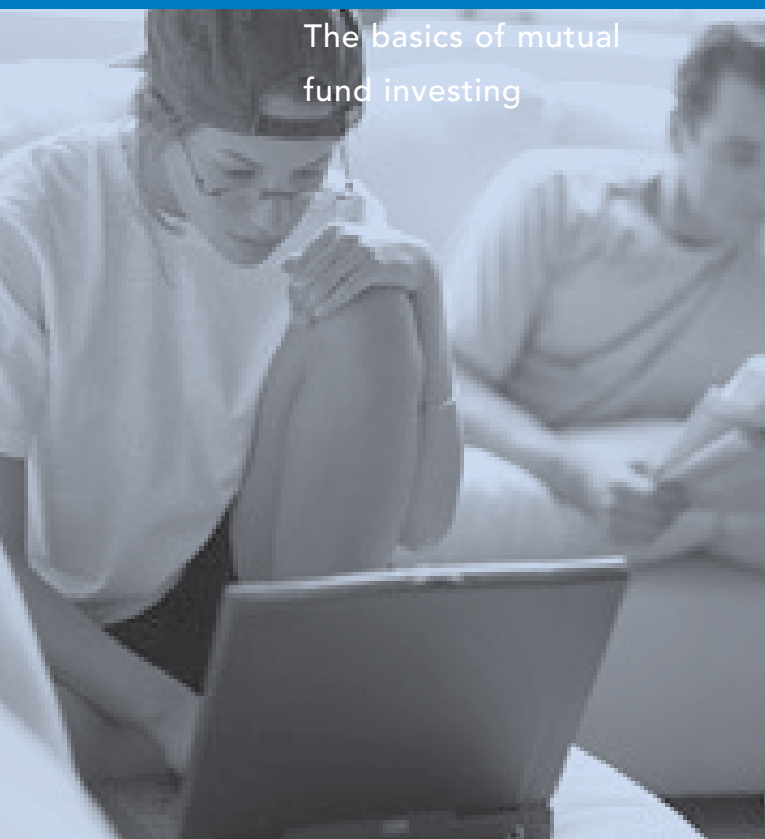


UNDERSTANDING MUTUAL FUNDS

The basics of mutual
fund investing



Today, more Americans than ever consider themselves investors.

But few have the time and expertise to put together a well-designed portfolio of individual securities. For these investors, mutual funds offer a convenient alternative, providing easy access to broadly

diversified, professionally managed investment solutions.

This brochure will introduce some of the basics of mutual fund investing and help you get started using mutual funds to pursue your own financial goals.

What is a mutual fund?

When you invest in a mutual fund, you are not investing directly in securities such as stocks, bonds, or money market instruments. Instead, you are buying shares of a fund, which pools your money with that of other shareholders. This pool is used to purchase securities, which are “mutually” owned by you and the other fund investors. Each fund is designed to pursue a specific investment objective — capital growth or current income, for example — that is defined in its prospectus. Each fund is managed by a portfolio manager, who decides which securities to buy and sell. The type of mutual fund most familiar to beginning investors is called “open-ended” because it continuously offers new shares, keeping it always open to new investment.

solutions

The advantages of mutual funds

Mutual funds offer a convenient way to invest without having to track thousands of stocks and bonds on your own. They provide ready access to professional investment management — skilled portfolio managers with years of experience in analyzing, evaluating and selecting investments. And they offer you instant diversification — spreading your investment among multiple securities to avoid putting all your eggs in one basket and to give you exposure to a wider range of opportunities.¹


A wide array of choices

Available in a broad range of objectives and styles, there is a mutual fund to help you pursue almost any investment goal.

Money market funds seek to preserve principal and provide current income by investing in short-term debt instruments such as commercial paper and Treasury bills.²

¹ Diversification does not guarantee against a loss or assure a profit.

² An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money investing in the fund.



Income funds invest in bonds, and are designed to provide current income

Tax free income funds invest in municipal bonds to provide income free of federal taxes, state taxes, or both³

Growth funds invest in the stocks of public companies to pursue long-term capital growth

Aggressive growth funds seek maximum capital growth often by concentrating on stocks of smaller, riskier companies

Growth and income funds pursue long-term growth and current income, and typically buy the stocks of dividend-paying companies

Global and international funds look for investment opportunities around the world⁴

Specialty funds invest in a specific industry, country or region, or in precious metals, and are designed to perform specific functions in a well-designed portfolio⁵

³ A portion of the fund's income may be subject to state and local taxes and the federal Alternative Minimum Tax.

⁴ Foreign investments involve greater risk than U.S. investments, including political and economic risk as well as the risk of currency fluctuations.

⁵ Sector funds may be more volatile than funds that diversify across many industries.

Getting started

The first thing you need to do is define your financial needs and objectives. If you are saving for retirement, you probably need a different investment than someone looking for higher monthly income. What is your time frame? Will you need your money in 10 years or in 10 months? The longer you can wait, the more aggressive you may want your investments to be.

Most importantly, you must assess how much risk you're willing to accept.

Understanding the relationship between risk and return is one of the keys to successful investing. There is a direct trade-off: the more risk you are willing to assume, the greater the return potential you can pursue.

potential

Talk to your investment professional

With access to more than 7,500 mutual fund classes offered by some of the most popular fund families, your investment professional can help you select the funds that make the most sense for you. He or she can offer the expertise and support you need to get you started using mutual funds to pursue your financial goals.

For more complete information, including charges and expenses on any fund available through Fidelity, call or write for a free prospectus. Please read it carefully before you invest or send money.

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