

Jack  
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# Fidelity

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20  
Years

APRIL  
2009

# Monitor™

## Inflation or Deflation?

The Fed's plan to boost the money supply with large purchases of treasury bonds and mortgage debt sounds very inflationary, yet the collapse in asset values and widespread layoffs are unmistakable signs of deflation. Which is the bigger concern?

This month we take a detailed look at the big picture and its implications. But first, let's review how a normal economy differs from a deflationary one.

### WAGES

In a normal economy, wages tend to rise slightly faster than inflation because productivity growth makes a higher standard of living possible. Wages account for the lion's share of all business costs, so wage growth has more impact on inflation than any other single factor. If wage growth exceeds inflation plus productivity gains, it puts upward pressure on prices. In times of deflation, wage growth usually becomes negative. If wages shrink faster than the cost of living, there's a risk deflation will become an even bigger problem.

### CREDIT

When prices are rising, consumers and businesses are usually willing borrowers, because fixed debts become progressively easier to service as wages and revenues rise. If the desire to take on debt becomes too great, the Fed can raise interest rates to make debt-reduction more attractive.

INFLATION OR DEFLATION? - *Continued on page 2*

## Select Model Changes

On Monday, 4/13, we'll make the following exchanges:

Our Select System will sell **Consumer Staples** (9/FDFAX) and buy **Retailing** (46/FSRPX). Food stocks have had their day in the sun, and there are now some signs that the group is losing its pricing power. Retailers, on the other hand, braced for the worst but are now finding that business levels are holding up better than expected.

Our VIP Sector Model will sell **VIP Consumer Staples** and buy **VIP Technology**. Due to a 60-day redemption fee we delayed last month's switch. This move will bring the portfolio in line with the Select System's current positioning.

## Review & Recommendations

Stocks finished higher as the Fed moved to expand the money supply, and a detailed plan to rid banks of distressed mortgage securities was unveiled. In other good news, some of the major banks appear to be making money again, and GM seems to be burning through cash at a slower rate.

But the economy is hardly in the clear. A major commercial property bust is gradually taking hold, with negative implications for hundreds of smaller banks that make business real estate loans. The S&P 500 gained 8.8% for March.

### GROWTH FUNDS

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

Smaller stocks responded to improved prospects for the domestic economy. **Small Cap Stock** was up 16.3%, **Magellan** jumped 13.9%, and **Small Cap Value** gained 12.8%. Trailing behind, **Focused Stock** rose 5.7%, **Large Cap Growth** was up 5.1%, and **130/30 Large Cap** returned 4.4%.

### INTERNATIONAL FUNDS

**Global Balanced** is our favorite choice for investors who prefer some international exposure.

Japanese markets rebounded on an improved outlook for the automotive sector. **Pacific Basin** jumped 15.2%, **Japan Smaller Companies** climbed 11.7%, and **Japan** gained 10.5%. Trailing behind, **Overseas** posted an increase of 5.6%, **Global Balanced** rose a moderate 4.2%, and **International Small Cap** gained 3.7%.

### 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**.

A financial rebound helped dividend funds. **Equity-Income** was up 10.4%, **Equity-Income II** rose 10.3%, and **Growth & Income** gained 10.0%. Declining commercial property values hurt **Real Estate Income** and **Real Estate**. The funds posted respective gains of 2.4% and 2.1%.

RECOMMENDATIONS - *Continued on page 8*

In a deflationary economy, declining asset values create a reverse wealth effect, fueling a strong desire to cut spending and pay down debt. Since it isn't possible to counter that mindset with negative interest rates, the Fed works to reflate the economy by expanding the money supply, buying up debt, or weakening the dollar. Such measures are less effective than interest rate cuts, so the economy has a hard time returning to normal until consumers and businesses cut debt to a comfortable level.

#### GOVERNMENT DEBT

When prices are rising, government debt tends to be stable (unless there's a major war). Tax revenues tend to keep up with government spending because incomes are rising faster than inflation, so there isn't much need for the government to issue debt.

In a deflationary situation, tax revenue dries up and the government finds it necessary to become the lender of last resort, leading to big increases in public sector debt. This added debt doesn't usually put upward pressure on interest rates, because the volume of private borrowing – normally 2-3 times the size of public borrowing – has usually dried up.

#### MONEY SUPPLY

Generally speaking, the money supply expands when prices are rising and contracts with deflation.

However, an expanding money supply is not necessarily inflationary, because the money created must be spent on goods and services in order to drive up wages and prices. Likewise, a contracting money supply is not necessarily deflationary, because a shrinking cash base can be offset by credit expansion.

Investment flows can also affect the money supply. When investors boost their cash holdings, the money supply tends to expand, and when they put cash to work the money supply tends to shrink.

#### DOLLAR

The Greenback often loses strength when global inflation is rising, because investors with dollars are finding higher returns on their capital outside the U.S. Also, the U.S. trade balance becomes less favorable because U.S. consumers save less and spend more, causing imports to grow faster than exports.

In deflationary times, the dollar tends to gain strength because U.S. treasuries become one of the safest places on the planet to earn real yields of 3-4%. Also, the trade balance shifts in favor of exports because consumers cut spending to pay down debt.

#### GOLD JEWELRY

When there's an inflationary mind set, consumers tend to step up their purchases of gold jewelry, because they see the metal as a hedge against rising prices.

In times of deflation, consumers tend to liquidate gold jewelry because they need cash to pay down debt. Since most of the gold that's ever been mined is still around (mostly in the form of jewelry), this added supply tends to limit the price of gold.

#### CORPORATE PRICING

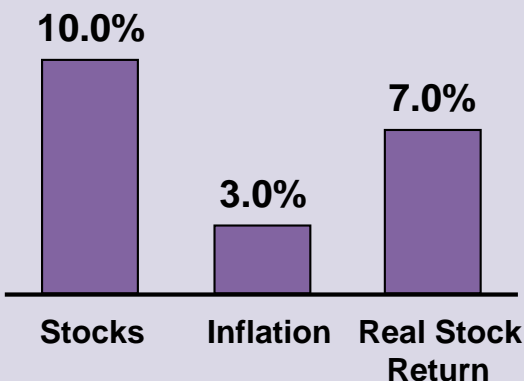
When costs are rising, companies tend to gain pricing power because the least-efficient producers have the most capacity available, and they're usually the ones that set the market price. This effect boosts earnings for all players in the industry.

Under deflationary conditions, competition becomes intense and prices can fall to the marginal cost of production for the most efficient producers, forcing the less-efficient players to shrink or go out of business. Making money becomes difficult in competitive industries, causing the stock market to become unpredictable.

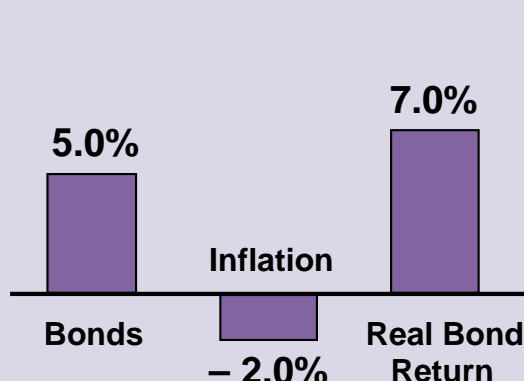
#### INTEREST RATES

Interest rates tend to settle at higher levels when

#### STOCKS USUALLY WORK BEST IN A NORMAL ECONOMY



#### BONDS USUALLY WORK BEST IN A DEFLATIONARY ECONOMY



inflation is a problem. Lenders insist on additional compensation because they're being paid back with dollars that are eroding in value. But they don't get all that they want. Borrowers become tough negotiators because their survival is at stake, so rates don't rise as much as they should. As a result, lenders and bondholders end up with a raw deal.

Under deflationary conditions, borrowers want lower rates because they are paying back a loan with dollars that grow more valuable with time. But they don't get everything they want. Lenders become tough negotiators because the risk of default puts their survival at stake. Rates settle lower, but not as low as might be expected. As a result, lenders and bondholders earn handsome real returns

#### WHERE ARE WE TODAY?

With the exception of money supply growth, all the check marks for today's economy are solidly in the deflationary column:

- Wages are shrinking faster than the CPI.
- Consumer borrowing has ground to a halt. Those with good credit don't want to borrow, and those with bad credit can't.
- Government borrowing has surged, but despite the big numbers it doesn't make up for all the private borrowing that's been cut off. As a result, upward pressure on interest rates is minimal.
- The Fed's plan to buy treasury and mortgage debt is a heavy-handed measure aimed at reversing today's deflationary forces. It goes to the extreme, much like when Paul Volker hiked the Federal Funds rate to 20%, creating a desire to pay down debt in 1981. Unfortunately, the Fed's gas pedal doesn't work as well as letting off the brake. There is no easy way to induce consumers and businesses to borrow when they are feeling overwhelmed by debt.
- The dollar, with an occasional correction, has been gaining against other currencies. This is driven by a shrinking U.S. trade deficit and a global trend toward seeking safety in U.S. treasuries.
- Gold "parties," where consumers gather up gold jewelry and sell it for cash at a neighbor's house, are being advertised in the U.S. Jewelry demand in India has fallen to near-zero levels.
- Corporate pricing power has disappeared and earnings have plummeted, causing unpredictable stock market performance.
- Treasury rates have dropped, and lenders are earning huge spreads on corporate debt.

#### INFLATION AROUND THE CORNER?

Expanding the money supply by \$2 trillion dollars

may seem alarming, but in a country with some \$40 trillion in private assets, much of this "printed money" is likely to be absorbed by recapitalization efforts. Any that filters through to consumers in the form of fixed-rate mortgages is likely to be used for debt reduction. The rest, perhaps a few hundred billion, might get spent on goods and services and have a positive impact on inflation. The Fed is certainly hoping it does – as wages slip and unemployment approaches 10%, the main concern is that \$2 trillion is not enough.

Debt-reduction causes deflation, and deflation can lead to more debt reduction. It can turn into a vicious cycle. Japan has struggled with falling prices off and on for 18 years, and still hasn't emerged.

What's really needed are negative interest rates, but the Fed has never been granted that kind of power. Politicians are understandably reluctant to subsidize borrowing activity directly. Refinancing consumer mortgage debt is the next best thing, and it's already underway.

If the U.S. is stuck in a deflationary cycle, a good guess is that it might last five years. Debt reduction takes time. Credit will unfreeze naturally as the weakest firms go bust because the stronger players will gain market share. The U.S. has a broad base of growth industries that are mostly self-financed, so we should be spared a long Japan-style cycle.

Last but not least, it appears U.S. capitalism will survive intact. It's a blessing that sparks are flying between Wall Street and Washington. Lawmakers feel that corporate execs are out to cheat them, while corporate execs are appalled by the degree of meddling in their affairs. As a result, both sides want to end the "relationship" as soon as possible.

This can only be good, because it will stop and perhaps reverse the federalization movement. Nothing destroys living standards faster than propping up non-competitive players while disadvantaging those that offer real value. Going forward, the government game of playing favorites will end quickly, ruling out the possibility of "Amtraking" entire industries.

#### RECOMMENDATIONS

If you don't have the risk tolerance for stocks, or if you are drawing on your portfolio for living expenses, consider an increase in your bond exposure. Our Income Model uses an all-bond fund strategy, and our Growth and Income Model keeps more than half of its holdings in bonds.

Ignore the media drumbeat for TIPS (Treasury

INFLATION OR DEFLATION? - *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 ↑ and ↓.

MARCH 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***	0.92	none	5.51	79.6	-14.3	4.4	-14.3				
Growth Strategies (324/FDEGX)	H***	0.94	1.5(90)	11.43	1322.1	-1.9	10.2	-1.9	-37.6	-15.4	-6.0	-8.9
Blue Chip Gth (312/FBGRX)	B****	0.92	none	24.98	7172.9	-5.1	9.3	-5.1	-34.8	-12.4	-5.5	-4.6
Blue Chip Value (1271/FBCVX)	H***	1.17	none	6.82	236.7	-13.7	10.0	-13.7	-47.4	-18.4	-6.7	
Capital Apprec (307/FDCAX)	H***	0.99	none	14.47	3529.5	-8.0	10.1	-8.0	-37.5	-15.1	-5.5	-0.3
Contrafund (22/FCNTX)	B****	0.81	none	42.33	39000.2	-6.4	7.0	-6.4	-33.8	-9.2	0.3	1.6
Growth Discovery (339/FDSVX)	H***	0.94	none	7.97	761.7	-7.4	7.3	-7.4	-43.0	-12.7	-4.1	-1.2
Disc Equity (315/FDEQX)	H***↓	0.95	none	15.47	7517.7	-11.1	6.6	-11.1	-39.2	-13.6	-4.0	-1.8
Dividend Gth (330/FDGFEX)	B****	1.13	none	14.45	4364.2	-8.5	10.6	-8.5	-42.0	-16.7	-8.1	-3.1
Export Fund (332/FEXPX)	H***	0.95	0.75(30)	13.73	1917.9	-4.7	9.5	-4.7	-37.0	-13.2	-2.8	2.5
Fidelity Fifty (500/FFYYX)	H***	0.97	none	10.38	553.2	-5.8	7.2	-5.9	-44.1	-17.5	-6.7	-1.8
Focused Stock (333/FTQGX)	H***	0.86	none	7.94	126.6	-10.1	5.7	-10.1	-33.0	-10.4	-0.2	-2.7
Growth Company (25/FDGRX)	B****	0.99	Closed	47.70	18830.4	-2.6	9.2	-2.6	-34.8	-10.9	-1.4	0.4
Independence (73/FDFFX)	H***	1.20	none	12.98	2772.6	-9.0	8.3	-9.2	-48.1	-14.0	-3.6	-1.1
Lg Cap Core En Idx (1827/FLCEX)	H***	0.97	none	5.67	723.8	-11.4	7.6	-11.4	-36.6			
Lg Cap Gth En Idx (1829/FLGEX)	H***	0.92	none	6.07	22.1	-5.0	8.4	-5.0	-32.5			
Large Cap Growth (763/FSLGX)	H***	0.97	none	5.95	80.6	-9.6	5.1	-9.6	-34.6	-16.7	-5.2	
Large-Cap Stock (338/FLCSX)	H***	1.18	none	9.42	430.1	-6.0	12.4	-6.0	-43.1	-15.6	-6.5	-5.2
Lg Cap Val En Idx (1828/FLVEX)	H***	1.05	none	4.93	20.1	-16.6	7.4	-16.6	-40.9			
Large Cap Value (708/FMCSX)	H***	1.06	none	7.01	781.8	-18.0	7.0	-18.0	-44.1	-17.2	-5.5	
Lev Co Stock (122/FLVCX)	H***	1.30	1.5(90)	12.69	2329.4	-12.1	5.8	-12.1	-56.2	-20.4	-5.2	
Low-Priced Stock (316/FLPSX)	B****	0.87	1.5(90)	21.30	15365.0	-7.9	8.4	-7.9	-36.3	-13.0	-2.2	7.9
Magellan (21/FMAGX)	H***	1.09	none	44.63	15529.1	-2.7	13.9	-2.7	-43.8	-16.0	-6.7	-4.5
Mid Cap Growth (793/FMSGX)	H***	1.05	0.75(30)	6.54	127.8	-3.7	9.5	-3.7	-43.7	-21.3	-7.2	
Mid Cap Stock (337/FMCSX)	H***	1.02	0.75(30)	14.77	4038.6	-5.4	8.8	-5.4	-41.1	-17.6	-4.9	2.2
Mid Cap Value (762/FSMVX)	H***	1.11	0.75(30)	8.10	308.7	-14.8	7.9	-14.8	-42.8	-17.4	-4.8	
New Millennium (300/FMILX)	B****	0.97	none	16.30	986.1	-7.6	9.8	-7.7	-36.0	-13.2	-3.6	1.7
OTC Portfolio (93/FOCPX)	B****	1.06	none	29.11	2944.6	3.3	11.7	3.3	-32.4	-10.1	-2.3	-1.9
Small Cap Gth (1388/FCPGX)	H***	1.00	1.5(90)	8.10	711.5	-6.8	8.9	-6.8	-39.4	-15.7		
Small Cap Indep (336/FDSCX)	H***	1.06	1.5(90)	9.07	970.5	-13.9	6.7	-13.9	-46.0	-20.3	-7.3	0.7
Small Cap Stock (340/FSLCX)	H***	1.08	2 (90)	9.36	1778.2	-4.5	16.3	-4.5	-39.2	-16.7	-4.9	5.6
Small Cap Value (1389/FCPVX)	H***	1.16	1.5(90)	8.18	801.5	-12.2	12.8	-12.2	-30.6	-14.2		
Stock Selector (320/FDSSX)	B****	1.00	none	15.62	431.9	-8.0	9.5	-8.0	-40.0	-13.6	-4.4	-2.4
Tax Mgd Stock (343/FTXMX)	B****	0.95	1(730)	8.08	95.7	-11.4	6.7	-11.4	-42.5	-14.7	-4.2	
Trend (5/FTRNX)	B****	0.95	none	37.64	467.1	-3.7	8.9	-3.7	-37.2	-11.8	-3.4	-1.0
Value (39/FDVLX)	H***	1.15	none	34.13	6542.6	-14.4	9.5	-14.4	-49.6	-20.4	-6.6	2.1
Value Discovery (832/FVDFX)	H***	1.10	none	8.82	489.3	-13.4	8.9	-13.4	-43.8	-16.1	-3.7	
Value Strategies (14/FSLSX)	H***	1.23	none	12.38	101.9	-10.9	11.5	-10.9	-50.8	-20.8	-10.1	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.63	none	12.54	14144.2	-4.4	6.4	-4.4	-29.2	-8.6	-1.0	2.5
Convertible Sec (308/FCVXS)	H***	0.84	none	13.81	1335.8	-1.4	7.6	-1.4	-45.0	-13.6	-4.8	2.8
Equity-Income (23/FEQIX)	H***	1.11	none	26.75	12713.5	-13.3	10.4	-13.3	-44.0	-16.4	-6.6	-1.7
Equity-Income II (319/FEQTX)	H***	1.10	none	11.38	3775.0	-14.6	10.3	-14.6	-43.6	-16.6	-7.1	-2.3
Fidelity Fund (3/FFIDX)	B****	0.95	none	20.73	3552.4	-8.9	9.0	-8.9	-38.7	-11.7	-3.7	-2.6
Growth & Income (27/FGRIX)	H***	1.20	none	11.59	4687.9	-12.0	10.0	-12.0	-51.8	-22.6	-11.7	-6.5
Mega Cap Stock (361/FGRTX)	H***	0.99	none	6.10	334.5	-12.2	8.7	-12.2	-40.0	-14.0	-5.5	-3.3
Puritan (4/FPURX)	B****	0.62	none	12.47	13023.4	-4.5	5.9	-4.5	-26.9	-7.3	-1.6	1.4
Real Estate Income (833/FRIFX)	H***	0.36	0.75(90)	6.57	282.9	-0.1	2.4	-0.1	-27.0	-11.1	-4.2	
Real Estate (303/FRESX)	H***	1.93	0.75(90)	10.05	1661.3	-35.1	2.1	-35.1	-61.7	-28.3	-10.5	3.0
Strategic Div & Inc (1329/FSDIX)	H***	0.95	none	6.28	308.1	-12.3	6.4	-12.3	-44.6	-17.0	-6.0	
Select & Utilities (311/FUIUX)	H***	0.89	none	11.80	675.6	-9.7	3.6	-9.7	-33.3	-7.2	2.4	-1.8
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.34	0.75(30)	18.17	36.1	-30.2	4.7	-30.2	-42.6	-20.8	-4.5	0.9
Automotive (502/FSAVX)	S**	1.42	0.75(30)	12.27	7.6	-13.7	21.8	-13.7	-63.2	-28.8	-16.9	-5.5
Banking (507/FSRFX)	S**	1.87	0.75(30)	9.84	151.2	-33.3	8.8	-33.3	-53.5	-28.9	-16.7	-5.7
Biotechnology (42/FBIOX)	B****	0.79	0.75(30)	57.52	1153.8	-2.7	5.3	-2.7	-6.1	-4.7	0.3	3.7
Brokerage (68/FSLBX)	H***	1.44	0.75(30)	28.19	294.8	-11.2	5.7	-11.2	-47.9	-21.3	-5.6	1.8
IT Ser / Bus Ser (353/FBSOX)	B****	0.96	0.75(30)	11.39	47.8	1.6	7.3	1.6	-22.6	-6.8	1.1	2.8
Chemicals (69/FSCHX)	B****	1.21	0.75(30)	48.73	243.2	5.5	14.0	5.5	-38.0	-5.5	3.7	7.5
Computers (7/FDCPX)	B****	0.94	0.75(30)	26.86	207.3	7.9	14.5	7.9	-32.2	-10.7	-5.8	-5.5
Const & Housing (511/FSHOX)	H***	1.38	0.75(30)	20.75	82.4	-13.1	15.2	-13.1	-36.0	-18.1	-5.1	3.5
Consumer Disc (517/FSCPX)	H***	1.04	0.75(30)	13.15	21.2	-3.7	12.7	-3.7	-31.5	-14.5	-6.5	-3.4
Industrial / Cyc Ind (515/FCYIX)	H***	1.04	0.75(30)	11.18	83.3	-14.9	10.5	-14.9	-45.3	-15.0	-1.0	3.3
Defense & Aero (67/FSDAX)	H***	0.96	0.75(30)	41.03	437.1	-16.7	5.3	-16.7	-42.6	-14.4	0.3	5.6
Com Equip / DevC (518/FSDCX)	B****↑	1.00	0.75(30)	12.26	126.0	6.4	14.4	6.4	-36.0	-19.0	-8.1	-6.2
Electronics (8/FSELX)	B****	1.10	0.75(30)	24.53	563.5	8.3	16.1	8.3	-33.9	-18.7	-10.2	-3.6
Energy (60/FSENX)	H***	1.70	0.75(30)	28.44	1336.2	-5.5	3.7	-5.5	-53.6	-13.5	6.3	8.2
Energy Service (43/FSESX)	H***	1.70	0.75(30)	35.42	740.6	-1.4	4.6	-1.4	-60.4	-18.3	3.0	8.2
Environmental (516/FSLEX)	H***↓	0.95	0.75(30)	11.03	38.9	-17.6	0.8	-17.6	-36.0	-15.5	-3.3	-1.1
Financial Services (66/FIDSX)	S**	1.56	0.75(30)	36.22	224.7	-22.4	9.0	-22.4	-54.9	-28.1	-14.9	-4.9
Con Stap / Food Ag (9/FDFAX)	H***	0.68	0.75(30)	45.73	657.7	-10.3	3.6	-10.3	-28.6	-1.0	3.4	4.0
Gold (41/FSAGX)	S**	1.61	0.75(30)	34.11	1879.1	8.0	11.2	8.0	-18.1	4.7	11.9	15.9
Health Care (63/FSPHX)	H***	0.74	0.75(30)	79.92	1195.5	-1.3	8.5	-1.3	-21.2	-8.2	-0.4	0.5
Home Finance (98/FSVLX)	S**	1.50	0.75(30)	8.96	51.6	-20.6	6.9	-20.6	-62.4	-39.3	-25.7	-8.3
Indust Equip (510/FSCGX)	H***	1.09	0.75(30)	15.51	47.2	-16.2	11.0	-16.2	-51.1	-17.2	-5.0	-0.4
Materials / Ind Mat (509/FSDPX)	H***	1.25	0.75(30)	31.45	128.0	3.3	13.7	3.3	-43.6	-8.7	1.9	6.9
Insurance (45/FSPCX)	H***	1.43	0.75(30)	26.95	76.6	-17.7	12.7	-17.7	-47.4	-22.5	-10.9	-0.3
Leisure (62/FDLSX)	B****	0.93	0.75(30)	50.58	159.1	-6.1	9.4	-6.1	-25.1	-9.8	-1.3	-0.2
Medical Delivery (505/FSHCX)	H***	0.97	0.75(30)	26.18	266.6	-9.4	2.4	-9.4	-32.2	-16.8	0.5	6.2
Medical Equip/Sys (354/FSMEX)	H***	0.74	0.75(30)	18.47	1022.3	0.1	6.8	0.1	-20.5	-2.2	2.5	9.0
Multimedia (503/FBMPX)	H***	1.12	0.75(30)	19.86	26.1	-10.5	8.7	-10.5	-39.9	-17.9	-8.5	-2.6
Natural Gas (513/FSNGX)	H***	1.82	0.75(30)	20.17	705.5	0.0	5.3	0.0	-57.2	-15.3	4.1	9.1
Nat Resources (514/FNARX)	H***	1.65	0.75(30)	18.24	923.2	-3.1	5.8	-3.1	-50.6	-10.2	7.4	9.4
Networking (912/FNINX)	H***	1.02	0.75(30)	1.38	38.5	12.2	14.0	12.2	-27.8	-20.8	-10.9	
Paper & Forest (506/FSPFX)	H***	1.24	0.75(30)	14.02	7.7	-10.8	11.4	-10.8	-48.4	-21.4	-12.9	-2.0
Pharmaceuticals (580/FPHAX)	H***	0.71	0.75(30)	8.45	143.0	-4.1	11.2	-4.1	-13.1	-4.0	1.2	
Retailing (46/FSRPX)	B****	1.07	0.75(30)	31.55	40.1	10.3	19.1	10.3	-13.4	-8.5	-0.5	-0.7
Software (28/FSCSX)	H***	0.99	0.75(30)	48.40	488.8	3.0	9.1	3.0	-27.3	-5.1	-0.9	3.0
Technology (64/FSPTX)	B****	1.06	0.75(30)	42.17	772.8	6.3	13.6	6.3	-35.8	-14.1	-6.8	-4.5
Telecom (96/FSTCX)	H***	1.18	0.75(30)	29.11	196.0	9.2	8.9	9.2	-28.4	-11.8	-2.0	-5.2
Transportation (512/FSRFX)	B****	1.05	0.75(30)	25.37	79.8	-21.3	6.2	-21.3	-40.9	-17.6	-1.7	3.5
Utilities (65/FSUTX)	H***	0.90	0.75(30)	35.51	301.8	-11.8	1.6	-11.8	-36.7	-7.2	2.9	-1.6
Wireless (963/FWRLX)	H***	1.15	0.75(30)	4.87	181.4	13.5	9.7	13.5	-28.9	-10.0	2.4	

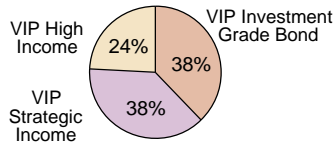
MARCH PERFORMANCE						30-day	2009	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Int'l Capital Apprec. (335/FIVFX)	H***	1.20	1 (30)	6.78	160.4		-8.7	12.8	-8.7	-49.4	-19.6	-8.1
Canada (309/FICDX)	H***	1.08	1.5(90)	32.65	2053.6		-6.9	7.8	-6.9	-42.3	-8.0	4.7
China Region (352/FHKCX)	H***↑	1.09	1.5(90)	17.03	713.5		0.1	11.2	0.1	-36.3	-1.0	5.3
Diversified Int'l (325/FDIVX)	H***	1.00	1 (30)	18.97	21535.6		-11.8	7.5	-11.8	-46.5	-14.4	-2.0
Emerging EMEA (2053/FEMEX)	H***↑	1.5 Est	1.5(90)	4.88	29.3		2.3	12.7	2.3			
Emerging Mkts (322/FEMKX)	H***↑	1.18	1.5(90)	12.58	1648.2		-3.2	12.1	-3.2	-56.2	-13.8	3.4
Europe (301/FIEUX)	S**	0.99	1 (30)	19.73	2157.1		-13.4	6.4	-13.4	-46.4	-14.0	0.4
Europe Cap Appr (341/FECAX)	S**	1.02	1 (30)	11.85	369.2		-13.3	6.5	-13.3	-48.4	-14.6	-1.3
Global Balanced (334/FGBLX)	B****	0.47	1 (30)	15.27	314.8		-8.3	4.2	-8.3	-27.0	-4.6	1.7
Int'l Discovery (305/FIGRX)	H***	0.96	1 (30)	20.43	5268.8		-13.5	6.1	-13.5	-45.6	-13.4	-0.9
Int'l Enhanced Index (2010/FIENX)	H***	1.0 Est	1 (30)	4.70	13.0		-17.1	6.3	-17.1	-48.4		
Int'l Growth (1979/FIGFX)	H***	0.93	1 (30)	4.93	11.5		-11.0	6.7	-11.0	-42.4		
Int'l Real Estate (1368/FIREX)	S**	1.11	1.5(90)	5.60	201.9		-15.5	11.6	-15.5	-54.3	-21.7	
Int'l Small Cap (818/FISMX)	H***	0.71	Closed	11.09	425.7		-10.2	3.7	-10.2	-47.9	-18.2	-1.4
Int'l Small Cap Opp (1504/FSCOX)	H***	1.08	2 (90)	5.42	222.3		-9.5	7.3	-9.5	-58.4	-25.1	
Int'l Value (1597/FIVLX)	H***	1.18	1 (30)	5.11	114.4		-14.3	12.1	-14.3	-49.8		
Japan (350/FJPNX)	H***	1.00	1.5(90)	7.90	789.2		-11.4	10.5	-11.4	-38.6	-20.5	-6.3
Japan Smaller Co (360/FJSCX)	H***	0.71	Closed	5.73	263.3		-20.1	11.7	-20.1	-43.4	-28.1	-12.0
Latin America (349/FLATX)	H***↑	1.54	1.5(90)	28.22	1952.5		2.2	8.7	2.2	-51.7	-6.5	14.2
Nordic (342/FNORX)	H***	1.20	1.5(90)	16.42	207.2		-12.6	8.5	-12.6	-58.5	-17.6	-1.3
Overseas (94/FOSFX)	H***	1.01	1 (30)	21.38	4370.8		-14.8	5.6	-14.8	-49.2	-15.0	-3.4
Pacific Basin (302/FPBFX)	H***↑	0.94	1.5(90)	12.16	308.6		-8.4	15.2	-8.4	-51.5	-18.4	-4.2
Southeast Asia (351/FSEAX)	H***↑	0.92	1.5(90)	17.93	1360.3		-5.0	9.5	-5.0	-44.0	-4.1	6.6
Total Int'l Equity (1978/FTEIX)	H***	1.05	1 (30)	4.30	16.5		-11.3	9.4	-11.3	-48.3		
Worldwide (318/FWWFX)	H***	0.91	1 (30)	11.07	715.6		-12.1	6.0	-12.1	-41.0	-11.6	-2.1
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.84	none	17.91	1247.2		-9.7	7.6	-9.7	-34.1	-10.8	-2.8
NASDAQ Comp (1282/FNCMX)	B****	1.01	0.75(90)	20.26	108.5		-2.8	11.0	-2.8	-32.3	-12.6	-4.6
Spart Ext Mkt Idx (398/FSEMX)	B****	1.06	0.75(90)	20.35	1447.3		-9.8	8.6	-9.8	-38.5	-14.9	-3.7
Spart Int'l Index (399/FSIIX)	H***	1.03	1(90)	22.48	2692.3		-15.9	7.8	-15.9	-46.1	-14.3	-2.1
Spart 500 Index (317/FSMKX)	H***	1.00	none	55.28	4362.1		-11.0	8.8	-11.0	-38.1	-13.1	-4.8
Spart Total Mkt Idx (397/FSTMX)	H***	1.00	0.5(90)	22.40	3323.6		-10.7	8.7	-10.7	-38.0	-13.4	-4.4
Asset Mgr 20% (328/FASIX)	H***	0.20	none	10.25	1748.9		-0.1	2.4	-0.1	-12.0	-2.0	1.3
Asset Mgr 30% (1957/FTANX)	H***	0.30	none	7.56	28.0		-0.6	3.5	-0.6	-17.2		
Asset Mgr 40% (1958/FFANX)	H***	0.39	none	7.11	12.9		-2.2	3.9	-2.2	-21.1		
Asset Mgr 50% (314/FASMX)	H***	0.50	none	10.58	4597.3		-2.4	5.1	-2.4	-24.7	-7.3	-2.5
Asset Mgr 60% (1959/FSANX)	H***	0.60	none	6.35	15.5		-3.8	5.7	-3.8	-27.3		
Asset Mgr 70% (321/FASGX)	H***	0.72	none	10.25	1550.3		-4.6	6.7	-4.6	-32.0	-10.9	-4.5
Asset Mgr 85% (347/FAMRX)	H***	0.86	none	7.96	292.2		-6.4	7.4	-6.4	-36.3	-12.5	-4.3
Dynamic Strategies (1960/FDYSX)	H***	0.60	none	6.36	66.3		-4.8	6.2	-4.8	-28.3		
Freedom 2000 (370/FFBFX)	H***	0.25	none	9.86	1410.8		-1.9	2.8	-1.9	-13.6	-2.2	0.3
Freedom 2005 (1312/FFFVX)	H***	0.47	none	8.02	740.2		-4.4	4.7	-4.4	-23.9	-6.3	-1.3
Freedom 2010 (371/FFFCX)	H***	0.50	none	9.87	8871.7		-4.7	5.1	-4.7	-25.1	-6.7	-1.5
Freedom 2015 (1313/FFVFX)	H***	0.53	none	8.13	5732.2		-5.0	5.3	-5.0	-26.4	-7.4	-1.4
Freedom 2020 (372/FFFDX)	H***	0.65	none	9.42	13394.1		-6.3	6.2	-6.3	-31.4	-9.6	-2.3
Freedom 2025 (1314/FFTWX)	H***	0.69	none	7.68	5295.3		-6.7	6.7	-6.7	-32.8	-10.4	-2.7
Freedom 2030 (373/FFPEX)	H***	0.79	none	8.97	8860.8		-8.1	7.0	-8.1	-36.2	-12.1	-3.5
Freedom 2035 (1315/FFTHX)	H***	0.82	none	7.36	3185.1		-8.3	7.3	-8.3	-37.1	-12.6	-3.6
Freedom 2040 (718/FFFFX)	H***	0.84	none	5.10	4796.9		-8.8	7.4	-8.8	-38.2	-13.1	-3.9
Freedom 2045 (1617/FFFGX)	H***	0.85	none	5.99	789.9		-9.0	7.3	-9.0	-38.6		
Freedom 2050 (1618/FFFHX)	H***	0.90	none	5.84	644.6		-9.6	7.6	-9.6	-40.2		
Freedom Income (369/FFFAX)	H***	0.21	none	9.37	2113.7		-1.6	2.5	-1.6	-12.0	-1.7	0.5
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	B****	0.29	1(90)	5.55	6377.4	11.59	4.0	3.7	4.0	-25.9	-7.1	-0.6
Floating Rate (814/FFRHX)	B****	0.17	1(60)	8.19	1635.7	6.26	8.9	1.6	8.9	-6.4	-0.8	1.4
Focused High Inc (1366/FHIFX)	B****	0.20	1(90)	7.67	244.8	9.73	6.3	1.1	6.4	-14.0	-2.4	
GNMA Portfolio (15/FGMNX)	B****	0.12	none	11.32	4827.7	4.62	2.7	1.6	2.7	7.6	7.1	5.2
Gov't Income (54/FGOVX)	B****	0.13	none	10.90	5515.5	3.07	0.4	1.8	0.4	7.3	7.9	5.1
High Income (455/SPHIX)	B****	0.24	1(90)	6.23	4444.0	11.12	5.3	1.8	5.3	-18.1	-4.0	0.4
Inflation-Protected (794/FINPX)	S**↓	0.25	none	10.94	1684.9	1.52	4.2	5.6	4.2	-2.8	4.4	3.2
Intermed Bond (32/FTHRX)	H***	0.13	none	9.15	5968.1	5.77	1.8	1.2	1.9	-4.8	1.4	1.3
Intermed Gov't Inc (452/FSTGX)	H***	0.12	none	10.94	1588.6	1.99	0.5	1.4	0.5	6.6	7.5	4.7
Invest Grade Bond (26/FBNDX)	B****	0.14	none	6.37	8501.0	5.86	1.6	1.4	1.6	-5.2	0.6	1.2
Mortgage Securities (40/FMSFX)	H***	0.12	none	10.10	892.6	4.99	1.6	1.1	1.6	3.5	2.5	2.4
New Markets Inc (331/FNMIX)	H***	0.37	1(90)	11.74	1441.7	10.92	6.4	6.3	6.4	-13.0	-0.2	4.5
Short-Term Bond (450/FSHBX)	H***	0.06	none	7.95	5380.9	3.25	0.6	0.4	0.6	-2.1	0.8	1.1
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.22	none	11.33	1120.2	2.23	-1.1	3.1	-1.1	8.5	9.8	
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.34	none	11.40	177.0	3.37	-5.6	4.8	-5.6	12.6	10.6	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.09	none	10.71	223.3	0.98	-0.2	0.8	-0.2	4.6	6.7	
Strategic Income (368/FSICX)	B****	0.15	none	8.79	4204.2	7.65	2.3	3.0	2.3	-10.2	0.7	2.8
Strategic Real Rtn (1505/FSRRX)	H***	0.30	0.75(60)	6.77	3539.7	4.80	-1.3	3.7	-1.3	-26.1	-6.2	
Total Bond (820/FTBFX)	B****	0.14	none	9.30	8267.1	6.67	2.4	1.4	2.4	-4.2	2.0	2.2
Ultra-Short Bond (812/FUSFX)	S**↓	0.03	0.25(60)	8.05	228.5	0.82	-0.6	-0.3	-0.6	-1.6	-3.4	-1.1
US Bond Index (651/FBIDX)	B****	0.13	none	10.75	9190.8	4.40	0.7	1.4	0.8	2.7	4.9	3.6
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FSAZX)	H***	0.17	0.5(30)	10.70	126.6	4.25	4.8	0.1	4.8	1.3	2.5	2.4
CA Municipal Inc (91/FCTFX)	H***	0.16	0.5(30)	11.26	1422.3	4.56	3.6	-0.7	3.6	-1.2	1.6	2.3
CA Short-Int TF (1534/FCSTX)	H***	0.05	0.5(30)	10.37	349.1	2.34	2.1	0.4	2.1	4.6	4.5	
CT Municipal Inc (407/FICNX)	H***	0.14	0.5(30)	11.04	484.5	3.61	4.4	0.2	4.4	3.3	3.7	2.9
Intermediate Muni (36/FLTMX)	B****	0.09	0.5(30)	9.85	2936.7	3.45	2.7	0.1	2.7	3.1	3.8	3.2
MA Municipal Inc (70/FDMMX)	H***	0.15	0.5(30)	11.24	1966.1	3.97	4.2	0.1	4.2	1.5	2.8	2.9
MD Municipal Inc (429/SMDMX)	H***	0.16	0.5(30)	10.35	142.5	3.68	5.2	0.5	5.2	1.4	2.8	2.6
MI Municipal Inc (81/FMHTX)	H***	0.12	0.5(30)	11.47	577.6	3.80	2.6	0.3	2.6	2.6	3.6	3.1
MN Municipal Inc (82/FMIX)	H***	0.11	0.5(30)	11.10	395.3	3.34	4.3	0.2	4.3	3.9	3.7	3.2
Municipal Income (37/FHIGX)	B****	0.16	0.5(30)	11.83	4769.4	4.45	4.1	-0.1	4.1	0.4	2.3	2.7
NJ Municipal Inc (416/FNJHX)	H***	0.14	0.5(30)	11.03	568.5	3.81	4.3	-0.1	4.3	1.7	3.1	3.0
NY Municipal Inc (71/FTPMX)	H***	0.18	0.5(30)	12.22	1451.4	4.31	3.7	-0.5	3.7	2.0	2.9	2.9
OH Municipal Inc (88/FOHFX)	H***	0.15	0.5(30)	11.17	448.5	3.89	3.8	0.1	3.8	2.6	3.4	3.1
PA Municipal Inc (402/FPXTX)	H***	0.12	0.5(30)	10.45	346.5	3.62	3.3	0.4	3.3	3.1	3.4	3.1
Short-Int Municipal (404/FSTFX)	B****	0.04	0.5(30)	10.46	2063.7	2.30	1.9	0.3	1.9	3.7	4.2	2.9
Tax-Free Bond (90/FTABX)	B****	0.16	0.5(30)	10.20	1283.6	4.40	4.1	0.0	4.1	1.5	2.8	3.0

MARCH 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	7608.92	-12.5	8.0	-12.5	-35.9	-9.5	-3.6	-0.4
S&P 500	1.00	797.87	-11.0	8.8	-11.0	-38.1	-13.1	-4.8	-3.0
NASDAQ	1.01	1528.59	-2.8	11.0	-2.8	-32.2	-12.5	-4.4	-4.1
Russell 2000	1.15	422.75	-15.1	8.8	-15.0	-37.6	-16.8	-5.3	1.9
Fidelity Monitor Income Model	0.27	74137.41	0.9	1.9	0.9	-14.3	-3.3	-0.5	2.3
Fidelity Monitor G&I Model	0.61	120730.16	-4.0	5.2	-4.0	-32.2	-9.6	-2.1	3.9
Fidelity Monitor Growth Model	0.94	110543.88	-9.6	7.1	-9.6	-41.1	-15.1	-5.0	3.2
Fidelity Monitor Select System	0.92	232090.33	-7.9	8.1	-7.9	-39.6	-12.3	-2.6	3.1
Fidelity Monitor Unique Opportunities	1.07	69789.39	-5.8	10.0	-5.8	-44.7	-16.1	-2.8	

## 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

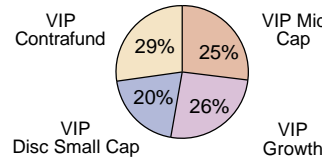


### PAST PERFORMANCE

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%	
2001: - 3.4%	
	<b>*2009: + 0.8%</b>

### VIP GROWTH MODEL

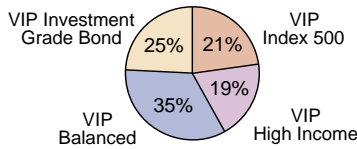


### PAST PERFORMANCE

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%	
2001: -14.0%	
	<b>*2009: -13.1%</b>

### VIP G & I MODEL

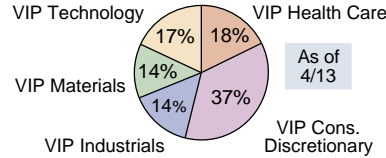


### PAST PERFORMANCE

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%	
2002: - 9.4%	
	<b>*2009: - 5.2%</b>

### VIP SECTOR MODEL



### PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2007: +11.2%
2004: + 6.3%	2008: -41.4%
2005: +14.0%	
2006: +17.7%	
	<b>*2009: - 4.4%</b>

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

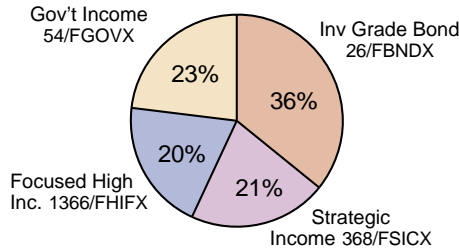
MARCH VIP PERFORMANCE Portfolio	Rating	RR Value	2009 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	6.78	-2.1	10.2	-2.1	-37.4	-16.1	
VIP Asset Manager	H ***	26.92	-3.5	4.8	-3.5	-28.1	-6.8	-2.4
VIP Asset Manager: Growth	H ***	15.83	-6.4	5.9	-6.4	-35.8	-10.3	-4.4
VIP Balanced	B ****	11.62	-5.2	6.7	-5.2	-32.8	-10.6	-4.1
VIP Consumer Discretionary	B ****	7.14	-3.9	12.9	-3.9	-31.6	-15.1	-7.1
VIP Consumer Staples	H ***↓	7.72	-10.8	3.4	-10.8	-28.6		
VIP Contrafund	B ****	26.88	-8.7	9.4	-8.7	-41.0	-13.7	-2.9
VIP Disciplined Small Cap	B ****	5.46	-15.2	7.2	-15.2	-37.9		
VIP Dynamic Capital Appreciation	H ***	8.55	-8.5	9.9	-8.5	-38.6	-16.1	-4.8
VIP Energy	H ***	13.68	-5.5	3.8	-5.5	-54.1	-14.1	4.3
VIP Equity-Income	H ***	34.16	-13.4	10.4	-13.4	-45.3	-17.4	-7.5
VIP Financial Services	H ***	5.02	-22.1	11.2	-22.1	-55.4	-28.6	-15.4
VIP Freedom 2005	H ***	8.85	-4.7	4.0	-4.7	-24.3	-6.3	
VIP Freedom 2010	H ***	8.73	-4.9	4.5	-4.9	-25.5	-6.8	
VIP Freedom 2015	H ***	8.70	-5.4	4.7	-5.4	-27.3	-7.5	
VIP Freedom 2020	H ***	8.13	-6.8	5.5	-6.8	-32.7	-10.0	
VIP Freedom 2025	H ***	7.99	-7.4	6.0	-7.4	-34.4	-10.7	
VIP Freedom 2030	H ***	7.59	-8.5	6.8	-8.5	-38.2	-12.6	
VIP Freedom Income	B ***	10.03	-1.3	2.1	-1.3	-10.9	-1.1	
VIP FundsManager 20	B ****	9.80	-1.7	2.3	-1.7	-8.9		
VIP FundsManager 50	B ****	8.18	-4.9	4.3	-4.9	-22.8		
VIP FundsManager 70	B ****	7.12	-7.2	5.9	-7.2	-31.9		
VIP FundsManager 85	B ****	6.39	-9.2	6.8	-9.2	-38.2		
VIP Growth	B ****	36.88	-7.9	6.7	-7.9	-44.1	-14.8	-7.3
VIP Growth & Income	H ***	11.51	-8.3	9.4	-8.3	-40.7	-14.1	-5.8
VIP Growth Opportunities	H ***	7.32	-0.9	9.8	-0.9	-46.2	-17.9	-8.3
VIP Growth Stock	B ****	6.83	-3.7	8.9	-3.7	-37.8	-14.5	
VIP Health Care	B ****	9.27	-1.2	8.5	-1.2	-21.2	-9.0	-1.1
VIP High Income	B ****	25.44	6.5	0.6	6.5	-18.7	-4.5	-0.5
VIP Index 500	H ***	22.16	-11.1	8.7	-11.1	-38.5	-13.8	-5.6
VIP Industrials	B ****	10.40	-15.1	10.7	-15.1	-45.4	-15.3	-1.3
VIP Int'l Capital Appreciation	S **	6.02	-8.9	12.9	-8.9	-49.8	-20.5	
VIP Investment Grade Bond	B ****	29.57	1.6	1.3	1.6	-3.3	1.7	1.4
VIP Materials	H ***	6.17	3.1	13.6	3.1	-43.6		
VIP Mid Cap	B ****	14.21	-4.2	8.4	-4.2	-36.1	-12.2	0.3
VIP Money Market		21.90	0.1	0.0	0.1	1.5	3.3	2.6
VIP Overseas	H ***	22.42	-15.6	5.6	-15.6	-47.6	-15.6	-4.2
VIP Real Estate	H ***	7.31	-33.7	4.4	-33.7	-61.4	-27.5	-9.9
VIP Strategic Income	B ****	11.34	2.0	2.9	2.0	-9.9	0.3	
VIP Technology	B ****	6.51	7.3	14.0	7.3	-34.7	-16.8	-6.7
VIP Telecommunications	H ***	5.58	8.1	8.2	8.1	-29.1		
VIP Utilities	H ***	8.97	-11.6	1.8	-11.6	-36.6	-6.5	3.1
VIP Value	H ***	5.58	-14.3	9.3	-14.3	-49.8	-20.6	
VIP Value Leaders	H ***	6.07	-13.9	9.8	-13.9	-47.8	-19.0	
VIP Value Strategies	H ***	6.78	-11.9	10.6	-11.9	-51.6	-21.6	-11.1
Fidelity Monitor VIP Income Model		17344.01	0.8	1.7	0.8	-14.7	-2.7	-0.5
Fidelity Monitor VIP G&I Model		17760.23	-5.2	4.5	-5.2	-31.1	-8.9	-3.0
Fidelity Monitor VIP Growth Model		19613.45	-13.1	5.1	-13.1	-45.9	-17.6	-7.2
Fidelity Monitor VIP Sector Model		11665.73	-4.3	10.2	-4.3	-37.0	-12.2	-2.6

## 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	\$6.37	4167.732	\$26548.45
Strategic Income	\$8.79	1794.758	\$15775.92
Focused High Inc.	\$7.67	1923.952	\$14756.71
Gov't Income	\$10.90	1564.801	\$17056.33

12% Foreign Holdings  
Balance as of 3/31/09: \$74137.41  
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%**

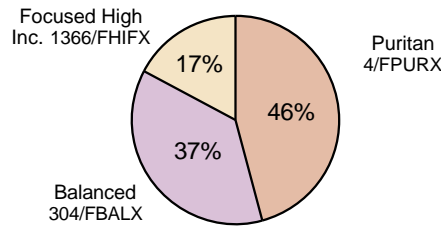
In March our Income Model was up 1.9%. On 3/9 we sold one-third of **Gov't Income** (\$10.79), adding the proceeds to **Investment Grade Bond** (\$6.27).

## 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	\$12.47	4437.168	\$55331.48
Balanced	\$12.54	3566.273	\$44721.06
Focused High Inc.	\$7.67	2695.909	\$20677.62

9% Foreign Holdings  
Balance as of 3/31/09: \$120730.16  
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: - 4.0%**

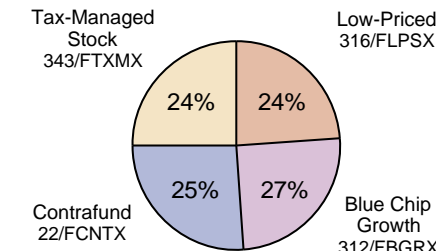
Our Growth and Income Model gained 5.2% in March.

## 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	\$21.30	1222.875	\$26047.24
Blue Chip Growth	\$24.98	1211.201	\$30255.80
Contrafund	\$42.33	646.628	\$27371.76
Tax-Managed Stock	\$8.08	3325.381	\$26869.08

15% Foreign Holdings  
Balance as of 3/31/09: \$110543.88  
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: - 9.6%**

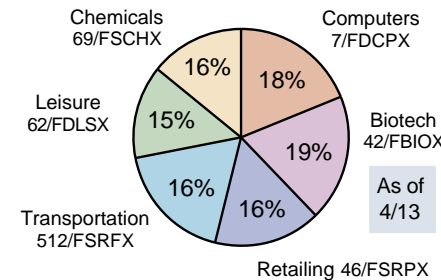
Our Growth Model was up 7.1% in March, compared to an 8.8% gain for the S&P. On 3/9 we sold **Growth Discovery** (\$6.85) and bought **Contrafund** (\$37.47).

## SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Computers	\$26.86	1560.153	\$41905.71
Biotechnology	\$57.52	785.728	\$45195.07
Consumer Staples	\$45.73	810.609	\$37069.15
Transportation	\$25.37	1460.879	\$37062.50
Leisure	\$50.58	682.430	\$34517.31
Chemicals	\$48.73	745.754	\$36340.59

7% Foreign Holdings  
Balance as of 3/31/09: \$232090.33  
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: - 7.9%**

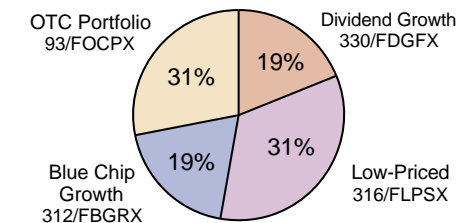
Our Select System was up 8.1% in March, versus 8.8% for the S&P. On 3/9 we exchanged **Const. & Housing** (\$16.22) for **Computers** (\$21.71). On 4/13 we will exchange **Cons. Staples** for **Retailing**.

## 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	\$14.45	914.581	\$13215.70
Low-Priced Stock	\$21.30	1034.591	\$22036.79
Blue Chip Growth	\$24.98	528.714	\$13207.28
OTC Portfolio	\$29.11	732.725	\$21329.62

15% Foreign Holdings  
Balance as of 3/31/09: \$69789.39  
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: - 5.8%**

Our Unique Opportunities Model gained 10.0% in March.

Inflation-Protected Securities) and gold. Traditional inflation hedges such as these are risky at a time like this. Returns from funds such as **Gold** and **Inflation-Protected Bond** could be poor if the U.S. economy takes five years to emerge from deflation, so limit them to 10% of holdings or less.

High-yield bonds are a better way to protect your portfolio from inflation. Inflation helps heavily indebted companies with below-investment-grade ratings, because their debt gets easier to service as revenues rise. Currently, **Focused High Income** is our favorite high-yield fund, but **High Income** may actually be the better inflation hedge.

If you have a long-term horizon, and you don't need to draw living expenses from your portfolio, a stock-oriented portfolio may be the best inflation hedge of all. Eventually the economy will emerge from deflation, and when it does stocks will be back in the driver's seat. Unfortunately, it's not exactly clear when this will happen. ■

**MARCH DISTRIBUTIONS**

Asset Manager 20%	\$ 0.029/\$9.87 (3/6)
Asset Manager 30%	\$ 0.016/\$7.15 (3/6)
Freedom Income	\$ 0.02 / \$8.99 (3/6)
Real Estate Income	\$ 0.03 / \$6.22 (3/6)
Real Estate	\$ 0.07 / \$8.59 (3/6)

Funds scheduled in April include all enhanced index funds, all Select portfolios, **Asset Manager 20%** through **50%**, **Balanced**, **CA Muni**, **Conv Sec.**, **Equity-Inc.**, **Equity-Income II**, **Fidelity Fund**, **Four-In-One Index**, **Freedom Inc.**, **Growth & Inc.**, **Mega Cap**, **Puritan**, **Spartan Ext. Mkt. Index**, **Spartan Int'l Index**, **Spartan Total Mkt. Index**, all **Spartan Treasury** funds, **Strategic Dividend & Income**, **Strategic Real Return**, and **Utilities Fund**.

**INCOME FUNDS**

Our Income Model positions are listed on page 7. If you're not following the portfolio, consider **Strategic Income** or **Focused High Income**.

**New Markets Income** logged a gain of 6.3%. The Fed's plan to buy treasury bonds and mortgage securities pushed down long-term interest rates and fueled worries that inflation would pick up down the road. As a result, **Inflation-Protected Bond** rose 5.6%, and **Spartan Long-Term Treasury Index** climbed 4.8%. The only loser for the month was **Ultra-Short Bond**, which slid 0.3%.

Municipal bond funds posted a mixed month, with returns ranging from a 0.7% loss to a 0.5% gain.

**SELECT PORTFOLIOS**

Our Select System (page 7) is moving toward a more growth-oriented mix of industries as our volatility model increasingly picks up on the lower risk numbers in growth stocks. The following funds may have above-average prospects for the next 12-18 months: **Biotechnology**, **Retailing**, **IT Services**, **Electronics**, **Communications Equip.**, **Computers**, **Electronics**, **Transportation**, **Leisure**, **Technology**, and **Chemicals**.

**Automotive** surged 21.8% on improved survival prospects. **Retailing** jumped 19.1% on signs that spending levels are better than expected. **Electronics** was up 16.1%, **Construction & Housing** rose 15.2%, and **Computers** gained 14.5%. Laggards included **Medical Delivery** with a gain of 2.4%, **Utilities** which was up 1.6%, and **Environmental** with a return of 0.8%. ■

**Happenings**

Fidelity has introduced **Global Commodity Stock**, a new fund that will compete with an index that holds roughly one-third energy, one-third metals, and one-third agricultural products. It's hard to take diversification seriously with commodities, but at least the fund is being launched at a time when prices are relatively low. We'll be rating it a hold.

Fidelity has closed both **Paper & Forest** and **Networking** in preparation for a proxy measure proposing to merge the funds into **Materials** and **Communications Equipment**, respectively. We don't see any problem with the mergers.

**Diversified Int'l** and **Small Cap Stock** have reopened to new investors. Both are still rated a hold.

**Aggressive Growth** has been renamed **Growth Strategies**. After increasing its sector diversification in recent months, the fund has seen a corresponding decrease in volatility.

Adam Kutas has been named manager at **Latin America**, and Matthew Fruhan has taken the lead at **Mega Cap Stock**. Among Selects, Michael Weaver is picking stocks for **Automotive**, John Mirshekari now runs **Transportation**, Brian Lempel is managing **Software**, Douglas Simmons is the new guy at **Environmental**, Andrew Hatem has taken the helm at **Medical Delivery**, and Eddie Lee Yoon is managing the risks at **Health Care**. Is this a sign Fidelity is getting tougher on underperforming managers? Perhaps, but even this level of turnover is not unusual compared to what went on in the 1990s. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	139503.8	0.93	CT MM (418/FCMXX)	2040.8	0.16			
Select MM (85/FSLXX)	7930.5	1.01	MA MM (74/FDMXX)	5128.3	0.10			
Money Market (454/SPRXX)	8783.3	0.98	MI MM (420/FMIXX)	1016.2	0.06	MA AMT TF (426/FMSXX)	610.1	0.38
Gov't MM (458/SPAXX)	1206.6	0.65	NJ MM (417/FNJXX)	2557.0	0.09	AMT Tax-Free (460/FIMXX)	2788.8	0.36
US Treas. MM (415/FDLXX)	9251.6	0.08	NY MM (92/FNYXX)	5800.6	0.21	NJ AMT TF (423/FSJXX)	596.2	0.36
Tax-Free MM (275/FMOXX)	6665.0	0.15	OH MM (419/FOMXX)	1160.8	0.28	NY AMT TF (422/FSNXX)	1050.4	0.36
US Gov't Reser (50/FGRXX)	5039.6	0.62	AZ MM (433/FSAXX)	387.4	0.12	PA MM (401/FPTXX)	812.1	0.27
CA MM (97/FCFXX)	5734.3	0.13	CA AMT TF (457/FSPXX)	1306.6	0.25	Municipal MM (10/FTEXX)	25802.2	0.28