

Jack  
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# Fidelity

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20  
Years

SEPTEMBER  
2008

# Monitor™

## How Bear Markets End

While it's difficult to predict *when* a bear market might end, it's not all that hard to figure out *how* it might end. This month we look at the psychology of bear markets and the opportunity that exists for those who stick with a fully invested strategy.

### BEAR MARKET PERCEPTIONS

Investors don't usually mind some degree of uncertainty, but if the "fog" gets thick enough, many will pull to the side of the "road to wealth" and wait for better visibility. As liquidation activity rises, the downward trend of the market tends to reinforce the prevailing pessimistic views. Convictions in most bear markets tend to be similar:

- The economic situation is dire. Mounting job losses, or wage growth that lags inflation, reaches a high level of concern. The media often focuses on things that have never happened before, creating a perception that the situation is much worse than a routine recession.

- The American way of life is threatened. There's often a strong belief that the economy is losing something it will never gain back. The media's focus on inefficient companies in shrinking industry groups tends to reinforce investors fears.

- We might be entering a depression. Slowdowns can emerge suddenly, and the initial response by consumers and companies is to tighten up and trim

HOW BEAR MARKETS END - *Continued on page 2*

## Unique Opportunities Model To Make Change

On 9/15, Our Unique Opportunities Model will sell **Japan** (350/FJPNX) and purchase **Blue Chip Growth** (312/FBGRX), for a resulting mix of 18% **Magellan**, 20% **Independence**, 19% **Leveraged Company Stock**, 17% **Blue Chip Growth**, and 26% **OTC Portfolio**. With economic growth slowing in both Japan and Europe, domestic growth stocks are now the most compelling opportunity. **Blue Chip Growth** offers a well-rounded mix of large-caps, with emphasis on the technology and consumer groups. Its overall risk, which is similar to the S&P 500 index, is on the low side for a fund in the large-cap growth corner of the stylebox.

## Review & Recommendations

As investors assessed the impact of additional deterioration in the housing market, they concluded that the news is grim for Fannie Mae and Freddie Mac, but not as bad as previously thought for the rest of the economy. A sudden slowdown in Europe and Japan sparked a rebound in the dollar as future interest-rate differentials were reassessed. That had a negative impact on foreign investments which are priced in dollars. Commodity markets were also weakened by the dollar's strength, but oil stocks – which took a heavy hit last month – held up better than most commodity groups. That was due partly to bargain-hunters who took notice of single-digit P/E ratios, although hurricane Gustav also had some impact. For the month, the S&P 500 gained 1.5%.

Fidelity's domestic growth funds, many of which are overweighted in energy and have significant foreign exposure, tended to lag the market in August.

### GROWTH FUNDS

Our Growth Model positions are listed on page 7. If you prefer to pick your own funds rather than follow the portfolio, our favorites include **OTC Portfolio**, **Stock Selector**, **Blue Chip Growth**, **Growth Discovery**, **New Millennium**, **Tax-Managed Stock**, **Magellan**, and **Leveraged Company Stock**.

Small-caps and value stocks benefited from signs that the U.S. economic slump may be bottoming out. **Small Cap Value** gained 5.6%. **Value** and **Value Strategies** both climbed 3.1%. Funds with heavy exposure to energy lagged. **Independence** was off 3.8%, and **Aggressive Growth** lost 4.3%.

### INTERNATIONAL FUNDS

**Canada** offers commodity exposure without the liquidity risk of emerging markets, and **Global Balanced** takes advantage of foreign opportunities while keeping risk at a moderate level.

Funds that were least exposed to the dollar's recent strength held up best. **Canada** was off 2.1%, **Global Balanced** declined 2.2%, and **Worldwide** slipped 2.3%. On the bottom end, emerging country regions that focus on commodities were hurt most. **Emerging EMEA** declined 8.3%, **Latin America** lost 8.7%, and **Emerging Markets** slid 9.2%.

RECOMMENDATIONS - *Continued on page 8*

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unnecessary expenses. Bank failures and declining property values are not uncommon, and can bring up stories of the 1930s.

- Things can only get worse. As the slowdown progresses, it's hard for most investors to visualize any kind of turnaround until it's well established.

- Companies are hurting more than consumers. Bankruptcies, store closures, and layoffs create a perception that corporate America is hurting more than the rest of us.

**BEAR MARKET REALITIES**

Some perceptions are on the mark. But more often than not, reality stands in sharp contrast:

- Unemployment rarely goes above 10% in a recession, because the Fed moves aggressively once it's convinced there's a real problem. This tends to limit the duration of any economic slump.

- It's normal for manufacturing jobs to disappear over time as a result of productivity growth, but during a recession the pundits make it sound like the U.S. is losing something it will never get back. In reality, many high-wage service jobs and high-value manufacturing jobs are still being created, offsetting declines in non-competitive industries. While U.S. living standards can go into reverse for a few years at a time, the U.S. economy is flexible and responsive, and able to adopt new technology quickly. Ultimately new high-margin business models are created, along with the high-wage jobs to go with them.

- Recessions rarely turn into depressions in mature economies. In the early 1930s the U.S. chose to stay on the gold standard, which forced up interest rates and pinched off agricultural exports. On top of that, there was no effective way to deal with bank failures. In contrast, today's monetary policy and free-floating dollar serve as an economic shock absorber, and the Treasury has both the knowledge and power to deal with threats to the financial system.

- It gets very dark before dawn. Typically the biggest wave of bankruptcies and job cuts happen right near the end of a recession, about the time the stock market starts to anticipate a recovery.

- The companies with the biggest layoffs and factory/store closings rarely account for much stock market value to begin with, and they are often worth more after they scale down to a more appropriate size and become profitable. Even when companies are liquidated, the surviving competitors tend to become more profitable, lifting the entire industry group. From a financial perspective, those negative headlines are nothing more than signs of rising productivity and more efficient deployment of capital.

**LOOKING AHEAD**

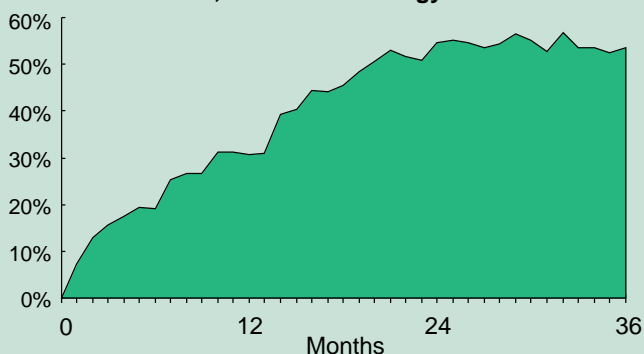
At this stage, most of the bad news is already priced into the stock market, and the selling pressure appears to be winding down. Corporate buybacks are continuing at a robust pace, with some 3-4% of shares outstanding being removed from circulation each year. At some point, the ongoing activity from buybacks is likely to reestablish the market's normal upward direction. Meanwhile, individual investors are sitting on a lot of cash which is not keeping up with inflation, and eventually it will probably find its way into something that can generate better long-term returns. It may already be happening. High yield bonds, which often lead the stock market around the end of a bearish cycle, appear to have stabilized in recent months.

The chart on the left shows the average return of the S&P 500 during the recovery cycles that followed the 1987 Crash, the 1990 Credit Crunch, the 1998 Asian Currency Crisis, and the 2000-2002 Technology Bust. The steepest part of the curve happens during the first year, around the time that most investors have finished liquidating their biggest losers and are sitting on uninvested cash. Caught by surprise, the usual response is to chase the rally by putting cash to work. When multiplied by millions of investors responding in like fashion, valuations recover quickly. When these buying panics break out, it's not hard to miss the first 20-30 percentage points of the rally, which could be half of the market's gains during the three years that follow the bear market.

In his book *One Up On Wall Street*, Peter Lynch wrote an epilogue describing the end of the 1981-82 bear market, which arrived after a decade of poor returns: "Almost overnight everything has changed. People who had reserved their campsites in the woods have rushed back to buy every stock they can get their hands on. They are stumbling all over each other to jump back on the bull. There's a mad rush to invest in all sorts of prosperous enterprises

**AVERAGE POST-BEAR-MARKET RETURN**

'87 Crash, '90 Credit Crunch, '98 Currency Crisis, '00-'02 Technology Bust



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that a week earlier were given up for dead. There's nothing for me to do, except business as usual. I'm fully invested – before and after this extraordinary rebound. I'm always fully invested. It's a great feeling to be caught with your pants up.”

Lynch's point is well-taken. It's hard to know when a bear market will end, and there's really no point in trying. As he drove around the Northeast researching stocks for **Magellan**, Lynch knew the key to success was to find well-managed companies and invest for the long run.

### RECOMMENDATIONS

Low valuations among energy and financial stocks may set the stage for above-average returns over the next year or two, as these groups recover. But looking further out over the next 3-5 years, growth stocks are more likely to be setting the pace. Consumer spending may stay weak, but exports should continue to grow at a healthy clip. Growth companies tend to come out ahead in an environment like that.

The domestic stock market is home to hundreds of quality growth stocks, and there's a good chance the U.S. will pull out of its economic slump while Japan and Europe are still dealing with recessionary forces. Domestic growth stocks trade at premiums only slightly higher than the S&P 500's multiple, a sharp contrast to where they were at the end of 1999. In many cases, growth company earnings have seen very little negative impact over the last year.

If you're sitting on lots of cash, consider putting some of it to work. Over the next three years, the upside potential of Fidelity's growth-oriented funds significantly outweighs the downside risk. Most of the following funds invest in large-caps, and reside on the growth side of the stylebox. We've listed them in descending order of aggressiveness.

• **OTC Portfolio.** This fund has over half its assets in technology stocks, and competes with the NASDAQ index. That may sound high risk, but these days technology stocks are relatively stable, thanks to moderate valuations and steady earnings growth. This fund has very little commodity exposure, making it a nice addition to a portfolio heavy in energy. It's overall risk is 20% more than the S&P.

• **Magellan.** Harry Lange appears to have found his niche. Drawing on his long-time experience with the technology sector, and by embracing foreign markets, Lange has crafted a successful strategy that's given the legendary fund a new lease on life. **Magellan** is now around \$36 billion in total assets, which means more flexibility than it had a decade ago.

• **Trend.** This fund offers a technology-oriented mix of growth stocks with very little exposure to the financial sector. Even though it's in the large-cap growth corner of the stylebox, **Trend** has significant holdings of smaller growth stocks. It currently has a market weighting in the energy sector (14%), and its overall risk is 10% greater than the S&P 500.

• **Growth Company.** Long-time manager Steven Wymer is still doing a great job picking stocks, and this is one of few funds that dedicates over 20% of assets to health care stocks. Unfortunately, it remains closed to new retail accounts.

• **New Millennium.** Recently reopened, this fund has a relatively low concentration in its top 10 holdings, which means greater diversification and less exposure to any one stock. John Roth has been at the helm for about two years, and his ideas seem to be working. **New Millennium** currently holds plenty of mid-cap growth stocks and is pursuing such themes as the growth of organic food products and solar power installations. The fund's overall risk is slightly higher than the S&P 500.

• **Growth Discovery.** This fund has about a quarter of its assets in energy and materials, so it's not the best bet if your portfolio is overweighted in energy. But it performed unusually well in 2007, and continues to be a nice substitute for anyone locked out of **Contrafund**. Overall risk is similar to the S&P 500.

• **Blue Chip Growth.** There are plenty of familiar names in this portfolio, which is currently emphasizing technology and consumer stocks. **Blue Chip Growth** is a good choice if you want to minimize the chances of a negative surprise, but still enjoy the potential upside of owning multinationals that have a solid history of earnings growth. Overall risk is similar to the S&P 500.

• **Stock Selector.** This fund is perhaps the safest way to try and outperform the S&P 500. **Stock Selector** closely matches the index's industry weightings, while trying to add value through individual stock selection. Manager Jim Catudal has a solid record that stretches back about seven years.

• **Contrafund.** Veteran manager Will Danoff has logged nearly 18 years of service, with impressive results. Despite a 28% foreign position and a 30% weighting in energy and materials, **Contrafund** is the least volatile fund in this group – it's currently running with 10% less volatility than the S&P 500. While **Contrafund** is closed to retail investors who don't already own it, **Growth Discovery** holds a similar industry mix and makes a nice alternative. ■

### 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 ↓.

AUGUST PERFORMANCE						2008	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
130/30 Large Cap (2063/FOTTX)	H***	1.3 Est	none	9.72	117.5		-1.4	-10.6				
Aggressive Gth (324/FDEGX)	B****	1.12	1.5(90)	17.85	2688.0	-22.5	-4.3	-14.7	-20.0	1.2	5.5	0.4
Blue Chip Gth (312/FBGRX)	B****	0.98	none	39.62	13354.4	-10.1	1.4	-6.6	-6.6	3.1	4.9	3.0
Blue Chip Value (1271/FBCVX)	H***	1.16	none	12.15	517.8	-16.8	0.0	-12.1	-17.4	1.7	7.3	
Capital Apprec (307/FDCAX)	H***	1.13	none	22.85	7252.3	-14.6	-1.8	-10.0	-15.5	2.4	6.8	8.0
Contrafund (22/FCNTX)	B****	0.88	Closed	63.23	70690.5	-12.6	-0.8	-9.5	-4.9	7.6	11.5	9.2
Growth Discovery (339/FDSVX)	B****	0.98	none	13.55	1669.8	-16.3	-2.8	-11.4	-7.9	8.1	8.2	8.2
Disc Equity (315/FDEQX)	H***	0.94	none	25.31	12479.9	-14.3	-0.5	-9.7	-10.3	4.2	8.4	6.0
Dividend Gth (330/FDGFV)	H***	0.99	none	26.14	9505.8	-11.1	2.9	-6.3	-14.7	2.3	4.3	5.4
Export Fund (332/FEXPX)	H***	1.09	0.75(30)	21.91	3941.0	-14.8	0.3	-10.8	-9.3	4.8	9.4	11.0
Fidelity Fifty (500/FFTYX)	H***	1.12	none	18.28	1196.5	-16.0	-1.6	-12.7	-16.2	4.4	5.7	9.3
Focused Stock (333/FTQGX)	H***	1.12	none	12.63	92.0	-5.0	0.6	-6.9	1.8	6.9	11.9	5.2
Growth Company (25/FDGRX)	B****	1.06	Closed	73.87	34588.1	-11.0	-1.2	-9.5	-4.0	8.5	10.1	8.9
Independence (73/FDFFX)	B****	1.37	none	25.27	7029.5	-8.6	-3.8	-12.6	4.1	12.2	12.1	9.5
Lg Cap Core En Idx (1827/FLCEX)	H***	1.0 Est	none	8.97	1005.9	-11.5	1.0	-7.6	-10.0			
Lg Cap Gth En Idx (1829/FLGEX)	H***	1.0 Est	none	9.26	34.3	-9.9	1.2	-7.1	-8.4			
Large Cap Growth (763/FLSLGX)	H***	0.93	none	9.32	122.9	-13.0	-0.1	-8.0	-11.2	-0.5	5.5	
Large-Cap Stock (338/FLCSX)	H***	1.17	none	15.81	889.4	-18.0	0.6	-11.9	-15.1	3.5	5.6	3.5
Lg Cap Val En Idx (1828/FLVEX)	H***	1.0 Est	none	8.16	29.6	-13.3	1.0	-8.6	-15.1			
Large Cap Value (708/FLVEX)	H***	1.05	none	12.34	1364.3	-14.9	0.2	-9.3	-15.0	2.6	8.7	
Lev Co Stock (122/FLVEX)	B****	1.19	1.5(90)	30.46	8029.1	-5.8	-2.0	-13.4	-3.0	10.3	18.6	
Low-Priced Stock (316/FLPSX)	H***	0.91	Closed	37.57	29042.3	-8.7	1.0	-9.1	-8.9	4.4	10.8	13.6
Magellan (21/FMAGX)	B****	1.10	none	76.86	35653.7	-15.4	-0.1	-12.0	-8.6	4.1	6.1	4.7
Mid Cap Growth (793/FMSGX)	H***	1.15	0.75(30)	11.76	267.0	-13.0	0.9	-10.3	-12.2	-0.1	6.8	
Mid Cap Stock (337/FMCSX)	H***	1.10	Closed	25.81	12143.4	-10.9	-1.5	-11.8	-12.9	5.5	8.8	10.9
Mid Cap Value (762/FSMVX)	S**	1.04	0.75(30)	14.57	665.2	-10.5	1.2	-7.2	-11.5	3.2	10.4	
New Millennium (300/FMILX)	B****	1.02	none	25.60	1856.8	-13.8	0.9	-8.4	-8.5	6.6	7.9	13.0
OTC Portfolio (93/FOCPX)	B****	1.22	none	44.59	6879.2	-14.5	-0.2	-8.9	-7.2	7.7	8.7	7.4
Small Cap Gth (1388/FCPGX)	H***	1.03	1.5(90)	13.66	1216.9	-13.4	2.8	-7.1	-10.6	5.0		
Small Cap Indep (336/FDSCX)	H***	1.07	1.5(90)	16.66	1889.2	-16.3	0.4	-9.3	-17.3	1.5	8.2	7.8
Small Cap Stock (340/FSLCX)	H***	0.98	Closed	15.59	3839.1	-9.3	0.6	-5.4	-10.6	4.2	9.6	13.6
Small Cap Value (1389/FCPVX)	H***↑	1.22	1.5(90)	12.58	1136.4	-7.5	5.6	-2.1	-9.5	3.7		
Stock Selector (320/FDSSX)	B****	0.99	none	25.67	1033.4	-13.0	0.9	-8.8	-9.8	5.1	7.7	5.2
Tax Mgd Stock (343/FTMXM)	B****	0.94	1(730)	14.03	175.6	-12.6	-1.2	-10.4	-9.5	5.0	9.5	
Trend (5/FTRNX)	B****	1.09	none	59.68	851.2	-15.6	-0.6	-10.5	-7.6	5.9	8.2	7.3
Value (39/FDVLX)	H***	1.13	none	67.66	17381.6	-9.8	3.1	-8.3	-14.0	3.6	10.5	10.6
Value Discovery (832/FVDFX)	H***	1.15	none	15.34	1014.1	-14.5	1.5	-9.6	-13.7	4.8	10.5	
Value Strategies (14/FSLSX)	H***	1.17	none	24.75	239.7	-14.0	3.1	-10.6	-16.7	3.3	7.0	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.71	none	17.71	25094.1	-8.7	0.6	-8.0	-7.3	4.9	8.4	8.4
Convertible Sec (308/FCVXS)	B****	0.87	none	25.72	3272.0	-7.2	-2.0	-11.8	-3.8	8.3	9.8	11.5
Equity-Income (23/FEQIX)	H***	1.11	none	45.49	25528.5	-15.2	0.7	-11.1	-18.3	2.3	6.5	5.9
Equity-Income II (319/FEQTX)	H***	1.12	none	19.30	8119.0	-14.5	1.2	-9.4	-15.3	1.5	5.3	5.5
Fidelity Fund (3/FFIDX)	B****	0.97	none	33.34	6881.8	-13.3	0.3	-9.4	-5.5	6.6	8.1	5.3
Growth & Income (27/FGRIX)	H***↑	1.29	none	22.14	12598.7	-18.2	1.2	-10.9	-20.1	-2.1	2.3	2.4
Mega Cap Stock (361/FGRTX)	B****	1.01	none	9.86	632.6	-14.9	0.5	-8.8	-12.3	4.0	5.2	
Puritan (4/FPURX)	B****	0.61	none	17.07	21482.3	-9.0	0.4	-6.2	-7.4	4.4	6.9	6.2
Real Estate Income (833/FRIFX)	S**	0.35	0.75(90)	9.50	393.6	-5.9	0.7	-3.5	-6.7	-0.3	4.3	
Real Estate (303/FRESX)	S**	1.79	0.75(90)	26.49	4808.4	2.2	1.4	-7.3	-10.2	3.6	13.2	13.1
Strategic Div & Inc (1329/FSDIX)	B****	0.96	none	10.99	733.1	-11.1	0.5	-10.4	-12.6	2.7		
Utilities (311/FUIX)	B****	0.90	none	17.14	1046.1	-15.8	-0.7	-12.6	-14.1	6.7	12.3	4.8
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.70	0.75(30)	29.54	41.5	-23.5	6.4	-5.5	-30.6	1.2	6.2	9.0
Automotive (502/FSAVX)	H***	1.61	0.75(30)	28.37	14.7	-24.1	-0.7	-20.0	-29.7	-6.5	0.2	3.7
Banking (507/FSRBX)	S**	2.14	0.75(30)	19.24	265.6	-20.9	1.8	-11.1	-33.7	-9.9	-2.3	2.9
Biotechnology (42/FBIOX)	B****	0.99	0.75(30)	71.65	1410.4	7.5	-3.4	10.0	8.3	6.1	7.2	11.1
Brokerage (68/FLBXX)	H***	1.47	0.75(30)	51.27	605.8	-20.1	1.1	-12.9	-14.0	4.1	9.2	11.2
IT Ser / Bus Ser (353/FBSOX)	H***	1.13	0.75(30)	16.77	63.6	0.4	3.9	-3.1	5.2	11.2	11.4	10.6
Chemicals (69/FSCHX)	B****	1.38	0.75(30)	83.93	571.4	1.6	-2.1	-7.9	9.6	16.3	19.4	14.1
Computers (7/FDCPX)	H***	1.27	0.75(30)	41.12	407.6	-15.0	1.9	-10.1	-10.7	4.9	4.6	5.1
Const & Housing (511/FSHOX)	H***	1.73	0.75(30)	32.49	75.2	-1.4	8.2	-5.8	-12.7	-3.5	8.5	9.5
Consumer Disc (517/FSCPX)	H***↑	1.25	0.75(30)	19.35	22.3	-7.9	6.9	-4.9	-16.4	-0.4	2.9	3.1
Industrial / Cyc Ind (515/FCYIX)	H***	1.10	0.75(30)	20.72	138.0	-6.6	1.5	-7.0	-3.4	10.1	15.1	11.2
Defense & Aero (67/FSDAX)	H***	1.07	0.75(30)	70.07	909.0	-15.6	5.3	-10.2	-13.7	7.1	14.4	13.4
Com Equip / DevC (518/FSDCX)	H***	1.32	0.75(30)	21.02	234.4	-6.4	5.3	-7.4	-9.1	3.6	7.5	6.7
Electronics (8/FSLEX)	H***	1.32	0.75(30)	37.62	1101.7	-17.5	3.6	-12.0	-23.7	-3.4	0.1	7.1
Energy (60/FSENX)	B****	1.66	0.75(30)	60.91	3154.6	-6.9	-1.3	-16.4	10.2	16.9	28.3	19.3
Energy Service (43/FSSESX)	B****	1.69	0.75(30)	96.58	2638.7	-1.0	-3.7	-11.7	9.6	21.5	29.0	23.4
Environmental (516/FSLEX)	H***	0.99	0.75(30)	18.06	49.5	-6.7	0.8	-6.0	1.6	5.1	8.2	4.2
Financial Services (66/FIDSX)	S**	1.79	0.75(30)	70.47	388.5	-26.2	-0.9	-13.9	-32.7	-6.9	0.0	4.2
Con Stap / Food Ag (9/FDFAX)	B****	0.66	0.75(30)	61.61	655.4	-7.4	1.4	-5.7	1.3	11.5	12.8	8.4
Gold (41/FSAGX)	H***	1.79	0.75(30)	33.90	2037.9	-14.7	-12.4	-18.4	9.0	23.3	14.9	20.2
Health Care (63/FSHPX)	B****↑	0.74	0.75(30)	108.00	1771.2	-10.2	2.1	0.1	-5.1	3.1	7.6	6.2
Home Finance (98/FSVLX)	S**	2.44	0.75(30)	18.27	111.3	-35.7	-1.8	-25.4	-51.9	-22.6	-11.2	-0.7
Indust Equip (510/FSFGX)	H***	1.10	0.75(30)	31.30	121.1	-11.4	1.1	-8.6	-5.6	10.1	12.6	8.7
Materials / Ind Mat (509/FSDPX)	B****	1.42	0.75(30)	55.73	392.6	-4.7	-3.7	-12.2	4.3	18.6	19.3	14.4
Insurance (45/FSPCX)	H***	1.42	0.75(30)	45.13	108.4	-28.3	2.6	-11.4	-29.9	-6.0	2.1	7.3
Leisure (62/FDLSX)	H***	1.23	0.75(30)	66.43	175.1	-13.3	4.2	-5.7	-12.5	4.1	7.1	7.4
Medical Delivery (505/FSHCX)	H***	0.90	0.75(30)	41.07	399.8	-21.2	3.3	-3.6	-14.0	-1.0	15.3	10.2
Medical Equip/Sys (354/FSMEX)	B****	0.76	0.75(30)	26.12	1283.1	8.4	3.8	7.2	14.6	10.0	12.8	16.3
Multimedia (503/FBMPX)	H***↑	1.03	0.75(30)	33.21	43.8	-9.4	4.8	-7.5	-16.4	0.1	2.1	6.6
Natural Gas (513/FSNGX)	B****	1.66	0.75(30)	43.29	1980.3	-7.0	-1.6	-20.1	12.5	12.6	26.0	20.3
Nat Resources (514/FNARX)	B****	1.64	0.75(30)	36.97	2621.3	-6.5	-2.0	-15.9	12.3	21.0	28.2	20.2
Networking (912/FNINX)	H***	1.26	0.75(30)	2.10	55.8	-15.3	2.9	-10.3	-20.2	-1.7	-1.4	
Paper & Forest (506/FSFPX)	H***	1.37	0.75(30)	27.86	17.7	-11.1	3.0	-5.0	-13.1	3.3	2.5	6.5
Pharmaceuticals (580/FPHAX)	H***	0.81	0.75(30)	10.39	144.6	-10.0	2.1	0.6	-5.3	6.3	7.4	
Retailing (46/FSRPX)	H***	1.46	0.75(30)	38.78	45.3	-5.2	7.1	-2.1	-14.9	0.8	5.3	5.1
Software (28/FSFCSX)	H***	1.22	0.75(30)	68.44	749.8	-15.7	1.9	-12.0	-1.9	10.8	8.6	12.0
Technology (64/FSPTX)	H***	1.30	0.75(30)	69.06	1423.2	-15.1	5.1	-10.6	-11.6	4.2	4.9	7.7
Telecom (96/FSSTX)	H***	1.24	0.75(30)	41.32	287.1	-20.4	1.8	-9.9	-26.0	4.4	8.5	2.2
Transportation (512/FSRFX)	H***	1.46	0.75(30)	45.08	77.7	1.5	2.0	-2.8	-6.0	7.2	11.2	13.2
Utilities Growth (65/FSUTX)	B****	0.92	0.75(30)	54.40	534.0	-15.4	-3.9	-13.2	-6.2	9.0	14.7	6.0
Wireless (963/FWRLX)	H***	1.33	0.75(30)	7.00	324.7	-19.0	-0.3	-11.1	-18.6	4.8	16.5	

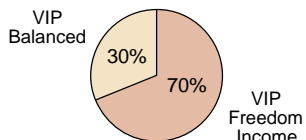
AUGUST PERFORMANCE						30-day	2008	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.96	1 (30)	12.05	378.7		-20.4	-5.0	-18.9	-20.9	2.0	6.9
Canada (309/FICDX)	B****	1.09	1.5(90)	58.64	5085.3		-4.5	-2.1	-11.2	6.0	17.2	22.9
China Region (352/FHKCX)	S**	1.43	1.5(90)	24.19	1268.9		-22.4	-4.8	-17.2	-11.1	16.4	16.7
Diversified Int'l (325/FDIVX)	H***	0.96	Closed	33.07	47744.4		-17.1	-4.2	-15.1	-11.9	8.6	14.4
Emerging EMEA (2053/FEMEX)	H***	1.5 Est	1.5(90)	7.92	58.0			-8.3				
Emerging Mkts (322/FEMKX)	S**	1.20	1.5(90)	24.95	5203.4		-26.3	-9.2	-24.2	-12.4	20.6	24.4
Europe (301/FIEUX)	H***	0.95	1 (30)	33.92	4333.9		-19.5	-5.8	-17.0	-11.7	7.4	17.2
Europe Cap Appr (341/FECAX)	H***	0.96	1 (30)	21.47	881.6		-19.3	-4.2	-15.5	-13.1	9.7	15.7
Global Balanced (334/FGBLX)	B****	0.55	1 (30)	20.82	451.1		-7.3	-2.2	-7.8	-1.3	7.6	11.1
Int'l Discovery (305/FIGRX)	H***	0.93	1 (30)	34.43	11760.6		-20.1	-5.3	-15.9	-13.7	9.1	15.0
Int'l Enhanced Index (2010/FIENX)	H***	1.0 Est	1 (30)	8.32	10.8			-5.0	-15.7			
Int'l Growth (1979/FIGFX)	H***	1.1 Est	1 (30)	7.99	20.3		-16.4	-4.8	-14.7			
Int'l Real Estate (1368/FIREX)	S**	1.19	1.5(90)	10.00	573.3		-25.4	-6.3	-19.6	-28.5	2.2	
Int'l Small Cap (818/FISMX)	H***	0.88	Closed	19.08	1049.4		-17.4	-5.6	-17.3	-15.8		17.4
Int'l Small Cap Opp (1504/FSCOX)	H***	1.16	2 (90)	11.25	750.0		-22.0	-7.2	-20.1	-25.0	5.7	
Int'l Value (1597/FIVLX)	H***	1.04	1 (30)	9.27	300.5		-18.9	-5.1	-17.4	-16.9		
Japan (350/FIPNX)	H***	1.11	1.5(90)	11.86	1501.5		-17.3	-5.9	-19.0	-21.1	0.7	6.7
Japan Smaller Co (360/FJSCX)	H***	0.96	Closed	8.82	561.1		-20.0	-6.5	-15.1	-25.7	-10.3	3.5
Latin America (349/FLATX)	H***	1.66	1.5(90)	55.20	6068.9		-11.0	-8.7	-23.0	5.7	31.6	38.3
Nordic (342/FNORX)	H***	1.20	1.5(90)	36.07	643.1		-20.5	-6.0	-19.3	-15.4	10.9	20.4
Overseas (94/FOSFX)	H***	1.08	1 (30)	37.65	7968.4		-22.2	-4.3	-17.5	-15.4	9.0	13.1
Pacific Basin (302/FPBFX)	H***	1.07	1.5(90)	20.90	758.7		-30.8	-8.1	-22.2	-25.1	7.1	11.6
Southeast Asia (351/FSEAX)	S**	1.29	1.5(90)	27.12	2907.1		-31.6	-6.2	-19.5	-24.6	20.1	20.9
Total Int'l Equity (1978/FTIEX)	H***	1.0 Est	1 (30)	7.65	44.2		-19.0	-5.6	-17.5			
Worldwide (318/FWWFX)	H***	0.99	1 (30)	18.43	1465.7		-13.8	-2.3	-12.2	-7.5	9.4	11.9
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.79	none	27.42	1804.9		-9.7	0.6	-7.6	-8.8	4.6	8.1
NASDAQ Comp (1282/FNCMX)	H***	1.13	0.75(90)	31.50	162.8		-10.3	1.9	-6.0	-8.3	3.9	
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.02	0.75(90)	35.28	2243.9		-6.5	2.0	-6.3	-6.9	5.5	10.6
Spart Int'l Index (399/FSIIX)	H***	0.96	1(90)	39.05	4504.0		-17.3	-4.2	-15.3	-14.8	7.7	13.6
Spart 500 Index (317/FSMKX)	B****	1.00	none	89.22	6968.3		-11.4	1.4	-7.9	-11.2	3.6	6.8
Spart Total Mkt Idx (397/FSTMXX)	H***	0.99	0.5(90)	36.60	4780.4		-10.3	1.6	-7.5	-10.1	4.1	7.8
Asset Mgr 20% (328/FASIX)	B****	0.19	none	11.91	2409.2		-2.7	0.6	-1.9	-1.1	4.0	5.2
Asset Mgr 30% (1957/FTANX)	B****	0.3 Est	none	9.25	33.8		-4.3	0.8	-3.1			
Asset Mgr 40% (1958/FFANX)	B****	0.4 Est	none	9.04	10.5		-6.0	0.6	-4.4			
Asset Mgr 50% (314/FASMXX)	B****	0.49	none	14.16	7004.0		-7.5	0.8	-5.4	-6.0	3.3	4.7
Asset Mgr 60% (1959/FSANX)	B****	0.6 Est	none	8.72	14.3		-9.2	0.6	-6.6			
Asset Mgr 70% (321/FASGX)	B****	0.70	none	15.23	2570.5		-10.4	0.7	-7.6	-9.0	3.1	4.8
Asset Mgr 85% (347/FAMRX)	B****	0.83	none	12.44	497.6		-12.1	0.6	-9.0	-10.9	3.9	7.5
Dynamic Strategies (1960/FDYSSX)	B****	0.5 Est	none	9.11	90.4		-4.6	-0.7	-6.1			
Freedom 2000 (370/FFBXX)	B****	0.23	none	11.80	1743.3		-2.6	0.3	-2.4	-0.8	3.6	4.4
Freedom 2005 (1312/FFFVXX)	B****	0.45	none	10.77	1057.8		-6.4	0.0	-5.4	-4.2	4.0	
Freedom 2010 (371/FFFCX)	B****	0.46	none	13.44	13655.4		-6.6	-0.1	-6.7	-4.3	4.1	5.9
Freedom 2015 (1313/FFVFX)	B****	0.51	none	11.24	7608.6		-7.6	-0.1	-5.2	-5.4	4.4	
Freedom 2020 (372/FFFDX)	B****	0.64	none	13.88	20147.6		-9.2	-0.2	-7.5	-7.0	4.6	7.3
Freedom 2025 (1314/FFTWX)	B****	0.68	none	11.53	7236.9		-9.9	-0.3	-7.9	-7.8	4.5	
Freedom 2030 (373/FFFEXX)	B****	0.79	none	14.08	13667.3		-11.4	-0.3	-8.9	-9.3	4.6	7.8
Freedom 2035 (1315/FFTHX)	B****	0.80	none	11.67	4297.6		-11.7	-0.3	-9.2	-9.7	4.6	
Freedom 2040 (718/FFFEXX)	B****	0.83	none	8.23	7228.1		-12.0	-0.2	-9.4	-10.1	4.7	8.1
Freedom 2045 (1617/FFFGX)	B****	0.85	none	9.69	831.9		-12.3	-0.3	-9.6	-10.3		
Freedom 2050 (1618/FFFHXX)	B****	0.88	none	9.66	739.1		-13.0	-0.5	-10.1	-11.0		
Freedom Income (369/FFFAX)	B****	0.19	none	10.92	2566.5		-1.9	0.3	-2.0	-0.1	3.5	4.0
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	H***	0.25	1(90)	8.05	9442.5	8.23	-3.2	0.1	-4.6	-1.7	4.6	7.9
Floating Rate (814/FFRHXX)	H***	0.13	1(60)	9.36	1784.2	5.32	1.0	0.2	0.2	3.1	3.8	4.1
Focused High Inc (1366/FHIFX)	H***	0.11	1(90)	9.33	65.2	7.80	-1.5	0.9	-2.2	1.2	3.5	
GNMA Portfolio (15/FGMNX)	H***	0.25	none	10.91	3468.0	4.87	3.0	0.8	1.3	7.0	4.7	4.5
Gov't Income (54/FGOVX)	H***	0.25	none	10.46	8122.0	3.73	3.6	1.1	1.8	7.9	4.9	4.7
High Income (455/SPHIX)	B****↑	0.15	1(90)	8.21	5284.5	9.03	0.0	0.5	-2.5	1.8	4.7	7.0
Inflation-Protected (794/FINPX)	H***	0.39	none	11.31	2084.6	1.24	4.3	0.8	1.8	9.8	4.4	5.7
Intermed Bond (32/FTHRX)	H***	0.23	none	9.85	7099.8	4.83	-0.1	0.4	0.1	2.0	2.6	3.2
Intermed Gov't Inc (452/FSTGX)	H***	0.22	none	10.41	971.2	3.22	3.6	0.7	1.8	7.7	5.0	4.2
Invest Grade Bond (26/FBNDX)	H***	0.27	none	6.89	9823.1	5.05	-1.2	0.4	-0.3	0.7	2.0	3.3
Mortgage Securities (40/FMSFX)	H***	0.25	none	10.11	1044.1	4.94	0.0	0.9	1.0	0.4	1.4	2.8
New Markets Inc (331/FNMIX)	H***	0.15	1(90)	14.23	2227.9	5.96	0.9	0.2	-1.1	6.0	7.5	10.3
Short-Term Bond (450/FSHBX)	H***	0.11	none	8.31	6689.1	4.04	-0.7	0.2	0.5	0.2	2.0	2.2
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.36	none	10.54	982.0	3.38	4.9	1.5	3.1	10.3		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.53	none	10.34	57.9	4.19	3.9	2.3	4.2	9.9		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.17	none	10.38	122.8	2.41	3.3	0.7	1.5	7.0		
Strategic Income (368/FSICX)	B****	0.14	none	10.11	5381.7	5.89	0.4	-0.2	-1.1	3.8	4.7	6.8
Strategic Real Rtn (1505/FSRRX)	H***	0.29	0.75(60)	10.00	5279.3	3.73	2.2	-1.1	-3.3	6.1		
Total Bond (820/FTBFX)	H***	0.23	none	10.07	9858.7	5.26	0.7	0.5	0.0	3.3	3.2	4.3
Ultra-Short Bond (812/FUSEFX)	H***	0.11	0.25(60)	8.25	315.5	2.12	-6.8	0.0	0.0	-9.9	-2.1	-0.5
US Bond Index (651/FBIDX)	H***	0.26	none	10.73	8855.5	4.69	1.6	0.7	0.8	4.6	3.6	4.3
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FSAZX)	H***	0.20	0.5(30)	11.04	140.3	3.95	0.8	1.0	0.1	3.3	2.5	3.7
CA Municipal Inc (91/FCFX)	H***	0.19	0.5(30)	11.92	1580.9	4.01	0.8	1.2	0.3	3.4	2.8	4.3
CA Short-Int TF (1534/FCSTX)	H***	0.09	0.5(30)	10.27	214.7	2.71	3.4	1.1	1.5	5.7		
CT Municipal Inc (407/FICNX)	H***	0.17	0.5(30)	11.19	497.0	3.64	1.7	1.2	0.5	4.5	3.1	3.9
Intermediate Muni (36/FLTMX)	H***	0.13	0.5(30)	9.95	2553.9	3.43	2.4	1.0	1.0	5.1	3.5	4.1
MA Municipal Inc (70/FDMMX)	H***	0.18	0.5(30)	11.59	2011.3	3.79	1.2	1.1	0.4	4.1	3.0	4.3
MD Municipal Inc (429/SMDMX)	H***	0.18	0.5(30)	10.64	153.1	3.81	1.4	1.1	0.4	4.0	2.8	3.8
MI Municipal Inc (81/FMHTX)	H***	0.17	0.5(30)	11.65	620.6	3.51	1.7	1.2	0.6	4.6	3.3	4.1
MN Municipal Inc (82/FIMIX)	H***	0.15	0.5(30)	11.13	383.7	3.49	2.0	1.0	0.6	4.6	3.1	3.9
Municipal Income (37/FHIGX)	H***	0.18	0.5(30)	12.34	5097.3	4.06	0.9	1.0	0.2	3.7	2.9	4.4
NJ Municipal Inc (416/FNJHX)	H***	0.17	0.5(30)	11.35	611.2	3.74	1.4	1.1	0.6	4.5	3.1	4.4
NY Municipal Inc (71/FTFMX)	H***	0.18	0.5(30)	12.56	1521.8	3.85	1.5	1.0	0.5	4.6	3.1	4.3
OH Municipal Inc (88/FOHFX)	H***	0.19	0.5(30)	11.37	444.8	3.75	1.5	1.1	0.5	4.6	3.1	4.3
PA Municipal Inc (402/FPXTX)	H***	0.15	0.5(30)	10.61	341.3	3.69	1.5	1.0	0.7	4.3	3.1	4.1
Short-Int Municipal (404/FSSTFX)	H***	0.08	0.5(30)	10.43	1776.3	2.61	3.3	0.7	1.3	5.6	3.6	3.1
Tax-Free Bond (90/FTABX)	H***	0.19	0.5(30)	10.55	1139.9	4.15	1.4	1.1	0.5	4.3	3.2	4.7

AUGUST PERFORMANCE Indexes and Model Portfolios	Risk	Value	2008 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.95	11543.55	-11.5	1.7	-8.1	-11.5	5.7	6.6	6.5
S&P 500	1.00	1282.83	-11.4	1.5	-7.9	-11.1	3.7	6.9	4.7
NASDAQ	1.12	2367.52	-10.3	1.9	-6.0	-8.1	4.0	6.3	5.2
Russell 2000	1.25	739.50	-2.6	3.7	-0.8	-5.5	4.8	9.6	9.5
Fidelity Monitor Income Model	0.31	86041.55	-4.1	0.5	-3.6	-2.5	2.7	3.6	4.0
Fidelity Monitor G&I Model	0.60	172128.04	-8.9	0.0	-8.4	-8.1	4.3	7.9	8.0
Fidelity Monitor Growth Model	0.99	183857.57	-13.9	-0.5	-9.7	-12.2	3.5	9.1	8.0
Fidelity Monitor Select System	1.00	388619.83	-6.4	0.4	-8.9	-1.1	9.2	10.2	10.0
Fidelity Monitor Unique Opportunities	1.11	123968.54	-12.3	-2.3	-12.6	-7.0	6.5	13.4	

## 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

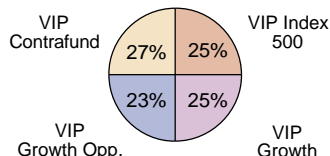


### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2001: - 3.4%
1994: - 3.8%	2002: + 7.3%
1995: +16.9%	2003: + 9.9%
1996: + 6.9%	2004: + 5.1%
1997: +10.9%	2005: + 1.8%
1998: + 0.4%	2006: + 6.1%
1999: + 0.8%	2007: + 6.2%
2000: - 2.4%	<b>*2008: - 4.4%</b>

### VIP GROWTH MODEL

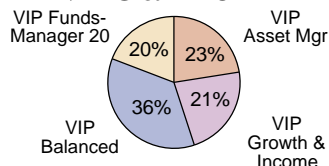


### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2001: -14.0%
1994: + 4.6%	2002: -21.7%
1995: +36.1%	2003: +30.0%
1996: +16.1%	2004: + 7.0%
1997: +23.5%	2005: +10.1%
1998: +22.6%	2006: +14.5%
1999: +22.1%	2007: + 9.3%
2000: -10.3%	<b>*2008: -16.9%</b>

### VIP G & I MODEL

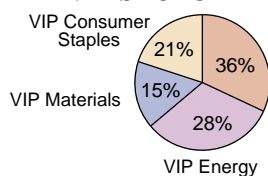


### PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2002: - 9.4%
1996: +12.8%	2003: +20.8%
1997: +21.4%	2004: + 6.3%
1998: +15.1%	2005: + 4.5%
1999: + 6.1%	2006: +11.6%
2000: - 4.9%	2007: + 7.7%
2001: + 3.1%	<b>*2008: - 8.1%</b>

### VIP SECTOR MODEL



### PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: + 6.3%	2007: +11.2%
2005: +14.0%	<b>*2008: -10.5%</b>

Please see the figures at the bottom of the page for VIP model portfolio performance.

AUGUST VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2008 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	B ***	10.11	10.53	-22.8	-4.7	-14.4	-20.9	0.0	
VIP Asset Manager	B ***	11.92	37.30	-5.5	-1.8	-7.4	1.0	5.7	5.8
VIP Asset Manager: Growth	B ***	11.98	24.55	-7.6	-2.3	-9.6	0.2	6.1	6.3
VIP Balanced	B ****	11.48	16.98	-9.2	0.4	-8.2	-8.0	4.2	4.7
VIP Consumer Discretionary	H ***↑	9.52	10.42	-8.3	6.8	-5.1	-17.0	-1.2	2.1
VIP Consumer Staples	B ***	10.29	10.22	-7.8	1.2	-5.8	0.4		
VIP Contrafund	B ***	11.77	43.54	-15.7	0.5	-11.3	-10.2	5.2	9.8
VIP Disciplined Small Cap	H ***	9.35	9.25	-5.5	2.7	-2.4	-9.5		
VIP Dynamic Capital Appreciation	H ***	11.20	13.53	-15.6	-1.8	-10.4	-16.7	3.2	
VIP Energy	B ****	17.20	29.61	-7.3	-1.2	-16.3	9.3	18.1	26.1
VIP Equity-Income	H ***	10.50	58.44	-15.7	0.7	-11.4	-19.0	1.6	5.8
VIP Financial Services	S **	7.94	9.63	-26.0	-0.8	-14.3	-32.8	-7.4	-0.5
VIP Freedom 2005	B ****	11.31	11.41	-7.1	-0.1	-5.6	-4.9	3.6	
VIP Freedom 2010	B ****	11.28	11.42	-7.5	-0.2	-5.9	-5.2	3.7	
VIP Freedom 2015	B ****	11.43	11.63	-8.4	-0.2	-6.6	-6.2	4.2	
VIP Freedom 2020	B ****	11.44	11.69	-10.3	-0.2	-8.0	-7.9	4.2	
VIP Freedom 2025	B ****	11.47	11.78	-10.9	-0.2	-8.4	-8.5	4.3	
VIP Freedom 2030	B ****	11.47	11.82	-12.5	-0.4	-9.6	-10.1	4.4	
VIP Freedom Income	B ****	11.21	11.19	-2.2	0.3	-2.0	-0.4	3.4	
VIP FundsManager 20	B ****	10.81	10.67	-2.6	0.1	-2.3	-0.5		
VIP FundsManager 50	B ****	10.46	10.33	-7.8	0.0	-5.7	-6.1		
VIP FundsManager 70	B ****	10.19	10.06	-11.6	-0.2	-8.3	-10.2		
VIP FundsManager 85	B ****	9.96	9.83	-14.4	-0.4	-10.3	-13.1		
VIP Growth	B ****	11.48	63.25	-17.2	-3.0	-12.2	-9.8	4.6	5.2
VIP Growth & Income	B ****	11.48	18.78	-13.5	0.9	-9.2	-10.4	4.3	5.1
VIP Growth Opportunities	B ****	10.81	13.02	-21.3	-1.9	-17.1	-13.5	2.6	4.8
VIP Growth Stock	B ****	10.76	10.91	-15.5	-0.4	-10.2	-8.2	2.2	
VIP Health Care	B ****	10.77	12.43	-10.9	1.8	-0.4	-6.0	2.0	6.7
VIP High Income	B ****↑	11.41	31.77	-1.0	0.4	-2.3	0.5	3.8	5.9
VIP Index 500	B ****	10.93	35.15	-11.9	1.4	-8.1	-11.9	2.8	5.9
VIP Industrials	H ***	13.24	19.04	-7.3	1.5	-7.2	-4.2	9.7	14.7
VIP Int'l Capital Appreciation	H ***	10.22	10.68	-20.8	-5.2	-19.1	-21.8	0.7	
VIP Investment Grade Bond	H ***	10.91	30.30	-0.1	0.4	0.0	2.3	2.0	3.0
VIP Materials	B ****	10.97	10.91	-4.0	-3.4	-11.6	4.8		
VIP Mid Cap	B ****	12.63	22.51	-8.8	-0.5	-6.9	-5.9	7.5	14.2
VIP Money Market		11.32	21.74	1.6	0.1	0.4	3.0	3.6	2.5
VIP Overseas	H ***	12.41	38.70	-18.8	-4.6	-16.4	-13.5	7.7	11.9
VIP Real Estate	S **	11.85	18.73	1.3	2.5	-7.3	-8.5	5.2	
VIP Strategic Income	B ****	11.47	12.49	0.1	-0.3	-1.1	3.3	3.9	
VIP Technology	H ***	11.29	10.46	-15.7	4.6	-10.4	-13.8	3.6	4.4
VIP Telecommunications	H ***	7.83	7.79	-21.3	1.6	-10.3	-27.2		
VIP Utilities	B ****	13.43	13.45	-15.4	-3.7	-13.2	-5.9	10.3	14.9
VIP Value	H ***	10.73	11.00	-10.5	2.9	-8.6	-14.8	2.1	
VIP Value Leaders	H ***	10.36	10.64	-17.1	-0.1	-12.2	-17.7	0.8	
VIP Value Strategies	H ***	10.74	13.58	-14.5	3.1	-10.7	-17.3	2.6	
Fidelity Monitor VIP Income Model			20119.97	-4.4	0.4	-3.9	-2.8	2.4	3.8
Fidelity Monitor VIP G&I Model			24948.98	-8.1	0.0	-7.4	-6.4	4.4	6.0
Fidelity Monitor VIP Growth Model			34425.25	-16.9	-0.7	-12.4	-14.2	3.1	6.1
Fidelity Monitor VIP Sector Model			18615.33	-10.5	0.7	-9.9	-6.0	6.7	9.1

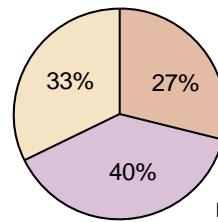
## INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Balanced	\$17.71	1319.414	\$23366.82
Asset Mgr 20%	\$11.91	2889.076	\$34408.90
Freedom Income	\$10.92	2588.446	\$28265.83

7% Foreign Holdings  
Balance as of 8/29/08: \$86041.55  
Balance at start of 2008: \$89754.23

Freedom Income  
369/FFFX



Balanced  
304/FBALX

Asset  
Mgr 20%  
328/FASIX

**PAST PERFORMANCE**  
Starting Balance: \$35,000  
1992: +10.1% 2000: + 0.3%  
1993: +11.3% 2001: + 5.6%  
1994: - 2.1% 2002: + 5.4%  
1995: +14.8% 2003: + 8.4%  
1996: + 9.0% 2004: + 4.2%  
1997: +10.5% 2005: + 3.6%  
1998: + 3.5% 2006: + 6.9%  
1999: + 3.0% 2007: + 4.0%  
**2008 YTD: - 4.1%**

For August, our Income Model gained 0.5%.

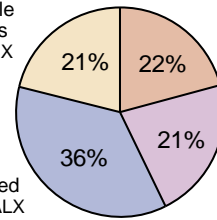
## GROWTH AND INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Asset Mgr 20%	\$11.91	3149.872	\$37514.98
Fidelity Fund	\$33.34	1071.788	\$35733.41
Balanced	\$17.71	3511.399	\$62186.88
Conv. Securities	\$25.72	1426.624	\$36692.77

10% Foreign Holdings  
Balance as of 8/29/08: \$172128.04  
Balance at start of 2008: \$189006.21

Convertible Securities  
308/FCVX



Asset Mgr.  
20% (Inc)  
328/FASIX

Fidelity  
Fund  
3/FFIDX

**PAST PERFORMANCE**  
Starting Balance: \$50,000  
1994: - 3.7% 2001: + 1.3%  
1995: +21.6% 2002: - 6.4%  
1996: +15.8% 2003: +33.0%  
1997: +18.7% 2004: +11.5%  
1998: +11.1% 2005: + 8.2%  
1999: +12.2% 2006: +13.7%  
2000: + 2.7% 2007: + 6.1%  
**2008 YTD: - 8.9%**

Our Growth and Income Model was flat for the month of August.

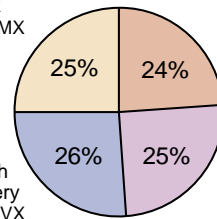
## GROWTH MODEL

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
Stock Selector	\$25.67	1681.246	\$43157.58
Blue Chip Growth	\$39.62	1178.026	\$46673.39
Growth Discovery	\$13.55	3529.634	\$47826.54
Tax-Managed Stock	\$14.03	3292.948	\$46200.06

16% Foreign Holdings  
Balance as of 8/29/08: \$183857.57  
Balance at start of 2008: \$213419.53

Tax-Managed  
Stock  
343/FTXMX



Stock  
Selector  
320/FDSSX

Growth  
Discovery  
339/FDSVX

Blue Chip  
Growth  
312/FBGRX

**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 YTD: -13.9%**

Our Growth Model declined 0.5% in August, compared to a 1.5% increase for the S&P 500.

## SELECT SYSTEM

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

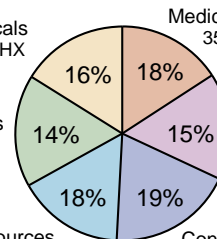
FUND	NAV	SHARES	BALANCE
Medical Equipment	\$26.12	2729.352	\$71290.67
Biotechnology	\$71.65	785.728	\$56297.41
Consumer Staples	\$61.61	1199.574	\$73905.75
Natural Resources	\$36.97	1890.141	\$69878.51
Natural Gas	\$43.29	1281.571	\$55479.21
Chemicals	\$83.93	735.950	\$61768.28

18% Foreign Holdings  
Balance as of 8/29/08: \$388619.83  
Balance at start of 2008: \$415259.49

Chemicals  
69/FSCHX

Natural Gas  
513/FNSGX

Natural Resources  
514/FNARX



Medical Equipment  
354/FSMEX

Biotech  
42/FBIOX

Consumer Staples  
9/FDFAX

**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 YTD: - 6.4%**

Our Select System gained 0.4% in August, compared to a 1.5% increase for the S&P 500. On 8/11 we sold **Computers** (\$42.29) and bought **Biotechnology** (\$73.26).

## UNIQUE OPPORTUNITIES MODEL

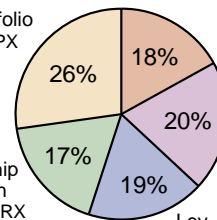
Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Magellan	\$76.86	281.954	\$21670.98
Independence	\$25.27	1003.818	\$25366.48
Lev. Co. Stock	\$30.46	776.507	\$23652.40
Japan	\$11.86	1737.476	\$20606.47
OTC Portfolio	\$44.59	732.725	\$32672.21

33% Foreign Holdings  
Balance as of 8/29/08: \$123968.54  
Balance at start of 2008: \$141360.40

OTC Portfolio  
93/FOCPX

Blue Chip  
Growth  
312/FBGRX



Magellan  
21/FMAGX

Independence  
73/FDFFX

Lev. Co. 122/FLVCX

**PAST PERFORMANCE**  
Starting Balance: \$50,000  
(Partial Yr 99) 2003: +43.2%  
1999: +33.8% 2004: +20.6%  
2000: -20.5% 2005: +18.8%  
2001: + 1.6% 2006: +16.6%  
2002: - 2.1% 2007: +11.6%  
**2008 YTD: -12.3%**

Our Unique Opportunities Model was off 2.3% in August. On 9/15 we will sell **Japan** and buy **Blue Chip Growth**.

## Question & Answer Forum

**I hold more cash or cash equivalents now than at any other time. I live in Michigan and am wondering should I keep my money in Michigan Municipal Money Market or consider moving it to Cash Reserves or another option (this is for a taxable account).**

Although Fidelity's municipal bond and money market funds are well-managed, one of the issues of owning a state-specific fund is that you are not as diversified because your holdings depend on the tax revenues of a regional economy and, in the case of general obligation bonds, the fiscal stability of the state government.

Although the risk of breaking the buck is very low (probably well under 1%), it's climbing in states like California and Michigan where tax revenues are running far behind spending levels.

If **Michigan Municipal Money Market** was only a small portion of your portfolio, it wouldn't be worth worrying about. But since cash is a large part of your portfolio, you might want to consider moving to **Municipal Money Market**. You'll have to pay state income taxes on most of the income stream, but tax rates for most states are relatively low, and the yield from **Municipal Money Market** is higher than most state-specific funds. As such, you might even come out ahead. More importantly, you'll be more diversified. **Municipal Money Market** invests in bonds issued by dozens of different states, and can invest more heavily in the regions that carry the least credit risk. ■

### AUGUST DISTRIBUTIONS

Asset Manager 20%	\$ 0.026/\$11.82 (8/1)
Asset Manager 30%	\$ 0.016/ \$9.17 (8/1)
Growth Discovery	\$ 0.055/\$13.73 (8/8)
Fidelity Fifty	\$ 0.035/\$18.24 (8/8)
Fidelity Fund	\$ 0.99 / \$33.26 (8/8)
Freedom Income	\$ 0.03 / \$10.88 (8/1)
Mega Cap Stock	\$ 0.076/ \$9.99 (8/8)

Funds scheduled for September include **Asset Mgr 20% & 30%**, **Balanced**, **Blue Chip Growth**, **Blue Chip Value**, **Dividend Growth**, **Freedom Income**, **Ginnie Mae**, **Gov't Income**, **Growth & Income**, **Intermediate Gov't Income**, **Int'l Real Estate**, **Leveraged Company Stock**, **Low-Priced Stock**, **OTC Portfolio**, **Puritan**, **Real Estate**, **Real Estate Income**, **Small Cap Growth**, **Small Cap Value**, **Ultra-Short Bond**, and **Value Discovery**.

RECOMMENDATIONS - Continued from page 1

### GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed on page 7. If you prefer to pick your own funds instead, our favorites include **Balanced**, **Convertible Securities**, **Fidelity Fund**, **Puritan**, and the **Asset Manager** group.

The leaders in this category were helped by an improved outlook for the financial sector. **Real Estate** gained 1.4%. **Equity-Income II** and **Growth & Income** were both up 1.2%. On the bottom end, **Convertible Securities** declined 2.0%, mostly due to commodity exposure.

### INCOME FUNDS

Our Income Model positions are listed on page 7. If you prefer to pick your own funds, our favorites include **Strategic Income**, **High Income**, and **Freedom Income**.

The prospect of a global slowdown caused long-term interest rates to edge lower. **Spartan Long-Term Treasury Index** gained 2.3%, and **Spartan Int. Treasury Index** rose 1.5%. Funds with exposure to commodities finished with small losses. **Strategic Income** was off 0.2%, and **Strategic Real Return** slipped 1.1%. Municipal bond funds posted gains ranging from 0.7% to 1.2%.

### SELECT PORTFOLIOS

We prefer that subscribers follow the Select System (page 7), but the following buy list is provided for those looking for ideas that might pay off over the long run: **Biotechnology**, **Medical Equipment**, **Energy Service**, **Natural Gas**, **Natural Resources**, **Energy**, **Consumer Staples**, **Chemicals**, **Materials**, **Health Care**, and **Utilities Growth**.

Economically-sensitive sectors posted large gains. **Construction & Housing** jumped 8.2%, **Retailing** rose 7.1%, and **Consumer Discretionary** gained 6.9%. On the bottom end, falling prices for gold and natural gas had a negative impact on several sectors. **Energy Service** declined 3.7%, **Utilities Growth** was down 3.9%, and **Gold** tumbled 12.4%. ■

## Happenings

**Canada's** Maxime Lemieux is taking a leave of absence, and will be replaced by interim portfolio manager Douglas Lober. We are maintaining the fund's buy rating. Even though **Canada** is a top performer in its category, its behavior over the last five years was mainly a result of its close coupling to the S&P/TSX Composite Index. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	126803.3	2.47	CT MM (418/FCMXX)	2158.0	1.27			
Select MM (85/FSLXX)	7764.4	2.57	MA MM (74/FDMXX)	5338.4	1.30			
Money Market (454/SPRXX)	7762.2	2.50	MI MM (420/FMIXX)	1154.7	1.35	MA AMT TF (426/FMSXX)	792.4	1.48
Gov't MM (458/SPAXX)	810.2	2.08	NJ MM (417/FNJXX)	2564.1	1.33	AMT Tax-Free (460/FIMXX)	3487.3	1.53
US Treas. MM (415/FDLXX)	4614.7	1.46	NY MM (92/FNYXX)	5616.1	1.30	NJ AMT TF (423/FSJXX)	739.3	1.51
Tax-Free MM (275/FMOXX)	6422.6	1.38	OH MM (419/FOMXX)	1176.7	1.43	NY AMT TF (422/FSNXX)	1349.3	1.47
US Gov't Reser (50/FGRXX)	3521.5	2.20	AZ MM (433/FSAXX)	399.7	1.37	PA MM (401/FPTXX)	815.1	1.36
CA MM (97/FCFXX)	6415.0	1.25	CA AMT TF (457/FSPXX)	1954.1	1.40	Municipal MM (10/FTEXX)	23396.2	1.58