

25
Years

Best Performing Fidelity Newsletter For The Past 25 years

FIDELITY MONITOR & INSIGHT

Incorporating Fidelity Monitor and Fidelity Insight

NOVEMBER 2012

PUBLISHED SINCE 1985

MESSAGE TO MEMBERS

Manufacturing's Resurgence

The Wall Street Journal recently ran an update on American manufacturing, noting that it expanded for the first time in four months. This occurred despite the uncertainty on the home front (see my thoughts about the "Fiscal Cliff" on p. 11) and a pronounced economic slowdown abroad.



Jack Bowers

Notwithstanding these real concerns, there are several bullish factors that I think are helping this segment of the economy to hold up well:

- The shale boom is helping in two ways.

Drilling and pipeline construction are creating demand for specialized steel — much of which is made here. And, cheap natural gas is providing a substantial US cost advantage for the production of plastics, chemicals, fertilizers, and specialty metals, thereby allowing these segments to gain global market share.

- A growing number of emerging country luxury buyers are both willing and able to seek out high-quality US goods. And most high-end American products are manufactured on our own shores.

- Wages in emerging countries are climbing at double-digit rates. China's wages, for example, will double over the next five years! And there are no remaining low-wage countries with the infrastructure necessary to support high-volume manufacturing. In effect, we've begun the final chapter of global wage equalization, where wages in cheap countries get pulled up hard, and high-value manufacturing activity returns home.

- US consumers have become more willing to buy vehicles and remodel their homes. Both activities have a wide-ranging positive impact on domestic manufacturing.

(Note our Select Model's holdings in **Chemicals**, **Industrials** and **Consumer Finance**.)

A recent study found that the US manufactures nearly 75% of what it consumes, a number that will almost certainly increase as the trends above play out. We may be stuck in a slow-growth economy, but domestic manufacturing is one area that should be able to grow faster than GDP for many years to come.

Sincerely,

MARKET OUTLOOK

Uncertainties Will Begin To Lift In The Coming Months

Our thoughts and prayers are with those who have lost loved ones or suffered major property damage from Hurricane Sandy. It wasn't the most powerful hurricane, but it was massive and incredibly destructive. It was almost exactly a year ago that we had another freak storm (this time snow) here in the Northeast that left my home without power for five days (so far it is only 3 days and counting from Sandy).



John M. Boyd

The confluence of these extremely rare weather events brought to mind an interesting presentation by Fidelity's Ren Cheng last week. The thrust of Ren's talk was that "freak" events in the investment world are much more likely to occur today than the standard models predict. Most are based on a normal distribution, where the vast majority of possible outcomes cluster around the average, and events much outside of that center are comparatively rare. The problem is that a normal distribution only applies if the inputs are independent from one another. In our connected world, that assumption is much less valid. As the degree of interconnectedness of information, business, etc., grows, the center shrinks and events at the extremes (both good and bad) become more likely.

Why do I bring this up? Two reasons. First, with unusual events more common, market timing — always difficult anyway — becomes even more of a crap shoot. Sticking with a well-diversified portfolio (even if diversification isn't what it used to be) and a consistent long-term approach remains key. Second, with more extreme events possible you may want to reexamine what level of risk you want to take. If the swings in your portfolio cause you to want to bail out in tough times, you should probably think about ratcheting your risk down a bit.

Elections And The Fiscal Cliff

The markets are said to hate uncertainty and, if that is true (and all things being equal, I think it is), then there soon should be less to hate. By the time you are reading this, or shortly thereafter, we should know who will be president for the next four years. (Unless there is a tie in

Market Outlook *cont'd on page 3*

Unique Opportunities

Target Risk: 1.20 (Current: 1.16)

Foreign Holdings: 6.7%

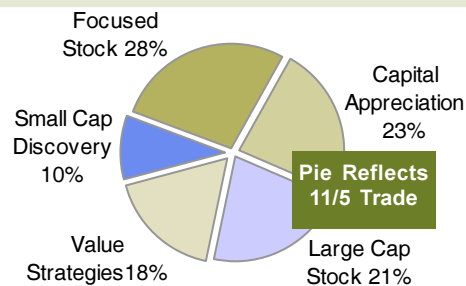
YTD Return: 13.0%

Stocks: 96.9% Bonds: 0.0% Cash: 3.1% Alternatives: 0.0% Yield: 0.6%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
Focused Stock	FTQGX	\$15.63	4,869.04	\$76,103	-1.6%
Capital Appreciation	FDCAX	29.21	2,191.25	64,006	-1.7
Large Cap Stock	FLCSX	20.15	2,886.51	58,163	-1.5
Value Strategies	FSLSX	30.33	1,601.50	48,573	0.6
Stock Sel Small Cap	FDSCX	19.65	1,381.47	27,146	-2.7

Current Value (3/31/99 = \$100,000) **\$273,992** **-1.3%**

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



Select

Target Risk: 1.20 (Current: 1.16)

Foreign Holdings: 14.5%

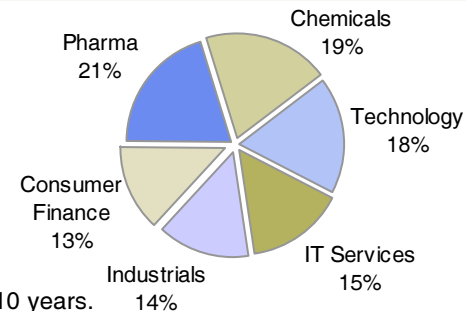
YTD Return: 15.2%

Stocks: 94.9% Bonds: 0.2% Cash: 5.0% Alternatives: 0.0% Yield: 0.2%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
Pharmaceuticals	FPHAX	\$15.27	23,465.98	\$358,325	-2.3%
Chemicals	FSCHX	113.90	3,013.52	343,240	-0.8
Technology	FSPTX	98.83	3,182.95	314,571	-5.6
IT Services	FBSOX	24.57	10,835.17	266,220	-3.0
Industrials	FCYIX	24.61	10,369.22	255,187	-0.5
Consumer Finance	FVLX	14.66	15,949.0	233,813	2.2

Current Value (12/31/88 = \$100,000) **\$1,771,357** **-1.9%**

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



Growth

Target Risk: 1.00 (Current: 0.97)

Foreign Holdings: 7.9%

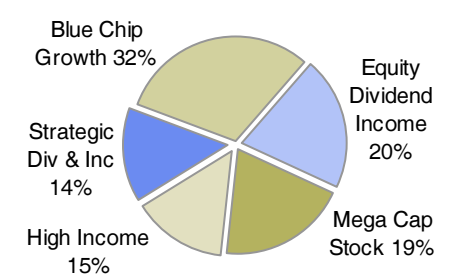
YTD Return: 14.1%

Stocks: 79.8% Bonds: 0.0% Cash: 3.8% Alternatives: 16.4% Yield: 1.9%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
Blue Chip Growth	FBGRX	\$48.61	9,151.60	\$444,859	-3.7%
Equity Dividend Income	FEQTX	19.54	14,952.81	292,178	-0.6
Mega Cap Stock	FGRTX	11.80	23,409.64	276,234	-1.3
High Income	SPHIX	9.29	22,732.16	211,182	0.7
Strategic Div & Inc	FSDIX	12.32	16,788.20	206,831	0.2

Current Value (12/31/86 = \$100,000) **\$1,431,283** **-1.4%**

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: 0.69)

Foreign Holdings: 16.6%

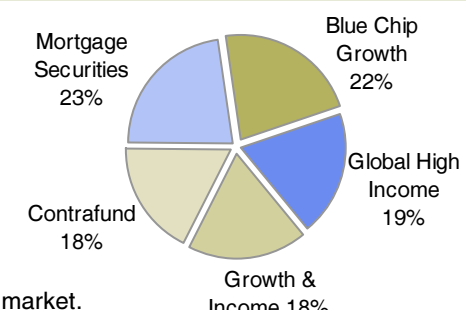
YTD Return: 11.1%

Stocks: 57.0% Bonds: 21.6% Cash: 3.5% Alternatives: 17.8% Yield: 1.9%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
Mortgage Securities	FMSFX	\$11.37	7,970.50	\$90,625	-0.4%
Blue Chip Growth	FBGRX	48.61	1,832.94	89,099	-3.7
Global High Income	FGHNX	10.04	7,703.62	77,344	1.0
Growth & Income	FGRIX	20.99	3,429.43	71,984	-1.1
Contrafund	FCNTX	76.82	924.50	71,020	-3.6

Current Value (12/31/93 = \$100,000) **\$400,071** **-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: 0.29)

Foreign Holdings: 29.3%

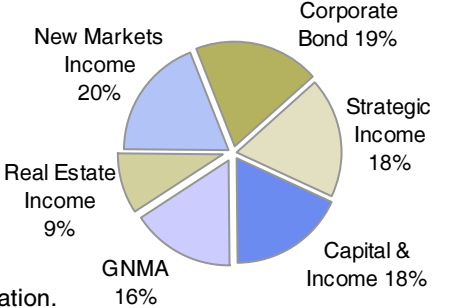
YTD Return: 9.0%

Stocks: 1.3% Bonds: 39.2% Cash: 5.5% Alternatives: 54.0% Yield: 3.5%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
New Markets Income	FNMIX	\$17.69	3,465.75	\$61,309	0.8%
Corporate Bond	FCBFX	11.52	5,325.23	61,347	1.1
Strategic Income	FSICX	11.40	5,110.78	58,263	0.4
Capital & Income	FAGIX	9.36	6,103.03	57,124	0.6
GNMA	FGMNX	11.81	4,254.55	50,246	-0.3
Real Estate Income	FRIFX	11.50	2,588.37	29,766	1.1

Current Value (12/31/91 = \$100,000) **\$318,055** **0.6%**

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



the Electoral vote, in which case we will have to wait until the new Congress convenes in early January. Let's all hope that doesn't happen!

The market is probably pricing in an Obama victory, but I don't think a Romney "surprise" would have that much of an impact on the market. Romney is generally considered to be "better" for the stock market so we may get a short-term bump from a Romney win. But the bigger issue than who is elected president is how Congress deals with the looming "Fiscal Cliff."

Most analysts are assuming that some reasonable compromise on the issues that make up the Fiscal Cliff (expiring Bush-era tax-cuts, the automatic triggering of \$1.2 trillion in spending cuts, etc.) because the alternative of doing nothing is too dire. Estimates of the impact on GDP growth range from -2.5% to -5.0%, and with an economy only growing at 2.0%, we would be looking at a recession at best, and a deep one at worst.

Right now with the elections on deck, not surprisingly, there is no movement on either side. But once they are over we may start to get some indication as to where things may be headed. This is where removal of uncertainty could have a significant impact. While the markets may not be pricing in a major negative outcome, corporations have been hunkering down assuming the worst. One estimate was that this alone trimmed 0.6% from third-quarter GDP growth.

Even a rough road map for dealing with the cliff could spur corporations to increase their spending. If the "lame duck" Congress cannot agree on a plan, we believe they will at least "kick the can down the road" as a temporary measure, and leave the heavy lifting to the new Congress in January.

On the subject of GDP growth, the third quarter's gain of 2.0% was less than it seemed. Growth in the second quarter was comprised of 1.4% growth in the private sector, and a

FUNDS YOU SHOULD BUY NOW

Growth: **Blue Chip Growth**, **Capital Appreciation**, **Focused Stock**, **Growth Co.** and **Large Cap Stock** are favorites; **Small Cap Discovery** for small caps; **Contra** is a conservative "all-cap" approach.

Growth & Income: **Equity Dividend Inc**, **Growth & Inc**, **Mega Cap Stock** and **Strategic Div & Inc** seek growth and yield from larger-cap stocks.

Bond: **Short-Term Bond** has limited interest-rate risk. **GNMA** gets you more yield than comparable Treasuries and credit risk is much the same. **Corporate Bond** holds high-quality (investment grade) bonds. **Real Estate Income** is an alternative approach to yield and diversification.

High Yield: **Capital & Income** and **High Income** will boost portfolio yield. So will **New Markets Income**, which holds dollar-denominated emerging market debt. Each is more risky than an investment-grade bond fund (see page 11), but less risky than a stock fund. ■

negative 0.1% from reduced government spending, for a net of 1.3%. The third-quarter's 2.0% came from 1.3% growth in the private sector and 0.7% from increased government spending, largely due to a 13% jump in defense spending. This is unlikely to continue, especially if the president is reelected. On a private to private basis, growth actually declined from 1.4% to 1.3%.

Economy Remains Mixed

Overall, the economic data remains mixed. Housing continues to strengthen, consumer spending for September popped 0.8% while consumer sentiment has also improved.

On the other hand, as noted, business spending is weak. New orders for non-defense capital goods (a proxy for business investment) continues to slow and is now running at 7.4% below last year. Part of this has to do with delayed spending in the face of the Fiscal Cliff; part is due to the impact on exports and foreign operations from Europe's woes and

China's slowdown. On that front, while Europe is hardly out of the woods, the situation is less dire today. Though China's growth has slowed markedly, it is still growing at 7.5%. And with China's once-a-decade change in leadership on the horizon, more efforts to stimulate their economy are on the way. (We've upgraded **China Region** to *Hold*.)

Third-quarter corporate earnings have been weak, on pace for their first decline since the third quarter of 2009. But they are a bit better than forecasted a month ago, and growth is still expected to resume in the fourth quarter. On balance we believe that the removal of uncertainties over the coming months should be beneficial to stocks. We continue to expect that the economy will continue to grow slowly and avoid a recession. In that light we remain comfortable with the positioning in our model portfolios. The trade we are making (see box below) is more fund specific. ■

— John M. Boyd

MODEL PORTFOLIO TRADE

Effective Monday, Nov. 5, we are making a trade in our **Unique Opportunities Model**.

We are selling all of **Stock Selector Small Cap** [FDSCX] and with the proceeds will buy **Small Cap Discovery** [FSCRX].

Discussion: Stock Selector's multi-manager strategy is lagging its Russell 2000 benchmark, whereas Small Cap Discovery's manager, Chuck Myers, is single-handedly crushing it. Though Discovery's expenses are higher, better and more concentrated stock picks (plus a longer holding period) continue to drive its returns.

Note: Shares of Stock Selector Small Cap held fewer than 90 days are subject to a 1.5% redemption fee. ■

FUND PROFILES

Fruhan Shows His Steady Big-Cap Hand

In a fund complex that features such luminaries as managers Danoff, Tillinghast, Wymer and Carlson, comparative newcomer Matt Fruhan has begun to make his own mark.



Matt Fruhan

Assigned to his first diversified stock fund just seven years ago, and has had to thrive in an especially turbulent period. But given his solid performances first at **Large Cap Stock** (since 2005), **Mega Cap Stock** (since 2009), and most recently **Growth & Income** (G&I) and its annuity clone (since 2011), we all have a lot riding on Matt — \$11 billion to be precise!

On page 2 you'll see Matt's fingerprints on our three models: **Unique Opportunities**, **Growth and Growth & Income**. When we caught up with him last month to discuss his funds, he gave us his broad investment philosophy regarding stock selection:

- Stock prices are driven by changes in earnings and yield expectations;
- The accuracy of earnings estimates deteriorate as time horizons extend;
- An increasingly short-term focused market causes securities to become mispriced relative to their true long-term value.
- Given the above, Matt also believes that when Fidelity's in-depth research is combined with patience, pricing inefficiencies are capturable by his funds.

Back up at the fund level, Matt is assiduous in managing risk, monitoring fundamentals, and maintaining time-specific price targets. This year, the results have been boffo. Of Fidelity's five top-performing large-cap funds, Matt runs three (see chart).

Here's how he's arrived at these stellar returns.

US vs Foreign

Concerned about the growth rates of the B.R.I.C.S. (Brazil, Russia, India, China and South Africa), his funds are decidedly "U.S.-centric" as he finds better opportunities at home. (More on that below.) He notes that the "cost gap" between China versus other areas are closing: Chinese "wage inflation and its talent pool," he told us, "are not as fruitful" as elsewhere. Reflecting that view, the average foreign stock exposure of his three funds' has fallen to 8% from 12% a year ago.

In the developed markets, Matt says that "Europe continues to be challenged" even as the ECB attempts to stimulate the economy in much the same fashion as the Fed.

Conversely, "the U.S. still looks pretty good," and the economy is "only in the first or second innings of fun-

chasing a home has rarely been more affordable. (The cost of buying versus renting has widened out significantly.) Naturally, some of the biggest beneficiaries have been housing stocks, but unfortunately their share prices are "already in the sixth and seventh innings."

So how is Matt playing this development in his portfolios?

Through financials. While banks face a challenging new regulatory environment, their portfolios of under water mortgages "will start to decline. This, he says excitedly, "is a dollar for dollar earnings driver." Given that bullishness, all three of his generally sector-neutral funds are overweighting financials by an average of 2 points. (Fidelity managers appear to be lightening up on JP Morgan and Citi but adding to Wells Fargo.)

Apart from our desire to own large-cap stocks (relative to smaller-caps, we see some safety in their stronger balance sheets, cash, dominant market share, and global customer base), Matt's G&I and Mega Cap Stock funds yield 2.7% and 2.3%, respectively. Meanwhile the 10-year Treasury yields just 1.8% and the S&P 500 yields 2.2%.

Says Matt: "I like the companies with a demonstrated record of paying shareholders, but aren't yet paying what they could." Recognizing that "investors [increasingly] want their capital back," he avoids the now-too-expensive top-yielding stocks, choosing to give up some income for better valuations. (His funds' P/Es are lower than the S&P 500, thereby providing a degree of added safety).

3 PATHS TO GROWTH

	G&I	Large Cap Stk	Mega Cap	S&P 500 ¹
<i>Characteristics</i>				
Mkt Cap (\$B)	\$70	\$57	\$96	\$57
P/E ratio	14.1	13.8	13.4	14.9
Yield (%)	2.7	2.0	2.3	2.2
Foreign (%)	10.3	6.8	7.1	1.5
# of holdings	187	208	111	505
% in top 10	29	29	33	21
<i>Top Sectors</i>				
Tech	17.7	21.7	21.4	20.1
Financials	17.1	17.3	16.1	14.6
Health Care	11.5	13.9	12.3	12.0
Energy	12.2	12.9	13.6	11.3
Cons Discret.	12.6	12.6	12.6	11.0
Industrials	12.9	11.0	8.7	9.8
<i>% Return under Fruhan</i>				
YTD	16.7	17.7	17.6	14.2
1-Year	18.7	18.3	19.0	15.1
3-Year	na	14.1	14.0	13.1
5-Year	na	0.6	na	0.3

¹Based on Spartan 500 Index fund

damental improvement."

Some of his optimism is driven by housing. While he admits that its recovery is partly driven by monetary policy and not necessarily fundamentals (specifically, low interest rates and the Fed buying mortgage-backed securities), the net result is favorable. For those with high credit scores, pur-

Action Recommendation

While we're constructive on U.S. stocks, we appreciate Matt's sensitivity to stock valuations, which is an important risk control measure that fully compliments ours on the portfolio level. Needless-to-say, we continue to rate his funds **Buy**. ■

— John Bonnanzio

FUND COMMENTARY

Stocks And Some Bonds In Retreat

So much for diversification!

Fidelity's stock funds were in broad retreat last month with some of its bond funds also down.

With huge gains having piled up through September, profit-taking, a shaky earnings season that also exhibited moribund third-quarter sales growth, plus two big imponderables (the elections and the "Fiscal Cliff"), and suddenly all the pieces were in place for a mini-selloff. Adding to investors' jitters: October 19th marked the 25th anniversary of "Black Monday" — when the Dow Industrials shed almost a quarter of its value.

Even with the equity markets down and the exchanges closed two days for Hurricane Sandy, October was largely a nonevent market-wise.

The large-cap Dow and S&P 500 retreated 2.4% and 1.8%, respectively, but in turn, are still up 9.5% and 14.3% so far this year. Likewise, the small-cap Russell 2000 fell 2.2% in October, but its gains for the year are a very solid 11.8%. As for the technology-rich Nasdaq Composite, October stung (down 4.4%), though it's up 15.4% this year.

Stock Funds

The primary determinant of stock fund performance last month was sector exposure. With Microsoft rolling out its new operating system (and the reception it has thus far received tepid), and PC/desktop-dependent companies seeing a further erosion of their core market, many tech stocks found themselves reeling. (Apple also introduced its new mini-iPad amid concerns over its high price.) **Select Computers** (down 8.6%) was hit the hardest, while **Software** and **Electronics** fell 5.6% and 5.8%, respectively. The broader **Technology** fund

retreated 5.6%. So it followed that tech-rich funds like **OTC** (down 5.2%), **Small Cap Growth** (down 3.5%) and **Growth Company** (down 4.9%) were especially bad performers. Conversely, more evidence of a housing recovery, coupled with other signs of modest economic recovery, provided lift to cyclical funds: **Transportation** and **Air Transportation** gained 3.3% and 3.0%, respectively, although **Construction & Housing** only rose 2.7% because investors have already "baked in" a recovery: that fund's up 31.4% this year! Related to housing, mortgage activity and improved consumer confidence, financials surged last month. This, in turn, allowed Fidelity's value-oriented funds to outpace growth-oriented funds. To wit, **Small Cap Value's** 36% stake in financials helped it to gain a modest 1.7% last month, while the large-cap **Equity-Income** (down 0.3%) had only a moderate loss as financials, energy and health care provided it with some support.

International Funds

No pun intended: the performances of Fidelity's foreign stock funds were literally all over the map last month. Whereas **Emerging Markets Discovery** gained 1.8%, **Emerging Europe, MidEast, Africa** fund fell 1.2%. By-and-large, developed Europe exposure was especially helpful in boosting returns,

as rumors again swirled that an ECB-inspired bailout was in the offing. Separately, **China Region** popped 3.0% as China's likely new premier, Xi Jinping, suddenly reemerged and was talking about stimulating the world's second-largest economy. Assuming he doesn't vanish again, China-watchers say he'll probably get his chance. In the meantime, **Japan** slipped 1.0% and **Japan Smaller Companies** fell 2.4% partly as a result of saber-rattling with China, partly because of banking problems, and partly because of lackluster export growth. This weighed on many of Fidelity's diversified foreign stock funds, including the Japan-rich **Pacific Basin** fund (down 0.3%).

Bond Funds

Even with few inflationary pressures on the horizon, longer-maturity taxable bond funds slipped last month as some investors anticipate the U.S. economy strengthening. (This helped to push up prices of high-yield funds.) **Spartan Long-Term Treasury Index** fell 0.5%, while on the muni side **Tax-Free Bond** inched 0.2% higher. Shorter-maturity bonds also posted just fractional gains: **Corporate Bond** fared best having risen 1.1%. This was consistent with other, more credit-risky high-yield funds that are more sensitive to the economy than to interest rates. (See our Bond Fund Matrix on p. 11.) ■



John Bonnanzio

NOVEMBER SCORECARD RATING CHANGES				
Fund	Ratings			Comments
	Old	New		
130/30 Large Cap	S	S	NC	Fund closed on Oct. 15 to new investors.
China Region	S	H	↑	Leadership change could mean more stimulus.
Fifty Fund	B	B	NC	Fund closed on Oct. 15 to new investors.
Global Balanced	H	B	↑	Share prices abroad are becoming more attractive.
Int'l Real Estate	H	B	↑	Outlook brightening for this specialty growth fund.
L-C Value Enh Idx	S	H	↑	Fund is smartly playing resurgent financials.
Mid Cap Growth	H	S	↓	Prefer more value-oriented small-cap value fare.
Nasdaq Comp Idx	B	H	↓	Shakeout in the PC market may be a headwind.
Small Cap Growth	B	S	↓	We prefer more value-oriented small-cap funds.
Stk Sel Small Cap	B	H	↓	We prefer more value-oriented small-cap funds.
Tax Managed Stock	S	S	NC	Fund closed on Oct. 15 to new investors.

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

FIDELITY SCORECARD

OCTOBER 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)			
						Oct	YTD	3 Mo.	1 Year	3 Year	5 Year					
Comparative Indexes		S&P 500		1412.16		-1.8	14.3	3.0	15.2	13.2	0.4	1.00				
		Nasdaq		2977.23		-4.4	15.4	1.6	12.3	14.6	1.9	1.18				
		Dow Jones Industrials		13096.5		-2.4	9.5	1.4	12.6	13.5	1.6	0.90				
		Russell 2000 (Small Caps)		818.73		-2.2	11.8	4.4	12.1	14.8	1.2	1.34				
		Barclays Aggregate Bond*				0.1	4.0	0.3	5.1	6.0	6.1	0.18				
Model Portfolios		Unique Opportunities				-1.3	13.0	4.7	10.6	12.1	-1.5	1.16				
		Select				-1.9	15.2	4.0	14.4	13.7	0.6	1.16				
		Growth				-1.4	14.1	3.3	12.6	13.4	-1.0	0.97				
		Growth & Income				-1.6	11.1	2.6	9.2	9.5	0.5	0.69				
	Income				0.6	9.0	2.5	8.9	8.5	4.1	0.29					
LARGE CAP GROWTH						Category Averages			-2.8	14.5	3.2	11.2	13.8	-0.2	1.15	
312	FBGRX	Blue Chip Growth		48.61	Buy	-3.7	14.6	2.6	10.2	14.2	2.6	1.21	\$11,045			
307	FDCAX	Capital Appreciation		29.21	Buy	-1.7	18.6	3.4	14.7	16.1	-0.0	1.12	4,791			
22	FCNTX	Contrafund		76.82	Buy	-3.6	13.9	1.9	11.9	13.0	1.1	0.94	61,129			
332	FEXPX	Export and Multinational	0.75%/30d	22.49	OK to Sell	-2.3	14.0	2.1	13.1	9.9	-2.1	1.04	1,792			
500	FFTYX	Fifty (Closed)		19.82	Buy	-1.6	13.8	3.8	11.9	13.6	-3.0	1.03	683			
333	FTQGX	Focused Stock		15.63	Buy	-1.6	14.0	3.8	12.0	15.6	2.6	1.12	540			
25	FDGRX	Growth Company (Closed)		93.44	Buy	-4.9	15.5	1.6	11.2	16.2	2.0	1.19	24,844			
339	FDSVX	Growth Discovery		15.44	Buy	-4.0	13.1	1.3	10.7	16.0	-1.4	1.17	898			
73	FDFFX	Independence		25.01	OK to Sell	-2.0	15.5	6.4	7.7	12.2	-2.5	1.44	3,139			
763	FSLGX	Large Cap Growth		11.27	OK to Buy	-2.6	16.5	3.6	11.7	15.2	0.2	1.13	143			
21	FMAGX	Magellan		72.89	OK to Buy	-2.6	16.0	3.9	13.1	8.3	-4.5	1.18	12,633			
300	FMLX	New Millennium		32.81	OK to Buy	-2.1	13.7	4.3	14.2	15.2	2.0	1.06	2,063			
93	FOCPX	OTC		58.50	Hold	-5.2	6.9	1.7	1.4	13.5	0.8	1.33	5,646			
320	FDSSX	Stock Selector All Cap		27.80	Hold	-1.7	15.4	4.0	13.1	12.6	-1.2	1.15	2,365			
5	FTRNX	Trend		77.82	OK to Buy	-2.6	16.4	3.6	11.5	15.1	1.2	1.14	1,159			
LARGE CAP BLEND						Category Averages			-1.4	15.7	4.5	15.5	12.1	-1.8	1.15	
315	FDEQX	Disciplined Equity		24.47	Sell	-1.6	13.8	3.7	13.9	8.7	-3.4	1.12	4,062			
330	FDGFX	Dividend Growth		29.75	Hold	-1.3	15.8	4.7	12.8	12.4	0.6	1.31	6,126			
3	FFIDX	Fidelity Fund		35.53	Hold	-2.0	14.7	2.2	13.0	11.3	-1.2	1.05	4,459			
27	FGRIX	Growth & Income		20.99	Buy	-1.1	16.7	4.8	18.7	13.7	-5.1	1.05	5,063			
338	FLCSX	Large Cap Stock		20.15	Buy	-1.5	17.7	6.1	18.3	14.1	0.6	1.18	1,225			
361	FGRTX	Mega Cap Stock		11.80	Buy	-1.3	17.6	5.1	19.0	14.0	0.5	1.08	1,667			
343	FTXMX	Tax Managed Stock (Closed)		13.16	Sell	-1.3	14.0	5.2	11.5	9.8	-4.0	1.24	58			
832	FVDFX	Value Discovery		16.18	Hold	-0.9	15.3	4.4	16.6	12.5	-1.9	1.15	419			

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 \$100,000, but a lower expense ratio. ⁵Formerly Equity-Income II. ⁶Formerly Invesco Van Kampen Global Value Equity. (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)

	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11		
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		
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		
Growth	2.8	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		
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
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		
Annuity (VIP) Models																											
Sector																	57.5	6.3	14.0	17.7	11.2	-41.4	50.2	15.0	-5.0		
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			
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			
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			

FIDELITY SCORECARD

OCTOBER 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Oct	YTD	3 Mo.	1 Year	3 Year	5 Year				
LARGE CAP VALUE						Category Averages			-0.8	13.7	4.5	15.0	9.4	-3.5	1.11
1271	FBCVX	Blue Chip Value		10.75	OK to Sell	-1.1	11.2	6.0	10.2	6.6	-5.6	1.17	\$248		
319	FEQTX	Equity Dividend Income ⁶		19.54	Buy	-0.6	14.2	2.9	17.3	10.4	-2.2	1.11	4,620		
23	FEQIX	Equity-Income		46.94	Buy	-0.3	15.9	4.7	17.0	10.7	-2.1	1.12	6,565		
708	FSLVX	Stock Sel Large Cap Value		11.69	OK to Sell	-1.0	13.6	4.6	15.6	9.8	-3.9	1.05	463		
MID-CAP GROWTH						Category Averages			-2.2	9.7	3.6	6.4	13.1	-2.1	1.29
324	FDEGX	Growth Strategies	1.50%/90d	20.04	OK to Sell	-1.8	7.7	3.2	3.3	11.8	-4.4	1.32	1,411		
793	FSMGX	Mid Cap Growth (Closed)	0.75%/30d	12.43	OK to Sell↓	-2.1	9.0	3.7	4.5	12.6	-2.5	1.30	218		
337	FMCSX	Mid-Cap Stock	0.75%/30d	29.34	Hold	-2.8	12.3	4.0	11.2	15.0	0.5	1.24	4,919		
MID-CAP BLEND						Category Averages			-0.3	17.6	6.8	16.0	14.4	0.6	1.26
122	FLVCX	Leveraged Company Stock	1.50%/90d	30.53	OK to Buy	0.4	21.6	8.2	20.6	14.7	-1.6	1.47	3,136		
316	FLPSX	Low-Priced Stock	1.50%/90d	38.79	OK to Buy	-1.0	13.6	5.4	11.5	14.1	2.8	1.05	23,902		
2412	FSSMX	Stock Selector Mid Cap		22.77	Hold	-0.7	7.9p	5.2	--	--	--	--	1		
MID-CAP VALUE						Category Averages			0.1	17.7	6.2	17.3	14.8	-0.1	1.24
762	FSMVX	Mid Cap Value	0.75%/30d	17.48	OK to Buy	-0.2	15.3	5.6	15.9	15.2	1.1	1.15	553		
39	FDVLX	Value		74.14	Hold	0.1	16.8	6.0	16.0	13.9	-1.2	1.25	5,637		
14	FSLSX	Value Strategies		30.33	Buy	0.6	21.0	6.9	19.9	15.3	-0.2	1.32	336		
SMALL CAP GROWTH						Category Averages			-3.1	10.0	3.0	8.5	15.7	-0.8	1.32
1388	FCPGX	Small Cap Growth	1.50%/90d	15.98	OK to Sell↓	-3.5	10.9	2.5	8.1	15.2	0.4	1.31	1,199		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	19.65	Hold↓	-2.7	9.0	3.5	8.9	16.2	-2.0	1.34	1,377		
SMALL CAP BLEND						Category Averages			-0.6	13.2	5.9	12.4	14.7	4.8	1.41
384	FSCRX	Small Cap Discovery	1.50%/90d	23.23	Buy	1.8	17.3	8.3	20.9	19.9	9.8	1.30	3,118		
340	FSLCX	Small Cap Stock	2.00%/90d	17.54	Buy	-2.9	9.1	3.5	4.0	9.5	-0.3	1.52	2,941		
SMALL CAP VALUE						Category Averages			1.7	14.6	6.4	18.1	15.1	3.9	1.23
1389	FCPVX	Small Cap Value	1.50%/90d	15.58	OK to Buy	1.7	14.6	6.4	18.1	15.1	3.9	1.23	1,811		
SPECIALTY						Category Averages			-1.0	11.4	3.6	10.2	8.3	--	1.17
2063	FOTTX	130/30 Large Cap (Closed)		7.75	Sell	-1.0	11.4	3.6	10.2	8.3	--	1.17	17		
304	FBALX	Balanced		20.03	Buy	-1.0	11.5	2.5	11.1	10.9	1.8	0.65	15,224		
308	FCV SX	Convertible Securities		24.70	Buy	-0.0	10.4	6.1	6.9	10.0	0.3	0.94	1,780		
334	FGBLX	Global Balanced	1.00%/30d	23.62	OK to Buy↑	-0.1	10.3	3.9	8.1	8.0	2.0	0.77	475		
2120	FFGCX	Global Commodity Stock	1.00%/30d	14.66	OK to Sell	-0.6	5.2	7.2	-3.0	4.2	--	1.60	397		
1960	FDYSX	Global Strategies		9.26	OK to Sell	-0.2	10.0	1.1	6.9	8.2	1.4	0.75	227		
1368	FIREX	International Real Estate	1.50%/90d	8.97	OK to Buy↑	2.6	32.7	9.3	20.4	6.5	-7.2	1.41	293		
4	FPURX	Puritan		19.39	Buy	-1.1	12.4	2.7	11.7	11.0	2.4	0.70	15,737		
833	FRIFX	Real Estate Income	0.75%/90d	11.50	Buy	1.1	17.0	4.5	19.0	15.2	7.3	0.38	2,445		
303	FRESX	Real Estate Investment	0.75%/90d	31.33	Hold	-1.0	14.3	-2.4	15.2	23.1	2.2	1.25	3,716		
1329	FSDIX	Strategic Dividend & Income		12.32	Buy	0.2	13.9	2.7	15.9	14.9	1.0	0.81	2,131		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.73	Hold	-0.7	8.0	1.0	7.0	9.4	4.1	0.48	649		
311	FIUIX	Telecom & Utilities		19.00	OK to Buy	0.3	11.4	0.4	15.5	18.3	0.7	0.75	992		
ASSET ALLOCATION						Category Averages			-0.2	6.1	1.1	6.0	6.6	3.9	0.25
328	FASIX	Asset Manager 20%		13.35	Hold	-0.2	6.1	1.1	6.0	6.6	3.9	0.25	4,594		
1957	FTANX	Asset Manager 30%		10.12	Hold	-0.2	7.6	1.7	7.1	7.7	3.4	0.36	364		
1958	FFANX	Asset Manager 40%		10.03	Hold	-0.4	8.8	2.0	7.9	8.3	3.0	0.48	328		
314	FASM X	Asset Manager 50%		16.27	Hold	-0.5	9.6	2.4	8.5	9.0	2.6	0.60	6,837		
1959	FSANX	Asset Manager 60%		10.14	Hold	-0.7	10.7	2.7	9.0	9.2	2.1	0.71	557		
321	FASGX	Asset Manager 70%		17.24	Hold	-0.8	11.7	3.2	9.6	9.9	1.1	0.84	2,758		
347	FAMRX	Asset Manager 85%		14.00	Hold	-1.0	13.0	3.6	10.2	10.0	-0.0	1.02	707		
EQUITY INDEX						Category Averages			-0.8	12.0	3.7	11.1	10.1	0.2	0.91
355	FFNOX	Four-in-One Index		29.06	Hold	-0.8	12.0	3.7	11.1	10.1	0.2	0.91	2,376		
2010	FIENX	International Enhanced Index	1.00%/30d	7.00	OK to Sell	1.2	12.4	7.0	6.9	3.9	--	1.26	25		
1827	FLCEX	Large Cap Core Enhcd Index		10.11	Hold	-1.7	13.2	3.3	14.5	12.9	0.2	0.99	244		
1829	FLGEX	Lrge Cap Growth Enhcd Index		11.15	OK to Buy	-2.7	12.5	1.6	13.0	13.6	1.6	1.03	172		
1828	FLVEX	Large Cap Value Enhcd Index		8.21	Hold↑	-0.1	15.3	5.7	17.1	12.6	-1.4	1.00	84		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	9.81	Hold	-0.7	12.2	4.7	11.2	14.2	--	1.14	78		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	39.86	Hold↓	-4.4	15.2	1.6	12.1	14.4	1.6	1.18	488		
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	9.97	Hold	-1.2	13.6	4.4	13.0	16.4	--	1.32	127		
650	FUSEX	Spartan 500 Index ⁴		50.09	Hold	-1.8	14.2	3.0	15.1	13.1	0.3	1.00	10,661		
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	9.76	Hold	-0.2	9.7	5.4	2.7	--	--	--	42		
398	FSEM X	Spartan Extended Mkt Index ⁴	0.75%/90d	39.72	Hold	-1.3	13.3	4.6	12.6	15.9	2.1	1.24	1,961		
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	10.54	Hold	0.6	10.7	6.6	4.8	--	--	--	22		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	33.16	Hold	1.0	11.5	7.0	6.0	3.3	-5.7	1.28	3,016		
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	11.64	Hold	-1.0	12.5	4.2	11.8	--	--	--	13		
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	11.48	Hold	-0.9	13.2	-3.2	13.5	--	--	--	24		
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	11.80	Hold	-2.2	11.5	4.3	11.8	--	--	--	20		
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	41.08	Hold	-1.8	14.1	3.3	14.7	13.7	0.7	1.04	3,129		

FIDELITY SCORECARD

OCTOBER 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						Oct	YTD	3 Mo.	1 Year	3 Year	5 Year				
INTERNATIONAL						Category Averages			0.3	13.6	6.4	8.1	6.1	-5.5	1.31
309	FICDX	Canada	1.50%/90d	54.05	OK to Sell	-0.4	7.8	6.3	4.4	8.2	-3.1	1.13	\$3,059		
352	FHKCX	China Region	1.50%/90d	28.74	Hold↑	3.0	13.6	9.6	7.0	4.2	-3.4	1.34	1,259		
325	FDIVX	Diversified International	1.00%/30d	29.07	OK to Sell	0.2	13.9	6.3	7.7	4.3	-6.0	1.26	13,416		
351	FSEAX	Emerging Asia	1.50%/90d	28.57	OK to Sell	0.5	13.5	6.6	6.6	8.6	-7.5	1.36	1,335		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	8.75	OK to Sell	-1.2	11.7	3.3	6.8	7.9	--	1.42	114		
322	FEMKX	Emerging Markets	1.50%/90d	22.15	OK to Sell	-0.1	7.9	4.7	1.0	3.7	-8.1	1.42	2,239		
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	11.92	OK to Buy	1.8	26.4	9.3	18.9	--	--	--	31		
301	FIEUX	Europe	1.00%/30d	30.15	OK to Sell	1.7	18.4	9.4	11.5	4.0	-5.3	1.50	598		
341	FECAX	Europe Capital App	1.00%/30d	18.30	OK to Sell	2.5	18.4	10.4	11.5	3.9	-6.2	1.52	306		
2406	FGILX	Global Equity-Income	1.00%/30d	10.16	Hold	-0.6	2.3p	3.6	--	--	--	--	24		
335	FIVFX	International Cap App	1.00%/30d	13.12	Buy	0.4	18.0	5.8	11.6	8.5	-3.6	1.41	734		
305	FIGRX	International Discovery	1.00%/30d	31.91	OK to Sell	0.4	15.6	7.5	9.0	5.1	-5.7	1.30	6,008		
1979	FIGFX	International Growth	1.00%/30d	8.95	OK to Buy	-0.1	14.6	4.7	11.4	9.5	--	1.21	137		
818	FISMX	International Small Cap	2.00%/90d	19.99	OK to Buy	0.0	14.1	9.1	6.5	7.5	-3.3	1.24	700		
1504	FSCOX	International Small Cap Opps	2.00%/90d	10.88	Buy	1.5	17.6	8.5	12.2	12.2	-7.4	1.18	334		
1597	FIVLX	International Value	1.00%/30d	7.40	OK to Sell	1.2	13.1	7.6	9.2	1.2	-7.7	1.35	128		
350	FJPNX	Japan	1.50%/90d	9.34	Hold	-1.0	1.5	0.2	-0.2	0.2	-8.0	1.00	376		
360	FJSCX	Japan Smaller Companies	1.50%/90d	9.12	Hold	-2.4	6.7	5.7	7.1	3.6	-4.9	1.05	271		
349	FLATX	Latin America	1.50%/90d	49.16	OK to Sell	-0.2	0.5	1.0	-4.8	3.4	-4.1	1.51	2,342		
342	FNORX	Nordic	1.50%/90d	30.59	Hold	-1.5	14.3	5.4	5.7	6.6	-6.8	1.66	303		
94	FOSFX	Overseas	1.00%/30d	31.35	OK to Sell	1.0	18.4	7.4	10.4	3.4	-8.2	1.42	1,628		
302	FPBFX	Pacific Basin	1.50%/90d	24.85	OK to Buy	-0.3	15.9	10.2	9.2	10.8	-3.8	1.21	588		
2369	FTEMX	Total Emerging Markets	1.50%/90d	10.89	Hold	0.4	13.6	5.4	9.2	--	--	--	80		
1978	FTIEX	Total International Equity	1.00%/30d	7.32	OK to Buy	0.8	15.6	7.2	11.0	6.1	--	1.26	282		
318	FWWFX	Worldwide	1.00%/30d	19.85	Hold	-0.5	14.5	5.5	10.5	10.5	-1.9	1.16	1,094		
SELECT PORTFOLIOS						Category Averages			-1.6	13.5	4.3	12.2	13.9	0.7	1.33
34	FSAIX	Air Transportation	0.75%/30d	38.17	OK to Buy	3.0	10.5	3.2	10.7	20.1	-0.3	1.29	62		
502	FSAVX	Automotive	0.75%/30d	34.12	OK to Sell	1.9	9.6	6.7	0.2	11.9	-3.5	1.81	96		
507	FSRBX	Banking	0.75%/30d	19.46	Hold	-1.9	22.0	3.5	26.2	10.1	-5.9	1.46	502		
42	FBIOX	Biotechnology	0.75%/30d	107.61	OK to Buy	-6.2	32.3	0.6	39.5	25.0	9.3	1.20	2,662		
68	FSLBX	Brokerage & Investment	0.75%/30d	49.17	Hold	2.0	23.0	11.3	14.8	2.2	-5.4	1.56	398		
69	FSCHX	Chemicals	0.75%/30d	113.90	Buy	-0.8	20.6	3.7	21.8	21.4	7.7	1.54	873		
518	FSDCX	Communications Equipment	0.75%/30d	20.67	OK to Sell	-6.6	-6.3	1.7	-10.3	3.0	-4.2	1.59	251		
7	FDCPX	Computers	0.75%/30d	59.30	OK to Buy	-8.6	10.0	-4.5	5.0	13.9	2.4	1.42	778		
511	FSHOX	Construction & Housing	0.75%/30d	47.08	OK to Buy	2.7	31.4	13.9	42.1	22.7	5.9	1.46	309		
517	FSCPX	Consumer Discretionary	0.75%/30d	27.38	OK to Buy	-1.0	18.8	4.6	16.6	19.4	4.5	1.18	326		
98	FVLX	Consumer Finance	0.75%/30d	14.66	Buy	2.2	32.8	8.6	31.8	14.7	-13.6	1.14	304		
9	FDFAX	Consumer Staples	0.75%/30d	81.02	Hold	-1.0	14.0	0.8	17.8	13.6	6.2	0.78	1,333		
67	FSDAX	Defense & Aerospace	0.75%/30d	83.69	Hold	1.2	7.8	4.4	9.2	16.8	-0.1	1.14	599		
8	FSELX	Electronics	0.75%/30d	42.46	OK to Buy	-5.8	-4.0	-7.9	-9.5	7.3	-2.7	1.70	887		
60	FSENX	Energy	0.75%/30d	51.54	Hold	-2.1	4.6	4.9	0.8	8.1	-3.6	1.66	2,142		
43	FSESX	Energy Service	0.75%/30d	64.67	OK to Sell	-5.6	-0.6	-1.2	-5.3	5.6	-7.5	2.10	1,156		
516	FSLEX	Environment & Alt Energy	0.75%/30d	15.99	OK to Sell	0.6	6.1	3.8	1.9	4.4	-3.5	1.18	65		
66	FIDSX	Financial Services	0.75%/30d	60.55	Hold	1.9	23.8	6.6	16.5	2.7	-10.1	1.53	420		
41	FSAGX	Gold	0.75%/30d	41.86	Sell	-3.1	-0.9	19.8	-12.8	7.1	2.4	1.83	3,580		
63	FSPHX	Health Care	0.75%/30d	142.79	OK to Buy	-2.6	19.9	6.4	23.6	18.8	5.7	0.91	2,549		
510	FSCGX	Industrial Equipment	0.75%/30d	35.49	OK to Buy	-1.3	14.8	4.4	13.2	16.6	0.7	1.50	303		
515	FCYIX	Industrials	0.75%/30d	24.61	Buy	-0.5	13.7	4.2	14.3	17.1	2.6	1.35	578		
45	FSPCX	Insurance	0.75%/30d	52.40	OK to Sell	2.0	18.2	9.6	18.1	11.8	-3.7	1.05	262		
353	FBSOX	IT Services	0.75%/30d	24.57	Buy	-3.0	16.9	5.7	13.8	17.0	7.8	1.24	332		
62	FDSLX	Leisure	0.75%/30d	100.51	Hold	-5.0	4.4	4.4	5.1	18.5	4.3	1.27	364		
509	FSDPX	Materials	0.75%/30d	70.26	Hold	-1.2	15.1	6.4	13.4	16.0	4.3	1.59	1,037		
505	FSHCX	Medical Delivery	0.75%/30d	61.01	Hold	-0.4	11.4	7.4	12.7	17.7	3.8	1.13	744		
354	FSMEX	Medical Equipment	0.75%/30d	28.01	Hold	-5.0	13.4	3.9	10.3	11.0	4.7	1.05	1,339		
503	FBMPX	Multimedia	0.75%/30d	56.04	OK to Buy	-0.3	30.2	8.7	32.6	24.2	7.5	1.29	381		
513	FSNGX	Natural Gas	0.75%/30d	30.89	Hold	-1.8	1.9	-1.0	-0.2	1.8	-7.4	1.45	667		
514	FNARX	Natural Resources	0.75%/30d	32.60	Hold	-1.8	4.2	6.9	-1.6	8.1	-2.9	1.66	1,200		
580	FPHAX	Pharmaceuticals	0.75%/30d	15.27	Buy	-2.3	13.1	1.9	19.0	18.8	7.3	0.85	845		
46	FSRPX	Retailing	0.75%/30d	62.17	OK to Buy	-2.2	21.5	3.5	15.9	20.7	10.4	1.20	579		
28	FSCSX	Software & Computer Svcs	0.75%/30d	84.64	OK to Buy	-5.6	15.0	3.2	11.3	16.2	4.6	1.27	1,984		
64	FSPTX	Technology	0.75%/30d	98.83	Buy	-5.6	14.3	1.8	6.4	14.5	1.6	1.38	2,322		
96	FSTCX	Telecommunications	0.75%/30d	51.26	OK to Buy	-2.2	17.3	2.4	19.1	14.5	-0.9	0.99	413		
512	FSRFX	Transportation	0.75%/30d	51.28	OK to Sell	3.3	6.1	-0.3	7.2	19.5	2.5	1.38	163		
65	FSUTX	Utilities	0.75%/30d	57.98	OK to Buy	1.4	8.8	-0.1	12.5	14.7	-0.2	0.68	563		
963	FWRLX	Wireless	0.75%/30d	8.11	OK to Buy	-1.5	11.9	5.7	12.7	12.8	-1.8	1.00	248		

FIDELITY SCORECARD

OCTOBER 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			SEC %Yield	Dur ² (Yrs)	Rel Vol (Risk) ¹	Tax-Equivalent Yield Federal Tax Bracket						
						Oct	YTD	3 Mo.				25%	28%	33%	35%			
TAXABLE BOND						Category Averages			0.1	3.9	0.4	1.18	4.5	0.22				
2267	FCONX	Conservative Income Bond		10.04	Buy	0.1	1.3	0.3	0.36	0.3	--							
2208	FCBFX	Corporate Bond		11.52	Buy	1.1	10.0	2.0	2.16	7.1	0.23							
2423	FGBFX	Global Bond		10.27	Hold	-0.1	3.1p	1.3	1.57	--	--							
15	FGMNX	GNMA (Ginnie Mae)		11.81	Buy	-0.3	3.0	0.2	2.20	2.4	0.16							
54	FGOVX	Government Income		10.63	Hold	-0.1	2.7	0.0	1.16	4.4	0.20							
794	FINPX	Inflation-Protected Bond ³		13.58	Hold	0.8	6.7	0.8	-0.41	5.7	0.31							
32	FTHRXX	Intermediate Bond		11.16	OK to Buy	0.3	4.7	1.0	1.36	3.9	0.16							
452	FSTGX	Intermediate Gov't Income		10.89	Hold	-0.1	1.9	0.1	0.62	3.6	0.17							
2428	FINUX	International Bond		10.36	Hold	-0.2	4.0p	2.4	1.53	--	--							
26	FBNDX	Investment Grade Bond		8.01	Buy	0.2	6.0	0.8	1.85	4.7	0.16							
40	FMSFX	Mortgage Securities		11.37	Buy	-0.2	4.0	0.6	2.10	1.9	0.13							
450	FSHBX	Short-Term Bond		8.60	Buy	0.1	2.2	0.6	0.55	1.7	0.07							
2415	FSIQX	Sptn Inflation-Protect Index ⁴		10.34	Hold	0.7	3.4p	0.8	-0.17	--	--							
1561	FIBIX	Sptn Interm Treas Index ⁴		11.56	OK to Sell	-0.5	3.1	-0.6	0.98	6.6	0.36							
1562	FLBIX	Sptn Lng-Term Treas Index ⁴		13.15	Sell	-0.5	3.9	-3.7	2.45	16.6	0.84							
1560	FSBIX	Sptn Sht-Term Treas Index ⁴		10.61	Hold	-0.1	0.6	-0.1	0.20	2.6	0.11							
651	FBIDX	Sptn US Bond Index		11.95	Hold	0.1	4.1	0.3	1.56	4.8	0.18							
820	FTBFX	Total Bond		11.04	Buy	0.3	6.2	1.0	2.05	4.6	0.15							
812	FUSFX	Ultra-Short Bond	0.25%/60d	8.24	Hold	0.2	1.5	0.5	0.31	0.3	0.03							
HIGH-YIELD BOND						Category Averages			0.6	11.5	3.0	4.11	0.42					
38	FAGIX	Capital & Income	1.00%/90d	9.36	Buy	0.6	13.2	3.3	5.04	--	0.64							
814	FFRHXX	Floating Rate High Income	1.00%/60d	9.93	Buy	0.2	5.8	1.6	3.04	--	0.26							
1366	FHIFX	Focused High Income	1.00%/90d	9.40	Buy	0.6	10.0	2.3	3.89	--	0.37							
2297	FGHXX	Global High Income	1.00%/90d	10.04	Buy	1.0	13.3	4.3	4.68	--	--							
455	SPHIX	High Income	1.00%/90d	9.29	Buy	0.7	12.7	3.3	4.87	--	0.50							
331	FNMX	New Markets Income	1.00%/90d	17.69	Buy	0.8	16.5	3.5	4.04	--	0.44							
368	FSICX	Strategic Income		11.40	Buy	0.4	9.0	2.4	3.24	--	0.31							
MUNICIPAL BOND						Category Averages			0.2	5.4	0.8	1.59	5.9	0.20	25%	28%	33%	35%
434	FSAZX	Arizona Muni Income	0.50%/30d	12.24	Hold	0.4	6.9	1.1	1.89	7.2	0.23	2.6	2.7	3.0	3.0			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.83	Hold	0.1	2.3	0.4	0.78	3.0	0.11	1.1	1.2	1.3	1.3			
91	FCTFX	California Muni Income	0.50%/30d	12.94	Hold	0.4	7.6	1.2	2.22	7.0	0.25	3.3	3.4	3.7	3.8			
407	FICNX	Connecticut Muni Income	0.50%/30d	12.12	Hold	0.1	4.7	0.6	1.47	6.5	0.22	2.1	2.1	2.3	2.4			
36	FLTXX	Interm Municipal Income	0.50%/30d	10.67	Hold	0.1	4.6	0.7	1.36	5.1	0.16	1.8	1.9	2.0	2.1			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.68	Hold	0.1	5.3	0.7	1.35	6.7	0.19	1.9	2.0	2.1	2.2			
70	FDMMX	Mass Muni Income	0.50%/30d	12.78	Hold	0.4	6.7	1.0	1.83	7.4	0.19	2.6	2.7	2.9	3.0			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.55	Hold	0.3	5.6	0.9	1.98	6.5	0.19	2.8	2.9	3.1	3.2			
82	FIMIX	Minnesota Muni Income	0.50%/30d	12.05	Hold	0.3	4.8	0.8	1.35	5.8	0.19	2.0	2.0	2.2	2.3			
37	FHIGX	Municipal Income	0.50%/30d	13.56	Hold	0.3	7.2	1.0	2.03	7.4	0.23	2.7	2.8	3.0	3.1			
416	FNJHX	New Jersey Muni Income	0.50%/30d	12.35	Hold	0.4	6.4	0.9	1.71	7.0	0.23	2.4	2.5	2.7	2.9			
71	FTFMX	New York Muni Income	0.50%/30d	13.73	Hold	0.3	6.1	0.9	1.83	7.2	0.22	2.6	2.7	3.0	3.1			
88	FOHFX	Ohio Muni Income	0.50%/30d	12.41	Hold	0.4	6.3	1.0	1.94	7.4	0.21	2.7	2.8	3.1	3.2			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.49	Hold	0.3	6.5	0.9	1.97	7.1	0.21	2.7	2.8	3.0	3.1			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.88	Hold	0.1	2.1	0.3	0.56	2.9	0.09	0.7	0.8	0.8	0.9			
90	FTABX	Tax-Free Bond	0.50%/30d	11.70	Hold	0.2	7.4	1.0	2.04	7.4	0.23	2.7	2.8	3.0	3.1			
TAXABLE MONEY MARKET						Category Averages			0.0	0.0	0.0	0.02						
55	FDRXX	Cash Reserves		1.00	--	0.00	0.01	0.00	0.01	na	0.00							
631	FGMXX	Retirement Government MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00							
630	FRTXX	Retirement MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00							
458	SPAXX	Government MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00							
454	SPRXX	Money Market		1.00	--	0.00	0.01	0.00	0.01	na	0.00							
85	FSLXX	Select MM		1.00	--	0.01	0.08	0.02	0.06	na	0.00							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.00	0.01	0.00	0.01	na	0.00							
415	FDLXX	US Treasury MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00							
MUNICIPAL MONEY MARKET						Category Averages			0.0	0.0	0.0	0.01						
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
433	FSAXX	Arizona Muni MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
97	FCFXX	California Muni MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
457	FSPXX	California AMT Tax-Free		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
418	FCMXX	Connecticut Muni MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.01	0.02	0.01	0.01	na	0.00	0.0	0.0	0.0	0.0			
74	FDMXX	Massachusetts Muni MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
420	FMIXX	Michigan Muni MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
10	FTEXX	Municipal Money Market		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
417	FNJXX	New Jersey Muni MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.00	0.02	0.02	0.01	na	0.00	0.0	0.0	0.0	0.0			
92	FNYYX	New York Muni MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
419	FOMXX	Ohio Muni MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
401	FPTXX	Pennsylvania Muni MM		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.01	0.00	0.01	na	0.00	0.0	0.0	0.0	0.0			

NOTE:
Duration data (Dur) is as of 9/30/12.

Tax-equivalent yields for state funds assume top state (City tax excluded) tax level for that federal bracket.

FIDELITY SCORECARD

OCTOBER 31, 2012

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							Oct	YTD	3 Mo.	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
Model Portfolios	Annuity Select Model						-2.4	14.6	4.5	11.6	12.1	1.0	1.25
	Annuity Growth Model						-1.6	14.7	3.6	12.4	12.9	-2.9	0.93
	Annuity Growth & Income Model						-1.2	11.9	2.9	11.3	9.3	1.2	0.69
	Annuity Income Model						0.4	8.4	2.0	8.5	8.0	4.3	0.27
9067	FLRQC	Fid VIP Asset Manager	Allocation		13.95	Hold	-0.6	9.8	3.2	6.6	8.6	1.8	0.69
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		13.26	Hold	-1.0	11.8	4.3	6.9	9.2	-0.0	0.96
9069	FJBAC	Fid VIP Balanced	Allocation		14.63	OK to Buy	-0.7	12.9	3.5	11.1	11.1	2.3	0.90
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	14.27	OK to Buy	-1.0	18.8	4.5	16.5	19.1	4.4	1.18
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	14.73	Hold	-0.9	13.4	0.8	17.0	12.9	5.9	0.77
9065	FPDFC	Fid VIP Contrafund	Large Growth		13.97	Hold	-1.8	14.1	3.0	12.8	12.2	-0.7	1.08
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		11.04	Hold	-1.3	13.0	4.2	12.5	15.7	0.6	1.32
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		14.26	Buy	-1.7	18.3	3.3	14.4	15.9	-0.6	1.12
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.73	OK to Sell	-0.1	7.2	4.5	0.5	3.1	--	1.41
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	14.65	Hold	-2.1	4.6	4.9	0.6	8.0	-3.8	1.66
9061	FLOLC	Fid VIP Equity-Income	Large Value		12.30	Buy	-0.3	15.7	4.7	16.9	12.5	-1.5	1.06
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	7.10	Buy	2.0	23.9	6.6	16.6	2.7	-10.0	1.52
9157	FMPAC	Fid VIP FundsManager 20	Allocation		12.76	Hold	-0.3	4.8	0.9	4.6	5.2	2.8	0.23
9158	FMPBC	Fid VIP FundsManager 50	Allocation		12.44	Hold	-0.7	8.3	2.1	7.2	7.7	1.4	0.56
9197	FMPPC	Fid VIP FundsManager 60	Allocation		11.14	Hold	-0.8	9.4	2.6	8.1	8.4	--	0.67
9159	FMPCC	Fid VIP FundsManager 70	Allocation		11.79	Hold	-0.9	10.5	3.0	8.9	8.9	-0.3	0.79
9160	FMPDC	Fid VIP FundsManager 85	Allocation		11.15	Hold	-1.2	11.1	3.3	9.3	9.2	-1.8	0.96
9062	FMNDC	Fid VIP Growth	Large Growth		12.99	Buy	-4.0	13.0	1.2	10.5	15.5	-2.2	1.18
9070	FLFNC	Fid VIP Growth & Income	Large Blend		13.14	Buy	-1.2	16.5	4.5	18.5	13.4	-0.9	1.05
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		12.99	Buy	-5.3	15.9	1.5	11.4	17.6	-2.3	1.23
9078	FPVDC	Fid VIP Growth Stock	Large Growth		14.09	OK to Buy	-2.6	16.1	3.6	11.6	15.4	1.0	1.11
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		11.25	OK to Sell	-1.9	7.4	3.1	2.9	11.2	-4.6	1.32
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	16.18	Buy	-2.6	19.0	6.0	22.9	18.6	5.5	0.92
9060	FBBLC	Fid VIP High Income	High-Yield Bond		16.24	Buy	0.7	11.8	2.8	11.7	11.0	6.9	0.45
9064	FXVLT	Fid VIP Index 500	Large Blend		13.05	Hold	-1.9	14.0	2.8	14.8	12.9	0.1	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	16.82	Buy	-0.5	13.5	4.2	14.1	16.9	2.7	1.36
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	11.65	Buy	0.4	17.8	5.9	11.4	8.2	-3.7	1.41
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		14.71	Buy	0.2	5.4	0.6	6.3	6.7	6.5	0.16
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	14.40	Buy	-1.2	14.7	6.4	12.8	15.8	4.2	1.59
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		14.72	OK to Buy	-1.3	10.6	2.9	5.1	10.7	0.2	1.04
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.42	--	-0.1	-0.2	-0.1	-0.2	-0.1	0.7	0.00
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	11.36	OK to Sell	-0.3	13.4	5.8	5.3	3.8	-6.6	1.41
9072	FFWKC	Fid VIP Real Estate	Sector		15.39	Hold	-0.9	14.5	-1.9	16.1	22.9	2.5	1.28
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		16.41	Buy	0.2	8.5	2.2	8.2	8.0	7.5	0.30
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	16.74	Buy	-5.4	14.3	2.0	6.8	14.4	2.1	1.38
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	10.33	OK to Buy	-2.3	17.7	2.0	20.4	15.0	-1.2	0.97
9087	FRRRC	Fid VIP Utilities	Sector	1.00%/60d	15.90	OK to Buy	1.4	9.0	-0.1	12.7	14.6	-0.0	0.68
9079	FKMSC	Fid VIP Value	Mid Value		12.15	Buy	0.0	17.6	6.1	18.9	14.1	-1.3	1.17
9080	FUEBC	Fid VIP Value Leaders	Large Value		9.79	OK to Sell	-1.1	11.0	6.0	10.0	6.3	-5.8	1.18
9073	FRBSC	Fid VIP Value Strategies	Mid Value		13.27	Buy	0.5	20.9	6.9	19.8	15.2	-0.6	1.32
9285	FIGXC	V.I. Global Core Eqty ⁷	Global Stock		8.58	OK to Sell	-0.3	6.8	5.7	3.2	3.2	-7.0	1.17
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		14.78	OK to Sell	-0.9	14.6	4.4	7.2	7.4	-0.7	1.40
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		16.97	Buy	0.4	14.4	3.2	14.4	10.7	7.9	0.49
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		12.64	OK to Sell	-0.2	13.6	5.9	6.0	6.3	-5.9	1.30
9146	FPRPC	Morgan Stanley Gib Tactical Alloc	Diversified Int'l		10.25	Hold	-0.7	10.6	4.5	8.5	5.5	-5.0	1.03
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.33	Buy	0.2	5.3	1.3	5.3	3.9	--	0.17
9277	FPNBC	Pimco VIT Real Return	TIPS		13.41	Hold	0.6	8.4	1.4	9.1	9.5	--	0.31
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		12.27	Buy	0.2	8.7	1.6	9.3	6.7	--	0.20

Annuity Model Portfolios

Rel Vol: 1.25

Rel Vol: 0.93

Rel Vol: 0.69

Rel Vol: 0.27

Annuity Sector	
Fund	Allocation
VIP Technology	34%
VIP Health Care	20
VIP Materials	18
VIP Industrials	15
VIP Financial Svcs	13
Total Return:	
Oct: -2.4% YTD: 14.6%	

Annuity Growth	
Fund	Allocation
VIP Growth Opps	31%
VIP Strategic Income	25
VIP Value Strategies	24
VIP Equity-Income	20
Total Return:	
Oct: -1.6% YTD: 14.7%	

Annuity Growth & Income	
Fund	Allocation
VIP Strategic Inc	26%
VIP Growth Opps	23
Pimco Low Duration	18
VIP Value	18
VIP Equity-Income	15
Total Return:	
Oct: -1.2% YTD: 11.9%	

Annuity Income	
Fund	Allocation
VIP Investment Grade	32%
VIP Strategic Income	31
VIP High Income	22
MS Emerg Mkt Debt	15
Total Return:	
Oct: 0.4% YTD: 8.4%	

VISUALIZING BOND FUND RISK

		Credit Risk					
		Lower		Higher			
Interest Rate Risk	Higher	Sptn Long-Term Treas Idx (2.4%)	Note: The scale in this matrix can be misleading as, for example, Spartan Long-Term Treasury (left) is about 2.5 times more interest-rate-sensitive than Spartan Intermediate (below left).			Higher	
		Sptn Intern Treas Idx (1.0%)		Corporate Bond (2.2%) New Mkts Inc (4.0%)			
		Sptn Inflation-Prot Idx (-0.2%) Inflation-Prot (-0.4%) Gov't Inc (1.2%)	Global Bond (1.6%) Invest Grade (1.9%) Sptn US Bond Idx (1.6%) Total Bond (2.1%)	Strategic Inc (3.2%) Int'l Bond (1.5%)	Global High Inc (4.7%) Capital & Inc (5.0%)		Interest Rate Risk
		Intern Gov't Inc (0.6%) Sptn Short-Term Treas Idx (0.2%) GNMA (2.2%)	Intermediate Bond (1.4%)		Focused High Inc (3.9%) High Inc (4.9%) Floating Rate High Inc (3.0%)		
	Lower	Mtge Secs (2.1%) Cash Reserves (0.01%)	Short-Term (0.6%) Conservative Inc (0.4%)	Ultra-Short (0.3%)			Lower
		Lower		Higher			

Above are the relative credit and interest-rate risk characteristics of Fidelity's taxable bond funds, plus their high-yield offerings. US investment-grade taxables appear in **green**, US/foreign high-yield funds in **red**, and foreign investment-grade funds in **light blue**. **Cash Reserves** (in **black**) is a "riskless" money market fund and is shown for a point of reference.

As you can see, the funds' 30-day SEC yields (shown in parentheses) generally rise as investors are rewarded for assuming added risk.

However, today's minuscule Treasury yields remain a function of investors' multi-year "flight to quality."

Driving yields down to historic lows (yields move in the opposite direction of price) has arguably created a "bubble." That means investors are no longer being adequately rewarded (yield-wise) for taking greater interest-rate-risk relative to higher-yielding corporates. (Notwithstanding Treasury bonds' unprecedented downgrade last year from

AAA to AA+, the perception remains that there's still essentially no credit risk — and we agree.

However, all five Treasury index funds are sensitive to interest rates. In the case of the inflation-linked (TIPS) funds, their negative yields are a telltale sign that their inflation protection is pricey. But, in fact, such bonds have fared very well since 2009, as spiraling budget deficits have spooked inflation hawks into buying TIPS. (We rate **Inflation-Protected Bond** and the new **Spartan Inflation-Protected Index** funds *Hold*.)

Finally, **Conservative Income's** credit risk comes from corporate bonds - many foreign - though its interest-rate risk is minimal. While its duration matches Ultra-Short Bond, its 0.7-year weighted average maturity is half as great, suggesting that its interest-rate-risk isn't significantly higher than a money market. [Note: VIP (annuity) funds typically have the same risk characteristics as their similarly named retail funds shown above.] ■

Questions & Answers

There were a few reader's questions I didn't have room to answer last month, and another good one came along in October. Let us know if you like this column; it might become a regular feature in the future.

— Jack Bowers

Is a major inflation problem brewing?

Q: Will the latest actions by the Fed devalue our dollar? Is it time to think about inflation hedges?

S.P. — via email

A: Many investors think that the Fed is stoking a big inflation problem, but the numbers suggest otherwise. If you add up all public and private assets controlled by US citizens and the government, it's \$80-100 trillion. Over the last 4 years, the Fed has added about \$3 trillion to its balance sheet. The resulting dilution of the dollar amounts to about 1% per year. That's hardly the stuff that hyperinflation is made of.

Creating a serious inflation problem requires too much money chasing too few goods and services. Inflationary surges in the past have almost always involved fast-rising wages or robust borrowing demand. These conditions simply don't exist today. Unemployment would have to drop a lot lower for rising wages to become a problem, and boomers would have to stop paying down debt and saving ahead of retirement for borrowing demand to pick up. For the next decade or two, we just aren't likely to see much change.

While it's conceivable that rising food and energy costs might become the main driver of higher prices, those two factors account for less than 20% of Consumer Price Index, so they don't move the inflationary needle all that much. So it's hard to envision a repeat of the mid- to late-1970s, when surging oil prices were a big problem.

Q&A *cont'd on page 12*

Today's U.S. economy uses far less energy to produce a comparable dollar of GDP, and at the same time we're rapidly becoming less dependent on high-cost foreign energy.

Is the "Fiscal Cliff" a serious threat?

Q: *I keep hearing the economy will go back into recession when tax breaks expire at the end of the year. Should I take defensive measures?*

R.C. - via phone

A: Probably not. First of all, today's stock prices already reflect the expiration of the payroll tax cuts (the average worker will see a \$1,000 rise in their Social Security payment), along with the possibility that the Bush-era tax cuts may not be extended for those in the upper tax brackets. (In the September report, we showed three possible scenarios for changes to the federal tax brackets versus the current 2012 scheme.)

Second, regardless of the election outcome, there's a good chance that both parties will work together on a budget solution. November's winners will not want to see the economy go down on their watch, so the incentive to put a reasonable plan in place will be strong. Of course, if an agreement isn't reached (that resulted in a Treasury downgrade in 2011), the response may be so negative that one would emerge shortly thereafter.

Finally, consumers are feeling more optimistic, and their willingness to spend may not change much even if taxes rise. (Falling energy prices could help.) And for some, the hit won't even be noticed until early 2014, when they get ready to file their 2013 returns. ■

YEAR-END DISTRIBUTIONS

With stocks rebounding off their 2008 lows, many equity funds have now exhausted their bear-market tax-loss carry-forwards. This means that in taxable accounts only (it's a non-issue in tax-deferred retirement accounts), year-end capital gains distributions may be a concern for you. (If 2013 is another strong year of returns, distributions will become a far more significant matter.)

While we'll let you decide for yourself if paying more taxes is indeed a "patriotic" act, this much we know: we'd rather pay taxes on gains than pay no taxes on losses!

So that's the good news.

As we've examined Fidelity's forthcoming distributions, they're modest (with some exceptions), but you should still try to avoid "buying" one in a non-retirement account. In other words, if you see that a fund is about to go "ex-dividend" (most will do so in December) postpone your purchase as all you'll get for your trouble is a tax bill without having benefitted from the fund's gains.

Remember, you can never make money buying a fund distribution!

For a preliminary look at 2012's distributions and related information, please check our website:

www.fidelitymonitorandinsight.com

Inside Fidelity

Fund Closings — As we've said they would, **Fifty, Tax Managed Stock** and **130/30 Large Cap** were closed to new investors. Other closed funds include **Growth Company** and **Mid Cap Growth** — the latter having closed in June of this year.

Manager Posting — And speaking of **Mid Cap Growth** (which we've downgraded to *OK to Sell*), Eddie Yoon now runs that fund's health care sector sleeve, taking over from Patrick Venanzi. Fidelity's choice is a good one as Yoon has been doing a good job running **Select Health Care** and **Select Medical Equipment**. (We continue to rate the former *OK to Buy* and the latter *Hold*.)

As for Venanzi, he continues to manage **Small Cap Growth** (which we've downgraded to *OK to Sell* — see p. 3) and co-manage the health care portions of **Stock Selector**, **Stock Selector Small Cap** and **Small Cap Opportunities**, though he drops **Stock Selector Mid Cap**. ■

DIVIDEND UPDATE

Other than monthly dividends on bond and money market funds, and Asset Mgr: 20%/30%, no funds are expected to pay dividends and/or capital gains in November.

The final distributions for October were as follows:

Fund	Ex-Date	\$ Amt	NAV
Equity-Income	10/5	0.310	47.84
Growth & Income	10/5	0.092	21.59
Gov't Income	10/5	0.292	10.63
Convertible Secs	10/5	0.188	25.05
Telecom and Util	10/5	0.132	19.18
Asset Mgr 50%	10/5	0.058	16.47
Equity Div Inc	10/5	0.109	20.03
Export and Multi	10/5	1.115	23.32
MD Muni Inc	10/5	0.008	11.69
AZ Muni Inc	10/5	0.012	12.22
Intmd Gov't Inc	10/5	0.192	10.89
Spartan 500 Index	10/5	0.272	51.78
Strategic Div & Inc	10/5	0.071	12.43
Strategic Real Ret	10/5	0.036	9.81
Asset Mgr 40%	10/5	0.038	10.13
Global Equity Inc	10/5	0.045	10.38
Puritan	10/12	0.318	19.51
Balanced	10/12	0.087	20.09
Sp US Bond Index	10/12	0.073	11.96
Total Bond	10/12	0.281	11.04
Corporate Bond	10/12	0.056	11.51
Stk Sel All Cap	10/22	0.206	28.13

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