

Jack  
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# Fidelity

Best Performing  
Fidelity Newsletter

20  
Years

DECEMBER  
2008

# Monitor™

## Outlook For 2009

2009 stock market performance will depend largely on whether corporations do better or worse than investors anticipate. Expectations are very low at this point. Junk bond values are pricing in a default rate which by some measures is worse than what happened during the Great Depression. We're not even close to that level now, so there is a good chance that investors are too pessimistic. Back in

OUTLOOK FOR 2009 - *Continued on page 2*

## Income Model, VIP Income Model, Select System, and VIP Sector Model Plan Changes

On Monday, 12/8, we'll make several changes:

Our Income Model will be adopting an all bond and cash strategy to provide an option for subscribers who want zero stock exposure. We'll be selling **Balanced** (304/FBALX) and buying **Inv. Grade Bond** (26/FBNDX). We'll be selling **Asset Manager 20%** (328/FASIX), placing half the proceeds in **Strategic Income** (368/FSICX), and half in **Cash Reserves** (55/FDRXX). Finally, we'll exchange **Freedom Income** (369/FFFX) for **Gov't Income** (54/FGOVX). The resulting mix will be roughly 24% **Inv. Grade Bond**, 21% **Strategic Income**, 21% **Cash Reserves**, and 34% **Gov't Income**. Please see our Outlook For 2009 column for more details.

Our VIP Income Model will sell **VIP Balanced** and buy **VIP Strategic Income**. It will also sell **VIP Freedom Income**, placing one-half of the proceeds in **VIP Investment Grade Bond** and one-half in **VIP Money Market**.

Our Select System will sell all of **Natural Gas** (514/FSNGX) and one-fifth of **Med. Equipment** (354/FSMEX), placing the proceeds in **Utilities Growth** (65/FSUTX). The approximate mix will be 15% **Medical Equipment**, 17% **Biotech**, 20% **Consumer Staples**, 19% **Transportation**, 15% **Utilities Growth**, and 14% **Chemicals**. **Utilities Growth** has moved ahead of **Natural Gas** in our volatility model, and we like the high dividend yields available from electric utility stocks.

Our VIP Sector Model will sell all of **VIP Energy** and one-sixth of **VIP Health Care**, and place the proceeds in **VIP Utilities**.

## Review & Recommendations

Bleak economic news, hedge fund liquidation activity, and a cash crunch at the big three automakers continued to weigh on the stock market in November. Paulson's announcement that TARP funds would not be used to swap out distressed mortgage securities took stocks to their low point for the year, ultimately forcing a rescue of Citigroup. But the S&P 500 managed an 19% rebound after Obama detailed a massive economic stimulus program that may leave the Bush tax cuts in place full term, while the Treasury made plans to boost mortgage lending by purchasing Fannie and Freddie bonds. The S&P 500 finished the month down 7.2%.

### GROWTH FUNDS

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

**Contrafund** and **Large Cap Growth** were off less than the market; both posted a decline of 7.0%. **New Millennium** lost 7.3%. On the bottom end, **Small Cap Stock** dropped 12.8%, **Value Strategies** tumbled 13.6%, and **Leveraged Company Stock** fell 18.3%.

### INTERNATIONAL FUNDS

**Global Balanced** takes advantage of foreign opportunities while keeping risk at a moderate level.

Stocks in Asia held up better than other world markets, with **China Region** slipping 3.2% and **Southeast Asia** pulling back 3.6%. Conservative **Global Balanced** declined 3.3%. On the bottom end, **Int'l Small Cap Opportunities** declined 10.0%, and **Canada** was down 11.2%.

### GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed on page 7. If you're not following the model, we recommend **Puritan** and **Balanced**.

**Utilities**, helped by a robust dividend yield, was up 4.7%. **Balanced** declined 4.9%, and **Puritan** was off 5.2%. Laggards were **Real Estate Income**, losing 12.0%, **Convertible Securities** with a loss of 12.2%, and **Real Estate**, plunging 24.3%.

RECOMMENDATIONS - *Continued on page 8*

1991, stocks rallied on bad news because things turned out better than the market's collective expectations. The same thing could happen again over the next year.

#### WHAT WE KNOW

Still, the uncertainty factor is very high, making it difficult to predict with any degree of certainty how things might play out. With a wide range of possible outcomes, it's helpful to focus on the known factors that could lift stocks and bonds back closer to normal valuation levels over the next 3-5 years:

- The U.S. balance of trade is poised to improve in a big way. The dollar value of imported oil could shrink by a factor of 3 in 2009, and a pullback in consumer spending will further reduce imports of discretionary purchases, especially high ticket items like autos, furniture, and luxury goods. Because emerging markets need our stuff more than we need theirs, U.S. exports should hold up relatively well. Boeing is one example – the need for efficient jet aircraft is not going to disappear. GE's industrial arm is another. State-of-the-art water desalination systems, high-efficiency power plants, and medical imaging equipment are necessary building blocks for a higher standard of living. The list goes on, and it isn't limited to high-ticket items: state-of-the-art internet and telecommunications gear, printing equipment, efficient agriculture (complete with advanced seeds, fertilizer, and state-of-the-art farm equipment), modern medicines, entertainment, and fine wines. From a big picture standpoint, the U.S. is on track to become a net exporter, possibly within the next decade. It may not matter that consumer spending never bounces back to former levels, because the economy will ultimately make a nice living exporting the things the rest of the world needs.

- U.S. stocks are cheap, regardless of what happens on the earnings front. The dividend yield on the S&P 500 is now similar to that of the 10-year treasury bond, and the market's total capitalization is just 65% of GDP. These valuations are comparable to other high-stress economic periods of the past, yet today's problems may not be as intractable as they seem. Credit crunches tend to ease once it's clear that defaults have peaked. That might take a year to 18 months, given adverse conditions for heavy borrowers. But in the mean time, low interest rates and declining fuel costs could make things easier for healthy firms.

- The volume of stock purchased during this selloff was equal to the volume of stock sold. That means a lot of stock was bought over the last three months. Who are these buyers? It's easier to say who they aren't. They aren't investors who are easily disturbed by short-term losses. They aren't using

other people's money to buy stocks. They aren't assuming that economic problems will be solved by politicians or bailout packages. And they aren't reacting to short-term trends while ignoring long-term fundamentals. Will there be an impact on market behavior when this handoff is over? Imagine two freeways, one with a large percentage of inexperienced drivers, and the other dominated by folks who have been behind the wheel for two or three decades. The new stock owners should make for fewer "pile-ups."

#### WHAT CAN WE EXPECT NEXT YEAR?

While it's not unreasonable to expect a recovery over the next 3-5 years, it's tough to predict what may happen in 2009. It's hard to know when the credit crunch will ease, restoring order to the corporate bond market. Following is a look at three possibilities.

#### SCENARIO A: TYPICAL RECESSION

This option is looking less likely in the face of a significant contraction in fourth-quarter GDP, but there is still a 20% chance that export activity – along with lower interest rates, cheap fuel prices, and stimulus programs – could unfreeze the credit markets and limit the economic damage to something that resembles a typical recession. Firms that depend on consumer spending will still face a significant slowdown, but there's a good chance that healthy companies will hold their own, with some growth-oriented firms posting year-over-year earnings gains.

Under this scenario, stocks would start recovering as selling activity eases up. Assuming quarterly earnings show that healthy companies are weathering the storm. If junk bond defaults fail to surge as expected, new high yield offerings could begin to finance takeover activity. This type of situation could force values much higher within a 12-month period. Stock would lead the rally, with high-yield bonds rebounding almost as much. Even investment grade bonds could post double-digit returns.

#### SCENARIO B: DEEP RECESSION

This is the most likely scenario; we give it 60% odds. Widespread layoffs in the auto and financial sector, along with a decline in commercial real estate values, could push unemployment levels to around 10% – similar to the damage done by high interest rates in the late 1970s. GDP would shrink for perhaps another year, then finally start to recover as low interest rates, cheap fuel prices, and export growth have a collective effect. Under this scenario, any stock market recovery could include a number of false starts, leading to a 2009 finish somewhere near present levels. Junk bonds might offer the most upside in this situation, especially if defaults turn out to be lower than the doomsday scenario that is

currently priced in. Investment grade and government bonds would probably deliver above average returns as long-term interest rates continue to edge lower.

#### SCENARIO C: GOING WHERE JAPAN WENT

The U.S. economy is far more diversified than Japan's economy, and the dollar is not as strong as the yen was following Japan's real estate bust in the early 1990s. But there is perhaps a 20% chance that we could go down the same deflationary path. A severe commercial real estate bust and widespread salary cuts could usher in an era of falling prices that's tough to reverse. As of now, the bond markets expect the CPI to be negative in 2009 and 2010, then flat in 2011. But under this scenario, a rising dollar could add to deflationary pressures.

If this is where we're headed, it won't be pretty. The stock market could lose a third of its current value in 2009, although dividend stocks of healthy companies would hold up much better than that. Junk bonds might finish near breakeven on a total return basis. The best returns would come from government bonds and municipal bonds, as their yields would exceed inflation by more than five percentage points, and their low default risk would allow them to rally as long-term interest rates fall.

#### INCOME MODEL CHANGE

With such a wide range of potential outcomes in 2009, we recognize that some subscribers may want to zero out their stock exposure, even if it means missing out on a potential recovery over the next 3-5 years. To that end, we are repositioning our Income Model to hold only bond and money market funds. We'll be generating an overall income stream of around 5% while maintaining the same long-term return goal of 7% per year. With inflation all but vanishing, it should not be hard to keep ahead of the cost of living, especially with all the opportunities in today's bond markets.

If you've been following the Income Model up until now, and you don't like this change, one option is to move half your money to the Growth and Income Model, while putting the other half in **Cash Reserves**. With that approach, your recovery potential will not be reduced by the changes we're planning to make.

#### FUND FAVORITES FOR 2009

We've kept this list short, in part because of an uncertain outlook for the economy, but also because we want to make things simple for those who are not following our model portfolios.

If you're sitting in cash, and you insist on the lowest possible default risk, consider **U.S. Treasury**

**Money Market**. The yield is next to nothing, but with a negative CPI in 2009 you'll still finish ahead of inflation. **Cash Reserves** is a more logical choice. It yields 2-3%, and its safety is certainly adequate, considering what some investors are trying to escape.

For higher income consistent with low risk of principal, consider either **Gov't Income** or **Municipal Income**. The former is the least risky, the latter has the better after-tax yield for high-bracket investors. Both could see share price gains if long-term interest rates continue to decline.

If you can tolerate a little more risk to principal, consider **Investment Grade Bond**. Top-notch corporate debt is behaving somewhat like high yield these days, so there's an opportunity for an above-average yield combined with principal gains if default rates turn out to be lower than the market expects. But with that opportunity comes the risk of single-digit losses if deflation concerns continue to weigh heavily on the economy.

**Strategic Income** currently allocates about 30% to high yield bonds, 15% to investment grade debt, 30% to government securities, 10% to emerging market debt, and keeps the balance in cash. With a yield of nearly 9%, it offers both high income and capital appreciation potential. In this economy, it represents the upper limit on risk for most income investors. If bond defaults become widespread, it might lose another 10% in 2009.

Fidelity's most conservative stock/bond hybrid is a solid bet for the next rung up the risk ladder. **Puritan's** latest stockpicker, Ramin Arani, has come through the selloff with losses that are only slightly worse than its benchmark, yet his large-cap growth portfolio still has plenty of upside potential. On the income side of the portfolio, a portion of holdings are dedicated to high-yield bonds, which could pay off as the credit crunch eases. Overall the fund has about 60% as much risk as the S&P 500.

**Balanced**, with a similar risk profile, has been repositioned with a multi-manager approach. In theory, this technique harnesses the stockpicking advantages that Select managers enjoy while keeping industry weightings near S&P 500 levels. The fund didn't hold up very well during the selloff, due to its heavy position in energy and financials, but should perform more consistently with its disciplined sector weighting system under the new approach.

**High Income** is almost as risky as stocks under current conditions. Some 50% of corporate bond issues are now rated BB or below, so the fund has a

OUTLOOK FOR 2009 - *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 ↓.

NOVEMBER PERFORMANCE						2008	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Ex-Date	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
130/30 Large Cap (2063/FOTTX)	H***	1.3 E	12/19(0.04)	6.40	103.9		-9.1	-34.2				
Aggressive Gth (324/FDEGX)	H***	0.96	12/12(0.02)	11.28	1664.0	-51.0	-8.9	-36.8	-50.4	-13.6	-5.1	-6.2
Blue Chip Gth (312/FBGRX)	B****	0.92	12/19(0.13)	26.11	9597.5	-39.4	-8.5	-32.6	-39.1	-10.5	-3.8	-3.0
Blue Chip Value (1271/FBCVX)	H***	1.15	12/12(0.03)	7.81	340.3	-46.0	-8.9	-35.1	-46.0	-13.0	-2.7	
Capital Apprec (307/FDCAX)	H***	0.99	12/05(0.11)	15.17	4795.0	-43.3	-9.1	-33.6	-46.0	-11.4	-3.2	1.8
Contrafund (22/FCNTX)	B****	0.83	12/26(0.22)	44.74	49366.3	-38.2	-7.0	-29.2	-38.0	-5.8	2.6	3.9
Growth Discovery (339/FDSVX)	B****	0.92	12/19(0.00)	8.65	1064.1	-46.6	-10.0	-36.2	-46.3	-8.1	-1.5	1.4
Disc Equity (315/FDEQX)	B****	0.96	12/05(0.26)	17.24	9789.5	-41.6	-8.2	-31.9	-41.3	-9.5	-1.0	0.4
Dividend Gth (330/FDGFV)	B****	1.08	12/12(0.16)	15.23	5994.0	-45.6	-10.6	-38.8	-46.5	-14.1	-6.0	-1.6
Export Fund (332/FEFVX)	H***	0.98	12/05(0.01)	14.07	2588.2	-44.7	-10.5	-35.1	-44.3	-11.3	-0.7	4.5
Fidelity Fifty (500/FFTYX)	H***	1.03	12/12(0.09)	10.73	721.6	-50.7	-10.7	-41.3	-51.0	-14.5	-5.2	1.8
Focused Stock (333/FTQGX)	H***	0.91	12/05(0.04)	8.88	96.5	-33.2	-9.6	-29.7	-31.8	-6.0	3.1	-0.1
Growth Company (25/FDGRX)	B****	0.99	12/12(0.07)	47.21	24237.3	-43.1	-11.1	-36.1	-43.2	-8.7	-0.7	2.0
Independence (73/FDFFX)	H***	1.29	12/12(0.04)	14.15	3782.2	-48.8	-8.7	-44.0	-47.3	-9.0	-0.8	1.1
Lg Cap Core En Idx (1827/FLCEX)	H***	0.98	12/12(0.08)	6.43	842.4	-36.6	-6.7	-28.3	-36.8			
Lg Cap Gth En Idx (1829/FLGEX)	H***	0.93	12/12(0.05)	6.34	24.6	-38.3	-7.6	-31.5	-38.9			
Large Cap Growth (763/FSLGX)	H***	0.98	12/12(0.02)	6.36	89.2	-40.6	-7.0	-31.8	-40.7	-13.7	-3.0	
Large-Cap Stock (338/FLCSX)	H***	1.14	12/05(0.08)	9.82	594.1	-49.1	-11.2	-37.9	-48.9	-13.2	-4.9	-3.3
Lg Cap Val En Idx (1828/FLVEX)	H***	1.05	12/12(0.09)	5.95	27.8	-36.8	-6.9	-27.1	-37.5			
Large Cap Value (708/FSLVX)	H***	1.03	12/12(0.13)	8.50	1075.8	-41.4	-8.5	-31.1	-41.6	-10.5	-0.2	
Lev Co Stock (122/FLVEX)	H***	1.29	12/12(0.03)	13.93	3672.1	-56.5	-18.3	-53.8	-55.8	-15.0	-1.2	
Low-Priced Stock (316/FLPSX)	H***	0.86	12/12(0.08)	21.31	19372.1	-41.2	-8.8	-35.7	-40.9	-10.1	-0.4	7.4
Magellan (21/FMAGX)	H***	1.10	12/05(0.15)	43.83	21563.1	-51.8	-11.3	-43.0	-51.6	-14.4	-5.8	-3.1
Mid Cap Growth (793/FSMGX)	H***	1.08	12/12(0.03)	6.61	161.4	-51.1	-10.4	-43.8	-51.3	-18.4	-6.4	
Mid Cap Stock (337/FMCSX)	H***	1.04	12/19(0.04)	14.59	5111.8	-49.7	-9.7	-43.5	-49.4	-13.9	-4.3	2.9
Mid Cap Value (762/FSMVX)	H***	1.05	12/12(0.10)	8.94	448.9	-45.1	-12.4	-38.6	-45.1	-13.3	-1.6	
New Millennium (300/FMILX)	B****	0.98	12/19(0.05)	17.08	1280.3	-42.5	-7.3	-33.3	-42.3	-8.0	-2.6	5.6
OTC Portfolio (93/FOCPX)	B****	1.06	12/19(0.00)	27.10	3729.3	-48.1	-12.2	-39.2	-47.9	-10.4	-2.9	-0.4
Small Cap Gth (1388/FCPGX)	H***	0.99	12/05(0.00)	8.39	880.6	-46.8	-8.5	-38.6	-46.4	-11.4		
Small Cap Indep (336/FDSCX)	H***	1.02	12/05(0.00)	10.10	1291.6	-49.3	-10.5	-39.4	-49.6	-14.2	-4.0	1.5
Small Cap Stock (340/FSLCX)	H***	1.00	12/05(0.01)	9.02	2423.7	-47.5	-12.8	-42.1	-47.4	-13.7	-3.8	5.7
Small Cap Value (1389/FCPVX)	B****	1.09	12/05(0.03)	8.67	985.5	-35.7	-10.7	-30.4	-35.8	-8.8		
Stock Selector (320/FDSSX)	B****	0.99	12/05(0.15)	17.08	698.3	-42.1	-9.1	-33.5	-42.2	-9.9	-1.6	-0.4
Tax Mgd Stock (343/FTMXM)	B****	0.95	12/05(0.04)	8.95	128.2	-44.3	-9.9	-36.2	-43.5	-10.5	-1.1	
Trend (5/FTRNX)	B****	0.98	12/26(0.12)	38.31	577.4	-45.8	-8.2	-35.8	-45.2	-9.9	-1.9	1.0
Value (39/FDVLX)	H***	1.09	12/05(0.20)	38.48	11061.8	-48.7	-12.1	-43.1	-49.6	-15.0	-2.5	3.1
Value Discovery (832/FVDFX)	H***	1.08	12/12(0.04)	10.22	719.3	-42.6	-8.8	-32.9	-42.4	-9.4	0.9	
Value Strategies (14/FSLSX)	H***	1.16	12/12(0.00)	13.21	141.7	-54.1	-13.6	-46.6	-54.3	-17.0	-7.9	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.64	12/19(0.09)	12.91	17928.3	-32.8	-4.9	-26.4	-32.7	-6.0	0.8	3.7
Convertible Sec (308/FCVXS)	H***	0.85	12/12(0.35)	13.55	1657.8	-50.7	-12.2	-46.9	-50.1	-12.3	-4.5	3.5
Equity-Income (23/FEQIX)	B****	1.08	12/12(0.21)	30.58	19171.1	-42.6	-7.9	-32.3	-43.1	-11.2	-2.4	0.1
Equity-Income II (319/FEQTX)	B****	1.06	12/12(0.10)	13.32	5751.7	-40.7	-7.2	-30.6	-41.1	-10.9	-3.0	0.0
Fidelity Fund (3/FFIDX)	B****	0.95	12/19(0.11)	22.55	4909.4	-41.2	-7.8	-32.1	-40.9	-7.6	-0.9	-0.5
Growth & Income (27/FGRIX)	H***	1.23	12/12(0.04)	13.00	7628.4	-51.7	-11.9	-40.9	-52.3	-18.7	-8.6	-4.7
Mega Cap Stock (361/FGRTX)	H***	0.98	12/12(0.03)	6.93	458.3	-40.2	-7.6	-29.7	-40.6	-9.2	-2.3	
Puritan (4/FPURX)	B****	0.58	12/19(0.12)	12.89	16203.0	-30.7	-5.2	-23.8	-30.6	-5.3	0.4	2.1
Real Estate Income (833/FRIFX)	H***	0.32	12/19(0.00)	6.70	294.1	-33.4	-12.0	-28.3	-33.1	-10.8	-3.4	
Real Estate (303/FRESX)	H***	1.64	12/19(0.00)	13.38	3147.2	-47.9	-24.3	-49.1	-51.6	-18.0	-3.0	5.2
Strategic Div & Inc (1329/FSDIX)	B****	0.92	12/19(0.00)	6.90	455.9	-43.7	-10.2	-36.7	-44.2	-12.6		
Utilities (311/FUIX)	B****↑	0.95	12/05(0.00)	13.22	727.1	-34.5	4.7	-22.2	-33.9	-2.1	6.1	0.5
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.33	12/12(0.00)	23.22	41.6	-39.9	-12.3	-21.4	-45.0	-9.2	0.1	5.4
Automotive (502/FSAVX)	S**	1.32	12/12(0.24)	14.67	9.0	-60.8	-9.4	-48.3	-63.1	-22.7	-13.3	-4.3
Banking (507/FSRBX)	H***	1.65	12/12(0.35)	15.45	296.4	-36.5	-14.1	-19.7	-40.4	-17.4	-8.1	-1.4
Biotechnology (42/FBIOX)	B****	0.83	12/05(0.00)	54.48	1202.4	-18.3	-8.5	-24.0	-23.8	-3.9	1.8	5.3
Brokerage (68/FSLBX)	H***	1.39	12/12(0.57)	30.31	403.7	-52.8	-13.4	-40.9	-53.3	-16.5	-2.4	3.8
IT Ser / Bus Ser (353/FBSOX)	B****	0.99	12/12(0.00)	10.77	53.9	-35.5	-6.5	-35.8	-33.0	-6.2	0.7	3.6
Chemicals (69/FSCHX)	B****	1.26	12/12(0.33)	48.28	339.1	-41.6	-13.8	-42.5	-40.8	-3.2	5.3	6.9
Computers (7/FDCPX)	H***	0.95	12/12(0.00)	25.21	261.9	-47.9	-13.4	-38.7	-47.7	-11.5	-7.2	-3.3
Const & Housing (511/FSHOX)	B****	1.38	12/12(0.31)	22.48	61.7	-31.8	-5.1	-30.8	-32.8	-14.2	-2.2	3.8
Consumer Disc (517/FSCPX)	H***	1.06	12/12(0.04)	12.96	20.7	-38.3	-10.5	-33.0	-41.3	-13.9	-5.9	-2.6
Industrial / Cyc Ind (515/FCYIX)	B****	0.99	12/12(0.07)	12.68	97.8	-42.8	-6.8	-38.8	-42.8	-7.7	2.9	4.6
Defense & Aero (67/FSDAX)	H***	0.96	12/12(0.23)	45.95	631.8	-44.7	-12.0	-34.4	-46.2	-6.8	3.4	6.8
Com Equip / DevC (518/FSDCX)	H***	1.04	12/05(0.01)	11.15	145.0	-50.4	-13.4	-47.0	-51.1	-17.3	-7.8	-3.3
Electronics (8/FSLEX)	H***	1.10	12/05(0.17)	21.72	753.5	-52.4	-16.0	-42.3	-52.3	-20.6	-12.3	-2.9
Energy (60/FSENX)	H***	1.75	12/12(2.85)	31.87	1575.7	-51.3	-7.9	-47.7	-46.9	-6.0	12.7	10.3
Energy Service (43/FSSEX)	H***	1.69	12/05(0.00)	40.67	1013.7	-58.3	-12.7	-57.9	-55.6	-10.1	10.4	12.5
Environmental (516/FSLEX)	B****	0.96	12/05(0.05)	12.79	36.1	-33.9	-4.3	-29.2	-33.0	-6.0	-0.3	0.1
Financial Services (66/FIDSX)	H***	1.48	12/19(0.95)	46.67	343.9	-51.1	-14.4	-33.8	-53.2	-20.9	-9.3	-1.8
Con Stap / Food Ag (9/FDFAX)	B****	0.70	12/12(0.63)	50.16	666.4	-24.6	-0.2	-18.6	-25.1	3.6	6.6	4.3
Gold (41/FSAGX)	S**	1.72	12/12(0.00)	24.87	1019.1	-37.4	24.0	-26.6	-37.3	2.2	4.0	12.1
Health Care (63/FSPHX)	H***	0.74	12/12(0.14)	76.54	1369.7	-36.4	-6.6	-29.1	-37.2	-8.8	0.1	0.8
Home Finance (98/FSVLX)	H***	1.62	12/12(0.36)	11.67	78.5	-58.9	-7.7	-36.1	-60.5	-34.0	-21.0	-6.3
Indust Equip (510/FSCGX)	H***	1.05	12/12(0.15)	18.18	71.5	-48.5	-6.7	-41.9	-47.9	-9.3	-0.4	1.3
Materials / Ind Mat (509/FSDPX)	H***	1.29	12/12(0.07)	29.73	155.5	-49.2	-8.4	-46.7	-48.2	-6.6	2.2	6.2
Insurance (45/FSPCX)	H***	1.38	12/12(0.35)	30.39	76.7	-51.7	-2.7	-32.7	-52.4	-20.1	-7.1	1.4
Leisure (62/FDLSX)	H***	0.97	12/19(0.28)	48.99	137.4	-36.0	-5.8	-26.3	-38.2	-7.8	-0.3	2.2
Medical Delivery (505/FSHCX)	H***	0.93	12/12(0.00)	26.21	267.5	-49.7	-8.4	-36.2	-48.7	-16.1	2.2	3.9
Medical Equip/Sys (354/FSMEX)	H***↓	0.74	12/12(0.01)	17.56	1307.1	-27.1	-13.5	-32.8	-26.3	-4.1	3.0	9.7
Multimedia (503/FBMPX)	H***	1.08	12/12(0.03)	21.09	31.9	-42.5	-9.6	-36.5	-44.6	-15.9	-7.0	0.3
Natural Gas (513/FSNGX)	H***↓	1.84	12/12(0.00)	21.24	953.8	-54.4	-13.4	-50.9	-50.6	-11.1	9.0	10.4
Nat Resources (514/FNARX)	H***	1.71	12/12(0.00)	19.19	1107.2	-51.5	-6.3	-48.1	-47.4	-3.5	11.8	11.0
Networking (912/FNINX)	H***	1.02	12/12(0.00)	1.20	35.1	-51.6	-9.8	-42.9	-53.1	-19.8	-12.9	
Paper & Forest (506/FSFPX)	S**	1.17	12/12(0.19)	15.84	12.9	-49.4	-10.8	-43.1	-49.8	-16.3	-9.0	-0.7
Pharmaceuticals (580/FPHAX)	H***	0.73	12/12(0.07)	8.43	146.0	-27.0	-3.7	-18.9	-28.9	-1.6	2.5	
Retailing (46/FSRPX)	B****↑	1.12	12/19(0.14)	26.68	43.9	-34.8	-10.8	-31.2	-37.5	-11.7	-3.1	-0.7
Software (28/FSCSX)	B****	1.05	12/19(0.00)	46.29	539.6	-43.0	-8.0	-32.4	-40.8	-3.7	-0.6	5.0
Technology (64/FSPTX)	H***	1.09	12/05(0.08)	37.98	916.7	-53.3	-13.2	-45.0	-53.6	-15.8	-8.8	-2.4
Telecom (96/FSCTX)	H***	1.22	12/19(0.34)	26.27	175.1	-49.4	1.6	-36.4	-50.3	-11.7	-1.7	-4.1
Transportation (512/FSRFV)	B****	1.03	12/12(0.10)	32.32	110.4	-27.2	-11.8	-28.3	-31.2	-7.3	2.8	7.9
Utilities Growth (65/FSUTX)	B****↑	0.96	12/05(0.57)	42.02	344.1	-34.6	4.3	-22.8	-34.5	-0.1	7.6	1.3
Wireless (963/FWRLX)	H***	1.18	12/05(0.05)	4.14	185.9	-52.1	-8.6	-40.9	-53.1	-12.8	2.9	

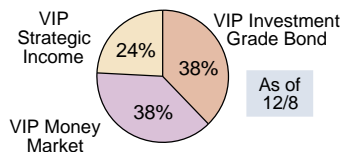
NOVEMBER PERFORMANCE						30-day	2008	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Ex-Date	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.19	12/05(0.21)	6.91	204.5		-54.3	-6.7	-42.7	-55.4	-16.2	-5.6
Canada (309/FICDX)	H***	1.11	12/05(0.40)	34.06	2779.5		-44.5	-11.2	-41.9	-43.0	-3.4	7.6
China Region (352/FHKCX)	S**	1.18	12/05(0.18)	16.15	739.3		-48.2	-3.2	-33.2	-49.5	0.8	5.7
Diversified Int'l (325/FDIVX)	H***	1.03	12/05(0.34)	20.23	28246.0		-49.3	-7.9	-38.8	-49.9	-8.8	1.6
Emerging EMEA (2053/FEMEX)	S**	1.5 E	12/12(0.04)	4.49	32.4			-5.7	-43.3			
Emerging Mkts (322/FEMKX)	S**	1.25	12/05(0.28)	12.38	2081.3		-63.4	-9.7	-50.4	-63.1	-8.7	6.3
Europe (301/FIEUX)	S**	0.99	12/05(0.65)	21.95	2753.4		-47.9	-6.9	-35.3	-48.4	-7.1	3.7
Europe Cap Appr (341/FECAX)	S**	1.04	12/05(0.51)	13.30	493.8		-50.0	-6.9	-38.1	-50.3	-6.4	2.4
Global Balanced (334/FGLBX)	B****	0.48	12/05(0.28)	16.39	345.3		-27.1	-3.3	-21.3	-27.2	-1.3	4.2
Int'l Discovery (305/FIGRX)	H***	0.99	12/05(0.36)	22.40	6993.2		-48.0	-6.2	-34.9	-48.6	-6.6	3.1
Int'l Enhanced Index (2010/FIENX)	H***	1.0 E	12/12(0.12)	5.35	10.4			-5.6	-35.7			
Int'l Growth (1979/FIGFX)	H***	0.98	12/05(0.07)	5.17	11.9		-45.9	-5.5	-35.3			
Int'l Real Estate (1368/FIREX)	S**	1.15	12/19(0.00)	6.28	320.7		-53.1	-9.2	-37.2	-55.9	-12.8	
Int'l Small Cap (818/FISMX)	H***	0.79	12/05(0.00)	11.48	536.3		-50.3	-4.6	-39.8	-51.7	-11.4	2.9
Int'l Small Cap Opp (1504/FSCOX)	S**	1.19	12/05(0.08)	5.65	312.1		-60.8	-10.0	-49.8	-62.6	-17.4	
Int'l Value (1597/FIVLX)	H***	1.19	12/05(0.14)	5.60	160.8		-51.0	-5.9	-39.6	-52.3		
Japan (350/FJPNX)	H***	1.06	12/05(0.11)	8.26	1026.4		-42.4	-8.6	-30.3	-45.7	-15.3	-2.1
Japan Smaller Co (360/FJSCX)	H***	0.72	12/06(0.03)	6.64	394.0		-39.8	-5.0	-24.7	-44.3	-21.1	-5.2
Latin America (349/FLATX)	S**	1.65	12/05(0.90)	26.78	2220.8		-56.8	-6.7	-51.5	-56.4	-2.9	16.7
Nordic (342/FNORX)	H***	1.20	12/05(0.97)	18.70	290.1		-58.8	-9.7	-48.2	-59.1	-9.8	2.7
Overseas (94/FOSFX)	H***	1.06	12/05(0.44)	23.83	5451.4		-50.8	-6.4	-36.7	-51.5	-8.3	0.9
Pacific Basin (302/FPBFX)	S**	1.01	12/05(0.04)	11.86	392.2		-60.7	-7.6	-43.3	-61.2	-14.5	-1.7
Southeast Asia (351/FSEAX)	S**	1.03	12/05(0.22)	17.83	1604.1		-55.0	-3.6	-34.3	-56.0	1.0	9.5
Total Int'l Equity (1978/FTIEX)	H***	1.10	12/05(0.11)	4.59	23.2		-51.4	-6.5	-40.0			
Worldwide (318/FWVFX)	H***	0.94	12/05(0.13)	12.31	934.7		-42.4	-8.2	-33.2	-42.3	-6.0	1.6
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.83	12/26(0.20)	19.85	1495.9		-34.6	-6.2	-27.6	-35.2	-6.8	0.0
NASDAQ Comp (1282/FNCMX)	B****	1.00	12/19(0.14)	20.47	130.2		-41.7	-10.7	-35.0	-41.9	-11.2	-4.3
Spart Ext Mkt Idx (398/FSEMXX)	B****	1.01	12/19(0.68)	22.21	1767.0		-41.2	-11.3	-37.0	-41.4	-10.4	-1.1
Spart Int'l Index (399/FSIIX)	H***	1.05	12/19(0.92)	25.51	3100.2		-46.0	-6.0	-34.7	-47.4	-7.5	2.0
Spart 500 Index (317/F500X)	B****	1.00	12/19(1.31)	62.75	5537.6		-37.7	-7.2	-29.7	-38.1	-8.7	-1.5
Spart Total Mkt Idx (397/FSTMX)	H***	0.99	12/19(0.40)	25.18	3998.4		-38.3	-8.0	-31.2	-38.6	-8.9	-1.2
Asset Mgr 20% (328/FASIX)	H***↓	0.20	12/19(0.00)	10.17	1972.8		-16.0	-2.6	-13.6	-16.0	-1.5	1.5
Asset Mgr 30% (1957/FTANX)	H***↓	0.30	12/19(0.00)	7.52	23.5		-21.4	-3.4	-17.8	-21.4		
Asset Mgr 40% (1958/FFANX)	H***↓	0.39	12/19(0.00)	7.16	10.8		-24.9	-3.9	-20.2	-25.1		
Asset Mgr 50% (314/FASMX)	H***↓	0.50	12/19(0.01)	10.61	5323.7		-30.0	-5.0	-24.3	-30.2	-6.4	-1.5
Asset Mgr 60% (1959/FSANX)	H***↓	0.60	12/19(0.07)	6.52	14.1		-32.1	-5.0	-25.2	-32.3		
Asset Mgr 70% (321/FASGX)	H***↓	0.72	12/19(0.23)	10.68	1858.7		-37.1	-6.3	-29.9	-37.5	-9.1	-3.0
Asset Mgr 85% (347/FAMRX)	H***↓	0.87	12/19(0.13)	8.37	350.3		-40.8	-7.2	-32.7	-41.3	-10.0	-2.3
Dynamic Strategies (1960/FDYSSX)	H***	0.58	12/26(0.07)	6.65	73.5		-30.4	-6.1	-27.0	-32.3		
Freedom 2000 (370/FFBXX)	B****	0.24	12/26(0.17)	10.23	1537.3		-15.5	-2.8	-13.3	-15.5	-1.5	0.9
Freedom 2005 (1312/FFVFX)	B****	0.46	12/26(0.16)	8.46	836.5		-26.5	-4.7	-21.4	-26.6	-4.6	
Freedom 2010 (371/FFFCX)	B****	0.49	12/26(0.15)	10.43	10574.0		-27.5	-5.0	-22.4	-27.6	-4.9	-0.1
Freedom 2015 (1313/FFVFX)	B****	0.52	12/26(0.12)	8.59	6204.9		-29.3	-5.3	-23.6	-29.5	-5.2	
Freedom 2020 (372/FFFDX)	B****	0.65	12/26(0.12)	10.05	15497.9		-34.3	-6.4	-27.6	-34.4	-6.9	-0.5
Freedom 2025 (1314/FFTWX)	B****	0.69	12/26(0.09)	8.22	5725.1		-35.7	-6.8	-28.7	-35.9	-7.5	
Freedom 2030 (373/FFFEY)	B****	0.79	12/26(0.09)	9.69	10311.9		-39.0	-7.5	-31.2	-39.2	-8.6	-1.2
Freedom 2035 (1315/FFTHX)	B****	0.81	12/26(0.11)	7.96	3396.5		-39.8	-7.8	-31.8	-40.0	-9.0	
Freedom 2040 (718/FFFFX)	B****	0.84	12/26(0.09)	5.54	5492.8		-40.8	-8.1	-32.7	-41.0	-9.3	-1.4
Freedom 2045 (1617/FFFGX)	B****	0.85	12/26(0.04)	6.50	723.6		-41.2	-8.3	-32.9	-41.4		
Freedom 2050 (1618/FFFHX)	B****	0.90	12/26(0.04)	6.37	622.6		-42.6	-8.6	-34.1	-42.9		
Freedom Income (369/FFFAV)	B****	0.21	12/26(0.00)	9.51	2283.8		-13.8	-2.7	-12.1	-13.6	-1.1	1.0
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	H***	0.8 E	12/05(0.02)	5.41	6962.9	13.50	-33.4	-10.8	-31.2	-33.3	-7.4	-1.0
Floating Rate (814/FFRHX)	H***	0.4 E	12/05(0.01)	7.56	1285.2	10.46	-17.3	-5.0	-18.1	-17.0	-3.2	-0.2
Focused High Inc (1366/FHIFX)	B****	0.6 E	12/05(0.00)	7.01	57.0	12.68	-24.5	-5.0	-23.4	-24.0	-5.3	
GNMA Portfolio (15/FGMNX)	B****↑	0.16	12/12(0.00)	11.04	3765.6	4.88	5.5	3.5	2.4	5.5	5.8	4.8
Gov't Income (54/FGOVX)	B****	0.16	12/19(0.01)	10.68	6392.4	3.58	7.6	4.3	3.8	7.8	6.6	5.2
High Income (455/SPHIX)	B****	0.6 E	12/05(0.02)	5.81	4115.6	14.56	-27.5	-8.4	-27.5	-27.0	-6.0	-0.9
Inflation-Protected (794/FINPX)	H***	0.25	12/19(0.19)	9.95	1769.6	3.28	-7.9	0.2	-11.7	-8.0	0.6	2.4
Intermed Bond (32/FTHRX)	H***	0.15	12/19(0.00)	8.91	6093.2	6.43	-8.6	-1.3	-8.5	-8.3	-0.1	1.0
Intermed Gov't Inc (452/FSTGX)	B****↑	0.13	12/12(0.00)	10.70	1279.2	2.59	7.3	3.1	3.6	7.8	6.5	4.7
Invest Grade Bond (26/FBNDX)	B****	0.17	12/19(0.00)	6.21	8500.8	6.67	-9.8	-1.0	-8.7	-9.7	-0.7	1.0
Mortgage Securities (40/FMSFX)	H***	0.16	12/19(0.00)	9.97	942.3	5.43	-0.2	1.3	-0.2	-0.3	1.7	2.4
New Markets Inc (331/FNMIX)	H***↑	0.7 E	12/26(0.01)	10.52	1384.5	10.74	-24.0	0.8	-24.6	-23.5	-2.9	3.1
Short-Term Bond (450/FSHBX)	H***	0.08	12/19(0.00)	7.94	5880.3	4.25	-4.2	-1.8	-3.6	-4.1	0.7	1.3
Spart Intermed Tr Idx (1561/FIBIX)	B****↑	0.23	12/19(0.02)	11.12	1037.4	2.81	11.6	6.9	6.4	11.8		
Spart L-Term Tr Idx (1562/FLBIX)	B****↑	0.34	12/19(0.00)	11.20	115.7	3.84	13.6	12.2	9.4	13.2		
Spart S-Term Tr Idx (1563/FSBIX)	B****↑	0.11	12/19(0.05)	10.74	197.8	1.24	7.6	2.0	4.2	7.8		
Strategic Income (368/FSICX)	B****	0.4 E	12/26(0.01)	8.44	4221.5	8.13	-14.9	-1.4	-15.2	-14.7	-0.6	2.3
Strategic Real Rtn (1505/FSRRX)	H***↑	0.28	12/19(0.49)	7.18	3962.2	6.42	-25.4	-7.4	-27.0	-24.8	-6.3	
Total Bond (820/FTBFX)	B****	0.16	12/19(0.00)	8.94	8481.8	7.27	-8.7	-0.8	-9.3	-8.4	0.3	1.8
Ultra-Short Bond (812/FUSFX)	H***	0.05	12/12(0.00)	8.11	276.3	1.32	-8.0	-1.0	-1.3	-7.6	-2.8	-0.9
US Bond Index (651/FBIDX)	B****↑	0.16	12/19(0.00)	10.48	8718.1	4.90	0.3	2.5	-1.2	0.5	3.6	3.6
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FSAZX)	H***	0.18	12/05(0.00)	10.25	121.5	4.66	-5.1	0.0	-5.9	-5.1	0.8	1.8
CA Municipal Inc (91/FCITX)	H***	0.17	12/12(0.00)	10.95	1421.6	4.63	-6.3	-1.2	-7.1	-6.1	0.6	2.0
CA Short-Int TF (1534/FCSTX)	H***	0.06	12/05(0.00)	10.16	253.6	2.75	3.0	1.3	-0.3	3.5		
CT Municipal Inc (407/FICNX)	H***	0.15	12/19(0.05)	10.64	471.7	4.19	-2.3	0.2	-4.0	-2.1	2.0	2.4
Intermediate Muni (36/FLTMX)	B****	0.10	12/26(0.00)	9.58	2527.5	3.89	-0.4	0.5	-2.8	-0.1	2.7	2.9
MA Municipal Inc (70/FDMNX)	H***	0.17	12/12(0.00)	10.81	1842.4	4.47	-4.6	0.1	-5.7	-4.4	1.3	2.4
MD Municipal Inc (429/SMDMX)	H***	0.17	12/05(0.00)	9.93	128.3	4.49	-4.3	0.2	-5.6	-4.3	1.2	2.0
MI Municipal Inc (81/FMHTX)	H***	0.14	12/26(0.00)	11.15	573.2	4.00	-1.7	0.6	-3.3	-1.4	2.4	2.8
MN Municipal Inc (82/FIMIX)	H***	0.12	12/26(0.00)	10.61	363.4	4.03	-1.8	0.4	-3.7	-1.6	2.1	2.5
Municipal Income (37/FHIGX)	B****	0.18	12/26(0.04)	11.38	4625.2	4.78	-5.9	-0.7	-6.7	-5.6	0.8	2.2
NJ Municipal Inc (416/FNJHX)	H***	0.15	12/19(0.06)	10.71	547.4	4.23	-3.3	0.7	-4.7	-3.0	1.9	2.6
NY Municipal Inc (71/FTFMX)	H***	0.18	12/05(0.01)	11.72	1385.6	4.66	-4.3	-0.3	-5.7	-4.0	1.4	2.3
OH Municipal Inc (88/FOHFX)	H***	0.16	12/26(0.02)	10.68	416.1	4.31	-3.7	0.4	-5.1	-3.4	1.7	2.5
PA Municipal Inc (402/FPXTX)	H***	0.13	12/26(0.02)	10.18	324.0	4.18	-1.6	0.6	-3.1	-1.3	2.4	2.8
Short-Int Municipal (404/FSTFX)	B****↑	0.05	12/26(0.00)	10.29	1738.5	2.89	2.7	1.0	-0.6	3.2	3.5	2.6
Tax-Free Bond (90/FTABX)	B****	0.17	12/12(0.00)	9.80	1165.8	4.61	-4.7	-0.2	-6.1	-4.5	1.3	2.5

NOVEMBER 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	0.93	8829.04	-31.8	-5.0	-23.0	-32.2	-4.2	0.3	1.8
S&P 500	1.00	896.24	-37.6	-7.2	-29.6	-38.1	-8.7	-1.4	-0.9
NASDAQ	1.00	1535.57	-41.7	-10.7	-35.0	-41.8	-11.0	-4.1	-1.8
Russell 2000	1.10	473.14	-37.4	-11.8	-35.7	-37.4	-10.1	-1.6	3.1
Fidelity Monitor Income Model	0.31	71731.60	-20.1	-3.2	-16.6	-20.0	-3.7	-0.6	1.8
Fidelity Monitor G&I Model	0.62	123089.79	-34.9	-5.5	-28.5	-34.7	-7.4	-0.4	3.5
Fidelity Monitor Growth Model	0.95	120610.47	-43.5	-9.0	-34.4	-43.3	-10.9	-1.5	2.1
Fidelity Monitor Select System	0.96	248569.23	-40.1	-9.8	-36.0	-39.3	-7.3	-0.3	3.5
Fidelity Monitor Unique Opportunities	1.08	72015.96	-49.1	-10.4	-41.9	-48.2	-11.7	-0.1	

## VIP CORNER

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

### VIP INCOME MODEL

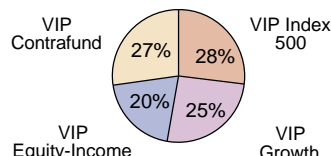


#### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2001: -3.4%
1994: -3.8%	2002: +7.3%
1995: +16.9%	2003: +9.9%
1996: +6.9%	2004: +5.1%
1997: +10.9%	2005: +1.8%
1998: +0.4%	2006: +6.1%
1999: +0.8%	2007: +6.2%
2000: -2.4%	<b>*2008: -20.4%</b>

### VIP GROWTH MODEL

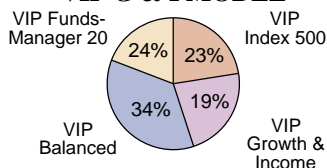


#### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2001: -14.0%
1994: +4.6%	2002: -21.7%
1995: +36.1%	2003: +30.0%
1996: +16.1%	2004: +7.0%
1997: +23.5%	2005: +10.1%
1998: +22.6%	2006: +14.5%
1999: +22.1%	2007: +9.3%
2000: -10.3%	<b>*2008: -46.0%</b>

### VIP G & I MODEL

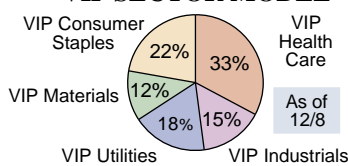


#### PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2002: -9.4%
1996: +12.8%	2003: +20.8%
1997: +21.4%	2004: +6.3%
1998: +15.1%	2005: +4.5%
1999: +6.1%	2006: +11.6%
2000: -4.9%	2007: +7.7%
2001: +3.1%	<b>*2008: -32.6%</b>

### VIP SECTOR MODEL



#### PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: +6.3%	2007: +11.2%
2005: +14.0%	<b>*2008: -42.2%</b>

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

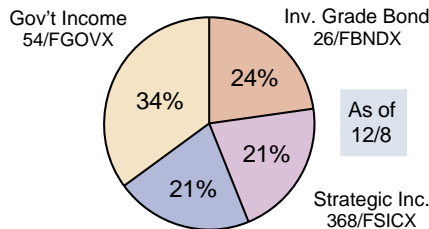
NOVEMBER VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2008 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	6.43	6.69	-50.9	-8.8	-36.5	-50.4	-14.4	
VIP Asset Manager	H ***	8.73	27.29	-30.9	-4.5	-26.8	-29.9	-5.2	-1.1
VIP Asset Manager: Growth	H ***	8.08	16.55	-37.7	-6.0	-32.6	-36.6	-7.7	-2.3
VIP Balanced	B ***	7.97	11.78	-37.0	-7.1	-30.6	-37.0	-8.5	-3.1
VIP Consumer Discretionary	H ***	6.43	7.04	-38.1	-10.3	-32.5	-41.1	-14.3	-6.5
VIP Consumer Staples	B ****	8.47	8.41	-24.1	0.1	-17.7	-24.6		
VIP Contrafund	B ****	7.85	29.01	-43.8	-7.4	-33.4	-43.6	-9.7	-0.2
VIP Disciplined Small Cap	B ****	6.18	6.11	-37.6	-12.4	-33.9	-37.8		
VIP Dynamic Capital Appreciation	H ***	7.38	8.91	-44.4	-9.0	-34.2	-47.1	-12.3	-3.6
VIP Energy	H ***↓	8.94	15.37	-51.9	-8.4	-48.1	-47.6	-5.8	10.0
VIP Equity-Income	B ****	6.98	38.78	-44.1	-8.4	-33.6	-44.6	-12.3	-3.4
VIP Financial Services	H ***	5.18	6.28	-51.8	-15.0	-34.8	-53.8	-21.6	-10.0
VIP Freedom 2005	B ****	8.97	9.04	-26.4	-3.8	-20.8	-26.5	-4.5	
VIP Freedom 2010	B ****	8.83	8.93	-27.6	-4.1	-21.8	-27.8	-4.9	
VIP Freedom 2015	B ****	8.79	8.94	-29.6	-4.4	-23.2	-29.8	-5.2	
VIP Freedom 2020	B ****	8.29	8.47	-35.0	-5.8	-27.6	-35.3	-7.2	
VIP Freedom 2025	B ****	8.17	8.37	-36.6	-6.2	-28.9	-36.8	-7.7	
VIP Freedom 2030	B ****	7.83	8.06	-40.3	-7.4	-31.8	-40.6	-9.1	
VIP Freedom Income	B ****	10.02	9.98	-12.7	-1.5	-10.7	-12.6	-0.7	
VIP FundsManager 20	B ****	9.88	9.74	-11.0	-0.4	-8.7	-10.9		
VIP FundsManager 50	B ****	8.46	8.34	-25.6	-3.3	-19.3	-25.7		
VIP FundsManager 70	B ****	7.53	7.43	-34.7	-5.3	-26.1	-34.9		
VIP FundsManager 85	B ****	6.90	6.80	-40.8	-6.8	-30.8	-41.1		
VIP Growth	B ****	7.30	40.17	-47.4	-10.1	-36.5	-47.2	-11.2	-4.9
VIP Growth & Income	H ***	7.63	12.47	-42.5	-9.0	-33.6	-42.6	-10.5	-3.5
VIP Growth Opportunities	H ***	6.16	7.42	-55.2	-10.1	-43.1	-54.7	-16.9	-7.2
VIP Growth Stock	B ****	6.85	6.94	-46.3	-8.8	-36.4	-45.8	-12.6	
VIP Health Care	B ****	7.68	8.84	-36.6	-6.5	-28.9	-37.5	-9.7	-0.7
VIP High Income	B ****	8.35	23.24	-27.6	-6.9	-26.9	-27.0	-6.4	-1.6
VIP Index 500	B ****	7.68	24.68	-38.1	-7.2	-29.8	-38.6	-9.5	-2.3
VIP Industrials	B ****	8.14	11.70	-43.0	-6.7	-38.6	-42.9	-7.9	2.6
VIP Int'l Capital Appreciation	S **	5.87	6.13	-54.5	-6.7	-42.6	-55.6	-17.0	
VIP Investment Grade Bond	B ****	10.15	28.14	-7.2	-0.2	-7.1	-7.2	0.1	1.1
VIP Materials	H ***	5.85	5.80	-49.0	-8.7	-46.8	-48.1		
VIP Mid Cap	B ****	7.97	14.20	-42.5	-7.2	-36.9	-42.4	-8.7	2.2
VIP Money Market		11.39	21.85	2.1	0.1	0.5	2.4	3.6	2.6
VIP Overseas	H ***	8.00	24.91	-47.8	-7.4	-35.6	-48.5	-8.8	0.3
VIP Real Estate	H ***	5.84	9.22	-50.1	-24.7	-50.8	-52.9	-17.7	-3.0
VIP Strategic Income	B ****	9.83	10.69	-14.4	-0.9	-14.5	-14.3	-1.0	
VIP Technology	H ***	6.27	5.80	-53.3	-12.8	-44.6	-53.9	-16.7	-9.0
VIP Telecommunications	H ***	5.04	5.00	-49.4	2.1	-35.8	-50.4		
VIP Utilities	B ****↑	10.38	10.39	-34.6	4.3	-22.7	-34.4	0.5	7.8
VIP Value	H ***	6.12	6.27	-49.0	-12.2	-43.0	-49.9	-16.1	
VIP Value Leaders	H ***	6.74	6.91	-46.2	-8.9	-35.1	-46.3	-13.6	
VIP Value Strategies	H ***	5.74	7.26	-54.3	-13.6	-46.6	-54.6	-17.5	-8.7
Fidelity Monitor VIP Income Model			16759.11	-20.4	-3.0	-16.7	-20.3	-3.3	-0.5
Fidelity Monitor VIP G&I Model			18308.76	-32.6	-6.0	-26.6	-32.1	-6.5	-1.2
Fidelity Monitor VIP Growth Model			22361.29	-46.0	-8.0	-35.0	-45.9	-11.9	-3.6
Fidelity Monitor VIP Sector Model			12025.73	-42.2	-5.5	-35.4	-41.7	-8.6	-1.9

## 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	\$12.91	1331.377	\$17188.08
Asset Mgr 20%	\$10.17	2912.448	\$29711.13
Freedom Income	\$9.51	2611.187	\$24832.39

2% Foreign Holdings  
Balance as of 11/28/08: \$71731.60  
Balance at start of 2008: \$89754.23



Cash Res. 55/FDRXX

In November our Income Model declined 3.2%. Please see page 1 and our Outlook column for details on our December changes.

### 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%

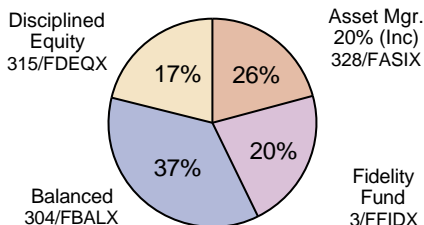
2008 YTD: - 20.1%

## 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%	\$10.17	3185.166	\$32393.14
Fidelity Fund	\$22.55	1075.370	\$24249.59
Balanced	\$12.91	3543.236	\$45743.18
Disciplined Equity	\$17.24	1200.921	\$20703.88

11% Foreign Holdings  
Balance as of 11/28/08: \$123089.79  
Balance at start of 2008: \$189006.21



Our Growth and Income Model lost 5.5% in November. There are no changes this month, but we are considering an exchange of **Asset Manager 20%** and **Fidelity Fund** for **Puritan** in mid-January.

### 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%

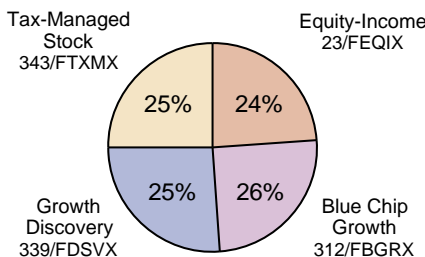
2008 YTD: - 34.9%

## GROWTH MODEL

Focuses on domestic funds and aims to hold profitable positions long enough to qualify for long-term gains.  
Target Growth Rate: 13% Target Risk Level: 1.0

FUND	NAV	SHARES	BALANCE
Equity-Income	\$30.58	952.652	\$29132.10
Blue Chip Growth	\$26.11	1205.483	\$31475.16
Growth Discovery	\$8.65	3529.634	\$30531.33
Tax-Managed Stock	\$8.95	3292.948	\$29471.88

13% Foreign Holdings  
Balance as of 11/28/08: \$120610.47  
Balance at start of 2008: \$213419.53



Our Growth Model was down 9.0% in November, versus a 7.2% decline for the S&P 500. On 11/10 we sold **Stock Selector** (\$17.73) and bought **Equity-Income** (\$31.29).

### 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%

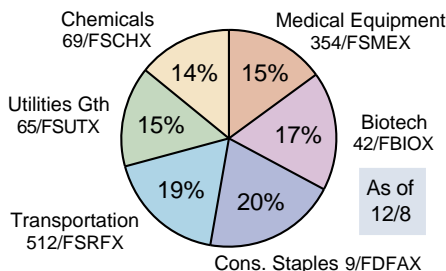
2008 YTD: - 43.5%

## 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	\$17.56	2729.352	\$47927.42
Biotechnology	\$54.48	785.728	\$42806.46
Consumer Staples	\$50.16	959.659	\$48136.50
Transportation	\$32.32	1452.556	\$46946.61
Natural Gas	\$21.24	1281.571	\$27220.57
Chemicals	\$48.28	735.950	\$35531.67

12% Foreign Holdings  
Balance as of 11/28/08: \$248569.23  
Balance at start of 2008: \$415259.49



Our Select System lost 9.8% in November, versus a 7.2% decline for the S&P 500. On 11/10 we sold one-fifth of **Consumer Staples** (\$50.49) and bought **Transportation** (\$34.81). On 12/8 we'll sell all of **Natural Gas** and one-fifth of **Med. Equip.**, buying **Util. Growth**.

### 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%

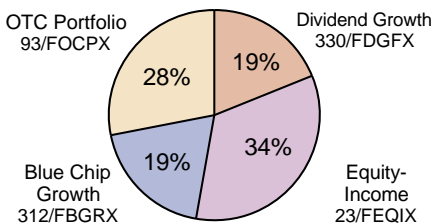
2008 YTD: - 40.1%

## 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	\$15.23	904.326	\$13772.88
Equity-Income	\$30.58	805.974	\$24646.68
Blue Chip Growth	\$26.11	526.218	\$13739.55
OTC Portfolio	\$27.10	732.725	\$19856.85

11% Foreign Holdings  
Balance as of 11/28/08: \$72015.96  
Balance at start of 2008: \$141360.40



Our Unique Opportunities Model lost 10.4% in November. On 11/10 we sold **Leveraged Company** (\$15.51) and **Magellan** (\$46.26), buying **Equity-Income** (\$31.29).

### 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: - 49.1%

lot to choose from. Many high-yield bonds are selling at distressed levels, as if defaults had already occurred – but most firms haven’t yet defaulted on their debt, so you can earn a 14% yield while waiting to see what happens. This worked out well in the early 1990s, when junk bond returns exceeded the S&P 500 in some years. Today’s situation is dicey enough that **High Income** should only be considered as an alternative for a stock fund. Its volatility is just too great to consider it for an income-oriented portfolio.

Moving up to stock funds, our least risky pick is **Blue Chip Growth**. Jennifer Uhrig manages one of the few funds that is still in line with its benchmark this year, and her heavy bet on consumer stocks could make for good performance if a significant rebound takes place in 2009. Even with a low cash level, this large-cap growth fund has only about 95% as much risk as the S&P 500.

**Equity-Income** focuses on dividends, which could become more important than earnings in this situation. With a dividend yield of around 4%, the fund generates more income than a 10-year treasury bond. The main down side is a heavy weighting in financial stocks (25%), but we think it’s reasonable at this stage. Most healthy financial firms have been clobbered over the past few months, creating plenty of bargains. Overall risk is about 10% more than the S&P 500. That’s mainly a function of the large-cap value corner of the stylebox, which has been more volatile than usual over the last year.

**Dividend Growth** is still being repositioned by Lawrence Rakers, who has a great long-term record picking stocks for **Balanced**. Rakers will have no problem finding good opportunities in growth and value stocks alike. **Dividend Growth** currently tilts slightly toward the value side even though it’s rated as a large-cap blend fund. Overall risk is about 5% greater than the S&P 500.

Some of the best managed growth companies are selling on the cheap, despite the large amounts of cash that many have built up. **OTC Portfolio**, despite a technology weighting of almost 50%, is only 10% more volatile than the S&P 500. Many of its holdings were incredibly expensive just eight years ago, but they are washed out now. This fund might get hurt more than other growth funds if the global economy goes off the deep end. But it holds some of the most competitive firms on the planet, and many have been operating successfully in a deflationary business environment for years. ■

**INCOME FUNDS**

Our Income Model positions are listed on page 7. Long-term interest rates fell on deflationary concerns, giving a big boost to treasuries. **Spartan Long-Term Treasury Index** rose 12.2%, **Spartan Intermediate Treasury Index** was up 6.9%, and **Gov’t Income** rose 4.3%. On the flip side, default concerns added to losses in high-yield bonds. **High Income** slid 8.4%, and **Capital & Income** fell 10.8%. Muni bond fund returns ranged from a 1.2% decline to a 1.3% gain.

**SELECT PORTFOLIOS**

To manage risk consider following our Select System (page 7). The following sectors have a chance of outperforming over the next 12-18 months:

**Transportation, Biotechnology, Construction & Housing, Environmental, Retailing, IT Services, Software, Chemicals, Utilities Growth, Industrials, and Consumer Staples.**

Federal debt concerns led to a rebound in gold stocks, making **Gold** the top performer with a 24.0% increase. **Utilities Growth** posted a 4.3% gain, and **Telecommunications** was up 1.6%. On the bottom end, **Banking** was down 14.1%, **Financial Services** lost 14.4%, and **Electronics** fell 16.0%. ■

**Happenings**

Fidelity is making plans to shrink its workforce by 7%. Although the firm is financially strong with a robust amount of cash to fall back on, the recent plunge in assets under management has likely reduced its management fees by perhaps a third – making it necessary to trim costs. The layoffs are not expected to involve analysts or fund managers, but even if they eventually do we don’t see it as a big problem. Fidelity has been putting in place a more efficient multi-manager approach and eventually may not need as many stockpickers for its retail lineup.

Melissa Reilly has been named manager of **Europe**, but will continue to manage **Europe Capital Appreciation** and co-manage **Global Balanced**. Ronald Port will be taking over at **Nordic**. ■

**NOVEMBER DISTRIBUTIONS**

<b>Asset Manager 20%</b>	\$ 0.032/\$10.43 (11/7)
<b>Asset Manager 30%</b>	\$ 0.022 / \$7.75 (11/7)
<b>Freedom Income</b>	\$ 0.03 / \$9.73 (11/7)

Most funds are scheduled for December. We’ve listed dates and estimates on pages 4-5 in the “Ex-Date” column.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	130689.7	2.17	CT MM (418/FCMXX)	2207.2	0.46			
Select MM (85/FSLXX)	6583.1	2.41	MA MM (74/FDMXX)	5457.9	0.46			
Money Market (454/SPRXX)	7490.7	2.40	MI MM (420/FMIXX)	1197.2	0.26	MA AMT TF (426/FMSXX)	755.2	0.71
Gov’t MM (458/SPAXX)	1210.5	1.46	NJ MM (417/FNJXX)	2664.5	0.51	AMT Tax-Free (460/FIMXX)	3189.1	0.75
US Treas. MM (415/FDLXX)	11403.5	0.58	NY MM (92/FNYXX)	6048.3	0.60	NJ AMT TF (423/FSJXX)	674.8	0.87
Tax-Free MM (275/FMOXX)	6759.7	0.54	OH MM (419/FOMXX)	1243.6	0.71	NY AMT TF (422/FSNXX)	1218.8	0.75
US Gov’t Reser (50/FGRXX)	4761.2	1.51	AZ MM (433/FSAXX)	414.3	0.56	PA MM (401/FPTXX)	876.7	0.60
CA MM (97/FCFX)	6599.5	0.38	CA AMT TF (457/FSPXX)	1742.6	0.59	Municipal MM (10/FTEXX)	26124.8	0.70