

Investment Themes 2014



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Contents:

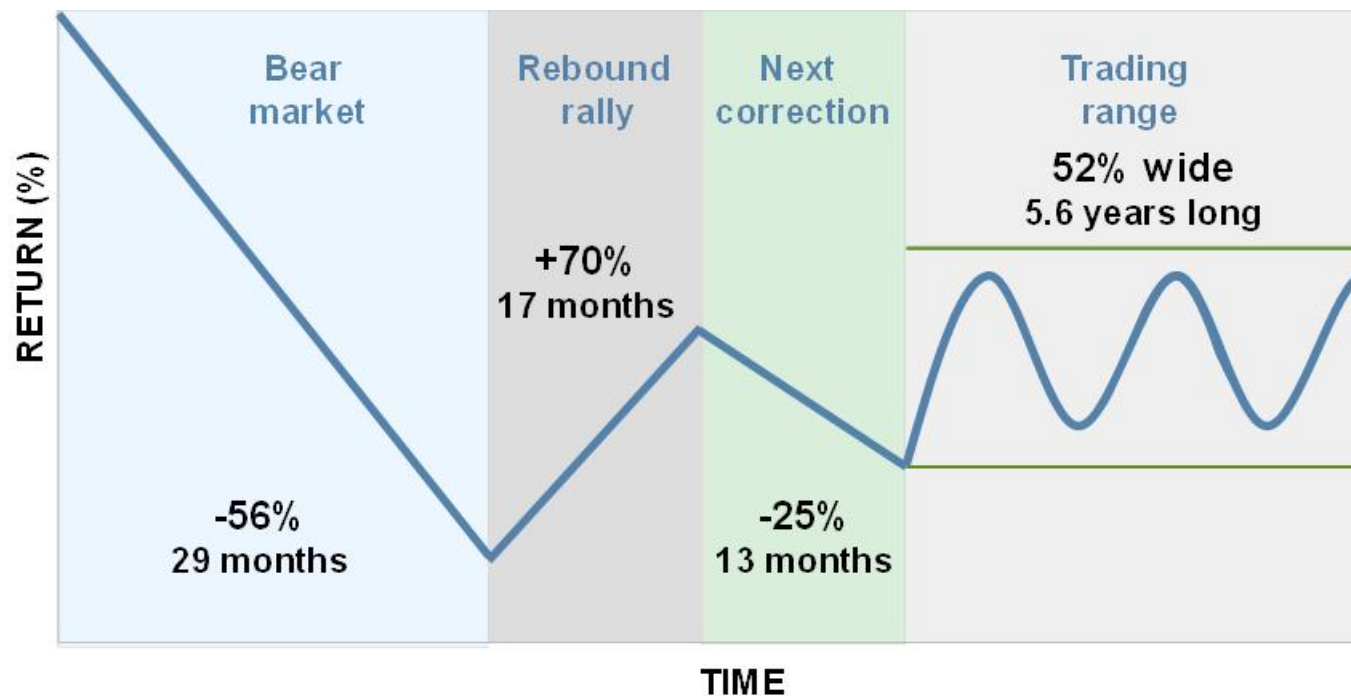
- 1) Long-Term Ideas
- 2) U.S. Economy / Business Cycle
- 3) Equities
- 4) Fixed Income

Contents:

1) Long-Term Ideas

The post-financial crisis timeline:

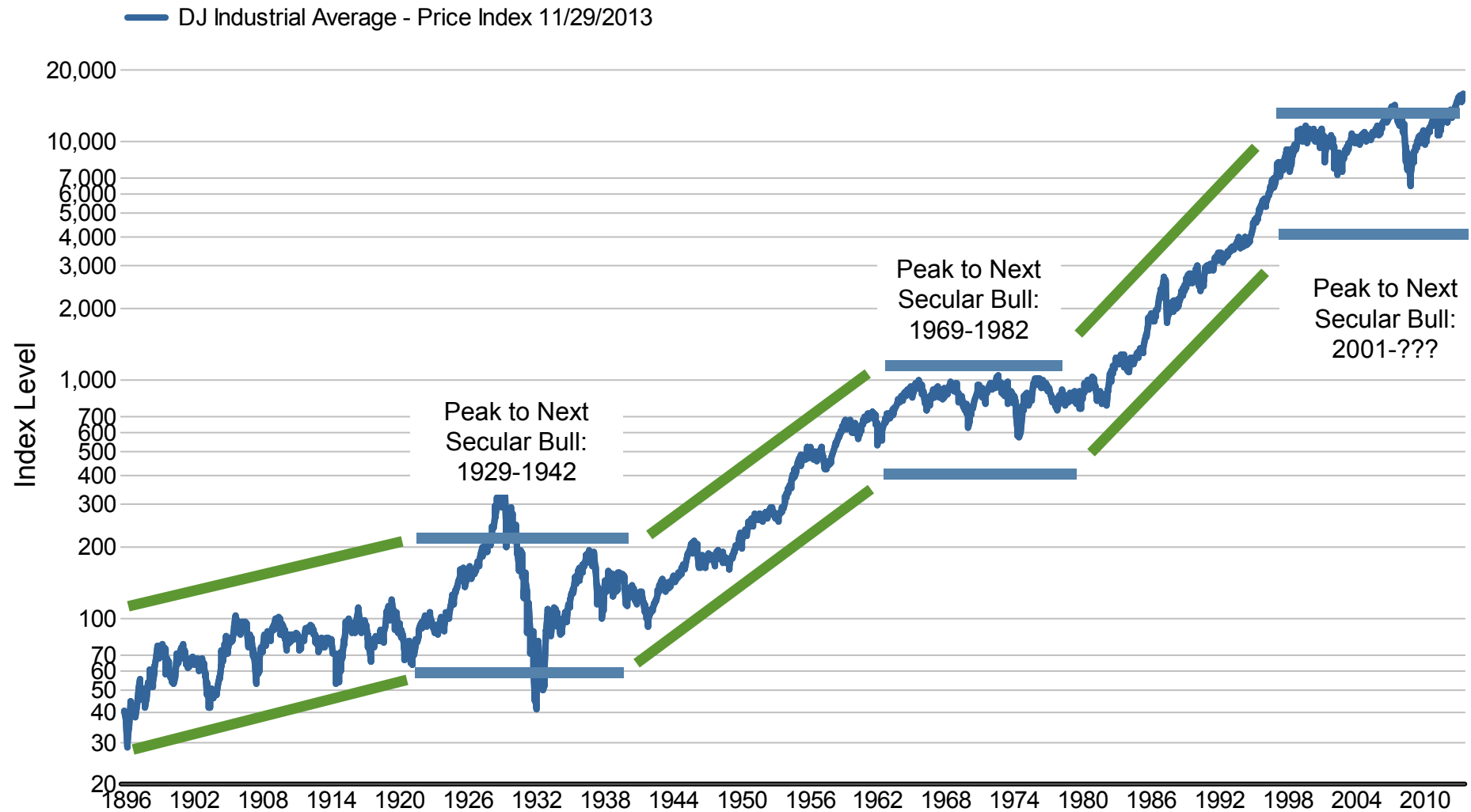
The last five years have traced, at a faster speed, the historical secular bear market composite. We could now be nearing an upside break-out...



	The Initial Drop	Rebound Rally	Correction	Trading Range
Results	-57%	80%	-16.5	55% Wide
Duration	17 Months	13 Months	2.3 Months	Started July 2 nd , 2010

Source: "The Aftermath of Secular Bear Markets" - Morgan Stanley European Strategy, 8/10/2009
(Study of 19 secular bear markets globally since 1929 - defined as a 40% fall in equity prices persisting for at least one year.)

Secular bull breakout?



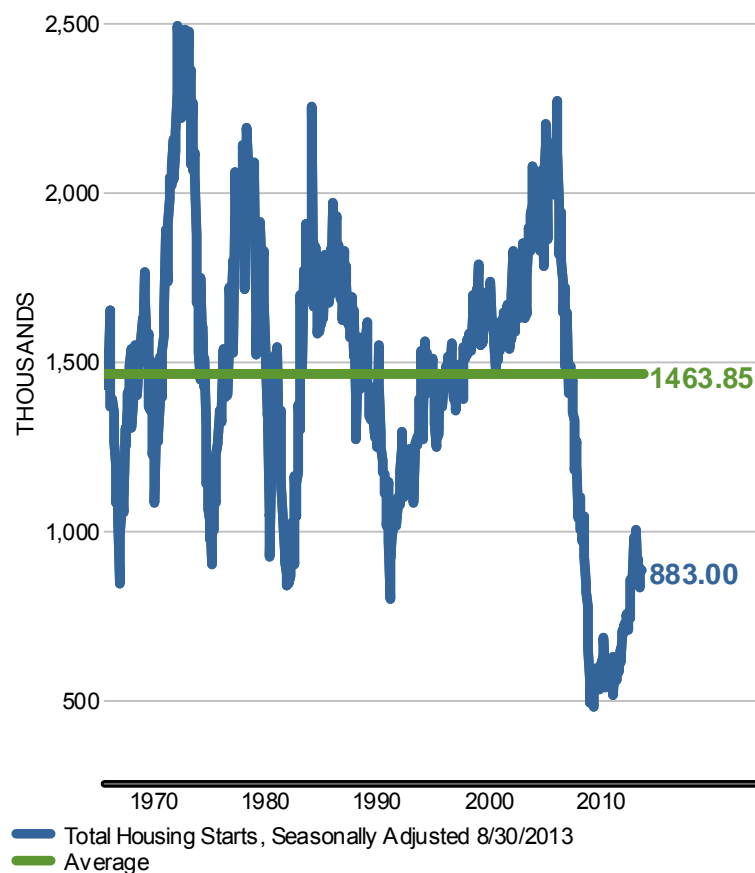
Source: FactSet. Past performance is no guarantee of future results.

What economic factors/ innovations could drive the breakout?

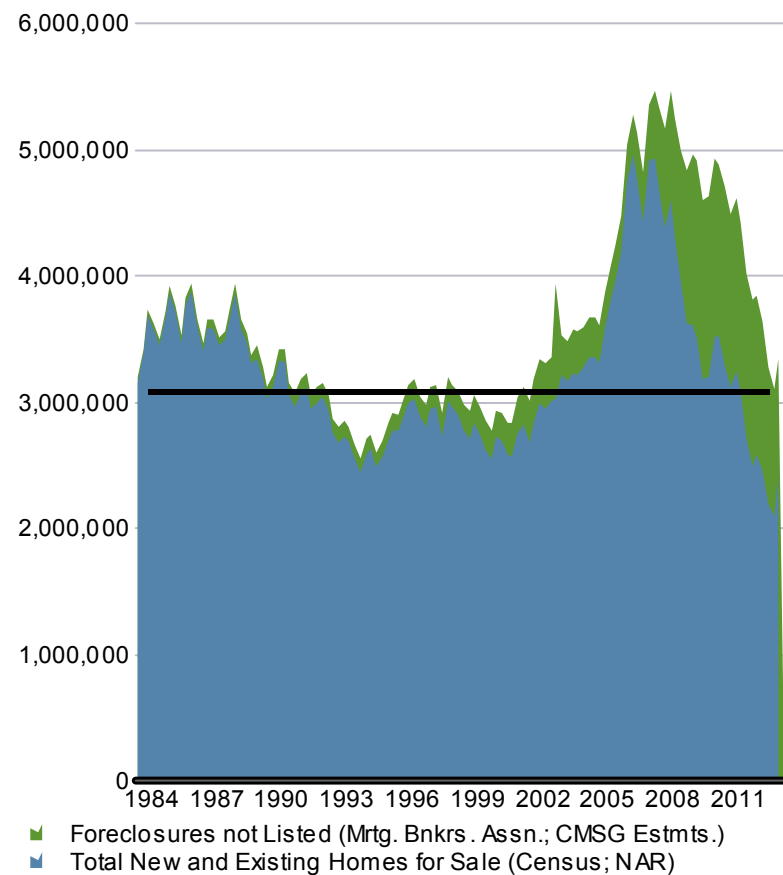
- Continued Housing Recovery
- Domestic Energy Boom
- U.S. Manufacturing Renaissance
- 3D Printing

Driver #1 – U.S. Housing: Number of homes for sale, including “shadow” supply, now in line with historical average, leading to a rebound in activity.

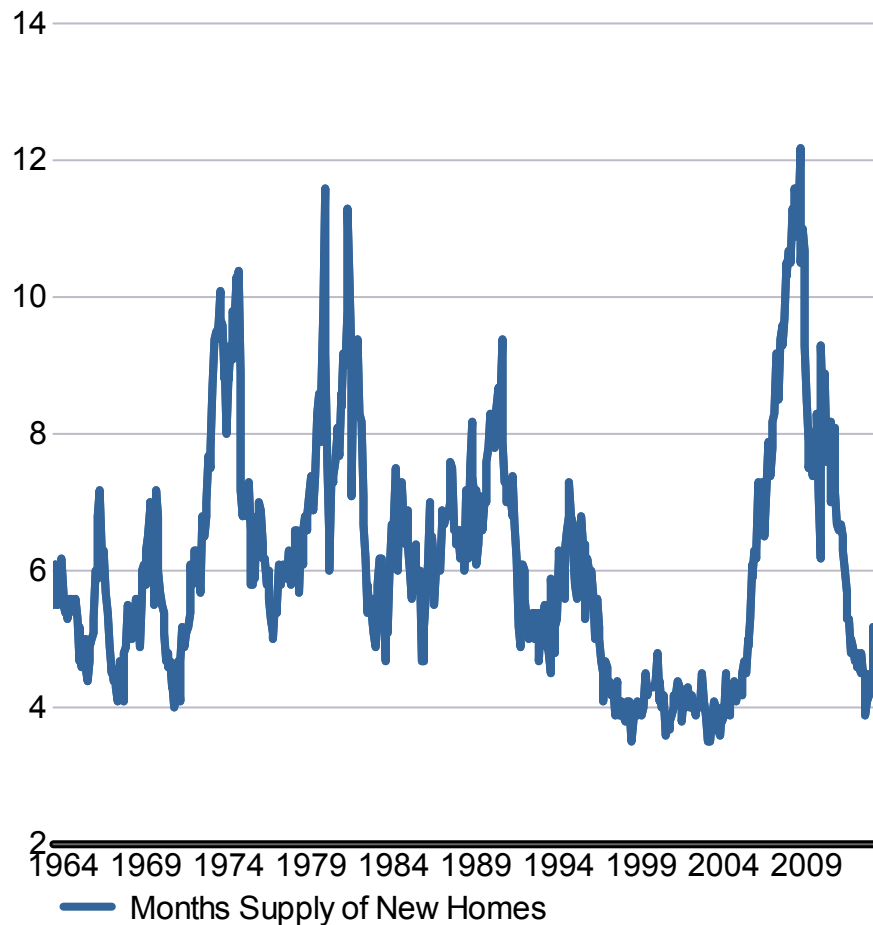
When housing starts revert to normal activity, it could convert to approximately 3 million new jobs in construction and related industries.



Source: FactSet

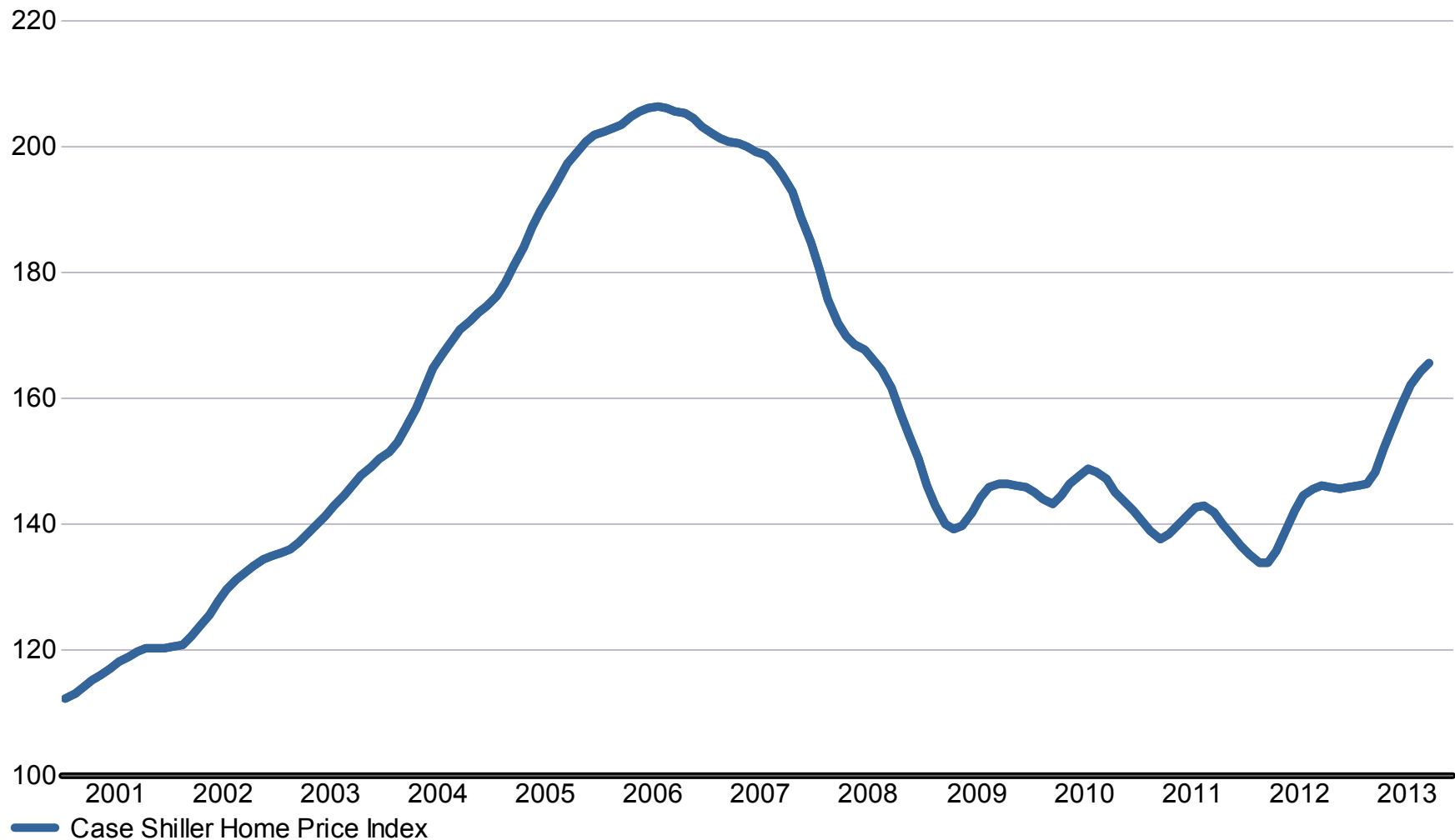


Driver #1 – U.S. Housing: New and existing home supply levels near multi-decade lows.



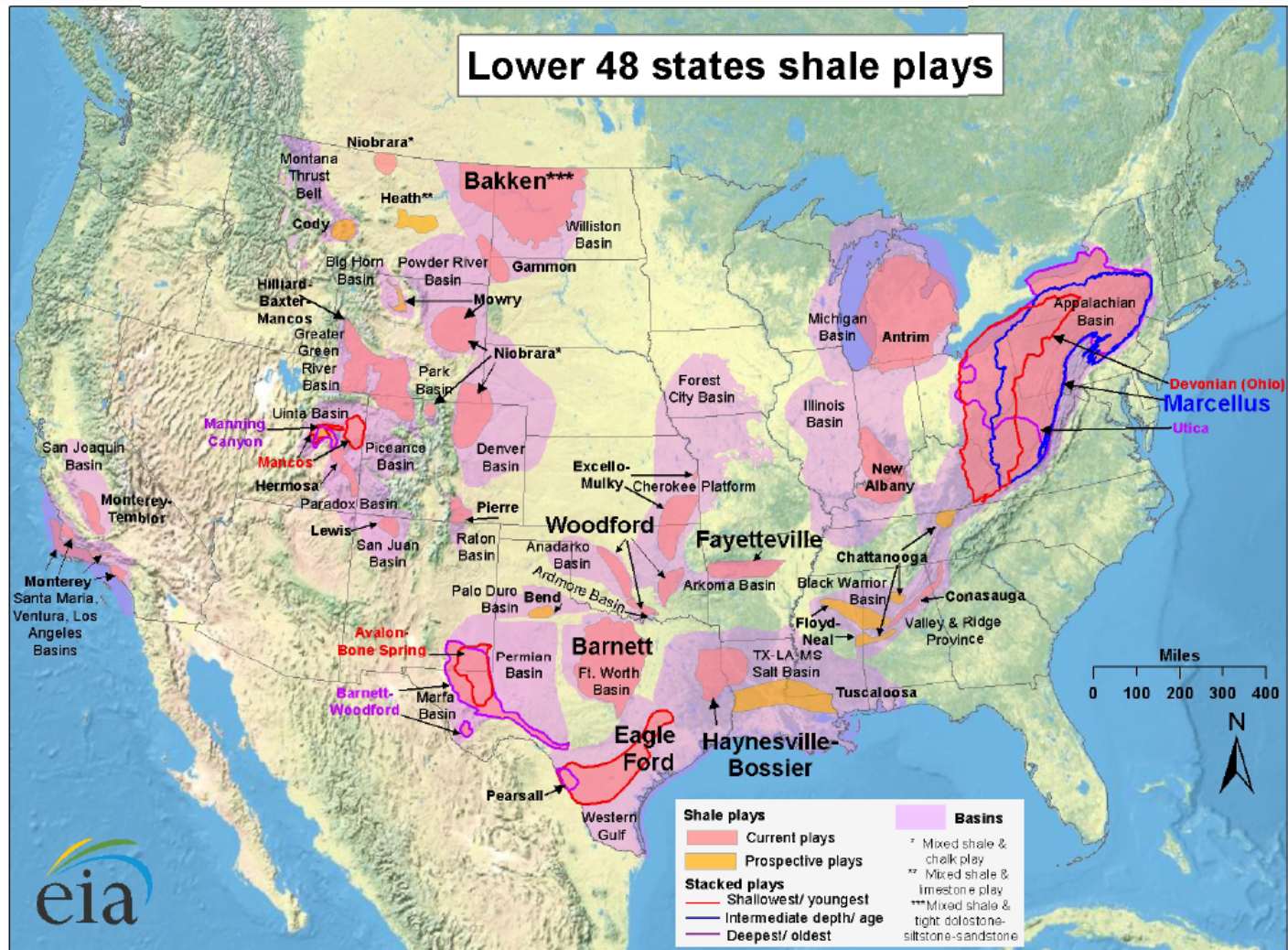
Source: FactSet

Driver #1 – U.S. Housing: Prices surging nationally, but still well off previous highs.



Source: FactSet

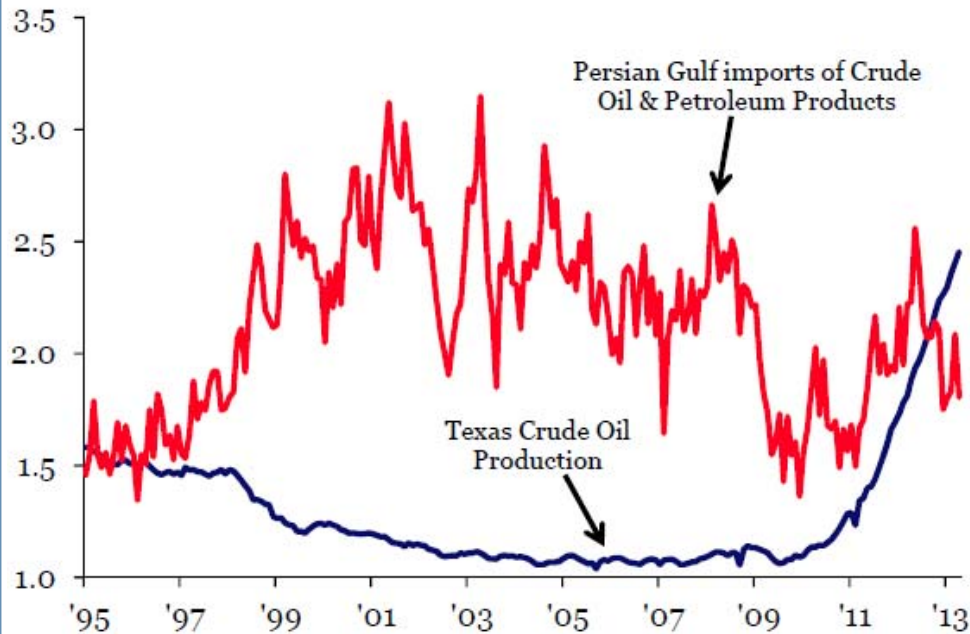
Driver #2 – Domestic Energy: Improved technology enabling U.S. to tap abundant oil and gas resources across the nation.



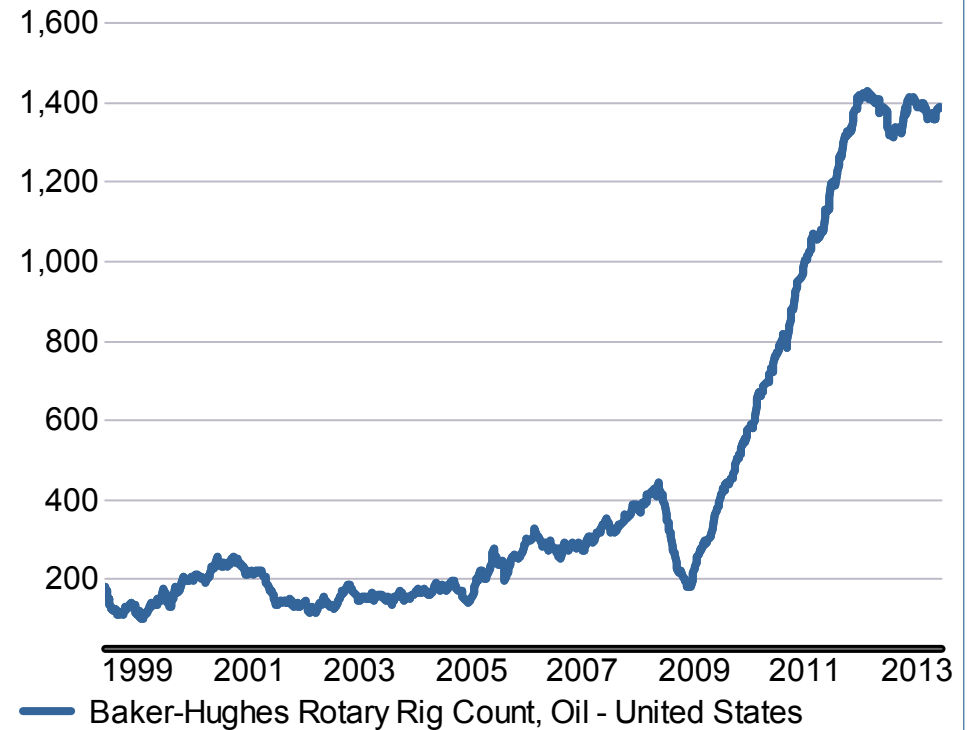
Source: EIA, Citigroup Research

Driver #2 – Domestic Energy: U.S. crude oil production rapidly accelerating.

**Crude Oil Production:
Texas vs. Persian Gulf Imports
(EIA, Millions Of Barrels Per Day)**



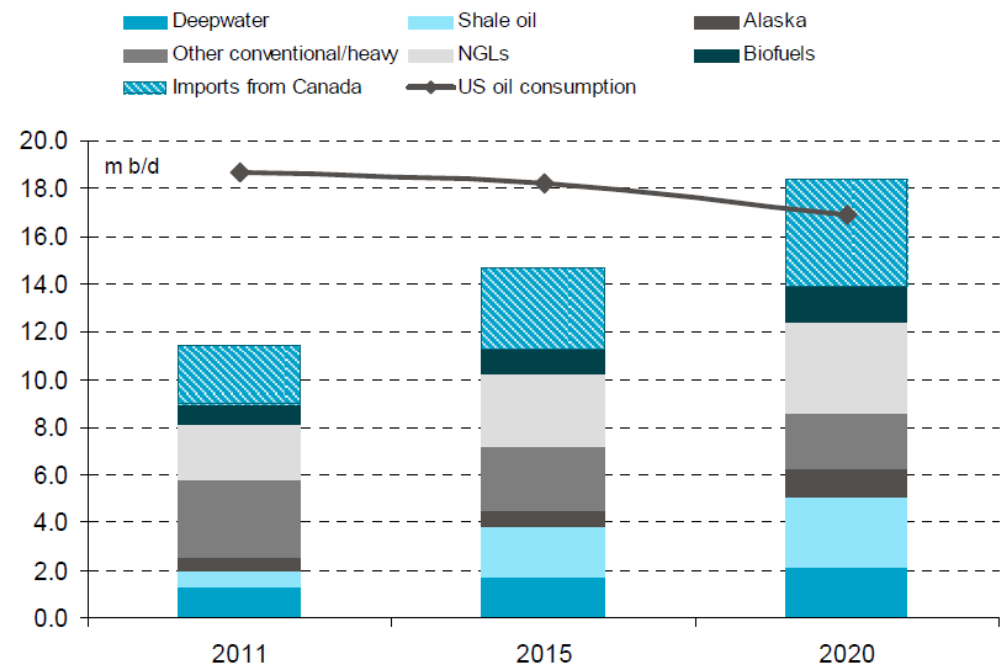
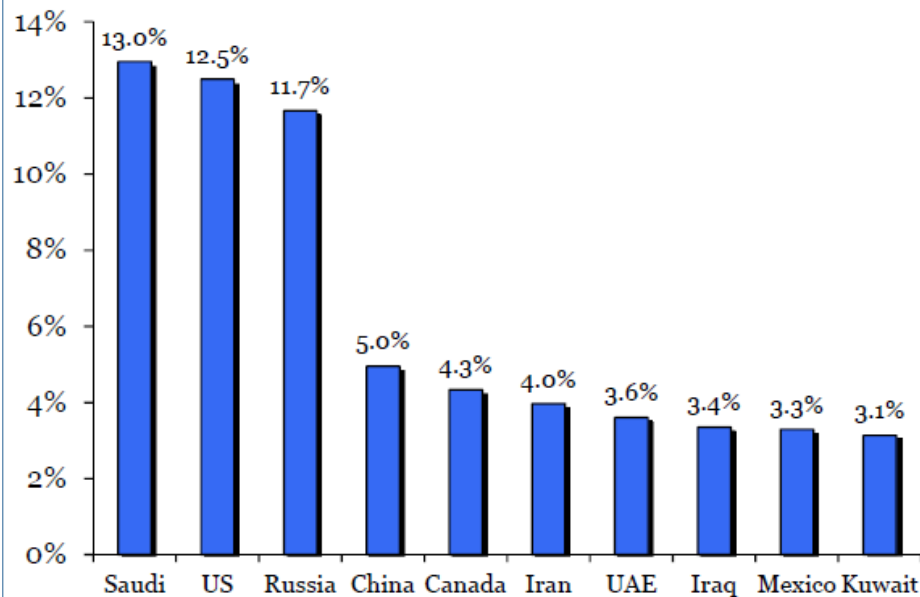
U.S. Crude Oil Rig Count



Source: Strategas, U.S. Energy Information Administration (left); Baker-Hughes, FactSet (right).

Driver #2 – Domestic Energy: North America appears to be rapidly approaching energy independence.

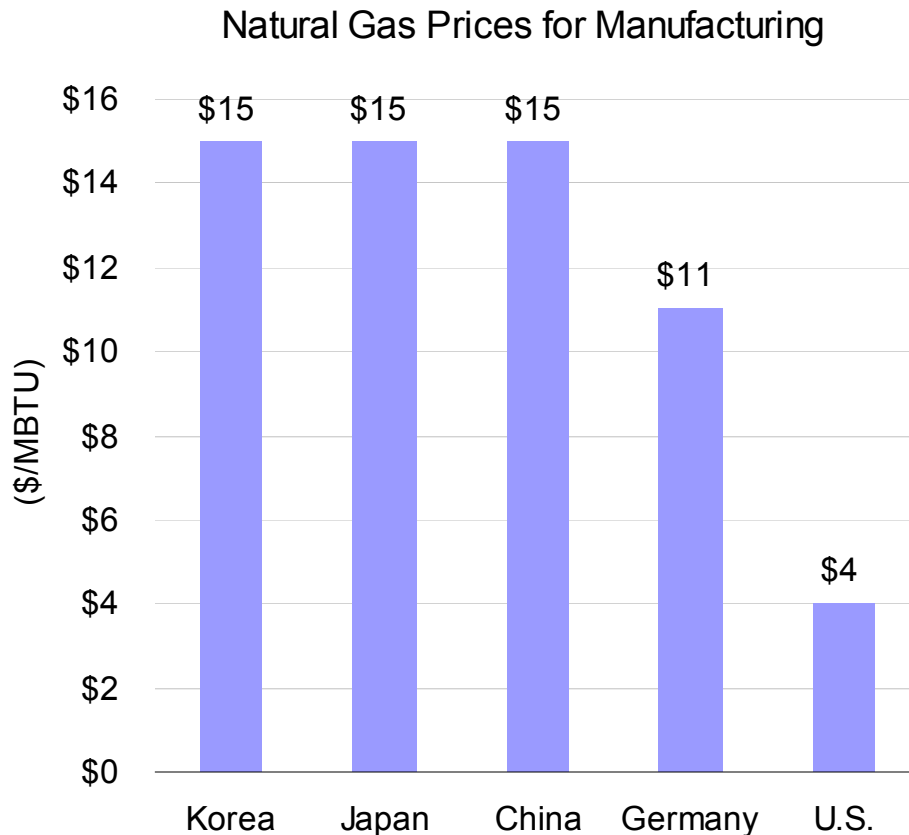
**Country Oil Production
As Pct Of World Oil Production
(IEA, 2012)**



Source: Strategas, International Energy Agency (left); Citi Research (right).

Driver #2 – Domestic Energy: U.S. becoming a low-cost production destination.

Low relative gas prices make the U.S. a very cost-competitive manufacturing location for industries that have a large energy input, such as chemicals, steel, paper and mining.

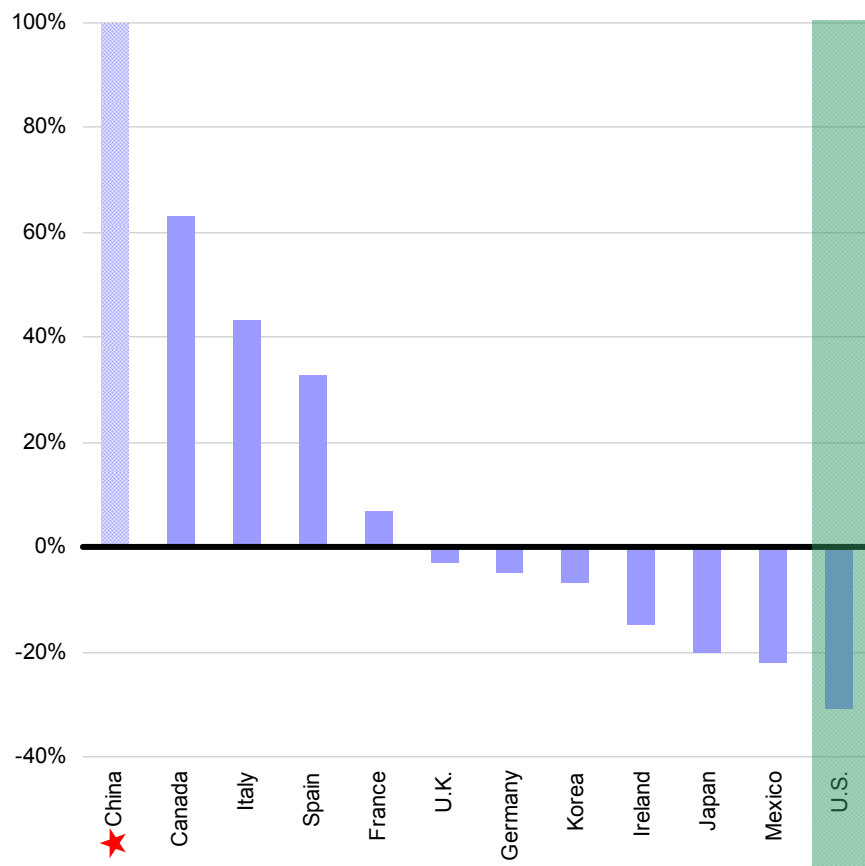


Source: Federal Energy Regulatory Commission; Bloomberg as of 09/05/13

- Exxon plans to build a chemical plant in Texas to take advantage of cheap natural gas prices.
- Huntsman will expand production in the U.S. due to low natural gas prices.
- Petrochemical makers, including Dow and Shell, are adding capacity because of low-cost energy.
- Methanex, a Canadian company, will relocate a plant from Chile to Louisiana due to low natural gas prices.
- Tire manufacturers Continental and Michelin are moving production from Europe to the U.S.

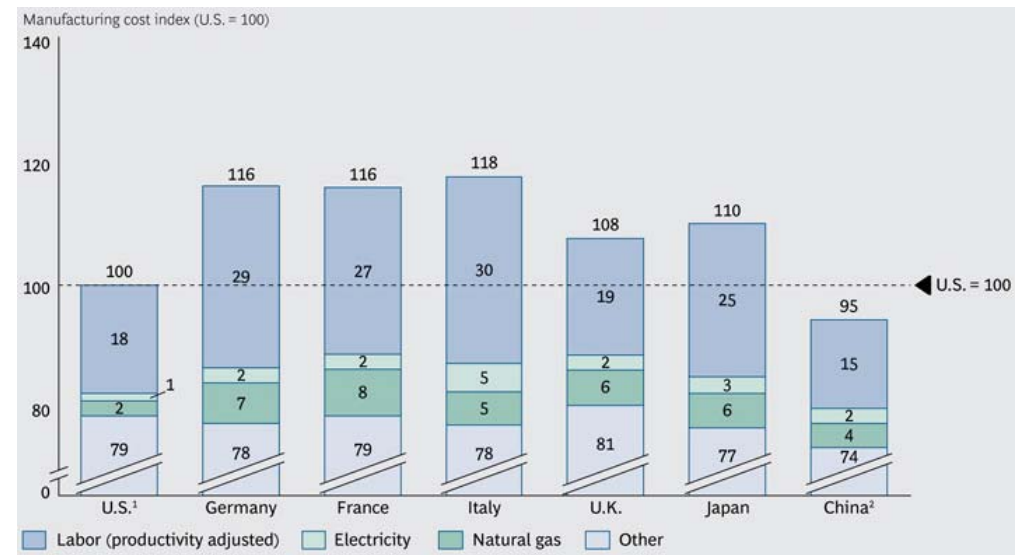
Driver #3 – U.S. Manufacturing: American labor costs competitive relative to both developed and emerging markets.

Change in Real Unit Labor Costs Since Q1 2002:



★ Official estimates for China not available, but understood to be significantly higher than Canada.

Average Projected Manufacturing Cost Structure:



Source: Organization for Economic Cooperation and Development (OECD), Bank for International Settlements, Haver Analytics, FAM (AART) through 12/31/12 (left); Boston Consulting Group (right).

Driver #3 – U.S. Manufacturing: Renaissance has already begun. Potential job growth over the next decade is 2-3 million.

Countless Examples Across Sectors:

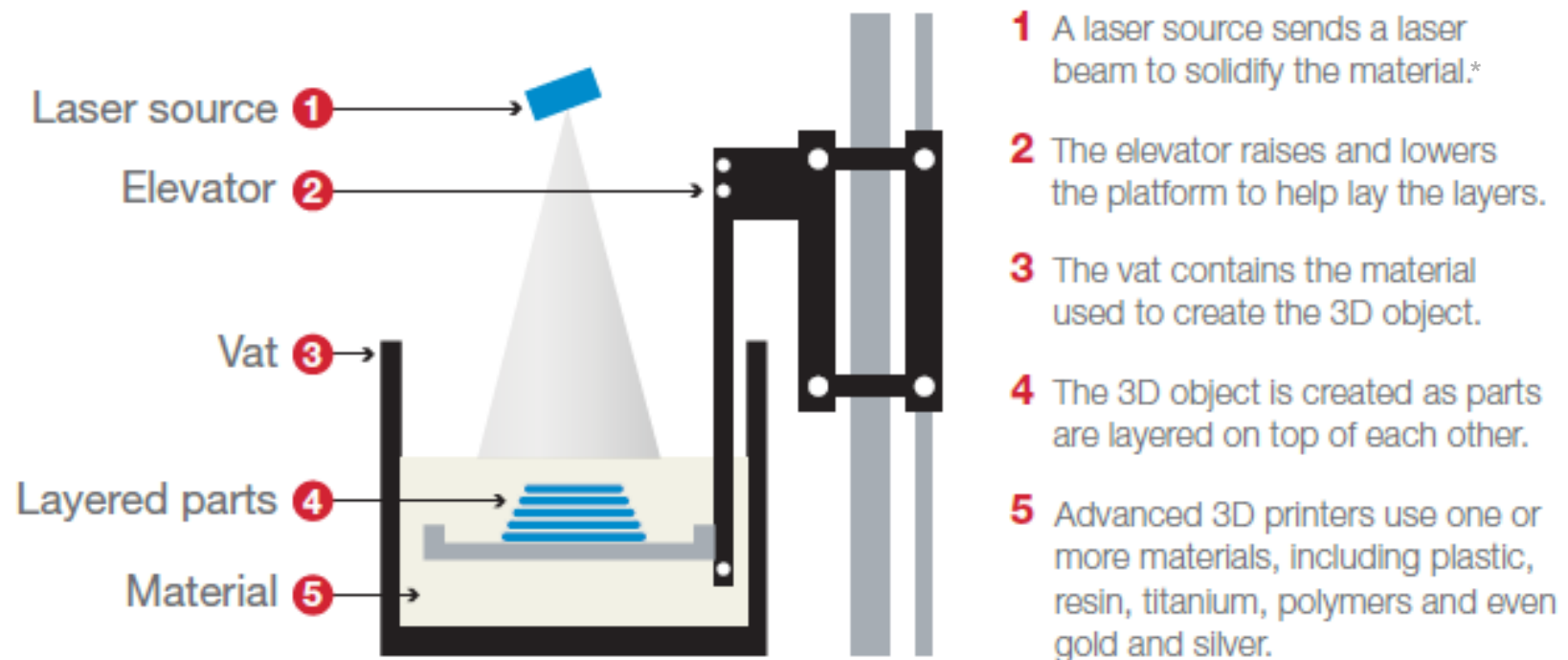
Company	Clip	Company	Clip
Airbus	Airbus will build a factory in AL assembling planes with non-union workers and using dollars.	Apple	Apple is investing more than \$100M to bring production for one Mac line from China back to the U.S.
Caterpillar	Caterpillar will build a factory in GA and expand a manufacturing facility in SC to create 80 jobs.	Lenovo	Lenovo will be adding 115 manufacturing jobs in Whitsett, NC.
Coleman	Coleman is moving its production of wheeled plastic coolers from China to Wichita, KS.	Ford	Ford reached a 4-year labor agreement in 2011 that added 12,000 new U.S. manufacturing jobs and added 1,200 additional workers at its Michigan plant in Sept. 2012.
Continental	Continental will be spending \$524 million and adding 1,200 jobs as it builds a new tire plant in the U.S.	NEC	Japanese electronics company NEC is shifting production of 5,000 laptops per month from Japan to Seattle.
Electrolux	Electrolux plans to close its Quebec plant and move to a new plant in Memphis to lower costs.	Toshiba	Toshiba shifted production of computers from Japan to its Irvine, CA plant, a move that will add 100 new workers.
Element Electronics	Element Electronics is moving production of flat panel TVs from China to Detroit.	NCR	NCR hired 500 workers in Columbus, GA to build ATMs NS self-service checkout systems and plans to add another 370 jobs by 2014.
GE	GE is creating three new manufacturing and R&D facilities and will hire up to 650 in the U.S., and announced it will bring back 800 jobs from Mexico to KY.	ONEOK	ONEOK is in the process of building a \$1.5 billion Bakken crude express pipeline.
Honda	Honda's choice to build its "supercar" in OH highlights confidence in the U.S.	Rioglass Solar	Rioglass solar is spending \$100 million to build a solar reflector plant in Arizona.
Jacobs	Jacobs awarded a \$1B contract for pipe manufacturing in Texas.	Mitsubishi Electric	Mitsubishi is building a plant near Memphis that will employ 275 new workers.
Marinetek	Marinetek, a Finnish company, opened its North American headquarters in Florida and will create manufacturing jobs.	Samsung	Samsung is investing \$3.6 billion on expansions to its Texas factory.
Maserati	Maserati will manufacture a car in Michigan.	Dow Chemical	Dow is spending \$4 billion to build an ethylene plant in Texas.
Master Lock	Master Lock is moving production from China to Milwaukee.	Shell	Shell is building a multibillion-dollar petrochemical refinery outside of Pittsburgh.
Michelin	Michelin will invest \$950M and expand its Earthmover tire plant in SC, which will create 800 new jobs.	U.S. Steel	U.S. Steel is spending \$95 million to expand its tubing plant in Ohio.
Nissan	Nissan will increase production in Americas from 70% of vehicles sold in the region to 85%.	BMW	BMW is investing \$900 million to expand its SC manufacturing facility.
Otis Elevator	Otis Elevator is moving production from Mexico to SC.	Google	Google's new wireless home media player is being manufactured in the U.S.
Siemens	Siemens closed its plant in Ontario, moving production to an existing plant in NC in part due to lower labor costs.	Norfolk Southern	Norfolk Southern expects to add 275 jobs with the \$160M expansion of an Ohio rail yard.
Stanley Furniture	Stanley Furniture shifted its crib manufacturing back to the U.S. from China.	Rolls-Royce	Rolls-Royce will build a manufacturing facility in Indianapolis to produce aircraft engines.
Starbucks	Starbucks taps U.S. factory, not China, for its coffee mugs.	Volkswagen	VW hiring 800 U.S. workers at its TN plant to meet demand for its Passat model, which will be \$8,000 less than the current \$28,000 model made in Germany.
Toyota	Toyota to move production of its Highlander SUV to Indiana for export.	Whirlpool	Whirlpool brought back production of KitchenAid mixers to the U.S. from China.

Source: ISI, Capital Group, FFAS Capital Markets Strategy Group. Job growth estimate source: Boston Consulting Group.

Driver #4 – 3D Printing: How does it work?

HOW 3D PRINTING WORKS

3D printers work like inkjet printers. Instead of ink, 3D printers deposit the desired material in successive layers to create a physical object from a digital file.



*Typical materials include plastic, metal, gypsum, ceramic, and glass powders. Source: T. Rowe Price.

Driver #4 – 3D Printing: What are the applications?

- Auto and Aerospace:

- Boeing uses 3D printing to create 200 parts across 10 aircraft platforms.
- GM uses 3D printing to produce 20,000 parts per year for use in testing, production, and molds.



- Medicine and Dentistry:

- More than one million 3D-printed hearing aid pieces sold in 2011.
- Dental appliance maker Invisalign produces 50,000 appliances/ day using 3D printing.
- The first commercial 3D bioprinter was developed in 2009 and is capable of printing simpler tissues such as skin and blood vessels. Bioprinting involves the creation of replacement tissue and organs printed layer-by-layer into a 3D structure.

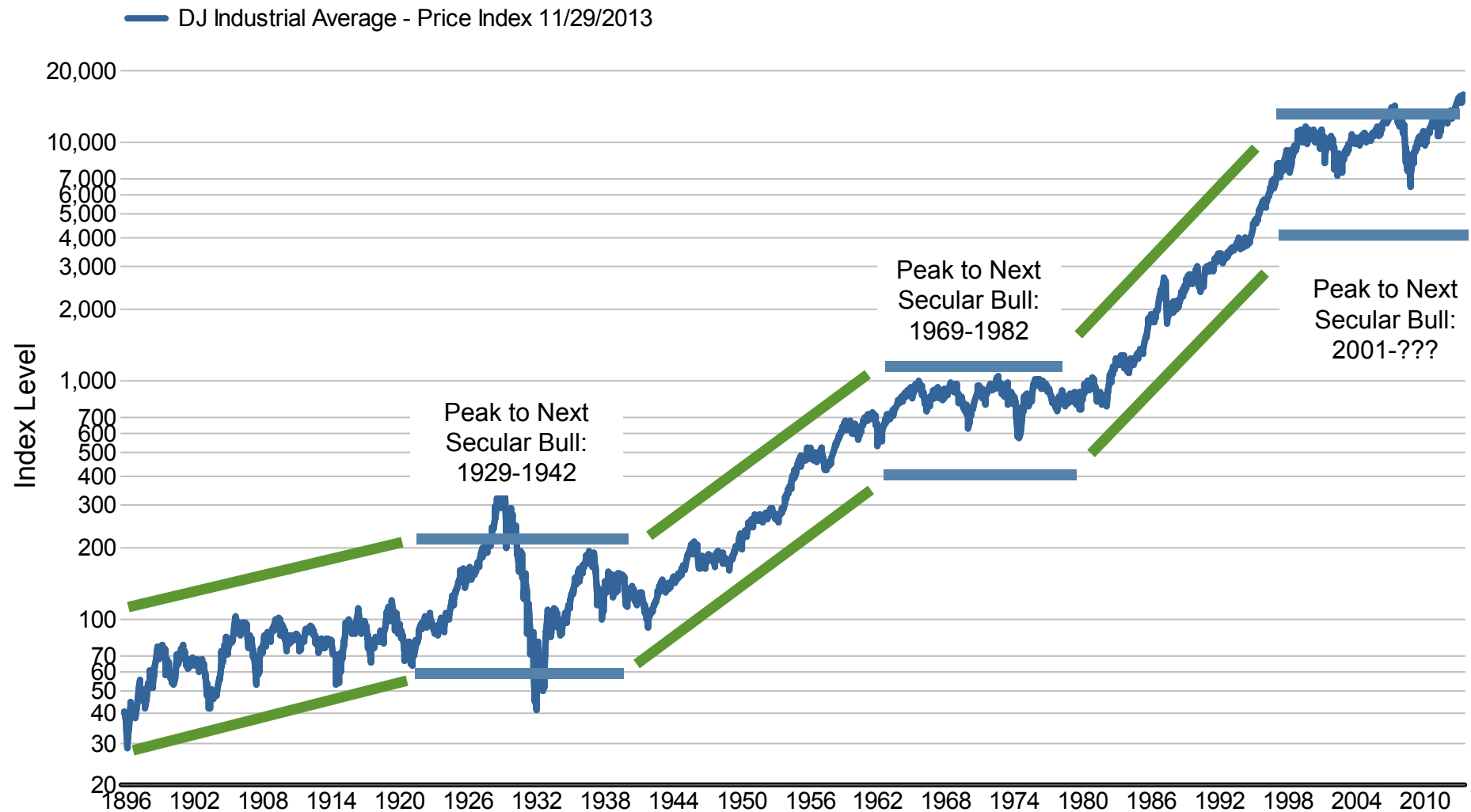


- Personal and Consumer Products:

- Prices for basic 3D printers have fallen from over \$30,000 several years ago to under \$1,000 today.
- Staples is rolling out a 3D printing service in Holland and Belgium that allows customers to upload a 3D design and pick up the finished product at their local store.

Source: McKinsey Global Institute; T. Rowe Price.

It now appears that we are exiting the secular bear phase and entering into a new secular bull market.



Source: FactSet. Past performance is no guarantee of future results.

Contents:

2) U.S. Economy / Business Cycle

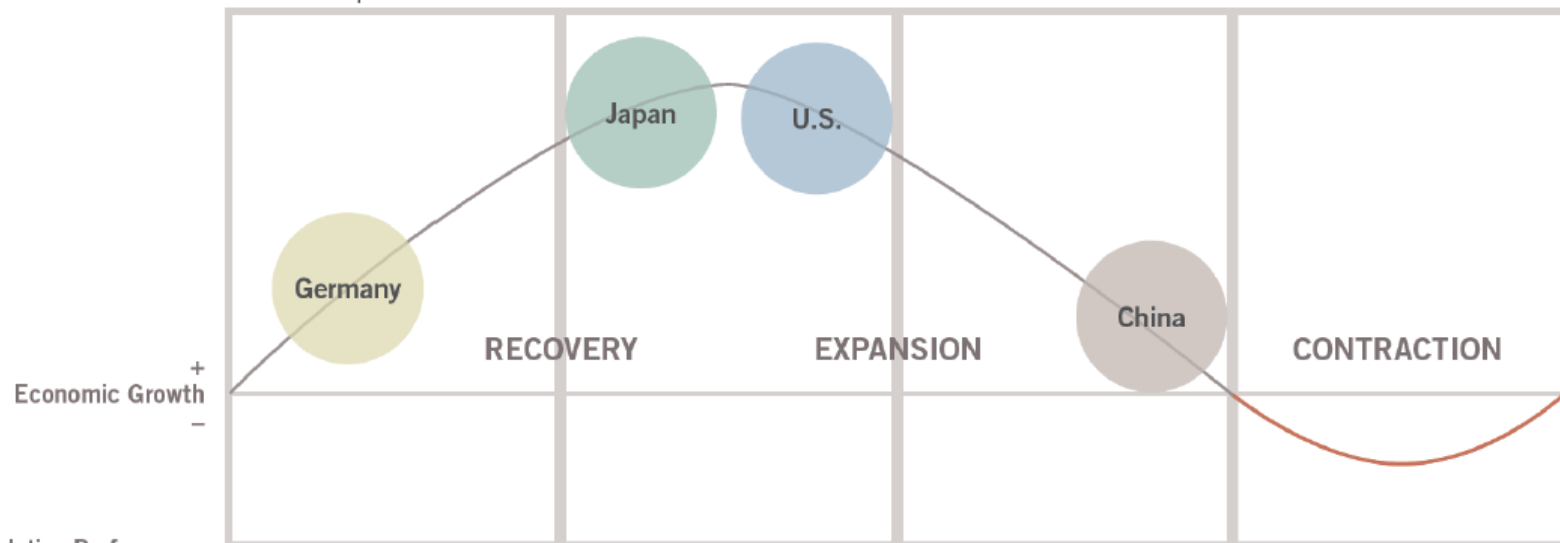
Business Cycle Snapshot:

Inflationary Pressures
Red = High



EARLY	MID	LATE	RECESSION
-------	-----	------	-----------

- | | | | |
|---|---|--|---|
| <ul style="list-style-type: none"> • Activity rebounds (GDP, IP, employment, incomes) • Credit begins to grow • Profits grow rapidly • Policy still stimulative • Inventories low; sales improve | <ul style="list-style-type: none"> • Growth peaking • Credit growth strong • Profit growth peaks • Policy neutral • Inventories, sales grow; equilibrium reached | <ul style="list-style-type: none"> • Growth moderating • Credit tightens • Earnings under pressure • Policy contractionary • Inventories grow; sales growth falls | <ul style="list-style-type: none"> • Falling activity • Credit dries up • Profits decline • Policy eases • Inventories, sales fall |
|---|---|--|---|

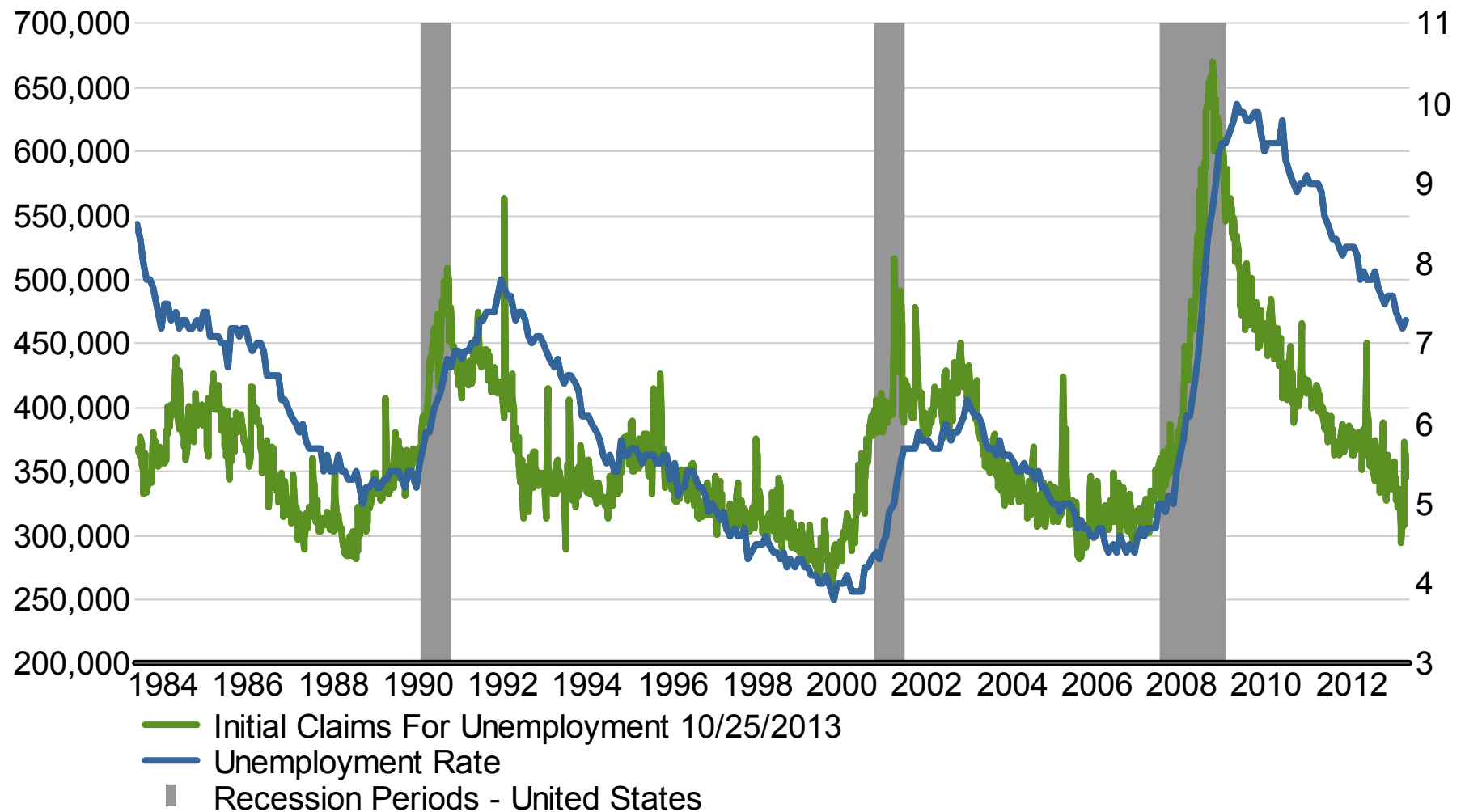


Relative Performance
of Economically
Sensitive Assets
Green = Strong



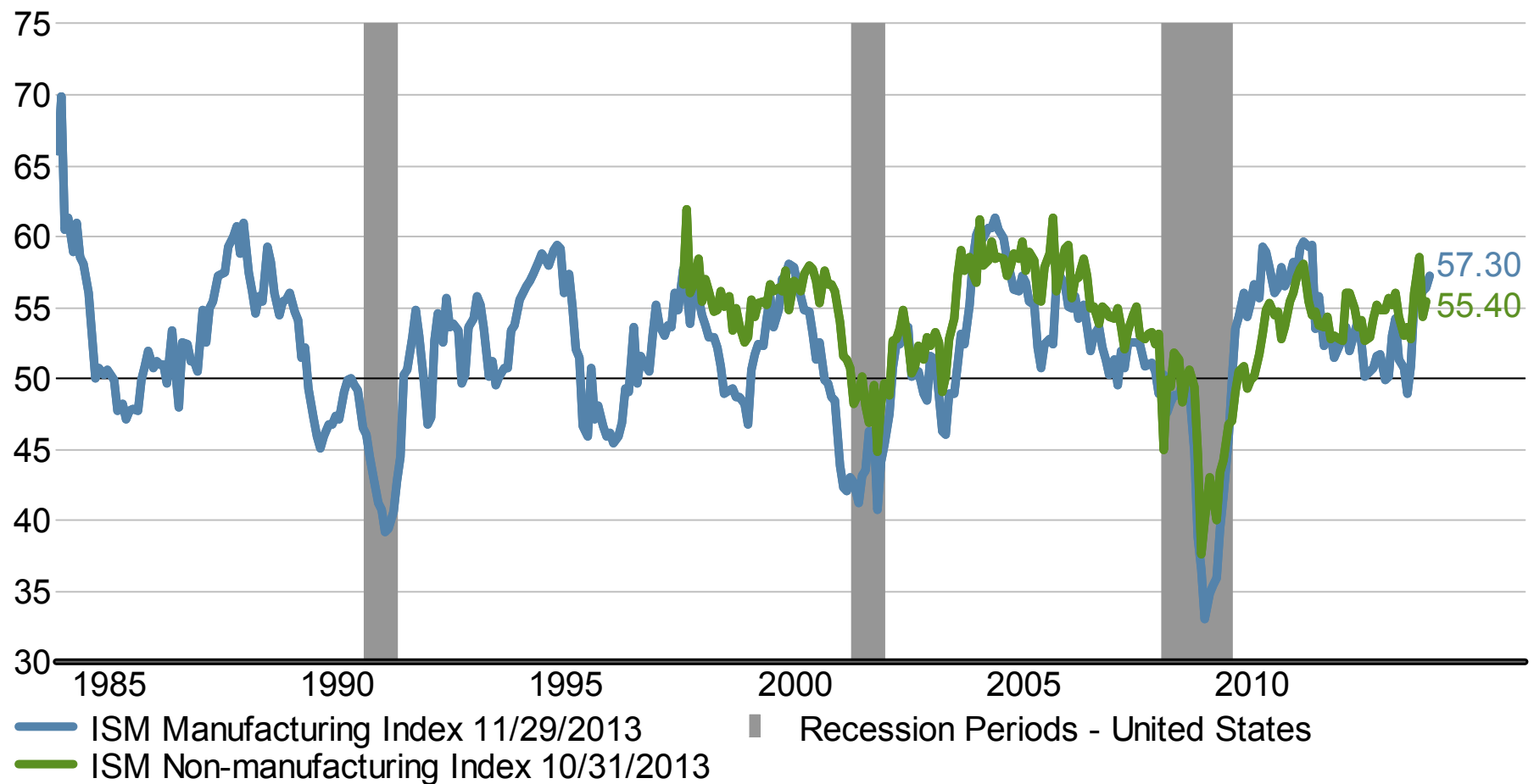
Source: Fidelity Investments (AART) through 09/30/2013.

U.S. Initial Claims pointing to further labor market improvement.



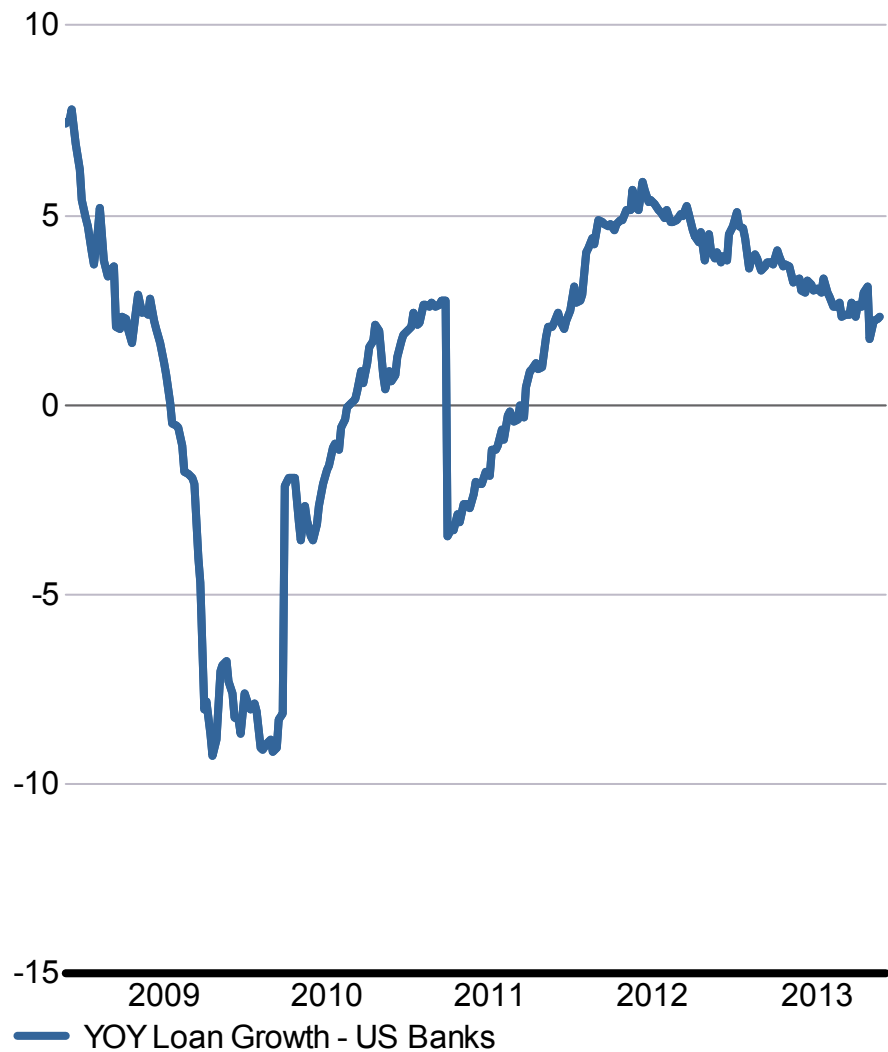
Source: FactSet

U.S. Manufacturing and Non-Manufacturing PMIs in expansionary territory.

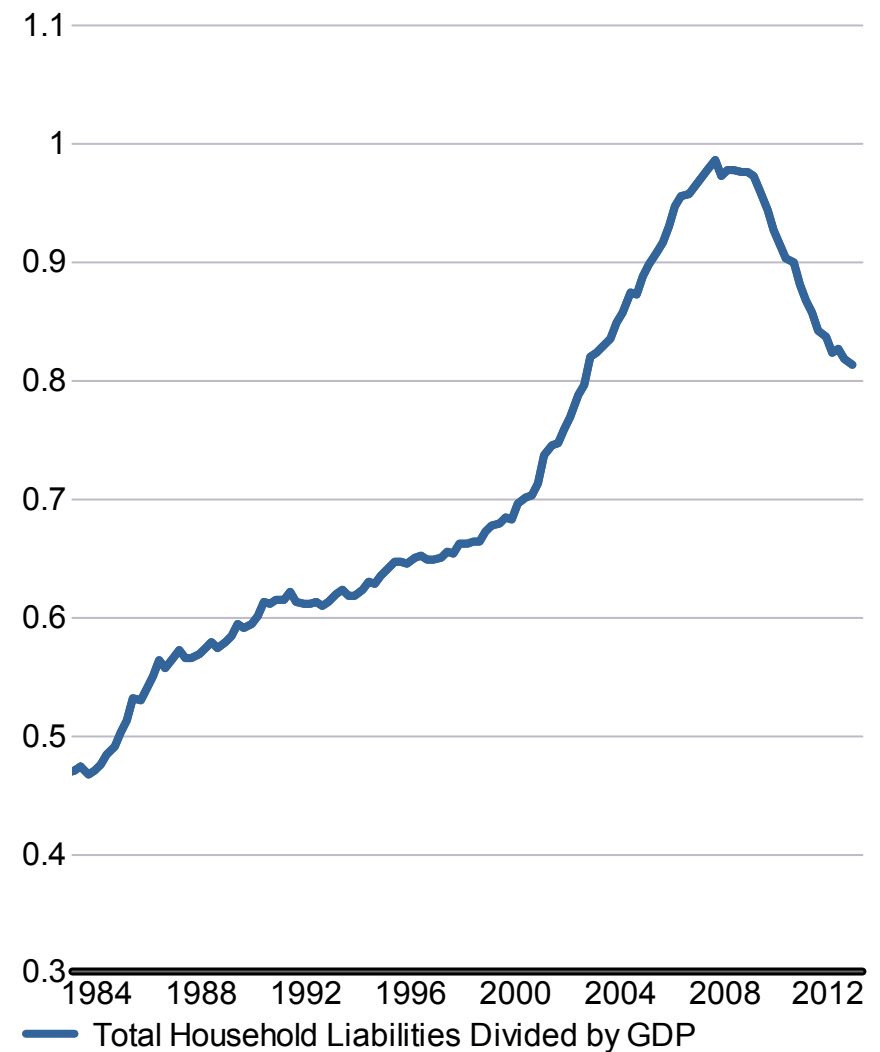


Source: FactSet

Bank lending increasing as consumers have made significant progress in deleveraging.

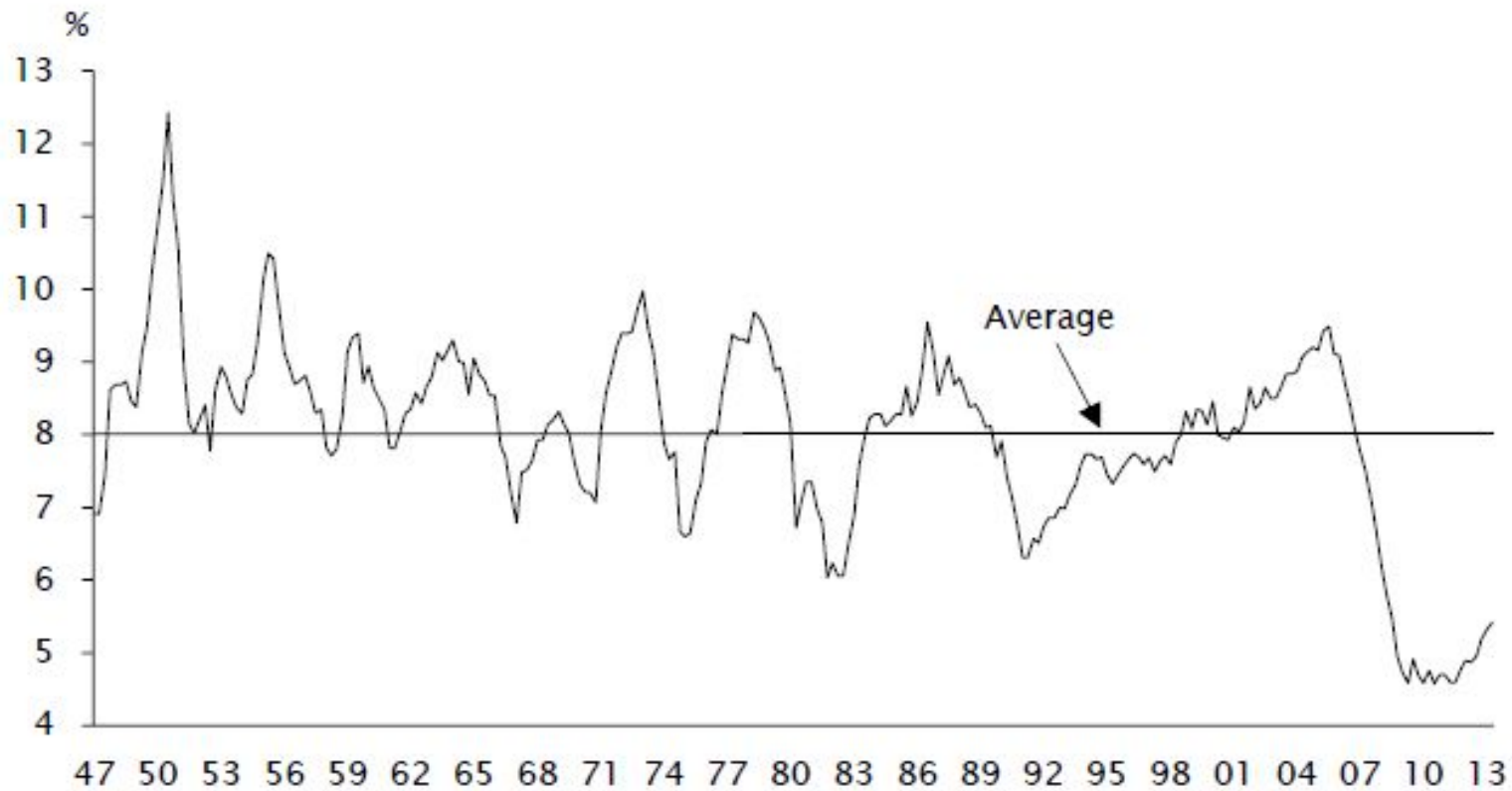


Source: FactSet



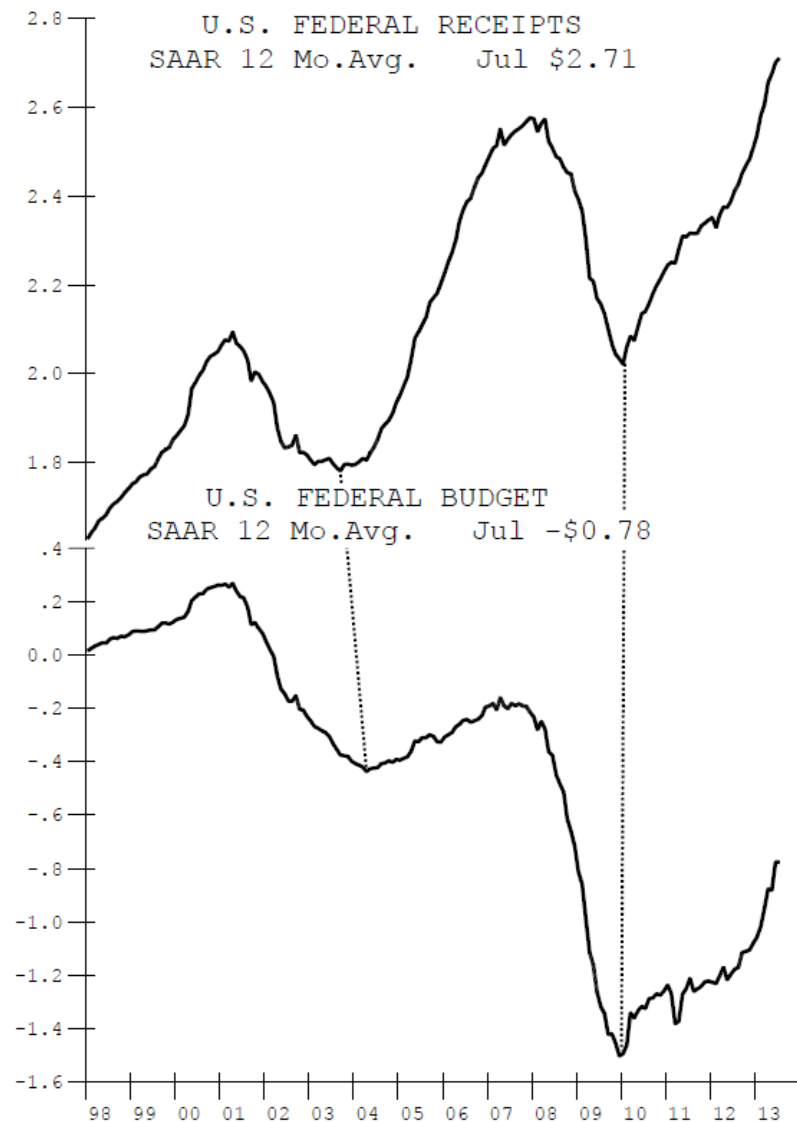
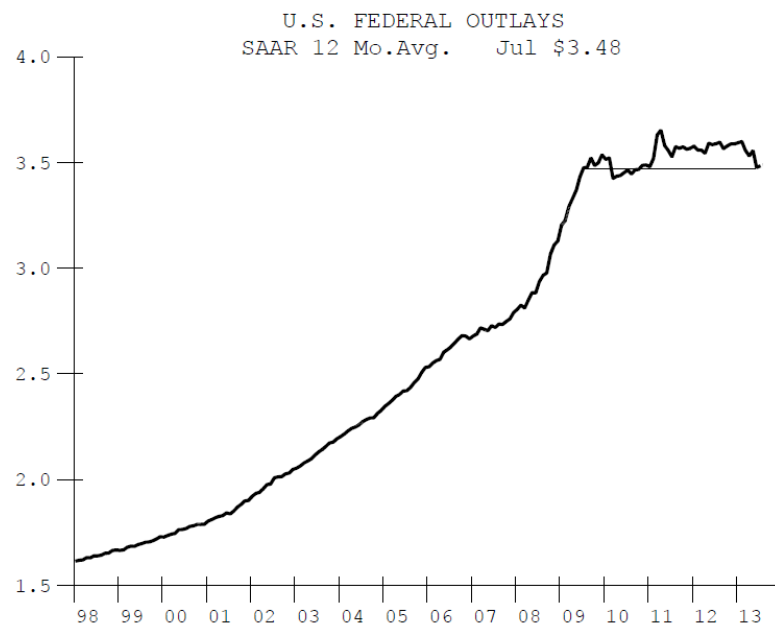
Plenty of room to run in terms of cyclical bounce-back within key sectors.

The U.S.
Expenditures on Housing and Autos
as a Share of GDP
1947 Through Q2 2013E



Source: Empirical Research Partners

U.S. fiscal picture greatly improved as a result of cyclical recovery.



Source: ISI

Contents:

3) Equities

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The securities of smaller, less well-known companies can be more volatile than those of larger companies.

Economic backdrop supportive of primary uptrend in equities.



Source: FactSet

Corporate earnings continue to grow, albeit at a slow pace.



Source: FactSet

Rule of 20 points to additional gains.



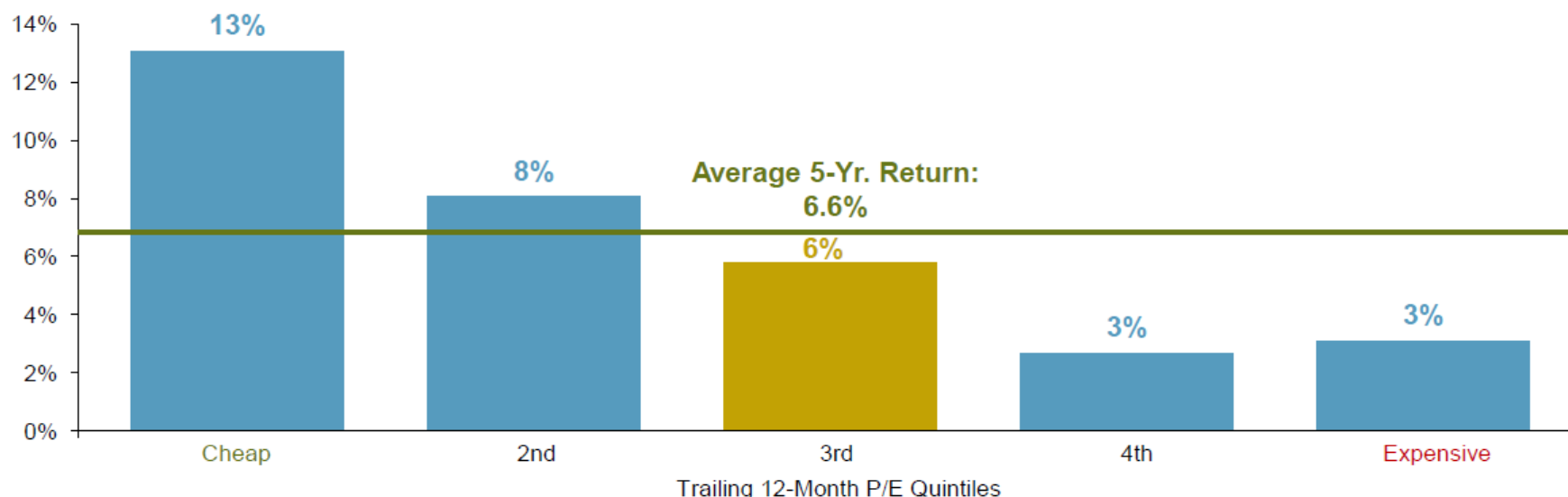
Source: FactSet

Historically, buying at similar valuation levels has resulted in attractive forward returns.

Forward Real Return by Price-to-Earnings Quintile, 1926–2013

■ Current Quintile (Q2 2013 P/E = 16)

Forward Five-Year Annualized Real Total Return



5-Yr. Real Returns by Cyclically Adjusted P/E Quintile				
1st	2nd	3rd	4th	5th
15%	7%	7%	6%	0%

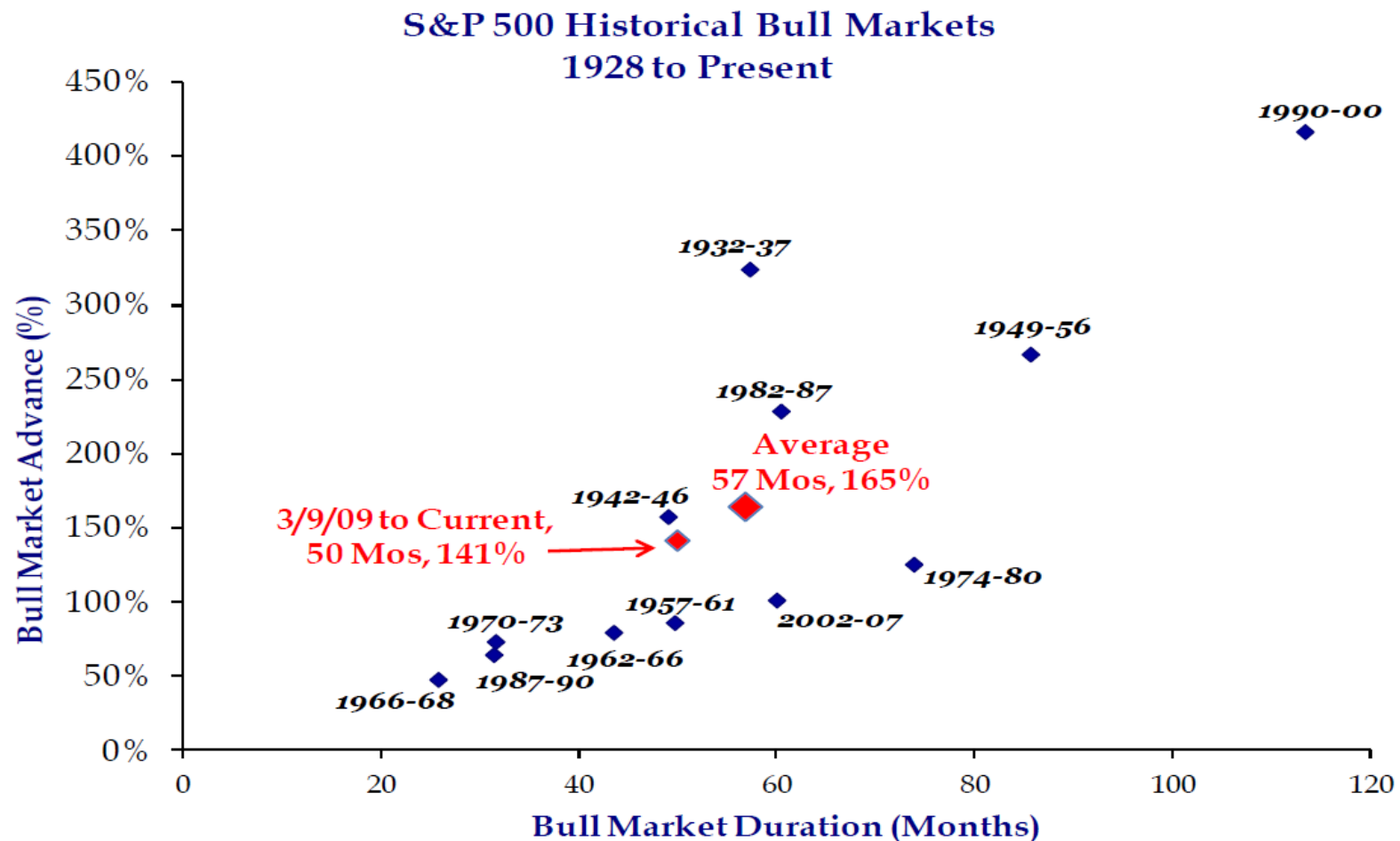
P/E = Price-to-earnings ratio. Real returns are nominal returns adjusted by inflation rate (Consumer Price Index). Cyclically adjusted figures use trailing five year earnings. Stocks represented by total returns of the S&P 500 Index including reinvestment of dividends and interest income. Past performance is no guarantee of future results. You can not invest directly in an index.

Bars represent the average forward five-year annualized real total return of the S&P 500 based on P/E ratio quintile. When P/E ratios are high relative to historical measures, equity valuations are “expensive,” and when P/E ratios are low, equity valuations are “cheap.”

Source: Standard & Poors, Robert Shiller, Fidelity Investments (AART) through 6/30/2013.

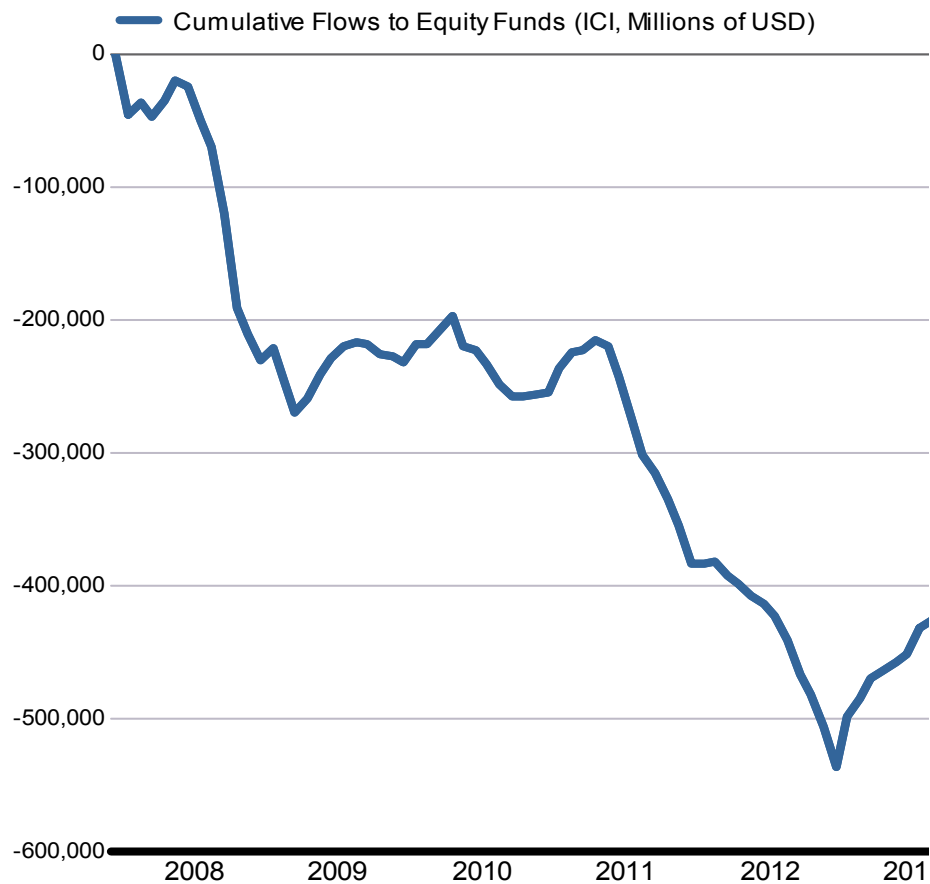
Is it too late to get in?

The current S&P 500 rally is well below average in terms of both duration and magnitude, suggesting that investors haven't necessarily missed out on the bull run.

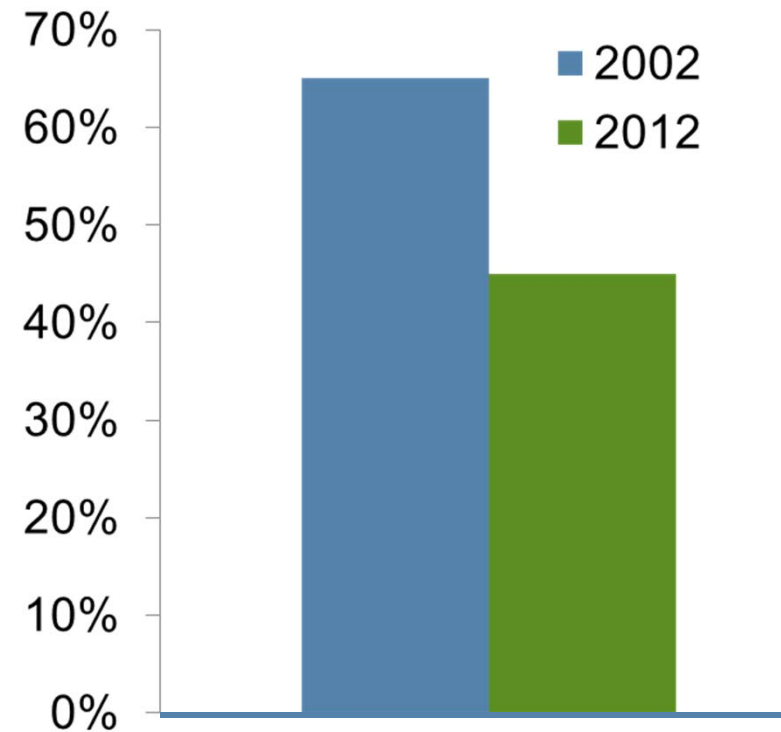


Source: Strategas. Past performance is no guarantee of future results.

Fund flows provide an additional tailwind for a rotation back into equities.



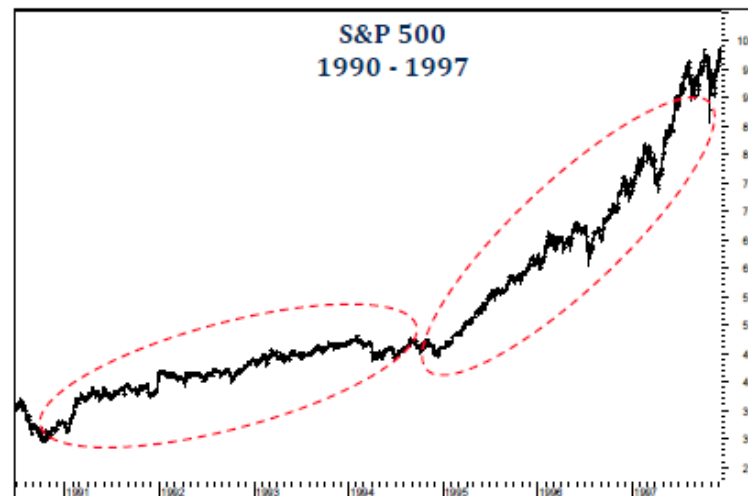
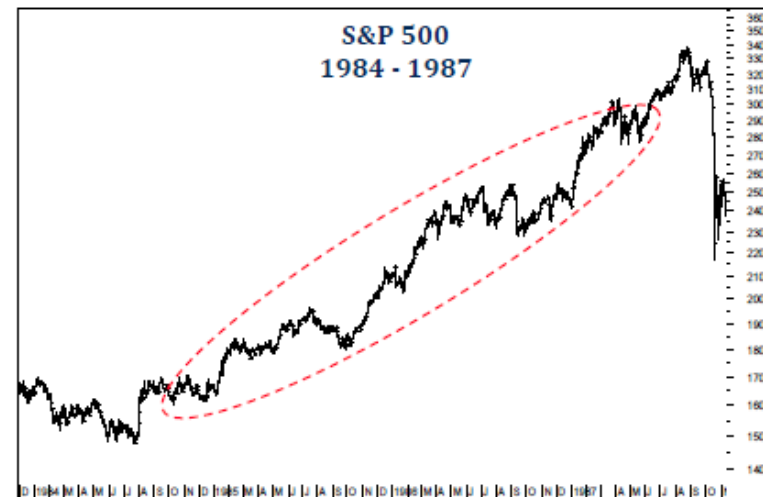
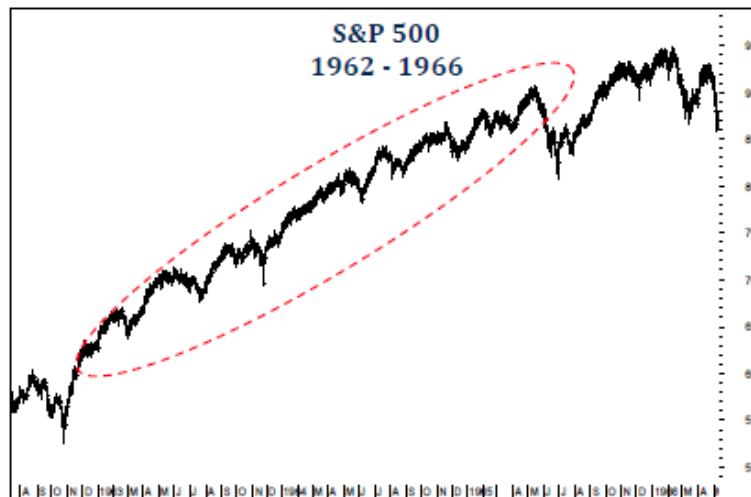
Average Equity Allocation of Financial Advisors*



*Bloomberg Sell Side Strategist Survey. Source: FactSet; ICI (left); Bloomberg (right).

A rotation back into stocks could also limit the frequency and magnitude of corrections. Historically, this would not be unprecedented.

TIME PERIODS WITHOUT A 10% CORRECTION



Source: Strategas. Past performance is no guarantee of future results.











What parts of the style map?

	Value	Blend	Growth
Large-Cap	99%* Beta: 1.08	92%* Beta: 1.01	83%* Beta: 0.93
Mid-Cap	109%* Beta: 1.22	105%* Beta: 1.18	87%* Beta: 1.14
Small-Cap	111%* Beta: 1.11	106%* Beta: 1.09	97%* Beta: 1.07

*Figures represent the current PE as a percent of the 20-year average PE. Source: FactSet, Strategas. Betas are 5-year trailing relative to the S&P 500.

What sectors?

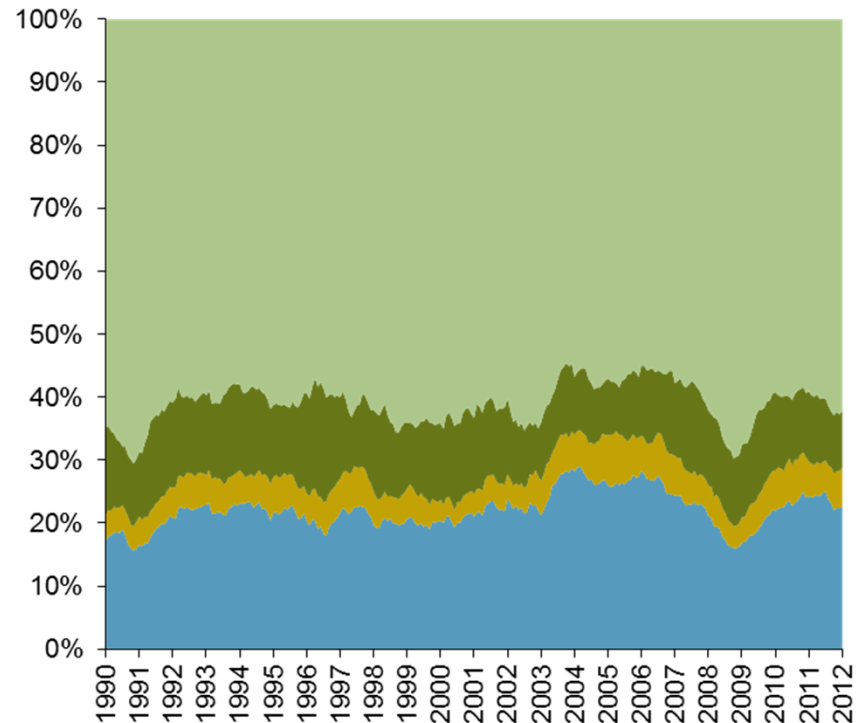
Business Cycle Approach to Sectors

Sector	Early	Mid	Late	Recession
 Financials	+			
 Consumer Discretionary	+		-	-
 Technology	+	+	-	-
 Industrials	+	+		-
 Materials	+	-	+	
 Consumer Staples			+	+
 Health Care			+	+
 Energy	-		+	
 Telecom	-			+
 Utilities	-	-	+	+

Average Source of Return for Stocks in Russell 3000

■ Sector ■ Market Cap ■ Style ■ Company

Rolling 12-Month Anova Analysis



Past performance is no guarantee of future results. Sectors as defined by GICS. LEFT: Green portions suggest historical pattern of outperformance, red portions suggest underperformance, and unshaded portions indicate no clear pattern of out- or underperformance vs. broader market, which is represented by top 3,000 U.S. stocks by market capitalization. Analysis includes performance for 1962–2010. Source: *The Business Cycle Approach to Sector Investing*, Fidelity Investments (AART) as of May 2012. RIGHT: Anova = analysis of variation. Source: FactSet, Fidelity Investments (AART) as of 12/31/12.



“Bull markets are born on pessimism, grown on skepticism, mature on optimism and die on euphoria.”

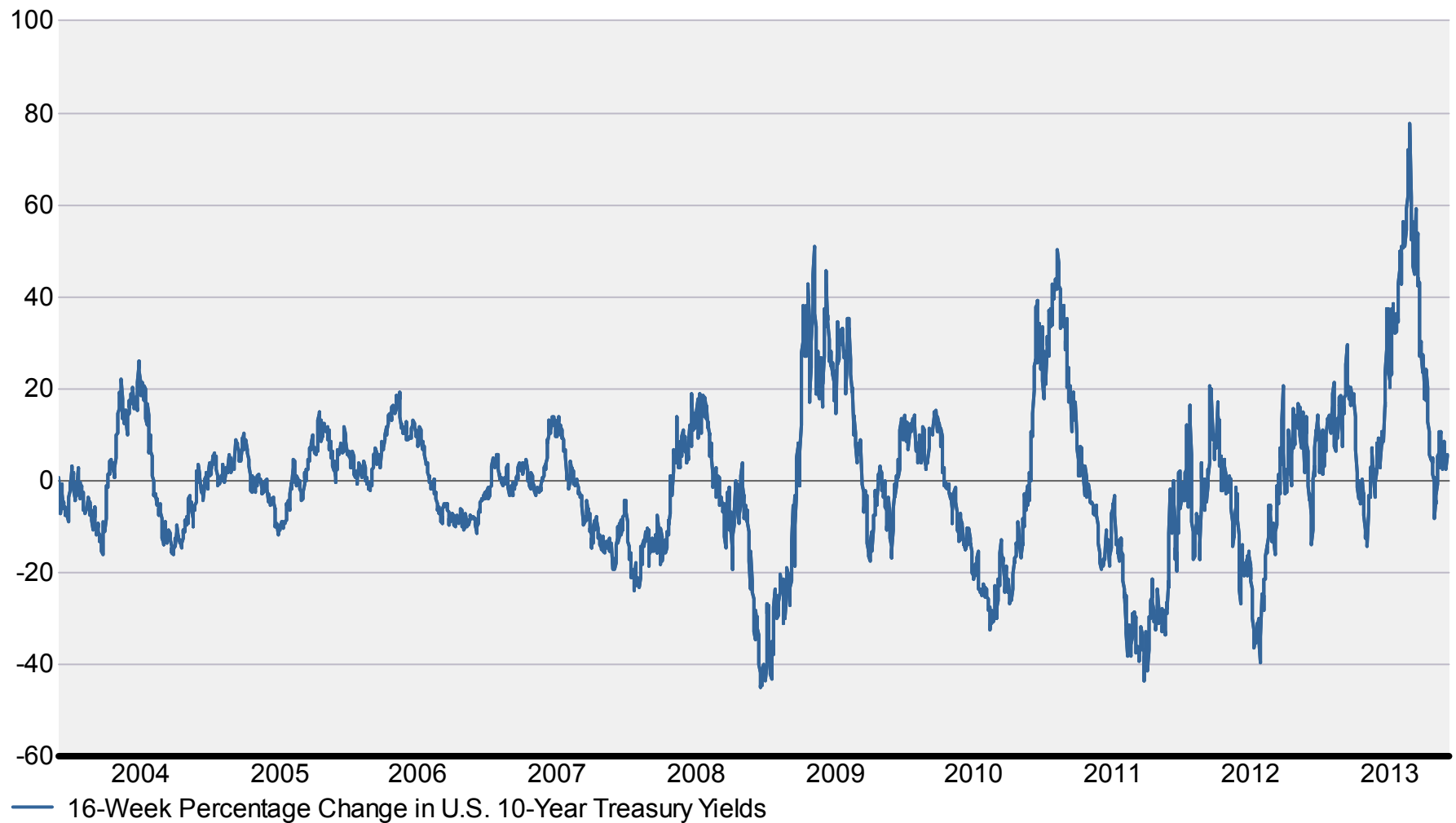
-Sir John Templeton

Contents:

4) Fixed Income

In general the bond market is volatile, and fixed-income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed-income securities also carry inflation, credit, and default risks for both issuers and counterparties. (Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible.)

Historically speaking, the recent interest rate backup appeared overdone and has self-corrected.



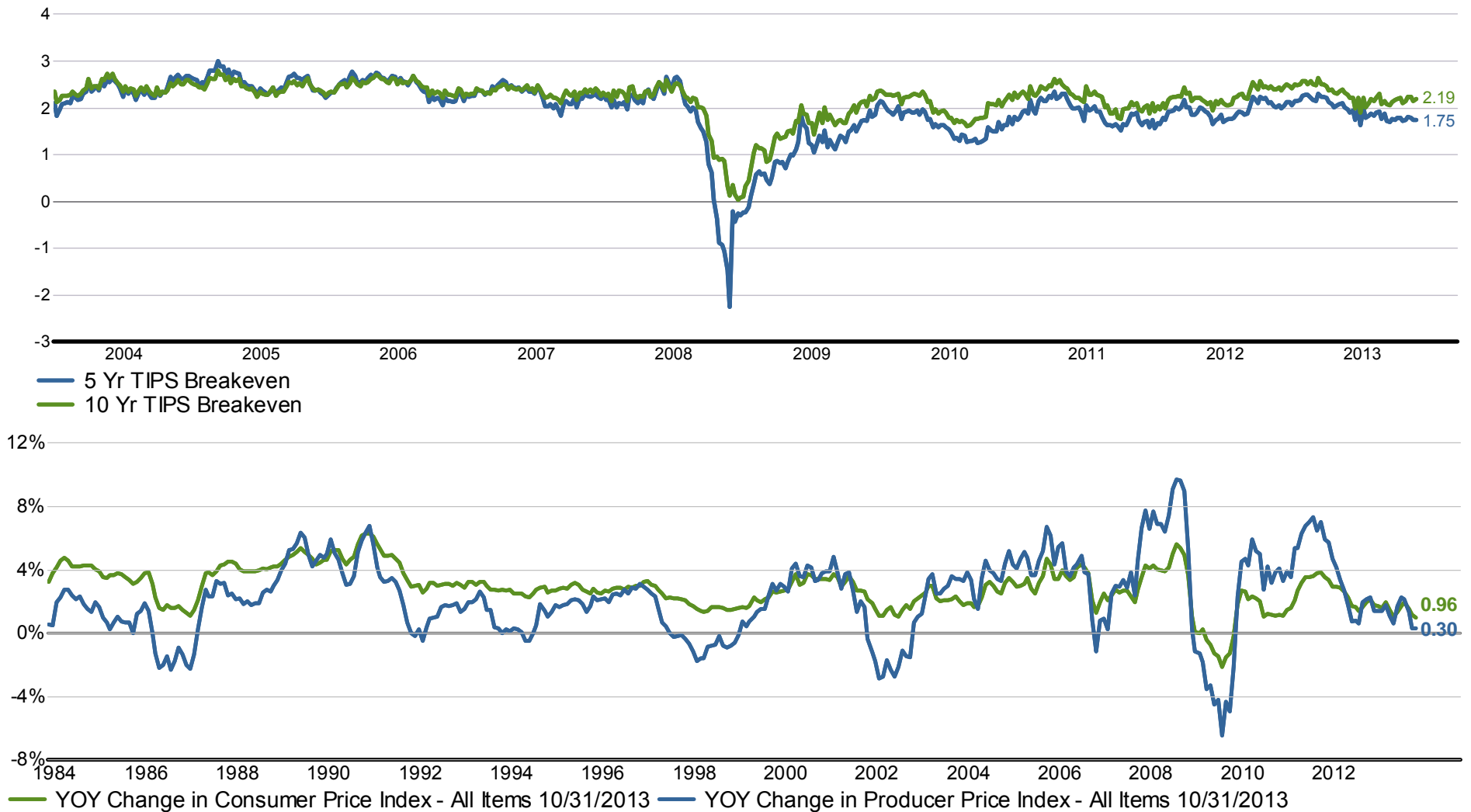
Source: FactSet

Bull market looks to be over, but bear market appears yet to begin.



Source: FactSet

There is no inflation to speak of

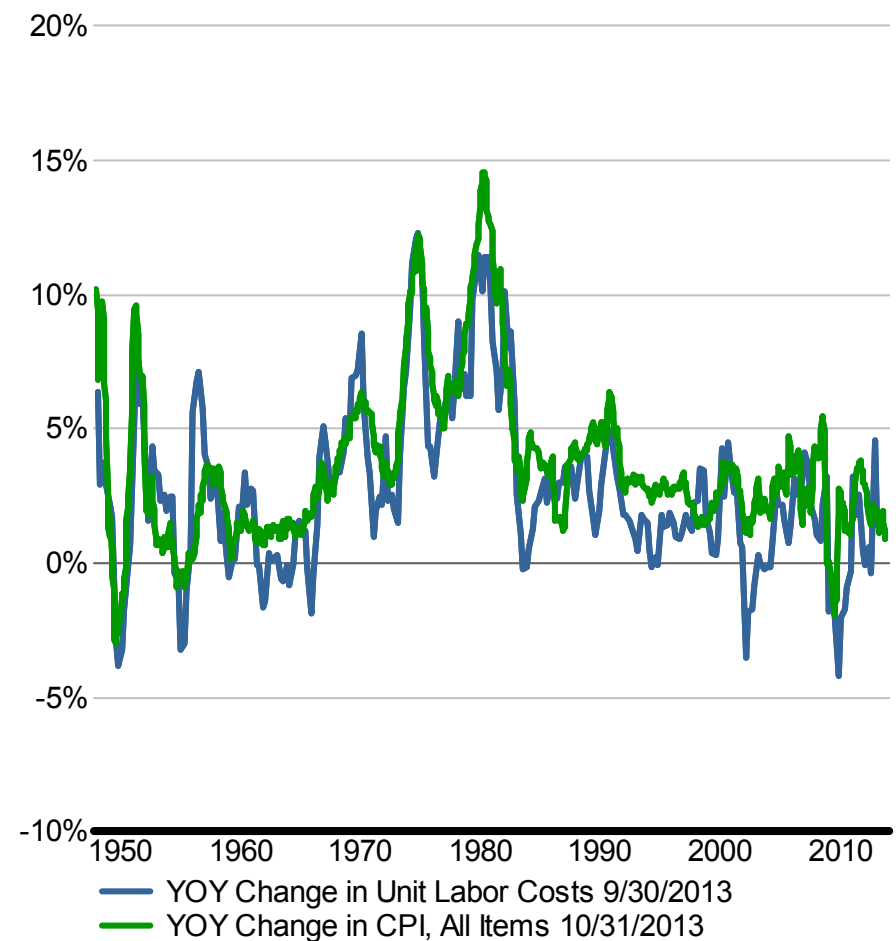


Source: FactSet

Wage

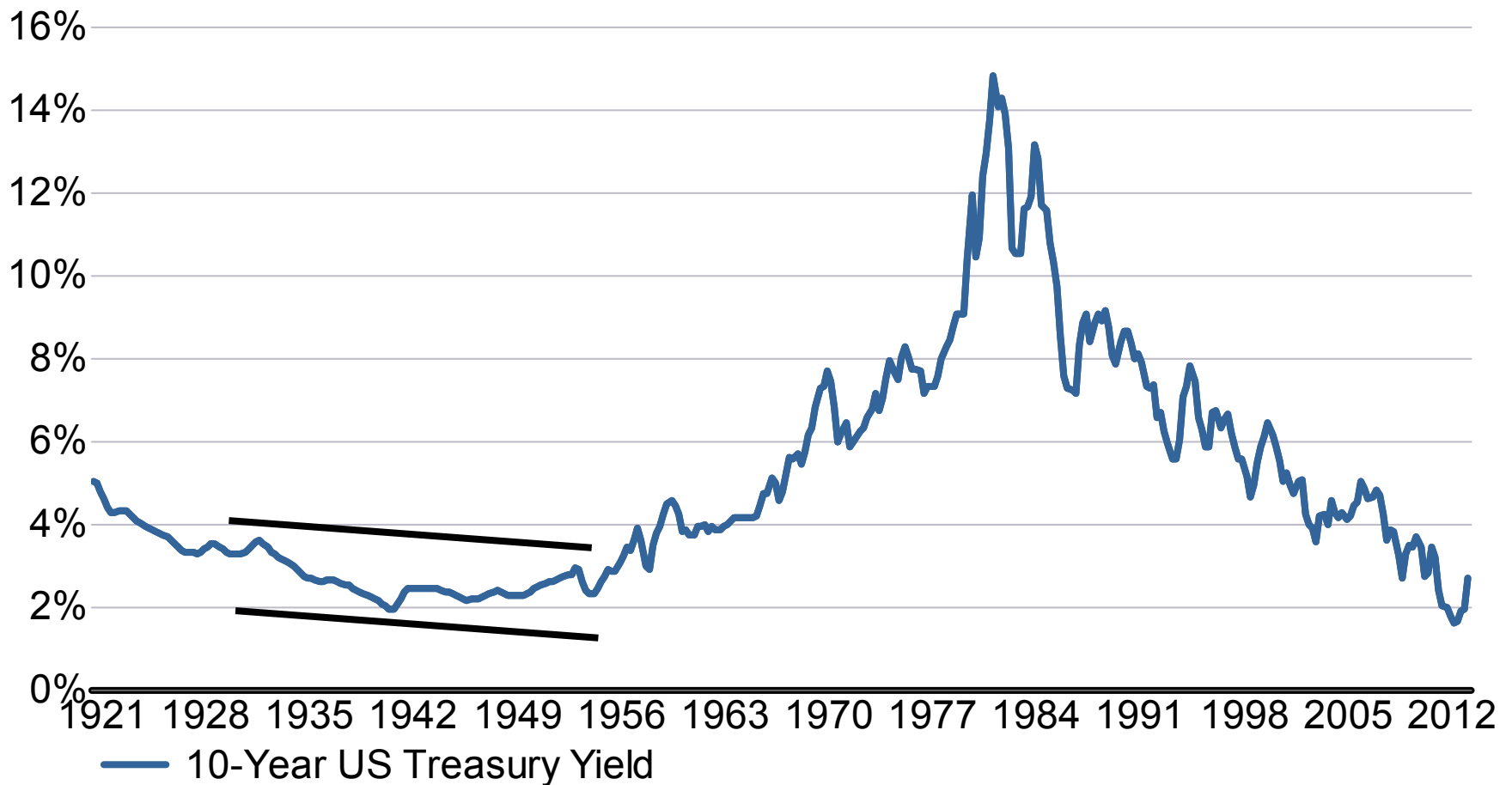


Source: FactSet



Continued low rates would not at all be unprecedented.

Interest rates stayed very low for almost 20 years after the start of the Great Depression.



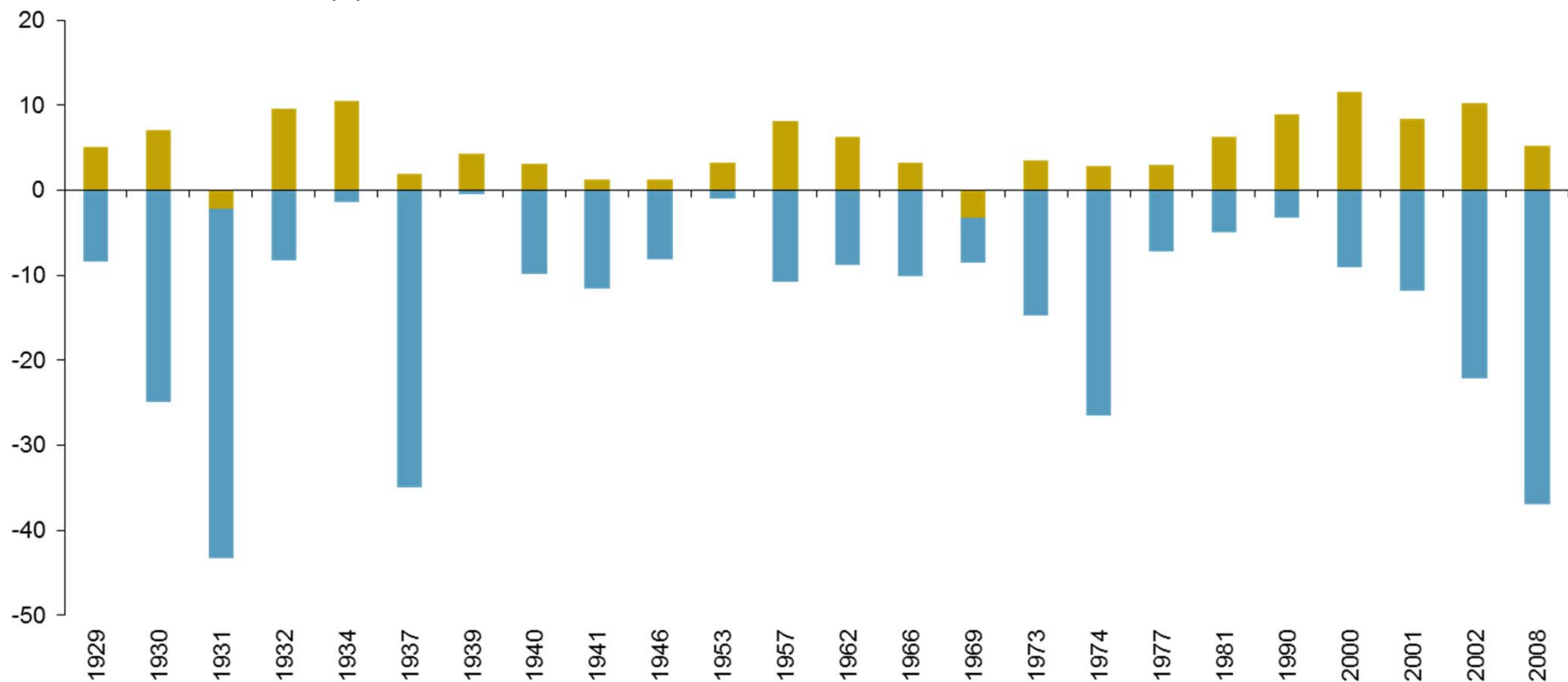
Source: FactSet; Robert Shiller – Yale University.

Why own Treasuries at all?

Bond Returns in Years Stocks Were Down, 1926-2012

■ S&P 500 ■ Investment-Grade Bonds

Calendar Year Total Return (%)



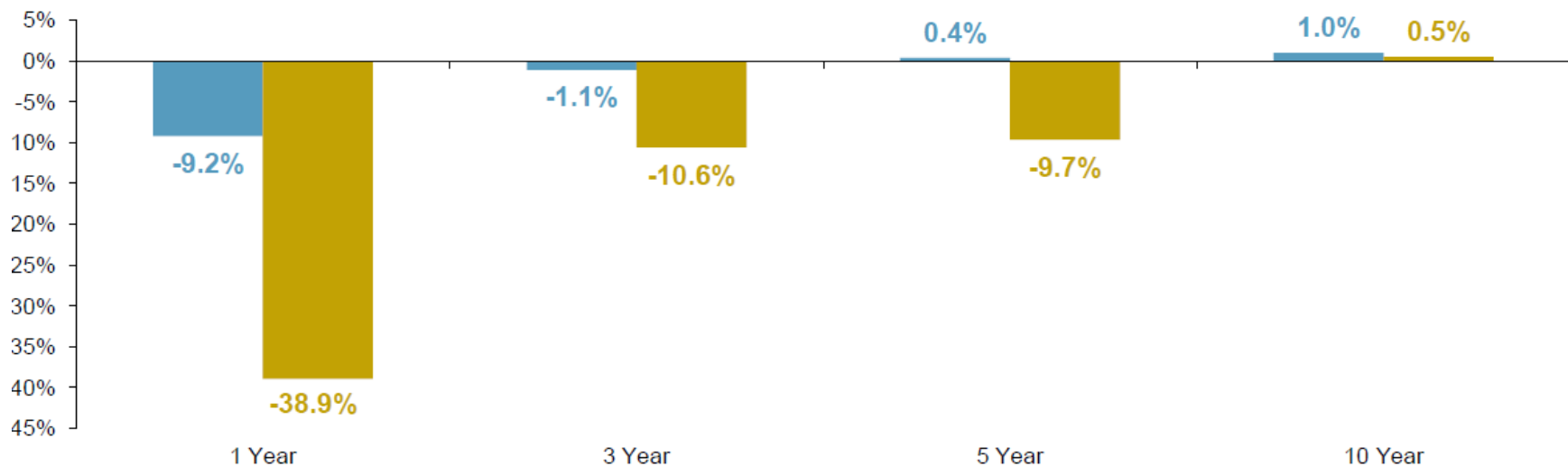
Bond returns are represented by the performance of the Barclays Aggregate Bond Index from January 1976 through December 2012 and by a composite of the IA SBBI Intermediate-Term Government Bond Index (67%) and the IA SBBI Long-Term Corporate Bond Index (33%) from January 1926 through December 1975. Stock returns are represented by the performance of the S&P 500 Index. Past performance is no guarantee of future results. It is not possible to invest directly in an index. Index performance is not meant to represent that of any Fidelity mutual fund. Diversification does not ensure a profit or guarantee against a loss. Source: Morningstar EnCorr, Fidelity Investments (AART) as of 6/30/13.

The cost of portfolio diversification:

Worst Total Returns over Various Holding Periods, 1941–1981

■ Investment-Grade Bonds ■ Stocks

Annualized Total Return



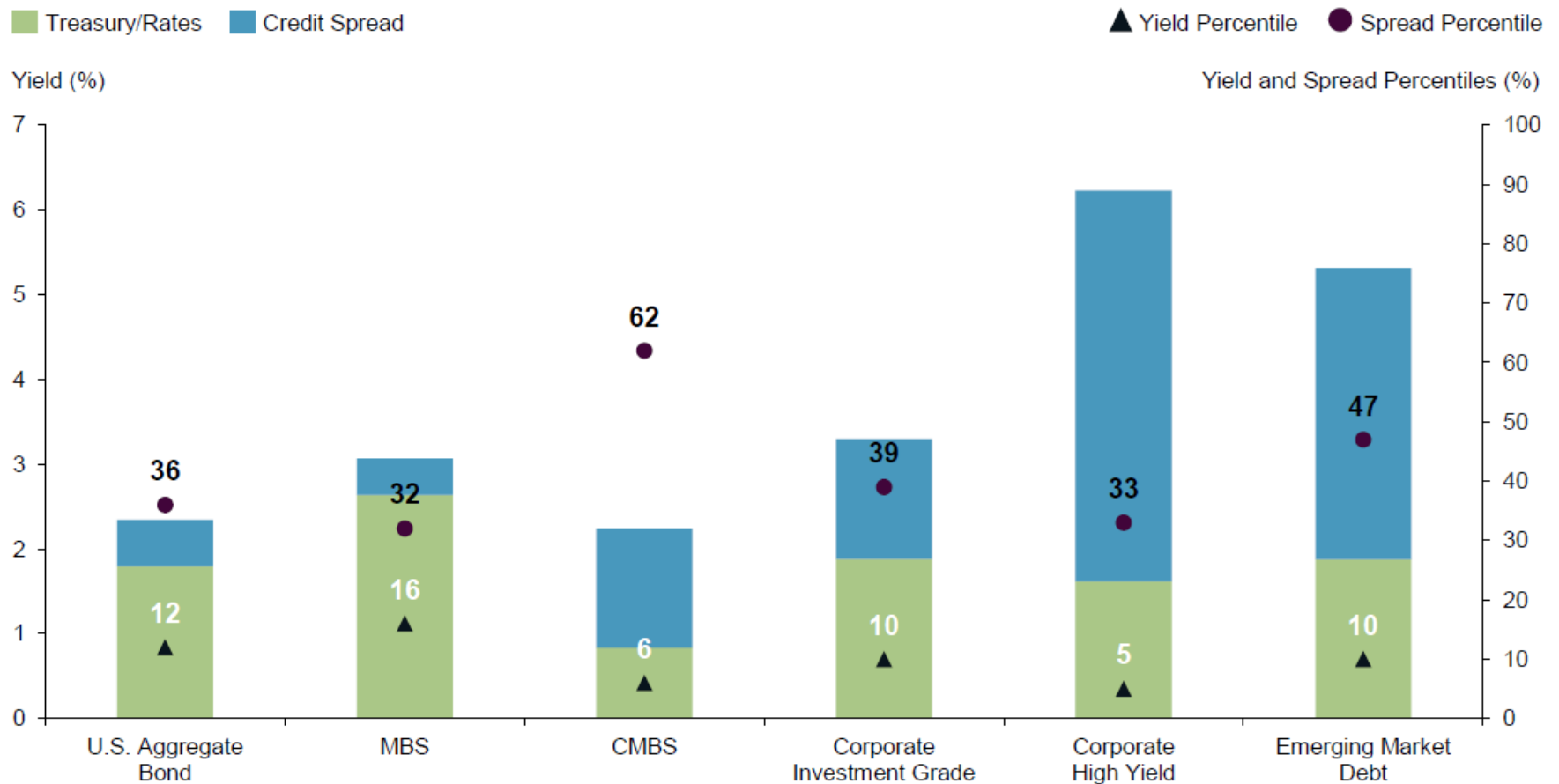
Period of Rising Rates	
10-Year Treasury Yield	
1941	2%
1981	16%

Percentage of Holding Periods with Negative Returns				
	1 Year	3 Year	5 Year	10 Year
Bonds	18%	3%	0%	0%
Stocks	25%	8%	5%	0%

Source: Morningstar EnCorr, Fidelity Investments (AART) through 06/30/2013. Past performance is no guarantee of future results.

Value in the spread sectors:

Fixed Income Yields and Spreads



Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Percentile ranks of yields and spreads are based on historical period from 2000 to 2013. MBS = Mortgage-Backed Securities; CMBS = Commercial Mortgage-Backed Securities. All categories are represented by respective Barclays bond indices. Please see appendix for important index information. Source: Barclays, Fidelity Investments (AART) as of 9/30/13.

Opportunity in municipals?



Average Cumulative Default Rates, 1970-2011			
Moody's Municipal Rating	1 Yr After Issuance	5 Yrs After Issuance	10 Yrs After Issuance
Aaa	0.00%	0.00%	0.00%
Aa	0.00%	0.01%	0.01%
A	0.00%	0.02%	0.04%
Baa	0.01%	0.14%	0.37%
Ba	0.28%	2.29%	3.92%
B	3.21%	15.20%	21.85%
Caa_C	9.17%	17.58%	23.68%
Investment-Grade	0.00%	0.03%	0.08%
Speculative-Grade	1.33%	5.35%	7.94%
All Rated	0.01%	0.07%	0.13%

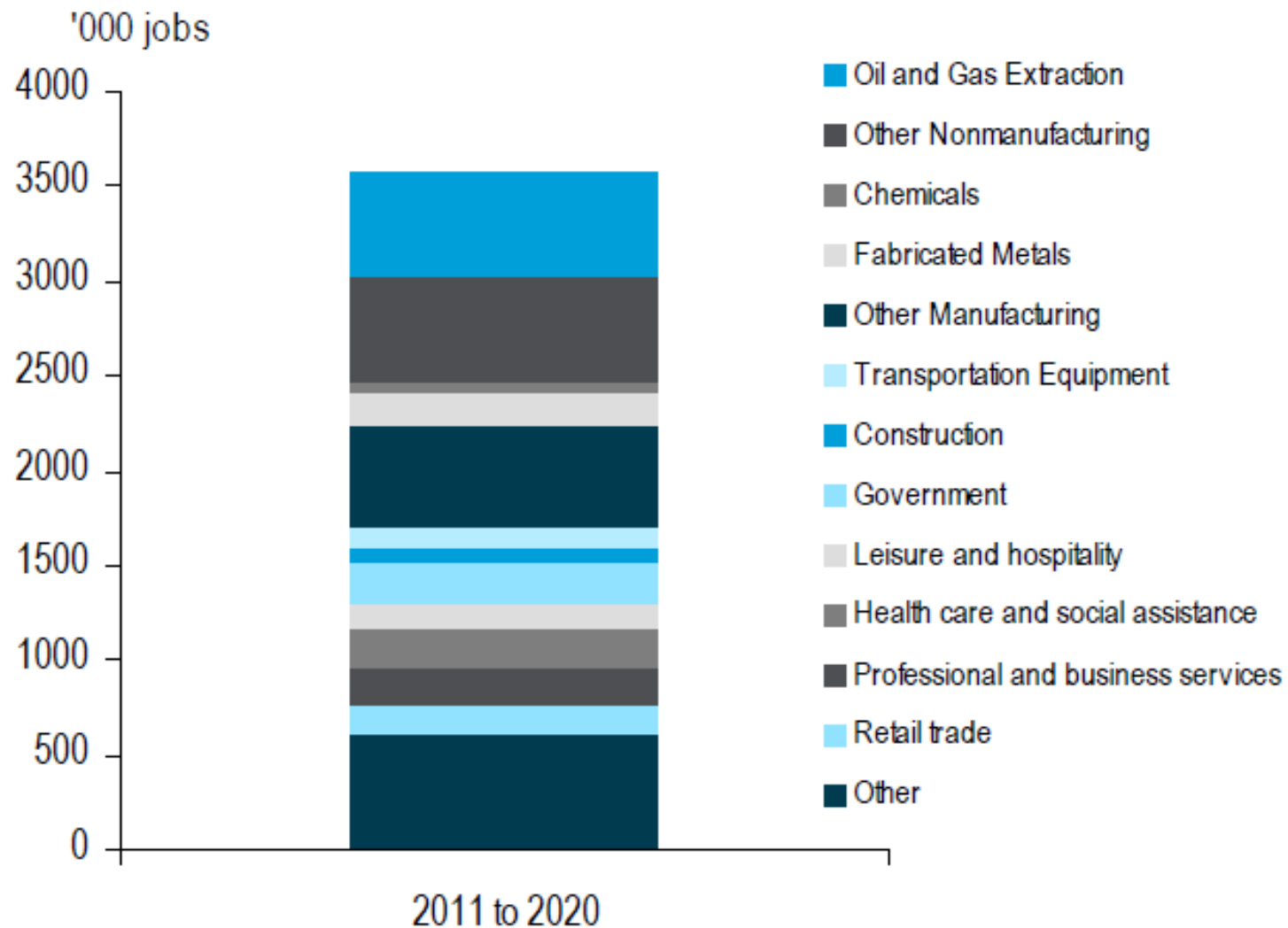
Average Cumulative Default Rates, 1970-2011			
Moody's Global Corporates Rating	1 Yr After Issuance	5 Yrs After Issuance	10 Yrs After Issuance
Aaa	0.00%	0.10%	0.48%
Aa	0.02%	0.35%	0.86%
A	0.06%	0.80%	2.22%
Baa	0.18%	1.89%	4.71%
Ba	1.12%	10.15%	19.54%
B	4.25%	25.27%	43.00%
Caa_C	17.32%	51.97%	70.24%
Investment-Grade	0.09%	1.02%	2.61%
Speculative-Grade	4.56%	21.34%	33.69%
All Rated	1.61%	7.26%	11.17%

Source: FactSet (top); Moody's, Strategas (bottom).

Contents:

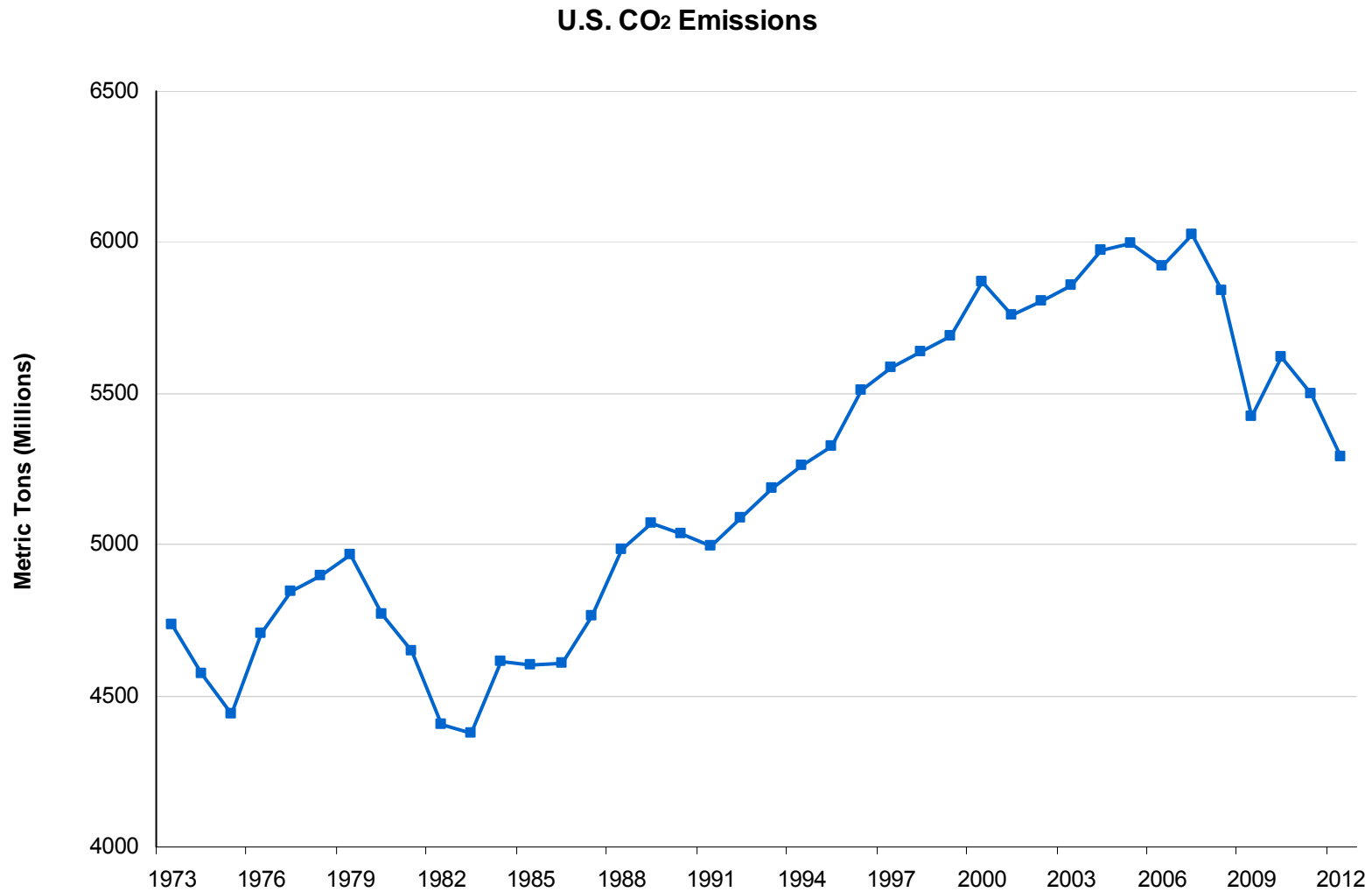
- Appendix

Estimated impact of domestic energy on U.S. employment is approximately 3.6 million new jobs.



Source: EIA, Citigroup Research

Domestic energy: the untold environmental story.



Source: U.S. Energy Information Administration

Fourteen out of fifteen valuation metrics suggest that the market is cheap-to-fairly valued.

S&P 500 Valuation Metrics as of 10/31/2013

	Current	Average	Median	Min	Max	% Above (below) average	History
Trailing PE	16.0	16.0	16.5	6.7	30.5	0%	1960-present
Forward Consensus PE	14.1	16.4	15.2	10.5	25.1	-14%	1996-present
Trailing Normalized PE	17.1	19.1	18.3	9.2	33.9	-11%	9/1987-present
Shiller PE	23.9	16.5	15.9	4.8	44.2	45%	1881-present
P/BV	2.5	2.9	2.7	1.7	5.9	-12%	1986-present
EV/EBTIDA	9.4	9.9	9.6	6.3	15.0	-5%	1986-present
Trailing PEG	1.4	1.5	1.5	1.1	2.4	-8%	2001-present
Forward PEG	1.2	1.3	1.3	1.0	1.8	-5%	2001-present
P/OCF	10.6	10.4	9.8	5.5	19.7	2%	1986-present
P/FCF	20.7	28.7	24.4	12.9	65.9	-28%	1986-present
EV/Sales	1.8	2.2	2.2	1.2	3.5	-19%	1986-present
ERP (Market-Based)	684	439	392	136	880	56%*	11/1980-present
Normalized ERP	480	264	243	-96	947	82%*	1987-present
S&P 500 in WTI terms	15.8	22.4	20.5	2.7	109.0	-29%	1960-present
S&P 500 in Gold terms	1.2	1.5	1.0	0.2	5.5	-18%	1975-present

*ERP above average implies equities are attractively valued relative to bonds

Note: Trailing PE based on GAAP EPS from 1960-1977, Operating EPS from 1978-1996 and Pro forma EPS from 1996-present. Market-based ERP based on DDM-implied return for S&P 500 less AAA corp bond yield. Normalized ERP based on normalized EPS yield less normalized real risk-free rate. Normalized EPS is based on a log-linear regression of S&P 500 operating EPS and the normalized risk-free rate is the difference between 1) the avg. of the 30-yr Treasury yield and the 5-year rolling avg. of the 10 year-Treasury yield, and 2) the 10yr TIPS spread and the 5-year rolling average CPI inflation rate.

Source: S&P, Compustat, Bloomberg, FactSet/First Call, BofA Merrill Lynch US Equity & US Quant Strategy

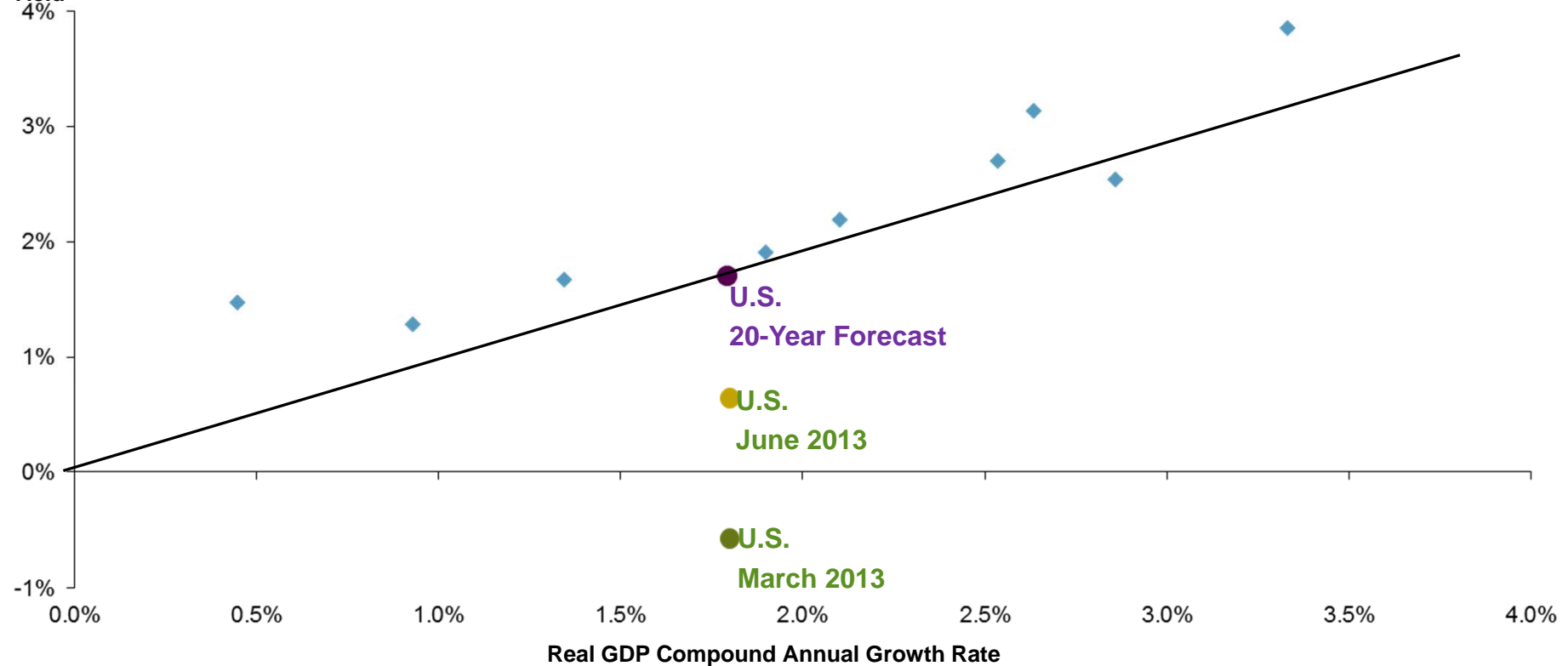
Real rate outlook:

Government Real Yields and Real GDP Growth for Major Economies, 1985–2013

◆ Historical Observations in U.K., Australia, Canada, United States, and Japan

Average Real 10-Year

Yield



The average real 10-year yield and real GDP compound annual growth rates are calculated since the inception dates of the inflation-adjusted government securities for the following countries: United Kingdom (Jan. 1985), Australia (Jun. 1985), Canada (Nov. 1991), United States (Apr. 1998), and Japan (Apr. 2004). Source: Country statistical organizations, Haver Analytics, Fidelity Investments (AART) through 6/30/13.

Glossary of terms

Index of Coincident Indicators. An index published by the Conference Board that is a broad-based measurement of current economic conditions, helping economists and investors to determine which phase of the business cycle the economy is currently experiencing.

Index of Leading Indicators. An index published monthly by the Conference Board used to predict the direction of the economy's movements in the months to come. The index is made up of 10 economic components, whose changes tend to precede changes in the overall economy.

P/E Ratio. A valuation ratio of a company's current price compared to its per-share earnings.

Forward P/E. A measure of the price-to-earnings ratio (P/E) using forecasted earnings for the P/E calculation. While the earnings used are just an estimate and are not as reliable as current earnings data, there is still benefit in estimated P/E analysis. The forecasted earnings used in the formula can either be for the next 12 months or for the next full-year fiscal period.

GDP. The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

Index YTW. Index YTW or yield to worst is a yield measure that expresses the worst possible yield based on certain provisions such as prepayment, call, or sinking fund.

Basis Point. One basis point represents one hundredth of one percent. For example, 50 basis points equals 0.5%.

Index definitions

The Russell 1000 Index is an unmanaged index that consists of the largest 1000 companies in the Russell 3000 Index. This index represents the universe of large capitalization stocks from which most active money managers typically select. The Russell 1000 Value and Growth indices comprise of value and growth stocks respectively as determined by Frank Russell & Co.

The Russell MidCap Index is an unmanaged market capitalization weighted index of 800 smallest companies in the Russell 1000 index which represents almost 35% of the total market capitalization. The Russell MidCap Value and Growth indices comprise of value and growth stocks respectively as determined by Frank Russell & Co.

The Russell 2000 Index is an unmanaged market capitalization-weighted index of 2,000 small company stocks. The Russell 2000 Value and Growth indices comprise of value and growth stocks respectively as determined by Frank Russell & Co.

Barclays Capital US Agg. Government-Treasury is an unmanaged index comprising all US Treasury Notes and Bonds having a maturity of at least 1 year.

Barclays Capital Municipal Bond is an unmanaged index of all investment grade municipal securities with at least 1 year to maturity.

Barclays Capital US Aggregate Corporate (BAA) is an unmanaged index composed of all publicly issued, fixed interest rate, nonconvertible, investment grade corporate debt rated BAA with at least 1 year to maturity.

The Merrill Lynch High Yield Master Index consists of fixed-rate, coupon-bearing bonds with an outstanding par that is greater than or equal to \$50 million, a maturity range greater than or equal to one year, and a rated single C, but not in default.

JP Morgan EMBI Global is a market value weighted index of US dollar denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by emerging market sovereign and quasi-sovereign entities, covering 27 emerging market countries.

Merrill Lynch US Corps./Real Estate is a market weighted bond index comprised of issuers involved in real estate.

CSFB Leveraged Loan Index is a market weighted index of high yield floating rate US corporate debt instruments.

Merrill Lynch US High Yield Master II is a market value weighted index of corporate bonds publicly issued in the U.S. domestic market that have a rating of less than BBB3 and at least one year remaining term to maturity.

Barclays Capital US Aggregate is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.

S&P GSCI Gold is an index tracking changes in the spot price for gold bullion.

GDP is the total value of goods and services produced in the US. Real GDP is GDP adjusted for changes in prices.

The S&P 500 Index is a registered service mark of The McGraw-Hill Companies, Inc. and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is a unmanaged market capitalization-weighted index of common stocks.

The Dow Jones Industrial Average is a unmanaged price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry and are listed on the New York Stock Exchange.

Fund risks and other important information

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, economic developments.

In general the bond market is volatile, and fixed-income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed-income securities also carry inflation, credit, and default risks for both issuers and counterparties. (Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible.) Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. Lower-quality bonds can be more volatile and have greater risk of default than higher-quality bonds.

Value stocks can perform differently than other types of stocks and can continue to be undervalued by the market for long periods of time.

Lower-quality bonds can be more volatile and have greater risk of default than higher-quality bonds.

Floating rate loans generally are subject to restrictions on resale, sometimes trade infrequently in the secondary market and as a result may be more difficult to value, buy, or sell. A floating rate loan may not be fully collateralized and therefore may decline significantly in value.

The municipal market is volatile and can be significantly affected by adverse tax, legislative, or political changes and the financial condition of the issuers of municipal securities.

The FA Municipal Income Fund, FA Strategic Income Fund, and FA Total Bond Fund can invest in securities that may have a leveraging effect (such as derivatives and forward-settling securities) that may increase market exposure, magnify investment risks, and cause losses to be realized more quickly.

Income exempt from federal income tax may be subject to state or local tax. All or a portion of the fund's income may be subject to the federal alternative minimum tax. Income or fund distributions attributable to capital gains are usually subject to both state and federal income taxes.

Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry.

Value stocks can perform differently than other types of stocks and can continue to be undervalued by the market for long periods of time.

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All indices are unmanaged and assume the reinvestment of all distributions.

It is not possible to invest directly in an index.

Diversification does not ensure a profit or guarantee against a loss.



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