812	FUSFX	Ultra-Short Bond (Closed)	0.25%/60d	8.24	Hold	0.0	0.2	-0.0	0.6	0.7	0.6	0.15	0.4	0.03			
HIGH-YIELD BOND						Category Averages			-1.0	-0.4	-2.3	3.6	7.0	8.3	4.44	3.7	0.48
38	FAGIX	Capital & Income	1.00%/90d	9.45	Buy	-1.3	2.8	-2.2	7.7	9.3	10.8	4.86	4.3	0.68			
814	FFRHX	Floating Rate High Income	1.00%/60d	9.94	Buy	-0.1	2.3	0.2	4.2	5.0	5.0	2.38	0.3	0.26			
1366	FHIFX	Focused High Income	1.00%/90d	9.03	Buy	-0.7	0.8	-1.8	3.9	7.4	7.8	4.27	3.5	0.41			
2297	FGHNX	Global High Income	1.00%/90d	9.82	Buy	-1.0	0.6	-2.2	6.6	--	--	5.26	3.6	--			
455	SPHIX	High Income	1.00%/90d	9.19	Buy	-0.8	2.0	-1.5	6.0	8.9	9.8	5.11	3.4	0.55			
331	FNMIX	New Markets Income	1.00%/90d	15.64	Hold	-2.1	-8.8	-5.8	-3.8	5.8	9.0	5.40	5.4	0.59			
368	FSICX	Strategic Income		10.83	Buy	-1.2	-2.3	-2.6	0.7	5.2	7.7	3.78	5.1	0.37			
MUNICIPAL BOND						Category Averages			-1.2	-4.5	-4.6	-3.4	2.1	3.9	2.75	7.0	0.29
434	FSAZX	Arizona Muni Income	0.50%/30d	11.31	Hold	-1.4	-5.6	-5.4	-4.0	2.2	4.3	3.16	8.1	0.34			
1534	FCSTX	Calif Limited Term Tax Free ⁶	0.50%/30d	10.55	OK to Buy	-0.4	-0.9	-1.4	-0.4	1.5	3.0	1.29	3.1	0.13			
91	FCTFX	California Muni Income	0.50%/30d	12.08	Hold	-1.2	-4.5	-5.0	-2.7	3.2	4.4	3.29	7.8	0.35			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.20	Hold	-1.2	-4.8	-4.5	-4.2	1.8	3.9	2.84	7.4	0.31			
36	FLTMX	Interm Municipal Income	0.50%/30d	10.10	OK to Buy	-1.0	-3.3	-3.6	-2.4	2.1	3.8	2.22	5.4	0.23			
404	FSTFX	Limited Term Muni Income ⁷	0.50%/30d	10.62	OK to Buy	-0.4	-0.9	-1.2	-0.4	1.4	2.7	0.93	2.7	0.11			
429	SMDMX	Maryland Muni Income	0.50%/30d	10.80	Hold	-1.6	-5.4	-5.4	-4.8	1.5	3.6	2.81	7.5	0.30			
70	FDMMX	Mass Muni Income	0.50%/30d	11.63	Hold	-1.6	-5.9	-5.6	-4.7	2.1	4.1	3.06	8.3	0.30			
81	FMHTX	Michigan Muni Income	0.50%/30d	11.66	Hold	-1.3	-4.7	-5.0	-3.5	2.2	4.0	3.07	6.9	0.29			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.30	Hold	-1.1	-3.8	-3.8	-3.0	2.1	3.9	2.28	6.2	0.26			
37	FHIGX	Municipal Income	0.50%/30d	12.51	OK to Buy	-1.4	-5.6	-5.7	-4.1	2.6	4.3	3.36	8.3	0.34			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.40	Hold	-1.4	-4.9	-5.2	-4.2	2.1	3.9	2.77	7.6	0.33			
71	FTFMX	New York Muni Income	0.50%/30d	12.65	Hold	-1.3	-5.5	-5.3	-4.3	1.9	4.0	3.30	8.4	0.34			
88	FOHFX	Ohio Muni Income	0.50%/30d	11.43	Hold	-1.3	-5.6	-5.3	-4.1	2.2	4.0	3.17	8.3	0.32			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	10.64	Hold	-1.5	-5.1	-5.0	-3.8	2.5	4.1	3.11	7.5	0.31			
90	FTABX	Tax-Free Bond	0.50%/30d	10.81	OK to Buy	-1.4	-5.5	-5.6	-4.0	2.7	4.6	3.31	8.3	0.35			
TAXABLE MONEY MARKET						Category Averages			0.0	0.0	0.0	0.0	0.0	0.2	0.01		
55	FDRXX	Cash Reserves		1.00	--	0.00	0.01	0.00	0.0	0.0	0.3	0.01	na	0.00			
631	FGMXX	Retirement Government MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
630	FRTXX	Retirement MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.3	0.01	na	0.00			
458	SPAXX	Government MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
454	SPRXX	Money Market		1.00	--	0.00	0.01	0.00	0.0	0.0	0.3	0.01	na	0.00			
85	FSLXX	Select MM		1.00	--	0.00	0.01	0.00	0.0	0.1	0.4	0.01	na	0.00			
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
415	FDLXX	Treasury Only MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			
MUNICIPAL MONEY MARKET						Category Averages			0.0	0.0	0.0	0.0	0.1	0.01			
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
433	FSAXX	Arizona Muni MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			
97	FCFXX	California Muni MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			
457	FSPXX	California AMT Tax-Free		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
418	FCMXX	Connecticut Muni MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
74	FDMXX	Massachusetts Muni MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			
420	FMIXX	Michigan Muni MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			
10	FTEXTX	Municipal Money Market		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
417	FNJXX	New Jersey Muni MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
92	FNYYX	New York Muni MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
419	FOMXX	Ohio Muni MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.2	0.01	na	0.00			
401	FPTXX	Pennsylvania Muni MM		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.01	0.00	0.0	0.0	0.1	0.01	na	0.00			

FIDELITY SCORECARD

AUGUST 31, 2013

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Aug	YTD	3 Mo.	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios	Annuity Sector Model						-2.5	17.0	2.8	21.0	16.6	8.2	1.22
	Annuity Growth Model						-2.5	13.7	0.9	17.4	16.5	4.8	1.01
	Annuity Growth & Income Model						-1.8	9.0	0.2	11.7	11.2	5.6	0.73
	Annuity Income Model						-1.1	-2.7	-2.6	-0.1	4.9	5.3	0.36
9067	FLRQC	Fid VIP Asset Manager	Allocation		15.06	Hold	-1.4	5.7	-0.2	9.1	9.3	4.8	0.73
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		14.86	Hold	-1.7	8.8	0.3	13.5	11.6	4.4	1.01
9069	FJBAC	Fid VIP Balanced	Allocation		16.15	Buy	-1.9	8.7	0.1	11.8	12.5	7.1	0.94
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	17.73	Buy	-2.9	21.9	3.1	25.7	22.8	13.3	1.15
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	16.65	Hold	-3.6	11.4	-1.5	13.8	16.7	10.1	0.85
9065	FDPFC	Fid VIP Contrafund	Large Growth		16.28	Hold	-2.3	14.6	1.7	17.3	16.7	6.7	1.08
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		13.64	Buy	-3.7	17.7	2.6	25.6	21.1	7.8	1.37
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		17.22	Buy	-3.2	17.0	1.5	20.8	19.1	9.0	1.08
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.62	Hold	-4.4	-7.2	-8.9	3.4	-0.1	-0.7	1.52
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	16.89	Hold	-0.1	15.2	3.2	17.0	16.1	-0.4	1.82
9061	FLOLC	Fid VIP Equity-Income	Large Value		14.42	Buy	-3.3	15.9	0.8	20.4	18.5	6.6	1.03
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	8.50	Buy	-4.1	16.0	-0.5	25.0	12.1	1.4	1.61
9157	FMPAC	Fid VIP FundsManager 20	Allocation		13.02	Hold	-1.0	1.5	-0.8	2.4	4.5	3.8	0.26
9158	FMPBC	Fid VIP FundsManager 50	Allocation		13.39	Hold	-1.5	6.1	-0.1	8.5	8.8	5.1	0.59
9197	FMPPC	Fid VIP FundsManager 60	Allocation		12.21	Hold	-1.8	7.8	0.2	10.8	10.0	5.4	0.70
9159	FMPCC	Fid VIP FundsManager 70	Allocation		13.22	Hold	-1.8	9.7	0.7	13.3	11.6	5.4	0.83
9160	FMPDC	Fid VIP FundsManager 85	Allocation		12.88	Hold	-2.1	12.8	1.3	17.0	13.1	5.3	1.00
9062	FMNDC	Fid VIP Growth	Large Growth		15.59	Hold	0.1	18.6	4.8	17.5	20.2	6.3	1.19
9070	FLFNC	Fid VIP Growth & Income	Large Blend		15.78	Buy	-2.6	18.4	1.2	22.3	20.5	6.6	1.03
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		16.24	Buy	-1.3	21.5	4.0	21.4	23.7	8.5	1.26
9078	FPVDC	Fid VIP Growth Stock	Large Growth		16.49	Hold	-1.1	15.0	2.7	17.1	19.4	8.9	1.11
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		13.92	Hold	-2.1	19.3	3.1	23.3	15.2	6.6	1.34
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	21.44	Buy	-1.9	31.0	6.9	36.0	28.4	14.8	1.07
9060	FBBLC	Fid VIP High Income	High-Yield Bond		16.78	Buy	-0.9	1.3	-1.9	5.2	8.3	8.0	0.50
9064	FXVLT	Fid VIP Index 500	Large Blend		15.34	Hold	-3.0	15.9	0.6	18.3	18.0	7.0	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	20.86	Buy	-2.8	18.0	1.9	25.9	20.0	9.5	1.34
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	12.98	Buy	-3.1	4.6	-2.1	15.8	12.0	4.9	1.47
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		14.25	Buy	-0.8	-3.2	-2.5	-2.6	2.9	5.5	0.22
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	16.22	Buy	-0.9	7.9	0.8	15.9	16.0	8.1	1.58
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		17.78	OK to Buy	-2.7	16.7	2.1	21.5	13.2	7.1	1.19
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.40	--	-0.1	-0.2	-0.1	-0.3	-0.1	0.1	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	13.37	OK to Buy	-1.7	11.0	3.0	21.1	10.7	1.5	1.49
9072	FFWKC	Fid VIP Real Estate	Sector		15.74	Hold	-6.9	-0.8	-7.9	-0.3	12.7	5.8	1.31
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		16.25	Buy	-1.2	-2.6	-2.7	0.3	4.8	7.2	0.36
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	19.24	Hold	1.2	12.1	5.4	10.1	15.6	11.3	1.41
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	11.46	OK to Buy	-3.5	9.1	0.1	12.9	14.6	7.9	1.02
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	17.37	Hold	-3.8	11.2	1.0	12.6	12.9	5.3	0.83
9079	FKMSC	Fid VIP Value	Mid Value		14.67	Buy	-2.8	17.8	1.4	24.4	18.9	6.4	1.13
9080	FUEBC	Fid VIP Value Leaders	Large Value		11.88	OK to Buy	-3.1	18.6	1.3	24.5	13.7	2.8	1.22
9073	FRBSC	Fid VIP Value Strategies	Mid Value		16.04	Buy	-3.1	15.1	0.9	24.0	18.9	8.3	1.34
9347	FBMEC	Black Rock Global Allocation	Global Allocation		10.75	OK to Sell	-1.6	5.7	-0.6	9.4	7.6	4.8	0.79
9349	FTMEC	Franklin Templeton Gobl Bond	Global Bond		10.41	Buy	-1.8	-3.4	-4.2	2.6	4.9	8.8	0.71
9348	FFMEC	Franklin Templeton US Gov't	Intermed Gov't		9.82	Hold	-0.4	-3.3	-1.8	-3.5	1.0	3.3	0.16
9285	FIGXC	Invesco Global Core Eqty	Global Stock		9.90	OK to Sell	-2.3	8.6	-0.3	18.0	8.6	0.6	1.25
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		14.25	Hold	-2.7	-9.5	-6.8	0.1	1.9	1.7	1.51
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		15.46	Hold	-3.2	-11.5	-7.8	-7.3	3.3	6.1	0.65
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		12.25	Hold	-3.6	-8.0	-8.7	2.1	1.8	1.2	1.38
9146	FPRPC	Morgan Stanley Gbl Tactical Alloc	Diversified Int'l		11.18	Hold	-1.8	6.3	0.2	11.2	10.6	1.8	0.92
9346	FPMEC	Pimco Commodity Real Return	Commodities		8.98	OK to Sell	1.8	-12.0	-4.4	-15.0	2.3	-4.8	1.43
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.15	OK to Buy	-0.4	-1.8	-1.6	-0.8	1.8	--	0.20
9277	FPNBC	Pimco VIT Real Return	TIPS		12.18	Hold	-2.1	-9.2	-5.7	-7.9	3.1	--	0.46
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		11.89	Buy	-1.0	-3.7	-3.2	-1.9	2.7	--	0.28

Annuity Sector		Annuity Growth		Annuity Growth & Income		Annuity Income	
Fund	Allocation	Fund	Allocation	Fund	Allocation	Fund	Allocation
VIP Industrials	23%	VIP Growth Opps	22%	VIP Growth Opps	26%	VIP Investment Grade	32%
VIP Cons Discretionary	23	VIP Equity-Income	20	VIP Strategic Inc	24	VIP Strategic Income	31
VIP Health Care	22	VIP Value	19	VIP Value	19	VIP High Income	23
VIP Materials	17	VIP Value Strategies	16	VIP Investment Grade	16	VIP Balanced	14
VIP Financial Services	15	VIP Dynamic Cap App	13	VIP Equity-Income	15		
		VIP Investment Grade	10				
Total Return:		Total Return:		Total Return:		Total Return:	
Aug: -2.5% YTD: 17.0%		Aug: -2.5% YTD: 13.7%		Aug: -1.8% YTD: 9.0%		Aug: -1.1% YTD: -2.7%	

FUND PICKING

Market Favoring Stockpickers Again

We've long-embraced the investment mantra "Buy the manager, not the fund." In truth, that makes fund-picking sound too easy, as there are many factors to consider, including one's market cap preference, sector biases and risk tolerance. But we have typically favored Fidelity managers who have proven themselves to be astute stockpickers.

Active Management

As important as it is to have talented managers buttressing one's fund picks, it certainly helps to have the market's cooperation. The good news: the landscape for active management is improving. Here's why.

As noted in the Q&A on page 4, since the financial crisis hit, the market has most often been in either a "risk-on" or "risk-off" mode. In the risk-on mode, the market has rewarded most stocks indiscriminately. Likewise, in the risk-off mode they are all punished without much concern for individual fundamentals. Stocks of all stripes were highly correlated.

However, that has recently begun to change. According to Lou Basenese of the *Wall Street Daily*, correlations among stocks have recently plunged. He notes Citigroup research showing that the rolling one-month correlations between the biggest 50 stocks in the S&P 500 dropped to just 12% from 66% at the end of June. And Deutsche Bank research reveals that the correlation of individual stocks in the Russell 1000 to the index itself has fallen to 30% from 60% a year ago. And lastly, Bespoke Investment Group tracks "all or nothing days" when at least 400 of the S&P 500's stocks all move up or down in price. In 2011, there were 70 such days, last year featured 31. So far this year there have been just 13.

Sectors have begun to diverge as well. All of this benefits the superior stock picker.

We welcome this development as the five Fidelity managers who have added the most value to their funds (relative to their benchmarks) through stock selection over the past year are all represented in our model portfolios. **Leveraged Co. Stock's** Tom Soviero has been by far and away Fidelity's top stockpicker during that time. Chuck Myers of **Small Cap Discovery** is also in that group and his **Small Cap Value** fund was in the top 8 (both his funds are now unfortunately closed owing to his successes). Matt Fruhan's cracks the top five with **Large Cap Stock**, while his **Growth & Income** and **Mega Cap Stock** funds also fared well. Sonu Kalra's **Blue Chip Growth** and Fergus

Shiel's **Capital Appreciation** round out the group.

Of course, there are other pathways to success, too. This year, for example, **New Millennium's** John Roth (see below) is doing an okay job picking stocks, but he's really added value with his sector bets. And there are never any guarantees that any manager's current stockpicking successes will endure (although our research has shown that stockpicking skills do tend to persist more than other attributes).

But from its very founding, Fidelity has stressed fundamental stockpicking as a way to outperform passive strategies and we have endorsed that view with our choices. ■

MANAGER PROFILE

Roth: A New Legend?

To look at the modest assets in Manager John Roth's two funds you might never divine that the large-cap **New Millennium** (\$2.4 billion) and **Mid-Cap Stock** (\$5.0 billion) are among the industry's best-run funds. John has run New Millennium the longest (since mid-2006) and owing to his stellar record there, he picked up Mid Cap Stock at the start of 2011.

Because New Millennium is a "go-anywhere" fund, meaning that there are few investment limitations,



John Roth

we've found it difficult to carve out a place for it in our models. That said, John has pretty much restricted its investment universe to large-growth and "blend" stocks (after all, it's benchmarked against the S&P 500), so our history with it is worthy of reconsideration.

At the same time, we have not owned Mid Cap Stock under John's brief stewardship as the more volatile **Value Strategies**, for example, has served us very well in our Unique Opportunities Model.

Though benchmarked against the S&P MidCap 400 Index, it should come as no surprise that Mid-Cap Stock and its New Millennium sibling have some overlap. With almost 200 holdings in each fund, there are about 20 stocks that appear in both funds; they account for roughly 20% of their respective assets. Of course, John allocates them accordingly. Whereas Tesla Motors is Mid-Cap Stock's top holding with 2.1% of its assets, this small company warrants a 1.6% allocation in New Millennium's big-cap portfolio.

For all their differences, their performances over the past three years have been remarkably similar, as New Millennium has returned an average of 20.3% versus 20.6% for Mid-Cap Stock. If that strikes you as very, very good returns, they are, in both absolute and in relative terms. In fact, these numbers make John quite competitive with industry legends Will Danoff (**Contrafund**) and Joel Tillinghast (**Low-Priced Stock**). Of course, all he needs to do is to keep this pace-setting trend up for a few decades and his place in the mutual fund hall of fame will be assured!

Mid Cap Stock and New Millennium have been upgraded to *Buy*. ■

— John Bonnanzio

FUND PAIRINGS

VIP Funds Can Differ Greatly From Their Retail Counterparts

Last month, an alert reader asked a great question of us pertaining to our two income models: “Why is **Balanced** fund’s relative volatility 0.67 while the annuity version of it, **VIP Balanced**, is 0.94 (which is just shy of the S&P 500’s rel. vol. of 1.00)?”

Before we answer, our reader’s question is an important reminder that just because two funds have the same or similar names, they may be quite different (even if we rate them the same and own them, too).

While their respective volatilities may not seem much different, over the past three years, **VIP Balanced** has actually been almost a third riskier. That’s in spite of its having the same investment objective: income and capital growth. It prevails even in spite of the fund’s very similar mix of stocks (60%) and bonds (40%), including some high yield bonds.

DIVIDEND UPDATE

In addition to monthly dividends paid by bond and money market funds and Asset Mgr: 20%/30%, the following funds are also expected to pay dividends and/or capital gains in September:

Blue Chip Growth, Blue Chip Value, Dividend Growth, GNMA, Gov’t Inc., Growth & Inc., Inter Gov’t Inc., Int’l Real Estate, Leveraged Company Stock, Low-Priced Stock, OTC, Real Estate Inc., Real Estate Investment, Small Cap Growth, Small Cap Value, Sptn Real Estate Indx, Ultra-Short Bond, Value Discovery.

The final distributions for August were as follows:

Fund	Ex-Date	\$ Amt	NAV
Fidelity	8/2	2.145	40.24
Growth Discovery	8/2	0.028	18.87
Mega Cap Stock	8/2	0.093	14.45

Where the funds part company is in their management.

For its part, **Balanced** is led by Bob Stansky who once ran **Magellan**. Ten individuals run industry-specific sleeves for him. For example, Chris Lee is responsible for financial stocks, as he also runs **Select Financials** and **Select Brokerage**.

Bob’s job is to manage **Balanced** fund’s various sector exposures and its asset allocation.

VIP Balanced has just two managers: Larry Rakers of **Dividend Growth** and Ford O’Neil of **Intermediate Bond** and **Total Bond**.

Not surprisingly, the equity portion of **VIP Balanced** bears an uncanny resemblance to **Dividend Growth**. At the same time, its bond portfolio consists mostly of Fidelity’s proprietary **VIP Investment Grade Central** fund, which Ford happens to run. Plus, **VIP Balanced** holds some of the same high-yield bonds that are found in Ford’s **Total Bond** fund.

On that score, **VIP Balanced** tends to have a greater exposure to high-yield bonds: about 16% versus 11% for **Balanced**.

So how is it that the **VIP** fund is so much more risky?

There are two reasons. First, high yields bonds are more risky than investment-grade bonds. Second, **Larry Rakers** tends to hold a more aggressive mix of stocks, with a greater emphasis on volatile sectors.

Bottom line: these balanced funds are very different. Likewise, **Contrafund** is very different from **VIP Contrafund**, **Overseas** is oceans apart from **VIP Overseas**, **Real Estate Investment** is more growth-oriented than its cousin **VIP Real Estate**.

To compare Fidelity’s **VIP** funds with their non-annuity counterparts, turn to page 11 of the May report (which is available in the Archive section of our website). ■

— John Bonnanzio

Inside Fidelity

New Fund — **Short Duration High Income** fund is now on Fidelity’s drawing board. Though it will hold some investment-grade debt, it will principally invest in the higher quality end of high-yield (junk) bonds, those rated BB or B, with a significant underweight to those bonds rated CCC or below. It will also invest in floating rate loans and other corporate debt securities. This, coupled with its investment grade bonds, is intended to increase overall credit quality, improve liquidity, and reduce credit risk.

At this point, our expectation is for the fund’s interest-rate sensitivity to be somewhat greater than **Floating-**

Rate High Income but less than **Focused High Income**. At the same time, its credit quality will be superior to both, but expose investors to more credit risk than **Short-Term Bond**.

Manager Change — Ben Shuleva has joined Jonathan Kasen as co-manager on **Select Energy Service**. Ben has been analyzing a variety of different energy companies for several years, including the coal, offshore drillers and refiners. We continue to rate the fund **OK to Sell**.

Correction — The July distributions in the August report were incorrect. The correct figures are provided on the homepage of our website. ■

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