

Jack
Bowers



Fidelity

Best Performing
Fidelity Newsletter

20
Years

NOVEMBER
2008

Monitor™

Question & Answer Forum

I read that it took the market 25 years to recover from its depression-era losses. Do you see any similarities between market behavior today and that of the 1930s, and do you still think a long-term investment strategy makes sense?

The purported “25-year recovery” for the Dow Jones Index is off by a factor of two because it ignores

QUESTION & ANSWER FORUM - *Continued on page 2*

Growth Model, Select System, Unique Opportunities, and VIP Portfolios Plan Changes

On Monday, 11/10 we will make several trades:

Our Growth Model will be selling **Stock Selector** (320/FDSSX) and buying **Equity-Income** (23/FEQIX), for a mix of 24% **Equity-Income**, 26% **Blue Chip Growth**, 25% **Growth Discovery**, and 25% **Tax-Managed Stock**. This move will shift the portfolio slightly in the value direction, and it will book a tax loss for those who follow it with a non-retirement account.

Our VIP Growth Model will sell **VIP Growth Opportunities** and buy **VIP Equity-Income**.

Our Select System will rebalance by exchanging one-fifth of **Consumer Staples** (9/FDFAX) for **Transportation** (512/FSRFX), for an approximate mix of 20% **Medical Equipment**, 17% **Biotech**, 18% **Consumer Staples**, 19% **Transportation**, 11% **Natural Gas**, and 15% **Chemicals**. As a result of falling oil prices, **Transportation** is now the highest-ranked sector in our volatility model, and we want to bring it up to a normal weighting level.

Our VIP Sector Model will sell one-fifth of **VIP Consumer Staples** and buy **VIP Industrials**.

Our Unique Opportunities Model will be selling **Leveraged Company Stock** (122/FLVCX) and **Magellan** (21/FMAGX), with the proceeds going in **Equity-Income** (23/FEQIX). The resulting mix will be 19% **Dividend Growth**, 34% **Equity-Income**, 19% **Blue Chip Growth**, and 28% **OTC Portfolio**. These are tough times for heavily leveraged firms, and **Magellan** is being hurt by its foreign holdings. **Equity-Income** holds companies that generate lots of cash and pay regular dividends. The fund's foreign exposure, at 11%, is relatively modest.

Review & Recommendations

A massive liquidation of stocks resulted in the largest monthly losses since the 1987 Crash. The heavy selloff was driven by fears of a global recession, which caused many foreign markets to be hit harder than the U.S. And it was magnified on the downside by margin calls and a jump in the cost of borrowing securities, which forced hedge funds and many other short-term players to cash out. The S&P 500 declined 16.8% for the month.

Over the last 12 months, equities have been cut in half in many global markets, transferring stock ownership back to long-term investors who don't use other people's money to make leveraged bets. The magnitude of the decline has generated lots of debate about whether traditional long-term strategies still make sense. Some of these concerns have been addressed in this month's Q & A column.

GROWTH FUNDS

Our Growth Model positions are listed on page 7. If you're not following the model, we recommend **Equity-Income**, **Disciplined Equity**, **OTC Portfolio**, **Dividend Growth**, **Blue Chip Growth**, **Growth Discovery**, **New Millennium**, **Tax-Managed Stock**, and **Fidelity Fund**.

A heavy bet on financial and transportation stocks limited **Focused Stock**'s decline to 12.7%. **Contrafund** and **Capital Appreciation** also fell less than the market, posting respective losses of 15.8% and 16.2%. On the bottom, **Leveraged Company Stock** dropped 26.5%, and **Value Strategies** took a 28.0% tumble.

INTERNATIONAL FUNDS

Global Balanced takes advantage of foreign opportunities while keeping risk at a moderate level. We downgraded **Canada** because its economy may be affected by the global commodities bust.

Global Balanced pulled back 11.5%, losing less than other foreign funds as a result of its bond holdings. **Japan Smaller Companies** held up relatively well with a 14.2% decline. Emerging market funds, on the other hand, were hurt by the price slump in oil and metals. **Emerging EMEA** was down 30.0%, **Emerging Markets** lost 31.9%, and **Latin America** tumbled 34.0%.

RECOMMENDATIONS - *Continued on page 8*

reinvested dividends. Dividends were the main reason investors bought stocks back then, and dividend income accounted for about half of the stock market's total return during its recovery.

Standard & Poors' total return data shows that the depression-era bear cycle lasted about 13 years. Stocks were hit hard in October 1929, but later recovered and the market held most of its value until May 1930. Then it fell into a steep slide, bottoming out two years later. Recovery took another eleven years. The first five were fairly strong, but a second wave of economic weakness led to a pullback and several more years of directionless trading. By 1943 the market was back to 1930 levels, and from there it entered a bullish period that lasted until 1966.

Today, a chart of the NASDAQ Index looks a lot like what the market went through during the depression era. Some market analysts believe we have been in a secular bear market since early 2000, and that excesses created in the late 90s are still being worked off.

Perhaps we really are eight and a half years into a 13-year bearish cycle, but I would argue that a long-term approach still makes sense going forward. Future stock market returns are likely to come in higher than historical averages over the next 3-5 years, and perhaps for as long as two decades.

With Federal debt mushrooming and the dollar bearing the burden of the mortgage securities crisis, isn't this a good time to invest in gold?

What's going on right now is deflationary, and gold is not the best place to be.

Despite all the bailouts, Federal debt is not really mushrooming. What's really happening is a conversion of the Treasury into a giant bank, with "credit lines" to keep the U.S. economy (and the U.S. tax base) from contracting. Some of the loans will go bad, but most will make money.

Most of the increase in the Federal debt will be due to additional spending on economic stimulus programs at a time when tax revenue has tapered off. But any negative impact on the dollar will probably be overshadowed by an improving balance-of-trade picture. Imports are suddenly declining faster than exports due to a slump in consumer spending and a plunge in the price of oil, which helps the dollar. As such, the price of gold may not climb much from here.

Why didn't you see this coming and take defensive measures in your portfolios?

While the decline in home values and resulting mortgage securities crisis was not something I took lightly, I didn't see it reaching a tipping point where

it could take down the entire global economy.

When investing for long-term growth, you can't really afford to worry about 1% probability events, because the parade of potential disasters-in-waiting is endless. It's very unusual when a well-publicized problem like the housing slump has a major impact on the stock market. Most well-known threats are already reflected in stock prices, so there isn't any benefit in reacting to them. In contrast, the things that create real damage usually come out of the blue. The only way to win in a game like this is to focus on what's *most* likely to happen, and recognize that you'll have the occasional setback. Granted, the current situation is much more than a setback, but it may also be the last of its kind for several decades.

Using market timing to reduce risk is an effective technique, but the tradeoff is lousy long-term returns. When you include cash as an investment option, invariably you'll be in it at the wrong time more often than the right time, unless you're really lucky. That's because markets go up twice as often as they go down. And even if you get lucky once or twice, you're running up against lottery odds trying to get it right through several market cycles. The Hulbert Financial Digest tracks all kinds of newsletters. For market timers who regularly move into cash to limit downside risk, long-term performance suffers.

Our portfolios have taken a substantial short-term hit, but even in the depths of this bear market our longer-running models are still showing decent returns. From the end of 1988 through 10/31/08, our Select System gained 12.9% per year, multiplying its value by a factor of 11 (the S&P 500 was up 8.8% annually over the same period). Our Growth Model returned 10.2% per year, growing by a factor of nearly 7. These numbers show that a fully-invested approach is still viable, even when it includes one of the worst performing decades of the last 100 years.

Why haven't the Income Model and the Growth and Income Model held up better?

Conservative portfolios have been hit unusually hard in this selloff, because income-oriented securities have been at the epicenter of the crisis. In "normal" bear markets, falling interest rates give bonds a boost, partially offsetting losses on the stock side. That hasn't happened this time around.

Even with the benefit of hindsight, it's tough to see how we could have done better while operating within our risk targets. A large treasury bond position would have helped, but up until recently I was too worried about inflation to make that kind of bet, because it might have been hurt by rising interest rates.

If you depend on your portfolio to cover living expenses, we suggest holding enough cash (in money

markets, bank accounts, or CDs) to cover three years living expenses. Otherwise, we think it makes sense to ride this thing out. Most likely, there will be many opportunities to earn good returns with moderate risk over the next 3-5 years.

I'm following your Growth Model and I'm interested in maximizing tax losses for 2008. What's the best way to do it?

Keep in mind that we expect to book some tax losses for the Growth Model in 2008 and 2009 due to normal portfolio rotation. Also, year-end payouts are expected to be light this year. But if you still need to maximize tax losses, try to do it in a way that keeps you in the market in case there's a sudden surge in stock prices.

One option is to move everything into **Spartan 500 Index**, wait 31 days or more, then return to the Growth Model. To avoid a wash sale, make sure you haven't sold **Spartan 500 Index** in the last 30 days. Also, keep in mind that you'll owe a 1% redemption fee if selling your shares of **Tax-Managed Stock**.

If the market surges while you're in **Spartan 500 Index**, you may want to hold it until early 2009 to avoid offsetting any of your 2008 tax losses.

I am semi-retired and have been drawing from my investments to supplement my income. As a result of changing my mind on a home purchase, I now have seven years anticipated living expenses in cash. In light of the recent selloff, I've switched to drawing from my cash position for living expenses. Do you think this is a good idea, and when should I return to selling my mutual fund portfolio again?

This is definitely a good time to live off your cash holdings and give your mutual fund holdings an opportunity to recover. Assuming your portfolio is reasonably diversified with overall risk at or below the S&P 500's level, I would suggest working down your cash level until it represents three years expected living expenses. That should take about four years, at which point your portfolio will probably be much better off than it is today.

I just don't see how the housing market can turn around, given how the economy is reinforcing the decline in home values. Won't things get much worse before they get better?

The financial markets have already priced in an expectation that home values will continue sinking, so unless the trend accelerates it probably won't

have much additional impact on the stock market.

There are some positive trends taking place. Banks, with support from Fannie and Freddie, are lending to qualified buyers. Home owners who aren't equity-negative are refinancing into affordable fixed rate mortgages. Some investors who have cashed out of the stock market are now looking for rental property bargains. Lower gasoline prices could revive some of the harder-hit commuter cities. And it seems likely that Congress will put together some type of homeowner support after the election.

What do you think of emerging markets as an investment strategy at this point? They're down sharply, but isn't that where a good deal of the growth will come from over the next few years?

What's happening now looks like the Asian Currency Crisis of 1998, except that almost all emerging countries are involved this time around.

It's too soon to jump back in to a high-risk emerging markets position. Collapsing currencies tend to create a two-pronged negative effect, reducing stock values in dollar terms while dramatically raising borrowing costs for companies that carry foreign loans. Exports eventually pick up, but some firms aren't able to hang on that long.

Even dollar-linked emerging countries may be in for a struggle. The credit freeze has created far more havoc in these countries than here in the U.S., and it may also take a lot longer to recover.

We think the best opportunities for the next 3-5 years are in the U.S. markets. Lower interest rates and lower oil prices will eventually have a positive effect, and our economy should benefit more than others from an improved balance of trade.

I keep reading about the enormous derivative exposure in the financial system, and I'm worried problems may get worse before they get better.

Some credit default securities have created big winners and big losers as a result of bankruptcies that include Lehman, WaMu, and others. Unlike the mortgage securities mess, where most players lost large amounts of money, the settlement of credit default securities is more of a zero-sum game. The winners and losers know who they are, and the losers have had time to accumulate capital for settling their obligations. For several weeks, large settlements have already been occurring without big problems. That's one of the main reasons the credit freeze is starting to thaw.

QUESTION & ANSWER FORUM - *Continued on page 8*

GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

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

OCTOBER 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	7.04	118.8		-19.7	-28.6				
Aggressive Gth (324/FDEGX)	H***	0.97	1.5(90)	12.38	2140.7	-46.2	-20.0	-33.6	-50.7	-9.7	-2.8	-4.7
Blue Chip Gth (312/FBGRX)	B****	0.93	none	28.53	12130.3	-33.7	-18.8	-25.3	-36.4	-6.6	-2.0	-1.5
Blue Chip Value (1271/FBCVX)	H***	1.14	none	8.57	432.9	-40.7	-19.5	-28.7	-44.0	-8.9	-0.7	
Capital Apprec (307/FDCAX)	H***	1.03	none	16.68	5979.0	-37.7	-16.2	-28.4	-43.8	-7.4	-1.4	3.3
Contrafund (22/FCNTX)	B****	0.84	Closed	48.10	61783.8	-33.5	-15.8	-24.5	-35.1	-2.2	4.4	5.3
Growth Discovery (339/FDSVX)	B****	0.93	none	9.61	1333.3	-40.7	-18.7	-31.0	-43.1	-3.9	0.7	3.4
Disc Equity (315/FDEQX)	B****	0.95	none	18.78	11395.2	-36.4	-18.6	-26.2	-38.7	-5.5	0.9	1.8
Dividend Gth (330/FDGFV)	B****	1.05	none	17.03	8011.3	-39.2	-21.9	-29.6	-43.3	-9.8	-3.8	-0.1
Export Fund (332/FEFVX)	H***	1.00	0.75(30)	15.72	3321.0	-38.2	-17.8	-27.3	-41.7	-6.7	1.6	6.3
Fidelity Fifty (500/FFTYX)	H***	1.07	none	12.01	952.7	-44.8	-21.5	-35.3	-49.0	-9.6	-3.2	3.7
Focused Stock (333/FTQGX)	H***	0.96	none	9.82	106.2	-26.1	-12.7	-21.8	-29.6	-1.5	5.7	1.4
Growth Company (25/FDGRX)	B****	1.01	Closed	53.12	29648.1	-36.0	-17.1	-28.9	-39.6	-3.3	1.7	3.8
Independence (73/FDFFX)	H***	1.35	none	15.49	5119.7	-44.0	-22.7	-41.0	-45.9	-4.4	1.0	2.7
Lg Cap Core En Idx (1827/FLCEX)	H***	1.0 Est	none	6.89	944.7	-32.0	-15.7	-22.4	-34.9			
Lg Cap Gth En Idx (1829/FLGEX)	H***	1.0 Est	none	6.86	28.3	-33.3	-16.6	-25.0	-36.5			
Large Cap Growth (763/FSLGX)	H***	0.96	none	6.84	110.8	-36.1	-19.5	-26.7	-39.5	-10.0	-1.4	
Large-Cap Stock (338/FLCSX)	H***	1.12	none	11.06	738.0	-42.7	-20.2	-29.6	-45.5	-8.3	-2.5	-1.5
Lg Cap Val En Idx (1828/FLVEX)	H***	1.0 Est	none	6.39	29.8	-32.1	-15.5	-20.9	-35.9			
Large Cap Value (708/FSLVX)	H***	1.02	none	9.29	1272.7	-35.9	-18.4	-24.5	-39.3	-6.7	1.8	
Lev Co Stock (122/FLVEX)	H***	1.27	1.5(90)	17.04	5640.9	-46.7	-26.5	-44.6	-50.0	-7.6	3.8	
Low-Priced Stock (316/FLPSX)	H***	0.87	Closed	23.36	25151.3	-35.6	-20.0	-28.8	-39.3	-5.9	2.1	8.9
Magellan (21/FMAGX)	H***↓	1.09	none	49.43	28359.5	-45.6	-21.6	-35.7	-47.5	-9.9	-3.5	-1.2
Mid Cap Growth (793/FMSGX)	H***	1.08	0.75(30)	7.38	220.9	-45.4	-25.8	-36.7	-48.1	-13.8	-3.7	
Mid Cap Stock (337/FMCSX)	H***	1.04	Closed	16.16	9362.9	-44.2	-24.2	-38.3	-48.0	-8.9	-1.9	4.6
Mid Cap Value (762/FSMVX)	H***	1.02	0.75(30)	10.20	580.8	-37.3	-20.7	-29.2	-40.7	-8.2	1.6	
New Millennium (300/FMILX)	B****	0.97	none	18.42	1647.8	-38.0	-20.2	-27.4	-41.0	-4.1	-0.6	7.2
OTC Portfolio (93/FOCPX)	B****	1.09	none	30.87	5302.6	-40.8	-16.9	-30.9	-45.0	-4.6	-0.1	1.7
Small Cap Gth (1388/FCPGX)	H***	0.97	1.5(90)	9.17	1106.9	-41.9	-23.6	-31.0	-44.7	-7.5		
Small Cap Indep (336/FDSCX)	H***	1.01	1.5(90)	11.29	1652.4	-43.3	-23.0	-32.0	-48.4	-9.8	-1.1	3.2
Small Cap Stock (340/FSLCX)	H***	0.96	Closed	10.34	3308.2	-39.8	-23.9	-33.2	-43.4	-8.4	-0.4	8.0
Small Cap Value (1389/FCPVX)	B****	1.07	1.5(90)	9.71	1208.5	-27.9	-19.6	-17.7	-33.6	-3.9		
Stock Selector (320/FDSSX)	B****	0.98	none	18.79	857.9	-36.3	-17.4	-26.2	-38.8	-5.5	0.4	1.1
Tax Mgd Stock (343/FTMXM)	B****	0.94	1(730)	9.93	157.9	-38.2	-19.9	-30.1	-40.1	-6.1	1.3	
Trend (5/FTRNX)	B****	1.00	none	41.71	715.3	-41.0	-18.5	-30.5	-43.6	-6.0	-0.1	2.5
Value (39/FDVLX)	H***	1.05	none	43.78	15437.0	-41.6	-25.4	-33.3	-46.3	-9.6	0.5	4.8
Value Discovery (832/FVDFX)	H***	1.08	none	11.21	902.0	-37.1	-18.4	-25.3	-40.4	-4.8	3.1	
Value Strategies (14/FSLSX)	H***	1.13	none	15.29	200.1	-46.9	-28.0	-36.3	-51.3	-10.9	-4.5	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.65	none	13.58	22149.8	-29.4	-13.5	-22.1	-31.9	-3.3	2.1	4.6
Convertible Sec (308/FCVXS)	H***	0.86	none	15.43	2361.4	-43.8	-22.8	-40.7	-46.2	-7.8	-1.6	5.3
Equity-Income (23/FEQIX)	B****↑	1.08	none	33.19	23444.6	-37.7	-18.2	-26.0	-41.6	-7.4	-0.7	1.4
Equity-Income II (319/FEQTX)	B****↑	1.06	none	14.36	7096.0	-36.1	-16.9	-24.4	-39.2	-7.5	-1.5	1.2
Fidelity Fund (3/FFIDX)	B****	0.96	none	24.46	5994.8	-36.2	-17.3	-26.1	-38.1	-3.8	0.9	1.0
Growth & Income (27/FGRIX)	H***	1.24	none	14.75	10068.2	-45.2	-20.6	-32.1	-48.6	-14.3	-6.2	-3.0
Mega Cap Stock (361/FGRTX)	H***	0.99	none	7.50	547.2	-35.2	-15.9	-23.6	-38.0	-5.5	-1.0	
Puritan (4/FPURX)	B****	0.59	none	13.59	19510.6	-26.9	-12.8	-19.4	-29.0	-2.7	1.6	3.1
Real Estate Income (833/FRIFX)	H***	0.32	0.75(90)	7.61	367.5	-24.2	-14.7	-18.0	-26.0	-6.6	-0.7	
Real Estate (303/FRESX)	H***	1.56	0.75(90)	17.68	4701.4	-31.2	-30.3	-31.8	-41.8	-8.7	3.5	8.3
Strategic Div & Inc (1329/FSDIX)	B****	0.91	none	7.68	610.7	-37.4	-19.7	-29.2	-41.6	-8.2		
Utilities (311/FUIX)	H***	0.96	none	12.63	869.1	-37.4	-14.1	-26.2	-39.2	-2.7	4.6	0.4
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.36	0.75(30)	26.48	41.2	-31.5	2.4	-4.6	-40.9	-3.1	2.5	7.0
Automotive (502/FSAVX)	S**↓	1.26	0.75(30)	16.19	14.6	-56.7	-38.3	-43.4	-64.5	-19.7	-11.0	-2.8
Banking (507/FSRBX)	H***↑	1.73	0.75(30)	17.98	301.6	-26.1	-4.7	-4.9	-35.5	-12.1	-5.1	0.4
Biotechnology (42/FBIOX)	B****	0.87	0.75(30)	59.56	1387.9	-10.7	-9.4	-19.7	-18.7	0.8	3.9	6.7
Brokerage (68/FSLBX)	H***	1.36	0.75(30)	35.02	544.8	-45.4	-24.3	-30.9	-48.7	-10.4	0.0	6.5
IT Ser / Bus Ser (353/FBSOX)	B****↑	1.00	0.75(30)	11.52	77.9	-31.1	-21.7	-28.6	-33.6	-2.3	2.6	4.9
Chemicals (69/FSCHX)	B****	1.28	0.75(30)	55.98	444.6	-32.3	-18.6	-34.7	-33.6	2.6	9.2	9.3
Computers (7/FDCPX)	H***	1.00	0.75(30)	29.11	316.7	-39.8	-16.7	-27.8	-44.9	-5.0	-4.1	-0.9
Const & Housing (511/FSHOX)	B****↑	1.36	0.75(30)	23.69	86.3	-28.1	-20.5	-21.1	-35.2	-11.0	-0.5	5.1
Consumer Disc (517/FSCPX)	H***	1.07	0.75(30)	14.48	25.1	-31.1	-18.3	-20.0	-37.9	-9.3	-3.7	-1.0
Industrial / Cyc Ind (515/FCYIX)	B****	0.98	0.75(30)	13.61	121.3	-38.6	-23.3	-33.3	-40.8	-3.7	5.0	5.6
Defense & Aero (67/FSDAX)	H***	0.97	0.75(30)	52.20	796.5	-37.1	-14.4	-21.6	-40.6	-1.5	6.7	8.4
Com Equip / DevC (518/FSDCX)	H***	1.08	0.75(30)	12.88	195.4	-42.7	-22.5	-35.5	-50.3	-12.0	-4.8	-0.5
Electronics (8/FSLEX)	H***	1.09	0.75(30)	25.85	925.5	-43.3	-16.7	-28.8	-48.1	-12.7	-8.5	0.1
Energy (60/FSENX)	H***	1.73	0.75(30)	34.60	2238.6	-47.1	-26.7	-43.9	-45.0	-2.7	14.8	10.8
Energy Service (43/FSSEX)	H***↓	1.65	0.75(30)	46.58	1723.6	-52.2	-36.1	-53.6	-51.2	-4.3	13.0	11.0
Environmental (516/FSLEX)	B****	0.98	0.75(30)	13.36	49.6	-31.0	-17.3	-25.4	-32.1	-3.7	1.1	0.1
Financial Services (66/FIDSX)	H***↑	1.49	0.75(30)	54.51	395.6	-42.9	-17.6	-23.4	-49.1	-15.4	-6.4	0.3
Con Stap / Food Ag (9/FDFAX)	B****	0.72	0.75(30)	50.27	706.9	-24.4	-15.3	-17.2	-24.1	4.1	7.2	4.7
Gold (41/FSAGX)	S**↓	1.67	0.75(30)	20.06	1634.4	-49.5	-35.3	-48.2	-53.8	-0.5	1.3	9.5
Health Care (63/FSPHX)	H***↓	0.75	0.75(30)	81.93	1671.4	-31.9	-17.4	-22.5	-33.5	-5.6	1.8	1.9
Home Finance (98/FSVLX)	H***↑	1.80	0.75(30)	12.65	89.5	-55.4	-12.1	-32.0	-63.5	-31.2	-19.2	-5.1
Indust Equip (510/FSCGX)	H***	1.03	0.75(30)	19.48	99.5	-44.9	-26.0	-37.1	-45.5	-4.9	1.8	2.3
Materials / Ind Mat (509/FSDPX)	H***	1.30	0.75(30)	32.46	235.7	-44.5	-26.1	-43.9	-46.1	-2.1	4.8	7.5
Insurance (45/FSPCX)	H***	1.38	0.75(30)	31.23	99.1	-50.4	-22.4	-29.0	-52.8	-17.9	-6.3	2.3
Leisure (62/FDLSX)	H***	0.98	0.75(30)	52.03	166.8	-32.1	-15.1	-18.4	-37.7	-4.0	1.3	3.7
Medical Delivery (505/FSHCX)	H***	0.94	0.75(30)	28.62	367.2	-45.1	-22.9	-28.0	-43.4	-12.7	6.2	5.2
Medical Equip/Sys (354/FSMEX)	B****	0.73	0.75(30)	20.31	1609.8	-15.7	-18.1	-19.3	-15.4	2.1	6.7	12.1
Multimedia (503/FBMPX)	H***	1.07	0.75(30)	23.34	41.5	-36.3	-20.7	-26.3	-41.6	-11.4	-5.0	1.9
Natural Gas (513/FSNGX)	B****	1.78	0.75(30)	24.53	1361.2	-47.3	-26.8	-44.3	-47.0	-6.4	12.8	11.2
Nat Resources (514/FNARX)	H***	1.67	0.75(30)	20.49	1710.0	-48.2	-28.5	-45.7	-46.8	-0.2	13.7	11.3
Networking (912/FNINX)	H***	1.05	0.75(30)	1.33	45.8	-46.4	-22.2	-34.8	-54.9	-16.2	-10.8	
Paper & Forest (506/FSFPX)	S**↓	1.15	0.75(30)	17.75	22.9	-43.3	-31.6	-34.4	-47.5	-9.6	-6.7	1.0
Pharmaceuticals (580/FPHAX)	H***	0.74	0.75(30)	8.75	136.9	-24.2	-11.0	-14.0	-25.8	0.1	3.2	
Retailing (46/FSRPX)	H***	1.12	0.75(30)	29.92	61.4	-26.9	-16.8	-17.4	-32.9	-6.5	-0.5	1.4
Software (28/FSCSX)	B****↑	1.09	0.75(30)	50.34	646.1	-38.0	-15.1	-25.0	-40.7	-1.3	1.5	6.9
Technology (64/FSPTX)	H***	1.12	0.75(30)	43.74	1169.6	-46.2	-20.5	-33.4	-52.2	-10.1	-6.0	0.5
Telecom (96/FSTCX)	H***	1.22	0.75(30)	25.85	240.4	-50.2	-25.8	-36.3	-55.0	-10.7	-2.1	-3.7
Transportation (512/FSRFX)	B****	1.07	0.75(30)	36.64	95.2	-17.5	-8.9	-17.1	-26.8	-1.1	5.4	9.8
Utilities Growth (65/FSUTX)	H***	0.97	0.75(30)	40.30	397.4	-37.3	-12.3	-28.8	-38.0	-0.6	6.5	1.3
Wireless (963/FWRLX)	H***	1.19	0.75(30)	4.53	252.5	-47.6	-21.6	-35.5	-53.1	-8.7	5.0	

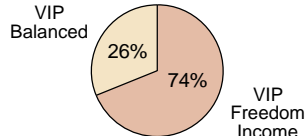
OCTOBER PERFORMANCE												
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	30-day Yield	2008 YTD	One Mth	Three Mth	One Year	3-Yr Rate	5-Yr Rate
Aggressive Int'l (335/FIVFX)	H***	1.13	1 (30)	7.41	287.0		-51.0	-26.0	-41.6	-55.4	-13.0	-4.4
Canada (309/FICDX)	H***↓	1.13	1.5(90)	38.37	3994.8		-37.5	-24.2	-35.9	-42.1	2.4	11.0
China Region (352/FHKCX)	S**↑	1.25	1.5(90)	16.69	978.6		-46.5	-18.9	-34.3	-53.8	3.8	6.2
Diversified Int'l (325/FDIVX)	H***	1.03	Closed	21.96	37955.4		-45.0	-23.0	-36.4	-48.0	-5.2	3.7
Emerging EMEA (2053/FEMEX)	S**	1.5 Est	1.5(90)	4.76	47.7			-30.0	-44.9			
Emerging Mkts (322/FEMKX)	S**	1.28	1.5(90)	13.71	3328.5		-59.5	-31.9	-50.1	-61.8	-2.4	8.7
Europe (301/FIEUX)	S**	0.98	1 (30)	23.58	3466.6		-44.1	-19.3	-34.5	-46.0	-4.1	6.5
Europe Cap Appr (341/FECAX)	S**	1.03	1 (30)	14.28	673.5		-46.3	-22.0	-36.3	-48.5	-3.4	4.4
Global Balanced (334/FGBLX)	B****	0.50	1 (30)	16.95	400.8		-24.6	-11.5	-20.3	-26.9	0.5	5.1
Int'l Discovery (305/FIGRX)	H***	0.99	1 (30)	23.88	9151.0		-44.6	-20.3	-34.3	-47.5	-3.7	5.0
Int'l Enhanced Index (2010/FIENX)	H***	1.0 Est	1 (30)	5.67	10.6			-21.4	-35.3			
Int'l Growth (1979/FIGFX)	H***	1.1 Est	1 (30)	5.47	15.4		-42.8	-19.9	-34.8			
Int'l Real Estate (1368/FIREX)	S**	1.17	1.5(90)	6.92	450.1		-48.4	-21.0	-35.1	-55.2	-9.3	
Int'l Small Cap (818/FISMX)	H***	0.81	Closed	12.03	769.4		-47.9	-25.0	-40.5	-53.2	-8.9	3.9
Int'l Small Cap Opp (1504/FSCOX)	S**↓	1.16	2 (90)	6.28	494.4		-56.4	-31.2	-48.2	-62.9	-12.0	
Int'l Value (1597/FIVLX)	H***	1.16	1 (30)	5.95	211.4		-47.9	-24.7	-39.1	-51.3		
Japan (350/FIPNX)	H***	1.06	1.5(90)	9.04	1230.5		-37.0	-16.9	-28.2	-41.8	-10.8	-1.0
Japan Smaller Co (360/FJSCX)	H***	0.74	Closed	6.99	467.9		-36.6	-14.2	-25.9	-43.6	-18.4	-5.5
Latin America (349/FLATX)	S**	1.72	1.5(90)	28.69	3729.9		-53.7	-34.0	-52.5	-56.2	2.3	19.4
Nordic (342/FNORX)	H***	1.20	1.5(90)	20.72	429.3		-54.3	-26.2	-46.0	-57.4	-6.6	5.6
Overseas (94/FOSEFX)	H***	1.07	1 (30)	25.45	6576.8		-47.4	-22.0	-35.3	-50.8	-4.7	2.6
Pacific Basin (302/FPBFX)	S**	1.03	1.5(90)	12.84	562.0		-57.5	-27.0	-43.6	-61.0	-10.3	-0.6
Southeast Asia (351/FSEAX)	S**	1.10	1.5(90)	18.49	2198.7		-53.4	-21.7	-36.0	-59.7	5.2	10.1
Total Int'l Equity (1978/FIEX)	H***	1.0 Est	1 (30)	4.91	31.4		-48.0	-24.1	-39.4			
Worldwide (318/FWWFX)	H***	0.96	1 (30)	13.41	1165.2		-37.2	-17.0	-28.9	-40.6	-1.7	3.6
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.83	none	21.16	1720.5		-30.3	-15.6	-22.4	-33.3	-3.8	1.6
NASDAQ Comp (1282/FNCMX)	B****	1.02	0.75(90)	22.91	148.8		-34.7	-17.7	-25.9	-39.4	-6.2	-1.9
Spart Ext Mkt Idx (398/FSEMXX)	B****	0.98	0.75(90)	25.03	2149.5		-33.7	-20.7	-27.6	-37.7	-5.4	2.0
Spart Int'l Index (399/FSIIX)	H***↑	1.05	1(90)	27.14	3932.8		-42.6	-20.6	-33.4	-46.1	-4.9	3.8
Spart 500 Index (317/F5MKX)	B****	1.00	none	67.60	6462.5		-32.9	-16.8	-23.1	-36.2	-5.3	0.2
Spart Total Mkt Idx (397/FSTMXX)	H***	0.99	0.5(90)	27.37	4566.2		-32.9	-17.6	-24.0	-36.3	-5.1	0.7
Asset Mgr 20% (328/FASIX)	B****	0.20	none	10.47	2271.4		-13.8	-7.4	-10.8	-14.3	-0.1	2.1
Asset Mgr 30% (1957/FTANX)	B****	0.3 Est	none	7.81	26.0		-18.6	-9.3	-14.2			
Asset Mgr 40% (1958/FFANX)	B****	0.4 Est	none	7.45	11.0		-21.9	-10.9	-16.5			
Asset Mgr 50% (314/FASMX)	B****	0.50	none	11.17	6307.7		-26.3	-13.0	-19.7	-28.4	-4.1	-0.5
Asset Mgr 60% (1959/FSANX)	B****	0.6 Est	none	6.86	22.3		-28.5	-13.8	-20.9			
Asset Mgr 70% (321/FASGX)	B****	0.71	none	11.40	2271.8		-32.9	-16.4	-24.6	-35.7	-6.3	-1.7
Asset Mgr 85% (347/FAMRX)	B****	0.86	none	9.02	440.2		-36.3	-17.9	-27.1	-39.5	-6.2	-0.9
Dynamic Strategies (1960/FDYSSX)	H***	0.5 Est	none	7.08	89.5		-25.8	-15.2	-22.8			
Freedom 2000 (370/FFBXX)	B****	0.24	none	10.53	1681.3		-13.0	-7.1	-10.5	-14.0	-0.1	1.6
Freedom 2005 (1312/FFVFX)	B****	0.46	none	8.88	986.3		-22.9	-11.6	-17.5	-24.8	-2.2	
Freedom 2010 (371/FFFCX)	B****	0.48	none	10.98	12566.3		-23.7	-12.2	-18.4	-25.7	-2.4	1.0
Freedom 2015 (1313/FFVFX)	B****	0.52	none	9.07	7210.7		-25.4	-13.0	-19.4	-27.6	-2.6	
Freedom 2020 (372/FFFDX)	B****	0.64	none	10.74	18523.1		-29.8	-15.3	-22.8	-32.4	-3.8	1.0
Freedom 2025 (1314/FFTWX)	B****	0.69	none	8.82	6784.1		-31.1	-16.0	-23.7	-33.8	-4.2	
Freedom 2030 (373/FFFEKX)	B****	0.79	none	10.48	12458.6		-34.0	-17.4	-25.8	-37.1	-5.0	0.6
Freedom 2035 (1315/FFTHX)	B****	0.81	none	8.63	4040.4		-34.7	-17.8	-26.3	-37.8	-5.2	
Freedom 2040 (718/FFFFX)	B****	0.84	none	6.03	6638.5		-35.5	-18.2	-26.9	-38.7	-5.5	0.5
Freedom 2045 (1617/FFFGX)	B****	0.85	none	7.09	831.2		-35.8	-18.3	-27.1	-39.1		
Freedom 2050 (1618/FFFHX)	B****	0.89	none	6.97	717.7		-37.2	-19.0	-28.2	-40.6		
Freedom Income (369/FFFAX)	B****	0.20	none	9.80	2502.8		-11.4	-6.5	-9.5	-12.0	0.2	1.6
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.29	1(90)	6.12	8602.5	11.97	-25.4	-15.7	-22.8	-27.1	-3.6	1.5
Floating Rate (814/FRHX)	H***	0.18	1(60)	8.00	1604.1	9.83	-12.9	-9.2	-13.6	-13.4	-1.4	0.8
Focused High Inc (1366/FHIFX)	B****↑	0.20	1(90)	7.43	61.8	11.96	-20.6	-14.7	-18.7	-20.8	-3.4	
GNMA Portfolio (15/FGMNX)	H***	0.17	none	10.71	3627.1	4.95	2.0	-1.3	-0.2	4.0	4.7	4.1
Gov't Income (54/FGOVX)	B****↑	0.17	none	10.27	8925.9	3.89	3.1	-0.8	0.6	5.9	5.3	4.3
High Income (455/SPHIX)	B****	0.23	1(90)	6.40	5012.8	13.67	-20.8	-15.1	-20.5	-21.8	-3.0	1.1
Inflation-Protected (794/FINPX)	H***	0.27	none	9.94	2182.0	2.70	-8.1	-8.4	-11.2	-5.2	0.6	2.3
Intermed Bond (32/FTHRXX)	H***	0.16	none	9.06	6573.8	6.19	-7.4	-4.3	-7.0	-6.2	0.5	1.3
Intermed Gov't Inc (452/FSTGX)	H***	0.15	none	10.40	1121.6	2.99	4.1	0.2	1.2	6.8	5.5	4.0
Invest Grade Bond (26/FBNDX)	B****↑	0.18	none	6.30	9442.9	6.35	-8.9	-5.3	-7.5	-8.1	-0.2	1.3
Mortgage Securities (40/FMSFX)	H***	0.17	none	9.88	1028.8	5.50	-1.5	-1.7	-0.6	-1.2	1.4	2.2
New Markets Inc (331/FNMIX)	S**	0.40	1(90)	10.51	1987.6	10.87	-24.6	-19.3	-25.1	-25.2	-2.6	3.3
Short-Term Bond (450/FSHBX)	H***	0.07	none	8.11	6590.8	4.34	-2.5	-1.2	-1.6	-2.1	1.5	1.7
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.25	none	10.43	1029.0	3.31	4.4	-0.7	1.0	8.3		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.36	none	10.01	83.7	4.32	1.2	-3.1	-0.2	5.4		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.12	none	10.55	156.0	1.67	5.5	1.3	2.9	8.0		
Strategic Income (368/FSICX)	B****	0.15	none	8.61	5147.6	7.75	-13.7	-10.5	-14.1	-13.5	0.0	2.9
Strategic Real Rtn (1505/FSRRX)	S**	0.28	0.75(60)	7.75	4869.2	6.01	-19.5	-16.0	-22.1	-20.1	-3.7	
Total Bond (820/FIBFX)	B****↑	0.17	none	9.06	9625.9	6.87	-7.9	-5.6	-8.1	-6.6	0.7	2.0
Ultra-Short Bond (812/FUSFX)	H***	0.06	0.25(60)	8.20	393.9	1.47	-7.1	0.0	-0.3	-9.2	-2.4	-0.6
US Bond Index (651/FBIDX)	H***	0.17	none	10.26	8932.1	4.93	-2.2	-2.4	-3.0	-0.5	2.9	3.1
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZZX)	H***	0.20	0.5(30)	10.28	135.8	4.72	-5.2	-1.1	-5.0	-4.6	1.0	2.0
CA Municipal Inc (91/FCFTX)	H***	0.18	0.5(30)	11.12	1523.7	4.68	-5.2	-1.8	-4.9	-4.6	1.1	2.5
CA Short-Int TF (1534/FCSTX)	H***	0.07	0.5(30)	10.05	266.7	3.35	1.7	0.0	-0.5	2.8		
CT Municipal Inc (407/FICNX)	H***	0.17	0.5(30)	10.65	489.0	4.37	-2.5	-0.3	-3.0	-1.4	2.1	2.5
Intermediate Muni (36/FLTMX)	B****↑	0.11	0.5(30)	9.56	2585.2	4.13	-0.9	-0.7	-2.3	0.1	2.7	3.0
MA Municipal Inc (70/FDMMX)	H***	0.19	0.5(30)	10.84	2001.0	4.59	-4.7	-1.5	-4.7	-3.6	1.5	2.6
MD Municipal Inc (429/SMDMX)	H***	0.19	0.5(30)	9.94	146.9	4.58	-4.6	-1.6	-4.8	-3.8	1.2	2.1
MI Municipal Inc (81/FMHTX)	H***	0.15	0.5(30)	11.12	598.5	4.24	-2.3	0.0	-2.7	-1.1	2.4	2.8
MN Municipal Inc (82/FIMIX)	H***	0.13	0.5(30)	10.60	371.6	4.25	-2.2	-0.7	-3.1	-1.4	2.0	2.6
Municipal Income (37/FHIGX)	B****↑	0.19	0.5(30)	11.50	4893.9	4.86	-5.3	-1.7	-5.2	-4.3	1.3	2.5
NJ Municipal Inc (416/FNJHX)	H***	0.16	0.5(30)	10.67	588.1	4.53	-4.0	-1.0	-4.3	-2.8	1.8	2.7
NY Municipal Inc (71/FTFMX)	H***	0.20	0.5(30)	11.80	1457.0	4.74	-4.0	-0.7	-4.5	-2.9	1.7	2.6
OH Municipal Inc (88/FOHFX)	H***	0.18	0.5(30)	10.67	429.8	4.52	-4.1	-0.9	-4.4	-2.9	1.7	2.6
PA Municipal Inc (402/FPXTX)	H***	0.15	0.5(30)	10.15	335.1	4.37	-2.2	0.4	-2.7	-1.1	2.3	2.9
Short-Int Municipal (404/FSTFX)	H***	0.06	0.5(30)	10.21	1833.8	3.32	1.7	-0.1	-0.8	2.8	3.2	2.5
Tax-Free Bond (90/FTABX)	B****↑	0.19	0.5(30)	9.85	1144.4	4.88	-4.6	-1.4	-4.9	-3.7	1.6	2.8

OCTOBER 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	0.94	9325.01	-28.2	-13.9	-17.5	-31.3	-1.4	1.3	2.9
S&P 500	1.00	968.75	-32.9	-16.8	-23.2	-36.1	-5.2	0.3	0.4
NASDAQ	1.01	1720.95	-34.4	-17.3	-25.5	-39.0	-5.8	-1.5	0.3
Russell 2000	1.09	537.52	-29.1	-20.8	-24.5	-34.2	-4.8	1.6	4.9
Fidelity Monitor Income Model	0.31	74085.08	-17.5	-8.6	-13.5	-18.5	-2.4	0.1	2.3
Fidelity Monitor G&I Model	0.62	130220.68	-31.1	-14.4	-24.4	-33.1	-4.6	1.1	4.5
Fidelity Monitor Growth Model	0.95	132601.79	-37.9	-18.7	-28.2	-40.7	-6.6	0.7	3.7
Fidelity Monitor Select System	0.98	275640.65	-33.6	-18.5	-28.8	-36.1	-2.9	2.0	5.3
Fidelity Monitor Unique Opportunities	1.09	80340.50	-43.2	-21.1	-36.7	-45.6	-7.0	2.6	

VIP CORNER

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

VIP INCOME MODEL

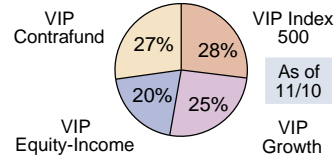


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	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%	*2008: -17.9%

VIP GROWTH MODEL

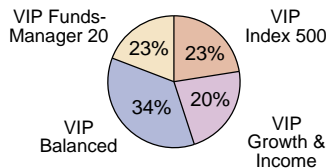


PAST PERFORMANCE

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%	*2008: -41.3%

VIP G & I MODEL

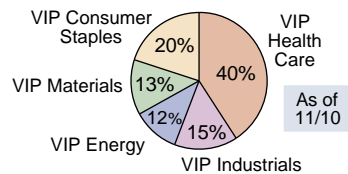


PAST PERFORMANCE

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%	*2008: -28.3%

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: + 6.3%	2007: +11.2%
2005: +14.0%	*2008: -38.8%

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

OCTOBER 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	H ***	7.04	7.34	-46.2	-19.8	-33.6	-50.6	-10.6	
VIP Asset Manager	H ***	9.13	28.56	-27.6	-13.3	-24.8	-28.9	-3.1	-0.2
VIP Asset Manager: Growth	H ***	8.60	17.62	-33.7	-16.5	-29.9	-35.5	-4.9	-1.1
VIP Balanced	B ****	8.59	12.69	-32.2	-15.9	-24.9	-34.6	-5.0	-1.7
VIP Consumer Discretionary	H ***	7.17	7.85	-31.0	-17.9	-19.6	-37.8	-9.8	-4.3
VIP Consumer Staples	B ****	8.47	8.41	-24.2	-14.7	-16.7	-23.9		
VIP Contrafund	B ****	8.48	31.33	-39.3	-18.3	-27.7	-41.7	-6.1	1.7
VIP Disciplined Small Cap	B ****	7.06	6.98	-28.7	-18.5	-22.5	-34.4		
VIP Dynamic Capital Appreciation	H ***	8.12	9.79	-38.9	-16.5	-29.0	-45.1	-8.1	-1.5
VIP Energy	B ****	9.75	16.77	-47.5	-26.7	-44.0	-45.5	-1.8	12.4
VIP Equity-Income	B ****↑	7.61	42.35	-38.9	-18.9	-27.0	-42.8	-8.5	-1.6
VIP Financial Services	H ****↑	6.09	7.39	-43.2	-18.1	-23.9	-49.5	-16.0	-7.0
VIP Freedom 2005	B ****	9.32	9.40	-23.5	-11.4	-17.7	-25.1	-2.6	
VIP Freedom 2010	B ****	9.20	9.31	-24.6	-12.1	-18.6	-26.3	-2.9	
VIP Freedom 2015	B ****	9.20	9.36	-26.4	-12.8	-19.7	-28.3	-2.9	
VIP Freedom 2020	B ****	8.79	8.99	-31.0	-15.2	-23.3	-33.5	-4.3	
VIP Freedom 2025	B ****	8.71	8.93	-32.4	-16.0	-24.3	-34.8	-4.6	
VIP Freedom 2030	B ****	8.44	8.71	-35.5	-17.6	-26.7	-38.4	-5.6	
VIP Freedom Income	B ****	10.18	10.14	-11.3	-6.0	-9.1	-11.7	0.3	
VIP FundsManager 20	B ****	9.92	9.78	-10.7	-4.9	-8.2	-11.2		
VIP FundsManager 50	B ****	8.74	8.62	-23.0	-10.5	-16.5	-24.9		
VIP FundsManager 70	B ****	7.95	7.84	-31.0	-14.3	-22.1	-33.9		
VIP FundsManager 85	B ****	7.40	7.30	-36.5	-17.2	-26.1	-39.7		
VIP Growth	B ****	8.12	44.71	-41.5	-18.6	-31.4	-44.2	-6.5	-2.7
VIP Growth & Income	H ****↓	8.38	13.70	-36.9	-17.6	-26.4	-39.4	-6.5	-1.9
VIP Growth Opportunities	H ****↓	6.86	8.25	-50.2	-17.0	-37.9	-53.2	-12.3	-5.1
VIP Growth Stock	B ****	7.50	7.61	-41.1	-18.7	-30.6	-44.2	-8.9	
VIP Health Care	B ****	8.21	9.45	-32.3	-17.3	-22.6	-34.0	-6.6	1.0
VIP High Income	B ****	8.96	24.96	-22.3	-16.2	-21.1	-23.1	-3.9	0.0
VIP Index 500	B ****	8.28	26.60	-33.3	-16.9	-23.3	-36.7	-6.0	-0.6
VIP Industrials	B ****	8.73	12.54	-38.9	-23.1	-33.2	-41.1	-3.9	4.6
VIP Int'l Capital Appreciation	S **	6.29	6.57	-51.3	-25.9	-41.7	-55.6	-13.9	
VIP Investment Grade Bond	B ****↑	10.17	28.21	-7.0	-4.5	-6.5	-5.7	0.3	1.2
VIP Materials	H ***	6.39	6.36	-44.1	-26.2	-43.7	-45.7		
VIP Mid Cap	B ****	8.59	15.30	-38.0	-21.4	-32.3	-41.3	-5.1	4.4
VIP Money Market		11.37	21.82	1.9	0.2	0.5	2.6	3.6	2.6
VIP Overseas	H ***	8.63	26.89	-43.6	-19.9	-33.7	-46.4	-4.9	2.1
VIP Real Estate	H ***	7.76	12.25	-33.8	-33.1	-33.0	-43.2	-8.0	3.5
VIP Strategic Income	B ****	9.91	10.79	-13.6	-10.1	-13.9	-13.5	-0.6	
VIP Technology	H ***	7.17	6.65	-46.5	-20.3	-33.5	-52.6	-11.2	-6.2
VIP Telecommunications	H ***	4.93	4.90	-50.4	-25.2	-36.1	-55.3		
VIP Utilities	H ***	9.94	9.96	-37.3	-12.6	-28.7	-37.7	-0.1	6.7
VIP Value	H ***	6.96	7.14	-41.9	-25.4	-33.3	-46.6	-11.3	
VIP Value Leaders	H ***	7.40	7.58	-40.9	-19.6	-28.8	-44.3	-9.6	
VIP Value Strategies	H ***	6.65	8.40	-47.1	-28.0	-36.2	-51.5	-11.5	-5.3
Fidelity Monitor VIP Income Model			17276.73	-17.9	-8.8	-13.8	-19.1	-2.2	0.2
Fidelity Monitor VIP G&I Model			19472.59	-28.3	-13.4	-22.0	-29.9	-3.5	0.1
Fidelity Monitor VIP Growth Model			24318.67	-41.3	-17.7	-29.9	-43.7	-8.1	-1.9
Fidelity Monitor VIP Sector Model			12719.96	-38.8	-21.3	-31.2	-41.7	-5.7	-0.5

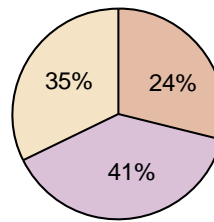
INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Balanced	\$13.58	1331.377	\$18080.10
Asset Mgr 20%	\$10.47	2912.512	\$30494.00
Freedom Income	\$9.80	2603.161	\$25510.98

8% Foreign Holdings
Balance as of 10/31/08: \$74085.08
Balance at start of 2008: \$89754.23

Freedom Income
369/FFFA



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: - 17.5%

In October our Income Model declined 8.6%. The current asset allocation is 31% stock, 47% bond, and 22% cash.

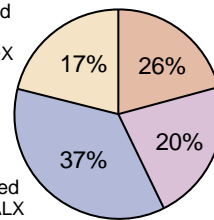
GROWTH AND INCOME MODEL

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%	\$10.47	3175.424	\$33246.69
Fidelity Fund	\$24.46	1075.370	\$26303.55
Balanced	\$13.58	3543.236	\$48117.14
Disciplined Equity	\$18.78	1200.921	\$22553.30

11% Foreign Holdings
Balance as of 10/31/08: \$130220.68
Balance at start of 2008: \$189006.21

Disciplined Equity
315/FDEQX



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: -31.1%

Our Growth and Income Model lost 14.4% in October. On 10/13 we sold **Convertible Securities** (\$16.34) and bought **Disciplined Equity** (\$19.57). Our asset mix is 67% stock, 27% bond, 6% cash.

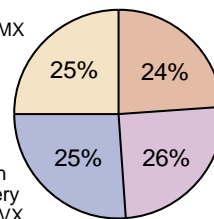
GROWTH MODEL

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	\$18.79	1681.246	\$31590.61
Blue Chip Growth	\$28.53	1205.483	\$34392.43
Growth Discovery	\$9.61	3529.634	\$33919.78
Tax-Managed Stock	\$9.93	3292.948	\$32698.97

13% Foreign Holdings
Balance as of 10/31/08: \$132601.79
Balance at start of 2008: \$213419.53

Tax-Managed Stock
343/FTXMX



As of
11/10

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: -37.9%

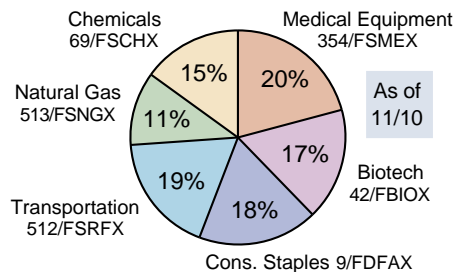
Our Growth Model was down 18.7% in October, versus a 16.8% decline for the S&P 500. On 11/10 we will sell **Stock Selector** and buy **Equity-Income**, for an asset mix of 98% stock, 2% cash.

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	\$20.31	2729.352	\$55433.14
Biotechnology	\$59.56	785.728	\$46797.96
Consumer Staples	\$50.27	1199.574	\$60302.58
Transportation	\$36.64	1104.573	\$40471.55
Natural Gas	\$24.53	1281.571	\$31436.94
Chemicals	\$55.98	735.950	\$41198.48

12% Foreign Holdings
Balance as of 10/31/08: \$275640.65
Balance at start of 2008: \$415259.49



As of
11/10

Biotech
42/FBIOX

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: -33.6%

Our Select System lost 18.5% in October, versus a 16.8% decline for the S&P 500. On 10/13 we exchanged **Nat. Resources** (\$20.81) for **Transportation** (\$35.61). On 11/10 we'll sell one-fifth of **Consumer Staples** and buy **Transportation**, for a mix of 97% stock, 3% cash.

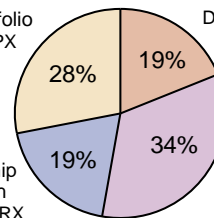
UNIQUE OPPORTUNITIES MODEL

Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Magellan	\$49.43	281.954	\$13936.99
Dividend Growth	\$17.03	904.326	\$15400.67
Lev. Co. Stock	\$17.04	784.661	\$13370.62
Blue Chip Growth	\$28.53	526.218	\$15013.00
OTC Portfolio	\$30.87	732.725	\$22619.22

11% Foreign Holdings
Balance as of 10/31/08: \$80340.50
Balance at start of 2008: \$141360.40

OTC Portfolio
93/FOCPX



As of
11/10

Equity-Income
23/FEQIX

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: -43.2%

We lost 21.1% for the month. On 10/13 we traded **Indep.** (\$16.27) for **Div. Growth** (\$18.06). On 11/10 we'll sell **Lev. Company** and **Magellan**, buying **Equity-Income**. Asset mix: 97% stock, 3% cash.

The total value of derivatives in the global economy is very large, but that doesn't mean there are huge problems lurking. Some \$300 trillion dollars is tied to the dollar-LIBOR index through various contracts, but all that really means is the global economy is a very big place, and a lot of routine lending takes place.

Is it possible the S&P 500 is now seeing what the NASDAQ experienced after its 1999 peak? What will it take for the selling to let up?

It's possible, but not very likely. There aren't many NASDAQ companies whose earnings are steady enough that they can pay regular dividends. The S&P 500, on the other hand, has a substantial population of cash cows and currently has a dividend yield of about 3%. In a bear market where interest rates are low, dividends tend to provide support when yields become competitive with treasury bonds.

With all the talk about stocks being sold, it's easy to forget there are buyers on the other side of every transaction. What motivates them in a market like this? These folks are long-term thinkers making a reasonable bet that things are not as bad as they seem. I'm optimistic that once stocks are in the hands of risk-tolerant long-term players, the market will be a friendlier place for many years to come. ■

OCTOBER DISTRIBUTIONS

Asset Manager 20%	\$ 0.058/\$11.12 (10/3)
Asset Manager 30%	\$ 0.044/ \$8.40 (10/3)
Asset Manager 40%	\$ 0.065/ \$8.11 (10/3)
Asset Manager 50%	\$ 0.128/\$12.34 (10/3)
AZ Municipal Income	\$ 0.03 / \$9.97 (10/10)
Balanced	\$ 0.136/\$15.00 (10/3)
Convertible Securities	\$ 0.15 / \$18.31 (10/3)
Equity-Income	\$ 0.262/\$38.19 (10/3)
Equity-Income II	\$ 0.08 / \$16.28 (10/3)
Export & Multinational	\$ 0.163/\$14.78 (10/10)
Fidelity Fund	\$ 0.092/\$27.53 (10/3)
Freedom Income	\$ 0.03 / \$10.32 (10/3)
Growth & Income	\$ 0.087/\$17.20 (10/3)
MD Municipal Income	\$ 0.01 / \$9.69 (10/10)
Puritan	\$ 0.132/\$15.01 (10/3)
Strategic Dividend & Income	\$ 0.072/ \$8.90 (10/3)
Strategic Real Return	\$ 0.149/ \$8.91 (10/3)
Total Bond Fund	\$ 0.065/ \$9.26 (10/10)
Utilities	\$ 0.12 / \$14.24 (10/3)

Funds that are scheduled for November include **Asset Manager 20%, 30%, and Freedom Income**. Year-end payout estimates are now available on fidelity.com (search on the term "year-end" to pull up the link).

GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are on page 7. If you're not following the model, consider **Puritan, Balanced**, and the **Asset Manager** group.

Puritan lost 12.8%, and **Balanced** slid 13.5%. **Utilities**, helped by stocks with good dividend yields, was down 14.1%. On the bottom end, **Convertible Securities** tumbled 22.8% as leveraged bets were unwound, and **Real Estate** plunged 30.3%.

INCOME FUNDS

Our Income Model positions are listed on page 7. If you're not following the portfolio, we recommend **Gov't Income** for a safe bet, or **High Income** to take advantage of depressed high yield bond prices.

Credit-related concerns were so intense that even investment-grade bonds were hit hard, and inflation hedging backfired. **Spartan Short-Term Treasury Index** posted a 1.3% gain, but few others managed positive returns. Some were hit with losses that would be large for even stock funds. **Capital & Income** lost 15.7%, **Strategic Real Return** fell 16.0%, and **New Markets Income** tumbled 19.3%. Muni bond funds held up well considering the issues with insuring securities. Returns ranged from a 1.8% decline to a 0.4% gain.

SELECT PORTFOLIOS

The following buy list includes some ideas that might pay off over the long run: **Transportation, Medical Equipment, Biotech, Const. & Housing, Environmental, IT Services, Chemicals, Software, Industrials, Consumer Staples, and Natural Gas**.

Air Transportation managed a 2.4% gain, due to relief on the fuel front. **Banking** limited its loss to 4.7% as the Fed's equity plan fell into place without any hitches. **Transportation** was down 8.9%, and **Biotech** limited losses to 9.4%. On the bottom end, **Gold** dropped 35.3%, **Energy Service** fell 36.1%, and **Automotive** plunged 38.3%. ■

Happenings

Nicholas Price has been named co-manager of **Japan Smaller Companies** and will assume sole management responsibility at the end of the year. Benjamin Hesse is now the co-manager of **Financial Services** and **VIP Financial Services**. Eddie Lee Yoon has become co-manager of **Health Care** and **VIP Health Care**, and Anton An is the new manager at **Transportation**. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	127391.5	2.99	CT MM (418/FCMXX)	2129.1	0.76			
Select MM (85/FSLXX)	7048.9	2.98	MA MM (74/FDMXX)	5363.7	0.88			
Money Market (454/SPRXX)	7106.9	3.12	MI MM (420/FMIXX)	1152.6	0.84	MA AMT TF (426/FMSXX)	764.7	1.22
Gov't MM (458/SPAXX)	1215.7	1.84	NJ MM (417/FNJXX)	2584.7	0.78	AMT Tax-Free (460/FIMXX)	3361.3	1.10
US Treas. MM (415/FDLXX)	10639.8	0.63	NY MM (92/FNYXX)	5549.1	1.14	NJ AMT TF (423/FSJXX)	688.3	1.23
Tax-Free MM (275/FMOXX)	6521.9	0.85	OH MM (419/FOMXX)	1194.6	1.19	NY AMT TF (422/FSNXX)	1267.2	1.16
US Gov't Reser (50/FGRXX)	4608.7	1.96	AZ MM (433/FSAXX)	395.5	1.13	PA MM (401/FPTXX)	856.1	1.32
CA MM (97/FCFXX)	6444.4	0.91	CA AMT TF (457/FSPXX)	1833.6	1.01	Municipal MM (10/FTEXX)	24729.7	1.25