Glossary of Terms

(for use with quarterly fact sheets produced by Fidelity)

Alpha (also known as "Active Return"): A risk-adjusted performance measure. A positive (negative) alpha indicates stronger (poorer) fund performance than predicted by the fund's level of risk (measured by beta). Alpha and beta are more reliable measures when used in combination with a high R2 which indicates a high correlation between the movements in a fund's returns and movements in a benchmark index. Alpha is annualized.

Annual Turnover Rate: A measure of the portfolio manager's trading activity which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets. A turnover ratio of 100% or more does not necessarily suggest that all securities in the portfolio have been traded. In practical terms, the resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past year.

Average Effective Maturity (yrs): Used for taxable fixed-income portfolios only, this figure takes into consideration all mortgage prepayments, puts, calls, and adjustable coupons. The number listed is a weighted average of all the maturities of the bonds in the portfolio, computed by weighing each maturity date (the date the security comes due) by the market value of the security. Since this may be collected by survey, it is important to bear in mind that different fund companies may use different interest-rate assumptions in determining call likelihood and timing. Generally speaking, the longer the maturity, the greater the interest rate risk.

Average Weighted Market Cap: Identifies the average market capitalization (cap) of the portfolio or benchmark as determined by the market caps of the underlying securities. "Weighted" means larger companies account for a greater portion of the portfolio or benchmark than smaller companies. For example, if a company's stock market capitalization was $5 million and the market capitalization of all the securities in a benchmark were $100 million, then the company would make up 5% of the total index.

Beta: A measure of a portfolio's sensitivity to market movements (as represented by a benchmark index). The benchmark index, such as the S&P 500 or the MSCI EAFE index, has a beta of 1.0. A beta of more (less) than 1.0 indicates that a fund's historical returns have fluctuated more (less) than the benchmark index. Beta is a more reliable measure of volatility when used in combination with a high R^2 which indicates a high correlation between the movements in a fund's returns and movements in a benchmark index.

Current Yield: Current yield describes the yield on a bond based on the coupon rate and the current market price of the bond (not on its face or par value). Current yield is calculated by dividing the annual interest earned on a bond by its current market price.

Duration (yrs): A measure of sensitivity of the price of a fixed-income investment to interest rate changes, expressed as a number of years, with a higher number indicating greater sensitivity. Rising interest rates usually mean falling bond prices and vice-versa. Duration estimates how much a bond's price fluctuates with changes in comparable interest rates. If rates rise 1.00%, for example, a bond or fund with a 5-year duration would be expected to lose about 5.00% of its value. It's a complicated calculation involving present value, yield, coupon rate, final maturity and call features. A small coupon rate (the annual interest rate expressed as a percentage of a bond's face value) tends to lengthen duration, while shorter maturities and higher coupon rates tend to shorten it.

Information Ratio: Shows the risk-adjusted active return of the fund compared to its benchmark. It's a measure of the amount of risk an investment manager took relative to the fund's benchmark to achieve the fund's Alpha (see definition above). It is calculated by dividing Alpha by the Tracking Error, where Tracking Error is the Standard Deviation (see definition below) of Alpha. Tracking Error measures the extent to which a fund's returns deviates from its benchmark's returns over time. A high ratio means a manager can achieve higher returns more efficiently than one with a low ratio by taking on additional risk. Additional risk could be achieved through leveraging. See below for how the Information Ratio differs from the Sharpe Ratio.

Median Weighted Market Cap: Identifies the median market capitalization (cap) of the portfolio or benchmark as determined by the underlying security market caps. The median is the point where 50% are above the amount and 50% are below it.

Price/Book Ratio: (also known as "price-equity ratio"). The ratio of a stock's current share price to the company's book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. The "typical" P/B ratio varies by industry. A lower P/B ratio could mean that the stock is undervalued or it may mean something is seriously wrong with the company.

Price/Earnings Ratio: (also referred to as a "price multiple" or an "earnings multiple"). A valuation ratio of a company's current share price compared to its per-share reported earnings. It is usually based on the last four quarters (trailing P/E), Generally a high P/E is associated with the expectation of higher future earnings growth as compared to a company with a lower P/E. What is considered a "typical" P/E ratio varies by industry and can change over time.

R-Squared: (R^2) A measurement of how closely the portfolio's performance correlates with the performance of a benchmark index. R^2 is a proportion which ranges between 0.00 and 1.00. An R^2 of 1.00 indicates perfect correlation to the benchmark index, that is, all of the portfolio's fluctuations are explained by performance fluctuations of the index, while an R^2 of 0.00 indicates no correlation. Therefore, the lower the R^2, the more the fund's performance is affected by factors other than the market as measured by that benchmark index. Alpha and Beta are more reliable measures when used in combination with a high R^2.

Sharpe Ratio: A risk-adjusted performance measure that help indicate if returns are due to excess risk. It is calculated by dividing the fund's excess returns (fund's average monthly returns minus the risk-free rate (such as that of the 3-month T-bill)) by the standard deviation of those returns. The higher the ratio, the better the fund's return per unit of risk. The Information Ratio (see definition above) is similar to the Sharpe Ratio. The Sharpe Ratio compares the excess return of an asset against the return of a risk free asset, but the Information Ratio compares active return to the fund's most relevant benchmark index. Excess Return denotes the return over the risk-free asset while Active Return denotes the return over the benchmark.

Standard Deviation: Statistical measure of how much a return varies over an extended period of time. The more variable the returns, the larger the standard deviation. A higher standard deviation indicates a wider dispersion of past returns and thus greater historical volatility. Standard deviation indicates the volatility of a portfolio's return over time, not the actual performance of the portfolio. Standard deviation measures volatility independent of a benchmark, and it is annualized.

Yield to Maturity: Yield that would be realized on a bond or other fixed income security if the bond was held until the maturity date and assumes that all interest and principal payments will be made and the interest payments are reinvested at the bond's promised yield at the same rate as invested. It is greater than the current yield if the bond is selling at a discount and less than the current yield if the bond is selling at a premium.

5 Year Hist EPS Growth: Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. The "5-year Hist EPS Growth" measures the growth in reported earnings per share over a five-year period.

7-day Yield: (also known as the "7-day SEC yield") is a measure of the annualized interest rate paid to investors in U.S. money market mutual funds based on the interest earned in a 7-day period. It does not take compounding into effect. The calculation is specified by the Securities and Exchange Commission (SEC). It is calculated by dividing the net interest earned (after expenses) by the average size of the fund's investments over the same 7 days. The SEC Yield does not predict future returns. Because it is calculated the same for all U.S. money market mutual funds, it allows investors to compare yields across funds on an apples-to-apples basis.

30-day SEC Yield: A yield quotation for bond mutual funds, based on a calculation specified by the Securities and Exchange Commission (SEC). The SEC Yield is an annualized return based on the most recent 30-day period. It divides the net investment income earned (after expenses) by the maximum offering price per share on the last day of the period. The SEC Yield may be more or less than the fund has actually earned in the period. The SEC Yield does not predict future returns. Because the 30-day yield is a standardized mandatory calculation for all United States bond mutual funds, it allows investors to compare yields across funds on an apples-to-apples basis It is somewhat like a yield to maturity for the whole bond fund, however, bond funds often don't hold bonds until maturity, and bond funds themselves, do not mature.

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