

# FIDELITY INSIGHT

THE INDEPENDENT REPORT ON FIDELITY FUNDS

JANUARY 2012

VOLUME 28, NUMBER 1

## 2012 MARKET OUTLOOK

## Stocks Should Do Better in 2012

Let's assume that over the course of the year, inflation is tame, GDP growth improves each quarter, corporate profits increase 16%, and initial claims for unemployment fall by 10%. What might we expect from the stock market? Probably a pretty good year, maybe double digit gains.



John M. Boyd

No, that is not our forecast for 2012 — that is what happened in 2011, everything except the pretty good year for stocks that is!

Okay, I did take some liberties with the GDP figures. While growth did improve from the first quarter on, it was still anemic and well below 2010's growth for comparable quarters. (Current estimates for

Fidelity Insight launches new  
*Annuity Sector Model* (see pgs. 10 and 16).

fourth quarter growth are approaching 2010's best levels, but they are just that, estimates. We shall see.)

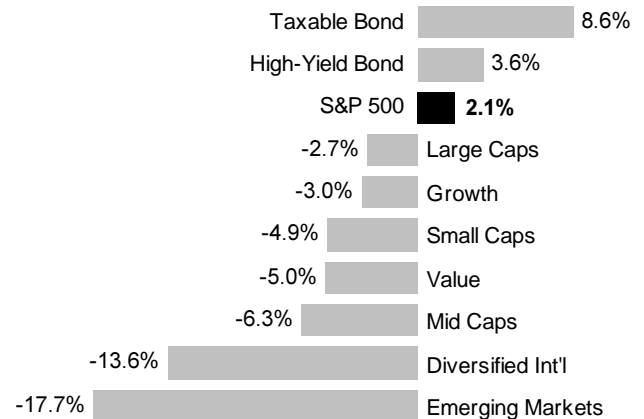
My point is that last year our stock and bond markets were, to a large extent, driven by global macro factors, rather than the fundamentals of our own economy and corporations. Principal among them, of course, was the ongoing struggle of European leaders attempting to deal with a severe sovereign debt crisis that was decades in the making. Another was fears that the great growth machine known as China was grinding to a halt.

In such an environment, it's extremely difficult for even very astute stockpickers to flourish. Mutual fund manag-

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### 2011 RETURNS BY STYLE



If you were not in bonds last year it was tough to make money. Whether large cap or small, growth or value, none of the equity styles among Fidelity's domestic stock funds managed a positive return. Meanwhile, international funds were the worst destination for your money. Our Growth Model (-1.5%) trailed the S&P 500, but thanks to its holdings of high-yield bonds, it did outperform all other equity styles.

ers who succeed over the long-term typically do so by identifying the best-run companies, not by making big macro bets. In the "risk-on, risk-off" world we experienced last year, both strong and weak firms moved in tandem with the risk appetite of the moment, overwhelming the good stockpicker's advantage. Last year, for example, only two of Fidelity's 17 actively managed domestic stock funds that are benchmarked to the S&P 500 actually beat it!

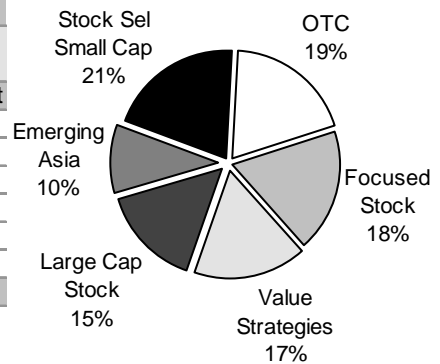
### Macro Factors Should Lessen In Importance

I'd like to say that these big macro factors won't be calling the tune for our markets again this year but, unfortunately, I can't. However, we believe that their impact may well be diminished, especially as the year unfolds. In the case of Europe, much of the potential bad news from these events has been discounted by the markets. Certainly a serious meltdown and/or a messy breakup of the euro is still a real (if low probability) risk, and would have a major negative impact. But any outcome other than that would likely be a plus for the markets. We have seen this year how sharply the markets react to the upside when

Market Outlook cont'd on page 3

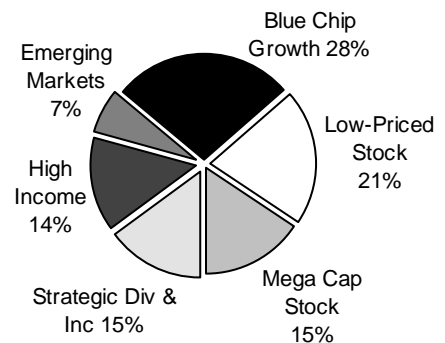
# FIDELITY INSIGHT MODEL PORTFOLIOS - DECEMBER 31, 2011

Aggressive Growth Model		Rel Vol: 1.20	Est. Yield: 0.7%	2011 Return: -4.1%		
Current Asset Allocation		Stocks 98.2%	Bonds 0.0%	Cash 1.8%	Alternative <sup>1</sup> 0.0%	Foreign 17.7%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec Ret
Stock Sel Small Cap	FDSCX	21%	\$18.03	1,746.10	\$31,482	0.2%
OTC	FOCPX	19	54.70	542.94	29,699	-2.3
Focused Stock	FTQGX	18	13.71	2,010.96	27,570	-0.2
Value Strategies	FSLSX	17	25.07	1,035.02	25,948	-0.4
Large Cap Stock	FLCSX	15	17.15	1,353.88	23,219	1.6
Emerging Asia	FSEAX	10	25.18	637.55	16,054	-3.9
Current Value (4/7/99 = \$100,000)					\$153,972	-0.7%



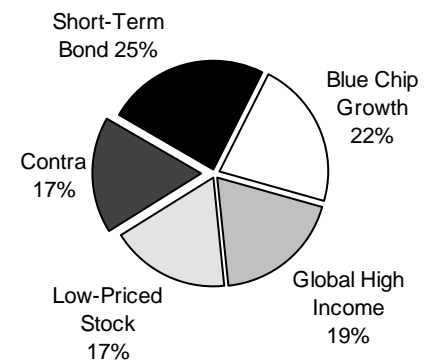
For aggressive members who have no need for income or principal for more than 10 years. Target volatility range: 0.50-1.50.

Growth Model		Rel Vol: 0.97	Est. Yield: 2.0%	2011 Return: -1.5%		
Current Asset Allocation		Stocks 79.9%	Bonds 0.0%	Cash 3.1%	Alternative <sup>1</sup> 17.0%	Foreign 17.5%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec Ret
Blue Chip Growth	FBGRX	28%	\$42.43	7,058.55	\$299,494	-1.5%
Low-Priced Stock	FLPSX	21	35.73	6,246.15	223,175	-0.3
Mega Cap Stock	FGRTX	15	10.10	16,242.26	164,047	1.8
Strategic Div & Inc	FSDIX	15	11.02	14,431.11	159,031	2.7
High Income	SPHIX	14	8.64	18,056.20	156,006	2.8
Emerging Markets	FEMKX	7	20.52	3,865.53	79,321	-4.4
Current Value (1/1/87 = \$100,000)					\$1,081,073	0.2%



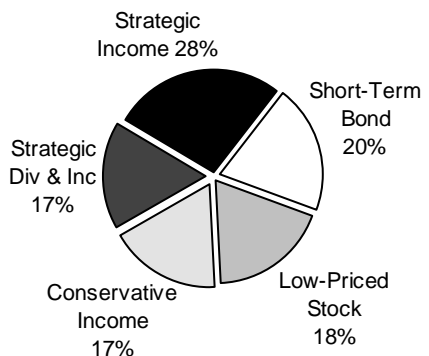
For moderately aggressive members who want equity-dominated portfolios and have no income needs for at least 10 years. Target volatility range: 0.50-1.00.

Growth & Income Model		Rel Vol: 0.53	Est. Yield: 1.3%	2011 Return: -0.8%		
Current Asset Allocation		Stocks 54.9%	Bonds 24.5%	Cash 7.2%	Alternative <sup>1</sup> 13.4%	Foreign 10.2%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec Ret
Short-Term Bond	FSHBX	25%	\$8.49	25,993.05	\$220,681	0.3%
Blue Chip Growth	FBGRX	22	42.43	4,578.43	194,263	-1.5
Global High Income	FGHNX	19	9.25	18,428.11	170,460	1.2
Low-Priced Stock	FLPSX	17	35.73	4,403.02	157,320	-0.3
Contrafund	FCNTX	17	67.46	2,320.60	156,547	-1.1
Current Value (1/1/87 = \$100,000)					\$899,271	-0.3%



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: 2.1%	2011 Return: -0.5%		
Current Asset Allocation		Stocks 29.2%	Bonds 41.7%	Cash 3.3%	Alternative <sup>1</sup> 25.8%	Foreign 6.0%
Holdings	Ticker	Alloc	NAV	Shares	Value	Dec Ret
Strategic Income	FSICX	28%	\$10.81	13,938.32	\$150,673	1.4%
Short-Term Bond	FSHBX	20	8.49	12,862.37	109,202	0.3
Low-Priced Stock	FLPSX	18	35.73	2,776.83	99,216	-0.3
Conservative Income	FCONX	17	9.97	9,436.60	94,083	0.1
Strategic Div & Inc	FSDIX	17	11.02	8,422.80	92,819	2.7
Current Value (1/1/87 = \$100,000)					\$545,993	0.8%



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.

<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. 16). **Annuity Model Portfolios** are on p. 10.

any “good news” comes out of the continent.

One of the more significant events in that ongoing crisis last year was the coordinated efforts by central banks around the world to inject liquidity into the European banking system at the end of November. The bad news, of course, was that such efforts were seen as necessary. (Rumors abounded that a significant bank was in danger of going under.) But the good news was that those same central banks signalled that they understand the importance of avoiding a European catastrophe that spreads across the globe and that they stand ready to provide more help should it be needed.

In the case of China (and much of the rest of the emerging markets), last year was a battle against inflation, marked by multiple rounds of monetary tightening. And just like here at home, when the monetary authorities embark on a string of such measures, stocks take a hit because tightening leads to a slowdown in growth.

The positive news is that these steps have borne fruit. China’s inflation rate peaked at 6.5% in July but fell to 4.2% by November — the lowest rate in over a year. Of course, growth did slow as well, but the moderating of inflationary pressures has given China the leeway to start easing again to boost growth, which they did at the end of November.

There are concerns, however. Exports have fallen owing to Europe’s woes and that may get worse before it gets better. But I’d rather have China easing than the other way around. Brazil, another major emerging market country, has similarly started easing.

I mentioned in last month’s *Outlook* that because the European bond markets are quick to react to any plans they see as ill-conceived or well short of what needs to be done by pushing rates even higher, we expect Europe to eventually take the necessary steps to avoid the worst outcome. While

## WHICH FUNDS SHOULD YOU BUY NOW!

**Equity Funds:** **Blue Chip Growth, Focused Stock, Growth Co.** and **OTC** 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** ( see p. 16) and **Stock Selector Small Cap** ply mostly the mid- and small-cap arenas, respectively; **Contrafund** is a more conservative “all-cap” approach to growth.

**Bond Funds:** **Short-Term Bond** affords limited interest-rate risk. **Conservative Income** gets you a bit more yield than a money market fund.

**International Funds:** **Emerging Asia** and **Emerging Markets** are long-term bets in the developing markets.

**High Yield Fund:** **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. ■

there may be more pain ahead and more disruptions in our markets from Europe, we believe they are inching closer to some resolution and that by midyear, the focus can return again to fundamentals here in the US.

### Economy Defying The Gloom

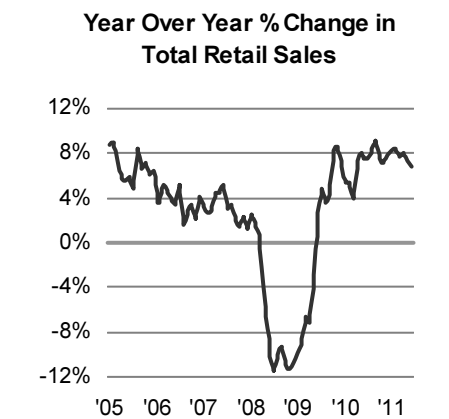
Despite predictions for a return to recession from many quarters, our economy has mostly surprised on the upside in recent months. Perhaps most importantly, the jobs picture continues to show signs of life. On a seasonally adjusted basis, initial claims for unemployment have been



under 400,000 for seven out of the last eight weeks. (We watch the unadjusted figures as well, and they show a similar pattern, though, as you would expect, with more peaks and valleys.)

Retail sales have also been stron-

ger than most expected, running between 6% and 8% better than last year



all year long.

Similarly, industrial production remains 3-4% above 2010’s levels.

In addition to these factors, we have solid durable goods orders, improving consumer confidence, and stronger readings from various business activity indexes such as the Philadelphia Fed’s index and the Empire Manufacturing Index among others.

Certainly not all is rosy. While current indicators do not show signs that a new recession is developing, growth remains very sluggish. In isolation, the US economy would be expected to show modest improvement in 2012. Of course, we do not live in isolation. A mild recession in Europe would likely only shave a half a point

Market Outlook *cont'd on page 4*

## Market Outlook *cont'd from page 3*

off our GDP growth, but a severe recession in Europe could fuel a worldwide slump, pushing our modest recovery back into the red. We do not believe this will be the case, but we will be watching the data closely.

### Outlook For Stocks

As I noted at the start, corporate profits for the first three quarters of 2011 grew by over 17% and are expected to be 16% higher for the full year. Yet stock prices barely budged. The good news is that stock valuations are now that much cheaper. At the end of 2010, the P/E of the S&P 500 was 15.9 (based on 12 months trailing earnings) today it stands as just 13.3.

Stocks have another force in their favor — buybacks. According to Standard & Poor's Senior Analyst Howard Silverblatt, S&P 500 companies purchased \$118 billion of their own shares in the 3rd quarter, the ninth consecutive quarterly increase. That was up 8.4% from the 2nd quarter and 48.8% from a year earlier. He also notes that 20% of the 500 have reduced their shares outstanding by 4% compared to a year ago, so their earnings per share will get an additional 4% boost.

There is also a favorable annual pattern of the fourth year of a presidential term which has typically been a good one for stocks. The first part of this year may be rocky as Europe gropes its way to some resolution of its debt crisis, but we expect stocks to finish 2012 with solid gains.

Our favorite stock funds are large-cap growth funds. **OTC** and **Growth Company** (if you already own it as it's closed) are aggressive bets on the fastest growing US firms with the bulk of their assets in tech, consumer discretionary and health care stocks. **Blue Chip Growth** invests in America's global leaders which have taken a bit of a hit from the European crisis and so sport attractive valuations. For more conservative mem-

bers, **Contrafund** is unique among Fidelity's large-cap growth funds in that it has a risk level below that of the S&P 500. Of course, it also boasts one of Fidelity's best managers in Will Danoff.

Mid- and small-caps are a riskier bet, but offer strong growth potential, especially if the market turns out better than expected. **Stock Selector Small Cap**, with its sector-specific management team, is a way to leverage Fidelity's research strength. **Low-Priced Stock** is a less risky play on the mid- to small-cap sector. Long-time Manager Joel Tillinghast is back at the helm this month, from his leave of absence.

### Outlook For Bonds

Despite starting the year with yields at historic lows, Treasury yields went even lower in 2011. Driven by Europe's woes, longer-term Treasuries were big winners. We do not expect a repeat of that performance this year. With the 10-year Treasury yield at just 1.89% you are not getting much of a return for your money if rates don't decline further. Add to that the fact that since 2007, investors have poured nearly \$1 trillion into bond funds while pulling about a half a trillion out of stock funds, and you have the potential for a sharp selloff should bonds start to falter. If rates simply reverse their nearly 1.5 percentage point drop of last year, you can expect similar returns this year — but with a minus sign in front of them!

Therefore, our favorite bond funds are those that favor credit risk over interest-rate-risk (i.e. corporates over Treasuries and high-yield over investment-grade). While high-yield bond funds mostly managed to outperform stocks last year, they trailed investment-grade funds (and especially Treasuries) by a good margin. As a result, their yield advantage increased. **High Income**, for example had a yield advantage over **Spartan Intermediate Treasury** of almost four points at the end of 2010. To-

day, that advantage has widened to six points. That is not the huge advantage it had in the teeth of the 2008 selloff, but it is the best since mid-2009, and it offers more than adequate compensation for the fund's added credit risk.

New offering, **Global High Income** is another good choice, with 60% of assets in US high-yield and 40% well-diversified among emerging and developed markets. Moving down the risk scale a bit, **Corporate Bond** is our favorite pick for an investment-grade bond fund. As noted, we are not overly fond of Treasury funds in 2012, but if you want a government fund, we recommend **GNMA** (Ginnie Mae). While not technically backed by the government, in practice it is, and it offers a better yield than similar duration Treasuries. **Strategic Income** offers a "balanced" exposure to bonds with its mix of more credit-sensitive high-yield and emerging market debt balanced by its holdings of more interest-rate sensitive US government and developed foreign market bonds. **Short Term Bond** offers a bit more risk and return than a money market.

### Outlook For Foreign Stocks

While we think that US firms offer the best risk and reward for 2012, there are some opportunities for diversifying your portfolio overseas. With most emerging markets switching from monetary tightening to easing, the backdrop for stocks is better. And with their steep losses last year, valuations are more attractive, as well. **Emerging Asia** invests in some of the more advanced emerging market economies such as South Korea, Taiwan and Singapore, making it actually less risky than **Emerging Markets** even though the latter invests in a broader range of markets (such as Latin America). But Emerging Markets offers more growth potential as a result. **Total Emerging Markets**, with its mix of both emerging market stocks and bonds, is an intriguing new entry this year. ■

— John M. Boyd

FUND COMMENTARY

## 2011: Surprises, Risks And Disappointments

That the world's population surged past seven billion last year suggests that, in spite of our collective folly and mother nature's wrath, for the time at least, our planet has become a more hospitable place — though not necessarily for investors!



John Bonnanzio

While 2011 was convulsed by earthquakes, tsunamis, floods, droughts, volcanic eruptions and even huge tornadoes, rarely do they disrupt investors' best-laid investment plans. Not so last year. Japan's triple trauma (which was punctuated by a nuclear meltdown) plunged the country into recession and sent economic shockwaves around the globe. (Its first-quarter GDP fell an annualized 3.5%.) Some other surprises were the Arab spring and US forces killing Osama bin Laden. Meanwhile, the European and US debt crises should have surprised no one.

In the case of Europe, the PIIGS made such a stink of things that full-throttle buying one day and full-throttle selling the next became the norm. So dire seemed the Eurozone's predicament that even US Treasuries looked like a great deal!

Less we forget, 2011 was notable for the unprecedented step by Standard & Poor's to downgrade US Treasuries one notch from its theoretical "riskless" triple-A credit rating to AA+. This controversial move immediately followed Washington's ugly tangle over the merits of raising the debt ceiling.

But given the continued strong performance of Treasuries, one can argue that their downgrade was a non-event. On the other hand, should America's indebtedness grow, a new acronym could make its way into the investment lexicon: US-PIIGS. But

for the time, at least, Treasuries and the US dollar remain the world's safe-harbor investment and currency.

### Market Indexes

With investors optimistically looking ahead to strong corporate earnings growth, their enthusiasm for stocks was initially upbeat even as rising energy prices and inflation remained concerns beyond the world's geopolitical problems and Japan's more immediate troubles. Persistently high unemployment and a weak housing market in the US sapped consumer sentiment and even had some equity investors concerned about a double-dip recession. Add to all that the expiration of the government's stimulative monetary policy, and market volatility remained a challenge throughout the entire year (see box).

The Dow Jones Industrials started the year at 11671 and finished it at 12218. With dividends reinvested, the narrow 30-stock barometer returned a decent 8.4%. Meanwhile, the broader S&P 500 gained a mere 2.1%, while the small-cap Russell 2000 lost 4.2%. Finally, as technology shares struggled, the Nasdaq Composite slipped 0.8%.

### Equity Funds

Turning to Fidelity's 40 actively

## A WHIPSAWED DOW

2011 was notable for its wild market swings. Here are a few ways this volatility was evident:

daily 300-point swings in the Dow <sup>1</sup>	14
daily 200-point swings in the Dow	37
# of days Dow closed above 12000	139
# of days Dow closed below 12000	113

<sup>1</sup>Triggered an equal number of Fidelity Insight Special Hotline updates (see p. 16).

managed stock funds, on average, they declined 3.7%.

Those with larger market capitalizations mostly fared better than their small- and mid-cap peers.

The five Fidelity funds with full-year records that topped the S&P 500 last year (including index funds) were all large-caps. Most notably, with its median market cap of \$84 billion (almost twice that of the S&P), **Mega Cap Stock** was one of last year's top-performing equity funds with a 2.3% return. Also, its 2.4% yield is a bit higher than the index. And while **Growth & Income (G&I)** trailed the S&P last year, that was the likely result of its new investment objective (high total return achieved, in part, through high-dividend-paying stocks) that wasn't fully implemented until the second quarter.

**Fund Commentary** cont'd on page 12

## JAN. FUND RATING CHANGES & RECLASSIFICATIONS

Fund	Ratings		Comments
	Old	New	
130/30 Large Cap	S	S ↓	"Quant" fund a perennial underachiever.
Disciplined Equity	S	S ↓	"Quant" fund a perennial underachiever.
Four-in-One Index	H	NC	Reclassified to Equity Index from Specialty.
Growth & Income	H	B ↑	New manager boosting mkt cap & dividend yield.
Independence	B	H ↓	We prefer less volatile large growth funds.
Large Cap Stock	B	NC	Reclassified to Large Blend from Large Growth.
New Millennium	B	NC	Reclassified to Large Growth from Mid Growth.
Nordic	B	H ↓	Euro-contagion hurting exports and financials.
Tax Managed Stock	S	S ↓	"Quant" fund a perennial underachiever.
Total Emerging Mkts	B	B ↑	We like this fund's mix of equity and bonds.
Value Strategies	B	NC	Reclassified to Mid-Cap Value from Mid Blend.
VIP Energy	B	B ↑	See "New Sector Annuity ..." on p. 16.
VIP Health Care	H	B ↑	See "New Sector Annuity ..." on p. 16.
VIP Materials	H	B ↑	See "New Sector Annuity ..." on p. 16.

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

## FIDELITY SCORECARD - DECEMBER 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)		
						Dec	2011	2010	1 Year	3 Year	5 Year				
Comparative Indexes		S&P 500		1257.60		1.0	2.1	15.1	2.1	14.1	-0.3	1.00			
		Nasdaq		2605.15		-0.5	-0.8	18.1	-0.8	19.4	2.5	1.08			
		Dow Jones Industrials		12217.56		1.6	8.4	14.1	12.2	14.1	2.4	0.93			
		Russell 2000 (Small Caps)		740.92		0.5	-4.3	26.8	-4.2	15.6	0.1	1.34			
		Barclays Aggregate Bond*				1.1	7.7	6.3	7.7	6.8	5.9	0.15			
<b>LARGE CAP GROWTH</b>						<b>Category Averages</b>			<b>-1.0</b>	<b>-2.3</b>	<b>19.1</b>	<b>-2.3</b>	<b>16.8</b>	<b>1.3</b>	<b>1.07</b>
312	FBGRX	Blue Chip Growth		42.43	Buy	-1.5	-2.7	19.6	-2.7	19.0	3.0	1.11	\$10,597		
307	FDCAX	Capital Appreciation		24.62	OK to Buy	-0.2	-2.7	18.3	-2.7	16.3	0.0	1.14	4,135		
22	FCNTX	Contrafund		67.46	Buy	-1.1	-0.1	16.9	-0.1	14.7	2.6	0.85	56,074		
332	FEXPX	Export and Multinational	0.75%/30d	20.68	OK to Sell	0.3	-3.7	11.9	-3.7	13.9	-0.7	1.00	1,910		
500	FFTYX	Fifty		17.44	OK to Buy	-0.3	-0.8	17.8	-0.8	17.0	-1.7	0.98	668		
333	FTQGX	Focused Stock		13.71	Buy	-0.2	0.6	24.1	0.6	16.0	4.1	1.02	577		
25	FDGRX	Growth Company (closed)		80.89	Buy	-1.9	0.7	20.6	0.7	19.7	4.0	1.02	24,680		
339	FDSVX	Growth Discovery		13.66	Buy	-1.1	0.5	24.0	0.5	17.3	1.7	1.06	856		
73	FDFFX	Independence		21.65	Hold↓	-2.9	-10.9	22.2	-10.9	15.1	0.5	1.32	3,275		
763	FSLGX	Large Cap Growth		9.67	Buy	-1.6	-0.7	19.8	-0.7	13.8	-1.4	1.00	129		
21	FMAGX	Magellan		62.98	Hold	-0.3	-11.6	12.4	-11.6	12.0	-3.3	1.18	13,313		
300	FMLX	New Millennium		28.93	OK to Buy	0.7	2.5	18.9	2.5	19.6	3.6	1.08	1,781		
93	FOCPX	OTC		54.70	Buy	-2.3	-0.4	20.1	-0.4	24.7	5.8	1.17	5,967		
320	FDSSX	Stock Selector All Cap		24.27	Hold	-0.5	-5.1	19.2	-5.1	13.4	-1.0	1.07	1,327		
5	FTRNX	Trend		66.87	Buy	-1.7	-0.8	19.8	-0.8	19.8	2.6	1.03	1,047		
<b>LARGE CAP BLEND</b>						<b>Category Averages</b>			<b>0.9</b>	<b>-2.6</b>	<b>15.2</b>	<b>-2.6</b>	<b>13.6</b>	<b>-1.9</b>	<b>1.13</b>
315	FDEQX	Disciplined Equity		21.51	Sell↓	0.6	-3.1	8.3	-3.1	8.6	-3.2	1.03	6,928		
330	FDGFX	Dividend Growth		25.87	Hold	-0.2	-8.5	21.2	-8.5	18.7	-0.7	1.31	7,813		
3	FFIDX	Fidelity Fund		31.15	Hold	-0.1	-2.4	14.6	-2.4	12.3	-0.2	1.03	4,366		
27	FGRIX	Growth & Income		18.24	OK to Buy↑	2.1	1.4	14.6	1.4	12.7	-6.7	1.06	4,627		
338	FLCSX	Large Cap Stock		17.15	Buy	1.6	-1.6	18.2	-1.6	20.5	0.8	1.22	803		
361	FGRTX	Mega Cap Stock		10.10	Buy	1.8	2.3	14.4	2.3	14.6	0.3	1.07	892		
343	FTXMX	Tax Managed Stock		11.54	Sell↓	-0.5	-7.0	14.7	-7.0	8.8	-3.4	1.12	60		
832	FVDFX	Value Discovery		14.15	Hold	1.7	-2.3	15.4	-2.3	12.9	-1.9	1.19	468		
<b>LARGE CAP VALUE</b>						<b>Category Averages</b>			<b>2.1</b>	<b>-3.9</b>	<b>12.0</b>	<b>-3.9</b>	<b>10.2</b>	<b>-4.2</b>	<b>1.17</b>
1271	FBCVX	Blue Chip Value		9.78	Sell	1.9	-8.0	10.1	-8.0	9.0	-5.7	1.20	376		
23	FEQIX	Equity-Income		41.31	Buy	2.1	-4.7	15.1	-4.7	12.4	-3.4	1.19	6,993		
319	FEQTX	Equity-Income II		17.40	Buy	2.8	-2.8	13.5	-2.8	11.4	-3.0	1.19	4,201		
708	FSLVX	Stock Sel Large Cap Value <sup>8</sup>		10.29	OK to Sell	1.8	-0.3	9.3	-0.3	8.0	-4.6	1.11	512		
<b>MID-CAP GROWTH</b>						<b>Category Averages</b>			<b>-1.8</b>	<b>-6.6</b>	<b>24.8</b>	<b>-6.6</b>	<b>19.2</b>	<b>-0.8</b>	<b>1.19</b>
324	FDEGX	Growth Strategies	1.50%/90d	18.61	Buy	-2.3	-9.0	25.6	-9.0	16.9	-0.8	1.17	1,600		
793	FSMGX	Mid Cap Growth	0.75%/30d	11.40	Buy	-2.4	-8.4	25.2	-8.4	18.9	-2.7	1.19	245		
337	FMC SX	Mid-Cap Stock	0.75%/30d	26.66	Hold	-0.7	-2.4	23.6	-2.4	22.0	1.2	1.20	5,327		
<b>MID-CAP BLEND</b>						<b>Category Averages</b>			<b>0.1</b>	<b>-5.3</b>	<b>22.6</b>	<b>-5.3</b>	<b>20.0</b>	<b>0.5</b>	<b>1.28</b>
122	FLVCX	Leveraged Company Stock	1.50%/90d	25.11	Buy	0.4	-10.6	24.5	-10.6	21.1	-1.0	1.52	\$3,081		
316	FLPSX	Low-Priced Stock	1.50%/90d	35.73	Buy	-0.3	-0.1	20.7	-0.1	18.8	2.0	1.04	23,926		
<b>MID-CAP VALUE</b>						<b>Category Averages</b>			<b>0.3</b>	<b>-6.7</b>	<b>24.7</b>	<b>-6.7</b>	<b>19.3</b>	<b>-1.2</b>	<b>1.37</b>
762	FSMVX	Mid Cap Value	0.75%/30d	15.16	Hold	0.8	-4.2	25.4	-4.2	17.6	-0.2	1.23	531		
39	FDVLX	Value		63.47	Hold	0.4	-6.7	22.3	-6.7	18.0	-2.1	1.41	5,825		
14	FSLSX	Value Strategies		25.07	Buy	-0.4	-9.3	26.5	-9.3	22.2	-1.2	1.47	284		
<b>SMALL CAP GROWTH</b>						<b>Category Averages</b>			<b>0.6</b>	<b>-2.7</b>	<b>30.1</b>	<b>-2.7</b>	<b>20.3</b>	<b>1.0</b>	<b>1.31</b>
1388	FCPGX	Small Cap Growth	1.50%/90d	14.91	Buy	0.9	-2.8	26.6	-2.8	20.7	2.5	1.25	1,173		
336	FDSCX	Stock Selector Small Cap	1.50%/90d	18.03	Buy	0.2	-2.6	33.7	-2.6	19.9	-0.4	1.37	1,671		
<b>SMALL CAP BLEND</b>						<b>Category Averages</b>			<b>0.5</b>	<b>-7.6</b>	<b>27.7</b>	<b>-7.6</b>	<b>22.6</b>	<b>3.9</b>	<b>1.46</b>
384	FSCRX	Small Cap Discovery	1.50%/90d	20.03	OK to Buy	1.1	0.4	32.4	0.4	26.0	7.1	1.39	1,960		
340	FSLCX	Small Cap Stock	2.00%/90d	16.54	Buy	-0.1	-15.6	23.0	-15.6	19.1	0.8	1.53	3,128		

**Notes:** \*Fidelity's Spartan U.S. Bond Index used as a proxy for the Barclays Aggregate Bond Index. <sup>1</sup>Relative Volatility 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 before any inflation adjustment, your effective yield may be different. <sup>4</sup>Also available in an Advantage share class with a minimum of \$100,000, but a lower expense ratio. <sup>5</sup>Formerly Dynamic Strategies. <sup>6</sup>Distributed yield is calculated by taking a fund's actual distributions over the past year divided by its current NAV. <sup>7</sup>Formerly Large Cap Value. (p) Partial year; (↑) Rating upgraded; (↓) Rating downgraded.

### ANNUAL MODEL PORTFOLIO RETURNS (%)

Model	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10
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
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
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
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

## FIDELITY SCORECARD - DECEMBER 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)		
						Dec	2011	2010	1 Year	3 Year	5 Year				
<b>SMALL CAP VALUE</b>						<b>Category Averages</b>			<b>1.5</b>	<b>-3.6</b>	<b>25.1</b>	<b>-3.6</b>	<b>18.1</b>	<b>3.0</b>	<b>1.35</b>
1389	FCPVX	Small Cap Value	1.50%/90d	13.98	Hold	1.5	-3.6	25.1	-3.6	18.1	3.0	1.35	\$1,660		
<b>SPECIALTY</b>															
2063	FOTTX	130/30 Large Cap		6.96	Sell↓	-0.2	-3.8	9.7	-3.8	3.0	--	1.05	19		
304	FBALX	Balanced		18.19	OK to Buy	0.5	1.7	13.8	1.7	14.0	2.1	0.67	15,004		
308	FCVSX	Convertible Securities		22.83	Buy	0.6	-7.3	20.9	-7.3	22.5	2.2	0.99	1,906		
334	FGBLX	Global Balanced	1.00%/30d	21.42	Hold	0.0	-2.5	12.5	-2.5	10.4	3.3	0.77	496		
2120	FFGCX	Global Commodity Stock	1.00%/30d	13.94	Hold	-5.2	-18.1	18.1	-18.1	--	--	--	508		
1960	FDYSX	Global Strategies <sup>6</sup>		8.61	Hold	-2.2	-5.3	15.0	-5.3	11.9	--	0.76	216		
1368	FIREX	International Real Estate	1.50%/90d	6.95	Sell	-4.3	-22.2	14.5	-22.2	6.6	-11.3	1.44	250		
4	FPURX	Puritan		17.69	OK to Buy	0.6	0.7	14.0	0.7	13.3	1.8	0.67	15,013		
833	FRIFX	Real Estate Income	0.75%/90d	10.25	OK to Buy	2.2	4.7	18.8	4.7	22.2	3.3	0.51	1,607		
303	FRESX	Real Estate Investment	0.75%/90d	27.62	Hold	4.4	8.3	29.9	8.3	23.2	-1.9	1.79	3,161		
1329	FSDIX	Strategic Dividend & Income		11.02	Buy	2.7	7.3	13.7	7.3	18.9	0.4	0.98	1,139		
1505	FSRRX	Strategic Real Return	0.75%/60d	9.21	Hold	0.1	1.7	13.9	1.7	14.2	3.4	0.47	600		
311	FIUIX	Telecom & Utilities		17.34	Buy	3.1	11.9	17.3	11.9	13.4	1.1	0.70	883		
<b>ASSET ALLOCATION</b>															
328	FASIX	Asset Manager 20%		12.73	Hold	0.6	2.6	8.9	2.6	10.1	3.7	0.28	3,717		
1957	FTANX	Asset Manager 30%		9.52	Hold	0.5	1.7	10.9	1.7	11.7	--	0.39	236		
1958	FFANX	Asset Manager 40%		9.33	Hold	0.2	0.5	12.1	0.5	12.4	--	0.49	180		
314	FASMX	Asset Manager 50%		15.02	Hold	0.2	-0.7	13.5	-0.7	13.9	2.5	0.61	6,158		
1959	FSANX	Asset Manager 60%		9.16	Hold	-0.1	-2.2	14.3	-2.2	14.1	--	0.72	348		
321	FASGX	Asset Manager 70%		15.44	Hold	-0.3	-3.8	15.8	-3.8	14.8	1.1	0.83	2,254		
347	FAMRX	Asset Manager 85%		12.39	Hold	-0.7	-6.1	16.6	-6.1	14.9	0.1	0.99	611		
<b>EQUITY INDEX</b>															
355	FFNOX	Four-in-One Index		25.97	Hold	0.2	-1.4	13.7	-1.4	11.9	0.0	0.91	2,213		
2010	FIENX	International Enhanced Index	1.00%/30d	6.25	OK to Sell	-1.5	-12.0	8.7	-12.0	6.0	--	1.23	23		
1827	FLCEX	Large Cap Core Enhanced Index		8.93	OK to Sell	1.3	4.7	12.2	4.7	13.2	--	0.97	148		
1829	FLGEX	Large Cap Growth Enhanced Index		9.93	OK to Buy	0.4	4.4	14.0	4.4	17.2	--	0.94	93		
1828	FLVEX	Large Cap Value Enhanced Index		7.22	OK to Sell	2.2	2.5	12.7	2.5	10.1	--	1.05	83		
2012	FMEIX	Mid Cap Enhanced Index	0.75%/30d	8.88	Hold	-0.1	-1.6	22.4	-1.6	18.3	--	1.12	69		
1282	FNCMX	Nasdaq Composite Index	0.75%/90d	34.59	OK to Buy	-0.5	-1.0	17.8	-1.0	19.2	2.3	1.08	312		
2011	FCPEX	Small Cap Enhanced Index	1.50%/90d	8.88	Hold	0.2	-1.1	26.1	-1.1	15.5	--	1.28	115		
650	FUSEX	Spartan 500 Index <sup>4</sup>		44.49	Hold	1.0	2.0	15.0	2.0	14.1	-0.3	1.00	16,455		
2341	FPEMX	Spartan Emerging Mkts Index <sup>4</sup>	1.50%/90d	8.90	Hold	-2.5	-10.7p	--	--	--	--	--	20		
398	FSEMX	Spartan Extended Mkt Index <sup>4</sup>	0.75%/90d	35.46	Hold	0.0	-3.8	28.6	-3.8	19.1	1.9	1.21	4,183		
2345	FSGUX	Spartan Global ex U.S. Index <sup>4</sup>	1.00%/90d	9.52	Hold	-2.3	-4.5p	--	--	--	--	--	3		
399	FSIIX	Spartan Int'l Index <sup>4</sup>	1.00%/90d	29.75	Hold	-2.1	-12.2	7.7	-12.2	6.7	-4.7	1.26	5,242		
2349	FSCIX	Spartan Mid Cap Index <sup>4</sup>	0.75%/30d	10.39	Hold	-0.1	4.4p	--	--	--	--	--	1		
2353	FRXIX	Spartan Real Estate Index <sup>4</sup>	0.75%/90d	10.27	Hold	4.4	-3.4p	--	--	--	--	--	2		
2356	FSSPX	Spartan Small Cap Index <sup>4</sup>	1.50%/90d	10.66	Hold	0.7	7.0p	--	--	--	--	--	2		
397	FSTMX	Spartan Total Mkt. Index <sup>4</sup>	0.50%/90d	36.12	Hold	0.8	1.0	17.4	1.0	15.0	0.2	1.03	4,251		
<b>INTERNATIONAL</b>						<b>Category Averages</b>			<b>-2.4</b>	<b>-14.7</b>	<b>16.8</b>	<b>-14.7</b>	<b>12.4</b>	<b>-2.7</b>	<b>1.30</b>
309	FICDX	Canada	1.50%/90d	50.14	Hold	-2.0	-12.4	21.8	-12.4	14.2	2.9	1.27	3,678		
352	FHKCX	China Region	1.50%/90d	25.29	Hold	-2.2	-20.4	18.0	-20.4	15.9	4.7	1.37	1,437		
325	FDIVX	Diversified International	1.00%/30d	25.52	OK to Sell	-2.7	-13.8	9.7	-13.8	7.6	-4.6	1.21	16,185		
351	FSEAX	Emerging Asia	1.50%/90d	25.18	Buy	-3.9	-16.2	22.8	-16.2	12.7	1.4	1.21	1,475		
2053	FEMEX	Emerg Europe, MidEast, Africa	1.50%/90d	7.83	OK to Buy	-4.8	-15.3	25.5	-15.3	19.7	--	1.36	113		
322	FEMKX	Emerging Markets	1.50%/90d	20.52	Buy	-4.4	-21.0	18.2	-21.0	18.0	-1.4	1.43	2,769		
2374	FEDDX	Emerging Mkts Discovery	2.00%/90d	9.43	OK to Buy	-3.9p	-5.6p	--	--	--	--	--	4		
301	FIEUX	Europe	1.00%/30d	25.47	OK to Sell	-1.9	-16.8	8.6	-16.8	6.0	-5.0	1.38	589		
341	FECAX	Europe Capital App	1.00%/30d	15.46	OK to Sell	-1.9	-16.9	8.4	-16.9	6.0	-6.0	1.38	315		
335	FIVFX	International Cap App	1.00%/30d	11.12	Buy	-3.2	-12.8	15.9	-12.8	16.2	-4.0	1.47	549		
305	FIGRX	International Discovery	1.00%/30d	27.61	OK to Sell	-2.2	-15.2	11.0	-15.2	7.0	-4.1	1.23	6,405		
1979	FIGFX	International Growth	1.00%/30d	7.81	OK to Buy	-1.5	-9.0	16.9	-9.0	13.3	--	1.14	52		
818	FISMX	International Small Cap	2.00%/90d	17.52	Buy	-3.1	-15.5	25.4	-15.5	15.5	-1.4	1.17	803		
1504	FSCOX	International Small Cap Opps	2.00%/90d	9.25	Buy	-1.3	-9.6	23.3	-9.6	17.7	-6.9	1.14	315		
1597	FIVLX	International Value	1.00%/30d	6.54	OK to Sell	-0.8	-16.7	5.2	-16.7	6.1	-7.0	1.41	144		
350	FJPNX	Japan	1.50%/90d	9.20	OK to Buy	-1.5	-15.9	14.7	-15.9	3.6	-7.3	1.05	444		
360	FJSCX	Japan Smaller Companies	1.50%/90d	8.55	OK to Buy	-1.7	-5.8	12.3	-5.8	7.7	-6.4	1.29	312		
349	FLATX	Latin America	1.50%/90d	48.90	Hold	-0.4	-15.8	16.5	-15.8	23.4	4.2	1.43	2,704		
342	FNORX	Nordic	1.50%/90d	26.76	Hold↓	-2.6	-20.3	26.5	-20.3	14.1	-4.2	1.55	337		
94	FOSFX	Overseas	1.00%/30d	26.48	OK to Sell	-4.0	-16.0	6.6	-16.0	3.9	-6.4	1.33	1,963		
302	FPBFX	Pacific Basin	1.50%/90d	21.44	Buy	-4.1	-17.0	32.8	-17.0	20.6	-0.6	1.36	679		
2369	FTEMX	Total Emerging Markets	1.50%/90d	9.59	Buy↑	-1.9p	-3.9p	--	--	--	--	--	16		
1978	FTIEX	Total International Equity	1.00%/30d	6.33	Buy	-1.9	-14.1	12.5	-14.1	10.9	--	1.26	124		
318	FWWFX	Worldwide	1.00%/30d	17.34	Hold	-1.1	-6.7	17.0	-6.7	12.0	-0.1	1.14	1,100		

**Select Model Portfolios**

Our Select Model Portfolio finished 2012 down 2.8%, finishing slightly above the 50 percentile mark against the Select fund population. On the plus side, we maintained an overweighted position in the health care group, which outperformed, and we avoided exposure to the financial sector, one of the biggest laggards for the year.

But my timing for rotating into the energy group was less than optimal, and three of the six funds we held lagged their benchmarks. Most significantly, the small-cap segment was weak across the board — which weighed on most of Fidelity’s domestic stock funds, including the Selects.



Jack Bowers

I think it will be easier to outperform the S&P 500 in 2012. There’s a good chance the US economy will continue to gain strength as our competitive global position results in export growth

that is stronger than import growth. At some point the European debt saga could slip to the back-burner as investors refocus on corporate earnings, setting the stage for small-caps to rebound.

I also remain optimistic that a theme-based sector approach is well-positioned for the long run. The themes of advancing technology, rising emerging market demand, aging populations and strong demand for food and energy remain as solid as ever, and their impact on the global economy is becoming more pronounced with each pass-

Select Model Portfolio	
Fund	Allocation
Pharmaceuticals (FPHAX)	21%
Chemicals (FSCHX)	18
Technology (FSPTX)	17
IT Services (FBSOX)	15
Industrials (FCYIX)	15
Natural Gas (FSNGX)	14
<b>Total Return: Dec: -0.6% 2011: -2.8%</b>	

Select Model *cont'd on page 16*

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	Assets (\$Mil)
						Dec	2011	2010	1 Year	3 Year	5 Year		
<b>SELECT PORTFOLIOS</b>						<b>-0.8</b>	<b>-3.5</b>	<b>22.2</b>	<b>-3.5</b>	<b>18.8</b>	<b>1.6</b>	<b>1.32</b>	
<b>Category Averages</b>													
34	FSAIX	Air Transportation	0.75%/30d	34.53	Hold	0.1	-6.1	33.4	-6.1	15.3	0.3	1.61	\$60
502	FSAVX	Automotive	0.75%/30d	31.16	OK to Buy	0.3	-26.2	46.2	-26.2	33.9	-1.4	2.51	102
507	FSRBX	Banking	0.75%/30d	15.97	Hold	3.5	-13.3	21.4	-13.3	3.4	-11.4	1.74	351
42	FBIOX	Biotechnology	0.75%/30d	86.10	Hold	3.3	18.2	11.4	18.2	13.4	5.8	1.05	1,232
68	FSLBX	Brokerage & Investment	0.75%/30d	39.96	Hold	-1.1	-22.8	11.2	-22.8	8.9	-8.2	1.51	344
69	FSCHX	Chemicals	0.75%/30d	95.15	Buy	0.0	0.3	30.7	0.3	29.4	9.5	1.46	688
518	FSDCX	Communications Equipment	0.75%/30d	22.06	Hold	-3.6	-16.7	27.7	-16.7	24.3	1.7	1.49	323
7	FDCPX	Computers	0.75%/30d	53.89	OK to Buy	-2.2	-4.5	23.8	-4.5	29.4	6.4	1.23	571
511	FSHOX	Construction & Housing	0.75%/30d	35.82	Hold	3.9	2.9	21.5	2.9	15.4	-0.6	1.58	86
517	FSCPX	Consumer Discretionary	0.75%/30d	23.06	Hold	0.1	-1.7	31.2	-1.7	21.3	1.3	1.18	220
98	FVLX	Consumer Finance	0.75%/30d	11.04	Hold	1.1	-1.0	5.9	-1.0	2.2	-22.8	1.18	141
9	FDFAX	Consumer Staples	0.75%/30d	71.46	Hold	2.0	8.8	15.2	8.8	14.9	7.4	0.74	1,074
67	FSDAX	Defense & Aerospace	0.75%/30d	77.96	Hold	0.4	7.3	21.9	7.3	17.8	2.9	1.22	646
8	FSELX	Electronics	0.75%/30d	44.21	Buy	-1.9	-8.5	16.8	-8.5	25.5	0.7	1.48	1,027
60	FSENX	Energy	0.75%/30d	49.34	OK to Buy	-3.4	-4.9	19.0	-4.9	18.5	2.2	1.54	2,362
43	FSESX	Energy Service	0.75%/30d	65.03	Hold	-5.9	-12.6	27.9	-12.6	21.9	0.7	1.86	1,373
516	FSLEX	Environment & Alt Energy	0.75%/30d	15.07	Hold	-2.5	-14.3	14.9	-14.3	4.9	-2.0	1.15	76
66	FIDSX	Financial Services	0.75%/30d	48.91	Hold	0.0	-20.4	6.5	-20.4	2.2	-14.3	1.62	339
41	FSAGX	Gold	0.75%/30d	42.23	OK to Sell	-14.2	-16.3	35.3	-16.3	16.0	9.2	1.73	4,172
63	FSPHX	Health Care	0.75%/30d	122.36	Hold	2.0	7.8	17.0	7.8	18.6	4.8	0.83	1,988
510	FSCGX	Industrial Equipment	0.75%/30d	30.98	OK to Buy	-2.3	-7.7	33.9	-7.7	19.8	2.4	1.55	294
515	FCYIX	Industrials	0.75%/30d	21.81	Buy	-0.1	-4.9	31.1	-4.9	20.1	4.1	1.43	473
45	FSPCX	Insurance	0.75%/30d	44.36	OK to Sell	0.4	-5.2	20.1	-5.2	11.6	-6.8	1.29	262
353	FBSOX	IT Services	0.75%/30d	21.27	Buy	-1.7	2.3	18.5	2.3	24.4	7.6	1.04	226
62	FDLSX	Leisure	0.75%/30d	96.38	Hold	1.4	5.9	37.9	5.9	21.9	6.0	1.10	392
509	FSDPX	Materials	0.75%/30d	61.41	Hold	-2.7	-8.2	28.1	-8.2	28.1	7.3	1.53	966
505	FSHCX	Medical Delivery	0.75%/30d	54.76	Hold	-0.9	10.2	15.4	10.2	23.8	4.2	1.11	723
354	FSMEX	Medical Equipment	0.75%/30d	25.20	Hold	0.3	-3.4	12.7	-3.4	13.0	5.5	0.88	1,277
503	FBMPX	Multimedia	0.75%/30d	43.05	Hold	2.3	1.8	25.8	1.8	25.5	1.7	1.30	154
513	FSNGX	Natural Gas	0.75%/30d	30.42	Buy	-3.3	-7.7	6.4	-7.7	15.4	-1.3	1.49	792
514	FNARX	Natural Resources	0.75%/30d	31.29	Hold	-5.3	-9.3	23.1	-9.3	19.2	3.9	1.54	1,432
580	FPHAX	Pharmaceuticals	0.75%/30d	13.58	Buy	3.7	13.7	16.4	13.7	18.4	7.8	0.86	608
46	FSRPX	Retailing	0.75%/30d	51.22	OK to Buy	-2.7	3.4	28.1	3.4	27.8	6.2	1.20	364
28	FSCSX	Software & Computer Svcs	0.75%/30d	77.59	OK to Buy	-1.2	2.2	18.9	2.2	25.2	7.1	1.01	1,342
64	FSPTX	Technology	0.75%/30d	86.47	Buy	-3.2	-9.6	26.7	-9.6	29.7	5.0	1.27	2,162
96	FSTCX	Telecommunications	0.75%/30d	43.81	Hold	1.4	-4.2	18.3	-4.2	19.8	-0.6	0.92	338
512	FSRFX	Transportation	0.75%/30d	49.39	Hold	0.4	-5.3	41.3	-5.3	18.2	3.7	1.40	214
65	FSUTX	Utilities	0.75%/30d	53.53	Buy	2.7	13.1	10.9	13.1	12.8	1.7	0.71	588
963	FWRLX	Wireless	0.75%/30d	7.25	OK to Buy	-0.4	-1.0	15.2	-1.0	22.0	3.1	0.98	266

## FIDELITY SCORECARD - DECEMBER 31, 2011

Fund No.	Fund Ticker	Fund Name	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			SEC %Yield	Dist <sup>7</sup> %Yield	Dur <sup>2</sup> (Yrs)	Tax-Equivalent Yield Federal Tax Bracket						
						Dec	2011	2010										
<b>TAXABLE BOND</b>						<b>Category Averages</b>			<b>0.9</b>	<b>8.6</b>	<b>6.2</b>	<b>1.75</b>	<b>2.32</b>	<b>4.8</b>				
2267	FCONX	Conservative Income Bond		9.97	Buy	0.1	0.0p	--	1.01	--	na							
2208	FCBFX	Corporate Bond		10.78	OK to Buy	2.4	11.1	5.6p	2.97	3.28	6.4							
15	FGMNX	GNMA (Ginnie Mae)		11.84	OK to Buy	0.7	7.9	7.0	2.86	3.19	2.7							
54	FGOVX	Government Income		10.77	Hold	0.9	7.9	5.1	1.34	1.93	4.7							
794	FINPX	Inflation-Protected Bond <sup>3</sup>		12.78	Hold	0.0	13.0	5.9	-0.27	0.70	6.9							
32	FTHRFX	Intermediate Bond		10.88	OK to Buy	1.0	6.2	7.6	2.04	2.85	3.9							
452	FSTGX	Intermediate Gov't Income		10.97	Hold	0.6	5.7	4.7	0.58	1.45	3.7							
26	FBNDX	Investment Grade Bond		7.72	OK to Buy	1.3	7.9	8.4	2.97	3.19	5.0							
40	FMSFX	Mortgage Securities		11.17	OK to Buy	0.7	6.5	7.3	3.16	3.18	2.5							
450	FSHBX	Short-Term Bond		8.49	Buy	0.3	1.8	3.8	1.04	1.42	1.8							
1561	FIBIX	Sptn Interm Treas Index <sup>5</sup>		11.58	Hold	1.4	12.9	8.5	1.26	2.45	6.5							
1562	FLBIX	Sptn Lng-Term Treas Index <sup>5</sup>		12.97	Sell	3.0	29.5	9.2	2.58	3.15	15.8							
1560	FSBIX	Sptn Sht-Term Treas Index <sup>5</sup>		10.65	Hold	0.2	3.2	3.5	0.23	1.21	2.6							
651	FBIDX	Sptn US Bond Index		11.78	Hold	1.1	7.7	6.3	2.21	2.89	4.7							
820	FTBFX	Total Bond		10.92	OK to Buy	1.3	7.4	8.6	3.15	3.67	4.5							
812	ULSFXX	Ultra-Short Bond	0.25%/60d	8.15	Hold	0.0	0.1	1.2	0.79	0.30	0.4							
<b>HIGH-YIELD BOND</b>						<b>Category Averages</b>			<b>1.6</b>	<b>3.6</b>	<b>11.9</b>	<b>5.41</b>	<b>5.60</b>					
38	FAGIX	Capital & Income	1.00%/90d	8.67	Buy	1.8	-1.9	17.1	6.29	6.42	--							
814	FFRHX	Floating Rate High Income	1.00%/60d	9.64	Buy	0.8	1.7	7.8	4.14	3.28	--							
1366	FHIFX	Focused High Income	1.00%/90d	8.95	Buy	2.0	5.9	12.1	5.74	6.21	--							
2297	FGHNX	Global High Income	1.00%/90d	9.25	Buy	1.2	-4.7p	--	4.70	--	--							
455	SPHIX	High Income	1.00%/90d	8.64	Buy	2.8	3.4	13.7	7.18	6.97	--							
331	FNMIX	New Markets Income	1.00%/90d	15.83	OK to Buy	1.4	7.9	10.9	5.55	5.74	--							
368	FSICX	Strategic Income		10.81	Buy	1.4	4.6	9.9	4.26	4.97	--							
<b>NATIONAL MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>1.5</b>	<b>8.5</b>	<b>2.3</b>	<b>2.32</b>	<b>3.36</b>	<b>6.0</b>	<b>25%</b>	<b>28%</b>	<b>33%</b>	<b>35%</b>
36	FLTXX	Interm Municipal Income	0.50%/30d	10.45	Hold	1.5	8.0	2.7	2.11	3.35	5.2	2.8	2.9	3.1	3.2			
37	FHIGX	Municipal Income	0.50%/30d	13.03	Hold	1.8	10.6	2.6	3.00	3.95	7.9	4.0	4.2	4.5	4.6			
404	FSTFX	Short-Int Municipal Income	0.50%/30d	10.81	Hold	0.9	4.3	2.0	1.14	2.19	2.8	1.5	1.6	1.7	1.8			
90	FTABX	Tax-Free Bond	0.50%/30d	11.22	Hold	2.0	10.9	2.1	3.03	3.95	8.0	4.0	4.2	4.5	4.7			
<b>STATE-SPECIFIC MUNICIPAL BOND</b>						<b>Category Averages</b>			<b>1.7</b>	<b>9.3</b>	<b>2.3</b>	<b>2.47</b>	<b>3.51</b>	<b>6.9</b>				
434	FSAZX	Arizona Muni Income	0.50%/30d	11.79	Hold	1.9	9.9	2.3	2.89	3.57	7.8	4.0	4.2	4.5	4.7			
91	FCTFX	California Muni Income	0.50%/30d	12.40	Hold	2.0	11.2	3.2	3.27	4.08	7.6	4.8	5.0	5.4	5.6			
1534	FCSTX	Calif Short-Interm Tax Free	0.50%/30d	10.77	Hold	1.0	4.7	2.2	1.21	2.38	3.0	1.8	1.9	2.0	2.1			
407	FICNX	Connecticut Muni Income	0.50%/30d	11.86	Hold	1.8	10.0	2.2	2.07	3.17	6.8	2.9	3.0	3.3	3.4			
429	SMDMX	Maryland Muni Income	0.50%/30d	11.36	Hold	1.6	8.9	2.3	2.11	3.19	7.0	3.0	3.1	3.3	3.4			
70	FDMMX	Mass Muni Income	0.50%/30d	12.32	Hold	2.0	10.4	2.4	2.66	3.65	7.9	3.7	3.9	4.2	4.3			
81	FMHTX	Michigan Muni Income	0.50%/30d	12.24	Hold	1.7	9.2	2.3	2.68	3.78	6.8	3.7	3.9	4.2	4.3			
82	FIMIX	Minnesota Muni Income	0.50%/30d	11.80	Hold	1.7	9.1	2.4	2.14	3.41	6.2	3.1	3.2	3.5	3.6			
416	FNJHX	New Jersey Muni Income	0.50%/30d	11.93	Hold	2.1	9.7	2.1	2.59	3.71	7.2	3.7	3.8	4.1	4.4			
71	FTFMX	New York Muni Income	0.50%/30d	13.30	Hold	1.6	9.6	2.4	2.50	3.70	7.7	3.6	3.7	4.0	4.2			
88	FOHFX	Ohio Muni Income	0.50%/30d	12.01	Hold	1.8	9.6	2.0	2.74	3.69	7.7	3.8	4.0	4.3	4.5			
402	FPXTX	Pennsylvania Muni Income	0.50%/30d	11.10	Hold	1.8	9.8	2.0	2.80	3.74	7.4	3.9	4.0	4.3	4.4			
<b>TAXABLE MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.02</b>	<b>0.04</b>	<b>0.03</b>						
55	FDRXX	Cash Reserves		1.00	--	0.00	0.01	0.06	0.03	na	na							
631	FGMXX	Retirement Government MM		1.00	--	0.00	0.01	0.01	0.01	na	na							
630	FRTXX	Retirement MM		1.00	--	0.00	0.01	0.02	0.01	na	na							
458	SPAXX	Government MM		1.00	--	0.00	0.01	0.01	0.01	na	na							
454	SPRXX	Money Market		1.00	--	0.00	0.01	0.03	0.01	na	na							
85	FSLXX	Select MM		1.00	--	0.01	0.06	0.13	0.11	na	na							
50	FGRXX	U.S. Gov't Reserves		1.00	--	0.00	0.01	0.02	0.01	na	na							
415	FDLXX	US Treasury MM		1.00	--	0.00	0.01	0.01	0.01	na	na							
<b>MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>						
460	FIMXX	AMT Tax-Free Money Fnd		1.00	--	0.00	0.01	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
10	FTEXX	Municipal Money Market		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
275	FMOXX	Tax-Free Money Market		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
<b>STATE MUNICIPAL MONEY MARKET</b>						<b>Category Averages</b>			<b>0.00</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>						
433	FSAXX	Arizona		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
457	FSPXX	California AMT Tax-Free		1.00	--	0.00	0.01	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
97	FCFXX	California		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
418	FCMXX	Connecticut		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
426	FMSXX	Mass AMT Tax-Free		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
74	FDMXX	Massachusetts		1.00	--	0.00	0.01	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
420	FMIXX	Michigan		1.00	--	0.00	0.01	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	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
417	FNJXX	New Jersey		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
422	FSNXX	New York AMT Tax-Free		1.00	--	0.01	0.02	0.02	0.01	na	na	0.0	0.0	0.0	0.0			
92	FNYXX	New York		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
419	FOMXX	Ohio		1.00	--	0.00	0.01	0.01	0.01	na	na	0.0	0.0	0.0	0.0			
401	FPTXX	Pennsylvania		1.00	--	0.00	0.01	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 - DECEMBER 31, 2011

Fund No.	Fund Ticker	Fund Name	Style	Sht-Term Fee	\$Price (NAV)	Advice	Total Return (%)			Avg Annual (%)			Rel Vol (Risk) <sup>1</sup>	
							Dec	2011	2010	1 Year	3 Year	5 Year		
<b>FIDELITY PERSONAL RETIREMENT ANNUITY PORTFOLIOS</b>														
9067	FLRQC	Fid VIP Asset Manager	Allocation		12.70	Hold	-0.8	-3.0	13.9	-3.0	12.4	3.1	0.67	
9066	FAEEC	Fid VIP Asset Manager: Growth	Allocation		11.86	Hold	-1.5	-6.5	16.0	-6.5	12.8	1.7	0.92	
9069	FJBAC	Fid VIP Balanced	Allocation		12.96	OK to Buy	0.3	-3.9	17.7	-3.9	16.0	2.2	0.89	
9081	FVHAC	Fid VIP Consumer Discretionary	Sector	1.00%/60d	12.01	Hold	0.1	-2.0	30.8	-2.0	20.9	1.2	1.19	
9171	FCSAC	Fid VIP Consumer Staples	Sector	1.00%/60d	12.99	Hold	1.9	7.8	14.8	7.8	14.2	--	0.74	
9065	FPDFC	Fid VIP Contrafund	Large Growth		12.24	Hold	0.0	-2.8	16.8	-2.8	15.4	0.6	1.08	
9148	FPRGC	Fid VIP Disciplined Small Cap	Small Growth		9.77	Hold	0.2	-1.6	25.1	-1.6	14.5	-0.7	1.28	
9074	FZAMC	Fid VIP Dynamic Capital App	Large Growth		12.05	OK to Buy	-0.2	-2.9	18.0	-2.9	15.8	-0.6	1.15	
9198	FEMAC	Fid VIP Emerging Markets	Emg Mkts	1.00%/60d	7.21	Buy	-4.2	-21.2	17.5	-21.2	17.5	--	1.41	
9085	FJLLC	Fid VIP Energy	Sector	1.00%/60d	14.01	Buy ↑	-3.3	-5.3	19.0	-5.3	18.4	2.0	1.55	
9061	FLOLC	Fid VIP Equity-Income	Large Value		10.63	Buy	2.1	0.6	14.8	0.6	14.4	-2.8	1.15	
9083	FONNC	Fid VIP Financial Services	Sector	1.00%/60d	5.73	Hold	0.0	-20.6	7.0	-20.6	2.6	-14.3	1.65	
9157	FMPAC	Fid VIP FundsManager 20	Allocation		12.18	Hold	0.3	2.0	7.2	2.0	6.4	3.1	0.24	
9158	FMPBC	Fid VIP FundsManager 50	Allocation		11.49	Hold	-0.1	-0.7	11.6	-0.7	9.6	1.7	0.55	
9197	FMPPC	Fid VIP FundsManager 60	Allocation		10.18	Hold	-0.3	-2.2	13.3	-2.2	10.6	--	0.66	
9159	FMPCC	Fid VIP FundsManager 70	Allocation		10.67	Hold	-0.6	-3.2	14.0	-3.2	11.1	0.0	0.77	
9160	FMPDC	Fid VIP FundsManager 85	Allocation		10.04	Hold	-0.6	-5.5	15.9	-5.5	12.0	-1.3	0.94	
9062	FMNDC	Fid VIP Growth	Large Growth		11.50	Buy	-1.1	-0.1	23.8	-0.1	16.5	1.0	1.06	
9070	FIDNC	Fid VIP Growth & Income	Large Blend		11.28	Hold	2.2	1.3	14.4	1.3	13.7	-0.9	1.01	
9068	FIDPC	Fid VIP Growth Opportunities	Large Growth		11.21	Buy	-1.7	1.9	23.4	1.9	22.2	0.1	1.06	
9078	FPVDC	Fid VIP Growth Stock	Large Growth		12.14	OK to Buy	-1.7	0.4	19.7	0.4	20.1	3.2	1.01	
9077	FQBRC	Fid VIP Growth Strategies	Mid Growth		10.47	Buy	-2.4	-9.3	24.5	-9.3	16.3	-1.2	1.17	
9084	FPDRC	Fid VIP Health Care	Sector	1.00%/60d	13.60	Buy ↑	1.9	8.0	16.9	8.0	18.6	4.3	0.84	
9060	FBBLC	Fid VIP High Income	High-Yield Bond		14.53	Buy	2.3	3.6	13.8	3.6	19.1	5.3	0.50	
9064	FXVLT	Fid VIP Index 500	Large Blend		11.45	Hold	1.0	1.8	14.7	1.8	13.8	-0.5	1.00	
9082	FBALC	Fid VIP Industrials	Sector	1.00%/60d	14.82	Buy	-0.1	-4.9	30.6	-4.9	20.1	4.2	1.45	
9076	FVJIC	Fid VIP Int'l Capital App	Diversified Int'l	1.00%/60d	9.89	Buy	-3.1	-12.8	15.4	-12.8	16.0	-4.2	1.48	
9063	FTLKC	Fid VIP Investment Grade Bond	Inv Grd Bond		13.95	OK to Buy	1.2	7.0	7.5	7.0	9.9	5.9	0.17	
9172	FVMAC	Fid VIP Materials	Sector	1.00%/60d	12.55	Buy ↑	-2.7	-8.5	28.1	-8.5	27.7	--	1.53	
9071	FNBSC	Fid VIP Mid Cap	Mid Growth		13.31	OK to Buy	-2.9	-10.9	28.4	-10.9	16.9	2.1	0.98	
9059	FTNJC	Fid VIP Money Market	Money Mkt		11.44	--	0.0	-0.1	-0.1	-0.1	0.1	1.6	0.01	
9088	FEMMC	Fid VIP Overseas	Diversified Int'l	1.00%/60d	10.02	OK to Sell	-3.5	-17.5	12.8	-17.5	5.5	-5.1	1.31	
9072	FFWKC	Fid VIP Real Estate	Sector		13.44	Hold	5.0	7.8	29.9	7.8	24.3	-1.1	1.85	
9075	FGDQC	Fid VIP Strategic Income	High-Yield Bond		15.13	Buy	1.3	4.3	9.4	4.3	14.0	6.9	0.34	
9086	FYENC	Fid VIP Technology	Sector	1.00%/60d	14.64	Buy	-3.0	-10.2	27.3	-10.2	30.8	4.7	1.28	
9173	FVTAC	Fid VIP Telecommunications	Sector	1.00%/60d	8.78	Hold	2.1	-2.2	17.2	-2.2	19.1	--	0.88	
9087	FXRRC	Fid VIP Utilities	Sector	1.00%/60d	14.59	Buy	2.6	12.8	10.8	12.8	12.8	2.1	0.71	
9079	FKMSC	Fid VIP Value	Mid Value		10.33	Buy	1.7	-2.8	17.4	-2.8	17.5	-2.5	1.34	
9080	FUEBC	Fid VIP Value Leaders	Large Value		8.82	Sell	1.8	-8.3	9.8	-8.3	8.7	-5.9	1.20	
9073	FRBSC	Fid VIP Value Strategies	Mid Blend		10.98	Buy	-0.5	-9.2	26.2	-9.2	21.7	-1.6	1.47	
9272	FYBXC	Credit Suisse Int'l Equity Flex III	Diversified Int'l				Discontinued							
9285	FIGXC	Invesco Van Kampen Gbl Val Eqty	Global Stock		8.03	OK to Sell	-1.4	-11.2	10.7	-11.2	4.4	-6.3	1.00	
9147	FPRLC	Lazard Retirement Emerging Mkts	Emg Mkts		12.90	Buy	-4.2	-18.0	22.7	-18.0	19.6	3.2	1.37	
9143	FPRMC	Morgan Stanley Emerg Mkt Debt	Emg Mkt Bond		14.84	OK to Buy	1.2	6.8	9.5	6.8	14.9	6.5	0.43	
9144	FPRNC	Morgan Stanley Emerg Mkt Equity	Emg Mkts		11.13	Buy	-3.5	-18.4	18.7	-18.4	17.9	-0.1	1.34	
9146	FPRPC	Morgan Stanley Gbl Tactical Alloc	Diversified Int'l		9.27	Hold	-0.4	-3.9	5.4	-3.9	10.2	-3.3	1.15	
9276	FPMBC	Pimco VIT Low Duration	Shrt-Term Bond		10.76	Buy	0.6	0.9	5.0	0.9	--	--	0.14	
9277	FPNBC	Pimco VIT Real Return	TIPS		12.37	Hold	0.6	11.4	7.8	11.4	--	--	--	
9278	FPOBC	Pimco VIT Total Return	Intermed Bond		11.29	OK to Buy	1.6	3.3	7.8	3.3	--	--	--	

### ANNUITY MODEL PORTFOLIOS

Note: The Annuity Sector Model began trading on Jan. 3, 2012. The percentages below reflect the 12/31/11 starting point. Our website will provide daily performance data on this new model later in the month, while existing models remain posted.

Annuity Sector		Annuity Growth		Annuity Growth & Income		Annuity Income & Pres	
Fund	Allocation	Fund	Allocation	Fund	Allocation	Fund	Allocation
VIP Technology	34%	VIP Growth Opps	27%	VIP Strategic Inc	27%	Pimco Low Duration	23%
VIP Health Care	20	VIP Strategic Income	26	VIP Growth Opps	22	VIP Strategic Inc	21
VIP Materials	18	VIP Equity-Income	20	Pimco Low Duration	20	VIP Money Market	21
VIP Industrials	15	VIP Value Strategies	19	VIP Value	17	VIP Value	14
VIP Energy	13	Lazard Ret Emerg Mkts	8	VIP Equity-Income	14	VIP Equity-Income	12
						VIP Growth Opps	9
<b>Total Return:</b>		<b>Total Return:</b>		<b>Total Return:</b>		<b>Total Return:</b>	
NA		Dec: -0.1% 2011: -0.7%		Dec: 0.7% 2011: -0.5%		Dec: 0.7% 2011: -1.0%	

## 2011 YEAR-END DISTRIBUTIONS/DIVIDEND UPDATE

First, the good news: year-end distributions will once again be light for the vast majority of Fidelity funds. Of course, the bad news is that such a development is the direct result of fund performance over the past several years. And while 2008's market crash is a diminishing bad dream, its consequences are still being felt: before a fund pays its shareholders capital gains (which may include dividend income), unrealized capital losses from prior years may offset newer gains.

While the vast majority of funds have had year-end distributions of less than 2%, a handful are handing their shareholders a sizeable tax bill (providing you own the fund in a taxable account). For example, **Select Health Care's** \$11.72 distribution equals 9.8% of its share price. Then again, the fund has an average annual return of 18.6% over the last three years! If you own the fund, hopefully you've fully benefited from that outstanding performance.

### Dividend Update

In addition to the funds that pay regular monthly dividends (such as bonds), Fidelity funds scheduled to pay a dividend and/or capital gain distribution (if any) in January 2012 are: *130/30 Large Cap, Convert Secs, CT Muni Inc, Equity-Inc II, Growth Co, Growth Strategies, Independence, Muni Inc, Nasdaq Comp Index, New Millennium, NJ Muni Inc and Strategic Dividend & Income*. 2011 Year-end distributions are shown below. ■

Fund	Ex-Date	Dist\$	NAV\$
130/30 Large Cap	12/16	0.007	6.79
Air Transportation	12/9	2.160	34.56
AMT Tax-Free MM	12/22	0.000*	1.00
Arizona Muni Income	12/2	0.002	11.63
Asset Manager 20%	12/16	0.200	12.64
Asset Manager 30%	12/16	0.143	9.42
Asset Manager 40%	12/16	0.130	9.21
Asset Manager 50%	12/16	0.088	14.78
Asset Manager 60%	12/16	0.132	8.99
Asset Manager 70%	12/16	0.272	15.11
Asset Manager 85%	12/16	0.188	12.08
Automotive	12/9	1.703	31.71
Balanced	12/16	0.097	17.83
Banking	12/9	0.074	15.63
Biotechnology	12/2	0.121	83.33
Blue Chip Growth	12/16	0.044	41.38
Blue Chip Value	12/9	0.073	9.77
Brokerage & Invest	12/9	0.526	41.18
Calif Sht-Int Tax Free	12/2	0.012	10.70
Canada	12/2	0.780	50.52
Capital Appreciation	12/2	0.033	24.79
Capital Appreciation	12/28	0.010	24.48
Chemicals	12/9	0.599	93.82
China Region	12/2	0.626	26.14
Comm Equip	12/2	0.018	22.74
Comm Equip	12/28	0.010	21.90
Conn Muni Income	12/22	0.080	11.82
Cons Discretionary	12/9	0.123	23.35
Const & Housing	12/9	0.247	34.98
Consumer Finance	12/9	0.203	11.07
Consumer Staples	12/9	2.231	70.31
Contrafund	12/16	0.098	65.88
Contrafund	12/28	0.004	67.13
Convertible Securities	12/9	0.235	22.84
Corporate Bond	12/16	0.006	10.77
Defense & Aero	12/9	0.503	77.48
Disciplined Equity	12/2	0.314	21.38
Diversified Int'l	12/2	0.488	26.17
Dividend Growth	12/9	0.060	26.14
Electronics	12/2	0.045	45.31
EMEA	12/9	0.173	7.96
Emerg Mkts Disc	12/22	0.012	9.42
Emerging Asia	12/2	0.513	26.46
Emerging Markets	12/2	0.302	21.65
Energy	12/9	0.347	50.27
Environment & Alt Ergy	12/2	0.183	15.28
Equity-Income	12/9	0.266	40.89
Equity-Income II	12/9	0.109	17.08
Europe	12/2	0.612	25.99
Europe Capital App	12/2	0.368	15.78
Export and Multi	12/2	0.066	20.59
Fidelity Fund	12/16	0.160	30.29
Fifty	12/9	0.027	17.56
Financial Services	12/16	0.136	47.14

\* Distribution less than 0.000

Fund	Ex-Date	Dist\$	NAV\$
Financial Services	12/28	0.004	48.12
Focused High Income	12/2	0.106	8.90
Focused Stock	12/2	0.018	13.69
Four-in-One Index	12/29	0.641	25.99
Glb Commod Stk	12/9	0.098	14.43
Global Balanced	12/9	0.326	21.52
Global Strategies	12/29	0.163	8.60
GNMA	12/9	0.071	11.83
Gold	12/9	0.580	47.11
Government Income	12/16	0.127	10.78
Growth & Income	12/9	0.093	18.08
Growth Company	12/16	2.762	79.22
Growth Discovery	12/16	0.008	13.40
Health Care	12/9	11.718	119.53
Independence	12/16	0.058	21.29
Industrial Equipment	12/9	0.192	31.68
Industrial Equipment	12/28	0.007	30.60
Industrials	12/9	0.317	21.86
Inflation-Protected	12/16	0.215	12.81
Insurance	12/9	0.358	44.08
Interm Gov't Inc	12/9	0.087	10.94
International Growth	12/2	0.085	7.91
International Value	12/2	0.245	6.57
Int'l Cap App	12/2	0.128	11.50
Int'l Discovery	12/2	0.406	28.19
Int'l Enhanced	12/9	0.177	6.33
Int'l Real Estate	12/16	0.053	6.86
Int'l Small Cap	12/2	0.450	18.02
Int'l Small Cap Opps	12/2	0.148	9.35
Japan	12/9	0.211	9.32
Japan Smaller Cos	12/2	0.109	8.65
L Cap Growth Enhcd	12/9	0.089	9.96
L Cap Value Enhcd	12/9	0.372	7.13
Large Cap Stock	12/2	0.131	16.94
Latin America	12/2	0.806	49.58
Latin America	12/28	0.015	48.25
Leveraged Co Stock	12/9	0.291	25.11
Low-Priced Stock	12/9	0.142	35.98
Magellan	12/2	0.292	63.34
Magellan	12/28	0.030	62.56
Mass Muni Income	12/9	0.041	12.24
Materials	12/9	0.931	62.09
Medical Equipment	12/9	1.275	24.88
Mega Cap Stock	12/9	0.066	10.06
Mid Cap Enhanced	12/9	0.419	8.90
Mid Cap Value	12/9	0.114	15.00
Mid-Cap Stock	12/16	0.115	25.90
Minnesota Muni Inc	12/22	0.045	11.76
Multimedia	12/9	0.309	42.34
Municipal Income	12/22	0.002	12.99
Nasdaq Comp Index	12/16	0.268	33.92
Natural Gas	12/9	0.235	31.06
Natural Resources	12/9	0.254	32.36
New Markets Income	12/16	0.119	15.76

Fund	Ex-Date	Dist\$	NAV\$
New Millennium	12/16	0.904	28.04
New York Muni Inc	12/2	0.002	13.14
Nordic	12/2	0.609	27.28
NY AMT Tax-Free MM	12/22	0.000*	1.00
Overseas	12/2	0.847	27.51
Pacific Basin	12/2	0.187	22.31
Pacific Basin	12/28	0.015	21.14
Pharmaceuticals	12/9	0.164	13.19
Puritan	12/16	0.102	17.38
Real Estate Income	12/16	0.241	10.11
Real Estate Income	12/30	0.002	10.25
Real Estate Invest	12/16	0.150	26.61
Retailing	12/16	1.198	51.07
S Cap Enhanced	12/9	0.824	8.93
Short-Int Muni Income	12/22	0.006	10.79
Sm Cap Discvry	12/2	0.245	19.79
Small Cap Growth	12/2	0.082	14.84
Small Cap Value	12/2	0.133	13.71
Software	12/16	6.068	77.61
Spartan 500 Index	12/16	0.250	43.12
Spartan Int'l Index	12/16	1.015	28.83
Sptn EM Index	12/9	0.033	9.12
Sptn Ext Mkt Index	12/16	0.773	34.52
Sptn Glbl ex-US	12/9	0.033	9.71
Sptn Interm Treas	12/16	0.140	11.60
Sptn Lng-Term Treas	12/16	0.079	13.06
Sptn Mid Cap Index	12/9	0.051	10.39
Sptn Real Estate Idx	12/9	0.067	9.89
Sptn Sht-Term Treas	12/16	0.030	10.66
Sptn Small Cap Index	12/9	0.043	10.71
Sptn Total Mkt. Index	12/16	0.548	35.03
Sptn U.S. Bond Index	12/16	0.011	11.79
Stk Sel All Cap	12/9	0.148	24.51
Stk Sel All Cap	12/28	0.003	24.04
Stk Sel Lge Cap Value	12/9	0.198	10.16
Strategic Divi & Inc	12/16	0.085	10.73
Strategic Income	12/16	0.190	10.77
Strategic Real Return	12/16	0.328	9.09
Tax Managed Stock	12/2	0.040	11.63
Tax Managed Stock	12/28	0.007	11.47
Telecom & Utilities	12/2	0.122	16.67
Telecommunications	12/16	0.611	42.47
Total Bond	12/16	0.039	10.90
Total Emerg Mkts	12/22	0.014	9.63
Total Emerg Mkts	12/28	0.008	9.54
Total Int'l Equity	12/2	0.095	6.46
Transportation	12/9	2.395	49.50
US Govt Reserves	12/22	0.000*	1.00
Utilities	12/2	1.027	51.51
Value	12/2	0.605	63.09
Value Discovery	12/9	0.089	14.04
Value Strategies	12/16	0.186	24.28
Wireless	12/2	0.376	7.25
Worldwide	12/2	0.065	17.48

**Fund Commentary** *cont'd from page 5*

Under the new direction of Matt Fruhan (he also runs Mega Cap Stock and **Large Cap Stock**), G&I's \$51 billion market cap provided shareholders with a 2.9% dividend yield and a return of 1.4%.

Conversely, **Small Cap Stock** was at the bottom of the performance heap (down 15.6%), although the large-cap **Magellan** fund (which, mercifully, got a new manager in the name of Jeff Feingold in September) was the second-worst performer in 2011 with its decline of 11.6%.

Because stock selection always figures prominently in the performance of any fund, it's worth taking a quick look at some of Fidelity's biggest holdings.

For the most part, funds that made and kept their big positions in Apple (which rose about 25% last year), were handsomely rewarded. But how carefully a manager traded in and out of it and other big names (such as Google and Amazon) could have determined where they ultimately placed in the performance standings. While not statistically significant, it's worth noting that all five of Fidelity's top-performing actively managed funds include Apple among their largest holdings.

Apart from smart stockpicking, making good macro calls was the ultimate way to win big in 2011 (such as holding cash). Still, it never hurts to make the right sector bets, either!

With 20% of the S&P 500 in tech stocks (its largest weighting), fund managers had to play that area just right. Last year, that ideally meant underweighting hardware (semiconductors) and overweighting software. Using Fidelity's Select funds as a proxy, **Electronics** fell 8.5% last year while **Software** gained 2.2%.

A similar paradigm existed within financials, which are the second-largest sector weight in the S&P at about 14%. Within that area, **Brokerage & Investment** plunged 22.8% whereas **Consumer Finance** slipped 1.0%.

**International Funds**

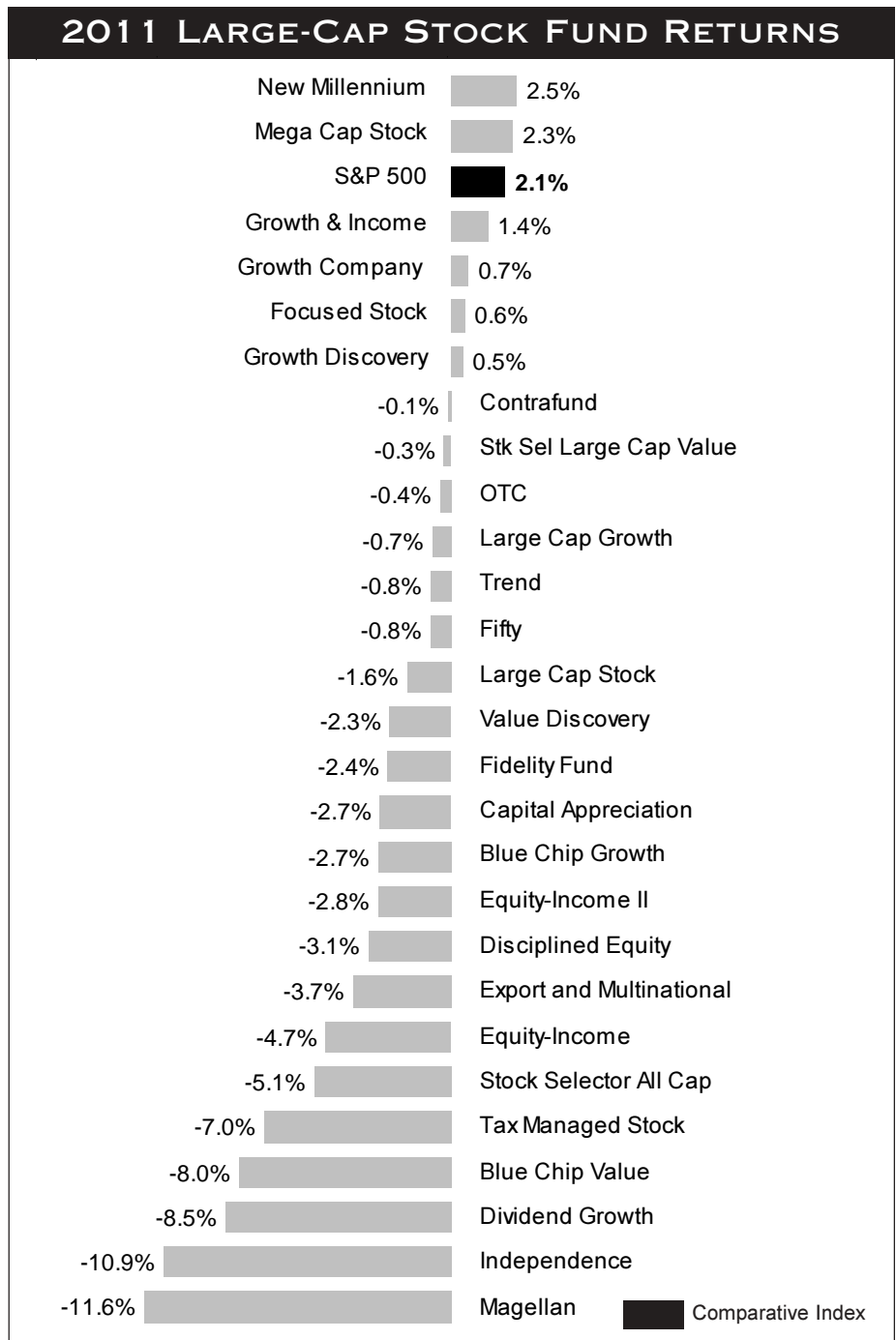
Suffice it to say, with the average international fund falling 14.7% last year versus a decline of 2.5% for Fidelity's US stock funds, sticking closer to home made a lot of sense.

With the Eurozone's sovereign debt problems threatening to derail the world's developed and emerging markets, Fidelity's Euro-centric funds were plunged under water.

The biggest of her offerings with \$17 billion in assets is **Diversified Int'l**: it lost 13.8% even though 35% of the fund's assets are in the UK and

Japan. Then again, **Europe** and **Europe Cap App** (which are essentially clones) fell about 17% apiece. Germany and France — which stand to lose the most financially from a bailout — were significant underperformers. (Greece was too, but its stock market is much too small to matter.)

While there were few surprises in Southern Europe, **Nordic** fund's 20.3% decline (one of the worst among Fidelity's international offerings) was surprising as its four country exposures (Sweden, Denmark, Norway and Finland) are all in far



better financial shape than their southern peers. But as financials are a quarter of Nordic's exposure, and as these banks have close ties to the PIIGS, the fund was battered.

On the other hand, given Japan's considerable problems, it was no surprise that **Japan** fund retreated 15.9%, although **Japan Smaller Companies** declined 5.8%. (It actually fared better because there were far fewer supplier disruptions.) And with all the political upheaval taking place in Egypt, Libya and elsewhere, **Emerging Europe, Middle East, Africa** fund declined 15.3%. Of course, more broadly diversified emerging market funds were also hurt. **Emerging Markets** plunged 21.0% as there was no place for its manager to hide. To wit, **China Region** dropped 20.4% and **Latin America** was down 15.8%.

### Select Funds

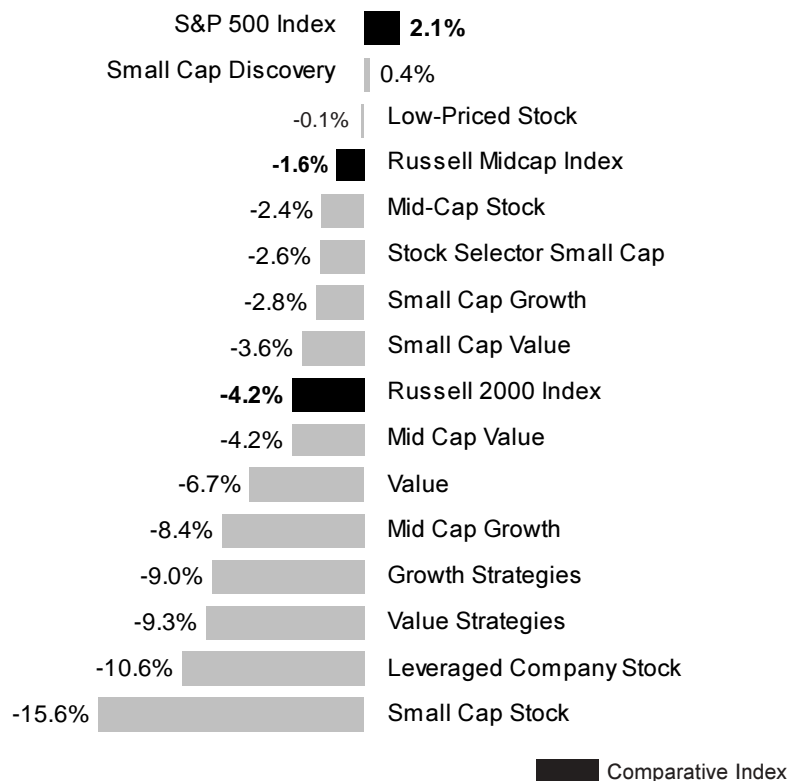
With the S&P 500 up slightly for the year, the average Select fund lost 3.5%. (This result is biased by weakness in small-caps and foreign stocks.) **Biotechnology** led the pack with its 18.2% gain, whereas **Automotive** sped off the track with its loss of 26.2%.

Earlier, we mentioned the sad fate of financials in 2011, whereas a carefully executed plan within technology could have yielded extremely positive results. Overall, defensive sectors were the better-performing areas to play, but timing was important.

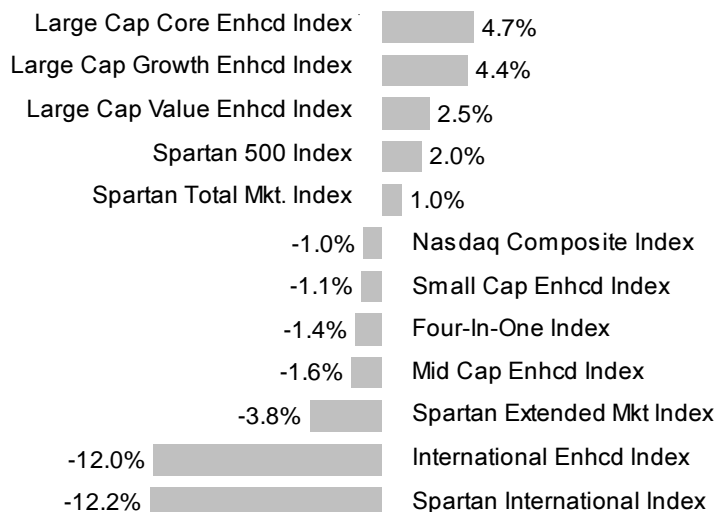
**Health Care**, for example, gained 7.8%, but it was undoubtedly helped by drug stocks which, in turn, also helped **Pharmaceuticals** (up 13.7%). At the same time, **Medical Delivery** gained a solid 10.2%. **Consumer Staples**, another defensive equity play, also enjoyed a return of 8.8% last year.

Elsewhere, those who arrived to the precious metals party and bought **Select Gold** (down 16.3%) were punished for their tardiness, even as the commodity itself rose about 8% last year. And, in the energy arena, oil

## 2011 MID- AND SMALL-CAP STOCK FUND RETURNS



## 2011 EQUITY INDEX FUND RETURNS



Spartan Global ex U.S. Index, Spartan Emerging Markets Index, Spartan Real Estate Index, Spartan Mid Cap Index and Spartan Small Cap Index not shown due to partial year returns.

prices also fell, and so did **Energy**, **Energy Service** (down 4.9% and 12.6%, respectively) and the broader **Natural Resources** (down 9.3%).

### Bond Funds

There's no arguing that a handful of US and European politicians and finance-types took center stage in last

year's credit/debt dramas. But the master puppeteer in both shows was the Fed's own Ben Bernanke.

Shortly after the expiration of "QE2" and a new Republican-led House insisting that there should be no "Quantitative Easing Part 3,"

**Fund Commentary** *cont'd on page 14*

Bernanke announced the October launch of "Operation Twist." Its goal: to stimulate the economy by increasing lending and igniting mortgage refinancings.

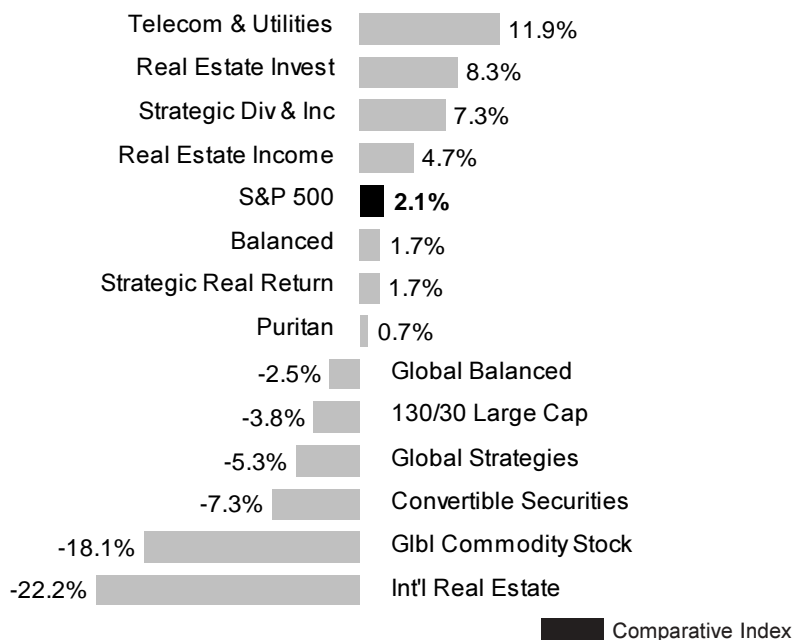
But the move would further distort the bond market as it planned to sell \$400 billion in short-term Treasuries in exchange for longer-term bonds. The program immediately sent long-term bond yields even lower. Notably, **Spartan Long-Term US Treasury Index** soared 10.4% in September while the S&P 500 plunged 7.1%!

Bernanke's influence (and that of Treasury Secretary Geitner) was less obvious in the Eurozone — until late in November. That's when the US and other central banks surprised the markets with their coordinated intervention to ease Europe's mounting banking/credit crisis. The market's response: The Dow Industrials soared almost 500 points and Treasury yields jumped (prices fell).

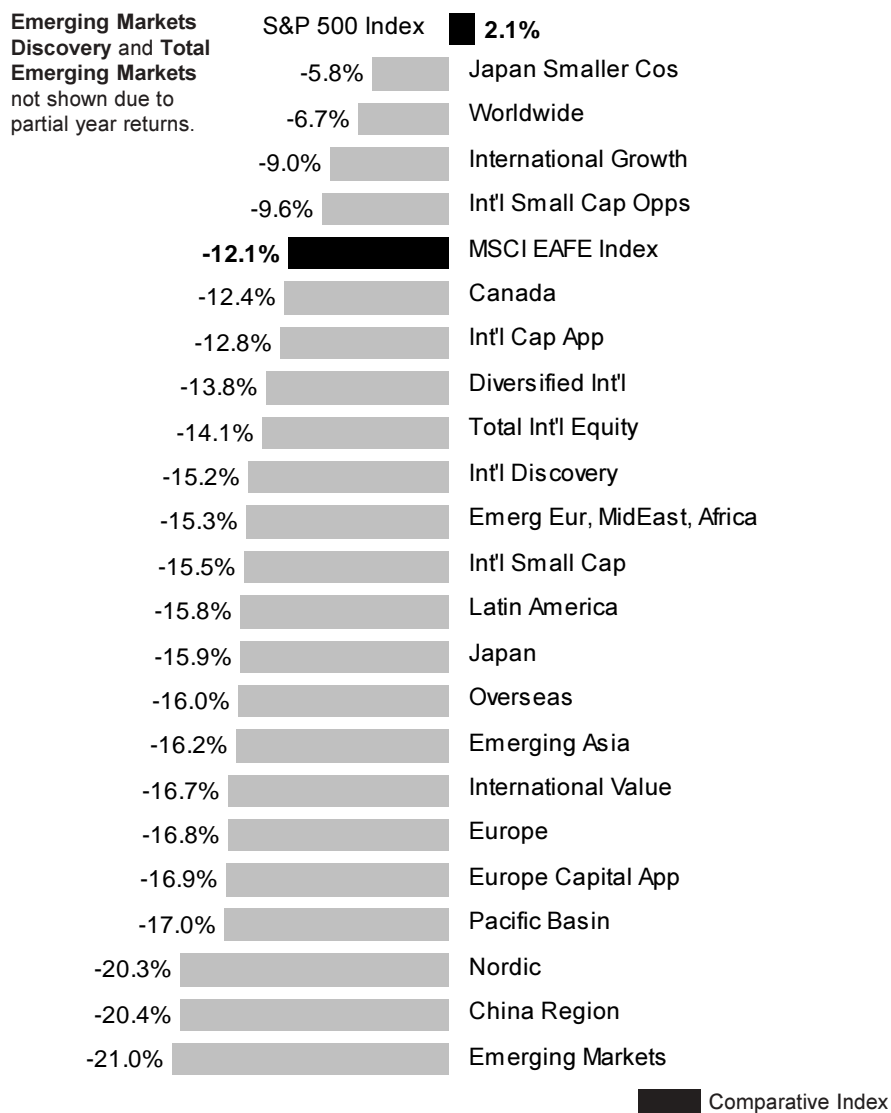
In such a manipulated environment, making the right fixed-income call was tough. But for the prescient, Fidelity's Long-Term Treasury fund was the absolute best investment in 2011 as it soared 29.5%! And, while there was a brief inflation scare early on, the global economic slump snuffed that out and **Inflation-Protected Bond** (which invests in Treasury Inflation-Protected Securities, called TIPS), was the second-best performing taxable bond fund with its 13.0% return.

On average, Fidelity's 15 taxable funds with full-year records gained 8.6%. As a general rule, greater interest-rate-risk was rewarded, and so too was safety. One notable exception was **Corporate Bond**. Though an investment-grade fund, its overall credit quality is the lowest of the group. However, its saving grace performance-wise last year was its intermediate-term duration. That, coupled with good security selection and the fund gained 11.1%.

## 2011 SPECIALTY FUND RETURNS



## 2011 INTERNATIONAL FUND RETURNS



Over on the tax-free side, investors totally ignored dire warnings of a muni-market meltdown and found themselves in the green. Again, longer-duration munis like **Tax-Free Bond** (up 10.9%) and **Muni Income** (up 10.6%) were performance leaders because inflation fears faded and state and municipal budgets improved — even if only modestly.

As for high-yield funds, their performances were as divergent as the funds themselves. Even if their stocks were shunned, emerging market bonds were loved. **New Markets Income** rose 7.9% for the year, though the midyear rollout of **Global High Income** (down 4.7%) was ill-timed. More “traditional” high-yield (junk) bond funds provided a mixed-bag of results. Whereas **High Income** (up 3.4%) and **Focused High Income** (up 5.9%) benefited from optimism that corporate America was slowly recovering, the risky **Capital & Income** (down 1.9%) was positioned too aggressively, while its manager was not fast enough to lower that heat as the year wore on.

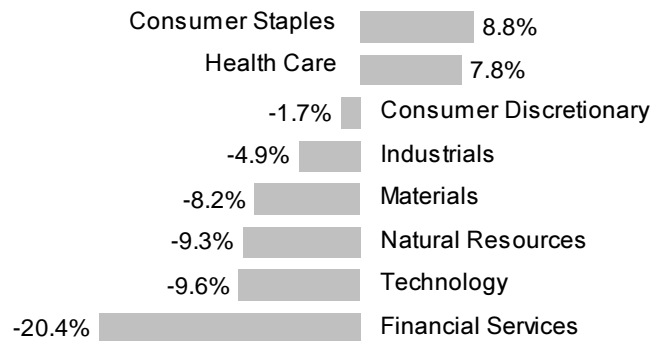
Finally, money market funds (both taxable and municipal varieties) continued to lose billions in assets as their historically low yields sent investors to other, higher-yielding asset classes.

The country’s largest money fund, **Cash Reserves**, ended 2011 yielding 0.03%, down from 0.04% a year earlier. On the positive side, while the government doesn’t appear to have given up entirely on its idea of regulating this asset class out of existence, Fidelity and the fund industry continue to do a valiant job of: 1. Keeping Uncle Sam at bay; 2. Providing shareholder liquidity, and; 3. Maintaining a steady \$1.00 NAV. ■

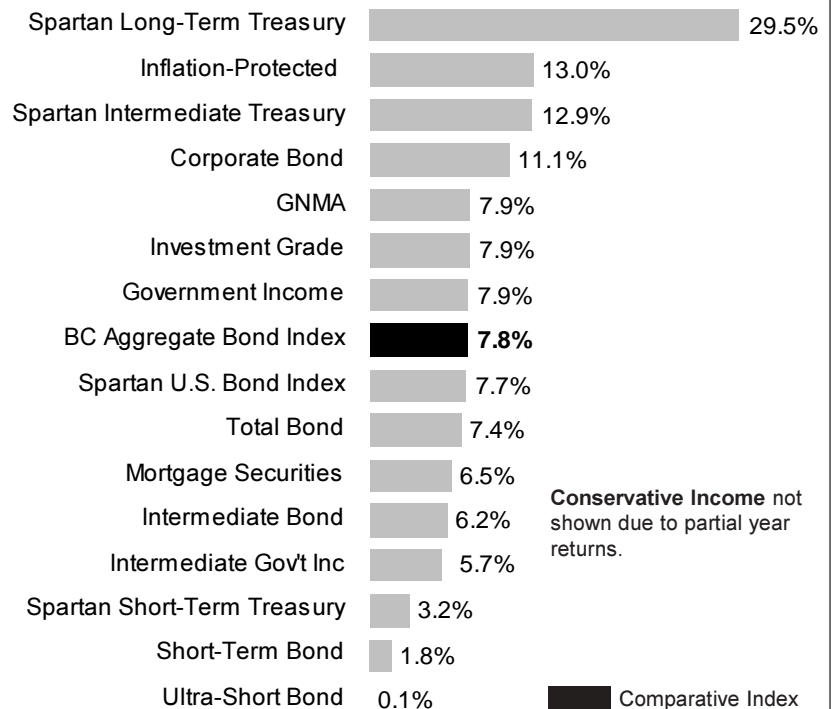
— John Bonnanzio

Note: A complete year-end performance roundup, outlook and commentaries for almost 200 Fidelity funds will be available in the 2012 edition of our annual **Independent Guide to Fidelity Funds**. It will be shipped in early February.

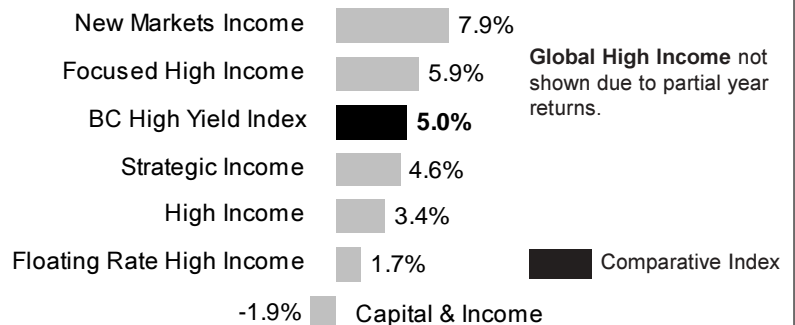
## 2011 BROAD SELECT FUND RETURNS



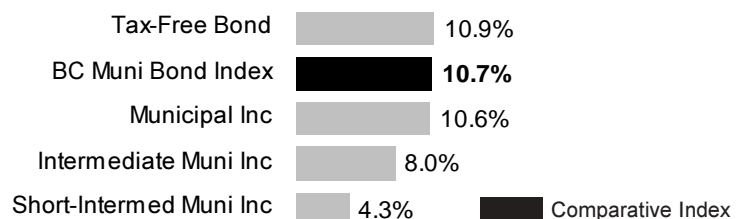
## 2011 TAXABLE BOND FUND RETURNS



## 2011 HIGH-YIELD BOND FUND RETURNS



## 2011 MUNICIPAL BOND FUND RETURNS



ing year. In addition, heavy-handed regulations in the US are reshaping some industries in big ways, making it easier than usual to figure out which groups might be facing headwinds in future years. And in some cases, regulations may have the potential to boost earnings by crimping supply.

### **New Annuity Model**

With that in mind, we have introduced a sector-based Annuity model portfolio. (See p. 10.) While the sector choices here are limited, they are aligned with the 10 major industry groups that comprise the S&P 500. When I launched a sector portfolio like this in our affiliate publication (*Fidelity Monitor*) nearly 10 years ago, I didn't expect it to do as well as its "regular" Fidelity fund equivalent. But, as it turned out, it has actually performed a little better, beating the S&P 500 by more than three percentage points per year over the period.

I also think an investment strategy based around US stocks may have a built-in advantage over the next decade. American corporations have emerged from the financial crisis with robust business models that are globally competitive; some 50% of S&P 500 earnings are already tied to foreign sales and exports.

While there are many growth opportunities to be found in the faster-growing emerging markets, our companies offer superior brand recognition, better quality control, and superior technology. As emerging country wages keep rising, we will be in a better position to benefit as the ranks of the global middle class swell. Furthermore, US corporations have a lot of cash to buy global competitors, hike dividends and/or buy back shares. Couple that with today's

low stock valuations, and the pieces are in place for a decade that could surprise on the upside.

In terms of risk, the Annuity Sector Model will be significantly more aggressive than the other annuity models. That's because it will be fully invested in stock funds that have a relatively low median market cap; volatility is likely to run 20-25% higher than the S&P 500 (similar to my non-annuity Select model). While this approach should take full advantage of the tax-deferred compounding that annuity accounts allow, it's a strategy for members with a decade or more investment time horizon.

Finally, there are three VIP sector funds being upgraded to *Buy* in conjunction with our new annuity sector portfolio: **VIP Energy** is poised to benefit from the ongoing shale revolution, which has the potential to transform the US into a net energy exporter as production of oil and natural gas liquids increase at a robust pace. **VIP Health Care** is your best option for playing the pharmaceutical sector, and **VIP Materials** has a big weighting in US chemical companies. (**Select Health Care** and **Materials** are not upgraded as we prefer the narrower **Select Pharmaceuticals** and **Select Chemicals**.) ■

— Jack Bowers

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### **Inside Fidelity**

**Manager Change** — As we went to press, we've learned that Joel Tillinghast has returned from his four-month sabbatical to resume managing **Low-Priced Stock**. Our *Buy* rating stands.

**Correction** — Last month's *Scorecard* provided an incorrect rating for **Emerging Markets Discovery** fund; however, the article on this new offering (p. 11) correctly indicated its rating as *OK to Buy*. ■

### **MESSAGE TO MEMBERS**

#### **Turbulent Surprises**

It was tough to look smart last year. With market volatility at extremes (see box on p. 5), investors' attitudes sometimes turned in mere hours.

Imagine that the single best place for your money was long-term Treasuries — even after they were downgraded! But if it was "absolute" safety that investors sought, why did muni bonds also gain ground? And if Europe had you worried, wasn't it reasonable to instead invest in the world's fastest-growing economies? That move may yet prove prescient, but with **Emerging Markets** dropping 21.0% last year, it was certainly premature.

Looking back at 2011, it's apparent that investors' emotions — not fundamentals — was a primary market driver. Nothing new with that, but it was taken to extremes. When we compare the earnings yield of the S&P 500 (a handsome 7.7%) versus the 10-year Treasury (a historically low 1.89%), the current 4 to 1 ratio is about four-times higher than the 21-year average. This tells us that US stocks are still a great value. Granted, that was also true last year, but if you believe in fundamentals (that earnings ultimately drive share prices), you have to stick with your long-term investment goals and hold US equities. We do. And we hope you do, too.

Sincerely,  
John Boyd  
John Bonnanzio  
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PS — In addition to our weekly Hotline updates, on 14 occasions last year, we emailed Special updates in response to the market's wild moves. If you aren't receiving them, go to the "sign-up" box on the right side of our homepage: [www.fidelityinsight.com](http://www.fidelityinsight.com)

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