



# FIDELITY INVESTOR

Independent Advice On Your Fidelity Funds

VOLUME 12, NUMBER 11

WWW.FIDELITYINVESTOR.COM

NOVEMBER 2009

## FI Market Monitor Earnings Round Up



Jim Lowell,  
Editor

There's an old saw about country music that says if you play country songs backwards you'll get a happy ending. Since mid-March, we've been playing last year's heart break in reverse ... almost to the point of a happy outcome.

But, as with all things human, the belief in having mended all fences creates the possibility that there are unseen holes through which some herded gains will likely slip.

Still, we ride into November's range forward inclined; with an earnings tailwind and an economic headwind to boot. Overseas, you can see the markets getting increasingly nervous about our market's nervous stall. Meantime, we can also see that the weakness of the dollar belies concerns over the weakness of our economy and its probability for recovery. The upshot for October was that the oil markets continued to challenge the greenback like a grizzly swiping at a longhorn, while record Treasury auctions continued to shoot holes in every sign on recovery road.

### Upbeat Notes

These days, right on cue, there's a large sucking sound on the floor of the exchanges; the larger reality is that it will be very difficult for the remaining 1/3rd of earnings reports to deliver any greater level of upside surprise, so a drift is nearly inevitable. Also on cue, our first glimpse at 3rd Quarter GDP beat to the upside of even the most optimistic consensus (save ours) thanks to stimulus money.

The good news, as we expected, is that, with 2/3rds of S&P 500 companies having reported, we can confirm that the trend of shoring up the bottom line better equips each business to not only withstand

future economic knockdowns, but it also better enables them to manufacture improved top line sales. As we wend toward the wind down of the 3<sup>rd</sup> Quarter earnings reporting spree, absent some macro reversal of the upbeat trend, the micro reports will be less significant than the momentum of upwardly (or downwardly) revised forecasts (both economic and earnings).

### Where the Hekawi?

Of course the question near the end of the earnings stampede is how sustainable is the earnings recovery? The answer comes in the form of another question: How reliable, sustainable and scalable is this economic rebound? As I have often put it to you, if we want to own the stocks we should also want to own the debt. With everything having come up roses on both the stock and bond side of the fence, a rainy day forecast makes sense.

*Clouds do still dominate the economic and market landscape:* to the litany of probable causes for concern (from unemployment persisting, to home sales and mortgage applications stalling, to moving from a leveraged consumer culture of borrow and spend to a leveraged government culture of borrowing and spending even more, to increased geopolitical uncertainty) we can also add weakness in regional banks (from the Sunbelt's Sun Trust to Big Bend's Zion) reeling from overleveraged commercial lending, underwhelming construction lending, anemic consumer lending, and non-existent small business lending.

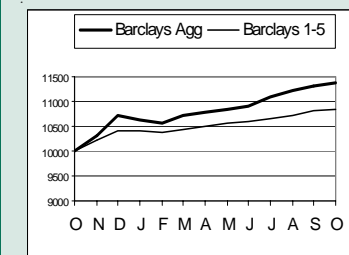
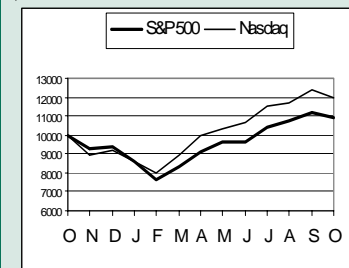
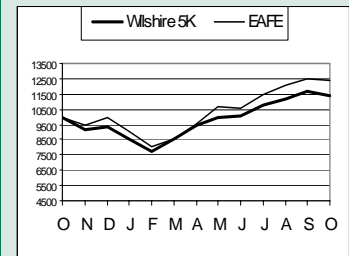
### The Trillion(s) Dollar Question

As for increased spending: we know that cash in corporate coffers finds a corollary in consumer's sidelined cash; trillions of dollars earning less than zero ought to be

(Monitor, continued on page 12)

**James Lowell** is the leading expert on the Fidelity family of funds. He is the President of the Fund Family Shareholder Association, and he is Partner and Chief Investment Strategist with Adviser Investments (800-492-6868). (*Fidelity Investor* operates independently from Adviser Investments) Mr. Lowell is the author of several critically praised investment books, including *Investing From Scratch*, *Smart Money Moves*, and *What Every Fidelity Investor Needs to Know*. He is often quoted in the nation's leading financial publications, on-line media, and appears regularly on CNN, CNBC, NECN, Bloomberg (radio and TV) and Fox Business News.

## 12 Months Through 10/31/09



## Table of Contents

Model Portfolios .....	2
Trades .....	3
Interview .....	3
Focus .....	4
Performance Review .....	5
Magellan Watch .....	12
Best Buys .....	12

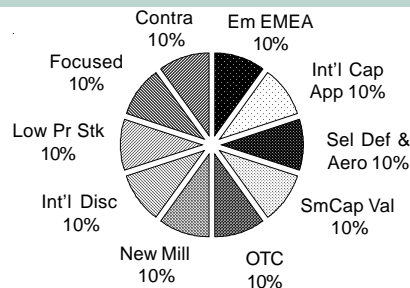
## GLOBAL QUANT

Initial value: \$100,000 (3/1/07)

2009 YTD Performance: 29.6%

RETURNS: 2008: -47.1%

FUND	SHARES	NAV	VALUE	%	MONTHLY RETURN
Emerg Eur, ME, Africa	1049.096	7.28	7,637	10%	-0.8%
Int'l Capital Apprec	746.428	10.78	8,046	10%	-3.4%
Sel Defense & Aero	139.993	54.01	7,561	10%	-3.9%
Small Cap Value	673.490	11.49	7,738	10%	-6.6%
OTC	189.850	39.98	7,590	10%	-5.3%
New Millennium	349.166	22.40	7,821	10%	-5.9%
Int'l Discovery	275.503	28.79	7,932	10%	-2.8%
Low Priced Stock	267.502	29.50	7,891	10%	-2.8%
Focused Stock	746.428	10.17	7,591	10%	-2.3%
Contrafund	143.946	53.83	7,749	10%	-1.2%
<b>Total</b>			<b>\$77,558</b>		<b>-3.5%</b>



The Global Quant model is based on our proprietary manager rankings system. It is a qualitative portfolio that looks to deliver capital appreciation for most longer term investors. The model holds the best performing fund from the top 6 domestic equity managers, top 3 international equity managers and top sector manager. The portfolio is equal weighted and will be rebalanced semi-annually on January 1st & July 1st pursuant to our semi annual manager rankings.

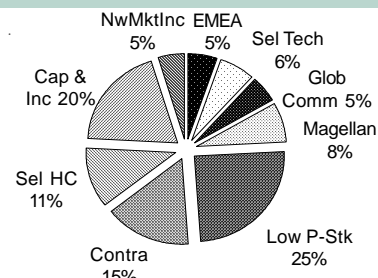
## AGGRESSIVE GROWTH

Initial value: \$100,000 (4/9/99)

2009 YTD Performance: 21.3%

RETURNS: 1999: 30.9% 2000: 8.3% 2001: -10.6% 2002: -14.8% 2003: 37.9% 2004: 11.7% 2005: 20.3% 2006: 17.7% 2007: 13% 2008: -39.1%

FUND	SHARES	NAV	VALUE	%	MONTHLY RETURN
Emerg Eur, ME, Africa	1392.980	7.28	10,141	5%	-0.8%
Select Technology	191.555	65.92	12,627	6%	-2.7%
Global Commodity Stock	743.348	13.31	9,894	5%	-1.3%
Magellan	252.177	58.72	14,808	8%	-5.4%
Low Priced Stock	1653.164	29.50	48,768	25%	-2.8%
Contrafund	562.309	53.83	30,269	15%	-1.2%
Select Healthcare	231.676	96.21	22,290	11%	-4.2%
Capital & Income	4654.539	8.17	38,028	20%	0.4%
New Markets Income	624.282	15.26	9,527	5%	0.5%
<b>Total</b>			<b>\$196,351</b>		<b>-2.3%</b>



The Aggressive Growth model is designed for investors who are active traders - who are willing to make meaningful trades on a monthly basis. There is a \$10,000 minimum investment in some of these funds.

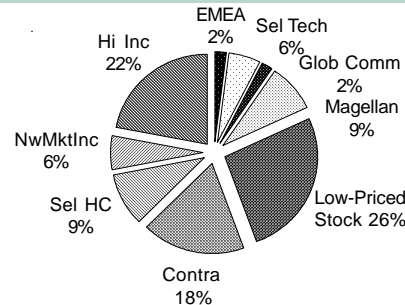
## GROWTH

Initial value: \$100,000 (1/1/98)

2009 YTD Performance: 19.7%

RETURNS: 1999: 41.7% 2000: 11.3% 2001: -8.8% 2002: -16.8% 2003: 35.5% 2004: 15.2% 2005: 15.8% 2006: 17.7% 2007: 9.9% 2008: -37%

FUND	SHARES	NAV	VALUE	%	MONTHLY RETURN
Emerg Eur, ME, Africa	672.498	7.28	4,896	2%	-0.8%
Select Technology	196.969	65.92	12,984	6%	-2.7%
Global Commodity Stock	358.871	13.31	4,777	2%	-1.3%
Magellan	354.237	58.72	20,801	9%	-5.4%
Low-Priced Stock	2154.730	29.50	63,565	26%	-2.8%
Contrafund	808.580	53.83	43,526	18%	-1.2%
Select Healthcare	234.975	96.21	22,607	9%	-4.2%
New Markets Income	983.270	15.26	15,005	6%	0.5%
High Income	6415.259	8.21	52,669	22%	1.3%
<b>Total</b>			<b>\$240,829</b>		<b>-1.8%</b>



The Growth model looks to deliver capital appreciation for most longer term investors: Most suitable for investors with 10 years or more to retirement. There is a \$10,000 minimum investment in some of these funds.

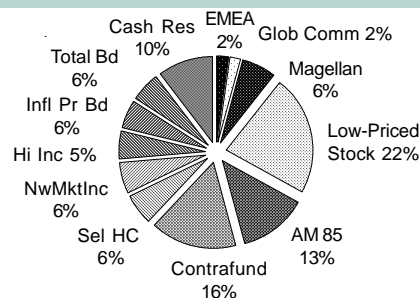
## GROWTH & INCOME

Initial value: \$100,000 (1/1/98)

2009 YTD Performance: 18.6%

RETURNS: 1999: 30.5% 2000: 11.0% 2001: -1.7% 2002: -13.4% 2003: 24.1% 2004: 11.2% 2005: 9.5% 2006: 12.2% 2007: 7.8% 2008: -31.7%

FUND	SHARES	NAV	VALUE	%	MONTHLY RETURN
Emerg Eur, ME, Africa	626.408	7.28	4,560	2%	-0.8%
Global Commodity Stock	334.276	13.31	4,449	2%	-1.3%
Magellan	216.706	58.72	12,725	6%	-5.4%
Low-Priced Stock	1605.044	29.50	47,349	22%	-2.8%
Asset Manager 85%	2413.458	10.96	26,451	13%	-2.5%
Contrafund	633.481	53.83	34,100	16%	-1.2%
Select Healthcare	127.328	96.21	12,250	6%	-4.2%
New Markets Income	838.376	15.26	12,794	6%	0.5%
High Income	1388.859	8.21	11,403	5%	1.3%
Inflation Protected Bond	1011.393	11.40	11,530	6%	1.2%
Total Bond	1150.841	10.52	12,107	6%	1.0%
Cash Reserves	21820.340	1.00	21,820	10%	0.0%
<b>Total</b>			<b>\$211,538</b>		<b>-1.6%</b>



While the primary objective is growth, I also pay attention to the "income" in the title, derived from stock dividends, bond and money market. There is a \$10,000 minimum investment in some of these funds.

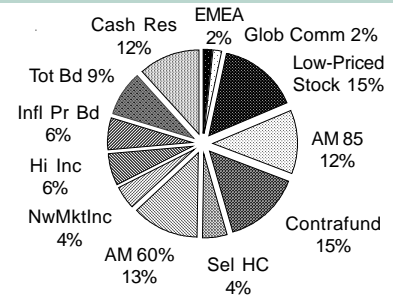
## INCOME

Initial value: \$100,000 (1/1/98)

2009 YTD Performance: 19.5%

RETURNS: 1999: 16.4%; 2000: 9.0%; 2001: 0.0%; 2002: -10.6%; 2003: 19.4%; 2004: 8.4%; 2005: 7.1%; 2006: 11.5%; 2007: 6.7%; 2008: -24.2%

FUND	SHARES	NAV	VALUE	%	MONTHLY RETURN
Emerg Eur, ME, Africa	437.503	7.28	3,185	2%	-0.8%
Global Commodity Stock	233.468	13.31	3,107	2%	-1.3%
Low-Priced Stock	996.464	29.50	29,396	15%	-2.8%
Asset Manager 85%	2170.045	10.96	23,784	12%	-2.5%
Contrafund	535.838	53.83	28,844	15%	-1.2%
Select Healthcare	87.574	96.21	8,426	4%	-4.2%
Asset Manager 60%	3027.660	8.31	25,160	13%	-1.4%
New Markets Income	590.872	15.26	9,017	4%	0.5%
High Income	1468.263	8.21	12,054	6%	1.3%
Inflation Protected Bd	1069.217	11.40	12,189	6%	1.2%
Total Bond	1622.183	10.52	17,065	9%	1.0%
Cash Reserves	23067.865	1.00	23,068	12%	0.0%
<b>Total</b>			<b>\$195,295</b>		<b>-1.1%</b>



This model holds bonds and/or cash, but it's not, by a long shot, exclusively a bond portfolio, because income-oriented investors need to keep their eyes on capital appreciation, too. There is a \$10,000 minimum investment in some of these funds.

## Model Portfolio Vital Statistics

Aggressive Growth		Global Growth		Growth		Growth & Income		Income	
Volatility	1.03	Volatility	NA	Volatility	0.94	Volatility	0.78	Volatility	0.61
R-squared	88%	R-squared	NA	R-squared	88%	R-squared	92%	R-squared	92%
Beta	0.97	Beta	NA	Beta	0.89	Beta	0.75	Beta	0.59
Equities	74.3	Equities	97.6	Equities	69.0	Equities	62.2	Equities	53.2
Bonds	20.2	Bonds	0.0	Bonds	26.2	Bonds	23.2	Bonds	31.0
Cash	5.5	Cash	2.4	Cash	4.7	Cash	14.6	Cash	15.8
Foreign	29.8	Foreign	38.4	Foreign	26.7	Foreign	24.9	Foreign	21.6
Top Sectors	%	Top Sectors	%	Top Sectors	%	Top Sectors	%	Top Sectors	%
Healthcare	17.0	Industrials	18.3	Healthcare	15.9	Healthcare	12.0	Healthcare	10.3
Technology	16.5	Technology	17.8	Technology	11.8	Technology	10.0	Technology	9.8
Discretionary	9.2	Financials	15.7	Discretionary	9.9	Discretionary	8.8	Discretionary	7.8
Materials	5.3	Discretionary	11.2	Financials	5.7	Financials	5.4	Financials	5.8
Energy	5.2	Healthcare	9.4	Staples	4.4	Staples	4.6	Staples	4.5

### FI Trades

Effective Friday, October 30<sup>th</sup>

The trades below are designed to both bolster and reconfigure our equity-based defense and secure a reasonable offense if economic growth continues to accrue even at an anemic pace.

In our Aggressive Growth model, the trade takes down the outright leveraged stock component which was a complement to the core junk bond component (High Income) and remodels them in one fund with slightly lower beta. In our Growth model it bolsters overall offense without sacrificing too much in the way of equity-based defense. Both trades tilt toward economic sensitivity which does add volatility, but not at the expense of enabling risk management.

#### Aggressive Growth

Sell **Leveraged Company Stock (FLVCX)** and **High Income (SPHIX)** and purchase **Capital & Income (FAGIX)** with the proceeds.

#### Growth

Sell **Total Bond (FTBFX)** and place the proceeds into **High Income (SPHIX)**. ■

### FI Interview

Fred Hoff, High Income

Longstanding members know I like to use **High Income** (and **Capital & Income**) as a buffer for our stock stakes and as a yield enhancer for our fixed income tranche. But my interest in junk bonds extends beyond the funds and their relevant roles in any given portfolio; junk bonds can be a litmus test for health (or lack thereof) of economic activity, and as such, junk bonds can be a headlamp into the dark future of market activity. Here, I wanted to speak directly with Fred Hoff about both.

What is a junk bond? Bond fund holdings are listed by their Standard & Poor's or equivalent credit quality, where AAA is the highest rating (given to a few of the most stable corporations and to U.S. government issues; proffering the premise of no default risk), followed by AA, A, and BBB (which is the lowest investment-grade rating). Below BBB are the junk-bond ratings: BB, B, and CCC. Other positions are listed as "NR" for Not Rated or "NA" for Not Applicable; in a junk bond most of these can be expected to be of very low quality or to be stock positions in companies in distress. (In a government

bond fund, NA positions tend to be very safe cash holdings). Distressed investing for stressed investors may not sound like a recipe for investment success, but, in a few rods as possible, *it is*.

**LOWELL:** Fred, Let's cut right to the chase of your fund's holdings.

**HOFF:** High Income is considered Fidelity's core high yield fund. It differentiates itself from Focused High Income run by Matt Conti (a double B focused fund) and Capital & Income, run by Mark Notkin, which owns high yield as well as equities and will make liberal use of triple Cs. My fund is a core, is run pretty much always having an underweight in triple Cs. I'm usually looking for alpha within the single B sector. I'm always overweight single Bs. I think that's the most inefficient part of the high-yield market, and that's where you can really apply a lot of good credit analysis in the single B sector and because by the time a company gets to be triple C, most people are aware of the risk and I often feel like, in triple Cs, you're really taking more beta than anything else, and you can certainly see that.

(Interview, continued on page 4)

(Interview, continued from page 3)

Last year, triple Cs got slammed the most. This year, with the market rallying back, triple Cs are screaming up the most. And you know, is this all helpful? Yes, they need the underlying credit quality to get better, but single Bs are really where you're looking at companies and they primarily have cash paying instruments in their capital structure. They have some risks to them, and that's where Fidelity's 25 researchers can really help me find the guys that are going to improve themselves, and that's what I'm looking for in a company. I take a pretty medium term view on all of my investments. I'm looking out at least two years. I want to find a company that has an ability and intent to improve its balance sheet and its credit quality. We find that you can get there a lot of different ways.

**LOWELL:** You can grow your earnings. You can use your free cash flow to pay down debt. You can be willing to sell assets at hopefully an additive debt multiple to pay down debt.

**HOFF:** You might be a private company that's thinking about going public sometime. You might be a public company that's willing to raise equity. So you know, you can get there just straight on fundamentals or you can get there by balance sheet management. On the flip side, there's a lot of decent companies that are doing OK earnings wise, but they have no intent to improve their balance sheets. That's not necessarily what I'm looking for here.

And then I also buy a fair amount of double Bs and in double Bs. I'm looking for companies that I think have a chance of getting up to investment grade and they also provide the balance to the fund to make sure I can get through the tough times. Last year, or really 2007 and 2008, I had gotten very cautious on the marketplace. We just were seeing extreme excesses of risk being taken. The majority of the LBOs that were being announced were just grossly over leveraged and the terms that the issuers were getting away with were the loosest I've ever seen in my career. It wasn't that I had the crystal ball and saw Lehman Brothers failing and everything else.

**LOWELL:** There was just so much excess of risk being taken and you were not compensated for it.

**HOFF:** I mean at that time, the market was trading way, way inside of any historical norms. So I had bought a lot of bank loans, I had increased the fund's cash position fairly highly. Fortunately for the fund and

its shareholders, along came Lehman Brothers, the market got beaten up, and then what I started seeing was the prices of debt around year end getting so incredibly cheap. I didn't care whether all of these companies were going to default and I would convert my bonds to equity. You were creating the company at such low valuations that as long as you got back to some kind of normalized earning somewhere in the future, that – you know, I spent all the cash and I took a lot more risk on in the fund. I got my triple C rating much closer to the index.

I was actually substantially below it. And so that's why I've had a pretty good relative year this year. Most funds either had a great year last year or a great year this year. I'm doing well in both, and that's kind of where my style is. I mean I expect to do well in all marketplaces, not just up markets, and not down markets. I'll probably never be number one in an up market, and I'll never be number one in a down market, but my goal is to make sure that I'm pretty darn close to the top quartile in all markets, and by really focusing on that single B piece and then using the other two buckets to really tilt the fund one way or the other is how I get there. The average bond was trading at sixty cents on the dollar ... way beyond anything we saw in 1991 and anything we saw in 2000 and so it just felt really, really cheap.

**LOWELL:** When we came into March there everyone thought the whole banking system was going to fail.

**HOFF:** I didn't need to take every last incremental bit of risk to put together what I was looking for. I started out buying stuff that I felt really great about, senior bonds, sometimes I would be buying secured paper because you were getting it at such great, great levels.

**LOWELL:** Now we're pretty much back to before Lehman Brothers failed on almost any measure you look at now.

**HOFF:** So most things have worked and what has that done for the underlying credit quality for high yield? It's been huge. I've had almost 25 or 26 companies in my fund that have issued equity. Huge. That's like the lottery ticket in high yield, when you have guys doing that stuff.

One week, people are worried about their liquidity and how they're going to get this maturity and then all of a sudden, they're issuing equities, as well as all kinds of refinancing being done in the debt markets. So Moody's and S&P have taken their default rates down. I think at one point they were like looking for a 20%. It

looks like we're going to peak around 13ish, depending on how you count it and now they're saying, a year out from now, they're talking about 3%, which is kind of the long run average for the high yield market. So we're going into this period now that hopefully the economy is getting better, hopefully we can start seeing some top line out of companies. Everyone's done a great job on the cost cutting side. Most people have fixed up their capital structures. So I feel good about high yield.

I'm not saying it's screamingly cheap like it was, but early on in an economic recovery, and there's still some nervousness in the boardroom and most companies are still trying to improve their balance sheets and credit quality, so we have that wind at our back . . . and so I think there's some good, positive things, and on a spread basis, and even on a dollar price basis, the index is now – what is it? Ninety-two cents on the dollar. So we're still trading at a discount. On a spread basis, we're still wide of the historical norm of the market. Not like we were, but we're still wide. If you look back in any of the prior good periods of the market, say from 1993 through '97, we spent those four years well inside of the historical mean. We got down to a spread around 300 basis points over Treasury's. And then we did the same thing for four years like from late 2002 to 2007.

**LOWELL:** We were kind of at those same kinds of levels.

**HOFF:** So any time there's periods of economic expansion, the market usually trades inside of its historical mean. One thing I temper my enthusiasm with is we've never had a Treasury so low. So if you have a 3.5 today and ten years at 3.5%, so that to me is not going to stay there, right? The government is influencing the Treasury levels, where it's trading at. So could we go back to a 5% ten year somewhere in, I don't know, the next week, next year, next two years, certainly, right?

Yeah, I mean it's good for equities, it's good for everything, right? We need that. In my opinion, that means that we have an economic recovery that looks sustainable. Which is all good for high yield, earnings wise, credit quality wise. What I think happens is maybe we move up a couple more points in price and have the Treasury back up into us, so we kind of collapse and spread without losing any money and we probably go up a little bit because of the credit quality improvement. Meanwhile, the Treasury has a negative return as it backs up in yield. And we kind

(Interview, continued on page 11)

# Performance Review

Fund/Index	FAST	Ticker Symbol	B/S/H Rating	Price (NAV)	% Total Returns				36-mo. Risk		Asset Alloc %					Mov Avg.		
					Oct	3-mo	2009	2008	Avg.	Risk	Style	Stock	Bond	Cash	Foreign	Fees	13	39
S & P 500				1036.19	-1.8	5.5	17.1	-37.0	-7.0	1.00							↑	↑
Dow Jones 30 Industrials				9712.73	0.2	6.1	11.0	-33.8	-6.7	0.93							↑	↑
NASDAQ OTC Composite				2045.11	-3.6	3.5	30.1	-40.3	-4.3	1.15							↑	↑
S&P 400 Mid-Cap				659.15	-4.5	5.3	24.2	-36.2	-4.2	1.20							↑	↑
Russell 2000 Small-Cap				562.77	-6.8	1.4	14.1	-33.8	-8.5	1.26							↑	↑
MS EAFE				1532.74	-1.3	7.5	23.9	-45.1	-7.8	1.21							↑	↑
<b>Growth - Large-Cap -- Group average:</b>					<b>-3.4</b>	<b>4.7</b>	<b>19.9</b>	<b>-41.4</b>	<b>-6.8</b>	<b>1.08</b>								
130/30 Large Cap	2063	fottx	B	6.15	-3.6	4.8	-4.4	-	-		V	100	0	0	10		↑	↑
Blue Chip Growth	312	fbgrx	B	33.99	-2.9	6.7	29.7	-38.6	-3.3	1.08	G	100	0	0	3		↑	↑
Blue Chip Value	1271	fbcvx	B	9.29	-3.9	4.9	18.8	-44.8	-10.8	1.19	V	100	0	0	7		↑	↑
Capital Appreciation	307	fdcax	B	18.71	-7.2	3.7	18.9	-40.5	-7.6	1.14	B	98	0	2	6		↑	↑
Contrafund	22	fcntz	B	53.83	-1.2	6.2	19.0	-37.2	-2.7	0.93	G	95	0	5	20		↑	↑
Destiny I - class O	6	fdessx	H	11.73	-4.9	5.9	36.1	-47.6	-7.4	1.31	B	100	0	0	11	12% j	↑	↑
Destiny II - class O	306	fdetx	H	8.28	-3.8	4.5	18.3	-43.3	-7.1	1.12	B	100	0	0	23	12% j	↑	↑
Disciplined Equity	315	fdqgx	S	19.72	-3.0	4.8	13.3	-40.1	-8.2	1.02	V	100	0	0	9		↑	↑
Dividend Growth	330	fdgfx	H	21.45	-4.7	6.4	36.4	-43.0	-6.9	1.29	B	99	0	0	12		↑	↑
Export & Multinational	332	fexpx	H	18.19	-1.3	5.5	26.9	-43.4	-5.4	1.14	G	98	0	2	21	a	↑	↑
Fifty	500	fftyx	B	13.70	-4.5	3.1	24.4	-49.1	-9.5	1.25	G	100	0	0	21		↑	↑
Focused	333	ftqgx	B	10.17	-2.3	4.5	15.2	-33.0	-2.9	0.99	G	100	0	0	7		↑	↑
Growth Company	25	fdgrx	B	61.76	-4.1	4.1	26.1	-40.9	-2.5	1.11	G	100	0	0	6	x	↑	↑
Growth Discovery	339	fdsvx	B	10.04	-4.0	2.3	16.9	-46.7	-6.4	1.12	G	100	0	0	10		↑	↑
Independence	73	fdffx	H	17.79	-5.5	6.0	24.7	-48.1	-4.8	1.42	G	100	0	0	13		↑	↑
LgCap Core Enhanced	1827	flcex	B	7.28	-2.4	4.4	14.2	-35.7	-		B	100	0	0	1		↑	↑
Large Cap Growth	763	fslgx	B	7.39	-3.5	0.4	12.3	-38.1	-9.7	1.02	G	99	0	1	1		↑	↑
LgCap Grow Enhanced	1829	flgex	B	7.86	-1.5	4.5	23.3	-37.0	-		G	100	0	0	1		↑	↑
Large Cap Stock	338	flcsx	B	13.82	-3.5	6.1	38.4	-47.5	-5.4	1.30	B	99	0	1	9		↑	↑
Large Cap Value	708	fslvx	B	9.24	-4.0	6.0	8.2	-39.7	-11.3	1.10	V	100	0	0	1		↑	↑
LgCap Value Enhanced	1828	flvex	B	6.34	-3.4	4.6	7.7	-35.9	-		V	100	0	0	1		↑	↑
Magellan	21	fmagx	B	58.72	-5.4	1.8	28.3	-49.4	-7.7	1.33	G	100	0	1	21		↑	↑
Mega Cap Stock	361	fgrtx	B	8.21	-1.6	5.4	19.5	-39.4	-6.2	1.04	B	100	0	1	6		↑	↑
Spart 500 Indx	317	fsmkx	B	72.16	-1.9	5.5	17.1	-37.0	-7.1	1.00	B	100	0	0	0		↑	↑
Sp Total Mkt Idx	397	fstmx	B	29.51	-2.6	5.0	18.2	-37.2	-6.8	1.03	B	100	0	0	1	b	↑	↑
Stock Selector	320	fdssx	H	19.98	-3.1	3.1	17.7	-41.7	-7.6	1.03	G	99	0	1	7		↑	↑
Tax Managed Stock	343	ftmxm	H	10.12	-3.9	4.4	11.0	-42.7	-9.2	1.10	V	100	0	1	8		↑	↑
Trend	5	ftrnx	H	51.17	-1.9	6.8	31.0	-44.5	-3.8	1.15	G	99	0	1	6		↑	↑
<b>Growth - Mid-Cap -- Group average:</b>					<b>-5.4</b>	<b>5.0</b>	<b>29.9</b>	<b>-44.1</b>	<b>-6.4</b>	<b>1.27</b>								
Growth Strategies	324	fdegx	H	14.34	-6.3	2.4	23.1	-49.3	-8.2	1.24	G	100	0	0	11	e	↑	↑
Leveraged Co Stock	122	flvcx	B	20.57	-6.1	5.6	43.0	-54.5	-7.2	1.74	B	89	5	6	5	e	↑	↑
Low-Priced Stock	316	flpsx	B	29.50	-2.8	5.3	28.5	-36.2	-3.6	1.17	B	90	0	10	30	e	↑	↑
Mid Cap Enhanced Idx	2012	fmeix	B	7.56	-4.4	5.7	24.5	-	-		B	100	0	0	2	a	↑	↑
Mid Cap Growth	793	fsmgx	H	8.72	-6.3	4.3	28.4	-49.3	-11.5	1.29	G	100	0	0	10	a	↑	↑
Mid Cap Value	762	fsmvx	H	11.66	-4.7	9.4	22.6	-40.5	-8.4	1.30	V	100	0	0	3	a	↑	↑
Mid-Cap Stock	337	fmcsx	B	20.90	-7.1	5.4	33.9	-46.0	-7.2	1.37	G	99	0	1	15	a	↑	↑
Nasdaq Comp Index	1282	fncmx	B	27.17	-3.7	3.5	30.3	-40.0	-4.1	1.15	G	100	0	0	7	c	↑	↑
New Millennium	300	fmlix	B	22.40	-5.9	4.8	27.0	-40.2	-2.9	1.19	G	100	0	1	19		↑	↑
OTC	93	fdcpx	B	39.98	-5.3	3.2	41.9	-46.0	-0.1	1.31	G	100	0	0	9		↑	↑
Spart Extended Mkt Idx	398	fsemx	B	27.75	-5.5	3.7	23.1	-38.4	-6.1	1.20	B	100	0	0	2	c	↑	↑
Value	39	fdvlx	B	51.82	-6.1	6.0	30.0	-46.5	-9.5	1.49	V	100	0	0	9		↑	↑
Value Discovery	832	fdvfx	B	11.79	-5.0	2.6	16.7	-42.3	-8.7	1.16	V	100	0	0	4		↑	↑
Value Strategies	14	fslsx	B	20.04	-5.8	7.6	44.3	-51.2	-8.1	1.62	B	100	0	0	11		↑	↑
<b>Growth - Small-Cap -- Group average:</b>					<b>-7.3</b>	<b>2.0</b>	<b>26.0</b>	<b>-38.2</b>	<b>-5.2</b>	<b>1.30</b>								
Small Cap Discovery	384	fscrx	B	14.07	-6.5	2.6	36.2	-27.6	-0.5	1.40	B	99	0	1	10	e x	↑	↑
Small Cap Enhanced Idx	2011	fcpxx	B	7.28	-6.7	1.1	11.1	-	-		G	100	0	0	1	e	↑	↑
Small Cap Growth	1388	fcpgx	B	11.07	-6.4	1.7	27.4	-44.9	-5.2	1.27	G	95	0	6	10	e	↑	↑
Small Cap Independence	336	fdscx	B	12.61	-8.6	0.4	19.8	-47.0	-10.4	1.38	G	100	0	0	16	e	↑	↑
Small Cap Stock	340	fslcx	B	13.75	-9.1	3.5	40.3	-42.9	-3.9	1.43	B	95	0	5	9	k	↑	↑
Small Cap Value	1389	fcpxx	B	11.49	-6.6	2.7	23.7	-30.3	-3.6	1.34	V	100	0	1	7	e	↑	↑
<b>Growth and Income -- Group average:</b>					<b>-2.8</b>	<b>6.4</b>	<b>22.2</b>	<b>-38.6</b>	<b>-7.0</b>	<b>1.05</b>								
Balanced	304	fbalx	H	15.58	-1.7	4.7	21.2	-31.3	-2.4	0.81	LB	59	35	6	12		↑	↑
Convertible Securities	308	fcvxs	B	20.53	-2.5	6.8	52.6	-47.8	-1.0	1.38	MG	87	2	11	2		↑	↑
Equity-Income	23	feqix	B	36.85	-2.8	6.7	21.5	-41.6	-9.2	1.16	LV	100	0	0	10		↑	↑
Equity-Income II	319	feqtx	H	15.37	-2.7	6.2	17.3	-40.4	-9.2	1.12	LV	100	0	0	10		↑	↑
Fidelity Fund	3	ffidx	H	26.48	-2.9	3.0	18.1	-40.3	-5.4	1.06	LB	100	0	1	6		↑	↑
Growth & Income	27	fgrix	B	14.83	-3.4	3.4	13.4	-50.9	-16.7	1.20	LG	100	0	0	8		↑	↑
Puritan	4	fpurx	B	15.27	-1.1	4.8	19.6	-29.2	-2.5	0.72	LB	62	33	5	7		↑	↑
Real Estate	303	fresx	S	17.50	-5.9	20.6	14.6	-38.2	-17.1	2.10	MV	97	0	3	2	c	↑	↑
Real Estate Income	833	frifx	S	8.96	0.7	10.7	39.5	-31.0	-2.8	0.81	MV	46	44	10	3	c	↑	↑
Strat. Dividend & Inc	1329	fsdix	B	8.79	-3.7	6.8	26.1	-41.2	-7.7	1.16	LV				1		↑	↑
Telecom & Utilities	311	fiuix	H	12.48	-4.9	-2.7	-1.8	-34.6	-9.5	0.89	LV	94	0	6	4		↑	↑
<b>Asset Allocation -- Group average:</b>					<b>-1.2</b>	<b>4.9</b>	<b>23.7</b>	<b>-27.3</b>	<b>-0.5</b>	<b>0.70</b>								
Asset Manager 20%	328	fasix	B	11.79	0.0	4.0	17.0	-14.2	2.1	0.38	LB	21	58	21	8		↑	↑
Asset Manager 30%	1957	ftanx	B	8.98	-0.4	4.3	20.0	-19.7	-		LB	30	57	13	9		↑	↑
Asset Manager 40%	1958	ffanx	B	8.66	-0.6	4.7	21.4	-23.2	-		LB	40	50	10	14		↑	↑
Asset Manager 50%	314	fasmx	H	13.28	-1.1	5.1	25.0	-27.8	-0.7	0.71	LB	51	44	5	15		↑	↑
Asset Manager 60%	1959	fsanx	B	8.31	-1.4	5.2	25.9	-30.0	-		LB	59	37	4	19		↑	↑
Asset Manager 70%	321	fasgx	H															

# Performance Review

Fund/Index	Ticker	B/S/H	Price	% Total Returns				36-mo.		Asset Alloc %				Mov Avg.			
				FAST	Symbol	Rating	(NAV)	Oct	3-mo	2009	2008	Avg.	Risk	Stk	Bd	Ca	Frn
<b>Funds of Funds -- Group average:</b>																	
Dynamic Strategies	1960	fdysx	B	8.13	-1.1	4.6	21.7	-28.4	-1.9	0.75	LB	53	27	20		↑	↑
Four-in-One Index	355	ffnox	B	23.31	-2.1	4.9	17.7	-32.6	-4.5	0.92	LB	85	15	0	15	↓	↓
Freedom Income	369	fffax	H	10.63	-0.2	3.7	13.2	-12.1	1.9	0.35	LB	22	40	38	0	↑	↑
Freedom 2000	370	fffbx	H	11.33	-0.3	3.8	13.4	-14.0	1.4	0.38	LB	24	38	38	0	↑	↑
Freedom 2005	1312	fffvx	H	9.86	-1.2	4.6	18.2	-24.4	-0.7	0.64	LB	48	37	15	9	↑	↑
Freedom 2010	371	fffcx	H	12.27	-1.4	4.7	19.1	-25.3	-0.7	0.68	LB	52	38	10	11	↑	↑
Freedom 2015	1313	fffvx	H	10.20	-1.4	4.8	19.7	-27.2	-1.2	0.72	LB	55	37	8	11	↑	↑
Freedom 2020	372	fffdx	H	12.17	-1.9	5.2	21.7	-32.1	-2.6	0.85	LB	66	32	2	13	↑	↑
Freedom 2025	1314	fftwx	H	10.03	-2.1	5.2	22.3	-33.7	-3.2	0.89	LB	71	28	0	14	↓	↓
Freedom 2030	373	fffx	H	11.87	-2.4	5.2	22.1	-36.9	-4.5	0.98	LB	80	20	0	16	↓	↓
Freedom 2035	1315	ffthx	H	9.80	-2.5	5.4	22.4	-37.8	-4.9	1.00	LB	83	17	0	17	↓	↓
Freedom 2040	718	ffffx	H	6.83	-2.7	5.4	22.6	-38.8	-5.3	1.03	LB	85	15	0	17	↓	↓
Freedom 2045	1617	fffgx	H	8.06	-2.7	5.4	22.8	-39.2	-5.3	1.04	LB	85	15	0	17	↓	↓
Freedom 2050	1618	ffffx	H	7.93	-2.8	5.5	23.0	-40.6	-6.0	1.08	LB	90	10	0	20	↓	↓
Income Replace 2016	1884	firjx	H	45.14	-0.4	4.0	15.1	-17.8	-	-	LB	31	41	28	3	↑	↑
Income Replace 2018	1885	firkx	H	44.43	-0.6	4.3	16.6	-20.1	-	-	LB	37	39	23	4	↑	↑
Income Replace 2020	1886	firlx	H	43.97	-0.8	4.5	17.5	-21.9	-	-	LB	43	38	20	5	↑	↑
Income Replace 2022	1887	firmsx	H	43.41	-0.9	4.6	18.1	-23.0	-	-	LB	46	36	17	5	↑	↑
Income Replace 2024	1888	firnrx	H	43.25	-1.0	4.7	18.6	-24.0	-	-	LB	49	35	16	6	↑	↑
Income Replace 2026	1889	firox	H	42.71	-1.1	4.7	18.9	-24.8	-	-	LB	51	34	14	7	↑	↑
Income Replace 2028	1890	firpx	H	42.96	-1.2	4.8	19.2	-25.4	-	-	LB	53	34	13	8	↑	↑
Income Replace 2030	1891	firqx	H	42.48	-1.2	4.8	19.6	-26.1	-	-	LB	55	33	12	9	↑	↑
Income Replace 2032	1892	firrx	H	41.98	-1.3	4.9	19.9	-26.8	-	-	LB	56	33	11	9	↑	↑
Income Replace 2034	1893	firsx	H	42.03	-1.3	5.0	20.2	-27.7	-	-	LB	58	32	10	10	↑	↑
Income Replace 2036	1894	firusx	H	41.50	-1.4	5.0	20.7	-28.4	-	-	LB	60	32	8	11	↑	↑
Income Replace 2038	1995	firvx	H	40.77	-1.5	5.2	21.2	-	-	-	LB	63	33	5	12	↑	↑
Income Replace 2040	2009	firwx	H	40.70	-1.5	5.2	21.6	-	-	-	LB	64	33	4	13	↑	↑
Income Replace 2042	1996	firrx	H	40.73	-1.6	5.3	22.0	-	-	-	LB	65	33	2	13	↑	↑
<b>International -- Group average:</b>																	
Diversified International	325	fdivx	B	26.87	-2.0	6.0	24.9	-45.2	-5.6	1.29	97	0	3	89	n	↓	↓
Global Balanced	334	fgblx	B	19.62	-1.8	4.8	17.8	-23.3	2.2	0.75	62	36	2	66	n	↓	↓
Global Commodity Stock	2120	ffgdx	B	13.31	-1.3	4.3	-	-	-	-	90	0	10	54	n	↓	↓
Int'l Capital Appreciation	335	fvfx	H	10.78	-3.4	6.5	45.1	-50.7	-6.6	1.57	99	0	2	92	n	↓	↓
Int'l Discovery (Int'l G&I)	305	fignx	B	28.79	-2.8	5.0	21.8	-44.3	-4.7	1.24	99	0	2	96	n	↓	↓
Int'l Enhanced Index	2010	fienvx	B	6.75	-1.9	6.3	19.3	-	-	-	100	0	0	90	n	↓	↓
Int'l Growth	1979	figfx	B	7.02	-1.3	7.3	26.7	-41.3	-	-	100	0	1	90	n	↑	↑
Int'l Real Estate	1368	fiex	H	8.80	-0.2	6.2	32.7	-50.5	-11.9	1.46	97	0	3	97	e	↑	↑
Int'l Small Cap	818	fismx	B	17.48	-1.4	8.6	41.5	-46.5	-3.1	1.40	96	0	4	95	kx	↑	↑
Int'l Small Cap Opps	1504	fscox	B	8.14	-1.3	10.4	35.9	-58.4	-13.59	1.57	98	0	2	86	kx	↑	↑
Int'l Value	1597	fvlx	B	7.75	-2.5	6.9	30.0	-46.7	-7.10	1.45	98	0	2	97	n	↓	↓
Overseas	94	fosfx	H	30.13	-3.8	3.7	20.1	-47.3	-6.4	1.31	99	0	1	96	n	↓	↓
Spartan Int'l Index	399	fsiix	H	32.80	-2.2	6.3	23.0	-41.4	-5.4	1.27	100	0	0	100	d	↓	↓
Total Int'l Equity	1978	ftiex	B	6.41	-1.8	7.2	32.2	-47.2	-	-	98	0	2	93	n	↑	↑
Worldwide	318	fwvfx	B	14.98	-3.2	4.5	19.0	-40.2	-3.9	1.12	99	0	1	55	n	↓	↓
<b>Int'l -- Western -- Group average:</b>																	
Canada	309	ficdx	B	44.46	-5.7	-2.3	26.8	-42.6	-0.5	1.51	98	0	2	97	e	↓	↓
Europe	301	fiex	B	28.52	-2.4	6.2	25.2	-44.0	-4.6	1.27	98	0	2	92	n	↓	↓
Europe Cap App	341	fecax	B	17.16	-2.3	6.3	25.5	-46.3	-5.6	1.30	100	0	0	94	n	↓	↓
Nordic	342	fnorx	H	26.33	-0.7	9.9	40.1	-56.0	-5.3	1.63	98	0	2	98	e	↑	↑
<b>Int'l -- Asia &amp; Emerging -- Group average:</b>																	
China Region	352	fhkcx	H	26.55	1.4	2.3	56.1	-44.8	11.2	1.63	100	0	0	100	e	↑	↑
Emerg Eur, ME, Africa	2053	femex	B	7.28	-0.8	6.7	52.6	-	-	-	97	0	4	97	e	↑	↑
Emerging Markets	322	femkx	B	20.68	-1.6	8.2	59.2	-60.8	0.3	1.83	97	0	4	95	e	↑	↑
Japan	350	fjpnx	H	10.03	-3.7	-4.7	12.4	-36.8	-10.8	1.16	94	0	6	94	e	↓	↓
Japan Smaller Cos	360	fjscx	H	8.58	-2.6	1.2	19.7	-34.5	-12.3	1.28	100	0	0	100	e	↓	↓
Latin America	349	flatx	B	47.29	1.2	13.0	71.2	-54.6	7.8	1.83	94	0	6	94	e	↑	↑
Pacific Basin	302	fpbfx	B	19.87	-2.4	5.0	49.6	-55.8	-3.3	1.70	99	0	1	99	e	↓	↓
Southeast Asia	351	fseax	B	23.98	-2.9	0.5	27.1	-51.9	2.6	1.52	97	0	4	97	e	↓	↓
New Markets Income	331	fnmix	B	15.26	0.5	10.3	43.5	-18.2	8.2	0.80	5	93	2	86	d	↑	↑

**Performance Review Notes:** "Group average" returns and risk are based on the monthly returns of a portfolio equally weighted in each fund in the group. "FAST" is the fund code used by Fidelity Automated Service Telephone. "Symbol" is the more universal system of fund (and stock) Quotron symbols. "NAV" is the Net Asset Value per share. "Rating" is Buy, Sell or Hold; ↑ or ↓ signifies upgrade or downgrade of recommendation from last month. "% Total Returns" shows returns for the month, the past 3 months, the year-to-date, the previous calendar year, and average annualized return for the past 36 months. "Risk" is Relative Volatility, the fund's 36-month standard deviation divided by the 36-month standard deviation of the S&P 500 index. Moving Averages: The arrows reflect whether a fund is above ↑ or below ↓ the average of its closing daily prices for the past 13 or 39 weeks. This is a common momentum indicator. The ↑ or ↓ arrows reflect whether a fund moved above

or below averages this month. "Style" reflects the price to book-value ratios of the fund's equity positions, with "G" for growth (price high relative to book value), "V" for value (low-priced), and "B" for blend. "Asset Allocation" is the fund's breakdown into Stocks (including convertibles), Bonds, and Cash, which should total 100 except for rounding error; and separately, the fund's percentage in Foreign positions. "Duration" is a measure of interest-rate risk comparable to a zero-coupon bond of that maturity (in years). "Average Quality" ratings are based on S&P-style credit ratings, where "AAA" has essentially no credit risk, "BBB" is the lowest investment grade rating, and "B" is a junk bond fund. "Yield" is the month-end yield to maturity. "Tax-Equivalent Yield" assumes top state (and, for New York, NYC) tax rate for a given federal bracket. "Expenses" is the latest reported annual fund expense ratio. "Fees" are charged as follows: a) 0.75% redemption fee if sold

within 30 days of purchase; Select funds also have fixed dollar (\$7.50) exchange fee; b) 0.5% redemption fee if sold within 3 months; c) 0.75% if sold within 3 months; d) 1.0% if sold within 3 months; e) 1.5% if sold within 3 months; f) 0.5% if sold within 30 days; j) ~12% maximum load on a completed plan. Destiny funds are sold as long-term regular contractual plans by brokers and financial advisors. Their loads are lower for larger investments. k) 2% if sold within 90 days; m) 1% if sold within 2 years; n) 1% if sold within 30 days; p) 1% if sold within 60 days; q) 0.25% if sold within 60 days r) 0.75% if sold within 60 days; x) "Closed" funds cannot be purchased, except generally by existing shareholders. Spartan funds also have fixed-dollar exchange and wire fees. VIP funds can be traded at no cost, but withdrawals from the VIP group are subject to a 5% redemption fee, phased out over 5 years, and tax consequences. ■

A Shares	T Shares		B Shares		Contingent Deferred Sales Charge (CDSC) in Each Year								
	Max Front-End Load	12b-1 Fees	Max Front-End Load	12b-1 Fees	Max Front-End Load	12b-1 Fees	1	2	3	4	5	6	7
Equity	5.75%	0.25%	3.50%	0.50%	0.0%	1.0%	5.0%	4.0%	3.0%	3.0%	2.0%	1.0%	0.0%→Class A
Bond	4.75%	0.15%	3.50%	0.25%	0.0%	0.9%	5.0%	4.0%	3.0%	3.0%	2.0%	1.0%	0.0%→Class A
Intern. Bond & FRHI	3.75%	0.15%	2.75%	0.25%	0.0%	0.7%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.0%→Class A
Short-Fixed Income	1.50%	0.15%	1.50%	0.15%	0.0%	0.9%	3.0%	2.0%	1.0%	0.0%→Class A			
					C Shares								
					All Funds except FRHI	0.00%	1.00%	1.00%	0.00%				
					Floating Rate High Income	0.00%	0.80%	1.00%	0.00%				
					FRHI deferred charge lasts for 15 months								

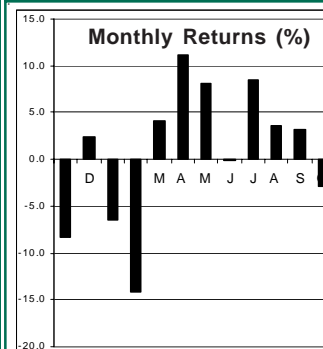
# Performance Review

Fund/Index	FAST	Ticker Symbol	B/S/H Rating	Price (NAV)	% Total Returns				36-mo. Avg.	Risk	Mov Avg.		
					Oct	3-mo	2009	2008			Fees	13	39
<b>Consumer -- Group average:</b>					<b>-2.5</b>	<b>6.4</b>	<b>27.1</b>	<b>-30.9</b>	<b>-3.6</b>	<b>1.05</b>			
Consumer Discretionary	517	fscpx	H	16.96	-3.6	4.7	24.3	-34.6	-9.5	1.17	a	↓	↑
Consumer Staples	9	fdfax	B	60.08	1.4	7.2	17.9	-22.3	5.0	0.81	a	↑	↑
Leisure	62	fdlsx	H	61.22	-5.7	3.3	13.9	-29.0	-3.8	1.07	a	↓	↑
Multimedia	503	fbmpx	B	29.84	-3.4	10.3	34.6	-39.3	-8.2	1.29	a	↓	↑
Retailing	46	fsrpx	H	41.30	-1.4	6.3	44.4	-29.6	-2.6	1.23	a	↓	↑
<b>Cyclicals -- Group average:</b>					<b>-6.3</b>	<b>2.2</b>	<b>27.8</b>	<b>-40.3</b>	<b>-4.4</b>	<b>1.40</b>			
Air Transport	34	fsaix	B	25.47	-12.9	6.1	-2.2	-32.6	-12.1	1.59	a	↓	↑
Automotive	502	fsavx	H	26.58	-6.3	-5.8	87.7	-61.2	-9.3	2.61	a	↓	↑
Chemicals	69	fschx	B	67.35	-5.6	1.7	46.0	-43.3	3.9	1.36	a	↓	↑
Construction & Housing	511	fshox	H	26.06	-8.7	-2.7	9.3	-26.8	-9.6	1.50	a	↓	↑
Defense & Aerospace	67	fsdax	B	54.01	-3.9	7.0	10.4	-40.2	-5.9	1.33	a	↓	↑
Environmental Services	516	fslex	S	14.39	-3.3	1.8	7.5	-30.4	-5.9	1.07	a	↓	↑
Industrial Equipment	510	fscgx	B	22.88	-4.5	5.4	24.2	-46.8	-5.2	1.50	a	↓	↑
Industrials	515	fcyix	B	16.10	-4.5	3.7	22.8	-40.1	-3.7	1.40	a	↓	↑
Materials	509	fsdpx	B	47.06	-5.5	3.0	54.8	-47.6	3.4	1.54	a	↓	↑
Transportation	512	fsrpx	B	33.03	-7.7	0.9	2.6	-27.0	-9.4	1.18	a	↓	↑
<b>Financial Services -- Group average:</b>					<b>-5.1</b>	<b>6.7</b>	<b>16.1</b>	<b>-48.3</b>	<b>-19.4</b>	<b>1.37</b>			
Banking	507	fsrbx	H	14.72	-5.3	9.0	1.1	-37.5	-19.9	1.60	a	↓	↑
Brokerage	68	fslbx	B	47.13	-5.0	7.7	48.9	-49.3	-7.7	1.53	a	↓	↑
Financial Services	66	fidsx	H	56.74	-4.5	6.8	22.2	-49.9	-18.1	1.51	a	↓	↑
Home Finance	98	fsvlx	S	10.30	-5.8	0.4	-6.0	-58.6	-36.9	1.38	a	↓	↑
Insurance	45	fspcx	B	38.51	-5.1	9.9	17.6	-47.0	-14.5	1.42	a	↓	↑
<b>Health Care -- Group average:</b>					<b>-4.9</b>	<b>0.6</b>	<b>16.0</b>	<b>-27.3</b>	<b>-1.4</b>	<b>0.92</b>			
Biotechnology	42	fbiox	B	58.40	-12.1	-10.5	-1.2	-11.4	-4.3	1.03	a	↓	↓
Health Care	63	fsphx	B	96.21	-4.2	2.8	19.1	-32.4	-3.0	0.94	a	↓	↑
Medical Delivery	505	fshcx	H	37.45	-1.0	4.3	29.6	-44.6	-4.2	1.35	a	↓	↑
Medical Equipment	354	fmex	B	22.09	-5.3	2.6	19.7	-23.4	3.0	0.94	a	↓	↑
Pharmaceuticals	580	fphax	B	9.82	-1.8	3.9	12.0	-22.7	-0.8	0.88	a	↓	↑
<b>Natural Resources -- Group average:</b>					<b>-2.7</b>	<b>9.2</b>	<b>40.0</b>	<b>-47.9</b>	<b>3.7</b>	<b>1.72</b>			
Energy	60	fsenx	B	41.43	-1.5	9.9	37.7	-54.0	-1.1	1.76	a	↑	↑
Energy Services	43	fsesx	B	55.02	-2.3	12.9	53.2	-63.2	-2.9	2.06	a	↑	↑
Gold	41	fsagx	B	39.79	-4.4	5.7	26.0	-20.5	10.7	2.25	a	↓	↑
Natural Resources	514	fnarx	B	26.31	-2.8	8.2	39.7	-52.4	1.9	1.77	a	↓	↑
<b>Technology -- Group average:</b>					<b>-4.1</b>	<b>5.0</b>	<b>56.2</b>	<b>-46.7</b>	<b>-0.4</b>	<b>1.38</b>			
Computers	7	fdcpix	B†	40.16	-4.3	8.8	61.3	-48.5	2.0	1.44	a	↓	↑
Communications Equip	518	fsdcx	B†	19.02	-5.7	3.5	65.1	-48.5	-1.5	1.64	a	↓	↑
Electronics	8	fselx	B†	34.73	-8.7	-1.8	53.8	-49.9	-6.4	1.49	a	↓	↑
IT Services	353	fbsox	B†	15.78	-1.7	9.8	40.8	-32.9	3.5	1.20	a	↑	↑
Software	28	fscsx	B†	67.67	1.5	11.0	44.0	-42.1	1.7	1.21	a	↑	↑
Technology	64	fsptx	B	65.92	-2.7	7.5	66.2	-51.1	-0.2	1.58	a	↑	↑
Wireless	963	fwrlx	B†	6.06	-6.9	-3.5	41.3	-49.6	-1.8	1.39	a	↓	↑
<b>Utilities -- Group average:</b>					<b>-4.6</b>	<b>2.0</b>	<b>28.5</b>	<b>-46.4</b>	<b>-4.3</b>	<b>1.22</b>			
Natural Gas	513	fsngx	B	29.90	-4.4	7.7	48.2	-56.7	-2.4	1.88	a	↓	↑
Telecommunications	96	fstcx	H	35.70	-5.0	-1.0	34.1	-47.6	-7.4	1.32	a	↓	↑
Utilities	65	fsutx	H	41.47	-4.4	-0.8	3.5	-36.0	-6.5	0.99	a	↓	↑

## October 2009 Distributions

Asset Man 20%	10/2	0.029	@11.71
Asset Man 30%	10/2	0.021	@8.93
Asset Man 40%	10/2	0.053	@8.6
Asset Man 50%	10/2	0.076	@13.19
Balanced	10/2	0.11	@15.51
Conv Securities	10/2	0.163	@20.52
Equity-Inc	10/2	0.119	@36.5
Equity-Inc II	10/2	0.057	@15.22
Export & Mult	10/9	0.093	@18.72
Fidelity Fund	10/2	0.136	@26.33
Freed Income	10/2	0.02	@10.57
Growth & Inc	10/2	0.025	@14.81
Puritan	10/2	0.102	@15.12
Strategic Div & Inc	10/2	0.043	@8.8
Strategic RR	10/2	0.067	@8.14
Telecom & Utilities	10/2	0.12	@12.74

## Fidelity Performance Index (FPI)



The FPI is a dollar-weighted performance for all Fidelity retail funds, and provides a yardstick to the monthly performance of the average Fidelity mutual fund investor.

**October Return: -2.9%**  
**2009 Return: 13.5%**

# Performance Review

Fund	FAST	Ticker Symbol	B/S/H Rating	Price (NAV)	Total Returns (%)					36-mo. Avg.	Risk	Duration	Avg. Qual	% Yield	(by Federal Bracket)					Expenses	Fees
					Oct 05	3-mo 3.9	'09 13.8	'08 -4.5							25	28	33	35			
<b>Group average:</b>					<b>-1.6</b>	<b>2.4</b>	<b>9.1</b>	<b>-0.9</b>	<b>4.0</b>	<b>0.23</b>											
Capital & Income	38	fagix	B	\$8.17	0.4	11.3	59.9	-31.9	5.4	0.92	-	B	7.83					0.78	d		
Floating Rate Hi Inc	814	ffrhx	B	9.30	-0.1	1.9	25.7	-16.5	3.0	0.49	-	BB	4.31					0.73	p		
Focused High Inc	1366	fhifx	B	9.07	1.4	5.8	30.6	-20.5	3.2	0.66	-	BB	6.89					0.85	d		
GNMA	15	fgmxx	B	11.53	0.7	2.2	7.0	7.2	7.3	0.15	2.1	AAA	3.35					0.45			
Gov't Income	54	fgovx	H	10.58	0.3	1.8	2.0	11.0	7.1	0.21	4.3	AAA	2.63					0.45			
High Income	455	sphix	B	8.21	1.3	8.0	44.6	-23.7	5.2	0.78	-	B	7.73					0.77	d		
Inflation-Protected	794	finpx	H	11.40	1.2	4.3	9.2	-2.3	4.8	0.44	6.2	AAA	0.88					0.45			
Intermediate	32	fthrx	B	10.24	1.1	4.6	16.9	-5.9	4.8	0.26	3.7	AA	3.72					0.45			
Interm Gov't Inc	452	fstgx	H	10.82	0.3	1.5	1.5	10.1	6.7	0.17	3.6	AAA	1.85					0.45			
Investment Grade	26	fbndx	H	7.06	1.2	4.7	15.5	-7.1	3.5	0.27	4.1	AA	4.23					0.45			
Mortgage Secs	40	fmsfx	H	10.56	1.2	3.4	9.1	1.3	3.5	0.14	1.8	AAA	4.39					0.45			
Short-Term Bond	450	fshbx	H	8.32	0.7	2.6	7.0	-3.7	1.8	0.12	1.7	AA	2.17					0.45			
Spartan Int Treas	1561	fibix	H	10.69	0.1	2.0	-3.3	16.4	7.4	0.4	6.6	AAA	2.85					0.20			
Spartan LT Treas	1562	flbix	H	10.58	-1.4	2.3	-9.8	24.1	6.9	0.6	12.6	AAA	3.94					0.20			
Spartan ST Treas	1560	fsbix	H	10.51	0.2	1.2	0.2	8.7	5.7	0.1	2.7	AAA	1.13					0.20			
Strategic Income	368	fsicx	B	10.78	0.6	6.7	29.1	-11.4	7.1	0.48	-	A	5.26					0.73			
Strategic Real Return	1505	fsrrx	B	8.30	0.6	6.5	22.8	-23.3	-0.6	0.70	-	A	2.33					0.73	r		
Total Bond	820	ftbfx	H	10.52	1.0	4.4	18.8	-5.6	5.6	0.30	3.7	AA	4.45					0.45			
U.S. Bond Index	651	fbidx	H	11.16	0.5	2.4	6.8	3.8	-	-	3.9	AA	3.21					0.32			
Ultra-Short Bond	812	fusfx	H	8.14	0.2	0.6	1.0	-7.8	-3.8	0.19	0.6	A	0.53					0.45	q		
<b>Municipal Bond -- Group average:</b>					<b>-1.6</b>	<b>2.4</b>	<b>9.1</b>	<b>-0.9</b>	<b>4.0</b>	<b>0.23</b>											
Int Muni	36	fltmx	H	10.11	-1.4	1.9	7.6	1.0	4.3	0.20	5.2	AA	2.74	3.7	3.8	4.1	4.2	0.42	f		
Muni Income	37	fhigx	H	12.42	-2.2	3.4	12.0	-4.6	3.4	0.31	8.0	AA	3.74	5.0	5.2	5.6	5.8	0.47	f		
Sht-Int Muni	404	fstfx	H	10.58	-0.7	0.8	4.7	3.5	4.3	0.13	2.8	AA	1.71	2.3	2.4	2.6	2.6	0.49	f		
Tax-Free Bond	90	ftabx	H	10.71	-2.1	3.4	12.0	-3.4	3.9	0.31	8.0	AA	3.72	5.0	5.2	5.6	5.7	0.25	f		
<b>State Muni Bond -- Group average:</b>					<b>-1.9</b>	<b>2.5</b>	<b>9.9</b>	<b>-1.9</b>	<b>3.8</b>	<b>0.27</b>											
AZ Muni Inc	434	fsazx	H	11.23	-2.1	3.1	12.4	-4.2	3.5	0.33	8.1	AA	3.51	4.9	5.1	5.5	5.7	0.55	f		
CA Muni Inc	91	fctfx	H	11.79	-2.6	3.9	11.2	-5.6	2.7	0.33	7.7	AA	4.06	6.0	6.2	6.7	6.9	0.47	f		
CA Sht-Int Muni Inc	1534	fcstx	H	10.48	-0.9	0.7	4.7	4.0	4.4	0.16	2.9	AA	1.88	2.8	2.9	3.1	3.2	0.35	f		
CT Muni Inc	407	ficnx	H	11.36	-2.0	1.9	9.7	-1.1	4.1	0.28	6.9	AA	3.09	4.3	4.5	4.8	5.0	0.48	f		
MD Muni Inc	429	smdmx	H	10.87	-1.7	2.8	12.8	-4.0	3.8	0.29	7.4	AA	3.03	4.4	4.6	4.9	5.1	0.55	f		
MA Muni Inc	70	fdmmx	H	11.73	-2.1	2.8	11.3	-3.6	3.6	0.30	7.5	AA	3.38	5.1	5.3	5.7	5.9	0.46	f		
MI Muni Inc	81	fmhtx	H	11.83	-1.7	2.5	8.3	-0.1	4.1	0.26	6.7	AA	3.28	4.6	4.8	5.1	5.3	0.49	f		
MN Muni Inc	82	fimix	H	11.33	-1.6	1.7	8.7	-0.3	3.9	0.24	6.3	AA	2.74	4.0	4.2	4.5	4.6	0.50	f		
NJ Muni Inc	416	fnjhx	H	11.45	-2.2	2.6	10.7	-3.0	3.7	0.30	7.1	AA	3.14	4.4	4.7	5.0	5.2	0.48	f		
NY Muni Inc	71	ftfmxx	H	12.75	-2.3	2.9	10.7	-2.5	3.8	0.31	7.9	AA	3.47	5.2	5.4	5.8	6.0	0.47	f		
OH Muni Inc	88	fohfx	H	11.56	-1.8	2.7	9.9	-1.6	4.0	0.29	7.6	AA	3.42	4.9	5.1	5.5	5.7	0.49	f		
PA Muni Inc	402	fpptx	H	10.73	-1.3	2.2	8.5	-0.8	3.9	0.24	6.6	AA	3.28	4.5	4.7	5.0	5.2	0.50	f		
<b>Taxable Money Markets -- Group average:</b>					<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>2.5</b>	<b>2.9</b>	<b>0.01</b>											
Cash Reserves	55	fdrxx	B	\$1.00	0.0	0.1	0.6	2.9	3.1	0.01	0.1	AAA	0.20					0.39			
Fidelity MM	454	sprxx	H	1.00	0.0	0.1	0.6	2.9	3.1	0.01	0.1	AAA	0.12					0.44			
Gov't MM	458	spaxx	H	1.00	0.0	0.0	0.3	2.3	2.8	0.01	0.1	AAA	0.01					0.45			
Retirement Gov't MM	631	fgmxx	H	1.00	0.0	0.0	0.3	2.4	2.8	0.01	0.1	AAA	0.01					0.42			
Retirement MM	630	frtxx	H	1.00	0.0	0.1	0.6	2.9	3.2	0.01	0.1	AAA	0.11					0.42			
Select MM	85	fslxx	H	1.00	0.0	0.1	0.6	3.0	3.2	0.01	0.1	AAA	0.26					0.33			
U.S. Gov't Reserves	50	fgrxx	H	1.00	0.0	0.0	0.4	2.5	2.9	0.01	0.1	AAA	0.03					0.34			
US Treasury	415	fdlxx	H	1.00	0.0	0.0	0.1	1.5	2.2	0.01	0.1	AAA	0.01					0.45			
<b>Municipal MM -- Group average:</b>					<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>1.8</b>	<b>1.9</b>	<b>0.01</b>											
AMT Tax-Free MM	460	fimxx	H	1.00	0.0	0.0	0.2	1.9	2.0	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.33			
Municipal MM	10	ftexx	H	1.00	0.0	0.0	0.2	1.9	2.0	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.43			
Tax-Free MM	275	fmoxx	H	1.00	0.0	0.0	0.1	1.7	1.9	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.45			
<b>State Muni MM -- Group average:</b>					<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>1.7</b>	<b>1.9</b>	<b>0.01</b>											
AZ MMM	433	fsaxx	H	1.00	0.0	0.0	0.1	1.7	1.9	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.50			
CA AMT Tax-Fr MM	457	fspxx	H	1.00	0.0	0.0	0.2	1.8	2.0	0.01	0.1	AAA	0.02	0.0	0.0	0.0	0.0	0.32			
CA MMM	97	fcfxx	H	1.00	0.0	0.0	0.0	1.7	1.8	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.53			
CT MMM	418	fcmxx	H	1.00	0.0	0.0	0.1	1.7	1.8	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.48			
MA AMT Tax-Fr MM	426	fmsxx	H	1.00	0.0	0.0	0.2	1.8	2.0	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.32			
MA MMM	74	fdmxx	H	1.00	0.0	0.0	0.1	1.6	1.8	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.52			
MIMMM	420	fmixx	H	1.00	0.0	0.0	0.0	1.7	1.8	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.54			
NJ AMT Tax-Fr MM	423	fsjxx	H	1.00	0.0	0.0	0.2	1.9	2.0	0.01	0.1	AAA	0.03	0.0	0.0	0.0	0.0	0.31			
NJ MMM	417	fnjxx	H	1.00	0.0	0.0	0.1	1.7	1.8	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.52			
NY AMT Tax-Fr MM	422	fsnxx	H	1.00	0.0	0.0	0.2	1.8	2.0	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.32			
NY MMM	92	fnyxx	H	1.00	0.0	0.0	0.1	1.7	1.8	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.52			
OH MMM	419	fomxx	H	1.00	0.0	0.0	0.1	1.8	1.9	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.54			
PAMMM	401	fptxx	H	1.00	0.0	0.0	0.1	1.8	1.9	0.01	0.1	AAA	0.01	0.0	0.0	0.0	0.0	0.51			

# Annuity Review

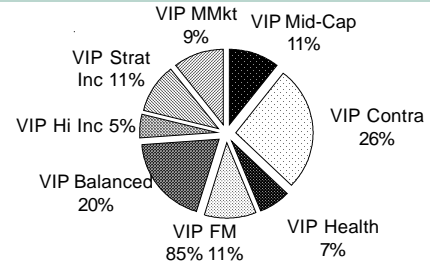
## GROWTH

Initial value: \$100,000 (1/1/97)

2009 YTD Performance: 22.7%

RETURNS: 1999: 17.9% 2000: -14.5% 2001: -6.1% 2002: -17.3% 2003: 25.0% 2004: 11.7% 2005: 12.2% 2006: 12.3% 2007: 10.0% 2008: -39%

FUND	SHARES	NAV	VALUE	%	MONTHLY RETURN
VIP Mid-Cap	756.270	19.26	14,566	11%	-2.6%
VIP Contrafund	939.058	36.37	34,154	26%	-3.7%
VIP Health Care	797.200	11.13	8,873	7%	-4.3%
VIP Funds Manager 85%	1652.383	8.40	13,880	11%	-2.8%
VIP Balanced	1663.473	15.71	26,133	20%	-3.0%
VIP High Income	218.911	32.82	7,185	5%	1.2%
VIP Strategic Income	1071.377	14.10	15,106	11%	0.5%
VIP Money Market	537.336	21.88	11,757	9%	0.0%
<b>Total</b>			<b>\$131,653</b>		<b>-2.3%</b>



The Growth model looks to deliver capital appreciation for most longer term investors: Most suitable for investors with 10 years or more to retirement.

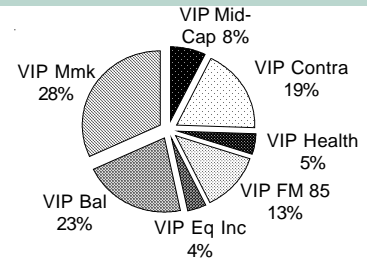
## GROWTH & INCOME

Initial value: \$100,000 (1/1/97)

2009 YTD Performance: 16.3%

RETURNS: 1999: 13.7% 2000: -10.6% 2001: -5.6% 2002: -8.7% 2003: 19.2% 2004: 10.3% 2005: 9.5% 2006: 11.0% 2007: 9.2% 2008: -32.4%

FUND	SHARES	NAV	VALUE	%	MONTHLY RETURN
VIP Mid-Cap	581.939	19.26	11,208	8%	-2.6%
VIP Contrafund	705.792	36.37	25,670	19%	-3.7%
VIP Health Care	572.267	11.13	6,369	5%	-4.3%
VIP Funds Manager 85%	2107.796	8.40	17,705	13%	-2.8%
VIP Equity Income	114.474	47.78	5,470	4%	-2.9%
VIP Balanced	2020.040	15.71	31,735	23%	-3.0%
VIP Money Market	1780.927	21.88	38,967	28%	0.0%
<b>Total</b>			<b>\$137,124</b>		<b>-2.3%</b>



While the primary objective is growth, I also pay attention to the "income" in the title, derived from stock dividends, bond and money market.

Fund/Index	B/S/H Rating	Price (NAV)	% Total Returns				36-mo. Avg. Risk	
			Oct	3-mo	2009	2008	Avg.	Risk
<b>Variable Insurance Products -- Group ave:</b>								
VIP Contrafund	B	36.37	-3.0	4.8	23.8	-36.9	-4.4	0.98
VIP Dynamic Cap App	B	11.02	-7.3	3.4	18.0	-41.7	-8.7	1.15
VIP Disciplined Small Cap	B	7.01	-6.9	0.7	9.0	-34.3	-10.8	1.2
VIP Growth	B	46.20	-4.0	2.2	15.4	-47.6	-8.6	1.11
VIP Growth Opportunities	H	9.57	-4.0	4.1	29.7	-55.4	-10.3	1.39
VIP Growth Stock	B	9.25	-2.0	6.6	30.5	-45.1	-4.3	1.2
VIP Growth Strategies	H	8.47	-6.6	2.0	22.2	-49.2	-9.0	1.2
VIP Mid-Cap	B	19.26	-2.6	5.7	29.9	-39.9	-2.7	1.13
VIP Index 500	B	29.02	-1.9	5.3	16.4	-37.5	-7.8	1.00
VIP Value	B	8.33	-6.1	5.7	27.8	-46.9	-11.1	1.5
VIP Value Leaders	B	8.32	-4.0	4.7	18.0	-45.1	-11.3	1.2
VIP Value Strategies	B	10.91	-5.9	7.3	41.7	-51.5	-9.2	1.61
VIP Asset Manager	H	33.88	-2.4	5.1	21.4	-29.3	0.1	0.80
VIP Asset Manager: Growth	H	20.74	-3.5	5.4	22.6	-36.3	-1.8	1.01
VIP Balanced	H	15.71	-3.0	5.4	28.2	-34.5	-2.4	0.95
VIP Equity-Income	B	47.78	-2.9	6.5	21.1	-43.1	-10.3	1.18
VIP Growth & Income	B	14.66	-3.2	2.9	16.8	-42.2	-8.3	1.04
VIP Real Estate	S	13.06	-5.4	19.5	18.4	-40.4	-16.0	2.19
VIP Freedom 2005	H	10.90	-1.4	4.3	17.5	-24.4	-0.8	0.6
VIP Freedom 2010	H	10.85	-1.6	4.3	18.2	-25.6	-1.1	0.7
VIP Freedom 2015	H	10.93	-1.8	4.4	18.8	-27.6	-1.5	0.7
VIP Freedom 2020	H	10.56	-2.2	4.8	21.1	-33.1	-3.2	0.8
VIP Freedom 2025	H	10.49	-2.4	4.8	21.6	-34.7	-3.7	0.9
VIP Freedom 2030	H	10.15	-2.9	5.0	22.3	-38.6	-5.1	1.0
VIP Freedom Income	H	11.36	-0.5	2.8	11.8	-11.2	1.9	0.3
VIP FundsManager 20% Port	B	10.74	-0.6	2.3	7.7	-8.9	1.4	0.3
VIP FundsManager 50% Port	H	9.77	-1.6	3.6	13.5	-23.1	-1.8	0.6
VIP FundsManager 60% Port	B	8.68	-2.0	4.0	15.9	-	-	-
VIP FundsManager 70% Port	H	8.95	-2.4	4.1	16.7	-32.6	-4.6	0.8
VIP FundsManager 85% Port	B	8.40	-2.8	4.9	19.3	-38.7	-6.5	1.0
VIP Emerging Markets	B	7.00	-2.0	7.9	57.7	-	-	-
VIP International Cap App	B	9.54	-3.6	6.2	44.3	-51.0	-7.3	1.6
VIP Overseas (x)	H	31.50	-2.9	5.1	18.6	-44.3	-6.4	1.24
VIP Overseas class R	H	11.84	-2.9	5.2	18.6	-44.3	-6.4	1.24
VIP Consumer Discretionary	H	9.19	-3.9	4.4	23.7	-34.6	-9.9	1.17
VIP Consumer Staples	B	10.12	1.2	6.9	17.0	-22.0	-	-
VIP Energy	B	19.92	-1.5	9.9	37.6	-54.7	-1.7	1.76
VIP Financial Services	H	7.91	-4.7	6.6	22.6	-50.5	-18.5	1.56
VIP Health Care	B	11.13	-4.3	2.7	18.7	-32.8	-4.1	0.92
VIP Industrials	B	15.06	-4.6	3.6	22.9	-40.3	-3.9	1.41
VIP Materials	B	9.17	-5.6	2.7	53.1	-47.3	-	-
VIP Technology	B	10.32	-2.5	7.6	70.3	-51.2	-0.4	1.58
VIP Telecommunications	H	6.71	-5.1	-1.5	30.0	-47.8	-	-
VIP Utilities	H	10.53	-4.4	-0.8	3.7	-36.1	-6.1	1.00
VIP High Income	B	32.82	1.2	6.4	37.4	-25.6	2.3	0.73
VIP Investment Grade	H	33.41	0.9	3.8	14.8	-4.0	4.6	0.25
VIP Strategic Income	B	14.10	0.5	6.2	26.8	-10.9	6.3	0.46
VIP Money Market	H	21.88	0.0	-0.1	0.0	2.2	2.4	0.03

### Fidelity Investor

<http://www.fidelityinvestor.com>

Editor-in-Chief: James H. Lowell  
Editor: Karen Frost  
Analyst: Julianne Lofgren

Fidelity Investor (ISSN 1097-8372) is published monthly by FundWorks, Inc., PO Box 920477, Needham, MA 02492, phone toll free 800-290-6577.

A one-year membership is \$199.

**Postmaster:** Send change of address to PO Box 920477, Needham, MA 02492.

Fidelity Investor is not affiliated in any way with the Fidelity family of mutual funds, FMR Corp. or its affiliates and receives no compensation from FMR Corp.

Copyright © 2009 FundWorks, Inc. Reproduction in whole or in part is strictly prohibited except by written permission from FundWorks, Inc.

### Fund Family Shareholder Association

President: James H. Lowell III  
Chairman: Daniel P. Wiener  
([www.adviseronline.com](http://www.adviseronline.com))

## FI Focus Technology Funds

Last month I focused on health care, why I like it for both better defense and smarter offense, and why Fidelity's unique range of Select health care funds provide us with ample room to cure a range of market ills. This month, I want to focus on the other oar in our growth waters: technology.

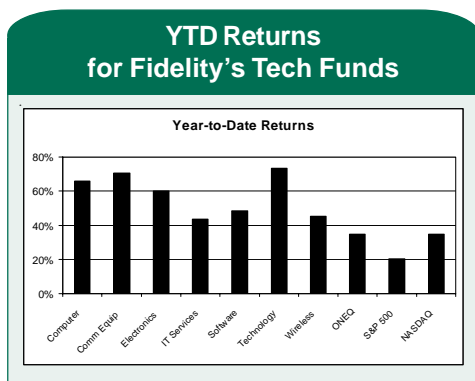
Ahead of (and now even in light of), the NASDAQ's 30.1% year-to-date gain, I remain bullish on technology heading into 2010. Critically, my view of technology's probable rebound (see your December 2008 issue) parallels my past assessment and assertion that this year would likely deliver a jobless recovery wherein technology would be the leverage that companies used to comport production efficiency as set against the dramatic downsizing in human labor to the point where profitability couldn't be ruled out as early as the 3<sup>rd</sup> Quarter of this year. We now know that this part of the trajectory has been confirmed (if not universally shared) among technology companies. But the trajectory of increased earnings growth as meted by greater profitability relies upon the probability for economic recovery.

That probability remains the third rail as we chug toward the dark tunnel of 2010. The tunnel is 'dark' because we have no real visibility, yet, as to where we may be headed in 2010. But the rail of probable recovery is live and still as compelling as it is propelling, thanks to the currency of 3<sup>rd</sup> Quarter earnings results and forecasts. As I noted in my *Market Monitor*, corporate spending has the means to upgrade legacy technology systems, the way (thanks in part to the October launch of Windows 7), leaving only the will as potentially lacking. Moreover, we know that consumers haven't backed down from IT (information technology) spending.

Still I think corporate and consumer IT spending will lack the will to spend if economic conditions signal a reversal of the current probability of and for recovery. We will be watching the data for signs of such a reversal closely; even a stall could forestall scalable IT spending which is the necessary fuel for the next leg of technology's trajectory. But, in terms of what we see today, I think the current environment is likely to propel scalable and back and forth buy-in as businesses big and small (who

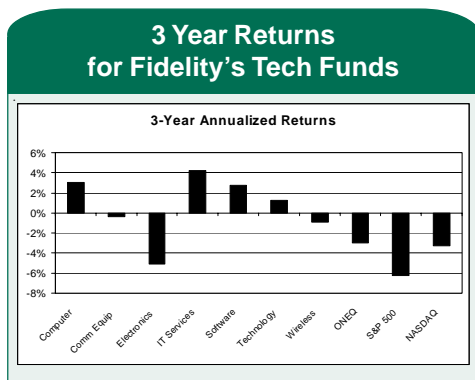
forwent major upgrades thanks to the book end recessions of 2002-2002 and 2008-2009) and Vista's inability to

have much greater foreign exposure than meets the direct foreign holdings eye. The world may be flat, but technology enables it to come round.

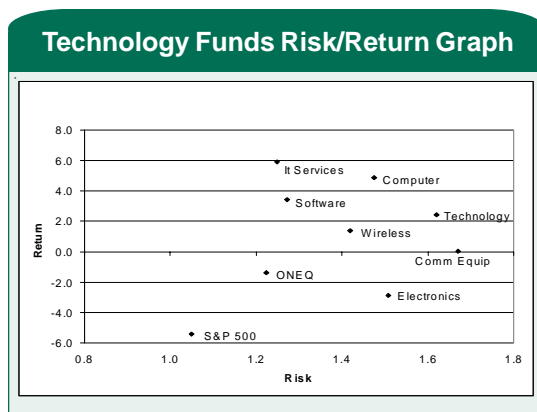


countermand staying plugged into legacy systems) and consumers *upgrade*.

With that in mind, I'm upgrading all the actively managed technology Select funds and downgrading the one ETF in



Fidelity's lonely ETF stable. Our *Buy*-rating on **Select Technology** (FSPTX) has served us well: it's the top performing Select fund from the technology group this year, up 66.2%. Before we click



through the funds, let me note that similar to health care Selects, technology Selects

### Select Tech Funds

**\*Select Computers (FDCPX) –Buy.** Manager Heather Lawrence invests in companies that are involved in the design, production, or distribution of computer hardware products or services. (This fund trends toward box makers while Select Electronics below) concentrates on what is inside the box.) Foreign investments make up 7.3% of the holdings. The top ten holdings are Apple, HP, Dell, EMC, IBM, Seagate Technology, Micron Technology, Hutchinson Technology, Western Digital, and Advanced Micro Devices.

**\*Select Communications Equipment (FSDCX) –Buy.** Manager Charlie Chai invests in companies that provide communications equipment such as LANs, WANs, routers, telephones, switchboards, and exchanges; can't have a wired or wireless world without 'em. Foreign investments make up 11.5% of the holdings. The top ten holdings are Cisco, Qualcomm, Juniper Networks, Starent Networks, Polycom, Motorola, F5 Networks, Tekelec, Riverbed Technology, and Adtran.

**\*Select Electronics (FSELX) –Buy.** Think 'chips', or what's inside the box. Manager Steve Barwikowski invests in companies involved with electronic components such as semiconductors, connectors, laser systems, and scientific instruments. Foreign investments make up 10.3% of the holdings. The top ten holdings are Intel, Texas Instruments, Applied Materials, Micron Technology, Marvell Technology, Fairchild Semiconductor, Amkor Technology, Atmel, Nvidia, and Lam Research.

**\*Select IT Services (FBSOX) –Buy.** Manager Kyle Weaver invests in companies involved in areas such as consulting, data processing, and outsourced services. Foreign investments make up 19% of the holdings. The top ten holdings are Visa, Accenture, Affiliated Computer Services, Alliance Data Systems, Cognizant Technology Solutions, Fidelity National Information Services, MasterCard, Automatic Data Processing, Hewitt Associates, and VanceInfo Technologies.

**\*Select Software & Computer Services (FSCSX) –Buy.** Manager Brian Lempel invests in companies

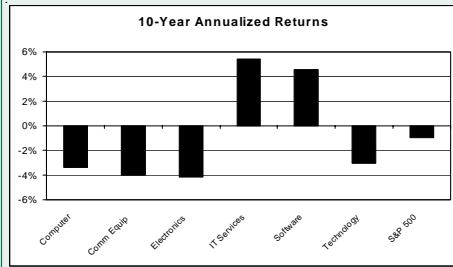
\*Reflects a change in my Buy/Sell/Hold rating from previous months.

(Focus, continued on page 11)

(Focus, continued from page 10)

focused on computer efficiency and speed, as well as software systems, specialty systems, applications, and artificial

10 Year Returns for Fidelity's Tech Funds



intelligence. Foreign investments make up 7.3% of the holdings. The top ten holdings are Microsoft, Google, Oracle, Cognizant Technology Solutions, Accenture, Adobe Systems, BMC Software, Visa, eBay, and Nuance Communications.

**Select Technology (FSPTX) –Buy.** Also managed by Charlie Chai, along with FSDCX, this is the catch all fund of the group (similar to Health Care being the catch all for the health care group). Diversified across the tech spectrum, it was my preferred *Buy* as the market began to make the case for recovery. (Note: despite all the upgrades, I'd continue to caution that if you held this one fund you'd likely fare as well as owning all of them. The upgrades are really designed to help members who may want to emphasize a vertical tranche within Tech's overarching horizon.) Chai invests in companies that benefit from technological advances, as well as companies involved with computer products, data processing equipment, electronics, aerospace and defense, and telecommunications. Foreign investments make up 21.5% of the holdings. The top ten holdings are Apple,

Fidelity's Top 10 Tech Stocks

We always like to keep our eye not only on *who* we are buying, but what each manager is buying. This table lists the top 10 technology stakes culled from the top holdings of all the funds in this month's FI Focus.

- |           |                   |
|-----------|-------------------|
| Accenture | Intel             |
| Apple     | Micron Technology |
| Cisco     | Microsoft         |
| Google    | Oracle            |
| HP        | Qualcomm          |

Microsoft, Google, Cisco, Intel, HP, Oracle, BMC Software, Red Hat, and Micron Technology.

**\*Select Wireless (FWRLX) –Buy.** This is the most obvious global vertical on technology's stage. Manager Gavin Baker invests in companies involved with wireless communications products and services. Foreign investments make up 40.6% of the holdings. The top ten holdings are Sprint Nextel, China Unicom, Motorola, Qualcomm, Vodafone Group, American Tower, Starent Networks, Gameloft, Millicom International Cellular, and NII Holdings.

**\*Fidelity NASDAQ Composite Index ETF (ONEQ) –Hold.** Fidelity knows how to earn its keep in times like these, making this passive investment seem not so much passé as humdrum. Seeks investment results that correspond to the price and yield performance of the NASDAQ Composite Index. It began trading in September 2003. Foreign investments make up 7% of the holdings. The top ten holdings are Microsoft, Apple, Cisco, Google, Intel, Oracle, Qualcomm, Amgen, Gilead Sciences, and Amazon.com. ■

Spotlight FSI Technology-Plus

Well ahead of the current interest in sector investing using exchange traded funds, our long-standing and top-rated weekly trading service, *Fidelity Sector Investor (FSI)*, has enabled our members to capitalize on sector investment opportunities in bull and bear markets. Fidelity Select funds are unique in the both the mutual fund and ETF industries; providing not simply no-load active management for a sector, but offering the widest range of sector investment opportunities guided by Fidelity's top guns. *FSI's* proprietary trading system delivers four portfolios focused on commodities, infrastructure, the total market, and technology. Since we're focusing on technology funds in this issue, I wanted to spotlight *FSI's Technology-Plus* portfolio which holds positions in the service, technology, and telecommunications sectors. Year-to-date, it's up 57.2% year-to-date vs. a 30.1% NASDAQ gain. For more details on *FSI* and how you can become a member, go to [fidelityinvestor.com](http://fidelityinvestor.com). ■

(Interview, continued from page 4)

of compress in. That's the most likely scenario that I'm thinking about. But that's good for high yield. Worst case, we don't even go up in price at all and we get our yield. Today, it's still a high 9%, almost 10% yield, so that's not relative to any long run returns. On any asset class, 10% is not a bad thing. And then if we get a couple points of capital appreciation and then hopefully add some value to the fund, you could be in the low, low double digits.

**LOWELL:** Worst case scenario is rates really back up a lot and maybe we give up a couple of points of principal from here ...

**HOFF:** But I still think we have a positive return. We still have ten points of yield to work with and so if we give back a few points and worst case scenario is you're talking about mid-single digit positive, but that would be in a such a rip roaring Treasury environment, which I don't see.

**LOWELL:** I think inflation is less of a risk for this fund compared to most other types of bond funds, but inflation is also not at our doorstep.

**HOFF:** We don't see the inflation. We have plenty of guys chasing commodities, but other than that, no one that I'm talking to and none of the companies, and no one that our analysts are talking about, are really raising prices a lot. So there's plenty of labor still around. So there's no reason to really expect massive runaway inflation, but I think it's more that the Treasury – once the government stops artificially bringing it down to the levels it's at.

Then we back up and hopefully it goes normal. So I'm relatively bullish. I think the economy gets better over the next two years. I think we've already started that recovery.

**LOWELL:** The recovery is just beginning, boding well for junk bonds.

**HOFF:** We're early in this economic recovery. People are still guessing what letter shape it is and stuff. So we certainly shouldn't be inside of it here. There's risks still in the world, but I think high yield is kind of appropriate, but in order for high yield to stay where it is or to tighten more, we need earnings growth and we need top – and earnings growth has to be lead by seeing the companies get the top line.

**LOWELL:** Thanks Fred! ■

## Jim's Best Buys

**Tactical Opportunities:** **China Region** (FHKCX). **Construction & Housing** (FSHOX) for a play on a housing bottom. **Transportation** (FSRFX) to hitch a ride on world movers. **Communications Equipment** (FSDCX) to hitch a ride on the stimulus' bandwagon for broadband. **Inflation Protected** (FINPX) in case the above come off the rails.

**Aggressive Growth:** **Magellan** (FMAGX) to uncover growth stocks pent up, upside potential given that they've been on the wrong side of the value-rally's fence; **Mega-Cap Stock** for near pure play on mega-cap multinationals. **Four in One Index** (FFNOX) and **Worldwide** (FWWFX) to net the world on a now deeply de-valued, low-expense, tax-efficient string. **Inflation Protected** (FINPX) in case either one of the above comes off the rails.

**Growth:** **Four in One Index** (FFNOX) and **Global Balanced** (FGBLX), or **Inflation Protected** (FINPX) in case either one of the above comes off the rails.

**Growth & Income:** **Four in One Index** (FFNOX) and **Worldwide** (FWWFX) to net the world on a now deeply devalued, low-expense, tax-efficient string. **Inflation Protected** (FINPX) in case either one of the above comes off the rails.

**Capital & Income:** **Cash Reserves** (FDRXX) and **Inflation Protected** (FINPX) for a short-long hedge on current conditions. ■

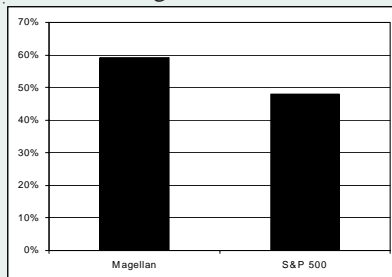
(Monitor, continued from page 1)

a sum gain for the markets at some point in time.

Unfortunately, "ought to be" isn't an investment directive we can count on. A recent Bloomberg poll throws cold water on the assumption that the trillions of dollars sitting on the sidelines are about to get swept into the market and lift it even further. "Only 31% of respondents [to the poll] in the U.S., Europe and Asia see investment opportunities, down from 35% in the previous survey in July. Almost 40% . . . say they are still hunkering down. U.S. investors are even more cautious, with more than 50 percent saying they are in a defensive crouch." Ouch!

## Magellan Watch Update

Magellan's 30%-plus weighting in technology names makes this month's Magellan Watch Update fit right in with this issue's technology theme. We've been tracking Magellan's performance since March of this year when Morningstar downgraded Magellan to a one-star rating. From March through October 31st, Magellan is up 59.3% vs. the S&P 500's gain of 47.9%. ■



Returns vs. S&P 500 since we kept our Buy-rating after Morningstar's Downgrading in March 2009

## Electro/Luxe Rally

Set against that large sucking sound, we saw Electrolux beat the Street, suggesting that consumers are willing to buy items that let them tend to their own castle. Like AutoZone, I view Electrolux as a good recession indicator because some of their products displace the more costly home cleaners for cleaning one's own home, and also because their top line products enable consumers to upgrade their living space without having to remodel their homes. Moreover, we've talked about reasons for cautious optimism. While consumer confidence continues to be hampered by unemployment fears and governmental spending news, Apple (iMac, iPhone), Amazon (Kindle), and even Mercedes Benz, beat on top line sales, suggesting that consumers are still willing and able to pay up for icons rather than only down for generics.

## From Corps to Corporations

Another positive pearl: from consumers still (tentatively) spending, I move to corporations whose spending was scaled back to an assumption of end of days which, having not been manifested, leaves them running more profitably than consensus had pegged. As we thought we'd see, corporations have scaled the pace of production back below pace of sales, meaning better news was baked in. But, if those loaves are going to leaven rather than level off, the pace of sales will need to heat up. Ahead of that, however, I think most analysts have missed a crucial point: corporate spending was not simply constrained by the recession; it has been restrained by budgets which were scripted last November when stone soup was the order of the day. We could see corporate spending, perhaps most likely in mergers and acquisition, stock buy back activity,

## Jim's Action Items

- Review our most recent trades. (p. 3)
- I interview the manager of Fidelity's High Income. (p. 3)
- Review this lineup of Fidelity's Select technology funds. (p. 4)

and IT spending get scripted back into next year's budget this November.

## Upshot

The markets look winded from their recent ride. Growing concern that the rebound has been more of a stimulus sugar high than sustaining oats, questions the ability of the horse to make the destined depot. As for the riders; the raspberry flavored Kool-Aid cronies will have you believe that the stimulus plan is working; while the grape flavored Kool-Aid sippers will have you believe that the stimulus plan has failed to buck a double-dip trend. The truth lies in between the vested interests of such extremists; but history tells us that the market doesn't trend toward middle-grounds where uncertainty tends to hold sway, instead it gravitates toward extremes since they present the appearance of certainty.

From January through mid-March, pessimism in the extreme led the markets to the glue factory. By mid-October, optimism in the extreme led the market to its best recovery rodeo ever. Today, as we saddle up for November's peaks and valleys, I feel like a Pony Express rider ready and able for the challenge. After all, we've been down this road more than once. We have an excellent stable of funds at our beck and call. We know how to sidestep free falls and gallop where the going is grassy. We know that en route to greener pastures there will be moments when the next 12 months seem like an easy leg. There will be moments when the next 12 hours could seem like the end of the trail. Volatility and uncertainty are gnats on the increase. Pacing ourselves with our risk adjusted discipline will be the key to staying in the saddle and on course. I've got my spurs on. And I'm singing my favorite country song backwards. ■