

# **Fidelity® Variable Insurance Products: High Income Portfolio**

**Semiannual Report**  
June 30, 2009



# Contents

|                                    |           |   |
|------------------------------------|-----------|---|
| <b>Shareholder Expense Example</b> | <b>3</b>  | An example of shareholder expenses.   |
| <b>Investment Changes</b>          | <b>4</b>  | A summary of major shifts in the fund's investments over the past six months.                                 |
| <b>Investments</b>                 | <b>5</b>  | A complete list of the fund's investments with their market values.   |
| <b>Financial Statements</b>        | <b>15</b> | Statements of assets and liabilities, operations, and changes in net assets, as well as financial highlights. |
| <b>Notes</b>                       | <b>21</b> | Notes to the financial statements.  |

To view a fund's proxy voting guidelines and proxy voting record for the 12-month period ended June 30, visit <http://www.fidelity.com/proxyvotingresults> or visit the Securities and Exchange Commission's (SEC) web site at <http://www.sec.gov>. You may also call 1-877-208-0098 to request a free copy of the proxy voting guidelines.

Fidelity Variable Insurance Products are separate account options which are purchased through a variable insurance contract.

Standard & Poor's, S&P and S&P 500 are registered service marks of The McGraw-Hill Companies, Inc. and have been licensed for use by Fidelity Distributors Corporation.

Other third party marks appearing herein are the property of their respective owners.

All other marks appearing herein are registered or unregistered trademarks or service marks of FMR LLC or an affiliated company.

*This report and the financial statements contained herein are submitted for the general information of the shareholders of the fund. This report is not authorized for distribution to prospective investors in the fund unless preceded or accompanied by an effective prospectus.*

*A fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Forms N-Q are available on the SEC's web site at <http://www.sec.gov>. A fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information regarding the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. For a complete list of a fund's portfolio holdings, view the most recent holdings listing, semiannual report, or annual report on Fidelity's web site at <http://www.fidelity.com> or <http://www.advisor.fidelity.com>, as applicable.*

**NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE**

*Neither the fund nor Fidelity Distributors Corporation is a bank.*

# Shareholder Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees, and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (January 1, 2009 to June 30, 2009).

## Actual Expenses

The first line of the accompanying table for each class of the Fund provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000.00 (for example, an \$8,600 account value divided by \$1,000.00 = 8.6), then multiply the result by the number in the first line for a class of the Fund under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. The estimate of expenses does not include any fees or other expenses of any variable annuity or variable life insurance product. If they were, the estimate of expenses you paid during the period would be higher, and your ending account value would be lower. In addition, the Fund, as a shareholder in the underlying Fidelity Central Funds, will indirectly bear its pro-rata share of the fees and expenses incurred by the underlying Fidelity Central Funds. These fees and expenses are not included in the Fund's annualized expense ratio used to calculate the expense estimate in the table below.

## Hypothetical Example for Comparison Purposes

The second line of the accompanying table for each class of the Fund provides information about hypothetical account values and hypothetical expenses based on a Class' actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Class' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. The estimate of expenses does not include any fees or other expenses of any variable annuity or variable life insurance product. If they were, the estimate of expenses you paid during the period would be higher, and your ending account value would be lower. In addition, the Fund, as a shareholder in the underlying Fidelity Central Funds, will indirectly bear its pro-rata share of the fees and expenses incurred by the underlying Fidelity Central Funds. These fees and expenses are not included in the Fund's annualized expense ratio used to calculate the expense estimate in the table below.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

|                                 | Annualized Expense Ratio | Beginning Account Value January 1, 2009 | Ending Account Value June 30, 2009 | Expenses Paid During Period* January 1, 2009 to June 30, 2009 |
|---------------------------------|--------------------------|---|------------------------------------|---|
| <b>Initial Class</b>            | .71%                     |   |                                    |   |
| Actual .....                    |                          | \$ 1,000.00                             | \$ 1,228.70                        | \$ 3.92   |
| Hypothetical <sup>A</sup> ..... |                          | \$ 1,000.00                             | \$ 1,021.27                        | \$ 3.56   |
| <b>Service Class</b>            | .81%                     |   |                                    |   |
| Actual .....                    |                          | \$ 1,000.00                             | \$ 1,226.80                        | \$ 4.47   |
| Hypothetical <sup>A</sup> ..... |                          | \$ 1,000.00                             | \$ 1,020.78                        | \$ 4.06   |
| <b>Service Class 2</b>          | .96%                     |   |                                    |   |
| Actual .....                    |                          | \$ 1,000.00                             | \$ 1,227.70                        | \$ 5.30   |
| Hypothetical <sup>A</sup> ..... |                          | \$ 1,000.00                             | \$ 1,020.03                        | \$ 4.81   |
| <b>Initial Class R</b>          | .70%                     |   |                                    |   |
| Actual .....                    |                          | \$ 1,000.00                             | \$ 1,229.30                        | \$ 3.87   |
| Hypothetical <sup>A</sup> ..... |                          | \$ 1,000.00                             | \$ 1,021.32                        | \$ 3.51   |
| <b>Service Class R</b>          | .80%                     |   |                                    |   |
| Actual .....                    |                          | \$ 1,000.00                             | \$ 1,224.80                        | \$ 4.41   |
| Hypothetical <sup>A</sup> ..... |                          | \$ 1,000.00                             | \$ 1,020.83                        | \$ 4.01   |
| <b>Service Class 2R</b>         | .95%                     |   |                                    |   |
| Actual .....                    |                          | \$ 1,000.00                             | \$ 1,225.10                        | \$ 5.24   |
| Hypothetical <sup>A</sup> ..... |                          | \$ 1,000.00                             | \$ 1,020.08                        | \$ 4.76   |
| <b>Investor Class</b>           | .74%                     |   |                                    |   |
| Actual .....                    |                          | \$ 1,000.00                             | \$ 1,226.20                        | \$ 4.08   |
| Hypothetical <sup>A</sup> ..... |                          | \$ 1,000.00                             | \$ 1,021.12                        | \$ 3.71   |

<sup>A</sup> 5% return per year before expenses

\* Expenses are equal to each Class' annualized expense ratio, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

# Investment Changes (Unaudited)

## Top Five Holdings as of June 30, 2009

| (by issuer, excluding cash equivalents) | % of fund's net assets | % of fund's net assets 6 months ago |
|---|------------------------|-------------------------------------|
| HCA, Inc.                               | 3.1                    | 2.4                                 |
| Ship Finance International Ltd.         | 1.9                    | 2.0                                 |
| Nielsen Finance LLC/Nielsen Finance Co. | 1.8                    | 0.7                                 |
| Chesapeake Energy Corp.                 | 1.8                    | 1.0                                 |
| Intelsat Ltd.                           | 1.7                    | 1.5                                 |
|   | <u>10.3</u>            |                                     |

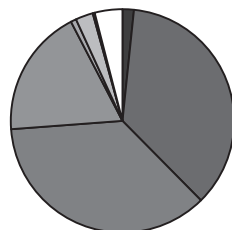
## Top Five Market Sectors as of June 30, 2009

|                    | % of fund's net assets | % of fund's net assets 6 months ago |
|--------------------|------------------------|-------------------------------------|
| Telecommunications | 12.4                   | 9.8                                 |
| Energy             | 9.9                    | 9.0                                 |
| Healthcare         | 8.8                    | 7.4                                 |
| Electric Utilities | 7.8                    | 9.1                                 |
| Cable TV           | 5.5                    | 6.0                                 |

## Quality Diversification (% of fund's net assets)

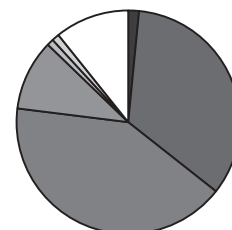
As of June 30, 2009

|   |       |
|---|-------|
| ■ BBB   | 1.7%  |
| ■ BB  | 35.9% |
| ■ B   | 36.2% |
| ■ CCC,CC,C                                    | 18.6% |
| ■ D   | 0.8%  |
| ■ Not Rated                                   | 2.5%  |
| ■ Equities                                    | 0.3%  |
| □ Short-Term Investments and Net Other Assets | 4.0%  |



As of December 31, 2008

|   |       |
|---|-------|
| ■ BBB   | 1.6%  |
| ■ BB  | 34.1% |
| ■ B   | 41.3% |
| ■ CCC,CC,C                                    | 10.3% |
| ■ D   | 0.0%  |
| ■ Not Rated                                   | 1.0%  |
| ■ Equities                                    | 1.1%  |
| □ Short-Term Investments and Net Other Assets | 10.6% |

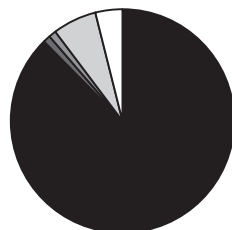


We have used ratings from Moody's® Investors Services, Inc. Where Moody's ratings are not available, we have used S&P® ratings. All ratings are as of the report date and do not reflect subsequent downgrades.

## Asset Allocation (% of fund's net assets)

As of June 30, 2009 \*

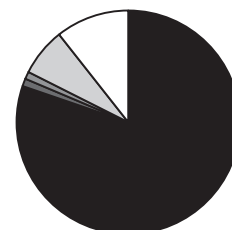
|   |       |
|---|-------|
| ■ Nonconvertible Bonds                        | 88.8% |
| ■ Convertible Bonds, Preferred Stocks         | 0.7%  |
| ■ Common Stocks                               | 0.1%  |
| ■ Floating Rate Loans                         | 6.4%  |
| □ Short-Term Investments and Net Other Assets | 4.0%  |



\* Foreign investments 14.9%

As of December 31, 2008 \*\*

|   |       |
|---|-------|
| ■ Nonconvertible Bonds                        | 80.8% |
| ■ Convertible Bonds, Preferred Stocks         | 0.7%  |
| ■ Common Stocks                               | 0.9%  |
| ■ Floating Rate Loans                         | 7.0%  |
| □ Short-Term Investments and Net Other Assets | 10.6% |



\*\* Foreign investments 14.8%

# Investments June 30, 2009 (Unaudited)

Showing Percentage of Net Assets

## Corporate Bonds — 89.3%

|   | Principal Amount | Value            |
|---|------------------|------------------|
| <b>Convertible Bonds — 0.5%</b>                             |                  |                  |
| <b>Energy — 0.1%</b>  |                  |                  |
| Chesapeake Energy Corp. 2.5%<br>5/15/37 .....               | \$ 1,040,000     | \$ 746,200       |
| <b>Homebuilding/Real Estate — 0.3%</b>                      |                  |                  |
| Ventas, Inc. 3.875% 11/15/11 (f) .                          | 2,590,000        | 2,479,381        |
| <b>Railroad — 0.0%</b>                                      |                  |                  |
| Hertz Global Holdings, Inc. 5.25%<br>6/1/14 .....           | 380,000          | 430,796          |
| <b>Technology — 0.1%</b>                                    |                  |                  |
| Advanced Micro Devices, Inc. 6%<br>5/1/15 .....             | 2,230,000        | 1,045,424        |
| <b>TOTAL CONVERTIBLE BONDS</b> .....                        |                  | <b>4,701,801</b> |
| <b>Nonconvertible Bonds — 88.8%</b>                         |                  |                  |
| <b>Aerospace — 0.7%</b>                                     |                  |                  |
| BE Aerospace, Inc. 8.5% 7/1/18 .                            | 720,000          | 678,600          |
| Bombardier, Inc.:   |                  |                  |
| 6.75% 5/1/12 (f) .....                                      | 1,455,000        | 1,367,700        |
| 7.45% 5/1/34 (f) .....                                      | 1,256,000        | 954,560          |
| L-3 Communications Corp. 7.625%<br>6/15/12 .....            | 2,230,000        | 2,241,150        |
| Sequa Corp.:  |                  |                  |
| 11.75% 12/1/15 (f) .....                                    | 2,085,000        | 1,204,088        |
| 13.5% 12/1/15 pay-in-kind (f) .                             | 1,193,377        | 559,395          |
|   |                  | <u>7,005,493</u> |
| <b>Air Transportation — 2.2%</b>                            |                  |                  |
| American Airlines, Inc. pass-thru<br>trust certificates:    |                  |                  |
| 6.817% 5/23/11 .....  | 6,390,000        | 5,175,900        |
| 6.977% 11/23/22 .....                                       | 547,909          | 334,224          |
| 8.608% 10/1/12 .....  | 535,000          | 428,000          |
| 10.375% 7/2/19 .....  | 1,890,000        | 1,899,450        |
| AMR Corp. 9% 8/1/12 .....                                   | 1,980,000        | 900,900          |
| Continental Airlines, Inc. pass-thru<br>trust certificates: |                  |                  |
| 7.566% 9/15/21 .....  | 1,060,319        | 869,461          |
| 7.73% 9/15/12 .....   | 291,916          | 245,209          |
| 7.875% 7/2/18 .....   | 991,302          | 604,694          |
| 8.388% 5/1/22 .....   | 535,214          | 388,030          |
| 9.558% 9/1/19 .....   | 1,485,704        | 891,422          |
| 9.798% 4/1/21 .....   | 7,541,607        | 4,826,629        |
| Delta Air Lines, Inc. pass-thru trust<br>certificates:      |                  |                  |
| 7.57% 11/18/10 .....  | 555,000          | 530,025          |
| 8.021% 8/10/22 .....  | 1,543,534        | 1,003,297        |
| 8.954% 8/10/14 .....  | 2,155,082        | 1,400,804        |

## Corporate Bonds — 89.3%

|  | Principal Amount | Value             |
|--|------------------|-------------------|
| Northwest Airlines, Inc. pass-thru<br>trust certificates 8.028%<br>11/1/17 .....       |                  |                   |
|  | \$ 1,105,421     | \$ 740,632        |
| United Air Lines, Inc. pass-thru trust<br>certificates Class B, 7.336%<br>7/2/19 ..... |                  |                   |
|  | 2,935,797        | 1,526,615         |
|  |                  | <u>21,765,292</u> |
| <b>Auto Parts Distribution — 0.1%</b>  |                  |                   |
| RSC Equipment Rental, Inc. 10%<br>7/15/17 (f) .....                                    |                  |                   |
|  | 1,165,000        | 1,163,544         |
| <b>Automotive — 2.3%</b>   |                  |                   |
| ArvinMeritor, Inc. 8.125%<br>9/15/15 .....   |                  |                   |
|  | 2,340,000        | 1,228,500         |
| Ford Motor Co.:  |                  |                   |
| 7.45% 7/16/31 .....  | 885,000          | 522,150           |
| 9.5% 9/15/11 .....   | 260,000          | 202,800           |
| Ford Motor Credit Co. LLC:   |                  |                   |
| 7.25% 10/25/11 .....   | 6,785,000        | 5,868,604         |
| 7.375% 10/28/09 .....  | 1,525,000        | 1,509,750         |
| 8% 6/1/14 .....  | 2,495,000        | 2,010,546         |
| 8% 12/15/16 .....  | 2,185,000        | 1,670,496         |
| 8.625% 11/1/10 .....   | 1,065,000        | 1,001,019         |
| 12% 5/15/15 .....  | 1,680,000        | 1,562,400         |
| General Motors Corp.:  |                  |                   |
| 7.125% 7/15/13 (c) .....   | 1,885,000        | 226,200           |
| 7.2% 1/15/11 (c) .....   | 1,970,000        | 236,400           |
| 8.25% 7/15/23 (c) .....  | 2,405,000        | 294,613           |
| 8.375% 7/15/33 (c) .....   | 3,770,000        | 480,675           |
| Tenneco, Inc. 8.625% 11/15/14 ..   | 1,140,000        | 815,100           |
| The Goodyear Tire & Rubber Co.:  |                  |                   |
| 9% 7/1/15 .....  | 1,525,000        | 1,505,938         |
| 10.5% 5/15/16 .....  | 2,185,000        | 2,228,700         |
|  |                  | <u>21,363,891</u> |
| <b>Banks and Thrifts — 1.3%</b>  |                  |                   |
| CIT Group, Inc.:   |                  |                   |
| 4.75% 12/15/10 .....   | 1,700,000        | 1,334,515         |
| 5.2% 11/3/10 .....   | 730,000          | 576,666           |
| 5.4% 3/7/13 .....  | 1,560,000        | 966,827           |
| 5.6% 4/27/11 .....   | 730,000          | 547,385           |
| 7.625% 11/30/12 .....  | 3,800,000        | 2,602,035         |
| 12% 12/18/18 (f) .....   | 735,000          | 345,304           |
| General Motors Acceptance Corp.<br>6.875% 8/28/12 .....                                |                  |                   |
|  | 435,000          | 356,700           |
| GMAC LLC:  |                  |                   |
| 6.625% 5/15/12 .....   | 435,000          | 356,700           |
| 6.75% 12/1/14 (f) .....  | 4,210,000        | 3,368,000         |
| 6.875% 9/15/11 (f) .....   | 2,345,000        | 2,098,775         |
| 8% 11/1/31 (f) .....   | 1,695,000        | 1,186,500         |
|  |                  | <u>13,739,407</u> |
| <b>Broadcasting — 0.4%</b>   |                  |                   |
| Nexstar Broadcasting, Inc.:  |                  |                   |
| 0.4479% 1/15/14<br>pay-in-kind (f)(g) .....  | 194,254          | 48,160            |

See accompanying notes which are an integral part of the financial statements.

## Investments (Unaudited) – continued

### Corporate Bonds – continued

|   | Principal Amount | Value            |
|---|------------------|------------------|
| <b>Nonconvertible Bonds – continued</b>   |                  |                  |
| <b>Broadcasting – continued</b>   |                  |                  |
| Nexstar Broadcasting, Inc.: – continued   |                  |                  |
| 7% 1/15/14 .....  | \$ 64,000        | \$ 22,400        |
| Univision Communications, Inc.<br>12% 7/1/14 (f) .....  | 980,000          | 961,625          |
| UPC Holding BV 9.875%<br>4/15/18 (f) .....  | 3,345,000        | <u>3,211,200</u> |
|   |                  | <u>4,243,385</u> |
| <b>Building Materials – 0.3%</b>  |                  |                  |
| General Cable Corp. 7.125%<br>4/1/17 .....  | 1,365,000        | 1,228,500        |
| Owens Corning:  |                  |                  |
| 6.5% 12/1/16 .....  | 1,250,000        | 1,095,704        |
| 9% 6/15/19 .....  | 735,000          | <u>712,950</u>   |
|   |                  | <u>3,037,154</u> |
| <b>Cable TV – 5.1%</b>  |                  |                  |
| Cablevision Systems Corp. 8%<br>4/15/12 .....   | 5,895,000        | 5,821,313        |
| Charter Communications Holdings I<br>LLC:   |                  |                  |
| 9.92% 4/1/14 (c) .....  | 5,570,000        | 34,813           |
| 11.125% 1/15/14 (c) .....   | 2,175,000        | 13,594           |
| 12.125% 1/15/15 (c)(e) .....  | 2,915,000        | 18,219           |
| Charter Communications Holdings I<br>LLC/Charter Communications<br>Holdings I Capital Corp. 11%<br>10/1/15 (c) .....      | 4,330,000        | 519,600          |
| Charter Communications Holdings<br>II LLC/Charter Communications<br>Holdings II Capital Corp. 10.25%<br>9/15/10 (c) ..... | 4,875,000        | 5,143,125        |
| Charter Communications Operating<br>LLC/Charter Communications<br>Operating Capital Corp.:                                |                  |                  |
| 10.375% 4/30/14 (f)(g) .....  | 2,400,000        | 2,298,000        |
| 10.875% 9/15/14 (f) .....   | 1,985,000        | 2,064,400        |
| CSC Holdings, Inc.:   |                  |                  |
| 6.75% 4/15/12 .....   | 5,555,000        | 5,360,575        |
| 8.5% 4/15/14 (f) .....  | 2,370,000        | 2,349,263        |
| 8.5% 6/15/15 (f) .....  | 3,465,000        | 3,404,363        |
| 8.625% 2/15/19 (f) .....  | 3,045,000        | 2,946,038        |
| DIRECTV Holdings LLC/DIRECTV<br>Financing, Inc.:  |                  |                  |
| 6.375% 6/15/15 .....  | 835,000          | 772,375          |
| 8.375% 3/15/13 .....  | 400,000          | 401,500          |
| EchoStar Communications Corp.:  |                  |                  |
| 6.375% 10/1/11 .....  | 4,695,000        | 4,577,625        |
| 7% 10/1/13 .....  | 4,025,000        | 3,833,813        |
| 7.125% 2/1/16 .....   | 1,670,000        | 1,548,925        |
| Kabel Deutschland GmbH 10.625%<br>7/1/14 .....  | 5,050,000        | 5,176,250        |

|  | Principal Amount | Value             |
|--|------------------|-------------------|
| Videotron Ltd.:  |                  |                   |
| 9.125% 4/15/18 (f) .....   | \$ 1,680,000     | \$ 1,701,000      |
| 9.125% 4/15/18 .....   | 1,705,000        | <u>1,734,838</u>  |
|  |                  | <u>49,719,629</u> |
| <b>Capital Goods – 1.4%</b>                                      |                  |                   |
| Case Corp. 7.25% 1/15/16 .....                                   | 1,460,000        | 1,315,825         |
| Leucadia National Corp.:   |                  |                   |
| 7% 8/15/13 .....   | 520,000          | 483,600           |
| 7.125% 3/15/17 .....   | 3,145,000        | 2,547,450         |
| RBS Global, Inc. / Rexnord Corp.:                                |                  |                   |
| 9.5% 8/1/14 .....  | 590,000          | 501,500           |
| 9.5% 8/1/14 (f) .....  | 911,000          | 774,350           |
| 11.75% 8/1/16 .....  | 1,345,000        | 995,300           |
| Sensus Metering Systems, Inc.<br>8.625% 12/15/13 .....           | 4,325,000        | 4,108,750         |
| Terex Corp. 8% 11/15/17 .....                                    | 3,800,000        | <u>2,964,000</u>  |
|  |                  | <u>13,690,775</u> |
| <b>Chemicals – 1.5%</b>  |                  |                   |
| Chemtura Corp. 6.875%<br>6/1/16 (c) .....                        | 1,610,000        | 1,167,250         |
| Huntsman LLC 11.5% 7/15/12 ...                                   | 580,000          | 587,250           |
| MacDermid, Inc. 9.5% 4/15/17 (f)                                 | 250,000          | 182,500           |
| Momentive Performance Materials,<br>Inc. 9.75% 12/1/14 .....     | 4,165,000        | 1,832,600         |
| Nalco Co.:   |                  |                   |
| 7.75% 11/15/11 .....   | 1,490,000        | 1,478,825         |
| 8.25% 5/15/17 (f) .....  | 2,675,000        | 2,668,313         |
| NOVA Chemicals Corp.:  |                  |                   |
| 4.5375% 11/15/13 (g) .....                                       | 5,325,000        | 4,393,125         |
| 6.5% 1/15/12 .....   | 2,420,000        | 2,244,550         |
| Westlake Chemical Corp. 6.625%<br>1/15/16 .....                  | 115,000          | <u>100,625</u>    |
|  |                  | <u>14,655,038</u> |
| <b>Consumer Products – 0.6%</b>                                  |                  |                   |
| Jostens Holding Corp. 10.25%<br>12/1/13 .....                    | 3,050,000        | 2,989,000         |
| Revlon Consumer Products Corp.<br>9.5% 4/1/11 .....              | 3,120,000        | <u>2,823,600</u>  |
|  |                  | <u>5,812,600</u>  |
| <b>Containers – 1.7%</b>   |                  |                   |
| Berry Plastics Corp. 5.8813%<br>2/15/15 (g) .....                | 1,980,000        | 1,722,600         |
| BWAY Corp. 10% 4/15/14 (f) ...                                   | 1,630,000        | 1,630,000         |
| Crown Cork & Seal, Inc.:   |                  |                   |
| 7.375% 12/15/26 .....  | 3,648,000        | 3,100,800         |
| 8% 4/15/23 .....   | 1,835,000        | 1,568,925         |
| Greif, Inc. 6.75% 2/1/17 .....                                   | 4,770,000        | 4,376,475         |
| Owens-Brockway Glass Container,<br>Inc. 7.375% 5/15/16 (f) ..... | 2,195,000        | 2,123,663         |
| Silgan Holdings, Inc. 7.25%<br>8/15/16 (f) .....                 | 2,195,000        | <u>2,112,688</u>  |
|  |                  | <u>16,635,151</u> |

See accompanying notes which are an integral part of the financial statements.

## Corporate Bonds – continued

|  | Principal Amount | Value             |
|--|------------------|-------------------|
| <b>Nonconvertible Bonds – continued</b>                            |                  |                   |
| <b>Department Stores – 0.1%</b>                                    |                  |                   |
| Neiman Marcus Group, Inc.<br>10.375% 10/15/15 .....                | \$ 1,120,000     | \$ 660,800        |
| <b>Diversified Financial Services – 0.4%</b>                       |                  |                   |
| NiSource Finance Corp.:<br>5.25% 9/15/17 .....                     | 695,000          | 595,963           |
| 5.45% 9/15/20 .....  | 645,000          | 542,499           |
| Sprint Capital Corp. 8.75%<br>3/15/32 .....                        | 545,000          | 438,725           |
| Whirlpool Corp. 8.6% 5/1/14 ...                                    | 2,200,000        | 2,299,000         |
|  |                  | <u>3,876,187</u>  |
| <b>Diversified Media – 3.4%</b>                                    |                  |                   |
| Affinion Group, Inc.:<br>10.125% 10/15/13 (f) .....                | 1,080,000        | 1,001,700         |
| 11.5% 10/15/15 .....   | 995,000          | 845,750           |
| Interpublic Group of Companies,<br>Inc.:<br>6.25% 11/15/14 .....   | 490,000          | 428,750           |
| 10% 7/15/17 (f) .....  | 1,120,000        | 1,136,800         |
| Lamar Media Corp.:<br>Series B, 6.625% 8/15/15 .....               | 750,000          | 633,750           |
| 6.625% 8/15/15 .....   | 1,435,000        | 1,255,625         |
| 9.75% 4/1/14 (f) .....   | 1,730,000        | 1,790,550         |
| Liberty Media Corp.:<br>5.7% 5/15/13 .....                         | 1,465,000        | 1,267,225         |
| 8.25% 2/1/30 .....   | 255,000          | 175,631           |
| Nielsen Finance LLC/Nielsen<br>Finance Co.:<br>0% 8/1/16 (d) ..... | 6,430,000        | 4,147,350         |
| 10% 8/1/14 .....   | 5,140,000        | 4,883,000         |
| 11.5% 5/1/16 (f) .....   | 2,275,000        | 2,212,438         |
| 11.625% 2/1/14 (f) .....   | 6,320,000        | 6,272,600         |
| Quebecor Media, Inc.:<br>7.75% 3/15/16 .....                       | 4,565,000        | 4,085,675         |
| 7.75% 3/15/16 .....  | 3,585,000        | 3,208,575         |
|  |                  | <u>33,345,419</u> |
| <b>Electric Utilities – 7.2%</b>                                   |                  |                   |
| AES Corp.:<br>7.75% 3/1/14 .....                                   | 905,000          | 850,700           |
| 7.75% 10/15/15 .....   | 2,160,000        | 2,008,800         |
| 8% 10/15/17 .....  | 2,085,000        | 1,939,050         |
| 9.75% 4/15/16 (f) .....  | 1,485,000        | 1,503,563         |
| Aquila, Inc. 11.875% 7/1/12 (g) .                                  | 2,825,000        | 3,121,625         |
| Calpine Construction Finance Co.<br>LP 8% 6/1/16 (f) .....         | 2,945,000        | 2,834,563         |
| Dynegy Holdings, Inc. 8.375%<br>5/1/16 .....                       | 1,515,000        | 1,287,750         |
| Edison Mission Energy:<br>7% 5/15/17 .....                         | 2,465,000        | 1,891,888         |
| 7.2% 5/15/19 .....   | 2,800,000        | 2,086,000         |

|   | Principal Amount | Value             |
|---|------------------|-------------------|
| 7.625% 5/15/27 .....  | \$ 2,465,000     | \$ 1,589,925      |
| Energy Future Holdings:                                     |                  |                   |
| 10.875% 11/1/17 .....                                       | 6,160,000        | 4,496,800         |
| 12% 11/1/17 pay-in-kind (g) ..                              | 4,567,000        | 2,693,008         |
| Intergen NV 9% 6/30/17 (f) .....                            | 3,950,000        | 3,742,625         |
| IPALCO Enterprises, Inc. 7.25%<br>4/1/16 (f) .....          | 2,205,000        | 2,105,775         |
| Mirant Americas Generation LLC:                             |                  |                   |
| 8.5% 10/1/21 .....  | 4,175,000        | 3,465,250         |
| 9.125% 5/1/31 .....   | 1,605,000        | 1,155,600         |
| NiSource Finance Corp. 10.75%<br>3/15/16 .....              | 1,603,000        | 1,778,043         |
| NRG Energy, Inc.:   |                  |                   |
| 7.25% 2/1/14 .....  | 1,685,000        | 1,642,875         |
| 7.375% 2/1/16 .....   | 4,390,000        | 4,170,500         |
| 7.375% 1/15/17 .....  | 6,745,000        | 6,357,163         |
| NSG Holdings II, LLC 7.75%<br>12/15/25 (f) .....            | 7,850,000        | 6,280,000         |
| RRI Energy, Inc.:   |                  |                   |
| 6.75% 12/15/14 .....  | 359,000          | 345,986           |
| 7.625% 6/15/14 .....  | 4,330,000        | 3,961,950         |
| 7.875% 6/15/17 .....  | 970,000          | 868,150           |
| Tenaska Alabama Partners LP 7%<br>6/30/21 (f) .....         | 1,924,634        | 1,645,562         |
| Texas Competitive Electric Holdings<br>Co. LLC:             |                  |                   |
| Series A, 10.25% 11/1/15 .....                              | 4,115,000        | 2,561,588         |
| Series B, 10.25% 11/1/15 .....                              | 4,280,000        | 2,675,000         |
| 11.25% 11/1/16 pay-in-kind ..                               | 3,205,844        | 1,414,935         |
|   |                  | <u>70,474,674</u> |
| <b>Energy – 9.8%</b>  |                  |                   |
| Ashland, Inc. 9.125% 6/1/17 (f) .                           | 1,130,000        | 1,163,900         |
| Berry Petroleum Co. 10.25%<br>6/1/14 .....                  | 1,005,000        | 1,005,000         |
| Chesapeake Energy Corp.:                                    |                  |                   |
| 6.5% 8/15/17 .....  | 5,780,000        | 4,855,200         |
| 6.875% 1/15/16 .....  | 2,170,000        | 1,904,175         |
| 7.625% 7/15/13 .....  | 1,445,000        | 1,372,750         |
| 9.5% 2/15/15 .....  | 8,330,000        | 8,392,475         |
| Compagnie Generale de<br>Geophysique SA:                    |                  |                   |
| 7.5% 5/15/15 .....  | 235,000          | 217,375           |
| 7.75% 5/15/17 .....   | 1,235,000        | 1,111,500         |
| 9.5% 5/15/16 (f) .....                                      | 2,450,000        | 2,443,875         |
| Denbury Resources, Inc. 9.75%<br>3/1/16 .....               | 3,675,000        | 3,776,063         |
| Dynegy Holdings, Inc. 8.75%<br>2/15/12 .....                | 2,205,000        | 2,138,850         |
| El Paso Corp. 6.95% 6/1/28 .....                            | 400,000          | 298,000           |
| El Paso Energy Corp. 7.75%<br>1/15/32 .....                 | 610,000          | 496,553           |
| El Paso Performance-Linked Trust<br>7.75% 7/15/11 (f) ..... | 3,050,000        | 2,943,250         |

See accompanying notes which are an integral part of the financial statements.

## Investments (Unaudited) – continued

### Corporate Bonds – continued

|   | Principal Amount | Value             |
|---|------------------|-------------------|
| <b>Nonconvertible Bonds – continued</b>   |                  |                   |
| <b>Energy – continued</b>   |                  |                   |
| Forest Oil Corp.:   |                  |                   |
| 7.25% 6/15/19 .....   | \$ 1,420,000     | \$ 1,278,000      |
| 7.75% 5/1/14 .....  | 1,780,000        | 1,682,100         |
| 8.5% 2/15/14 (f) .....  | 4,380,000        | 4,303,350         |
| Frontier Oil Corp. 8.5% 9/15/16 ..  | 2,700,000        | 2,720,250         |
| Helix Energy Solutions Group, Inc.<br>9.5% 1/15/16 (f) .....                                      | 3,055,000        | 2,703,675         |
| Hilcorp Energy I LP/Hilcorp Finance<br>Co. 9% 6/1/16 (f) .....                                    | 460,000          | 400,200           |
| Inergy LP/Inergy Finance Corp.<br>8.75% 3/1/15 (f) .....  | 2,265,000        | 2,219,700         |
| Newfield Exploration Co. 7.125%<br>5/15/18 .....  | 2,565,000        | 2,327,738         |
| Parker Drilling Co. 9.625%<br>10/1/13 .....   | 1,090,000        | 1,008,250         |
| Petrohawk Energy Corp.:   |                  |                   |
| 7.875% 6/1/15 .....   | 770,000          | 712,250           |
| 9.125% 7/15/13 .....  | 5,910,000        | 5,880,450         |
| 10.5% 8/1/14 (f) .....  | 725,000          | 751,281           |
| Petroleum Development Corp. 12%<br>2/15/18 .....  | 2,810,000        | 2,360,400         |
| Pioneer Natural Resources Co.<br>6.65% 3/15/17 .....  | 3,365,000        | 2,927,550         |
| Plains Exploration & Production<br>Co.:   |                  |                   |
| 7% 3/15/17 .....  | 4,230,000        | 3,690,675         |
| 7.625% 6/1/18 .....   | 1,535,000        | 1,377,663         |
| 10% 3/1/16 .....  | 3,207,000        | 3,287,175         |
| Pride International, Inc. 8.5%<br>6/15/19 .....   | 1,500,000        | 1,485,000         |
| Quicksilver Resources, Inc. 11.75%<br>1/1/16 .....  | 2,250,000        | 2,317,500         |
| Range Resources Corp.:  |                  |                   |
| 6.375% 3/15/15 (Reg. S) .....   | 435,000          | 396,938           |
| 7.375% 7/15/13 .....  | 10,075,000       | 9,873,500         |
| 8% 5/15/19 .....  | 1,850,000        | 1,801,438         |
| SandRidge Energy, Inc.:   |                  |                   |
| 4.8325% 4/1/14 (g) .....  | 3,350,000        | 2,713,500         |
| 8.625% 4/1/15 pay-in-kind (g) ..  | 840,000          | 756,000           |
| Southwestern Energy Co. 7.5%<br>2/1/18 (f) .....  | 1,640,000        | 1,582,600         |
| Targa Resources Partners LP/Targa<br>Resources Partners Finance Corp.<br>11.25% 7/15/17 (f) ..... | 1,895,000        | 1,799,738         |
| Williams Companies, Inc. 8.75%<br>1/15/20 (f) .....   | 1,675,000        | 1,746,188         |
|   |                  | <u>96,222,075</u> |
| <b>Entertainment/Film – 0.4%</b>  |                  |                   |
| AMC Entertainment, Inc.:  |                  |                   |
| 8% 3/1/14 .....   | 300,000          | 258,000           |

|  | Principal Amount | Value             |
|--|------------------|-------------------|
| 8.75% 6/1/19 (f) .....   | \$ 2,820,000     | \$ 2,650,800      |
| Marquee Holdings, Inc. 9.5%<br>8/15/14 (e) .....                                   | 1,645,000        | <u>1,283,100</u>  |
|  |                  | <u>4,191,900</u>  |
| <b>Food and Drug Retail – 1.0%</b>   |                  |                   |
| Albertsons, Inc. 7.75% 6/15/26 ..  | 435,000          | 370,838           |
| Federated Retail Holdings, Inc.<br>5.9% 12/1/16 .....                              | 2,455,000        | 2,000,054         |
| Macy's Retail Holdings, Inc. 7.875%<br>7/15/15 .....                               | 1,120,000        | 1,083,836         |
| SUPERVALU, Inc.:   |                  |                   |
| 7.5% 5/15/12 .....   | 355,000          | 351,450           |
| 7.5% 11/15/14 .....  | 2,725,000        | 2,616,000         |
| 8% 5/1/16 .....  | 3,110,000        | <u>3,047,800</u>  |
|  |                  | <u>9,469,978</u>  |
| <b>Food/Beverage/Tobacco – 1.6%</b>  |                  |                   |
| Constellation Brands, Inc.:  |                  |                   |
| 7.25% 9/1/16 .....   | 880,000          | 814,000           |
| 8.375% 12/15/14 .....  | 2,260,000        | 2,260,000         |
| Dean Foods Co.:  |                  |                   |
| 6.9% 10/15/17 .....  | 4,450,000        | 4,094,000         |
| 7% 6/1/16 .....  | 2,445,000        | 2,231,063         |
| National Beef Packing Co.<br>LLC/National Beef Finance Corp.<br>10.5% 8/1/11 ..... |                  |                   |
|  | 3,690,000        | 3,560,850         |
| Smithfield Foods, Inc. 10%<br>7/15/14 (f) .....                                    |                  |                   |
|  | 1,340,000        | 1,326,600         |
| Tyson Foods, Inc. 10.5% 3/1/14 (f)   | 860,000          | <u>930,950</u>    |
|  |                  | <u>15,217,463</u> |
| <b>Gaming – 3.4%</b>   |                  |                   |
| Ameristar Casinos, Inc. 9.25%<br>6/1/14 (f) .....                                  |                  |                   |
|  | 2,090,000        | 2,110,900         |
| Chukchansi Economic Development<br>Authority:                                      |                  |                   |
| 4.9125% 11/15/12 (f)(g) .....  | 1,010,000        | 656,500           |
| 8% 11/15/13 (f) .....  | 3,210,000        | 2,150,700         |
| Mashantucket Western Pequot Tribe<br>8.5% 11/15/15 (f) .....                       |                  |                   |
|  | 5,050,000        | 2,525,000         |
| MGM Mirage, Inc. 8.5% 9/15/10  | 730,000          | 664,300           |
| Mohegan Tribal Gaming Authority:   |                  |                   |
| 6.125% 2/15/13 .....   | 1,295,000        | 977,725           |
| 6.375% 7/15/09 .....   | 950,000          | 931,000           |
| 6.875% 2/15/15 .....   | 130,000          | 84,500            |
| 7.125% 8/15/14 .....   | 1,760,000        | 1,144,000         |
| Scientific Games Corp.:  |                  |                   |
| 6.25% 12/15/12 .....   | 3,275,000        | 3,111,250         |
| 7.875% 6/15/16 (f) .....   | 3,080,000        | 2,926,000         |
| 9.25% 6/15/19 (f) .....  | 1,920,000        | 1,934,400         |
| Seminole Hard Rock Entertainment,<br>Inc. 3.1294% 3/15/14 (f)(g) ...               |                  |                   |
|  | 2,125,000        | 1,466,250         |
| Seneca Gaming Corp.:   |                  |                   |
| Series B, 7.25% 5/1/12 .....   | 5,055,000        | 4,372,575         |
| 7.25% 5/1/12 .....   | 2,225,000        | 1,924,625         |

See accompanying notes which are an integral part of the financial statements.

## Corporate Bonds – continued

|   | Principal Amount | Value             |
|---|------------------|-------------------|
| <b>Nonconvertible Bonds – continued</b>   |                  |                   |
| <b>Gaming – continued</b>   |                  |                   |
| Snoqualmie Entertainment Authority:   |                  |                   |
| 5.3838% 2/1/14 (f)(g) .....   | \$ 3,525,000     | \$ 1,692,000      |
| 9.125% 2/1/15 (f) .....   | 1,290,000        | 670,800           |
| Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp.:                                |                  |                   |
| 6.625% 12/1/14 .....  | 1,300,000        | 1,134,250         |
| 6.625% 12/1/14 .....  | 3,580,000        | 3,114,600         |
|   |                  | <u>33,591,375</u> |
| <b>Healthcare – 8.0%</b>  |                  |                   |
| Biomet, Inc.:   |                  |                   |
| 10% 10/15/17 .....  | 2,490,000        | 2,533,575         |
| 10.375% 10/15/17 pay-in-kind (g) .....  | 995,000          | 962,663           |
| 11.625% 10/15/17 .....  | 3,490,000        | 3,324,225         |
| Community Health Systems, Inc. 8.875% 7/15/15 .....                             | 4,320,000        | 4,233,600         |
| DJO Finance LLC / DJO Finance Corp. 10.875% 11/15/14 .....                      | 7,410,000        | 6,483,750         |
| HCA, Inc.:  |                  |                   |
| 6.5% 2/15/16 .....  | 6,715,000        | 5,489,513         |
| 7.875% 2/1/11 .....   | 375,000          | 369,375           |
| 8.5% 4/15/19 (f) .....  | 2,125,000        | 2,071,875         |
| 9.125% 11/15/14 .....   | 6,670,000        | 6,594,963         |
| 9.25% 11/15/16 .....  | 8,519,000        | 8,348,620         |
| 9.625% 11/15/16 pay-in-kind (g) .....   | 5,401,000        | 5,360,493         |
| 9.875% 2/15/17 (f) .....  | 580,000          | 584,350           |
| HealthSouth Corp. 10.75% 6/15/16 .....  | 1,805,000        | 1,814,025         |
| Inverness Medical Innovations, Inc. 9% 5/15/16 .....                            | 2,875,000        | 2,781,563         |
| Omega Healthcare Investors, Inc. 7% 4/1/14 .....                                | 9,235,000        | 8,426,938         |
| Psychiatric Solutions, Inc.:  |                  |                   |
| 7.75% 7/15/15 .....   | 80,000           | 73,800            |
| 7.75% 7/15/15 (f) .....   | 800,000          | 732,000           |
| Service Corp. International 7.5% 4/1/27 .....                                   | 4,050,000        | 3,179,250         |
| Tenet Healthcare Corp. 8.875% 7/1/19 (f) .....                                  | 3,665,000        | 3,683,325         |
| United Surgical Partners International, Inc. 9.25% 5/1/17 pay-in-kind (g) ..... | 900,000          | 738,000           |
| Valeant Pharmaceuticals International 8.375% 6/15/16 (f) .....                  | 2,355,000        | 2,343,225         |
| Ventas Realty LP:   |                  |                   |
| 6.5% 6/1/16 .....   | 1,200,000        | 1,074,000         |
| 6.5% 6/1/16 .....   | 460,000          | 411,700           |
| 6.625% 10/15/14 .....   | 1,820,000        | 1,729,000         |

|   | Principal Amount | Value             |
|---|------------------|-------------------|
| Viant Holdings, Inc. 10.125% 7/15/17 (f) .....                                  | \$ 3,679,000     | \$ 2,943,200      |
| VWR Funding, Inc. 10.25% 7/15/15 pay-in-kind .....                              | 2,860,000        | 2,259,400         |
|   |                  | <u>78,546,428</u> |
| <b>Homebuilding/Real Estate – 2.4%</b>  |                  |                   |
| American Real Estate Partners/American Real Estate Finance Corp.:               |                  |                   |
| 7.125% 2/15/13 .....  | 7,420,000        | 6,696,550         |
| 8.125% 6/1/12 .....   | 8,345,000        | 7,677,400         |
| D.R. Horton, Inc. 6.5% 4/15/16 ..   | 1,640,000        | 1,402,200         |
| KB Home:  |                  |                   |
| 5.875% 1/15/15 .....  | 735,000          | 654,150           |
| 6.25% 6/15/15 .....   | 1,285,000        | 1,098,675         |
| 6.375% 8/15/11 .....  | 740,000          | 714,100           |
| Lennar Corp. 12.25% 6/1/17 (f) .  | 2,200,000        | 2,244,000         |
| Pulte Homes, Inc. 5.25% 1/15/14   | 905,000          | 773,775           |
| Ryland Group, Inc. 8.4% 5/15/17   | 1,910,000        | 1,814,500         |
|   |                  | <u>23,075,350</u> |
| <b>Hotels – 1.3%</b>  |                  |                   |
| Host Hotels & Resorts LP 9% 5/15/17 (f) .....                                   | 2,195,000        | 2,063,300         |
| Host Marriott LP 7.125% 11/1/13   | 6,900,000        | 6,451,500         |
| Starwood Hotels & Resorts Worldwide, Inc.:                                      |                  |                   |
| 6.25% 2/15/13 .....   | 700,000          | 651,000           |
| 7.875% 10/15/14 .....   | 3,785,000        | 3,557,900         |
|   |                  | <u>12,723,700</u> |
| <b>Leisure – 1.9%</b>   |                  |                   |
| Royal Caribbean Cruises Ltd.:   |                  |                   |
| 7.25% 3/15/18 .....   | 1,815,000        | 1,370,325         |
| 11.875% 7/15/15 .....   | 1,440,000        | 1,402,546         |
| yankee:   |                  |                   |
| 7% 6/15/13 .....  | 5,550,000        | 4,849,313         |
| 7.25% 6/15/16 .....   | 1,360,000        | 1,071,000         |
| 7.5% 10/15/27 .....   | 1,400,000        | 952,000           |
| Speedway Motorsports, Inc. 8.75% 6/1/16 (f) .....                               | 1,440,000        | 1,458,000         |
| Town Sports International Holdings, Inc. 11% 2/1/14 .....                       | 1,772,000        | 868,280           |
| Universal City Development Partners Ltd./UCDP Finance, Inc. 11.75% 4/1/10 ..... | 3,125,000        | 2,937,500         |
| Universal City Florida Holding Co. I/II:  |                  |                   |
| 5.775% 5/1/10 (g) .....   | 4,340,000        | 3,472,000         |
| 8.375% 5/1/10 .....   | 625,000          | 514,063           |
|   |                  | <u>18,895,027</u> |
| <b>Metals/Mining – 3.9%</b>   |                  |                   |
| Compass Minerals International, Inc. 8% 6/1/19 (f) .....                        | 2,660,000        | 2,620,100         |
| Drummond Co., Inc. 7.375% 2/15/16 (f) .....                                     | 7,160,000        | 5,226,800         |

See accompanying notes which are an integral part of the financial statements.

## Investments (Unaudited) – continued

### Corporate Bonds – continued

|  | Principal Amount | Value             |
|--|------------------|-------------------|
| <b>Nonconvertible Bonds – continued</b>                          |                  |                   |
| <b>Metals/Mining – continued</b>                                 |                  |                   |
| FMG Finance Property Ltd.:                                       |                  |                   |
| 4.6675% 9/1/11 (f)(g) .....                                      | \$ 2,450,000     | \$ 2,339,750      |
| 10% 9/1/13 (f) .....   | 3,100,000        | 2,960,500         |
| Freeport-McMoRan Copper & Gold, Inc.:                            |                  |                   |
| 4.995% 4/1/15 (g) .....  | 5,320,000        | 4,947,600         |
| 8.25% 4/1/15 .....   | 4,110,000        | 4,135,688         |
| 8.375% 4/1/17 .....  | 5,595,000        | 5,622,975         |
| Massey Energy Co. 6.875% 12/15/13 .....                          | 5,595,000        | 5,119,425         |
| Teck Resources Ltd.:   |                  |                   |
| 9.75% 5/15/14 (f) .....  | 1,465,000        | 1,519,938         |
| 10.25% 5/15/16 (f) .....   | 1,465,000        | 1,541,913         |
| 10.75% 5/15/19 (f) .....   | 1,465,000        | 1,549,238         |
|  |                  | <u>37,583,927</u> |
| <b>Paper – 2.2%</b>  |                  |                   |
| Cascades, Inc. 7.25% 2/15/13 ...                                 | 2,175,000        | 1,897,688         |
| Catalyst Paper Corp. 8.625% 6/15/11 .....                        | 1,715,000        | 1,029,000         |
| Domtar Corp.:  |                  |                   |
| 5.375% 12/1/13 .....   | 1,045,000        | 830,775           |
| 7.125% 8/15/15 .....   | 1,425,000        | 1,161,375         |
| 7.875% 10/15/11 .....  | 60,000           | 58,800            |
| 10.75% 6/1/17 .....  | 2,445,000        | 2,353,313         |
| Georgia-Pacific Corp.:   |                  |                   |
| 7% 1/15/15 (f) .....   | 3,685,000        | 3,463,900         |
| 8.875% 5/15/31 .....   | 1,435,000        | 1,241,275         |
| Georgia-Pacific LLC 8.25% 5/1/16 (f) .....                       | 1,770,000        | 1,739,025         |
| Graphic Packaging International, Inc.:                           |                  |                   |
| 8.5% 8/15/11 .....   | 1,686,000        | 1,652,280         |
| 9.5% 6/15/17 (f) .....   | 1,675,000        | 1,645,688         |
| Rock-Tenn Co.:   |                  |                   |
| 9.25% 3/15/16 .....  | 1,885,000        | 1,917,988         |
| 9.25% 3/15/16 (f) .....  | 525,000          | 534,188           |
| Solo Cup Co. 10.5% 11/1/13 (f) .                                 | 890,000          | 892,225           |
| Temple-Inland, Inc. 6.625% 1/15/16 .....                         | 545,000          | 487,775           |
| Verso Paper Holdings LLC/ Verso Paper, Inc. 11.5% 7/1/14 (f) ... | 960,000          | 859,200           |
|  |                  | <u>21,764,495</u> |
| <b>Publishing/Printing – 0.8%</b>                                |                  |                   |
| Cenveo Corp. 7.875% 12/1/13 ..                                   | 75,000           | 52,500            |
| Scholastic Corp. 5% 4/15/13 ....                                 | 2,210,000        | 1,790,100         |
| The Reader's Digest Association, Inc. 9% 2/15/17 .....           | 3,305,000        | 140,463           |
| TL Acquisitions, Inc.:   |                  |                   |
| 0% 7/15/15 (d)(f) .....  | 2,000,000        | 1,462,500         |
| 10.5% 1/15/15 (f) .....  | 5,215,000        | 4,172,000         |
|  |                  | <u>7,617,563</u>  |

|  | Principal Amount | Value             |
|--|------------------|-------------------|
| <b>Railroad – 0.1%</b>                                   |                  |                   |
| Kansas City Southern Railway Co. 8% 6/1/15 .....         | \$ 1,250,000     | \$ 1,150,000      |
| <b>Restaurants – 0.3%</b>                                |                  |                   |
| Wendy's/Arby's Restaurants LLC 10% 7/15/16 (f) .....     | 3,460,000        | 3,321,600         |
| <b>Services – 2.8%</b>                                   |                  |                   |
| ARAMARK Corp.:   |                  |                   |
| 4.5275% 2/1/15 (g) .....                                 | 6,455,000        | 5,244,688         |
| 8.5% 2/1/15 .....  | 3,080,000        | 2,956,800         |
| Avis Budget Car Rental LLC/Avis Budget Finance, Inc.:    |                  |                   |
| 7.625% 5/15/14 .....                                     | 1,375,000        | 941,875           |
| 7.75% 5/15/16 .....                                      | 1,150,000        | 764,750           |
| FTI Consulting, Inc. 7.625% 6/15/13 .....                | 2,965,000        | 2,831,575         |
| Hertz Corp.:   |                  |                   |
| 8.875% 1/1/14 .....                                      | 2,720,000        | 2,502,400         |
| 10.5% 1/1/16 .....                                       | 1,275,000        | 1,147,500         |
| Iron Mountain, Inc.:                                     |                  |                   |
| 8% 6/15/20 .....   | 1,045,000        | 966,625           |
| 8.625% 4/1/13 .....                                      | 5,270,000        | 5,256,825         |
| JohnsonDiversey Holdings, Inc.:                          |                  |                   |
| 10.67% 5/15/13 .....                                     | 715,000          | 579,150           |
| JohnsonDiversey, Inc. 9.625% 5/15/12 .....               |                  |                   |
|  | 310,000          | 307,675           |
| Rental Service Corp. 9.5% 12/1/14 .....                  |                  |                   |
|  | 1,660,000        | 1,328,000         |
| Rural/Metro Corp. 0% 3/15/16 (d) .....                   |                  |                   |
|  | 965,000          | 704,450           |
| US Investigations Services, Inc. 10.5% 11/1/15 (f) ..... |                  |                   |
|  | 2,720,000        | 2,216,800         |
|  |                  | <u>27,749,113</u> |
| <b>Shipping – 3.2%</b>                                   |                  |                   |
| Navios Maritime Holdings, Inc.:                          |                  |                   |
| 9.5% 12/15/14 .....                                      | 4,722,000        | 3,872,040         |
| Overseas Shipholding Group, Inc.:                        |                  |                   |
| 7.5% 2/15/24 .....                                       | 475,000          | 344,969           |
| 8.75% 12/1/13 .....                                      | 85,000           | 78,625            |
| Ship Finance International Ltd. 8.5% 12/15/13 .....      |                  |                   |
|  | 22,075,000       | 18,542,972        |
| Teekay Corp. 8.875% 7/15/11 ...                          | 8,373,000        | 8,310,203         |
|  |                  | <u>31,148,809</u> |
| <b>Specialty Retailing – 0.6%</b>                        |                  |                   |
| Dollar General Corp.:                                    |                  |                   |
| 10.625% 7/15/15 .....                                    | 1,425,000        | 1,546,125         |
| 11.875% 7/15/17 pay-in-kind (g) .....                    | 815,000          | 880,200           |
| Ltd. Brands, Inc. 8.5% 6/15/19 (f)                       | 1,265,000        | 1,217,563         |
| Michaels Stores, Inc. 10% 11/1/14                        | 990,000          | 831,600           |
| Sally Holdings LLC 9.25% 11/15/14 .....                  |                  |                   |
|  | 980,000          | 975,100           |
|  |                  | <u>5,450,588</u>  |

See accompanying notes which are an integral part of the financial statements.

## Corporate Bonds – continued

|   | Principal Amount | Value             |
|---|------------------|-------------------|
| <b>Nonconvertible Bonds – continued</b>                           |                  |                   |
| <b>Steels – 0.8%</b>  |                  |                   |
| Metals USA, Inc. 11.125%<br>12/1/15 .....                         | \$ 170,000       | \$ 136,000        |
| Steel Dynamics, Inc.:<br>6.75% 4/1/15 .....                       | 4,840,000        | 4,283,400         |
| 7.375% 11/1/12 .....  | 2,805,000        | 2,643,713         |
| Tube City IMS Corp. 9.75%<br>2/1/15 .....                         | 1,695,000        | 1,038,188         |
|   |                  | <u>8,101,301</u>  |
| <b>Super Retail – 0.8%</b>  |                  |                   |
| NBC Acquisition Corp. 11%<br>3/15/13 .....                        | 1,665,000        | 499,500           |
| Neiman Marcus Group, Inc. 9.75%<br>10/15/15 pay-in-kind (e) ..... | 1,140,000        | 626,026           |
| Toys 'R' US, Inc.:<br>7.375% 10/15/18 .....                       | 400,000          | 286,000           |
| 7.625% 8/1/11 .....   | 6,500,000        | 6,012,500         |
|   |                  | <u>7,424,026</u>  |
| <b>Technology – 2.5%</b>  |                  |                   |
| Amkor Technology, Inc.:<br>7.75% 5/15/13 .....                    | 130,000          | 120,250           |
| 9.25% 6/1/16 .....  | 1,130,000        | 1,045,250         |
| Flextronics International Ltd.:<br>6.25% 11/15/14 .....           | 435,000          | 404,550           |
| 6.5% 5/15/13 .....  | 1,065,000        | 1,033,050         |
| Freescale Semiconductor, Inc.<br>8.875% 12/15/14 .....            | 3,835,000        | 1,917,500         |
| Jabil Circuit, Inc. 8.25% 3/15/18 ..                              | 690,000          | 621,000           |
| Lucent Technologies, Inc.:<br>6.45% 3/15/29 .....                 | 4,675,000        | 2,653,063         |
| 6.5% 1/15/28 .....  | 4,915,000        | 2,752,400         |
| Seagate Technology HDD Holdings<br>6.8% 10/1/16 .....             | 2,485,000        | 2,087,400         |
| Seagate Technology International<br>10% 5/1/14 (f) .....          | 670,000          | 690,100           |
| SunGard Data Systems, Inc.:<br>9.125% 8/15/13 .....               | 1,460,000        | 1,387,000         |
| 10.25% 8/15/15 .....  | 1,460,000        | 1,357,800         |
| Terremark Worldwide, Inc. 12%<br>6/15/17 (f) .....                | 3,460,000        | 3,287,000         |
| Xerox Capital Trust I 8% 2/1/27 ..                                | 6,970,000        | 5,297,200         |
|   |                  | <u>24,653,563</u> |
| <b>Telecommunications – 11.9%</b>                                 |                  |                   |
| Cincinnati Bell, Inc. 8.375%<br>1/15/14 .....                     | 4,605,000        | 4,225,088         |
| Citizens Communications Co. 9%<br>8/15/31 .....                   | 1,055,000        | 870,375           |
| Cricket Communications, Inc.:<br>7.75% 5/15/16 (f) .....          | 2,915,000        | 2,798,400         |
| 9.375% 11/1/14 .....  | 1,020,000        | 1,004,700         |
| 10% 7/15/15 .....   | 2,590,000        | 2,570,575         |

|   | Principal Amount | Value              |
|---|------------------|--------------------|
| Digicel Group Ltd.:<br>8.875% 1/15/15 (f) .....                   | \$ 7,365,000     | \$ 6,186,600       |
| 9.125% 1/15/15<br>pay-in-kind (f)(g) .....                        | 2,727,000        | 2,263,410          |
| 9.25% 9/1/12 (f) .....  | 6,600,000        | 6,468,000          |
| 12% 4/1/14 (f) .....  | 795,000          | 802,950            |
| DigitalGlobe, Inc. 10.5%<br>5/1/14 (f) .....                      | 1,345,000        | 1,371,900          |
| Frontier Communications Corp.<br>8.25% 5/1/14 .....               | 1,945,000        | 1,847,750          |
| Intelsat Bermuda Ltd. 12.5%<br>2/4/17 pay-in-kind (e)(f) .....    | 1,680,000        | 1,247,867          |
| Intelsat Jackson Holdings Ltd.:<br>9.5% 6/15/16 (f) .....         | 6,995,000        | 6,995,000          |
| 11.5% 6/15/16 (f) .....   | 1,203,000        | 1,178,940          |
| Intelsat Ltd.:<br>6.5% 11/1/13 .....                              | 10,705,000       | 8,617,525          |
| 7.625% 4/15/12 .....  | 9,280,000        | 8,212,800          |
| Intelsat Subsidiary Holding Co. Ltd.:<br>8.875% 1/15/15 (f) ..... | 585,000          | 564,525            |
| 8.875% 1/15/15 .....  | 5,180,000        | 4,985,750          |
| MetroPCS Wireless, Inc.:<br>9.25% 11/1/14 .....                   | 5,335,000        | 5,301,656          |
| 9.25% 11/1/14 (f) .....   | 1,755,000        | 1,748,419          |
| Mobile Telesystems Finance SA 8%<br>1/28/12 (f) .....             | 3,446,000        | 3,402,925          |
| Nextel Communications, Inc.:<br>5.95% 3/15/14 .....               | 2,095,000        | 1,649,813          |
| 6.875% 10/31/13 .....   | 3,945,000        | 3,264,488          |
| 7.375% 8/1/15 .....   | 1,960,000        | 1,563,100          |
| Orascom Telecom Finance SCA<br>7.875% 2/8/14 (f) .....            | 6,100,000        | 5,124,000          |
| Qwest Capital Funding, Inc. 7.25%<br>2/15/11 .....                | 1,715,000        | 1,654,975          |
| Qwest Communications<br>International, Inc. 7.5% 2/15/14          | 900,000          | 821,250            |
| Qwest Corp.:<br>3.8794% 6/15/13 (g) .....                         | 4,530,000        | 4,048,688          |
| 7.5% 10/1/14 .....  | 2,485,000        | 2,373,175          |
| 7.625% 6/15/15 .....  | 2,588,000        | 2,432,720          |
| 8.375% 5/1/16 (f) .....   | 2,940,000        | 2,837,100          |
| 8.875% 3/15/12 .....  | 315,000          | 317,363            |
| Sprint Capital Corp.:<br>6.875% 11/15/28 .....                    | 3,265,000        | 2,318,150          |
| 7.625% 1/30/11 .....  | 2,495,000        | 2,466,931          |
| 8.375% 3/15/12 .....  | 650,000          | 640,250            |
| Sprint Nextel Corp. 6% 12/1/16 ..                                 | 7,630,000        | 6,237,525          |
| Time Warner Telecom Holdings, Inc.<br>9.25% 2/15/14 .....         | 3,145,000        | 3,121,413          |
| U.S. West Communications:<br>6.875% 9/15/33 .....                 | 2,155,000        | 1,573,150          |
| 7.5% 6/15/23 .....  | 1,135,000        | 885,300            |
|   |                  | <u>115,994,546</u> |

See accompanying notes which are an integral part of the financial statements.

## Investments (Unaudited) – continued

### Corporate Bonds – continued

|   | Principal Amount | Value              |
|---|------------------|--------------------|
| <b>Nonconvertible Bonds – continued</b>         |                  |                    |
| <b>Textiles &amp; Apparel – 0.4%</b>            |                  |                    |
| Hanesbrands, Inc. 4.5925%<br>12/15/14 (g) ..... | \$ 2,760,000     | \$ 2,235,600       |
| Levi Strauss & Co.:<br>8.875% 4/1/16 .....      | 530,000          | 514,100            |
| 9.75% 1/15/15 .....                             | 1,300,000        | 1,267,500          |
|   |                  | <u>4,017,200</u>   |
| <b>TOTAL NONCONVERTIBLE BONDS</b> .....         |                  | <b>869,098,466</b> |
| <b>TOTAL CORPORATE BONDS</b>                    |                  |                    |
| (Cost \$948,630,114) .....                      |                  | <b>873,800,267</b> |

### Commercial Mortgage Securities – 0.0%

|  |         |               |
|--|---------|---------------|
| LB Multi-family Mortgage Trust<br>Series 1991-4 Class A1,<br>7.0934% 4/25/21 (f)(g)<br>(Cost \$98,725) ..... | 134,052 | <b>98,997</b> |
|--|---------|---------------|

### Common Stocks – 0.1%

|   | Shares |                |
|---|--------|----------------|
| <b>Textiles &amp; Apparel – 0.1%</b>                                  |        |                |
| Arena Brands Holding Corp. Class B (a)(h)<br>(Cost \$1,973,704) ..... | 48,889 | <b>299,201</b> |

### Convertible Preferred Stocks – 0.2%

|   |        |                  |
|---|--------|------------------|
| <b>Electric Utilities – 0.2%</b>                |        |                  |
| AES Trust III 6.75%<br>(Cost \$2,507,572) ..... | 51,000 | <b>2,181,780</b> |

### Floating Rate Loans – 6.4%

|  | Principal Amount |                  |
|--|------------------|------------------|
| <b>Air Transportation – 0.2%</b>   |                  |                  |
| Delta Air Lines, Inc. Tranche 2LN,<br>term loan 3.5675% 4/30/14 (g) .....  | \$ 1,883,353     | 1,299,514        |
| Northwest Airlines, Inc. term loan<br>2.32% 12/31/10 (g) .....             | 640,000          | 604,800          |
|  |                  | <u>1,904,314</u> |
| <b>Automotive – 0.9%</b>   |                  |                  |
| Federal-Mogul Corp.:<br>Tranche B, term loan 2.2478%<br>12/27/14 (g) ..... | 2,281,947        | 1,494,675        |
| Tranche C, term loan 2.2489%<br>12/27/15 (g) .....                         | 1,766,674        | 1,157,172        |

|   | Principal Amount | Value            |
|---|------------------|------------------|
| Ford Motor Co. term loan 3.5944%<br>12/15/13 (g) .....  | \$ 7,120,000     | \$ 5,215,400     |
| The Goodyear Tire & Rubber Co.<br>Tranche 2LN, term loan 2.07%<br>4/30/14 (g) .....           | 915,000          | 768,600          |
|   |                  | <u>8,635,847</u> |
| <b>Broadcasting – 0.0%</b>  |                  |                  |
| Univision Communications, Inc.<br>Tranche 1LN, term loan 2.56%<br>9/29/14 (g) .....           | 310,000          | 230,175          |
| <b>Cable TV – 0.4%</b>  |                  |                  |
| Charter Communications Operating<br>LLC Tranche B 1LN, term loan<br>6.25% 3/6/14 (g) .....    | 5,079,158        | 4,495,055        |
| <b>Capital Goods – 0.3%</b>   |                  |                  |
| Dresser, Inc. Tranche 2LN, term<br>loan 6.0681% 5/4/15<br>pay-in-kind (g) .....               | 4,305,000        | 3,056,550        |
| <b>Chemicals – 0.4%</b>   |                  |                  |
| Chemtura Corp. term loan 10.5%<br>3/19/10 (g) .....   | 3,750,000        | 3,750,000        |
| <b>Containers – 0.4%</b>  |                  |                  |
| Anchor Glass Container Corp. term<br>loan 6.75% 6/20/14 (g) .....                             | 3,744,615        | 3,594,830        |
| <b>Electric Utilities – 0.4%</b>  |                  |                  |
| Ashmore Energy International:<br>Revolving Credit-Linked Deposit<br>3.3075% 3/30/12 (g) ..... | 659,006          | 527,204          |
| term loan 3.5975% 3/30/14 (g) .....   | 4,591,197        | 3,672,958        |
|   |                  | <u>4,200,162</u> |
| <b>Entertainment/Film – 0.4%</b>  |                  |                  |
| Zuffa LLC term loan 2.375%<br>6/19/15 (g) .....   | 4,917,943        | 4,229,431        |
| <b>Gaming – 0.4%</b>  |                  |                  |
| Fantasy Springs Resort Casino term<br>loan 7.8188% 8/6/12 (g) .....                           | 2,960,000        | 1,776,000        |
| Las Vegas Sands LLC:<br>term loan 2.06% 5/23/14 (g) ..  | 484,656          | 339,259          |
| Tranche B, term loan 2.06%<br>5/23/14 (g) .....   | 2,324,574        | 1,627,202        |
|   |                  | <u>3,742,461</u> |
| <b>Healthcare – 0.8%</b>  |                  |                  |
| Community Health Systems, Inc.:<br>term loan 2.8978% 7/25/14 (g) .....                        | 3,567,746        | 3,193,133        |
| Tranche DD, term loan 2.56%<br>7/25/14 (g) .....  | 182,091          | 162,972          |
| HCA, Inc. Tranche B, term loan<br>2.8475% 11/17/13 (g) .....                                  | 2,456,224        | 2,213,672        |
| PTS Acquisition Corp. term loan<br>2.56% 4/10/14 (g) .....                                    | 2,478,611        | 2,038,658        |
|   |                  | <u>7,608,435</u> |

See accompanying notes which are an integral part of the financial statements.

## Floating Rate Loans – continued

|  | Principal Amount | Value                    |
|--|------------------|--------------------------|
| <b>Publishing/Printing – 0.1%</b>  |                  |                          |
| Education Media and Publishing Group Ltd. Tranche 2LN, term loan 11.75% 12/12/14 (g) . . . . | \$ 3,640,748     | \$ 546,112               |
| Newsday LLC term loan 9.75% 8/1/13 . . . . .   | 280,000          | <u>280,000</u>           |
|  |                  | <u>826,112</u>           |
| <b>Services – 0.0%</b>   |                  |                          |
| Penhall International Corp. term loan 9.995% 4/1/12 pay-in-kind (g) . . . . .                | 2,631,651        | <u>526,330</u>           |
| <b>Technology – 0.8%</b>   |                  |                          |
| Flextronics International Ltd.:<br>Tranche B-A, term loan 3.0366% 10/1/14 (g) . . . . .      | 2,112,525        | 1,742,833                |
| Tranche B-A1, term loan 3.3813% 10/1/14 (g) . . . . .  | 488,996          | 403,422                  |
| Kronos, Inc.:<br>Tranche 1LN, term loan 2.8475% 6/11/14 (g) . . . . .                        | 3,349,814        | 3,031,582                |
| Tranche 2LN, term loan 7.0975% 6/11/15 (g) . . . . .   | 3,190,000        | <u>2,424,400</u>         |
|  |                  | <u>7,602,237</u>         |
| <b>Telecommunications – 0.5%</b>   |                  |                          |
| Digicel International Finance Ltd. term loan 3.125% 3/30/12 (g) . . . . .                    | 3,965,000        | 3,727,100                |
| Intelsat Jackson Holdings Ltd. term loan 3.3188% 2/1/14 (g) . . . . .                        | 830,000          | 680,600                  |
| Wind Telecomunicazioni SpA term loan 8.3569% 12/21/11 pay-in-kind (g) . . . . .              | 173,567          | <u>171,534</u>           |
|  |                  | <u>4,579,234</u>         |
| <b>Textiles &amp; Apparel – 0.4%</b>   |                  |                          |
| Levi Strauss & Co. term loan 2.5681% 4/4/14 (g) . . . . .                                    | 4,545,000        | <u>3,749,625</u>         |
| <b>TOTAL FLOATING RATE LOANS</b><br>(Cost \$71,369,304) . . . . .                            |                  | <b><u>62,730,798</u></b> |

## Affiliated Central Funds

Information regarding fiscal year to date income earned by the Fund from investments in Fidelity Central Funds is as follows:

| Fund                       | Income earned     |
|----------------------------|-------------------|
| Fidelity Cash Central Fund | <u>\$ 116,805</u> |

## Other Information

The following is a summary of the inputs used, as of June 30, 2009, involving the Fund's assets and liabilities carried at value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels used in the tables below, please refer to the Security Valuation section in the accompanying Notes to Financial Statements.

## Money Market Funds – 3.4%

|   | Shares     | Value                        |
|---|------------|------------------------------|
| Fidelity Cash Central Fund, 0.40% (b)<br>(Cost \$33,329,677) . . . . .        | 33,329,677 | <u>\$ 33,329,677</u>         |
| <b>TOTAL INVESTMENT PORTFOLIO – 99.4%</b><br>(Cost \$1,057,909,096) . . . . . |            | <b><u>972,440,720</u></b>    |
| <b>NET OTHER ASSETS – 0.6%</b> . . . . .                                      |            | <b><u>6,246,925</u></b>      |
| <b>NET ASSETS – 100%</b> . . . . .  |            | <b><u>\$ 978,687,645</u></b> |

## Legend

- (a) Non-income producing
- (b) Affiliated fund that is available only to investment companies and other accounts managed by Fidelity Investments. The rate quoted is the annualized seven-day yield of the fund at period end. A complete unaudited listing of the fund's holdings as of its most recent quarter end is available upon request.
- (c) Non-income producing – Issuer is in default.
- (d) Security initially issued in zero coupon form which converts to coupon form at a specified rate and date. The rate shown is the rate at period end.
- (e) Security initially issued at one coupon which converts to a higher coupon at a specified date. The rate shown is the rate at period end.
- (f) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At the end of the period, the value of these securities amounted to \$221,299,979 or 22.6% of net assets.
- (g) The coupon rate shown on floating or adjustable rate securities represents the rate at period end.
- (h) Restricted securities – Investment in securities not registered under the Securities Act of 1933 (excluding 144A issues). At the end of the period, the value of restricted securities (excluding 144A issues) amounted to \$299,201 or 0.1% of net assets.

Additional information on each holding is as follows:

| Security                           | Acquisition Date | Acquisition Cost |
|------------------------------------|------------------|------------------|
| Arena Brands Holding Corp. Class B | 6/18/97          | \$ 1,974,627     |

## Investments (Unaudited) – continued

| Description                             | Valuation Inputs at Reporting Date: |                      |                      |                     |
|---|-------------------------------------|----------------------|----------------------|---------------------|
|   | Total                               | Level 1              | Level 2              | Level 3             |
| <b>Investments in Securities:</b>       |                                     |                      |                      |                     |
| <b>Equities:</b>                        |                                     |                      |                      |                     |
| Consumer Discretionary                  | \$ 299,201                          | \$ —                 | \$ —                 | \$ 299,201          |
| Utilities                               | 2,181,780                           | —                    | 2,181,780            | —                   |
| Commercial Mortgage Securities          | 98,997                              | —                    | —                    | 98,997              |
| Corporate Bonds                         | 873,800,267                         | —                    | 873,800,267          | —                   |
| Floating Rate Loans                     | 62,730,798                          | —                    | 60,408,686           | 2,322,112           |
| Money Market Funds                      | 33,329,677                          | 33,329,677           | —                    | —                   |
| <b>Total Investments in Securities:</b> | <b>\$972,440,720</b>                | <b>\$ 33,329,677</b> | <b>\$936,390,733</b> | <b>\$ 2,720,310</b> |

The following is a reconciliation of assets or liabilities for which level 3 inputs were used in determining value:

|   |               |
|---|---------------|
| <b>Investments in Securities:</b>                                 |               |
| Beginning Balance   | \$ 10,627,459 |
| Total Realized Gain/Loss  | (2,564,695)   |
| Total Unrealized Gain Loss  | (735,326)     |
| Cost of purchases   | 114,787       |
| Proceeds of sales   | (3,789,793)   |
| Amortization/Accretion  | 36,204        |
| Transfers in/out of level 3                                       | (968,326)     |
| Ending Balance  | \$ 2,720,310  |
| Total unrealized gain (loss) on investments held at June 30, 2009 | \$ (374,795)  |

The information used in the above reconciliation represents fiscal year to date activity for any Investment Securities identified as using Level 3 inputs at either the beginning or the end of the current fiscal period. Transfers in or out of Level 3 represents either the beginning value (for transfers in), or the ending value (for transfers out) of any Security or Instrument where a change in the pricing level occurred from the beginning to the end of the period.

Distribution of investments by country of issue, as a percentage of total net assets, is as follows: (Unaudited)

|  |               |
|--|---------------|
| United States of America . . . . .           | 85.1%         |
| Bermuda . . . . .                            | 6.3%          |
| Canada . . . . .                             | 2.8%          |
| Marshall Islands . . . . .                   | 1.3%          |
| Others (individually less than 1%) . . . . . | 4.5%          |
|  | <u>100.0%</u> |

## Income Tax Information

At December 31, 2008, the fund had a capital loss carryforward of approximately \$931,818,024 of which \$772,554,243, \$88,480,642 and \$70,783,139 will expire on December 31, 2009, 2010 and 2016, respectively.

See accompanying notes which are an integral part of the financial statements.

# Financial Statements

## Statement of Assets and Liabilities

June 30, 2009 (Unaudited)

| <b>Assets</b>  |                       |
|--|-----------------------|
| Investment in securities, at value —<br>See accompanying schedule:           |                       |
| Unaffiliated issuers (cost<br>\$1,024,579,419) .....                         | \$ 939,111,043        |
| Fidelity Central Funds (cost<br>\$33,329,677) .....                          | <u>33,329,677</u>     |
| Total Investments (cost<br>\$1,057,909,096) .....                            | \$ 972,440,720        |
| Cash .....   | 1,328,725             |
| Receivable for investments sold .....  | 10,680,621            |
| Receivable for fund shares sold .....  | 291,107               |
| Interest receivable .....  | 18,846,915            |
| Distributions receivable from Fidelity<br>Central Funds .....                | 13,078                |
| Prepaid expenses .....   | 4,638                 |
| Other receivables .....  | 9,847                 |
| <b>Total assets</b> .....  | <u>1,003,615,651</u>  |
| <b>Liabilities</b>   |                       |
| Payable for investments purchased . \$                                       | 23,388,031            |
| Payable for fund shares redeemed . .   | 874,838               |
| Accrued management fee .....   | 461,864               |
| Distribution fees payable .....  | 39,219                |
| Other affiliated payables .....  | 86,682                |
| Other payables and accrued<br>expenses .....                                 | <u>77,372</u>         |
| <b>Total liabilities</b> .....   | <u>24,928,006</u>     |
| <b>Net Assets</b> .....  | <u>\$ 978,687,645</u> |
| Net Assets consist of:   |                       |
| Paid in capital .....  | \$2,026,016,996       |
| Undistributed net investment income  | 44,103,230            |
| Accumulated undistributed net real-<br>ized gain (loss) on investments ..... | (1,005,953,343)       |
| Net unrealized appreciation (de-<br>preciation) on investments .....         | (85,479,238)          |
| <b>Net Assets</b> .....  | <u>\$ 978,687,645</u> |

## Statement of Assets and Liabilities – continued

June 30, 2009 (Unaudited)

|  |                |
|--|----------------|
| <b>Initial Class:</b>  |                |
| <b>Net Asset Value</b> , offering price and<br>redemption price per share<br>(\$538,737,424 ÷ 110,779,899<br>shares) ..... | <u>\$ 4.86</u> |
| <b>Service Class:</b>  |                |
| <b>Net Asset Value</b> , offering price and<br>redemption price per share<br>(\$100,311,211 ÷ 20,730,488<br>shares) .....  | <u>\$ 4.84</u> |
| <b>Service Class 2:</b>  |                |
| <b>Net Asset Value</b> , offering price and<br>redemption price per share<br>(\$131,038,204 ÷ 27,478,987<br>shares) .....  | <u>\$ 4.77</u> |
| <b>Initial Class R:</b>  |                |
| <b>Net Asset Value</b> , offering price and<br>redemption price per share<br>(\$29,618,624 ÷ 6,108,402<br>shares) .....    | <u>\$ 4.85</u> |
| <b>Service Class R:</b>  |                |
| <b>Net Asset Value</b> , offering price and<br>redemption price per share<br>(\$41,335,887 ÷ 8,567,516<br>shares) .....    | <u>\$ 4.82</u> |
| <b>Service Class 2R:</b>   |                |
| <b>Net Asset Value</b> , offering price and<br>redemption price per share<br>(\$2,025,561 ÷ 425,572 shares) .              | <u>\$ 4.76</u> |
| <b>Investor Class:</b>   |                |
| <b>Net Asset Value</b> , offering price and<br>redemption price per share<br>(\$135,620,734 ÷ 27,959,243<br>shares) .....  | <u>\$ 4.85</u> |

See accompanying notes which are an integral part of the financial statements.

## Financial Statements – continued

### Statement of Operations

Six months ended June 30, 2009 (Unaudited)

|   |                  |                       |
|---|------------------|-----------------------|
| <b>Investment Income</b>  |                  |                       |
| Dividends .....   |                  | \$ 231,063            |
| Interest .....  |                  | 44,180,164            |
| Income from Fidelity Central Funds .....  |                  | 116,805               |
| <b>Total income</b> .....   |                  | <u>44,528,032</u>     |
| <b>Expenses</b>   |                  |                       |
| Management fee .....  | \$ 2,471,029     |                       |
| Transfer agent fees .....   | 327,853          |                       |
| Distribution fees .....   | 202,556          |                       |
| Accounting fees and expenses .....  | 159,016          |                       |
| Custodian fees and expenses .....   | 10,840           |                       |
| Independent trustees' compensation .....  | 3,349            |                       |
| Audit .....   | 37,722           |                       |
| Legal .....   | 12,009           |                       |
| Interest .....  | 143              |                       |
| Miscellaneous .....   | 37,938           |                       |
| Total expenses before reductions .....  | <u>3,262,455</u> |                       |
| Expense reductions .....  | (654)            | <u>3,261,801</u>      |
| <b>Net investment income</b> .....  |                  | <u>41,266,231</u>     |
| <b>Realized and Unrealized Gain (Loss)</b>  |                  |                       |
| Net realized gain (loss) on:  |                  |                       |
| Investment securities:  |                  |                       |
| Unaffiliated issuers .....  |                  | (73,796,839)          |
| Change in net unrealized appreciation (depreciation) on investment securities ..... |                  | <u>210,423,787</u>    |
| <b>Net gain (loss)</b> .....  |                  | <u>136,626,948</u>    |
| <b>Net increase (decrease) in net assets resulting from operations</b> .....        |                  | <u>\$ 177,893,179</u> |

### Statement of Changes in Net Assets

|  | Six months ended<br>June 30, 2009<br>(Unaudited) | Year ended<br>December 31,<br>2008 |
|--|--|------------------------------------|
| <b>Increase (Decrease) in Net Assets</b>   |  |                                    |
| Operations   |  |                                    |
| Net investment income .....  | \$ 41,266,231                                    | \$ 85,185,644                      |
| Net realized gain (loss) .....   | (73,796,839)                                     | (72,607,286)                       |
| Change in net unrealized appreciation (depreciation) .....   | 210,423,787                                      | (265,350,744)                      |
| <b>Net increase (decrease) in net assets resulting from operations</b> .....   | <u>177,893,179</u>                               | <u>(252,772,386)</u>               |
| Distributions to shareholders from net investment income .....   | (1,013,640)                                      | (81,088,207)                       |
| Share transactions – net increase (decrease) .....   | 29,192,956                                       | (59,062,712)                       |
| Redemption fees .....  | 81,206   | 147,113                            |
| <b>Total increase (decrease) in net assets</b> .....   | <u>206,153,701</u>                               | <u>(392,776,192)</u>               |
| <b>Net Assets</b>  |  |                                    |
| Beginning of period .....  | 772,533,944                                      | 1,165,310,136                      |
| End of period (including undistributed net investment income of \$44,103,230 and undistributed net investment income of \$3,850,639, respectively) ..... | <u>\$ 978,687,645</u>                            | <u>\$ 772,533,944</u>              |

See accompanying notes which are an integral part of the financial statements.

## Financial Highlights – Initial Class

|   | Six months ended             |            | Years ended December 31, |            |              |              |
|---|------------------------------|------------|--------------------------|------------|--------------|--------------|
|   | June 30, 2009<br>(Unaudited) | 2008       | 2007                     | 2006       | 2005         | 2004         |
| <b>Selected Per-Share Data</b>                        |                              |            |                          |            |              |              |
| Net asset value, beginning of period                  | \$ 3.96                      | \$ 5.98    | \$ 6.35                  | \$ 6.17    | \$ 7.00      | \$ 6.95      |
| Income from Investment Operations                     |                              |            |                          |            |              |              |
| Net investment income <sup>E</sup>                    | .211                         | .475       | .485                     | .476       | .457         | .494         |
| Net realized and unrealized gain (loss)               | .694                         | (1.990)    | (.311)                   | .216       | (.281)       | .126         |
| Total from investment operations                      | .905                         | (1.515)    | .174                     | .692       | .176         | .620         |
| Distributions from net investment income              | (.005)                       | (.506)     | (.545)                   | (.512)     | (1.006)      | (.570)       |
| Redemption fees added to paid in capital <sup>I</sup> | — <sup>1</sup>               | .001       | .001                     | —          | —            | —            |
| Net asset value, end of period                        | \$ 4.86                      | \$ 3.96    | \$ 5.98                  | \$ 6.35    | \$ 6.17      | \$ 7.00      |
| <b>Total Return<sup>B,C,D</sup></b>                   | 22.87%                       | (24.98)%   | 2.79%                    | 11.24%     | 2.70%        | 9.59%        |
| <b>Ratios to Average Net Assets<sup>F,H</sup></b>     |                              |            |                          |            |              |              |
| Expenses before reductions                            | .71% <sup>A</sup>            | .71%       | .68%                     | .71%       | .70%         | .71%         |
| Expenses net of fee waivers, if any                   | .71% <sup>A</sup>            | .71%       | .68%                     | .71%       | .70%         | .71%         |
| Expenses net of all reductions                        | .71% <sup>A</sup>            | .70%       | .68%                     | .71%       | .70%         | .71%         |
| Net investment income                                 | 9.65% <sup>A</sup>           | 8.48%      | 7.47%                    | 7.40%      | 6.98%        | 7.43%        |
| <b>Supplemental Data</b>                              |                              |            |                          |            |              |              |
| Net assets, end of period (000 omitted)               | \$ 538,737                   | \$ 451,824 | \$ 726,409               | \$ 922,565 | \$ 1,080,002 | \$ 1,371,736 |
| Portfolio turnover rate <sup>G</sup>                  | 64% <sup>A</sup>             | 58%        | 70%                      | 65%        | 95%          | 128%         |

<sup>A</sup>Annualized <sup>B</sup>Total returns for periods of less than one year are not annualized. <sup>C</sup>Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. <sup>D</sup>Total returns would have been lower had certain expenses not been reduced during the periods shown. <sup>E</sup>Calculated based on average shares outstanding during the period. <sup>F</sup>Fees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. <sup>G</sup>Amount does not include the portfolio activity of any underlying Fidelity Central Funds. <sup>H</sup>Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. <sup>1</sup>Amount represents less than \$.001 per share.

## Financial Highlights – Service Class

|   | Six months ended             |           | Years ended December 31, |            |            |            |
|---|------------------------------|-----------|--------------------------|------------|------------|------------|
|   | June 30, 2009<br>(Unaudited) | 2008      | 2007                     | 2006       | 2005       | 2004       |
| <b>Selected Per-Share Data</b>                        |                              |           |                          |            |            |            |
| Net asset value, beginning of period                  | \$ 3.95                      | \$ 5.95   | \$ 6.32                  | \$ 6.14    | \$ 6.97    | \$ 6.92    |
| Income from Investment Operations                     |                              |           |                          |            |            |            |
| Net investment income <sup>E</sup>                    | .208                         | .469      | .477                     | .467       | .448       | .486       |
| Net realized and unrealized gain (loss)               | .687                         | (1.971)   | (.312)                   | .218       | (.283)     | .124       |
| Total from investment operations                      | .895                         | (1.502)   | .165                     | .685       | .165       | .610       |
| Distributions from net investment income              | (.005)                       | (.499)    | (.536)                   | (.505)     | (.995)     | (.560)     |
| Redemption fees added to paid in capital <sup>I</sup> | — <sup>1</sup>               | .001      | .001                     | —          | —          | —          |
| Net asset value, end of period                        | \$ 4.84                      | \$ 3.95   | \$ 5.95                  | \$ 6.32    | \$ 6.14    | \$ 6.97    |
| <b>Total Return<sup>B,C,D</sup></b>                   | 22.68%                       | (24.87)%  | 2.66%                    | 11.18%     | 2.52%      | 9.47%      |
| <b>Ratios to Average Net Assets<sup>F,H</sup></b>     |                              |           |                          |            |            |            |
| Expenses before reductions                            | .81% <sup>A</sup>            | .80%      | .78%                     | .81%       | .80%       | .81%       |
| Expenses net of fee waivers, if any                   | .81% <sup>A</sup>            | .80%      | .78%                     | .81%       | .80%       | .81%       |
| Expenses net of all reductions                        | .81% <sup>A</sup>            | .80%      | .78%                     | .81%       | .80%       | .81%       |
| Net investment income                                 | 9.56% <sup>A</sup>           | 8.39%     | 7.37%                    | 7.30%      | 6.88%      | 7.33%      |
| <b>Supplemental Data</b>                              |                              |           |                          |            |            |            |
| Net assets, end of period (000 omitted)               | \$ 100,311                   | \$ 95,461 | \$ 180,837               | \$ 277,546 | \$ 319,380 | \$ 377,122 |
| Portfolio turnover rate <sup>G</sup>                  | 64% <sup>A</sup>             | 58%       | 70%                      | 65%        | 95%        | 128%       |

<sup>A</sup>Annualized <sup>B</sup>Total returns for periods of less than one year are not annualized. <sup>C</sup>Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. <sup>D</sup>Total returns would have been lower had certain expenses not been reduced during the periods shown. <sup>E</sup>Calculated based on average shares outstanding during the period. <sup>F</sup>Fees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. <sup>G</sup>Amount does not include the portfolio activity of any underlying Fidelity Central Funds. <sup>H</sup>Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. <sup>1</sup>Amount represents less than \$.001 per share.

See accompanying notes which are an integral part of the financial statements.

## Financial Highlights – Service Class 2

|   | Six months ended             |           | Years ended December 31, |            |           |           |
|---|------------------------------|-----------|--------------------------|------------|-----------|-----------|
|   | June 30, 2009<br>(Unaudited) | 2008      | 2007                     | 2006       | 2005      | 2004      |
| <b>Selected Per-Share Data</b>                        |                              |           |                          |            |           |           |
| Net asset value, beginning of period                  | \$ 3.89                      | \$ 5.88   | \$ 6.25                  | \$ 6.08    | \$ 6.91   | \$ 6.87   |
| Income from Investment Operations                     |                              |           |                          |            |           |           |
| Net investment income <sup>E</sup>                    | .202                         | .450      | .461                     | .453       | .433      | .470      |
| Net realized and unrealized gain (loss)               | .683                         | (1.949)   | (.305)                   | .216       | (.284)    | .130      |
| Total from investment operations                      | .885                         | (1.499)   | .156                     | .669       | .149      | .600      |
| Distributions from net investment income              | (.005)                       | (.492)    | (.527)                   | (.499)     | (.979)    | (.560)    |
| Redemption fees added to paid in capital <sup>F</sup> | — <sup>J</sup>               | .001      | .001                     | —          | —         | —         |
| Net asset value, end of period                        | \$ 4.77                      | \$ 3.89   | \$ 5.88                  | \$ 6.25    | \$ 6.08   | \$ 6.91   |
| <b>Total Return<sup>B,C,D</sup></b>                   | 22.77%                       | (25.14)%  | 2.54%                    | 11.02%     | 2.31%     | 9.38%     |
| <b>Ratios to Average Net Assets<sup>F,H</sup></b>     |                              |           |                          |            |           |           |
| Expenses before reductions                            | .96% <sup>A</sup>            | .96%      | .93%                     | .97%       | .95%      | .97%      |
| Expenses net of fee waivers, if any                   | .96% <sup>A</sup>            | .96%      | .93%                     | .97%       | .95%      | .97%      |
| Expenses net of all reductions                        | .96% <sup>A</sup>            | .96%      | .93%                     | .97%       | .95%      | .97%      |
| Net investment income                                 | 9.40% <sup>A</sup>           | 8.23%     | 7.22%                    | 7.14%      | 6.72%     | 7.17%     |
| <b>Supplemental Data</b>                              |                              |           |                          |            |           |           |
| Net assets, end of period (000 omitted)               | \$ 131,038                   | \$ 87,077 | \$ 97,266                | \$ 110,503 | \$ 86,757 | \$ 94,246 |
| Portfolio turnover rate <sup>G</sup>                  | 64% <sup>A</sup>             | 58%       | 70%                      | 65%        | 95%       | 128%      |

<sup>A</sup>Annualized <sup>B</sup>Total returns for periods of less than one year are not annualized. <sup>C</sup>Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. <sup>D</sup>Total returns would have been lower had certain expenses not been reduced during the periods shown. <sup>E</sup>Calculated based on average shares outstanding during the period. <sup>F</sup>Fees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. <sup>G</sup>Amount does not include the portfolio activity of any underlying Fidelity Central Funds. <sup>H</sup>Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. <sup>J</sup>Amount represents less than \$.001 per share.

## Financial Highlights – Initial Class R

|   | Six months ended             |           | Years ended December 31, |         |         |                    |
|---|------------------------------|-----------|--------------------------|---------|---------|--------------------|
|   | June 30, 2009<br>(Unaudited) | 2008      | 2007                     | 2006    | 2005    | 2004 <sup>H</sup>  |
| <b>Selected Per-Share Data</b>                        |                              |           |                          |         |         |                    |
| Net asset value, beginning of period                  | \$ 3.95                      | \$ 5.96   | \$ 6.34                  | \$ 6.16 | \$ 7.00 | \$ 6.47            |
| Income from Investment Operations                     |                              |           |                          |         |         |                    |
| Net investment income <sup>E</sup>                    | .211                         | .471      | .479                     | .475    | .455    | .338               |
| Net realized and unrealized gain (loss)               | .694                         | (1.975)   | (.313)                   | .218    | (.288)  | .192               |
| Total from investment operations                      | .905                         | (1.504)   | .166                     | .693    | .167    | .530               |
| Distributions from net investment income              | (.005)                       | (.507)    | (.547)                   | (.513)  | (1.007) | —                  |
| Redemption fees added to paid in capital <sup>F</sup> | — <sup>J</sup>               | .001      | .001                     | —       | —       | —                  |
| Net asset value, end of period                        | \$ 4.85                      | \$ 3.95   | \$ 5.96                  | \$ 6.34 | \$ 6.16 | \$ 7.00            |
| <b>Total Return<sup>B,C,D</sup></b>                   | 22.93%                       | (24.88)%  | 2.65%                    | 11.27%  | 2.55%   | 8.19%              |
| <b>Ratios to Average Net Assets<sup>F,I</sup></b>     |                              |           |                          |         |         |                    |
| Expenses before reductions                            | .70% <sup>A</sup>            | .70%      | .68%                     | .71%    | .70%    | .71% <sup>A</sup>  |
| Expenses net of fee waivers, if any                   | .70% <sup>A</sup>            | .70%      | .68%                     | .71%    | .70%    | .71% <sup>A</sup>  |
| Expenses net of all reductions                        | .70% <sup>A</sup>            | .70%      | .67%                     | .71%    | .70%    | .71% <sup>A</sup>  |
| Net investment income                                 | 9.66% <sup>A</sup>           | 8.49%     | 7.47%                    | 7.39%   | 6.98%   | 7.16% <sup>A</sup> |
| <b>Supplemental Data</b>                              |                              |           |                          |         |         |                    |
| Net assets, end of period (000 omitted)               | \$ 29,619                    | \$ 19,801 | \$ 19,401                | \$ 93   | \$ 83   | \$ 81              |
| Portfolio turnover rate <sup>G</sup>                  | 64% <sup>A</sup>             | 58%       | 70%                      | 65%     | 95%     | 128%               |

<sup>A</sup>Annualized <sup>B</sup>Total returns for periods of less than one year are not annualized. <sup>C</sup>Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. <sup>D</sup>Total returns would have been lower had certain expenses not been reduced during the periods shown. <sup>E</sup>Calculated based on average shares outstanding during the period. <sup>F</sup>Fees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. <sup>G</sup>Amount does not include the portfolio activity of any underlying Fidelity Central Funds. <sup>H</sup>For the period April 14, 2004 (commencement of sale of shares) to December 31, 2004. <sup>I</sup>Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expense ratios before reductions for start-up periods may not be representative of longer-term operating periods. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. <sup>J</sup>Amount represents less than \$.001 per share.

See accompanying notes which are an integral part of the financial statements.

## Financial Highlights – Service Class R

|   | Six months ended             |           | Years ended December 31, |         |         |                    |
|---|------------------------------|-----------|--------------------------|---------|---------|--------------------|
|   | June 30, 2009<br>(Unaudited) | 2008      | 2007                     | 2006    | 2005    | 2004 <sup>H</sup>  |
| <b>Selected Per-Share Data</b>                        |                              |           |                          |         |         |                    |
| Net asset value, beginning of period                  | \$ 3.94                      | \$ 5.93   | \$ 6.32                  | \$ 6.14 | \$ 6.97 | \$ 6.45            |
| Income from Investment Operations                     |                              |           |                          |         |         |                    |
| Net investment income <sup>F</sup>                    | .208                         | .467      | .471                     | .467    | .447    | .332               |
| Net realized and unrealized gain (loss)               | .677                         | (1.959)   | (.318)                   | .219    | (.282)  | .188               |
| Total from investment operations                      | .885                         | (1.492)   | .153                     | .686    | .165    | .520               |
| Distributions from net investment income              | (.005)                       | (.499)    | (.544)                   | (.506)  | (.995)  | —                  |
| Redemption fees added to paid in capital <sup>E</sup> | — <sup>J</sup>               | .001      | .001                     | —       | —       | —                  |
| Net asset value, end of period                        | \$ 4.82                      | \$ 3.94   | \$ 5.93                  | \$ 6.32 | \$ 6.14 | \$ 6.97            |
| <b>Total Return<sup>B,C,D</sup></b>                   | 22.48%                       | (24.79)%  | 2.45%                    | 11.19%  | 2.53%   | 8.06%              |
| <b>Ratios to Average Net Assets<sup>F,I</sup></b>     |                              |           |                          |         |         |                    |
| Expenses before reductions                            | .80% <sup>A</sup>            | .80%      | .78%                     | .81%    | .80%    | .81% <sup>A</sup>  |
| Expenses net of fee waivers, if any                   | .80% <sup>A</sup>            | .80%      | .78%                     | .81%    | .80%    | .81% <sup>A</sup>  |
| Expenses net of all reductions                        | .80% <sup>A</sup>            | .80%      | .77%                     | .81%    | .80%    | .81% <sup>A</sup>  |
| Net investment income                                 | 9.56% <sup>A</sup>           | 8.39%     | 7.37%                    | 7.30%   | 6.88%   | 7.05% <sup>A</sup> |
| <b>Supplemental Data</b>                              |                              |           |                          |         |         |                    |
| Net assets, end of period (000 omitted)               | \$ 41,336                    | \$ 26,572 | \$ 33,129                | \$ 92   | \$ 83   | \$ 81              |
| Portfolio turnover rate <sup>G</sup>                  | 64% <sup>A</sup>             | 58%       | 70%                      | 65%     | 95%     | 128%               |

<sup>A</sup>Annualized <sup>B</sup>Total returns for periods of less than one year are not annualized. <sup>C</sup>Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. <sup>D</sup>Total returns would have been lower had certain expenses not been reduced during the periods shown. <sup>E</sup>Calculated based on average shares outstanding during the period. <sup>F</sup>Fees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. <sup>G</sup>Amount does not include the portfolio activity of any underlying Fidelity Central Funds. <sup>H</sup>For the period April 14, 2004 (commencement of sale of shares) to December 31, 2004. <sup>I</sup>Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expense ratios before reductions for start-up periods may not be representative of longer-term operating periods. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. <sup>J</sup>Amount represents less than \$.001 per share.

## Financial Highlights – Service Class 2R

|   | Six months ended             |          | Years ended December 31, |         |         |                    |
|---|------------------------------|----------|--------------------------|---------|---------|--------------------|
|   | June 30, 2009<br>(Unaudited) | 2008     | 2007                     | 2006    | 2005    | 2004 <sup>H</sup>  |
| <b>Selected Per-Share Data</b>                        |                              |          |                          |         |         |                    |
| Net asset value, beginning of period                  | \$ 3.89                      | \$ 5.87  | \$ 6.25                  | \$ 6.08 | \$ 6.91 | \$ 6.40            |
| Income from Investment Operations                     |                              |          |                          |         |         |                    |
| Net investment income <sup>F</sup>                    | .201                         | .451     | .453                     | .453    | .433    | .322               |
| Net realized and unrealized gain (loss)               | .674                         | (1.940)  | (.294)                   | .214    | (.282)  | .188               |
| Total from investment operations                      | .875                         | (1.489)  | .159                     | .667    | .151    | .510               |
| Distributions from net investment income              | (.005)                       | (.492)   | (.540)                   | (.497)  | (.981)  | —                  |
| Redemption fees added to paid in capital <sup>E</sup> | — <sup>J</sup>               | .001     | .001                     | —       | —       | —                  |
| Net asset value, end of period                        | \$ 4.76                      | \$ 3.89  | \$ 5.87                  | \$ 6.25 | \$ 6.08 | \$ 6.91            |
| <b>Total Return<sup>B,C,D</sup></b>                   | 22.51%                       | (24.99)% | 2.59%                    | 10.99%  | 2.33%   | 7.97%              |
| <b>Ratios to Average Net Assets<sup>F,I</sup></b>     |                              |          |                          |         |         |                    |
| Expenses before reductions                            | .95% <sup>A</sup>            | .95%     | .93%                     | .96%    | .94%    | .96% <sup>A</sup>  |
| Expenses net of fee waivers, if any                   | .95% <sup>A</sup>            | .95%     | .93%                     | .96%    | .94%    | .96% <sup>A</sup>  |
| Expenses net of all reductions                        | .95% <sup>A</sup>            | .95%     | .92%                     | .96%    | .94%    | .96% <sup>A</sup>  |
| Net investment income                                 | 9.41% <sup>A</sup>           | 8.24%    | 7.23%                    | 7.14%   | 6.73%   | 6.90% <sup>A</sup> |
| <b>Supplemental Data</b>                              |                              |          |                          |         |         |                    |
| Net assets, end of period (000 omitted)               | \$ 2,026                     | \$ 1,487 | \$ 2,347                 | \$ 92   | \$ 83   | \$ 81              |
| Portfolio turnover rate <sup>G</sup>                  | 64% <sup>A</sup>             | 58%      | 70%                      | 65%     | 95%     | 128%               |

<sup>A</sup>Annualized <sup>B</sup>Total returns for periods of less than one year are not annualized. <sup>C</sup>Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. <sup>D</sup>Total returns would have been lower had certain expenses not been reduced during the periods shown. <sup>E</sup>Calculated based on average shares outstanding during the period. <sup>F</sup>Fees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. <sup>G</sup>Amount does not include the portfolio activity of any underlying Fidelity Central Funds. <sup>H</sup>For the period April 14, 2004 (commencement of sale of shares) to December 31, 2004. <sup>I</sup>Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expense ratios before reductions for start-up periods may not be representative of longer-term operating periods. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. <sup>J</sup>Amount represents less than \$.001 per share.

See accompanying notes which are an integral part of the financial statements.

## Financial Highlights – Investor Class

|   | Six months ended<br>June 30, 2009<br>(Unaudited) | 2008      | Years ended December 31,<br>2007 | 2006      | 2005 <sup>H</sup>  |
|---|--|-----------|----------------------------------|-----------|--------------------|
| <b>Selected Per-Share Data</b>                        |  |           |                                  |           |                    |
| Net asset value, beginning of period                  | \$ 3.96  | \$ 5.96   | \$ 6.34                          | \$ 6.16   | \$ 6.54            |
| Income from Investment Operations                     |  |           |                                  |           |                    |
| Net investment income <sup>E</sup>                    | .210   | .473      | .477                             | .471      | .193               |
| Net realized and unrealized gain (loss)               | .685   | (1.971)   | (.317)                           | .220      | (.089)             |
| Total from investment operations                      | .895   | (1.498)   | .160                             | .691      | .104               |
| Distributions from net investment income              | (.005)   | (.503)    | (.541)                           | (.511)    | (.484)             |
| Redemption fees added to paid in capital <sup>I</sup> | — <sup>J</sup>                                   | .001      | .001                             | —         | —                  |
| Net asset value, end of period                        | \$ 4.85  | \$ 3.96   | \$ 5.96                          | \$ 6.34   | \$ 6.16            |
| <b>Total Return<sup>B,C,D</sup></b>                   | 22.62%   | (24.76)%  | 2.56%                            | 11.24%    | 1.60%              |
| <b>Ratios to Average Net Assets<sup>F,I</sup></b>     |  |           |                                  |           |                    |
| Expenses before reductions                            | .74% <sup>A</sup>                                | .74%      | .75%                             | .80%      | .82% <sup>A</sup>  |
| Expenses net of fee waivers, if any                   | .74% <sup>A</sup>                                | .74%      | .75%                             | .80%      | .82% <sup>A</sup>  |
| Expenses net of all reductions                        | .74% <sup>A</sup>                                | .74%      | .75%                             | .79%      | .82% <sup>A</sup>  |
| Net investment income                                 | 9.62% <sup>A</sup>                               | 8.45%     | 7.40%                            | 7.31%     | 6.86% <sup>A</sup> |
| <b>Supplemental Data</b>                              |  |           |                                  |           |                    |
| Net assets, end of period (000 omitted)               | \$ 135,621                                       | \$ 90,312 | \$ 105,920                       | \$ 78,122 | \$ 17,363          |
| Portfolio turnover rate <sup>G</sup>                  | 64% <sup>A</sup>                                 | 58%       | 70%                              | 65%       | 95%                |

<sup>A</sup>Annualized <sup>B</sup>Total returns for periods of less than one year are not annualized. <sup>C</sup>Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. <sup>D</sup>Total returns would have been lower had certain expenses not been reduced during the periods shown. <sup>E</sup>Calculated based on average shares outstanding during the period. <sup>F</sup>Fees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. <sup>G</sup>Amount does not include the portfolio activity of any underlying Fidelity Central Funds. <sup>H</sup>For the period July 21, 2005 (commencement of sale of shares) to December 31, 2005. <sup>I</sup>Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expense ratios before reductions for start-up periods may not be representative of longer-term operating periods. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. <sup>J</sup>Amount represents less than \$.001 per share.

See accompanying notes which are an integral part of the financial statements.

# Notes to Financial Statements

For the period ended June 30, 2009 (Unaudited)

## 1. Organization.

VIP High Income Portfolio (the Fund) is a fund of Variable Insurance Products Fund (the trust) and is authorized to issue an unlimited number of shares. The trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust. Shares of the Fund may only be purchased by insurance companies for the purpose of funding variable annuity or variable life insurance contracts. The Fund offers the following classes of shares: Initial Class shares, Service Class shares, Service Class 2 shares, Initial Class R shares, Service Class R shares, Service Class 2R shares, and Investor Class shares. All classes have equal rights and voting privileges, except for matters affecting a single class. Investment income, realized and unrealized capital gains and losses, the common expenses of the Fund, and certain fund-level expense reductions, if any, are allocated on a pro-rata basis to each class based on the relative net assets of each class to the total net assets of the Fund. Each class differs with respect to transfer agent and distribution and service plan fees incurred. Certain expense reductions also differ by class.

## 2. Investments in Fidelity Central Funds.

The Fund may invest in Fidelity Central Funds, which are open-end investment companies available only to other investment companies and accounts managed by Fidelity Management & Research Company (FMR) and its affiliates. The Fund's Schedule of Investments lists each of the Fidelity Central Funds held as of period end, if any, as an investment of the Fund, but does not include the underlying holdings of each Fidelity Central Fund. As an Investing Fund, the Fund indirectly bears its proportionate share of the expenses of the underlying Fidelity Central Funds.

The Money Market Central Funds seek preservation of capital and current income and are managed by Fidelity Investments Money Management, Inc. (FIMM), an affiliate of FMR.

A complete unaudited list of holdings for each Fidelity Central Fund is available upon request or at the SEC's web site at [www.sec.gov](http://www.sec.gov). In addition, the financial statements of the Fidelity Central Funds are available on the SEC's web site or upon request.

## 3. Significant Accounting Policies.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. Events or transactions occurring after period end through the date that the financial statements were issued, August 19, 2009, have been evaluated in the preparation of the financial statements. The following summarizes the significant accounting policies of the Fund:

**Security Valuation.** Investments are valued as of 4:00 p.m. Eastern time on the last calendar day of the period. The Fund uses independent pricing services approved by the Board of Trustees to value its investments. Generally Accepted Accounting Principles (GAAP) establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are classified into three levels. Level 1 includes readily available unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes observable inputs other than quoted prices included in Level 1 that are observable either directly or indirectly. Level 3 includes unobservable inputs when market prices are not readily available or reliable. Changes in valuation techniques may result in transfers in or out of an investment's assigned level within the hierarchy. The aggregate value by input level, as of June 30, 2009, for the Fund's investments, as well as a reconciliation of assets and liabilities for which significant unobservable inputs (Level 3) were used in determining value, is included at the end of the Fund's Schedule of Investments. Valuation techniques of the Fund's major categories of assets and liabilities as presented in the Schedule of Investments are as follows.

Debt securities, including restricted securities, are valued based on quotations received from dealers who make markets in such securities or by independent pricing services. For corporate bonds and floating rate loans, pricing services generally utilize matrix pricing which considers yield or price of bonds of comparable quality, coupon, maturity and type as well as dealer supplied prices. For commercial mortgage securities, pricing services generally utilize matrix pricing which considers prepayment speed assumptions, attributes of the collateral, yield or price of bonds of comparable quality, coupon, maturity and types as well as dealer supplied prices. Equity securities, including restricted securities, for which market quotations are readily available, are valued at the last reported sale price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded. In the event there were no sales during the day or closing prices are not available, securities are valued at the last quoted bid price. Investments in open-end mutual funds, including the Fidelity Central Funds, are valued at their closing net asset value each business day. Short-term securities with remaining maturities of sixty days or less for which quotations are not readily available are valued at amortized cost, which approximates value. The Fund invests a significant portion of its assets in below investment grade securities. The value of these securities can be more volatile due to changes in the credit quality of the issuer and is sensitive to changes in economic, market and regulatory conditions. Actual prices received at disposition may differ.

When current market prices or quotations are not readily available or reliable, valuations may be determined in good faith in accordance with procedures adopted by the Board of Trustees. Factors used in determining value may include significant market or security specific events, changes in interest rates and credit quality, and developments in foreign markets which are monitored by evaluating the performance of ADRs, futures contracts

## Notes to Financial Statements (Unaudited) – continued

### 3. Significant Accounting Policies – continued

#### Security Valuation – continued

and exchange-traded funds. The frequency with which these procedures are used cannot be predicted and may be utilized to a significant extent. The value of securities used for net asset value (NAV) calculation under these procedures may differ from published prices for the same securities.

**Investment Transactions and Income.** For financial reporting purposes, the Fund's investment holdings and NAV include trades executed through the end of the last business day of the period. The NAV per share for processing shareholder transactions is calculated as of the close of business of the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern time and includes trades executed through the end of the prior business day. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds received from litigation. Dividend income is recorded on the ex-dividend date, except for certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Fund is informed of the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Distributions received on securities that represent a return of capital or capital gain are recorded as a reduction of cost of investments and/or as a realized gain. The Fund estimates the components of distributions received that may be considered return of capital distributions or capital gain distributions. Interest income and distributions from the Fidelity Central Funds are accrued as earned. Interest income includes coupon interest and amortization of premium and accretion of discount on debt securities. Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivables when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is reasonably assured.

**Expenses.** Most expenses of the trust can be directly attributed to a fund. Expenses which cannot be directly attributed are apportioned among each Fund in the trust. Expense estimates are accrued in the period to which they relate and adjustments are made when actual amounts are known.

**Income Tax Information and Distributions to Shareholders.** Each year, the Fund intends to qualify as a regulated investment company by distributing substantially all of its taxable income and realized gains under Subchapter M of the Internal Revenue Code and filing its U.S. federal tax return. As a result, no provision for income taxes is required. The Fund is subject to the provisions of FASB Interpretation No. 48, Accounting for Uncertainties in Income Taxes (FIN 48). FIN 48 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. There are no unrecognized tax benefits in the accompanying financial statements. A Fund's federal tax return is subject to examination by the Internal Revenue Service (IRS) for a period of three years.

Distributions are recorded on the ex-dividend date. Income dividends and capital gain distributions are declared separately for each class. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles.

Capital accounts within the financial statements are adjusted for permanent book-tax differences. These adjustments have no impact on net assets or the results of operations. Temporary book-tax differences will reverse in a subsequent period.

Book-tax differences are primarily due to market discount, deferred trustees compensation, capital loss carryforwards, expiring capital loss carryforwards, and losses deferred due to wash sales.

The federal tax cost of investments and unrealized appreciation (depreciation) as of period end were as follows:

|  |    |                     |
|--|----|---------------------|
| Unrealized appreciation .....                    | \$ | 32,688,713          |
| Unrealized depreciation .....                    |    | (112,218,244)       |
| Net unrealized appreciation (depreciation) ..... | \$ | <u>(79,529,531)</u> |
| Cost for federal income tax purposes .....       | \$ | 1,051,970,251       |

**Trading (Redemption) Fees.** Initial Class R shares, Service Class R shares, and Service Class 2 R shares held less than 60 days are subject to a redemption fee equal to 1% of the proceeds of the redeemed shares. All redemption fees, including any estimated redemption fees paid by FMR, are retained by the Fund and accounted for as an addition to paid in capital.

### 4. Operating Policies.

**Restricted Securities.** The Fund may invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at an acceptable price may be difficult. Information regarding restricted securities is included at the end of the Fund's Schedule of Investments.

**Loans and Other Direct Debt Instruments.** The Fund may invest in loans and loan participations, trade claims or other receivables. These investments may include standby financing commitments, including revolving credit facilities, that obligate the Fund to supply additional cash to the

## 4. Operating Policies – continued

### Loans and Other Direct Debt Instruments – continued

borrower on demand. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary. The Fund may be contractually obligated to receive approval from the agent bank and/or borrower prior to the sale of these investments

## 5. Purchases and Sales of Investments.

Purchases and sales of securities, other than short-term securities, aggregated \$365,433,540 and \$259,955,399, respectively.

## 6. Fees and Other Transactions with Affiliates.

**Management Fee.** FMR and its affiliates provide the Fund with investment management related services for which the Fund pays a monthly management fee. The management fee is the sum of an individual fund fee rate that is based on an annual rate of .45% of the Fund's average net assets and a group fee rate that averaged .12% during the period. The group fee rate is based upon the average net assets of all the mutual funds advised by FMR. The group fee rate decreases as assets under management increase and increases as assets under management decrease. For the period, the total annualized management fee rate was .57% of the Fund's average net assets.

**Distribution and Service Plan.** In accordance with Rule 12b-1 of the 1940 Act, the Fund has adopted separate 12b-1 Plans for each Service Class of shares. Each Service Class pays Fidelity Distributors Corporation (FDC), an affiliate of FMR, a service fee. For the period, the service fee is based on an annual rate of .10% of Service Class' and Service Class R's average net assets and .25% of Service Class 2's and Service Class 2R's average net assets.

For the period, each class paid FDC the following amounts, all of which were re-allowed to insurance companies for the distribution of shares and providing shareholder support services:

|                        |    |                |
|------------------------|----|----------------|
| Service Class .....    | \$ | 48,629         |
| Service Class 2 .....  |    | 133,676        |
| Service Class R .....  |    | 17,982         |
| Service Class 2R ..... |    | 2,269          |
|                        | \$ | <u>202,556</u> |

**Transfer Agent Fees.** Fidelity Investments Institutional Operations Company, Inc. (FIIOC), an affiliate of FMR, is the Fund's transfer, dividend disbursing, and shareholder servicing agent. FIIOC receives an asset-based fee with respect to each class. Each class (with the exception of Investor Class) pays a transfer agent fee, excluding out of pocket expenses, equal to an annual rate of .07% of average net assets. Investor Class pays a monthly asset-based transfer agent fee of .10% of average net assets. The total transfer agent fees paid by each class to FIIOC, including out of pocket expenses, were as follows:

|                        |    |                |
|------------------------|----|----------------|
| Initial Class .....    | \$ | 178,357        |
| Service Class .....    |    | 33,635         |
| Service Class 2 .....  |    | 38,486         |
| Initial Class R .....  |    | 8,156          |
| Service Class R .....  |    | 11,879         |
| Service Class 2R ..... |    | 600            |
| Investor Class .....   |    | 56,740         |
|                        | \$ | <u>327,853</u> |

**Accounting Fees.** Fidelity Service Company, Inc. (FSC), an affiliate of FMR, maintains the Fund's accounting records. The fee is based on the level of average net assets for the month.

**Interfund Lending Program.** Pursuant to an Exemptive Order issued by the Securities and Exchange Commission (the SEC), the Fund, along with other registered investment companies having management contracts with FMR, may participate in an interfund lending program. This program provides an alternative credit facility allowing the funds to borrow from, or lend money to, other participating affiliated funds. At period end, there were no interfund loans outstanding. The Fund's activity in this program during the period for which loans were outstanding was as follows:

| Borrower or Lender | Average Daily Loan Balance | Weighted Average Interest Rate | Interest Expense |
|--------------------|----------------------------|--------------------------------|------------------|
| Borrower .....     | \$ 12,930,000              | .40%                           | \$ 143           |

## Notes to Financial Statements (Unaudited) – continued

### 7. Committed Line of Credit.

The Fund participates with other funds managed by FMR in a \$3.5 billion credit facility (the “line of credit”) to be utilized for temporary or emergency purposes to fund shareholder redemptions or for other short-term liquidity purposes. The Fund has agreed to pay commitment fees on its pro-rata portion of the line of credit, which amounted to \$2,408 and is reflected in Miscellaneous Expense on the Statement of Operations. During the period, there were no borrowings on this line of credit.

### 8. Expense Reductions.

Through arrangements with the Fund’s custodian, credits realized as a result of uninvested cash balances were used to reduce the Fund’s expenses. During the period, these credits reduced the Fund’s custody expenses by \$654.

### 9. Distributions to Shareholders.

Distributions to shareholders of each class were as follows:

|                                   | Six months ended<br>June 30,<br>2009 | Year ended<br>December 31,<br>2008 |
|-----------------------------------|--------------------------------------|------------------------------------|
| <b>From net investment income</b> |                                      |                                    |
| Initial Class .....               | \$ 570,763                           | \$ 50,331,327                      |
| Service Class .....               | 118,818                              | 10,708,124                         |
| Service Class 2 .....             | 120,976                              | 8,200,191                          |
| Initial Class R .....             | 29,282                               | 1,730,548                          |
| Service Class R .....             | 43,566                               | 2,155,413                          |
| Service Class 2R .....            | 2,095                                | 164,231                            |
| Investor Class .....              | 128,140                              | 7,798,373                          |
| Total .....                       | <u>\$ 1,013,640</u>                  | <u>\$ 81,088,207</u>               |

### 10. Share Transactions.

Transactions for each class of shares were as follows:

|                                     | Shares                               |                                    | Dollars                              |                                    |
|-------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
|                                     | Six months ended<br>June 30,<br>2009 | Year ended<br>December 31,<br>2008 | Six months ended<br>June 30,<br>2009 | Year ended<br>December 31,<br>2008 |
| <b>Initial Class</b>                |                                      |                                    |                                      |                                    |
| Shares sold .....                   | 12,420,364                           | 11,325,778                         | \$ 54,128,963                        | \$ 59,074,348                      |
| Reinvestment of distributions ..... | 133,045                              | 13,210,472                         | 570,763                              | 50,331,327                         |
| Shares redeemed .....               | (15,730,666)                         | (32,087,810)                       | (67,537,014)                         | (177,673,130)                      |
| Net increase (decrease) .....       | <u>(3,177,257)</u>                   | <u>(7,551,560)</u>                 | <u>\$ (12,837,288)</u>               | <u>\$ (68,267,455)</u>             |
| <b>Service Class</b>                |                                      |                                    |                                      |                                    |
| Shares sold .....                   | 1,727,920                            | 2,103,601                          | \$ 7,370,178                         | \$ 11,552,669                      |
| Reinvestment of distributions ..... | 27,826                               | 2,825,363                          | 118,818                              | 10,708,124                         |
| Shares redeemed .....               | (5,211,071)                          | (11,133,341)                       | (22,391,279)                         | (61,774,491)                       |
| Net increase (decrease) .....       | <u>(3,455,325)</u>                   | <u>(6,204,377)</u>                 | <u>\$ (14,902,283)</u>               | <u>\$ (39,513,698)</u>             |
| <b>Service Class 2</b>              |                                      |                                    |                                      |                                    |
| Shares sold .....                   | 14,737,228                           | 12,628,566                         | \$ 62,540,006                        | \$ 64,623,990                      |
| Reinvestment of distributions ..... | 28,735                               | 2,192,564                          | 120,976                              | 8,200,191                          |
| Shares redeemed .....               | (9,655,603)                          | (9,001,486)                        | (41,063,792)                         | (50,214,701)                       |
| Net increase (decrease) .....       | <u>5,110,360</u>                     | <u>5,819,644</u>                   | <u>\$ 21,597,190</u>                 | <u>\$ 22,609,480</u>               |
| <b>Initial Class R</b>              |                                      |                                    |                                      |                                    |
| Shares sold .....                   | 3,352,040                            | 4,746,248                          | \$ 14,394,479                        | \$ 24,537,038                      |
| Reinvestment of distributions ..... | 6,842                                | 455,407                            | 29,282                               | 1,730,548                          |
| Shares redeemed .....               | (2,259,561)                          | (3,446,209)                        | (9,646,922)                          | (19,445,436)                       |
| Net increase (decrease) .....       | <u>1,099,321</u>                     | <u>1,755,446</u>                   | <u>\$ 4,776,839</u>                  | <u>\$ 6,822,150</u>                |
| <b>Service Class R</b>              |                                      |                                    |                                      |                                    |
| Shares sold .....                   | 6,108,224                            | 7,564,400                          | \$ 26,047,711                        | \$ 39,304,602                      |
| Reinvestment of distributions ..... | 10,227                               | 570,215                            | 43,566                               | 2,155,413                          |
| Shares redeemed .....               | (4,303,018)                          | (6,965,405)                        | (18,463,465)                         | (39,209,237)                       |
| Net increase (decrease) .....       | <u>1,815,433</u>                     | <u>1,169,210</u>                   | <u>\$ 7,627,812</u>                  | <u>\$ 2,250,778</u>                |

## 10. Share Transactions – continued

|                                     | Shares                               |                                    | Dollars                              |                                    |
|-------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
|                                     | Six months ended<br>June 30,<br>2009 | Year ended<br>December 31,<br>2008 | Six months ended<br>June 30,<br>2009 | Year ended<br>December 31,<br>2008 |
| <b>Service Class 2R</b>             |                                      |                                    |                                      |                                    |
| Shares sold .....                   | 164,567                              | 116,810                            | \$ 699,507                           | \$ 631,648                         |
| Reinvestment of distributions ..... | 498                                  | 44,030                             | 2,095                                | 164,231                            |
| Shares redeemed .....               | (122,128)                            | (178,258)                          | (527,917)                            | (993,749)                          |
| Net increase (decrease) .....       | <u>42,937</u>                        | <u>(17,418)</u>                    | <u>\$ 173,685</u>                    | <u>\$ (197,870)</u>                |
| <b>Investor Class</b>               |                                      |                                    |                                      |                                    |
| Shares sold .....                   | 13,645,985                           | 17,613,879                         | \$ 58,902,079                        | \$ 91,879,844                      |
| Reinvestment of distributions ..... | 29,939                               | 2,051,733                          | 128,140                              | 7,798,373                          |
| Shares redeemed .....               | (8,549,315)                          | (14,594,721)                       | (36,273,218)                         | (82,444,314)                       |
| Net increase (decrease) .....       | <u>5,126,609</u>                     | <u>5,070,891</u>                   | <u>\$ 22,757,001</u>                 | <u>\$ 17,233,903</u>               |

## 11. Other.

The Fund's organizational documents provide former and current trustees and officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Fund. In the normal course of business, the Fund may also enter into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would be dependent on future claims that may be made against the Fund. The risk of material loss from such claims is considered remote.

At the end of the period, FMR or its affiliates were the owners of record of 30% of the total outstanding shares of the Fund and one otherwise unaffiliated shareholder was the owner of 27% of the total outstanding shares of the Fund.

**Investment Adviser**

Fidelity Management & Research Company  
Boston, MA

**Investment Sub-Advisers**

FMR Co., Inc.  
Fidelity Research & Analysis Company  
Fidelity Investments Japan Limited  
FIL Investment Advisors  
FIL Investment Advisors (U.K.) Ltd.  
Fidelity Management & Research (U.K.) Inc.  
Fidelity Management & Research (Hong Kong) Limited  
Fidelity Management & Research (Japan) Inc.

**General Distributor**

Fidelity Distributors Corporation  
Boston, MA

**Transfer and Service Agents**

Fidelity Investments Institutional Operations Company, Inc.  
Boston, MA  
Fidelity Service Company, Inc.  
Boston, MA

**Custodian**

The Bank of New York Mellon  
New York, NY