

Jack
Bowers



Fidelity

Best Performing
Fidelity Newsletter

20
Years

JUNE
2010

Monitor™

How To Stop Worrying and Learn To Love Bonds

Last month we made the case for an inflation rate that's headed toward zero. Since then, the credit crisis unfolding in Europe has taken a turn for the worse. Not only does it threaten to choke off euro-zone growth while significantly reducing the region's wages, but the ECB seems to lack any sense of urgency that might allow for the kind of quick resolution that the U.S. achieved. We can now expect a growing deflationary bias in the global economy. And with a strengthening dollar and weakening commodity prices here at home, it now seems likely that our own CPI will slip into negative territory in the coming year.

While this is not likely to derail the U.S. economic recovery, it will probably slow the rate of earnings growth for domestic stocks. At the same time, falling prices should reduce any upward pressures on long-term interest rates, extending the period of a near-zero Federal Funds rate.

When inflation crosses into negative territory, stocks become a less predictable asset class, and bonds become more compelling. We expect deflationary pressures to be relatively mild in the U.S. economy, so stocks are probably still the best bet for the long run. But the performance difference between stocks and bonds is likely to narrow over the next decade. Since bonds are

LEARN TO LOVE BONDS - *Continued on page 2*

Income Model, VIP Income Model To Make Changes

On Monday, 6/7, we will be making the following changes in our least-risky portfolios:

Our Income Model will sell one-half of **Strategic Income** (368/FSICX), and invest the proceeds in **Corporate Bond** (2208/FCBFX). With credit problems getting worse in foreign markets, but improving here at home (especially on the corporate front), Fidelity's newest bond fund has made a timely arrival. **Corporate Bond** probably won't have the income stream that **Strategic Income** has, but it will have better credit quality and less foreign exposure. Investment grade corporations in the U.S. are unrivaled when it comes to financial strength, and we think most of them will find it relatively easy to service their debts.

Our VIP Income Model will sell one-half of **VIP Strategic Income** and buy **VIP Investment Grade**.

Review & Recommendations

A credit crunch took hold in Europe, driving down the euro and forcing some hedge funds to abandon their leveraged bets on global growth. The impact on U.S. markets was further aggravated by the so-called Flash Crash, an event that played out much like a fast version of the 1987 Crash. While it's not clear how it got started, automatic stop-loss orders on ETFs and individual stocks could explain why the exchanges were swamped with sell orders. Also weighing on domestic stocks was the likelihood of heavy-handed regulations for the financial sector. The S&P 500 declined 8.0% for the month of May.

This correction has definitely rattled nerves, but not much has changed for the U.S. economy. There's a chance earnings will be hurt by reduced exports and sales to Europe, but we may see some favorable offsets in the form of increased consumer spending as a stronger dollar cuts fuel costs and helps reduce mortgage rates.

GROWTH FUNDS

We suggest following our Growth Model for stock exposure. Holdings are listed on page 7. If you prefer to pick your own funds instead, our favorites include **Equity-Income, Dividend Growth, Contrafund, Low-Priced Stock, Small Cap Value, and OTC Portfolio**.

Funds with limited exposure to energy and financials held up a little better than the S&P. **Capital Appreciation** declined 6.1%, **Tax-Managed** lost 6.3%, and **Contrafund** was down 6.6%. On the bottom end, **Large Cap Stock** pulled back 9.2%, and **Value** dropped 9.4%.

INTERNATIONAL FUNDS

Pacific Basin remains our favorite foreign stock fund. We've downgraded **Global Balanced** because we think **Balanced** is a better bet.

China Region declined 6.4%, and **Canada** was down 6.5%, reflecting the limited impact of tighter credit on these economies. Europe-focused funds were hardest hit due to currency moves. **Europe** lost 12.9%, **Europe Capital Appreciation** tumbled 13.0%, and **Nordic** fell 14.0%.

GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are on page 7. For a well-diversified hybrid fund that includes stocks and bonds, consider **Balanced** or **Puritan**. For dividend stocks, go with **Equity-Income**.

Real Estate Income limited losses to 1.5%, thanks

RECOMMENDATIONS - *Continued on page 8*

LEARN TO LOVE BONDS - *Continued from page 1*
less risky, they may have the edge on a risk-adjusted basis.

DISPELLING THE MYTHS

Based on what we hear from our readers, there are still a lot of investors who won't even consider bonds. Hopefully with this article we can make a reasonable case for giving them a chance, especially if you currently hold a mix of stocks and cash. Let's start by addressing some of the common misconceptions that are giving investors a bad taste (even before they've taken a sip):

• **Myth #1: *We're in a bond bubble.*** It's not really possible for a bond bubble to exist. Bond values are linked intrinsically to their income streams. A bond can sell above par value if it pays a coupon rate that's higher than prevailing interest rates, but there's always a fundamental limit. Investors do not overpay for bonds because the income stream is fixed. Bonds can lose value when interest rates rise, or when credit risk goes up. But they never plunge from stretched valuations.

• **Myth #2: *Interest rates are unusually low, and bonds will get killed when they go up.*** This myth is believable only because rates were so high in the late '70s and early '80s. Fact is, bond yields are normally 2-3 percentage points above the rate of inflation, so today's yields are about right. And they might be a bit on the high side depending on what happens over the next 12 months. As for interest rates going up, it's not very likely in a world where there is very little borrowing demand outside the sovereign debt arena. In the U.S., commercial construction is dead in the water and will probably stay that way for at least a decade. The Federal deficit is declining, and consumers are shedding debt at a robust pace. Most corporations are generating cash at an unprecedented rate, and can fund their own growth. Bond yields are set by the supply and demand for borrowed money. With very little private demand and plenty of supply from a growing base of retirees, any increase in long-term interest rates is likely to be limited and temporary.

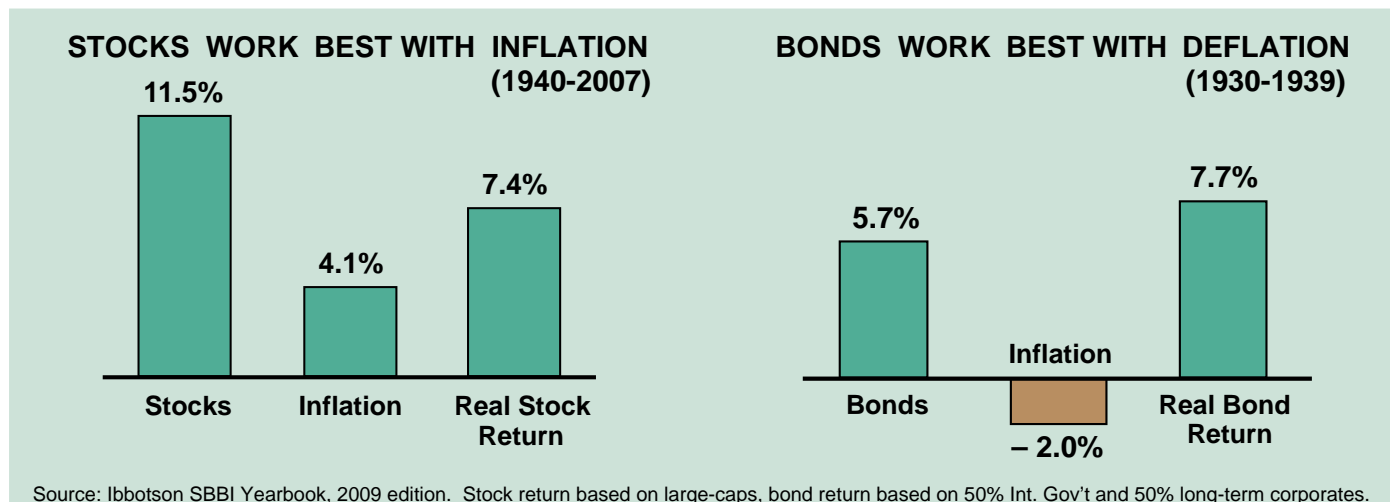
• **Myth #3: *The U.S. government won't be able to service its debt.*** The U.S. is one of the few countries in the world that is enjoying non-inflationary GDP growth. Thanks to a high rate of productivity growth, which is anchored to our willing adoption of advancing technology, we can count on rising incomes and rising tax revenue. At 3.5% annual wage growth, wages would double over the next 20 years. Because the Alternative Minimum Tax is not indexed for inflation, a doubling in wages could equate to a tripling in tax revenue. Maybe that's too optimistic. If incomes don't rise, there's always consumption taxes. The U.S. has barely tapped this revenue source – the 15 cent a gallon Federal tax on gasoline is a fraction of what Japan and Europe impose, and a national value added tax system doesn't even exist. Finally, compared with Japan and Europe, the U.S. has the lowest debt-to-GDP ratio, which means the yen, the euro, and the pound would fail ahead of the dollar in a global sovereign debt implosion.

• **Myth #4: *Foreigners will stop buying our debt.*** During periods when the dollar is rising, foreigners will always want to buy our debt, because it will be going up in value. During periods when the dollar is weak, yields will have to go up a little to entice domestic investors to fill the gap. There are plenty of sources of domestic capital (retirees, insurance companies, endowments, pension funds) which can easily make up for foreign demand if it disappears for any length of time.

THE BENEFIT OF BONDS

Bonds are an asset class, just like stocks and cash. In a deflationary period, bonds tend to be more reliable than stocks. Corporations find it difficult to grow earnings and dividends, but still make good on their debts.

When inflation turns negative, the lender/borrower dynamics shift in favor of the lender (bond buyer). The lender is being paid back with money that grows in value with time. The borrower wants a lower interest rate in return, but does not have a strong negotiating position because the loan is necessary to stay in business. The



Fidelity Monitor is published by Independent Fidelity Investors, Inc., P.O. Box 1270, Rocklin, CA 95677. Web site: www.fidelitymonitor.com
For information/service, call (800) 397-3094, email fidmonserv@aol.com or visit the web site. Subscription rate: \$179 per year, including weekly hotline service. Fidelity Monitor is not associated with Fidelity Investments. All facts and figures are obtained from reliable sources but are subject to revision. Before buying a fund, please read its prospectus. Editor: Jack Bowers. Copyright (c) 2010.

lender, on the other hand, must be choosy to keep defaults down to a manageable level. No surprise, the lender's real return ends up being significantly better than under normal inflationary conditions.

It may not feel like a savvy move to be buying bonds as yet another credit crisis takes hold, but the risks in the U.S. bond market are relatively low. We've already had our credit shock, and 18 months later it's easy to look around and see who's still standing. Any U.S. corporation that still has an investment-grade rating at this stage in the game is unlikely to lose it. Any decline in U.S. bond values resulting from the European credit crunch should be viewed as a buying opportunity, perhaps even for the high-yield sector. Earnings growth may slow, but debt service is unlikely to be compromised.

RECOMMENDATIONS

The best way to invest in bonds is to hold a broadly diversified portfolio that includes exposure to both stocks and bonds, much like we do in our Growth and Income Model. With this approach you have a degree of protection from both deflation and inflation. If inflation ends up hovering near zero, both asset classes could end up performing reasonably well.

If most of your money is currently in cash, and you're not too keen on the stock market, there's a good argument for moving some of that cash into bonds, especially if you don't plan to spend any of it for a few years. We think our Income Model is a good place to start. For those who want to consider a full range of choices, here is a review of our favorites, in increasing order of risk.

Short-Term Bond is the best option for earning a decent yield (1.7%) without incurring much risk. With a high-quality portfolio (65% of holdings rated AAA or better), and a duration of just 1.7, there isn't going to be much of a loss here no matter what happens. And if nothing unusual takes place, you might see a 12-month total return in the range of 3-4% (assuming Fidelity can add a little value through security selection).

GNMA and **Mortgage Securities** are the next steps up on the risk ladder. Here you get significantly more yield (3-4%) for just a little added risk. Why? In the wake of the mortgage securities crisis, many investors are steering clear of the entire sector, while others are worried about what will happen if the Fed starts unloading some of the stuff it bought at the big-bank garage sale. We don't think either factor poses much risk for these funds, which hold mostly U.S. Government quality debt. In fact, the main reason these funds have more volatility than **Short-Term Bond** is due to longer durations (3.0-3.5), which makes them slightly more interest rate sensitive. We favor **Mortgage Securities** over **GNMA**, because Fidelity

has the potential to add more value in security selection.

Intermediate Bond and **Investment Grade Bond** offer a blend of U.S. Government, corporate, and mortgage debt (neither fund has much exposure to high yield). With durations of about 4, interest rate risk is moderate with these funds. Long-term yields would have to jump by a full percentage point to threaten these funds with a breakeven year, and it would probably take an even bigger jump in long-term rates to put them into net loss territory. At just over 3%, yields are nothing to write home about. But if Fidelity can add some value in security selection, a 5-6% return in a year's time might be possible.

Total Bond operates a lot like **Intermediate** and **Investment Grade**, but adds in some high-yield bond exposure (currently about 15% of holdings). This helps the income stream and allows its managers to add a little more value through security selection. It also reduces the fund's interest rate risk by a small amount, because lower-grade bonds tend to hold up well when yields are climbing. **Total Bond** is broadly diversified and offers a good yield (3.6%) for its risk level, so it's a good choice if you prefer a single fund for establishing a bond position.

Fidelity's newest introduction, **Corporate Bond**, has a unique appeal because it carries less interest rate sensitivity than a government fund but maintains better portfolio quality than a high-yield fund. Its 30-day yield has yet to be established, but we're guessing it will be in the 4-5% range. What's unique about this fund is that 80% or more of its holdings are investment-grade. With America's best managed corporations possibly in better shape than the U.S. government itself, this fund is a good choice for the investor who wants a high-quality, sovereign-debt-free fund.

Strategic Income focuses on four different bond classes, with a neutral mix of 40% high-yield, 30% U.S. Government/investment-grade, 15% emerging market, and 15% foreign developed market. The fund has a strong management team, a great track record, and has performed unusually well in periods when interest rates were rising. We continue rate it a buy, but we're reducing our position (in the Income Model) because of concerns about the fund's 30% weighting in foreign bonds.

Focused High Income focuses on BB-rated corporates, the top tier of the junk-bond universe. Credit risk makes this fund more than twice as volatile as **Investment Grade Bond** or **Intermediate Bond**, but its 6% yield is much higher and it carries less interest rate sensitivity. If the economy gets strong enough to push up long-term interest rates, default risk should decline significantly, pushing up underlying bond values. The fund's track record is a bit weak relative to its benchmark, but we

LEARN TO LOVE BONDS - *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 monthly gains and losses over a three-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 ↓.

MAY PERFORMANCE						2010	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
GROWTH FUNDS:												
130/30 Large Cap (2063/FOTTX)	S **	1.11	none	6.41	20.5	-2.9	-7.9	-2.0	13.2			
Growth Strategies (324/FDEGX)	H ***	1.25	1.5(90)	16.69	2030.9	2.6	-8.2	2.1	26.5	-8.3	0.9	-8.9
Blue Chip Gth (312/FBGRX)	B ****	1.10	none	37.82	11591.8	-0.3	-7.6	1.0	29.4	-2.6	2.1	-1.8
Blue Chip Value (1271/FBCVX)	H ***	1.18	none	9.87	376.0	-0.9	-9.0	-1.3	21.7	-13.1	-1.4	
Capital Apprec (307/FBCAX)	H ***	1.15	none	22.19	5024.4	3.5	-6.1	1.9	28.0	-6.7	2.2	1.8
Contrafund (22/FCNTX)	B ****	0.93	none	57.25	59228.9	-1.6	-6.6	0.3	20.3	-4.3	4.1	3.5
Growth Discovery (339/FDSVX)	S **	1.12	none	11.22	717.9	1.1	-7.0	2.2	22.3	-7.1	1.8	-0.2
Disc Equity (315/FDEQX)	S **	1.01	none	20.66	10378.2	-1.7	-6.9	-0.4	18.8	-10.8	-0.1	-0.4
Dividend Gth (330/FDGFY)	B ****	1.28	none	23.76	8479.8	0.4	-8.8	0.5	28.3	-6.9	1.3	1.1
Export Fund (332/FEXPX)	H ***	1.13	0.75(30)	18.90	2815.4	-3.7	-9.1	-2.3	18.2	-8.0	1.4	2.9
Fidelity Fifty (500/FFTYX)	H ***	1.25	none	14.68	772.4	-2.4	-8.9	-1.4	16.2	-11.8	-0.5	0.6
Focused Stock (333/FTQGX)	H ***	1.02	none	10.98	133.7	-0.2	-8.1	1.5	19.3	-4.5	3.1	-1.2
Growth Company (25/FDGRX)	B ****	1.12	Closed	69.07	29370.9	0.1	-7.6	1.7	26.2	-2.9	4.5	-0.6
Independence (73/FDFFX)	H ***	1.40	none	19.94	4050.6	0.1	-8.1	-0.1	26.0	-5.9	3.5	0.7
Lg Cap Core En Idx (1827/FLCEX)	H ***	1.0 Est	none	7.52	1034.9	-2.7	-8.4	-1.9	18.5			
Lg Cap Gth En Idx (1829/FLGEX)	H ***	1.2 Est	none	8.26	52.7	-3.0	-7.8	-1.9	20.8			
Large Cap Growth (763/FSLGX)	H ***	1.03	none	8.07	109.8	-0.7	-6.8	0.9	19.1	-10.0	-2.1	
Large-Cap Stock (338/FLCSX)	B ****	1.29	none	15.03	1082.8	0.3	-9.2	-0.3	28.0	-6.9	2.3	-1.9
Lg Cap Val En Idx (1828/FLVEX)	H ***	1.2 Est	none	6.63	72.9	-0.7	-8.4	-0.7	19.2			
Large Cap Value (708/FLSVX)	H ***	1.09	none	9.70	979.7	-0.4	-7.5	-0.2	20.5	-13.2	-1.3	
Lev Co Stock (122/FLVCX)	B ****	1.69	1.5(90)	24.00	4719.4	4.7	-8.4	4.1	35.4	-9.5	3.7	
Low-Priced Stock (316/FLPSX)	B ****	1.15	1.5(90)	32.72	27372.7	2.4	-7.7	0.6	27.1	-5.2	3.9	11.1
Magellan (21/FMAGX)	H ***	1.31	none	62.91	22577.4	-2.1	-8.1	-0.6	17.6	-9.3	-0.8	-2.2
Mid Cap Growth (793/FSMGX)	H ***	1.31	0.75(30)	10.17	248.1	2.4	-7.9	1.9	32.3	-10.6	-1.2	
Mid Cap Stock (337/FMCSX)	B ****	1.37	0.75(30)	24.87	7466.7	6.2	-8.8	3.2	38.5	-6.9	4.8	3.2
Mid Cap Value (762/FSMVX)	H ***	1.29	0.75(30)	13.57	569.7	6.3	-6.7	3.9	39.2	-8.4	2.6	
New Millennium (300/FMILX)	B ****	1.19	none	25.06	1887.8	1.8	-8.1	2.2	27.5	-3.4	5.8	2.1
OTC Portfolio (93/FOCPX)	B ****	1.32	none	45.90	5985.2	0.4	-7.7	3.0	30.3	0.4	6.0	5.7
Small Cap Discovery (384/FSCRX)	B ****	1.38	1.5(90)	17.18	568.1	10.6	-6.8	9.2	42.7	1.2	7.5	
Small Cap Growth (1388/FCPGX)	H ***	1.26	1.5(90)	13.09	1351.5	5.4	-7.2	5.6	32.2	-6.1	4.6	
Small Cap Indep (336/FDSCX)	H ***	1.37	1.5(90)	14.95	1674.4	7.4	-7.3	6.3	31.7	-11.1	1.0	3.3
Small Cap Stock (340/FLCXX)	B ****	1.43	2 (90)	16.40	4199.9	2.9	-7.6	2.2	39.8	-2.8	5.4	7.1
Small Cap Value (1389/FCPVX)	B ****	1.34	1.5(90)	13.76	1939.3	8.5	-7.7	7.1	38.0	-2.3	6.8	
Stock Selector (320/FDSSX)	H ***	1.04	none	21.57	774.2	-0.7	-8.4	-0.2	20.9	-8.7	0.6	-0.7
Tax Managed Stock (343/FTXMX)	S **	1.08	none	10.96	77.7	0.6	-6.3	0.7	22.0	-11.6	-0.3	
Trend (5/FTRNX)	B ****	1.15	none	56.00	878.1	-0.4	-6.8	1.1	27.5	-4.0	3.1	0.8
Value (39/FDVLX)	B ****	1.47	none	59.11	8546.6	3.8	-9.4	2.2	34.5	-10.3	1.1	6.7
Value Discovery (832/FVDFX)	H ***	1.16	none	12.98	690.9	0.9	-9.1	0.5	24.0	-10.2	1.8	
Value Strategies (14/FLSLX)	B ****	1.59	none	23.73	409.7	7.3	-8.1	4.8	42.2	-9.1	1.9	6.5
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B ****	0.79	none	16.44	18475.8	1.0	-4.9	1.0	19.2	-4.0	3.6	5.2
Convertible Sec (308/FCVXS)	H ***	1.33	none	22.31	2525.6	3.1	-5.9	1.5	32.7	-3.6	5.6	5.1
Equity-Income (23/FEQIX)	B ****	1.15	none	38.88	14810.5	-0.3	-8.6	0.1	22.7	-11.4	-0.2	1.7
Equity-Income II (319/FEQTX)	B ****	1.11	none	16.11	5479.4	-1.0	-8.8	-0.5	20.8	-11.1	-1.3	1.4
Fidelity Fund (3/FFIDX)	S **	1.05	none	27.74	5265.5	-2.0	-8.4	-0.8	16.4	-7.7	1.2	-0.4
Growth & Income (27/FGRIX)	S **	1.19	none	15.71	6260.7	-2.1	-9.1	-1.9	18.6	-17.8	-7.2	-4.0
Mega Cap Stock (361/FGRTX)	B ****	1.04	none	8.59	574.6	-2.4	-8.6	-1.7	21.0	-8.3	1.2	0.2
Puritan (4/FPURX)	B ****	0.72	none	16.11	17230.2	0.8	-5.5	0.6	19.4	-3.5	3.1	4.2
Real Estate Income (833/FRIFX)	B ****	0.79	0.75(90)	9.87	909.1	7.6	-1.5	5.3	34.6	-0.2	3.3	
Real Estate (303/FRESX)	H ***	2.07	0.75(90)	22.57	3251.5	12.3	-5.0	11.7	67.5	-11.0	1.7	10.6
Strategic Div & Inc (1329/FSDIX)	B ****	1.15	none	9.75	514.5	2.8	-7.2	2.2	32.0	-7.8	1.5	
Telecom & Utilities (311/FUIUX)	H ***	0.89	none	13.70	737.8	-1.5	-5.1	2.7	16.1	-12.1	2.3	-1.6
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H ***	1.64	0.75(30)	36.81	162.1	15.6	-5.3	4.3	67.4	-4.7	6.5	5.6
Automotive (502/FSAVX)	H ***	2.53	0.75(30)	31.86	179.4	3.1	-9.1	2.6	61.3	-7.7	1.3	5.1
Banking (507/FSRBX)	B ****↑	1.61	0.75(30)	17.67	570.4	15.9	-9.9	6.3	37.2	-15.9	-6.5	0.7
Biotechnology (42/FBIOX)	S **↓	1.04	0.75(30)	63.74	1148.3	-2.7	-12.2	-6.0	12.5	-1.7	3.3	-0.5
Brokerage (68/FSLBX)	H ***	1.50	0.75(30)	47.68	629.3	0.6	-11.0	0.9	20.9	-11.0	4.0	5.6
IT Ser / Bus Ser (353/FBSOX)	B ****	1.19	0.75(30)	17.17	99.4	-3.7	-8.9	0.5	34.1	-0.3	8.3	6.0
Chemicals (69/FSCHX)	H ***	1.38	0.75(30)	70.84	430.1	-3.6	-10.6	-3.8	22.9	0.6	7.5	10.5
Computers (7/FDCPX)	H ***	1.43	0.75(30)	45.96	533.9	0.8	-4.6	5.4	47.2	2.1	6.0	-5.0
Const & Housing (511/FSHOX)	H ***	1.50	0.75(30)	32.45	133.1	11.7	-8.7	8.7	36.9	-7.2	-0.3	9.3
Consumer Disc (517/FSCPX)	H ***	1.19	0.75(30)	20.70	121.8	10.2	-6.4	6.9	38.6	-5.5	1.4	1.6
Industrial / Cyc Ind (515/FCYIX)	H ***	1.41	0.75(30)	19.29	335.7	6.5	-8.8	5.0	40.4	-2.7	6.2	7.8
Defense & Aero (67/FSDAX)	H ***	1.32	0.75(30)	64.52	710.1	6.9	-7.5	4.1	30.0	-5.7	4.4	8.8
Com Equip / DevC (518/FSDCX)	H ***	1.63	0.75(30)	21.34	399.9	2.8	-8.3	2.6	31.9	-1.7	3.7	-5.9
Electronics (8/FSLEX)	H ***	1.53	0.75(30)	40.65	1191.5	-1.9	-6.8	2.6	39.1	-4.5	1.1	-7.0
Energy (60/FSENX)	H ***	1.67	0.75(30)	39.50	2180.7	-10.5	-13.0	-9.3	2.1	-10.2	5.7	7.4
Energy Service (43/FSSEX)	H ***	1.99	0.75(30)	51.04	1362.3	-12.2	-19.0	-12.4	0.2	-13.3	4.1	4.8
Environmental (516/FSLEX)	S **	1.08	0.75(30)	14.98	50.7	-3.7	-8.2	0.3	16.2	-5.7	1.6	3.7
Financial Services (66/FIDSX)	B ****↑	1.48	0.75(30)	59.26	581.8	2.1	-10.6	-0.1	18.5	-19.1	-6.1	0.1
Con Stap / Food Ag (9/FDFAX)	B ****	0.79	0.75(30)	58.92	976.8	-3.0	-6.6	-3.8	16.0	0.2	6.9	7.9
Gold (41/FSAGX)	S **	2.24	0.75(30)	45.32	3234.8	6.7	-2.4	11.9	14.7	14.1	24.0	20.5
Health Care (63/FSPHX)	H ****↓	0.93	0.75(30)	106.75	1784.0	0.1	-6.1	-2.2	24.9	-3.1	3.2	2.8
Home Finance (98/FSVLX)	B ****	1.37	0.75(30)	11.78	127.3	7.6	-7.2	2.0	29.7	-34.8	-19.9	-4.2
Indust Equip (510/FSGXX)	H ***	1.50	0.75(30)	27.15	164.6	6.8	-9.4	3.9	39.3	-5.1	4.8	3.2
Materials / Ind Mat (509/FSDPX)	H ***	1.54	0.75(30)	51.94	715.7	-3.7	-9.7	-1.2	26.7	-0.7	11.2	12.5
Insurance (45/FSPCX)	B ****	1.38	0.75(30)	41.28	175.8	4.4	-7.7	-0.6	31.3	-15.2	-4.1	4.0
Leisure (62/FDLSX)	H ***	1.10	0.75(30)	77.31	292.7	16.5	-5.9	10.7	35.2	0.0	6.4	4.3
Medical Delivery (505/FSHCX)	H ****↓	1.32	0.75(30)	43.74	441.4	1.6	-2.2	-1.4	34.3	-4.9	2.3	12.6
Medical Equip/Sys (354/FSMEX)	H ****↓	0.95	0.75(30)	24.17	1515.5	-1.2	-7.7	-4.2	21.0	3.0	5.1	9.2
Multimedia (503/FBMPX)	H ***	1.31	0.75(30)	36.27	131.3	6.3	-7.1	5.5	46.9	-5.0	2.5	2.0
Natural Gas (513/FSNGX)	H ***	1.78	0.75(30)	27.67	1079.3	-12.1	-12.8	-11.6	-2.1	-12.7	3.1	7.0
Nat Resources (514/FNARX)	H ***	1.70	0.75(30)	26.13	1516.2	-8.1	-11.2	-5.5	5.5	-7.1	9.6	9.0
Pharmaceuticals (580/FPHAX)	B ****	0.87	0.75(30)	10.45	262.4	-3.4	-7.0	-3.8	21.3	-2.1	6.1	
Retailing (46/FSRPX)	H ***	1.24	0.75(30)	46.57	222.8	11.5	-6.2	6.1	44.2	1.1	6.5	5.1
Software (28/FSCSX)	B ****	1.22	0.75(30)	71.51	1059.2	-5.8	-8.2	-1.1	29.7	0.2	7.6	2.4
Technology (64/FSPTX)	B ****	1.57	0.75(30)	74.40	2204.4	-1.4	-7.3	3.0	38.8	0.1	4.8	-4.9
Telecom (96/FSSTX)	B ****	1.26	0.75(30)	38.72	311.5	-2.7	-3.2	3.2	14.8	-11.0	3.0	-5.2
Transportation (512/FSRFY)	H ***	1.29	0.75(30)	47.30	283.1	20.3	-5.5	12.7	66.0	-2.1	7.0	9.7
Utilities (65/FSUTX)	H ***	0.96	0.75(30)	42.63	35							

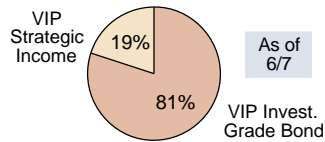
MAY PERFORMANCE						30-day	2010	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
INTERNATIONAL FUNDS:												
Canada (309/FICDX)	H ***	1.48	1.5(90)	48.79	3848.9		0.6	-6.5	1.5	12.7	-3.5	9.6
China Region (352/FHKCX)	H ***	1.59	1.5(90)	25.78	2053.8		-7.6	-6.4	-1.2	11.5	5.8	12.4
Diversified Int'l (325/FDIVX)	S **	1.27	1 (30)	24.83	30024.3		-11.3	-10.6	-6.3	5.8	-12.6	1.6
Emerging EMEA (2053/FEMEX)	H ***	1.8 Est	1.5(90)	7.43	122.8		-2.5	-7.8	-0.4	12.2		
Emerging Mkts (322/FEMKX)	H ***	1.77	1.5(90)	21.05	4135.1		-6.9	-9.5	-1.2	22.6	-6.9	11.5
Europe (301/FIEUX)	S **	1.27	1 (30)	24.96	2002.4		-15.3	-12.9	-8.4	1.7	-13.1	1.3
Europe Cap Appr (341/FECAX)	S **	1.30	1 (30)	15.03	474.6		-15.3	-13.0	-8.3	1.9	-14.5	1.8
Global Balanced (334/FGBLX)	H ***↓	0.76	1 (30)	19.34	293.6		-3.8	-6.8	-2.0	12.0	-1.2	5.1
Glob Commodity Stk (2120/FFGXC)	H ***	1.6 Est	1 (30)	13.03	293.6		-11.4	-11.2	-7.1	5.2		
Int'l Capital Apprec. (335/FIVFX)	H ***	1.54	1 (30)	10.46	569.0		-7.8	-10.7	-3.2	12.4	-12.6	0.1
Int'l Discovery (305/FIGRX)	S **	1.23	1 (30)	26.91	8241.0		-11.3	-10.7	-5.8	7.3	-11.8	2.7
Int'l Growth (1979/FIGFX)	H ***	1.5 Est	1 (30)	6.78	23.6		-9.4	-9.8	-5.3	14.4		
Int'l Real Estate (1368/FIREX)	S **	1.40	1.5(90)	7.73	334.2		-12.2	-10.3	-7.2	5.8	-19.8	-1.9
Int'l Small Cap (818/FISMX)	B ****	1.36	2 (90)	16.52	735.4		-5.9	-10.8	-3.5	15.5	-10.3	3.8
Int'l Small Cap Opp (1504/FSCOX)	H ***	1.51	2 (90)	8.14	358.2		-5.1	-10.0	-1.8	24.0	-19.3	
Int'l Value (1597/FIVLX)	S **	1.42	1 (30)	6.92	165.2		-13.3	-11.2	-7.1	4.7	-14.6	
Japan (350/FJPNX)	H ***	1.13	1.5(90)	10.11	1127.9		-0.1	-9.1	-2.6	6.4	-12.1	0.3
Japan Smaller Co (360/FJSCX)	H ***	1.26	1.5(90)	8.06	340.9		-3.1	-10.2	-3.6	10.2	-11.5	-5.9
Latin America (349/FLATX)	H ***	1.77	1.5(90)	46.08	4243.0		-11.1	-9.8	-6.0	19.2	-2.9	18.4
Nordic (342/FNORX)	H ***	1.59	1.5(90)	25.51	373.3		-6.8	-14.0	-4.6	16.3	-13.8	3.4
Overseas (94/FOSFX)	S **	1.28	1 (30)	26.80	6452.2		-13.4	-11.9	-8.1	0.6	-14.9	0.6
Pacific Basin (302/FPBFX)	B ****	1.64	1.5(90)	20.44	768.0		0.7	-10.1	-0.2	26.7	-8.1	6.7
Southeast Asia (351/FSEAX)	H ***	1.44	1.5(90)	23.83	1749.7		-6.3	-9.2	-1.4	12.5	-6.9	11.0
Total Int'l Equity (1978/FTIEX)	S **	1.3 Est	1 (30)	6.06	56.7		-10.4	-10.4	-5.3	11.8		
Worldwide (318/FWVFX)	H ***	1.12	1 (30)	15.19	1085.6		-5.5	-9.6	-1.9	14.3	-8.4	3.3
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H ***	0.91	none	23.57	2226.3		-2.7	-7.4	-1.7	16.4	-7.0	1.5
NASDAQ Comp (1282/FNCMX)	B ****	1.16	0.75(90)	29.99	279.0		-0.3	-8.2	1.0	28.0	-4.0	2.4
Spart Ext Mkt Idx (398/FSEMXX)	B ****	1.20	0.75(90)	32.01	3182.7		6.3	-7.5	4.0	34.5	-5.4	3.9
Spart Int'l Index (399/FSIIX)	S **	1.25	1(90)	29.21	5824.5		-12.6	-11.2	-7.9	5.3	-13.0	1.5
Spart 500 Index (650/FUSEX)	H ***	1.00	none	38.67	25467.7		-1.5	-8.0	-0.9	20.9	-8.7	0.3
Spart Total Mkt Idx (397/FSTMXX)	H ***	1.03	0.5(90)	31.41	5764.5		-0.2	-7.9	-0.1	23.3	-8.0	1.1
Asset Mgr 20% (328/FASIX)	H ***	0.37	none	12.10	2806.5		1.6	-1.8	0.9	12.8	1.8	4.4
Asset Mgr 30% (1957/FTANX)	H ***	0.5 Est	none	9.23	93.7		1.5	-2.6	0.8	15.0		
Asset Mgr 40% (1958/FFANX)	H ***	0.6 Est	none	8.95	68.1		0.8	-3.6	0.4	16.0		
Asset Mgr 50% (314/FASMX)	H ***	0.70	none	13.81	6371.7		0.1	-4.6	0.3	17.4	-1.8	2.9
Asset Mgr 60% (1959/FSANX)	H ***	0.8 Est	none	8.58	89.7		-0.7	-5.6	-0.2	17.9		
Asset Mgr 70% (321/FASGX)	H ***	0.90	none	14.15	2396.5		-1.3	-6.4	-0.4	18.9	-4.7	1.8
Asset Mgr 85% (347/FAMRX)	H ***	1.03	none	11.34	645.3		-2.7	-8.0	-1.2	19.1	-6.5	2.2
Dynamic Strategies (1960/FDYSX)	H ***	0.8 Est	none	8.39	163.2		-0.6	-5.4	0.2	15.0		
Freedom 2000 (370/FFFBX)	H ***	0.37	none	11.43	1635.1		1.3	-2.0	0.8	12.4	0.8	3.3
Freedom 2005 (1312/FFVFX)	H ***	0.63	none	9.98	1017.9		0.1	-4.0	0.3	15.7	-2.0	2.9
Freedom 2010 (371/FFFCX)	H ***	0.67	none	12.40	11030.5		-0.2	-4.5	0.2	16.2	-2.1	2.9
Freedom 2015 (1313/FFVFX)	H ***	0.70	none	10.32	9034.1		-0.3	-4.6	0.0	16.5	-2.8	3.1
Freedom 2020 (372/FFDX)	H ***	0.83	none	12.35	20720.0		-0.9	-5.7	-0.1	18.2	-4.5	2.6
Freedom 2025 (1314/FFTWX)	H ***	0.88	none	10.18	9528.7		-1.4	-6.3	-0.4	18.5	-5.2	2.3
Freedom 2030 (373/FFFEEX)	H ***	0.96	none	12.09	14820.3		-1.8	-6.8	-0.6	19.1	-6.8	1.8
Freedom 2035 (1315/FFTHX)	H ***	0.99	none	9.96	6235.6		-2.3	-7.4	-0.9	18.9	-7.3	1.6
Freedom 2040 (718/FFFEEX)	H ***	1.02	none	6.95	8775.1		-2.3	-7.5	-0.9	19.4	-7.8	1.4
Freedom 2045 (1617/FFFGX)	H ***	1.03	none	8.21	2141.9		-2.5	-7.6	-1.0	19.6	-7.9	
Freedom 2050 (1618/FFFHX)	H ***	1.07	none	8.05	1728.1		-3.0	-8.1	-1.3	19.2	-8.7	
Freedom Income (369/FFFAF)	H ***	0.34	none	10.84	2767.8		1.5	-1.9	0.8	12.3	1.5	3.5
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	B ****	0.90	1(90)	8.60	12137.1	6.86	2.3	-5.2	1.4	39.4	5.2	8.1
Corporate Bond (2208/FCBFX)	B ****	0.3 Est	none	9.93								
Floating Rate (814/FFRHX)	H ***	0.48	1(60)	9.43	3063.1	4.00	1.4	-2.2	0.3	12.0	2.9	4.2
Focused High Inc (1366/FHIFX)	B ****	0.64	1(90)	9.12	463.9	6.59	2.1	-2.9	1.3	18.7	3.0	4.8
GNMA Portfolio (15/FGMNX)	B ****	0.16	none	11.68	7341.6	2.82	4.1	1.3	2.2	7.6	7.9	6.0
Gov't Income (54/FGOVX)	H ***	0.21	none	10.63	4556.7	2.05	3.3	1.1	1.5	5.3	7.5	5.4
High Income (455/SPHIX)	B ****	0.76	1(90)	8.42	7118.8	7.83	2.3	-4.0	1.2	27.0	5.1	7.0
Inflation-Protected (794/FINPX)	H ***	0.43	none	11.47	2203.4	0.46	2.8	-0.1	2.4	8.2	5.7	3.8
Intermed Bond (32/FTHRX)	B ****	0.25	none	10.41	4562.9	3.00	4.0	0.6	1.7	13.4	5.6	4.6
Intermed Gov't Inc (452/FSTGX)	H ***	0.17	none	10.91	1383.7	1.52	2.9	1.1	1.3	4.2	6.8	5.1
Invest Grade Bond (26/FBNDX)	B ****	0.26	none	7.24	6677.5	3.25	4.3	0.4	2.1	14.0	4.4	4.0
Mortgage Securities (40/FMSFX)	B ****	0.14	none	10.74	799.5	3.54	4.2	1.2	2.2	10.3	4.5	4.0
New Markets Inc (331/FNMIX)	H ***	0.77	1(90)	15.08	3458.3	5.99	2.7	-2.6	1.4	22.3	7.5	9.1
Short-Term Bond (450/FSHBX)	B ****	0.12	none	8.40	7486.9	1.60	1.9	0.2	0.8	6.7	1.8	2.6
Spart Intermed Tr Idx (1561/FIBIX)	H ***	0.36	none	10.63	1282.0	2.76	5.4	2.4	2.8	5.7	8.3	
Spart L-Term Tr Idx (1562/FLBIX)	H ***	0.64	none	10.69	176.6	3.88	8.2	4.3	5.6	7.7	8.5	
Spart S-Term Tr Idx (1560/FSBIX)	H ***	0.14	none	10.48	208.2	1.04	2.1	0.7	0.8	2.7	5.6	
Strategic Income (368/FSICX)	B ****	0.46	none	10.78	7686.6	4.96	1.7	-2.3	0.7	18.7	6.9	6.8
Strategic Real Rtn (1505/FSRRX)	H ***	0.68	0.75(60)	8.60	4814.3	2.07	1.1	-3.0	1.2	17.4	0.0	
Total Bond (820/FTBFX)	B ****	0.28	none	10.72	11259.8	3.60	4.0	0.0	2.0	14.7	6.6	5.4
Ultra-Short Bond (812/FUSFX)	H ***	0.18	0.25(60)	8.15	238.4	0.52	0.6	-0.1	0.1	1.5	-4.4	-1.0
US Bond Index (651/FBIDX)	H ***	0.18	none	11.29	10237.0	2.76	3.5	0.8	1.7	8.0	5.9	4.8
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FSAZX)	H ***	0.31	0.5(30)	11.43	172.7	3.39	2.9	0.7	1.7	7.6	4.6	3.8
CA Municipal Inc (91/FCTFX)	S **	0.32	0.5(30)	12.04	1591.8	3.77	4.3	0.6	2.4	9.1	4.0	3.7
CA Short-Int TF (1534/FCSTX)	H ***	0.15	0.5(30)	10.63	640.5	1.63	1.6	0.4	0.6	5.1	5.0	
CT Municipal Inc (407/FICNX)	H ***	0.26	0.5(30)	11.52	606.3	2.69	2.6	0.8	1.3	6.6	5.2	4.1
Intermediate Muni (36/FLTMX)	B ****	0.19	0.5(30)	10.27	3961.9	2.56	2.6	0.7	1.2	6.6	5.1	4.2
MA Municipal Inc (70/FDMMX)	H ***	0.28	0.5(30)	11.99	2426.5	3.14	3.3	0.9	1.7	8.3	4.9	4.1
MD Municipal Inc (429/SMDMX)	H ***	0.28	0.5(30)	11.04	183.0	2.80	2.7	0.7	1.4	7.5	4.8	3.9
MI Municipal Inc (81/FMHTX)	H ***	0.25	0.5(30)	11.97	655.7	3.11	2.7	0.8	1.3	7.0	5.0	4.1
MN Municipal Inc (82/FIMIX)	H ***	0.23	0.5(30)	11.52	496.8	2.57	2.7	0.8	1.1	6.0	4.9	4.1
Municipal Income (37/FHIGX)	H ***	0.29	0.5(30)	12.67	5918.8	3.52	3.4	0.7	2.0	9.0	4.6	4.1
NJ Municipal Inc (416/FNJHX)	H ***	0.28	0.5(30)	11.65	672.8	2.94	3.0	0.7	1.5	7.8	4.9	4.1
NY Municipal Inc (71/FTFMX)	H ***	0.29	0.5(30)	13.05	1805.3	3.16	3.3	0.8	1.9	8.4	5.2	4.2
OH Municipal Inc (88/FOHFX)	H ***	0.27	0.5(30)	11.72	545.1	3.22	2.6	0.8	1.5	7.1	5.0	4.1
PA Municipal Inc (402/FPXTX)	H ***	0.22	0.5(30)	10.87	448.6	3.16	2.5	0.8	1.4	6.7	4.8	4.0
Short-Int Municipal (404/FSTFX)	B ****	0.13	0.5(30)	10.68	3487.6	1.51	1.4	0.5	0.5	4.3	4.7	3.8
Tax-Free Bond (90/FTABX)	H ***	0.29	0.5(30)	10.92	1911.9	3.62	3.3	0.7	2.0	8.8	5.1	4.4

MAY PERFORMANCE Indexes and Model Portfolios	Risk	Value	2010 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.92	10136.63	-1.7	-7.7	-1.0	22.5	-6.8	2.0	2.0
S&P 500	1.00	1089.41	-1.5	-8.0	-0.9	21.0	-8.7	0.3	0.0
NASDAQ	1.16	2257.04	-0.2	-8.2	1.0	28.3	-3.8	2.6	-3.4
Russell 2000	1.28	661.61	6.3	-7.6	5.6	33.7	-6.6	2.8	4.7
Fidelity Monitor Income Model	0.32	90978.83	3.3	-0.7	1.6	16.4	0.6	2.9	4.1
Fidelity Monitor G&I Model	0.75	162376.21	0.8	-5.1	0.6	20.0	-5.4	2.3	4.9
Fidelity Monitor Growth Model	1.14	161680.15	0.3	-7.9	1.1	25.6	-9.7	0.8	2.2
Fidelity Monitor Select System	1.06	333648.18	-2.2	-6.6	0.4	28.7	-6.1	4.0	2.6
Fidelity Monitor Unique Opportunities	1.23	110588.29	2.4	-8.0	2.4	29.8	-7.7	3.5	6.6

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

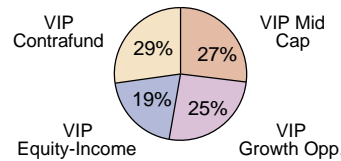


PAST PERFORMANCE

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: +22.9%
2001: - 3.4%	*2010: + 2.7%

VIP GROWTH MODEL

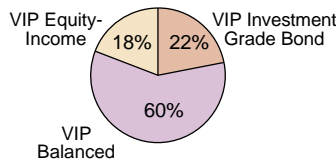


PAST PERFORMANCE

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: +25.1%
2001: -14.0%	*2010: + 0.8%

VIP G & I MODEL

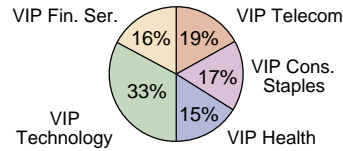


PAST PERFORMANCE

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: +27.1%
2002: - 9.4%	*2010: + 0.7%

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: +50.2%
2006: +17.7%	*2010: - 2.1%

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

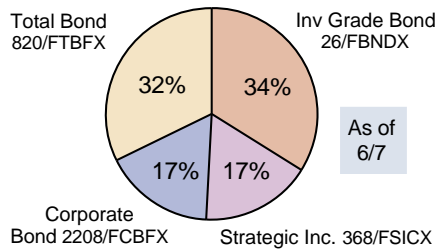
MAY VIP PERFORMANCE Portfolio	Rating	Risk	RR Value	2010 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Growth Strategies	H ***	1.24	9.78	1.7	-8.2	1.5	24.8	-9.1	
VIP Asset Manager	H ***	0.79	35.71	-0.1	-4.6	0.0	16.5	-1.1	2.9
VIP Asset Manager: Growth	H ***	1.00	21.91	-1.7	-6.6	-1.0	17.8	-3.8	1.7
VIP Balanced	B ****	0.93	17.07	1.4	-6.1	1.0	22.5	-3.2	3.3
VIP Consumer Discretionary	H ***	1.19	11.18	9.7	-6.5	6.5	37.5	-6.0	0.6
VIP Consumer Staples	B ****	0.8 Est	10.02	-3.3	-6.7	-4.1	15.1	-0.3	
VIP Contrafund	B ****	1.12	39.07	-1.5	-8.2	0.0	21.8	-6.8	2.3
VIP Disciplined Small Cap	H ***↑	1.18	8.17	4.7	-7.2	4.8	29.2	-9.6	
VIP Dynamic Capital Appreciation	H ***	1.16	13.03	3.3	-6.3	1.7	27.1	-7.9	2.7
VIP Energy	H ***	1.68	18.99	-10.7	-13.0	-9.5	1.8	-10.9	5.8
VIP Equity-Income	B ****	1.16	50.51	-0.9	-8.8	-0.3	21.8	-12.6	-1.2
VIP Financial Services	B ****	1.53	8.30	2.0	-10.5	-0.2	17.8	-19.5	-6.6
VIP Freedom 2005	H ***	0.62	11.39	0.5	-4.0	0.6	15.1	-2.0	
VIP Freedom 2010	H ***	0.65	11.37	0.5	-4.5	0.5	15.9	-2.2	
VIP Freedom 2015	H ***	0.70	11.47	0.3	-4.6	0.5	16.3	-2.9	
VIP Freedom 2020	H ***	0.84	11.14	-0.1	-5.7	0.3	18.4	-4.8	
VIP Freedom 2025	H ***	0.89	11.09	-0.4	-6.3	0.2	18.8	-5.4	
VIP Freedom 2030	H ***	0.99	10.75	-0.8	-6.9	0.0	19.6	-7.1	
VIP Freedom Income	H ***	0.31	11.74	1.3	-1.8	0.8	10.2	1.5	
VIP FundsManager 20	H ***	0.28	10.98	0.7	-1.9	0.3	7.4	0.6	
VIP FundsManager 50	H ***	0.59	10.10	-0.5	-4.5	-0.3	12.2	-3.4	
VIP FundsManager 70	H ***	0.81	9.31	-1.6	-6.3	-0.8	14.8	-6.8	
VIP FundsManager 85	H ***	0.97	8.79	-2.1	-7.6	-1.0	17.6	-9.1	
VIP Growth	H ***	1.12	51.35	0.8	-7.0	1.9	21.1	-8.6	-0.7
VIP Growth & Income	H ***	1.04	15.45	-2.4	-8.9	-1.9	16.8	-10.2	-0.3
VIP Growth Opportunities	B ****	1.37	10.75	0.6	-8.1	2.4	25.9	-11.1	-1.9
VIP Growth Stock	B ****	1.15	10.12	-0.7	-6.9	0.7	26.6	-4.7	
VIP Health Care	H ***↓	0.92	12.34	0.0	-6.1	-2.3	24.3	-3.5	2.5
VIP High Income	B ****	0.71	34.71	1.7	-3.6	1.1	21.9	1.9	4.8
VIP Index 500	H ***	1.00	30.74	-1.8	-8.0	-1.1	20.0	-9.4	-0.5
VIP Industrials	H ***	1.42	18.11	6.3	-8.9	5.0	40.1	-2.8	6.0
VIP Int'l Capital Appreciation	H ***	1.54	9.36	-8.3	-10.9	-3.6	11.6	-13.3	
VIP Investment Grade Bond	B ****	0.24	34.64	3.7	0.2	1.7	12.0	5.4	4.1
VIP Materials	H ***	1.5 Est	10.17	-3.9	-9.8	-1.4	25.7	-1.1	
VIP Mid Cap	B ****	1.10	21.63	4.9	-5.5	4.6	27.0	-3.5	5.7
VIP Money Market			21.80	-0.3	-0.1	-0.2	-0.5	1.4	2.3
VIP Overseas	S **	1.23	29.38	-11.9	-11.1	-6.2	5.2	-14.0	0.5
VIP Real Estate	H ***	2.14	16.94	12.4	-5.4	12.2	66.0	-10.1	2.7
VIP Strategic Income	B ****	0.44	14.51	1.2	-2.5	0.3	16.6	6.0	5.9
VIP Technology	B ****	1.57	11.58	-1.8	-7.3	2.9	37.8	-0.3	5.0
VIP Telecommunications	B ****	1.3 Est	7.31	-3.5	-3.3	2.7	13.6	-12.7	
VIP Utilities	H ***	0.96	11.10	-4.5	-5.6	1.2	15.8	-10.5	3.2
VIP Value	B ****	1.45	9.52	3.3	-9.4	2.0	32.7	-11.4	
VIP Value Leaders	H ***	1.17	8.84	-1.2	-9.0	-1.4	21.0	-13.7	
VIP Value Strategies	B ****	1.58	12.87	7.0	-8.1	4.7	41.2	-10.1	1.0
Fidelity Monitor VIP Income Model		0.28	21709.69	2.7	-0.8	1.2	15.6	1.4	3.2
Fidelity Monitor VIP G&I Model		0.80	23953.36	0.7	-5.3	0.1	18.7	-4.3	2.3
Fidelity Monitor VIP Growth Model		1.15	28472.89	0.8	-7.6	1.8	23.4	-11.9	-0.9
Fidelity Monitor VIP Sector Model		1.15	17934.00	-2.1	-6.8	0.4	30.2	-4.5	5.3

INCOME MODEL

Focuses on income funds that hold bonds or cash.
Target Growth Rate: 7% Target Risk Level: 0.33

FUND	NAV	SHARES	BALANCE
Invest. Grade Bond	\$7.24	4363.950	\$31595.00
Strategic Income	\$10.78	2819.299	\$30392.04
Total Bond	\$10.72	2704.458	\$28991.79

11% Foreign Holdings
Balance as of 5/28/10: \$90978.83
Balance at start of 2010: \$88095.63



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: +20.0%
2010 YTD: + 3.3%

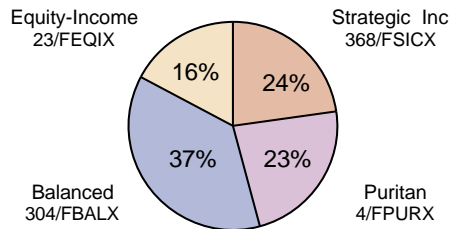
During May our Income Model declined 0.7%. On 6/7 we will sell one-half of **Strategic Income** and buy **Corporate Bond**.

GROWTH AND INCOME MODEL

Focuses on asset allocation funds to help limit risk.
Target Growth Rate: 10% Target Risk Level: 0.75

FUND	NAV	SHARES	BALANCE
Strategic Income	\$10.78	3551.555	\$38285.76
Puritan	\$16.11	2297.127	\$37006.72
Balanced	\$16.44	3679.760	\$60495.25
Equity-Income	\$38.88	683.860	\$26588.48

15% Foreign Holdings
Balance as of 5/28/10: \$162376.21
Balance at start of 2010: \$161025.23



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: +28.1%
2010 YTD: + 0.8%

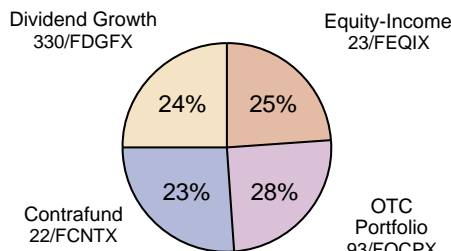
Our Growth and Income Model declined 5.1% in May.

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
Equity-Income	\$38.88	1032.879	\$40158.34
OTC Portfolio	\$45.90	984.424	\$45185.06
Contrafund	\$57.25	649.764	\$37198.99
Dividend Growth	\$23.76	1647.212	\$39137.76

13% Foreign Holdings
Balance as of 5/28/10: \$161680.15
Balance at start of 2010: \$161124.81



PAST PERFORMANCE
Starting Balance: \$15,000
1987: + 2.8% 1999: +29.0%
1988: +26.0% 2000: -10.8%
1989: +30.4% 2001: - 6.4%
1990: - 4.4% 2002: -17.1%
1991: +40.6% 2003: +46.1%
1992: +15.7% 2004: +12.4%
1993: +31.9% 2005: +11.2%
1994: - 2.1% 2006: +15.7%
1995: +27.2% 2007: + 7.3%
1996: +19.2% 2008: -42.7%
1997: +25.5% 2009: +31.8%
1998: + 9.9%
2010 YTD: + 0.3%

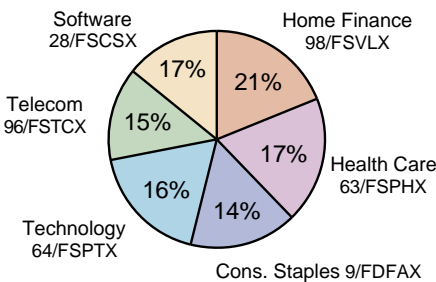
Our Growth Model lost 7.9% in May, compared to an 8.0% decline for the S&P 500.

SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Home Finance	\$11.78	5924.536	\$69791.03
Health Care	\$106.75	516.216	\$55106.06
Consumer Staples	\$58.92	816.730	\$48121.73
Technology	\$74.40	734.691	\$54661.01
Telecom	\$38.72	1289.049	\$49911.98
Software	\$71.51	783.895	\$56056.37

11% Foreign Holdings
Balance as of 5/28/10: \$333648.18
Balance at start of 2010: \$341250.55



PAST PERFORMANCE
Starting Balance: -\$25,000
1989: +23.4% 2000: -14.9%
1990: +31.3% 2001: - 7.3%
1991: +35.3% 2002: -14.7%
1992: +20.4% 2003: +38.4%
1993: +25.9% 2004: + 7.4%
1994: - 0.9% 2005: +15.0%
1995: +39.0% 2006: +13.6%
1996: + 5.2% 2007: +15.6%
1997: +29.3% 2008: -39.3%
1998: +21.7% 2009: +35.4%
1999: +44.9%
2010 YTD: - 2.2%

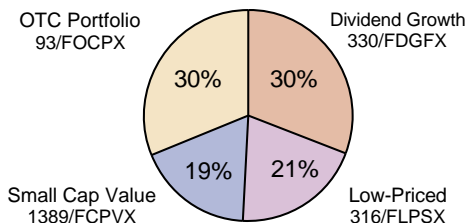
Our Select System was down 6.6% for May, compared to a loss of 8.0% for the S&P 500. On 5/10 we sold **Computers** (\$46.86) and bought **Home Finance** (\$12.34).

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	\$23.76	1397.231	\$33198.21
Low-Priced Stock	\$32.72	694.362	\$22719.52
Small Cap Value	\$13.76	1528.959	\$21038.48
OTC Portfolio	\$45.90	732.725	\$33632.08

15% Foreign Holdings
Balance as of 5/28/10: \$110588.29
Balance at start of 2010: \$107961.13



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: +45.8%
2010 YTD: + 2.4%

Our Unique Opportunities Model fell 8.0% in May, in line with the S&P 500.

LEARN TO LOVE BONDS - *Continued from page 3*

think it has the potential to improve with time (other high yield Fidelity funds have trailed in tough periods but made up for it later. Please note the 90-day 1% redemption fee.

High Income is a broadly-diversified high-yield fund. With a yield of nearly 7%, it offers a robust income stream, but also carries 75% of the S&P 500's volatility. After a strong run over the last 15 months, the high-yield bond sector has pulled back on escalating credit concerns in Europe. It's a bit early to tell, but if the U.S. economic recovery stays on track, and high yield bonds take a big enough dip, it might make for a decent buying opportunity (although nothing like we had in early 2009). Here again, there's a 90-day redemption fee of 1%.

Capital & Income is Fidelity's most aggressive bond fund. This fund has almost as much risk as the S&P 500, but in a deflationary economy it would be a better bet than most stock funds (think of high-yield as the growth engine of the bond universe). Since inception 32.5 years ago, **Capital & Income** has delivered an annualized return of 10%, putting it in the same league as winning stock funds. A portion of the fund's assets (currently 16%) are invested in stocks of high-yield issuers, so the fund's yield is not as high as it could be (currently 6%). The stock holdings eliminate much of the sensitivity to interest rates. If yields go up, it might actually help more than it hurts. Default risk is high in a fund like this, but Fidelity manages it well. Some of the fund's holdings include bonds that are already in default. The market rarely has a good handle on break-up value. Fidelity analysts can sharpen their pencils and find good opportunities. Here also there's a 90-day redemption fee of 1%. ■

MAY DISTRIBUTIONS

Asset Manager 20%	\$0.02 / \$12.11 (5/7)
Asset Manager 30%	\$0.016 / \$9.24 (5/7)
Freedom 2000	\$0.07 / \$11.46 (5/7)
Freedom 2005	\$0.065/\$10.02 (5/7)
Freedom 2010	\$0.08 / \$12.46 (5/7)
Freedom 2015	\$0.065/\$10.37 (5/7)
Freedom 2020	\$0.085/\$12.42 (5/7)
Freedom 2025	\$0.065/\$10.25 (5/7)
Freedom 2030	\$0.08 / \$12.18 (5/7)
Freedom 2035	\$0.06 / \$10.04 (5/7)
Freedom 2040	\$0.045 / \$7.01 (5/7)
Freedom 2045	\$0.05 / \$8.28 (5/7)
Freedom 2050	\$0.05 / \$8.13 (5/7)
Freedom Income	\$0.02 / \$10.86 (5/7)
Magellan	\$0.08 / \$63.22 (5/7)

Funds scheduled for June include **Asset Manager 20%/30%, Capital & Income, Focused High Income, Freedom Income, High Income, Large Cap Stock, Mid-Cap Stock, Real Estate, Real Estate Inc., Small Cap Independence, Small Cap Stock, and Spartan 500 Index.**

RECOMMENDATIONS - *Continued from page 1*

to its healthy income stream. **Balanced** and **Puritan** were helped by their bond holdings, posting respective losses of 4.9% and 5.5%. **Growth & Income** finished on the bottom, down 9.1%.

INCOME FUNDS

We suggest following our Income Model on page 7. If you would rather pick your own bond funds, our favorites include **Investment Grade, Total Bond, and Corporate Bond**. With the financial situation for cities and states continuing to deteriorate, we suggest trading lightly when it comes to municipals. Even high bracket investors may want to consider shifting over to taxable bonds until credit conditions improve.

Falling long-term interest rates and worsening credit conditions gave a big boost to treasuries. **Spartan Long-Term Treasury Index** gained 4.3%, and **Spartan Intermediate Treasury Index** rose 2.4%. Funds that hold low-grade bonds, however, were hit hard. **High Income** declined 4.0%, and **Capital & Income** lost 5.2%.

Municipal bond funds posted increases that ranged from 0.4% to 0.9%.

SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. Our volatility model has turned bullish on the financial group, but keep in mind that the risks in this group will remain heightened until pending legislation is finalized and enacted. Buy rated sectors include **Home Finance, Insurance, Banking, Telecommunications, Consumer Staples, Software, IT Services, Pharmaceuticals, Technology, and Financial Services.**

Medical Delivery pulled back 2.2%. **Gold** was off 2.4%, holding up holding up well partly because of European investors trying to protect themselves from a sliding euro. **Telecommunications** declined 3.2%. The energy group dominated the bottom end. With global growth slowing down, the world may actually be a bit oversupplied. **Natural Gas** lost 12.8%, **Energy** fell 13.0%, and **Energy Service** tumbled 19.0%. ■

Happenings

Fidelity introduced **Corporate Bond**, an investment-grade fund that does not normally hold much in the way of mortgage debt or government securities. Like **Total Bond**, the fund has some wiggle room for including a modest amount of high-yield exposure. We rate the new offering a buy.

Effective 6/30 Jonathan Kasen will succeed John Dowd as manager of **Energy Service**. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	122147.0	0.04	CT MM (418/FCMXX)	1727.2	0.01			
Select MM (85/FSLXX)	7325.8	0.12	MA MM (74/FDMXX)	4890.9	0.01			
Money Market (454/SPRXX)	6461.6	0.01	MI MM (420/FMIXX)	842.2	0.01	MA AMT TF (426/FMSXX)	413.2	0.01
Gov't MM (458/SPAXX)	703.3	0.01	NJ MM (417/FNJXX)	2149.8	0.01	AMT Tax-Free (460/FIMXX)	2076.2	0.01
US Treas. MM (415/FDLXX)	5208.3	0.01	NY MM (92/FNYXX)	4894.9	0.01	NJ AMT TF (423/FSJXX)	367.8	0.01
Tax-Free MM (275/FMOXX)	6058.1	0.01	OH MM (419/FOMXX)	983.8	0.01	NY AMT TF (422/FSNXX)	664.2	0.03
US Gov't Reser (50/FGRXX)	3339.2	0.01	AZ MM (433/FSAXX)	348.9	0.01	PA MM (401/FPTXX)	677.7	0.01
CA MM (97/FCFXX)	4809.2	0.01	CA AMT TF (457/FSPXX)	749.3	0.05	Municipal MM (10/FTEXX)	22669.5	0.01