

Jack  
Bowers



# Fidelity

Best Performing  
Fidelity Newsletter

20  
Years

SEPTEMBER  
2009

# Monitor™

## Opportunities In Bond Funds

Holding cash is not very rewarding these days. Yields on taxable money market funds have dropped below 0.5%, and some muni and treasury funds are basically at zero. Meanwhile, the yield curve remains quite steep, which means you can do well with bond funds if you are willing to take a little risk.

### HIGHER INTEREST RATES ARE UNLIKELY

What's holding most investors back is the fear that rising interest rates (and falling bond prices) are right around the corner. But that scenario is not as likely as it seems, because deflationary forces may have the upper hand for as long as a decade.

Corporate bond yields are running in excess of 5 percentage points ahead of inflation. That's an unusual situation, and it's more likely to be resolved with lower bond yields than with rising prices. Inflation, as measured by the CPI, is basically at zero over the last 12 months. No doubt it will pick up as the economy recovers, but any turnaround is likely to be gradual, with price increases remaining subdued for 5-10 years. Here's why:

- Inflation happens when consumers spend money faster than they earn it. Today's situation is completely opposite. Some 50 million households

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## Model Changes for Select System, VIP Sector Model

On Monday, 9/14, we'll make changes in the following portfolios:

Our Select System will sell **Communications Equipment** (518/FSDCX) and purchase **Brokerage** (68/FSLBX). The sporadic rebound in the financial sector has morphed into a relatively solid recovery cycle. We remain bullish on the technology group, but this move will allow us to swap our weakest tech position for the strongest financial bet. This will help from a diversification standpoint, while also having the potential to improve performance.

Our VIP Sector Model will sell **VIP Industrials** and buy **VIP Financial Services**. Our technology position can't be reduced due to a 60-day redemption period on last month's weighting increase, but we'll be scaling back the position in October.

## Review & Recommendations

Uncertainty continued to fade away in August. Clear signs of economic recovery showed up in the employment and housing trends. The Fed indicated that short-term interest rates wouldn't be climbing any time soon, and Ben Bernanke's reappointment as chairman was announced earlier than expected. The consumer spending slump appears deeply entrenched and may last for years, but based on chip demand many are still willing to open their wallets for technology purchases.

Stocks finished higher as investors became more solidly convinced that things are not getting any worse. While there are still a lot of problems in the banking system, most surviving institutions are gaining market share and growing profits. The S&P 500 gained 3.6% for the month.

### GROWTH FUNDS

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

Value stocks benefited from a strong rebound in the financial sector. **Mid Cap Value** climbed 8.3%, **Value Strategies** was up 7.9%, and **Value** gained 7.3%. Growth stocks, on the other hand, tended to trail behind. **Export & Multinational** tied with **Growth Discovery** for a 1.7% increase, and **Large Cap Growth** returned 1.1%.

### INTERNATIONAL FUNDS

**Global Balanced** remains our favorite for those who prefer international exposure. We upgraded **Japan** and **Japan Smaller Companies** to a buy on the assumption that the recent election shakeup will cause economic growth to pick up in the future.

**Nordic** gained 6.6%, **International Small Cap Opportunities** was up 5.7%, and **International Capital Appreciation** rose 5.1%. On the bottom end, **Canada** was off 2.0%, **Southeast Asia** declined 2.9%, and **China Region** lost 6.9%.

### GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed on page 7. If you prefer to hold a single fund,

RECOMMENDATIONS - *Continued on page 8*

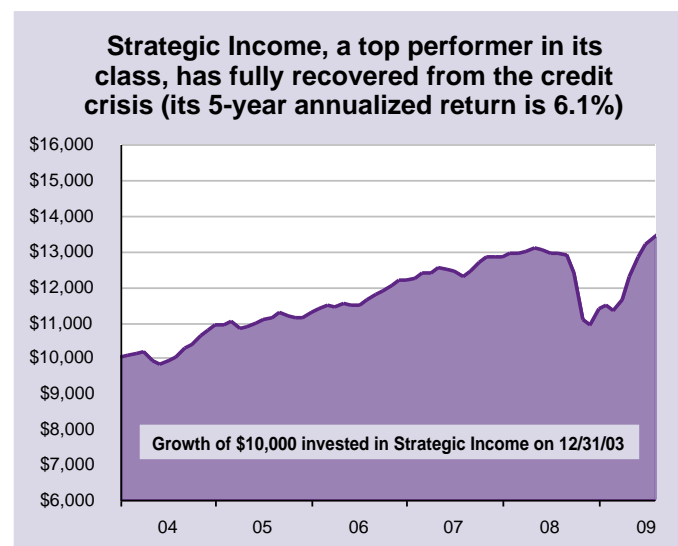
## BOND FUNDS - Continued from page 1

are experiencing a reverse wealth effect due to the housing crisis, and they're doing everything they can to pay down debt. This is how deflationary eras get started, and even if the Fed does everything right it may take years for consumer debt to return to sustainable levels. It takes time to pay off loans, and spending will be restrained until the job is done.

- All major components of inflation are being held in check by significant trends that will not reverse quickly. Wage growth is being held back by high unemployment. Rents are declining due to competition from foreclosure properties being put back into service as rentals. Retail sales are soft because discretionary spending has been cut. Energy prices are being held in check by huge supplies of natural gas, extracted from recently discovered shale deposits that are only beginning to be tapped. Even in food and health care, where pricing pressures still exist, there is evidence that cost increases are being absorbed more often than being passed along.

- Heavy government borrowing puts downward pressure on the dollar, but there's a force that's nearly as strong pushing it up. The dramatic improvement in trade has slashed the U.S. trade deficit by 60% since the financial crisis hit. We aren't buying as much stuff, and paying for it with cash is becoming more common, so our need for foreign capital has plunged. As exports continue to climb, the U.S. could eventually go into trade surplus, perhaps within a decade.

- Productivity has surged. That's unusual at a time like this, but it's still a great trend – it suggests that inflation will remain low even if wages begin to rise. It also implies the U.S. is becoming more competitive, and better equipped to accommodate robust export growth without inflationary pressures.



## BOND MARKET OUTLOOK

As the credit markets have thawed, high yield bonds have stolen the show. With fear of widespread bankruptcies fading, year-to-date gains for Fidelity's high-yield bond funds have ranged from 23-48%.

There is still some recovery potential in the high yield universe, but the credit markets have begun to shift. Yields on junk bonds have come down enough that companies are lining up to borrow, temporarily flooding the market with new issues and slowing the rate of recovery for the sector.

At the same time, cash-rich companies with investment-grade ratings are becoming comfortable with retiring their bond debt on the cheap. These "bond buyback programs" are speeding up the rate of recovery in the investment grade sector.

Finally, government bonds remain in a trendless situation. They remain volatile because interest-rate risk dominates their behavior, but yields (which are much lower than corporate bonds) are about right for the economic conditions at hand.

A diversified bond portfolio should have exposure to all three groups in today's market, but it should emphasize the investment-grade sector over the government bond sector.

What about inflation-hedged bonds? We think the yields in this segment are too low to compensate investors for the risk of *deflation*. These bonds should do okay if inflation picks up significantly, but in a situation where the CPI grows slowly their returns could prove disappointing.

## BOND FUND RECOMMENDATIONS

Our Income Model (page 7) is our recommended approach for investing in bond funds, but please note that we are considering an exchange from **Focused High Income** to **Total Bond** in October. Following is a review of the taxable bond funds we currently rate a buy. We've listed them in increasing order of credit risk:

### INVESTMENT GRADE BOND

With 50% of holdings in government debt, and 34% in corporate bonds, this fund is on the lower end of the risk ladder. Its long-term record is nothing to write home about, but the fund has been doing well this year, finishing about seven percentage points ahead of its benchmark on a year-to-date basis. We like it because it provides a 4-5% income stream with only moderate interest-rate risk and credit risk. On the government bond side, the fund's focus is on mortgage securities, which offer a higher yield with little additional credit risk. On the corporate side, most of the focus is on bonds rated BBB and A, where the yield and capital gain potential are greater. About 6% of assets are invested in the high-yield sector.

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The fund's 30-day yield is around 5%. Its duration is 3.9, indicating a 1 percentage point increase in yield could result in a share price decline of 4%.

#### INTERMEDIATE BOND

This fund behaves a lot like **Investment Grade Bond**, but comes with a bit less interest-rate risk, owing to its avoidance of longer-maturity issues. Robert Galusza has been managing **Intermediate Bond** for 11 years, and over the last decade has outperformed about 70% of his peers. Government bonds account for 35% of the fund's assets, and corporate bonds account for 48%. Credit quality for the latter is a little higher than what **Investment Grade Bond** holds, but there is still a heavy emphasis on A-rated and BBB-rated bonds. **Intermediate Bond**'s 30-day yield is about 4.4%, and its duration is 3.6. If you want to earn a 4% income stream with the least amount of overall volatility, this fund is worth considering.

#### TOTAL BOND

**Total Bond** is a notch higher in overall risk. Government securities account for 41% of assets, investment-grade corporate bonds account for 24%, and high-yield runs about 18%. The remaining 17% is split among asset-backed notes, commercial mortgage-backed securities, floating rate loans, credit default swaps, and cash. The fund appears to be finding some good values in this area. Overall, **Total Bond** has greater risk and capital appreciation potential than investment-grade funds, but less than high-yield funds. On a year-to-date basis, the fund is ahead of its benchmark by about 10 percentage points, making for a strong year by any measure. **Total Bond**'s 30-day yield is just over 5%, and its duration is 3.6.

#### STRATEGIC INCOME

This fund is a top performer in its class, having beaten 96% of its competitors over the last 10 years. **Strategic Income** has taken advantage of the many opportunities left behind by the credit crisis, as shown by the chart on page 2. The fund takes a multi-sector approach, aiming for a neutral mix of 40% high-yield, 30% U.S. government / investment grade, 15% emerging market debt, and 15% foreign developed market securities. It's currently overweight in U.S. government / investment grade, and slightly underweight in high-yield and emerging market debt.

The fund seems to benefit from Fidelity's strength in high-yield and emerging market research, whereas the other sectors help insulate it from events such

as last year's credit crunch. Many long-time fans of the fund were disappointed by its 11% loss for 2008, but in hindsight the decline was mild compared to heavy losses in the high-yield sector, and this year's recovery has been brisk. **Strategic Income**'s 30-day yield is about 6%. Like other funds that invest heavily in the high-yield segment, interest rate risk is lower than investment-grade funds, and significantly lower than government bond funds.

#### FLOATING RATE HIGH INCOME

The credit crisis has created many good values in floating rate securities, and Fidelity has the necessary expertise to manage the risks in this segment. The fund, which behaves a lot like a high-yield portfolio with a very short average maturity, is unique from the standpoint that interest-rate sensitivity is very low. While it has some capital appreciation potential like the high-yield sector, its 30-day yield of 4.5% is much lower than other funds with this level of credit risk. **Floating Rate High Income** should make a good inflation hedge. It has less to lose than **Strategic Real Return** if commodity prices take a dip, but may hold up better than **Inflation-Protected Bond** if interest rates take a jump. Remember there's a 1% 60-day redemption fee.

#### FOCUSED HIGH INCOME

Manager Matt Conti has been playing it safe. He's done well enough to recover the fund's 2008 losses, but the fund has trailed behind its benchmark this year. **Focused High Income** has over 70% of its assets in BB-rated bonds, the top credit tier of the high-yield universe. This has been a good place to be while the credit markets have been thawing, but its advantage over the investment-grade sector appears to be dwindling. With a 30-day yield of about 7.5%, there may be some capital gain potential over the next 18 months, but on a risk-adjusted basis it may not be much better than the investment-grade sector. True risk for this fund is about 50% of the S&P 500's level – higher than what our volatility score shows because liquidity tends to dry up when a credit crunch hits. Please note the fund charges a 1% 90-day redemption fee.

#### HIGH INCOME

Throughout the credit crisis, Fred Hoff kept **High Income** well-diversified, and remained focused on the fund's long-term objectives. As such, the fund's losses were less than the high-yield indexes last year, and recovery was almost as fast this year. With a

BOND FUNDS - Continued on page 8

#### GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

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

AUGUST 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**	0.91	none	6.15	23.4	-4.4	4.8	7.5	-36.4			
Growth Strategies (324/FDEGX)	H***	0.96	1.5(90)	14.53	1743.9	24.7	3.8	10.2	-18.4	-5.6	0.0	-8.2
Blue Chip Gth (312/FBGRX)	H***	0.94	none	33.34	9693.5	26.7	4.3	13.5	-13.5	-2.5	0.8	-1.9
Blue Chip Value (1271/FBCVX)	H***	1.18	none	9.45	332.5	19.6	5.6	15.0	-20.7	-8.9	-0.3	
Capital Apprec (307/FDCAX)	H***	1.02	none	18.73	4620.2	19.1	3.8	7.9	-17.0	-6.1	1.1	1.5
Contrafund (22/FCNTX)	H***↓	0.81	none	51.59	49935.0	14.0	1.8	7.9	-18.0	-2.6	4.8	3.5
Growth Discovery (339/FDSVX)	H***	0.95	none	9.98	801.1	16.2	1.7	8.8	-26.0	-5.7	0.5	1.0
Disc Equity (315/FDEQX)	H***	0.96	none	19.51	10145.7	12.1	3.7	11.0	-21.7	-6.7	1.2	0.1
Dividend Gth (330/FDGFEX)	B****	1.16	none	21.29	6602.6	34.8	5.1	14.2	-13.5	-5.3	-0.1	0.6
Export Fund (332/FEXPX)	H***	0.95	0.75(30)	17.63	2555.3	22.3	1.7	9.6	-18.6	-5.2	2.4	4.8
Fidelity Fifty (500/FTYX)	H***	0.98	none	13.74	726.4	24.9	3.4	8.5	-24.3	-7.7	0.2	1.3
Focused Stock (333/FTQGX)	H***	0.90	none	10.06	135.7	13.9	3.4	8.8	-19.7	-2.6	5.3	-0.4
Growth Company (25/FDGRX)	B****	1.00	Closed	60.64	25390.6	23.9	2.2	10.6	-17.8	-1.0	5.1	1.3
Independence (73/FDFFX)	H***	1.21	none	17.49	3603.5	22.6	4.2	10.3	-30.4	-3.9	3.4	1.4
Lg Cap Core En Idx (1827/FLCEX)	H***	0.97	none	7.21	1049.1	13.1	3.4	11.8	-17.9			
Lg Cap Gth En Idx (1829/FLGEX)	H***	0.91	none	7.68	37.7	20.5	2.1	11.0	-15.8			
Large Cap Growth (763/FSLGX)	H***	0.96	none	7.44	112.4	13.1	1.1	9.4	-19.6	-7.6	0.0	
Large-Cap Stock (338/FLCSX)	H***	1.19	none	13.75	689.9	37.7	5.6	16.8	-11.7	-3.7	1.9	-1.7
Lg Cap Val En Idx (1828/FLVEX)	H***	1.06	none	6.35	66.5	7.8	4.8	12.0	-20.2			
Large Cap Value (708/FSLVX)	H***	1.07	none	9.19	961.0	7.6	5.4	12.6	-23.7	-9.9	-0.4	
Lev Co Stock (122/FLVCX)	H***	1.35	1.5(90)	20.50	3707.2	42.0	4.9	15.0	-31.5	-6.7	5.4	
Low-Priced Stock (316/FLPSX)	B****	0.88	1.5(90)	29.43	21776.6	27.3	4.4	13.5	-11.1	-2.3	4.9	10.4
Magellan (21/FMAGX)	H***	1.11	none	58.96	21519.8	28.8	2.2	9.6	-23.0	-6.3	-0.7	-1.9
Mid Cap Growth (793/FSMGX)	H***	1.06	0.75(30)	8.79	189.2	29.5	5.1	14.3	-24.5	-9.3	-0.1	
Mid Cap Stock (337/FMCSX)	H***	1.05	0.75(30)	21.18	5639.2	35.7	6.9	17.7	-17.7	-5.3	4.3	4.8
Mid Cap Value (762/FSMVX)	H***	1.14	0.75(30)	11.54	425.9	21.3	8.3	17.4	-19.4	-7.2	2.3	
New Millennium (300/FMILX)	B****	1.00	none	22.35	1449.9	26.7	4.5	13.2	-12.1	-1.0	5.0	4.1
OTC Portfolio (93/FOCPX)	B****	1.06	none	39.45	4671.5	40.0	1.9	12.0	-11.5	2.5	6.3	0.4
Small Cap Gth (1388/FCPGX)	H***	1.03	1.5(90)	11.19	1083.5	28.8	2.8	13.0	-18.1	-3.3		
Small Cap Indep (336/FDSCX)	H***	1.14	1.5(90)	13.06	1398.8	24.0	4.0	15.0	-21.4	-7.5	1.0	3.7
Small Cap Stock (340/FSLCX)	B****	1.15	2(90)	14.07	2970.1	43.6	5.9	20.0	-9.7	-1.6	4.5	8.0
Small Cap Value (1389/FCPVX)	B****	1.19	1.5(90)	11.69	1486.0	25.4	4.2	16.8	-5.4	-0.7		
Stock Selector (320/FDSSX)	B****	1.01	none	19.96	555.2	17.6	3.0	11.1	-21.2	-6.2	0.9	-0.6
Tax Mgd Stock (343/FTMXM)	H***	0.96	none	10.13	81.3	11.1	4.5	11.7	-27.1	-7.7	1.3	
Trend (5/FTRNX)	B****	0.96	none	49.08	668.3	25.6	2.5	11.3	-17.3	-3.7	2.2	1.1
Value (39/FDVLX)	H***	1.21	none	52.44	7102.6	31.6	7.3	18.3	-22.0	-7.7	1.9	5.0
Value Discovery (832/FVDFX)	H***	1.12	none	12.19	642.1	19.7	5.3	15.3	-19.2	-6.6	3.6	
Value Strategies (14/FSLSX)	H***	1.29	none	20.10	195.7	44.7	7.9	20.4	-17.8	-6.2	1.7	4.9
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.63	none	15.40	16809.3	19.0	2.8	9.7	-10.5	-1.8	4.1	4.6
Convertible Sec (308/FCVXS)	H***	0.86	none	20.22	2080.0	49.1	4.4	16.9	-16.1	-0.9	4.3	6.5
Equity-Income (23/FEQIX)	H***	1.13	none	36.69	16572.2	20.6	5.9	14.6	-17.0	-7.7	-0.1	1.1
Equity-Income II (319/FEQTX)	H***	1.11	none	15.36	4949.7	16.8	5.7	13.9	-18.5	-7.3	-0.9	0.8
Fidelity Fund (3/FIDIX)	B****	0.96	none	26.60	4758.8	18.0	3.0	10.7	-18.7	-3.8	1.7	0.0
Growth & Income (27/FGRIX)	H***	1.17	none	14.90	5993.2	13.7	3.6	11.9	-31.7	-15.0	-7.0	-4.1
Mega Cap Stock (361/FGRTX)	H***	1.00	none	8.10	269.9	17.9	4.0	13.7	-16.1	-5.1	0.7	-0.4
Puritan (4/FPURX)	B****	0.63	none	15.06	15747.5	17.2	2.7	9.6	-8.8	-1.8	2.5	3.5
Real Estate Income (833/FRIFX)	H***	0.39	0.75(90)	8.67	461.7	33.1	5.6	13.5	-2.4	-3.3	1.2	
Real Estate (303/FRESX)	H***	2.08	0.75(90)	17.22	1975.5	12.0	17.9	25.6	-32.3	-15.1	-0.6	8.3
Strategic Div & Inc (1329/FSDIX)	H***	0.97	none	8.82	400.5	25.9	6.7	17.4	-16.7	-6.5	1.2	
Telecom & Utilities (311/FIUIX)	H***	0.88	none	12.94	730.6	0.8	-0.1	7.0	-21.6	-6.8	3.9	-1.2
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.31	0.75(30)	26.75	40.7	2.7	11.5	21.6	-9.4	-7.6	2.9	3.9
Automotive (502/FSAVX)	H***	1.51	0.75(30)	27.65	106.7	95.2	-2.0	37.5	-0.2	-4.8	-0.8	2.0
Banking (507/FSRBX)	B****	1.92	0.75(30)	15.25	282.0	4.7	12.9	17.9	-17.3	-18.2	-8.8	-0.8
Biotechnology (42/FBIOX)	H***	0.78	0.75(30)	64.66	1170.1	9.4	-0.9	14.1	-9.8	2.3	4.2	2.5
Brokerage (68/FSLBX)	B****	1.50	0.75(30)	47.46	534.4	49.9	8.4	19.8	-4.9	-4.5	7.3	7.8
IT Ser / Bus Ser (353/FBSOX)	H***	0.94	0.75(30)	14.89	67.2	32.8	3.6	16.3	-11.2	3.1	6.9	5.0
Chemicals (69/FSCHX)	H***	1.21	0.75(30)	67.74	362.0	46.9	2.3	13.3	-18.0	6.4	8.9	9.7
Computers (7/FDCPX)	B****	0.93	0.75(30)	38.90	401.1	56.3	5.4	24.6	-5.4	3.2	6.4	-3.3
Const & Housing (511/FSHOX)	B****	1.38	0.75(30)	28.47	122.0	19.4	6.3	19.0	-11.4	-4.8	1.2	7.3
Consumer Disc (517/FSCPX)	H***	1.02	0.75(30)	16.75	52.9	22.8	3.4	11.8	-12.9	-7.0	-0.1	-0.6
Industrial / Cyc Ind (515/FCYIX)	H***	1.08	0.75(30)	16.21	185.0	23.7	4.4	17.4	-20.8	-1.8	5.4	6.0
Defense & Aero (67/FSADX)	H***	0.96	0.75(30)	53.63	524.7	9.6	6.3	6.7	-22.3	-4.4	4.2	7.3
Com Equip / DevC (518/FSDCX)	H***↓	1.02	0.75(30)	18.26	398.0	58.5	-0.7	12.6	-12.8	-2.2	3.5	-3.0
Electronics (8/FSLEX)	B****	1.11	0.75(30)	36.92	1000.5	63.5	4.4	25.3	-0.7	-3.9	3.8	-2.8
Energy (60/FSENX)	S**	1.70	0.75(30)	37.75	1914.5	25.5	0.1	-2.7	-38.0	-4.7	11.1	8.7
Energy Service (43/FSSESX)	S**	1.72	0.75(30)	50.50	1150.2	40.6	3.6	-0.9	-47.7	-6.1	9.2	9.1
Environmental (516/FSLEX)	H***	0.96	0.75(30)	14.42	47.9	7.7	2.1	10.8	-19.7	-3.9	2.6	2.5
Financial Services (66/FIDSX)	H***	1.58	0.75(30)	57.96	455.8	24.8	9.0	15.0	-15.2	-15.9	-5.9	0.4
Con Stap / Food Ag (9/FDFAX)	H***	0.68	0.75(30)	57.13	773.2	12.1	1.9	10.8	-5.9	4.0	8.9	6.7
Gold (41/FSAGX)	S**	1.58	0.75(30)	37.29	2470.1	18.1	-0.9	-8.1	10.0	7.2	17.9	16.9
Health Care (63/FSPHX)	H***	0.73	0.75(30)	96.83	1462.1	19.8	3.5	13.2	-9.9	-2.2	3.7	2.8
Home Finance (98/FSVLX)	H***	1.36	0.75(30)	10.77	66.7	-1.7	5.0	16.3	-36.7	-34.9	-22.4	-5.7
Indust Equip (510/FSCGX)	H***	1.13	0.75(30)	22.72	96.1	23.4	4.7	15.8	-25.9	-4.1	3.1	2.0
Materials / Ind Mat (509/FSDPX)	H***	1.28	0.75(30)	46.97	322.5	54.5	2.8	13.8	-15.0	4.8	10.8	10.2
Insurance (45/FSPCX)	H***	1.44	0.75(30)	39.59	101.4	20.9	13.0	24.8	-10.6	-12.3	-3.1	4.2
Leisure (62/FDLSX)	B****	0.91	0.75(30)	62.05	202.7	15.4	4.7	7.8	-5.6	-0.6	4.1	2.4
Medical Delivery (505/FSHCX)	H***	0.98	0.75(30)	37.57	322.0	30.0	4.7	15.4	-8.5	-4.7	7.5	10.8
Medical Equip/Sys (354/FSMEX)	H***	0.74	0.75(30)	22.55	1135.7	22.2	4.7	12.9	-13.6	4.3	6.8	10.8
Multimedia (503/FBMPX)	H***	1.15	0.75(30)	28.59	40.6	28.9	5.7	15.4	-13.6	-6.5	0.3	0.8
Natural Gas (513/FSNGX)	H***	1.82	0.75(30)	27.97	1010.5	38.7	0.7	-1.2	-35.4	-5.5	9.1	9.9
Nat Resources (514/FNARX)	S**	1.65	0.75(30)	24.24	1349.5	28.7	-0.3	-2.5	-34.4	-0.8	12.7	10.0
Pharmaceuticals (580/FPHAX)	H***	0.69	0.75(30)	9.76	158.2	11.3	3.3	11.4	-4.4	-0.3	5.6	
Retailing (46/FSRPX)	B****	1.05	0.75(30)	40.22	146.4	40.6	3.5	15.2	4.4	0.8	5.1	3.1
Software (28/FSCSX)	H***	0.96	0.75(30)	62.84	701.5	33.7	3.1	14.0	-8.2	2.7	8.5	5.1
Technology (64/FSPTX)	H***	1.06	0.75(30)	62.65	1545.6	58.0	2.2	16.8	-9.0	0.4	5.0	-2.5
Telecom (96/FSCTX)	H***	1.16	0.75(30)	35.22	278.8	32.3	-2.3	3.0	-13.0	-5.7	3.1	-4.1
Transportation (512/FSRFX)	H***	1.05	0.75(30)	35.12	74.8	9.1	7.3	22.1	-21.6	-4.7	4.0	5.9
Utilities (65/FSUTX)	S**	0.90	0.75(30)	42.97	331.1	7.3	2.7	13.6	-18.9	-3.6	5.9	-0.5

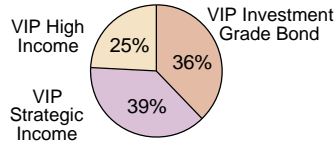
AUGUST PERFORMANCE												
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	30-day Yield	2009 YTD	One Mth	Three Mth	One Year	3-Yr Rate	5-Yr Rate
<b>INTERNATIONAL FUNDS:</b>												
Canada (309/FICDX)	S**	1.13	1.5(90)	44.61	3224.4		27.2	-2.0	2.0	-23.6	0.5	12.0
China Region (352/FHKCX)	S**	1.12	1.5(90)	24.18	1865.5		42.2	-6.9	3.6	1.0	9.4	13.8
Diversified Int'l (325/FDIVX)	H***	1.02	1(30)	26.20	29624.3		21.8	3.3	10.3	-19.5	-5.3	5.6
Emerging EMEA (2053/FEMEX)	S**	1.10	1.5(90)	6.93	98.3		45.3	1.6	3.6	-11.8		
Emerging Mkts (322/FEMKX)	S**	1.21	1.5(90)	19.09	3098.0		47.0	-0.1	10.0	-21.9	-0.5	15.2
Europe (301/FIEUX)	S**	1.04	1(30)	28.13	2650.6		23.5	4.7	12.7	-14.1	-4.0	8.6
Europe Cap Appr (341/FECAX)	S**	1.07	1(30)	16.91	502.1		23.7	4.8	12.7	-17.6	-4.8	7.7
Global Balanced (334/FGLBX)	B****	0.50	1(30)	19.21	373.6		15.3	2.6	9.6	-4.5	2.4	7.2
Glob Commodity Stk (2120/FFGCX)	S**	1.6 Est	1(30)	12.87	90.0			0.9	3.3			
Int'l Capital Apprec. (335/FIVFX)	H***	1.25	1(30)	10.64	336.7		43.2	5.1	12.5	-11.3	-6.7	3.0
Int'l Discovery (305/FIGRX)	H***	1.00	1(30)	28.41	7591.8		20.2	3.6	11.8	-16.2	-4.0	7.0
Int'l Enhanced Index (2010/FIENX)	H***	1.05	1(30)	6.63	17.2		17.2	4.4	12.4	-18.4		
Int'l Growth (1979/FIGFX)	H***	0.95	1(30)	6.74	16.9		21.7	3.1	12.5	-14.5		
Int'l Real Estate (1368/FIREX)	S**	1.13	1.5(90)	8.39	335.6		26.5	1.2	12.2	-16.1	-11.5	
Int'l Small Cap (818/FISMIX)	H***	0.74	Closed	16.81	620.6		36.1	4.5	14.7	-11.9	-4.3	8.4
Int'l Small Cap Opp (1504/FSCOX)	H***	1.08	2(90)	7.79	302.1		30.1	5.7	16.3	-30.7	-13.6	
Int'l Value (1597/FIVLX)	H***	1.21	1(30)	7.59	164.9		27.3	4.7	12.9	-16.3	-6.6	
Japan (350/FJPNX)	B****↑	0.99	1.5(90)	10.76	1000.2		20.6	2.2	11.4	-7.8	-9.4	1.7
Japan Smaller Co (360/FJSCX)	B****↑	0.75	1.5(90)	8.90	398.3		24.1	5.0	19.8	1.7	-11.9	-3.4
Latin America (349/FLATX)	S**	1.54	1.5(90)	41.87	3488.7		51.6	0.1	6.1	-22.7	6.1	23.9
Nordic (342/FNORX)	H***	1.27	1.5(90)	25.53	310.8		35.9	6.6	15.0	-24.8	-4.5	8.5
Overseas (94/FOSFX)	H***	1.04	1(30)	30.43	6375.0		21.3	4.8	12.5	-17.8	-5.1	5.6
Pacific Basin (302/FPBFX)	H***	0.96	1.5(90)	19.52	580.6		47.0	3.2	16.1	-6.0	-2.8	7.5
Southeast Asia (351/FSEAX)	H***	0.93	1.5(90)	23.17	1792.3		22.8	-2.9	5.9	-13.6	3.6	14.8
Total Int'l Equity (1978/FTIEX)	H***	1.08	1(30)	6.18	27.4		27.4	3.3	12.6	-16.9		
Worldwide (318/FWWFX)	H***	0.94	1(30)	14.82	957.4		17.7	3.4	10.8	-18.4	-2.8	4.9
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.85	none	22.97	1777.1		16.0	3.4	11.0	-13.5	-3.4	2.6
NASDAQ Comp (1282/FNCMX)	B****	1.00	0.75(90)	26.68	195.7		28.0	1.6	13.3	-14.5	-2.1	2.4
Spart Ext Mkt Idx (398/FSEMX)	B****	1.09	0.75(90)	27.73	2196.5		23.0	3.7	13.9	-19.0	-4.3	3.6
Spart Int'l Index (399/FSIIX)	H***	1.05	1(90)	32.26	4291.3		21.0	4.6	13.4	-14.3	-4.6	5.8
Spart 500 Index (317/FSMKX)	H***	1.00	none	70.89	6099.7		15.0	3.6	11.7	-18.2	-5.8	0.4
Spart Total Mkt Idx (397/FSTMX)	H***	1.01	0.5(90)	29.10	4893.2		16.5	3.6	12.1	-18.4	-5.4	1.3
Asset Mgr 20% (328/FASIX)	H***	0.21	none	11.58	2119.1		14.4	1.7	6.2	0.9	2.1	4.4
Asset Mgr 30% (1957/FTANX)	H***	0.31	none	8.81	48.7		17.2	1.9	7.4	-1.6		
Asset Mgr 40% (1958/FFANX)	H***	0.40	none	8.50	27.7		18.4	2.2	8.2	-3.3		
Asset Mgr 50% (314/FASMX)	H***	0.52	none	13.02	5702.0		21.8	2.4	9.1	-4.9	-0.5	2.3
Asset Mgr 60% (1959/FSANX)	H***	0.61	none	8.11	40.3		22.9	2.7	9.9	-5.3		
Asset Mgr 70% (321/FASGX)	H***	0.73	none	13.36	2060.3		24.4	2.8	10.4	-9.7	-2.5	1.3
Asset Mgr 85% (347/FAMRX)	H***	0.88	none	10.71	465.3		26.0	3.1	11.2	-12.0	-3.5	2.9
Dynamic Strategies (1960/FDYSX)	H***	0.62	none	7.89	104.3		18.1	1.5	6.2	-11.3		
Freedom 2000 (370/FFFBX)	H***	0.26	none	11.11	1623.1		11.2	1.7	5.9	-1.9	1.5	3.0
Freedom 2005 (1312/FFVFX)	H***	0.48	none	9.67	932.2		15.9	2.5	8.5	-6.4	-0.3	2.9
Freedom 2010 (371/FFFCX)	H***	0.51	none	12.04	10801.8		16.9	2.7	9.1	-6.5	-0.3	3.0
Freedom 2015 (1313/FFVFX)	H***	0.54	none	10.00	7738.8		17.4	2.8	9.2	-7.5	-0.7	3.4
Freedom 2020 (372/FFDXX)	H***	0.66	none	11.93	18354.2		19.3	3.1	10.5	-10.8	-1.9	3.0
Freedom 2025 (1314/FFTWX)	H***	0.71	none	9.84	7776.5		20.0	3.3	10.9	-11.7	-2.4	3.0
Freedom 2030 (373/FFEX)	H***	0.80	none	11.67	12815.3		20.0	3.5	11.5	-14.6	-3.6	2.5
Freedom 2035 (1315/FFTHX)	H***	0.83	none	9.64	4968.9		20.4	3.7	11.7	-15.1	-3.9	2.5
Freedom 2040 (718/FFFFX)	H***	0.86	none	6.72	7284.1		20.6	3.7	12.0	-16.1	-4.3	2.4
Freedom 2045 (1617/FFFGX)	H***	0.87	none	7.92	1459.9		20.6	3.5	12.0	-16.3	-4.3	
Freedom 2050 (1618/FFHHX)	H***	0.91	none	7.80	1192.0		21.0	3.7	12.2	-17.4	-4.9	
Freedom Income (369/FFFAX)	H***	0.22	none	10.46	2490.0		11.0	1.7	5.7	-0.6	1.9	3.1
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	B****	0.32	1(90)	7.64	9108.3	8.78	47.9	2.9	17.1	4.0	3.7	6.3
Floating Rate (814/FFRHX)	B****	0.17	1(60)	9.22	2299.1	4.46	24.0	0.6	6.3	2.5	2.9	3.7
Focused High Inc (1366/FHIFX)	B****	0.20	1(90)	8.71	421.5	7.47	24.1	0.6	6.8	0.2	2.2	
GNMA Portfolio (15/FGMNX)	H***	0.11	none	11.43	6552.0	3.61	5.5	0.8	2.0	9.7	7.2	5.5
Gov't Income (54/FGOVX)	H***	0.13	none	10.82	4626.1	3.07	1.0	0.8	1.7	8.2	7.1	5.3
High Income (455/SPHIX)	B****	0.25	1(90)	7.76	6062.0	8.56	35.2	1.0	10.8	3.1	3.6	5.1
Inflation-Protected (794/FINPX)	S**	0.24	none	11.04	1853.1	1.27	5.6	0.8	1.3	-1.2	3.6	3.4
Intermed Bond (32/FTHRX)	H***	0.12	none	10.02	4041.0	4.31	13.6	1.6	5.7	7.1	4.2	3.5
Intermed Gov't Inc (452/FSTGX)	H***	0.11	none	10.85	1561.0	2.08	0.6	0.6	1.0	6.9	6.6	4.7
Invest Grade Bond (26/FBNDX)	B****	0.14	none	6.90	5928.1	5.00	12.1	1.7	5.7	5.4	3.0	3.1
Mortgage Securities (40/FMSFX)	H***	0.11	none	10.41	832.5	4.78	6.8	1.1	3.2	8.2	3.3	3.2
New Markets Inc (331/FNMIX)	H***	0.38	1(90)	14.43	2199.1	7.07	34.4	3.4	10.8	9.0	6.6	9.3
Short-Term Bond (450/FSHXX)	H***	0.06	none	8.22	6110.7	2.72	5.2	1.0	2.6	2.1	1.6	2.0
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.22	none	10.64	1118.1	3.03	-4.3	1.0	1.1	6.2	7.6	
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.37	none	10.60	155.5	3.96	-10.3	1.9	3.2	7.3	7.6	
Spart S-Term Tr Idx (1560/FSBIX)	H***	0.09	none	10.48	181.9	1.30	-0.3	0.6	0.4	4.8	5.8	
Strategic Income (368/FSICX)	B****	0.16	none	10.38	5883.6	5.94	23.4	2.0	9.3	9.0	6.1	6.5
Strategic Real Rtn (1505/FSRRX)	H***	0.34	0.75(60)	8.07	4575.6	2.80	17.4	2.7	7.2	-11.2	-1.6	
Total Bond (820/FTBFX)	B****	0.13	none	10.28	10417.5	5.12	15.3	1.3	6.3	8.2	5.1	4.5
Ultra-Short Bond (812/FUSFX)	S**	0.02	0.25(60)	8.12	217.2	0.79	0.6	0.2	0.5	-0.6	-3.7	-0.9
US Bond Index (651/FBIDX)	H***	0.12	none	11.05	9916.2	3.24	5.1	0.8	3.0	7.4	5.4	4.4
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FAZAX)	H***	0.16	0.5(30)	11.12	149.1	3.87	10.7	1.5	1.9	5.1	3.4	3.4
CA Municipal Inc (91/FCITFX)	H***	0.16	0.5(30)	11.67	1428.9	4.29	9.3	2.1	2.4	2.3	2.6	3.3
CA Short-Int TF (1534/FCSTX)	H***	0.05	0.5(30)	10.49	422.6	2.05	4.4	0.4	1.7	5.0	4.6	
CT Municipal Inc (407/FICNX)	H***	0.13	0.5(30)	11.34	535.9	3.29	8.9	1.1	1.9	5.8	4.2	3.8
Intermediate Muni (36/FLTMX)	B****	0.09	0.5(30)	10.07	3303.3	2.99	6.6	0.9	1.9	5.0	4.3	3.8
MA Municipal Inc (70/FDMMX)	H***	0.15	0.5(30)	11.67	2157.2	3.59	10.0	1.6	2.4	4.9	3.8	3.9
MD Municipal Inc (429/SMDMX)	H***	0.15	0.5(30)	10.78	159.7	3.32	11.2	1.3	2.3	5.3	3.8	3.6
MI Municipal Inc (81/FMHTX)	H***	0.12	0.5(30)	11.75	605.0	3.50	6.8	1.2	2.0	5.0	4.0	3.8
MN Municipal Inc (82/FIMIX)	H***	0.10	0.5(30)	11.31	441.6	2.99	7.9	0.9	1.3	5.5	4.1	3.8
Municipal Income (37/FHIGX)	H***	0.16	0.5(30)	12.32	5251.9	4.05	10.3	1.9	2.8	4.3	3.4	3.7
NJ Municipal Inc (416/FNJHX)	H***	0.14	0.5(30)	11.39	620.6	3.39	9.4	1.5	2.5	4.6	3.8	3.9
NY Municipal Inc (71/FTFMX)	H***	0.17	0.5(30)	12.69	1587.8	3.78	9.5	1.8	2.4	5.2	3.9	3.9
OH Municipal Inc (88/FOHFX)	H***	0.14	0.5(30)	11.50	477.4	3.60	8.7	1.5	2.0	5.4	4.1	3.9
PA Municipal Inc (402/FPXTX)	H***	0.12	0.5(30)	10.67	392.3	3.55	7.2	1.0	1.7	4.8	3.9	3.8
Short-Int Municipal (404/FSTFX)	B****	0.04	0.5(30)	10.58	2564.0	1.85	4.3	0.4	1.5	4.5	4.4	3.3
Tax-Free Bond (90/FTABX)	H***	0.15	0.5(30)	10.62	1540.7	4.00	10.4	1.9	2.6	5.1	3.9	4.1

AUGUST 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	9496.28	10.6	3.8	12.4	-15.0	-3.3	1.2	0.9
S&P 500	1.00	1020.62	15.0	3.6	11.7	-18.3	-5.8	0.5	-0.8
NASDAQ	1.00	2009.06	28.2	1.6	13.4	-14.3	-1.9	2.6	-2.5
Russell 2000	1.20	572.07	15.8	2.9	14.5	-21.3	-6.1	2.2	4.3
Fidelity Monitor Income Model	0.26	83460.39	13.6	1.4	6.8	-3.0	0.1	1.8	3.2
Fidelity Monitor G&I Model	0.61	148289.17	18.0	2.4	9.6	-13.8	-3.7	2.6	4.6
Fidelity Monitor Growth Model	0.95	142998.18	17.0	3.2	11.1	-22.2	-7.5	0.9	2.8
Fidelity Monitor Select System	0.93	303237.77	20.3	3.7	16.9	-22.0	-2.5	4.3	3.7
Fidelity Monitor Unique Opportunities	1.08	96630.76	30.5	3.7	13.4	-22.1	-6.1	4.2	5.0

## 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

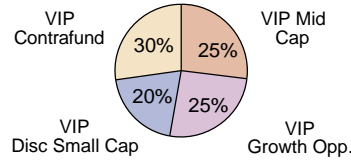


### PAST PERFORMANCE

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: +17.4%</b>	

### VIP GROWTH MODEL

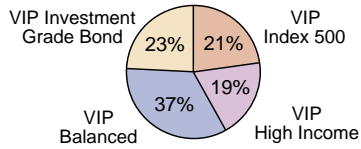


### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2002: -21.7%
1994: +4.6%	2003: +30.0%
1995: +36.1%	2004: +7.0%
1996: +16.1%	2005: +10.1%
1997: +23.5%	2006: +14.5%
1998: +22.6%	2007: +9.3%
1999: +22.1%	2008: -45.5%
2000: -10.3%	
2001: -14.0%	
<b>*2009: +13.1%</b>	

### VIP G & I MODEL

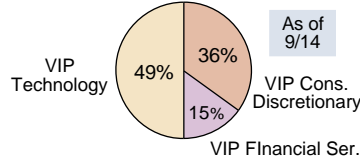


### PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2003: +20.8%
1996: +12.8%	2004: +6.3%
1997: +21.4%	2005: +4.5%
1998: +15.1%	2006: +11.6%
1999: +6.1%	2007: +7.7%
2000: -4.9%	2008: -31.0%
2001: +3.1%	
2002: -9.4%	
<b>*2009: +17.9%</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: +29.1%</b>	

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

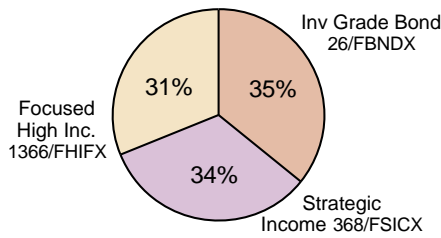
AUGUST VIP PERFORMANCE Portfolio	Rating	RR Value	2009 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Growth Strategies	H ***	8.60	24.1	3.6	9.9	-18.3	-6.5	
VIP Asset Manager	H ***	33.12	18.6	2.7	8.1	-11.2	0.2	2.1
VIP Asset Manager: Growth	H ***	20.30	20.0	3.2	9.1	-17.3	-1.6	1.1
VIP Balanced	B ***	15.48	26.3	3.8	11.1	-8.8	-1.7	1.8
VIP Consumer Discretionary	B ***	9.10	22.5	3.4	11.9	-12.7	-7.4	-0.7
VIP Consumer Staples	H ***	9.64	11.5	1.8	10.7	-5.6		
VIP Contrafund	B ***	36.02	22.3	3.6	12.3	-17.3	-4.4	3.5
VIP Disciplined Small Cap	B ***	7.14	11.0	2.6	12.9	-22.8	-8.5	
VIP Dynamic Capital Appreciation	H ***	11.04	18.1	3.6	7.7	-18.4	-7.1	3.3
VIP Energy	H ***	18.15	25.4	0.1	-2.8	-38.7	-5.1	9.4
VIP Equity-Income	H ***	47.46	20.3	5.8	14.4	-18.8	-8.8	-1.1
VIP Financial Services	B ***↑	8.12	26.0	9.4	15.2	-15.6	-16.2	-6.3
VIP Freedom 2005	H ***	10.72	15.6	2.6	8.4	-6.0	-0.4	
VIP Freedom 2010	H ***	10.69	16.5	2.7	8.9	-6.4	-0.6	
VIP Freedom 2015	H ***	10.76	17.0	2.8	9.2	-7.5	-0.9	
VIP Freedom 2020	H ***	10.40	19.3	3.2	10.5	-11.0	-2.4	
VIP Freedom 2025	H ***	10.34	19.8	3.3	10.7	-12.2	-2.9	
VIP Freedom 2030	H ***	10.02	20.7	3.6	11.5	-15.2	-4.2	
VIP Freedom Income	B ***	11.21	10.4	1.4	5.2	0.2	2.1	
VIP FundsManager 20	B ***	10.62	6.5	1.2	3.9	-0.5	1.8	
VIP FundsManager 50	B ***	9.64	12.0	2.1	7.0	-6.7	-1.1	
VIP FundsManager 70	B ***	8.83	15.1	2.6	8.8	-12.2	-3.7	
VIP FundsManager 85	B ***	8.26	17.3	3.1	10.5	-16.0	-5.6	
VIP Growth	H ***	45.99	14.8	1.7	8.5	-27.3	-7.1	-1.5
VIP Growth & Income	H ***	14.67	16.8	3.0	10.9	-21.9	-6.8	-0.7
VIP Growth Opportunities	B ***	9.39	27.2	2.3	10.0	-27.9	-7.7	-2.9
VIP Growth Stock	B ***	8.88	25.3	2.3	11.1	-18.6	-4.2	
VIP Health Care	H ***	11.22	19.7	3.5	13.0	-9.7	-3.0	2.9
VIP High Income	B ***	31.06	30.0	0.7	9.1	-2.2	1.3	3.3
VIP Index 500	H ***	28.54	14.5	3.5	11.5	-18.8	-6.5	-0.3
VIP Industrials	H ***	15.19	23.9	4.4	17.5	-20.2	-1.9	5.2
VIP Int'l Capital Appreciation	H ***	9.44	42.8	5.1	12.5	-11.6	-7.3	
VIP Investment Grade Bond	B ***	32.57	11.9	1.2	5.3	7.5	4.2	3.3
VIP Materials	H ***	9.17	53.1	2.7	13.4	-16.0		
VIP Mid Cap	B ***	18.51	24.8	1.6	8.7	-17.8	-3.3	6.3
VIP Money Market		21.89	0.1	0.0	0.0	0.7	2.7	2.6
VIP Overseas	H ***	31.11	17.1	3.8	11.4	-19.6	-6.0	4.2
VIP Real Estate	H ***	12.84	16.4	17.5	25.8	-31.4	-14.1	0.4
VIP Strategic Income	B ***	13.52	21.6	1.8	8.6	8.2	5.3	5.7
VIP Technology	B ***	9.80	61.7	2.2	16.7	-6.3	-0.3	5.4
VIP Telecommunications	H ***	6.62	28.4	-2.7	2.9	-14.9		
VIP Utilities	H ***	10.93	7.7	2.9	14.0	-18.7	-3.1	6.1
VIP Value	H ***	8.44	29.5	7.2	17.6	-23.3	-8.7	
VIP Value Leaders	H ***	8.39	19.0	5.6	15.0	-21.1	-9.4	
VIP Value Strategies	H ***	10.95	42.3	7.7	20.1	-19.4	-7.2	0.6
Fidelity Monitor VIP Income Model		20194.45	17.4	1.3	7.5	0.4	1.9	2.4
Fidelity Monitor VIP G&I Model		22075.11	17.9	2.6	9.4	-11.5	-2.2	1.6
Fidelity Monitor VIP Growth Model		25525.63	13.1	2.5	10.6	-25.9	-10.1	-1.1
Fidelity Monitor VIP Sector Model		15748.89	29.1	3.0	14.3	-15.4	-3.3	4.8

## 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	\$6.90	4243.820	\$29282.36
Strategic Income	\$10.38	2698.345	\$28008.82
Focused High Inc.	\$8.71	3004.502	\$26169.21

17% Foreign Holdings  
Balance as of 8/31/09: \$83460.39  
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: +13.6%**

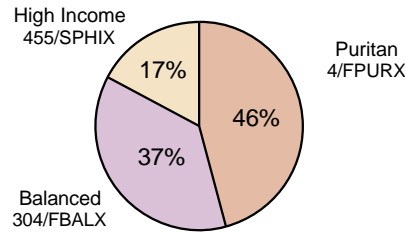
In August our Income Model gained 1.4%. We are considering a switch from **Focused High Income** to **Total Bond** for next month.

## 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	\$15.06	4508.206	\$67893.58
Balanced	\$15.40	3614.971	\$55670.55
High Income	\$7.76	3186.217	\$24725.04

10% Foreign Holdings  
Balance as of 8/31/09: \$148289.17  
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: +18.0%**

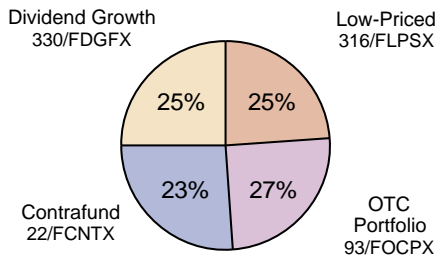
Our Growth and Income Model gained 2.4% in August.

## 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
Low-Priced Stock	\$29.43	1222.875	\$35989.21
OTC Portfolio	\$39.45	984.424	\$38835.53
Contrafund	\$51.59	646.628	\$33359.54
Dividend Growth	\$21.29	1635.223	\$34813.90

16% Foreign Holdings  
Balance as of 8/31/09: \$142998.18  
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: +17.0%**

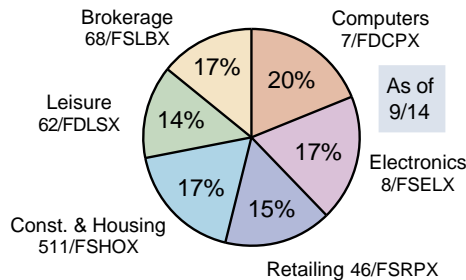
Our Growth Model gained 3.2% in August, versus 3.6% for the S&P 500.

## SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Computers	\$38.90	1560.153	\$60689.95
Electronics	\$36.92	1433.672	\$52931.17
Retailing	\$40.22	1099.611	\$44226.35
Const. & Housing	\$28.47	1787.121	\$50879.33
Leisure	\$62.05	683.802	\$42429.91
Com. Equipment	\$18.26	2852.194	\$52081.06

6% Foreign Holdings  
Balance as of 8/31/09: \$303237.77  
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: +20.3%**

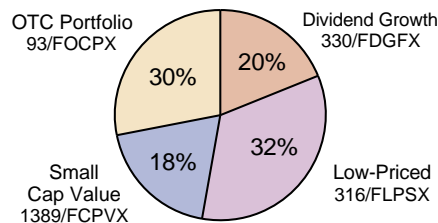
We were up 3.7% in August, versus a 3.6% increase for the S&P 500. On 8/10 we sold **Biotech** (\$63.68) and bought **Electronics** (\$34.90). On 9/14 we'll exchange **Com. Equip.** for **Brokerage**.

## 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	\$21.29	914.581	\$19471.43
Low-Priced Stock	\$29.43	1034.591	\$30448.01
Small Cap Value	\$11.69	1523.124	\$17805.32
OTC Portfolio	\$39.45	732.725	\$28906.00

15% Foreign Holdings  
Balance as of 8/31/09: \$96630.76  
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: +30.5%**

Our Unique Opportunities Model gained 3.7% in August.

30-day yield of 8.5%, shareholders are still being “paid to wait” for any additional recovery potential. Most likely the lion’s share of the rebound has already occurred, but returns could still be above-average for the next year or two. As Fidelity’s mainstream high-yield bond fund, **High Income** has limited exposure to rising interest rates. Inflation usually helps firms that are carrying a lot of debt, so reduced credit fears usually offset concerns about rising interest rates. But that doesn’t mean the fund has a low risk level. True risk is around 60% of the S&P 500’s level, which implies this fund should be chosen on the basis of a 3-year investment horizon. Keep in mind that **High Income**, like other high-yield funds, carries a 90-day redemption fee of 1%.

**CAPITAL & INCOME**

Fidelity’s longest running high-yield bond fund has realized a 30-year annualized return of 10%, rivaling the gains of stock funds. If you can accept high-yield bonds as the “growth stocks” of the bond universe, **Capital & Income** is the fund that tries to take full advantage of the sector. And it’s not for the faint of heart. The fund has gained 48% so far this year, just barely enough to recover its 32% loss in 2008. Many investors would question the logic of a fund that puts 38% of its assets in junk bonds rated CCC or worse, but Fidelity has proven risk-management skills that make the concept work. Some of the distressed bonds that manager Mark Notkin buys are actually in default (or close to it). But often the market has misjudged liquidation value, so there may be significant rebound potential in the bankruptcy process itself.

**Capital & Income** usually allocates 10-15% of its assets to the stocks of companies that issue high-yield bonds (so called “junk stocks”). The idea is that Fidelity analysts have already done the math to determine that the company has good odds for survival, and the stock often has more rebound potential than the bonds. Although this strategy didn’t work too well over the last 12 months, it’s starting to bear fruit again now that the credit markets are getting back to normal. The fund’s 30-day yield of almost 9% would be a little higher without the stocks, but it’s still the highest in Fidelity’s lineup. True risk is about 80% of the S&P 500’s level. As such, **Capital & Income** should only be considered for holding periods of three years or more. Note that the fund carries a 90-day 1% redemption fee. ■

consider going with either **Balanced** or **Puritan**.

**Real Estate** jumped 17.9% on continuing signs of an economic rebound. **Strategic Dividend & Income** gained 6.7%. **Equity-Income I & II** posted respective increases of 5.9% and 5.7%. On the bottom end, **Telecom & Utilities** was off 0.1%.

**INCOME FUNDS**

Our Income Model holdings are listed on page 7. For a more aggressive approach, or if you are stepping down in risk from a stock-oriented position, consider high-yield with **Strategic Income** or **High Income**.

**New Markets Income** rose 3.4% on reduced credit risk in Latin America and Eastern Europe. **Strategic Real Return** was up 2.7% mainly from real estate gains. High yield bonds took a rest for part of the month, but **Capital & Income** managed a 2.9% increase, and **Strategic Income** posted a 2.0% return. On the bottom, conservative **Ultra-Short Bond** edged up 0.2%.

Muni funds had gains ranging from 0.4% to 2.1%.

**SELECT PORTFOLIOS**

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

Financial sectors dominated most of the top spots, but transportation stocks also did well. **Insurance** was up 13.0%, **Banking** gained 12.9%, **Air Transport** jumped 11.5%, **Financial Services** climbed 9.0%, and **Brokerage** was up 8.4%. On the bottom end, **Automotive** was off 2.0%, **Telecommunications** declined 2.3%, and **Wireless** lost 3.3%. ■

**AUGUST DISTRIBUTIONS**

<b>Asset Manager 20%</b>	\$ 0.023/\$11.42 (8/7)
<b>Asset Manager 30%</b>	\$ 0.014 / \$8.68 (8/7)
<b>Growth Discovery</b>	\$ 0.029 / \$9.96 (8/7)
<b>Fidelity Fifty</b>	\$ 0.025/\$13.72 (8/7)
<b>Freedom Income</b>	\$ 0.02 / \$10.36 (8/7)
<b>Mega Cap Stock</b>	\$ 0.093 / \$7.99 (8/7)

Funds scheduled for September include **Asset Mgr 20% & 30%, 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, Real Estate, Real Estate Income, Small Cap Growth, Small Cap Value, Ultra-Short Bond, and Value Discovery**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	138418.1	0.33	CT MM (418/FCMXX)	1900.3	0.01			
Select MM (85/FSLXX)	8431.4	0.38	MA MM (74/FDMXX)	4935.2	0.01			
Money Market (454/SPRXX)	8974.3	0.32	MI MM (420/FMIXX)	927.7	0.01	MA AMT TF (426/FMSXX)	535.8	0.05
Gov’t MM (458/SPAXX)	1048.2	0.08	NJ MM (417/FNJXX)	2360.6	0.01	AMT Tax-Free (460/FIMXX)	2564.6	0.06
US Treas. MM (415/FDLXX)	7145.5	0.01	NY MM (92/FNYXX)	5558.7	0.01	NJ AMT TF (423/FSJXX)	511.3	0.04
Tax-Free MM (275/FMOXX)	6273.9	0.01	OH MM (419/FOMXX)	1082.5	0.01	NY AMT TF (422/FSNXX)	922.0	0.05
US Gov’t Reser (50/FGRXX)	4497.7	0.19	AZ MM (433/FSAXX)	383.5	0.01	PA MM (401/FPTXX)	708.7	0.01
CA MM (97/FCFX)	5137.6	0.01	CA AMT TF (457/FSPXX)	1052.2	0.02	Municipal MM (10/FTEXX)	24537.0	0.06