



Fidelity Management & Research Co.

Value Strategies

Review Date	Current Rating	Previous Rating
August 2012	Sell	New Rating

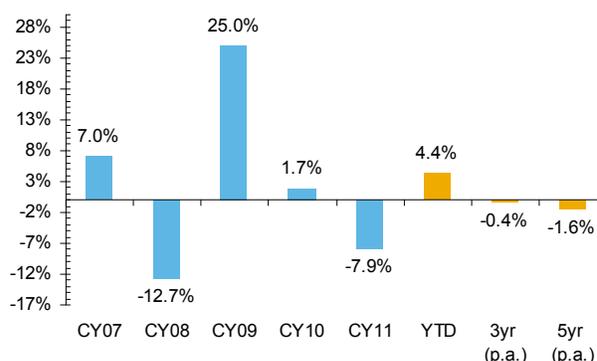
Overall Rating

Our rating of the Fidelity Value Strategies Fund is Sell. The fund has experienced multiple portfolio manager changes since June 2005. We are concerned by the lack of portfolio manager stability on this fund and lack confidence that the current manager will establish a meaningful track record on this product. Performance has been disappointing under the collective tenure of the portfolio managers that have overseen this fund to date. In addition, we question the appropriateness of Fidelity's use of the Russell Midcap Value benchmark for primary comparison given the portfolio's opportunistic all-cap approach and a weighted average market capitalization of nearly \$27 billion. We believe superior and better defined mid cap value alternatives exist for clients.

Component Ratings

	Rating	Previous Rating
Overall	Sell	New Rating
Business	2	New Rating
Staff	2	New Rating
Process	2	New Rating
Risk	2	New Rating
ODD	Pass	New Rating
Performance	1	New Rating
T&C	2	New Rating

Relative Performance to June 2012



Fund performance (USD) is net of fees relative to the Russell Midcap Value Index. CY = calendar year. Source: Morningstar.

Firm Summary

Head Office Location	Boston, MA	Parent Name	Fidelity Investments
Firm AUM	\$1,620.0 billion	Investment Staff	518
Equity AUM	\$708.4 billion	Equity Staff	315

Portfolio Strategy Characteristics

Team Location	Boston, MA	Team Head	Tom Soviero
Strategy Inception	January 1984	Strategy Size	\$938.0 million
Number of Holdings	75 – 125	Annual Turnover	20 – 30%
Benchmark	Russell Midcap Value Index		
Performance Objective	Outperform the benchmark over a full market cycle		
Risk Tolerance Target	No formal target, but tracking error is expected to be between 5% and 10%		

Note: AUM and Staff numbers as of March 2012

Investment Manager Evaluation

Rating Sheet		
Factor	Rating	Comments
Business	2	<p>Boston-based Fidelity Management & Research Co. (“FMR”) continues to be one of the largest investment management firms in the world with over \$1.6 trillion in assets under management. The firm is 51 percent employee owned and 49 percent owned by the Johnson family, which is heavily involved in the management of the firm. Asset management is not the firm’s sole line of business. The firm is split between the retail asset management groups (FMR and Fidelity International Limited), the institutional asset management group (Pyramis Global Advisors) and the administrative group (with approximately \$1.6 trillion in assets under administration). There has been some turnover at the parent organizational level during the past two years. In March 2010, Roger Lawson resigned as President of Fidelity Investments. The firm has also initiated a pending separation between its retail groups within the last four years.</p>
Investment Staff	2	<p>Tom Soviero took over management of the strategy in May 2010. He is the third portfolio manager on this fund since June 2005. While his tenure on the Value Strategies Fund is short, Mr. Soviero is veteran investor at Fidelity and has overseen the similarly managed Leveraged Company Stock Fund since July 2003 and Convertible Securities Fund since June 2005. Mr. Soviero joined Fidelity in 1989 as a high yield analyst and subsequently managed several high yield portfolios before joining Fidelity’s Value and Equity Income Team. His background in credit analysis is a notable complement the fundamental research that is brought to bear on his equity portfolios</p> <p>Our rating in this category is primarily based on the lack of stability with respect to portfolio managers responsible for this product. Further, we have some concern that successful portfolio managers are often promoted to larger funds within the organization, leading to increased portfolio manager turnover with respect to smaller fund offerings.</p>
Investment Process	2	<p>Fidelity Value Strategies Fund takes a traditional bottom-up value approach and combines it with the additional insights of credit analysis leveraged from Fidelity’s high income team. Although Fidelity uses the Russell Midcap Value Index for comparison purposes, the manager employs an opportunistic all-cap approach, resulting in a portfolio of 75 to 125 holdings but concentrated in its best ideas and with a weighted average market capitalization well outside the traditional mid cap range. Inherent in its approach to sourcing undervalued opportunities is a volatility of performance that is notably higher than its peers. The investment horizon is three to five years, as evidenced by the 20 to 30 percent annual portfolio turnover.</p> <p>While we view favorably a process that incorporates credit analysis into its bottom-up research, we question the appropriateness of the use of the Russell Midcap Value Index as the primary benchmark, given the portfolio’s all-cap construction. In addition, while we believe Fidelity’s access to resources is robust, we question the depth of the team’s fundamental insights as it relates to portfolio companies.</p>

Rating Sheet		
Factor	Rating	Comments
Risk Management	2	<p>Fidelity has a quantitative risk management team that is responsible for running risk reports on the strategy on a monthly basis or as requested by the portfolio manager. Further, the Chief Investment Officer reviews the strategy from a risk perspective with the portfolio manager on a monthly basis.</p> <p>In terms of traditional portfolio constraints, there are no limits with regard to sector exposure. Guidelines limit individual positions to less than 10 percent of portfolio assets, and non-US exposure to less than 20 percent. While not a formal target, tracking error is expected to be between 500 and 1,000 basis points.</p>
Operational Due Diligence	Pass	<p>Fidelity has its own proprietary OMS and compliance systems, as well as a large compliance department. Appropriate compliance policies and procedures have been put in place. Fidelity discloses only limited information in terms of regulatory exams and findings. The firm also does not comment on Code of Ethics/Personal Trading Policy violations. Although there do not appear to be any obvious operational or compliance deficiencies, Fidelity has limited transparency versus their peers.</p>
Performance Analysis	1	<p>Versus the Russell Midcap Value Index, its declared benchmark, performance of Fidelity Value Strategies (FSLSX) has struggled for years under multiple managers, lagging almost all trailing periods going back 10 year and underperforming for most rolling three-year periods as well. Tom Soviero assumed responsibility for the fund in May 2010, and he is the third portfolio manager overseeing this fund since June 2005. Fidelity's practice of rotating investment professionals often confounds a portfolio manager's ability to establish a meaningful track record on any one fund that can be monitored over time. The combined records of all the portfolio managers that have overseen this product have underperformed the Russell Midcap Value Index while exhibiting significantly more volatility than it peers.</p> <p>In addition, we question the appropriateness Fidelity's use of the Russell Midcap Value benchmark for primary comparison given the portfolio's opportunistic all-cap approach and a weighted average market capitalization of nearly \$27 billion.</p>
Terms & Conditions	2	<p>At 0.88 percent, the expense ratio for the mutual fund (FSLSX) is in line with the median for its institutionally priced peer group. The client service experience has been average. It can be difficult to get access to key decision makers at Fidelity, and this can prohibit thorough due diligence on respective funds.</p>
Overall Rating	Sell	<p>Our rating of the Fidelity Value Strategies Fund is Sell. The fund has experienced multiple portfolio manager changes since June 2005. We are concerned by the lack of portfolio manager stability on this fund and lack confidence that the current manger will establish a meaningful track record on this product. Performance has been disappointing under the collective tenure of the portfolio managers that have overseen this fund to date. In addition, we question the appropriateness of Fidelity's use of the Russell Midcap Value benchmark for primary comparison given the portfolio's opportunistic all-cap approach and a weighted average market capitalization of nearly \$27 billion. We believe superior and better defined mid cap value alternatives exist for clients.</p>

Manager Updates and Monitoring

Major Developments There are no major developments to report at this time.

Key Monitoring Points

Process and Performance

This strategy, like many other Fidelity strategies, has experienced high turnover at the portfolio manager level. This is due to the firm's tendency to rotate its investment personnel, primarily as a way to best align investment professionals on strategies. Given this tendency, we would like to monitor the duration of Mr. Soviero's tenure on this strategy.

Ratings Explanation

Below we describe the criteria which we use to rate fund management organizations and their specific investment products. Each criterion, except for Operational Due Diligence ("ODD"), is individually rated from 1 to 4, where:

- 1 = Weak
- 2 = Average
- 3 = Above Average
- 4 = Strong

The ODD factor can be assigned a Pass, Conditional Pass, or Fail rating and can be interpreted as follows:

Pass – Our research indicates that the manager has acceptable operational controls and procedures in place.

Conditional Pass – We have specific concerns that the manager needs to address within a reasonable established timeframe.

Fail – Our research indicates that the manager has critical operational weaknesses and we recommend that clients formally review the appointment.

An overall rating is then derived for the product from the individual ratings. We do not assign a fixed weight to each criterion to establish the overall rating; instead we consider each case individually. The overall rating score can be interpreted as follows:

- Buy** = We recommend purchase of this investment product.
- Buy (Closed)** = We recommend purchase of this investment product, however it is closed to new investors.
- Hold** = We recommend client investments in this product are maintained.
- Sell** = We recommend termination of client investments in this product.
- In Review** = The rating is under review as we evaluate factors that may cause us to change the current rating.

The comments and assertions reflect our views of the specific investment product and our opinion of its strengths and weaknesses.

Disclaimer

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