

Jack
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Fidelity

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Fidelity Newsletter

20
Years

MARCH
2009

Monitor™

Question & Answer Forum

What probability are you now giving for your bearish Scenario C (following Japan's deflationary path), and what implications would it have for the stock market?

Scenario C now has 50% probability. We're giving it higher odds because of a currency crisis in Eastern Europe, new threats to the hedge funds, the negative impact on confidence from a continuing wave of investment scandals, the start of big a selloff in commercial real estate, and tax code proposals that would limit the deductibility of mortgage interest.

Under a Japan-like deflation scenario, an intense focus on debt reduction would take hold for both consumers and corporations. Commercial real estate values would be cut in half. Unemployment would rise above 10%. Wage cuts would become a regular

QUESTION & ANSWER - *Continued on page 2*

Portfolio Changes

On Monday, 3/9, we'll make the following trades. For the resulting fund mix in each portfolio, please see the pie charts on pages 6-7.

Our Income Model will sell one-third of **Gov't Income** (54/FGOVX) and buy **Investment Grade Bond** (26/FBNDX). This move will reduce the model's treasury weighting below 10%, while boosting exposure to higher-yielding corporate bonds. There are no changes in the VIP Income Model.

Our Growth Model will sell **Growth Discovery** (339/FDSVX) and buy **Contrafund** (22/FCNTX). This is a defensive move designed to reduce financial sector exposure while bringing overall risk below 0.9.

Our VIP Growth Model will sell **VIP Index 500** and buy **VIP Mid Cap**.

Our Select System will trade **Construction & Housing** (511/FSHOX) for **Computers** (7/FDCPX). This recession is going to be longer and deeper than we thought. Computer companies are suffering too, but falling component prices are helping. Most have ample cash holdings so they don't have to borrow to fund takeovers or new product development. There are no changes in our VIP Sector Model (due to a 60-day redemption fee on **VIP Cons. Discretionary**, we'll be delaying our move into **VIP Technology** until next month).

Review & Recommendations

During February, investors realized the Fed's will be taking on a much bigger role in the banking system, and that the commercial property market is declining in a big way. Other concerns included a lack of up-front spending in the stimulus package, a possible bankruptcy for GM, and a currency crisis in Eastern Europe. The reality of these deflationary forces weighed on the stock market in February, dragging the S&P 500 down 10.7% for the month.

GROWTH FUNDS

Our Growth Model holdings are listed on page 7. If you're not following the portfolio, and just want some ideas, our current favorites include **Low-Priced, OTC Portfolio, Contrafund, Blue Chip Growth, Dividend Growth, and Tax-Managed Stock**.

Large-cap growth funds held up best. **OTC Portfolio** was off 4.8%, **Aggressive Growth** declined 6.2%, and **Fidelity 50** lost 6.3%. On the flip side, value stocks were hit hard. **Value** and **Mid Cap Value** were down 12.4%, and both **Large Cap Value** and **130/30 Large Cap** tumbled 13.4%.

INTERNATIONAL FUNDS

Global Balanced is our favorite choice for those who want international exposure.

Emerging market funds resisted the downward pressures. **Emerging EMEA** broke even, **China Region** was off 1.5%, **Latin America** declined 4.5%, and **Southeast Asia** was down 4.8%. But when it came to Japan and global real estate values, there was nothing but bad news. **Japan** was down 11.6%, **Int'l Real Estate** fell 13.0%, and **Japan Smaller Companies** tumbled 18.8%.

GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed on page 7. If you're not following the model, we recommend **Puritan** and **Balanced**.

Real Estate Income slipped 3.7%, **Puritan** declined 5.7%, and **Balanced** slid 6.4%. On the bottom end **Equity-Income** lost 11.9% as dividends were slashed, and **Real Estate**, plunged 22.4% as commercial property values tumbled.

INCOME FUNDS

Our Income Model positions are listed on page 7.

RECOMMENDATIONS - *Continued on page 8*

event. Consumer prices would likely contract at 1-2% annually for at least five years. The dollar would rise, even with robust money supply growth, because U.S. treasuries would be the safest place on the planet to earn real yields of 3-4%.

Fortunately, if a U.S. deflation scenario takes hold, it shouldn't be as long-lasting as Japan's. Over there, a higher savings rate allowed the Japanese banking system to limp along without intervention for many years. In contrast, the U.S. sub-prime crisis has cascaded so quickly that the banking system is being recapitalized early on. Another factor is the degree of debt reduction. In Japan, it was big because of real estate losses greater than 75%. U.S. consumers and corporations won't have to shrink their debts as much, because real estate doesn't need to fall as far to get back in line with income levels. Furthermore, a greater share of U.S. GDP comes from tech, health care, and telecom/media. That makes it easier for us to grow our way out of a deflationary slump.

So how would the stock market fare under Scenario C? Our best guess is that it might fall to 40% of GDP and languish there for several years. That level, which is 25% lower than the market's current value, is where stock values settled in the early 1980s and during the Great Depression.

I have a large cash position. If Scenario C takes place, how should I invest it for the best returns?

You'd probably want to put it to work in our Income Model, which holds a diversified mix of bond funds with an overall income stream of about 5 percent. The risk to principal is low compared with stock funds, and in a deflationary scenario the net-of-inflation return could be better than usual over the next few years.

Normally, a stock portfolio will exceed inflation by 7% annually, whereas a bond portfolio will provide real growth of 3-4%. However, when deflationary pressures become heavy-handed, bonds become the superior asset class, delivering real returns that rival stocks in normal times.

To be sure, there is interest-rate risk in a bond portfolio. But in a deflationary scenario, borrowing demand vanishes as consumers and corporations reign in their spending. Except for the government, few are willing to borrow because loans must be repaid with dollars that take a bigger bite of income with each passing year. As a result, there's very little upward pressure on interest rates, even with government debt growing by large amounts.

I've been following your Growth Model and Unique Opportunities Model with plans to switch

to the Growth and Income Model when I retire several years from now. Now that we're in a financial crisis, would it be reasonable to move early to the Growth and Income Model, instead of waiting until retirement?

Switching early to the Growth and Income Model could certainly reduce your recovery potential over the next 3-5 years, but it's a prudent move for a time like this. Even under normal conditions, a lower risk strategy such as the Growth and Income Model can deliver almost as much real growth as a stock portfolio while keeping risk a third lower than the S&P 500. And with today's earnings pressures, the reduction in downside risk could serve an important role – even at this stage in the game.

I want to maximize returns over the next decade, and I'm not concerned about what happens between now and then. Any ideas?

Technology stocks are probably a good bet because revenue growth becomes more valuable when inflation is low or non-existent. Technology firms are used to operating in a deflationary environment, so today's business environment is not much different than other tough periods in the recent past. The business models are more robust today, and the industry has an ability to adapt quickly to changing economic conditions. Some of the larger tech firms have amassed large amounts of cash and require no outside funding to maintain new product development or snap up an attractive takeover target.

With two major shakeouts in the last nine years, technology stocks have become cheap. As a result, the industry now sells for a fraction of its early 2000 value, even with today's higher revenue and profits. Currently there is little or no premium for growth stocks. Perhaps investors don't appreciate how difficult it is to grow revenue in a deflationary environment, or maybe they just don't believe tech can grow when other industries are struggling. But once we're out of the woods, investors will be able to see the earnings trends, and that could set the stage for a longer-term technology rally.

For a diversified play on growth stocks with heavy emphasis on technology, consider **OTC Portfolio or NASDAQ Composite Index**. For a more targeted bet, consider **Select Technology**.

With all the worldwide bailout programs and stimulus packages, I'm surprised you're not more bullish on gold.

Governments around the globe are taking on large amounts of debt to stabilize the financial system and bail out non-competitive industries. It's possible

the supply of world currencies could expand by one-fourth when it's all said and done, implying a 25% jump in the price of gold (much of which may already be reflected).

Gold bulls argue that if investors allocate even a small portion of their portfolios to the precious metal, the impact on price could be substantial. In effect, they are making an argument that gold will be the next bubble.

It's certainly possible. Individuals and hedge funds are aggressively piling into gold ETFs, making these funds the world's largest buyers of the metal. But it's not a foregone conclusion. Jewelry demand has plummeted, and gold has a history of exaggerated price surges that ultimately peak when millions of consumers start pulling it out of their drawers and cashing it in. Unlike commodities that get consumed, some 90% of the gold dug out of the ground since the dawn of time is still around.

As an asset class, gold metal has a long-term return that equals inflation, meaning its real return is zero. It tends to surge when expectations for inflation rise, and tumble when they fall. As a hedge, gold is most useful when a 5-10% allocation is used in stabilizing a bond portfolio.

Owning gold (or gold metal ETFs) in place of stocks, however, is a bearish bet that might backfire. Today's concerns about government debt and inflation are overblown, because today's major currencies float free, serving as global shock absorbers. Gold may move higher in the short run on banking system fears, but in the long run it's likely to revert to reflect actual inflation. In other words, unless wages and prices start climbing at a healthy clip, what goes up must come back down.

With such a large stimulus package, why are investors still hesitant to own stocks?

While \$800 billion may sound like a lot, the portion of it that will get spent in 2009 is not even a match for what a typical household spends on car payments. Meanwhile, consumers may cut their 2009 spending by as much as \$2-3 trillion as they save more and drive their debts down to a level that can be sustained over the long run.

Reduced consumer spending isn't necessarily bad, because in the long run it will close the trade gap and make the U.S. economy more export-oriented, setting the stage for a long period of prosperity. In the post-depression period from 1943-1966, the stock market went through a long period of growth where bear markets were very mild. It's certainly

possible that we could see something similar in the future. But it won't happen until household debt is down to a manageable level. And getting there may be a challenge, because the aggregate impact of 100 million households reigning in spending is going to have a strong deflationary impact on the economy. In effect, consumers are challenged with the financial equivalent of paying off all existing car loans. It's a process that could take 5 years, and there's not much the government can do to speed it up.

If stocks are cheap, why is the P/E ratio for the S&P 500 still above 18?

Price divided by trailing twelve-month earnings is a useful indicator when companies are generally profitable, but you can't rely on the P/E ratio at a time like this. We may actually see S&P 500 earnings go to near-zero levels for a few quarters.

If earnings approach zero, the P/E ratio would become a very large number. Such a situation doesn't indicate an overvalued market – it would simply mean that the index is operating near breakeven. This happened in the early 1980s, when the P/E for the Dow Jones Industrial Average jumped over 100 for several quarters.

Until profits come back, the best way to evaluate the stock market is to compare its size with the size of the economy. U.S. market cap is currently about 55% of GDP. The ratio has gone as low as 40% during the early 1980s and the later part of the Great Depression, and as high as 200% at the end of 1999.

Today I learned that 530 firms are under federal investigation for potential fraudulent activity. At times like this, what can we as investors do to make sure we aren't part of a big Ponzi scheme?

We're not necessarily seeing more fraud, because it's been there all along. The reason all these cases are coming out is that they cannot be sustained in a market like this.

It's significant that no Ponzi schemes have been uncovered within the structure of an open-ended mutual fund. The requirement of an independent custodian, along with the practice of providing daily redemptions, is a very effective deterrent for anyone looking to fake their performance or skip town with other people's money.

That's not to say that abuses can't occur in the mutual fund universe. Past problems have included front-running (buying a stock in a personal account ahead of buying it for fund investors), mis-pricing

QUESTION & ANSWER - *Continued on page 8*

GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

Gain/loss percentages are for prior month's close (annualized for periods over a year). Reinvested distributions are assumed. Size figures are for the close of the prior month, in millions. Risk is based on standard deviation of daily gains and losses over a one-year period, relative to the S&P 500. Fee: **0.75(90)** indicates a 0.75% redemption fee on shares held less than 90 days. All retail Fidelity funds are no-load. If a fund is closed to new investors, it is listed as such in the Fee column. Fidelity limits roundtrip trades to two in the last 90 days and four in the last 12 months (a roundtrip trade is defined as the purchase and sale of a fund within 30 days). Fund ratings: **B****** is for a **favorite buy**, **B****** means **buy**, **H***** means **hold** for the long run, **S**** means reduce to below 5% of holdings, **S*** means **sell** and move to a buy-rated fund within the same asset class. Upgrades and downgrades from the prior month are indicated by \uparrow and \downarrow .

FEBRUARY PERFORMANCE						2009	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
130/30 Large Cap (2063/FOTTX)	H***	1.3 Est	none	5.28	94.2	-17.9	-13.4	-17.0				
Aggressive Gth (324/FDEGX)	H***	0.95	1.5(90)	10.37	1419.8	-11.0	-6.2	-7.8	-46.5	-17.5	-7.9	-8.6
Blue Chip Gth (312/FBGRX)	B****	0.92	none	22.86	7808.0	-13.1	-6.3	-12.0	-40.3	-14.6	-7.5	-5.0
Blue Chip Value (1271/FBCVX)	H***	1.16	none	6.20	272.8	-21.5	-11.7	-19.9	-52.8	-20.6	-8.8	
Capital Apprec (307/FDCAX)	H***	0.99	none	13.14	3956.6	-16.5	-8.8	-12.3	-45.4	-17.0	-7.3	-0.8
Contrafund (22/FCNTX)	B****	0.82	none	39.57	42532.1	-12.5	-7.3	-11.1	-39.1	-10.6	-1.0	1.3
Growth Discovery (339/FDSVX)	H***	0.93	none	7.43	844.5	-13.7	-7.6	-13.9	-48.4	-13.9	-5.9	-1.3
Disc Equity (315/FDEQX)	B****	0.95	none	14.51	8520.2	-16.7	-11.4	-14.5	-44.5	-14.9	-5.4	-2.1
Dividend Gth (330/FDGFY)	B****	1.11	none	13.06	4931.9	-17.3	-10.2	-13.3	-48.6	-19.0	-10.3	-3.6
Export Fund (332/FEXPX)	H***	0.96	0.75(30)	12.54	2092.6	-13.0	-6.8	-10.8	-44.5	-15.4	-4.9	2.2
Fidelity Fifty (500/FFTYX)	H***	0.99	none	9.68	597.5	-12.2	-6.3	-9.4	-50.0	-18.6	-8.1	-1.2
Focused Stock (333/FTQGX)	H***	0.88	none	7.51	136.1	-14.9	-7.7	-14.8	-36.2	-11.5	-1.4	-2.6
Growth Company (25/FDGRX)	B****	1.00	Closed	43.69	20448.8	-10.8	-7.1	-7.3	-40.5	-12.8	-3.1	0.2
Independence (73/FDFFX)	H***	1.22	none	11.99	3095.5	-16.0	-9.2	-14.7	-53.6	-15.3	-5.2	-1.3
Lg Cap Core En Idx (1827/FLCEX)	H***	0.97	none	5.27	792.4	-17.7	-10.5	-16.6	-41.5			
Lg Cap Gth En Idx (1829/FLGEX)	H***	0.92	none	5.60	23.8	-12.4	-8.0	-10.5	-38.6			
Large Cap Growth (763/FLSLGX)	H***	0.98	none	5.66	85.1	-14.0	-8.0	-10.4	-40.3	-17.4	-6.4	
Large-Cap Stock (338/FLCSX)	H***	1.17	none	8.38	475.3	-16.4	-8.3	-13.7	-49.8	-18.2	-9.0	-5.8
Lg Cap Val En Idx (1828/FLVEX)	H***	1.05	none	4.59	23.0	-22.3	-13.2	-21.2	-45.8			
Large Cap Value (708/FLSLVX)	H***	1.05	none	6.55	916.7	-23.4	-13.4	-21.2	-48.8	-18.6	-6.6	
Low Co Stock (122/FLVCX)	H***	1.29	1.5(90)	11.99	2711.5	-17.0	-12.0	-13.3	-59.7	-20.8	-6.6	
Low-Priced Stock (316/FLPSX)	B****	0.86	1.5(90)	19.65	17022.4	-15.0	-9.2	-7.7	-42.3	-14.6	-3.7	6.8
Magellan (21/FMAGX)	H***	1.09	none	39.18	17173.6	-14.6	-7.6	-10.4	-51.7	-18.9	-9.3	-5.2
Mid Cap Growth (793/FMSGX)	H***	1.06	0.75(30)	5.97	137.5	-12.1	-6.7	-8.8	-49.7	-22.6	-9.0	
Mid Cap Stock (337/FMCSX)	H***	1.02	0.75(30)	13.58	4399.6	-13.0	-7.5	-6.6	-47.9	-18.7	-6.5	1.8
Mid Cap Value (762/FSMVX)	H***	1.10	0.75(30)	7.51	358.4	-21.0	-12.4	-14.5	-48.7	-19.0	-6.1	
New Millennium (300/FMILX)	B****	0.98	none	14.85	1070.5	-15.8	-7.0	-12.5	-42.3	-14.6	-6.0	2.0
OTC Portfolio (93/FOCPX)	B****	1.07	none	26.06	3103.1	-7.5	-4.8	-3.8	-39.5	-12.4	-4.8	-2.5
Small Cap Gth (1388/FCPGX)	H***	0.99	1.5(90)	7.44	789.9	-14.4	-9.9	-11.3	-46.3	-16.7		
Small Cap Indep (336/FSDCX)	H***	1.04	1.5(90)	8.50	1089.7	-19.3	-11.0	-15.6	-50.1	-20.9	-8.4	0.1
Small Cap Stock (340/FSLCX)	H***	1.04	Closed	8.05	2034.1	-17.9	-11.4	-10.7	-47.9	-19.4	-7.7	4.3
Small Cap Value (1389/FCPVX)	H***	1.14	1.5(90)	7.25	913.9	-22.2	-12.1	-15.7	-40.6	-16.3		
Stock Selector (320/FDSSX)	B****	1.00	none	14.26	481.2	-16.0	-8.9	-15.4	-45.5	-15.7	-6.4	-2.9
Tax Mgd Stock (343/FTMXM)	B****	0.95	1(730)	7.57	110.4	-17.0	-12.3	-14.6	-48.0	-16.2	-5.6	
Trend (5/FTRNX)	B****	0.97	none	34.57	504.0	-11.5	-6.9	-9.3	-43.2	-13.8	-5.3	-1.4
Value (39/FDVLX)	H***	1.13	none	31.17	7669.3	-21.8	-12.4	-18.5	-54.1	-22.3	-8.4	1.3
Value Discovery (832/FVDFX)	H***	1.09	none	8.10	563.1	-20.4	-11.0	-20.0	-49.3	-18.0	-5.6	
Value Strategies (14/FLSLX)	H***	1.21	none	11.10	116.6	-20.1	-11.6	-15.0	-56.7	-23.1	-12.0	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.63	none	11.79	15509.3	-10.1	-6.4	-8.1	-34.6	-10.0	-2.4	2.2
Convertible Sec (308/FCVXSX)	H***	0.85	none	12.84	1473.8	-8.3	-6.6	-2.9	-50.1	-15.2	-6.1	2.7
Equity-Income (23/FEQIX)	H***	1.10	none	24.22	15066.1	-21.5	-11.9	-20.2	-49.8	-18.6	-8.7	-2.3
Equity-Income II (319/FEQITX)	H***	1.08	none	10.32	4325.5	-22.5	-11.4	-22.1	-49.2	-19.1	-9.2	-3.0
Fidelity Fund (3/FFIDX)	B****	0.95	none	19.01	3981.6	-16.5	-9.0	-15.3	-44.9	-13.5	-5.7	-3.0
Growth & Income (27/FGRIX)	H***	1.23	none	10.54	5275.7	-20.0	-9.6	-18.7	-56.9	-24.4	-13.6	-7.2
Mega Cap Stock (361/FGRTX)	H***	0.99	none	5.61	397.8	-19.3	-11.4	-18.3	-46.1	-15.9	-7.4	-3.9
Puritan (4/FPURX)	B****	0.63	none	11.78	14138.9	-9.8	-5.7	-7.8	-31.8	-8.7	-2.8	1.0
Real Estate Income (833/FRIFX)	H***	0.35	0.75(90)	6.45	285.1	-2.4	-3.7	-0.2	-31.0	-11.6	-4.3	
Real Estate (303/FRESX)	H***	1.87	0.75(90)	9.92	2309.2	-36.5	-22.4	-24.6	-59.7	-27.7	-9.8	2.6
Strategic Div & Inc (1329/FSDIX)	H***↓	0.94	none	5.90	356.2	-17.6	-10.6	-13.9	-48.6	-18.2	-7.2	
Telecom & Utilities (311/FUIUX)	H***	0.90	none	11.39	743.2	-12.9	-8.4	-12.9	-34.6	-8.4	1.2	-2.0
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.31	0.75(30)	17.35	55.1	-33.4	-20.3	-25.3	-49.4	-20.4	-5.6	0.9
Automotive (502/FSAVX)	S**	1.39	0.75(30)	10.07	8.3	-29.2	-11.7	-30.0	-70.0	-32.3	-19.9	-7.5
Banking (507/FSRBX)	S**↓	1.80	0.75(30)	9.04	175.4	-38.8	-15.0	-39.7	-57.9	-30.8	-18.2	-6.5
Biotechnology (42/FBIOX)	B****	0.80	0.75(30)	54.62	1238.5	-7.6	-7.8	0.2	-12.7	-7.1	-0.3	3.6
Brokerage (68/FLBXX)	H***	1.46	0.75(30)	26.68	323.1	-15.9	-7.6	-9.8	-51.9	-22.4	-7.0	2.0
IT Ser / Bus Ser (353/FBSOX)	B****	0.97	0.75(30)	10.62	45.4	-5.3	0.3	-1.4	-28.1	-8.4	0.0	2.4
Chemicals (69/FSCHX)	B****	1.25	0.75(30)	42.74	261.1	-7.5	-5.8	-10.3	-46.7	-9.0	1.1	6.4
Computers (7/FDCPX)	B****↑	0.93	0.75(30)	23.45	217.4	-5.8	-6.0	-7.0	-41.7	-14.5	-9.0	-5.6
Const & Housing (511/FSHOX)	H***↓	1.37	0.75(30)	18.01	97.9	-24.5	-13.5	-19.0	-43.7	-21.4	-7.1	1.9
Consumer Disc (517/FSPCX)	H***↓	1.05	0.75(30)	11.67	21.5	-14.5	-6.9	-9.4	-40.4	-17.3	-8.8	-4.4
Industrial / Cyc Ind (515/FCYIX)	H***↓	1.01	0.75(30)	10.12	97.4	-23.0	-15.0	-19.3	-49.9	-16.5	-3.1	2.3
Defense & Aero (67/FSDAX)	H***	0.94	0.75(30)	38.97	559.4	-20.9	-19.2	-14.4	-47.6	-14.5	-1.2	5.2
Com Equip / DevC (518/FSDCX)	H***	1.01	0.75(30)	10.72	131.6	-6.9	-6.5	-3.4	-44.8	-20.8	-11.9	-6.2
Electronics (8/FSLEX)	B****↑	1.09	0.75(30)	21.13	575.3	-6.7	-1.8	-1.8	-42.6	-22.8	-13.2	-4.6
Energy (60/FSENX)	H***	1.73	0.75(30)	27.43	1461.3	-8.8	-9.1	-13.9	-56.6	-12.8	5.7	9.9
Energy Service (43/FSSESX)	H***	1.72	0.75(30)	33.87	784.5	-5.7	-6.6	-16.7	-61.9	-17.3	1.6	11.4
Environmental (516/FSLEX)	B****	0.96	0.75(30)	10.94	42.5	-18.3	-9.7	-14.0	-37.9	-14.0	-3.6	-1.4
Financial Services (66/FIDSX)	S**↓	1.56	0.75(30)	33.23	254.4	-28.8	-14.4	-27.0	-59.5	-30.0	-16.5	-5.4
Con Stap / Food Ag (9/FDFAX)	H***	0.69	0.75(30)	44.14	713.3	-13.4	-6.8	-10.8	-29.2	-1.6	2.7	3.3
Gold (41/FSAGX)	S**	1.67	0.75(30)	30.67	1724.3	-2.9	-1.4	23.3	-33.6	3.8	11.0	14.7
Health Care (63/FSPHX)	H***	0.73	0.75(30)	73.67	1322.0	-9.0	-9.6	-3.4	-32.3	-10.8	-2.5	-0.2
Home Finance (98/FSVLX)	S**↓	1.57	0.75(30)	8.38	57.3	-25.8	-9.2	-25.2	-66.0	-40.5	-26.7	-8.7
Indust Equip (510/FSFGX)	H***	1.07	0.75(30)	13.97	57.3	-24.5	-15.4	-21.9	-55.5	-18.9	-6.8	-1.3
Materials / Ind Mat (509/FSDPX)	H***	1.28	0.75(30)	27.66	136.1	-9.2	-5.4	-6.3	-51.2	-11.2	-1.0	5.8
Insurance (45/FSPCX)	H***	1.41	0.75(30)	23.92	92.1	-27.0	-15.4	-19.8	-54.9	-25.7	-13.2	-1.1
Leisure (62/FDLSX)	B****	0.94	0.75(30)	46.24	160.2	-14.2	-6.3	-4.8	-32.1	-10.5	-3.0	-0.3
Medical Delivery (505/FSHCX)	H***	0.95	0.75(30)	25.56	304.2	-11.5	-15.6	-2.5	-43.0	-17.6	-0.1	5.5
Medical Equip/Sys (354/FSMEX)	H***	0.73	0.75(30)	17.30	1146.8	-6.2	-10.3	-1.5	-26.8	-4.5	1.2	8.9
Multimedia (503/FBMPX)	H***	1.11	0.75(30)	18.27	28.7	-17.7	-9.7	-13.1	-46.8	-19.5	-10.4	-3.1
Natural Gas (513/FSNGX)	H***	1.85	0.75(30)	19.16	769.2	-5.0	-8.1	-9.8	-60.0	-15.2	3.2	10.2
Nat Resources (514/FNARX)	H***	1.68	0.75(30)	17.24	998.4	-8.4	-7.0	-10.2	-55.2	-10.0	6.2	11.0
Networking (912/FNINX)	H***	1.02	0.75(30)	1.21	35.6	-1.6	-4.7	0.8	-38.6	-22.3	-14.6	
Paper & Forest (506/FSFPX)	H***	1.21	0.75(30)	12.59	9.2	-19.9	-17.1	-19.2	-53.7	-23.1	-15.0	-2.6
Pharmaceuticals (580/FPHAX)	H***	0.70	0.75(30)	7.60	167.1	-13.7	-9.5	-8.7	-26.2	-6.8	-1.1	
Retailing (46/FSRPX)	B****	1.09	0.75(30)	26.48	41.0	-7.4	0.5	-0.1	-27.1	-12.8	-4.1	-2.2
Software (28/FSFSCX)	H***	1.01	0.75(30)	44.38	500.8	-5.6	-2.8	-4.1	-33.5	-6.3	-2.7	2.6
Technology (64/FSPTX)	B****↑	1.06	0.75(30)	37.13	799.8	-6.4	-3.3	-2.0	-44.1	-17.0	-9.6	-4.5
Telecom (96/FSSTX)	H***	1.20	0.75(30)	26.74	186.7	0.3	3.3	3.8	-36.0	-12.7	-4.4	-5.3
Transportation (512/FSRFY)	B****	1.03	0.75(30)	23.89	96.1	-25.9	-12.6	-25.7	-44.2	-18.2	-2.9	3.5
Utilities (65/FSUTX)	H***	0.91	0.75(30)	34.94	364.8	-13.2	-12.4	-15.0	-37.5	-7.5	2.4	-1.5
Wireless (963/FWRLX)	H***	1.16	0.75(30)	4.44	178.7	3.5	0.0	8.8	-37.7	-11.8	0.4	

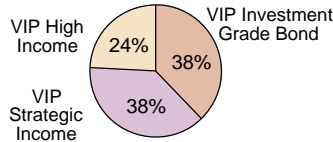
FEBRUARY PERFORMANCE						30-day	2009	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Int'l Capital Apprec. (335/FIVFX)	H***	1.19	1 (30)	6.01	179.0		-19.1	-9.9	-12.6	-56.2	-21.8	-9.9
Canada (309/FICDX)	H***	1.09	1.5(90)	30.29	2316.7		-13.6	-9.7	-10.7	-49.3	-10.2	3.0
China Region (352/FHKCX)	S**	1.11	1.5(90)	15.31	712.8		-10.0	-1.5	-4.2	-44.8	-3.6	2.0
Diversified Int'l (325/FDIVX)	H***	1.00	Closed	17.64	24017.1		-18.0	-8.6	-11.4	-50.9	-15.4	-3.2
Emerging EMEA (2053/FEMEX)	S**	1.5 Est	1.5(90)	4.33	29.6		-9.2	0.0	-2.8			
Emerging Mkts (322/FEMKX)	S**	1.19	1.5(90)	11.22	1776.0		-13.6	-5.5	-7.5	-63.4	-16.3	1.5
Europe (301/FIEUX)	S**	0.98	1 (30)	18.54	2367.5		-18.6	-8.1	-12.5	-49.6	-14.9	-1.0
Europe Cap Appr (341/FECAX)	S**	1.02	1 (30)	11.13	412.2		-18.6	-8.2	-12.5	-51.5	-14.7	-3.3
Global Balanced (334/FGBLX)	B****	0.47	1 (30)	14.65	339.2		-12.1	-5.8	-7.5	-29.6	-5.3	1.1
Int'l Discovery (305/FIGRX)	H***	0.96	1 (30)	19.26	5826.6		-18.5	-8.5	-12.7	-49.7	-13.9	-2.1
Int'l Enhanced Index (2010/FIENX)	H***	1.0 Est	1 (30)	4.42	15.3		-22.0	-10.7	-15.5	-51.5		
Int'l Growth (1979/FIGFX)	H***	0.95	1 (30)	4.62	13.8		-16.6	-7.8	-9.5	-46.6		
Int'l Real Estate (1368/FIREX)	S**	1.11	1.5(90)	5.02	236.3		-24.3	-13.0	-20.1	-59.5	-23.1	
Int'l Small Cap (818/FISMX)	H***	0.73	Closed	10.69	467.1		-13.4	-7.1	-6.9	-51.0	-17.7	-1.5
Int'l Small Cap Opp (1504/FSCOX)	S**	1.11	2 (90)	5.05	249.3		-15.7	-8.7	-10.6	-63.3	-25.1	
Int'l Value (1597/FIVLX)	H***	1.17	1 (30)	4.56	134.6		-23.5	-12.3	-16.8	-55.5		
Japan (350/FIPNX)	H***	1.01	1.5(90)	7.15	904.4		-19.8	-11.6	-12.1	-46.0	-22.0	-5.5
Japan Smaller Co (360/FJSCX)	H***	0.69	Closed	5.13	325.3		-28.5	-18.8	-22.1	-47.9	-29.5	-10.7
Latin America (349/FLATX)	S**	1.58	1.5(90)	25.96	2066.5		-6.0	-4.5	-1.3	-57.9	-9.1	12.8
Nordic (342/FNORX)	H***	1.19	1.5(90)	15.13	238.4		-19.5	-10.1	-14.0	-62.0	-17.6	-3.6
Overseas (94/FOSFX)	H***	1.02	1 (30)	20.25	4873.3		-19.3	-9.5	-13.6	-53.1	-15.4	-4.1
Pacific Basin (302/FPBFX)	S**	0.94	1.5(90)	10.56	352.8		-20.5	-11.5	-10.4	-60.2	-20.7	-5.4
Southeast Asia (351/FSEAX)	S**	0.95	1.5(90)	16.38	1447.4		-13.2	-4.8	-7.1	-52.0	-5.9	4.3
Total Int'l Equity (1978/FTIEX)	H***	1.06	1 (30)	3.93	18.9		-19.0	-9.4	-12.0	-53.5		
Worldwide (318/FWWFX)	H***	0.92	1 (30)	10.44	787.4		-17.1	-8.3	-14.0	-44.8	-12.4	-3.3
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.84	none	16.64	1363.0		-16.1	-9.0	-13.5	-39.1	-12.5	-4.4
NASDAQ Comp (1282/FNCMX)	B****	1.01	0.75(90)	18.25	114.6		-12.5	-6.5	-10.0	-38.7	-14.9	-6.9
Spart Ext Mkt Idx (398/FSEMXX)	B****	1.04	0.75(90)	18.73	1587.0		-16.9	-10.0	-13.1	-44.3	-16.2	-5.2
Spart Int'l Index (399/FSIIX)	H***	1.03	1(90)	20.85	2954.1		-22.0	-10.6	-15.4	-50.0	-15.4	-3.6
Spart 500 Index (317/F500X)	H***	1.00	none	50.82	4871.3		-18.2	-10.7	-17.3	-43.4	-15.2	-6.7
Spart Total Mkt Idx (397/FSTMX)	H***	1.00	0.5(90)	20.60	3662.6		-17.8	-10.4	-16.4	-43.3	-15.2	-6.2
Asset Mgr 20% (328/FASIX)	H***	0.20	none	10.04	1795.0		-2.4	-2.0	-0.3	-14.7	-2.6	0.9
Asset Mgr 30% (1957/FTANX)	H***	0.30	none	7.32	26.8		-4.0	-3.1	-1.9	-20.6		
Asset Mgr 40% (1958/FFANX)	H***	0.39	none	6.84	13.7		-5.9	-4.1	-3.7	-24.8		
Asset Mgr 50% (314/FASMX)	H***	0.50	none	10.07	4875.0		-7.1	-4.5	-4.2	-29.3	-8.6	-3.5
Asset Mgr 60% (1959/FSANX)	H***	0.60	none	6.01	15.2		-8.9	-5.5	-6.2	-32.0		
Asset Mgr 70% (321/FASGX)	H***	0.72	none	9.61	1670.3		-10.5	-6.4	-7.4	-37.1	-12.4	-5.9
Asset Mgr 85% (347/FAMRX)	H***	0.87	none	7.41	319.3		-12.8	-7.7	-9.5	-41.5	-14.1	-5.6
Dynamic Strategies (1960/FDYSSX)	H***	0.59	none	5.99	70.0		-10.3	-6.3	-7.8	-33.2		
Freedom 2000 (370/FFBXX)	H***	0.25	none	9.59	1446.6		-4.6	-2.9	-2.9	-16.7	-3.0	-0.2
Freedom 2005 (1312/FFVFX)	H***	0.47	none	7.66	792.2		-8.7	-5.1	-6.1	-28.0	-7.4	-2.2
Freedom 2010 (371/FFFCX)	H***	0.49	none	9.39	9551.6		-9.4	-5.5	-6.6	-29.4	-7.9	-2.4
Freedom 2015 (1313/FFVFX)	H***	0.53	none	7.72	6049.3		-9.8	-5.7	-7.0	-30.9	-8.6	-2.4
Freedom 2020 (372/FFFDX)	H***	0.65	none	8.87	14317.2		-11.7	-6.9	-8.9	-36.1	-10.9	-3.6
Freedom 2025 (1314/FFTWX)	H***	0.69	none	7.20	5588.7		-12.5	-7.3	-9.7	-37.8	-11.8	-4.0
Freedom 2030 (373/FFFEY)	H***	0.79	none	8.38	9492.8		-14.1	-8.2	-11.2	-41.1	-13.5	-4.9
Freedom 2035 (1315/FFTHX)	H***	0.81	none	6.86	3361.8		-14.6	-8.5	-11.7	-42.1	-14.0	-5.1
Freedom 2040 (718/FFFEY)	H***	0.84	none	4.75	5106.3		-15.0	-8.8	-12.2	-43.1	-14.6	-5.4
Freedom 2045 (1617/FFFGX)	H***	0.85	none	5.58	804.2		-15.2	-8.8	-12.3	-43.5		
Freedom 2050 (1618/FFFHX)	H***	0.90	none	5.43	663.3		-15.9	-9.2	-13.0	-45.1		
Freedom Income (369/FFFA)	H***	0.21	none	9.16	2166.9		-4.0	-2.6	-2.1	-14.8	-2.4	0.0
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	B****	0.8 Est	1(90)	5.40	6582.8	11.11	0.3	-2.5	2.8	-29.2	-7.9	-1.3
Floating Rate (814/FFRHX)	B****	0.4 Est	1(60)	8.08	1483.6	6.22	7.2	0.6	8.2	-7.0	-1.2	1.1
Focused High Inc (1366/FHIFX)	B****	0.5 Est	1(90)	7.63	135.5	9.08	5.2	-1.1	10.8	-15.1	-2.7	
GNMA Portfolio (15/FGMNX)	B****	0.14	none	11.18	4457.4	4.79	1.1	0.9	2.6	6.0	6.2	4.9
Gov't Income (54/FGOVX)	B****	0.14	none	10.74	5792.0	3.16	-1.4	0.2	1.8	6.1	6.9	4.9
High Income (455/SPHIX)	B****	0.6 Est	1(90)	6.16	4542.3	11.15	3.4	-2.1	8.8	-19.5	-4.4	0.0
Inflation-Protected (794/FINPX)	H***	0.25	none	10.36	1680.0	1.72	-1.3	-1.9	4.6	-8.3	1.8	2.4
Intermed Bond (32/FTHRX)	H***	0.13	none	9.08	6058.0	5.59	0.6	-0.8	3.7	-6.7	0.8	1.2
Intermed Gov't Inc (452/FSTGX)	H***	0.12	none	10.81	1595.1	2.04	-0.9	-0.1	1.7	5.5	6.8	4.5
Invest Grade Bond (26/FBNDX)	B****	0.15	none	6.31	8604.0	6.15	0.2	-0.5	3.2	-7.5	-0.1	1.1
Mortgage Securities (40/FMSFX)	H***	0.14	none	10.03	902.5	5.21	0.5	-0.1	1.9	1.3	1.8	2.3
New Markets Inc (331/FNMIX)	H***	0.7 Est	1(90)	11.12	1466.7	10.66	0.1	-1.9	7.7	-18.3	-2.6	3.7
Short-Term Bond (450/FSHBX)	H***	0.07	none	7.94	5421.0	10.66	0.8	0.4	1.4	-3.5	0.9	1.2
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.22	none	11.02	1153.2	2.27	-4.0	-0.8	0.1	6.7	8.3	
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.34	none	10.91	172.1	3.54	-10.0	-1.3	-1.6	8.5	7.7	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.10	none	10.64	219.2	0.92	-1.0	-0.2	0.0	4.1	6.3	
Strategic Income (368/FSICX)	B****	0.4 Est	none	8.58	4241.8	7.34	-0.7	-1.4	3.4	-12.7	-0.4	2.3
Strategic Real Rtn (1505/FSRRX)	H***	0.30	0.75(60)	6.53	3696.6		-4.8	-3.8	-2.2	-30.0	-7.2	
Total Bond (820/FTBFX)	B****	0.14	none	9.21	8507.9	6.57	0.9	-0.7	4.4	-5.9	1.3	2.1
Ultra-Short Bond (812/FUSEX)	H***	0.04	0.25(60)	8.08	233.7	0.71	-0.4	-0.2	-0.1	-5.3	-3.2	-1.0
US Bond Index (651/FBIDX)	B****	0.14	none	10.64	9219.8	4.51	-0.7	-0.2	2.8	1.3	4.1	3.5
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H***	0.18	0.5(30)	10.73	127.7	3.97	4.7	0.7	5.8	4.6	2.2	2.3
CA Municipal Inc (91/FCIFX)	H***	0.17	0.5(30)	11.38	1411.9	4.37	4.3	0.4	5.1	2.3	1.6	2.4
CA Short-Int TF (1534/FCSTX)	H***	0.06	0.5(30)	10.35	329.7	2.26	1.6	-0.6	2.6	5.6	4.2	
CT Municipal Inc (407/FICNX)	H***	0.15	0.5(30)	11.05	478.0	3.38	4.2	0.1	5.4	5.8	3.4	2.8
Intermediate Muni (36/FLTMX)	B****	0.10	0.5(30)	9.87	2854.4	3.19	2.6	0.1	4.0	4.9	3.6	3.1
MA Municipal Inc (70/FDMMX)	H***	0.16	0.5(30)	11.27	1925.9	3.70	4.2	0.5	5.3	4.1	2.5	2.9
MD Municipal Inc (429/SMDMX)	H***	0.17	0.5(30)	10.33	138.4	3.57	4.7	0.4	5.0	3.5	2.3	2.4
MI Municipal Inc (81/FMHTX)	H***	0.13	0.5(30)	11.47	580.9	3.50	2.3	-0.6	3.9	4.9	3.2	2.9
MN Municipal Inc (82/FIMIX)	H***	0.11	0.5(30)	11.11	388.8	3.21	4.1	0.6	5.7	6.3	3.4	3.1
Municipal Income (37/FHIGX)	B****	0.17	0.5(30)	11.89	4720.4	4.24	4.2	0.8	5.6	3.2	2.1	2.6
NJ Municipal Inc (416/FNJHX)	H***	0.15	0.5(30)	11.08	564.0	3.55	4.4	0.2	4.7	4.5	2.9	2.9
NY Municipal Inc (71/FTFMX)	H***	0.18	0.5(30)	12.32	1424.9	4.08	4.2	0.7	6.2	5.3	2.8	2.9
OH Municipal Inc (88/FOHFX)	H***	0.16	0.5(30)	11.20	445.3	3.61	3.7	0.3	5.9	5.1	3.0	3.0
PA Municipal Inc (402/FPXTX)	H***	0.13	0.5(30)	10.44	338.7	3.45	2.9	0.4	3.8	4.8	3.1	3.0
Short-Int Municipal (404/FSSTX)	B****	0.05	0.5(30)	10.45	1982.0	2.08	1.5	-0.4	2.3	4.6	4.0	2.8
Tax-Free Bond (90/FTABX)	B****	0.17	0.5(30)	10.24	1221.8	4.23	4.2	0.7	5.6	4.4	2.6	2.9

FEBRUARY PERFORMANCE Indexes and Model Portfolios	Risk	Value	2009 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.92	7062.93	-19.1	-11.4	-19.4	-40.7	-11.5	-5.5	-0.6
S&P 500	1.00	735.09	-18.2	-10.7	-17.3	-43.3	-15.1	-6.6	-3.4
NASDAQ	1.01	1377.84	-12.5	-6.6	-10.1	-38.8	-14.8	-6.7	-4.4
Russell 2000	1.14	389.02	-21.9	-12.1	-17.4	-42.4	-17.9	-6.7	1.2
Fidelity Monitor Income Model	0.29	72774.97	-0.9	-0.7	1.5	-16.6	-3.8	-0.8	1.9
Fidelity Monitor G&I Model	0.62	114768.66	-8.7	-4.6	-6.8	-36.3	-10.8	-3.2	2.5
Fidelity Monitor Growth Model	0.95	103171.32	-15.6	-8.7	-14.5	-46.2	-16.5	-6.5	0.0
Fidelity Monitor Select System	0.93	214635.05	-14.9	-9.1	-13.7	-44.8	-13.7	-4.3	1.4
Fidelity Monitor Unique Opportunities	1.08	63455.35	-14.3	-7.5	-11.9	-50.6	-17.7	-4.5	

VIP CORNER

Fidelity's Variable Insurance Products allow tax-deferred growth, but the benefit may be offset by higher tax rates at withdrawal. Performance figures reflect the Retirement Reserves fee structure. Returns for the Personal Retirement Annuity are roughly 0.5 percentage points higher per year.

VIP INCOME MODEL

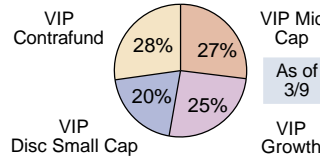


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2002: +7.3%
1994: -3.8%	2003: +9.9%
1995: +16.9%	2004: +5.1%
1996: +6.9%	2005: +1.8%
1997: +10.9%	2006: +6.1%
1998: +0.4%	2007: +6.2%
1999: +0.8%	2008: -18.3%
2000: -2.4%	*2009: -0.9%
2001: -3.4%	

VIP GROWTH MODEL

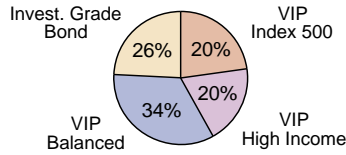


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2002: -21.7%
1994: +4.6%	2003: +30.0%
1995: +36.1%	2004: +7.0%
1996: +16.1%	2005: +10.1%
1997: +23.5%	2006: +14.5%
1998: +22.6%	2007: +9.3%
1999: +22.1%	2008: -45.5%
2000: -10.3%	*2009: -17.4%
2001: -14.0%	

VIP G & I MODEL

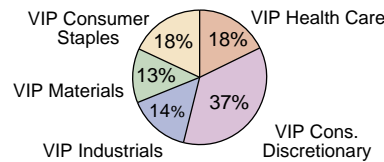


PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2003: +20.8%
1996: +12.8%	2004: +6.3%
1997: +21.4%	2005: +4.5%
1998: +15.1%	2006: +11.6%
1999: +6.1%	2007: +7.7%
2000: -4.9%	2008: -31.0%
2001: +3.1%	*2009: -9.2%
2002: -9.4%	

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2007: +11.2%
2004: +6.3%	2008: -41.4%
2005: +14.0%	*2009: -13.2%
2006: +17.7%	

Model portfolio performance is listed at the bottom of the page.

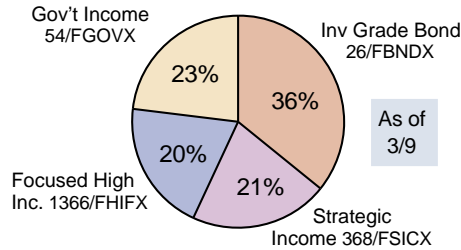
FEBRUARY VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2009 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	6.16		-11.2	-6.2	-8.0	-46.3	-18.2	
VIP Asset Manager	H ***	25.70		-7.9	-4.8	-5.8	-32.8	-7.9	-3.4
VIP Asset Manager: Growth	H ***	14.95		-11.6	-6.6	-9.7	-40.8	-11.6	-5.7
VIP Balanced	B ****	10.90		-11.1	-7.0	-7.5	-38.1	-12.1	-5.5
VIP Consumer Discretionary	B ****	6.32		-14.9	-7.1	-10.1	-40.5	-17.9	-9.4
VIP Consumer Staples	B ****	7.46		-13.7	-7.0	-11.3	-29.2		
VIP Contrafund	B ****	24.57		-16.6	-10.2	-15.3	-46.6	-15.7	-4.5
VIP Disciplined Small Cap	B ****	5.09		-20.9	-12.3	-16.7	-42.4		
VIP Dynamic Capital Appreciation	H ***	7.78		-16.8	-9.0	-12.7	-46.4	-17.8	-7.3
VIP Energy	H ***	13.18		-8.9	-9.2	-14.2	-57.2	-13.3	3.5
VIP Equity-Income	H ***	30.95		-21.5	-11.9	-20.2	-51.0	-19.6	-9.6
VIP Financial Services	H ***	4.52		-29.9	-15.5	-28.1	-60.7	-30.9	-17.3
VIP Freedom 2005	H ***	8.50		-8.4	-4.8	-5.9	-27.8	-7.3	
VIP Freedom 2010	H ***	8.35		-9.0	-5.3	-6.5	-29.3	-7.9	
VIP Freedom 2015	H ***	8.31		-9.7	-5.6	-7.1	-31.2	-8.6	
VIP Freedom 2020	H ***	7.70		-11.7	-6.7	-9.1	-37.0	-11.2	
VIP Freedom 2025	H ***	7.55		-12.6	-7.2	-9.9	-38.8	-12.0	
VIP Freedom 2030	H ***	7.11		-14.3	-8.1	-11.8	-42.8	-14.0	
VIP Freedom Income	B ***	9.82		-3.3	-2.2	-1.6	-13.0	-1.7	
VIP FundsManager 20	B ****	9.58		-3.9	-2.1	-1.7	-11.3		
VIP FundsManager 50	B ****	7.84		-8.8	-4.8	-5.9	-26.5		
VIP FundsManager 70	B ****	6.72		-12.3	-6.6	-9.5	-36.4		
VIP FundsManager 85	B ****	5.99		-15.0	-8.1	-12.0	-42.9		
VIP Growth	B ****	34.56		-13.7	-7.6	-14.0	-49.1	-16.0	-8.9
VIP Growth & Income	H ***	10.52		-16.2	-9.0	-15.7	-46.1	-16.3	-7.9
VIP Growth Opportunities	H ***	6.66		-9.7	-6.6	-10.1	-52.4	-19.8	-10.3
VIP Growth Stock	B ****	6.27		-11.6	-7.0	-9.7	-43.8	-16.7	
VIP Health Care	B ****	8.54		-8.9	-9.3	-3.4	-32.5	-11.6	-3.2
VIP High Income	B ****	25.28		5.8	-1.4	8.8	-19.3	-4.6	-0.6
VIP Index 500	H ***	20.38		-18.3	-10.7	-17.4	-43.8	-15.8	-7.5
VIP Industrials	B ****	9.40		-23.3	-15.1	-19.6	-50.1	-16.8	-3.4
VIP Int'l Capital Appreciation	S **	5.33		-19.3	-10.0	-13.0	-56.6	-22.6	
VIP Investment Grade Bond	B ****	29.20		0.3	-0.6	3.8	-5.0	0.9	1.3
VIP Materials	H ***	5.43		-9.3	-5.3	-6.3	-51.1		
VIP Mid Cap	B ****	13.11		-11.6	-7.0	-7.7	-42.7	-13.6	-1.1
VIP Money Market		21.90		0.1	0.0	0.2	1.7	3.4	2.6
VIP Overseas	H ***	21.23		-20.1	-9.6	-14.8	-51.0	-16.1	-4.9
VIP Real Estate	H ***	7.01		-36.5	-22.1	-24.0	-60.7	-27.3	-9.7
VIP Strategic Income	B ****	11.03		-0.8	-1.3	3.2	-12.3	-0.8	
VIP Technology	B ****↑	5.71		-5.9	-3.0	-1.6	-43.7	-19.4	-9.7
VIP Telecommunications	H ***	5.15		-0.1	2.7	3.0	-36.3		
VIP Utilities	H ***	8.82		-13.1	-12.5	-15.1	-37.4	-6.9	2.5
VIP Value	H ***	5.11		-21.6	-12.2	-18.5	-54.3	-22.8	
VIP Value Leaders	H ***	5.53		-21.6	-11.7	-20.0	-53.1	-21.1	
VIP Value Strategies	H ***	6.13		-20.4	-11.7	-15.5	-57.1	-23.7	-12.8
Fidelity Monitor VIP Income Model		17051.63		-0.9	-1.4	1.7	-16.7	-3.1	-0.8
Fidelity Monitor VIP G&I Model		17002.40		-9.2	-4.2	-7.1	-34.9	-9.9	-3.9
Fidelity Monitor VIP Growth Model		18655.68		-17.4	-10.1	-16.6	-49.3	-18.4	-8.5
Fidelity Monitor VIP Sector Model		10584.60		-13.2	-8.6	-12.0	-44.0	-14.3	-4.9

INCOME MODEL

Focuses on income funds that hold bonds or cash.
Target Growth Rate: 7% Target Risk Level: 0.25

FUND	NAV	SHARES	BALANCE
Invest. Grade Bond	\$6.31	2808.020	\$17718.61
Strategic Income	\$8.58	1785.617	\$15320.59
Focused High Inc.	\$7.63	1912.978	\$14596.02
Gov't Income	\$10.74	2340.759	\$25139.75

12% Foreign Holdings
Balance as of 2/27/09: \$72774.97
Balance at start of 2009: \$73441.91



PAST PERFORMANCE
Starting Balance: \$35,000
1992: +10.1% 2001: + 5.6%
1993: +11.3% 2002: + 5.4%
1994: - 2.1% 2003: + 8.4%
1995: +14.8% 2004: + 4.2%
1996: + 9.0% 2005: + 3.6%
1997: +10.5% 2006: + 6.9%
1998: + 3.5% 2007: + 4.0%
1999: + 3.0% 2008: -18.2%
2000: + 0.3%
2009 YTD: - 0.9%

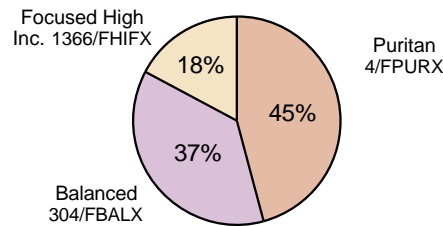
In February our Income Model was off 0.7%. On 2/9 we sold **Cash Reserves** and bought **Focused High Income** (\$7.81). On 3/9 we'll exchange one-third of **Gov't Income** for **Inv. Grade Bond**.

GROWTH AND INCOME MODEL

Focuses on asset allocation funds to help limit risk.
Target Growth Rate: 10% Target Risk Level: 0.67

FUND	NAV	SHARES	BALANCE
Puritan	\$11.78	4437.168	\$52269.84
Balanced	\$11.79	3566.273	\$42046.36
Focused High Inc.	\$7.63	2680.532	\$20452.46

9% Foreign Holdings
Balance as of 2/27/09: \$114768.66
Balance at start of 2009: \$125716.09



PAST PERFORMANCE
Starting Balance: \$50,000
1994: - 3.7% 2002: - 6.4%
1995: +21.6% 2003: +33.0%
1996: +15.8% 2004: +11.5%
1997: +18.7% 2005: + 8.2%
1998: +11.1% 2006: +13.7%
1999: +12.2% 2007: + 6.1%
2000: + 2.7% 2008: -33.5%
2001: + 1.3%
2009 YTD: - 8.7%

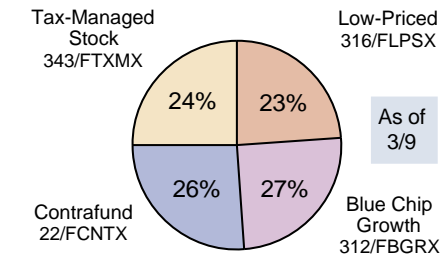
Our Growth and Income Model was down 4.6% in February. On 2/9 we sold **Disciplined Equity** (\$17.08) and bought **Focused High Income** (\$7.81).

GROWTH MODEL

Focuses on domestic funds and aims to hold profitable positions long enough to qualify for long-term gains.
Target Growth Rate: 13% Target Risk Level: 1.0

FUND	NAV	SHARES	BALANCE
Low-Priced Stock	\$19.65	1222.875	\$24029.49
Blue Chip Growth	\$22.86	1211.201	\$27688.05
Growth Discovery	\$7.43	3537.100	\$26280.65
Tax-Managed Stock	\$7.57	3325.381	\$25173.13

15% Foreign Holdings
Balance as of 2/27/09: \$103171.32
Balance at start of 2009: \$122262.93



PAST PERFORMANCE
Starting Balance: \$15,000
1987: + 2.8% 1998: + 9.9%
1988: +26.0% 1999: +29.0%
1989: +30.4% 2000: -10.8%
1990: - 4.4% 2001: - 6.4%
1991: +40.6% 2002: -17.1%
1992: +15.7% 2003: +46.1%
1993: +31.9% 2004: +12.4%
1994: - 2.1% 2005: +11.2%
1995: +27.2% 2006: +15.7%
1996: +19.2% 2007: + 7.3%
1997: +25.5% 2008: -42.7%
2009 YTD: - 16.6%

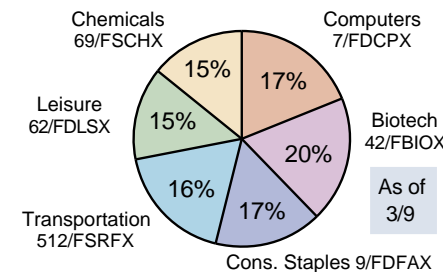
Our loss for February was 8.7%, versus 10.7% for the S&P. On 2/9 we sold **Equity-Inc.** (\$29.00) and bought **Low-Priced** (\$22.75). On 3/9 we'll exchange **Growth Discovery** for **Contrafund**.

SELECT SYSTEM

Uses a volatility model to identify attractive sectors.
Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Const. & Housing	\$18.01	2088.219	\$37608.82
Biotechnology	\$54.62	785.728	\$42916.46
Consumer Staples	\$44.14	810.609	\$35780.28
Transportation	\$23.89	1460.879	\$34900.40
Leisure	\$46.24	682.430	\$31555.56
Chemicals	\$42.74	745.754	\$31873.53

7% Foreign Holdings
Balance as of 2/27/09: \$214635.05
Balance at start of 2009: \$252121.09



PAST PERFORMANCE
Starting Balance: -\$25,000
1989: +23.4% 1999: +44.9%
1990: +31.3% 2000: -14.9%
1991: +35.3% 2001: - 7.3%
1992: +20.4% 2002: -14.7%
1993: +25.9% 2003: +38.4%
1994: - 0.9% 2004: + 7.4%
1995: +39.0% 2005: +15.0%
1996: + 5.2% 2006: +13.6%
1997: +29.3% 2007: +15.6%
1998: +21.7% 2008: -39.3%
2009 YTD: - 14.9%

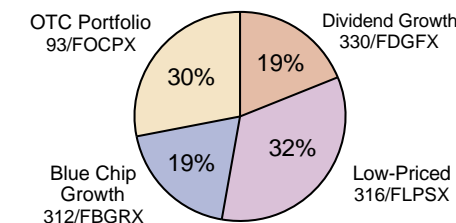
Our Select System was down 9.1% in February, versus a 10.7% loss for the S&P. On 2/9 we exchanged **Utilities** (\$41.21) for **Leisure** (\$51.35). On 3/9 we'll sell **Construction & Housing** and buy **Computers**.

UNIQUE OPPORTUNITIES MODEL

An aggressive portfolio looking for contrarian values.
Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Dividend Growth	\$13.06	914.581	\$11944.43
Low-Priced Stock	\$19.65	1034.591	\$20329.71
Blue Chip Growth	\$22.86	528.714	\$12086.40
OTC Portfolio	\$26.06	732.725	\$19094.81

15% Foreign Holdings
Balance as of 2/27/09: \$63455.35
Balance at start of 2009: \$74054.57



PAST PERFORMANCE
Starting Balance: \$50,000
(Partial Yr 99) 2004: +20.6%
1999: +33.8% 2005: +18.8%
2000: -20.5% 2006: +16.6%
2001: + 1.6% 2007: +11.6%
2002: - 2.1% 2008: -47.6%
2003: +43.2%
2009 YTD: - 14.3%

Our portfolio declined 7.5% in February. On 2/9 we sold **Equity-Income** (\$29.00) and bought **Low-Priced Stock** (\$22.75).

of illiquid securities (delaying a significant drop in NAV by assuming a non-traded security hasn't declined in value), inappropriate use of soft dollars (spending "rebated" brokerage commissions on something other than trading infrastructure), and accepting personal favors from firms hoping to win or maintain a business relationship with the fund.

Fortunately, all of these things are relatively easy for regulators to police, and fund shareholders can usually avoid exposure to illiquid securities by reading the annual reports. In my opinion, fraud losses could be reduced to very low levels if every investor maintained a portfolio of open-end mutual funds managed by nationally recognized firms.

Do you have any concerns about Fidelity's ability to survive this thing?

You're not going to see Fidelity asking for any bailout money. Unlike most banks and brokerage houses, Fidelity does not put its own capital at risk, preferring instead to maintain a large cash position. And because the Johnson family has many different revenue sources from a variety of service companies, short-term losses in its fund business can be absorbed because profits from other operations, such as Fidelity Brokerage, have not been significantly impacted.

But let's just look at the mutual fund business. The fees derived from the management of stock funds have been cut by more than half, but revenue from bond and money market funds has probably increased. Fidelity has already made some staffing reductions, and by cutting salaries and bonuses it will probably get its expenses in line without resorting to larger layoffs. If further cuts do become necessary, considerable cost savings could be realized by combining management/research operations and by adopting a multi-manager approach for more funds.

Finally, there's also the possibility of going public, even in a difficult market like this. With its broad array of financial service businesses, the Johnson family could easily raise around \$10 billion without giving up control. And if the family didn't mind giving up some control, it could probably raise many times that amount.

Even if Fidelity for some unknown reason did not survive, its mutual fund assets (which are retained by independent custodians) would still be the property of existing shareholders. Each fund or group of funds would find a new manager and perhaps new service firms, but the funds would continue operating. ■

If you're not following the model, consider **Strategic Income** or **Focused High Income**. If you're in a high tax bracket, you may want to take a look at **Municipal Income**.

Inflation fears put upward pressure on long-term interest rates, making it a weak month for bonds. **Ginnie Mae** gained 0.9%, **Floating Rate High Income** rose 0.6%, and **Short-Term Bond** finished with a 0.4% return. On the flip side, high yield bond funds saw some new credit concerns. **High Income** was off 2.1%, **Capital & Income** declined 2.5%, and **Strategic Real Return** lost 3.8%.

Muni bond funds posted returns ranging from a 0.8% gain to a 0.6% loss.

SELECT PORTFOLIOS

Our Select System (page 7) currently holds a mix of defensive and economically sensitive sectors. The following industries are rated buy for their prospects over the next 12-18 months: **Biotechnology, Computers, Retailing, IT Services, Electronics, Transport, Environmental, Leisure, Technology, and Chemicals**.

Telecom gained 3.3%, **Retailing** edged up 0.5%, **IT Services** rose 0.3%, and **Wireless** broke even. On the bottom end, **Medical Delivery** was down 15.6%, **Paper/Forest** slid 17.1%, **Defense** tumbled 19.2%, and **Air Transport** fell 20.3%. ■

Happenings

Benjamin Hesse has been named manager of **Financial Services**, Christopher Lee is now picking stocks for **Home Finance**, Kyle Weaver is the new chief at **IT Services**, and Adam Kutas has taken over at **Latin America**. There are no rating changes as a result of these moves. ■

FEBRUARY DISTRIBUTIONS

Asset Manager 20%	\$ 0.033/\$10.38 (2/6)
Asset Manager 30%	\$ 0.017/ \$7.67 (2/6)
Contrafund	\$ 0.015/\$42.99 (2/13)
Dynamic Strategies	\$ 0.01 / \$6.44 (2/13)
Freedom Income	\$ 0.02 / \$9.51 (2/6)
MI Municipal	\$ 0.001/\$11.62 (2/13)
Trend	\$ 0.015/\$38.13 (2/15)

Following are the funds scheduled for payouts in March: **Asset Manager 20% & 30%, Equity-Income, Freedom Income, Large Cap Growth, Large Cap Value, Mid Cap Growth, Mid Cap Value, Real Estate Inv, Real Estate Inc, MA Muni, NY Muni, Tax-Free Bond, and Telecom & Utilities**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	137380.9	1.02	CT MM (418/FCMXX)	2042.2	0.26			
Select MM (85/FSLXX)	7834.1	1.04	MA MM (74/FDMXX)	5322.4	0.22			
Money Market (454/SPRXX)	8616.4	1.06	MI MM (420/FMIXX)	1076.8	0.01	MA AMT TF (426/FMSXX)	639.9	0.37
Gov't MM (458/SPAXX)	1162.2	0.65	NJ MM (417/FNJXX)	2510.5	0.21	AMT Tax-Free (460/FIMXX)	2839.9	0.44
US Treas. MM (415/FDLXX)	9566.8	0.02	NY MM (92/FNYXX)	5928.7	0.31	NJ AMT TF (423/FSJXX)	627.4	0.50
Tax-Free MM (275/FMOXX)	6658.8	0.27	OH MM (419/FOMXX)	1176.9	0.28	NY AMT TF (422/FSNXX)	1078.4	0.41
US Gov't Reser (50/FGRXX)	4894.8	0.70	AZ MM (433/FSAXX)	396.0	0.23	PA MM (401/FPTXX)	798.3	0.22
CA MM (97/FCFXX)	5890.3	0.10	CA AMT TF (457/FSPXX)	1394.7	0.33	Municipal MM (10/FTEXX)	25920.7	0.37