

FIDELITY MONITOR & INSIGHT

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MESSAGE FROM JACK

Why Market Timing (Still!) Doesn't Work

Many investors fall into the trap of trying to be in stocks during bullish periods while holding cash when conditions are bearish. It seems easy enough; markets are cyclical so all you have to do is catch the right parts of the cycle.



Jack Bowers

But predicting the future is never easy. On top of that, it takes a Nervous Nellie to exit a bull market near its peak, and a battle-hardened opportunist to jump in near the bottom of a

major selloff. Rarely can the same person flip between those opposing mindsets at just the right moments.

The stock market moves up about twice as often as it moves down. So, statistically speaking, the more time you sit around in cash the more your long-term return is diluted. The financial markets pay you to bear risk, and if you shun it your long-term return is reduced accordingly.

Many investors use a computer to find trends on the assumption they'll be able to get in or out at the right times. Software can do many great things, but modeling human emotions to predict crowd behavior is not one of them. Furthermore, with millions of trend-followers doing the same thing at the same time, they're all part of the herd, competing with each other to get in or get out.

Under those conditions, even the value of the S&P 500 gets stretched up or down, reverting to normal only after the liquidity imbalance eases. In effect, trend-followers get fleeced a little bit with each move they make. In situations where there are more buyers than sellers (or vice versa), the stock market always disappoints the majority.

So don't try to time the market. Instead, settle on a risk level that lets you sleep at night, and stick with it through thick and thin. That way you can focus on the opportunities at hand, rather than wasting time trying to decide whether the game is worth playing. To that end, this issue profiles several funds whose managers are risk-sensitive (growth-at-a-reasonable price) stock investors. You can read about Mark Fruhan and Ramona Persaud's investment processes on pages 4 and 12, respectively.

Sincerely,

MARKET OUTLOOK

Don't Let Recent Volatility Scare You Out Of The Market

Last week's roller-coaster ride on the Dow (-107, -117, +154, -264, +167) no doubt unnerved many investors. And the world seems pretty volatile, too, from the worsening Ebola outbreak in Africa, to political unrest in Hong Kong, and the still smoldering situation in Ukraine. Not to mention ISIS beheadings and promises of future terrorist attacks. Combine that with increasing chatter about stock market bubbles and you may well be thinking about simply getting out and waiting until things "look better."



John M. Boyd

In a word, don't.

First, as Jack outlines in his *Message*, such market timing doesn't work.

Second, as the old Wall Street saying goes, bull markets climb a wall of worry. The time for investors to really get "worried" is when everything seems perfect. That's when stocks are "priced for perfection," too.

Third, despite many things to be concerned about, there is still plenty of good news for the stock market out there.

S&P 500 earnings for the next four quarters (3rd qtr 2014 - 2nd qtr 2015) are currently estimated to increase by 11.7%, 11.8%, 14.7% and 16.7%, respectively. And all of those estimates are higher than they were a month ago. A prime reason for those increasing estimates was the upward revision of 2nd quarter GDP growth to 4.6%. While a big part of that strength was due to a snap-back from the dismal first quarter, and some recent economic data has been mixed, the balance of the data points to continued solid growth of 3%-plus for the remainder of the year.

Inflation remains low with both headline and core consumer prices rising just 1.7% over the past 12 months, well under the Fed's target of 2.0%. That combined with a labor market which, while slowly improving, still has plenty of slack suggests the Fed is likely to refrain from any rate hikes until at least mid-2015 and maybe beyond. And even when they do begin to raise rates, stocks (after perhaps initially selling off) can still do fine. (See last month's *Outlook* — "Don't Fear The Fed.")

Retail investors are still scarred from 2008's losses.

Market Outlook *cont'd on page 3*

MODEL PORTFOLIOS

See Model Portfolios Key on p. 3

SEPTEMBER 30, 2014

Unique Opportunities

Target Risk: 1.20 (Current: 1.15)

Foreign Holdings: 6.5%

YTD Return: 0.9%

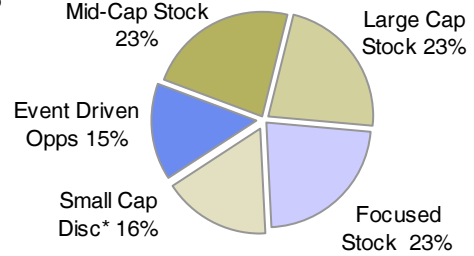
Stocks: 98.0% Bonds: 0.0% Cash: 2.0% Alternatives: 0.0% Yield: 0.3%

Holdings	Ticker	NAV	Shares	Value	Sep Ret
Mid-Cap Stock	FMCSX	\$37.89	2,385.55	\$90,388	-4.0%
Large Cap Stock	FLCSX	28.16	3,158.97	88,957	-1.6
Focused Stock	FTQGX	20.30	4,319.47	87,685	-2.5
Small Cap Discovery*	FSCRX	28.91	2,223.88	64,292	-5.9
Event Driven Opps	FARNX	10.35	5,607.84	58,041	-5.9

*Closed -- see trade box on page 3.

Current Value (3/31/99 = \$100,000) \$389,364 -3.7%

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



Select

Target Risk: 1.20 (Current: 1.24)

Foreign Holdings: 14.4%

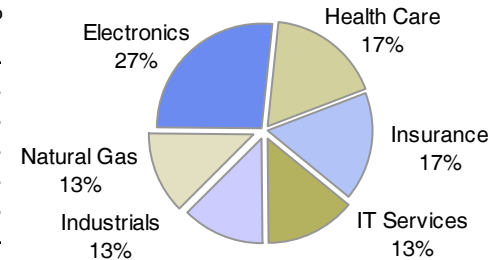
YTD Return: 6.6%

Stocks: 97.6% Bonds: 0.0% Cash: 2.4% Alternatives: 0.0% Yield: 0.0%

Holdings	Ticker	NAV	Shares	Value	Sep Ret
Electronics	FSELX	\$78.96	9,187.66	\$725,457	-1.9%
Health Care	FSPHX	218.92	2,143.37	469,226	0.1
Insurance	FSPCX	66.30	6,731.28	446,284	-2.1
IT Services	FBSOX	35.47	10,241.30	363,259	-0.8
Industrials	FCYIX	31.37	10,880.91	341,334	-3.2
Natural Gas	FSNGX	41.35	8,238.88	340,678	-8.3

Current Value (12/31/88 = \$100,000) \$2,686,238 -2.5%

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



Growth

Target Risk: 1.00 (Current: 1.13)

Foreign Holdings: 8.3%

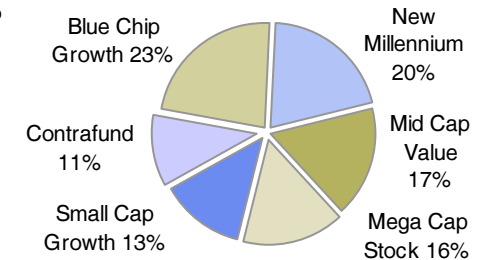
YTD Return: 4.9%

Stocks: 96.7% Bonds: 0.0% Cash: 3.3% Alternatives: 0.0% Yield: 0.5%

Holdings	Ticker	NAV	Shares	Value	Sep Ret
Blue Chip Growth	FBGRX	\$65.51	6,783.61	\$444,394	-1.9%
New Millennium	FMLX	41.01	9,681.35	397,032	-2.5
Mid Cap Value	FSMVX	23.87	13,437.86	320,762	-3.2
Mega Cap Stock	FGRTX	16.18	18,698.14	302,536	-0.9
Small Cap Growth	FCPGX	17.12	14,589.75	249,777	-4.8
Contrafund	FCNTX	101.10	2,145.47	216,907	-1.1

Current Value (12/31/86 = \$100,000) \$1,931,408 -2.4%

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: 0.79)

Foreign Holdings: 13.6%

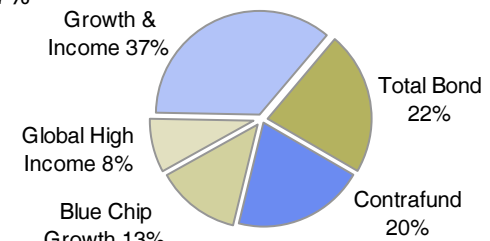
YTD Return: 6.2%

Stocks: 69.1% Bonds: 18.3% Cash: 1.9% Alternatives: 10.6% Yield: 1.7%

Holdings	Ticker	NAV	Shares	Value	Sep Ret
Growth & Income	FGRIX	\$29.52	6,479.55	\$191,276	-1.0%
Total Bond	FTBFX	10.66	10,634.62	113,365	-0.8
Contrafund	FCNTX	101.10	1,021.98	103,322	-1.1
Blue Chip Growth	FBGRX	65.51	1,062.75	69,621	-1.9
Global High Income	FGHNX	9.96	4,390.48	43,729	-2.3

Current Value (12/31/93 = \$100,000) \$521,314 -1.2%

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



Income

Target Risk: 0.33 (Current: 0.40)

Foreign Holdings: 9.8%

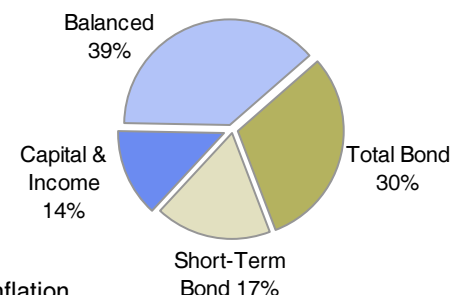
YTD Return: 5.1%

Stocks: 31.1% Bonds: 52.6% Cash: 2.4% Alternatives: 14.0% Yield: 2.0%

Holdings	Ticker	NAV	Shares	Value	Sep Ret
Balanced	FBALX	\$24.14	5,653.35	\$136,472	-1.1%
Total Bond	FTBFX	10.66	9,805.43	104,526	-0.8
Short-Term Bond	FSHBX	8.59	7,091.90	60,919	0.0
Capital & Income	FAGIX	9.97	4,769.67	47,554	-2.2

Current Value (12/31/91 = \$100,000) \$349,471 -1.0%

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



Market Outlook *cont'd from page 1*

Since May 1, investors have pulled about \$40 billion out of domestic stock funds. While similar ETFs saw \$20 billion in inflows during that period, that's still a net loss of \$20 billion. Bull markets don't end with investors still leery about stocks. There is scant evidence of the kind of "irrational exuberance" seen at market tops.

None of this means we won't see a correction of some magnitude in the coming months. But long-term investors should not be deterred.

Model Portfolio Trades

We will be making several trades this coming Monday Oct. 6 (see trade box opposite). They fall into two major themes: reducing small-cap exposure and largely eliminating high-yield bond exposure.

We liked small caps heading into this year for a couple of reasons. One, they offered the promise of higher growth in a slow-growing US economy. Two, with Europe teetering on the brink of recession, the US still offered better growth prospects than much of the rest of the world, and small-caps get about 80% of their sales from the domestic market versus only about 54% for large-cap firms. However, with the market taking on a decidedly risk-off stance since about April, small-caps have lagged. In addition, two key factors propelling large-caps this year (M&A activity and stock buy-backs) are largely absent from small-cap firms.

Now with tax-loss-harvesting season approaching, they may come under further selling pressure. We will sell our dedicated small-cap funds for **Blue Chip Growth (VIP Growth Stock** in Annuity Growth). We may add small cap exposure once again at the start of the new year.

At the end of June, we reduced our holdings of high-yield bonds as

FUNDS YOU SHOULD BUY NOW

Growth: **Blue Chip Growth**, **Growth Company** and **Large Cap Stock** take more aggressive approaches to growth, while **Contrafund** takes a more conservative approach. **Mid-Cap Stock** is our choice for mid-growth; **Event Driven Opp's** offers portfolio diversification.

Growth & Income: **Growth & Income** and **Mega Cap Stock** seek growth and yield from large-caps, while **Balanced** uses stocks and bonds.

Bond: **Short-Term Bond** and **Intermediate Bond** limit interest-rate risk. **Total Bond** provides the greatest bond diversification. **Investment-grade Bond** limits credit risk but boosts yield via additional interest-rate risk, while **Corporate Bond** steps up risk on both fronts. (More highly taxed investors should consider muni funds.)

High Yield: As we've been noting in this space, high-yield funds have warranted caution as valuations grew "rich." Please see trades below and our trade rationale in the facing column. ■

MODEL PORTFOLIO TRADES

As we'll announce on our October 3 Hotline, on Monday October 6, we will make trades in most Model Portfolios:

Unique Opportunities Model:

We will sell all of **Small Cap Discovery** [FSCRX] for **Blue Chip Growth** [FBGRX].

NOTE: If you own either **Small Cap Enhanced** or **Mid Cap Value** in place of Small Cap Discovery (which is closed), sell those funds and buy Blue Chip Growth.

Select Model:

We will sell all of **IT Services** [FBSOX] for **Air Transportation** [FSAIX].

Growth Model:

We will sell all of **Small Cap Growth** [FCPGX]. We will add one-half of the proceeds to **Blue Chip Growth** [FBGRX] and one-half to **Mega Cap Stock** [FGRTX].

Growth & Income Model:

We will sell all of **Global High Income** [FGHNX] and buy **Corporate Bond** [FCBFX].

Income Model:

We will sell all of **Capital & Income** [FAGIX] and buy **Corporate Bond** [FCBFX].

Annuity Growth Model:

We will sell all of **VIP Disciplined Small Cap** [FPRGC] and add the proceeds to **VIP Growth Stock** [FPVDC].

Annuity Growth & Income Model:

We will sell **VIP High Income** [FBBLC], and add the proceeds to **VIP Investment Grade** [FTLKC].

Annuity Income Model:

We will sell **VIP High Income** [FBBLC], and add one half of the proceeds to **VIP Balanced** [FJBAC] and one half to **Pimco Low Duration** [FPMBC].

Most of the funds we are selling have short-term trading fees (see *Scorecard* for details), so you may wish to delay your trade(s) until the redemption fee no longer applies. Also, see *Market Outlook* for a further discussion of the trades. ■

their yield advantage over investment-grade bonds had diminished to the point where their added risk made them less attractive. They subsequently sold off so their yield advan-

tage has improved a bit, but we see further headwinds for this asset class and will sell our remaining holdings for largely investment-grade bonds. ■

— John M. Boyd

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.

MANAGER PROFILE

Matt Fruhan: "GARP" Investing at Growth & Income, Large Cap Stock and Mega Cap Stock

Matt Fruhan has a lot on his plate. Apart from managing the three funds above, he also runs several share classes of the same, plus the annuity **VIP G&I**. In all, Matt runs almost three dozen different portfolios with assets totalling over \$33 billion.

Too much to handle?

Not really — with overlapping investment objectives (total return through income and capital appreciation) and strategies (reasonably valued large-caps), an appropriate stock for one fund is often a candidate for others. Indeed our analysis reveals

36 different stocks that are held in all three of his "regular" funds: **Growth & Income, Large Cap Stock** and **Mega Cap Stock**. Moreover, these stocks account for more than half of each fund's assets.

So, you can think of it this way: each day Matt needs to make a bunch of meatloafs of different sizes and shapes. But the only real difference is that there are three different ways they're seasoned.

If that imperfect analogy suggests that there's little pleasure to be had from being served any of Matt's portfolios, not so. In fact, his three "main" funds have outperformed virtually all of their peers in the past three years, and two have beaten more than 90% in the prior five. (He's only run Growth & Income since February 2011.)

What accounts for his successes?

Smart stock selection is the simplest bare-bones answer. But it's the least revealing. A better response that puts meat on that skeleton is that Matt successfully employs a "growth-at-a-reasonable price" (GARP) investment process.

Where the rubber meets the road, Matt observes that over the last 15 years large- and mid-cap stocks had been overvalued, but now their "premium has been worked off." So, he says (and we'd agree), "the best risk-reward is in large caps."

Drilling down a bit further, he's been tilting his portfolios ever-so-slightly towards value stocks — companies that are steadily growing earnings, but not so fast that investors are willing to pay big multiples to own them. He's also sidestepping stocks with highly leveraged balance sheets (the market is not paying for that now), as a slowly growing economy no longer warrants their risk.

Drill a little further: Matt especially likes money center banks like top-holdings JP Morgan Chase, Citigroup and Bank of America. His rationale? Capital ratios (reserves) have tripled from pre-crisis levels, legal expenses are starting to wane, and they're making higher quality loans. And, while some businesses fear rising interest rates, lenders (and some others like inventory-rich distributors) stand to benefit. That's because their earnings will improve owing to wider loan-spreads. (Long-term, he says, "they're much safer.") Add to that list life insurers and even payroll processors.

Notably, Matt overweights financials in all three funds.

Noting that his funds are "underexposed to what a lot of people are all lathered up about right now," Matt says he's pleased as to where he's currently "sourcing earnings and yield." Being a GARP investor, he says, "is a good place to be." ■

— John Bonnanzio



"I believe stock performance is driven by changes in long-term earnings and dividend-yield expectations, and that investors are increasingly focused on short-term results, which often causes securities to be mispriced relative to their true long-term value."

— Matt Fruhan

PROFILE: MAGELLAN

Captain Feingold

In September 2011, Jeff Feingold was reassigned to manage **Magellan** from his prior charge **Large Cap Growth**. With his new fund already trailing its S&P 500 benchmark that year, there was nothing that could be done to salvage its performance: Magellan retreated 11.6% that year as the market eked out a 2.1% gain.

Investors expressed their frustration by yanking still more assets. Once the nation's largest fund (topping \$100 billion), by the time Jeff arrived, Magellan had shrunk to "just" \$13 billion. Today it's only \$14 billion, an amount held aloft by market gains, not investor enthusiasm. In other words, shareholders are still leaving Magellan.

But should they?

We rate Magellan to *OK to Buy* for a few reasons. The first is that we like large-cap growth funds, and the second is that performance under Feingold is pretty solid. During his three-year tenure, Magellan's average annual return is 23.2% versus the S&P 500's 23.0%. At the same time, Feingold's large-cap growth fund peers have average returns of 22.7%. Over the same period, **Large Cap Growth Enhanced Index** (a decent proxy for the Russell 1000 Growth benchmark) has matched the S&P.

"As a growth investor," says Feingold, "I generally position the fund more aggressively than the market, with the expectation that it will outperform in an uptrend." While Magellan did just that in 2012 and 2013 (and is playing cat-and-mouse with the market this year), the accompanying risk has been 22% higher than the S&P. So, on a risk-return basis, shareholders have not been commensurately rewarded. (See **Dividend Growth** on p. 12.)

By comparison, some of our model portfolio holdings have struck a better balance between risk and reward. For example, **Contrafund** has not fared as well as Magellan over the past

Magellan cont'd on page 12

FUND COMMENTARY

Macro Events Rattle Investor Confidence

Geoglobal events reminded investors this past quarter that China and Russia are not Jeffersonian democracies, nor are they capitalists in ways that Adam Smith would embrace. As for



John Bonnanzio

the Mideast, well, let's just be polite and acknowledge that the place is a mess, and that our kids and probably our great-grandkids will come to know its landscape in ways we'd prefer they didn't.

So if Ukraine, Hong Kong and especially ISIS weren't already enough to dim investor's enthusiasm, the prospect of rising interest rates and slow global growth added to the discontent.

So it followed that market volatility rose, though a few one-percent-age-point "mood swings" seem minor relative to the enormity of the world's collective dysfunction. To their credit, investors have so far demonstrated patience, though their fortitude may be tested in the run-up to and during the Q3 earnings season — which had better not disappoint!

Market Indexes

Against the backdrop of stretched valuations in various corners of the equity and fixed-income markets, the tremblers surfacing from deep below Wall Street last month were not surprising, but they were minor.

For all the angst, the S&P 500 retreated 1.4% in September while the Dow Industrials slipped 0.1%. And, even as investors have grown uneasy over inflated biotech stocks, the Nasdaq fell 1.8%.

On the other hand, small-caps took a drubbing: the Russell 2000 tumbled 6.1%. That was enough backward momentum to push small-cap funds into the red for the year. (Given this month's trades, we expect the rotation that's favoring large-caps over small-caps to continue — see p. 3.)

Equity Funds

No surprises here: Fidelity's lineup of small-cap funds (active and passive/index) were at the bottom of the performance heap last month. All these funds have market caps below \$3 billion. The worst-performer was **Small Cap Value** (down 6.4%), but even the "best" of this lot, **Small Cap Stock**, fell 4.3%. And, so it followed that **Mid-Cap Value**, **Value**, and other mid-caps were also beaten back (they fell 3.2% and 4.5%, respectively), as the market clearly "favored" bigger companies for their perceived relative safety. Notably, the average large-cap fund fell "just" 1.9% versus 5.5% for small caps and 3.9% for mid-cap funds.

As for Fidelity's big-cap offerings, **Mega Cap Stock** (down 0.9%) fared best of all in September, but still slipped into the red (see facing profile). With that in mind, relative suc-

cess was not always a simple matter of market cap. **Capital Appreciation**, for example, was off only 1.4% as Manager Fergus Shiel bets heavily and successfully on health care with 30% of his assets.

As for some of Fidelity's biggest funds by assets, **Contra's** more risk-controlled approach to stockpicking was helpful last month as it fell a modest 1.1%, while much the same can be said for **Dividend Growth** (down 1.3%), which we detail on page 12.

International Funds

Avoiding international funds has been a good strategy generally, and sidestepping emerging market funds has been an even better idea — at least last month. While **Spartan Int'l Index** slid 3.8%, **Emerging Markets** tumbled 6.0%. And, with turmoil

Fund Commentary *cont'd on page 8*

OCTOBER SCORECARD RATING CHANGES

Fund	Ratings			Comments
	Old	New		
Capital & Income	B	H	↓	See trade discussion in box on p. 3.
Dividend Growth	H	B	↑	New manager is reducing risk as promised.
Floating Rate HI	B	H	↓	See trade discussion in box on p. 3.
Focused High Inc	B	H	↓	See trade discussion in box on p. 3.
Global High Inc	B	H	↓	See trade discussion in box on p. 3.
Growth Strategies	H	B	↑	Attractive stake in health and consumer discret.
High Income	B	H	↓	See trade discussion in box on p. 3.
Int'l Sm Cap Opp's	B	H	↓	See trade discussion in box on p. 3.
MSCI Materials	H	B	↑	Lower cost of feedstock (gas, oil) will boost profits.
Pimco VIT Total Ret	B	H	↓	Manager has departed fund (see p. 12).
Sel Air Transport	B	B	↑	Falling fuel prices will help profit margins.
Sel Chemicals	H	B	↑	Lower cost of feedstock (gas, oil) will boost profits.
Sel IT Services	B	B	↓	Too much exposure to Visa/MasterCard.
Sel Materials	H	B	↑	Lower cost of feedstock (gas, oil) will boost profits.
Sel Transportation	B	B	↑	Falling fuel prices will help profit margins.
Short Dur High Inc	B	H	↓	See trade discussion in box on p. 3.
Sm Cap Enh Idx	B	H	↓	See trade discussion in box on p. 3.
Small Cap Disc	B	H	↓	See trade discussion in box on p. 3.
Small Cap Growth	B	H	↓	See trade discussion in box on p. 3.
Small Cap Value	B	H	↓	See trade discussion in box on p. 3.
Stk Sel Small Cap	B	H	↓	See trade discussion in box on p. 3.
Strategic Income	B	B	↓	See trade discussion in box on p. 3.
VIP Disc Small Cap	B	H	↓	See trade discussion in box on p. 3.
VIP Growth Strat	H	B	↑	Attractive stake in health and consumer discret.
VIP High Income	B	H	↓	See trade discussion in box on p. 3.
VIP Materials	H	B	↑	Lower cost of feedstock (gas, oil) will boost profits.

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

FIDELITY SCORECARD

SEPTEMBER 30, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)				Rel Vol (Risk) ¹		
						Sep	YTD	3 Mo.	1 Yr	3 Yr	5 Yr	10 Yr			
Comparative Indexes		S&P 500		1972.3		-1.4	8.3	1.1	19.7	23.0	15.7	8.1	1.00		
		Nasdaq Composite		4493.4		-1.8	8.6	2.2	20.6	24.6	17.5	10.1	1.22		
		Dow Jones Industrials		17042.9		-0.1	4.7	2.0	15.4	19.1	14.9	8.2	0.97		
		Russell 2000 (Small Caps)		1101.7		-6.1	-4.4	-7.4	3.9	21.2	14.3	8.2	1.44		
		Barclays Aggregate Bond*				-0.7	4.0	0.2	3.7	2.2	3.9	4.3	0.26		
Model Portfolios		Unique Opportunities				-3.7	0.9	-3.6	11.1	21.0	13.8	9.0	1.15		
		Select				-2.5	6.6	-1.3	19.3	25.1	16.1	10.3	1.24		
		Growth				-2.4	4.9	-0.8	13.9	18.7	13.7	7.5	1.14		
		Growth & Income				-1.2	6.2	0.5	13.8	15.2	11.1	6.9	0.78		
		Income				-1.0	5.1	0.1	9.3	7.1	7.3	4.8	0.40		
											Rel Vol (Risk) ¹	Assets (\$Mil)			
LARGE CAP GROWTH						Category Averages			-2.0	6.9	0.4	17.4	22.7	15.9	1.20
312	FBGRX	Blue Chip Growth		65.51	Buy	-1.9	8.8	1.5	20.7	24.4	17.7	1.29	\$12,322		
307	FDCAX	Capital Appreciation		38.77	Buy	-1.4	7.2	2.9	18.9	24.7	16.9	1.15	5,970		
22	FCNTX	Contrafund		101.10	Buy	-1.1	6.2	1.8	17.4	21.5	15.7	1.06	76,137		
332	FEXPX	Export and Multinational	0.75%/30d	25.37	Sell	-1.7	4.2	0.2	14.1	18.5	11.9	0.98	1,629		
3	FFIDX	Fidelity Fund		42.48	OK to Sell	-1.6	7.1	0.5	18.0	20.1	13.4	1.03	4,683		
500	FFTYX	Fifty (Closed)		28.71	Buy	-2.5	3.0	-2.5	12.9	21.5	15.2	1.18	750		
333	FTQGX	Focused Stock		20.30	Buy	-2.5	2.8	-2.3	12.9	21.7	17.0	1.20	1,880		
25	FDGRX	Growth Company (Closed)		127.70	Buy	-2.1	7.2	0.6	15.7	23.5	17.9	1.36	22,742		
339	FDSVX	Growth Discovery		23.31	OK to Buy	-1.9	9.9	1.1	18.7	23.4	17.8	1.21	1,094		
73	FDFFX	Independence		39.75	Hold	-4.2	9.7	-1.1	22.5	26.2	16.4	1.54	4,236		
21	FMAGX	Magellan		93.98	OK to Buy	-1.6	8.4	1.6	19.9	23.2	12.4	1.13	13,676		
300	FMILX	New Millennium		41.01	Buy	-2.5	4.8	-2.2	14.7	22.1	16.1	1.05	4,332		
93	FOCPX	OTC		78.59	OK to Buy	-1.7	10.1	3.1	18.9	24.0	18.4	1.51	8,208		
320	FDSSX	Stock Selector All Cap		38.12	OK to Buy	-2.3	7.1	-0.8	17.0	23.0	15.2	1.13	4,226		
5	FTRNX	Trend		90.80	Buy	-1.6	7.2	1.0	19.0	22.5	17.2	1.18	1,430		
LARGE CAP BLEND						Category Averages			-1.4	7.2	0.8	18.5	24.4	15.3	1.11
315	FDEQX	Disciplined Equity		34.46	Hold	-2.0	6.6	0.7	19.4	23.6	13.1	1.10	1,221		
330	FDGFX	Dividend Growth		33.12	OK to Buy↑	-1.3	7.6	1.0	18.0	23.2	14.5	1.24	6,503		
27	FGRIX	Growth & Income		29.52	Buy	-1.0	6.9	0.5	16.8	24.2	15.7	1.02	6,589		
338	FLCSX	Large Cap Stock		28.16	Buy	-1.6	7.1	0.4	19.0	26.5	17.0	1.13	2,956		
361	FGRTX	Mega Cap Stock		16.18	Buy	-0.9	7.9	1.2	19.1	24.7	16.3	1.06	3,036		
LARGE CAP VALUE						Category Averages			-2.3	6.8	-0.8	16.7	22.6	12.9	1.04
1271	FBCVX	Blue Chip Value		15.21	OK to Buy	-2.6	5.0	-0.9	16.6	21.2	11.1	1.15	327		
319	FEQTX	Equity Dividend Income		25.81	OK to Buy	-1.6	6.3	-0.9	16.1	21.8	12.5	0.99	5,065		
23	FEQIX	Equity-Income		61.77	OK to Buy	-2.1	6.6	-1.1	14.3	21.6	12.7	0.99	7,094		
708	FSLVX	Stock Sel Large Cap Value		16.53	OK to Buy	-2.5	8.4	-0.8	16.6	23.9	13.2	1.04	717		
832	FVDFX	Value Discovery		23.29	OK to Buy	-2.5	7.8	-0.4	19.7	24.5	14.9	1.05	786		
MID-CAP GROWTH						Category Averages			-3.3	3.9	-2.5	12.8	21.5	15.0	1.21
324	FDEGX	Growth Strategies	1.50%/90d	30.05	OK to Buy↑	-2.2	5.4	-0.4	15.8	21.2	14.6	1.29	1,655		
337	FMCSX	Mid-Cap Stock	0.75%/30d	37.89	Buy	-4.0	2.9	-3.9	11.4	21.5	15.7	1.16	5,843		
2412	FSSMX	Stock Selector Mid Cap		31.48	Hold	-3.9	3.4	-3.3	11.1	21.9	14.7	1.18	349		
MID-CAP BLEND						Category Averages			-4.4	3.7	-2.9	13.3	24.9	15.9	1.22
2624	FARNX	Event Driven Opportunities		10.35	Buy	-5.9	1.9	-6.9	--	--	--	--	171		
122	FLVCX	Leveraged Company Stock	1.50%/90d	45.21	OK to Buy	-5.3	4.9	-2.1	13.9	28.1	16.3	1.34	4,124		
316	FLPSX	Low-Priced Stock	1.50%/90d	48.78	Hold	-3.2	3.3	-1.5	11.5	21.6	15.9	1.13	29,954		
14	FSLSX	Value Strategies		42.84	OK to Buy	-3.4	4.6	-1.2	14.5	25.0	15.6	1.18	765		
MID-CAP VALUE						Category Averages			-3.8	6.9	-1.9	17.3	26.0	16.8	1.18
762	FSMVX	Mid Cap Value	0.75%/30d	23.87	Buy	-3.2	7.9	-0.7	19.1	26.4	17.7	1.16	1,768		
39	FDVLX	Value		109.61	Buy	-4.5	5.8	-3.2	15.6	25.6	16.0	1.20	7,894		
SMALL CAP GROWTH						Category Averages			-4.8	-5.3	-6.8	3.0	20.5	14.9	1.48
1388	FCPGX	Small Cap Growth	1.50%/90d	17.12	Hold↓	-4.8	-5.3	-6.8	3.0	20.5	14.9	1.48	1,004		
SMALL CAP BLEND						Category Averages			-5.4	-2.7	-6.4	5.2	20.9	13.9	1.43
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	28.91	Hold↓	-5.9	-3.3	-7.0	4.8	25.5	17.9	1.38	5,841		
340	FSLCX	Small Cap Stock	2.00%/90d	18.96	Hold	-4.3	-0.2	-4.8	7.4	18.2	9.9	1.50	1,790		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	24.95	Hold↓	-5.9	-4.7	-7.4	3.5	19.0	14.0	1.41	1,359		
SMALL CAP VALUE						Category Averages			-6.4	-4.3	-7.8	4.7	22.8	14.4	1.36
1389	FCPVX	Small Cap Value (Closed)	1.50%/90d	17.28	Hold↓	-6.4	-4.3	-7.8	4.7	22.8	14.4	1.36	1,941		

Notes: *Fidelity's Spartan U.S. Bond Index used as a proxy for the Barclays Aggregate Bond Index. ¹ Relative Volatility versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. ² Duration is a measure of interest rate sensitivity. ³ Stated yield is before any inflation adjustment, your effective yield may be different. ⁴ Also available in an Advantage share class with a minimum of \$10,000, but a lower expense ratio. ⁵ Formerly California Short-Intermediate Tax-Free Bond. ⁶ Formerly Short-Intermediate Municipal Income. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

FIDELITY SCORECARD

SEPTEMBER 30, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)
						Sep	YTD	3 Mo.	1 Year	3 Year	5 Year		
SPECIALTY													
304	FBALX	Balanced		24.14	Buy	-1.1	7.0	0.7	14.8	15.7	11.8	0.70	\$19,322
308	FCV SX	Convertible Securities		32.51	Buy	-2.9	5.3	-1.7	12.2	17.3	12.4	0.98	2,241
334	FGBLX	Global Balanced	1.00%/30d	24.78	OK to Buy	-3.2	0.2	-4.1	4.7	10.4	7.8	0.76	568
2120	FFGCX	Global Commodity Stock	1.00%/30d	14.02	Hold	-7.6	-0.8	-8.1	2.9	3.6	1.8	1.76	239
1960	FDYSX	Global Strategies		9.53	OK to Sell	-2.9	2.2	-2.3	6.3	9.6	7.4	0.74	133
1368	FIREX	International Real Estate	1.50%/90d	10.27	Hold	-5.3	2.9	-4.8	2.9	19.2	8.7	1.51	325
4	FPURX	Puritan		22.63	Buy	-1.2	7.5	1.0	15.0	16.1	12.1	0.72	18,161
833	FRIFX	Real Estate Income	0.75%/90d	11.50	OK to Sell	-2.3	8.0	-1.2	9.2	12.3	12.0	0.52	2,562
303	FRESX	Real Estate Investment	0.75%/90d	36.24	OK to Sell	-5.7	14.4	-2.6	13.5	16.8	16.0	1.42	3,909
1329	FSDIX	Strategic Dividend & Income		14.94	OK to Buy	-2.4	8.6	-0.8	14.4	17.2	13.5	0.73	2,775
1505	FSRRX	Strategic Real Return	0.75%/60d	9.30	OK to Sell	-3.1	2.5	-4.0	2.2	4.1	5.7	0.53	620
311	FIUX	Telecom & Utilities		24.03	Hold	-2.0	11.6	-2.0	19.0	17.1	15.9	1.00	994
ASSET ALLOCATION													
328	FASIX	Asset Manager 20%		13.57	Hold	-1.1	2.9	-0.7	4.8	5.9	5.7	0.30	4,923
1957	FTANX	Asset Manager 30%		10.71	Hold	-1.3	3.4	-0.9	6.2	7.9	7.0	0.41	755
1958	FFANX	Asset Manager 40%		10.96	Hold	-1.6	3.6	-1.1	7.3	9.7	8.1	0.51	769
314	FASMX	Asset Manager 50%		18.05	Hold	-2.0	3.8	-1.4	8.3	11.4	9.0	0.62	7,957
1959	FSANX	Asset Manager 60%		11.59	Hold	-2.1	4.0	-1.6	9.3	13.1	9.7	0.72	1,185
321	FASGX	Asset Manager 70%		21.30	Hold	-2.4	3.8	-1.9	10.0	14.8	10.6	0.84	3,728
347	FAMRX	Asset Manager 85%		17.79	Hold	-2.7	4.0	-2.3	11.5	17.4	11.6	1.00	1,433
EQUITY INDEX													
355	FFNOX	Four-in-One Index		37.08	Hold	-2.4	4.3	-1.6	11.9	17.4	11.7	0.93	3,883
2010	FIENX	International Enhanced Index	1.00%/30d	8.60	Hold	-4.0	-0.3	-6.3	5.8	14.6	7.4	1.31	77
1827	FLC EX	Large Cap Core Enhcd Index		12.06	Buy	-1.2	8.8	2.4	21.8	23.4	15.8	1.00	309
1829	FLG EX	Lrge Cap Growth Enhcd Index		14.90	OK to Buy	-1.3	8.9	2.8	21.6	23.0	16.5	1.04	288
1828	FLV EX	Large Cap Value Enhcd Index		10.98	OK to Buy	-1.5	9.5	1.0	21.9	24.7	15.6	1.02	729
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	13.32	OK to Buy	-2.8	6.3	-0.8	17.3	24.8	17.1	1.19	360
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	59.72	Hold	-1.8	8.4	2.2	20.4	24.4	17.3	1.22	1,027
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	11.87	Hold	-5.6	-3.4	-5.6	6.1	22.8	15.7	1.46	384
650	FUSEX	Spartan 500 Index ⁴		70.27	Hold	-1.4	8.3	1.1	19.6	22.9	15.6	1.00	6,434
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	9.96	Hold	-7.1	4.2	-2.5	5.9	6.6	--	1.58	15
398	FSEM X	Spartan Extended Mkt Index ⁴	0.75%/90d	53.13	OK to Buy	-5.1	1.1	-4.8	9.7	23.1	16.4	1.32	1,865
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	12.34	Hold	-4.9	-0.2	-5.4	4.5	11.9	--	1.34	15
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	39.81	Hold	-3.8	-1.5	-6.1	4.2	13.9	6.6	1.33	2,773
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	16.79	Hold	-3.3	6.7	-1.8	15.5	23.5	--	1.16	22
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	13.03	OK to Sell	-5.8	14.4	-2.9	13.1	15.8	--	1.41	18
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	15.69	Hold	-6.1	-4.4	-7.3	3.9	21.1	--	1.44	22
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	57.66	Hold	-2.1	6.8	-0.1	17.6	22.9	15.8	1.05	1,747
INTERNATIONAL						Category Averages	-4.4	-0.4	-4.6	5.3	14.0	8.1	1.40
309	FICDX	Canada	1.50%/90d	61.88	OK to Buy	-5.6	6.1	-3.8	11.9	10.1	7.0	1.08	2,121
352	FHKCX	China Region	1.50%/90d	33.44	OK to Buy	-5.1	-1.0	-1.1	8.3	16.1	8.5	1.48	1,331
325	FDIVX	Diversified International	1.00%/30d	36.13	Hold	-3.3	-2.1	-5.0	6.0	15.3	7.4	1.29	14,009
351	FSEAX	Emerging Asia	1.50%/90d	32.34	Hold	-5.2	5.6	-1.0	10.9	11.7	7.7	1.46	1,099
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	9.11	Hold	-5.4	-0.9	-4.9	1.7	8.7	6.2	1.50	99
322	FEMKX	Emerging Markets	1.50%/90d	24.75	Hold	-6.0	2.7	-3.9	6.7	8.4	4.4	1.51	2,328
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	12.52	Hold	-4.3	3.1	-2.0	7.7	--	--	--	81
301	FIEX	Europe	1.00%/30d	37.08	Hold	-3.8	-4.7	-8.3	3.4	16.8	7.0	1.45	1,298
2406	FGILX	Global Equity-Income	1.00%/30d	12.68	OK to Buy	-2.5	3.8	-2.4	12.3	--	--	--	52
335	FIVFX	International Cap App	1.00%/30d	16.86	Buy	-4.0	0.7	-3.4	8.8	18.6	10.0	1.42	1,040
305	FIGRX	International Discovery	1.00%/30d	38.75	Hold	-3.2	-4.3	-5.9	3.0	14.7	7.3	1.30	7,477
1979	FIGFX	International Growth	1.00%/30d	10.95	OK to Buy	-2.8	-2.6	-4.5	4.4	15.3	10.1	1.20	623
818	FISM X	International Small Cap	2.00%/90d	25.75	Hold	-4.5	-3.9	-6.9	1.5	15.3	10.6	1.32	872
1504	FSCOX	International Small Cap Opps	2.00%/90d	13.94	Hold	-5.0	-0.1	-6.5	5.3	17.3	12.8	1.19	599
1597	FIVLX	International Value	1.00%/30d	8.74	Hold	-3.3	-3.4	-5.6	3.5	13.8	4.9	1.29	196
350	FJPNX	Japan	1.50%/90d	11.63	OK to Sell	-1.2	-3.4	-4.4	-2.7	8.6	4.5	1.29	416
360	FJSCX	Japan Smaller Companies	1.50%/90d	13.14	OK to Sell	-2.7	-2.2	-3.5	-4.7	17.5	10.4	1.82	436
349	FLATX	Latin America	1.50%/90d	30.81	Hold	-12.5	-1.4	-6.4	-4.3	-2.3	-1.2	1.95	983
342	FNORX	Nordic	1.50%/90d	44.27	Hold	-3.9	-1.1	-9.5	13.1	22.9	13.6	1.68	530
94	FOSFX	Overseas	1.00%/30d	39.08	Hold	-3.4	-2.9	-6.6	5.2	17.7	6.7	1.40	2,756
302	FPBFX	Pacific Basin	1.50%/90d	28.18	Hold	-4.8	1.9	-3.2	5.8	16.5	12.3	1.30	700
2369	FTEMX	Total Emerging Markets	1.50%/90d	11.60	Hold	-5.3	3.1	-3.5	8.1	--	--	--	46
1978	FTIEX	Total International Equity	1.00%/30d	7.98	OK to Buy	-3.9	-2.6	-4.9	3.2	13.3	6.9	1.24	332
318	FWWFX	Worldwide	1.00%/30d	24.53	OK to Buy	-3.0	-0.4	-4.1	8.5	18.1	12.2	1.18	1,528

FIDELITY SCORECARD

SEPTEMBER 30, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Sep	YTD	3 Mo.	1 Year	3 Year	5 Year				
SELECT PORTFOLIOS						Category Averages			-3.1	5.8	-2.1	15.1	22.4	15.4	1.45
34	FSAIX	Air Transportation	0.75%/30d	64.60	Buy↑	-1.9	9.6	-1.2	25.6	29.0	21.8	1.20	\$379		
502	FSAVX	Automotive	0.75%/30d	49.64	OK to Buy	-7.6	-3.0	-8.4	2.2	24.8	16.6	1.83	144		
507	FSRBX	Banking	0.75%/30d	25.74	Hold	-0.8	1.6	-1.9	13.8	26.7	12.4	1.23	593		
42	FBIOX	Biotechnology	0.75%/30d	216.01	Hold	-1.3	18.9	7.9	23.4	45.4	28.4	2.02	9,166		
68	FSLBX	Brokerage & Investment	0.75%/30d	74.23	OK to Buy	-1.7	0.3	1.6	16.4	27.6	9.6	1.69	613		
69	FSCHX	Chemicals	0.75%/30d	155.12	OK to Buy↑	-0.2	8.8	1.5	20.2	29.3	20.8	1.41	1,656		
518	FSDCX	Communications Equipment	0.75%/30d	31.87	Hold	-1.5	8.2	-1.3	16.0	16.4	10.0	1.62	251		
7	FDCPX	Computers	0.75%/30d	79.68	OK to Sell	-2.9	7.7	1.9	19.4	20.7	15.7	1.57	666		
511	FSHOX	Construction & Housing	0.75%/30d	54.56	OK to Sell	-4.3	4.9	0.7	11.1	29.8	17.7	1.51	311		
517	FSCPX	Consumer Discretionary	0.75%/30d	31.54	Buy	-2.2	0.2	-1.5	9.3	23.7	18.8	1.23	742		
98	FVLX	Consumer Finance	0.75%/30d	15.32	OK to Buy	-1.6	0.2	-1.9	7.8	24.6	13.8	1.10	142		
9	FDFAX	Consumer Staples	0.75%/30d	94.25	Hold	-0.2	8.1	1.5	15.1	18.1	14.6	1.05	1,744		
67	FSDAX	Defense & Aerospace	0.75%/30d	113.97	OK to Buy	-1.2	-2.8	-2.3	9.8	22.6	18.4	1.18	812		
8	FSELX	Electronics	0.75%/30d	78.96	Buy	-1.9	25.2	1.4	36.3	24.1	16.2	1.71	1,893		
60	FSENX	Energy	0.75%/30d	55.62	OK to Buy	-8.4	4.2	-9.9	7.6	16.3	10.0	1.83	2,345		
43	FSESX	Energy Service	0.75%/30d	85.22	Hold	-9.5	4.0	-13.2	6.3	16.7	9.5	2.10	1,026		
516	FSLEX	Environment & Alt Energy	0.75%/30d	22.43	Sell	-4.4	-1.6	-7.3	7.5	17.2	9.5	1.21	93		
66	FIDSX	Financial Services	0.75%/30d	85.29	OK to Buy	-1.5	4.4	1.2	16.3	24.9	8.3	1.47	1,199		
41	FSAGX	Gold	0.75%/30d	19.01	Sell	-18.7	5.8	-19.0	-11.0	-25.0	-11.8	3.20	1,018		
63	FSPHX	Health Care	0.75%/30d	218.92	Buy	0.1	22.8	5.9	39.0	36.7	25.6	1.19	7,331		
510	FSCGX	Industrial Equipment	0.75%/30d	40.38	Hold	-4.7	-3.6	-5.9	7.5	21.5	15.3	1.55	279		
515	FCYIX	Industrials	0.75%/30d	31.37	Buy	-3.2	-1.4	-5.0	10.2	23.6	17.3	1.31	1,082		
45	FSPCX	Insurance	0.75%/30d	66.30	Buy	-2.1	2.5	-0.5	13.6	26.1	14.6	1.23	381		
353	FBSOX	IT Services	0.75%/30d	35.47	OK to Buy↓	-0.8	-4.8	-2.9	8.4	24.5	18.6	1.46	924		
62	FDSLX	Leisure	0.75%/30d	130.66	Buy	-0.3	1.3	-1.5	13.3	22.8	19.2	1.40	403		
509	FSDPX	Materials	0.75%/30d	84.93	OK to Buy↑	-3.8	3.0	-3.7	11.8	20.7	14.1	1.50	1,218		
505	FSHCX	Medical Delivery	0.75%/30d	78.78	Hold	-2.4	12.4	4.8	24.1	23.4	19.5	1.16	729		
354	FSMEX	Medical Equipment	0.75%/30d	37.44	Buy	-2.2	10.7	-1.8	23.3	21.9	15.6	1.24	1,639		
503	FBMPX	Multimedia	0.75%/30d	81.05	OK to Buy	-1.7	1.9	-1.0	13.0	31.4	23.1	1.19	856		
513	FSNGX	Natural Gas	0.75%/30d	41.35	Buy	-8.3	9.6	-10.4	14.3	17.1	6.8	1.60	987		
514	FNARX	Natural Resources	0.75%/30d	38.60	Hold	-9.7	5.2	-11.0	6.1	13.2	8.5	1.89	943		
580	FPHAX	Pharmaceuticals	0.75%/30d	21.72	OK to Buy	2.5	19.5	3.6	34.3	29.0	22.9	0.98	1,583		
46	FSRPX	Retailing	0.75%/30d	83.38	Hold	-2.3	-0.4	2.9	9.5	23.3	20.6	1.40	753		
28	FSCSX	Software & Computer Svcs	0.75%/30d	117.28	Buy	-0.6	1.9	-0.2	16.2	26.1	20.2	1.43	2,889		
64	FSPTX	Technology	0.75%/30d	121.96	OK to Buy	-1.9	8.2	0.6	18.1	20.7	16.4	1.45	2,650		
96	FSTCX	Telecommunications	0.75%/30d	60.46	OK to Buy	-1.9	2.2	-1.6	8.7	16.1	12.4	0.97	383		
512	FSRFX	Transportation	0.75%/30d	84.41	Buy↑	-0.3	16.0	1.6	31.8	30.5	23.2	1.23	684		
65	FSUTX	Utilities	0.75%/30d	74.44	Sell	-2.7	14.7	-4.3	20.8	16.6	14.5	1.13	943		
963	FWRLX	Wireless	0.75%/30d	9.37	OK to Buy	-1.4	0.7	-1.4	10.4	16.8	12.4	0.93	270		
SECTOR ETFs															
	FDIS	MSCI Consumer Discretionary		26.93	Buy	-2.7	0.5	-0.5	--	--	--	--	78		
	FSTA	MSCI Consumer Staples		27.37	Hold	0.5	7.0	1.6	--	--	--	--	86		
	FENY	MSCI Energy		26.36	OK to Buy	-7.7	3.6	-8.8	--	--	--	--	169		
	FNCL	MSCI Financials		27.18	OK to Buy	-1.2	5.9	0.9	--	--	--	--	149		
	FHLC	MSCI Healthcare		30.45	OK to Buy	-0.2	15.4	4.8	--	--	--	--	239		
	FIDU	MSCI Industrials		27.35	Buy	-2.2	0.9	-2.6	--	--	--	--	79		
	FTEC	MSCI Information Technology		30.09	OK to Buy	-1.2	12.0	3.5	--	--	--	--	232		
	FMAT	MSCI Materials		27.90	OK to Buy↑	-2.9	6.7	-1.3	--	--	--	--	112		
	FCOM	MSCI Telecomm Services		26.52	OK to Buy	-0.8	5.2	-0.2	--	--	--	--	72		
	FUTY	MSCI Utilities		27.22	Sell	-2.6	12.3	-4.7	--	--	--	--	99		

Fund Commentary *cont'd from page 5*

gripping Hong Kong, **China Region** fund fell 5.1%. And, reflecting what's been happening in the US, small-cap foreign funds have also suffered: **Int'l Small Cap Opportunities** declined 5.0%. And, because hope always springs eternal, **Japan** (down 1.2%) and **Japan Smaller Companies** (down 2.7%) were relative

outperformers in September, as so-called Abenomics is being readied for yet another iteration that will hopefully turn the moribund economy.

Bond Funds

Falling equity prices often accompany rising bond fund prices, but not necessarily when interest rates are at historic lows and are moving towards the day when they will start rising.

The 10-year Treasury yield finished September at 2.49% having started the month at 2.34%. As bond yields move in the opposite direction of their price, **Spartan US Bond Index** lost 0.7%. **Short-Term Bond** was flat, while more rate-sensitive funds like **Corporate Bond** and **Spartan Long-Term Treasury Index** fell 1.4% and 2.0, respectively. ■

— John Bonnanzio

FIDELITY SCORECARD

SEPTEMBER 30, 2014

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			SEC %Yield	Dur ² (Yrs)	Rel Vol (Risk) ¹			
						Sep	YTD	3 Mo.	1 Yr	3 Yr	5 Yr						
TAXABLE BOND						Category Averages			-1.1	3.4	-0.5	2.8	2.0	3.9	1.58	4.9	0.28
2267	FCONX	Conservative Income Bond		10.04	Buy	0.0	0.2	0.1	0.3	0.8	--	0.12	0.2	0.02			
2208	FCBFX	Corporate Bond		11.34	Buy	-1.4	6.1	-0.2	7.2	5.5	--	2.72	6.7	0.43			
2423	FGBFX	Global Bond		9.57	OK to Sell	-3.0	1.6	-3.4	1.3	--	--	1.93	6.0	--			
15	FGMNX	GNMA (Ginnie Mae)		11.54	Hold	-0.0	4.7	0.2	3.9	2.2	4.2	2.18	3.5	0.26			
54	FGOVX	Government Income		10.39	Hold	-0.4	3.6	0.2	3.0	1.5	3.2	1.57	4.5	0.24			
794	FINPX	Inflation-Protected Bond ³		12.22	Hold	-2.5	3.5	-2.0	1.2	0.9	4.0	-0.14	5.8	0.51			
32	FTHRFX	Intermediate Bond		10.91	Buy	-0.5	2.6	-0.1	2.8	2.6	4.3	1.88	3.8	0.20			
452	FSTGX	Intermediate Gov't Income		10.63	Hold	-0.4	1.8	-0.1	1.5	1.0	2.5	1.14	3.3	0.17			
2428	FINUX	International Bond		9.48	OK to Sell	-4.3	-0.3	-5.7	-0.8	--	--	1.74	6.5	--			
26	FBNDX	Investment Grade Bond		7.85	Buy	-0.9	4.2	-0.1	4.5	3.3	5.3	2.36	5.3	0.28			
2622	FJRLX	Limited Term Bond		11.49	Buy	-0.4	1.7	-0.3	2.2	2.3	4.3	1.50	2.8	--			
662	FFXSX	Limited Term Government		10.03	OK to Buy	-0.1	0.9	-0.1	0.8	0.6	1.5	0.78	2.4	0.09			
40	FMSFX	Mortgage Securities		11.23	Hold	-0.1	4.5	0.4	3.9	2.6	4.4	2.62	3.7	0.23			
450	FSHXB	Short-Term Bond		8.59	Buy	-0.0	0.8	-0.0	1.0	1.3	2.1	0.83	1.9	0.07			
2415	FSIQX	Sotn Inflation-Protect Index ⁴		9.68	Hold	-2.5	3.6	-1.9	1.5	--	--	0.12	5.8	--			
1561	FIBIX	Sotn Inter Term Treas Index ⁴		10.81	OK to Sell	-0.9	4.0	0.2	2.3	1.1	4.3	1.97	6.4	0.40			
1562	FLBIX	Sotn Lnc-Term Treas Index ⁴		12.36	OK to Sell	-2.0	15.4	2.9	11.5	1.7	6.8	2.90	16.7	0.99			
1560	FSBIX	Sotn Sht-Term Treas Index ⁴		10.42	Hold	-0.2	0.6	-0.1	0.4	0.4	1.5	0.69	2.5	0.09			
651	FBIDX	Sotn US Bond Index		11.61	Hold	-0.7	4.0	0.2	3.7	2.2	3.9	2.06	5.2	0.26			
820	FTBFX	Total Bond		10.66	Buy	-0.8	4.3	-0.1	4.8	3.9	5.5	2.56	5.0	0.28			
HIGH-YIELD BOND						Category Averages			-2.0	3.5	-1.8	6.6	8.5	7.9	4.32	3.8	0.52
38	FAGIX	Capital & Income	1.00%/90d	9.97	Hold↓	-2.2	5.7	-1.5	11.2	12.3	10.9	4.21	4.0	0.62			
814	FFRHX	Floating Rate High Income	1.00%/60d	9.83	Hold↓	-0.8	1.2	-0.7	2.8	5.0	4.8	3.62	0.2	0.23			
1366	FHIFX	Focused High Income	1.00%/90d	8.81	Hold↓	-2.1	2.4	-1.9	5.3	7.9	8.2	4.27	3.5	0.46			
2297	FGHNX	Global High Income	1.00%/90d	9.96	Hold↓	-2.3	3.3	-2.4	7.2	10.0	--	4.65	3.7	0.61			
455	SPHIX	High Income	1.00%/90d	9.18	Hold↓	-2.2	2.1	-2.1	5.7	10.0	9.3	5.11	3.2	0.57			
331	FNMIX	New Markets Income	1.00%/90d	16.23	Hold	-3.1	7.9	-2.3	8.4	8.5	8.0	5.12	8.2	0.74			
2580	FSAHX	Short Duration High Income	1.00%/90d	9.88	Hold↓	-1.6	1.3	-1.8	--	--	--	4.08	2.4	--			
368	FSICX	Strategic Income		10.98	OK to Buy↓	-1.9	4.1	-1.8	5.7	6.0	6.5	3.47	5.2	0.42			
MUNICIPAL BOND						Category Averages			0.1	6.6	1.4	7.3	4.1	4.2	1.65	5.8	0.34
434	FSAZX	Arizona Muni Income	0.50%/30d	12.10	OK to Buy	0.2	8.4	1.7	8.5	4.9	4.7	1.95	6.6	0.39			
1534	FCSTX	Calif Limited Term Tax Free ⁶	0.50%/30d	10.75	Buy	-0.0	3.0	0.7	3.3	2.3	2.6	0.81	3.3	0.16			
91	FCTFX	California Muni Income	0.50%/30d	12.98	OK to Buy	0.3	8.7	2.1	9.2	5.8	5.4	2.06	6.8	0.38			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.75	OK to Buy	-0.1	7.2	1.4	7.4	3.7	4.0	1.83	6.5	0.36			
2578	FCRDXX	Conservative Income Muni		10.04	Buy	0.0	0.3	0.0	--	--	--	0.06	0.7	--			
36	FLTMX	Interm Municipal Income	0.50%/30d	10.52	Buy	0.0	5.7	1.2	5.9	3.6	3.8	1.46	4.9	0.27			
404	FSTFX	Limited Term Muni Income ⁷	0.50%/30d	10.73	Buy	-0.1	2.1	0.3	2.4	1.8	2.2	0.57	2.7	0.13			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.41	OK to Buy	-0.1	7.1	1.4	7.4	3.6	3.8	1.71	6.6	0.35			
70	FDMMX	Mass Muni Income	0.50%/30d	12.42	OK to Buy	0.2	8.2	1.9	8.4	4.5	4.6	2.08	7.2	0.41			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.23	OK to Buy	0.2	7.4	1.8	7.7	4.2	4.2	1.78	5.4	0.33			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.76	OK to Buy	0.1	5.6	1.3	5.6	3.5	3.9	1.54	5.6	0.30			
37	FHIGX	Municipal Income	0.50%/30d	13.41	Buy	0.1	8.7	1.7	9.1	5.1	5.0	2.07	7.0	0.39			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.99	OK to Buy	0.1	7.5	1.3	7.7	4.3	4.2	1.96	6.9	0.38			
71	FTFMX	New York Muni Income	0.50%/30d	13.52	OK to Buy	0.2	8.1	1.9	8.6	4.3	4.4	1.83	7.0	0.38			
88	FOHFX	Ohio Muni Income	0.50%/30d	12.14	OK to Buy	0.0	8.3	1.6	8.4	4.6	4.5	2.15	7.4	0.39			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.28	OK to Buy	0.1	7.7	1.7	8.2	4.7	4.7	2.05	6.4	0.37			
90	FTABX	Tax-Free Bond	0.50%/30d	11.60	Buy	0.1	8.8	1.7	9.2	5.3	5.1	2.15	7.0	0.40			

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

TAXABLE MONEY MARKET FUNDS			Total Return (%)		SEC %Yield	MUNICIPAL MONEY MARKET FUNDS			Total Return (%)		SEC %Yield
			Sep	YTD					Sep	YTD	
55	FDRXX	Cash Reserves	0.00	0.01	0.01	457	FSPXX	California AMT Tax-Free	0.00	0.01	0.01
458	SPAXX	Government MM	0.00	0.01	0.01	418	FCMXX	Connecticut Muni MM	0.00	0.01	0.01
454	SPRXX	Money Market	0.00	0.01	0.01	426	FMSXX	Mass AMT Tax-Free	0.00	0.01	0.01
631	FGMXX	Retirement Gov't MM	0.00	0.01	0.01	74	FDMXX	Massachusetts Muni MM	0.00	0.01	0.01
630	FRTXX	Retirement MM	0.00	0.01	0.01	420	FMIXX	Michigan Muni MM	0.00	0.01	0.01
85	FSLXX	Select MM	0.00	0.02	0.01	10	FTEXX	Municipal Money Market	0.00	0.01	0.01
2543	FLTXX	Treasury MM	0.00	0.01	0.01	417	FNJXX	New Jersey Muni MM	0.00	0.01	0.01
415	FDLXX	Treasury Only MM	0.00	0.01	0.01	423	FSJXX	New Jersey AMT Tax-Free	0.00	0.01	0.01
50	FGRXX	U.S. Gov't Reserves	0.00	0.01	0.01	92	FNYYX	New York Muni MM	0.00	0.01	0.01
MUNICIPAL MONEY MARKET FUNDS						422	FSNXX	New York AMT Tax-Free	0.00	0.01	0.01
460	FIMXX	AMT Tax-Free Money Fnd	0.00	0.01	0.01	419	FOMXX	Ohio Muni MM	0.00	0.01	0.01
433	FSAXX	Arizona Muni MM	0.00	0.01	0.01	401	FPTXX	Pennsylvania Muni MM	0.00	0.01	0.01
97	FCFX	California Muni MM	0.00	0.01	0.01	275	FMOXX	Tax-Free Money Market	0.00	0.01	0.01

FIDELITY SCORECARD							SEPTEMBER 30, 2014						
Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	SPrice (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Sep	YTD	3 Mo.	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios	Annuity Sector Model						-2.6	5.4	-1.0	16.7	23.5	15.0	1.21
	Annuity Growth Model						-2.5	4.5	-0.6	12.4	19.1	13.5	1.15
	Annuity Growth & Income Model						-1.8	4.9	-0.4	9.9	14.4	10.2	0.82
	Annuity Income Model						-1.0	3.9	-0.2	6.5	6.1	6.2	0.39
9067	FLRQC	Fid VIP Asset Manager	Allocation		17.21	Hold	-2.6	4.7	-1.5	10.1	12.3	9.1	0.76
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		17.50	Hold	-3.3	5.0	-2.1	12.4	15.9	10.7	1.03
9069	FJBAC	Fid VIP Balanced	Allocation		18.93	Buy	-1.0	6.8	1.0	13.8	16.5	11.5	0.88
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	20.33	Buy	-2.2	-0.7	-1.9	8.3	23.2	18.3	1.24
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	19.45	Hold	-0.1	7.2	2.0	14.2	17.5	14.0	1.06
9065	FPDFC	Fid VIP Contrafund	Large Growth		19.98	Hold	-1.2	7.5	1.0	18.3	21.3	14.3	1.04
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		15.38	Hold↓	-5.6	-3.7	-5.7	5.6	22.2	15.0	1.45
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		21.79	Buy	-1.5	7.1	2.7	20.1	25.3	17.1	1.17
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	8.70	Hold	-5.9	2.4	-3.9	6.1	8.0	3.9	1.50
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	18.91	Buy	-8.5	4.0	-9.9	7.4	16.1	9.9	1.82
9061	FLOLC	Fid VIP Equity-Income	Large Value		16.90	OK to Buy	-2.1	6.4	-1.2	14.1	21.0	13.7	0.95
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	10.19	Buy	-1.5	4.2	1.2	15.9	24.7	8.2	1.46
9361	FFLCC	Fid VIP Floating Rate High Income	High-Yield Bond		10.01	OK to Buy	-0.7	0.1p	-0.7	--	--	--	--
9157	FMPAC	Fid VIP FundsManager 20	Allocation		13.84	Hold	-1.1	2.4	-0.6	4.4	5.1	4.7	0.30
9158	FMPBC	Fid VIP FundsManager 50	Allocation		14.87	Hold	-1.8	2.8	-1.5	7.4	10.6	8.0	0.60
9197	FMPCC	Fid VIP FundsManager 60	Allocation		13.80	Hold	-2.0	3.0	-1.6	8.7	12.5	9.1	0.70
9159	FMPCC	Fid VIP FundsManager 70	Allocation		15.05	Hold	-2.1	2.8	-1.9	9.1	14.3	10.0	0.81
9160	FMPDC	Fid VIP FundsManager 85	Allocation		14.94	Hold	-2.5	2.7	-2.2	10.3	16.9	11.2	0.96
9062	FMNDC	Fid VIP Growth	Large Growth		19.56	OK to Buy	-1.9	9.5	0.9	18.5	23.1	17.4	1.22
9070	FIDNC	Fid VIP Growth & Income	Large Blend		18.94	Buy	-1.1	6.7	0.4	16.6	23.7	15.3	1.01
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		19.19	Buy	-2.2	4.4	0.2	11.2	22.7	18.2	1.41
9078	FPVDC	Fid VIP Growth Stock	Large Growth		20.63	Buy	-1.5	7.1	1.0	18.7	22.2	17.1	1.16
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		16.77	OK to Buy↑	-2.2	5.2	-0.5	15.1	20.5	13.9	1.28
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	31.17	Buy	0.0	22.4	5.9	38.2	36.1	25.2	1.19
9060	FBBLC	Fid VIP High Income	High-Yield Bond		17.92	Hold↓	-2.2	2.4	-2.2	5.7	9.2	8.9	0.52
9064	FXLVT	Fid VIP Index 500	Large Blend		18.87	Hold	-1.5	8.0	1.0	19.3	22.6	15.3	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	24.31	Buy	-3.2	-1.4	-5.0	10.1	23.4	17.1	1.30
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	15.09	Buy	-4.1	0.3	-3.6	8.2	18.2	9.6	1.42
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		15.00	Buy	-0.8	4.0	-0.1	4.0	2.9	4.6	0.28
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	18.88	OK to Buy↑	-3.8	3.2	-3.7	11.9	20.5	14.0	1.49
9071	FNBSIC	Fid VIP Mid Cap	Mid Growth		21.01	OK to Buy	-4.2	1.6	-3.2	11.9	18.5	13.5	1.25
9059	FTNJIC	Fid VIP Money Market	Money Mkt		11.37	--	-0.1	-0.2	-0.1	-0.3	-0.2	-0.2	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	14.74	Hold	-3.7	-6.0	-5.0	2.1	14.8	7.1	1.40
9072	FFWKC	Fid VIP Real Estate	Sector		18.31	OK to Sell	-6.0	13.6	-3.4	13.0	16.9	15.8	1.41
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		17.29	Buy	-1.9	3.7	-1.8	5.2	5.5	5.9	0.41
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	24.01	Buy	-1.2	9.8	1.7	19.1	20.0	15.9	1.42
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	12.96	OK to Buy	-1.9	2.0	-1.7	8.5	16.4	12.7	0.98
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	21.58	Sell	-2.7	14.5	-4.4	20.4	16.5	14.3	1.13
9079	FKMSC	Fid VIP Value	Mid Value		17.46	Buy	-2.9	6.1	-1.1	14.8	23.8	15.0	1.08
9080	FUEBC	Fid VIP Value Leaders	Large Value		14.13	OK to Buy	-2.6	4.7	-1.1	16.2	20.8	10.7	1.15
9073	FBNSC	Fid VIP Value Strategies	Mid Value		18.99	OK to Buy	-3.4	4.7	-1.2	14.5	24.9	15.6	1.19
9347	FBMEC	Black Rock Global Allocation	Global Allocation		11.90	OK to Sell	-1.9	2.4	-1.0	7.5	10.3	6.9	0.76
9349	FTMEC	Franklin Templeton Goblal Bond	Global Bond		11.27	Buy	-0.7	3.1	0.0	5.5	6.8	6.9	0.72
9348	FFMEC	Franklin Templeton US Gov't	Intermed Gov't		10.11	Hold	-0.2	2.2	-0.1	1.7	0.7	2.3	0.19
9285	FIGXC	Invesco Global Core Eqty	Global Stock		11.30	OK to Sell	-3.1	1.4	-3.2	9.2	14.8	7.1	1.21
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		15.92	Hold	-8.8	2.4	-6.0	3.9	8.6	5.6	1.69
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		16.84	Hold	-2.5	6.0	-2.0	6.4	6.0	6.2	0.79
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		13.36	Hold	-6.2	1.6	-3.7	3.3	7.3	4.6	1.40
9146	FPRPC	Morgan Stanley Glb Tactical Alloc	Diversified Int'l		12.64	Hold	-0.8	3.9	-0.8	9.2	13.0	7.5	0.78
9346	FPMEC	Pimco Commodity Real Return	Commodities		8.25	OK to Sell	-7.6	-5.0	-13.5	-7.2	-4.6	1.7	1.36
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.40	Buy	-0.3	0.7	-0.3	1.2	2.3	2.7	0.22
9277	FPNBC	Pimco VIT Real Return	TIPS		12.62	Hold	-2.8	3.9	-2.3	1.5	1.5	4.8	0.56
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		12.39	Hold↓	-0.9	2.7	-0.4	2.6	3.7	4.4	0.34

Annuity Sector	
Fund	Allocation
VIP Technology	25%
VIP Health Care	18
VIP Industrials	15
VIP Financial Services	14
VIP Cons Discretionary	14
VIP Energy	14
Total Return:	
Sep: -2.6% YTD: 5.4%	

Annuity Growth	
Fund	Allocation
VIP Growth Opps	23%
VIP Growth & Income	20
VIP Value	19
VIP Disciplined Sm Cap	15
VIP Dynamic Cap App	14
VIP Growth Stock	9
Total Return:	
Sep: -2.5% YTD: 4.5%	

Annuity Growth & Income	
Fund	Allocation
VIP Growth Opps	27%
VIP Growth & Income	22
VIP Investment Grade	20
VIP Value	20
VIP High Income	11
Total Return:	
Sep: -1.8% YTD: 4.9%	

Annuity Income	
Fund	Allocation
VIP Investment Grade	33%
VIP Balanced	31
Pimco VIT Low Duration	20
VIP High Income	16
Total Return:	
Sep: -1.0% YTD: 3.9%	

Outlook For Sector Investing

Holding a mix of sectors that doesn't exceed our volatility (risk) target has become more challenging lately, but performance-wise we've managed a decent showing in the face of a relatively strong headwind for small-cap stocks. (Owing to their lack of diversity and small-cap holdings, Selects are, on average, 45% more volatile than the market, whereas our Select Model is 24% more volatile.) Our Oct. 6 Select Model trade will help cut that risk while positioning the model to benefit more directly from our improving economy. (See fund rating changes on p. 5.)

Below is a discussion of the considerations underlying our upcoming trade, along with an update on our Select Model holdings. As for our Annuity Sector Model, our investment themes and strategies are the same. However, with fewer fund choices we can only approximate its performance.

— Jack Bowers

We will sell our remaining position in **IT Services** because of concerns with VISA and MasterCard, which account for 20-25% of the fund (no changes on the annuity side, as there's no VIP version of this fund).

Earlier this year, we had cut our stake by a third as Russian sanctions and the data breach at Target stores weighed on the two stocks. Now Apple's rollout of a smartphone payment system (which uses credit cards on file, at least for now) could change consumer habits in a big way, giving rise to mobile payment systems that bypass credit card issuers. VISA and MasterCard win no awards for innovation and fraud control, so it will be no surprise if PayPal and emerging competitors take advantage of the opportunity they've been handed.

Air Transportation will replace IT Services in our Select Model. Flying has become a miserable experience for most, prompting comparisons with riding Greyhound buses in the 1970s. But unlike Greyhound the combination of full planes, substantial fee income, and declining fuel prices has turned an industry known for red ink into one that is likely to throw off healthy profits from here on out. The prospect of stable or declining fuel prices more than makes up for the risk that some passengers may stop flying due to the "Greyhound effect." Airlines only account for about half of this fund; the rest is split about evenly

between air freight operators and aerospace manufacturers. The latter includes a heavy position in Boeing, which has worked through its Dreamliner start-up problems and now has a backlog of orders amounting to eight years of production!

Electronics is the largest position in the Select Model (27%), reflecting our view that long-term potential for the chipmakers is greater than that of other sectors. This industry has higher margins than most others and is also one of the fastest growing. But coming off the financial crisis and the PC bust (both of which created a lot of excess capacity) stock valuations are relatively cheap. Now that PC chipset sales have stabilized, demand for mobile devices, storage and "internet-of-things" has the potential to pick up the slack. More importantly, a slowdown in construction of new state-of-the-art facilities may give the chipmakers more pricing power than they've had in the past. There are some risks; sector volatility is high and earnings can be hurt when the dollar rises. But we still think this fund is the best opportunity in the tech arena.

Health Care is a diversified bet on the sector that is currently seeing more revenue and profit growth than other groups, thanks in part to growing overseas demand and new drugs that have been engineered by biotech firms. While high stock prices are a concern

here, especially in the biotech segment (a third of the fund's holdings), Manager Eddie Yoon has proven to be an outstanding stockpicker during his six-year tenure.

Industrials has been held back somewhat by the ongoing global commodity bust and, more recently, by slowing economic growth overseas. But even with the US dollar strengthening, this fund is still a rising star when it comes to US exports. Among other things, the shale boom is driving domestic demand for specialized steel (needed for drilling wells) and safer railroad tanker cars (needed for transporting oil to refineries). The fund also includes small positions in transportation and aerospace that are similar to those in Air Transportation.

Insurance is a relatively low risk bet on a rebound in domestic consumer spending; it captures new premiums written on homes and autos. The fund was held back earlier this the year by weather-related claims concerns, but those fears have largely dissipated and now there's a growing sense that some carriers will be able to expand into foreign markets — such as Japan — that aren't as well served compared to those here at home.

Natural Gas started out strong earlier this year. But robust shale production and downward pressure on the global price of oil have led to weaker gas prices despite strong demand for rebuilding stocks after last year's cold winter.

The latest data on shale drilling productivity indicates firms are continuing to boost output per well at a robust pace. At the same time, Cheniere's Sabine Pass LNG export project will start up in about 18 months, and other export projects will follow. Demand from utilities and chemical companies is also expected to increase. Currently, it's tough to know whether pricing will firm, allowing profits to grow, or if margins will remain under pressure. ■

three years, but its return per unit of risk is 1.48 versus 1.30 for Magellan. Ditto for **Focused Stock**, which helps to explain why we've assigned both funds higher ratings. We'll add that **Blue Chip Growth** and **Growth Co.** are riskier than Magellan, but their three-year returns are better.

Magellan is now a better fund than it had been. If it's an option in your employer's retirement plan, you're in good hands with Jeff. But as we have other options, for now, we favor them. ■

— John Bonnanzio

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 October:

Asset Mgr 40%, Asset Mgr 50%, AZ Muni, Balanced, Conservative Inc, Convertible Secs, Corporate Bond, Equity Div Inc, Equity-Inc, Export and Multi, Fidelity Fund, Global Equity Inc, Growth & Inc, Interm Bond, Invest Grade Bond, MD Muni Inc, Mortgage Securities, Puritan, Short-Term Bond, Sptn 500 Index, Sptn US Bond Index, Strategic Div & Inc, Strategic Real Return, Telecom & Utilities, and Total Bond.

The final distributions for September were as follows:

Fund	Ex-Date	\$ Amt	NAV
Blue Chip Growth	9/5	3.480	66.81
Blue Chip Value	9/12	0.127	15.47
Dividend Growth	9/12	5.015	33.50
Int'l Real Estate	9/12	0.202	10.65
Leveraged Co Stk	9/5	0.163	47.68
Low-Priced Stock	9/5	2.402	50.33
New Millennium	9/5	0.022	42.04
OTC Portfolio	9/5	6.748	80.19
Real Estate Inc	9/5	0.313	11.77
Real Estate Invest	9/5	0.142	38.79
Small Cap Growth	9/12	1.188	17.92
Small Cap Value	9/12	2.004	18.28
Spt R Estate Indx	9/5	0.141	13.97
Value Discovery	9/12	0.183	23.63

Dividend Growth Warrants Upgrade

In January, Ramona Persaud was assigned to **Dividend Growth**, replacing her longtime colleague Larry Rakers who was “kicked upstairs.”

Initially, Ramona's assignment seemed a bit at odds with her experience in helping to run the equity sleeves of both a domestic and foreign stock fund: **Equity-Income** and **Global Equity-Income**. But as we suggested at the time, strip out “international” from her resume and what you have is a manager with deep experience building portfolios that “mix income and growth ... strategies that entail owning large, high-quality dividend-paying companies [with strong capital-allocation policies] that should provide the shareholder with reduced portfolio volatility and downside protection.”

Enter the new Dividend Growth — a large-cap blend fund that seeks to optimize its risk-adjusted returns in enhancing its downside protection.

Despite its name, the fund had come to largely ignore dividends — at best, it was an afterthought for various managers. Dividend Growth had also become riskier than the market. In fact, it grew more volatile by a considerable 34%. But in just a few months, Ramona is inching risk down more than our *Scorecard's* three-year volatility figure suggests. More dramatically, its dividend yield has almost doubled to 2.0%, now matching the S&P 500's.

Keeping in mind that this fund's objective is capital appreciation (not income), we're attracted to Ramona's “risk-aware” approach to stockpicking. As such, we've upgraded Dividend Growth to *OK to Buy* from *Hold*. ■

Inside Fidelity

Manager Changes — This newsletter is (typically) the sole province of Fidelity happenings. However, the recent departure of Bill Gross from Pimco warrants mention partly because he had overseen the world's largest fixed-income firm (nearly \$2 trillion versus Fidelity's \$751 billion), and because Gross personally managed over \$200 billion. That includes the Fidelity annuity **Pimco VIT Total Return** fund which, at the end of August, had \$310 million in assets.

But that figure will most assuredly fall as investors reportedly withdrew \$10 billion from Pimco on the day of his departure (firing?). And, with some market watchers predicting that as much as \$100 billion could flee the firm, this could put downward pressure on less liquid areas of the bond market. Pimco is such a huge player in the massive fixed-income arena that news of Gross' move to Janus actu-

ally caused Treasury yields to briefly spike. With the story of Gross' fall from grace long and complicated, we'll just cut to the quick: for now, we've downgraded his fund to *Hold*.

Why the caveat “for now?”

First, no rating is forever. And, our prior rating had more to do with our positive view of intermediate-term bonds than with Gross' management. Also, the next manager may be a positive for the fund. In the meantime, **VIP Investment Grade Bond** is a very worthwhile alternative.

Note: In our Annuity Income Model, we have sold **VIP High Income** and have added to **Pimco VIT Low Duration** (see pg 3) and **VIP Balanced**. Low Duration has little interest-rate risk and less credit risk relative to the high-yield funds, which have come under pressure and continue to face headwinds.

As we went to press, Fidelity announced several manager changes. We'll review them here next month. ■

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