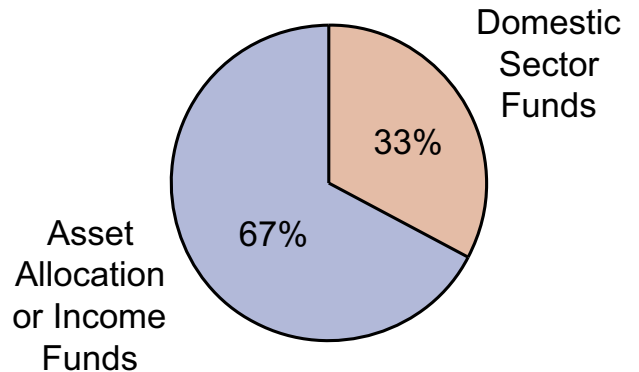


## Medium-Low Risk Portfolio

Number of funds held: 7-10

Relative Volatility: 0.6 to 1.0



The Medium-Low Risk Portfolio seeks long-term growth by investing in a combination of sector funds, asset allocation funds, and income funds. It aims for a neutral mix of 65% stock and 35% bond. Usually the portfolio will hold six different Fidelity Select funds, and two or three domestic funds that hold bonds or a blend of stocks and bonds. Foreign exposure will usually range between 5-20%. The portfolio will usually have several hundred unique underlying stock positions, and more than 1000 unique underlying bond positions. Under certain market conditions, we may include a foreign asset allocation fund.

The domestic sector portion of the portfolio attempts to invest in industry groups that are in the process of being recognized for their long-term potential. Such sectors are identified through the use of a volatility model that evaluates the standard deviation of monthly gains and losses over a period of up to 36 months, while comparing each sector's result with a baseline period of up to 10 years. Each industry group is ranked against all other non-gold sectors in the Fidelity lineup. Normally, six sectors are held from the upper quartile of the resulting ranking. Together, these funds account for roughly 200 unique stock positions, but there can be significant overlap between sectors. In addition, many of the sector funds are heavily concentrated, with their top 10 holdings accounting for more than 50% of assets.

The asset allocation portion of the portfolio attempts to invest in funds that benefit from periodic rebalancing of their stock and bond holdings. Factors considered include historical performance, overall volatility, stylebox position, industry sector weighting, cash level, foreign exposure, expense ratio, and manager history. An effort is also made to pick asset allocation funds that complement the sector side of the portfolio, with a goal of reducing overall volatility. The income portion of the portfolio may include bond funds, conservative asset allocation funds, real estate income funds, or capital preservation funds.

The Medium-Low Risk Portfolio aims to outperform inflation. Most or all of its holdings are chosen from Fidelity's retail mutual fund family because we believe this provides improved risk-adjusted performance relative to competing alternatives, but it may invest in non-Fidelity funds if we believe improved risk-adjusted performance is available in a particular category. The portfolio typically holds actively managed funds, but may invest in index funds during periods of uncertainty or when we believe indexing has the potential to reduce portfolio risk. Alternative holdings, such as high-yield bond funds or real estate income funds, may be held on the asset allocation side if valuations are deemed compelling.

During bearish market conditions the portfolio may become more defensive by investing in bond funds, but such defensive measures are not expected to be routine. ■

