

# FIDELITY MONITOR & INSIGHT

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MESSAGE FROM JACK

## Second Wind For Active Funds

With outflows from active funds subsiding, the performance of Fidelity's large-cap growth funds has picked up — much as it did in 1999 following the indexing craze of 1996-1998. Does this mean we can look forward



Jack Bowers

to Fidelity growth funds regularly outperforming the S&P 500, much like decades past? There's no way to know for sure, but the evidence is encouraging:

- Strategies that become too popular tend to disappoint, and indexing gets no hall pass. When markets are dominated by large flows into cap-weighted indexes, value stocks get propped up, growth stocks get held back, and the values of large stocks get inflated at the expense of smaller stocks.

- Today's surviving active managers, which are fewer in number compared with five years ago, are the cream of the crop. Today their funds are smaller and more nimble, and they are also seeing a heightened range of opportunities.

- We are entering an age where technology disruption (driven by powerful AI software) may benefit a relatively small number of companies at the expense of the majority. This is probably not an environment that will reward index strategies. Often, disrupter firms are not even admitted to the S&P 500 until they are close to realizing their full potential.

- Some stocks now have more than 30% of their float held by passive funds and ETFs, making them more volatile than stocks with higher levels of active ownership. If passive ownership ever reaches excessive levels, some stocks might be prone to flash-crash behavior, causing volatility to mushroom among index vehicles. Imagine defecting to active funds to get volatility back under control!

- Index diehards are falsely convinced that fund expenses are the *only* thing that matters, when in fact it's one of many factors determining performance. So, if active large-cap growth funds continue to do well, passive investors may stay in denial for a long time, allowing active managers to stay focused and light on their feet — even as their fund assets grow from investment gains.

MARKET OUTLOOK

## Strong Data Boost Stocks

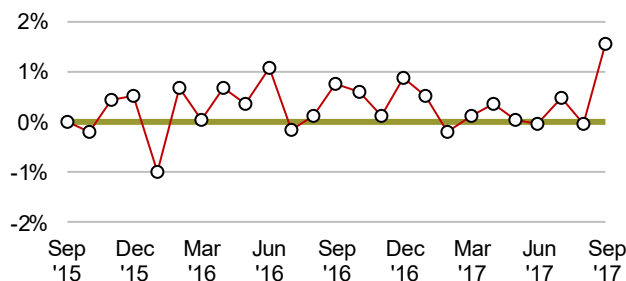
So much for a scary October! The S&P 500 tacked on another 2.3% without much fuss. If it seemed to be an uninterrupted march higher, that's because it essentially was, with gains on nearly 70% of the 22 trading days last month. And even the down days were modest, with the worst decline being a mere 0.5%.

Pushing stocks higher were a wide array of better-than-expected economic reports (mostly for September) that came out last month. Retail sales were up 1.6% — the biggest monthly gain since March of 2015 — and were 4.3% higher than



John M. Boyd

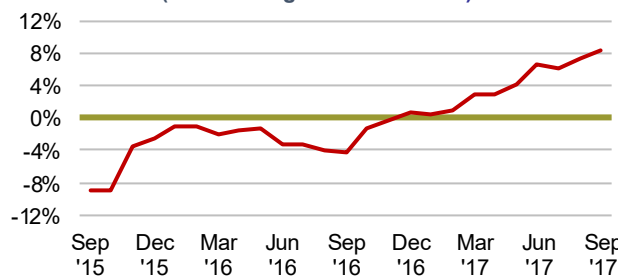
Total Retail Sales M/M % Change



a year ago. Moreover, the Conference Board's index of consumer sentiment (a predictor of future retail sales) hit its highest reading since December 2000!

Durable goods orders rose 2.2% and the year over year change in the four week moving average (to smooth out this often volatile measure) was a robust 8.4%.

Durable Goods Orders (Y/Y% Change in 4-Month MA)

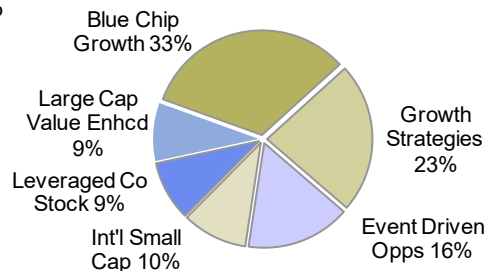


Industrial production bounced back from a hurricane-induced -0.7% to a modest 0.3% gain. However, several

**Unique Opportunities** Target Risk: 1.20 (Current: 1.06) Foreign Holdings: 18.0% **YTD Return: 18.6%**

Stocks: 98.1% Bonds: 0.0% Cash: 1.9% Alternatives\*: 0.0% Yield: 0.3%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
Blue Chip Growth	FBGRX	\$87.42	1,973.23	\$172,500	4.3%
Growth Strategies	FDEGX	39.81	3,073.70	122,364	2.9
Event Driven Opps	FARNX	14.56	5,803.60	84,500	1.0
International Small Cap	FISMX	29.77	1,774.23	52,819	1.5
Leveraged Co Stock	FLVCX	33.72	1,444.29	48,701	2.7
Large Cap Value Enhcd	FLVEX	13.04	3,631.57	47,356	1.0
<b>Current Value (3/31/99 = \$100,000)</b>				<b>\$528,240</b>	<b>2.7%</b>

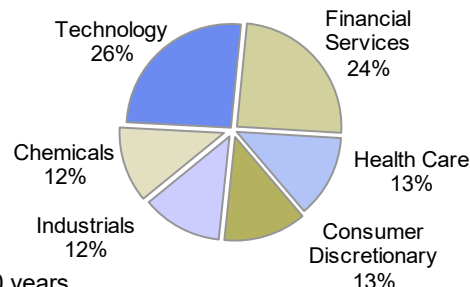


For aggressive members who have no need for income or principal for more than 10 years,

**Select** Target Risk: 1.20 (Current: 1.20) Foreign Holdings: 10.6% **YTD Return: 20.2%**

Stocks: 98.9% Bonds: 0.0% Cash: 1.2% Alternatives\*: 0.0% Yield: 0.4%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
Technology	FSPTX	\$189.94	5,171.53	\$982,280	7.0%
Financial Services	FIDSX	111.61	8,359.62	933,017	3.1
Health Care	FSPHX	228.61	2,153.69	492,356	-1.7
Consumer Discretionary	FSCPX	39.97	12,244.66	489,419	2.9
Industrials	FCYIX	35.74	13,270.18	474,276	1.4
Chemicals	FSCHX	184.89	2,434.44	450,104	5.0
<b>Current Value (12/31/88 = \$100,000)</b>				<b>\$3,821,453</b>	<b>3.4%</b>

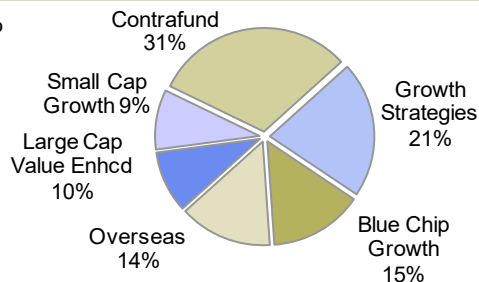


For aggressive members who have no need for income or principal for more than 10 years.

**Growth** Target Risk: 1.00 (Current: 0.99) Foreign Holdings: 18.4% **YTD Return: 20.4%**

Stocks: 98.5% Bonds: 0.0% Cash: 1.5% Alternatives\*: 0.0% Yield: 0.5%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
Contrafund	FCNTX	\$126.93	6,439.36	\$817,347	4.7%
Growth Strategies	FDEGX	39.81	14,010.10	557,742	2.9
Blue Chip Growth	FBGRX	87.42	4,363.78	381,482	4.3
Overseas	FOSFX	50.18	7,538.15	378,265	1.2
Large Cap Value Enhcd	FLVEX	13.04	19,417.91	253,210	1.0
Small Cap Growth	FCPGX	24.72	9,935.50	245,605	3.1
<b>Current Value (12/31/86 = \$100,000)</b>				<b>\$2,633,651</b>	<b>3.2%</b>

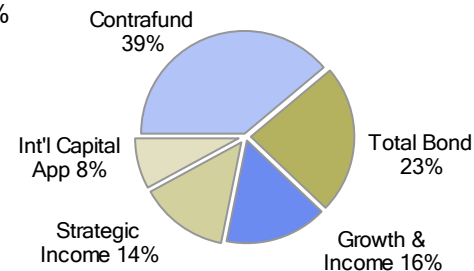


For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years.

**Growth & Income** Target Risk: 0.66 (Current: 0.69) Foreign Holdings: 17.9% **YTD Return: 14.6%**

Stocks: 62.2% Bonds: 22.9% Cash: 1.3% Alternatives\*: 13.6% Yield: 1.3%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
Contrafund	FCNTX	\$126.93	2,053.44	\$260,644	4.7%
Total Bond	FTBFX	10.67	14,666.65	156,493	0.1
Growth & Income	FGRIX	36.06	2,973.83	107,236	0.6
Strategic Income	FSICX	11.15	8,361.38	93,229	0.3
Int'l Capital App	FIVFX	21.06	2,537.29	53,435	2.4
<b>Current Value (12/31/93 = \$100,000)</b>				<b>\$671,038</b>	<b>2.1%</b>

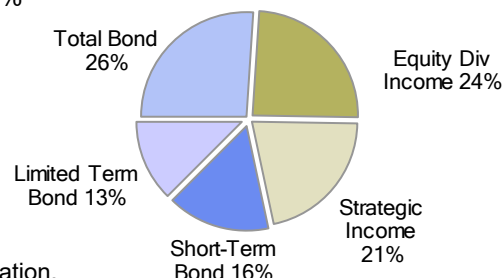


A good choice for members retiring in 5-10 years looking for less volatility than the market.

**Income** Target Risk: 0.33 (Current: 0.33) Foreign Holdings: 15.8% **YTD Return: 5.3%**

Stocks: 23.9% Bonds: 54.7% Cash: 1.8% Alternatives\*: 19.6% Yield: 2.3%

Holdings	Ticker	NAV	Shares	Value	Oct Ret
Total Bond	FTBFX	\$10.67	9,752.78	\$104,062	0.1%
Equity Dividend Income	FEQTX	28.81	3,364.77	96,939	0.7
Strategic Income	FSICX	11.15	7,678.67	85,617	0.3
Short-Term Bond	FSHBX	8.61	7,321.55	63,039	0.0
Limited Term Bond	FJRLX	11.52	4,360.08	50,228	0.1
<b>Current Value (12/31/91 = \$100,000)</b>				<b>\$399,885</b>	<b>0.2%</b>

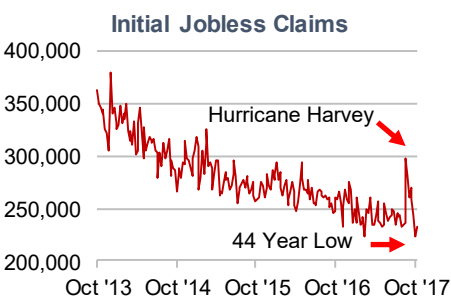


For members needing income and protection of their purchasing power against inflation.

surveys of regional manufacturing activity showed very impressive strength (Philadelphia, Kansas City and Empire State). In addition, the ISM Manufacturing Index hit a 13-year high (and the second highest reading in 30 years!) all of which may argue for better gains ahead.



The employment picture remains bright with over 6 million job openings for each of the past three months. New claims for unemployment hit a 44-year low last month.



The level of ongoing claims continues to steadily move lower from 2.5 million at the start of the year to 1.6 million by mid-October.

In sum, you had to look far and wide to find any data that didn't suggest the economy was improving. Despite Harvey and Irma, the first estimate of third-quarter GDP growth came in at 3.0%, down only slightly from the second-quarter's 3.1% pace. That is the best six month stretch since mid-2014.

We may, however, see the impact of those hurricanes on third quarter corporate earnings, as insur-

## FUNDS YOU SHOULD BUY NOW

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

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

**International:** **Overseas**, **Int'l Cap App** and **Int'l Small Cap** are lower-risk approaches to developed (and some developing) equity markets.

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

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

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

ers' earnings estimates are now being marked down. That said, I still expect earnings growth in the high single digits.

### Bear Conditions Not In Place

The longer this advance goes on, the more investors worry that it must soon be over. However, as I have pointed out before, the fundamentals underpinning stocks are solid and the major conditions for a new bear market are not in place. For one, you don't typically get a bear market without a recession and a decline in corporate earnings. But, as noted, the economy is solid and getting stronger and corporate earnings are still growing solidly (and not just here but worldwide).

Another triggering factor for a bear is a significant and rapid removal of liquidity. While the Fed is starting to reduce its supply of bonds, the path will be quite gradual. Moreover, other central banks are still injecting liquidity, if at a somewhat slower pace. Similarly,

future Fed rate hikes are also likely to be gradual and modest.

While stock valuations reach extremes before a bear market begins, they are notoriously poor as a timing device, as stocks can remain "overvalued" for a long time. One measure of valuation that many quote to say the market is ready to crash is the Shiller CAPE. It "shows" that stocks are as overvalued now as in 1929 and the end of the dot-com bubble. But as Richard Bernstein of the eponymous Richard Bernstein Advisors pointed out recently, if you adjust that measure for the current interest rate environment, stocks are in line with average valuations, not extremes.

Lastly, bear markets typically begin when investor euphoria is extreme. While I do think investors are finally starting to "trust" this advance somewhat (AAII investor sentiment has returned to average bullishness), we are a long way from the kind of blind faith we see at tops. ■

— John M. Boyd

### Model Portfolios Key:

<sup>1</sup>Alternative 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.

## 28 Funds You've Never Heard Of

You may not know about them, but tucked inside a fund you may own may be one or more of Fidelity's many actively managed Central Funds.

Central Funds are used exclusively by Fidelity fund managers to quickly and cost-effectively gain exposure to a variety of market segments; they are proprietary to Fidelity and unavailable to the public. Why are they used? If managers want to park some assets in "cash," for example, or quickly increase their exposure to tech stocks, emerging market debt, floating-rate notes, or pretty much anything else, there are now more than two dozen targeted Central Funds at their disposal.

To be clear, Central Funds are not index funds; they are actively managed by many of the same individuals (and teams) who oversee their open-end counterparts. For example, Eddie Yoon runs both the \$7 billion **Select Health Care** and the \$2.2 billion Health Care Central funds. Likewise, Fred Hoff is at the helms of **High Income** and High Income Central 2 (their assets are \$4.4 billion and \$829 million, respectively).

While Central Funds have barely perceptible management fees (ranging from about 0.001% to an atypical 0.048% for Emerging Markets Equity Central), fees are waived for the Fidelity funds that own them. This avoids a duplication of expenses. And, somewhat like ETFs (which are also used by some Fidelity funds), Central Funds enhance liquidity, meaning their ability to get into and out of various markets. This is especially helpful in managing a fund's cash, which changes daily as shares are bought and sold.

### Five Largest Central Funds

(in \$bils)

Cash Central	43.7
Securities Lending Cash	24.2
Mortgage Backed Secs	6.5
VIP Investment Grade	4.9
Information Tech	3.7

As investors have become more fee-focused (see p. 1), Fidelity has sought to maintain its industry edge as a low-cost provider of both actively-run funds and of index funds. To that end, Central Funds have become, well, central to Fidelity's fee advantage. Notably,

Central Fund assets have more than doubled since 2010 to \$108 billion, up from \$52 billion. (The number of Central Funds has grown by only two to 28.) Where the greatest growth has occurred is in Fidelity's arsenal of five money market central funds. Seven years ago, they domiciled "only" \$23 billion in assets. Today that figure more than tripled to \$73 billion!

### Some History

Launched in 1996, Cash Central was Fidelity's first Central Fund. The innovation proved a vastly superior way for managers to handle their cash flow without having the distraction of buying a myriad of individual short-term securities such as Treasuries, repurchase agreements and CDs. Today, almost all of Fidelity's non-money market funds use one of their five "Cash Central" offerings and sometimes others.

While Central Funds are typically used sparingly by most funds, they are used exclusively by the seven iterations of the **Asset Manager** funds (20% thru 85%). **Asset Manager 50%** (the biggest with \$8 billion in assets), holds 14 Central Equity funds, three high-yield, two bond and three money market central funds. (It also holds a smattering of iShares!) Four central funds are also held by **Balanced** whereas **Puritan** uses three.

Because of their shared oversight, Central Funds provide no apparent performance advantage relative to their retail counterparts. In the end, their real value is in streamlining portfolio management and controlling costs. ■

## JACK'S SECTOR OUTLOOK

### Disruption Drives Sector Rating Changes

I've taken a fresh look at our sector ratings in light of long-term technology disruption trends. Along the way I attempted to answer questions such as "How will Artificial Intelligence (AI) software reshape the consumer and financial sectors?" "Will the combination of low-cost electric drivetrains, self-driving software, and ride-sharing cause new car sales and oil prices to fall by half in ten years?" "How soon will airlines see competition from high-speed underground hyperloops and supersonic rockets?" "What will happen to electric utilities when all big commercial users of electricity can generate their own power at a fraction of grid costs?"

While these are all tough questions to answer, I'm more convinced than ever that technology disruption will continue to play a major role in setting stock prices (good news for active management). Following is my thinking behind the latest sector rating changes:

- **Communications Equipment** (*OK to Sell*). Facebook and Alphabet are disruptors in this segment. Both are attempting to drive down the cost of 5G equipment.

- **Defense and Aerospace** (*OK to Buy*). Elon Musk, majority owner of SpaceX, is a disruptor here. He now aims to make rocket launches cheap and safe enough to offer supersonic flights between major global cities. His new Boring Company may compete in a different way by making underground travel fast and cheap.

- **Energy Service and Natural Gas** (*OK to Sell*). Disruptive shale well technology is giving deep water drillers a run for their money, and even with increasing LNG exports, the U.S. natural gas glut may be here to stay.

Sector Outlook *cont'd on page 8*

FUND COMMENTARY

## Economy And Earnings Lift Shares

It's beginning to look a lot like Christmas. Well, if not Christmas, certainly last February, when all three of the equity market's major indexes also scored such sizeable gains. Back then, we said, "improving economic fortunes and improving corporate earnings" were the market's primary performance-drivers. And, it's worth noting, investors were still giddy at that point that a newly inaugurated President Trump would deliver on his pro-business platform: infrastructure spending, health care reform and tax cuts. While some investors may still be betting on the latter, the bigger threat to this bull market may be the Fed hiking rates too fast, rather than a lack of fiscal stimulus (tax cuts).



John Bonnanzio

### More Record Closes

Virtually every day last month, the most familiar large-cap stock gauges ended at record-high levels. This occurred even as volatility remained at historically subdued levels. (The Dow, for example, just logged its longest stretch — 51 days — without so much as a full 1% intraday move.) In fact, one volatility gauge, the VIX, is below 10, versus its long-term average of 20. That we are in the midst of one of longest sustained periods of "quiet" adds to the allure of stocks.

Then again, what's not to like?

Last month the Dow soared 4.4% while the S&P 500 gained a none-too-shabby 2.3%. For its part, the Nasdaq Composite rose 3.6% as tech stocks generally, and chip stocks in particular, took flight. It's also worth noting that on October 27, Amazon shares soared over 13% and Alphabet and Microsoft 5% and 6%, respectively. Why? They each

beat analyst's earnings expectations. Separately, the small-cap Russell 2000 rose a modest 0.8% last month, whereas mid-caps rose 1.7%.

### Equity Funds

Thanks to large-cap tech stocks, last month, many of Fidelity's most popular growth funds enjoyed out-sized gains. **Contrafund** and **Growth Company** rose 4.7% and 4.1%, respectively, and **Blue Chip Growth** gained 4.3%. And while less widely owned, a 40% stake in tech stocks powered **Focused Stock** (up 5.6%) to the top of the performance charts.

**OTC** (up 3.9%) beat its benchmark but underperformed relative to its peers as biotech shares retreated (**Select Biotech** fell 5.9%). Notably, OTC holds about 50 biotech stocks which account for 11% of its assets.

### Select Funds

Tech and economically sensitive cyclicals (such as **Chemicals** and **Materials**, up 5.0% and 4.5%, respectively) fared particularly well last month. And even **Insurance** (up

3.3%) held its own in the face of unprecedented hurricane and fire damage across the U.S. Still, a number of sectors (apart from biotech) struggled. As oil prices rebounded more than 6%, **Transportation** (down 1.2%) skidded. Far worse were **Energy Service** (see Rating Changes below) and **Natural Gas**, which dropped 8.6% and 2.9%, respectively.

### International Funds

Even with the U.S. dollar appreciating 1.7% last month, Fidelity's unhedged foreign stock funds still performed well. Among the strongest were those with emerging market and Japanese stock exposures. For example, **Emerging Asia** (up 6.7%) fared especially well, as did **Pacific Basin** (up 5.6%). For its part, **Japan** gained a robust 5.7%. On the other hand, **Latin America** stayed true to its volatile reputation: up 4.3% in September, it fell 4.3% in October.

Note: For an update on bonds, see p. 11. ■

— John Bonnanzio

November Scorecard Rating Changes				
Fund	Ratings			Comments
	Old	New		
Fidelity Fund	S	H	↑	Right sector mix helping to improve performance.
Core Dividend	B	H	↓	Presently prefer Dividend for Rising Rates.
Europe	<b>B</b>	B	↓	German auto exports could weaken, weighing on growth.
Gbl Commodity Stk	S	H	↑	GDP growth positive for agriculture, energy, metals.
High Income	<b>B</b>	B	↓	Yield spread over investment-grade has narrowed.
Japan	B	<b>B</b>	↑	Political stability and export growth should boost stocks.
Japan Smaller Cos	B	<b>B</b>	↑	Political stability and export growth should boost stocks.
MSCI Consum Disc	<b>B</b>	B	↓	Tech disruptor weighting lags its Select twin (see p. 4).
MSCI Inform Tech	<b>B</b>	B	↓	Tech-user segment lacks disruption exposure (see p. 4).
MSCI Utilities	S	<b>S</b>	↓	Rise in large-scale battery storage may hurt producers.
Sel Commun's Equip	H	S	↓	Spending on telecommunications equipment is flat.
Sel Defense & Aero	<b>B</b>	B	↓	After years of market gains, valuations are stretched.
Sel Energy Svc	H	S	↓	Capital-intensive deep-water drilling activity in decline.
Sel IT Services	B	<b>B</b>	↑	Growth potential from PayPal & other tech services.
Sel Materials	<b>B</b>	B	↓	Chemicals sector is the better bet.
Sel Natural Gas	H	S	↓	Glut of supply may persist.
Sel Pharmaceuticals	B	H	↓	Gene editing therapeutics threaten Big Pharma.
Value	B	H	↓	We prefer the less volatile Mid Cap Value fund.
VIP High Income	<b>B</b>	B	↓	Yield spread over investment-grade has narrowed.

**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, 2017

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)				Rel Vol (Risk) <sup>1</sup>		
						Oct	YTD	3 Mo.	1 Yr	3 Yr	5 Yr	10 Yr			
Comparative Indexes		S&P 500		2575.3		2.3	16.9	4.8	23.6	10.8	15.2	7.5	1.00		
		Nasdaq Composite		6727.7		3.6	26.1	6.3	31.1	14.6	19.2	9.6	1.25		
		Dow Jones Industrials		23377.2		4.4	20.6	7.4	32.1	13.2	15.1	8.1	1.08		
		Russell 2000 (Small Caps)		1502.5		0.8	11.9	5.8	27.8	10.1	14.5	7.6	1.40		
		Barclays Aggregate Bond*				0.0	2.9	0.3	0.6	2.2	1.8	3.9	0.29		
Model Portfolios		Unique Opportunities				2.7	18.6	4.8	27.8	9.8	14.0	6.0	1.06		
		Select Growth				3.4	20.2	7.4	27.1	11.8	16.6	8.3	1.20		
		Growth & Income				3.2	20.4	6.3	27.6	10.0	13.0	5.8	0.99		
		Income				2.1	14.6	3.7	18.2	8.2	10.9	5.6	0.69		
											Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)			
<b>LARGE CAP GROWTH</b>						<b>Category Averages</b>			<b>3.7</b>	<b>25.8</b>	<b>6.9</b>	<b>29.8</b>	<b>11.7</b>	<b>16.6</b>	<b>1.16</b>
312	FBGRX	Blue Chip Growth		87.42	Buy	4.3	32.5	7.2	34.1	13.6	18.7	1.20	\$17,282		
307	FDCAX	Capital Appreciation		37.90	Hold	2.2	19.6	5.5	25.9	8.1	14.3	1.18	5,158		
22	FCNTX	Contrafund		126.93	Buy	4.7	29.8	7.3	31.2	13.2	16.5	1.01	89,363		
3	FFIDX	Fidelity Fund		44.92	Hold↑	3.5	20.0	7.6	23.9	10.2	14.0	1.01	4,105		
333	FTQGX	Focused Stock		23.48	Hold	5.6	27.9	8.8	27.4	10.1	14.6	1.11	1,718		
25	FDGRX	Growth Company (Closed)		182.23	Buy	4.1	33.2	7.7	40.2	16.1	19.7	1.32	24,887		
339	FDSVX	Growth Discovery		33.09	Buy	4.1	33.3	7.2	34.4	12.7	17.2	1.09	1,313		
73	FDFFX	Independence		41.07	Hold	3.3	22.7	6.6	27.6	6.8	14.6	1.29	3,528		
1829	FLGEX	Lrge Cap Growth Enhcd Index		18.73	OK to Buy	3.9	21.5	7.8	27.3	11.5	16.1	1.05	972		
2823	FSUIX	Lrge Cap Growth Index <sup>4</sup>		13.00	Hold	3.8	25.1	7.1	29.5	--	--	--	11		
21	FMAGX	Magellan		105.60	Hold	3.4	22.4	7.1	27.4	11.1	16.0	1.09	14,755		
1282	FNCMX	Nasdaq Composite Index		88.90	OK to Buy	3.6	25.9	6.2	30.9	14.5	19.0	1.25	4,828		
300	FMILX	New Millennium		41.62	OK to Sell	2.1	15.5	5.3	22.0	8.9	13.9	1.07	3,230		
93	FOCPX	OTC		108.22	OK to Buy	3.9	35.8	7.1	38.9	16.7	22.5	1.50	13,270		
320	FDSSX	Stock Selector All Cap		44.11	Hold	2.4	21.2	5.4	27.0	10.4	15.1	1.06	7,295		
5	FTRNX	Trend		104.60	OK to Buy	4.1	26.2	6.5	28.9	12.3	16.5	1.11	1,756		
<b>LARGE CAP BLEND</b>						<b>Category Averages</b>			<b>1.6</b>	<b>14.3</b>	<b>4.3</b>	<b>21.3</b>	<b>9.0</b>	<b>14.0</b>	<b>1.05</b>
650	FUSEX	500 Index <sup>4</sup>		90.12	Hold	2.3	16.8	4.7	23.5	10.7	15.1	1.00	3,876		
315	FDEQX	Disciplined Equity		38.96	Hold	2.8	17.3	5.3	22.5	8.7	14.2	1.00	1,267		
330	FDGFX	Dividend Growth		34.40	Hold	1.5	13.4	4.2	18.6	7.4	12.9	0.96	6,013		
332	FEXPX	Export and Multinational		21.26	OK to Sell	1.0	13.4	3.9	19.0	8.9	12.1	0.94	1,501		
27	FGRIX	Growth & Income		36.06	Buy	0.6	10.8	2.9	19.3	8.4	13.6	1.17	6,323		
1827	FLCEX	Lrge Cap Core Enhcd Index		14.47	OK to Buy	2.5	15.9	6.1	23.1	9.3	14.6	1.00	562		
338	FLCSX	Large Cap Stock		32.54	Buy	0.7	12.3	3.3	21.4	8.5	14.8	1.24	5,227		
361	FGRTX	Mega Cap Stock		17.19	Buy	0.9	12.3	3.2	20.0	8.5	13.7	1.16	1,567		
397	FSTMX	Total Market Index <sup>4</sup>		74.77	Hold	2.2	16.4	4.8	23.9	10.4	15.0	1.01	769		
2939	FENSX	U.S. Sustainability Index		10.89	NA	2.3	--	4.6	--	--	--	--	3		
<b>LARGE CAP VALUE</b>						<b>Category Averages</b>			<b>0.6</b>	<b>9.6</b>	<b>1.9</b>	<b>18.4</b>	<b>7.7</b>	<b>12.9</b>	<b>1.02</b>
1271	FBCVX	Blue Chip Value		18.75	Hold	0.5	9.2	0.0	18.5	7.6	13.4	1.05	401		
319	FEQTX	Equity Dividend Income		28.81	Buy	0.7	9.0	2.6	17.0	8.0	12.2	0.94	5,308		
23	FEQIX	Equity-Income		60.93	Buy	1.0	8.9	2.3	16.9	7.6	11.6	0.98	5,436		
1828	FLVEX	Lrge Cap Value Enhcd Index		13.04	Buy	1.0	9.8	3.9	20.1	8.1	14.0	1.04	3,216		
2827	FLCDX	Lrge Cap Value Index <sup>4</sup>		11.84	Hold	0.8	8.7	2.5	17.7	--	--	--	4		
708	FSLVX	Stock Sel Large Cap Value		20.02	Hold	-0.3	7.4	1.8	15.8	6.9	13.0	0.98	1,047		
832	FVDFX	Value Discovery		27.82	Buy	0.3	9.1	0.4	18.6	7.5	13.6	0.97	3,396		
14	FSLSX	Value Strategies		43.62	OK to Buy	0.8	14.4	1.9	22.4	8.0	12.6	1.19	430		
<b>MID-CAP GROWTH</b>						<b>Category Averages</b>			<b>2.9</b>	<b>17.1</b>	<b>5.4</b>	<b>20.0</b>	<b>8.9</b>	<b>15.1</b>	<b>0.98</b>
324	FDEGX	Growth Strategies		39.81	Buy	2.9	17.1	5.4	20.0	8.9	15.1	0.98	2,395		
<b>MID-CAP BLEND</b>						<b>Category Averages</b>			<b>1.8</b>	<b>14.4</b>	<b>4.6</b>	<b>23.1</b>	<b>9.0</b>	<b>14.5</b>	<b>1.08</b>
398	FSEMEX	Extended Market Index <sup>4</sup>		62.71	OK to Buy	1.4	14.3	5.3	25.5	9.5	14.7	1.21	750		
2012	FMEIX	Mid Cap Enhanced Index		15.76	OK to Buy	2.1	12.4	4.7	21.7	8.8	15.4	1.04	1,227		
2349	FSCIX	Mid Cap Index <sup>4</sup>		20.46	OK to Buy	1.6	13.4	3.6	20.8	8.8	14.7	1.04	68		
337	FMCSX	Mid-Cap Stock		38.97	OK to Buy	2.0	15.3	4.7	21.6	9.2	14.4	0.98	5,734		
2412	FSSMX	Stock Selector Mid Cap		40.51	OK to Buy	1.7	16.4	4.8	26.1	8.6	13.3	1.12	534		
<b>MID-CAP VALUE</b>						<b>Category Averages</b>			<b>1.3</b>	<b>12.1</b>	<b>3.3</b>	<b>20.4</b>	<b>7.5</b>	<b>14.0</b>	<b>1.01</b>
316	FLPSX	Low-Priced Stock <sup>5</sup>		52.74	OK to Buy	1.7	15.1	4.7	22.0	8.3	13.4	0.88	29,008		
762	FSMVX	Mid Cap Value		27.33	OK to Buy	1.9	10.3	3.9	19.3	7.1	14.7	1.03	2,298		
39	FDVLX	Value		121.94	Hold↓	0.4	11.1	1.4	19.9	7.3	14.0	1.12	7,347		

**Notes:** \*Fidelity's U.S. Bond Index used as a proxy for the Barclays Aggregate Bond Index. <sup>1</sup>Relative Volatility (Rel Vol) versus the S&P 500 over the last 36 months; 1.50 means the fund has been 50% more volatile. <sup>2</sup>Duration is a measure of interest rate sensitivity. <sup>3</sup>Stated yield is actual distributed yield over prior 12 months. <sup>4</sup>Also available in a Premium share class with a minimum of \$10,000, but a lower expense ratio. <sup>5</sup>Almost an Asset Allocation fund with 30%+ typically in foreign stocks. <sup>6</sup>Formerly Global Bond. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

# FIDELITY SCORECARD

OCTOBER 31, 2017

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)		
						Oct	YTD	3 Mo.	1 Year	3 Year	5 Year				
<b>SMALL CAP GROWTH</b>						<b>Category Averages</b>			<b>3.1</b>	<b>26.7</b>	<b>9.4</b>	<b>35.4</b>	<b>16.0</b>	<b>17.9</b>	<b>1.22</b>
1388	FPCGX	Small Cap Growth	1.50%/90d	24.72	Buy	3.1	26.7	9.4	35.4	16.0	17.9	1.22	\$2,678		
<b>SMALL CAP BLEND</b>						<b>Category Averages</b>			<b>1.5</b>	<b>8.4</b>	<b>5.0</b>	<b>23.2</b>	<b>9.0</b>	<b>13.6</b>	<b>1.28</b>
384	FSCRX	Small Cap Discovery (Closed)	1.50%/90d	32.18	Hold	2.2	5.9	4.0	21.5	7.6	13.3	1.25	5,180		
2011	FCPEX	Small Cap Enhanced Index		14.52	Hold	0.8	5.0	3.8	23.3	8.9	14.2	1.40	842		
2356	FSSPX	Small Cap Index <sup>4</sup>		20.31	Hold	0.8	11.9	5.8	27.8	10.2	14.5	1.40	48		
340	FSLCX	Small Cap Stock	2.00%/90d	20.03	Hold	1.6	9.7	4.9	21.5	9.0	12.8	1.14	1,700		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	28.71	Hold	2.0	9.7	6.7	22.0	9.3	12.9	1.21	1,515		
<b>SMALL CAP VALUE</b>						<b>Category Averages</b>			<b>2.6</b>	<b>8.3</b>	<b>4.9</b>	<b>22.0</b>	<b>10.6</b>	<b>14.6</b>	<b>1.02</b>
1389	FPCVX	Small Cap Value (Closed)	1.50%/90d	19.89	Hold	2.6	8.3	4.9	22.0	10.6	14.6	1.02	2,731		
<b>SPECIALTY</b>															
308	FCVSV	Convertible Securities		28.42	Hold	1.4	8.6	2.0	10.8	2.3	8.4	0.93	1,439		
2624	FARNX	Event Driven Opportunities		14.56	Buy	1.0	14.4	0.0	32.8	13.2	--	1.47	438		
2120	FFGCX	Global Commodity Stock	1.00%/30d	12.59	Hold↑	1.5	11.5	5.5	18.6	0.1	-1.4	1.84	262		
122	FLVCX	Leveraged Company Stock		33.72	Buy	2.7	17.5	5.0	25.2	6.2	12.4	1.34	2,635		
1329	FSDIX	Strategic Dividend & Income		15.68	OK to Buy	1.3	9.3	2.4	13.1	7.4	10.4	0.70	3,248		
1505	FSTRX	Strategic Real Return		8.87	OK to Sell	0.8	2.6	1.1	3.9	0.3	0.5	0.45	473		
311	FIUIX	Telecom & Utilities		26.92	Hold	0.8	10.9	0.8	13.8	6.6	10.6	0.98	997		
<b>REAL ESTATE</b>															
1368	FIREX	International Real Estate	1.50%/90d	11.18	OK to Sell	1.0	20.4	2.3	16.8	6.0	9.0	1.02	230		
833	FRIFX	Real Estate Income	0.75%/90d	12.23	OK to Buy	0.0	6.8	0.3	6.9	6.6	7.3	0.47	2,638		
2353	FRXIX	Real Estate Index <sup>4</sup>	0.75%/90d	15.26	Hold	-1.0	0.5	-1.6	3.8	5.0	8.9	1.34	33		
303	FRESX	Real Estate Investment		41.51	Hold	-0.8	2.1	-1.3	4.8	6.3	9.7	1.33	4,098		
<b>ASSET ALLOCATION</b>															
328	FASIX	Asset Manager 20%		13.63	Hold	0.6	5.9	1.3	5.7	3.5	4.0	0.29	4,890		
1957	FTANX	Asset Manager 30%		11.18	Hold	0.8	8.0	1.7	8.1	4.5	5.4	0.38	1,177		
1958	FFANX	Asset Manager 40%		11.75	Hold	1.0	10.0	2.4	10.6	5.3	6.6	0.47	1,378		
314	FASMX	Asset Manager 50%		18.53	Hold	1.2	11.9	2.8	13.0	6.0	7.7	0.57	8,440		
1959	FSANX	Asset Manager 60%		12.65	Hold	1.4	13.9	3.2	15.6	6.7	8.8	0.66	1,865		
321	FASGX	Asset Manager 70%		22.70	Hold	1.7	15.8	3.7	18.1	7.3	9.8	0.76	4,739		
347	FAMRX	Asset Manager 85%		19.59	Hold	2.0	18.7	4.4	21.9	8.3	11.5	0.90	1,880		
304	FBALX	Balanced		23.65	OK to Buy	1.4	14.0	3.2	16.8	7.4	10.5	0.72	23,403		
355	FFNOX	Four-in-One Index		44.00	Hold	1.7	15.8	4.0	20.2	8.1	11.4	0.85	5,521		
334	FGBLX	Global Balanced		25.89	Hold	2.1	17.1	3.5	14.5	5.1	6.5	0.72	384		
1960	FDYSX	Global Strategies		9.84	Hold	1.9	16.1	3.8	16.9	6.7	7.0	0.65	81		
4	FPURX	Puritan		23.15	OK to Buy	2.2	16.0	4.6	17.9	8.0	10.8	0.72	20,742		
<b>INTERNATIONAL</b>						<b>Category Averages</b>			<b>2.2</b>	<b>27.2</b>	<b>5.1</b>	<b>24.1</b>	<b>7.9</b>	<b>9.4</b>	<b>1.26</b>
309	FICDX	Canada	1.50%/90d	54.41	Hold	-0.1	11.3	3.7	14.4	1.9	4.1	1.29	1,132		
352	FHKCX	China Region	1.50%/90d	34.64	Hold	5.4	45.7	8.5	36.1	10.4	12.7	2.19	1,294		
325	FDIVX	Diversified International		41.39	OK to Buy	1.8	24.3	3.5	22.4	6.8	9.4	1.14	11,356		
351	FSEAX	Emerging Asia	1.50%/90d	43.94	OK to Buy	6.7	41.5	8.2	33.3	10.9	10.2	1.52	1,286		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	9.41	Hold	1.2	11.9	2.7	17.0	3.1	3.5	1.69	80		
322	FEMKX	Emerging Markets	1.50%/90d	31.37	OK to Buy	3.2	40.6	7.1	30.2	7.9	7.9	1.36	3,926		
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	15.12	Hold	2.4	32.4	5.4	24.3	8.2	6.4	1.33	249		
2341	FPEMX	Emerging Markets Index <sup>4</sup>	1.50%/90d	11.20	Hold	3.4	32.4	5.4	26.0	5.3	4.7	1.56	33		
301	FIEUX	Europe		42.53	OK to Buy↓	1.7	26.5	4.9	26.0	7.4	9.1	1.33	1,344		
2406	FGILX	Global Equity-Income	1.00%/30d	14.21	Hold	2.3	17.9	4.9	19.3	7.8	11.1	0.87	81		
2345	FSGUX	Global ex U.S. Index <sup>4</sup>		13.48	OK to Buy	2.0	23.9	4.3	23.6	5.5	7.2	1.17	45		
335	FIVFX	International Cap App		21.06	Buy	2.4	31.8	5.9	26.1	9.6	12.0	1.09	2,111		
305	FIGRX	International Discovery		47.03	OK to Buy	1.8	28.9	5.0	26.3	7.7	9.6	1.14	7,350		
2010	FIENX	International Enhanced Index	1.00%/30d	10.13	OK to Buy	1.8	25.4	5.2	27.2	8.2	10.2	1.14	707		
1979	FIGFX	International Growth		13.45	OK to Buy	1.9	26.4	3.9	24.1	7.6	9.5	1.08	962		
399	FSIIX	International Index <sup>4</sup>		43.25	Hold	1.7	22.5	4.0	23.6	5.9	8.5	1.14	707		
818	FISMX	International Small Cap	2.00%/90d	29.77	Buy	1.5	27.8	4.5	26.2	13.7	14.4	1.00	1,418		
1504	FSCOX	International Small Cap Opps	2.00%/90d	18.69	OK to Buy	1.2	28.5	3.7	26.4	11.8	12.6	1.01	918		
2986	FNIYX	International Sustainability Idx		10.96	NA	1.8	--	3.9	--	--	--	--	3		
1597	FIVLX	International Value	1.00%/30d	9.09	Hold	0.8	18.0	2.9	19.8	4.4	7.1	1.07	358		
350	FJPNX	Japan	1.50%/90d	15.13	Buy↑	5.7	26.3	7.3	21.1	9.9	11.4	1.19	248		
360	FJSCX	Japan Smaller Companies	1.50%/90d	18.84	Buy↑	3.5	28.6	7.7	23.7	15.1	18.2	0.99	764		
349	FLATX	Latin America	1.50%/90d	24.89	OK to Sell	-4.3	30.7	4.4	13.9	-1.9	-4.7	2.29	598		
342	FNORX	Nordic	1.50%/90d	54.33	Hold	0.8	21.0	2.5	22.1	8.9	14.7	1.19	379		
94	FOSFX	Overseas		50.18	Buy	1.2	26.9	4.2	25.6	10.5	11.8	1.13	6,842		
302	FPBFX	Pacific Basin	1.50%/90d	35.53	OK to Buy	5.6	34.3	8.5	26.2	12.1	14.2	1.15	974		
2369	FTEMX	Total Emerging Markets	1.50%/90d	13.58	OK to Buy	2.7	26.4	5.3	21.4	7.6	6.5	1.11	272		
1978	FTIEX	Total International Equity	1.00%/30d	9.40	OK to Buy	1.7	26.3	4.6	23.9	7.1	8.1	1.07	82		
2831	FTIGX	Total International Index <sup>4</sup>	1.00%/90d	12.38	Hold	1.9	23.8	4.3	23.3	--	--	--	13		
318	FWWFX	Worldwide		27.61	OK to Buy	3.7	26.6	6.5	26.5	8.9	12.3	1.05	1,655		

# FIDELITY SCORECARD

OCTOBER 31, 2017

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)
						Oct	YTD	3 Mo.	1 Year	3 Year	5 Year		
<b>SELECT PORTFOLIOS</b>						<b>1.3</b>	<b>15.4</b>	<b>4.5</b>	<b>22.8</b>	<b>8.7</b>	<b>13.7</b>	<b>1.60</b>	
<b>Category Averages</b>													
34	FSAIX	Air Transportation	0.75%/30d	84.60	Hold	0.1	15.4	7.4	30.3	12.3	21.4	1.42	\$427
502	FSAVX	Automotive	0.75%/30d	39.64	OK to Sell	2.2	21.3	11.9	27.9	5.7	14.7	1.71	69
507	FSRBX	Banking	0.75%/30d	34.77	OK to Buy	2.0	8.0	6.1	33.0	12.3	15.7	1.90	1,024
42	FBIOX	Biotechnology		219.04	Hold	-5.9	25.9	1.1	30.7	4.6	20.3	2.85	9,180
68	FSLBX	Brokerage & Investment	0.75%/30d	79.87	OK to Buy	1.1	20.4	4.6	38.6	6.3	13.6	1.89	474
69	FSCHX	Chemicals		184.89	Buy	5.0	30.5	11.7	42.4	13.5	16.4	1.63	2,047
518	FSDCX	Communications Equipment	0.75%/30d	34.51	OK to Sell	-0.2	5.9	-0.2	12.1	6.0	13.7	1.55	182
7	FDCPX	Computers	0.75%/30d	95.62	Hold	6.9	31.5	9.1	35.8	10.9	15.4	1.70	529
511	FSHOX	Construction & Housing	0.75%/30d	67.07	Hold	3.1	17.5	7.3	26.6	11.5	14.2	1.29	362
517	FSCPX	Consumer Discretionary		39.97	Buy	2.9	13.1	2.3	17.1	9.8	14.5	1.13	681
98	FSVLX	Consumer Finance	0.75%/30d	15.65	OK to Buy	3.2	17.1	7.6	30.2	8.8	12.9	1.43	101
9	FDFAX	Consumer Staples		93.92	Hold	-1.9	6.2	-5.0	4.7	4.8	9.6	1.02	1,458
67	FSDAX	Defense & Aerospace		164.97	OK to Buy	2.1	28.6	11.6	38.8	17.7	20.3	1.28	2,440
60	FSENX	Energy		41.23	Hold	-0.2	-11.6	3.4	-0.9	-6.0	0.4	2.22	1,896
43	FSESX	Energy Service	0.75%/30d	43.54	OK to Sell	-8.6	-22.0	-4.1	-5.5	-14.3	-4.8	2.72	469
516	FSLEX	Environment & Alt Energy	0.75%/30d	26.50	OK to Buy	4.2	21.4	7.6	31.6	12.7	15.6	1.27	189
66	FIDSX	Financial Services		111.61	Buy	3.1	14.8	6.7	32.5	10.4	14.9	1.39	1,172
41	FSAGX	Gold		20.05	Sell	-3.4	4.9	-3.0	-9.4	10.1	-13.0	3.70	1,122
63	FSPHX	Health Care		228.61	Buy	-1.7	23.7	1.2	24.5	6.8	19.9	1.58	6,778
505	FSHCX	Health Care Services	0.75%/30d	92.08	Hold	0.9	17.4	0.9	27.8	10.1	16.3	1.25	806
510	FSCGX	Industrial Equipment	0.75%/30d	42.85	Buy	1.3	13.9	6.6	23.5	10.2	13.0	1.24	169
515	FCYIX	Industrials		35.74	Buy	1.4	12.6	7.1	24.9	9.4	14.7	1.26	851
45	FSPCX	Insurance	0.75%/30d	88.20	OK to Buy	3.3	14.4	3.1	25.4	13.2	17.5	1.19	492
353	FBSOX	IT Services		53.97	Buy	5.0	29.8	9.1	33.3	17.5	20.8	1.27	1,992
62	FDSLX	Leisure	0.75%/30d	165.97	Hold	3.3	21.4	5.9	29.4	12.1	16.9	1.11	528
509	FSDPX	Materials		92.78	OK to Buy	4.5	23.4	9.5	31.9	8.1	9.9	1.58	953
354	FSMEX	Medical Equipment		46.62	OK to Buy	1.6	27.2	2.3	23.3	16.0	22.0	1.37	4,072
503	FBMPX	Multimedia	0.75%/30d	78.63	Hold	-2.8	6.9	-7.3	14.8	5.9	13.2	1.51	579
513	FSNGX	Natural Gas	0.75%/30d	23.73	OK to Sell	-2.9	-19.5	-0.3	-7.5	-12.7	-3.9	2.82	304
514	FNARX	Natural Resources	0.75%/30d	27.77	Hold	0.1	-9.1	3.5	-0.2	-6.0	-1.1	2.14	922
580	FPHAX	Pharmaceuticals		18.55	Hold	-3.7	9.0	-2.4	8.3	0.1	11.8	1.38	825
46	FSRPX	Retailing		125.94	OK to Buy	3.2	14.8	4.8	17.7	15.4	18.6	1.10	1,807
8	FSELX	Semiconductors	0.75%/30d	121.33	OK to Buy	8.6	31.5	15.8	41.0	24.8	29.9	1.73	3,356
28	FSCSX	Software & IT Services		170.31	Buy	7.0	35.7	10.0	32.5	19.5	22.7	1.45	4,903
64	FSPTX	Technology		189.94	Buy	7.0	50.8	12.2	49.5	22.3	22.1	1.50	6,683
96	FSTCX	Telecommunications		66.88	Hold	-2.5	-1.9	-2.8	5.9	6.8	9.4	1.10	332
512	FSRFX	Transportation	0.75%/30d	100.13	OK to Sell	-1.2	12.2	8.3	28.0	7.8	19.1	1.58	551
65	FSUTX	Utilities		85.41	OK to Sell	2.3	19.8	2.9	18.1	7.3	11.9	1.11	738
963	FWRLX	Wireless	0.75%/30d	10.00	Hold	0.9	19.6	1.0	20.9	8.6	11.9	1.22	263
<b>SECTOR ETFs</b>						<b>1.3</b>	<b>12.6</b>	<b>3.4</b>	<b>19.8</b>	<b>9.2</b>	<b>1.4</b>		
	FDIS	MSCI Consumer Discretionary		36.47	OK to Buy	1.7	14.4	1.4	20.7	11.3	--	1.15	290
	FSTA	MSCI Consumer Staples		31.96	Hold	-1.4	4.4	-3.2	3.5	6.9	--	0.95	286
	FENY	MSCI Energy		18.77	Hold	-0.9	-9.1	3.2	1.2	-7.0	--	1.97	462
	FNCL	MSCI Financials		38.99	Buy	2.7	14.3	6.1	35.5	13.8	--	1.47	1,000
	FHLC	MSCI Health Care		39.19	Buy	-0.8	20.4	2.4	24.1	8.5	--	1.32	880
	FIDU	MSCI Industrials		36.84	Buy	0.8	15.9	6.0	27.4	11.2	--	1.23	394
	FTEC	MSCI Information Technology		49.59	OK to Buy	7.4	35.4	11.8	38.2	18.9	--	1.46	1,200
	FMAT	MSCI Materials		34.20	Buy	3.6	20.1	8.6	30.2	9.7	--	1.67	272
	FREL	MSCI Real Estate		24.34	Hold	0.3	6.4	0.1	8.7	--	--	--	403
	FCOM	MSCI Telecomm Services		31.40	Hold	-2.8	0.4	-2.8	11.8	7.9	--	1.28	115
	FUTY	MSCI Utilities		35.92	Sell	4.0	16.2	4.4	16.2	10.6	--	1.21	316
<b>FACTOR ETFs</b>						<b>2.5</b>	<b>15.0</b>	<b>4.6</b>	<b>21.6</b>				
	FDVV	Core Dividend		27.51	Hold	1.5	8.1	2.8	15.1	--	--	--	66
	FDRR	Dividend for Rising Rates		29.42	OK to Buy	1.2	13.6	3.8	21.0	--	--	--	191
	FDLO	Low Volatility Factor		29.43	Hold	2.5	15.3	4.7	21.1	--	--	--	34
	FDMO	Momentum Factor		30.50	Hold	5.5	20.6	6.9	24.5	--	--	--	43
	FQAL	Quality Factor		30.40	Hold	1.8	17.2	4.7	23.1	--	--	--	38
	FVAL	Value Factor		31.02	OK to Buy	2.3	15.1	4.7	24.8	--	--	--	47

## Sector Outlook *cont'd from page 4*

- **IT Services (Buy).** PayPal (a significant holding here) has partnered with credit card companies but is also a disruptor. Tech service firms also have legs.

- **Materials (OK to Buy).** This fund has exposure to plastics and agricultural biotech (where the U.S. is the disruptor), industrial metals (where China is the disruptor), and gold (where cryptocurrencies are the disruptor). Better to hold the first

category and avoid the latter two by owning **Chemicals**.

- **Pharmaceuticals (Hold).** Short-term these firms could benefit from new cancer-fighting drugs, but gene therapy looms as a disruptive threat to the orphan drug market. ■

# FIDELITY SCORECARD

OCTOBER 31, 2017

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			SEC %Yield	Dur <sup>2</sup> (Yrs)	Rel Vol (Risk) <sup>1</sup>			
						Oct	YTD	3 Mo.	1 Yr	3 Yr	5 Yr						
<b>TAXABLE BOND</b>						<b>Category Averages</b>			<b>0.1</b>	<b>2.8</b>	<b>0.3</b>	<b>0.6</b>	<b>1.8</b>	<b>1.4</b>	<b>2.01</b>	<b>5.1</b>	<b>0.30</b>
2267	FCONX	Conservative Income Bond		10.04	Buy	0.1	1.1	0.3	1.2	0.8	0.6	1.14	0.1	0.02			
2208	FCBFX	Corporate Bond		11.65	Buy	0.4	6.0	1.0	3.9	3.9	3.4	2.80	7.1	0.40			
2423	FGBFX	Global Credit <sup>6</sup>		9.19	Hold	0.7	8.4	1.0	4.0	1.4	0.4	2.15	6.8	0.52			
15	FGMNX	GNMA (Ginnie Mae)		11.43	OK to Buy	0.0	1.8	0.3	0.2	1.7	1.7	2.16	3.6	0.16			
54	FGOVX	Government Income		10.23	Hold	-0.1	2.1	0.1	-0.5	1.5	1.3	1.82	5.5	0.29			
794	FINPX	Inflation-Prot Bond (closed) <sup>3</sup>		12.03	OK to Sell	0.3	1.7	0.5	-0.4	1.0	-0.5	0.20*	5.6	0.37			
2415	FSIQX	Inflation-Protected Index <sup>3,4</sup>		9.85	OK to Sell	0.2	1.8	0.5	-0.3	1.3	-0.3	0.01*	5.6	0.38			
32	FTHRXX	Intermediate Bond		10.86	Buy	0.0	2.5	0.1	0.8	2.0	1.8	1.96	4.0	0.21			
452	FSTGX	Intermediate Gov't Income		10.46	Hold	-0.2	1.3	-0.2	-0.5	1.0	0.9	1.63	3.8	0.22			
1561	FIBIX	Intermediate Treasury Index <sup>4</sup>		10.72	Hold	-0.2	2.3	-0.3	-1.4	1.9	1.2	2.04	6.5	0.45			
26	FBNDX	Investment Grade Bond		7.93	Buy	0.1	3.5	0.5	1.6	2.6	2.3	2.41	5.7	0.30			
2622	FJRLX	Limited Term Bond		11.52	Buy	0.1	2.1	0.2	1.3	1.7	1.5	1.78	2.7	0.13			
662	FFXSX	Limited Term Government		9.92	OK to Buy	-0.1	0.9	-0.1	-0.1	0.6	0.6	1.38	2.6	0.14			
1562	FLBIX	Long-Term Treasury Index <sup>4</sup>		13.03	Hold	-0.1	6.0	0.9	-2.8	3.6	2.7	2.66	17.7	1.13			
40	FMSFX	Mortgage Securities		11.25	OK to Buy	-0.1	2.2	0.3	0.4	2.1	2.0	2.24	4.2	0.18			
450	FSHBX	Short-Term Bond		8.61	Buy	-0.0	1.2	0.1	0.9	1.1	1.0	1.45	1.8	0.07			
3038	FNSJX	Short-Term Bond Index <sup>4</sup>		9.99	Buy	--	--	--	--	--	--	--	--	--			
1560	FSBIX	Short-Term Treasury Index <sup>4</sup>		10.37	Hold	-0.1	0.8	-0.2	-0.2	0.7	0.6	1.53	2.7	0.15			
820	FTBFX	Total Bond		10.67	Buy	0.1	3.8	0.6	2.1	3.1	2.8	2.62	5.4	0.29			
651	FBIDX	U.S. Bond Index		11.60	Hold	0.0	2.9	0.3	0.6	2.2	1.8	2.33	5.8	0.29			
<b>HIGH-YIELD BOND</b>						<b>Category Averages</b>			<b>0.5</b>	<b>7.6</b>	<b>1.5</b>	<b>8.4</b>	<b>4.9</b>	<b>5.2</b>	<b>3.75</b>	<b>3.3</b>	<b>0.51</b>
38	FAGIX	Capital & Income	1.00%/90d	10.34	OK to Buy	1.3	11.1	2.5	13.3	6.5	7.9	3.43	3.3	0.57			
814	FFRHXX	Floating Rate High Income	1.00%/60d	9.65	OK to Buy	0.5	3.3	0.6	4.7	3.5	3.4	3.30	0.2	0.31			
1366	FHIFX	Focused High Income	1.00%/90d	8.77	OK to Buy	0.5	7.0	1.5	7.6	4.6	4.8	3.53	3.4	0.49			
2297	FGHNX	Global High Income	1.00%/90d	9.80	OK to Buy	0.4	9.7	1.6	10.0	5.3	5.8	3.68	3.0	0.57			
455	SPHIX	High Income	1.00%/90d	9.03	OK to Buy	0.5	8.1	1.6	10.2	5.1	5.5	4.96	3.3	0.60			
331	FNMIX	New Markets Income	1.00%/90d	16.41	OK to Buy	0.2	9.8	2.2	8.3	6.4	4.9	4.83	7.1	0.71			
2580	FSAHX	Short Duration High Income	1.00%/90d	9.60	OK to Buy	0.3	4.8	1.2	6.2	3.3	--	3.53	2.0	0.47			
368	FSICX	Strategic Income		11.15	Buy	0.3	7.3	1.2	6.8	4.2	4.0	2.73	4.3	0.39			
<b>MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>0.3</b>	<b>4.4</b>	<b>0.7</b>	<b>1.5</b>	<b>2.6</b>	<b>2.8</b>	<b>1.72</b>	<b>5.9</b>	<b>0.30</b>
434	FSAZX	Arizona Muni Income		12.06	Hold	0.1	4.7	0.4	1.5	3.1	3.1	1.76	7.0	0.35			
1534	FCSTX	Calif Limited Term Tax Free		10.64	OK to Buy	0.0	2.8	0.1	0.9	1.3	1.5	1.00	2.9	0.18			
91	FCTFX	California Muni Income		13.01	Hold	0.4	5.3	0.9	1.8	3.1	3.6	1.77	6.6	0.35			
407	FICNX	Connecticut Muni Income		11.44	Hold	0.3	3.8	0.5	0.4	2.4	2.4	2.08	6.7	0.36			
2578	FCRDXX	Conservative Income Muni		10.04	Buy	0.1	1.1	0.2	0.9	0.5	--	0.91	0.6	0.04			
36	FLTMX	Interm Municipal Income		10.41	Hold	0.1	4.2	0.6	1.7	2.3	2.3	1.66	4.9	0.27			
404	FSTFX	Limited Term Muni Income		10.58	OK to Buy	0.0	2.7	0.2	0.9	1.1	1.2	1.12	2.8	0.17			
429	SMDMX	Maryland Muni Income		11.36	Hold	0.3	5.0	0.5	1.6	3.0	2.7	1.71	7.0	0.34			
70	FDMMX	Mass Muni Income		12.21	Hold	0.3	4.6	0.6	1.4	2.9	2.8	1.90	7.1	0.36			
81	FMHTX	Michigan Muni Income		12.22	Hold	0.3	4.7	0.8	1.8	3.0	3.0	1.86	6.4	0.32			
82	FIMIX	Minnesota Muni Income		11.64	Hold	0.3	4.1	0.5	1.5	2.6	2.4	1.60	5.9	0.30			
37	FHIGX	Municipal Income		13.23	Hold	0.3	5.8	1.0	2.2	3.3	3.4	2.08	7.2	0.37			
416	FNJHX	New Jersey Muni Income		11.91	Hold	0.4	6.2	2.1	2.3	3.2	2.8	2.05	6.5	0.39			
71	FTFMX	New York Muni Income		13.31	Hold	0.4	4.8	0.6	1.6	3.1	3.0	1.76	7.0	0.34			
88	FOHFX	Ohio Muni Income		12.21	Hold	0.5	5.1	0.7	1.8	3.5	3.4	1.94	7.5	0.37			
402	FPXTX	Pennsylvania Muni Income		11.18	Hold	0.3	4.7	0.6	1.8	3.0	3.1	1.93	6.7	0.31			
90	FTABX	Tax-Free Bond		11.56	Hold	0.3	5.5	0.9	2.2	3.3	3.5	2.17	7.1	0.36			

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

TAXABLE GOV'T MONEY MARKETS			Total Return (%)		SEC %Yield	STATE MUNICIPAL MONEY MARKETS			Total Return (%)		SEC %Yield
			Oct	YTD					Oct	YTD	
55	FDRXX	Gov't Cash Reserves	0.06	0.42	0.74	433	FSAXX	Arizona Muni MM	0.04	0.40	0.49
458	SPAXX	Government MM	0.06	0.38	0.68	97	FCFX	California Muni MM	0.04	0.31	0.48
631	FGMXX	Retirement Gov't MM	Merged into SPAXX (see p. 12)			457	FSPXX	California AMT Tax-Free	0.05	0.43	0.62
630	FRTXX	Retirement Gov't MM II				418	FCMXX	Connecticut Muni MM	0.04	0.32	0.49
2742	FZFXX	Treasury MM	0.06	0.37	0.69	426	FMSXX	Mass AMT Tax-Free	0.05	0.43	0.63
415	FDLXX	Treasury Only MM	0.06	0.34	0.68	74	FDXX	Massachusetts Muni MM	0.04	0.38	0.48
<b>PRIME MONEY MARKETS</b>						420	FMIXX	Michigan Muni MM	0.04	0.26	0.45
454	SPRXX	Money Market	0.08	0.71	0.98	417	FNJXX	New Jersey Muni MM	0.04	0.31	0.50
<b>NATIONAL MUNICIPAL MONEY MARKETS</b>						423	FSJXX	New Jersey AMT Tax-Free	0.06	0.46	0.67
10	FTEXX	Municipal Money Market	0.05	0.40	0.59	92	FNXX	New York Muni MM	0.04	0.37	0.51
275	FMOXX	Tax-Exempt MM	0.04	0.34	0.52	422	FSNXX	New York AMT Tax-Free	0.06	0.45	0.66
						419	FOMXX	Ohio Muni MM	0.04	0.32	0.49
						401	FPTXX	Pennsylvania Muni MM	0.04	0.29	0.47

# FIDELITY SCORECARD

OCTOBER 31, 2017

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>
							Oct	YTD	3 Mo.	1 Year	3 Year	5 Year	
<b>FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS</b>													
Model Portfolios	Annuity Sector Model						3.5	21.9	7.7	28.0	12.7	16.6	1.20
	Annuity Growth Model						2.2	15.9	4.2	25.6	9.2	12.8	1.08
	Annuity Growth & Income Model						0.9	9.5	2.1	13.4	6.2	9.1	0.68
	Annuity Income Model						0.2	4.8	1.0	6.3	4.1	4.0	0.35
9067	FLRQC	Fid VIP Asset Manager	Allocation		19.84	Hold	1.2	11.6	2.7	12.6	4.6	7.3	0.63
9066	FAEFC	Fid VIP Asset Manager: Growth	Allocation		20.69	Hold	1.7	15.5	3.6	17.8	5.5	9.3	0.84
9069	FJBAC	Fid VIP Balanced	Allocation		23.71	OK to Buy	1.3	13.6	3.1	16.4	7.2	10.1	0.72
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	27.65	Buy	2.8	12.9	2.3	16.9	9.6	14.1	1.11
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	25.34	Hold	-1.4	7.4	-4.3	3.6	7.8	11.5	1.01
9065	FPDFC	Fid VIP Contrafund	Large Growth		26.48	Buy	1.8	18.3	4.0	23.7	9.1	13.6	1.05
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Blend		20.92	Hold	0.7	4.5	3.7	22.6	8.4	13.6	1.40
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		27.78	Hold	2.1	19.3	5.3	25.6	7.5	14.3	1.19
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts		11.09	OK to Buy	3.2	40.0	7.0	29.7	7.5	7.5	1.36
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	14.77	Hold	-0.1	-11.8	3.4	-1.1	-6.3	0.2	2.22
9061	FLOLC	Fid VIP Equity-Income	Large Value		20.93	Buy	0.5	8.1	2.1	16.1	7.1	11.2	0.98
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	14.08	Buy	3.1	14.8	6.7	32.2	10.3	14.7	1.39
9361	FLLCC	Fid VIP Floating Rate High Income	High-Yield Bond		11.11	OK to Buy	0.6	3.1	0.7	4.3	3.4	--	0.27
9157	FMPAC	Fid VIP FundsManager 20	Allocation		15.24	Hold	0.5	6.1	1.3	5.5	3.0	3.6	0.27
9158	FMPBC	Fid VIP FundsManager 50	Allocation		17.67	Hold	1.1	12.2	2.9	12.8	5.5	7.3	0.55
9197	FMPPC	Fid VIP FundsManager 60	Allocation		16.88	Hold	1.3	14.4	3.4	15.5	6.5	8.7	0.66
9159	FMPCC	Fid VIP FundsManager 70	Allocation		18.72	Hold	1.4	16.2	3.7	17.9	7.1	9.7	0.75
9160	FMPDC	Fid VIP FundsManager 85	Allocation		19.28	Hold	1.7	19.5	4.6	21.9	8.4	11.6	0.90
9062	FMNDC	Fid VIP Growth	Large Growth		28.34	Buy	4.2	33.3	7.3	34.3	12.5	16.9	1.09
9070	FLFNC	Fid VIP Growth & Income	Large Blend		24.36	Buy	0.6	10.6	3.0	19.0	8.1	13.1	1.16
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		28.31	Buy	3.9	30.9	6.1	33.8	12.2	16.9	1.26
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	39.57	Buy	-1.6	24.0	1.3	24.9	6.7	19.6	1.58
9060	FBBLC	Fid VIP High Income	High-Yield Bond		20.66	OK to Buy	0.1	6.5	1.2	8.2	4.5	4.9	0.58
9064	FXVLT	Fid VIP Index 500	Large Blend		26.01	Hold	2.3	16.5	4.7	23.2	10.4	14.8	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	33.12	Buy	1.4	12.4	7.1	24.5	9.2	14.5	1.26
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l		20.22	Buy	2.4	31.6	5.9	25.9	9.5	11.7	1.09
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		16.33	Buy	0.1	3.6	0.6	1.5	2.5	2.1	0.30
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	22.82	Buy	4.5	23.0	9.3	31.4	7.6	9.6	1.57
9071	FNBSB	Fid VIP Mid Cap	Mid Growth		27.72	Buy	1.5	15.1	4.6	24.1	9.2	13.5	1.16
9059	FTNJC	Fid VIP Gov't Money Market	Money Mkt		11.37	--	0.1	0.4	0.2	0.4	0.0	-0.1	0.01
9088	FEMMC	Fid VIP Overseas	Diversified Int'l		17.82	Buy	1.2	27.0	4.2	25.2	6.7	9.4	1.23
9072	FFWKC	Fid VIP Real Estate	Sector		22.99	Hold	-1.0	1.0	-1.6	4.1	4.4	8.4	1.31
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		19.54	Buy	0.3	7.1	1.0	6.4	3.8	3.6	0.38
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	43.34	Buy	7.0	51.1	12.2	50.5	21.2	21.0	1.51
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	16.08	Hold	-2.5	-1.9	-2.9	5.9	6.6	9.3	1.10
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	27.66	OK to Sell	2.4	19.5	3.0	17.6	7.1	11.7	1.12
9079	FKMSC	Fid VIP Value	Large Value		22.26	OK to Buy	0.2	10.4	1.6	18.8	7.5	12.9	1.07
9073	FRBSC	Fid VIP Value Strategies	Mid Value		23.31	OK to Buy	0.9	14.3	1.9	22.2	7.1	11.9	1.21
9347	FBMEC	Black Rock Global Allocation	Global Allocation		13.52	Hold	0.7	11.6	1.7	12.9	4.4	6.3	0.63
9349	FTMEC	Franklin Templeton Global Bond	Global Bond		11.20	OK to Sell	-0.6	2.9	0.7	5.7	-0.4	1.3	0.57
9348	FFMEC	Franklin Templeton US Gov't	Intermed Gov't		10.38	Hold	-0.2	1.1	0.1	-0.6	0.7	0.4	0.15
9285	FIGXC	Invesco Global Core Eqty	Global Stock		13.87	Hold	1.2	18.3	3.3	22.0	7.1	10.1	1.08
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		17.64	Hold	2.3	23.2	3.5	19.0	2.6	3.6	1.62
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		19.38	OK to Buy	0.2	9.2	2.1	6.1	4.4	2.7	0.66
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		15.48	OK to Buy	1.8	30.3	3.4	20.8	5.0	4.1	1.39
9146	FPRPC	Morgan Stanley Global Strategist	Diversified Int'l		13.80	Hold	1.1	13.2	2.6	14.7	3.2	6.1	0.74
9346	FPMEC	Pimco Commodity Real Return	Commodities		5.99	OK to Sell	2.6	-0.3	2.9	2.6	-10.0	-10.5	1.44
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.65	Buy	-0.2	1.1	0.3	1.0	0.6	0.6	0.12
9277	FPNBC	Pimco VIT Real Return	TIPS		13.03	OK to Sell	0.3	2.4	0.7	0.5	0.8	-0.6	0.41
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		13.46	Hold	-0.2	4.4	0.6	2.4	2.5	1.9	0.31

Annuity Sector	
Fund	Allocation
VIP Technology	27%
VIP Financial Services	25
VIP Industrials	13
VIP Materials	13
VIP Cons Discretionary	12
VIP Health Care	10
<b>Total Return:</b>	
<b>Oct: 3.5%</b>	<b>YTD: 21.9%</b>

Annuity Growth	
Fund	Allocation
VIP Contrafund	26%
VIP Growth Opps	25
VIP Mid Cap	16
VIP Overseas	14
VIP Equity-Income	11
VIP Growth	8
<b>Total Return:</b>	
<b>Oct: 2.2%</b>	<b>YTD: 15.9%</b>

Annuity Growth & Income	
Fund	Allocation
VIP Contrafund	23%
VIP Investment Grade	21
VIP Equity-Income	19
VIP Strategic Income	17
VIP Growth & Income	10
VIP Int'l Cap App	10
<b>Total Return:</b>	
<b>Oct: 0.9%</b>	<b>YTD: 9.5%</b>

Annuity Income	
Fund	Allocation
VIP Investment Grade	28%
VIP Equity Income	25
Pimco VIT Low Duration	25
VIP Strategic Income	22
<b>Total Return:</b>	
<b>Oct: 0.2%</b>	<b>YTD: 4.8%</b>

## INCOME STRATEGIES

### Bond Funds Spooked By Fed And Growth

Bond fund investors can certainly be forgiven if they're a little anxious. Over the past two months, most taxable funds have lost some value as their yields have risen. (Bond prices move in the opposite direction of their yield.) And while yields on 10- and 30-year Treasury's have recently moved higher, they're still lower on the year (see chart). But that certainly hasn't been the case for the 2-year note: its yield just ended October at 1.60%, up from 1.21%.

While hardly a disaster, that move higher has weighed on the performances of shorter-duration bond funds. While **Short-Term Bond** and **Conservative Income Bond** have managed to scratch out a return of just above 1% this year, **Short-Term Treasury Index** and **Limited Term Gov't** are just under 1%.

#### Higher Rates

With the Fed cautiously signaling that the trend for its short-term Fed Funds rate is up (perhaps even in the absence of its much ballyhooed 2% inflation target), investors are taking them at their word. They've done so by pushing shorter-term bond yields higher in anticipation of those rate hikes. In effect, the market is doing the Fed's work for them. In fact, when the yield on the 2-year Treasury crossed over 1.55% last month, it moved into territory not seen in a decade.

At the same time, there are competing forces at play on longer-dated bonds.

A magnet for global savings, investors the world over are still chasing the perceived safety of U.S. bonds and their comparatively higher yields. (Since 2014, central banks in Europe and Asia have driven interest rates to below zero in pursuit of boosting economic growth.)

But there's still downward pressure on bonds. That's coming from sellers who see U.S. economic growth accelerating (see p. 1), and with it, an increased likelihood of additional rate hikes amid accelerating inflation. Adding to their bearish mood is the Fed's slow unwinding of its \$4.5 trillion balance sheet. As this tapering is unprecedented, and as it marks a turning point for an economy that emerged from the Fi-

takes an inversion of the yield curve (meaning that short-term rates are actually higher than long-term rates) to signal an impending recession.

That's clearly not the case right now. In fact, today's modest flattening is mostly being caused by the Fed raising short-term rates in response to improving economic conditions. This is typical in periods of economic expansion.

#### Action Recommendations

In the Fed's most recent "Beige Book," it saw only minor increases in wages and materials. So it still appears that the inflation boogeyman is being kept in check by more subtle economic forces including a global pool of workers, and a combination of tech and business disruptors helping to keep prices in check (see

"Disruptors" on p. 4).

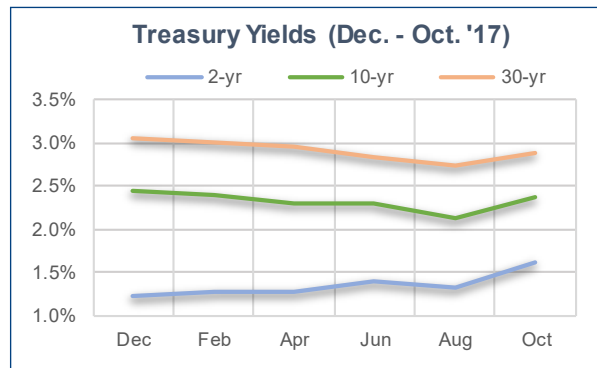
Regardless, the Fed appears hell-bent on "normalizing" interest rates, and so we'll likely see more short-term rate hikes beginning with this December.

While higher rates may continue to weigh on bond funds with shorter maturities, higher-yielding credits, meaning corporate bonds, should continue to outpace Treasuries as the economy improves.

This is a central advantage of active fund management over index funds: managers like Short Term Bond's Rob Galusza have been successfully overweighting credits and underweighting Treasuries. And within corporates, he's also added value by favoring certain financials, especially banks. Indeed, Galusza's preference for credits mirrors our own.

Whereas his Short Term Bond fund is rated *Buy* (we own it in our Income Model), Short-Term Treasury Index has our less-enthusiastic *Hold* rating. Of course, our final word on every Fidelity bond fund (taxable and muni) is its rating. Ratings are on p. 9 of the *Scorecard*. ■

— John Bonanzio



ancial Crisis with almost unlimited liquidity, no one can precisely say what will next unfold.

#### A Narrowing "Spread"

In the meantime, the 10-year Treasury yield has been moving higher over the past three months. But it's still only at 2.38% versus 2.45% at the start of the year. However, with the 2-year note rising much more (to 1.60%, up from 1.21%), the so-called yield spread between short and long-term bonds has narrowed a bit. The spread has fallen from 1.24% at the start of the year to 0.81% at the end of October.

Not to be overlooked is the 30-year Treasury Bond. While not dramatic, its yield has fallen 18 basis points this year to 2.88%, down from 3.06%. If viewed on a continuum, the graphic representation of bond yields of varying maturities has flattened, with short-term yields rising and long-term bond yields falling — if ever so slightly.

Historically, this has suggested that investors see economic conditions deteriorating. But it is hard to see evidence of that, and it typically

## Inside Fidelity

**New Fund — Short-Term Bond Index** was launched on October 24. The new offering is a close cousin to the actively managed **Short-Term Bond**, though they have slightly different benchmarks. Whereas the new index fund uses a 1- to 5-year government/credit bond index, its actively managed counterpart uses a 1- to 3-year gauge, suggesting the index fund has a modestly longer duration and therefore a bit more interest-rate risk.

That said, the new offering also invests exclusively in high-quality, investment-grade U.S. Treasuries, mortgage-backed and asset-backed securities, plus corporate bonds. With a duration estimated at just over 2 years, the index fund may be

### 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
500 Index	10/6	0.434	89.17
Asset Mgr 40%	10/6	0.042	11.67
Asset Mgr 50%	10/6	0.065	18.38
AZ Municipal Inc	10/6	0.055	12.06
Balanced	10/13	1.250	23.59
Convert Sec	10/6	0.169	28.25
Equity Div Inc	10/6	0.132	28.84
Equity-Inc	10/6	0.421	60.94
Export & Multi	10/6	2.386	21.26
Glb Equity Inc	10/6	0.052	13.97
Global Bond	10/6	0.058	9.13
Growth & Inc	10/6	0.284	36.14
MD Municipal Inc	10/6	0.050	11.35
Puritan	10/13	0.543	22.86
Strat Real Return	10/6	0.038	8.80
Strategic Div & Inc	10/6	0.098	15.57
Telecom and Util	10/6	0.170	26.83
Total Bond	10/13	0.025	10.71
US Bond Index	10/13	0.007	11.66

less susceptible to interest-rate fluctuations than most bond funds.

As with similar index funds, the Investor share class of Short-Term Bond Index has a minimum initial investment of \$2,500 and its expense ratio is 0.14% (Short-Term Bond's expense ratio is 0.45%); Premium shares have a \$10,000 minimum and razor-thin expenses of just 0.06%. We rate the fund *Buy*.

**Manager Changes** — Ashley Fernandes is now the co-manager of **Mega Cap Stock**, where he joins the fund's lead manager (since 2009) Matt Fruhan.

We're watching this development closely, in large part because Fruhan is also the sole manager on two other large cap blend portfolios: **Large Cap Stock** and **Growth &**

**Income**. While we hold the latter in our *Growth & Income Model*, in truth, that fund and Matt's other portfolios have been disappointing performers. Over the past three- and five-year periods, for example, only Large Cap Stock has managed to match the performance of the S&P 500. But it has only done so by assuming substantially more risk. This has clearly not escaped Fidelity's attention, and so we suspect that with so much on Fruhan's plate, this could be the first obvious step in easing his burden. For the time being, no rating changes are advised.

Separately, Nathan Strik joins John Dowd as co-manager of **Select Natural Resources**, and Ben Shuleva joins lead manager Ted Davis as co-manager on **Select Natural Gas**. ■

## Proxies Seek Shareholders' Approvals

Fidelity is seeking shareholder approval on matters ranging from the mundane (consolidating and electing new boards of trustees), to the potentially consequential (modifying the investment parameters of sector funds), to the sobering (how Fidelity can best avoid investing in companies that some argue contribute to genocide).

With respect to the latter, Fidelity's Board of Trustees recommends that shareholders in the four affected funds vote "Against" the proposal; we agree. While no one would argue with the spirit of sponsoring shareholders' intent, Fidelity funds already comply with all U.S. laws that restrict investments and other financial transactions in more than two dozen countries, including Sudan.

The second broad set of proxies asks shareholders for a variety of

changes: some address a broadening of a fund's investment limitations in response to changes within an industry. For example, Fidelity argues that **Brokerage & Investment** is potentially limited by industry consolidation, and so it now needs the legal latitude to invest in accordance with its broadened benchmark. We support this change.

Fidelity also hopes to transition eight funds to "non-diversified" status, meaning they could invest up to 50% of their assets in stocks with weights above 5%. As the ability to "overweight" stocks relative to a benchmark is central to their success, we'd support the measure with a "For" vote.

A third set of proxies seek a consolidation of the sector fund board with the broader boards overseeing their diversified equity and high-yield funds. Again, our recommendation is to support (vote "For") this move. ■

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