

Jack  
Bowers



# Fidelity

Best Performing  
Fidelity Newsletter

20  
Years

JULY  
2009

# Monitor™

## Sweet Spot On The Efficient Frontier

These days, investors are splitting into two camps. Those who are risk-averse are keeping most of their holdings in cash, and settling for near-zero returns. Those who are willing to accept risk are mainly in stocks – in most cases because they never got out of them. Neither group is very interested in a middle-of-the-road approach. The risk-averse group prefers to keep risk at near-zero levels to avoid any chance of additional losses. And those who are mainly in stocks don't want to reduce risk because it might mean settling for something less than full recovery if the market comes roaring back.

This month's story is about the ignored middle ground – a place where the rewards are high for the amount of risk you are taking. We call it the Sweet Spot on the Efficient Frontier – an investment zone

SWEET SPOT - *Continued on page 2*

## Portfolio Changes for Income, Growth, Unique Opportunities

On Monday, 7/13, we'll make changes in the following portfolios:

Our Income Model will sell the shares of **Gov't Income** (54/FGOVX) and place the proceeds in **Focused High Income** (1366/FHIFX). Fear of inflation is keeping volatility high in government bonds, but the high-yield sector still has room to recover and may actually benefit from rising prices.

Our Growth Model will sell **Blue Chip Growth** (312/FBGRX) and buy **OTC Portfolio** (93/FOCPX). This move will boost the portfolio's technology position from 23% to about 30%, mostly by reducing holdings of energy and consumer staples. Corporate tech spending is showing signs of picking up, and consumers still seem willing to open their wallets for mobile devices. Most technology firms have robust business models and large cash positions, and their opportunity for export growth is significant.

Our Unique Opportunities Model will sell **Blue Chip Growth** (312/FBGRX) and buy **Small Cap Value** (1389/FCPVX). Stocks in the small-cap value corner of the stylebox are cheap, and should benefit as a steep yield curve helps the U.S. economy recover faster than the global economy.

## Review & Recommendations

Inflation fears faded amid evidence that the global economy may be softer than previously thought. However, the resulting selloff in commodities, along with continuing evidence of a firming U.S. economy, was good enough to give non-commodity growth stocks a boost. The S&P 500 gained 0.2% for the month of June.

### GROWTH FUNDS

Our Growth Model holdings are listed on page 7. If you prefer to pick your own funds, our current favorites are **Low-Priced**, **OTC Portfolio**, **Dividend Growth**, **New Millennium**, and **Small Cap Value**.

Funds that emphasize technology and smaller stocks led the pack. **OTC Portfolio** gained 2.9%, **Small Cap Value** was up 2.4%, and **Small Cap Stock** rose 2.2%. Trailing behind, **Value** declined 2.3%, **Independence** slid 2.6%, and **Capital Appreciation** was down 3.2%.

### INTERNATIONAL FUNDS

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

Improving auto sales gave a big lift to **Japan Smaller Companies**, which jumped 8.9%. **Japan** also did well with a 3.5% increase. On the flip side, commodity-oriented funds and commodity-producing regions slipped to the bottom. **Global Commodity Stock** lost 6.6%, and **Canada** was down 6.7%.

### GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed on page 7. If you prefer to hold a single fund instead of following the portfolio, consider **Puritan** or **Balanced**.

**Telecom & Utilities** gained 3.4% as investors wagered that climate change legislation would boost revenue for power generators as they pass along new costs. **Convertible Securities** and **Real Estate Income** also did well; their respective gains were 2.2% and 2.6%. Trailing behind, **Real Estate** was down 3.2% on worries that the commercial real estate bust will get worse before it gets better.

### INCOME FUNDS

Our Income Model holdings are listed on page 7. For a more aggressive approach, or if you are stepping

RECOMMENDATIONS - *Continued on page 8*

that stretches from 25% to 80% of the S&P 500's volatility. Here you can find investment vehicles that take on enough risk to beat inflation, but not so much that they get hit hard in tough times. Investments like these rarely disappoint over time, and they often perform surprisingly well for their risk level.

Our Growth and Income Model is a case in point. Over the last 15 years, it has returned 7.0% annually, versus 6.5% for the S&P 500. Overall risk has been about two-thirds as great as the index. The portfolio's slow and steady approach may not seem very exciting, but it's actually the most reliable way to build substantial wealth over the long run.

When you get right down to it, there's nothing magic about funds that bridge the risk-gap between stocks and bonds. They just happen to have basic math on their side. Just like dollar cost averaging, these investment vehicles benefit from conservative compounding, rebalancing, and reduced loss exposure. Long term, they perform well for a number of reasons:

- **Asset class blending.** Funds that combine stocks and bonds represent the core of "sweet spot" investing. By replacing 35-40% of a stock portfolio with bonds, and rebalancing periodically, the result is sharply reduced volatility with only a modest reduction in long-term performance. **Puritan** is the gold standard for this strategy; its 62-year lifetime return is 10.7% per year, which is on par with the S&P 500 over the same period.

- **Role reversal.** Normally, bond funds focus mainly on income, and stock funds focus on capital appreciation. In the sweet spot, you'll find bond

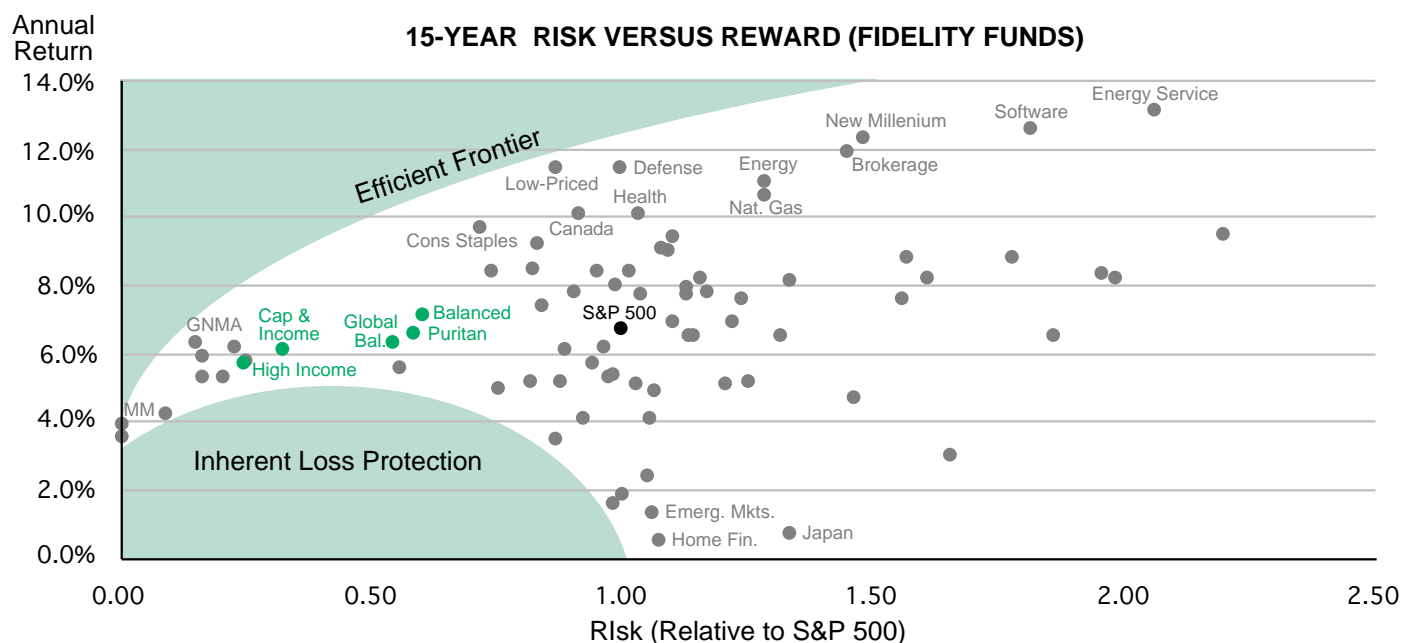
managers that seek capital appreciation, and stock managers that seek income.

- **Less pressure to outperform.** These funds are not trying to beat the S&P 500. They have their benchmarks, of course, but the shareholders are mainly interested in staying ahead of inflation. There's less pressure to take stupid risks.

- **Recovering from losses is easier.** In 2008, most sweet spot funds lost between 20-32%, which means they can recoup with gains of 25-47%. With help from the income stream, it shouldn't take more than three years for most to get there. In contrast, stock funds lost 40-55% last year. To recover they need gains of 67-122%. Given the continuing pressure on corporate earnings, many stock funds could still be underwater five years from now.

- **Portfolios are more diversified, and managers are more disciplined.** As a result, these funds are less impacted by the performance of any specific security. And manager skills are not as critical in the sweet spot. With most stock funds, the difference in performance between a weak manager and a "rock star" would be huge. But in this universe, the gap would be narrowed substantially, because the methodology itself is the most important thing.

The chart below shows our favorite sweet spot funds in green. Relative to an approximation of the efficient frontier (the upper green), these funds don't look so hot. But consider their performance relative to the S&P 500, and check out where they are on the risk spectrum. Over the last 15 years, all of them generated returns on par with the S&P 500, yet they did so with substantially less volatility.



Fidelity Monitor is published by Independent Fidelity Investors, Inc., P.O. Box 1270, Rocklin, CA 95677. Web site: [www.fidelitymonitor.com](http://www.fidelitymonitor.com) For information/service, call (800) 397-3094, email [fidmonserv@aol.com](mailto:fidmonserv@aol.com) or visit the web site. Subscription rate: \$139 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) 2009.

They're also at the top of a zone of inherent loss protection, represented by the lower green. This curve, which illustrates how conservative investments with lower volatility levels protect against the possibility of being in the wrong place at the wrong time.

With today's powerful deflationary forces squaring off against heavy-handed reflationary moves, the zone of inherent loss protection is getting steeper at both ends. But funds in the sweet spot won't see much of a problem. If deflation dominates (like in Japan), the income component of these investment vehicles will climb in value. On the other hand, if inflation gets out of hand, the capital appreciation side will realize a benefit. Either way, these funds should come through it all just fine.

The easiest way to benefit from sweet spot investing is to follow our Growth and Income Model. But it's hard to go wrong with any of the following funds if you hold them for five years or more. Here are our thoughts on each:

#### BALANCED

A heavy bet on energy and financials caused this fund to lose more than it should have in 2008. After a successful repositioning under Fidelity's multi-manager group, the fund is back on track. The multi-manager approach splits up the fund's stock holdings by major industry group, allowing each manager to invest as the Select managers do. The approach is ideal for a fund like this, because it combines the advantage of good stockpicking with the discipline of keeping industry weightings close to the S&P 500's mix.

The bond side of this fund is plain vanilla. It's split about 50/50 between government-backed debt and investment-grade corporate debt. Only 5% of bond holdings (2% overall) are high yield.

The fund's asset allocation is very close to 60/40 (stock/bond). Over the last year, better diversification on the stock side has brought overall risk down to **Puritan's** level.

Although **Balanced** is no longer a top performer in its class, its 10-year record is just below the 90th percentile, and the multi-manager approach should be a long-term winner. As such, we think the fund is an attractive core holding for conservative portfolios.

#### CAPITAL & INCOME

Fidelity's most aggressive high yield bond fund normally puts 10-15% in the stocks of companies that issue high-yield bonds, but **Capital & Income** has cut back on leveraged stocks in the current

environment. That's because junk bonds are more attractive – thanks to a robust income stream.

With a 30-day yield of 10%, shareholders are being paid handsomely to wait for a longer-term recovery. Because most high-yield bonds are selling at a steep discount, and because the credit markets are healing faster than corporate earnings, high-yield bonds may be the most attractive asset class near term.

However, bankruptcy risk is still a major concern for low-grade issuers. Fidelity analysts do a good job steering clear of the basket cases, but with 25% invested in bonds rated CCC and below, they may still get caught on a few. For now, it probably makes more sense to go with lower risk **High Income**, then step up to **Capital & Income** later in the recovery cycle. Note: **Capital & Income** carries a 90-day redemption fee of 1%.

#### GLOBAL BALANCED

This fund is the most conservative of Fidelity's stock/bond hybrids. Its stock weighting, currently 47%, is lower than **Balanced** or **Puritan**. And because its stock holdings are split evenly between the U.S. and foreign markets, it benefits somewhat from global diversification – thanks mainly to the unique behavior of the Japanese market.

On the income side, some 90% of the fund's bond holdings are foreign. There's very little exposure to U.S. government debt, which makes the fund a good bet for anyone looking to hedge against a sharp decline in the dollar (unlike **Gold** and other risky commodity bets, you won't lose your shirt in **Global Balanced** if a dollar panic never materializes).

We aren't using this fund in our model portfolios at the present time because we see U.S. stocks recovering ahead of foreign stocks. But if you want foreign diversification in a conservative portfolio, **Global Balanced** is a solid bet. Note: the fund carries a 30-day redemption fee of 1%.

#### HIGH INCOME

Fidelity's mainstream high-yield bond fund is well-diversified, and is currently steering clear of problem industry groups. The fund is high enough on the credit ladder that defaults are not a major concern, and it has a 30-day yield exceeding 9%.

**High Income** has mostly recovered its 2008 loss, and still has good odds for earning double-digit returns over the next 12 months. The yield spread between treasuries and junk-bonds is still quite wide, which makes it possible to win twice: you get "paid to wait" with a robust income stream, and you may

SWEET SPOT - *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 ↓.

JUNE 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
<b>GROWTH FUNDS:</b>												
130/30 Large Cap (2063/FOTTX)	S**	0.90	none	5.60	69.0	-12.9	-2.1	1.6	-45.3			
Aggressive Gth (324/FDEGX)	H***	0.96	1.5(90)	13.04	1684.4	11.9	-1.1	14.1	-33.5	-8.9	-4.0	-8.8
Blue Chip Gth (312/FBGRX)	H***	0.93	none	29.16	9065.4	10.8	-0.7	16.7	-24.3	-6.2	-2.9	-3.4
Blue Chip Value (1271/FBCVX)	H***	1.19	none	8.15	309.0	3.2	-0.9	19.5	-32.9	-12.7	-3.7	
Capital Apprec (307/FDCAX)	H***	1.01	none	16.81	4522.8	6.9	-3.2	16.2	-29.7	-9.9	-2.6	0.2
Contrafund (22/FCNTX)	B****	0.81	none	47.81	47193.2	5.7	0.0	12.9	-27.7	-5.1	2.2	2.3
Growth Discovery (339/FDSVX)	H***	0.95	none	9.04	816.0	5.0	-1.7	13.4	-37.7	-7.4	-1.8	-0.4
Disc Equity (315/FDEQX)	H***	0.95	none	17.57	9359.5	0.9	-0.1	13.6	-31.8	-9.5	-1.7	-1.0
Dividend Gth (330/DFGFX)	B****	1.16	none	18.50	6018.6	17.2	-0.8	28.0	-23.3	-8.5	-3.6	-1.3
Export Fund (332/FEXPX)	H***	0.95	0.75(30)	15.83	2394.9	9.9	-1.6	15.3	-30.9	-8.5	-0.6	3.4
Fidelity Fifty (500/FFTYX)	H***	0.98	none	12.59	700.7	14.2	-0.8	21.3	-36.4	-11.2	-3.1	0.1
Focused Stock (333/FTQGX)	H***	0.89	none	9.22	161.7	4.4	-0.3	16.1	-28.7	-6.4	2.2	-1.4
Growth Company (25/FDGRX)	B****	0.99	Closed	55.29	23610.3	12.9	0.9	15.9	-29.4	-4.5	1.1	1.0
Independence (73/FDFFX)	H***	1.21	none	15.45	3473.7	8.3	-2.6	19.0	-47.2	-7.9	-0.6	0.0
Lg Cap Core En Idx (1827/FLCEX)	H***	0.97	none	6.49	977.0	1.8	0.6	14.9	-26.2			
Lg Cap Gth En Idx (1829/FLGEX)	H***	0.91	none	6.99	32.4	9.6	1.0	15.4	-23.7			
Large Cap Growth (763/FSLGX)	H***	0.96	none	6.81	102.5	3.5	0.1	14.5	-26.9	-11.0	-3.3	
Large-Cap Stock (338/FLCSX)	H***	1.19	none	11.79	655.2	18.1	0.2	25.6	-24.8	-7.9	-2.4	-3.2
Lg Cap Val En Idx (1828/FLVEX)	H***	1.06	none	5.63	68.8	-4.4	-0.7	14.6	-29.4			
Large Cap Value (708/FSLVX)	H***	1.07	none	8.06	968.5	-5.6	-1.2	15.0	-33.9	-13.1	-3.1	
Lev Co Stock (122/FLVCX)	H***	1.34	1.5(90)	17.53	3373.1	21.4	-1.6	38.1	-48.5	-11.2	0.7	
Low-Priced Stock (316/FLPSX)	B****	0.88	1.5(90)	25.90	20202.6	12.0	-0.1	21.6	-22.0	-6.1	1.5	8.4
Magellan (21/FMAGX)	H***	1.11	none	53.06	20635.4	15.9	-1.4	19.1	-33.5	-9.8	-3.5	-3.3
Mid Cap Growth (793/FSMGX)	H***	1.05	0.75(30)	7.66	173.9	12.8	-0.4	17.1	-36.8	-15.1	-4.6	
Mid Cap Stock (337/FMCSX)	H***↓	1.04	0.75(30)	17.85	5159.7	14.3	-0.8	20.8	-36.2	-11.1	-1.0	2.8
Mid Cap Value (762/FSMVX)	H***	1.13	0.75(30)	9.75	420.4	2.5	-0.8	20.4	-32.3	-12.3	-1.3	
New Millennium (300/FMILX)	B****	0.99	none	19.71	1301.6	11.7	-0.2	20.9	-22.4	-6.4	0.5	2.5
OTC Portfolio (93/FOCPX)	B****	1.06	none	36.25	4079.0	28.6	2.9	24.5	-20.5	-0.1	1.7	-0.5
Small Cap Gth (1388/FCPGX)	H***	1.02	1.5(90)	10.04	979.3	15.5	1.4	23.9	-28.5	-7.4		
Small Cap Indep (336/FDSCX)	H***	1.12	1.5(90)	11.29	1268.6	7.2	-0.6	24.5	-34.1	-12.7	-3.1	1.7
Small Cap Stock (340/FSLCX)	H***	1.14	2(90)	11.99	2602.8	22.3	2.2	28.1	-21.5	-7.3	-0.4	6.4
Small Cap Value (1389/FCPVX)	B****↑	1.20	1.5(90)	10.25	1142.3	10.0	2.4	25.3	-8.6	-5.9		
Stock Selector (320/FDSSX)	B****	1.01	none	18.00	522.9	6.0	0.2	15.2	-29.9	-8.5	-1.9	-1.7
Tax Mgd Stock (343/FTXMX)	H***	0.95	none	9.01	84.2	-1.2	-0.7	11.5	-38.1	-11.6	-2.3	
Trend (5/FTRNX)	B****	0.95	none	44.56	608.3	14.0	1.1	18.4	-27.8	-5.8	-0.4	-0.2
Value (39/FDVLX)	H***	1.21	none	43.30	6797.2	8.6	-2.3	26.9	-34.5	-12.9	-2.7	2.2
Value Discovery (832/FVDFX)	H***	1.12	none	10.44	607.2	2.6	-1.2	18.4	-30.5	-10.9	-0.5	
Value Strategies (14/FSLSX)	H***	1.28	none	16.66	168.6	19.9	-0.2	34.6	-31.4	-11.5	-4.3	2.7
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.63	none	14.16	16433.3	8.6	0.1	13.6	-20.2	-4.2	1.6	3.3
Convertible Sec (308/FCV SX)	H***	0.86	none	17.90	1784.2	30.3	2.2	32.1	-34.3	-5.2	0.7	4.8
Equity-Income (23/FEQIX)	H***	1.14	none	31.97	16260.6	4.5	-0.7	20.6	-28.7	-11.0	-3.4	-0.9
Equity-Income II (319/FEQTX)	H***	1.11	none	13.44	4725.5	1.7	-0.8	19.0	-28.6	-11.0	-3.8	-1.1
Fidelity Fund (3/FFIDX)	B****	0.96	none	23.95	4457.6	5.8	-0.8	16.1	-29.7	-6.5	-1.1	-1.6
Growth & Income (27/FGRIX)	H***	1.19	none	13.37	5683.9	1.8	0.1	15.6	-38.0	-18.0	-9.3	-5.6
Mega Cap Stock (361/FGRTX)	H***	1.00	none	7.23	316.1	4.0	0.3	18.5	-25.8	-8.0	-2.1	-2.1
Puritan (4/FPURX)	B****	0.62	none	13.96	14912.3	7.7	0.7	12.8	-17.3	-3.4	0.7	2.3
Real Estate Income (833/FRIFX)	H***	0.39	0.75(90)	7.84	392.9	20.4	2.6	20.5	-12.0	-5.7	-0.1	
Real Estate (303/FRESX)	H***	2.07	0.75(90)	13.27	1878.7	-13.7	-3.2	33.0	-45.8	-20.8	-4.1	5.0
Strategic Div & Inc (1329/FSDIX)	H***	0.98	none	7.61	375.3	7.7	0.4	22.8	-30.7	-10.6	-2.0	
Telecom & Utilities (311/FIUIX)	H***	0.88	none	12.64	699.2	-2.6	3.4	7.9	-29.5	-5.8	3.8	-2.1
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.37	0.75(30)	21.57	41.7	-17.2	-1.9	18.7	-17.8	-16.5	-2.9	1.3
Automotive (502/FSAVX)	H***↑	1.51	0.75(30)	22.17	42.3	56.5	10.2	81.4	-19.7	-11.8	-6.0	-1.0
Banking (507/FSRBX)	B****	2.00	0.75(30)	12.60	296.7	-13.5	-2.6	29.8	-23.8	-22.4	-11.7	-3.8
Biotechnology (42/FBIOX)	H***↓	0.78	0.75(30)	60.43	1061.9	2.2	6.6	5.0	-7.3	-0.3	0.6	3.8
Brokerage (68/FSLBX)	B****↑	1.51	0.75(30)	40.20	445.3	27.0	1.5	43.0	-16.8	-8.6	3.4	4.8
IT Ser / Bus Ser (353/FBSOX)	H***↓	0.95	0.75(30)	12.99	66.4	15.9	1.5	14.1	-20.3	-2.3	3.1	3.0
Chemicals (69/FSCHX)	H***	1.20	0.75(30)	56.97	340.8	23.5	-4.7	17.1	-34.5	0.1	5.6	7.6
Computers (7/FDCPX)	B****	0.93	0.75(30)	33.07	335.0	32.9	5.9	23.2	-18.8	-1.0	-1.1	-4.1
Const & Housing (511/FSHOX)	B****	1.40	0.75(30)	23.78	91.5	-0.3	-0.6	14.7	-20.0	-11.4	-2.2	4.3
Consumer Disc (517/FSCPX)	H***	1.04	0.75(30)	14.90	41.9	9.2	-0.5	13.4	-16.0	-10.2	-3.6	-2.5
Industrial / Cyc Ind (515/FCYIX)	H***	1.07	0.75(30)	13.79	150.6	5.2	-0.1	23.6	-30.4	-8.1	1.7	3.9
Defense & Aero (67/FSDAX)	H***	0.96	0.75(30)	49.16	535.2	0.5	-2.2	20.6	-23.4	-7.2	2.1	5.9
Com Equip / DevC (518/FSDCX)	B****	1.02	0.75(30)	16.95	261.1	47.1	4.5	38.3	-15.0	-5.0	-1.4	-4.1
Electronics (8/FSELX)	B****	1.10	0.75(30)	30.30	801.6	34.1	2.8	23.9	-20.2	-9.8	-5.2	-3.7
Energy (60/FSENX)	H***	1.72	0.75(30)	34.78	1981.4	15.6	-10.3	22.3	-54.3	-8.6	9.4	8.4
Energy Service (43/FSESX)	S**	1.72	0.75(30)	46.55	1203.4	29.6	-8.7	31.4	-60.4	-11.2	7.8	9.1
Environmental (516/FSLEX)	H***	0.95	0.75(30)	13.50	43.8	0.8	3.8	22.4	-22.5	-7.3	-0.4	-1.0
Financial Services (66/FIDSX)	H***↑	1.62	0.75(30)	49.56	413.3	6.7	-1.6	37.5	-24.9	-19.2	-8.7	-2.3
Con Stap / Food Ag (9/FDFAX)	H***	0.68	0.75(30)	52.31	702.6	2.7	1.5	14.5	-11.6	2.8	6.1	5.5
Gold (41/FSAGX)	S**	1.60	0.75(30)	35.87	2647.2	13.6	-11.6	5.2	-17.6	7.1	18.2	16.2
Health Care (63/FSPHX)	H***	0.73	0.75(30)	88.80	1324.4	9.9	3.8	11.4	-13.8	-3.0	1.1	1.9
Home Finance (98/FSVLX)	S**	1.49	0.75(30)	9.14	59.5	-16.5	-1.3	5.2	-48.6	-38.4	-24.5	-8.0
Indust Equip (510/FSCGX)	H***	1.12	0.75(30)	19.27	88.1	4.6	-1.8	24.9	-36.2	-10.2	-1.5	0.0
Materials / Ind Mat (509/FSDPX)	H***	1.27	0.75(30)	39.37	247.9	29.5	-4.7	25.4	-35.5	-2.6	6.9	7.7
Insurance (45/FSPCX)	S**	1.45	0.75(30)	31.59	99.1	-3.5	-0.4	17.2	-26.9	-17.7	-8.2	0.9
Leisure (62/FDLSX)	B****	0.94	0.75(30)	56.84	201.6	5.7	-1.3	12.6	-6.6	-4.9	1.1	0.6
Medical Delivery (505/FSHCX)	H***	0.98	0.75(30)	33.00	295.7	14.2	1.4	26.2	-14.2	-7.3	3.8	8.1
Medical Equip/Sys (354/FSMEX)	H***	0.74	0.75(30)	20.97	1059.0	13.7	5.0	13.5	-12.8	4.4	3.6	10.2
Multimedia (503/FBMPX)	H***	1.14	0.75(30)	25.15	37.1	13.4	1.5	26.7	-21.2	-10.7	-3.9	-1.1
Natural Gas (513/FSNGX)	H***	1.84	0.75(30)	25.51	1031.7	26.5	-9.9	26.5	-54.6	-9.2	7.3	9.7
Nat Resources (514/FNARX)	H***	1.66	0.75(30)	22.35	1372.5	18.7	-10.1	22.5	-51.2	-5.2	11.0	9.7
Pharmaceuticals (580/FPHAX)	H***	0.69	0.75(30)	8.98	151.7	2.4	2.5	6.8	-8.2	-1.2	2.3	
Retailing (46/FSRPX)	B****	1.07	0.75(30)	34.86	159.4	21.8	-0.2	10.5	-2.4	-4.6	1.2	0.1
Software (28/FSCSX)	H***	0.96	0.75(30)	57.79	643.6	23.0	4.8	19.4	-18.2	2.1	3.5	4.0
Technology (64/FSPTX)	H***	1.06	0.75(30)	55.81	1252.1	40.7	4.1	32.4	-18.3	-2.8	-1.3	-3.1
Telecom (96/FSTCX)	H***	1.16	0.75(30)	34.49	290.5	29.6	0.8	18.7	-13.5	-5.0	2.0	-5.0
Transportation (512/FSREFX)	H***	1.07	0.75(30)	29.39	88.5	-8.7	2.2	16.0	-28.6	-14.0	-0.6	3.4
Utilities (65/FSUTX)	S**	0.90	0.75(30)	39.60	304.0	-1.1	4.7	12.1	-34.6	-4.3	4.8	-1

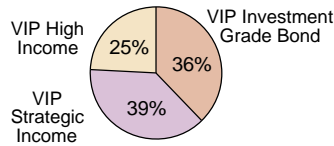
JUNE PERFORMANCE						30-day	2009	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
<b>INTERNATIONAL FUNDS:</b>												
Canada (309/FICDX)	H***	1.11	1.5(90)	40.80	3013.0		16.4	-6.7	25.0	-35.6	-0.7	10.0
China Region (352/FHKCX)	H***	1.11	1.5(90)	23.06	1321.5		35.6	-1.2	35.4	-11.5	9.2	13.6
Diversified Int'l (325/FDIVX)	H***	1.01	1(30)	23.30	27672.4		8.3	-1.9	22.8	-34.3	-8.0	2.5
Emerging EMEA (2053/FEMEX)	H***	1.09	1.5(90)	6.56	70.6		37.5	-1.9	34.4	-28.9		
Emerging Mkts (322/FEMKX)	H***	1.20	1.5(90)	17.15	2620.9		32.0	-1.2	36.3	-41.1	-2.6	13.0
Europe (301/FIEUX)	S**	1.02	1(30)	24.35	2582.3		6.9	-2.5	23.4	-34.3	-7.3	4.9
Europe Cap Appr (341/FECAX)	S**	1.05	1(30)	14.64	476.0		7.1	-2.5	23.5	-34.7	-7.8	3.4
Global Balanced (334/FGBLX)	B****	0.49	1(30)	17.53	358.9		5.2	0.0	14.8	-17.0	0.0	4.6
Glob Commodity Stk (2120/FFGCX)	H***	1.6 Est	1(30)	11.64	32.8			-6.6				
Int'l Capital Apprec. (335/FIVFX)	H***	1.23	1(30)	9.22	278.7		24.1	-2.5	36.0	-31.8	-10.2	-0.8
Int'l Discovery (305/FIGRX)	H***	0.98	1(30)	24.98	6882.4		5.7	-1.7	22.3	-33.3	-6.9	3.2
Int'l Enhanced Index (2010/FIENX)	H***	1.04	1(30)	5.82	16.8		2.8	-1.4	24.1	-34.3		
Int'l Growth (1979/FIGFX)	H***	0.94	1(30)	5.95	14.5		7.4	-0.7	20.7	-30.9		
Int'l Real Estate (1368/FIREX)	S**	1.12	1.5(90)	7.57	284.4		14.2	1.2	35.2	-30.3	-12.8	
Int'l Small Cap (818/FISMX)	H***	0.72	Closed	14.99	563.3		21.4	2.3	35.2	-30.6	-7.9	4.7
Int'l Small Cap Opp (1504/FSCOX)	H***	1.07	2(90)	6.75	279.2		12.7	0.7	24.5	-46.8	-18.2	
Int'l Value (1597/FIVLX)	H***	1.19	1(30)	6.61	156.2		10.9	-1.6	29.4	-33.4	-9.6	
Japan (350/FJPNX)	H***	0.99	1.5(90)	10.00	976.0		12.1	3.5	26.6	-24.0	-11.5	-1.5
Japan Smaller Co (360/FJSCX)	H***	0.73	Closed	8.09	334.4		12.8	8.9	41.2	-16.3	-16.1	-7.1
Latin America (349/FLATX)	H***	1.53	1.5(90)	38.63	3176.2		39.9	-2.1	36.9	-41.1	5.1	23.6
Nordic (342/FNORX)	H***	1.24	1.5(90)	21.51	293.2		14.5	-3.2	31.0	-43.4	-9.5	3.9
Overseas (94/FOSFX)	H***	1.03	1(30)	26.52	5924.6		5.7	-1.9	24.0	-35.0	-8.4	1.9
Pacific Basin (302/FPBFX)	H***	0.95	1.5(90)	17.13	490.9		29.0	1.9	40.9	-28.2	-7.0	3.8
Southeast Asia (351/FSEAX)	H***	0.92	1.5(90)	21.72	1685.3		15.1	-0.7	21.1	-27.3	2.8	13.7
Total Int'l Equity (1978/FTIEX)	H***	1.07	1(30)	5.44	23.0		12.2	-0.9	26.5	-33.9		
Worldwide (318/FWWFX)	H***	0.93	1(30)	13.22	906.4		5.0	-1.2	19.4	-32.2	-5.8	1.7
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.85	none	20.73	1595.6		4.6	0.1	15.9	-22.4	-5.9	0.0
NASDAQ Comp (1282/FNCMX)	B****	1.00	0.75(90)	24.34	164.3		16.7	3.4	20.1	-19.3	-4.8	-1.6
Spart Ext Mkt Ixd (398/FSEMX)	B****	1.08	0.75(90)	24.54	193.4		8.9	0.8	20.6	-27.4	-8.3	0.0
Spart Int'l Index (399/FSIIX)	H***	1.04	1(90)	28.11	3836.6		5.4	-1.2	25.4	-30.8	-7.8	2.3
Spart 500 Index (317/FSMKX)	H***	1.00	none	63.61	5639.5		3.2	0.2	16.0	-26.2	-8.3	-2.3
Spart Total Mkt Ixd (397/FSTMX)	H***	1.01	0.5(90)	26.05	4471.1		4.3	0.4	16.8	-26.4	-8.2	-1.6
Asset Mgr 20% (328/FASIX)	H***	0.21	none	11.06	1958.1		8.7	1.0	8.8	-4.2	1.1	3.2
Asset Mgr 30% (1957/FTANX)	H***	0.30	none	8.32	37.0		10.2	1.0	10.9	-7.8		
Asset Mgr 40% (1958/FFANX)	H***	0.40	none	7.98	21.5		10.4	0.9	12.9	-10.5		
Asset Mgr 50% (314/FASMX)	H***	0.51	none	12.12	5374.1		12.5	0.7	15.2	-12.9	-2.4	0.4
Asset Mgr 60% (1959/FSANX)	H***	0.61	none	7.42	28.4		12.4	0.5	16.9	-14.4		
Asset Mgr 70% (321/FASGX)	H***	0.73	none	12.14	1915.9		13.0	0.3	18.4	-19.1	-5.0	-1.2
Asset Mgr 85% (347/FAMRX)	H***	0.88	none	9.62	411.1		13.2	-0.1	20.9	-22.4	-6.2	-0.6
Dynamic Strategies (1960/FDYSX)	H***	0.62	none	7.39	86.6		10.6	-0.5	16.2	-19.7		
Freedom 2000 (370/FFBFX)	H***	0.25	none	10.56	1553.9		5.7	0.7	7.7	-7.2	0.4	1.9
Freedom 2005 (1312/FFVFX)	H***	0.48	none	8.96	870.7		7.4	0.6	12.4	-14.7	-2.2	1.2
Freedom 2010 (371/FFCXX)	H***	0.51	none	11.10	10221.1		7.7	0.5	13.1	-15.4	-2.3	1.1
Freedom 2015 (1313/FFVFX)	H***	0.54	none	9.20	7077.4		8.0	0.4	13.7	-16.6	-2.8	1.3
Freedom 2020 (372/FFDXX)	H***	0.66	none	10.84	16797.9		8.4	0.4	15.6	-20.8	-4.5	0.5
Freedom 2025 (1314/FFTXX)	H***	0.70	none	8.90	6992.1		8.5	0.3	16.3	-22.1	-5.1	0.3
Freedom 2030 (373/FFEX)	H***	0.80	none	10.49	11625.7		7.9	0.2	17.4	-25.3	-6.5	-0.4
Freedom 2035 (1315/FFTHX)	H***	0.83	none	8.64	4418.2		7.9	0.1	17.7	-26.1	-6.9	-0.5
Freedom 2040 (718/FFFFX)	H***	0.85	none	6.01	6525.6		7.9	0.2	18.3	-27.2	-7.3	-0.7
Freedom 2045 (1617/FFFGX)	H***	0.86	none	7.08	1246.8		7.8	0.1	18.5	-27.3		
Freedom 2050 (1618/FFHHX)	H***	0.91	none	6.94	1014.8		7.7	-0.1	19.1	-28.8		
Freedom Income (369/FFFA)	H***	0.22	none	10.01	2356.8		5.8	0.8	7.5	-5.7	0.8	2.1
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	B****	0.31	1(90)	6.89	8081.2	10.08	31.7	4.3	26.7	-9.5	0.6	4.4
Floating Rate (814/FFRHX)	B****	0.17	1(60)	8.91	2003.7	5.02	19.3	2.3	9.6	-1.1	2.1	3.1
Focused High Inc (1366/FHIFX)	B****	0.20	1(90)	8.37	381.7	7.78	17.9	1.5	10.9	-5.0	1.3	
GNMA Portfolio (15/FGMNX)	H***	0.12	none	11.28	6379.1	4.26	3.5	0.1	0.7	8.7	7.5	5.5
Gov't Income (54/FGOVX)	H***	0.13	none	10.72	4788.7	3.35	-0.4	0.2	-0.8	8.1	7.5	5.6
High Income (455/SPHIX)	B****	0.25	1(90)	7.31	5535.9	9.47	25.9	3.1	19.5	-4.6	1.9	4.1
Inflation-Protected (794/FINPX)	S**	0.24	none	10.97	1810.6	1.23	4.7	0.5	0.5	-2.0	4.4	4.0
Intermed Bond (32/FTHRX)	H***	0.12	none	9.68	3739.4	5.24	9.0	1.4	7.0	3.0	3.6	3.2
Intermed Gov't Inc (452/FSTGX)	H***	0.11	none	10.76	1610.8	2.24	-0.6	-0.2	-1.1	6.9	6.9	5.0
Invest Grade Bond (26/FBNDX)	B****	0.14	none	6.66	5427.6	5.53	7.5	1.3	5.8	0.8	2.5	2.8
Mortgage Securities (40/FMSFX)	H***	0.12	none	10.24	891.7	4.96	4.3	0.8	2.6	6.3	3.4	3.2
New Markets Inc (331/FNMIX)	H***	0.38	1(90)	13.59	1892.2	9.11	25.3	3.2	17.8	2.3	6.1	9.3
Short-Term Bond (450/FSHBX)	H***	0.06	none	8.10	5821.1	2.88	3.2	0.6	2.6	0.4	1.4	1.9
Spart Intermed Tr Ixd (1561/FIBIX)	H***	0.22	none	10.53	1105.3	3.18	-5.8	-0.5	-4.7	6.8	8.2	
Spart L-Term Tr Ixd (1562/FLBIX)	H***	0.36	none	10.42	154.3	4.14	-12.4	0.8	-7.1	7.2	8.4	
Spart S-Term Tr Ixd (1560/FSBIX)	H***	0.09	none	10.43	189.0	1.37	-1.1	-0.4	-0.9	5.3	6.2	
Strategic Income (368/FSICX)	B****	0.15	none	9.82	4974.2	6.77	15.8	2.6	13.2	1.9	4.8	5.9
Strategic Real Rtn (1505/FSRRX)	H***	0.33	0.75(60)	7.65	4160.6		11.5	0.9	13.0	-20.0	-3.0	
Total Bond (820/FTBFX)	B****	0.13	none	9.90	9307.1	5.81	10.3	1.6	7.7	3.7	4.5	4.2
Ultra-Short Bond (812/FUSFX)	S**	0.02	0.25(60)	8.11	215.8	0.86	0.3	0.3	0.9	-0.8	-3.4	-0.9
US Bond Index (651/FBIDX)	H***	0.13	none	10.84	9666.9	3.55	2.5	0.5	1.8	5.4	5.6	4.5
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FAZAX)	H***	0.16	0.5(30)	10.89	143.4	4.04	7.7	-0.9	2.8	3.4	3.4	3.6
CA Municipal Inc (91/FCFX)	H***	0.16	0.5(30)	11.30	1462.5	4.56	5.1	-1.6	1.5	-0.3	2.2	3.1
CA Short-Int TF (1534/FCSTX)	H***	0.05	0.5(30)	10.32	434.2	2.51	2.2	-0.5	0.2	5.1	4.5	
CT Municipal Inc (407/FICNX)	H***	0.14	0.5(30)	11.11	528.3	3.55	6.0	-0.8	1.6	4.6	4.3	3.9
Intermediate Muni (36/FLTMX)	B****	0.09	0.5(30)	9.90	3109.6	3.30	4.1	-0.4	1.4	4.4	4.3	4.0
MA Municipal Inc (70/FDMMX)	H***	0.15	0.5(30)	11.39	2086.4	3.89	6.7	-0.7	2.4	3.2	3.6	4.0
MD Municipal Inc (429/SMDMX)	H***	0.15	0.5(30)	10.56	155.2	3.55	8.3	-0.4	3.0	4.0	3.8	3.7
MI Municipal Inc (81/FMHTX)	H***	0.12	0.5(30)	11.54	597.1	3.64	4.2	-0.5	1.6	4.3	4.1	4.0
MN Municipal Inc (82/FIMIX)	H***	0.11	0.5(30)	11.16	432.4	3.16	5.8	-0.6	1.4	5.1	4.2	4.0
Municipal Income (37/FHIGX)	H***	0.16	0.5(30)	11.98	5076.4	4.26	6.5	-0.8	2.4	2.0	3.1	3.8
NJ Municipal Inc (416/FNJHX)	H***	0.14	0.5(30)	11.11	605.0	3.67	6.0	-0.7	1.7	3.2	3.7	4.0
NY Municipal Inc (71/FTFMX)	H***	0.17	0.5(30)	12.41	1543.5	4.04	6.3	-0.5	2.6	3.7	3.9	4.0
OH Municipal Inc (88/FOHFX)	H***	0.14	0.5(30)	11.26	471.3	3.78	5.7	-0.8	1.8	4.0	4.1	4.1
PA Municipal Inc (402/FPXTX)	H***	0.12	0.5(30)	10.51	370.0	3.51	4.9	-0.5	1.5	4.1	4.0	4.0
Short-Int Municipal (404/FSTFX)	B****	0.04	0.5(30)	10.47	2310.9	2.21	2.7	-0.1	0.8	4.9	4.4	3.4
Tax-Free Bond (90/FTABX)	H***	0.15	0.5(30)	10.34	1449.5	4.37	6.7	-0.8	2.5	3.1	3.7	4.2

JUNE 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	0.91	8447.00	-2.0	-0.4	11.9	-23.0	-6.3	-1.7	-0.4
S&P 500	1.00	919.32	3.2	0.2	15.9	-26.2	-8.2	-2.2	-2.2
NASDAQ	1.00	1835.04	17.0	3.5	20.3	-19.1	-4.7	-1.4	-3.2
Russell 2000	1.18	508.28	2.6	1.4	20.6	-25.1	-9.9	-1.7	2.4
Fidelity Monitor Income Model	0.26	79177.74	7.8	1.3	6.8	-8.7	-1.2	1.0	2.6
Fidelity Monitor G&I Model	0.61	136256.48	8.4	0.7	12.9	-24.0	-5.5	0.5	3.7
Fidelity Monitor Growth Model	0.94	128157.99	4.8	-0.4	15.9	-32.6	-10.3	-2.3	1.6
Fidelity Monitor Select System	0.93	267117.98	5.9	3.0	15.1	-35.9	-6.2	0.0	2.3
Fidelity Monitor Unique Opportunities	1.07	85694.24	15.7	0.6	22.8	-36.5	-9.9	0.9	4.5

## VIP CORNER

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

### VIP INCOME MODEL

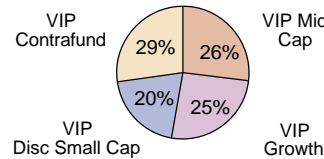


#### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2002: + 7.3%
1994: - 3.8%	2003: + 9.9%
1995: +16.9%	2004: + 5.1%
1996: + 6.9%	2005: + 1.8%
1997: +10.9%	2006: + 6.1%
1998: + 0.4%	2007: + 6.2%
1999: + 0.8%	2008: -18.3%
2000: - 2.4%	
2001: - 3.4%	
	<b>*2009: +11.5%</b>

### VIP GROWTH MODEL

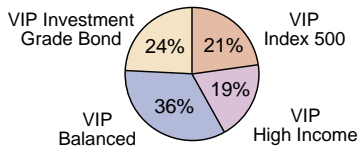


#### PAST PERFORMANCE

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: + 1.6%</b>

### VIP G & I MODEL

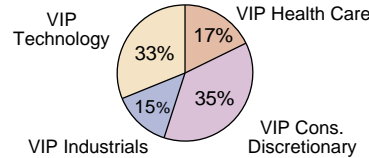


#### PAST PERFORMANCE

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: + 8.6%</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: +14.8%</b>

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

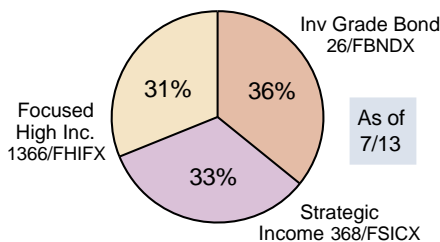
JUNE VIP PERFORMANCE Portfolio	Rating	RR Value	2009 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	7.73	11.6	-1.3	14.0	-33.1	-9.7	
VIP Asset Manager	H ***	30.46	9.1	-0.6	13.1	-24.6	-2.0	0.2
VIP Asset Manager: Growth	H ***	18.35	8.5	-1.3	16.0	-32.2	-4.4	-1.5
VIP Balanced	B ****	13.90	13.5	-0.2	19.6	-20.3	-4.6	-0.4
VIP Consumer Discretionary	B ****	8.08	8.8	-0.6	13.2	-16.0	-10.7	-4.2
VIP Consumer Staples	H ***	8.84	2.1	1.4	14.5	-11.4		
VIP Contrafund	B ****	31.89	8.3	-0.6	18.6	-29.4	-8.3	0.0
VIP Disciplined Small Cap	B ****	6.40	-0.5	1.2	17.3	-27.2	-12.3	
VIP Dynamic Capital Appreciation	H ***	9.92	6.2	-3.2	16.1	-30.9	-10.9	-2.0
VIP Energy	H ***	16.74	15.6	-10.3	22.4	-54.6	-9.3	7.8
VIP Equity-Income	H ***	41.16	4.4	-0.7	20.5	-30.2	-12.0	-4.3
VIP Financial Services	H ***	6.92	7.4	-1.8	37.9	-25.8	-19.6	-9.2
VIP Freedom 2005	H ***	9.89	6.6	-0.1	11.8	-14.8	-2.3	
VIP Freedom 2010	H ***	9.82	7.0	0.0	12.5	-15.5	-2.7	
VIP Freedom 2015	H ***	9.84	7.0	-0.2	13.1	-17.1	-3.2	
VIP Freedom 2020	H ***	9.39	7.8	-0.2	15.6	-21.6	-5.0	
VIP Freedom 2025	H ***	9.29	7.7	-0.4	16.2	-23.1	-5.7	
VIP Freedom 2030	H ***	8.93	7.6	-0.6	17.7	-26.7	-7.2	
VIP Freedom Income	B ***	10.70	5.3	0.5	6.7	-4.6	1.1	
VIP FundsManager 20	B ****	10.24	2.7	0.1	4.5	-4.7	1.1	
VIP FundsManager 50	B ****	9.00	4.6	-0.1	10.0	-14.2	-2.7	
VIP FundsManager 70	B ****	8.10	5.5	-0.2	13.7	-21.4	-5.8	
VIP FundsManager 85	B ****	7.45	5.7	-0.4	16.5	-26.5	-8.2	
VIP Growth	B ****	41.66	4.0	-1.7	12.9	-39.0	-9.9	-5.0
VIP Growth & Income	H ***	13.24	5.4	0.0	15.0	-30.6	-9.1	-3.0
VIP Growth Opportunities	B ****	8.49	15.1	-0.5	16.1	-43.8	-11.7	-5.7
VIP Growth Stock	B ****	8.07	13.8	0.9	18.2	-28.5	-6.8	
VIP Health Care	H ***	10.30	9.9	3.7	11.2	-13.9	-3.8	0.3
VIP High Income	B ****	29.24	22.4	2.7	14.9	-8.4	0.0	2.5
VIP Index 500	H ***	25.65	2.9	0.1	15.7	-26.7	-9.0	-3.1
VIP Industrials	H ***	12.89	5.2	-0.3	23.9	-30.2	-8.2	1.4
VIP Int'l Capital Appreciation	H ***↑	8.17	23.7	-2.6	35.8	-32.3	-10.9	
VIP Investment Grade Bond	B ****	31.35	7.7	1.4	6.0	3.6	3.8	3.1
VIP Materials	H ***	7.70	28.6	-4.8	24.8	-35.7		
VIP Mid Cap	B ****	16.92	14.1	-0.6	19.1	-26.2	-6.2	3.9
VIP Money Market		21.90	0.1	0.0	0.0	1.1	2.9	2.6
VIP Overseas	H ***	27.32	2.8	-2.2	21.9	-35.7	-9.4	0.7
VIP Real Estate	H ***	9.99	-9.5	-2.2	36.5	-44.1	-19.4	-3.0
VIP Strategic Income	B ****	12.76	14.8	2.5	12.5	1.8	4.3	5.1
VIP Technology	B ****	8.74	44.2	4.1	34.4	-15.8	-3.6	-0.9
VIP Telecommunications	B ****	6.50	26.1	1.1	16.7	-15.7		
VIP Utilities	H ***	10.05	-1.0	4.9	12.0	-34.8	-3.7	4.8
VIP Value	H ***	7.01	7.5	-2.4	25.5	-35.4	-13.8	
VIP Value Leaders	H ***	7.24	2.7	-0.8	19.3	-33.3	-13.3	
VIP Value Strategies	H ***	9.10	18.2	-0.2	34.2	-32.6	-12.5	-5.3
Fidelity Monitor VIP Income Model		19181.45	11.5	2.1	10.6	-5.6	0.8	1.9
Fidelity Monitor VIP G&I Model		20327.91	8.6	0.8	14.5	-21.2	-4.1	-0.3
Fidelity Monitor VIP Growth Model		22948.68	1.6	-0.5	17.0	-37.4	-12.9	-4.3
Fidelity Monitor VIP Sector Model		14006.18	14.8	1.7	20.1	-29.7	-6.2	0.9

## INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Invest. Grade Bond	\$6.66	4212.492	\$28075.18
Strategic Income	\$9.82	2676.472	\$26282.96
Focused High Inc.	\$8.37	1955.008	\$16363.42
Gov't Income	\$10.72	788.823	\$8456.18

11% Foreign Holdings  
Balance as of 6/30/09: \$79177.74  
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: + 7.8%**

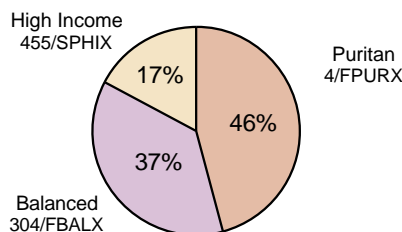
In June our Income Model gained 1.3%. On 6/8 we exchanged half of **Gov't Income** (\$10.54) for **Strategic Income** (\$9.70). On 7/13 we'll sell the rest of **Gov't Income** and buy **Focused High Income**.

## 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	\$13.96	4471.140	\$62417.11
Balanced	\$14.16	3589.148	\$50822.34
High Income	\$7.31	3148.705	\$23017.03

9% Foreign Holdings  
Balance as of 6/30/09: \$136256.48  
Balance at start of 2009: \$125716.09



**PAST PERFORMANCE**  
Starting Balance: \$50,000

1994: - 3.7%	2002: - 6.4%
1995: +21.6%	2003: +33.0%
1996: +15.8%	2004: +11.5%
1997: +18.7%	2005: + 8.2%
1998: +11.1%	2006: +13.7%
1999: +12.2%	2007: + 6.1%
2000: + 2.7%	2008: -33.5%
2001: + 1.3%	

**2009 YTD: + 8.4%**

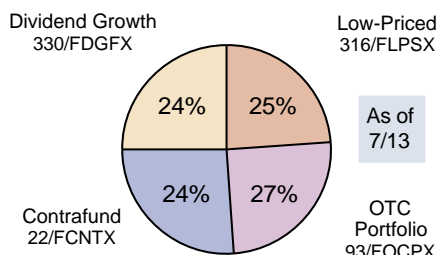
Our Growth and Income Model gained 0.7% in June. On 6/8 we exchanged **Focused High Income** (\$8.40) for **High Income** (\$7.31).

## 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	\$25.90	1222.875	\$31672.46
Blue Chip Growth	\$29.16	1211.201	\$35318.62
Contrafund	\$47.81	646.628	\$30915.28
Dividend Growth	\$18.50	1635.223	\$30251.63

14% Foreign Holdings  
Balance as of 6/30/09: \$128157.99  
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: + 4.8%**

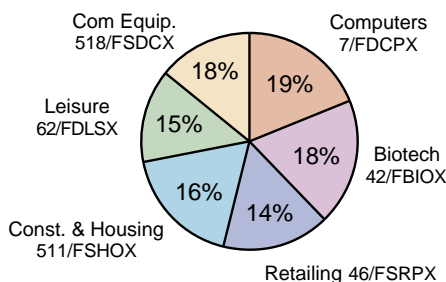
Our Growth Model declined 0.4% in June, compared to a 0.2% gain for the S&P 500. On 7/13 we will sell **Blue Chip Growth** and buy **OTC Portfolio**.

## SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Computers	\$33.07	1560.153	\$51594.26
Biotechnology	\$60.43	785.728	\$47481.54
Retailing	\$34.86	1099.611	\$38332.44
Const. & Housing	\$23.78	1787.121	\$42497.74
Leisure	\$56.84	683.802	\$38867.31
Com. Equipment	\$16.95	2852.194	\$48344.69

5% Foreign Holdings  
Balance as of 6/30/09: \$267117.98  
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: + 5.9%**

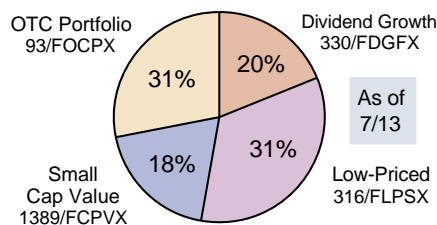
Our Select System gained 3.0% in June, versus a 0.2% increase for the S&P 500. On 6/8 we sold **Transportation** (\$30.27) and bought **Construction & Housing** (\$24.77).

## 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	\$18.50	914.581	\$16919.75
Low-Priced Stock	\$25.90	1034.591	\$26795.91
Blue Chip Growth	\$29.16	528.714	\$15417.30
OTC Portfolio	\$35.25	732.725	\$26561.28

14% Foreign Holdings  
Balance as of 6/30/09: \$85694.24  
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: + 15.7%**

Our Unique Opportunities Model gained 0.6% in June. On 7/13 we will exchange **Blue Chip Growth** for **Small Cap Value**.

realize a significant capital gain as depressed bond values come back to normal levels.

Rising interest rates are not a big concern for high-yield bonds, which are influenced more by credit risk perceptions than anything the Fed does. Inflation can actually help in the high-yield universe, because it allows debt-heavy companies to boost revenue, making it easier to service debt.

Based on standard-deviation, the risk score for **High Income** is around 0.25. However, true risk is probably closer to 0.5. The junk-bond universe has a split personality. During normal times this asset class is relatively tame, but at the onset of a credit crunch liquidity can dry up, causing valuations to behave a lot like the stock market. **High Income** carries a 90-day redemption fee of 1%.

**PURITAN**

With 56% in stocks at the end of March, this fund is positioned a bit more conservatively than usual. Unlike Fidelity's other stock/bond hybrids, **Puritan** is still managed traditionally. Ramin Arani is in charge of stock picking and asset allocation. George Fischer takes care of bond selection.

On the stock side, the fund tilts more toward the growth side of the stylebox than **Balanced**. Tech and health care account for over a third of stock holdings.

About half of bond holdings are government issues – normal for an investment grade portfolio. But on the corporate side, **Puritan** skews into the lower grade issues, where the opportunities are better. About 20% of bond holdings, or 8% of the fund, is invested in the high yield sector.

Overall risk is around 0.6. Although **Puritan** may not rebound as much as **Balanced** in a rising stock market, we like its current positioning. This is a fund that will continue to stand the test of time. ■

**JUNE DISTRIBUTIONS**

<b>Asset Manager 20%</b>	\$ 0.035/\$11.00 (6/5)
<b>Asset Manager 30%</b>	\$ 0.025/ \$8.29 (6/5)
<b>Freedom Income</b>	\$ 0.02 / \$9.98 (6/5)
<b>Large Cap Stock</b>	\$ 0.04 / \$12.18 (6/12)
<b>Real Estate</b>	\$ 0.10 / \$14.40 (6/5)
<b>Real Estate Income</b>	\$ 0.08 / \$7.80 (6/5)
<b>Select Networking/Infra.</b>	\$ 0.01 / \$1.84 (6/16)
<b>Select Paper &amp; Forest</b>	\$ 0.067/\$19.23 (6/16)
<b>Spartan 500 Index (Inv. Class)</b>	\$ 0.51 / \$65.42 (6/12)

Funds scheduled for July include **Asset Manager 20%, 30%, 40%, 50%, Balanced, Convertible Securities, Equity-Income, Equity-Income II, Fidelity Fund, Freedom Income, Growth & Income, Puritan, Strategic Dividend & Income, Strategic Real Return, and Utilities.**

down in risk from a stock-oriented position, consider the high-yield sector with **Strategic Income, Focused High Income, or High Income.**

Despite a mid-month pullback, high-yield funds continued to log gains. **Capital & Income** was up 4.3%, **New Markets Inc.** rose 3.2%, **High Income** increased 3.1%, and **Strategic Income** returned 2.6%.

Municipal bond funds, weighed down by credit concerns, posted declines ranging from 0.1% to 1.6%.

**SELECT PORTFOLIOS**

Our Select System holdings are listed on page 7. The following funds have above-average volatility model scores: **Retailing, Wireless, Communications Equipment, Electronics, Construction & Housing, Leisure, Computers, Banking, and Brokerage.**

**Automotive** climbed 10.2% as improving consumer confidence gave a boost to auto sales. **Biotechnology** and **Computers** benefited from a rally in growth stocks, posting increases of 6.6% and 5.9%, respectively. Commodity sectors lagged. **Natural Gas** slid 9.9%, **Natural Resources** dropped 10.1%, **Energy** lost 10.3%, and **Gold** fell 11.6%. ■

**Happenings**

**Networking & Infrastructure** has been merged into **Communications Equipment, and Paper & Forest** has been merged into **Materials**. Fidelity proposed the mergers several months ago because of a lack of interest in the two funds, and shareholders recently approved them.

We've added coverage for **Global Commodity Stock** in our data pages. The fund now appears in the international listings at the top of page 5.

In a few months we will begin phasing out business reply mail, which means you will have to put a stamp on the envelope when mailing back your renewal to Fidelity Monitor. Oddly enough, we're not doing this to save money. It's because postal delays are becoming problematic. The post office has not modernized business reply processing, and there aren't many clerks left who are willing and able to deal with such a labor-intensive process. These days, when postal personnel go on vacation, our subscription receipts can drop in half for a week or more. For anyone who is unhappy with this change, feel free to subtract 44 cents – the cost of a first-class stamp – from the subscription renewal amount when you write out your check. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	140617.9	0.52	CT MM (418/FCMXX)	1986.5	0.07			
Select MM (85/FSLXX)	8402.3	0.60	MA MM (74/FDMXX)	4988.1	0.04			
Money Market (454/SPRXX)	8789.2	0.61	MI MM (420/FMIXX)	946.7	0.01	MA AMT TF (426/FMSXX)	561.8	0.19
Gov't MM (458/SPAXX)	1129.7	0.24	NJ MM (417/FNJXX)	2430.2	0.03	AMT Tax-Free (460/FIMXX)	2684.4	0.21
US Treas. MM (415/FDLXX)	7974.4	0.01	NY MM (92/FNYXX)	5725.3	0.06	NJ AMT TF (423/FSJXX)	561.9	0.10
Tax-Free MM (275/FMOXX)	6473.2	0.05	OH MM (419/FOMXX)	1107.0	0.18	NY AMT TF (422/FSNXX)	978.5	0.16
US Gov't Reser (50/FGRXX)	4799.1	0.31	AZ MM (433/FSAXX)	389.3	0.09	PA MM (401/FPTXX)	771.5	0.04
CA MM (97/FCFX)	5395.1	0.02	CA AMT TF (457/FSPXX)	1156.9	0.17	Municipal MM (10/FTEXX)	25086.7	0.16