

FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

JUNE 2012

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MARKET OUTLOOK

Don't Let Europe's Woes Drive You Out Of Your Stock Funds

Once again, the ongoing crisis in Europe has our market on a string, yo-yoing in unison with the continent. This seems like the umpteenth time I have written a similar paragraph, and sadly, I don't expect it to be the last by any means. But, don't let the uncertainty over Europe drive you to give up a solid long-term investment strategy by running to the sidelines.



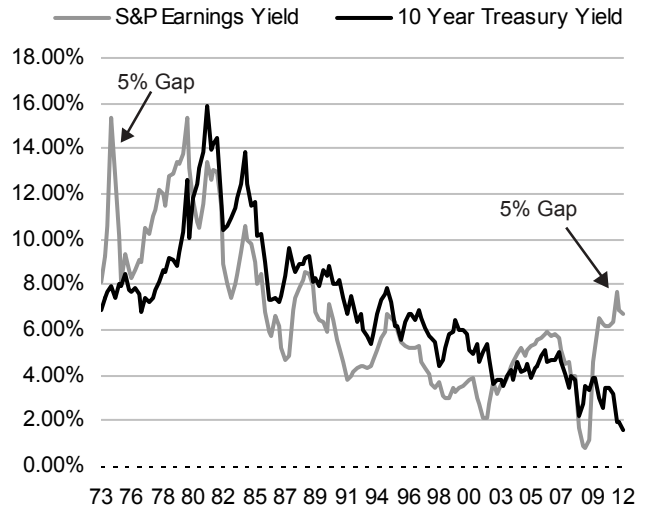
John M. Boyd

I'll be the first to admit that I do not know what will ultimately happen in Europe, nor does anyone. I have read so many "experts" with so many different predictions: "Greece has to leave the Euro," "Germany Can't Let Greece Leave," "Spain Will Leave The Euro Before Greece," "Germany Should Leave First," and with even more divergence over the effects of each of these scenarios. Trying to factor Europe into your portfolio is challenging indeed.

So let me focus on what I do know.

1) Stocks are unloved. Investors have pulled \$42 billion out of stock funds so far this year, even as stocks have risen about 5% through the end of May (not a bad gain for 5 months). That brings the total amount withdrawn since 2007 to over \$500 billion! As of May 17, the American Association of Independent Investors sentiment sur-

LOW YIELDS FAVOR STOCKS



With 10-year Treasury yields now at historic lows, the earnings yield on the S&P 500 is over 5 percentage points higher. This makes stocks more attractively valued than bonds. The last time we had such a large gap was in December of 1974. Over the next two years, the S&P 500 rose 57%.

vey showed just 24% of investors bullish and 46% bearish, compared to long-term averages of 39% and 30% respectively.

2) Bonds by contrast are treasured. Through May 16, investors have added \$141 billion to bond funds, bringing the total additions since 2007 to over \$1.1 trillion! Yes, some of that is demographics as Baby Boomers head into retirement and adjust their asset allocation. (Although with life expectancies growing all the time, how much should be reallocated to bonds may not be that great.) But much of it is a simple flight away from the risk of stocks and into the "safety" of bonds.

3) Stocks are cheap and bonds dear. Stocks are currently selling at a P/E of around 13 versus an average of 19 since 1988. That equates to an earnings yield (E/P) of 7.5%. Bond yields meanwhile are at or near historic lows. The 10-year Treasury yields just 1.6%. With inflation running at 2.3%, you are losing ground!

INSIDE INSIGHT

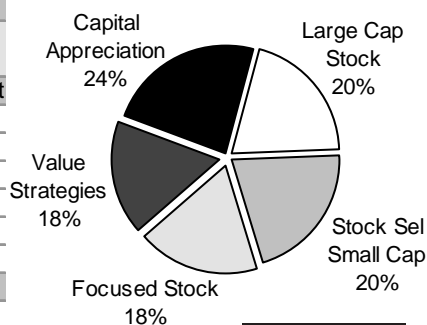
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FIDELITY INSIGHT MODEL PORTFOLIOS - MAY 31, 2012

Aggressive Growth Model		Rel Vol: 1.25	Est. Yield: 0.3%	YTD Return: 4.1%		
Current Asset Allocation		Stocks 98.4%	Bonds 0.0%	Cash 1.6%	Alternative ¹ 0.0%	Foreign 8.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	May Ret
OTC	FOCPX	24%	\$56.25	681.20	\$38,318	-8.5%
Large Cap Stock	FLCSX	20	18.00	1,805.82	32,505	-7.9
Stock Sel Small Cap	FDSCX	20	18.51	1,746.10	32,320	-7.0
Focused Stock	FTQGX	18	14.50	2,010.96	29,159	-7.8
Value Strategies	FSLSX	18	27.09	1,035.02	28,039	-5.9

Current Value (4/7/99 = \$100,000) \$160,340 -7.5%

For aggressive members who have no need for income or principal for more than 10 years. Target volatility range: 0.50-1.50.



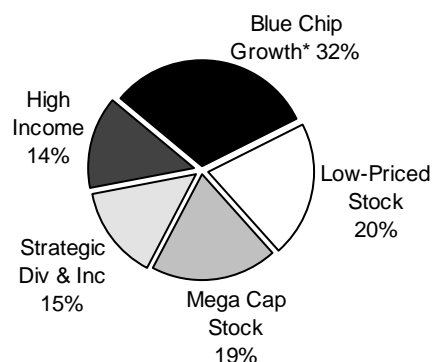
Pie reflects June 4 trade

Growth Model		Rel Vol: 1.04	Est. Yield: 1.8%	YTD Return: 5.3%		
Current Asset Allocation		Stocks 79.5%	Bonds 0.0%	Cash 3.7%	Alternative ¹ 16.8%	Foreign 11.3%
Holdings	Ticker	Alloc	NAV	Shares	Value	May Ret
Blue Chip Growth*	FBGRX	32%	\$45.72	7,936.94	\$362,877	-8.3%
Low-Priced Stock	FLPSX	20	37.03	6,246.15	231,295	-8.1
Mega Cap Stock	FGRTX	19	10.65	20,076.27	213,812	-7.2
Strategic Div & Inc	FSDIX	15	11.48	14,510.67	166,583	-3.5
High Income	SPHIX	14	8.84	18,497.79	163,520	-1.8

Current Value (1/1/87 = \$100,000) \$1,138,087 -6.5%

*Longtime members may own Growth Company

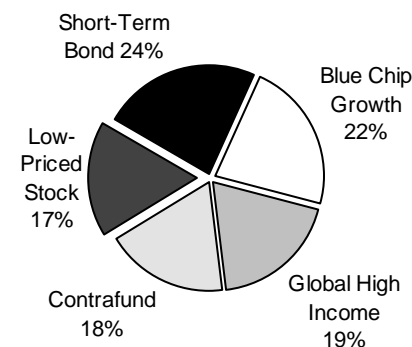
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.



Growth & Income Model		Rel Vol: 0.74	Est. Yield: 1.5%	YTD Return: 4.8%		
Current Asset Allocation		Stocks 55.9%	Bonds 23.6%	Cash 3.0%	Alternative ¹ 17.5%	Foreign 18.1%
Holdings	Ticker	Alloc	NAV	Shares	Value	May Ret
Short-Term Bond	FSHBX	24%	\$8.53	26,123.72	\$222,835	0.0%
Blue Chip Growth	FBGRX	22	45.72	4,578.43	209,326	-8.3
Global High Income	FGHNX	19	9.44	18,818.43	177,646	-2.6
Contrafund	FCNTX	18	73.10	2,320.60	169,636	-5.6
Low-Priced Stock	FLPSX	17	37.03	4,403.02	163,044	-8.1

Current Value (1/1/87 = \$100,000) \$942,487 -4.9%

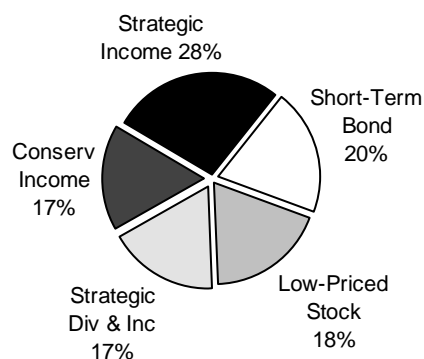
A good choice for members retiring in five-10 years looking for less volatility than the market. Seeks a yield in excess of the S&P 500. Target volatility range: 0.25-0.75.



Income & Preservation Model		Rel Vol: 0.44	Est. Yield: 2.0%	YTD Return: 2.7%		
Current Asset Allocation		Stocks 28.9%	Bonds 43.1%	Cash 3.8%	Alternative ¹ 24.2%	Foreign 16.1%
Holdings	Ticker	Alloc	NAV	Shares	Value	May Ret
Strategic Income	FSICX	28%	\$10.97	14,183.76	\$155,596	-1.3%
Short-Term Bond	FSHBX	20	8.53	12,927.03	110,268	0.0
Low-Priced Stock	FLPSX	18	37.03	2,776.83	102,826	-8.1
Strategic Div & Inc	FSDIX	17	11.48	8,469.24	97,227	-3.5
Conservative Income	FCONX	17	10.01	9,465.51	94,750	0.1

Current Value (1/1/87 = \$100,000) \$560,666 -2.5%

For members needing income and protection of their purchasing power against inflation. Seeks a yield in excess of the S&P 500. Target volatility range: 0.10-0.50.



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.

4) Fear is rampant. The headlines are relentlessly negative on stocks. Even the recent “failed” IPO of Facebook was touted as another reason for individual investors to avoid the market. Interestingly, it sells today for about \$29, just above where the IPO was going to be priced, only to be raised to \$38 at the last minute. How might we have viewed the IPO if it had launched at \$28?

Longer-Term Favors Stocks

Take all this together and it is hard to make the case for the start of a major new bear market. Bull markets are born in fear amid low valuations and die in greed with high valuations — not the reverse. If you look out over the next 10 years, would you rather own a bond with an annual yield less than the rate of inflation, or a stock with an earnings yield of 7.5%? Heck, forget the earnings yield, over half the companies in the S&P 500 have *dividend yields* greater than the 10-year Treasury!

Ask yourself these questions: Do you think bond yields will be higher or lower over the next decade? Do you think stock prices will be lower or higher?

Well, given that bond yields are at all-time lows it would seem very unlikely that yields will be even lower in 10 years. The reverse is true for stocks. Of the 67 rolling 10-year periods since 1936, there have been only three where earnings have not grown (there were declines ending in 1945, 1946 and 2008). The median 10-year growth in earnings has been 67.2%. If we get just the median growth in earnings over the next 10 years, the P/E would have to fall all the way to 8 for stock prices to be flat.

But even if both stock and bond prices are flat for the next decade, assuming dividend rates remain the same, stock dividends will easily outpace the interest earned on bonds 26.8% versus 17.2%.

Whoa, you may say, 10 years is a

WHICH FUNDS SHOULD YOU BUY NOW!

Equity Funds: **Blue Chip Growth**, **Capital Appreciation**, **Focused Stock**, and **Growth Co.** are our top large-cap growth picks. **Strategic Dividend & Income** (listed among Specialty funds in our *Scorecard*) is our large-cap value option. **Low-Priced Stock** and **Stock Selector Small Cap** ply mostly the mid- and small-cap arenas, respectively; **Contrafund** is a more conservative “all-cap” approach to growth.

International Funds: We favor domestic over foreign stock exposure; see *Scorecard* for preferred diversified options.

Bond Funds: **Short-Term Bond** affords limited interest-rate risk. **Conservative Income** gets you a bit more yield than a money market fund. **Corporate Bond** is a good alternative to longer-duration muni funds (you may pay more in taxes, but that could be offset by capital appreciation).

High Yield Funds: **Capital & Income** is an aggressive play on improving company balance sheets, with a bit of stocks added in. **High Income** is a less risky alternative with no stock exposure. **Strategic Income** and **Global High Income** are diversified bond funds with US high-yield, emerging market, developed foreign and US gov’t debt obligations. ■

long time, what about the next several months? Can’t stocks go down further and bonds go higher? Yes, of course they can. But if you have less than a 10-year time horizon you shouldn’t have a whole lot allocated to stocks — if any. Even if you’ve already been retired for 10 years, you likely have a 20-year time horizon.

If you think you know exactly what will happen in Europe and just what its effects will be, and you think you can time the market, God bless you and good luck. We don’t.

But, if you can’t stomach the thought of another big decline in stocks, rather than running solely to cash (or bonds) and waiting until Europe has finally “solved” its crisis, consider switching to one of our more conservative models. Note that our Growth & Income Model has nearly

matched the S&P 500 with about 30% less volatility (risk).

Of course, there are many other worries besides Europe; things are far from perfect here at home. The latest jobs report was dismal and there are other indicators of economic slowing. As we have stated previously, we expected a more rocky road for stocks over the summer and now we are getting it. We still believe that better times are ahead later this year. However, even if they are not, for long-term investors the choice for stocks over bonds is clear. In times like these, sticking to one’s long-term asset allocation strategy, through solid fund selections, yields the greatest benefit. It’s also the hardest time to stick with your discipline. We hope we can help you do just that. ■

— John M. Boyd

MODEL PORTFOLIO TRADE

As announced on our June 1 Hotline, effective Monday June 4, we will make a trade in our **Aggressive Growth Model**.

We are selling all of **OTC** (FOCPX) and buying **Capital Appreciation** (FDCA) with the proceeds.

Discussion:

Last month’s market volatility (which was further elevated in tech-rich funds), coupled with some disappointing stock picks, prompted us to sell **OTC**. (It has been only modestly downgraded to *OK to Buy*.) In turn, **Capital Appreciation** provides less risk than **OTC** owing, in part, to its modest stake in tech and significant bet in consumer stocks including discretionary (34%) and staples (8%). It’s a mix that should benefit from the slowly improving US economy.

Looking Abroad For Growth And Income

Fidelity's new **Global Equity Income** fund [ticker: FGILX] was conceived partly in response to an



Ramona Persaud

aging America. Central to this demographic change is a growing need for income — this, at a time when interest rates are near zero!

But against the backdrop of heightened stock market volatility (two crashes), a housing bust, a credit crisis, high unemployment and massive federal and state deficits, it's certainly understandable that many investors are now more risk-averse.

There's lots of anecdotal evidence to support this claim, but the most persuasive is this: In each of the past six calendar years, stock funds have experienced net withdrawals (outflows), while only bond funds have seen net inflows over the prior three years. In the absence of a sustained and robust bull market, this shift away from stocks may continue.

Then there's this conundrum: even with interest rates at all-time lows, fear is driving income-dependent investors to low-yielding bonds — even Treasuries.

Despite a credit downgrade last year from their vaunted AAA perch to AA, and their all-time low yield of 1.59% set on May 31, 10-year Treasuries and other US debt remain in high demand. But why are investors willing to tie up their money for so long for so little? Because of the aforementioned experiences with stocks. And, with Europe in trouble, US bonds are seen as a creditworthy risk, even though they're quite expensive when accounting for inflation.

To mitigate investors' fears and address their income dilemma, Fidelity has fortified its suite of domestic growth and income funds: Global

Equity Income is the latest and offers an international twist. Recently, **Equity-Income**, **Equity Dividend Income** and **Growth & Income** were given make-overs, and before that were **Strategic Dividend & Income** and **Mega Cap Stock**.

Each stock fund was made less risky and more income-oriented, even as their capital appreciation objectives were maintained. Of course, growth is still important to retirees, as inflation constantly erodes your nest egg's value. If you retire at age 65, a 2.5% inflation rate over 20 years reduces a \$1 million portfolio's purchasing power to \$610,000! — and

Top Fund Picks For Non-Bond Income

Stock Funds	Div. Yield (in %)
Equity-Income	3.30
Strategic Div & Inc ^{1,2}	3.30
Real Estate Investment ¹	3.10
Equity Dividend Inc	2.90
Growth & Inc	2.50
Mega Cap Stock	2.10

¹Specialty fund. ²Asset allocation fund mixes common stocks (50%), REITs (15%), convertibles (15%) and preferreds (15%).

that's assuming you haven't touched the principal or dividend income!

Income Abroad

That retirees need growth and income is nothing new, it's simply that Baby Boomers are swelling their ranks by 10,000 a day! Fortunately, America is not the only game in town.

During our conversation last month with Ramona Persaud, Global Equity Income's manager, she noted that while US stocks account for 50% of the world's market capitalization, America is "just" 20% of global GDP. This inefficiency is an opportunity for Fidelity. To exploit it for Baby Boomers, they've set their sights on high-quality offshore firms.

Global Equity Income (GEI) is benchmarked against Morgan Stanley's All Country World Index (ACWI). It has a whopping 2,500 positions, but Ramona's GEI fund will be concentrated with just 80 to 120

stocks. Moreover, says Ramona, it can deviate by some 10 percentage points from the ACWI's country weights. This gives it plenty of room to execute her plan of "typically" underweighting the indexes' 43% stake in US stocks. Collectively, these characteristics will provide GEI with a high tracking error relative to its benchmark.

However, with one eye on yield, its relative volatility (risk) should run 20% below its benchmark.

As for its income objective, some perspective is required. Over full market cycles, US stocks have yielded a modest 1% to 2%. (**Spartan 500 Index**, a proxy for the large-cap S&P 500, currently yields 2.1%.) But outside the US, a 2.0% to 3.5% range is more typical, though right now, global stock yields are 2.9%

As Ramona will pick and choose the regions, countries, industries and, of course, the stocks she wants to hold in her fund, she's looking for a yield that's even higher — perhaps as much as 50 basis points (0.50%) higher. Indeed, even as this new fund is taking shape, we're anticipating a yield of at least 3.4%.

Action Recommendation

It's not hard to imagine a scenario whereby Global Equity Income eventually finds a home in one of our more conservative models — but not right now. Apart from the fact that we'd first like to examine its holdings and investment characteristics (its expenses are capped at a "highish" 1.20% and it has a redemption fee of 1% on shares held fewer than 30 days), a far greater concern is its European exposure.

While Europe's "PIIGS" are avoidable, its debt crises can hurt even healthy companies with high dividends. US stocks experienced this in 2008, and Europe is facing that problem now. As such, we presently rate Global Equity Income *Hold*, and recommend the domestic alternatives we show in the box above. ■

— John Bonnanzio

Euro-Contagion Knocks Stocks

Never mind a Greek bond default and its exit from the euro. What happens if Spain and then Italy go that route?



John Bonnanzio

The optimistic investor sees Europe's problems as both manageable and short-lived. But judging by the market's performance last month,

pessimists far outnumber optimists. (Though every "rescue" rumor is greeted by a relief rally!)

Amid May's uncertainty, stocks cratered around the globe: Europe fell 7% while Spanish stocks slid 12%; Japan retreated 10% and Russia plunged 20% as crude prices dropped 16%. (Other commodities fell precipitously, too. **Global Commodity Stock** dropped 12.9%.) If that weren't enough, the euro's 6% decline against the US dollar accentuated the red ink that blanketed Fidelity's unhedged foreign stock funds. Notably, **Spartan Int'l Index** dropped 11.2% in May.

Things weren't much better here. The S&P 500 and Nasdaq Composite declined 6.0% and 7.1%, respectively. While the small-cap Russell 2000 retreated 6.6%, the large-cap Dow Industrials fell 5.9% — its biggest monthly decline in two years.

(Note: As we went to press on June 1, disappointing jobs data was adding to May's losses.)

Equity Funds

The average Fidelity equity fund lost 6.9% last month (though all remain in modestly positive territory for the year). Losses ranged from -3.8% for **Capital Appreciation** to -8.5% for **OTC** (see Trade Box on p. 3). Performance had less to do with market-caps than with sector exposures: funds holding tech and energy were hit especially hard, whereas utilities proved their worthiness defensively.

DID FIDELITY "FRIEND" FACEBOOK?

As we discussed in March, about two dozen Fidelity funds owned pre-IPO Facebook shares. Purchased at between \$25-\$35 by **Contrafund, Growth Co.** and other large-cap growth players, Fidelity managers invested a mere \$200 million; on paper, they appreciated to about \$300 million when Facebook went public.

While even this princely sum wouldn't ordinarily warrant CEO Mark Zuckerberg to make a private roadshow appearance at Fidelity,

the promise of their investing billions in the future prompted him to don his "hoodie" and head to their Boston headquarters.

So, with Facebook shares trading at \$29.49 at month-end, were Fidelity managers net buyers or sellers?

For now, it's impossible to say, as no fund has a significant enough exposure to move any fund's NAV. But as Fidelity's playbook provided the right long-term tactic for Google and Apple, then it's likely that Fidelity has "friended" Facebook. ■

Ditto for health care. Elsewhere, transport sectors were relative outperformers as falling fuel prices will help their earnings.

Fixed Income Funds

This catchall category provided vastly different experiences to investors last month. Economically sensitive high-yield funds fell as investors fretted over the possibility of a global recession. **Capital & Income** dropped 2.4% whereas **New Markets Income** (an emerging market bond

fund) retreated 2.8%.

These losses were in contrast to taxable and muni bond funds generally, and US government bonds specifically. **Spartan Long-Term US Treasury Index** popped 7.9% in May, while its **Intermediate** counterpart rose 2.1%. Fractional gains were scored by nationally diversified and state-focused muni funds. (Yes, even fiscally challenged California saw its bonds perk up, driving a gain of 1.0% for **California Muni Income**.) ■

— John Bonnanzio

JUNE SCORECARD RATING CHANGES

Fund	Ratings		Comments
	Old	New	
Capital Appreciation	B	B ↑	Less risky path to growth (see trade box on p. 3).
China Region	H	S ↓	Growth is slowing throughout the region.
Corporate Bond	B	B ↑	Better balance sheets bode well for cap gains.
Emerging Asia	H	S ↓	We see slower growth in China and elsewhere.
Emg Eur MidEast Afr	B	S ↓	Slower growth will sap commodity demand.
Emerging Markets	H	S ↓	We see slower growth in Asia & Latin America.
Ginnie Mae	B	B ↑	A higher-yielding alternative to Treasuries.
Global Commodity Stk	H	S ↓	Slow global growth will further depress prices.
Int'l Small Cap	B	B ↓	We prefer Int'l Small Cap Opportunities.
Latin America	B	H ↓	We see slower growth throughout the region.
Lzd Ret Emg Mkts	H	S ↓	We see slower growth in Asia & Latin America.
Mid Cap Value	H	B ↑	An all-US alternative to Low-Priced Stock.
Mortgage Securities	B	B ↑	A higher-yielding alternative to Treasuries.
MS Emg Mkt Equity	H	S ↓	We see slower growth in Asia & Latin America.
OTC	B	B ↓	Stock picking has been erratic; tech bet too big.
Pimco VIT Total Rtrn	B	B ↑	Better balance sheets bode well for cap gains.
Total Bond	B	B ↑	Better balance sheets bode well for cap gains.
VIP Dyn Cap App	B	B ↑	A clone of Capital Appreciation (see above).
VIP Emg Mkts	H	S ↓	We see slower growth in Asia & Latin America.

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

FIDELITY SCORECARD - MAY 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						May	YTD	2011	1 Year	3 Year	5 Year				
Comparative Indexes		S&P 500		1310.33		-6.0	5.2	2.1	-0.4	14.9	-0.9	1.00			
		Nasdaq		2827.34		-7.1	9.0	-0.8	0.8	18.0	2.7	1.17			
		Dow Jones Industrials		12393.45		-5.9	2.5	8.4	1.2	16.5	0.9	0.91			
		Russell 2000 (Small Caps)		761.82		-6.6	3.4	-4.3	-8.8	16.5	-0.7	1.36			
		Barclays Aggregate Bond*		11.92		0.9	2.3	7.7	7.0	6.9	6.1	0.17			
LARGE CAP GROWTH						Category Averages			-7.0	7.3	-2.3	-3.6	15.5	0.8	1.16
312	FBGRX	Blue Chip Growth		45.72	Buy	-8.3	7.8	-2.7	-3.3	17.6	3.0	1.21	\$10,450		
307	FDCAX	Capital Appreciation		27.88	Buy↑	-3.8	13.2	-2.7	3.6	17.3	0.4	1.18	4,271		
22	FCNTX	Contrafund		73.10	Buy	-5.6	8.4	-0.1	2.1	15.7	2.4	0.93	56,820		
332	FEXPX	Export and Multinational	0.75%/30d	21.88	OK to Sell	-6.2	5.8	-3.7	-4.0	11.9	-1.6	1.06	1,721		
500	FFTYX	Fifty		18.40	Buy	-7.8	5.5	-0.8	-3.4	13.7	-2.8	1.03	655		
333	FTQGX	Focused Stock		14.50	Buy	-7.8	5.8	0.6	-4.0	16.4	2.9	1.10	475		
25	FDGRX	Growth Company (closed)		89.16	Buy	-8.2	10.2	0.7	-0.5	19.0	4.1	1.18	23,818		
339	FDSVX	Growth Discovery		14.77	Buy	-7.1	8.1	0.5	-0.9	17.7	1.3	1.18	863		
73	FDFFX	Independence		23.53	Hold	-7.4	8.7	-10.9	-10.1	14.2	-0.3	1.46	3,039		
763	FSLGX	Large Cap Growth		10.45	OK to Buy	-6.9	8.1	-0.7	-3.2	15.5	-1.1	1.12	130		
21	FMAGX	Magellan		67.08	OK to Buy	-7.2	6.7	-11.6	-10.7	8.4	-4.1	1.20	12,090		
300	FMLX	New Millennium		30.14	OK to Buy	-7.1	4.4	2.5	-2.2	16.8	2.4	1.10	1,904		
93	FOCPX	OTC		56.25	OK to Buy↓	-8.5	2.8	-0.4	-8.2	16.9	4.4	1.30	5,671		
320	FDSSX	Stock Selector All Cap		25.65	Hold	-6.9	5.7	-5.1	-6.7	13.3	-1.7	1.14	2,244		
5	FTRNX	Trend		72.13	OK to Buy	-6.9	7.9	-0.8	-3.4	18.0	2.6	1.13	1,095		
LARGE CAP BLEND						Category Averages			-7.4	4.3	-2.6	-5.9	12.9	-3.0	1.16
315	FDEQX	Disciplined Equity		22.11	Sell	-7.9	2.8	-3.1	-8.2	9.2	-4.9	1.11	4,747		
330	FDGFX	Dividend Growth		27.15	Hold	-8.5	5.0	-8.5	-10.2	14.2	-1.3	1.34	6,278		
3	FFIDX	Fidelity Fund		33.17	Hold	-6.2	6.5	-2.4	-4.3	12.3	-0.9	1.05	4,232		
27	FGRIX	Growth & Income		19.08	OK to Buy	-6.7	5.0	1.4	-0.5	13.9	-7.1	1.06	4,564		
338	FLCSX	Large Cap Stock		18.00	Buy	-7.9	5.0	-1.6	-3.6	15.9	-0.4	1.21	871		
361	FGRTX	Mega Cap Stock		10.65	Buy	-7.2	5.5	2.3	1.2	15.2	-0.5	1.09	1,267		
343	FTXMX	Tax Managed Stock		11.61	Sell	-8.0	0.6	-7.0	-15.7	9.2	-5.9	1.23	51		
832	FVDFX	Value Discovery		14.77	Hold	-6.5	4.4	-2.3	-5.6	13.1	-3.3	1.20	402		
LARGE CAP VALUE						Category Averages			-6.3	2.8	-3.9	-8.4	10.5	-5.5	1.14
1271	FBCVX	Blue Chip Value		9.86	Sell	-8.1	0.8	-8.0	-14.0	7.8	-7.6	1.20	236		
319	FEQTX	Equity Dividend Income ⁶		18.03	Buy	-5.0	4.1	-2.8	-5.7	12.0	-4.0	1.13	4,063		
23	FEQIX	Equity-Income		42.46	Buy	-5.9	3.4	-4.7	-8.1	11.8	-4.6	1.14	6,285		
708	FSLVX	Stock Sel Large Cap Value		10.57	OK to Sell	-6.2	2.7	-0.3	-5.6	10.7	-5.9	1.08	438		
MID-CAP GROWTH						Category Averages			-7.4	3.6	-6.6	-10.6	15.5	-2.3	1.32
324	FDEGX	Growth Strategies	1.50%/90d	19.07	Hold	-7.9	2.5	-9.0	-13.5	13.1	-2.5	1.33	1,412		
793	FSMGX	Mid Cap Growth	0.75%/30d	11.80	Hold	-6.9	3.5	-8.4	-12.1	15.4	-3.7	1.33	233		
337	FMCSX	Mid-Cap Stock	0.75%/30d	27.96	Hold	-7.3	4.9	-2.4	-6.2	18.2	-0.8	1.31	4,706		
MID-CAP BLEND						Category Averages			-7.3	6.0	-5.3	-8.7	15.8	-1.2	1.29
122	FLVCX	Leveraged Company Stock	1.50%/90d	27.19	Buy	-6.4	8.3	-10.6	-12.0	15.9	-3.1	1.51	2,983		
316	FLPSX	Low-Priced Stock	1.50%/90d	37.03	Buy	-8.1	3.6	-0.1	-5.5	15.8	0.8	1.07	22,998		
MID-CAP VALUE						Category Averages			-6.6	5.9	-6.7	-9.6	17.3	-2.8	1.31
762	FSMVX	Mid Cap Value	0.75%/30d	15.90	Buy↑	-6.5	4.9	-4.2	-8.2	18.2	-1.8	1.20	531		
39	FDVLX	Value		66.43	Hold	-7.5	4.7	-6.7	-10.1	15.7	-3.7	1.34	5,358		
14	FSLSX	Value Strategies		27.09	Buy	-5.9	8.1	-9.3	-10.4	18.0	-2.8	1.39	298		
SMALL CAP GROWTH						Category Averages			-6.6	3.8	-2.7	-9.0	17.7	-1.2	1.36
1388	FCPGX	Small Cap Growth	1.50%/90d	15.64	OK to Buy	-6.1	4.9	-2.8	-8.4	17.4	0.3	1.32	1,156		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	18.51	Buy	-7.0	2.7	-2.6	-9.6	17.9	-2.7	1.40	1,398		
SMALL CAP BLEND						Category Averages			-6.5	4.5	-7.6	-11.9	17.7	2.4	1.46
384	FSCRX	Small Cap Discovery	1.50%/90d	21.18	Buy	-5.3	5.7	0.4	-3.6	22.0	5.7	1.33	2,658		
340	FSLCX	Small Cap Stock	2.00%/90d	17.08	Buy	-7.6	3.3	-15.6	-20.3	13.4	-0.9	1.58	2,933		

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. ⁶Formerly Equity-Income II. ⁷Distributed yield is calculated by taking a fund's actual distributions over the past year divided by its current NAV. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

ANNUAL MODEL PORTFOLIO RETURNS (%)

	'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
AG													31.4	-8.4	-20.9	-15.8	36.6	14.8	17.9	14.2	14.5	-42.0	28.6	10.8	-4.1
G	20.8	18.9	34.3	1.0	24.7	13.0	18.0	-0.1	23.9	13.8	17.2	3.3	30.7	-2.1	-2.7	-14.0	33.0	14.4	11.1	11.8	7.8	-38.2	32.2	11.5	-1.5
G&I	5.8	14.8	29.1	-1.3	24.6	14.2	18.2	-0.1	23.1	18.7	20.9	6.3	22.6	-2.1	-4.0	-9.7	27.1	11.5	5.2	10.2	7.3	-26.5	25.3	9.9	-0.8
I&P	1.3	10.2	17.7	0.8	20.9	11.4	16.7	-2.8	21.1	19.0	18.0	5.2	13.4	-1.4	-5.6	-6.8	18.9	7.0	3.5	7.2	5.2	-18.4	19.2	6.4	-0.5
SEL																									-2.8

FIDELITY SCORECARD - MAY 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)		
						May	YTD	2011	1 Year	3 Year	5 Year				
SMALL CAP VALUE						Category Averages			-5.7	5.0	-3.6	-3.9	17.2	1.7	1.27
1389	FCPVX	Small Cap Value	1.50%/90d	14.68	OK to Buy	-5.7	5.0	-3.6	-3.9	17.2	1.7	1.27	\$1,693		
SPECIALTY															
2063	FOTTX	130/30 Large Cap		6.87	Sell	-7.8	-1.3	-3.8	-13.5	6.6	--	1.16	15		
304	FBALX	Balanced		18.90	Buy	-4.2	4.3	1.7	0.1	12.5	1.1	0.67	14,509		
308	FCVSX	Convertible Securities		23.63	Buy	-5.0	4.2	-7.3	-11.1	14.5	0.3	0.99	1,814		
334	FGBLX	Global Balanced	1.00%/30d	21.94	Hold	-5.3	2.4	-2.5	-5.8	9.4	2.4	0.79	453		
2120	FFGCX	Global Commodity Stock	1.00%/30d	12.88	OK to Sell↓	-12.9	-7.6	-18.1	-26.8	2.0	--	1.60	382		
1960	FDYSX	Global Strategies		9.08	Hold	-2.3	5.5	-5.3	-4.8	9.9	--	0.76	214		
1368	FIREX	International Real Estate	1.50%/90d	7.54	Sell	-7.9	8.5	-22.2	-17.1	5.2	-10.7	1.37	228		
4	FPURX	Puritan		18.57	Buy	-4.3	5.4	0.7	-0.2	12.8	1.5	0.71	15,042		
833	FRIFX	Real Estate Income	0.75%/90d	10.92	OK to Buy	-0.6	7.1	4.7	5.7	18.6	4.2	0.43	2,067		
303	FRESX	Real Estate Investment	0.75%/90d	30.13	OK to Buy	-4.8	9.3	8.3	4.0	31.8	-0.7	1.42	3,385		
1329	FSDIX	Strategic Dividend & Income		11.48	Buy	-3.5	4.8	7.3	1.3	17.9	-0.5	0.89	1,798		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.28	Hold	-2.4	1.8	1.7	-1.3	11.1	3.1	0.48	597		
311	FIUIX	Telecom & Utilities		17.70	OK to Buy	-0.9	2.6	11.9	3.9	16.7	-1.5	0.74	919		
ASSET ALLOCATION															
328	FASIX	Asset Manager 20%		13.03	Hold	-0.9	2.9	2.6	2.2	8.5	3.6	0.27	4,243		
1957	FTANX	Asset Manager 30%		9.78	Hold	-1.8	3.3	1.7	1.1	9.7	--	0.38	322		
1958	FFANX	Asset Manager 40%		9.63	Hold	-2.6	3.6	0.5	-0.4	10.4	--	0.50	284		
314	FASMX	Asset Manager 50%		15.52	Hold	-3.4	3.6	-0.7	-1.9	11.1	2.0	0.62	6,505		
1959	FSANX	Asset Manager 60%		9.51	Hold	-4.2	3.8	-2.2	-3.7	11.3	--	0.73	519		
321	FASGX	Asset Manager 70%		16.04	Hold	-5.1	3.9	-3.8	-5.5	11.7	0.3	0.85	2,584		
347	FAMRX	Asset Manager 85%		12.88	Hold	-6.4	4.0	-6.1	-8.1	11.7	-0.9	1.03	652		
EQUITY INDEX															
355	FFNOX	Four-in-One Index		26.65	Hold	-6.4	2.7	-1.4	-5.4	11.2	-1.0	0.92	2,206		
2010	FIENX	International Enhanced Index	1.00%/30d	6.04	OK to Sell	-11.2	-3.1	-12.0	-20.3	3.5	--	1.25	22		
1827	FLCEX	Large Cap Core Enhcd Index		9.29	Hold	-6.3	4.0	4.7	0.1	14.2	-1.1	0.99	247		
1829	FLGEX	Lrge Cap Growth Enhcd Index		10.53	OK to Buy	-6.2	6.2	4.4	1.7	16.3	1.2	1.02	149		
1828	FLVEX	Large Cap Value Enhcd Index		7.33	OK to Sell	-6.2	3.0	2.5	-3.3	12.6	-4.2	1.02	71		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	9.14	Hold	-6.6	4.5	-1.6	-7.0	17.3	--	1.18	72		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	37.70	OK to Buy	-7.1	9.0	-1.0	0.8	17.8	2.5	1.17	395		
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	9.09	Hold	-7.2	3.6	-1.1	-6.4	17.2	--	1.35	116		
650	FUSEX	Spartan 500 Index ⁴		46.61	Hold	-6.0	5.1	2.0	-0.5	14.9	-1.0	1.00	10,277		
2341	FPEMX	Spartan Emerging Mkts Index ⁴	1.50%/90d	8.79	Hold	-10.9	-1.2	-10.7p	--	--	--	--	49		
398	FSEMEX	Spartan Extended Mkt Index ⁴	0.75%/90d	37.04	Hold	-7.0	5.7	-3.8	-7.3	18.2	0.8	1.26	1,997		
2345	FSGUX	Spartan Global ex U.S. Index ⁴	1.00%/90d	9.27	Hold	-11.0	-2.6	-4.5p	--	--	--	--	14		
399	FSIIX	Spartan Int'l Index ⁴	1.00%/90d	28.76	Hold	-11.2	-3.3	-12.2	-20.4	3.3	-7.2	1.28	2,693		
2349	FSCLX	Spartan Mid Cap Index ⁴	0.75%/30d	10.90	Hold	-6.7	4.9	4.4p	--	--	--	--	8		
2353	FRXIX	Spartan Real Estate Index ⁴	0.75%/90d	11.15	Hold	-4.6	8.8	-3.4p	--	--	--	--	14		
2356	FSSPX	Spartan Small Cap Index ⁴	1.50%/90d	11.00	Hold	-6.6	3.2	7.0p	--	--	--	--	13		
397	FSTMX	Spartan Total Mkt. Index ⁴	0.50%/90d	37.89	Hold	-6.2	5.2	1.0	-1.8	15.5	-0.6	1.04	3,019		
INTERNATIONAL						Category Averages			-9.9	0.9	-14.7	-17.6	6.6	-4.9	1.33
309	FICDX	Canada	1.50%/90d	49.22	OK to Sell	-8.2	-1.8	-12.4	-18.3	5.5	-1.3	1.23	3,086		
352	FHKCX	China Region	1.50%/90d	25.78	OK to Sell↓	-8.9	1.9	-20.4	-21.3	5.0	4.2	1.40	1,279		
325	FDIVX	Diversified International	1.00%/30d	25.64	OK to Sell	-9.8	0.5	-13.8	-17.6	4.3	-6.5	1.27	12,696		
351	FSEAX	Emerging Asia	1.50%/90d	25.34	OK to Sell↓	-10.8	0.6	-16.2	-19.9	7.5	-2.3	1.37	1,282		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	7.88	OK to Sell↓	-11.2	0.6	-15.3	-16.7	7.2	--	1.39	104		
322	FEMKX	Emerging Markets	1.50%/90d	20.25	OK to Sell↓	-11.8	-1.3	-21.0	-23.6	6.7	-4.4	1.46	2,252		
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	10.31	OK to Buy	-7.1	9.3	-5.6p	--	--	--	--	19		
301	FIEUX	Europe	1.00%/30d	25.37	OK to Sell	-11.0	-0.4	-16.8	-22.6	2.6	-7.0	1.49	523		
341	FECAX	Europe Capital App	1.00%/30d	15.29	OK to Sell	-12.0	-1.1	-16.9	-23.2	2.3	-8.1	1.51	275		
2406	FGILX	Global Equity-Income	1.00%/30d	9.24	Hold	-7.6p	-7.6p	--	--	--	--	--	7		
335	FIVFX	International Cap App	1.00%/30d	11.71	Buy	-10.1	5.3	-12.8	-12.6	9.1	-5.1	1.42	662		
305	FIGRX	International Discovery	1.00%/30d	27.68	OK to Sell	-10.2	0.3	-15.2	-18.5	4.5	-6.1	1.31	5,446		
1979	FIGFX	International Growth	1.00%/30d	8.04	OK to Buy	-9.0	2.9	-9.0	-11.6	11.4	--	1.22	100		
818	FISMX	International Small Cap	2.00%/90d	17.85	OK to Buy↓	-11.6	1.9	-15.5	-18.8	9.8	-3.7	1.23	696		
1504	FSCOX	International Small Cap Opps	2.00%/90d	9.68	Buy	-8.6	4.7	-9.6	-11.1	15.1	-8.4	1.20	304		
1597	FIVLX	International Value	1.00%/30d	6.29	OK to Sell	-9.9	-3.8	-16.7	-24.8	0.6	-9.5	1.34	120		
350	FJPNX	Japan	1.50%/90d	9.14	Hold	-8.0	-0.7	-15.9	-9.8	0.7	-8.2	0.98	395		
360	FJSCX	Japan Smaller Companies	1.50%/90d	8.16	Hold	-8.9	-4.6	-5.8	-8.6	4.8	-6.3	1.05	250		
349	FLATX	Latin America	1.50%/90d	46.87	Hold↓	-11.5	-4.2	-15.8	-19.4	8.0	-0.7	1.54	2,449		
342	FNORX	Nordic	1.50%/90d	27.01	Hold	-13.6	0.9	-20.3	-25.9	8.3	-6.9	1.66	281		
94	FOSFX	Overseas	1.00%/30d	27.20	OK to Sell	-10.3	2.7	-16.0	-18.2	2.2	-8.1	1.42	1,478		
302	FPBFX	Pacific Basin	1.50%/90d	21.98	OK to Buy	-9.3	2.5	-17.0	-16.1	12.5	-2.7	1.21	567		
2369	FTEMX	Total Emerging Markets	1.50%/90d	9.78	Hold	-8.9	2.0	-3.9p	--	--	--	--	61		
1978	FTIEX	Total International Equity	1.00%/30d	6.36	OK to Buy	-9.0	0.5	-14.1	-18.2	6.6	--	1.27	256		
318	FWWFX	Worldwide	1.00%/30d	17.86	Hold	-8.8	3.0	-6.7	-10.7	10.8	-1.8	1.22	991		

SELECT MODEL PORTFOLIO

Our move from **Select Energy** to **Consumer Finance** (in late April) helped this model's performance, but it still lost slightly more than the S&P 500, as exporters came under pressure last month. The May selloff was largely disconnected from fundamentals — steady improvement in corporate earnings which were preempted by a fresh round of Eurozone concerns. Today's investors aren't thinking about



Jack Bowers

how things will look 10 years from now when US firms will almost certainly command a much bigger share of the global marketplace. In fact, portfolio holding **Select Industrials** is almost a no-brainer in that regard.

That fund is a play on US manufacturing becoming more competitive, and global infrastructure spending. With emerging market wages rising and US energy costs falling, this group of companies is a relatively sure bet for

taking advantage of growth in capital goods exports and a revival in domestic manufacturing. Manager Tobias Welo thinks there are many companies in this sector capable of prospering even if Europe weakens. Those thoughts are echoed in GE's latest annual report (the fund's largest holding), which highlights the company's 18% annual growth in foreign sales of industrial goods — most of which is driven by emerging market demand. Says CEO Jeffery Immelt (President Obama's jobs czar): "Most of our appliance product manufacturing will move back from China and Mexico to the US. We think we can make more money and serve our customers better." ■

Select Model Portfolio	
Fund	Allocation
Pharmaceuticals (FPHAX)	20%
Chemicals (FSCHX)	19
Technology (FSPTX)	18
IT Services (FBSOX)	15
Industrials (FCYIX)	15
Consumer Finance (FSVLX)	13
Total Return: May: -7.0% YTD: 5.7%	

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹	Assets (\$Mil)
						May	YTD	2011	1 Year	3 Year	5 Year		
SELECT PORTFOLIOS						-7.0	4.8	-3.5	-6.8	15.7	0.3	1.35	
Category Averages													
34	FSAIX	Air Transportation	0.75%/30d	37.89	OK to Buy	-1.8	9.7	-6.1	0.1	25.8	0.6	1.47	\$69
502	FSAVX	Automotive	0.75%/30d	33.31	OK to Buy	-7.4	7.0	-26.2	-20.9	21.8	-2.5	2.03	117
507	FSRBX	Banking	0.75%/30d	18.03	Hold	-4.7	13.0	-13.3	0.6	12.1	-9.4	1.51	464
42	FBIOX	Biotechnology	0.75%/30d	96.98	Hold	-0.3	19.2	18.2	16.0	22.0	8.9	1.25	1,858
68	FSLBX	Brokerage & Investment	0.75%/30d	41.94	Hold	-8.5	5.0	-22.8	-16.9	2.7	-8.8	1.57	330
69	FSCHX	Chemicals	0.75%/30d	104.44	Buy	-6.9	10.6	0.3	-2.5	22.8	8.9	1.63	828
518	FSDCX	Communications Equipment	0.75%/30d	20.38	Hold	-14.0	-7.6	-16.7	-29.9	8.1	-1.9	1.58	227
7	FDCPX	Computers	0.75%/30d	59.51	OK to Buy	-10.1	10.4	-4.5	-1.8	24.0	6.6	1.43	758
511	FSHOX	Construction & Housing	0.75%/30d	39.68	Hold	-7.8	10.8	2.9	7.3	19.3	-0.2	1.51	222
517	FSCPX	Consumer Discretionary	0.75%/30d	25.89	OK to Buy	-5.6	12.4	-1.7	5.5	22.2	2.1	1.20	303
98	FSVLX	Consumer Finance	0.75%/30d	12.55	Buy	-5.5	13.7	-1.0	4.6	12.8	-21.0	1.21	218
9	FDFAX	Consumer Staples	0.75%/30d	73.75	Hold	-4.3	3.7	8.8	3.4	15.8	6.2	0.77	1,220
67	FSDAX	Defense & Aerospace	0.75%/30d	79.32	Hold	-7.5	2.1	7.3	-1.5	17.6	0.9	1.14	628
8	FSELX	Electronics	0.75%/30d	45.33	Buy	-11.7	2.5	-8.5	-16.1	15.8	-0.6	1.76	965
60	FSENX	Energy	0.75%/30d	44.84	Hold	-13.3	-9.0	-4.9	-23.8	5.5	-3.6	1.71	1,856
43	FSESX	Energy Service	0.75%/30d	59.66	Hold	-12.9	-8.3	-12.6	-28.2	5.4	-5.3	2.07	1,034
516	FSLEX	Environment & Alt Energy	0.75%/30d	14.95	Hold	-7.0	-0.8	-14.3	-23.8	5.6	-3.2	1.17	63
66	FIDSX	Financial Services	0.75%/30d	54.08	Hold	-6.8	10.6	-20.4	-10.7	2.8	-13.4	1.55	404
41	FSAGX	Gold	0.75%/30d	35.51	Sell	-7.0	-15.9	-16.3	-27.2	0.7	5.8	1.80	2,973
63	FSPHX	Health Care	0.75%/30d	128.70	Hold	-3.9	8.1	7.8	-0.1	19.4	4.4	0.89	2,140
510	FSCGX	Industrial Equipment	0.75%/30d	33.26	OK to Buy	-8.2	7.6	-7.7	-7.8	20.1	1.3	1.54	297
515	FCYIX	Industrials	0.75%/30d	22.98	Buy	-6.9	6.2	-4.9	-6.7	20.4	2.8	1.40	517
45	FSPCX	Insurance	0.75%/30d	46.29	OK to Sell	-6.2	4.4	-5.2	-4.6	14.4	-7.0	1.17	263
353	FBSOX	IT Services	0.75%/30d	22.50	Buy	-9.6	7.1	2.3	-0.1	21.8	6.0	1.25	313
62	FDLSX	Leisure	0.75%/30d	104.43	Hold	-6.5	8.5	5.9	8.7	22.5	6.3	1.20	444
509	FSDPX	Materials	0.75%/30d	62.84	Hold	-7.7	3.0	-8.2	-11.3	16.8	4.2	1.66	945
505	FSHCX	Medical Delivery	0.75%/30d	59.08	Hold	-4.3	7.9	10.2	-2.1	22.0	3.0	1.08	877
354	FSMEX	Medical Equipment	0.75%/30d	26.56	Hold	-5.7	7.5	-3.4	-10.0	12.7	5.3	0.99	1,273
503	FBMPX	Multimedia	0.75%/30d	47.34	Hold	-4.4	10.0	1.8	-2.4	24.9	2.6	1.28	206
513	FSNGX	Natural Gas	0.75%/30d	28.46	Hold	-9.1	-6.1	-7.7	-19.5	0.9	-7.0	1.54	630
514	FNARX	Natural Resources	0.75%/30d	28.30	Hold	-13.1	-9.6	-9.3	-26.0	5.1	-2.5	1.71	1,062
580	FPHAX	Pharmaceuticals	0.75%/30d	13.90	Buy	-4.6	2.9	13.7	0.6	19.6	5.7	0.82	704
46	FSRPX	Retailing	0.75%/30d	58.62	OK to Buy	-8.1	14.5	3.4	11.0	25.2	7.0	1.21	524
28	FSCSX	Software & Computer Svcs	0.75%/30d	79.64	OK to Buy	-8.8	8.2	2.2	2.5	21.9	7.0	1.21	1,674
64	FSPTX	Technology	0.75%/30d	94.46	Buy	-8.7	9.2	-9.6	-7.2	20.8	5.0	1.37	2,153
96	FSTCX	Telecommunications	0.75%/30d	45.11	Hold	-2.5	3.2	-4.2	-11.4	11.3	-3.3	0.98	338
512	FSRFX	Transportation	0.75%/30d	51.40	Hold	-2.0	6.3	-5.3	-4.7	25.2	2.1	1.42	202
65	FSUTX	Utilities	0.75%/30d	54.99	OK to Buy	-1.0	3.2	13.1	6.6	16.2	-0.8	0.70	556
963	FWRLX	Wireless	0.75%/30d	7.06	OK to Buy	-7.7	-2.6	-1.0	-13.4	7.7	-0.8	1.02	225

FIDELITY SCORECARD - MAY 31, 2012

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			SEC %Yield	Dist ⁷ %Yield	Dur ² (Yrs)	Tax-Equivalent Yield Federal Tax Bracket						
						May	YTD	2011										
TAXABLE BOND						Category Averages			1.2	2.5	8.6	1.50	2.06	4.5				
2267	FCONX	Conservative Income Bond		10.01	Buy	0.1	0.7	0.0p	0.69	0.58	0.2							
2208	FCBFX	Corporate Bond		11.14	Buy↑	1.0	4.6	11.1	2.86	2.96	6.6							
2423	FGBFX	Global Bond		9.99	Hold	-0.1p	-0.1p	--	--	--	--							
15	FGMNX	GNMA (Ginnie Mae)		11.92	Buy↑	0.5	1.8	7.9	2.52	2.91	2.8							
54	FGOVX	Government Income		10.91	Hold	1.3	2.0	7.9	1.27	1.68	4.5							
794	FINPX	Inflation-Protected Bond ³		13.32	Hold	1.8	4.5	13.0	-0.36	0.48	6.7							
32	FTHRXX	Intermediate Bond		11.02	OK to Buy	0.6	2.4	6.2	1.73	2.67	3.9							
452	FSTGX	Intermediate Gov't Income		11.06	Hold	0.7	1.3	5.7	0.60	1.29	3.7							
2428	FINUX	International Bond		9.94	Hold	-0.6p	-0.6p	--	--	--	--							
26	FBNDX	Investment Grade Bond		7.88	OK to Buy	1.1	3.3	7.9	2.28	3.10	4.9							
40	FMSFX	Mortgage Securities		11.29	Buy↑	0.4	2.3	6.5	2.86	3.06	2.4							
450	FSHBX	Short-Term Bond		8.53	Buy	0.0	1.0	1.8	0.80	1.26	1.8							
2415	FSIQX	Sptn Inflation-Protect Index ⁴		10.13	Hold	1.3p	1.3p	--	--	--	--							
1561	FIBIX	Sptn Intern Treas Index ⁴		11.64	OK to Sell	2.1	3.0	12.9	1.04	2.28	6.6							
1562	FLBIX	Sptn Lng-Term Treas Index ⁴		13.58	Sell	7.9	6.0	29.5	2.39	2.93	16.2							
1560	FSBIX	Sptn Sht-Term Treas Index ⁴		10.63	Hold	0.2	0.4	3.2	0.23	1.09	2.6							
651	FBIDX	Sptn US Bond Index		11.92	Hold	0.9	2.3	7.7	1.89	2.73	4.8							
820	FTBFX	Total Bond		11.12	Buy↑	0.7	3.2	7.4	2.54	3.46	4.5							
812	FUSFX	Ultra-Short Bond	0.25%/60d	8.20	Hold	0.0	0.8	0.1	0.61	0.40	0.5							
HIGH-YIELD BOND						Category Averages			-1.8	4.2	3.6	5.04	5.47					
38	FAGIX	Capital & Income	1.00%/90d	8.96	Buy	-2.4	5.9	-1.9	6.09	6.43	--							
814	FFRHXX	Floating Rate High Income	1.00%/60d	9.73	Buy	-0.9	2.3	1.7	3.54	3.48	--							
1366	FHIFX	Focused High Income	1.00%/90d	9.10	Buy	-1.0	4.0	5.9	4.84	5.95	--							
2297	FGHXX	Global High Income	1.00%/90d	9.44	Buy	-2.6	4.3	-4.7p	5.92	--	--							
455	SPHIX	High Income	1.00%/90d	8.84	Buy	-1.8	4.8	3.4	6.10	6.72	--							
331	FNMIXX	New Markets Income	1.00%/90d	16.19	OK to Buy	-2.8	4.6	7.9	4.85	5.44	--							
368	FSICX	Strategic Income		10.97	Buy	-1.3	3.3	4.6	3.96	4.79	--							
MUNICIPAL BOND						Category Averages			0.7	3.3	9.0	1.76	3.13	5.9	25%	28%	33%	35%
434	FSAZX	Arizona Muni Income	0.50%/30d	12.10	Hold	0.9	4.1	9.9	2.15	3.44	7.3	3.0	3.1	3.4	3.5			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.83	Hold	0.3	1.4	4.7	0.80	2.23	2.7	1.2	1.2	1.3	1.4			
91	FCTFX	California Muni Income	0.50%/30d	12.78	Hold	1.0	4.7	11.2	2.51	3.83	7.1	3.7	3.8	4.1	4.3			
407	FICNX	Connecticut Muni Income	0.50%/30d	12.05	Hold	0.7	2.9	10.0	1.57	3.03	6.6	2.2	2.3	2.5	2.6			
36	FLTXX	Interm Municipal Income	0.50%/30d	10.61	Hold	0.5	2.8	8.0	1.51	3.11	5.1	2.0	2.1	2.3	2.3			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.60	Hold	0.8	3.3	8.9	1.57	2.97	6.8	2.2	2.3	2.5	2.6			
70	FDMMX	Mass Muni Income	0.50%/30d	12.64	Hold	0.9	4.1	10.4	2.05	3.50	7.5	2.9	3.0	3.2	3.3			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.48	Hold	0.8	3.5	9.2	2.19	3.65	6.5	3.1	3.2	3.4	3.5			
82	FIMIX	Minnesota Muni Income	0.50%/30d	12.01	Hold	0.7	3.1	9.1	1.50	3.25	6.0	2.2	2.3	2.4	2.5			
37	FHIGX	Municipal Income	0.50%/30d	13.40	Hold	0.9	4.4	10.6	2.20	3.73	7.3	2.9	3.1	3.3	3.4			
416	FNJXX	New Jersey Muni Income	0.50%/30d	12.23	Hold	0.8	4.0	9.7	1.93	3.52	6.9	2.7	2.9	3.1	3.3			
71	FTFMX	New York Muni Income	0.50%/30d	13.58	Hold	0.9	3.5	9.6	1.91	3.38	7.1	2.7	2.8	3.1	3.2			
88	FOHFX	Ohio Muni Income	0.50%/30d	12.26	Hold	0.8	3.6	9.6	2.03	3.54	7.0	2.8	3.0	3.2	3.3			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.37	Hold	0.7	3.9	9.8	2.15	3.59	7.1	3.0	3.1	3.3	3.4			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.87	Hold	0.3	1.3	4.3	0.68	1.95	2.9	0.9	0.9	1.0	1.0			
90	FTABX	Tax-Free Bond	0.50%/30d	11.56	Hold	1.0	4.6	10.9	2.28	3.67	7.5	3.0	3.2	3.4	3.5			
TAXABLE MONEY MARKET						Category Averages			0.00	0.01	0.02	0.02						
55	FDRXX	Cash Reserves		1.00	--	0.00	0.01	0.01	0.01	na	na							
631	FGMXX	Retirement Government MM		1.00	--	0.00	0.00	0.01	0.01	na	na							
630	FRTXX	Retirement MM		1.00	--	0.00	0.00	0.01	0.01	na	na							
458	SPAXX	Government MM		1.00	--	0.00	0.00	0.01	0.01	na	na							
454	SPRXX	Money Market		1.00	--	0.00	0.00	0.01	0.01	na	na							
85	FSLXX	Select MM		1.00	--	0.01	0.05	0.06	0.10	na	na							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.00	0.00	0.01	0.01	na	na							
415	FDLXX	US Treasury MM		1.00	--	0.00	0.00	0.01	0.01	na	na							
MUNICIPAL MONEY MARKET						Category Averages			0.00	0.00	0.01	0.01						
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
433	FSAXX	Arizona Muni MM		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
97	FCFX	California Muni MM		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
457	FSPXX	California AMT Tax-Free		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
418	FCMXX	Connecticut Muni MM		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
74	FDMXX	Massachusetts Muni MM		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
420	FMIXX	Michigan Muni MM		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
10	FTEXT	Municipal Money Market		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
417	FNJXX	New Jersey Muni MM		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
423	FSJXX	New Jersey AMT Tax-Free		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
92	FNXX	New York Muni MM		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.00	0.00	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
419	FOMXX	Ohio Muni MM		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
401	FPTXX	Pennsylvania Muni MM		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.00	0.01	0.01	na	na	0.0	0.0	0.0	0.0			

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

FIDELITY SCORECARD - MAY 31, 2012

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) ¹
							May	YTD	2011	1 Year	3 Year	5 Year	
FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS													
9067	FLRQC	Fid VIP Asset Manager	Allocation		13.29	Hold	-3.6	4.6	-3.0	-3.6	10.6	2.5	0.72
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		12.48	Hold	-5.5	5.2	-6.5	-7.3	11.1	0.9	0.99
9069	FJBAC	Fid VIP Balanced	Allocation		13.55	OK to Buy	-5.8	4.6	-3.9	-5.0	12.7	1.4	0.93
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	13.49	OK to Buy	-5.5	12.3	-2.0	5.2	21.9	2.0	1.20
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	13.43	Hold	-4.2	3.4	7.8	2.5	15.2	5.8	0.76
9065	FPDFC	Fid VIP Contrafund	Large Growth		12.85	Hold	-6.9	5.0	-2.8	-4.9	13.9	-0.2	1.10
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		10.09	Hold	-7.2	3.3	-1.6	-7.0	16.3	-1.9	1.35
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		13.63	Buy↑	-3.7	13.1	-2.9	3.4	17.0	-0.1	1.18
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.10	OK to Sell↓	-11.8	-1.5	-21.2	-23.8	6.1	--	1.46
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	12.75	Hold	-13.2	-9.0	-5.3	-24.0	5.4	-3.8	1.71
9061	FLOLC	Fid VIP Equity-Income	Large Value		10.98	Buy	-5.8	3.3	0.6	-4.3	13.7	-4.1	1.09
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	6.33	Buy	-6.6	10.5	-20.6	-11.0	2.8	-13.4	1.54
9157	FMPAC	Fid VIP FundsManager 20	Allocation		12.42	Hold	-1.2	2.0	2.0	1.0	6.1	2.7	0.25
9158	FMPBC	Fid VIP FundsManager 50	Allocation		11.82	Hold	-3.6	2.9	-0.7	-2.6	8.9	0.9	0.57
9197	FMPPC	Fid VIP FundsManager 60	Allocation		10.49	Hold	-4.4	3.0	-2.2	-4.2	9.6	--	0.68
9159	FMPCC	Fid VIP FundsManager 70	Allocation		11.00	Hold	-5.3	3.1	-3.2	-5.9	10.1	-1.0	0.80
9160	FMPDC	Fid VIP FundsManager 85	Allocation		10.32	Hold	-6.5	2.8	-5.5	-8.4	10.7	-2.6	0.98
9062	FMNDC	Fid VIP Growth	Large Growth		12.42	Buy	-7.2	8.0	-0.1	-1.5	17.2	0.5	1.18
9070	FLFNC	Fid VIP Growth & Income	Large Blend		11.85	Buy	-6.7	5.1	1.3	-0.5	13.5	-1.7	1.05
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		12.35	Buy	-7.6	10.2	1.9	0.2	20.2	-0.4	1.22
9078	FPVDC	Fid VIP Growth Stock	Large Growth		13.06	OK to Buy	-6.8	7.6	0.4	-2.8	18.2	2.6	1.11
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		10.73	Hold	-7.9	2.5	-9.3	-13.7	12.5	-2.8	1.33
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	14.63	Buy	-3.9	7.6	8.0	-0.5	19.2	4.3	0.90
9060	FBBLC	Fid VIP High Income	High-Yield Bond		15.25	Buy	-1.4	5.0	3.6	3.5	14.1	5.4	0.49
9064	FXVLT	Fid VIP Index 500	Large Blend		12.03	Hold	-6.0	5.1	1.8	-0.7	14.6	-1.2	1.00
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	15.73	Buy	-6.9	6.1	-4.9	-6.7	20.3	2.9	1.40
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	10.41	Buy	-10.2	5.3	-12.8	-12.7	8.9	-5.3	1.43
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		14.37	OK to Buy	1.0	3.0	7.0	6.7	8.7	6.3	0.18
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	12.89	Buy	-7.8	2.7	-8.5	-11.7	16.5	4.2	1.67
9071	FNBSB	Fid VIP Mid Cap	Mid Growth		13.83	OK to Buy	-7.4	3.9	-10.9	-10.6	13.0	0.6	1.06
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.43	--	0.0	-0.1	-0.1	-0.2	-0.1	1.1	0.00
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	10.15	OK to Sell	-11.1	1.3	-17.5	-21.3	4.1	-7.2	1.41
9072	FFWKC	Fid VIP Real Estate	Sector		14.57	Hold	-4.9	8.4	7.8	1.9	31.0	-0.1	1.43
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		15.60	Buy	-1.2	3.1	4.3	2.8	10.7	7.0	0.34
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	15.95	Buy	-8.6	8.9	-10.2	-8.0	20.5	4.9	1.37
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	9.07	Hold	-2.5	3.3	-2.2	-8.8	11.8	-3.7	0.96
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	15.09	OK to Buy	-1.0	3.4	12.8	6.7	16.2	-0.4	0.70
9079	FKMSC	Fid VIP Value	Mid Value		10.72	Buy	-7.8	3.8	-2.8	-6.3	15.1	-4.2	1.25
9080	FUEBC	Fid VIP Value Leaders	Large Value		8.89	Sell	-8.2	0.8	-8.3	-14.3	7.6	-7.7	1.20
9073	FRBSC	Fid VIP Value Strategies	Mid Value		11.85	Buy	-6.0	7.9	-9.2	-10.2	17.9	-3.2	1.38
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		7.72	OK to Sell	-10.9	-3.9	-11.2	-19.4	3.3	-8.9	1.16
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		13.09	OK to Sell↓	-11.1	1.5	-18.0	-17.1	9.4	0.5	1.41
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		15.32	OK to Buy	-3.5	3.2	6.8	6.3	11.5	6.3	0.49
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		11.24	OK to Sell↓	-10.4	1.0	-18.4	-17.8	8.4	-2.3	1.34
9146	FPRPC	Morgan Stanley Gbl Tactical Alloc	Diversified Int'l		9.40	Hold	-5.5	1.4	-3.9	-7.7	7.5	-5.0	1.06
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		11.04	Buy	0.3	2.6	0.9	1.7	--	--	0.17
9277	FPNBC	Pimco VIT Real Return	TIPS		13.05	Hold	2.1	5.5	11.4	12.5	--	--	--
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		11.79	Buy↑	0.5	4.4	3.3	4.7	--	--	--

ANNUITY MODEL PORTFOLIOS

Annuity Sector		Annuity Growth		Annuity Growth & Income		Annuity Income & Pres	
Fund	Allocation	Fund	Allocation	Fund	Allocation	Fund	Allocation
VIP Technology	35%	VIP Growth Opps	32%	VIP Strategic Inc	27%	Pimco Low Duration	23%
VIP Health Care	20	VIP Strategic Income	25	VIP Growth Opps	23	VIP Strategic Inc	21
VIP Materials	18	VIP Value Strategies	23	Pimco Low Duration	19	VIP Money Market	20
VIP Industrials	15	VIP Equity-Income	20	VIP Value	17	VIP Value	14
VIP Financial Svcs	12			VIP Equity-Income	14	VIP Equity-Income	12
						VIP Growth Opps	10
Total Return:		Total Return:		Total Return:		Total Return:	
May: -7.1% YTD: 5.6%		May: -5.3% YTD: 6.3%		May: -4.3% YTD: 4.7%		May: -2.8% YTD: 3.1%	

AT A GLANCE

Real Estate Funds: It's Not Just Location

Forget about the 2008 housing/mortgage crash for a moment and the fact that millions of Americans have since lost their homes. Since 2009, there have been a variety of successful ways for investors to play real estate broadly, including the residential arena.

Fidelity has several funds that invest directly in real estate investment trusts (or REITs — see box) and real estate-related bonds; one even invests abroad. So wherever there's a real estate "opportunity," a Fidelity fund can pretty much invest in that "location."

To help you to distinguish among them, we've parsed them as follows: 1. Those whose primary objective is income with the secondary objective of capital appreciation (growth); 2. Those with growth objectives.

In both cases, these funds can be attractive portfolio additions over full market cycles. Historically, they have offered attractive yields and/or growth. Further, real estate funds are less correlated to US stock funds. This is especially true of **Real Estate Income** (a bond fund) and **Int'l Real Estate** (a foreign stock fund). As such, they can be useful in mitigating the risk of an all-stock portfolio.

A note of caution and some clarification: To discourage short-term trading, most real estate-related funds have redemption fees (see our *Scorecard*). And lastly, Fidelity has a variety of taxable bond funds that buy securitized packages of government-sponsored mortgages from Ginnie Mae and others. These funds are not our focus here.

Income-Oriented Choices

Real Estate Income — *OK to Buy* — Its primary goal is "above-average income" (yield), as opposed to capital gains. This means a heavy dose of real estate bonds and other real estate related-debt which typically make up more than half of the fund.

Manager Mark Snyderman keeps the fund's bond allocation above 55% and its stock portion around 35% (which includes a very healthy dose of commercial mortgaged-backed securities, or CMBS).

Long-term, the fundamentals should favor this fund as commercial real estate continues its slow recovery. Moreover, investor demand for its various high-yielding securities should continue to provide some price support (it yields 5.0%), especially as Treasury yields keep falling.

Strategic Dividend & Income — *Buy* —

Granted, this is not a real estate fund *per se*, but it warrants mentioning as we use the fund in our conservative Income & Preservation Model because of its attractive 3.3% yield which is driven, in part, by its 15% stake in REITs.

This asset allocation fund is also held in our Growth Model, but it's used there with an eye toward risk reduction. Quick note: **Strategic Real Return** has a higher 20% stake in REITs. But as we're not especially enamored with its commodity-linked notes and especially interest-rate sensitive TIPS (Treasury Inflation-Protected Securities), we're avoiding this indirect player in real estate.

REITS

Fidelity's growth-oriented real estate funds principally invest in real estate investment trusts (REITs).

REITs typically hold properties such as office buildings, hotels, malls, apartments, factories, HMOs and even storage facilities. Naturally, their performances will vary greatly as these subsectors of the real estate business are sensitive to different areas of the economy.

However, as all REITs are legally required to distribute the bulk of their income to shareholders (which is why they yield more than stocks, and are also less correlated with them), their typically rich yields are all sensitive to changes in interest rates. ■

Growth-Oriented Choices

International Real Estate — *Sell* — Just like its domestic counterpart Real Estate Investment (below), this fund seeks capital appreciation. While both funds performed similarly in 2009, their performances have since diverged owing to the nascent US recovery and deteriorating conditions abroad.

That said, with the fund up 8.5% this year, its clearly been sidestepping problems in Southern Europe. And, at the same time, whereas China (Hong Kong) was more recently its Achilles' Heel, that problem and rising inflation appear to be priced into the market. With all that in mind, we anticipate Manager Guillermo De las Casas sticking to his Asian bets because of their comparatively attractive valuations.

Real Estate Investment — *OK to Buy* —

As measured by assets (\$3.4 billion), this is Fidelity's most popular way to play real estate.

While Real Estate Investment aims to garner a yield that tops the S&P 500's, its current yield of 1.7% is presently below that stock index (2.1%). Still, the real reason to own this fund is its potential for long-term growth.

While limited new construction of commercial real estate bodes well for its long-term supply/demand balance, property valuations are no longer cheap. Moreover, with the direction of the economy still dependent on Europe and China, risks are arguably higher. Still, as a long-term holding we like the fund, though it will likely provide investors with a bumpy ride. Note: This fund has an annuity (VIP) clone.

Spartan Real Estate Index — *Hold* —

Benchmarked to Dow Jones US Select Real Estate Securities Index, this new fund is a lower-cost alternative, and now competitor, to Steve Buller's Real Estate Investment.

Real Estate *cont'd on page 12*

Investor shares require a \$10,000 minimum investment and have an expense cap of 0.26%, whereas the Advantage shares have a \$100,000 minimum and are capped at a lower 0.12%. The caps on both shares will be lifted on 9/30/2012. At that time, expenses are expected to rise to 0.33% and 0.19%, respectively, versus Real Estate Investment's current expense ratio of 0.85%. Naturally, if you can handle the Advantage shares, you should buy them.

Select Construction & Housing — Hold — This is actually one of six sector-specific funds in Fidelity's Consumer Discretionary group; it invests in some residential REITs, but mostly building supply chains, national builders and construction/engineering firms.

Demand for first-time homes have been perking up in a few regions; historically low mortgage interest rates are helping with demand. However, the market will likely be glutted with unsold and foreclosed properties for a long time. One problem is partly

generational: Baby Boomers saw housing as an investment. The smaller and perhaps poorer generation that follows may continue to have an altogether different experience and will own "less house." This shift may weigh on residential home prices for decades. Now the good news: apartment REITs (and even storage REITs) have boomed as Americans "downsize." Of course, real estate being what it is, even the performances of different REITs will come down to location. ■

— John Bonnanzio

Inside Fidelity

Scorecard Changes — The observant reader may have already noticed this: in order to accommodate Fidelity's newly launched funds, we've had to make space by commingling four nationally diversified muni bond funds with their 12 state-specific offerings. Likewise, three national tax-free money markets have been grouped with 13 state funds. In both cases the funds are arranged alphabetically. ■

DIVIDEND UPDATE

In addition to regular monthly dividends paid by bond and money market funds and Asset Mgr: 20%/30%, the following funds may make a dividend or cap gain distribution in June:

Capital & Income, Focused High Inc, Global High Income, High Income, Inflation-Protected, Large Cap Stock, Mid-Cap Stock, Real Estate Income, Real Estate Inv, Short-Intmd Muni, Small Cap Disc, Small Cap Stock, Stk Sel Small Cap, Sptn Mid Cap Index, Sptn Real Estate Index, and Sptn Small Cap Index

The final distributions for May were as follows:

Fund	Ex-Date	\$ Amt	NAV
Inflation-Protected	5/11	0.018	13.12
Magellan	5/4	0.143	70.28

MESSAGE TO MEMBERS

Tough Times For Income Investors

Income. It's as hard to come by these days as hen's teeth. And, when you do encounter a fund or bond or CD whose yield is appealing, you're taking a fair amount of interest and/or credit risk to earn a few more shekels.

As noted on our page 1 chart, 10-year Treasury yields have hit an all-time low of 1.6% at the end of May. Underscoring our point about risk, Spanish bonds of the same maturity yield about 6.7%! These five additional percentage points of income are certainly tempting, but bond investors have a memorable saying: "Yields are highest before they're zero."

That was once a saying that only junk bond investors used. Now, a growing number of developed countries (the PIIGS) are issuing sovereign debt that is also rated junk. And, less you need reminding, Treasuries may still be the ultimate safe-harbor investment, but they are no longer rated AAA by all agencies.

For now, no one seems to mind that seemingly modest, but signifi-

cant and historic, credit downgrade. But eventually investors will care. And, they may also come to see a Treasury's 1.6% yield as unacceptably low, especially against the backdrop of a growing US federal budget deficit. And one other thing about those yields: inflation is running at over 2%. So every day you hold them, you're losing ground.

To help address this new age of historically low yields, Fidelity has bolstered its lineup of foreign income-oriented stock *and* bond funds. **Global Equity-Income** is featured on p. 4, while **Global Bond, International Bond** and **Spartan Inflation-Protected Bond Index** (launched late last month) have now been introduced to our *Scorecard with Hold* ratings (see. p. 4).

While we've already had conversations the managers of these funds, naturally, we'll have more to say about their potential for reward and risk once their holdings and yields become available.

Sincerely,

John M. Boyd
John Bonnanzio
editorial@mfi.com

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Editorial Questions: editorial@mfi.com **Subscription Questions:** memberservices@mfi.com or 1-800-444-MFIA **Hotline:** 800-303-4470