Fidelity® **Variable Insurance Products**

Balanced Portfolio, Contrafund[®] Portfolio, Disciplined Small Cap Portfolio, Dynamic Capital Appreciation Portfolio, Emerging Markets Portfolio, Equity-Income Portfolio, Growth Portfolio, Growth & Income Portfolio, Growth Opportunities Portfolio, Growth Stock Portfolio, Growth Strategies Portfolio, High Income Portfolio, Index 500 Portfolio, International Capital Appreciation Portfolio, Mid Cap Portfolio, Overseas Portfolio, Value Portfolio, Value Leaders Portfolio, and Value Strategies Portfolio

Initial Class, Service Class, and Service Class 2

Funds of Variable Insurance Products Fund, Variable Insurance Products Fund II, and Variable Insurance Products Fund III

STATEMENT OF ADDITIONAL INFORMATION April 30, 2013

This statement of additional information (SAI) is not a prospectus. Portions of each fund's annual reports are incorporated herein. The annual reports are supplied with this SAI.

To obtain a free additional copy of a prospectus or SAI, dated April 30, 2013, or an annual report, please call Fidelity at 1-877-208-0098 or visit Fidelity's web site at www.advisor.fidelity.com.

For more information on any Fidelity fund, including charges and expenses, call Fidelity at the number indicated above for a free prospectus. Read it carefully before investing or sending money.

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INVESTMENT POLICIES AND LIMITATIONS

The following policies and limitations supplement those set forth in the prospectus. Unless otherwise noted, whenever an investment policy or limitation states a maximum percentage of a fund's assets that may be invested in any security or other asset, or sets forth a policy regarding quality standards, such standard or percentage limitation will be determined immediately after and as a result of the fund's acquisition of such security or other asset. Accordingly, any subsequent change in values, net assets, or other circumstances will not be considered when determining whether the investment complies with the fund's investment policies and limitations.

A fund's fundamental investment policies and limitations cannot be changed without approval by a "majority of the outstanding voting securities" (as defined in the Investment Company Act of 1940 (1940 Act)) of the fund. However, except for the fundamental investment limitations listed below, the investment policies and limitations described in this SAI are not fundamental and may be changed without shareholder approval.

The following are each fund's fundamental investment limitations set forth in their entirety.

Diversification

For each fund:

The fund may not with respect to 75% of the fund's total assets, purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, or securities of other investment companies) if, as a result, (a) more than 5% of the fund's total assets would be invested in the securities of that issuer, or (b) the fund would hold more than 10% of the outstanding voting securities of that issuer.

For purposes of each fund's diversification limitation discussed above, the extent to which the fund may invest in the securities of a single issuer or a certain number of issuers is limited by the diversification requirements imposed by Section 817(h) of the Internal Revenue Code, which are in addition to the diversification requirements described in the above limitation.

Senior Securities

For each fund (other than VIP Mid Cap Portfolio):

The fund may not issue senior securities, except in connection with the insurance program established by the fund pursuant to an exemptive order issued by the Securities and Exchange Commission or as otherwise permitted under the Investment Company Act of 1940.

For VIP Mid Cap Portfolio:

The fund may not issue senior securities, except as permitted under the Investment Company Act of 1940.

Borrowing

For each fund:

The fund may not borrow money, except that the fund may borrow money for temporary or emergency purposes (not for leveraging or investment) in an amount not exceeding 33 1/3% of its total assets (including the amount borrowed) less liabilities (other than borrowings). Any borrowings that come to exceed this amount will be reduced within three days (not including Sundays and holidays) to the extent necessary to comply with the 33 1/3% limitation.

Underwriting

For each fund:

The fund may not underwrite securities issued by others, except to the extent that the fund may be considered an underwriter within the meaning of the Securities Act of 1933 in the disposition of restricted securities or in connection with investments in other investment companies.

Concentration

For each fund (other than VIP Balanced Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Growth & Income Portfolio, VIP Growth Opportunities Portfolio, and VIP Mid Cap Portfolio):

The fund may not purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities) if, as a result, more than 25% of the fund's total assets would be invested in the securities of companies whose principal business activities are in the same industry.

For purposes of each of VIP ContrafundSM Portfolio's, VIP Disciplined Small Cap Portfolio's, VIP Emerging Markets Portfolio's, VIP Equity-Income Portfolio's, VIP Growth Portfolio's, VIP Growth Strategies Portfolio's, VIP Growth Stock Portfolio's, VIP High Income Portfolio's, VIP Index 500 Portfolio's, VIP International Capital Appreciation Portfolio's, VIP Overseas Portfolio's, VIP Value Portfolio's, VIP Value Leaders Portfolio's, and VIP Value Strategies Portfolio's

concentration limitation discussed above, with respect to any investment in repurchase agreements collateralized by U.S. Government securities, Fidelity Management & Research Company (FMR) looks through to the U.S. Government securities.

For purposes of each of VIP ContrafundSM Portfolio's, VIP Disciplined Small Cap Portfolio's, VIP Emerging Markets Portfolio's, VIP Equity-Income Portfolio's, VIP Growth Portfolio's, VIP Growth Strategies Portfolio's, VIP Growth Stock Portfolio's, VIP High Income Portfolio's, VIP Index 500 Portfolio's, VIP International Capital Appreciation Portfolio's, VIP Overseas Portfolio's, VIP Value Portfolio's, VIP Value Leaders Portfolio's, and VIP Value Strategies Portfolio's concentration limitation discussed above, with respect to any investment in Fidelity Money Market Central Fund and/or any nonmoney market central fund, FMR looks through to the holdings of the central fund.

For purposes of each of VIP Contrafund Portfolio's, VIP Disciplined Small Cap Portfolio's, VIP Emerging Markets Portfolio's, VIP Equity-Income Portfolio's, VIP Growth Portfolio's, VIP Growth Strategies Portfolio's, VIP Growth Stock Portfolio's, VIP High Income Portfolio's, VIP Index 500 Portfolio's, VIP International Capital Appreciation Portfolio's, VIP Overseas Portfolio's, VIP Value Portfolio's, VIP Value Leaders Portfolio's, and VIP Value Strategies Portfolio's concentration limitation discussed above, FMR may analyze the characteristics of a particular issuer and security and assign an industry or sector classification consistent with those characteristics in the event that the third-party classification provider used by FMR does not assign a classification.

For VIP Balanced Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Growth & Income Portfolio, VIP Growth Opportunities Portfolio, and VIP Mid Cap Portfolio:

The fund may not purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, or securities of other investment companies) if, as a result, more than 25% of the fund's total assets would be invested in the securities of companies whose principal business activities are in the same industry.

For purposes of each of VIP Balanced Portfolio's, VIP Dynamic Capital Appreciation Portfolio's, VIP Growth & Income Portfolio's, VIP Growth Opportunities Portfolio's, and VIP Mid Cap Portfolio's concentration limitation discussed above, with respect to any investment in repurchase agreements collateralized by U.S. Government securities, FMR looks through to the U.S. Government securities.

For purposes of each of VIP Balanced Portfolio's, VIP Dynamic Capital Appreciation Portfolio's, VIP Growth & Income Portfolio's, VIP Growth Opportunities Portfolio's, and VIP Mid Cap Portfolio's concentration limitation discussed above, FMR may analyze the characteristics of a particular issuer and security and assign an industry or sector classification consistent with those characteristics in the event that the third-party classification provider used by FMR does not assign a classification.

Real Estate

For each fund:

The fund may not purchase or sell real estate unless acquired as a result of ownership of securities or other instruments (but this shall not prevent the fund from investing in securities or other instruments backed by real estate or securities of companies engaged in the real estate business).

Commodities

For each fund:

The fund may not purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments (but this shall not prevent the fund from purchasing or selling options and futures contracts or from investing in securities or other instruments backed by physical commodities).

Loans

For each fund:

The fund may not lend any security or make any other loan if, as a result, more than 33 1/3% of its total assets would be lent to other parties, but this limitation does not apply to purchases of debt securities or to repurchase agreements, or to acquisitions of loans, loan participations or other forms of debt instruments.

Pooled Funds

For VIP Balanced Portfolio and VIP Growth Opportunities Portfolio:

The fund may, notwithstanding any other fundamental investment policy or limitation, invest all of its assets in the securities of a single open-end management investment company with substantially the same fundamental investment objective, policies, and limitations as the fund.

For VIP Mid Cap Portfolio:

The fund may, notwithstanding any other fundamental investment policy or limitation, invest all of its assets in the securities of a single open-end management investment company managed by Fidelity Management & Research Company or an affiliate or successor with substantially the same fundamental investment objective, policies, and limitations as the fund.

The following investment limitations are not fundamental and may be changed without shareholder approval.

Short Sales

For each fund (other than VIP Balanced Portfolio):

The fund does not currently intend to sell securities short, unless it owns or has the right to obtain securities equivalent in kind and amount to the securities sold short, and provided that transactions in futures contracts and options are not deemed to constitute selling securities short.

For VIP Balanced Portfolio:

The fund does not currently intend to sell securities short, unless it owns or has the right to obtain securities equivalent in kind and amount to the securities sold short, except for sales of to be announced (TBA) securities, and provided that transactions in futures contracts, options, and swaps are not deemed to constitute selling securities short.

Margin Purchases

For each fund:

The fund does not currently intend to purchase securities on margin, except that the fund may obtain such short-term credits as are necessary for the clearance of transactions, and provided that margin payments in connection with futures contracts and options on futures contracts shall not constitute purchasing securities on margin.

Borrowing

For each fund:

The fund may borrow money only (a) from a bank or from a registered investment company or portfolio for which FMR or an affiliate serves as investment adviser or (b) by engaging in reverse repurchase agreements with any party (reverse repurchase agreements are treated as borrowings for purposes of the fundamental borrowing investment limitation).

Illiquid Securities

For each fund (other than VIP Emerging Markets Portfolio, VIP High Income Portfolio, VIP International Capital Appreciation Portfolio, and VIP Overseas Portfolio):

The fund does not currently intend to purchase any security if, as a result, more than 10% of its net assets would be invested in securities that are deemed to be illiquid because they are subject to legal or contractual restrictions on resale or because they cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued.

For purposes of each fund's illiquid securities limitation discussed above, if through a change in values, net assets, or other circumstances, the fund were in a position where more than 10% of its net assets were invested in illiquid securities, it would consider appropriate steps to protect liquidity.

For VIP Emerging Markets Portfolio, VIP High Income Portfolio, VIP International Capital Appreciation Portfolio, and VIP Overseas Portfolio:

The fund does not currently intend to purchase any security if, as a result, more than 15% of its net assets would be invested in securities that are deemed to be illiquid because they are subject to legal or contractual restrictions on resale or because they cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued.

For purposes of each fund's illiquid securities limitation discussed above, if through a change in values, net assets, or other circumstances, the fund were in a position where more than 15% of its net assets were invested in illiquid securities, it would consider appropriate steps to protect liquidity.

Loans

For each fund (other than VIP Balanced Portfolio, VIP Equity-Income PortfolioSM, and VIP High Income Portfolio):

The fund does not currently intend to lend assets other than securities to other parties, except by (a) lending money (up to 15% of the fund's net assets) to a registered investment company or portfolio for which FMR or an affiliate serves as investment adviser or (b) assuming any unfunded commitments in connection with the acquisition of loans, loan participations, or other forms of debt

instruments. (This limitation does not apply to purchases of debt securities, to repurchase agreements, or to acquisitions of loans, loan participations or other forms of debt instruments.)

For VIP Balanced Portfolio, VIP Equity-Income PortfolioSM, and VIP High Income Portfolio:

The fund does not currently intend to lend assets other than securities to other parties, except by (a) making direct loans to companies in which the fund has a pre-existing investment (b) lending money (up to 15% of the fund's net assets) to a registered investment company or portfolio for which FMR or an affiliate serves as investment adviser or (c) assuming any unfunded commitments in connection with the acquisition of loans, loan participations, or other forms of debt instruments. (This limitation does not apply to purchases of debt securities, to repurchase agreements, or to acquisitions of loans, loan participations or other forms of debt instruments.)

Oil, Gas, and Mineral Exploration Programs

For each fund (other than VIP Dynamic Capital Appreciation Portfolio, VIP Growth Strategies Portfolio, VIP Value Portfolio, and VIP Value Strategies Portfolio):

The fund does not currently intend to invest in oil, gas, or other mineral exploration or development programs or leases.

Foreign Securities

For VIP Disciplined Small Cap Portfolio, VIP Emerging Markets Portfolio, VIP Equity-Income Portfolio, VIP Growth Portfolio, VIP Growth Stock Portfolio, VIP High Income Portfolio, VIP Index 500 Portfolio, and VIP Value Leaders Portfolio:

FMR limits the amount of the fund's assets that may be invested in foreign securities to 50%.

Pooled Funds

For VIP Balanced Portfolio and VIP Growth Opportunities Portfolio:

The fund does not currently intend to invest all of its assets in the securities of a single open-end management investment company with substantially the same fundamental investment objective, policies, and limitations as the fund.

For VIP Mid Cap Portfolio:

The fund does not currently intend to invest all of its assets in the securities of a single open-end management investment company managed by Fidelity Management & Research Company or an affiliate or successor with substantially the same fundamental investment objective, policies, and limitations as the fund.

In addition to each fund's fundamental and non-fundamental investment limitations discussed above:

Pursuant to certain state insurance regulations, any repurchase agreements or foreign repurchase agreements a fund enters into will be secured by collateral consisting of liquid assets having a market value of not less than 102% of the cash or assets transferred to the other party.

For a fund's limitations on futures, options, and swap transactions, as applicable, see the section entitled "Futures, Options, and Swaps" on page 11.

For purposes of a fund's policy to invest at least 25% of its total assets in fixed-income senior securities, FMR interprets "total assets" to exclude collateral received for securities lending transactions and treats investment-grade debt securities, lower-quality debt securities, and preferred stock as "fixed-income senior securities."

For purposes of a fund's 80% investment policy that defines a particular market capitalization by reference to the capitalization range of one or more indexes (as described in the prospectus), the capitalization range of the index(es) generally will be measured no less frequently than once per month.

The following pages contain more detailed information about types of instruments in which a fund may invest, techniques a fund's adviser (or a sub-adviser) may employ in pursuit of the fund's investment objective, and a summary of related risks. A fund's adviser (or a sub-adviser) may not buy all of these instruments or use all of these techniques unless it believes that doing so will help the fund achieve its goal. However, a fund's adviser (or a sub-adviser) is not required to buy any particular instrument or use any particular technique even if to do so might benefit the fund.

On the following pages in this section titled "Investment Policies and Limitations," and except as otherwise indicated, references to "an adviser" or "the adviser" may relate to a fund's adviser or a sub-adviser, as applicable.

Affiliated Bank Transactions. A Fidelity fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the fund under the 1940 Act. These transactions may involve repurchase agreements with custodian banks; short-term obligations of, and repurchase agreements with, the 50 largest U.S. banks (measured by deposits); municipal securities; U.S. Government securities with affiliated financial institutions that are primary dealers in these securities; short-term currency transactions; and short-term borrowings. In accordance with exemptive orders issued by the Securities and Exchange

Commission (SEC), the Board of Trustees has established and periodically reviews procedures applicable to transactions involving affiliated financial institutions.

Asset-Backed Securities represent interests in pools of mortgages, loans, receivables, or other assets. Payment of interest and repayment of principal may be largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds, or other credit enhancements. Asset-backed security values may also be affected by other factors including changes in interest rates, the availability of information concerning the pool and its structure, the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables, or the entities providing the credit enhancement. In addition, these securities may be subject to prepayment risk.

Borrowing. If a fund borrows money, its share price may be subject to greater fluctuation until the borrowing is paid off. If a fund makes additional investments while borrowings are outstanding, this may be considered a form of leverage.

<u>Cash Management.</u> A fund may hold uninvested cash or may invest it in cash equivalents such as money market securities, repurchase agreements, or shares of short-term bond or money market funds, including (for Fidelity funds and other advisory clients only) shares of Fidelity central funds. Generally, these securities offer less potential for gains than other types of securities.

Central Funds are special types of investment vehicles created by Fidelity for use by the Fidelity funds and other advisory clients. Central funds are used to invest in particular security types or investment disciplines, or for cash management. Central funds incur certain costs related to their investment activity (such as custodial fees and expenses), but do not pay additional management fees. The investment results of the portions of a Fidelity fund's assets invested in the central funds will be based upon the investment results of those funds.

Commodity Futures Trading Commission (CFTC) Notice of Exclusion. Each trust, on behalf of the Fidelity funds to which this SAI relates, has filed with the National Futures Association a notice claiming an exclusion from the definition of the term "commodity pool operator" (CPO) under the Commodity Exchange Act, as amended, and the rules of the CFTC promulgated thereunder, with respect to each fund's operation. Accordingly, neither the fund nor its adviser is subject to registration or regulation as a commodity pool or a CPO. However, the CFTC has adopted certain rule amendments that significantly affect the continued availability of this exclusion, and may subject advisers to funds to regulation by the CFTC. As of the date of this SAI, the adviser does not expect to register as a CPO of the fund. However, there is no certainty that a fund or its adviser will be able to rely on an exclusion in the future as the fund's investments change over time. A fund may determine not to use investment strategies that trigger additional CFTC regulation or may determine to operate subject to CFTC regulation, if applicable. If a fund or its adviser operates subject to CFTC regulation, it may incur additional expenses.

<u>Common Stock</u> represents an equity or ownership interest in an issuer. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of bonds and preferred stock take precedence over the claims of those who own common stock, although related proceedings can take time to resolve and results can be unpredictable.

Convertible Securities are bonds, debentures, notes, or other securities that may be converted or exchanged (by the holder or by the issuer) into shares of the underlying common stock (or cash or securities of equivalent value) at a stated exchange ratio. A convertible security may also be called for redemption or conversion by the issuer after a particular date and under certain circumstances (including a specified price) established upon issue. If a convertible security held by a fund is called for redemption or conversion, the fund could be required to tender it for redemption, convert it into the underlying common stock, or sell it to a third party.

Convertible securities generally have less potential for gain or loss than common stocks. Convertible securities generally provide yields higher than the underlying common stocks, but generally lower than comparable non-convertible securities. Because of this higher yield, convertible securities generally sell at prices above their "conversion value," which is the current market value of the stock to be received upon conversion. The difference between this conversion value and the price of convertible securities will vary over time depending on changes in the value of the underlying common stocks and interest rates. When the underlying common stocks decline in value, convertible securities will tend not to decline to the same extent because of the interest or dividend payments and the repayment of principal at maturity for certain types of convertible securities. However, securities that are convertible other than at the option of the holder generally do not limit the potential for loss to the same extent as securities convertible at the option of the holder. When the underlying common stocks rise in value, the value of convertible securities may also be expected to increase. At the same time, however, the difference between the market value of convertible securities and their conversion value will narrow, which means that the value of convertible securities may also be interest-rate sensitive, their value may increase as interest rates fall and decrease as interest rates rise. Convertible securities are also subject to credit risk, and are often lower-quality securities.

Countries and Markets Considered Emerging. For purposes of a Fidelity fund's 80% investment policy relating to emerging markets, emerging markets include countries that have an emerging stock market as defined by MSCI, countries or markets with low-to middle-income economies as classified by the World Bank, and other countries or markets with similar emerging characteristics. For example, as of December 31, 2012, countries in the MSCI[®] Emerging Markets Index (for VIP Emerging Markets Portfolio), Greece, Hong Kong, Israel, and Singapore are considered to be emerging.

Country or Geographic Region. Various factors may be considered in determining whether an investment is tied economically to a particular country or region, including: whether the investment is issued or guaranteed by a particular government or any of its agencies, political subdivisions, or instrumentalities; whether the investment has its primary trading market in a particular country or region; whether the issuer is organized under the laws of, derives at least 50% of its revenues from, or has at least 50% of its assets in a particular country or region; whether the investment is included in an index representative of a particular country or region; and whether the investment is exposed to the economic fortunes and risks of a particular country or region.

<u>Debt Securities</u> are used by issuers to borrow money. The issuer usually pays a fixed, variable, or floating rate of interest, and must repay the amount borrowed, usually at the maturity of the security. Some debt securities, such as zero coupon bonds, do not pay interest but are sold at a deep discount from their face values. Debt securities include corporate bonds, government securities, repurchase agreements, and mortgage and other asset-backed securities.

Exchange Traded Funds (ETFs) are shares of other investment companies, commodity pools, or other entities that are traded on an exchange. Typically, assets underlying the ETF shares are stocks, though they may also be commodities or other instruments. An ETF may seek to replicate the performance of a specified index or may be actively managed.

Typically, ETF shares are expected to increase in value as the value of the underlying benchmark increases. However, in the case of inverse ETFs (also called "short ETFs" or "bear ETFs"), ETF shares are expected to increase in value as the value of the underlying benchmark decreases. Inverse ETFs seek to deliver the opposite of the performance of the benchmark they track and are often marketed as a way for investors to profit from, or at least hedge their exposure to, downward moving markets. Investments in inverse ETFs are similar to holding short positions in the underlying benchmark.

ETF shares are redeemable only in large blocks (typically, 50,000 shares) often called "creation units" by persons other than a fund, and are redeemed principally in-kind at each day's next calculated net asset value per share (NAV). ETFs typically incur fees that are separate from those fees incurred directly by a fund. A fund's purchase of ETFs results in the layering of expenses, such that the fund would indirectly bear a proportionate share of any ETF's operating expenses. Further, while traditional investment companies are continuously offered at NAV, ETFs are traded in the secondary market (e.g., on a stock exchange) on an intra-day basis at prices that may be above or below the value of their underlying portfolios.

Some of the risks of investing in an ETF that tracks an index are similar to those of investing in an indexed mutual fund, including tracking error risk (the risk of errors in matching the ETF's underlying assets to the index or other benchmark); and the risk that because an ETF is not actively managed, it cannot sell stocks or other assets as long as they are represented in the index or other benchmark. Other ETF risks include the risk that ETFs may trade in the secondary market at a discount from their NAV and the risk that the ETFs may not be liquid. ETFs also may be leveraged. Leveraged ETFs seek to deliver multiples of the performance of the index or other benchmark they track and use derivatives in an effort to amplify the returns (or decline, in the case of inverse ETFs) of the underlying index or benchmark. While leveraged ETFs may offer the potential for greater return, the potential for loss and the speed at which losses can be realized also are greater. Most leveraged and inverse ETFs "reset" daily, meaning they are designed to achieve their stated objectives on a daily basis. Leveraged and inverse ETFs can deviate substantially from the performance of their underlying benchmark over longer periods of time, particularly in volatile periods.

Exchange Traded Notes (ETNs) are a type of senior, unsecured, unsubordinated debt security issued by financial institutions that combines aspects of both bonds and ETFs. An ETN's returns are based on the performance of a market index or other reference asset minus fees and expenses. Similar to ETFs, ETNs are listed on an exchange and traded in the secondary market. However, unlike an ETF, an ETN can be held until the ETN's maturity, at which time the issuer will pay a return linked to the performance of the market index or other reference asset to which the ETN is linked minus certain fees. Unlike regular bonds, ETNs typically do not make periodic interest payments and principal typically is not protected.

ETNs also incur certain expenses not incurred by their applicable index. The market value of an ETN is determined by supply and demand, the current performance of the index or other reference asset, and the credit rating of the ETN issuer. The market value of ETN shares may differ from their intraday indicative value. The value of an ETN may also change due to a change in the issuer's credit rating. As a result, there may be times when an ETN share trades at a premium or discount to its NAV. Some ETNs that use leverage in an effort to amplify the returns of an underlying index or other reference asset can, at times, be relatively illiquid and, thus, they may be difficult to purchase or sell at a fair price. Leveraged ETNs may offer the potential for greater return, but the potential for loss and speed at which losses can be realized also are greater.

<u>Exposure to Foreign and Emerging Markets.</u> Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations may involve significant risks in addition to the risks inherent in U.S. investments.

Foreign investments involve risks relating to local political, economic, regulatory, or social instability, military action or unrest, or adverse diplomatic developments, and may be affected by actions of foreign governments adverse to the interests of U.S. investors. Such actions may include expropriation or nationalization of assets, confiscatory taxation, restrictions on U.S. investment or on the ability to repatriate assets or convert currency into U.S. dollars, or other government intervention. Additionally, governmental issuers of foreign debt securities may be unwilling to pay interest and repay principal when due and may require that the conditions for

payment be renegotiated. There is no assurance that a fund's adviser will be able to anticipate these potential events or counter their effects. In addition, the value of securities denominated in foreign currencies and of dividends and interest paid with respect to such securities will fluctuate based on the relative strength of the U.S. dollar.

It is anticipated that in most cases the best available market for foreign securities will be on an exchange or in over-the-counter (OTC) markets located outside of the United States. Foreign stock markets, while growing in volume and sophistication, are generally not as developed as those in the United States, and securities of some foreign issuers may be less liquid and more volatile than securities of comparable U.S. issuers. Foreign security trading, settlement and custodial practices (including those involving securities settlement where fund assets may be released prior to receipt of payment) are often less developed than those in U.S. markets, and may result in increased investment or valuation risk or substantial delays in the event of a failed trade or the insolvency of, or breach of duty by, a foreign broker-dealer, securities depository, or foreign subcustodian. In addition, the costs associated with foreign investments, including withholding taxes, brokerage commissions, and custodial costs, are generally higher than with U.S. investments.

Foreign markets may offer less protection to investors than U.S. markets. Foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to U.S. issuers. Adequate public information on foreign issuers may not be available, and it may be difficult to secure dividends and information regarding corporate actions on a timely basis. In general, there is less overall governmental supervision and regulation of securities exchanges, brokers, and listed companies than in the United States. OTC markets tend to be less regulated than stock exchange markets and, in certain countries, may be totally unregulated. Regulatory enforcement may be influenced by economic or political concerns, and investors may have difficulty enforcing their legal rights in foreign countries.

Some foreign securities impose restrictions on transfer within the United States or to U.S. persons. Although securities subject to such transfer restrictions may be marketable abroad, they may be less liquid than foreign securities of the same class that are not subject to such restrictions.

American Depositary Receipts (ADRs) as well as other "hybrid" forms of ADRs, including European Depositary Receipts (EDRs) and Global Depositary Receipts (GDRs), are certificates evidencing ownership of shares of a foreign issuer. These certificates are issued by depository banks and generally trade on an established market in the United States or elsewhere. The underlying shares are held in trust by a custodian bank or similar financial institution in the issuer's home country. The depository bank may not have physical custody of the underlying securities at all times and may charge fees for various services, including forwarding dividends and interest and corporate actions. ADRs are alternatives to directly purchasing the underlying foreign securities in their national markets and currencies. However, ADRs continue to be subject to many of the risks associated with investing directly in foreign securities. These risks include foreign exchange risk as well as the political and economic risks of the underlying issuer's country.

The risks of foreign investing may be magnified for investments in emerging markets. Security prices in emerging markets can be significantly more volatile than those in more developed markets, reflecting the greater uncertainties of investing in less established markets and economies. In particular, countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme and volatile debt burdens or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times.

Foreign Currency Transactions. A fund may conduct foreign currency transactions on a spot (*i.e.*, cash) or forward basis (*i.e.*, by entering into forward contracts to purchase or sell foreign currencies). Although foreign exchange dealers generally do not charge a fee for such conversions, they do realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer may offer to sell a foreign currency at one rate, while offering a lesser rate of exchange should the counterparty desire to resell that currency to the dealer. Forward contracts are customized transactions that require a specific amount of a currency to be delivered at a specific exchange rate on a specific date or range of dates in the future. Forward contracts are generally traded in an interbank market directly between currency traders (usually large commercial banks) and their customers. The parties to a forward contract may agree to offset or terminate the contract before its maturity, or may hold the contract to maturity and complete the contemplated currency exchange.

The following discussion summarizes the principal currency management strategies involving forward contracts that could be used by a fund. A fund may also use swap agreements, indexed securities, and options and futures contracts relating to foreign currencies for the same purposes. Forward contracts not calling for physical delivery of the underlying instrument will be settled through cash payments rather than through delivery of the underlying currency. All of these instruments and transactions are subject to the risk that the counterparty will default.

A "settlement hedge" or "transaction hedge" is designed to protect a fund against an adverse change in foreign currency values between the date a security denominated in a foreign currency is purchased or sold and the date on which payment is made or received. Entering into a forward contract for the purchase or sale of the amount of foreign currency involved in an underlying security transaction

for a fixed amount of U.S. dollars "locks in" the U.S. dollar price of the security. Forward contracts to purchase or sell a foreign currency may also be used to protect a fund in anticipation of future purchases or sales of securities denominated in foreign currency, even if the specific investments have not yet been selected.

A fund may also use forward contracts to hedge against a decline in the value of existing investments denominated in a foreign currency. For example, if a fund owned securities denominated in pounds sterling, it could enter into a forward contract to sell pounds sterling in return for U.S. dollars to hedge against possible declines in the pound's value. Such a hedge, sometimes referred to as a "position hedge," would tend to offset both positive and negative currency fluctuations, but would not offset changes in security values caused by other factors. A fund could also attempt to hedge the position by selling another currency expected to perform similarly to the pound sterling. This type of hedge, sometimes referred to as a "proxy hedge," could offer advantages in terms of cost, yield, or efficiency, but generally would not hedge currency exposure as effectively as a direct hedge into U.S. dollars. Proxy hedges may result in losses if the currency used to hedge does not perform similarly to the currency in which the hedged securities are denominated.

A fund may enter into forward contracts to shift its investment exposure from one currency into another. This may include shifting exposure from U.S. dollars to a foreign currency, or from one foreign currency to another foreign currency. This type of strategy, sometimes known as a "cross-hedge," will tend to reduce or eliminate exposure to the currency that is sold, and increase exposure to the currency that is purchased, much as if a fund had sold a security denominated in one currency and purchased an equivalent security denominated in another. A fund may cross-hedge its U.S. dollar exposure in order to achieve a representative weighted mix of the major currencies in its benchmark index and/or to cover an underweight country or region exposure in its portfolio. Cross-hedges protect against losses resulting from a decline in the hedged currency, but will cause a fund to assume the risk of fluctuations in the value of the currency it purchases.

Successful use of currency management strategies will depend on an adviser's skill in analyzing currency values. Currency management strategies may substantially change a fund's investment exposure to changes in currency exchange rates and could result in losses to a fund if currencies do not perform as an adviser anticipates. For example, if a currency's value rose at a time when a fund had hedged its position by selling that currency in exchange for dollars, the fund would not participate in the currency's appreciation. If a fund hedges currency exposure through proxy hedges, the fund could realize currency losses from both the hedge and the security position if the two currencies do not move in tandem. Similarly, if a fund increases its exposure to a foreign currency and that currency's value declines, the fund will realize a loss. Foreign currency transactions involve the risk that anticipated currency movements will not be accurately predicted and that a fund's hedging strategies will be ineffective. Moreover, it is impossible to precisely forecast the market value of portfolio securities at the expiration of a foreign currency forward contract. Accordingly, a fund may be required to buy or sell additional currency on the spot market (and bear the expenses of such transaction), if an adviser's predictions regarding the movement of foreign currency or securities markets prove inaccurate.

A fund may be required to limit its hedging transactions in foreign currency forwards, futures, and options in order to maintain its classification as a "regulated investment company" under the Internal Revenue Code (Code). Hedging transactions could result in the application of the mark-to-market provisions of the Code, which may cause an increase (or decrease) in the amount of taxable dividends paid by a fund and could affect whether dividends paid by a fund are classified as capital gains or ordinary income. A fund will cover its exposure to foreign currency transactions with liquid assets in compliance with applicable requirements. There is no assurance that an adviser's use of currency management strategies will be advantageous to a fund or that it will employ currency management strategies at appropriate times.

Options and Futures Relating to Foreign Currencies. Currency futures contracts are similar to forward currency exchange contracts, except that they are traded on exchanges (and have margin requirements) and are standardized as to contract size and delivery date. Most currency futures contracts call for payment or delivery in U.S. dollars. The underlying instrument of a currency option may be a foreign currency, which generally is purchased or delivered in exchange for U.S. dollars, or may be a futures contract. The purchaser of a currency call obtains the right to purchase the underlying currency, and the purchaser of a currency put obtains the right to sell the underlying currency.

The uses and risks of currency options and futures are similar to options and futures relating to securities or indexes, as discussed below. A fund may purchase and sell currency futures and may purchase and write currency options to increase or decrease its exposure to different foreign currencies. Currency options may also be purchased or written in conjunction with each other or with currency futures or forward contracts. Currency futures and options values can be expected to correlate with exchange rates, but may not reflect other factors that affect the value of a fund's investments. A currency hedge, for example, should protect a Yen-denominated security from a decline in the Yen, but will not protect a fund against a price decline resulting from deterioration in the issuer's creditworthiness. Because the value of a fund's foreign-denominated investments changes in response to many factors other than exchange rates, it may not be possible to match the amount of currency options and futures to the value of the fund's investments exactly over time.

Currency options traded on U.S. or other exchanges may be subject to position limits which may limit the ability of the fund to reduce foreign currency risk using such options.

Foreign Repurchase Agreements. Foreign repurchase agreements involve an agreement to purchase a foreign security and to sell that security back to the original seller at an agreed-upon price in either U.S. dollars or foreign currency. Unlike typical U.S. repurchase agreements, foreign repurchase agreements may not be fully collateralized at all times. The value of a security purchased by a fund may be more or less than the price at which the counterparty has agreed to repurchase the security. In the event of default by the counterparty, a fund may suffer a loss if the value of the security purchased is less than the agreed-upon repurchase price, or if the fund is unable to successfully assert a claim to the collateral under foreign laws. As a result, foreign repurchase agreements may involve higher credit risks than repurchase agreements in U.S. markets, as well as risks associated with currency fluctuations. In addition, as with other emerging market investments, repurchase agreements with counterparties located in emerging markets or relating to emerging markets may involve issuers or counterparties with lower credit ratings than typical U.S. repurchase agreements.

Funds' Rights as Investors. Fidelity funds do not intend to direct or administer the day-to-day operations of any company. A fund may, however, exercise its rights as a shareholder or lender and may communicate its views on important matters of policy to a company's management, board of directors, and shareholders, and holders of a company's other securities when such matters could have a significant effect on the value of the fund's investment in the company. The activities in which a fund may engage, either individually or in conjunction with others, may include, among others, supporting or opposing proposed changes in a company's corporate structure or business activities; seeking changes in a company's directors or management; seeking changes in a company's direction or policies; seeking the sale or reorganization of the company or a portion of its assets; supporting or opposing third-party takeover efforts; supporting the filing of a bankruptcy petition; or foreclosing on collateral securing a security. This area of corporate activity is increasingly prone to litigation and it is possible that a fund could be involved in lawsuits related to such activities. Such activities will be monitored with a view to mitigating, to the extent possible, the risk of litigation against a fund and the risk of actual liability if a fund is involved in litigation. No guarantee can be made, however, that litigation against a fund will not be undertaken or liabilities incurred. The funds' proxy voting guidelines are included in this SAI.

Futures, Options, and Swaps. The success of any strategy involving futures, options, and swaps depends on an adviser's analysis of many economic and mathematical factors and a fund's return may be higher if it never invested in such instruments. Additionally, some of the contracts discussed below are new instruments without a trading history and there can be no assurance that a market for the instruments will continue to exist. Government legislation or regulation could affect the use of such instruments and could limit a fund's ability to pursue its investment strategies. If a fund invests a significant portion of its assets in derivatives, its investment exposure could far exceed the value of its portfolio securities and its investment performance could be primarily dependent upon securities it does not own.

Each of VIP Contrafund Portfolio, VIP Disciplined Small Cap Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Emerging Markets Portfolio, VIP Equity-Income Portfolio, VIP Growth Portfolio, VIP Growth & Income Portfolio, VIP Growth Opportunities Portfolio, VIP Growth Stock Portfolio, VIP Growth Strategies Portfolio, VIP International Capital Appreciation Portfolio, VIP Mid Cap Portfolio, VIP Overseas Portfolio, VIP Value Portfolio, VIP Value Leaders Portfolio, and VIP Value Strategies Portfolio will not: (a) sell futures contracts, purchase put options, or write call options if, as a result, more than 25% of the fund's total assets would be hedged with futures and options under normal conditions; (b) purchase futures contracts or write put options if, as a result, the fund's total obligations upon settlement or exercise of purchased futures contracts and written put options would exceed 25% of its total assets under normal conditions; or (c) purchase call options if, as a result, the current value of option premiums for call options purchased by the fund would exceed 5% of the fund's total assets. These limitations do not apply to options attached to or acquired or traded together with their underlying securities, and do not apply to structured notes.

VIP High Income Portfolio will not: (a) sell futures contracts, purchase put options, or write call options if, as a result, more than 25% of the fund's total assets would be hedged with futures and options under normal conditions; (b) purchase futures contracts or write put options if, as a result, the fund's total obligations upon settlement or exercise of purchased futures contracts and written put options would exceed 25% of its total assets; or (c) purchase call options if, as a result, the current value of option premiums for call options purchased by the fund would exceed 5% of the fund's total assets. These limitations do not apply to options attached to or acquired or traded together with their underlying securities, and do not apply to structured notes.

Geode intends to follow certain limitations on VIP Index 500 Portfolio's futures and options activities. The fund will not purchase any option if, as a result, more than 5% of its total assets would be invested in option premiums. Under normal conditions, the fund will not enter into any futures contract, option, or swap agreement if, as a result, the sum of (i) the current value of assets hedged in the case of strategies involving the sale of securities, and (ii) the current value of the indexes or other instruments underlying the fund's other futures, options, or swaps positions, would exceed 35% of the fund's total assets. These limitations do not apply to options attached to, or acquired or traded together with their underlying securities, and do not apply to structured notes.

The limitations on the funds' investments in futures contracts, options, and swaps, and the funds' policies regarding futures contracts, options, and swaps may be changed as regulatory agencies permit.

The requirements for qualification as a regulated investment company may limit the extent to which a fund may enter into futures, options on futures, and forward contracts.

Futures Contracts. In purchasing a futures contract, the buyer agrees to purchase a specified underlying instrument at a specified future date. In selling a futures contract, the seller agrees to sell a specified underlying instrument at a specified date. Futures contracts are standardized, exchange-traded contracts and the price at which the purchase and sale will take place is fixed when the buyer and seller enter into the contract. Some currently available futures contracts are based on specific securities or baskets of securities, some are based on commodities or commodities indexes (for funds that seek commodities exposure), and some are based on indexes of securities prices (including foreign indexes for funds that seek foreign exposure). In addition, some currently available futures contracts are based on Eurodollars. Positions in Eurodollar futures reflect market expectations of forward levels of three-month London Interbank Offered Rate (LIBOR) rates. Futures on indexes and futures not calling for physical delivery of the underlying instrument will be settled through cash payments rather than through delivery of the underlying instrument. Futures can be held until their delivery dates, or can be closed out by offsetting purchases or sales of futures contracts before then if a liquid market is available. A fund may realize a gain or loss by closing out its futures contracts.

The value of a futures contract tends to increase and decrease in tandem with the value of its underlying instrument. Therefore, purchasing futures contracts will tend to increase a fund's exposure to positive and negative price fluctuations in the underlying instrument, much as if it had purchased the underlying instrument directly. When a fund sells a futures contract, by contrast, the value of its futures position will tend to move in a direction contrary to the market for the underlying instrument. Selling futures contracts, therefore, will tend to offset both positive and negative market price changes, much as if the underlying instrument had been sold.

The purchaser or seller of a futures contract or an option for a futures contract is not required to deliver or pay for the underlying instrument or the final cash settlement price, as applicable, unless the contract is held until the delivery date. However, both the purchaser and seller are required to deposit "initial margin" with a futures broker, known as a futures commission merchant (FCM), when the contract is entered into. If the value of either party's position declines, that party will be required to make additional "variation margin" payments to settle the change in value on a daily basis. This process of "marking to market" will be reflected in the daily calculation of open positions computed in a fund's NAV. The party that has a gain is entitled to receive all or a portion of this amount. Initial and variation margin payments do not constitute purchasing securities on margin for purposes of a fund's investment limitations. Variation margin does not represent a borrowing or loan by a fund, but is instead a settlement between a fund and the FCM of the amount one would owe the other if the fund's contract expired. In the event of the bankruptcy or insolvency of an FCM that holds margin on behalf of a fund, the fund may be entitled to return of margin owed to it only in proportion to the amount received by the FCM's other customers, potentially resulting in losses to the fund. A fund is also required to segregate liquid assets equivalent to the fund's outstanding obligations under the contract in excess of the initial margin and variation margin, if any.

Although futures exchanges generally operate similarly in the United States and abroad, foreign futures exchanges may follow trading, settlement, and margin procedures that are different from those for U.S. exchanges. Futures contracts traded outside the United States may not involve a clearing mechanism or related guarantees and may involve greater risk of loss than U.S.-traded contracts, including potentially greater risk of losses due to insolvency of a futures broker, exchange member, or other party that may owe initial or variation margin to a fund. Because initial and variation margin payments may be measured in foreign currency, a futures contract traded outside the United States may also involve the risk of foreign currency fluctuation.

There is no assurance a liquid market will exist for any particular futures contract at any particular time. Exchanges may establish daily price fluctuation limits for futures contracts, and may halt trading if a contract's price moves upward or downward more than the limit in a given day. On volatile trading days when the price fluctuation limit is reached or a trading halt is imposed, it may be impossible to enter into new positions or close out existing positions. The daily limit governs only price movements during a particular trading day and therefore does not limit potential losses because the limit may work to prevent the liquidation of unfavorable positions. For example, futures prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of positions and subjecting some holders of futures contracts to substantial losses.

If the market for a contract is not liquid because of price fluctuation limits or other market conditions, it could prevent prompt liquidation of unfavorable positions, and potentially could require a fund to continue to hold a position until delivery or expiration regardless of changes in its value. As a result, a fund's access to other assets held to cover its futures positions could also be impaired. These risks may be heightened for commodity futures contracts, which have historically been subject to greater price volatility than exists for instruments such as stocks and bonds.

Because there are a limited number of types of exchange-traded futures contracts, it is likely that the standardized contracts available will not match a fund's current or anticipated investments exactly. A fund may invest in futures contracts based on securities with different issuers, maturities, or other characteristics from the securities in which the fund typically invests, which involves a risk that the futures position will not track the performance of the fund's other investments.

Futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match a fund's investments well. Futures prices are affected by such factors as current and anticipated short-term interest rates, changes in volatility of the underlying instrument, and the time remaining until expiration of the contract, which may not affect security prices the same way. Imperfect correlation may also result from differing levels of demand in the futures markets and the securities markets, from structural differences in how futures and securities are traded, or from imposition of daily price fluctuation limits or trading halts. A

fund may purchase or sell futures contracts with a greater or lesser value than the securities it wishes to hedge or intends to purchase in order to attempt to compensate for differences in volatility between the contract and the securities, although this may not be successful in all cases. If price changes in a fund's futures positions are poorly correlated with its other investments, the positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments. In addition, the price of a commodity futures contract can reflect the storage costs associated with the purchase of the physical commodity.

Futures contracts on U.S. Government securities historically have reacted to an increase or decrease in interest rates in a manner similar to the manner in which the underlying U.S. Government securities reacted. To the extent, however, that a fund enters into such futures contracts, the value of these futures contracts will not vary in direct proportion to the value of the fund's holdings of U.S. Government securities. Thus, the anticipated spread between the price of the futures contract and the hedged security may be distorted due to differences in the nature of the markets. The spread also may be distorted by differences in initial and variation margin requirements, the liquidity of such markets and the participation of speculators in such markets.

Options. By purchasing a put option, the purchaser obtains the right (but not the obligation) to sell the option's underlying instrument at a fixed strike price. In return for this right, the purchaser pays the current market price for the option (known as the option premium). Options have various types of underlying instruments, including specific assets or securities, baskets of assets or securities, indexes of securities or commodities prices, and futures contracts (including commodity futures contracts). Options may be traded on an exchange or OTC. The purchaser may terminate its position in a put option by allowing it to expire or by exercising the option. If the option is allowed to expire, the purchaser will lose the entire premium. If the option is exercised, the purchaser completes the sale of the underlying instrument at the strike price. Depending on the terms of the contract, upon exercise, an option may require physical delivery of the underlying instrument or may be settled through cash payments. A purchaser may also terminate a put option position by closing it out in the secondary market at its current price, if a liquid secondary market exists.

The buyer of a typical put option can expect to realize a gain if the underlying instrument's price falls substantially. However, if the underlying instrument's price does not fall enough to offset the cost of purchasing the option, a put buyer can expect to suffer a loss (limited to the amount of the premium, plus related transaction costs).

The features of call options are essentially the same as those of put options, except that the purchaser of a call option obtains the right (but not the obligation) to purchase, rather than sell, the underlying instrument at the option's strike price. A call buyer typically attempts to participate in potential price increases of the underlying instrument with risk limited to the cost of the option if the underlying instrument's price falls. At the same time, the buyer can expect to suffer a loss if the underlying instrument's price does not rise sufficiently to offset the cost of the option.

The writer of a put or call option takes the opposite side of the transaction from the option's purchaser. In return for receipt of the premium, the writer assumes the obligation to pay or receive the strike price for the option's underlying instrument if the other party to the option chooses to exercise it. The writer may seek to terminate a position in a put option before exercise by closing out the option in the secondary market at its current price. If the secondary market is not liquid for a put option, however, the writer must continue to be prepared to pay the strike price while the option is outstanding, regardless of price changes. When writing an option on a futures contract, a fund will be required to make margin payments to an FCM as described above for futures contracts.

If the underlying instrument's price rises, a put writer would generally expect to profit, although its gain would be limited to the amount of the premium it received. If the underlying instrument's price remains the same over time, it is likely that the writer will also profit, because it should be able to close out the option at a lower price. If the underlying instrument's price falls, the put writer would expect to suffer a loss. This loss should be less than the loss from purchasing the underlying instrument directly, however, because the premium received for writing the option should mitigate the effects of the decline.

Writing a call option obligates the writer to sell or deliver the option's underlying instrument or make a net cash settlement payment, as applicable, in return for the strike price, upon exercise of the option. The characteristics of writing call options are similar to those of writing put options, except that writing calls generally is a profitable strategy if prices remain the same or fall. Through receipt of the option premium, a call writer should mitigate the effects of a price increase. At the same time, because a call writer must be prepared to deliver the underlying instrument or make a net cash settlement payment, as applicable, in return for the strike price, even if its current value is greater, a call writer gives up some ability to participate in security price increases.

Where a put or call option on a particular security is purchased to hedge against price movements in a related security, the price to close out the put or call option on the secondary market may move more or less than the price of the related security.

There is no assurance a liquid market will exist for any particular options contract at any particular time. Options may have relatively low trading volume and liquidity if their strike prices are not close to the underlying instrument's current price. In addition, exchanges may establish daily price fluctuation limits for exchange-traded options contracts, and may halt trading if a contract's price moves upward or downward more than the limit in a given day. On volatile trading days when the price fluctuation limit is reached or a trading halt is imposed, it may be impossible to enter into new positions or close out existing positions. If the market for a contract is not liquid because of price fluctuation limits or otherwise, it could prevent prompt liquidation of unfavorable positions, and potentially

could require a fund to continue to hold a position until delivery or expiration regardless of changes in its value. As a result, a fund's access to other assets held to cover its options positions could also be impaired.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options (options not traded on exchanges) generally are established through negotiation with the other party to the option contract. While this type of arrangement allows the purchaser or writer greater flexibility to tailor an option to its needs, OTC options generally are less liquid and involve greater credit risk than exchange-traded options, which are backed by the clearing organization of the exchanges where they are traded.

Combined positions involve purchasing and writing options in combination with each other, or in combination with futures or forward contracts, to adjust the risk and return characteristics of the overall position. For example, purchasing a put option and writing a call option on the same underlying instrument would construct a combined position whose risk and return characteristics are similar to selling a futures contract. Another possible combined position would involve writing a call option at one strike price and buying a call option at a lower price, to reduce the risk of the written call option in the event of a substantial price increase. Because combined options positions involve multiple trades, they result in higher transaction costs and may be more difficult to open and close out.

A fund may also buy and sell options on swaps (swaptions), which are generally options on interest rate swaps. An option on a swap gives a party the right (but not the obligation) to enter into a new swap agreement or to extend, shorten, cancel or modify an existing contract at a specific date in the future in exchange for a premium. Depending on the terms of the particular option agreement, a fund will generally incur a greater degree of risk when it writes (sells) an option on a swap than it will incur when it purchases an option on a swap. When a fund purchases an option on a swap, it risks losing only the amount of the premium it has paid should it decide to let the option expire unexercised. However, when a fund writes an option on a swap, upon exercise of the option the fund will become obligated according to the terms of the underlying agreement. A fund that writes an option on a swap receives the premium and bears the risk of unfavorable changes in the preset rate on the underlying interest rate swap. Whether a fund's use of options on swaps will be successful in furthering its investment objective will depend on the adviser's ability to predict correctly whether certain types of investments are likely to produce greater returns than other investments. Options on swaps may involve risks similar to those discussed below in "Swap Agreements."

Because there are a limited number of types of exchange-traded options contracts, it is likely that the standardized contracts available will not match a fund's current or anticipated investments exactly. A fund may invest in options contracts based on securities with different issuers, maturities, or other characteristics from the securities in which the fund typically invests, which involves a risk that the options position will not track the performance of the fund's other investments.

Options prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match a fund's investments well. Options prices are affected by such factors as current and anticipated short-term interest rates, changes in volatility of the underlying instrument, and the time remaining until expiration of the contract, which may not affect security prices the same way. Imperfect correlation may also result from differing levels of demand in the options and futures markets and the securities markets, from structural differences in how options and futures and securities are traded, or from imposition of daily price fluctuation limits or trading halts. A fund may purchase or sell options contracts with a greater or lesser value than the securities it wishes to hedge or intends to purchase in order to attempt to compensate for differences in volatility between the contract and the securities, although this may not be successful in all cases. If price changes in a fund's options positions are poorly correlated with its other investments, the positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

Swap Agreements (except equity index funds). Swaps are individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Swap agreements are two party contracts entered into primarily by institutional investors. Swap agreements can vary in term. Most swap agreements are currently traded over-the-counter. In a standard "swap" transaction, two parties agree to exchange one or more payments based, for example, on the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments (such as securities, commodities, indexes, or other financial or economic interests). The gross payments to be exchanged between the parties are calculated with respect to a notional amount, which is the predetermined dollar principal of the trade representing the hypothetical underlying quantity upon which payment obligations are computed.

Swap agreements can take many different forms and are known by a variety of names, including interest rate swaps (where the parties exchange a floating rate for a fixed rate), asset swaps (e.g., where parties combine the purchase or sale of a bond with an interest rate swap), total return swaps, and credit default swaps. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a fund's investments and its share price and, if applicable, its yield. Swap agreements are subject to liquidity risk, meaning that a fund may be unable to sell a swap contract to a third party at a favorable price.

A total return swap is a contract whereby one party agrees to make a series of payments to another party based on the change in the market value of the assets underlying such contract (which can include a security, commodity, index or baskets thereof) during the specified period. In exchange, the other party to the contract agrees to make a series of payments calculated by reference to an interest rate and/or some other agreed-upon amount (including the change in market value of other underlying assets). A fund may use total return swaps to gain exposure to an asset without owning it or taking physical custody of it. For example, a fund investing in total return

commodity swaps will receive the price appreciation of a commodity, commodity index or portion thereof in exchange for payment of an agreed-upon fee.

In a credit default swap, the credit default protection buyer makes periodic payments, known as premiums, to the credit default protection seller. In return the credit default protection seller will make a payment to the credit default protection buyer upon the occurrence of a specified credit event. A credit default swap can refer to a single issuer or asset, a basket of issuers or assets or index of assets, each known as the reference entity or underlying asset. A fund may act as either the buyer or the seller of a credit default swap. A fund may buy or sell credit default protection on a basket of issuers or assets, even if a number of the underlying assets referenced in the basket are lower-quality debt securities. In an unhedged credit default swap, a fund buys credit default protection on a single issuer or asset, a basket of issuers or assets or index of assets without owning the underlying asset or debt issued by the reference entity. Credit default swaps involve greater and different risks than investing directly in the referenced asset, because, in addition to market risk, credit default swaps include liquidity, counterparty and operational risk.

Credit default swaps allow a fund to acquire or reduce credit exposure to a particular issuer, asset or basket of assets. If a swap agreement calls for payments by a fund, the fund must be prepared to make such payments when due. If a fund is the credit default protection seller, the fund will experience a loss if a credit event occurs and the credit of the reference entity or underlying asset has deteriorated. If a fund is the credit default protection buyer, the fund will be required to pay premiums to the credit default protection seller. In the case of a physically settled credit default swap in which a fund is the protection seller, the fund must be prepared to pay par for and take possession of debt of a defaulted issuer delivered to the fund by the credit default protection buyer. Any loss would be offset by the premium payments the fund receives as the seller of credit default protection.

If the creditworthiness of a fund's swap counterparty declines, the risk that the counterparty may not perform could increase, potentially resulting in a loss to the fund. To limit the counterparty risk involved in swap agreements, a Fidelity fund will enter into swap agreements only with counterparties that meet certain standards of creditworthiness. Although there can be no assurance that a fund will be able to do so, a fund may be able to reduce or eliminate its exposure under a swap agreement either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or another creditworthy party. A fund may have limited ability to eliminate its exposure under a credit default swap if the credit of the reference entity or underlying asset has declined.

A fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. In order to cover its outstanding obligations to a swap counterparty, a fund would generally be required to provide margin or collateral for the benefit of that counterparty. If a counterparty to a swap transaction becomes insolvent, the fund may be limited temporarily or permanently in exercising its right to the return of related fund assets designated as margin or collateral in an action against the counterparty.

Swap agreements are subject to the risk that the market value of the instrument will change in a way detrimental to a fund's interest. A fund bears the risk that an adviser will not accurately forecast market trends or the values of assets, reference rates, indexes, or other economic factors in establishing swap positions for a fund. If an adviser attempts to use a swap as a hedge against, or as a substitute for, a portfolio investment, a fund may be exposed to the risk that the swap will have or will develop imperfect or no correlation with the portfolio investment, which could cause substantial losses for a fund. While hedging strategies involving swap instruments can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favorable price movements in other fund investments. Swaps are complex and often valued subjectively.

Swap Agreements (equity index funds only). Under a typical equity swap agreement, a counterparty such as a bank or broker-dealer agrees to pay a fund a return equal to the dividend payments and increase in value, if any, of an index or group of stocks, or of a stock, and the fund agrees in return to pay a fixed or floating rate of interest, plus any declines in value of the index. Swap agreements can also have features providing for maximum or minimum exposure to a designated index. In order to hedge its exposure effectively, a fund would generally have to own other assets returning approximately the same amount as the interest rate payable by the fund under the swap agreement.

Swap agreements allow a fund to acquire or reduce credit exposure to a particular issuer, asset, or basket of assets. The most significant factor in the performance of swap agreements is the change in value of the specific index, security or currency, or other factors that determine the amounts of payments due to and from a fund. If a swap agreement calls for payments by a fund, the fund must be prepared to make such payments when due. If the creditworthiness of a fund's swap counterparty declines, the risk that the counterparty may not perform could increase, potentially resulting in a loss to the fund and impairing the fund's correlation with its applicable index. Although there can be no assurance that a fund will be able to do so, a fund may be able to reduce or eliminate its exposure under a swap agreement either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or another more creditworthy party.

A fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. In order to cover its outstanding obligations to a swap counterparty, a fund would generally be required to provide margin or collateral for the benefit of that counterparty. If a counterparty to a swap transaction becomes insolvent, the fund may be limited temporarily or permanently in exercising its right to the return of related fund assets designated as margin or collateral in an action against the counterparty.

Swap agreements are subject to the risk that the market value of the instrument will change in a way detrimental to a fund's interest. A fund bears the risk that an adviser will not accurately forecast market trends or the values of assets, reference rates, indexes, or other economic factors in establishing swap positions for a fund. If an adviser attempts to use a swap as a hedge against, or as a substitute for, a portfolio investment, a fund may be exposed to the risk that the swap will have or will develop imperfect or no correlation with the portfolio investment, which could cause substantial losses for a fund. While hedging strategies involving swap instruments can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favorable price movements in other fund investments. Swaps are complex and often valued subjectively.

<u>Illiquid Securities</u> cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued. Difficulty in selling securities may result in a loss or may be costly to a fund.

Under the supervision of the Board of Trustees, a Fidelity fund's adviser determines the liquidity of the fund's investments and, through reports from the fund's adviser, the Board monitors investments in illiquid securities.

Various factors may be considered in determining the liquidity of a fund's investments, including (1) the frequency and volume of trades and quotations, (2) the number of dealers and prospective purchasers in the marketplace, (3) dealer undertakings to make a market, and (4) the nature of the security and the market in which it trades (including any demand, put or tender features, the mechanics and other requirements for transfer, any letters of credit or other credit enhancement features, any ratings, the number of holders, the method of soliciting offers, the time required to dispose of the security, and the ability to assign or offset the rights and obligations of the security).

<u>Increasing Government Debt.</u> The total public debt of the United States and other countries around the globe as a percent of gross domestic product has grown rapidly since the beginning of the 2008 financial downturn. Although high debt levels do not necessarily indicate or cause economic problems, they may create certain systemic risks if sound debt management practices are not implemented.

A high national debt level may increase market pressures to meet government funding needs, which may drive debt cost higher and cause a country to sell additional debt, thereby increasing refinancing risk. A high national debt also raises concerns that a government will not be able to make principal or interest payments when they are due. In the worst case, unsustainable debt levels can decline the valuation of currencies, and can prevent a government from implementing effective counter-cyclical fiscal policy in economic downturns.

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States one level to "AA+" from "AAA." While Standard & Poor's Ratings Services affirmed the United States' short-term sovereign credit rating as "A-1+," there is no guarantee that Standard & Poor's Ratings Services will not decide to lower this rating in the future. Standard & Poor's Ratings Services stated that its decision was prompted by its view on the rising public debt burden and its perception of greater policymaking uncertainty. The market prices and yields of securities supported by the full faith and credit of the U.S. Government may be adversely affected by Standard & Poor's Ratings Services decisions to downgrade the long-term sovereign credit rating of the United States.

<u>Indexed Securities</u> are instruments whose prices are indexed to the prices of other securities, securities indexes, or other financial indicators. Indexed securities typically, but not always, are debt securities or deposits whose values at maturity or coupon rates are determined by reference to a specific instrument, statistic, or measure.

Indexed securities also include commercial paper, certificates of deposit, and other fixed-income securities whose values at maturity or coupon interest rates are determined by reference to the returns of particular stock indexes. Indexed securities can be affected by stock prices as well as changes in interest rates and the creditworthiness of their issuers and may not track the indexes as accurately as direct investments in the indexes.

Mortgage-indexed securities, for example, could be structured to replicate the performance of mortgage securities and the characteristics of direct ownership.

Currency-indexed securities typically are short-term to intermediate-term debt securities whose maturity values or interest rates are determined by reference to the values of one or more specified foreign currencies, and may offer higher yields than U.S. dollar-denominated securities. Currency-indexed securities may be positively or negatively indexed; that is, their maturity value may increase when the specified currency value increases, resulting in a security that performs similarly to a foreign-denominated instrument, or their maturity value may decline when foreign currencies increase, resulting in a security whose price characteristics are similar to a put on the underlying currency. Currency-indexed securities may also have prices that depend on the values of a number of different foreign currencies relative to each other.

The performance of indexed securities depends to a great extent on the performance of the instrument or measure to which they are indexed, and may also be influenced by interest rate changes in the United States and abroad. Indexed securities may be more volatile than the underlying instruments or measures. Indexed securities are also subject to the credit risks associated with the issuer of the security, and their values may decline substantially if the issuer's creditworthiness deteriorates. Recent issuers of indexed securities have included banks, corporations, and certain U.S. Government agencies.

<u>Insolvency of Issuers, Counterparties, and Intermediaries.</u> Issuers of fund portfolio securities or counterparties to fund transactions that become insolvent or declare bankruptcy can pose special investment risks. In each circumstance, risk of loss, valuation uncertainty, increased illiquidity, and other unpredictable occurrences may negatively impact an investment. Each of these risks may be amplified in foreign markets, where security trading, settlement, and custodial practices can be less developed than those in the U.S. markets, and bankruptcy laws differ from those of the U.S.

As a general matter, if the issuer of a fund portfolio security is liquidated or declares bankruptcy, the claims of owners of bonds and preferred stock have priority over the claims of common stock owners. These events can negatively impact the value of the issuer's securities and the results of related proceedings can be unpredictable.

If a counterparty to a fund transaction, such as a swap transaction, a short sale, a borrowing, or other complex transaction becomes insolvent, the fund may be limited in its ability to exercise rights to obtain the return of related fund assets or in exercising other rights against the counterparty. In addition, insolvency and liquidation proceedings take time to resolve, which can limit or preclude a fund's ability to terminate a transaction or obtain related assets or collateral in a timely fashion. Uncertainty may also arise upon the insolvency of a securities or commodities intermediary such as a broker-dealer or futures commission merchant with which a fund has pending transactions. If an intermediary becomes insolvent, while securities positions and other holdings may be protected by U.S. or foreign laws, it is sometimes difficult to determine whether these protections are available to specific trades based on the circumstances. Receiving the benefit of these protections can also take time to resolve, which may result in illiquid positions.

Interfund Borrowing and Lending Program. Pursuant to an exemptive order issued by the SEC, a Fidelity fund may lend money to, and borrow money from, other funds advised by FMR or its affiliates. A Fidelity fund will borrow through the program only when the costs are equal to or lower than the costs of bank loans. A Fidelity fund will lend through the program only when the returns are higher than those available from an investment in repurchase agreements. Interfund loans and borrowings normally extend overnight, but can have a maximum duration of seven days. Loans may be called on one day's notice. A Fidelity fund may have to borrow from a bank at a higher interest rate if an interfund loan is called or not renewed. Any delay in repayment to a lending fund could result in a lost investment opportunity or additional borrowing costs.

Investment-Grade Debt Securities. Investment-grade debt securities include all types of debt instruments that are of medium and high-quality. Investment-grade debt securities include repurchase agreements collateralized by U.S. Government securities as well as repurchase agreements collateralized by equity securities, non-investment-grade debt, and all other instruments in which a fund can perfect a security interest, provided the repurchase agreement counterparty has an investment-grade rating. Some investment-grade debt securities may possess speculative characteristics and may be more sensitive to economic changes and to changes in the financial conditions of issuers. An investment-grade rating means the security or issuer is rated investment-grade by a credit rating agency registered as a nationally recognized statistical rating organization (NRSRO) with the SEC (for example, Moody's Investors Service, Inc.), or is unrated but considered to be of equivalent quality by a fund's adviser. For purposes of determining the maximum maturity of an investment-grade debt security, an adviser may take into account normal settlement periods.

<u>Investments by Funds of Funds or Other Large Shareholders.</u> Certain funds and accounts that are managed by FMR or its affiliates (including funds of funds) invest in other funds and may at times have substantial investments in one or more other funds.

A fund may experience large redemptions or investments due to transactions in fund shares by funds of funds, other large shareholders, or similarly managed accounts. While it is impossible to predict the overall effect of these transactions over time, there could be an adverse impact on a fund's performance. In the event of such redemptions or investments, a fund could be required to sell securities or to invest cash at a time when it may not otherwise desire to do so. Such transactions may increase a fund's brokerage and/or other transaction costs and affect the liquidity of a fund's portfolio. In addition, when funds of funds or other investors own a substantial portion of a fund's shares, a large redemption by such an investor could cause actual expenses to increase, or could result in the fund's current expenses being allocated over a smaller asset base, leading to an increase in the fund's expense ratio. Redemptions of fund shares could also accelerate the realization of taxable capital gains in the fund if sales of securities result in capital gains. The impact of these transactions is likely to be greater when a fund of funds or other significant investor purchases, redeems, or owns a substantial portion of the fund's shares.

When possible, Fidelity will consider how to minimize these potential adverse effects, and may take such actions as it deems appropriate to address potential adverse effects, including redemption of shares in-kind rather than in cash or carrying out the transactions over a period of time, although there can be no assurance that such actions will be successful. A high volume of redemption requests can impact a fund the same way as the transactions of a single shareholder with substantial investments.

Loans and Other Direct Debt Instruments. Direct debt instruments are interests in amounts owed by a corporate, governmental, or other borrower to lenders or lending syndicates (loans and loan participations), to suppliers of goods or services (trade claims or other receivables), or to other parties. Direct debt instruments involve a risk of loss in case of default or insolvency of the borrower and may offer less legal protection to the purchaser in the event of fraud or misrepresentation, or there may be a requirement that a fund supply additional cash to a borrower on demand. A fund may acquire loans by buying an assignment of all or a portion of the loan from a lender

or by purchasing a loan participation from a lender or other purchaser of a participation. VIP Balanced Portfolio, VIP Equity-Income Portfolio, and VIP High Income Portfolio also may acquire loans directly at the time of the loan's closing.

Lenders and purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of interest and repayment of principal. If scheduled interest or principal payments are not made, the value of the instrument may be adversely affected. Loans that are fully secured provide more protections than an unsecured loan in the event of failure to make scheduled interest or principal payments. However, there is no assurance that the liquidation of collateral from a secured loan would satisfy the borrower's obligation, or that the collateral could be liquidated. Indebtedness of borrowers whose creditworthiness is poor involves substantially greater risks and may be highly speculative. Borrowers that are in bankruptcy or restructuring may never pay off their indebtedness, or may pay only a small fraction of the amount owed. Direct indebtedness of foreign countries also involves a risk that the governmental entities responsible for the repayment of the debt may be unable, or unwilling, to pay interest and repay principal when due.

Direct lending and investments in loans through direct assignment of a financial institution's interests with respect to a loan may involve additional risks. For example, if a loan is foreclosed, the lender/purchaser could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that under emerging legal theories of lender liability, a purchaser could be held liable as a co-lender. Direct debt instruments may also involve a risk of insolvency of the lending bank or other intermediary.

A loan is often administered by a bank or other financial institution that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. Unless, under the terms of the loan or other indebtedness, the purchaser has direct recourse against the borrower, the purchaser may have to rely on the agent to apply appropriate credit remedies against a borrower. If assets held by the agent for the benefit of a purchaser were determined to be subject to the claims of the agent's general creditors, the purchaser might incur certain costs and delays in realizing payment on the loan or loan participation and could suffer a loss of principal or interest.

Direct indebtedness may include letters of credit, revolving credit facilities, or other standby financing commitments that obligate lenders/purchasers to make additional cash payments on demand. These commitments may have the effect of requiring a lender/purchaser to increase its investment in a borrower at a time when it would not otherwise have done so, even if the borrower's condition makes it unlikely that the amount will ever be repaid.

For a Fidelity fund that limits the amount of total assets that it will invest in any one issuer or in issuers within the same industry, the fund generally will treat the borrower as the "issuer" of indebtedness held by the fund. In the case of loan participations where a bank or other lending institution serves as financial intermediary between a fund and the borrower, if the participation does not shift to the fund the direct debtor-creditor relationship with the borrower, SEC interpretations require a fund, in appropriate circumstances, to treat both the lending bank or other lending institution and the borrower as "issuers" for these purposes. Treating a financial intermediary as an issuer of indebtedness may restrict a fund's ability to invest in indebtedness related to a single financial intermediary, or a group of intermediaries engaged in the same industry, even if the underlying borrowers represent many different companies and industries.

<u>Lower-Quality Debt Securities</u>. Lower-quality debt securities include all types of debt instruments that have poor protection with respect to the payment of interest and repayment of principal, or may be in default. These securities are often considered to be speculative and involve greater risk of loss or price changes due to changes in the issuer's capacity to pay. The market prices of lower-quality debt securities may fluctuate more than those of higher-quality debt securities and may decline significantly in periods of general economic difficulty, which may follow periods of rising interest rates.

The market for lower-quality debt securities may be thinner and less active than that for higher-quality debt securities, which can adversely affect the prices at which the former are sold. Adverse publicity and changing investor perceptions may affect the liquidity of lower-quality debt securities and the ability of outside pricing services to value lower-quality debt securities.

Because the risk of default is higher for lower-quality debt securities, research and credit analysis are an especially important part of managing securities of this type. Such analysis may focus on relative values based on factors such as interest or dividend coverage, asset coverage, earnings prospects, and the experience and managerial strength of the issuer, in an attempt to identify those issuers of high-yielding securities whose financial condition is adequate to meet future obligations, has improved, or is expected to improve in the future.

A fund may choose, at its expense or in conjunction with others, to pursue litigation or otherwise to exercise its rights as a security holder to seek to protect the interests of security holders if it determines this to be in the best interest of the fund's shareholders.

Mortgage Securities are issued by government and non-government entities such as banks, mortgage lenders, or other institutions. A mortgage security is an obligation of the issuer backed by a mortgage or pool of mortgages or a direct interest in an underlying pool of mortgages. Some mortgage securities, such as collateralized mortgage obligations (or "CMOs"), make payments of both principal and interest at a range of specified intervals; others make semiannual interest payments at a predetermined rate and repay principal at maturity (like a typical bond). Mortgage securities are based on different types of mortgages, including those on commercial real estate or residential properties. Stripped mortgage securities are created when the interest and principal components of a mortgage security are

separated and sold as individual securities. In the case of a stripped mortgage security, the holder of the "principal-only" security (PO) receives the principal payments made by the underlying mortgage, while the holder of the "interest-only" security (IO) receives interest payments from the same underlying mortgage.

Fannie Maes and Freddie Macs are pass-through securities issued by Fannie Mae and Freddie Mac, respectively. Fannie Mae and Freddie Mac, which guarantee payment of interest and repayment of principal on Fannie Maes and Freddie Macs, respectively, are federally chartered corporations supervised by the U.S. Government that act as governmental instrumentalities under authority granted by Congress. Fannie Mae and Freddie Mac are authorized to borrow from the U.S. Treasury to meet their obligations. Fannie Maes and Freddie Macs are not backed by the full faith and credit of the U.S. Government.

The value of mortgage securities may change due to shifts in the market's perception of issuers and changes in interest rates. In addition, regulatory or tax changes may adversely affect the mortgage securities market as a whole. Non-government mortgage securities may offer higher yields than those issued by government entities, but also may be subject to greater price changes than government issues. Mortgage securities are subject to prepayment risk, which is the risk that early principal payments made on the underlying mortgages, usually in response to a reduction in interest rates, will result in the return of principal to the investor, causing it to be invested subsequently at a lower current interest rate. Alternatively, in a rising interest rate environment, mortgage security values may be adversely affected when prepayments on underlying mortgages do not occur as anticipated, resulting in the extension of the security's effective maturity and the related increase in interest rate sensitivity of a longer-term instrument. The prices of stripped mortgage securities tend to be more volatile in response to changes in interest rates than those of non-stripped mortgage securities.

A fund may seek to earn additional income by using a trading strategy (commonly known as "mortgage dollar rolls" or "reverse mortgage dollar rolls") that involves selling (or buying) mortgage securities, realizing a gain or loss, and simultaneously agreeing to purchase (or sell) mortgage securities on a later date at a set price. During the period between the sale and repurchase in a mortgage dollar roll transaction, a fund will not be entitled to receive interest and principal payments on the securities sold but will invest the proceeds of the sale in other securities that are permissible investments for the fund. During the period between the purchase and subsequent sale in a reverse mortgage dollar roll transaction, a fund is entitled to interest and principal payments on the securities purchased. Losses may arise due to changes in the value of the securities or if the counterparty does not perform under the terms of the agreement. If the counterparty files for bankruptcy or becomes insolvent, a fund's right to repurchase or sell securities may be limited. This trading strategy may increase interest rate exposure and result in an increased portfolio turnover rate which increases costs and may increase taxable gains.

<u>Preferred Securities</u> represent an equity or ownership interest in an issuer that pays dividends at a specified rate and that has precedence over common stock in the payment of dividends. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of bonds take precedence over the claims of those who own preferred and common stock.

Real Estate Investment Trusts. Equity real estate investment trusts own real estate properties, while mortgage real estate investment trusts make construction, development, and long-term mortgage loans. Their value may be affected by changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, and tax and regulatory requirements, such as those relating to the environment. Both types of trusts are dependent upon management skill, are not diversified, and are subject to heavy cash flow dependency, defaults by borrowers, self-liquidation, and the possibility of failing to qualify for tax-free status of income under the Internal Revenue Code and failing to maintain exemption from the 1940 Act.

Reforms and Government Intervention in the Financial Markets. Economic downturns can trigger various economic, legal, budgetary, tax, and regulatory reforms across the globe. Instability in the financial markets in the wake of the 2008 economic downturn led the U.S. Government and other governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that experienced extreme volatility, and in some cases, a lack of liquidity. Reforms are ongoing and their effects are uncertain. Federal, state, local, foreign, and other governments, their regulatory agencies, or self-regulatory organizations may take actions that affect the regulation of the instruments in which a fund invests, or the issuers of such instruments, in ways that are unforeseeable. Reforms may also change the way in which a fund is regulated and could limit or preclude a fund's ability to achieve its investment objective or engage in certain strategies. Also, while reforms generally are intended to strengthen markets, systems, and public finances, they could affect fund expenses and the value of fund investments.

The value of a fund's holdings is also generally subject to the risk of future local, national, or global economic disturbances based on unknown weaknesses in the markets in which a fund invests. In the event of such a disturbance, the issuers of securities held by a fund may experience significant declines in the value of their assets and even cease operations, or may receive government assistance accompanied by increased restrictions on their business operations or other government intervention. In addition, it is not certain that the U.S. Government or foreign governments will intervene in response to a future market disturbance and the effect of any such future intervention cannot be predicted.

Repurchase Agreements involve an agreement to purchase a security and to sell that security back to the original seller at an agreed-upon price. The resale price reflects the purchase price plus an agreed-upon incremental amount which is unrelated to the coupon rate or maturity of the purchased security. As protection against the risk that the original seller will not fulfill its obligation, the

securities are held in a separate account at a bank, marked-to-market daily, and maintained at a value at least equal to the sale price plus the accrued incremental amount. The value of the security purchased may be more or less than the price at which the counterparty has agreed to purchase the security. In addition, delays or losses could result if the other party to the agreement defaults or becomes insolvent. A fund may be limited in its ability to exercise its right to liquidate assets related to a repurchase agreement with an insolvent counterparty. A Fidelity fund may engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by the fund's adviser.

Restricted Securities are subject to legal restrictions on their sale. Difficulty in selling securities may result in a loss or be costly to a fund. Restricted securities generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933 (1933 Act), or in a registered public offering. Where registration is required, the holder of a registered security may be obligated to pay all or part of the registration expense and a considerable period may elapse between the time it decides to seek registration and the time it may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the holder might obtain a less favorable price than prevailed when it decided to seek registration of the security.

Reverse Repurchase Agreements. In a reverse repurchase agreement, a fund sells a security to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase that security at an agreed-upon price and time. A Fidelity fund may enter into reverse repurchase agreements with parties whose creditworthiness has been reviewed and found satisfactory by the fund's adviser. Such transactions may increase fluctuations in the market value of a fund's assets and, if applicable, a fund's yield, and may be viewed as a form of leverage.

<u>Securities Lending.</u> A Fidelity fund may lend securities to parties such as broker-dealers or other institutions, including an affiliate. Fidelity funds for which Geode serves as sub-adviser will not lend securities to Geode or its affiliates.

Securities lending allows a fund to retain ownership of the securities loaned and, at the same time, earn additional income. The borrower provides the fund with collateral in an amount at least equal to the value of the securities loaned. The fund seeks to maintain the ability to obtain the right to vote or consent on proxy proposals involving material events affecting securities loaned. If the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons, a fund could experience delays and costs in recovering the securities loaned or in gaining access to the collateral. These delays and costs could be greater for foreign securities. If a fund is not able to recover the securities loaned, the fund may sell the collateral and purchase a replacement investment in the market. The value of the collateral could decrease below the value of the replacement investment by the time the replacement investment is purchased. For a Fidelity fund, loans will be made only to parties deemed by the fund's adviser to be in good standing and when, in the adviser's judgment, the income earned would justify the risks.

Cash received as collateral through loan transactions may be invested in other eligible securities, including shares of a money market fund. Investing this cash subjects that investment, as well as the securities loaned, to market appreciation or depreciation.

Securities of Other Investment Companies, including shares of closed-end investment companies (which include business development companies (BDCs)), unit investment trusts, and open-end investment companies, represent interests in professionally managed portfolios that may invest in any type of instrument. Investing in other investment companies involves substantially the same risks as investing directly in the underlying instruments, but may involve additional expenses at the investment company-level, such as portfolio management fees and operating expenses. For certain investment companies, such as BDCs, these expenses may be significant. Certain types of investment companies, such as closed-end investment companies, issue a fixed number of shares that trade on a stock exchange or over-the-counter at a premium or a discount to their NAV. Others are continuously offered at NAV, but may also be traded in the secondary market.

The securities of closed-end funds may be leveraged. As a result, a fund may be indirectly exposed to leverage through an investment in such securities. An investment in securities of closed-end funds that use leverage may expose a fund to higher volatility in the market value of such securities and the possibility that the fund's long-term returns on such securities will be diminished.

The extent to which a fund can invest in securities of other investment companies may be limited by federal securities laws.

A fund that seeks to track the performance of a particular index could invest in investment companies that seek to track the performance of indexes other than the index that the fund seeks to track.

Short Sales "Against the Box" are short sales of securities that a fund owns or has the right to obtain (equivalent in kind or amount to the securities sold short). If a fund enters into a short sale against the box, it will be required to set aside securities equivalent in kind and amount to the securities sold short (or securities convertible or exchangeable into such securities) and will be required to hold such securities while the short sale is outstanding. A fund will incur transaction costs, including interest expenses, in connection with opening, maintaining, and closing short sales against the box.

<u>Short Sales.</u> Stocks underlying a fund's convertible security holdings can be sold short. For example, if a fund's adviser anticipates a decline in the price of the stock underlying a convertible security held by the fund, it may sell the stock short. If the stock price subsequently declines, the proceeds of the short sale could be expected to offset all or a portion of the effect of the stock's decline on the value

of the convertible security. Fidelity funds that employ this strategy generally intend to hedge no more than 15% of total assets with short sales on equity securities underlying convertible security holdings under normal circumstances.

A fund will be required to set aside securities equivalent in kind and amount to those sold short (or securities convertible or exchangeable into such securities) and will be required to hold them aside while the short sale is outstanding. A fund will incur transaction costs, including interest expenses, in connection with opening, maintaining, and closing short sales.

Sources of Liquidity or Credit Support. Issuers may employ various forms of credit and liquidity enhancements, including letters of credit, guarantees, swaps, puts, and demand features, and insurance provided by domestic or foreign entities such as banks and other financial institutions. An adviser and its affiliates may rely on their evaluation of the credit of the issuer or the credit of the liquidity or credit enhancement provider in determining whether to purchase or hold a security supported by such enhancement. In evaluating the credit of a foreign bank or other foreign entities, factors considered may include whether adequate public information about the entity is available and whether the entity may be subject to unfavorable political or economic developments, currency controls, or other government restrictions that might affect its ability to honor its commitment. Changes in the credit quality of the issuer and/or entity providing the enhancement could affect the value of the security or a fund's share price.

Sovereign Debt Obligations are issued or guaranteed by foreign governments or their agencies, including debt of Latin American nations or other developing countries. Sovereign debt may be in the form of conventional securities or other types of debt instruments such as loans or loan participations. Sovereign debt of developing countries may involve a high degree of risk, and may be in default or present the risk of default. Governmental entities responsible for repayment of the debt may be unable or unwilling to repay principal and pay interest when due, and may require renegotiation or rescheduling of debt payments. In addition, prospects for repayment of principal and payment of interest may depend on political as well as economic factors. Although some sovereign debt, such as Brady Bonds, is collateralized by U.S. Government securities, repayment of principal and payment of interest is not guaranteed by the U.S. Government.

<u>Stripped Securities</u> are the separate income or principal components of a debt security. The risks associated with stripped securities are similar to those of other debt securities, although stripped securities may be more volatile, and the value of certain types of stripped securities may move in the same direction as interest rates. U.S. Treasury securities that have been stripped by a Federal Reserve Bank are obligations issued by the U.S. Treasury.

Privately stripped government securities are created when a dealer deposits a U.S. Treasury security or other U.S. Government security with a custodian for safekeeping. The custodian issues separate receipts for the coupon payments and the principal payment, which the dealer then sells.

Structured Securities (also called "structured notes") are derivative debt securities, the interest rate on or principal of which is determined by an unrelated indicator. The value of the interest rate on and/or the principal of structured securities is determined by reference to changes in the value of a reference instrument (e.g., a security or other financial instrument, asset, currency, interest rate, commodity, or index) or the relative change in two or more reference instruments. A structured security may be positively, negatively, or both positively and negatively indexed; that is, its value or interest rate may increase or decrease if the value of the reference instrument increases. Similarly, its value or interest rate may increase or decrease if the value of the reference instrument decreases. Further, the change in the principal amount payable with respect to, or the interest rate of, a structured security may be calculated as a multiple of the percentage change (positive or negative) in the value of the underlying reference instrument(s); therefore, the value of such structured security may be very volatile. Structured securities may entail a greater degree of market risk than other types of debt securities because the investor bears the risk of the reference instrument. Structured securities may also be more volatile, less liquid, and more difficult to accurately price than less complex securities or more traditional debt securities. In addition, because structured securities generally are traded over-the-counter, structured securities are subject to the creditworthiness of the counterparty of the structured security, and their values may decline substantially if the counterparty's creditworthiness deteriorates.

Temporary Defensive Policies.

Each of VIP Balanced Portfolio, VIP Contrafund Portfolio, VIP Disciplined Small Cap Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Emerging Markets Portfolio, VIP Equity-Income Portfolio, VIP Growth Portfolio, VIP Growth & Income Portfolio, VIP Growth Opportunities Portfolio, VIP Growth Stock Portfolio, VIP Growth Strategies Portfolio, VIP Index 500 Portfolio, VIP International Capital Appreciation Portfolio, VIP Mid Cap Portfolio, VIP Overseas Portfolio, VIP Value Portfolio, VIP Value Leaders Portfolio, and VIP Value Strategies Portfolio reserves the right to invest without limitation in preferred stocks and investment-grade debt instruments for temporary, defensive purposes.

VIP High Income Portfolio reserves the right to invest without limitation in investment-grade securities for temporary, defensive purposes.

<u>Transfer Agent Bank Accounts.</u> Proceeds from shareholder purchases of a Fidelity fund may pass through a series of demand deposit bank accounts before being held at the fund's custodian. Redemption proceeds may pass from the custodian to the shareholder through a similar series of bank accounts.

If a bank account is registered to the transfer agent or an affiliate, who acts as an agent for the funds when opening, closing, and conducting business in the bank account, the transfer agent or an affiliate may invest overnight balances in the account in repurchase agreements. Any balances that are not invested in repurchase agreements remain in the bank account overnight. Any risks associated with such an account are investment risks of the funds. A fund faces the risk of loss of these balances if the bank becomes insolvent.

Variable and Floating Rate Securities provide for periodic adjustments in the interest rate paid on the security. Variable rate securities provide for a specified periodic adjustment in the interest rate, while floating rate securities have interest rates that change whenever there is a change in a designated benchmark rate or the issuer's credit quality, sometimes subject to a cap or floor on such rate. Some variable or floating rate securities are structured with put features that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries. For purposes of determining the maximum maturity of a variable or floating rate security, a fund's adviser may take into account normal settlement periods.

Warrants. Warrants are instruments which entitle the holder to buy an equity security at a specific price for a specific period of time. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss.

Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments.

When-Issued and Forward Purchase or Sale Transactions involve a commitment to purchase or sell specific securities at a predetermined price or yield in which payment and delivery take place after the customary settlement period for that type of security. Typically, no interest accrues to the purchaser until the security is delivered.

When purchasing securities pursuant to one of these transactions, the purchaser assumes the rights and risks of ownership, including the risks of price and yield fluctuations and the risk that the security will not be issued as anticipated. Because payment for the securities is not required until the delivery date, these risks are in addition to the risks associated with a fund's investments. If a fund remains substantially fully invested at a time when a purchase is outstanding, the purchases may result in a form of leverage. When a fund has sold a security pursuant to one of these transactions, the fund does not participate in further gains or losses with respect to the security. If the other party to a delayed-delivery transaction fails to deliver or pay for the securities, a fund could miss a favorable price or yield opportunity or suffer a loss.

A fund may renegotiate a when-issued or forward transaction and may sell the underlying securities before delivery, which may result in capital gains or losses for the fund.

A fund may also engage in purchases or sales of "to be announced" or "TBA" securities, which usually are transactions in which a fund buys or sells mortgage-backed securities on a forward commitment basis. A TBA transaction typically does not designate the actual security to be delivered and only includes an approximate principal amount. TBA trades can be used by a fund for investment purposes in order to gain exposure to certain securities, or for hedging purposes to adjust the risk exposure of a fund portfolio without having to restructure a portfolio. Purchases and sales of TBA securities involve risks similar to those discussed above for other when-issued and forward purchase and sale transactions. In addition, when a fund sells TBA securities, it incurs risks similar to those incurred in short sales. For example, when a fund sells TBA securities without owning or having the right to obtain the deliverable securities, it incurs a risk of loss because it could have to purchase the securities at a price that is higher than the price at which it sold them. Also, a fund may be unable to purchase the deliverable securities if the corresponding market is illiquid. In such transactions, the fund will set aside liquid assets in an amount sufficient to offset its exposure as long as the fund's obligations are outstanding.

Zero Coupon Bonds do not make interest payments; instead, they are sold at a discount from their face value and are redeemed at face value when they mature. Because zero coupon bonds do not pay current income, their prices can be more volatile than other types of fixed-income securities when interest rates change. In calculating a fund's dividend, a portion of the difference between a zero coupon bond's purchase price and its face value is considered income.

SPECIAL GEOGRAPHIC CONSIDERATIONS

Emerging Markets. Investing in companies domiciled in emerging market countries may be subject to potentially higher risks than investments in developed countries. These risks include: (i) less social, political, and economic stability; (ii) greater illiquidity and price volatility due to smaller or limited local capital markets for such securities, or low or non-existent trading volumes; (iii) foreign exchanges and broker-dealers may be subject to less scrutiny and regulation by local authorities; (iv) local governments may decide to seize or confiscate securities held by foreign investors and/or local governments may decide to suspend or limit an issuer's ability to make dividend or interest payments; (v) local governments may limit or entirely restrict repatriation of invested capital, profits, and dividends; (vi) capital gains may be subject to local taxation, including on a retroactive basis; (vii) issuers facing restrictions on dollar or euro payments imposed by local governments may attempt to make dividend or interest payments to foreign investors in the local currency; (viii) investors may experience difficulty in enforcing legal claims related to the securities and/or local judges may favor the

interests of the issuer over those of foreign investors; (ix) bankruptcy judgments may only be permitted to be paid in the local currency; (x) limited public information regarding the issuer may result in greater difficulty in determining market valuations of the securities, and (xi) infrequent financial reporting, substandard disclosure, and differences in accounting standards may make it difficult to ascertain the financial health of an issuer. In addition, unlike developed countries, many emerging countries' economic growth highly depends on exports and inflows of external capital, making them more vulnerable to the downturns of the world economy. The recent global financial crisis weakened the global demand for their exports and tightened international credit supplies and, as a result, many emerging countries faced significant economic difficulties and some countries fell into recession.

Many emerging market countries suffer from uncertainty and corruption in their legal frameworks. Legislation may be difficult to interpret and laws may be too new to provide any precedential value. Laws regarding foreign investment and private property may be weak or non-existent. Sudden changes in governments may result in policies that are less favorable to investors such as policies designed to expropriate or nationalize "sovereign" assets. Certain emerging market countries in the past have expropriated large amounts of private property, in many cases with little or no compensation, and there can be no assurance that such expropriation will not occur in the future.

Many emerging market countries in which a fund may invest lack the social, political, and economic stability characteristic of the U.S. Political instability among emerging market countries can be common and may be caused by an uneven distribution of wealth, social unrest, labor strikes, civil wars, and religious oppression. Economic instability in emerging market countries may take the form of: (i) high interest rates; (ii) high levels of inflation, including hyperinflation; (iii) high levels of unemployment or underemployment; (iv) changes in government economic and tax policies, including confiscatory taxation (or taxes on foreign investments); and (v) imposition of trade barriers.

Currencies of emerging market countries are subject to significantly greater risks than currencies of developed countries. Some emerging market currencies may not be internationally traded or may be subject to strict controls by local governments, resulting in undervalued or overvalued currencies. Some emerging market countries have experienced balance of payment deficits and shortages in foreign exchange reserves. As a result, some governments have responded by restricting currency conversions. Future restrictive exchange controls could prevent or restrict a company's ability to make dividend or interest payments in the original currency of the obligation (usually U.S. dollars). In addition, even though the currencies of some emerging market countries may be convertible into U.S. dollars, the conversion rates may be artificial to their actual market values.

Governments of many emerging market countries have become overly reliant on the international capital markets and other forms of foreign credit to finance large public spending programs which cause huge budget deficits. Often, interest payments have become too overwhelming for these governments to meet, as these payments may represent a large percentage of a country's total GDP. Accordingly, these foreign obligations have become the subject of political debate and served as fuel for political parties of the opposition, which pressure governments not to make payments to foreign creditors, but instead to use these funds for social programs. Either due to an inability to pay or submission to political pressure, the governments have been forced to seek a restructuring of their loan and/or bond obligations, have declared a temporary suspension of interest payments, or have defaulted on their outstanding debt obligations. These events have adversely affected the values of securities issued by the governments and corporations domiciled in these emerging market countries and have negatively affected not only their cost of borrowing, but their ability to borrow in the future as well.

In addition to their over-reliance on international capital markets, many emerging economies are also highly dependent on international trade and exports, including exports of oil and other commodities. As a result, these economies are particularly vulnerable to downturns of the world economy. The recent global financial crisis tightened international credit supplies and weakened global demand for their exports and, as a result, certain of these economies faced significant difficulties and some economies fell into recession. Although certain economies in emerging market countries have recently shown signs of recovery from this recession, such recovery, if sustained, may be gradual. The reduced demand for exports and lack of available capital for investment resulting from the European crisis and weakened global economy may limit recovery by emerging market countries.

Canada.

Political. Canada's parliamentary system of government is, in general, stable. Quebec does have a "separatist" opposition party whose objective is to achieve sovereignty and increased self-governing legal and financial powers for the province. To date, referendums on Quebec sovereignty have been defeated. If a referendum about the independence of Quebec were successful, the Canadian federal government may be obliged to negotiate with Quebec.

Economic. Canada is a major producer of commodities such as forest products, metals, agricultural products, and energy related products like oil, gas, and hydroelectricity. Accordingly, changes in the supply and demand of base commodity resources and industrial and precious metals and materials, both domestically and internationally, can have a significant effect on Canadian market performance.

The U.S. is Canada's largest trading partner and developments in economic policy and U.S. market conditions have a significant impact on the Canadian economy. The expanding economic and financial integration of the U.S., Canada, and Mexico through the North American Free Trade Agreement may make the Canadian economy and securities market more sensitive to North American

trade patterns. However, growth in developing countries overseas, particularly China, may change the composition of Canada's trade and foreign investment composition in the near future.

In recent years, economic growth slowed down in certain sectors of the Canadian economy. The Canadian economy suffered from a recession due, in part, to the recent global financial crisis. The weaker economy resulted in lower tax collections and increased support being provided to Canadians through government programs, which increased the Canadian budget deficit. While the Canadian economy has shown signs of recovery from this recession, such recovery, if sustained, may be gradual. Growth forecasts remain modest due to ongoing fiscal consolidation, the effects of the economic slowdown in the U.S., and weakened demand for Canadian exports and investment as a result of the European crisis. Furthermore, the strength of the Canadian dollar against the U.S. dollar may negatively affect Canada's ability to export, which could limit Canada's economic recovery.

Europe. The European Union (EU) is an intergovernmental and supranational union of most Western European countries and a growing number of Eastern European countries, each known as a member state. One of the key activities of the EU is the establishment and administration of a common single market, consisting of, among other things, a common trade policy. In order to pursue this goal, member states established, among other things, the European Economic and Monetary Union (EMU), which sets out different stages and commitments that member states need to follow to achieve greater economic policy coordination and monetary cooperation, including the adoption of a single currency, the euro. While all EU member states participate in the economic union, only certain EU member states have adopted the euro as their currency. When a member state adopts the euro as its currency, the member state no longer controls its own monetary policies. Instead, the authority to direct monetary policy is exercised by the European Central Bank.

While economic and monetary convergence in the EU may offer new opportunities for those investing in the region, investors should be aware that the success of the EU is not wholly assured. European countries can be significantly affected by the tight fiscal and monetary controls that the EMU imposes on its members or with which candidates for EMU membership are required to comply. Europe must grapple with a number of challenges, any one of which could threaten the survival of this monumental undertaking. The countries adopting the euro must adjust to a unified monetary system, the absence of exchange rate flexibility, and the loss of economic sovereignty. Europe's economics are diverse, its governments are decentralized, and its cultures differ widely. Unemployment in some European countries has historically been higher than in the U.S. and could pose political risk. Many EU nations are susceptible to high economic risks associated with high levels of debt, notably due to investments in sovereign debts of European countries such as Greece, Italy, Spain, Portugal, and the Republic of Ireland. One or more member states might exit the EU, placing its currency and banking system in jeopardy. The EU currently faces major issues involving its membership, structure, procedures and policies; including the adoption, abandonment or adjustment of the new constitutional treaty, the EU's enlargement to the south and east, and resolution of the EU's problematic fiscal and democratic accountability. Efforts of the member states to continue to unify their economic and monetary policies may increase the potential for similarities in the movements of European markets and reduce the benefit of diversification within the region.

Political. The EU has been extending its influence to the east. It has accepted several Eastern European countries as new members, and has plans to accept several more in the medium-term. It is hoped that membership for these states will help cement economic and political stability in the region. For these countries, membership serves as a strong political impetus to employ tight fiscal and monetary policies. Nevertheless, new member states that were former Soviet satellites remain burdened to various extents by the inherited inefficiencies of centrally planned economies similar to what existed under the former Soviet Union. Further expansion of the EU has long-term economic benefits, but certain European countries are not viewed as currently suitable for membership, especially the troubled economies of countries further east. Also, as the EU continues to enlarge, the candidate countries' accessions may grow more controversial. Some member states may repudiate certain candidate countries joining the EU upon concerns about the possible economic, immigration, and cultural implications that may result from such enlargement. The current and future status of the EU therefore continues to be the subject of political controversy, with widely differing views both within and between member states. Also, Russia may be opposed to the expansion of the EU to members of the former Soviet bloc and may, at times, take actions that could negatively impact EU economic activity.

It is possible that the gap between rich and poor within the EU's member countries, and particularly among new members that have not met the requirements for joining the EMU may increase, and that realigning traditional alliances could alter trading relationships and potentially provoke divisive socioeconomic splits.

In the transition to the single economic system, significant political decisions will be made that may affect the market regulation, subsidization, and privatization across all industries, from agricultural products to telecommunications.

Economic. As economic conditions across member states may vary widely, there is continued concern about national-level support for the euro and the accompanying coordination of fiscal and wage policy among EMU member countries. Member countries must maintain tight control over inflation, public debt, and budget deficits in order to qualify for participation in the euro. These requirements severely limit EMU member countries' ability to implement monetary policy to address regional economic conditions.

The recent global financial crisis brought several small economies in Europe to the brink of bankruptcy and many other economies into recession and weakened the banking and financial sectors of many European countries. As a result, the governments of many

European countries are now facing a serious economic crisis as high levels of public debt and substantial budget deficits hinder economic growth in the region and threaten the continued viability of the EMU. Due to these large public deficits, some European issuers have had difficulty accessing capital and may be dependent on emergency assistance from European governments and institutions to avoid defaulting on their outstanding debt obligations. The availability of such assistance, however, may be contingent on an issuer's implementation of certain reforms or reaching a required level of performance, which may increase the possibility of default. Such prospects have injected significant volatility into European markets, which may reduce the liquidity or value of a fund's investments in the region. Likewise, the high levels of public debt raise the possibility that certain European issuers may be forced to restructure their debt obligations, which could cause a fund to lose the value of its investments in any such issuer.

As European policy makers take unprecedented steps to respond to the ongoing economic crisis in the region, there is an increased risk that regulatory uncertainty could have a negative effect on the value of a fund's investments in the region. For example, the French parliament recently adopted a financial transactions tax that imposes a tax on, among other transactions, acquisitions of equities in listed companies that have their registered offices in France and that exceed a specified market capitalization. The European Commission has proposed plans for an EU-wide financial transactions tax to take effect in 2014, although it remains unclear whether such a tax will be agreed upon by EU member countries. Moreover, governments across the EMU are facing increasing opposition to certain crisis response measures. For example, efforts to reduce public spending in certain countries have been countered by large-scale protests. As a result, many governments in the region have collapsed or been voted out of office. Leaders in some of these countries have openly questioned the sustainability of the EMU, which raises the risk that certain member states will abandon the euro or that the euro may cease to exist as a single currency in its current form. Any such occurrence would likely have wide-ranging effects on global markets that are difficult to predict. However, these effects would likely have a negative impact on a fund's investments in the region.

Furthermore, the ongoing economic crisis has limited the prospect of short-term growth and economic recovery in the region, which raises the risk that Europe will fall into another recession. Economic challenges facing the region include high levels of public debt, significant rates of unemployment, aging populations, over-regulation of non-financial businesses, persistent trade deficits, rigid labor markets, and inability to access credit. Although certain of these challenges may weigh more heavily on some European economies than others, the economic integration of the region increases the likelihood that recession in one country may spread to others. Should Europe fall into another recession, the value of a fund's investments in the region may be affected.

Currency. Investing in euro-denominated (or other European currencies-denominated) securities entails risk of being exposed to a currency that may not fully reflect the strengths and weaknesses of the disparate European economies. In addition, many European countries rely heavily upon export-dependent businesses and any strength in the exchange rate between the euro and the U.S. dollar can have either a positive or a negative effect upon corporate profits and the performance of EU investments. Currencies have become more volatile, subjecting a fund's foreign investments to additional risks.

Nordic Countries. The Nordic countries relate to European integration in different ways. Norway and Iceland are outside the EU, although they are members of the European Economic Area. Denmark, Finland, and Sweden are all EU members, but only Finland has adopted the euro as its currency. Faced with stronger global competition, the Nordic countries – Denmark, Finland, Norway, and Sweden – have had to scale down their historically generous welfare programs, resulting in drops in domestic demand and increased unemployment. Major industries in the region, such as forestry, agriculture, and oil, are heavily resource-dependent and face pressure as a result of high labor costs. Economic growth in many Nordic countries continues to be constrained by tight labor markets and adverse European and global economic conditions. Although certain Nordic countries have recently exhibited signs of economic growth, any such growth may be limited by the European crisis and the weakened global economy.

Eastern Europe. Investing in the securities of Eastern European issuers is highly speculative and involves risks not usually associated with investing in the more developed markets of Western Europe. Political and economic reforms are too recent to establish a definite trend away from centrally planned economies and state-owned industries. Investments in Eastern European countries may involve risks of nationalization, expropriation, and confiscatory taxation.

Many Eastern European countries continue to move towards market economies at different paces with appropriately different characteristics. Most Eastern European markets suffer from thin trading activity, dubious investor protections, and often a dearth of reliable corporate information. Information and transaction costs, differential taxes, and sometimes political or transfer risk give a comparative advantage to the domestic investor rather than the foreign investor. In addition, these markets are particularly sensitive to social, political, economic, and currency events in Western Europe and Russia and may suffer heavy losses as a result of their trading and investment links to these economies and currencies. Additionally, Russia may attempt to assert its influence in the region through economic or even military measures, as it did with Georgia in the summer of 2008.

In some of the countries of Eastern Europe, there is no stock exchange or formal market for securities. Such countries may also have government exchange controls, currencies with no recognizable market value relative to the established currencies of Western market economies, little or no experience in trading in securities, no accounting or financial reporting standards, a lack of banking and securities infrastructure to handle such trading and a legal tradition that does not recognize rights in private property. Credit and debt issues and other economic difficulties affecting Western Europe and its financial institutions can negatively affect Eastern European countries.

Eastern European economies may also be particularly susceptible to the international credit market due to their reliance on bank related inflows of foreign capital. The recent global financial crisis restricted international credit supplies and several Eastern European economies faced significant credit and economic crises. Although some Eastern European economies are expanding again, major challenges are still present as a result of their continued dependence on the Western European zone for credit and trade. Accordingly, the European crisis may present serious risks for Eastern European economies, which may have a negative effect on a fund's investments in the region.

Japan. Government-industry cooperation, a strong work ethic, mastery of high technology, emphasis on education, and a comparatively small defense allocation have helped Japan advance with extraordinary speed to become one of the largest economic powers along with the U.S. and the EU. Despite its impressive history, investors face special risks when investing in Japan.

Economic. For three decades from the 1960s through the 1980s, Japan's overall real economic growth had been spectacular. However, growth slowed markedly in the 1990s and Japan's economy fell into a long recession. After a few years of mild recovery in the mid-2000s, the Japanese economy fell into another recession as a result of the recent global financial crisis.

While Japan experienced an increase in exports relative to recent years, the rate of export growth has since slowed and the rapid appreciation in the value of the yen has negatively impacted Japan's exports. This economic recession was likely compounded by Japan's massive government debt, the aging and shrinking of the population, an unstable financial sector, low domestic consumption, and certain corporate structural weaknesses, which remain some of the major long-term problems of the Japanese economy.

Overseas trade is important to Japan's economy and Japan's economic growth is significantly driven by its exports. Japan has few natural resources and must export to pay for its imports of these basic requirements. Meanwhile, Japan's aging and shrinking population increases the cost of the country's pension and public welfare system and lowers domestic demand, making Japan more dependent on exports to sustain its economy. Therefore, any developments that negatively affect Japan's exports could present risks to a fund's investments in Japan. For example, domestic or foreign trade sanctions or other protectionist measures could harm Japan's economy. Likewise, any escalation of tensions with China or South Korea over disputed territorial claims may adversely impact Japan's trading relationship with two of its largest trading partners. Furthermore, reduced demand for Japan's exports resulting from the European crisis and weakened global economy could present additional risks to a fund's investments in Japan.

Japan's recovery from the recession has been affected by economic distress resulting from the earthquake and resulting tsunami that struck northeastern Japan in March 2011 causing major damage along the coast, including damage to nuclear power plants in the region. Following the earthquake, Japan's financial markets fluctuated dramatically. The government injected capital into the economy and proposed plans for massive spending on reconstruction efforts in disaster-affected areas in order to stimulate economic growth. The full extent of the natural disaster's impact on Japan's economy and foreign investment in Japan is difficult to estimate. The risks of natural disasters of varying degrees, such as earthquakes and tsunamis, and the resulting damage, continue to exist.

A pressing need to sustain Japan's economic recovery and improve its economic growth is the task of overhauling the nation's financial institutions. Banks, in particular, may have to reform themselves to become more competitive. Successful financial sector reform would contribute to Japan's economic recovery at home and would benefit other economies in Asia. Internal conflict over the proper way to reform the banking system continues to exist. Currently, Japanese banks are facing difficulties generating profits. Currency fluctuations may also significantly affect Japan's economy.

Asia Pacific Region (ex Japan). Many countries in the region have historically faced political uncertainty, corruption, military intervention, and social unrest. Examples include military threats on the Korean peninsula and along the Taiwan Strait, the ethnic, sectarian, and separatist violence found in Indonesia, and the nuclear arms threats between India and Pakistan. To the extent that such events continue in the future, they can be expected to have a negative effect on economic and securities market conditions in the region. In addition, the Asia Pacific geographic region has historically been prone to natural disasters. The occurrence of a natural disaster in the region could negatively impact the economy of any country in the region.

Economic. The economies of many countries in the region are heavily dependent on international trade and are accordingly affected by protective trade barriers and the economic conditions of their trading partners, principally, the U.S., Japan, China, and the European Union. The countries in this region are also heavily dependent on exports and are thus particularly vulnerable to any weakening in global demand for these products. High food, fuel and other commodities' prices, as well as volatile capital inflows, may pose challenges to countries in this region in the near future. The recent global financial crisis spread to the region, significantly lowering its exports and foreign investments in the region, which are driving forces of its economic growth. In addition, the economic crisis also significantly affected consumer confidence and local stock markets. Although the economies of many countries in the region have recently shown signs of recovery from the crisis, such recovery, if sustained, may be gradual. Furthermore, any such recovery may be limited or hindered by the reduced demand for exports and lack of available capital for investment resulting from the European crisis and weakened global economy.

The Republic of Korea (South Korea). Investors should be aware that investing in South Korea involves risks not typically associated with investing in the U.S. securities markets. Although relations between North Korea and South Korea had begun to improve in

the past few years, recent developments are troubling. As a result, these relations still remain tense and the possibility of military action between the two countries still exists.

Corporate and financial sector restructuring initiated by the Korean government, in conjunction with the IMF, after the 1997-1998 Asian financial crisis can be expected to continue, but its full impact cannot be predicted yet. The Korean economy's reliance on international trade makes it highly sensitive to fluctuations in international commodity prices, currency exchange rates and government regulation, and vulnerable to downturns of the world economy. For example, the recent global financial crisis led to large capital outflows from South Korea, which caused the deterioration of the country's currency, domestic asset markets, and credit conditions. The South Korean economy began showing signs of recovery from this downturn in 2009. Although South Korea's initial recovery was faster than many other developed nations, South Korea's growth has since slowed and any continued recovery may be gradual as the European crisis and weakened global economy may reduce demand for South Korean exports. The South Korean economy's long-term challenges include a rapidly aging population, inflexible labor market, and overdependence on exports to drive economic growth.

China Region. As with all transition economies, China's ability to develop and sustain a credible legal, regulatory, monetary, and socioeconomic system could influence the course of outside investment. Hong Kong is closely tied to China, economically and through China's 1997 acquisition of the country as a Special Autonomous Region (SAR).

Hong Kong's success depends, in large part, on its ability to retain the legal, financial, and monetary systems that it currently has in place, which allows economic freedom and market expansion. Although many Taiwanese companies heavily invest in China, a state of hostility continues to exist between China and Taiwan, which Beijing has long deemed a part of China and has made a nationalist cause of recovering it. Taiwan's political stability and ability to sustain its economic growth could be significantly affected by its political and economic relationship with China.

The recent global financial crisis caused a marked slowdown in economic growth in the region, leading local governments, especially the Chinese government, to take unprecedented steps to shore up economic growth and prevent widespread unemployment. Although China has experienced economic growth in recent years, recent economic data shows that growth is slowing. Demand for Chinese exports by Western countries, including the U.S. and Europe, may weaken due to the effects of relatively limited economic growth in those countries resulting from the financial crisis in the United States and the crisis in Europe. However, the Chinese government continues to maintain certain of these measures and may introduce more in the future, including measures intended to increase growth and to contain social unrest, which is an increasing risk.

In addition to the risks inherent in investing in the emerging markets, the risks of investing in China, Hong Kong, and Taiwan merit special consideration.

People's Republic of China. The government of the People's Republic of China is dominated by the one-party rule of the Chinese Communist Party.

China's economy has transitioned from a rigidly central-planned state-run economy to one that has been only partially reformed by more market-oriented policies. Although the Chinese government has implemented economic reform measures, reduced state ownership of companies and established better corporate governance practices, a substantial portion of productive assets in China are still owned by the Chinese government. The government continues to exercise significant control over regulating industrial development and, ultimately, control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

At times, China's economy has been subject to the risks of overheating, which leads to the government's attempt to slow down the pace of growth through administrative measures. The recent global financial crisis, however, changed this course for some time, as China's economic growth slowed, due, in part, to weakened demand for its exports and reduced foreign investments in the country. The Chinese economy then showed strong signs of recovery from this slowed growth, but a recovery of China's trading partners may also be necessary to sustain China's continued growth and measures to control growth may be adopted again. In the short term, China's economy faces problems of inflation and local government debt, which swelled in recent years as a result of certain economic stimulus policies. Furthermore, the economy faces the prospect of prolonged weakness in demand for Chinese exports as its major trading partners, such as the United States, Japan, and Europe, continue to experience economic uncertainty stemming from the global financial crisis and European crisis, among other things. Over the long term, China's aging infrastructure, worsening environmental conditions and rapidly widening urban and rural income gap, which all carry political and economic implications, are among the country's major challenges. In addition, tensions resulting from China's territorial claims in the region may present risks to diplomatic and trade relations with certain of China's regional trade partners. Any escalation of these tensions could further reduce international demand for Chinese goods and services, which could have a negative effect on a fund's investments in the securities of Chinese issuers.

As with all transition economies, China's ability to develop and sustain a credible legal, regulatory, monetary, and socioeconomic system could influence the course of outside investment. The Chinese legal system, in particular, constitutes a significant risk factor for investors. The Chinese legal system is based on statutes. Since the late 1970s, Chinese legislative bodies have promulgated laws and regulations dealing with various economic matters such as foreign investment, corporate organization and governance, commerce,

taxation, and trade. However, these laws are relatively new and published court decisions based on these laws are limited and non-binding. The interpretation and enforcement of these laws and regulations are uncertain.

China continues to limit direct foreign investments generally in industries deemed important to national interests. Foreign investment in domestic securities are also subject to substantial restrictions. Some believe that China's currency is undervalued. Currency fluctuations could significantly affect China and its trading partners. China continues to exercise control over the value of its currency, rather than allowing the value of the currency to be determined by market forces. This type of currency regime may experience sudden and significant currency adjustments, which may adversely impact investment returns.

Hong Kong. In 1997, Great Britain handed over control of Hong Kong to the People's Republic of China. Since that time, Hong Kong has been governed by a semi-constitution known as the Basic Law, which guarantees a high degree of autonomy in certain matters until 2047, while defense and foreign affairs are the responsibility of the central government in Beijing. The chief executive of Hong Kong is appointed by the Chinese government. However, Hong Kong is able to participate in international organizations and agreements and it continues to function as an international financial center, with no exchange controls, free convertibility of the Hong Kong dollar and free inward and outward movement of capital. The Basic Law also guarantees existing freedoms, including the freedom of speech, assembly, press, and religion, as well as the right to strike and travel. Business ownership, private property, the right of inheritance and foreign investment are also protected by law. By treaty, China has committed to preserve Hong Kong's autonomy until 2047. Nevertheless, if China were to exert its authority so as to alter the economic, political, or legal structures or the existing social policy of Hong Kong, investor and business confidence in Hong Kong could be negatively affected, which in turn could negatively affect markets and business performance.

The global financial crisis forced Hong Kong's economy into a recession. Recently, however, Hong Kong's economy has shown signs of recovery from this recession. This recovery can be attributed, in large part, to the combined efforts of both China and Hong Kong to shore up domestic economic growth. As these measures continue to take effect, their long-term impact on the growth of Hong Kong's economy is unpredictable. However, Hong Kong's recovery has raised concerns about possible overheating in certain sectors of its economy, such as its real estate market, which could limit Hong Kong's future growth. In addition, because of Hong Kong's heavy reliance on international trade and global financial markets, Hong Kong remains exposed to significant risks as a result of the European crisis and weakened global economy. The negative effects of the European downturn on the global economy could push Hong Kong into another recession. Likewise, due to Hong Kong's close political and economic ties with China, any economic stagnation on the mainland could have a negative impact on Hong Kong's economy.

Taiwan. For decades, a state of hostility has existed between Taiwan and the People's Republic of China. Beijing has long deemed Taiwan a part of the "one China" and has made a nationalist cause of recovering it. In the past, China has staged frequent military provocations off the coast of Taiwan and made threats of full-scale military action. Foreign trade has been the engine of rapid growth in Taiwan and has transformed the island into one of Asia's great exporting nations. As an export-oriented economy, Taiwan depends on an open world trade regime and remains vulnerable to downturns in the world economy. Taiwanese companies continue to compete mostly on price, producing generic products or branded merchandise on behalf of multinational companies. Accordingly, these businesses can be particularly vulnerable to currency volatility and increasing competition from neighboring lower-cost countries. Moreover, many Taiwanese companies are heavily invested in mainland China and other countries throughout Southeast Asia, making them susceptible to political events and economic crises in these parts of the region. Significantly, Taiwan and China recently entered into agreements covering banking, securities, and insurance. Closer economic links with the mainland may bring greater opportunities for the Taiwanese economy, but also poses new challenges. For example, foreign direct investment in China has resulted in Chinese import substitution away from Taiwan's exports and a restriction of potential job creation in Taiwan. As a result of the recent global financial crisis, the demand for exports decreased and Taiwan entered into a recession. Although Taiwan's economy has recently shown signs of recovery from this recession, such recovery, if sustained, may be gradual. In addition, the effects of the European crisis and weakened global economy may reduce demand for Taiwan's exports, which could force its economy into another recession.

India. The value of a fund's investments in Indian securities may be affected by, among other things, political developments, rapid changes in government regulation, state intervention in private enterprise, nationalization or expropriation of foreign assets, legal uncertainty, high rates of inflation or interest rates, currency volatility, and civil unrest. In addition, any escalation of tensions with Pakistan may have a negative impact on a fund's investments in India. Likewise, political, social and economic disruptions caused by domestic sectarian violence or terrorist attacks may also present risks to a fund's investments in India.

The Indian economy is heavily dependent on exports and is vulnerable to any weakening in global demand for these products. Recently, the Indian economy began showing signs of recovery from the effects of the global financial crisis. However, this recovery may be limited by the European crisis and weakened global economy. In the event that India's economic recovery slows, a fund's investments in Indian securities may be harmed.

Furthermore, restrictions or controls applicable to foreign investment in the securities of issuers in India may also adversely affect a fund's investments within the country. The availability of financial instruments with exposure to Indian financial markets may be substantially limited by restrictions on foreign investors. Foreign investors are required to observe certain investment restrictions, including limits on shareholdings, which may impede a fund's ability to invest in certain issuers or to fully pursue its investment objective.

These restrictions may also have the effect of reducing demand for, or limiting the liquidity of, such investments. There can be no assurance that the Indian government will not impose restrictions on foreign capital remittances abroad or otherwise modify the exchange control regime applicable to foreign investors in such a way that may adversely affect the ability of a fund to repatriate their income and capital.

Shares of many Indian issuers are held by a limited number of persons and financial institutions, which may limit the number of shares available for investment. In addition, further issuances of securities by Indian issuers in which a fund has invested could dilute the investments of existing shareholders and could adversely affect the market price of such securities. Sales of securities by such issuer's major shareholders may also significantly and adversely affect other shareholders. Moreover, a limited number of issuers represent a disproportionately large percentage of market capitalization and trading value in India.

Indonesia. Indonesia has restored financial stability and pursued sober fiscal policies since the 1997-1998 Asian financial crisis, but many economic development problems remain, including high unemployment, a fragile banking sector, endemic corruption, inadequate infrastructure, a poor investment climate, inflationary pressures and unequal resource distribution among regions. These problems may limit the country's ability to contain the severe and negative impact of the recent global financial crisis on its economy. In addition, Indonesia continues to be at risk of ethnic, sectarian, and separatist violence. Furthermore, slow budgetary disbursements have created challenges for government programs related to infrastructure, secondary education, and certain social policies. Rises in global commodity prices may also present risks to Indonesia's growth potential. Keys to future growth remain internal reform, peaceful resolution of internal conflicts, bolstering the confidence of international and domestic investors, and strong global economic growth.

Thailand. Thailand has a well-developed infrastructure and a free-enterprise economy, which is welcoming to certain foreign investment. Increased consumption and investment spending and strong export industries continue to sustain economic growth. Moreover, Bangkok has pursued preferential trade agreements with a variety of partners in an effort to boost exports and maintain high growth, and in 2004 began negotiations on a free trade agreement with the U.S. However, weakening fiscal discipline, separatist violence in the south, the intervention by the military in civilian spheres, and continued political instability may cause additional risks for investments in Thailand. In addition, natural disasters may affect economic growth in the country. For example, in late 2011, historic floods devastated industrial areas north of Bangkok, which severely harmed Thailand's manufacturing sector and reduced the country's economic growth. Although the Thai economy may already be showing signs of recovery from this disaster, such recovery, if sustained, may be gradual as demand for Thai goods and services could decline due to the effects of the European sovereign debt crisis and weakened global economy.

Philippines. Because of its relatively low dependence on exports and high domestic rates of consumption, as well as substantial remittances received from large overseas populations, the Philippines was one of the few countries in Asia to navigate the recent global financial crisis without falling into recession. Although the economy of the Philippines has shown signs of growth in recent years, there can be no assurances that such growth will continue. Reduced demand for exports from the Philippines as a result of the European crisis and weakened global economy, as well as lower remittances from Filipino immigrants abroad, may negatively impact economic growth in the Philippines. Furthermore, certain weaknesses in the economy, such as inadequate infrastructure, high poverty rates, uneven wealth distribution, low fiscal revenues, endemic corruption, inconsistent regulation, unpredictable taxation, unreliable judicial processes, and the appropriation of foreign assets may present risks to a fund's investments in the Philippines. In addition, investments in the Philippines are subject to risks arising from political or social unrest, including threats from military coups, terrorist groups and separatist movements. Likewise, the Philippines is prone to natural disasters such as typhoons, tsunamis, earthquakes and flooding, which may also present risks to a fund's investments in the Philippines.

Latin America. As an emerging market, Latin America historically suffered from social, political, and economic instability. For investors, this has meant additional risk caused by periods of regional conflict, political corruption, totalitarianism, protectionist measures, nationalization, hyperinflation, debt crises, sudden and large currency devaluation, and intervention by the military in civilian and economic spheres. For example, at times the government of Brazil has imposed a tax on foreign investment in Brazilian stocks and bonds, which may affect the value of a fund's investments in the securities of Brazilian issuers. However, in some Latin American countries, a move to sustainable democracy and a more mature and accountable political environment is under way. Domestic economies have been deregulated, privatization of state-owned companies is almost completed and foreign trade restrictions have been relaxed.

Nonetheless, to the extent that events such as those listed above continue in the future, they could reverse favorable trends toward market and economic reform, privatization, and removal of trade barriers, and result in significant disruption in securities markets in the region. In addition, recent favorable economic performance in much of the region has led to a concern regarding government overspending in certain Latin American countries. Investors in the region continue to face a number of potential risks. Certain Latin American countries depend heavily on exports to the U.S. and investments from a small number of countries. Accordingly, these countries may be sensitive to fluctuations in demand, exchange rates and changes in market conditions associated with those countries. The economic growth of most Latin American countries is highly dependent on commodity exports and the economies of certain Latin American countries, particularly Mexico and Venezuela, are highly dependent on oil exports. As a result, these economies are particularly susceptible to fluctuations in the price of oil and other commodities and currency fluctuations. The recent global financial crisis weakened the global demand for oil and other commodities and, as a result, Latin American countries faced significant economic difficulties that led certain

countries into recession. If global economic conditions worsen, prices for Latin American commodities may experience increased volatility and demand may continue to decrease. Although certain of these countries have recently shown signs of recovery, such recovery, if sustained, may be gradual. In addition, prolonged economic difficulties may have negative effects on the transition to a more stable democracy in some Latin American countries. In certain countries, political risk, including nationalization risk, is high.

A number of Latin American countries are among the largest debtors of developing countries and have a long history of reliance on foreign debt and default. The majority of the region's economies have become highly dependent upon foreign credit and loans from external sources to fuel their state-sponsored economic plans. Historically, government profligacy and ill-conceived plans for modernization have exhausted these resources with little benefit accruing to the economy. Most countries have been forced to restructure their loans or risk default on their debt obligations. In addition, interest on the debt is subject to market conditions and may reach levels that would impair economic activity and create a difficult and costly environment for borrowers. Accordingly, these governments may be forced to reschedule or freeze their debt repayment, which could negatively affect local markets. Because of their dependence on foreign credit and loans, a number of Latin American economies faced significant economic difficulties and some economies fell into recession as the recent global financial crisis tightened international credit supplies. While the region has recently shown signs of economic improvement, recovery from past economic downturns in Latin America has historically been slow, and any such recovery, if sustained, may be gradual. The European crisis and weakened global economy may reduce demand for exports from Latin America and limit the availability of foreign credit for some countries in the region. As a result, a fund's investments in Latin American securities could be harmed if economic recovery in the region is limited.

<u>Russia.</u> Investing in Russian securities is highly speculative and involves significant risks and special considerations not typically associated with investing in the securities markets of the U.S. and most other developed countries.

Political. Over the past century, Russia has experienced political and economic turbulence and has endured decades of communist rule under which tens of millions of its citizens were collectivized into state agricultural and industrial enterprises. Since the collapse of the Soviet Union, Russia's government has been faced with the daunting task of stabilizing its domestic economy, while transforming it into a modern and efficient structure able to compete in international markets and respond to the needs of its citizens. However, to date, many of the country's economic reform initiatives have floundered as the proceeds of IMF and other economic assistance have been squandered or stolen. In this environment, there is always the risk that the nation's government will abandon the current program of economic and political reform and replace it with radically different political and economic policies that would be detrimental to the interests of foreign and private investors.

In the last few years, as significant income from oil and commodity exports has boosted Russia's economy, Russia's government has begun to make bolder steps to re-assert its regional geopolitical influence (including military steps). Such steps may increase tensions between Russia and its neighbors and Western countries and may negatively affect economic growth.

Economic. Many of Russia's businesses have failed to mobilize the available factors of production because the country's privatization program virtually ensured the predominance of the old management teams that are largely non-market-oriented in their management approach. Poor accounting standards, inept management, pervasive corruption, insider trading and crime, and inadequate regulatory protection for the rights of investors all pose a significant risk, particularly to foreign investors. In addition, there is the risk that the Russian tax system will not be reformed to prevent inconsistent, retroactive, and/or exorbitant taxation, or, in the alternative, the risk that a reformed tax system may result in the inconsistent and unpredictable enforcement of the new tax laws.

Compared to most national stock markets, the Russian securities market suffers from a variety of problems not encountered in more developed markets. There is little long-term historical data on the Russian securities market because it is relatively new and a substantial proportion of securities transactions in Russia are privately negotiated outside of stock exchanges. The inexperience of the Russian securities market and the limited volume of trading in securities in the market may make obtaining accurate prices on portfolio securities from independent sources more difficult than in more developed markets. Additionally, there is little solid corporate information available to investors. As a result, it may be difficult to assess the value or prospects of an investment in Russian companies.

Because of the recent formation of the Russian securities market as well as the underdeveloped state of the banking and telecommunications systems, settlement, clearing and registration of securities transactions are subject to significant risks. Ownership of shares (except where shares are held through depositories that meet the requirements of the 1940 Act) is defined according to entries in the company's share register and normally evidenced by extracts from the register or by formal share certificates. However, these services are carried out by the companies themselves or by registrars located throughout Russia. These registrars are not necessarily subject to effective state supervision nor are they licensed with any governmental entity and it is possible for a fund to lose its registration through fraud, negligence, or even mere oversight. While a fund will endeavor to ensure that its interest continues to be appropriately recorded either itself or through a custodian or other agent inspecting the share register and by obtaining extracts of share registers through regular confirmations, these extracts have no legal enforceability and it is possible that subsequent illegal amendment or other fraudulent act may deprive a fund of its ownership rights or improperly dilute its interests. In addition, while applicable Russian regulations impose liability on registrars for losses resulting from their errors, it may be difficult for a fund to enforce any rights it may have against the registrar or issuer of the securities in the event of loss of share registration. Furthermore, significant delays or problems may occur in registering the transfer of securities, which could cause a fund to incur losses due to a counterparty's failure to pay for securities the fund

has delivered or the fund's inability to complete its contractual obligations because of theft or other reasons. A recently enacted law authorizes the establishment of a centralized securities depository (CSD), which, in effect, will become the exclusive settlement organization for publicly traded Russian companies and investment funds in Russia. Once the CSD is fully functional, it should enhance the efficiency and transparency of the Russian securities market.

The Russian economy is heavily dependent upon the export of a range of commodities including most industrial metals, forestry products, oil, and gas. Accordingly, it is strongly affected by international commodity prices and is particularly vulnerable to any weakening in global demand for these products. As the recent global financial crisis caused price volatility in commodities, especially oil, many sectors in the Russian economy fell into turmoil, pushing the whole economy into recession. In addition, prior to the global financial crisis, Russia's economic policy encouraged excessive foreign currency borrowing as high oil prices increased investor appetite for Russian financial assets. As a result of this credit boom, Russia reached alarming debt levels and suffered from the effects of tight credit markets. Although the country is still plagued by high debt levels, the Russian economy has recently shown signs of recovery from the recession. However, such recovery, if sustained, may be gradual as Russia continues to face significant economic challenges. In the near term, the fallout from the European crisis and weakened global economy may reduce demand for Russian exports such as oil and gas, which could limit Russia's economic recovery. Over the long-term, Russia faces challenges including a shrinking workforce, a high level of corruption, and difficulty in accessing capital for smaller, non-energy companies and poor infrastructure in need of large investments.

Currency. Foreign investors also face a high degree of currency risk when investing in Russian securities and a lack of available currency hedging instruments. In a surprise move in August 1998, Russia devalued the ruble, defaulted on short-term domestic bonds, and imposed a moratorium on the repayment of its international debt and the restructuring of the repayment terms. These actions have negatively affected Russian borrowers' ability to access international capital markets and have had a damaging impact on the Russian economy. In light of these and other government actions, foreign investors could face the possibility of further devaluations. In addition, there is the risk that the government may impose capital controls on foreign portfolio investments in the event of extreme financial or political crisis. Such capital controls could prevent the sale of a portfolio of foreign assets and the repatriation of investment income and capital. Such risks have led to heightened scrutiny of Russian liquidity conditions, which in turn creates a heightened risk of the repatriation of ruble assets by nervous foreign investors. The recent economic turmoil in Russia caused the Russian ruble to depreciate as unemployment levels increased and global demand for oil exports decreased. As the global economy faces another economic crisis, the Russian central bank may need to manage bank liquidity carefully to avoid undue pressures on Russia's banks and other financial institutions and the ruble.

The Middle East and Africa. Investing in Middle Eastern and African securities is highly speculative and involves significant risks and special considerations not typically associated with investing in the securities markets of the U.S. and most other developed countries.

Political. Many Middle Eastern and African countries historically have suffered from political instability. Despite a growing trend towards democratization, especially in Africa, significant political risks continue to affect some Middle Eastern and African countries. These risks may include substantial government control over the private sector, corrupt leaders, civil unrest, suppression of opposition parties that can lead to further dissidence and militancy, fixed elections, terrorism, coups, and war. Recently, several countries in the Middle East and North Africa have experienced pro-democracy movements that resulted in swift regime changes. In some cases, these movements have led to armed conflict involving local factions, regional allies or international forces. These changes, in the short term, have affected the status and speed of economic reforms in the region. Because many Middle East and African nations have a history of dictatorship, military intervention, and corruption, there can be no guarantee that recent movements toward a more democratic process will continue. Therefore, the long-term effects of the ongoing regime changes are largely unpredictable. In addition, there is an increasing risk that historical animosities, border disputes, or defense concerns may lead to further armed conflict in the region. In all regions, if such developments were to occur, it could have a negative effect on economic growth and reverse favorable trends toward economic and market reform, privatization, and the removal of trade barriers. Such developments could also result in significant disruptions in securities markets, which may have wider consequences for the global economy.

Economic. Middle Eastern and African countries historically have suffered from economic instability. Underdeveloped infrastructure, high unemployment rates, a comparatively unskilled labor force, and inconsistent access to capital have contributed to economic instability in the region. Furthermore, certain Middle Eastern and African markets may face a higher concentration of market capitalization, greater illiquidity and greater price volatility than that found in more developed markets of Western Europe or the U.S. Additionally, certain countries in the region have a history of nationalizing or expropriating foreign assets, which could cause a fund to lose the value of its investments in those countries. Despite a growing trend towards economic diversification, many Middle Eastern and African economies remain heavily dependent upon a limited range of commodities. These include gold, silver, copper, cocoa, diamonds, natural gas and petroleum. These economies are greatly affected by international commodity prices and are particularly vulnerable to any weakening in global demand for these products. As the recent global financial crisis weakened the global demand for oil, gas, and other commodities, some countries in the region faced significant economic difficulties and many countries have been forced to scale down their infrastructure development and the size of their public welfare systems, which could have long-term economic, social, and political implications. Although certain economies in Africa and the Middle East have recently shown signs of recovery from the recession, such recovery, if sustained, may be gradual as the European crisis and weakened global economy may reduce demand for exports from the region.

The largest economy in Africa is South Africa. The country has a two-tiered, developing economy with one tier similar to that of a developed country and the second tier having only the most basic infrastructure. High interest rates, power shortages, and weakening commodities prices, along with the recent economic crisis, caused South Africa to enter a recession in 2009 for the first time in 18 years. The South African Government, both before and during the recession, implemented policies designed to reduce trade and investment restrictions and privatize certain industries. However, ethnic and civil conflicts, the HIV health crisis, uncertainty surrounding government policy, and political instability have led to uneven wealth distribution within the country and may cause additional risks for investments in South Africa. These problems likely compounded the economic difficulties that South Africa faced as the negative effects of the global financial crisis spread to the country. Although the South African economy has recently shown signs of recovery, such recovery, if sustained, may be gradual as political, social, and labor unrest could affect the South African economy. In addition, reduced demand for South African exports due to the European crisis and weakened global economy may limit any such recovery.

Currency. Certain Middle Eastern and African countries have currencies pegged to the U.S. dollar or euro, rather than at levels determined by market forces. This type of currency regime may experience sudden and significant currency adjustments, which may adversely impact investment returns.

PORTFOLIO TRANSACTIONS

Orders for the purchase or sale of portfolio securities are placed on behalf of a fund (other than VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio) by FMR pursuant to authority contained in the management contract. To the extent that FMR grants investment management authority to a sub-adviser (see the section entitled "Management Contracts"), that sub-adviser is authorized to provide the services described in the respective sub-advisory agreement, and in accordance with the policies described in this section. FMR or a sub-adviser may be responsible for the placement of portfolio securities transactions for other investment companies and investment accounts for which it has or its affiliates have investment discretion.

Orders for the purchase or sale of portfolio securities are placed on behalf of each of VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio by FMR or Geode pursuant to authority contained in the management contract and the sub-advisory agreement. Geode may be responsible for the placement of portfolio securities transactions for other investment companies and investment accounts for which it has or its affiliates have investment discretion.

A fund will not incur any commissions or sales charges when it invests in shares of open-end investment companies (including any underlying central funds), but it may incur such costs when it invests directly in other types of securities.

Purchases and sales of equity securities on a securities exchange or OTC are effected through brokers who receive compensation for their services. Generally, compensation relating to securities traded on foreign exchanges will be higher than compensation relating to securities traded on U.S. exchanges and may not be subject to negotiation. Compensation may also be paid in connection with principal transactions (in both OTC securities and securities listed on an exchange) and agency OTC transactions executed with an electronic communications network (ECN) or an alternative trading system. Equity securities may be purchased from underwriters at prices that include underwriting fees.

Purchases and sales of fixed-income securities are generally made with an issuer or a primary market-maker acting as principal. Although there is no stated brokerage commission paid by a fund for any fixed-income security, the price paid by a fund to an underwriter includes the disclosed underwriting fee and prices in secondary trades usually include an undisclosed dealer commission or markup reflecting the spread between the bid and ask prices of the fixed-income security. New issues of equity and fixed-income securities may also be purchased in underwritten fixed price offerings.

The Trustees of each fund periodically review FMR's or Geode's performance of its responsibilities in connection with the placement of portfolio securities transactions on behalf of each fund. The Trustees also review the compensation paid by each fund over representative periods of time to determine if it was reasonable in relation to the benefits to the fund.

FMR.

The Selection of Securities Brokers and Dealers

FMR or its affiliates generally have authority to select securities brokers (whether acting as a broker or a dealer) with which to place a fund's portfolio securities transactions. In selecting securities brokers, including affiliates of FMR, to execute a fund's portfolio securities transactions, FMR or its affiliates consider the factors they deem relevant in the context of a particular trade and in regard to FMR's or its affiliates' overall responsibilities with respect to the fund and other investment accounts, including any instructions from the fund's portfolio manager, which may emphasize, for example, speed of execution over other factors. Based on the factors considered, FMR or its affiliates may choose to execute an order using ECNs, including algorithmic trading, crossing networks, direct market access and program trading, or by actively working an order. Other possibly relevant factors may include, but are not limited to, the following: price; the size and type of the securities transaction; the reasonableness of compensation to be paid, including spreads and commission rates; the speed and certainty of trade executions, including broker willingness to commit capital; the nature and characteristics of the markets for the security to be purchased or sold, including the degree of specialization of the broker in such markets or

securities; the availability of liquidity in the security, including the liquidity and depth afforded by a market center or market-maker; the reliability of a market center or broker; the broker's overall trading relationship with FMR or its affiliates; the trader's assessment of whether and how closely the broker likely will follow the trader's instructions to the broker; the degree of anonymity that a particular broker or market can provide; the potential for avoiding or lessening market impact; the execution services rendered on a continuing basis; the execution efficiency, settlement capability, and financial condition of the firm; arrangements for payment of fund expenses, if applicable; and the provision of additional brokerage and research products and services, if applicable.

The trading desks through which FMR or its affiliates may execute trades are instructed to execute portfolio transactions on behalf of the funds based on the quality of execution without any consideration of brokerage and research products and services the broker or dealer may provide. The administration of brokerage and research products and services is managed separately from the trading desks, which means that traders have no responsibility for administering soft dollar activities.

In seeking best qualitative execution for portfolio securities transactions, FMR or its affiliates may select a broker that uses a trading method, including algorithmic trading, for which the broker may charge a higher commission than its lowest available commission rate. FMR or its affiliates also may select a broker that charges more than the lowest available commission rate available from another broker. FMR or its affiliates may execute an entire securities transaction with a broker and allocate all or a portion of the transaction and/or related commissions to a second broker where a client does not permit trading with an affiliate of FMR or in other limited situations. In those situations, the commission rate paid to the second broker may be higher than the commission rate paid to the executing broker. For futures transactions, the selection of an FCM is generally based on the overall quality of execution and other services provided by the FCM. FMR or its affiliates may choose to execute futures transactions electronically.

To facilitate the execution of securities transactions in non-United States markets, FMR or its affiliates have entered into trading services and/or discretionary investment advisory agreements with FIL Limited (FIL) or its subsidiaries, which include investment advisers. FMR may also enter into trading services agreements with its affiliates to facilitate transactions in non-United States markets.

The Acquisition of Brokerage and Research Products and Services

Brokers (who are not affiliates of FMR) that execute transactions for a fund may receive higher compensation from the fund than other brokers might have charged the fund, in recognition of the value of the brokerage or research products and services they provide to FMR or its affiliates.

Research Products and Services. These products and services may include, when permissible under applicable law: economic, industry, company, municipal, sovereign (U.S. and non-U.S.), legal, or political research reports; market color; company meeting facilitation; compilation of securities prices, earnings, dividends and similar data; quotation services, data, information and other services; analytical computer software and services; and investment recommendations. In addition to receiving brokerage and research products and services via written reports and computer-delivered services, such reports may also be provided by telephone and in-person meetings with securities analysts, corporate and industry spokespersons, economists, academicians and government representatives and others with relevant professional expertise. FMR or its affiliates may request that a broker provide a specific proprietary or third-party product or service. Some of these brokerage and research products and services supplement FMR's or its affiliates' own research activities in providing investment advice to the funds.

Execution Services. In addition, brokerage and research products and services may include, when permissible under applicable law, those that assist in the execution, clearing, and settlement of securities transactions, as well as other incidental functions (including, but not limited to, communication services related to trade execution, order routing and algorithmic trading, post-trade matching, exchange of messages among brokers or dealers, custodians and institutions, and the use of electronic confirmation and affirmation of institutional trades).

Mixed-Use Products and Services. Although FMR or its affiliates do not use fund commissions to pay for products or services that do not qualify as brokerage and research products and services, they may use commission dollars to obtain certain products or services that are not used exclusively in FMR's or its affiliates' investment decision-making process (mixed-use products or services). In those circumstances, FMR or its affiliates will make a good faith judgment to evaluate the various benefits and uses to which they intend to put the mixed-use product or service, and will pay for that portion of the mixed-use product or service that does not qualify as brokerage and research products and services with their own resources (referred to as "hard dollars").

Benefit to FMR. FMR's or its affiliates' expenses likely would be increased if they attempted to generate these additional brokerage and research products and services through their own efforts, or if they paid for these brokerage and research products or services with their own resources. To minimize the potential for conflicts of interest, the trading desks through which FMR or its affiliates may execute trades are instructed to execute portfolio transactions on behalf of the funds based on the quality of execution without any consideration of brokerage and research products and services the broker or dealer may provide. The administration of brokerage and research products and services is managed separately from the trading desks, which means that traders have no responsibility for administering soft dollar activities. Furthermore, certain of the brokerage and research products and services that FMR or its affiliates receive are furnished by brokers on their own initiative, either in connection with a particular transaction or as part of their overall services. Some of these brokerage and research products or services may be provided at no additional cost to FMR or its affiliates or

have no explicit cost associated with them. In addition, FMR or its affiliates may request that a broker provide a specific proprietary or third-party product or service, certain of which third-party products or services may be provided by a broker that is not a party to a particular transaction and is not connected with the transacting broker's overall services.

FMR's Decision-Making Process. In connection with the allocation of fund brokerage, FMR or its affiliates make a good faith determination that the compensation paid to brokers and dealers is reasonable in relation to the value of the brokerage and/or research products and services provided to FMR or its affiliates, viewed in terms of the particular transaction for a fund or FMR's or its affiliates' overall responsibilities to that fund or other investment companies and investment accounts for which FMR or its affiliates have investment discretion; however, each brokerage and research product or service received in connection with a fund's brokerage may not benefit the fund. While FMR or its affiliates may take into account the brokerage and/or research products and services provided by a broker or dealer in determining whether compensation paid is reasonable, neither FMR, its affiliates, nor the funds incur an obligation to any broker, dealer, or third party to pay for any brokerage and research product or service (or portion thereof) by generating a specific amount of compensation or otherwise. Typically, these brokerage and research products and services assist FMR or its affiliates in terms of their overall investment responsibilities to a fund or any other investment companies and investment accounts for which FMR or its affiliates have investment discretion. Certain funds or investment accounts may use brokerage commissions to acquire brokerage and research products and services that may also benefit other funds or accounts managed by FMR or its affiliates.

Research Contracts. FMR or its affiliates have arrangements with certain third-party research providers and brokers through whom FMR or its affiliates effect fund trades, whereby FMR or its affiliates may pay with fund commissions or hard dollars for all or a portion of the cost of research products and services purchased from such research providers or brokers. If hard dollar payments are used, FMR or its affiliates may still cause a fund to pay more for execution than the lowest commission rate available from the broker providing research products and services to FMR or its affiliates, or that may be available from another broker. FMR or its affiliates view hard dollar payments for research products and services as likely to reduce a fund's total commission costs even though it is expected that in such hard dollar arrangements the commissions available for recapture and used to pay fund expenses, as described below, will decrease. FMR's or its affiliates' determination to pay for research products and services separately, rather than bundled with fund commissions, is wholly voluntary on FMR's or its affiliates' part and may be extended to additional brokers or discontinued with any broker participating in this arrangement.

Commission Recapture

FMR or its affiliates may allocate brokerage transactions to brokers (who are not affiliates of FMR) who have entered into arrangements with FMR or its affiliates under which the broker, using a predetermined methodology, rebates a portion of the compensation paid by a fund to offset that fund's expenses. Not all brokers with whom a fund trades have been asked to participate in brokerage commission recapture.

Affiliated Transactions

FMR or its affiliates may place trades with certain brokers, including National Financial Services LLC (NFS), with whom they are under common control, provided FMR or its affiliates determine that these affiliates' trade-execution abilities and costs are comparable to those of non-affiliated, qualified brokerage firms. In addition, FMR or its affiliates may place trades with brokers that use NFS as a clearing agent.

The Trustees of each fund have approved procedures whereby a fund may purchase securities that are offered in underwritings in which an affiliate of the adviser or certain other affiliates participate. In addition, for underwritings where such an affiliate participates as a principal underwriter, certain restrictions may apply that could, among other things, limit the amount of securities that the funds could purchase in the underwritings.

Non-U.S. Securities Transactions

To facilitate trade settlement and related activities in non-United States securities transactions, FMR or its affiliates may effect spot foreign currency transactions with foreign currency dealers.

Trade Allocation

Although the Trustees and officers of each fund are substantially the same as those of certain other funds managed by FMR or its affiliates, investment decisions for each fund are made independently from those of other funds or investment accounts (including proprietary accounts) managed by FMR or its affiliates. The same security is often held in the portfolio of more than one of these funds or investment accounts. Simultaneous transactions are inevitable when several funds and investment accounts are managed by the same investment adviser, or an affiliate thereof, particularly when the same security is suitable for the investment objective of more than one fund or investment account.

When two or more funds or investment accounts are simultaneously engaged in the purchase or sale of the same security or instrument, the prices and amounts are allocated in accordance with procedures believed by FMR to be appropriate and equitable to each fund or investment account. In some cases this could have a detrimental effect on the price or value of the security or instrument as far as a

fund is concerned. In other cases, however, the ability of the funds to participate in volume transactions will produce better executions and prices for the funds.

FMR Co., Inc. (FMRC).

The Selection of Securities Brokers and Dealers

FMRC or its affiliates generally have authority to select securities brokers (whether acting as a broker or a dealer) with which to place a fund's portfolio securities transactions. In selecting securities brokers, including affiliates of FMRC, to execute a fund's portfolio securities transactions, FMRC or its affiliates consider the factors they deem relevant in the context of a particular trade and in regard to FMRC's or its affiliates' overall responsibilities with respect to the fund and other investment accounts, including any instructions from the fund's portfolio manager, which may emphasize, for example, speed of execution over other factors. Based on the factors considered, FMRC or its affiliates may choose to execute an order using ECNs, including algorithmic trading, crossing networks, direct market access and program trading, or by actively working an order. Other possibly relevant factors may include, but are not limited to, the following: price; the size and type of the securities transaction; the reasonableness of compensation to be paid, including spreads and commission rates; the speed and certainty of trade executions, including broker willingness to commit capital; the nature and characteristics of the markets for the security to be purchased or sold, including the degree of specialization of the broker in such markets or securities; the availability of liquidity in the security, including the liquidity and depth afforded by a market center or market-maker; the reliability of a market center or broker; the broker's overall trading relationship with FMRC or its affiliates; the trader's assessment of whether and how closely the broker likely will follow the trader's instructions to the broker; the degree of anonymity that a particular broker or market can provide; the potential for avoiding or lessening market impact; the execution services rendered on a continuing basis; the execution efficiency, settlement capability, and financial condition of the firm; arrangements for payment of fund expenses, if applicable; and the provision of additional brokerage and research products and services, if applicable.

The trading desks through which FMRC or its affiliates may execute trades are instructed to execute portfolio transactions on behalf of the funds based on the quality of execution without any consideration of brokerage and research products and services the broker or dealer may provide. The administration of brokerage and research products and services is managed separately from the trading desks, which means that traders have no responsibility for administering soft dollar activities.

In seeking best qualitative execution for portfolio securities transactions, FMRC or its affiliates may select a broker that uses a trading method, including algorithmic trading, for which the broker may charge a higher commission than its lowest available commission rate. FMRC or its affiliates also may select a broker that charges more than the lowest available commission rate available from another broker. FMRC or its affiliates may execute an entire securities transaction with a broker and allocate all or a portion of the transaction and/or related commissions to a second broker where a client does not permit trading with an affiliate of FMRC or in other limited situations. In those situations, the commission rate paid to the second broker may be higher than the commission rate paid to the executing broker. For futures transactions, the selection of an FCM is generally based on the overall quality of execution and other services provided by the FCM. FMRC or its affiliates may choose to execute futures transactions electronically.

FMRC may enter into trading services agreements with FMR or its affiliates to facilitate transactions in non-United States markets.

The Acquisition of Brokerage and Research Products and Services

Brokers (who are not affiliates of FMRC) that execute transactions for a fund may receive higher compensation from the fund than other brokers might have charged the fund, in recognition of the value of the brokerage or research products and services they provide to FMRC or its affiliates.

Research Products and Services. These products and services may include, when permissible under applicable law: economic, industry, company, municipal, sovereign (U.S. and non-U.S.), legal, or political research reports; market color; company meeting facilitation; compilation of securities prices, earnings, dividends and similar data; quotation services, data, information and other services; analytical computer software and services; and investment recommendations. In addition to receiving brokerage and research products and services via written reports and computer-delivered services, such reports may also be provided by telephone and in-person meetings with securities analysts, corporate and industry spokespersons, economists, academicians and government representatives and others with relevant professional expertise. FMRC or its affiliates may request that a broker provide a specific proprietary or third-party product or service. Some of these brokerage and research products and services supplement FMRC's or its affiliates' own research activities in providing investment advice to the funds.

Execution Services. In addition, brokerage and research products and services may include, when permissible under applicable law, those that assist in the execution, clearing, and settlement of securities transactions, as well as other incidental functions (including, but not limited to, communication services related to trade execution, order routing and algorithmic trading, post-trade matching, exchange of messages among brokers or dealers, custodians and institutions, and the use of electronic confirmation and affirmation of institutional trades).

Mixed-Use Products and Services. Although FMRC or its affiliates do not use fund commissions to pay for products or services that do not qualify as brokerage and research products and services, they may use commission dollars to obtain certain products or

services that are not used exclusively in FMRC's or its affiliates' investment decision-making process (mixed-use products or services). In those circumstances, FMRC or its affiliates will make a good faith judgment to evaluate the various benefits and uses to which they intend to put the mixed-use product or service, and will pay for that portion of the mixed-use product or service that does not qualify as brokerage and research products and services with their own resources (referred to as "hard dollars").

Benefit to FMRC. FMRC's or its affiliates' expenses likely would be increased if they attempted to generate these additional brokerage and research products and services through their own efforts, or if they paid for these brokerage and research products or services with their own resources. To minimize the potential for conflicts of interest, the trading desks through which FMRC or its affiliates may execute trades are instructed to execute portfolio transactions on behalf of the funds based on the quality of execution without any consideration of brokerage and research products and services the broker or dealer may provide. The administration of brokerage and research products and services is managed separately from the trading desks, which means that traders have no responsibility for administering soft dollar activities. Furthermore, certain of the brokerage and research products and services that FMRC or its affiliates receive are furnished by brokers on their own initiative, either in connection with a particular transaction or as part of their overall services. Some of these brokerage and research products or services may be provided at no additional cost to FMRC or its affiliates or have no explicit cost associated with them. In addition, FMRC or its affiliates may request that a broker provide a specific proprietary or third-party product or service, certain of which third-party products or services may be provided by a broker that is not a party to a particular transaction and is not connected with the transacting broker's overall services.

FMRC's Decision-Making Process. In connection with the allocation of fund brokerage, FMRC or its affiliates make a good faith determination that the compensation paid to brokers and dealers is reasonable in relation to the value of the brokerage and/or research products and services provided to FMRC or its affiliates, viewed in terms of the particular transaction for a fund or FMRC's or its affiliates' overall responsibilities to that fund or other investment companies and investment accounts for which FMRC or its affiliates have investment discretion; however, each brokerage and research product or service received in connection with a fund's brokerage may not benefit the fund. While FMRC or its affiliates may take into account the brokerage and/or research products and services provided by a broker or dealer in determining whether compensation paid is reasonable, neither FMRC, its affiliates, nor the funds incur an obligation to any broker, dealer, or third party to pay for any brokerage and research product or service (or portion thereof) by generating a specific amount of compensation or otherwise. Typically, these brokerage and research products and services assist FMRC or its affiliates in terms of their overall investment responsibilities to a fund or any other investment companies and investment accounts for which FMRC or its affiliates have investment discretion. Certain funds or investment accounts may use brokerage commissions to acquire brokerage and research products and services that may also benefit other funds or accounts managed by FMRC or its affiliates.

Research Contracts. FMRC or its affiliates have arrangements with certain third-party research providers and brokers through whom FMRC or its affiliates effect fund trades, whereby FMRC or its affiliates may pay with fund commissions or hard dollars for all or a portion of the cost of research products and services purchased from such research providers or brokers. If hard dollar payments are used, FMRC or its affiliates may still cause a fund to pay more for execution than the lowest commission rate available from the broker providing research products and services to FMRC or its affiliates, or that may be available from another broker. FMRC or its affiliates view hard dollar payments for research products and services as likely to reduce a fund's total commission costs even though it is expected that in such hard dollar arrangements the commissions available for recapture and used to pay fund expenses, as described below, will decrease. FMRC's or its affiliates' determination to pay for research products and services separately, rather than bundled with fund commissions, is wholly voluntary on FMRC's or its affiliates' part and may be extended to additional brokers or discontinued with any broker participating in this arrangement.

Commission Recapture

FMRC or its affiliates may allocate brokerage transactions to brokers (who are not affiliates of FMRC) who have entered into arrangements with FMRC or its affiliates under which the broker, using a predetermined methodology, rebates a portion of the compensation paid by a fund to offset that fund's expenses. Not all brokers with whom a fund trades have been asked to participate in brokerage commission recapture.

Affiliated Transactions

FMRC or its affiliates may place trades with certain brokers, including NFS, with whom they are under common control, provided FMRC or its affiliates determine that these affiliates' trade-execution abilities and costs are comparable to those of non-affiliated, qualified brokerage firms. In addition, FMRC or its affiliates may place trades with brokers that use NFS as a clearing agent.

The Trustees of each fund have approved procedures whereby a fund may purchase securities that are offered in underwritings in which an affiliate of the adviser or certain other affiliates participate. In addition, for underwritings where such an affiliate participates as a principal underwriter, certain restrictions may apply that could, among other things, limit the amount of securities that the funds could purchase in the underwritings.

Non-U.S. Securities Transactions

To facilitate trade settlement and related activities in non-United States securities transactions, FMR or its affiliates may effect spot foreign currency transactions with foreign currency dealers.

Trade Allocation

Although the Trustees and officers of each fund are substantially the same as those of certain other funds managed by FMRC or its affiliates, investment decisions for each fund are made independently from those of other funds or investment accounts (including proprietary accounts) managed by FMRC or its affiliates. The same security is often held in the portfolio of more than one of these funds or investment accounts. Simultaneous transactions are inevitable when several funds and investment accounts are managed by the same investment adviser, or an affiliate thereof, particularly when the same security is suitable for the investment objective of more than one fund or investment account.

When two or more funds or investment accounts are simultaneously engaged in the purchase or sale of the same security or instrument, the prices and amounts are allocated in accordance with procedures believed by FMRC to be appropriate and equitable to each fund or investment account. In some cases this could have a detrimental effect on the price or value of the security or instrument as far as a fund is concerned. In other cases, however, the ability of the funds to participate in volume transactions will produce better executions and prices for the funds.

Fidelity Investments Money Management, Inc. (FIMM).

The Selection of Securities Brokers and Dealers

FIMM or its affiliates generally have authority to select securities brokers (whether acting as a broker or a dealer) with which to place a fund's portfolio securities transactions. In selecting securities brokers, including affiliates of FIMM, to execute a fund's portfolio securities transactions, FIMM or its affiliates consider the factors they deem relevant in the context of a particular trade and in regard to FIMM's or its affiliates' overall responsibilities with respect to the fund and other investment accounts, including any instructions from the fund's portfolio manager. Based on the factors considered, FIMM or its affiliates may choose to execute an order by using an electronic trading platform or by calling one or more dealers. Other possibly relevant factors may include, but are not limited to, the following: price; the size and type of the securities transaction; the reasonableness of compensation to be paid, including spreads and commission rates; the speed and certainty of trade executions, including broker willingness to commit capital; the nature and characteristics of the markets for the security to be purchased or sold, including the degree of specialization of the broker in such markets or securities; the availability of liquidity in the security, including the liquidity provided by individual brokers; the reliability of a broker; the broker's overall trading relationship with FIMM or its affiliates; the trader's assessment of whether and how closely the broker likely will follow the trader's instructions to the broker; the degree of anonymity that a particular broker can provide; the potential for avoiding or lessening market impact; the execution services rendered on a continuing basis; the execution efficiency, settlement capability, and financial condition of the firm; arrangements for payment of fund expenses, if applicable; and the provision of additional brokerage and research products and services, if applicable.

The trading desks through which FIMM or its affiliates may execute trades are instructed to execute portfolio transactions on behalf of the funds based on the quality of execution without any consideration of brokerage and research products and services the broker or dealer may provide. The administration of brokerage and research products and services is managed separately from the trading desks, which means that traders have no responsibility for administering soft dollar activities.

FIMM may enter into trading services agreements with FMR or its affiliates to facilitate transactions in non-United States markets.

The Acquisition of Brokerage and Research Products and Services

Brokers (who are not affiliates of FIMM) that execute transactions for a fund may receive higher compensation from the fund than other brokers might have charged the fund, in recognition of the value of the brokerage or research products and services they provide to FIMM or its affiliates.

Research Products and Services. These products and services may include, when permissible under applicable law: economic, industry, company, municipal, sovereign (U.S. and non-U.S.), legal, or political research reports; market color; company meeting facilitation; compilation of securities prices, earnings, dividends and similar data; quotation services, data, information and other services; analytical computer software and services; and investment recommendations. In addition to receiving brokerage and research products and services via written reports and computer-delivered services, such reports may also be provided by telephone and in-person meetings with securities analysts, corporate and industry spokespersons, economists, academicians and government representatives and others with relevant professional expertise. FIMM or its affiliates may request that a broker provide a specific proprietary or third-party product or service. Some of these brokerage and research products and services supplement FIMM's or its affiliates' own research activities in providing investment advice to the funds.

Execution Services. In addition, brokerage and research products and services may include, when permissible under applicable law, those that assist in the execution, clearing, and settlement of securities transactions, as well as other incidental functions (including,

but not limited to, communication services related to trade execution, order routing and algorithmic trading, post-trade matching, exchange of messages among brokers or dealers, custodians and institutions, and the use of electronic confirmation and affirmation of institutional trades).

Mixed-Use Products and Services. Although FIMM or its affiliates do not use fund commissions to pay for products or services that do not qualify as brokerage and research products and services, they may use commission dollars to obtain certain products or services that are not used exclusively in FIMM's or its affiliates' investment decision-making process (mixed-use products or services). In those circumstances, FIMM or its affiliates will make a good faith judgment to evaluate the various benefits and uses to which they intend to put the mixed-use product or service, and will pay for that portion of the mixed-use product or service that does not qualify as brokerage and research products and services with their own resources (referred to as "hard dollars").

Benefit to FIMM. FIMM's or its affiliates' expenses likely would be increased if they attempted to generate these additional brokerage and research products and services through their own efforts, or if they paid for these brokerage and research products or services with their own resources. To minimize the potential for conflicts of interest, the trading desks through which FIMM or its affiliates may execute trades are instructed to execute portfolio transactions on behalf of the funds based on the quality of execution without any consideration of brokerage and research products and services the broker or dealer may provide. The administration of brokerage and research products and services is managed separately from the trading desks, which means that traders have no responsibility for administering soft dollar activities. Furthermore, certain of the brokerage and research products and services FIMM or its affiliates receive are furnished by brokers on their own initiative, either in connection with a particular transaction or as part of their overall services. Some of these brokerage and research products or services may be provided at no additional cost to FIMM or its affiliates or have no explicit cost associated with them. In addition, FIMM or its affiliates may request that a broker provide a specific proprietary or third-party product or service, certain of which third-party products or services may be provided by a broker that is not a party to a particular transaction and is not connected with the transacting broker's overall services.

FIMM's Decision-Making Process. In connection with the allocation of fund brokerage, FIMM or its affiliates make a good faith determination that the compensation paid to brokers and dealers is reasonable in relation to the value of the brokerage and/or research products and services provided to FIMM or its affiliates, viewed in terms of the particular transaction for a fund or FIMM's or its affiliates' overall responsibilities to that fund or other investment companies and investment accounts for which FIMM or its affiliates have investment discretion; however, each brokerage and research product or service received in connection with a fund's brokerage may not benefit the fund. While FIMM or its affiliates may take into account the brokerage and/or research products and services provided by a broker or dealer in determining whether compensation paid is reasonable, neither FIMM, its affiliates, nor the funds incur an obligation to any broker, dealer, or third party to pay for any brokerage and research product or service (or portion thereof) by generating a specific amount of compensation or otherwise. Typically, these brokerage and research products and services assist FIMM or its affiliates in terms of their overall investment responsibilities to a fund or any other investment companies and investment accounts for which FIMM or its affiliates have investment discretion. Certain funds or investment accounts may use brokerage commissions to acquire brokerage and research products and services that may also benefit other funds or accounts managed by FIMM or its affiliates.

Research Contracts. FIMM or its affiliates have arrangements with certain third-party research providers and brokers through whom FIMM or its affiliates effect fund trades, whereby FIMM or its affiliates may pay with fund commissions or hard dollars for all or a portion of the cost of research products and services purchased from such research providers or brokers. If hard dollar payments are used, FIMM or its affiliates may still cause a fund to pay more for execution than the lowest commission rate available from the broker providing research products and services to FIMM or its affiliates, or that may be available from another broker. FIMM or its affiliates view hard dollar payments for research products and services as likely to reduce a fund's total commission costs. FIMM's or its affiliates' determination to pay for research products and services separately, rather than bundled with fund commissions, is wholly voluntary on FIMM's or its affiliates' part and may be extended to additional brokers or discontinued with any broker participating in this arrangement.

Affiliated Transactions

FIMM or its affiliates may place trades with certain brokers, including NFS, with whom they are under common control, provided FIMM or its affiliates determine that these affiliates' trade-execution abilities and costs are comparable to those of non-affiliated, qualified brokerage firms. In addition, FIMM or its affiliates may place trades with brokers that use NFS as a clearing agent.

The Trustees of each fund have approved procedures whereby a fund may purchase securities that are offered in underwritings in which an affiliate of the adviser or certain other affiliates participate. In addition, for underwritings where such an affiliate participates as a principal underwriter, certain restrictions may apply that could, among other things, limit the amount of securities that the funds could purchase in the underwritings.

Non-U.S. Securities Transactions

To facilitate trade settlement and related activities in non-United States securities transactions, FMR or its affiliates may effect spot foreign currency transactions with foreign currency dealers.

Trade Allocation

Although the Trustees and officers of each fund are substantially the same as those of certain other funds managed by FIMM or its affiliates, investment decisions for each fund are made independently from those of other funds or investment accounts (including proprietary accounts) managed by FIMM or its affiliates. The same security is often held in the portfolio of more than one of these funds or investment accounts. Simultaneous transactions are inevitable when several funds and investment accounts are managed by the same investment adviser, or an affiliate thereof, particularly when the same security is suitable for the investment objective of more than one fund or investment account.

When two or more funds or investment accounts are simultaneously engaged in the purchase or sale of the same security or instrument, the prices and amounts are allocated in accordance with procedures believed by FIMM to be appropriate and equitable to each fund or investment account. In some cases this could have a detrimental effect on the price or value of the security or instrument as far as a fund is concerned. In other cases, however, the ability of the funds to participate in volume transactions will produce better executions and prices for the funds.

Geode.

The Selection of Brokers

In selecting brokers or dealers (including affiliates of FMR) to execute a fund's portfolio transactions, Geode considers factors deemed relevant in the context of a particular trade and in regard to Geode's overall responsibilities with respect to the fund and other investment accounts, including any instructions from the fund's portfolio manager, which may emphasize, for example, speed of execution over other factors. The factors considered will influence whether it is appropriate to execute an order using ECNs, electronic channels including algorithmic trading, or by actively working an order. Other factors deemed relevant may include, but are not limited to: price; the size and type of the transaction; the reasonableness of compensation to be paid, including spreads and commission rates; the speed and certainty of trade executions; the nature and characteristics of the markets for the security to be purchased or sold, including the degree of specialization of the broker in such markets or securities; the availability of liquidity in the security, including the liquidity and depth afforded by a market center or market-maker; the reliability of a market center or broker; the degree of anonymity that a particular broker or market can provide; the potential for avoiding market impact; the execution services rendered on a continuing basis; the execution efficiency, settlement capability, and financial condition of the firm; arrangements for payment of fund expenses, if applicable; and the provision of additional brokerage and research products and services, if applicable. In seeking best qualitative execution, Geode may select a broker using a trading method for which the broker may charge a higher commission than its lowest available commission rate. Geode also may select a broker that charges more than the lowest available commission rate available from another broker. For futures transactions, the selection of an FCM is generally based on the overall quality of execution and other services provided by the FCM.

The Acquisition of Brokerage and Research Products and Services

Brokers (who are not affiliates of FMR) that execute transactions for a fund may receive higher compensation from the fund than other brokers might have charged the fund, in recognition of the value of the brokerage or research products and services they provide to Geode.

Research Products and Services. These products and services may include, when permissible under applicable law: economic, industry, company, municipal, sovereign (U.S. and non-U.S.), legal, or political research reports; market color; company meeting facilitation; compilation of securities prices, earnings, dividends and similar data; quotation services, data, information and other services; analytical computer software and services; and investment recommendations. In addition to receiving brokerage and research products and services via written reports and computer-delivered services, such reports may also be provided by telephone and in personal meetings with securities analysts, corporate and industry spokespersons, economists, academicians and government representatives and others with relevant professional expertise. Geode may request that a broker provide a specific proprietary or third-party product or service. Some of these products and services supplement Geode's own research activities in providing investment advice to the funds.

Execution Services. In addition, products and services may include, when permissible under applicable law, those that assist in the execution, clearing, and settlement of securities transactions, as well as other incidental functions (including, but not limited to, communication services related to trade execution, order routing and algorithmic trading, post-trade matching, exchange of messages among brokers or dealers, custodians and institutions, and the use of electronic confirmation and affirmation of institutional trades).

Mixed-Use Products and Services. Geode may use commission dollars to obtain certain products or services that are not used exclusively in Geode's investment decision-making process (mixed-use products or services). In those circumstances, Geode will make a good faith judgment to evaluate the various benefits and uses to which they intend to put the mixed-use product or service, and will pay for that portion of the mixed-use product or service that does not qualify as brokerage and research products and services with their own resources (referred to as "hard dollars").

Benefit to Geode. Geode's expenses would likely be increased if it attempted to generate these additional products and services through its own efforts, or if it paid for these products or services itself. Certain of the brokerage and research products and services

Geode receives are furnished by brokers on their own initiative, either in connection with a particular transaction or as part of their overall services. Some of these products or services may not have an explicit cost associated with such product or service.

Geode's Decision-Making Process. Before causing a fund to pay a particular level of compensation, Geode will make a good faith determination that the compensation is reasonable in relation to the value of the brokerage and/or research products and services provided to Geode, viewed in terms of the particular transaction for the fund or Geode's overall responsibilities to the fund or other investment companies and investment accounts. While Geode may take into account the brokerage and/or research products and services provided by a broker in determining whether compensation paid is reasonable, neither Geode nor the funds incur an obligation to any broker, dealer, or third party to pay for any product or service (or portion thereof) by generating a specific amount of compensation or otherwise. Typically, these products and services assist Geode in terms of its overall investment responsibilities to a fund and other investment companies and investment accounts; however, each product or service received may not benefit the fund. Certain funds or investment accounts may use brokerage commissions to acquire brokerage and research products and services that may also benefit other funds or accounts managed by Geode.

Affiliated Transactions

Geode may place trades with certain brokers, including NFS, with whom FMR is under common control, provided it determines that these affiliates' trade execution abilities and costs are comparable to those of non-affiliated, qualified brokerage firms.

The Trustees of each fund have approved procedures whereby a fund may purchase securities that are offered in underwritings in which an affiliate of the adviser or certain other affiliates participate. In addition, for underwritings where such an affiliate participates as a principal underwriter, certain restrictions may apply that could, among other things, limit the amount of securities that the funds could purchase in the underwritings.

Trade Allocation

Although the Trustees and officers of each fund are substantially the same as those of certain other funds managed by FMR or its affiliates, investment decisions for each fund are made by Geode and are independent from those of other funds or investment accounts (including proprietary accounts) managed by FMR or Geode or their affiliates. The same security is often held in the portfolio of more than one of these funds or investment accounts. Simultaneous transactions are inevitable when several funds and investment accounts are managed by the same investment adviser, particularly when the same security is suitable for the investment objective of more than one fund or investment account.

When two or more funds or investment accounts are simultaneously engaged in the purchase or sale of the same security or instrument, the prices and amounts are allocated in accordance with procedures believed to be appropriate and equitable to each fund or investment account. In some cases this could have a detrimental effect on the price or value of the security or instrument as far as a fund is concerned. In other cases, however, the ability of the funds to participate in volume transactions will produce better executions and prices for the funds.

Orders for funds and investment accounts are not typically combined or "blocked". However, Geode may, when feasible and when consistent with the fair and equitable treatment of all funds and investment accounts and best execution, block orders of various funds and investment accounts for order entry and execution.

Geode has established allocation policies for its various funds and investment accounts to ensure allocations are appropriate given its clients' differing investment objectives and other considerations. When the supply/demand is insufficient to satisfy all outstanding trade orders, generally the amount executed is distributed among participating funds and investment accounts based on account asset size (for purchases and short sales), and security position size (for sales and covers), or otherwise according to the allocation policies. These policies also apply to initial public and secondary offerings. Generally, allocations are determined by traders, independent of portfolio managers, in accordance with these policies. Allocations are determined and documented on trade date.

Geode's trade allocation policies identify circumstances under which it is appropriate to deviate from the general allocation criteria and describe the alternative procedures. For example, if a standard allocation would result in a fund or investment account receiving a very small allocation (*e.g.*, because of its small asset size), the fund or investment account may receive an increased allocation to achieve a more meaningful allocation, or it may receive no allocation. Generally, any exceptions to Geode's policies (*i.e.*, special allocations) must be approved by senior investment or trading personnel, reviewed by the compliance department, and documented.

Commissions Paid

A fund may pay compensation including both commissions and spreads in connection with the placement of portfolio transactions. The amount of brokerage commissions paid by a fund may change from year to year because of, among other things, changing asset levels, shareholder activity, and/or portfolio turnover.

For the fiscal periods ended December 31, 2012 and 2011, the portfolio turnover rates for each fund are presented in the table below. Variations in turnover rate may be due to a fluctuating volume of shareholder purchase and redemption orders, market conditions,

and/or changes in FMR's investment outlook. Variations in turnover rate may be due to a fluctuating volume of shareholder purchase and redemption orders and/or market conditions.

| <u>Turnover Rates</u> | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
| VIP Balanced Portfolio | 48% | 47% |
| VIP Contrafund Portfolio | 87% | 135% |
| VIP Disciplined Small Cap Portfolio | 99% | 90% |
| VIP Dynamic Capital Appreciation Portfolio | 168% | 168% |
| VIP Emerging Markets Portfolio | 198% | 151% |
| VIP Equity-Income Portfolio | 48% | 96% |
| VIP Growth Portfolio | 68% | 71% |
| VIP Growth & Income Portfolio | 54% | 126% |
| VIP Growth Opportunities Portfolio | 36% | 34% |
| VIP Growth Stock Portfolio | 166% | 84% |
| VIP Growth Strategies Portfolio | 188% | 190% |
| VIP High Income Portfolio | 55% | 79% |
| VIP Index 500 Portfolio | 5% | 5% |
| VIP International Capital Appreciation Portfolio | 137% | 236% |
| VIP Mid Cap Portfolio | 187% | 84% |
| VIP Overseas Portfolio | 41% | 45% |
| VIP Value Portfolio | 106% | 79% |
| VIP Value Leaders Portfolio | 96% | 95% |
| VIP Value Strategies Portfolio | 27% | 42% |
| | | |

During the fiscal year ended December 31, 2012, each of VIP Balanced Portfolio, VIP Contrafund Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Equity-Income Portfolio, VIP Growth & Income Portfolio, VIP Growth Opportunities Portfolio, VIP Growth Stock Portfolio, VIP Index 500 Portfolio, VIP Overseas Portfolio, VIP Value Portfolio, and VIP Value Leaders Portfolio held securities issued by one or more of its regular brokers or dealers or a parent company of its regular brokers or dealers. The following table shows the aggregate value of the securities of the regular broker or dealer or parent company held by a fund as of the fiscal year ended December 31, 2012.

| | | Aggregate Value of |
|--|---------------------------|--------------------|
| <u>Fund</u> | Regular Broker or Dealer | Securities Held |
| VIP Balanced Portfolio | UBS AG | \$ 339,984 |
| | Morgan Stanley | \$ 2,186,907 |
| | JPMorgan Chase & Co. | \$ 10,450,218 |
| | Citigroup, Inc. | \$ 15,080,035 |
| VIP Contrafund Portfolio | UBS AG | \$ 6,289,536 |
| | Goldman Sachs Group, Inc. | \$ 27,387,132 |
| | Morgan Stanley | \$ 27,389,343 |
| | Bank of America Corp. | \$ 235,844,472 |
| | Citigroup, Inc. | \$ 249,374,293 |
| | JPMorgan Chase & Co. | \$ 267,720,974 |
| VIP Dynamic Capital Appreciation Portfolio | UBS AG | \$ 556,208 |
| | Goldman Sachs Group, Inc. | \$ 588,689 |
| | Bank of America Corp. | \$ 1,009,884 |
| | Morgan Stanley | \$ 1,083,454 |
| | Citigroup, Inc. | \$ 2,213,817 |
| VIP Equity-Income Portfolio | Goldman Sachs Group, Inc. | \$ 6,135,305 |
| | Citigroup, Inc. | \$ 6,982,340 |
| | Bank of America Corp. | \$ 13,003,600 |
| | Morgan Stanley | \$ 23,238,314 |
| | JPMorgan Chase & Co. | \$ 209,034,733 |
| | | |

| Agg | curities Held |
|--|---------------|
| Fund Regular Broker or Dealer See VIP Growth & Income Portfolio UBS AG \$ | 1,106,548 |
| Bank of America Corp. \$ | 1,614,720 |
| The Toronto-Dominion Bank \$ | 2,042,432 |
| Morgan Stanley \$ | 7,604,559 |
| | 13,587,871 |
| Citigroup, Inc. \$ JPMorgan Chase & Co. \$ | 31,679,242 |
| | |
| VIP Growth Opportunities Portfolio Citigroup, Inc. \$ Goldman Sachs Group, Inc. \$ | 435,160 |
| | 549,656 |
| Bank of America Corp. \$ | 682,080 |
| JPMorgan Chase & Co. \$ VIP Growth Stock Portfolio Bank of America Corp. \$ | 1,701,639 |
| I · | 475,762 |
| Citigroup, Inc. \$ | 769,996 |
| VIP Index 500 Portfolio Morgan Stanley \$ | 5,308,209 |
| Goldman Sachs Group, Inc. \$ | 11,319,674 |
| Citigroup, Inc. \$ | 23,304,598 |
| Bank of America Corp. \$ | 25,115,589 |
| VIP Overseas Portfolio Nomura Holdings, Inc. \$ | 2,989,242 |
| Deutsche Bank AG \$ | 3,389,622 |
| Credit Suisse Group \$ | 4,077,092 |
| UBS AG \$ | 7,902,638 |
| BNP Paribas \$ | 8,437,199 |
| VIP Value Portfolio UBS AG \$ | 1,243,022 |
| Morgan Stanley \$ | 1,389,259 |
| Citigroup, Inc. \$ | 3,411,931 |
| JPMorgan Chase & Co. \$ | 3,962,532 |
| VIP Value Leaders Portfolio Goldman Sachs Group, Inc. \$ | 97,073 |
| Bank of America Corp. \$ | 154,419 |
| JPMorgan Chase & Co. \$ | 307,658 |
| Citigroup, Inc. \$ | 588,178 |

The following table shows the total amount of brokerage commissions paid by each fund, comprising commissions paid on securities and/or futures transactions, as applicable, for the fiscal years ended December 31, 2012, 2011, and 2010. The total amount of brokerage commissions paid is stated as a dollar amount and a percentage of the fund's average net assets.

| <u>Fund</u> | Fiscal Year <u>Ended</u> | Dollar <u>Amount</u> | Percentage of Average Net Assets |
|--|-----------------------------|-------------------------|--|
| VIP Balanced Portfolio | December 31 | | |
| 2012 | | \$ 1,056,793 | 0.06% |
| 2011 | | \$ 1,130,308 | 0.06% |
| 2010 | | \$ 1,433,327 | 0.09% |
| VIP Contrafund Portfolio | December 31 | | |
| 2012 | | \$ 16,459,095 | 0.10% |
| 2011 | | \$ 27,411,107 | 0.17% |
| 2010 | | \$ 31,205,306 | 0.19% |
| VIP Disciplined Small Cap Portfolio | December 31 | | |
| 2012 | | \$ 29,430 | 0.04% |
| 2011 | | \$ 25,389 | 0.03% |
| 2010 | | \$ 17,169 | 0.03% |
| VIP Dynamic Capital Appreciation Portfolio | December 31 | | |
| 2012 | | \$ 98,466 | 0.15% |
| 2011 | | \$ 104,455 | 0.19% |
| 2010 | | \$ 160,658 | 0.30% |

| | | | | _ |
|--|----------------------|----------|-------------------------|-----------------------|
| | E' 1 37 | | D - 11 | Percentage of Average |
| Fund | Fiscal Year Ended | | Dollar <u>Amount</u> | Net Assets |
| VIP Emerging Markets Portfolio | December 31 | | Amount | 11017155015 |
| 2012 | | \$ | 466,478 | 0.47% |
| 2011 | | \$ | 388,194 | 0.41% |
| 2010 | | \$ | 249,514 | 0.31% |
| VIP Equity-Income Portfolio | December 31 | | | |
| 2012 | | \$ | 3,267,724 | 0.06% |
| 2011 | | \$ | 7,083,146 | 0.12% |
| 2010 | | \$ | 2,654,741 | 0.05% |
| VIP Growth Portfolio | December 31 | | | |
| 2012 | | \$ | 2,565,354 | 0.07% |
| 2011 | | \$ | 3,078,884 | 0.08% |
| 2010 | | \$ | 3,605,144 | 0.10% |
| VIP Growth & Income Portfolio | December 31 | | | |
| 2012 | | \$ | 420,472 | 0.05% |
| 2011 | | \$ | 1,037,939 | 0.14% |
| 2010 | D 1 01 | \$ | 1,016,087 | 0.13% |
| VIP Growth Opportunities Portfolio | December 31 | ф | 1.40.607 | 0.02% |
| 2012 | | \$ | 140,697 | 0.03% |
| 2011 | | \$ \$ | 121,983 | 0.03% |
| 2010 VID Creavith Steel Portfolio | December 31 | 3 | 199,946 | 0.05% |
| VIP Growth Stock Portfolio 2012 | December 31 | ¢ | 122 245 | 0.12% |
| 2012 | | \$ \$ | 123,245 30,695 | 0.12% |
| 2011 | | \$ | 27,126 | 0.09% |
| VIP Growth Strategies Portfolio | December 31 | Ф | 27,120 | 0.13% |
| 2012 | December 31 | \$ | 28,686 | 0.15% |
| 2012 | | \$ | 48,820 | 0.23% |
| 2010 | | \$ | 38,730 | 0.21% |
| VIP High Income Portfolio | December 31 | Ψ | 30,730 | 0.2170 |
| 2012 | 2000 | \$ | 0 | 0.00% |
| 2011 | | \$ | 1,568 | 0.00% |
| 2010 | | \$ | 862 | 0.00% |
| VIP Index 500 Portfolio | December 31 | | | |
| 2012 | | \$ | 9,006 | 0.00% |
| 2011 | | \$ | 11,867 | 0.00% |
| 2010 | | \$ | 9,704 | 0.00% |
| VIP International Capital Appreciation Portfolio | December 31 | | | |
| 2012 | | \$ | 131,992 | 0.30% |
| 2011 | | \$ | 215,387 | 0.52% |
| 2010 | | \$ | 538,880 | 1.22% |
| VIP Mid Cap Portfolio | December 31 | | | |
| 2012 | | | 18,198,726 | 0.25% |
| 2011 | | \$ | 9,611,386 | 0.13% |
| 2010 | D 1 01 | \$ | 3,496,561 | 0.05% |
| VIP Overseas Portfolio | December 31 | Φ. | 1 450 100 | 0.100 |
| 2012 | | \$ | 1,452,182 | 0.10% |
| 2011 | | \$ | 1,862,618 | 0.11% |
| 2010 VID Value Doutfolie | Dogomban 21 | \$ | 2,171,564 | 0.13% |
| VIP Value Portfolio | December 31 | ф | 70 720 | 0.050 |
| 2012 2011 | | \$ \$ | 78,720 127,659 | $0.05\% \\ 0.08\%$ |
| 2011 2010 | | \$ | 304,737 | 0.08% |
| 2010 | | Ф | 304,/3/ | U.22% |

| Fund VIP Value Leaders Portfolio | Fiscal Year Ended December 31 | Dollar Amount | Percentage of Average Net Assets |
|----------------------------------|-------------------------------|------------------|--|
| 2012 | | \$ 30,215 | 0.16% |
| 2011 | | \$ 40,736 | 0.16% |
| 2010 | | \$ 39,136 | 0.13% |
| VIP Value Strategies Portfolio | December 31 | | |
| 2012 | | \$ 154,322 | 0.05% |
| 2011 | | \$ 243,507 | 0.07% |
| 2010 | | \$ 582,132 | 0.18% |

The first table below shows the total amount of brokerage commissions paid by each fund (except VIP Disciplined Small Cap Portfolio, VIP High Income Portfolio, and VIP Index 500 Portfolio) to NFS for the past three fiscal years. The second table shows the approximate amount of aggregate brokerage commissions paid by a fund (except VIP Disciplined Small Cap Portfolio, VIP High Income Portfolio, and VIP Index 500 Portfolio) to NFS as a percentage of the approximate aggregate dollar amount of transactions for which the fund paid brokerage commissions as well as the percentage of transactions effected by a fund through NFS, in each case for the fiscal year ended 2012. NFS is paid on a commission basis.

| Fund VIP Balanced Portfolio | Fiscal Year Ended December 31 | | al Amount Paid to <u>NFS</u> |
|--|-------------------------------------|----|------------------------------------|
| 2012 | December 31 | \$ | 1,794 |
| 2011 | | \$ | 21,172 |
| 2010 | | \$ | 22,479 |
| VIP Contrafund Portfolio | December 31 | Ψ. | ,.,, |
| 2012 | | \$ | 462,864 |
| 2011 | | \$ | 904,052 |
| 2010 | | \$ | 701,932 |
| VIP Dynamic Capital Appreciation Portfolio | December 31 | | , |
| 2012 | | \$ | 3,336 |
| 2011 | | \$ | 4,519 |
| 2010 | | \$ | 3,938 |
| VIP Emerging Markets Portfolio | December 31 | | |
| 2012 | | \$ | 163 |
| 2011 | | \$ | 36 |
| 2010 | | \$ | 47 |
| VIP Equity-Income Portfolio | December 31 | | |
| 2012 | | \$ | 43,530 |
| 2011 | | \$ | 153,756 |
| 2010 | | \$ | 21,052 |
| VIP Growth Portfolio | December 31 | | |
| 2012 | | \$ | 49,818 |
| 2011 | | \$ | 47,088 |
| 2010 | | \$ | 45,002 |
| VIP Growth & Income Portfolio | December 31 | | |
| 2012 | | \$ | 13,458 |
| 2011 | | \$ | 28,602 |
| 2010 | | \$ | 20,999 |
| VIP Growth Opportunities Portfolio | December 31 | | |
| 2012 | | \$ | 3,918 |
| 2011 | | \$ | 4,485 |
| 2010 | | \$ | 2,863 |
| | | | |

| Fund VIP Growth Stock Portfolio | | Fiscal Year <u>Ended</u> December 31 | P | l Amount Paid to <u>NFS</u> |
|---|-------------|--|----------|-----------------------------------|
| 2012 | | December 31 | \$ | 4,328 |
| 2012 | | | \$ \$ | 1,308 |
| 2010 | | | \$ | 942 |
| VIP Growth Strategies Portfolio | | December 31 | | 742 |
| 2012 | | 2000 | \$ | 1,119 |
| 2011 | | | \$ | 1,206 |
| 2010 | | | \$ | 996 |
| VIP International Capital Appreciation Portfolio | | December 31 | | |
| 2012 | | | \$ | 336 |
| 2011 | | | \$ | 873 |
| 2010 | | | \$ | 2,142 |
| VIP Mid Cap Portfolio | | December 31 | | |
| 2012 | | | \$ | 57,535 |
| 2011 | | | \$ \$ | 50,105 |
| 2010 VIP Overseas Portfolio | | December 31 | • | 10,804 |
| 2012 | | December 31 | \$ | 1,023 |
| 2012 | | | \$ | 1,570 |
| 2010 | | | \$ | 1,146 |
| VIP Value Portfolio | | December 31 | • | -, |
| 2012 | | | \$ | 3,475 |
| 2011 | | | \$ | 7,253 |
| 2010 | | | \$ | 5,832 |
| VIP Value Leaders Portfolio | | December 31 | | |
| 2012 | | | \$ | 1,225 |
| 2011 | | | \$ | 1,782 |
| 2010 | | D 1 44 | \$ | 1,723 |
| VIP Value Strategies Portfolio | | December 31 | | 2.200 |
| 2012 | | | \$ | 2,288 |
| 2011 2010 | | | \$ \$ | 6,298 7,388 |
| 2010 | | | φ | 7,300 |
| | | | % of A | ggregate |
| | | % of Aggregate | | mount of |
| | Fiscal Year | Commissions | Trans | actions |
| | Ended | Paid to | | d through |
| <u>Fund</u> | <u>2012</u> | <u>NFS</u> | | <u>FS</u> |
| VIP Balanced Portfolio | December 31 | 0.17% | | 0.70% |
| VIP Contrafund Portfolio [†] | December 31 | 2.81% | | 7.35% |
| VIP Dynamic Capital Appreciation Portfolio [†] | December 31 | 3.39% | | 0.91% |
| VIP Emerging Markets Portfolio | December 31 | 0.03% | | 0.28% |
| VIP Equity-Income Portfolio† | December 31 | 1.33% | | 5.55% |
| VIP Growth Portfolio [†] | December 31 | 1.94% | | 5.02% |
| VIP Growth & Income Portfolio† | December 31 | 3.20% | | .59% |
| VIP Growth Opportunities Portfolio† | December 31 | 2.78% | | 3.12% |
| VIP Growth Stock Portfolio† | December 31 | 3.51% | | 0.58% |
| VIP Growth Strategies Portfolio [†] | December 31 | 3.90% | | 0.91% |
| VIP International Capital Appreciation Portfolio [†] | December 31 | 0.25% | | 2.84% |
| VIP Mid Cap Portfolio | December 31 | 0.32% | | .28% |
| VIP Overseas Portfolio | December 31 | 0.07% | | .29% |
| VIP Value Portfolio [†] | December 31 | 4.41% | 12 | 2.98% |

| | | | % of Aggregate |
|---|-------------|----------------|------------------|
| | | % of Aggregate | Dollar Amount of |
| | Fiscal Year | Commissions | Transactions |
| | Ended | Paid to | Effected through |
| <u>Fund</u> | <u>2012</u> | <u>NFS</u> | <u>NFS</u> |
| VIP Value Leaders Portfolio [†] | December 31 | 4.05% | 10.58% |
| VIP Value Strategies Portfolio [†] | December 31 | 1.48% | 5.35% |

[†] The difference between the percentage of aggregate brokerage commissions paid to, and the percentage of the aggregate dollar amount of transactions effected through, NFS is a result of the low commission rates charged by NFS.

The following table shows the dollar amount of brokerage commissions paid to firms that may have provided research or brokerage services and the approximate dollar amount of the transactions involved for the fiscal year ended 2012.

| | \$ Amount of | | | | |
|--|--------------|-------------|---------------------------|------------------|--|
| | | Commissions | | | |
| | | Pa | id to Firms | \$ Amount of | |
| | Fiscal Year | for | Providing | Brokerage | |
| | Ended | | esearch or | Transactions | |
| <u>Fund</u> | <u>2012</u> | Broke | Brokerage Services Involv | | |
| VIP Balanced Portfolio | December 31 | \$ | 919,145 | \$ 1,346,446,263 | |
| VIP Contrafund Portfolio | December 31 | \$ | 14,331,778 | \$21,020,324,524 | |
| VIP Dynamic Capital Appreciation Portfolio | December 31 | \$ | 86,684 | \$ 144,944,270 | |
| VIP Emerging Markets Portfolio | December 31 | \$ | 374,001 | \$ 242,242,493 | |
| VIP Equity-Income Portfolio | December 31 | \$ | 2,868,645 | \$ 3,895,986,680 | |
| VIP Growth Portfolio | December 31 | \$ | 2,134,333 | \$ 4,070,686,575 | |
| VIP Growth & Income Portfolio | December 31 | \$ | 364,181 | \$ 577,873,986 | |
| VIP Growth Opportunities Portfolio | December 31 | \$ | 117,077 | \$ 200,974,151 | |
| VIP Growth Stock Portfolio | December 31 | \$ | 103,170 | \$ 218,621,317 | |
| VIP Growth Strategies Portfolio | December 31 | \$ | 23,369 | \$ 44,767,001 | |
| VIP International Capital Appreciation Portfolio | December 31 | \$ | 108,051 | \$ 89,587,798 | |
| VIP Mid Cap Portfolio | December 31 | \$ | 15,063,869 | \$19,286,094,690 | |
| VIP Overseas Portfolio | December 31 | \$ | 1,236,031 | \$ 1,002,717,654 | |
| VIP Value Portfolio | December 31 | \$ | 64,738 | \$ 129,869,937 | |
| VIP Value Leaders Portfolio | December 31 | \$ | 26,084 | \$ 25,605,353 | |
| VIP Value Strategies Portfolio | December 31 | \$ | 132,937 | \$ 147,309,053 | |
| | | | | | |

During the fiscal year ended December 31, 2012, VIP Disciplined Small Cap Portfolio, VIP High Income Portfolio, and VIP Index 500 Portfolio paid no brokerage commissions to firms for providing research or brokerage services.

The following table shows the brokerage commissions that were allocated for research or brokerage services for the twelve-month period ended September 30, 2012.

| | | | Amount of mmissions |
|--|--------------|--------------|---------------------|
| | Twelve-Month | All | located for |
| | Period Ended | Re | esearch or |
| <u>Fund</u> | <u>2012</u> | Broke | rage Services |
| VIP Balanced Portfolio | September 30 | \$ | 293,052 |
| VIP Contrafund Portfolio | September 30 | \$ | 4,640,670 |
| VIP Dynamic Capital Appreciation Portfolio | September 30 | \$ | 25,798 |
| VIP Emerging Markets Portfolio | September 30 | \$ | 119,188 |
| VIP Equity-Income Portfolio | September 30 | \$ | 918,445 |
| VIP Growth Portfolio | September 30 | \$ | 606,974 |
| VIP Growth & Income Portfolio | September 30 | \$ | 116,822 |
| VIP Growth Opportunities Portfolio | September 30 | \$ | 38,577 |
| VIP Growth Stock Portfolio | September 30 | \$ | 27,344 |

| Fund | Twelve-Month Period Ended 2012 | Co A | Amount of ommissions llocated for tesearch or erage Services |
|--|--------------------------------------|---------|--|
| VIP Growth Strategies Portfolio | September 30 | \$ | 7,768 |
| VIP High Income Portfolio | September 30 | \$ | 3 |
| VIP International Capital Appreciation Portfolio | September 30 | \$ | 37,370 |
| VIP Mid Cap Portfolio | September 30 | \$ | 3,919,304 |
| VIP Overseas Portfolio | September 30 | \$ | 508,232 |
| VIP Value Portfolio | September 30 | \$ | 17,997 |
| VIP Value Leaders Portfolio | September 30 | \$ | 7,864 |
| VIP Value Strategies Portfolio | September 30 | \$ | 39,419 |

During the twelve-month period ended September 30, 2012, VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio did not allocate brokerage commissions to firms for providing research or brokerage services.

VALUATION

Each class's NAV is the value of a single share. The NAV of each class is computed by adding the class's pro rata share of the value of the applicable fund's investments, cash, and other assets, subtracting the class's pro rata share of the applicable fund's liabilities, subtracting the liabilities allocated to the class, and dividing the result by the number of shares of that class that are outstanding.

The Board of Trustees has ultimate responsibility for pricing, but has delegated day-to-day valuation oversight responsibilities to FMR. FMR has established the FMR Fair Value Committee (FMR Committee) to fulfill these oversight responsibilities.

Shares of open-end investment companies (including any underlying central funds) held by each fund are valued at their respective NAVs.

Portfolio securities and assets held by an underlying money market central fund are valued on the basis of amortized cost. Generally, other portfolio securities and assets held by each fund, as well as portfolio securities and assets held by an underlying non-money market central fund, are valued as follows:

Most equity securities are valued at the official closing price or the last reported sale price or, if no sale has occurred, at the last quoted bid price on the primary market or exchange on which they are traded.

Debt securities and other assets for which market quotations are readily available may be valued at market values in the principal market in which they normally are traded, as furnished by recognized dealers in such securities or assets. Or, debt securities and convertible securities may be valued on the basis of information furnished by a pricing service that uses a valuation matrix which incorporates both dealer-supplied valuations and electronic data processing techniques.

Short-term securities with remaining maturities of sixty days or less for which market quotations and information furnished by a pricing service are not readily available are valued at amortized cost, which approximates current value.

Futures contracts are valued at the settlement or closing price. Options are valued at their market quotations, if available. Swaps are valued daily using quotations received from independent pricing services or recognized dealers.

Prices described above are obtained from pricing services that have been approved by the Board of Trustees. A number of pricing services are available and the funds may use more than one of these services. The funds may also discontinue the use of any pricing service at any time. FMR engages in oversight activities with respect to the fund's pricing services, which includes, among other things, testing the prices provided by pricing services prior to calculation of a fund's NAV, conducting periodic due diligence meetings, and periodically reviewing the methodologies and inputs used by these services.

Foreign securities and instruments are valued in their local currency following the methodologies described above. Foreign securities, instruments and currencies are translated to U.S. dollars, based on foreign currency exchange rate quotations supplied by a pricing service as of the close of the New York Stock Exchange (NYSE), which uses a proprietary model to determine the exchange rate. Forward foreign currency exchange contracts are valued at an interpolated rate based on days to maturity between the closest preceding and subsequent settlement period reported by the third party pricing service.

Other portfolio securities and assets for which market quotations, official closing prices, or information furnished by a pricing service are not readily available or, in the opinion of the FMR Committee, are deemed unreliable will be fair valued in good faith by the FMR Committee in accordance with applicable fair value pricing policies. For example, if, in the opinion of the FMR Committee, a security's value has been materially affected by events occurring before a fund's pricing time but after the close of the exchange or

market on which the security is principally traded, that security will be fair valued in good faith by the FMR Committee in accordance with applicable fair value pricing policies. In fair valuing a security, the FMR Committee may consider factors including price movements in futures contracts and ADRs, market and trading trends, the bid/ask quotes of brokers, and off-exchange institutional trading.

BUYING AND SELLING INFORMATION

A fund may make redemption payments in whole or in part in readily marketable securities or other property pursuant to procedures approved by the Trustees if FMR determines it is in the best interests of the fund. Such securities or other property will be valued for this purpose as they are valued in computing each class's NAV. Shareholders that receive securities or other property will realize, upon receipt, a gain or loss for tax purposes, and will incur additional costs and be exposed to market risk prior to and upon the sale of such securities or other property.

Each fund, in its discretion, may determine to issue its shares in kind in exchange for securities held by the purchaser having a value, determined in accordance with the fund's policies for valuation of portfolio securities, equal to the purchase price of the fund shares issued. A fund will accept for in-kind purchases only securities or other instruments that are appropriate under its investment objective and policies. In addition, a fund generally will not accept securities of any issuer unless they are liquid, have a readily ascertainable market value, and are not subject to restrictions on resale. All dividends, distributions, and subscription or other rights associated with the securities become the property of the fund, along with the securities. Shares purchased in exchange for securities in kind generally cannot be redeemed for fifteen days following the exchange to allow time for the transfer to settle.

DISTRIBUTIONS AND TAXES

The following information is only a summary of some of the tax consequences affecting insurance company separate accounts invested in the funds. No attempt has been made to discuss tax consequences affecting variable product owners. Variable product owners seeking to understand the tax consequences of their investment should consult with their tax advisers or the insurance company that issued their variable product, or refer to their variable annuity or variable life insurance product prospectus.

VIP Balanced Portfolio may invest a substantial amount of its assets in one or more series of central funds. For federal income tax purposes, certain central funds ("partnership central funds") intend to be treated as partnerships that are not "publicly traded partnerships" and, as a result, will not be subject to federal income tax. A fund, as an investor in a partnership central fund, will be required to take into account in determining its federal income tax liability its share of the partnership central fund's income, gains, losses, deductions, and credits, without regard to whether it has received any cash distributions from the partnership central fund.

A partnership central fund will allocate at least annually among its investors, including VIP Balanced Portfolio, each investor's share of the partnership central fund's net investment income, net realized capital gains, and any other items of income, gain, loss, deduction or credit.

Each fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code so that it will not be liable for federal tax on income and capital gains distributed to insurance company separate accounts invested in the fund. In order to qualify as a regulated investment company, and avoid being subject to federal income or excise taxes at the fund level, each fund intends to distribute substantially all of its net investment income and net realized capital gains within each calendar year as well as on a fiscal year basis (if the fiscal year is other than the calendar year), and intends to comply with other tax rules applicable to regulated investment companies. If a fund failed to qualify as a "regulated investment company" in any year, among other consequences, each insurance company separate account invested in the fund could fail to satisfy the diversification requirements of Section 817(h) of the Internal Revenue Code.

Each fund also intends to satisfy the diversification requirements of Section 817(h) of the Internal Revenue Code and the regulations thereunder. These diversification requirements, which are in addition to the diversification requirements of Subchapter M, place certain limitations on the assets of an insurance company separate account that may be invested in the securities of a single issuer or a certain number of issuers. Because Section 817(h) and the regulations thereunder treat the assets of each fund as the assets of the related insurance company separate account, each fund must also satisfy these requirements. If a fund failed to satisfy these requirements, a variable annuity or variable life insurance product supported by an insurance company separate account invested in the fund may not be treated as an annuity or as life insurance for tax purposes and may no longer be eligible for tax deferral.

Foreign governments may impose withholding taxes on dividends and interest earned by a fund with respect to foreign securities held directly by a fund. Foreign governments may also impose taxes on other payments or gains with respect to foreign securities held directly by a fund. As a general matter, if, at the close of its fiscal year, more than 50% of a fund's total assets is invested in securities of foreign issuers, the fund may elect to pass through eligible foreign taxes paid and thereby allow shareholders to take a deduction or, if they meet certain holding period requirements with respect to fund shares, a credit on their tax returns. In addition, if at the close of each quarter of its fiscal year at least 50% of a fund's total assets is represented by interests in other regulated investment companies, the same rules will apply to any foreign tax credits that underlying funds pass through to the fund. The amount of foreign taxes paid by the fund will be reduced to the extent that the fund lends securities over the dividend record date.

As of December 31, 2012, VIP Contrafund Portfolio had an aggregate capital loss carryforward of approximately \$2,671,840,594. This loss carryforward, of which \$336,841,666 and \$2,334,998,928 will expire on December 31, 2016 and 2017, respectively, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Emerging Markets Portfolio had an aggregate capital loss carryforward of approximately \$7,265,059. This loss carryforward, of which \$773,916 and \$2,824,257 will expire on December 31, 2016 and 2017, respectively, and \$3,666,886 of which will not expire, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund must use losses that do not expire before it uses losses that do expire, and a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Growth Portfolio had an aggregate capital loss carryforward of approximately \$1,104,960,243. This loss carryforward, of which \$646,554,601 and \$458,405,642 will expire on December 31, 2016 and 2017, respectively, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Growth & Income Portfolio had an aggregate capital loss carryforward of approximately \$100,554,460. This loss carryforward, all of which will expire on December 31, 2017, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Growth Opportunities Portfolio had an aggregate capital loss carryforward of approximately \$68,513,036. This loss carryforward, all of which will expire on December 31, 2017, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Growth Stock Portfolio had an aggregate capital loss carryforward of approximately \$936,142. This loss carryforward, all of which will expire on December 31, 2017, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Growth Strategies Portfolio had an aggregate capital loss carryforward of approximately \$7,167,779. This loss carryforward, of which \$5,085,733 and \$1,272,085 will expire on December 31, 2016 and 2017, respectively, and \$809,961 of which will not expire, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund must use losses that do not expire before it uses losses that do expire, and a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP High Income Portfolio had an aggregate capital loss carryforward of approximately \$105,844,902. This loss carryforward, of which \$26,397,633 and \$79,447,269 will expire on December 31, 2016 and 2017, respectively, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP International Capital Appreciation Portfolio had an aggregate capital loss carryforward of approximately \$21,842,968. This loss carryforward, of which \$17,413,786 and \$4,429,182 will expire on December 31, 2016 and 2017, respectively, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Overseas Portfolio had an aggregate capital loss carryforward of approximately \$379,937,821. This loss carryforward, of which \$99,490,351 and \$280,447,470 will expire on December 31, 2016 and 2017, respectively, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Value Portfolio had an aggregate capital loss carryforward of approximately \$3,003,551. This loss carryforward, of which \$937,041 and \$2,066,510 will expire on December 31, 2017 and 2018, respectively, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Value Leaders Portfolio had an aggregate capital loss carryforward of approximately \$23,930,873. This loss carryforward, of which \$11,669,055 and \$11,445,222 will expire on December 31, 2016 and 2017, respectively, and \$816,596 of which will not expire, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund must use losses that do not expire before it uses losses that do expire, and a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

As of December 31, 2012, VIP Value Strategies Portfolio had an aggregate capital loss carryforward of approximately \$81,341,171. This loss carryforward, of which \$30,897,397 and \$50,443,774 will expire on December 31, 2016 and 2017, respectively, is available to offset future capital gains. Under provisions of the Internal Revenue Code and related regulations, a fund's ability to utilize its capital loss carryforwards in a given year or in total may be limited.

TRUSTEES AND OFFICERS

The Trustees, Members of the Advisory Board, and executive officers of the trusts and funds, as applicable, are listed below. The Board of Trustees governs each fund and is responsible for protecting the interests of shareholders. The Trustees are experienced executives who meet periodically throughout the year to oversee each fund's activities, review contractual arrangements with companies that provide services to each fund, oversee management of the risks associated with such activities and contractual arrangements, and review each fund's performance. Except for James C. Curvey, each of the Trustees oversees 234 Fidelity funds. Mr. Curvey oversees 453 Fidelity funds.

The Trustees hold office without limit in time except that (a) any Trustee may resign; (b) any Trustee may be removed by written instrument, signed by at least two-thirds of the number of Trustees prior to such removal; (c) any Trustee who requests to be retired or who has become incapacitated by illness or injury may be retired by written instrument signed by a majority of the other Trustees; and (d) any Trustee may be removed at any special meeting of shareholders by a two-thirds vote of the outstanding voting securities of the trust. Each Trustee who is not an interested person of the trust and the funds (as defined in the 1940 Act) (Independent Trustee), shall retire not later than the last day of the calendar year in which his or her 75th birthday occurs. The Independent Trustees may waive this mandatory retirement age policy with respect to individual Trustees. The executive officers and Advisory Board Members hold office without limit in time, except that any officer and Advisory Board Member may resign or may be removed by a vote of a majority of the Trustees at any regular meeting or any special meeting of the Trustees. Except as indicated, each individual has held the office shown or other offices in the same company for the past five years.

Experience, Skills, Attributes, and Qualifications of the Funds' Trustees. The Governance and Nominating Committee has adopted a statement of policy that describes the experience, qualifications, attributes, and skills that are necessary and desirable for potential Independent Trustee candidates (Statement of Policy). The Board believes that each Trustee satisfied at the time he or she was initially elected or appointed a Trustee, and continues to satisfy, the standards contemplated by the Statement of Policy. The Governance and Nominating Committee also engages professional search firms to help identify potential Independent Trustee candidates who have the experience, qualifications, attributes, and skills consistent with the Statement of Policy. From time to time, additional criteria based on the composition and skills of the current Independent Trustees, as well as experience or skills that may be appropriate in light of future changes to board composition, business conditions, and regulatory or other developments, have also been considered by the professional search firms and the Governance and Nominating Committee. In addition, the Board takes into account the Trustees' commitment and participation in Board and committee meetings, as well as their leadership of standing and ad hoc committees throughout their tenure.

In determining that a particular Trustee was and continues to be qualified to serve as a Trustee, the Board has considered a variety of criteria, none of which, in isolation, was controlling. The Board believes that, collectively, the Trustees have balanced and diverse experience, qualifications, attributes, and skills, which allow the Board to operate effectively in governing each fund and protecting the interests of shareholders. Information about the specific experience, skills, attributes, and qualifications of each Trustee, which in each case led to the Board's conclusion that the Trustee should serve (or continue to serve) as a trustee of the funds, is provided below.

Board Structure and Oversight Function. James C. Curvey is an interested person (as defined in the 1940 Act) and currently serves as Chairman. The Trustees have determined that an interested Chairman is appropriate and benefits shareholders because an interested Chairman has a personal and professional stake in the quality and continuity of services provided to the funds. Independent Trustees exercise their informed business judgment to appoint an individual of their choosing to serve as Chairman, regardless of whether the Trustee happens to be independent or a member of management. The Independent Trustees have determined that they can act independently and effectively without having an Independent Trustee serve as Chairman and that a key structural component for assuring that they are in a position to do so is for the Independent Trustees to constitute a substantial majority for the Board. The Independent Trustees also regularly meet in executive session. Ned C. Lautenbach serves as Chairman of the Independent Trustees and as such (i) acts as a liaison between the Independent Trustees and management with respect to matters important to the Independent Trustees and (ii) with management prepares agendas for Board meetings.

Fidelity funds are overseen by different Boards of Trustees. The funds' Board oversees Fidelity's equity and high income funds and another Board oversees Fidelity's investment-grade bond, money market, and asset allocation funds. The asset allocation funds may invest in Fidelity funds overseen by the funds' Board. The use of separate Boards, each with its own committee structure, allows the Trustees of each group of Fidelity funds to focus on the unique issues of the funds they oversee, including common research, investment, and operational issues. On occasion, the separate Boards establish joint committees to address issues of overlapping consequences for the Fidelity funds overseen by each Board.

The Trustees operate using a system of committees to facilitate the timely and efficient consideration of all matters of importance to the Trustees, each fund, and fund shareholders and to facilitate compliance with legal and regulatory requirements and oversight of the funds' activities and associated risks. The Board, acting through its committees, has charged FMR and its affiliates with (i) identifying events or circumstances the occurrence of which could have demonstrably adverse effects on the funds' business and/or reputation; (ii) implementing processes and controls to lessen the possibility that such events or circumstances occur or to mitigate the effects of such events or circumstances if they do occur; and (iii) creating and maintaining a system designed to evaluate continuously business and market conditions in order to facilitate the identification and implementation processes described in (i) and (ii) above. Because the day-to-day operations and activities of the funds are carried out by or through FMR, its affiliates and other service providers, the funds' exposure to risks is mitigated but not eliminated by the processes overseen by the Trustees. While each of the Board's committees has responsibility for overseeing different aspects of the funds' activities, oversight is exercised primarily through the Operations, Audit, and Compliance Committees. In addition, the Independent Trustees have worked with FMR to enhance the Board's oversight of investment and financial risks, legal and regulatory risks, technology risks, and operational risks, including the development of additional risk reporting to the Board. For example, a working group comprised of Independent Trustees and FMR has worked and continues to work to review the Fidelity funds' valuation-related activities, reporting and risk management. Appropriate personnel, including but not limited to the funds' Chief Compliance Officer (CCO), FMR's internal auditor, the independent accountants, the funds' Treasurer and portfolio management personnel, make periodic reports to the Board's committees, as appropriate, including an annual review of FMR's risk management program for the Fidelity funds. The responsibilities of each standing committee, including their oversight responsibilities, are described further under "Standing Committees of the Funds' Trustees."

Interested Trustees*:

Correspondence intended for each Trustee who is an interested person may be sent to Fidelity Investments, 245 Summer Street, Boston, Massachusetts 02210.

Name, Year of Birth; Principal Occupations and Other Relevant Experience+

James C. Curvey (1935)

Year of Election or Appointment: 2007

Mr. Curvey is Trustee and Chairman of the Board of Trustees of certain Trusts. Mr. Curvey also serves as Trustee (2007-present) of other investment companies advised by FMR. Mr. Curvey is a Director of Fidelity Investments Money Management, Inc. (2009-present), Director of Fidelity Research & Analysis Co. (2009-present) and Director of FMR and FMR Co., Inc. (2007-present). Mr. Curvey is also Vice Chairman (2007-present) and Director of FMR LLC. In addition, Mr. Curvey serves as an Overseer for the Boston Symphony Orchestra and a member of the Trustees of Villanova University. Previously, Mr. Curvey was the Vice Chairman (2006-2007) and Director (2000-2007) of FMR Corp.

Ronald P. O'Hanley (1957)

Year of Election or Appointment: 2011

Mr. O'Hanley is Director of FMR Co., Inc. (2010-present), Director of Fidelity Investments Money Management, Inc. (2010-present), Director of Fidelity Research & Analysis Company (2010-present), President of Fidelity Asset Management and Corporate Services and a member of Fidelity's Executive Committee (2010-present). Previously, Mr. O'Hanley served as President and Chief Executive Officer of BNY Mellon Asset Management (2007-2010). Mr. O'Hanley also served as Vice Chairman of Bank New York Mellon Corp. and a member of that firm's Executive Committee. Prior to the 2007 merger of The Bank of New York and Mellon Financial Corporation, he was Vice Chairman of Mellon Financial Corporation and President and Chief Executive Officer of Mellon Asset Management. He joined Mellon in February 1997. Mr. O'Hanley currently serves as Chairman of the Boston Public Library Foundation Board of Directors and sits on the Board of Directors of Beth Israel Deaconess Medical Center, the Board of Trustees of the Marine Biological Laboratory and the Advisory Board of the Maxwell School of Citizenship and Public Administration at Syracuse University. Mr. O'Hanley also chairs the Council on Asset Management for the Financial Services Roundtable and is a member of the Board of Directors of Institutional Investor's U.S. Institute.

- * Trustees have been determined to be "Interested Trustees" by virtue of, among other things, their affiliation with the trusts or various entities under common control with FMR.
- * The information above includes each Trustee's principal occupation during the last five years and other information relating to the experience, attributes, and skills relevant to each Trustee's qualifications to serve as a Trustee, which led to the conclusion that each Trustee should serve as a Trustee for each fund.

Independent Trustees:

Correspondence intended for each Independent Trustee (that is, the Trustees other than the Interested Trustees) may be sent to Fidelity Investments, P.O. Box 55235, Boston, Massachusetts 02205-5235.

Name, Year of Birth; Principal Occupations and Other Relevant Experience+

Dennis J. Dirks (1948)

Year of Election or Appointment: 2005

Prior to his retirement in May 2003, Mr. Dirks was Chief Operating Officer and a member of the Board of The Depository Trust & Clearing Corporation (DTCC). He also served as President, Chief Operating Officer, and Board member of The Depository Trust Company (DTC) and President and Board member of the National Securities Clearing Corporation (NSCC). In addition, Mr. Dirks served as Chief Executive Officer and Board member of the Government Securities Clearing Corporation, Chief Executive Officer and Board member of the Mortgage-Backed Securities Clearing Corporation, as a Trustee and a member of the Finance Committee of Manhattan College (2005-2008), and as a Trustee and a member of the Finance Committee of AHRC of Nassau County (2006-2008). Mr. Dirks is a member of the Independent Directors Council (IDC) Governing Council (2010-present) and Board of Directors for The Brookville Center for Children's Services, Inc. (2009-present).

Alan J. Lacy (1953)

Year of Election or Appointment: 2008

Mr. Lacy serves as Senior Adviser (2007-present) of Oak Hill Capital Partners, L.P. (private equity). Mr. Lacy also served as Chief Executive Officer (2000-2005) and Vice Chairman (2005-2006) of Sears Holdings Corporation and Sears, Roebuck and Co. (retail). In addition, Mr. Lacy serves as a member of the Board of Directors of Dave & Buster's Entertainment, Inc. (restaurant and entertainment complexes, 2010-present), Earth Fare, Inc. (retail grocery, 2012-present), The Hillman Companies, Inc. (hardware wholesalers, 2010-present), and Bristol-Myers Squibb Company (global pharmaceuticals, 2008-present). Mr. Lacy is a member of the Board of Trustees of The National Parks Conservation Association (2006-present). Previously, Mr. Lacy served as Chairman of the Board of Trustees of the National Parks Conservation Association (2008-2011) and as a member of the Board of Directors for the Western Union Company (global money transfer, 2006-2011).

Ned C. Lautenbach (1944)

Year of Election or Appointment: 2000

Mr. Lautenbach is Chairman of the Independent Trustees of the Equity and High Income Funds (2006-present). Mr. Lautenbach currently serves as the Lead Director of the Eaton Corporation Board of Directors (diversified industrial, 1997-present). Mr. Lautenbach is Chairman of the Board of Directors of the Philharmonic Center for the Arts in Naples, Florida (2012-present) and a member of the Council on Foreign Relations (1994-present). Previously, Mr. Lautenbach was a Partner/Advisory Partner at Clayton, Dubilier & Rice, LLC (private equity investment, 1998-2010), as well as a Director of Sony Corporation (2006-2007).

Joseph Mauriello (1944)

Year of Election or Appointment: 2008

Prior to his retirement in January 2006, Mr. Mauriello served in numerous senior management positions including Deputy Chairman and Chief Operating Officer (2004-2005), and Vice Chairman of Financial Services (2002-2004) of KPMG LLP US (professional services, 1965-2005). Mr. Mauriello currently serves as a member of the Board of Directors of XL Group plc. (global insurance and re-insurance, 2006-present). Previously, Mr. Mauriello served as a Director of the Hamilton Funds of the Bank of New York (2006-2007) and of Arcadia Resources Inc. (health care services and products, 2007-2012).

Robert W. Selander (1950)

Year of Election or Appointment: 2011

Previously, Mr. Selander served as a Member of the Advisory Board of Fidelity's Equity and High Income Funds (2011), Executive Vice Chairman (2010), Chief Executive Officer (2009-2010), and President and Chief Executive Officer (1997-2009) of Mastercard, Inc.

Name, Year of Birth; Principal Occupations and Other Relevant Experience+

Cornelia M. Small (1944)

Year of Election or Appointment: 2005

Ms. Small is a member of the Board of Directors (2009-present) and Chair of the Investment Committee (2010-present) of the Teagle Foundation. Ms. Small also serves on the Investment Committee of the Berkshire Taconic Community Foundation (2008-present). Previously, Ms. Small served as Chairperson (2002-2008) and a member of the Investment Committee and Chairperson (2008-2012) and a member of the Board of Trustees of Smith College. In addition, Ms. Small served as Chief Investment Officer, Director of Global Equity Investments, and a member of the Board of Directors of Scudder, Stevens & Clark and Scudder Kemper Investments.

William S. Stavropoulos (1939)

Year of Election or Appointment: 2001 or 2002

Mr. Stavropoulos is Vice Chairman of the Independent Trustees of the Equity and High Income Funds (2006-present). Mr. Stavropoulos serves as President and Founder of the Michigan Baseball Foundation, the Great Lakes Loons (2007-present). Mr. Stavropoulos is Chairman Emeritus of the Board of Directors of The Dow Chemical Company, where he previously served in numerous senior management positions, including President, CEO (1995-2000; 2002-2004), Chairman of the Executive Committee (2000-2006), and as a member of the Board of Directors (1990-2006). Currently, Mr. Stavropoulos is a Director of Univar Inc. (global distributor of commodity and specialty chemicals, Chairman from 2010-May 2012 and Lead Director from May 2012-present), Teradata Corporation (data warehousing and technology solutions, 2008-present), Maersk Inc. (industrial conglomerate), and Tyco International, Ltd. (multinational manufacturing and services, 2007-present), and a member of the Advisory Board for Metalmark Capital LLC (private equity investment, 2005-present). Mr. Stavropoulos is an operating advisor to Clayton, Dubilier & Rice, LLC (private equity investment). In addition, Mr. Stavropoulos is a member of the University of Notre Dame Advisory Council for the College of Science, a Trustee of the Rollin L. Gerstacker Foundation, and a Director of the Naples Philharmonic Center for the Arts. Previously, Mr. Stavropoulos served as a Director of Chemical Financial Corporation (bank holding company, 1993-2012).

David M. Thomas (1949)

Year of Election or Appointment: 2008

Previously, Mr. Thomas served as Executive Chairman (2005-2006) and Chairman and Chief Executive Officer (2000-2005) of IMS Health, Inc. (pharmaceutical and healthcare information solutions), and a Director of Fortune Brands, Inc. (consumer products, 2000-2011). In addition, Mr. Thomas serves as Non-Executive Chairman of the Board of Directors of Fortune Brands Home and Security (home and security products, 2011-present), and as a member of the Board of Directors of Interpublic Group of Companies, Inc. (marketing communication, 2004-present).

Michael E. Wiley (1950)

Year of Election or Appointment: 2008

Mr. Wiley also serves as a Director of Asia Pacific Exploration Consolidated (international oil and gas exploration and production, 2008-present). Mr. Wiley serves as a Director of Tesoro Corporation (independent oil refiner and marketer, 2005-present), and a Director of Bill Barrett Corporation (exploration and production, 2005-present). In addition, Mr. Wiley also serves as a Director of Post Oak Bank (privately-held bank, 2004-present). Previously, Mr. Wiley served as a member of the Board of Trustees of the University of Tulsa (2000-2006; 2007-2010), as a Senior Energy Advisor of Katzenbach Partners, LLC (consulting, 2006-2007), as an Advisory Director of Riverstone Holdings (private investment), Chairman, President, and CEO of Baker Hughes, Inc. (oilfield services, 2000-2004), and as Director of Spinnaker Exploration Company (exploration and production, 2001-2005).

+ The information above includes each Trustee's principal occupation during the last five years and other information relating to the experience, attributes, and skills relevant to each Trustee's qualifications to serve as a Trustee, which led to the conclusion that each Trustee should serve as a Trustee for each fund.

Advisory Board Members and Executive Officers:

Correspondence intended for David A. Rosow and Garnett A. Smith may be sent to Fidelity Investments, P.O. Box 55235, Boston, Massachusetts 02205-5235. Correspondence intended for each executive officer and Peter S. Lynch may be sent to Fidelity Investments, 245 Summer Street, Boston, Massachusetts 02210.

Name, Year of Birth; Principal Occupation

Peter S. Lynch (1944)

Year of Election or Appointment: 2003

Member of the Advisory Board of Fidelity's Equity and High Income Funds. Mr. Lynch is Vice Chairman and a Director of FMR and FMR Co., Inc. In addition, Mr. Lynch serves as a Trustee of Boston College and as the Chairman of the Inner-City Scholarship Fund. Previously, Mr. Lynch served on the Special Olympics International Board of Directors (1997-2006).

David A. Rosow (1942)

Year of Election or Appointment: 2012

Member of the Advisory Board of Fidelity's Equity and High Income Funds. Chairman and Chief Executive Officer of International Golf Group, Inc. (golf course development, 1989-present). Previously, Mr. Rosow served as Chairman and Chief Executive Officer of Rosow & Company, Inc. (private investment company, 1989-2011), a Lead Director of Hudson United Bancorp (2001-2006) and as a Director of TD Banknorth (1996-2006). In addition, Mr. Rosow is a member (2008-present) and President (2009-present) of the Town Council of Palm Beach, Florida.

Garnett A. Smith (1947)

Year of Election or Appointment: 2012

Member of the Advisory Board of Fidelity's Equity and High Income Funds. Prior to Mr. Smith's retirement, he served as Chairman and Chief Executive Officer of Inbrand Corp. (manufacturer of personal absorbent products, 1990-1997). He also served as President (1986-1990) of Inbrand Corp. Prior to his employment with Inbrand Corp., he was employed by a retail fabric chain and North Carolina National Bank. In addition, Mr. Smith is a board member of the Jackson Hole Land Trust (2009-present).

Kenneth B. Robins (1969)

Year of Election or Appointment: 2008

President and Treasurer of Fidelity's Equity and High Income Funds. Mr. Robins also serves as President and Treasurer (2010-present) and Assistant Treasurer (2009-present) of other Fidelity funds and is an employee of Fidelity Investments (2004-present). Previously, Mr. Robins served as Deputy Treasurer of the Fidelity funds (2005-2008) and Treasurer and Chief Financial Officer of The North Carolina Capital Management Trust: Cash and Term Portfolios (2006-2008).

Bruce T. Herring (1965)

Year of Election or Appointment: 2006

Vice President of certain Equity Funds. Mr. Herring also serves as Chief Investment Officer of Fidelity Global Asset Allocation (GAA) (2013-present), Chief Investment Officer and Director of Fidelity Management & Research (U.K.) Inc. (2010-present), Group Chief Investment Officer of FMR, and President of Fidelity Research & Analysis Company (2010-present). Previously, Mr. Herring served as Vice President (2005-2006) and Senior Vice President (2006-2007) of Fidelity Management & Research Company, Vice President of FMR Co., Inc. (2001-2007) and as a portfolio manager for Fidelity U.S. Equity Funds.

Brian B. Hogan (1964)

Year of Election or Appointment: 2009

Vice President of Equity and High Income Funds. Mr. Hogan also serves as President of FMR's Equity Division (2009-present). Previously, Mr. Hogan served as Senior Vice President, Equity Research of FMR (2006-2009) and as a portfolio manager.

Thomas C. Hense (1964)

Year of Election or Appointment: 2008 or 2010

Vice President of Fidelity's High Income (2008), Small Cap (2008), and Value (2010) Funds. Previously, Mr. Hense served as a portfolio manager for Fidelity's Institutional Money Management Group (Pyramis) (2003-2008).

Name, Year of Birth; Principal Occupation

Scott C. Goebel (1968)

Year of Election or Appointment: 2008

Secretary and Chief Legal Officer (CLO) of the Fidelity funds. Mr. Goebel also serves as Secretary of Fidelity Investments Money Management, Inc. (FIMM) (2010-present) and Fidelity Research and Analysis Company (FRAC) (2010-present); Secretary and CLO of The North Carolina Capital Management Trust: Cash and Term Portfolios (2008-present); General Counsel, Secretary, and Senior Vice President of FMR (2008-present) and FMR Co., Inc. (2008-present); employed by FMR LLC or an affiliate (2001-present); Chief Legal Officer of Fidelity Management & Research (Hong Kong) Limited (2008-present) and Assistant Secretary of Fidelity Management & Research (Japan) Inc. (2008-present), and Fidelity Management & Research (U.K.) Inc. (2008-present). Previously, Mr. Goebel served as Assistant Secretary of FIMM (2008-2010), FRAC (2008-2010), and the Funds (2007-2008) and as Vice President and Secretary of Fidelity Distributors Corporation (FDC) (2005-2007).

William C. Coffey (1969)

Year of Election or Appointment: 2009

Assistant Secretary of Fidelity's Equity and High Income Funds. Mr. Coffey also serves as Senior Vice President and Deputy General Counsel of FMR LLC (2010-present), and is an employee of Fidelity Investments. Previously, Mr. Coffey served as Vice President and Associate General Counsel of FMR LLC (2005-2009).

Elizabeth Paige Baumann (1968)

Year of Election or Appointment: 2012

Anti-Money Laundering (AML) Officer of the Fidelity funds. Ms. Baumann also serves as AML Officer of The North Carolina Capital Management Trust: Cash and Term Portfolios (2012-present), Chief AML Officer of FMR LLC (2012-present), and is an employee of Fidelity Investments. Previously, Ms. Baumann served as Vice President and Deputy Anti-Money Laundering Officer (2007-2012).

Christine Reynolds (1958)

Year of Election or Appointment: 2008

Chief Financial Officer of the Fidelity funds. Ms. Reynolds became President of Fidelity Pricing and Cash Management Services (FPCMS) in August 2008. Ms. Reynolds served as Chief Operating Officer of FPCMS (2007-2008). Previously, Ms. Reynolds served as President, Treasurer, and Anti-Money Laundering officer of the Fidelity funds (2004-2007).

Joseph A. Hanlon (1968)

Year of Election or Appointment: 2012

Chief Compliance Officer of Fidelity's Equity and High Income Funds. Mr. Hanlon serves as Compliance Officer of FMR, FMR Co., Inc., Fidelity Investments Money Management, Inc. (FIMM), Fidelity Research and Analysis Company (FRAC), Fidelity Management & Research (Japan) Inc., Fidelity Management & Research (U.K.) Inc., Fidelity Management & Research (Hong Kong), and Strategic Advisers, Inc. (2009-present), as Senior Vice President of the Fidelity Asset Management Division (2009-present), and is an employee of Fidelity Investments.

Joseph F. Zambello (1957)

Year of Election or Appointment: 2011

Deputy Treasurer of the Fidelity funds. Mr. Zambello is an employee of Fidelity Investments. Previously, Mr. Zambello served as Vice President of FMR's Program Management Group (2009-2011) and Vice President of the Transfer Agent Oversight Group (2005-2009).

Adrien E. Deberghes (1967)

Year of Election or Appointment: 2008

Deputy Treasurer of Fidelity's Equity and High Income Funds. Mr. Deberghes also serves as Vice President (2011-present) and Assistant Treasurer (2010-present) of other Fidelity funds, and is an employee of Fidelity Investments (2008-present). Previously, Mr. Deberghes served as Senior Vice President of Mutual Fund Administration at State Street Corporation (2007-2008), Senior Director of Mutual Fund Administration at Investors Bank & Trust (2005-2007), and Director of Finance for Dunkin' Brands (2000-2005).

Name, Year of Birth; Principal Occupation

Stephen Sadoski (1971)

Year of Election or Appointment: 2012

Deputy Treasurer of Fidelity's Equity and High Income Funds. Mr. Sadoski also serves as Deputy Treasurer of other Fidelity funds (2013-present) and is an employee of Fidelity Investments (2012-present). Previously, Mr. Sadoski served as Assistant Treasurer of Fidelity's Fixed Income and Asset Allocation Funds (2012-2013), an assistant chief accountant in the Division of Investment Management of the Securities and Exchange Commission (SEC) (2009-2012) and as a senior manager at Deloitte & Touche (1997-2009).

Stacie Smith (1974)

Year of Election or Appointment: 2013

Deputy Treasurer of Fidelity's Equity and High Income Funds. Ms. Smith is an employee of Fidelity Investments (2009-present). Previously, Ms. Smith served as Senior Audit Manager of Ernst & Young LLP (1996-2009).

Stephanie J. Dorsey (1969)

Year of Election or Appointment: 2010

Assistant Treasurer of Fidelity's Equity and High Income Funds. Ms. Dorsey also serves as President and Treasurer (2013-present) and Assistant Treasurer (2012-present) of other Fidelity funds and is an employee of Fidelity Investments (2008-present). Previously, Ms. Dorsey served as Deputy Treasurer of Fidelity's Fixed Income and Asset Allocation Funds (2008-2013), Treasurer (2004-2008) of the JPMorgan Mutual Funds and Vice President (2004-2008) of JPMorgan Chase Bank.

John R. Hebble (1958)

Year of Election or Appointment: 2009

Assistant Treasurer of Fidelity's Equity and High Income Funds. Mr. Hebble also serves as President (2011-present), Treasurer, and Chief Financial Officer of The North Carolina Capital Management Trust: Cash and Term Portfolios (2008-present) and is an employee of Fidelity Investments. Previously, Mr. Hebble served as President and Treasurer of Fidelity's Fixed Income and Asset Allocation Funds (2008-2013).

Gary W. Ryan (1958)

Year of Election or Appointment: 2005

Assistant Treasurer of the Fidelity funds. Mr. Ryan is an employee of Fidelity Investments. Previously, Mr. Ryan served as Vice President of Fund Reporting in Fidelity Pricing and Cash Management Services (FPCMS) (1999-2005).

Jonathan Davis (1968)

Year of Election or Appointment: 2010

Assistant Treasurer of the Fidelity funds. Mr. Davis is also Assistant Treasurer of Fidelity Rutland Square Trust II and Fidelity Commonwealth Trust II. Mr. Davis is an employee of Fidelity Investments. Previously, Mr. Davis served as Vice President and Associate General Counsel of FMR LLC (2003-2010).

<u>Standing Committees of the Funds' Trustees.</u> The Board of Trustees has established various committees to support the Independent Trustees in acting independently in pursuing the best interests of the funds and their shareholders. Currently, the Board of Trustees has 10 standing committees. The members of each committee are Independent Trustees.

The Operations Committee is composed of all of the Independent Trustees, with Mr. Lautenbach currently serving as Chair and Mr. Stavropoulos serving as Vice Chair. The committee normally meets eight times a year, or more frequently as called by the Chair, and serves as a forum for consideration of issues of importance to, or calling for particular determinations by, the Independent Trustees. The committee also considers matters involving potential conflicts of interest between the funds and FMR and its affiliates and reviews proposed contracts and the proposed continuation of contracts between the funds and FMR and its affiliates, and annually reviews and makes recommendations regarding contracts with third parties unaffiliated with FMR, including insurance coverage and custody agreements. The committee also monitors additional issues including the nature, levels and quality of services provided to shareholders and significant litigation. The committee also has oversight of compliance issues not specifically within the scope of any other committee. The committee is also responsible for definitive action on all compliance matters involving the potential for significant reimbursement by FMR. During the fiscal year ended December 31, 2012, the committee held 20 meetings.

The Fair Value Oversight Committee is composed of all of the Independent Trustees, with Mr. Lautenbach currently serving as Chair. The committee normally meets quarterly, or more frequently as called by the Chair. The Fair Value Oversight Committee monitors and establishes policies concerning procedures and controls regarding the valuation of fund investments and monitors matters of disclosure to the extent required to fulfill its statutory responsibilities. The committee also reviews actions taken by FMR's Fair Value Committee. During the fiscal year ended December 31, 2012, the committee held four meetings.

The Board of Trustees has established two Fund Oversight Committees: the Equity I Committee (composed of Ms. Small (Chair), and Messrs. Dirks, Lacy, Selander, and Wiley) and the Equity II Committee (composed of Messrs. Stavropoulos (Chair), Lautenbach, Mauriello, and Thomas). Each committee normally meets in conjunction with in-person meetings of the Board of Trustees, or more frequently as called by the Chair of the respective committee. Each committee develops an understanding of and reviews the investment objectives, policies, and practices of each fund under its oversight. Each committee also monitors investment performance, compliance by each relevant fund with its investment policies and restrictions and reviews appropriate benchmarks, competitive universes, unusual or exceptional investment matters, the personnel and other resources devoted to the management of each fund and all other matters bearing on each fund's investment results. Each committee will review and recommend any required action to the Board in respect of specific funds, including new funds, changes in fundamental and non-fundamental investment policies and restrictions, partial or full closing to new investors, fund mergers, fund name changes, and liquidations of funds. The members of each committee may organize working groups to make recommendations concerning issues related to funds that are within the scope of the committee review. These working groups report to the committee or to the Independent Trustees, or both, as appropriate. Each working group may request from FMR such information from FMR as may be appropriate to the working group's deliberations. During the fiscal year ended December 31, 2012, each Fund Oversight Committee held 13 meetings.

The Shareholder, Distribution and Brokerage Committee is composed of Messrs. Dirks (Chair), Stavropoulos, and Thomas, and Ms. Small. Mr. Lautenbach alternates his attendance of committee meetings with his attendance of Audit Committee meetings. The committee normally meets eight times a year, or more frequently as called by the Chair. Regarding shareholder services, the committee considers the structure and amount of the funds' transfer agency fees and fees, including direct fees to investors (other than sales loads), such as bookkeeping and custodial fees, and the nature and quality of services rendered by FMR and its affiliates or third parties (such as custodians) in consideration of these fees. The committee also considers other non-investment management services rendered to the funds by FMR and its affiliates, including pricing and bookkeeping services. The committee monitors and recommends policies concerning the securities transactions of the funds, including brokerage. The committee periodically reviews the policies and practices with respect to efforts to achieve best execution, commissions paid to firms supplying research and brokerage services or paying fund expenses, and policies and procedures designed to assure that any allocation of portfolio transactions is not influenced by the sale of fund shares. The committee also monitors brokerage and other similar relationships between the funds and firms affiliated with FMR that participate in the execution of securities transactions. Regarding the distribution of fund shares, the committee considers issues bearing on the various distribution channels employed by the funds, including issues regarding Rule 18f-3 plans and related consideration of classes of shares, sales load structures (including breakpoints), load waivers, selling concessions and service charges paid to intermediaries, Rule 12b-1 plans, contingent deferred sales charges, and finder's fees, and other means by which intermediaries are compensated for selling fund shares or providing shareholder servicing, including revenue sharing. The committee also considers issues bearing on the preparation and use of advertisements and sales literature for the funds, policies and procedures regarding frequent purchase of fund shares, and selective disclosure of portfolio holdings. During the fiscal year ended December 31, 2012, the Shareholder, Distribution and Brokerage Committee held seven meetings.

The Audit Committee is composed of Messrs. Mauriello (Chair), Lacy, Selander, and Wiley. Mr. Lautenbach alternates his attendance of committee meetings with his attendance of Shareholder, Distribution, and Brokerage Committee meetings. All committee members must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. At least one committee member will be an "audit committee financial expert" as defined by the SEC. The committee will have at least one committee member in common with the Compliance Committee. The committee normally meets four times a year, or more frequently as called by the Chair. The committee meets separately at least annually with the funds' Treasurer, with the funds' Chief Financial Officer, with personnel responsible for the internal audit function of FMR LLC, and with the funds' outside auditors. The committee has direct responsibility for the appointment, compensation, and oversight of the work of the outside auditors employed by the funds. The committee assists the Trustees in overseeing and monitoring: (i) the systems of internal accounting and financial controls of the funds and the funds' service providers, (to the extent such controls impact the funds' financial statements); (ii) the funds' auditors and the annual audits of the funds' financial statements; (iii) the financial reporting processes of the funds; (iv) whistleblower reports; and (v) the accounting policies and disclosures of the funds. The committee considers and acts upon (i) the provision by any outside auditor of any non-audit services for any fund, and (ii) the provision by any outside auditor of certain non-audit services to fund service providers and their affiliates to the extent that such approval (in the case of this clause (ii)) is required under applicable regulations of the SEC. In furtherance of the foregoing, the committee has adopted (and may from time to time amend or supplement) and provides oversight of policies and procedures for non-audit engagements by outside auditors of the funds. It is responsible for approving all audit engagement fees and terms for the funds and for resolving disagreements between a fund and any outside auditor regarding any fund's financial reporting. Auditors of the funds report directly to the committee. The committee will obtain assurance of independence and objectivity from the outside auditors, including a formal written statement delineating all relationships between the auditor and the funds and any service providers consistent with the rules of the Public Company Accounting Oversight Board. The committee will receive reports of compliance with provisions of the Auditor Independence Regulations relating to the hiring of employees or former employees of the outside auditors. It oversees and receives reports on the funds' service providers' internal controls and reviews the adequacy and effectiveness of the service providers' accounting and financial controls, including: (i) any significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the funds' ability to record, process, summarize,

and report financial data; (ii) any change in the fund's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the fund's internal control over financial reporting; and (iii) any fraud, whether material or not, that involves management or other employees who have a significant role in the funds' or service providers internal controls over financial reporting. The committee will also review any correspondence with regulators or governmental agencies or published reports that raise material issues regarding the funds' financial statements or accounting policies. These matters may also be reviewed by the Compliance Committee or the Operations Committee. The Chair of the Audit Committee will coordinate with the Chair of the Compliance Committee, as appropriate. The committee reviews at least annually a report from each outside auditor describing any material issues raised by the most recent internal quality control, peer review, or Public Company Accounting Oversight Board examination of the auditing firm and any material issues raised by any inquiry or investigation by governmental or professional authorities of the auditing firm and in each case any steps taken to deal with such issues. The committee will oversee and receive reports on the funds' financial reporting process, will discuss with FMR, the funds' Treasurer, outside auditors and, if appropriate, internal audit personnel of FMR LLC, their qualitative judgments about the appropriateness and acceptability of accounting principles and financial disclosure practices used or proposed for adoption by the funds. The committee will review with FMR, the funds' Treasurer, outside auditor, and internal audit personnel of FMR LLC and, as appropriate, legal counsel the results of audits of the funds' financial statements. The committee will review periodically the funds' major internal controls exposures and the steps that have been taken to monitor and control such exposures. During the fiscal year ended December 31, 2012, the committee held nine meetings.

The Governance and Nominating Committee is composed of Messrs. Lautenbach (Chair) and Stavropoulos. The committee meets as called by the Chair. With respect to fund governance and board administration matters, the committee periodically reviews procedures of the Board of Trustees and its committees (including committee charters) and periodically reviews compensation of Independent Trustees. The committee monitors corporate governance matters and makes recommendations to the Board of Trustees on the frequency and structure of the Board of Trustee meetings and on any other aspect of Board procedures. It acts as the administrative committee under the retirement plan for Independent Trustees who retired prior to December 30, 1996 and under the fee deferral plan for Independent Trustees. It reviews the performance of legal counsel employed by the funds and the Independent Trustees. On behalf of the Independent Trustees, the committee will make such findings and determinations as to the independence of counsel for the Independent Trustees as may be necessary or appropriate under applicable regulations or otherwise. The committee is also responsible for Board administrative matters applicable to Independent Trustees, such as expense reimbursement policies and compensation for attendance at meetings, conferences and other events. The committee monitors compliance with, acts as the administrator of, and makes determinations in respect of, the provisions of the code of ethics and any supplemental policies regarding personal securities transactions applicable to the Independent Trustees. The committee monitors the functioning of each Board committee and makes recommendations for any changes, including the creation or elimination of standing or ad hoc Board committees. The committee monitors regulatory and other developments to determine whether to recommend modifications to the committee's responsibilities or other Trustee policies and procedures in light of rule changes, reports concerning "best practices" in corporate governance and other developments in mutual fund governance. The committee meets with Independent Trustees at least once a year to discuss matters relating to fund governance. The committee recommends that the Board establish such special or ad hoc Board committees as may be desirable or necessary from time to time in order to address ethical, legal, or other matters that may arise. The committee also oversees the annual self-evaluation of the Board of Trustees and establishes procedures to allow it to exercise this oversight function. In conducting this oversight, the committee shall address all matters that it considers relevant to the performance of the Board of Trustees and shall report the results of its evaluation to the Board of Trustees, including any recommended amendments to the principles of governance, and any recommended changes to the funds' or the Board of Trustees' policies, procedures, and structures. The committee reviews periodically the size and composition of the Board of Trustees as a whole and recommends, if necessary, measures to be taken so that the Board of Trustees reflects the appropriate balance of knowledge, experience, skills, expertise, and diversity required for the Board as a whole and contains at least the minimum number of Independent Trustees required by law. The committee makes nominations for the election or appointment of Independent Trustees and non-management Members of any Advisory Board, and for membership on committees. The committee shall have authority to retain and terminate any third-party advisers, including authority to approve fees and other retention terms. Such advisers may include search firms to identify Independent Trustee candidates and board compensation consultants. The committee may conduct or authorize investigations into or studies of matters within the committee's scope of responsibilities, and may retain, at the funds' expense, such independent counsel or other advisers as it deems necessary. The committee will consider nominees to the Board of Trustees recommended by shareholders based upon the criteria applied to candidates presented to the committee by a search firm or other source. Recommendations, along with appropriate background material concerning the candidate that demonstrates his or her ability to serve as an Independent Trustee of the funds, should be submitted to the Chair of the committee at the address maintained for communications with Independent Trustees. If the committee retains a search firm, the Chair will generally forward all such submissions to the search firm for evaluation. With respect to the criteria for selecting Independent Trustees, it is expected that all candidates will possess the following minimum qualifications: (i) unquestioned personal integrity; (ii) not an interested person of the funds within the meaning of the 1940 Act; (iii) does not have a material relationship (e.g., commercial, banking, consulting, legal, or accounting) with the adviser, any sub-adviser, or their affiliates that could create an appearance of lack of independence in respect of the funds; (iv) has the disposition to act independently in respect of FMR and its affiliates and others in order to protect the interests of the funds and all shareholders; (v) ability to attend regularly scheduled meetings during the year; (vi) demonstrates sound business judgment gained through broad experience in significant positions where the candidate has dealt with management, technical, financial, or regulatory issues; (vii) sufficient financial or accounting knowledge to add value in the complex financial environment of the funds;

(viii) experience on corporate or other institutional oversight bodies having similar responsibilities, but which board memberships or other relationships could not result in business or regulatory conflicts with the funds; and (ix) capacity for the hard work and attention to detail that is required to be an effective Independent Trustee in light of the funds' complex regulatory, operational, and marketing setting. The Governance and Nominating Committee may determine that a candidate who does not have the type of previous experience or knowledge referred to above should nevertheless be considered as a nominee if the Governance and Nominating Committee finds that the candidate has additional qualifications such that his or her qualifications, taken as a whole, demonstrate the same level of fitness to serve as an Independent Trustee. During the fiscal year ended December 31, 2012, the committee held eight meetings.

The Compliance Committee is composed of Messrs. Selander (Chair), Lautenbach, Mauriello, and Wiley. The committee normally meets quarterly, or more frequently as called by the Chair. The committee oversees the administration and operation of the compliance policies and procedures of the funds and their service providers as required by Rule 38a-1 of the 1940 Act. The committee is responsible for the review and approval of policies and procedures relating to (i) provisions of the Code of Ethics, (ii) anti-money laundering requirements, (iii) compliance with investment restrictions and limitations, (iv) privacy, (v) recordkeeping, and (vi) other compliance policies and procedures which are not otherwise delegated to another committee. The committee has responsibility for recommending to the Board the designation of a CCO of the funds. The committee serves as the primary point of contact between the CCO and the Board, it oversees the annual performance review and compensation of the CCO, and if required, makes recommendations to the Board with respect to the removal of the appointed CCO. The committee receives reports of significant correspondence with regulators or governmental agencies, employee complaints or published reports which raise concerns regarding compliance matters, and copies of significant non-routine correspondence with the SEC. The committee receives reports from the CCO including the annual report concerning the funds' compliance policies as required by Rule 38a-1, quarterly reports in respect of any breaches of fiduciary duty or violations of federal securities laws, and reports on any other compliance or related matters that would otherwise be subject to periodic reporting or that may have a significant impact on the funds. The committee will recommend to the Board, what actions, if any, should be taken with respect to such reports. During the fiscal year ended December 31, 2012, the committee held four meetings.

The Proxy Voting Committee is composed of Messrs. Thomas (Chair), Dirks, and Selander. The committee will meet as needed to review the fund's proxy voting policies, consider changes to the policies, and review the manner in which the policies have been applied. The committee will receive reports on the manner in which proxy votes have been cast under the proxy voting policies and reports on consultations between the fund's investment advisers and portfolio companies concerning matters presented to shareholders for approval. The committee will address issues relating to the fund's annual voting report filed with the SEC. The committee will receive reports concerning the implementation of procedures and controls designed to ensure that the proxy voting policies are implemented in accordance with their terms. The committee will consider FMR's recommendations concerning certain non-routine proposals not covered by the proxy voting policies. The committee will receive reports with respect to steps taken by FMR to assure that proxy voting has been done without regard to any other FMR relationships, business or otherwise, with that portfolio company. The committee will make recommendations to the Board concerning the casting of proxy votes in circumstances where FMR has determined that, because of a conflict of interest, the proposal to be voted on should be reviewed by the Board. During the fiscal year ended December 31, 2012, the committee held three meetings.

The Research Committee is composed of Messrs. Lacy (Chair) and Thomas, and Ms. Small. The Committee will meet as needed. The Committee's purpose is to assess the quality of the investment research available to FMR's investment professionals. As such, the Committee reviews information pertaining to the sources of such research, the categories of research, the manner in which the funds bear the cost of research, and FMR's internal research capabilities, including performance metrics, interactions between FMR portfolio managers and research analysts, and the professional quality of analysts in research careers. Where necessary, the Committee recommends actions with respect to various reports providing information on FMR's research function. During the fiscal year ended December 31, 2012, the committee held six meetings.

The following table sets forth information describing the dollar range of equity securities beneficially owned by each Trustee in each fund and in all funds in the aggregate within the same fund family overseen by the Trustee for the calendar year ended December 31, 2012.

Interested Trustees

| DOLLAR RANGE OF FUND SHARES | James C. Currier | Donald D. O'Hanlay |
|--|------------------|--------------------|
| | James C. Curvey | Ronald P. O'Hanley |
| VIP Balanced Portfolio | none | none |
| VIP Contrafund Portfolio | none | none |
| VIP Disciplined Small Cap Portfolio | none | none |
| VIP Dynamic Capital Appreciation Portfolio | none | none |
| VIP Emerging Markets Portfolio | none | none |
| VIP Equity-Income Portfolio | none | none |
| VIP Growth Portfolio | none | none |
| VIP Growth & Income Portfolio | none | none |
| VIP Growth Opportunities Portfolio | none | none |
| VIP Growth Stock Portfolio | none | none |
| VIP Growth Strategies Portfolio | none | none |
| VIP High Income Portfolio | none | none |
| VIP Index 500 Portfolio | none | none |
| VIP International Capital Appreciation | | |
| Portfolio | none | none |
| VIP Mid Cap Portfolio | none | none |
| VIP Overseas Portfolio | none | none |
| VIP Value Portfolio | none | none |
| VIP Value Leaders Portfolio | none | none |
| VIP Value Strategies Portfolio | none | none |
| AGGREGATE DOLLAR RANGE OF FUND SHARES IN ALL FUNDS OVERSEEN WITHIN FUND FAMILY | over \$100,000 | over \$100,000 |

Independent Trustees

| DOLLAR RANGE OF FUND SHARES | Dennis J. Dirks | Alan J. Lacy | Ned C. Lautenbach | Joseph Mauriello | Robert W. Selander |
|--|-------------------|----------------|-----------------------|------------------|--------------------|
| VIP Balanced Portfolio | none | none | none | none | none |
| VIP Contrafund Portfolio | none | none | none | none | none |
| VIP Disciplined Small Cap Portfolio | none | none | none | none | none |
| VIP Dynamic Capital Appreciation Portfolio | none | none | none | none | none |
| VIP Emerging Markets Portfolio | none | none | none | none | none |
| VIP Equity-Income Portfolio | none | none | none | none | none |
| VIP Growth Portfolio | none | none | none | none | none |
| VIP Growth & Income Portfolio | none | none | none | none | none |
| VIP Growth Opportunities Portfolio | none | none | none | none | none |
| VIP Growth Stock Portfolio | none | none | none | none | none |
| VIP Growth Strategies Portfolio | none | none | none | none | none |
| VIP High Income Portfolio | none | none | none | none | none |
| VIP Index 500 Portfolio | none | none | none | none | none |
| VIP International Capital Appreciation Portfolio | none | none | none | none | none |
| VIP Mid Cap Portfolio | none | none | none | none | none |
| VIP Overseas Portfolio | none | none | none | none | none |
| VIP Value Portfolio | none | none | none | none | none |
| VIP Value Leaders Portfolio | none | none | none | none | none |
| VIP Value Strategies Portfolio | none | none | none | none | none |
| AGGREGATE DOLLAR RANGE OF FUND SHARES IN ALL FUNDS OVERSEEN WITHIN FUND FAMILY | over \$100,000 | over \$100,000 | over \$100,000 | over \$100,000 | over \$100,000 |
| DOLLAR RANGE OF <u>FUND SHARES</u> | Cornelia M. Small | William S. Sta | vropoulos <u>Davi</u> | d M. Thomas | Michael E. Wiley |
| VIP Balanced Portfolio | none | none | | none | none |
| VIP Contrafund Portfolio | none | none | | none | none |
| VIP Disciplined Small Cap Portfolio | none | none | | none | none |
| VIP Dynamic Capital Appreciation Portfolio | none | none | | none | none |
| VIP Emerging Markets Portfolio | none | none | | none | none |
| VIP Equity-Income Portfolio | none | none | | none | none |
| VIP Growth Portfolio | none | none | | none | none |
| VIP Growth & Income Portfolio | none | none | | none | none |
| VIP Growth Opportunities Portfolio | none | none | | none | none |
| VIP Growth Stock Portfolio | none | none | | none | none |
| VIP Growth Strategies Portfolio | none | none | | none | none |
| VIP High Income Portfolio | none | none | | none | none |
| VIP Index 500 Portfolio | none | none | | none | none |
| VIP International Capital Appreciation Portfolio | none | none | | none | none |

The following table sets forth information describing the compensation of each Trustee and Member of the Advisory Board for his or her services for the fiscal year ended December 31, 2012.

none

none

none

none

none

over \$100,000

VIP Mid Cap Portfolio

VIP Overseas Portfolio

VIP Value Leaders Portfolio

VIP Value Strategies Portfolio

AGGREGATE DOLLAR RANGE OF FUND SHARES IN ALL FUNDS OVERSEEN WITHIN FUND FAMILY

VIP Value Portfolio

$\ \, \textbf{Compensation Table}^{1}$

| AGGREGATE COMPENSATION <u>FROM A FUND</u> |] | Dennis J. <u>Dirks</u> | Alan J. <u>Lacy</u> | L | Ned C. | 1 | Joseph Mauriello | David A. <u>Rosow</u> ² | obert W. Selander |
|---|----|---------------------------|------------------------|----|---------|----|---------------------|---------------------------------------|----------------------|
| VIP Balanced Portfolio | \$ | 1,172 | \$ 1,109 | \$ | 1,302 | \$ | 1,142 | \$ 627 | \$ 1,071 |
| VIP Contrafund Portfolio ^B | \$ | 10,136 | \$ 9,600 | \$ | 11,261 | \$ | 9,877 | \$ 5,400 | \$ 9,258 |
| VIP Disciplined Small Cap Portfolio | \$ | 52 | \$ 49 | \$ | 58 | \$ | 51 | \$ 27 | \$ 48 |
| VIP Dynamic Capital Appreciation Portfolio | \$ | 39 | \$ 37 | \$ | 43 | \$ | 38 | \$ 22 | \$ 36 |
| VIP Emerging Markets Portfolio | \$ | 61 | \$ 58 | \$ | 68 | \$ | 60 | \$ 32 | \$ 56 |
| VIP Equity-Income Portfolio ^C | \$ | 3,506 | \$ 3,321 | \$ | 3,897 | \$ | 3,418 | \$ 1,859 | \$ 3,204 |
| VIP Growth Portfolio | \$ | 2,454 | \$ 2,326 | \$ | 2,726 | \$ | 2,391 | \$ 1,291 | \$ 2,241 |
| VIP Growth & Income Portfolio | \$ | 486 | \$ 460 | \$ | 540 | \$ | 473 | \$ 261 | \$ 444 |
| VIP Growth Opportunities Portfolio | \$ | 264 | \$ 250 | \$ | 292 | \$ | 256 | \$ 143 | \$ 240 |
| VIP Growth Stock Portfolio | \$ | 60 | \$ 56 | \$ | 66 | \$ | 58 | \$ 36 | \$ 54 |
| VIP Growth Strategies Portfolio | \$ | 12 | \$ 11 | \$ | 13 | \$ | 11 | \$ 6 | \$ 11 |
| VIP High Income Portfolio | \$ | 856 | \$ 808 | \$ | 950 | \$ | 833 | \$ 468 | \$ 781 |
| VIP Index 500 Portfolio | \$ | 1,522 | \$ 1,440 | \$ | 1,690 | \$ | 1,482 | \$ 826 | \$ 1,390 |
| VIP International Capital Appreciation Portfolio | \$ | 27 | \$ 25 | \$ | 30 | \$ | 26 | \$ 14 | \$ 24 |
| VIP Mid Cap Portfolio | \$ | 4,602 | \$ 4,362 | \$ | 5,115 | \$ | 4,486 | \$ 2,422 | \$ 4,204 |
| VIP Overseas Portfolio | \$ | 910 | \$ 863 | \$ | 1,012 | \$ | 888 | \$ 473 | \$ 832 |
| VIP Value Portfolio | \$ | 93 | \$ 88 | \$ | 103 | \$ | 90 | \$ 48 | \$ 85 |
| VIP Value Leaders Portfolio | \$ | 12 | \$ 12 | \$ | 14 | \$ | 12 | \$ 6 | \$ 11 |
| VIP Value Strategies Portfolio | \$ | 198 | \$ 188 | \$ | 220 | \$ | 193 | \$ 106 | \$ 181 |
| TOTAL COMPENSATION FROM THE FUND COMPLEX ^A | \$ | 450,500 | \$ 426,500 | \$ | 500,500 | \$ | 439,000 | \$ 240,667 | \$ 411,500 |

| AGGREGATE COMPENSATION <u>FROM A FUND</u> | | rnelia M. Small | C | Garnett A. Smith ³ | Villiam S. avropoulos | _ | David M. <u>Thomas</u> | N | lichael E. <u>Wiley</u> |
|---|------|--------------------|----|--------------------------------|--------------------------|----|---------------------------|----|----------------------------|
| VIP Balanced Portfolio | \$ | 1,090 | \$ | 627 | \$ 1,168 | \$ | 1,109 | \$ | 1,122 |
| VIP Contrafund Portfolio ^B | \$ | 9,431 | \$ | 5,400 | \$ 10,102 | \$ | 9,599 | \$ | 9,711 |
| VIP Disciplined Small Cap Portfolio | \$ | 48 | \$ | 27 | \$ 52 | \$ | 49 | \$ | 50 |
| VIP Dynamic Capital Appreciation Portfolio | \$ | 36 | \$ | 22 | \$ 39 | \$ | 37 | \$ | 37 |
| VIP Emerging Markets Portfolio | \$ | 57 | \$ | 32 | \$ 61 | \$ | 58 | \$ | 59 |
| VIP Equity-Income Portfolio ^C | \$ | 3,262 | \$ | 1,859 | \$ 3,496 | \$ | 3,320 | \$ | 3,359 |
| VIP Growth Portfolio | \$ | 2,285 | \$ | 1,291 | \$ 2,445 | \$ | 2,326 | \$ | 2,353 |
| VIP Growth & Income Portfolio | \$ | 452 | \$ | 261 | \$ 484 | \$ | 460 | \$ | 465 |
| VIP Growth Opportunities Portfolio | \$ | 246 | \$ | 143 | \$ 262 | \$ | 250 | \$ | 253 |
| VIP Growth Stock Portfolio | \$ | 55 | \$ | 36 | \$ 59 | \$ | 56 | \$ | 57 |
| VIP Growth Strategies Portfolio | \$ | 11 | \$ | 6 | \$ 12 | \$ | 11 | \$ | 11 |
| VIP High Income Portfolio | \$ | 794 | \$ | 468 | \$ 852 | \$ | 808 | \$ | 818 |
| VIP Index 500 Portfolio | \$ | 1,415 | \$ | 826 | \$ 1,516 | \$ | 1,441 | \$ | 1,457 |
| VIP International Capital Appreciation Portfolio | \$ | 25 | \$ | 14 | \$ 27 | \$ | 25 | \$ | 26 |
| VIP Mid Cap Portfolio | \$ | 4,285 | \$ | 2,422 | \$ 4,588 | \$ | 4,361 | \$ | 4,412 |
| VIP Overseas Portfolio | \$ | 848 | \$ | 473 | \$ 908 | \$ | 863 | \$ | 873 |
| VIP Value Portfolio | \$ | 86 | \$ | 48 | \$ 92 | \$ | 88 | \$ | 89 |
| VIP Value Leaders Portfolio | \$ | 11 | \$ | 6 | \$ 12 | \$ | 12 | \$ | 12 |
| VIP Value Strategies Portfolio | \$ | 184 | \$ | 106 | \$ 197 | \$ | 188 | \$ | 190 |
| TOTAL COMPENSATION FROM THE FUND COMPLEX ^A | \$ 4 | 419,000 | \$ | 240,667 | \$ 449,000 | \$ | 426,500 | \$ | 431,500 |

¹ James C. Curvey, Ronald P. O'Hanley, and Peter S. Lynch are interested persons and are compensated by FMR.

As of February 28, 2013, the Trustees, Members of the Advisory Board, and officers of each fund owned, in the aggregate, less than 1% of each fund's total outstanding shares.

As of February 28, 2013, the following owned of record and/or beneficially 5% or more of the outstanding shares of a class:

| Class Name | Owner Name | City | State | Ownership % |
|--|---|----------|-------|-------------|
| VIP Balanced Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 72.63% |
| VIP Balanced Portfolio: Initial Class | Nationwide Financial | Columbus | OH | 7.53% |
| VIP Balanced Portfolio: Initial Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 6.85% |
| VIP Balanced Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 93.59% |

² Effective June 12, 2012, Mr. Rosow serves as a Member of the Advisory Board.

³ Effective June 12, 2012, Mr. Smith serves as a Member of the Advisory Board.

A Reflects compensation received for the calendar year ended December 31, 2012 for 236 funds of 29 trusts (including Fidelity Central Investment Portfolios LLC). Compensation figures include cash and may include amounts deferred at the election of Trustees. Certain of the Independent Trustees elected voluntarily to defer a portion of their compensation as follows: Dennis J. Dirks, \$221,918; Ned C. Lautenbach, \$262,798; Cornelia M. Small, \$175,000; William S. Stavropoulos, \$200,000; and Michael E. Wiley, \$180,000.

B Compensation figures include cash and may include amounts deferred at the election of Trustees. Certain of the Independent Trustees' aggregate compensation from the fund includes accrued voluntary deferred compensation as follows: Dennis J. Dirks, \$8,549; Ned C. Lautenbach, \$10,123; Cornelia M. Small, \$6,741; William S. Stavropoulos, \$7,704; and Michael E. Wiley, \$6,934.

Compensation figures include cash and may include amounts deferred at the election of Trustees. Certain of the Independent Trustees' aggregate compensation from the fund includes accrued voluntary deferred compensation as follows: Dennis J. Dirks, \$2,958; Ned C. Lautenbach, \$3,503; Cornelia M. Small, \$2,333; William S. Stavropoulos, \$2,666; and Michael E. Wiley, \$2,400.

| Class Name | Owner Name | City | State | Ownership % |
|--|--|--------------|-------|-------------|
| VIP Balanced Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 6.44% |
| VIP Balanced Portfolio: Service Class | Nationwide Financial | Columbus | ОН | 90.10% |
| VIP Balanced Portfolio: Service Class | Ameriprise Financial Corporation | Minneapolis | MN | 6.30% |
| VIP Balanced Portfolio: Service Class 2 | Aegon USA | Los Angeles | CA | 38.11% |
| VIP Balanced Portfolio: Service Class 2 | Sun Life | Boston | MA | 26.66% |
| VIP Balanced Portfolio: Service Class 2 | Genworth Financial Securities Corporation | Richmond | VA | 24.70% |
| VIP Contrafund Portfolio: Initial Class | ING | Windsor | CT | 29.38% |
| VIP Contrafund Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 12.90% |
| VIP Contrafund Portfolio: Initial Class | Mutual of America | New York | NY | 10.39% |
| VIP Contrafund Portfolio: Initial Class | Mass Mutual | Springfield | MA | 7.92% |
| VIP Contrafund Portfolio: Initial Class | New York Life Group | New York | NY | 6.74% |
| VIP Contrafund Portfolio: Initial Class | American United Life Insurance Company | Indianapolis | IN | 5.69% |
| VIP Contrafund Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 86.02% |
| VIP Contrafund Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 9.21% |
| VIP Contrafund Portfolio: Service Class | Lincoln National | Fort Wayne | IN | 37.72% |
| VIP Contrafund Portfolio: Service Class | MetLife | Boston | MA | 20.52% |
| VIP Contrafund Portfolio: Service Class | Nationwide Financial | Columbus | OH | 7.38% |
| VIP Contrafund Portfolio: Service Class | Ameritas | Lincoln | NE | 6.71% |
| VIP Contrafund Portfolio: Service Class | Phoenix | Hartford | CT | 6.10% |
| VIP Contrafund Portfolio: Service Class 2 | Lincoln National | Fort Wayne | IN | 14.18% |
| VIP Contrafund Portfolio: Service Class 2 | ING | West Chester | PA | 12.64% |
| VIP Contrafund Portfolio: Service Class 2 | Hartford Life | Hartford | CT | 10.63% |
| VIP Contrafund Portfolio: Service Class 2 | Ameriprise Financial Corporation | Minneapolis | MN | 8.28% |
| VIP Contrafund Portfolio: Service Class 2 | Guardian Insurance & Annuity Company, Inc. | Bethlehem | PA | 7.22% |
| VIP Contrafund Portfolio: Service Class 2 | New York Life Group | New York | NY | 6.58% |
| VIP Contrafund Portfolio: Service Class 2 | Ohio National Life Insurance Company | Cincinnati | ОН | 5.42% |
| VIP Contrafund Portfolio: Service Class 2 R | Nationwide Financial | Columbus | OH | 99.99% |
| VIP Disciplined Small Cap Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 93.82% |
| VIP Disciplined Small Cap Portfolio: Initial Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 5.75% |
| VIP Disciplined Small Cap Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 90.42% |
| VIP Disciplined Small Cap Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 9.62% |
| VIP Disciplined Small Cap Portfolio: Service Class | Fidelity Investments | Boston | MA | 100% |
| VIP Disciplined Small Cap Portfolio: Service Class 2 | Western & Southern | Cincinnati | ОН | 88.68% |
| VIP Disciplined Small Cap Portfolio: Service Class 2 | Jefferson National Life Ins Co | Louisville | KY | 9.98% |
| VIP Dynamic Capital Appreciation Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 92.15% |
| VIP Dynamic Capital Appreciation Portfolio: Initial Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 6.80% |

| Class Name | Owner Name | City | State | Ownership % |
|--|--|-------------|-------|-------------|
| VIP Dynamic Capital Appreciation Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 92.89% |
| VIP Dynamic Capital Appreciation Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 7.13% |
| VIP Dynamic Capital Appreciation Portfolio: Service Class | Nationwide Financial | Columbus | ОН | 99.49% |
| VIP Dynamic Capital Appreciation Portfolio: Service Class 2 | Hartford Life | Hartford | CT | 62.31% |
| VIP Dynamic Capital Appreciation Portfolio: Service Class 2 | Genworth Financial Securities Corporation | Richmond | VA | 15.04% |
| VIP Dynamic Capital Appreciation Portfolio: Service Class 2 | MetLife | Hartford | CT | 10.33% |
| VIP Dynamic Capital Appreciation Portfolio: Service Class 2 | Nationwide Financial | Columbus | ОН | 5.86% |
| VIP Emerging Markets Portfolio: Initial Class | VIP Freedom 2020 Portfolio SM | Boston | MA | 49.70% |
| VIP Emerging Markets Portfolio: Initial Class | VIP Freedom 2030 Portfolio SM | Boston | MA | 17.18% |
| VIP Emerging Markets Portfolio: Initial Class | VIP Freedom 2010 Portfolio SM | Boston | MA | 15.34% |
| VIP Emerging Markets Portfolio: Initial Class | VIP Freedom 2015 Portfolio SM | Boston | MA | 7.50% |
| VIP Emerging Markets Portfolio: Initial Class | VIP Freedom 2025 Portfolio SM | Boston | MA | 6.57% |
| VIP Emerging Markets Portfolio: Initial Class R | Fidelity Investments Life Insurance | Boston | MA | 92.26% |
| VIP Emerging Markets Portfolio: Initial Class R | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 5.76% |
| VIP Emerging Markets Portfolio: Investor Class R | | Boston | MA | 57.96% |
| VIP Emerging Markets Portfolio: Investor Class R | | Boston | MA | 9.35% |
| VIP Emerging Markets Portfolio: Investor Class R | | Boston | MA | 6.80% |
| VIP Emerging Markets Portfolio: Investor Class R | | Boston | MA | 6.73% |
| VIP Emerging Markets Portfolio: Investor Class R | VIP Investor Freedom 2015 Portfolio SM | Boston | MA | 5.45% |
| VIP Emerging Markets Portfolio: Investor Class R | | Boston | MA | 5.42% |
| VIP Emerging Markets Portfolio: Service Class | Fidelity Investments | Boston | MA | 100% |
| VIP Emerging Markets Portfolio: Service Class 2 | The Horace Mann Companies | Springfield | IL | 96.97% |
| VIP Emerging Markets Portfolio: Service Class 2 R | Fidelity Investments | Boston | MA | 100% |
| VIP Equity-Income Portfolio: Initial Class | ING | Windsor | CT | 12.94% |
| VIP Equity-Income Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 11.92% |
| VIP Equity-Income Portfolio: Initial Class | Nationwide Financial | Columbus | OH | 11.52% |
| VIP Equity-Income Portfolio: Initial Class | Mutual of America | New York | NY | 7.81% |
| VIP Equity-Income Portfolio: Initial Class | MetLife | Hartford | CT | 7.25% |
| VIP Equity-Income Portfolio: Initial Class | Commonwealth Annuity & Life Insurance Company | Worcester | MA | 5.18% |
| VIP Equity-Income Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 75.83% |

| Class Name | Owner Name | City | State | Ownership % |
|--|--|---------------|-------|-------------|
| VIP Equity-Income Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 8.20% |
| VIP Equity-Income Portfolio: Service Class | Nationwide Financial | Columbus | ОН | 81.25% |
| VIP Equity-Income Portfolio: Service Class | Guardian Insurance & Annuity Company, Inc. | Bethlehem | PA | 5.93% |
| VIP Equity-Income Portfolio: Service Class | Lincoln National | Fort Wayne | IN | 5.21% |
| VIP Equity-Income Portfolio: Service Class 2 | Nationwide Financial | Columbus | OH | 12.76% |
| VIP Equity-Income Portfolio: Service Class 2 | ING | West Chester | PA | 11.20% |
| VIP Equity-Income Portfolio: Service Class 2 | New York Life Group | New York | NY | 11.08% |
| VIP Equity-Income Portfolio: Service Class 2 | Genworth Financial Securities Corporation | Richmond | VA | 10.68% |
| VIP Equity-Income Portfolio: Service Class 2 | Minnesota Mutual Companies, Inc. | Saint Paul | MN | 9.56% |
| VIP Equity-Income Portfolio: Service Class 2 | Hartford Life | Hartford | CT | 9.40% |
| VIP Equity-Income Portfolio: Service Class 2 | Ohio National Life Insurance Company | Cincinnati | ОН | 9.20% |
| VIP Equity-Income Portfolio: Service Class 2 R | Nationwide Financial | Columbus | OH | 99.99% |
| VIP Growth Portfolio: Initial Class | Nationwide Financial | Columbus | OH | 15.11% |
| VIP Growth Portfolio: Initial Class | ING | Windsor | CT | 13.64% |
| VIP Growth Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 13.38% |
| VIP Growth Portfolio: Initial Class | Commonwealth Annuity & Life Insurance Company | Worcester | MA | 5.98% |
| VIP Growth Portfolio: Initial Class | Lincoln National | Fort Wayne | IN | 5.94% |
| VIP Growth Portfolio: Initial Class | MetLife | Boston | MA | 5.25% |
| VIP Growth Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 69.77% |
| VIP Growth Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 6.34% |
| VIP Growth Portfolio: Investor Class | VIP Investor Freedom 2020 Portfolio SM | Boston | MA | 6.18% |
| VIP Growth Portfolio: Service Class | Nationwide Financial | Columbus | OH | 58.52% |
| VIP Growth Portfolio: Service Class | Lincoln National | Fort Wayne | IN | 21.61% |
| VIP Growth Portfolio: Service Class | Phoenix | Hartford | CT | 6.21% |
| VIP Growth Portfolio: Service Class | Zurich Insurance Group | Mercer Island | WA | 5.31% |
| VIP Growth Portfolio: Service Class 2 | Lincoln National | Fort Wayne | IN | 24.21% |
| VIP Growth Portfolio: Service Class 2 | Nationwide Financial | Columbus | OH | 18.15% |
| VIP Growth Portfolio: Service Class 2 | Hartford Life | Hartford | CT | 11.19% |
| VIP Growth Portfolio: Service Class 2 | The Horace Mann Companies | Springfield | IL | 10.85% |
| VIP Growth Portfolio: Service Class 2 | Ohio National Life Insurance Company | Cincinnati | ОН | 8.13% |
| VIP Growth Portfolio: Service Class 2 | Aegon USA | Los Angeles | CA | 7.75% |
| VIP Growth Portfolio: Service Class 2 R | Nationwide Financial | Columbus | OH | 99.99% |
| VIP Growth & Income Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 35.46% |
| VIP Growth & Income Portfolio: Initial Class | VIP Freedom 2020 Portfolio SM | Boston | MA | 17.81% |
| VIP Growth & Income Portfolio: Initial Class | Genworth Financial Securities Corporation | Richmond | VA | 8.07% |
| VIP Growth & Income Portfolio: Initial Class | VIP Freedom 2030 Portfolio SM | Boston | MA | 6.16% |
| VIP Growth & Income Portfolio: Initial Class | VIP Freedom 2010 Portfolio SM | Boston | MA | 5.48% |

| Class Name | Owner Name | City | State | Ownership % |
|--|--|--------------|-------|-------------|
| VIP Growth & Income Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 54.08% |
| VIP Growth & Income Portfolio: Investor Class | VIP Investor Freedom 2020 Portfolio | Boston | MA | 10.28% |
| VIP Growth & Income Portfolio: Investor Class | VIP Investor Freedom 2025 Portfolio SM | Boston | MA | 7.51% |
| VIP Growth & Income Portfolio: Investor Class | VIP Investor Freedom 2030 Portfolio SM | Boston | MA | 7.41% |
| VIP Growth & Income Portfolio: Investor Class | VIP Investor Freedom 2015 Portfolio SM | Boston | MA | 5.98% |
| VIP Growth & Income Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 5.98% |
| VIP Growth & Income Portfolio: Service Class | Ameriprise Financial Corporation | Minneapolis | MN | 90.63% |
| VIP Growth & Income Portfolio: Service Class | Nationwide Financial | Columbus | ОН | 5.90% |
| VIP Growth & Income Portfolio: Service Class 2 | Ameriprise Financial Corporation | Minneapolis | MN | 58.90% |
| VIP Growth & Income Portfolio: Service Class 2 | American Family Life Insurance Company | Madison | WI | 16.31% |
| VIP Growth & Income Portfolio: Service Class 2 | The Horace Mann Companies | Springfield | IL | 8.44% |
| VIP Growth & Income Portfolio: Service Class 2 | Genworth Financial Securities Corporation | Richmond | VA | 6.12% |
| VIP Growth Opportunities Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 55.32% |
| VIP Growth Opportunities Portfolio: Initial Class | Symetra | Bellevue | WA | 9.64% |
| VIP Growth Opportunities Portfolio: Initial Class | Genworth Financial Securities Corporation | Richmond | VA | 8.80% |
| VIP Growth Opportunities Portfolio: Initial Class | Midland National Life Insurance & Annuity Co. | Sioux Falls | SD | 7.19% |
| VIP Growth Opportunities Portfolio: Initial Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 6.19% |
| VIP Growth Opportunities Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 92.69% |
| VIP Growth Opportunities Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 7.29% |
| VIP Growth Opportunities Portfolio: Service Class | Phoenix | Hartford | CT | 88.63% |
| VIP Growth Opportunities Portfolio: Service Class 2 | Genworth Financial Securities Corporation | Richmond | VA | 52.39% |
| VIP Growth Opportunities Portfolio: Service Class 2 | Aegon USA | Cedar Rapids | IA | 11.34% |
| VIP Growth Opportunities Portfolio: Service Class 2 | Security Benefit | Topeka | KS | 8.81% |
| VIP Growth Opportunities Portfolio: Service Class 2 | Sun Life | Boston | MA | 8.14% |
| VIP Growth Opportunities Portfolio: Service Class 2 | American National Insurance Company | Galveston | TX | 6.40% |
| VIP Growth Opportunities Portfolio: Service Class 2 | Commonwealth Annuity & Life Insurance Company | Worcester | MA | 5.89% |
| VIP Growth Stock Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 88.23% |
| VIP Growth Stock Portfolio: Initial Class | Aegon USA | Los Angeles | CA | 5.73% |
| VIP Growth Stock Portfolio: Initial Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 5.71% |
| VIP Growth Stock Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 94.00% |

| Class Name | Owner Name | City | State | Ownership % |
|--|---|-----------------------|----------|------------------|
| VIP Growth Stock Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 6.02% |
| VIP Growth Stock Portfolio: Service Class | Fidelity Investments | Boston | MA | 100% |
| VIP Growth Stock Portfolio: Service Class 2 | Genworth Financial Securities Corporation | Richmond | VA | 97.63% |
| VIP Growth Strategies Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 90.23% |
| VIP Growth Strategies Portfolio: Initial Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 7.28% |
| VIP Growth Strategies Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 92.08% |
| VIP Growth Strategies Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 7.90% |
| VIP Growth Strategies Portfolio: Service Class | Fidelity Investments | Boston | MA | 70.90% |
| VIP Growth Strategies Portfolio: Service Class | Nationwide Financial | Columbus | OH | 29.05% |
| VIP Growth Strategies Portfolio: Service Class 2 | American National Insurance Company | Galveston | TX | 90.72% |
| VIP Growth Strategies Portfolio: Service Class 2 | Nationwide Financial | Columbus | OH | 9.24% |
| VIP High Income Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 24.62% |
| VIP High Income Portfolio: Initial Class | Commonwealth Annuity & Life Insurance Company | Worcester | MA | 12.47% |
| VIP High Income Portfolio: Initial Class | Nationwide Financial | Columbus | OH | 11.96% |
| VIP High Income Portfolio: Initial Class | Allmerica Financial Life Insurance | Topeka | KS | 11.59% |
| VIP High Income Portfolio: Initial Class | American United Life Insurance Company | Indianapolis | IN | 7.34% |
| VIP High Income Portfolio: Initial Class | VIP Freedom 2020 Portfolio | | MA | 6.25% |
| VIP High Income Portfolio: Initial Class | Ameritas | Lincoln | NE | 5.49% |
| VIP High Income Portfolio: Initial Class | MetLife | Hartford | CT | 5.21% |
| VIP High Income Portfolio: Initial Class R | Nationwide Financial | Columbus | ОН | 84.49% |
| VIP High Income Portfolio: Initial Class R | Nationwide Financial | Newark | DE | 15.59% |
| VIP High Income Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 83.15% |
| VIP High Income Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | | MA | 9.97% |
| VIP High Income Portfolio: Service Class | Nationwide Financial | Columbus | OH | 83.12% |
| VIP High Income Portfolio: Service Class | Lincoln National | Fort Wayne | IN | 5.54% |
| VIP High Income Portfolio: Service Class 2 VIP High Income Portfolio: Service Class 2 | Ameritas | Lincoln Cincinnati | NE | 28.52% |
| VIP High Income Portfolio: Service Class 2 VIP High Income Portfolio: Service Class 2 | Western & Southern Minnesota Mutual Companies, Inc. | Saint Paul | OH MN | 13.58% 12.27% |
| VIP High Income Portfolio: Service Class 2 | Midland National Life Insurance & Annuity Co. | Sioux Falls | SD | 11.40% |
| VIP High Income Portfolio: Service Class 2 | Principal Financial Group | Des Moines | IA | 8.79% |
| VIP High Income Portfolio: Service Class 2 | The Horace Mann Companies | Springfield | IL | 5.13% |
| VIP High Income Portfolio: Service Class 2 | AXA Financial | New York | NY | 5.07% |
| VIP High Income Portfolio: Service Class 2 R | Nationwide Financial | Columbus | ОН | 100% |
| VIP High Income Portfolio: Service Class R | Nationwide Financial | Columbus | ОН | 99.95% |
| VIP Index 500 Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 33.47% |
| VIP Index 500 Portfolio: Initial Class | New York Life Group | New York | NY | 10.22% |
| VIP Index 500 Portfolio: Initial Class | Nationwide Financial | Columbus | OH | 9.43% |
| VIP Index 500 Portfolio: Initial Class | ING | Windsor | CT | 6.03% |

| Class Name | Owner Name | City | State | Ownership % |
|--|---|---------------|-------|-------------|
| VIP Index 500 Portfolio: Service Class | Zurich Insurance Group | Mercer Island | WA | 51.26% |
| VIP Index 500 Portfolio: Service Class | Sun Life | Boston | MA | 32.36% |
| VIP Index 500 Portfolio: Service Class | Protective Life Insurance Company | Birmingham | AL | 10.79% |
| VIP Index 500 Portfolio: Service Class 2 | The Horace Mann Companies | Springfield | IL | 28.21% |
| VIP Index 500 Portfolio: Service Class 2 | Protective Life Insurance Company | Birmingham | AL | 19.75% |
| VIP Index 500 Portfolio: Service Class 2 | Allstate Life Insurance Company | Lincoln | NE | 7.79% |
| VIP Index 500 Portfolio: Service Class 2 | American National Insurance Company | Galveston | TX | 7.77% |
| VIP Index 500 Portfolio: Service Class 2 | Western & Southern | Cincinnati | OH | 7.31% |
| VIP Index 500 Portfolio: Service Class 2 | Aegon USA | Cedar Rapids | IA | 6.59% |
| VIP Index 500 Portfolio: Service Class 2 | Midland National Life Insurance & Annuity Co. | Sioux Falls | SD | 5.10% |
| VIP Index 500 Portfolio: Service Class 2 | Security Benefit | Topeka | KS | 5.02% |
| VIP International Capital Appreciation Portfolio: Initial Class | Aegon USA | Los Angeles | CA | 62.42% |
| VIP International Capital Appreciation Portfolio: Initial Class | Minnesota Mutual Companies, Inc. | Saint Paul | MN | 37.61% |
| VIP International Capital Appreciation Portfolio: Initial Class R | Fidelity Investments Life Insurance | Boston | MA | 94.85% |
| VIP International Capital Appreciation Portfolio: Initial Class R | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 5.15% |
| VIP International Capital Appreciation Portfolio: Investor Class R | Fidelity Investments Life Insurance | Boston | MA | 91.87% |
| VIP International Capital Appreciation Portfolio: Investor Class R | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 8.11% |
| VIP International Capital Appreciation Portfolio: Service Class | Fidelity Investments | Boston | MA | 100% |
| VIP International Capital Appreciation Portfolio: Service Class 2 | Jefferson National Life Ins Co | Louisville | KY | 98.55% |
| VIP International Capital Appreciation Portfolio: Service Class 2 R | Fidelity Investments | Boston | MA | 99.96% |
| VIP International Capital Appreciation Portfolio: Service Class R | Fidelity Investments | Boston | MA | 100% |
| VIP Mid Cap Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 25.98% |
| VIP Mid Cap Portfolio: Initial Class | ING | Windsor | CT | 19.93% |
| VIP Mid Cap Portfolio: Initial Class | Mutual of America | New York | NY | 16.16% |
| VIP Mid Cap Portfolio: Initial Class | Lincoln National | Fort Wayne | IN | 11.04% |
| VIP Mid Cap Portfolio: Initial Class | New York Life Group | New York | NY | 6.01% |
| VIP Mid Cap Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 87.75% |
| VIP Mid Cap Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 8.71% |
| VIP Mid Cap Portfolio: Service Class | Ameriprise Financial Corporation | Minneapolis | MN | 43.77% |
| VIP Mid Cap Portfolio: Service Class | Nationwide Financial | Columbus | ОН | 27.32% |
| VIP Mid Cap Portfolio: Service Class | Guardian Insurance & Annuity Company, Inc. | Bethlehem | PA | 10.90% |
| VIP Mid Cap Portfolio: Service Class | Lincoln National | Fort Wayne | IN | 8.93% |
| VIP Mid Cap Portfolio: Service Class 2 | Ameriprise Financial Corporation | Minneapolis | MN | 11.42% |
| VIP Mid Cap Portfolio: Service Class 2 | Lincoln National | Fort Wayne | IN | 10.01% |

| Class Name | Owner Name | City | State | Ownership % |
|---|---|--------------|-------|-------------|
| VIP Mid Cap Portfolio: Service Class 2 | Ohio National Life Insurance Company | Cincinnati | ОН | 8.90% |
| VIP Mid Cap Portfolio: Service Class 2 | Northwestern Mutual Variable Life Insur Co | Milwaukee | WI | 8.79% |
| VIP Mid Cap Portfolio: Service Class 2 | MetLife | Boston | MA | 6.46% |
| VIP Mid Cap Portfolio: Service Class 2 | New York Life Group | New York | NY | 6.34% |
| VIP Mid Cap Portfolio: Service Class 2 | MetLife | Hartford | CT | 5.86% |
| VIP Mid Cap Portfolio: Service Class 2 | Hartford Life | Hartford | CT | 5.77% |
| VIP Mid Cap Portfolio: Service Class 2 | Guardian Insurance & Annuity Company, Inc. | Bethlehem | PA | 5.64% |
| VIP Overseas Portfolio: Initial Class | VIP Freedom 2020 Portfolio | Boston | MA | 11.32% |
| VIP Overseas Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 10.75% |
| VIP Overseas Portfolio: Initial Class | Nationwide Financial | Columbus | OH | 10.54% |
| VIP Overseas Portfolio: Initial Class | ING | Windsor | CT | 8.31% |
| VIP Overseas Portfolio: Initial Class | American United Life Insurance Company | Indianapolis | IN | 5.84% |
| VIP Overseas Portfolio: Initial Class | Zurich Insurance Group | Schaumburg | IL | 5.09% |
| VIP Overseas Portfolio: Initial Class R | Fidelity Investments Life Insurance | Boston | MA | 43.81% |
| VIP Overseas Portfolio: Initial Class R | Nationwide Financial | Columbus | OH | 27.43% |
| VIP Overseas Portfolio: Initial Class R | Nationwide Financial | Newark | DE | 25.32% |
| VIP Overseas Portfolio: Investor Class R | Fidelity Investments Life Insurance | Boston | MA | 62.94% |
| VIP Overseas Portfolio: Investor Class R | VIP Investor Freedom 2020 Portfolio | Boston | MA | 8.11% |
| VIP Overseas Portfolio: Investor Class R | VIP Investor Freedom 2025 Portfolio | Boston | MA | 5.91% |
| VIP Overseas Portfolio: Investor Class R | VIP Investor Freedom 2030 Portfolio | Boston | MA | 5.84% |
| VIP Overseas Portfolio: Investor Class R | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 5.49% |
| VIP Overseas Portfolio: Service Class | Ameriprise Financial Corporation | Minneapolis | MN | 37.53% |
| VIP Overseas Portfolio: Service Class | Nationwide Financial | Columbus | OH | 31.31% |
| VIP Overseas Portfolio: Service Class | Lincoln National | Fort Wayne | IN | 18.34% |
| VIP Overseas Portfolio: Service Class | Sun Life | Boston | MA | 6.91% |
| VIP Overseas Portfolio: Service Class 2 | Ameriprise Financial Corporation | Minneapolis | MN | 32.46% |
| VIP Overseas Portfolio: Service Class 2 | Lincoln National | Fort Wayne | IN | 20.85% |
| VIP Overseas Portfolio: Service Class 2 | The Horace Mann Companies | Springfield | IL | 14.51% |
| VIP Overseas Portfolio: Service Class 2 | Principal Financial Group | Des Moines | IA | 12.62% |
| VIP Overseas Portfolio: Service Class 2 R | Nationwide Financial | Columbus | OH | 100% |
| VIP Overseas Portfolio: Service Class R | Nationwide Financial | Columbus | OH | 93.84% |
| VIP Overseas Portfolio: Service Class R | Nationwide Financial | Newark | DE | 6.15% |
| VIP Value Portfolio: Initial Class | VIP Freedom 2020 Portfolio | Boston | MA | 41.07% |
| VIP Value Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 15.18% |
| VIP Value Portfolio: Initial Class | VIP Freedom 2030 Portfolio | | MA | 14.37% |
| VIP Value Portfolio: Initial Class | VIP Freedom 2010 Portfolio | | MA | 12.68% |
| VIP Value Portfolio: Initial Class | VIP Freedom 2015 Portfolio SM | Boston | MA | 6.26% |
| VIP Value Portfolio: Initial Class | VIP Freedom 2025 Portfolio SM | Boston | MA | 5.48% |

| Class Name | Owner Name | City | State | Ownership % |
|---|---|-------------|-------|-------------|
| VIP Value Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 51.34% |
| VIP Value Portfolio: Investor Class | VIP Investor Freedom 2020 Portfolio | Boston | MA | 10.83% |
| VIP Value Portfolio: Investor Class | VIP Investor Freedom 2025 Portfolio | Boston | MA | 7.97% |
| VIP Value Portfolio: Investor Class | VIP Investor Freedom 2030 Portfolio | Boston | MA | 7.89% |
| VIP Value Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 6.38% |
| VIP Value Portfolio: Investor Class | VIP Investor Freedom 2015 Portfolio | Boston | MA | 6.37% |
| VIP Value Portfolio: Service Class | Nationwide Financial | Columbus | ОН | 95.93% |
| VIP Value Portfolio: Service Class 2 | American National Insurance Company | Galveston | TX | 50.86% |
| VIP Value Portfolio: Service Class 2 | AXA Financial | New York | NY | 34.09% |
| VIP Value Portfolio: Service Class 2 | Nationwide Financial | Columbus | OH | 9.13% |
| VIP Value Portfolio: Service Class 2 | Jefferson National Life Ins Co | Louisville | KY | 5.88% |
| VIP Value Leaders Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 89.63% |
| VIP Value Leaders Portfolio: Initial Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 10.06% |
| VIP Value Leaders Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 86.26% |
| VIP Value Leaders Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 13.70% |
| VIP Value Leaders Portfolio: Service Class | Fidelity Investments | Boston | MA | 100% |
| VIP Value Leaders Portfolio: Service Class 2 | American National Insurance Company | Galveston | TX | 99.33% |
| VIP Value Strategies Portfolio: Initial Class | Fidelity Investments Life Insurance | Boston | MA | 57.89% |
| VIP Value Strategies Portfolio: Initial Class | VIP Freedom 2020 Portfolio | Boston | MA | 17.46% |
| VIP Value Strategies Portfolio: Initial Class | VIP Freedom 2030 Portfolio | Boston | MA | 6.12% |
| VIP Value Strategies Portfolio: Initial Class | VIP Freedom 2010 Portfolio | Boston | MA | 5.40% |
| VIP Value Strategies Portfolio: Service Class | Nationwide Financial | Columbus | OH | 91.52% |
| VIP Value Strategies Portfolio: Service Class | Nationwide Financial | Newark | DE | 7.91% |
| VIP Value Strategies Portfolio: Service Class 2 | Aegon USA | Los Angeles | CA | 62.06% |
| VIP Value Strategies Portfolio: Service Class 2 | Hartford Life | Hartford | CT | 17.37% |
| VIP Value Strategies Portfolio: Service Class 2 | Nationwide Financial | Columbus | OH | 6.64% |
| VIP Value Strategies Portfolio: Investor Class | Fidelity Investments Life Insurance | Boston | MA | 77.48% |
| VIP Value Strategies Portfolio: Investor Class | Empire Fidelity Investments Life Ins. Co. | Boston | MA | 7.22% |

As of February 28, 2013, approximately 74.36% of VIP Balanced Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 88.64% of VIP Disciplined Small Cap Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 71.94% of VIP Dynamic Capital Appreciation Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 35.45% of VIP Emerging Markets Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 34.01% of VIP Growth & Income Portfolio's total outstanding shares was held of record and/or beneficially by Ameriprise Financial Corporation, Minneapolis, MN; approximately 33.91% of VIP Growth Opportunities Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 30.43% of VIP Growth Opportunities Portfolio's total outstanding shares was held of record and/or beneficially by Phoenix, Hartford, CT; approximately 50.77% of VIP Growth Stock Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 43.80% of VIP Growth Stock Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 43.80% of VIP Growth Stock Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 43.80% of VIP Growth Stock Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 43.80% of VIP Growth Stock Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments L

Corporation, Richmond, VA; approximately 65.79% of VIP Growth Strategies Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 34.56% of VIP High Income Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 29.48% of VIP Index 500 Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 91.14% of VIP International Capital Appreciation Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 30.11% of VIP Value Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 79.95% of VIP Value Leaders Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; approximately 32.75% of VIP Value Strategies Portfolio's total outstanding shares was held of record and/or beneficially by Fidelity Investments Life Insurance, Boston, MA; and approximately 27.56% of VIP Value Strategies Portfolio's total outstanding shares was held of record and/or beneficially by Aegon USA, Los Angeles, CA.

A shareholder owning of record or beneficially more than 25% of a fund's outstanding shares may be considered a controlling person. That shareholder's vote could have a more significant effect on matters presented at a shareholders' meeting than votes of other shareholders.

CONTROL OF INVESTMENT ADVISERS

FMR LLC, as successor by merger to FMR Corp., is the ultimate parent company of FMR, FIMM, Fidelity Management & Research (U.K.) Inc. (FMR U.K.), Fidelity Management & Research (Japan) Inc. (FMR Japan), and FMRC. The voting common shares of FMR LLC are divided into two series. Series B is held predominantly by members of the Abigail P. Johnson family, directly or through trusts, and is entitled to 49% of the vote on any matter acted upon by the voting common shares. Series A is held predominantly by non-Johnson family member employees of FMR LLC and its affiliates and is entitled to 51% of the vote on any such matter. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B shares will be voted in accordance with the majority vote of Series B shares. Under the 1940 Act, control of a company is presumed where one individual or group of individuals owns more than 25% of the voting securities of that company. Therefore, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the 1940 Act, to form a controlling group with respect to FMR LLC.

At present, the primary business activities of FMR LLC and its subsidiaries are: (i) the provision of investment advisory, management, shareholder, investment information and assistance and certain fiduciary services for individual and institutional investors; (ii) the provision of securities brokerage services; (iii) the management and development of real estate; and (iv) the investment in and operation of a number of emerging businesses.

FIL Limited, a Bermuda company formed in 1968, is the ultimate parent company of FIL Investment Advisors (FIA), FIL Investments (Japan) Limited (FIJ), and FIL Investment Advisors (UK) Limited (FIA(UK)). Abigail P. Johnson, other Johnson family members, and various trusts for the benefit of the Johnson family own, directly or indirectly, more than 25% of the voting common stock of FIL Limited. At present, the primary business activities of FIL Limited and its subsidiaries are the provision of investment advisory services to non-U.S. investment companies and private accounts investing in securities throughout the world.

Geode, a registered investment adviser, is a subsidiary of Geode Capital Holdings, LLC. Geode was founded in January 2001 to develop and manage quantitative and investment strategies and to provide advisory and sub-advisory services.

FMR, FIMM, FMRC, FMR U.K., FMR H.K., FMR Japan, FIJ, FIA, FIA(UK), Geode (the Investment Advisers), FDC, and the funds have adopted codes of ethics under Rule 17j-1 of the 1940 Act that set forth employees' fiduciary responsibilities regarding the funds, establish procedures for personal investing, and restrict certain transactions. Employees subject to the codes of ethics, including Fidelity and Geode investment personnel, may invest in securities for their own investment accounts, including securities that may be purchased or held by the funds.

MANAGEMENT CONTRACTS

Each fund has entered into a management contract with FMR, pursuant to which FMR furnishes investment advisory and other services.

Pursuant to an SEC exemptive order, FMR intends to act as a manager of managers with respect to VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio, meaning that FMR has the responsibility to oversee sub-advisers and recommend their hiring, termination, and replacement. Subject to approval by the Board of Trustees of VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio but without shareholder approval, FMR may replace or hire unaffiliated sub-advisers or amend the terms of their existing sub-advisory agreements, if any. In the event of approval of a new unaffiliated sub-adviser, shareholders of VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio will be provided with information about the new sub-adviser and sub-advisory agreement within ninety days of appointment.

Management Services (for all funds except VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio). Under the terms of its management contract with each fund, FMR acts as investment adviser and, subject to the supervision of the Board of Trustees, has overall responsibility for directing the investments of the fund in accordance with its investment objective, policies and limitations. FMR also provides each fund with all necessary office facilities and personnel for servicing the fund's investments, compensates all officers of each fund and all Trustees who are interested persons of the trusts or of FMR, and all personnel of each fund or FMR performing services relating to research, statistical and investment activities.

In addition, FMR or its affiliates, subject to the supervision of the Board of Trustees, provide the management and administrative services necessary for the operation of each fund. These services include providing facilities for maintaining each fund's organization; supervising relations with custodians, transfer and pricing agents, accountants, underwriters and other persons dealing with each fund; preparing all general shareholder communications and conducting shareholder relations; maintaining each fund's records and the registration of each fund's shares under federal securities laws and making necessary filings under state securities laws; developing management and shareholder services for each fund; and furnishing reports, evaluations and analyses on a variety of subjects to the Trustees.

Management and Sub-Advisory Services (for VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio). FMR provides each fund with all necessary office facilities and personnel for servicing the fund's investments, compensates all officers of each fund and all Trustees who are interested persons of the trust or of FMR, and compensates all personnel of each fund or FMR performing services relating to research, statistical and investment activities.

In addition, FMR or its affiliates, subject to the supervision of the Board of Trustees, provide the management and administrative services necessary for the operation of each fund. These services include providing facilities for maintaining each fund's organization; supervising relations with custodians, transfer and pricing agents, accountants, underwriters and other persons dealing with each fund; preparing all general shareholder communications and conducting shareholder relations; maintaining each fund's records and the registration of each fund's shares under federal securities laws and making necessary filings under state securities laws; developing management and shareholder services for each fund; and furnishing reports, evaluations and analyses on a variety of subjects to the Trustees.

Geode serves as sub-adviser of each fund. Under its management contract with each fund, FMR acts as investment adviser. Under the sub-advisory agreement, and subject to the supervision of the Board of Trustees, Geode directs the investments of each fund in accordance with its investment objective, policies, and limitations.

Management-Related Expenses. In addition to the management fee payable to FMR and the fees payable to the transfer agent and pricing and bookkeeping agent, and the costs associated with securities lending, as applicable, each fund or each class thereof, as applicable, pays all of its expenses that are not assumed by those parties. Each fund pays for the typesetting, printing, and mailing of its proxy materials to shareholders, legal expenses, and the fees of the custodian, auditor, and Independent Trustees. Each fund's management contract further provides that the fund will pay for typesetting, printing, and mailing prospectuses, statements of additional information, notices, and reports to shareholders; however, under the terms of each fund's transfer agent agreement, the transfer agent bears these costs. Other expenses paid by each fund include interest, taxes, brokerage commissions, the fund's proportionate share of insurance premiums and Investment Company Institute dues, and the costs of registering shares under federal securities laws and making necessary filings under state securities laws. Each fund is also liable for such non-recurring expenses as may arise, including costs of any litigation to which the fund may be a party, and any obligation it may have to indemnify its officers and Trustees with respect to litigation. Each fund also pays the costs related to the solicitation of fund proxies from variable product owners.

Management-Related Expenses (for VIP Index 500 Portfolio). Under the terms of the fund's management contract, FMR is responsible for payment of all operating expenses of the fund, with the exception of the following: interest, taxes, brokerage commissions and other costs in connection with the purchase or sale of securities and other investment instruments, fees and expenses of the Independent Trustees, transfer agent fees and other expenses allocable at the class level, and such non-recurring expenses as may arise, including costs of any litigation to which the fund may be a party, and any obligation it may have to indemnify its officers and Trustees with respect to litigation.

FMR and the fund have entered into a 10 Basis Point Expense Contract, which obliges FMR to pay all class-level expenses of the fund, except for fees paid by a class pursuant to a plan of distribution adopted under Rule 12b-1 and applicable to that class, to limit the total annual operating expenses, other than Rule 12b-1 fees, incurred by each current class (excluding interest, taxes, securities lending costs, brokerage commissions, fees and expenses of the Independent Trustees, and extraordinary expenses) to 0.10%. This Expense Contract may not be amended to increase the fees or expenses payable by each class except by a vote of a majority of the Board of Trustees and by a vote of a majority of the outstanding voting securities of each class. The fund may offer other share classes in the future that may be subject to higher or lower fees and expenses. The fund also pays the costs related to the solicitation of fund proxies from variable product owners.

<u>Management Fees.</u> For the services of FMR under the management contract, VIP Index 500 Portfolio pays FMR a monthly management fee at the annual rate of 0.045% of the fund's average net assets throughout the month.

For the services of FMR under the management contract, each fund (except VIP Index 500 Portfolio) pays FMR a monthly management fee which has two components: a group fee rate and an individual fund fee rate.

The group fee rate is based on the monthly average net assets of all of the registered investment companies with which FMR has management contracts.

The following is the fee schedule for VIP High Income Portfolio.

INCOME FUND

| GROUP FEE RA | ATE SCHEDULE | EFFECTIVE AN | NUAL FEE RATES |
|-----------------|--------------|--------------|----------------------|
| Average Group | Annualized | Group Net | Effective Annual Fee |
| Assets | <u>Rate</u> | Assets | Rate |
| 0 - \$3 billion | .3700% | \$ 1 billion | .3700% |
| 3 – 6 | .3400 | 50 | .2188 |
| 6 – 9 | .3100 | 100 | .1869 |
| 9 – 12 | .2800 | 150 | .1736 |
| 12 - 15 | .2500 | 200 | .1652 |
| 15 – 18 | .2200 | 250 | .1587 |
| 18 – 21 | .2000 | 300 | .1536 |
| 21 – 24 | .1900 | 350 | .1494 |
| 24 - 30 | .1800 | 400 | .1459 |
| 30 - 36 | .1750 | 450 | .1427 |
| 36 - 42 | .1700 | 500 | .1399 |
| 42 – 48 | .1650 | 550 | .1372 |
| 48 – 66 | .1600 | 600 | .1349 |
| 66 - 84 | .1550 | 650 | .1328 |
| 84 - 120 | .1500 | 700 | .1309 |
| 120 - 156 | .1450 | 750 | .1291 |
| 156 - 192 | .1400 | 800 | .1275 |
| 192 - 228 | .1350 | 850 | .1260 |
| 228 - 264 | .1300 | 900 | .1246 |
| 264 - 300 | .1275 | 950 | .1233 |
| 300 - 336 | .1250 | 1,000 | .1220 |
| 336 - 372 | .1225 | 1,050 | .1209 |
| 372 - 408 | .1200 | 1,100 | .1197 |
| 408 - 444 | .1175 | 1,150 | .1187 |
| 444 – 480 | .1150 | 1,200 | .1177 |
| 480 - 516 | .1125 | 1,250 | .1167 |
| 516 - 587 | .1100 | 1,300 | .1158 |
| 587 - 646 | .1080 | 1,350 | .1149 |
| 646 – 711 | .1060 | 1,400 | .1141 |
| 711 – 782 | .1040 | 1,450 | .1132 |
| 782 - 860 | .1020 | 1,500 | .1125 |
| 860 - 946 | .1000 | 1,550 | .1117 |
| 946 - 1,041 | .0980 | 1,600 | .1110 |
| 1,041 - 1,145 | .0960 | 1,650 | .1103 |
| 1,145 - 1,260 | .0940 | 1,700 | .1096 |
| 1,260 - 1,386 | .0920 | 1,750 | .1089 |
| 1,386 - 1,525 | .0900 | 1,800 | .1083 |
| 1,525 - 1,677 | .0880 | 1,850 | .1077 |
| 1,677 - 1,845 | .0860 | 1,900 | .1070 |
| Over 1,845 | .0840 | 1,950 | .1065 |
| | | 2,000 | .1059 |

The group fee rate is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown above on the left. The schedule above on the right shows the effective annual group fee rate at various asset levels, which is the result of cumulatively applying the annualized rates on the left. For example, the effective annual fee rate at \$1,374 billion of group net assets – the approximate level for December 2012 – was 0.1145%, which is the weighted average of the respective fee rates for each level of group net assets up to \$1,374 billion.

GROWTH/GROWTH & INCOME FUNDS

| GROUP FEE R | ATE SCHEDULE | EFFECTIVE ANNUAL FEE RAT | |
|-----------------|--------------|--------------------------|----------------------|
| Average Group | Annualized | Group Net | Effective Annual Fee |
| Assets | Rate | Assets | Rate |
| 0 - \$3 billion | .5200% | \$ 1 billion | .5200% |
| 3 – 6 | .4900 | 50 | .3823 |
| 6 – 9 | .4600 | 100 | .3512 |
| 9 – 12 | .4300 | 150 | .3371 |
| 12 - 15 | .4000 | 200 | .3284 |
| 15 - 18 | .3850 | 250 | .3219 |
| 18 – 21 | .3700 | 300 | .3163 |
| 21 – 24 | .3600 | 350 | .3113 |
| 24 - 30 | .3500 | 400 | .3067 |
| 30 - 36 | .3450 | 450 | .3024 |
| 36 - 42 | .3400 | 500 | .2982 |
| 42 - 48 | .3350 | 550 | .2942 |
| 48 – 66 | .3250 | 600 | .2904 |
| 66 - 84 | .3200 | 650 | .2870 |
| 84 - 102 | .3150 | 700 | .2838 |
| 102 - 138 | .3100 | 750 | .2809 |
| 138 - 174 | .3050 | 800 | .2782 |
| 174 – 210 | .3000 | 850 | .2756 |
| 210 - 246 | .2950 | 900 | .2732 |
| 246 - 282 | .2900 | 950 | .2710 |
| 282 - 318 | .2850 | 1,000 | .2689 |
| 318 - 354 | .2800 | 1,050 | .2669 |
| 354 - 390 | .2750 | 1,100 | .2649 |
| 390 - 426 | .2700 | 1,150 | .2631 |
| 426 - 462 | .2650 | 1,200 | .2614 |
| 462 - 498 | .2600 | 1,250 | .2597 |
| 498 - 534 | .2550 | 1,300 | .2581 |
| 534 - 587 | .2500 | 1,350 | .2566 |
| 587 - 646 | .2463 | 1,400 | .2551 |
| 646 – 711 | .2426 | 1,450 | .2536 |
| 711 – 782 | .2389 | 1,500 | .2523 |
| 782 - 860 | .2352 | 1,550 | .2510 |
| 860 - 946 | .2315 | 1,600 | .2497 |
| 946 - 1,041 | .2278 | 1,650 | .2484 |
| 1,041 - 1,145 | .2241 | 1,700 | .2472 |
| 1,145 - 1,260 | .2204 | 1,750 | .2460 |
| 1,260 - 1,386 | .2167 | 1,800 | .2449 |
| 1,386 - 1,525 | .2130 | 1,850 | .2438 |
| 1,525 - 1,677 | .2093 | 1,900 | .2427 |
| 1,677 - 1,845 | .2056 | 1,950 | .2417 |
| Over 1,845 | .2019 | 2,000 | .2407 |

The group fee rate is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown above on the left. The schedule above on the right shows the effective annual group fee rate at various asset levels, which is the result of cumulatively applying the annualized rates on the left. For example, the effective annual fee rate at \$1,374 billion of group net assets – the approximate level for December 2012 – was 0.2559%, which is the weighted average of the respective fee rates for each level of group net assets up to \$1,374 billion.

The individual fund fee rate for each fund (except VIP Index 500 Portfolio) is set forth in the following table. Based on the average group net assets of the funds advised by FMR for December 2012, each fund's annual management fee rate would be calculated as follows:

| <u>Fund</u> | Group Fee Rate | | Individual Fund Fee Rate | | Management Fee Rate |
|-------------------------------------|----------------|---|--------------------------|---|---------------------|
| VIP Balanced Portfolio | 0.2559% | + | 0.1500% | = | 0.4059% |
| VIP Contrafund Portfolio | 0.2559% | + | 0.3000% | = | 0.5559% |
| VIP Disciplined Small Cap Portfolio | 0.2559% | + | 0.4500% | = | 0.7059% |
| VIP Dynamic Capital Appreciation | | | | | |
| Portfolio | 0.2559% | + | 0.3000% | = | 0.5559% |
| VIP Emerging Markets Portfolio | 0.2559% | + | 0.5500% | = | 0.8059% |
| VIP Equity-Income Portfolio | 0.2559% | + | 0.2000% | = | 0.4559% |
| VIP Growth Portfolio | 0.2559% | + | 0.3000% | = | 0.5559% |
| VIP Growth & Income Portfolio | 0.2559% | + | 0.2000% | = | 0.4559% |
| VIP Growth Opportunities Portfolio | 0.2559% | + | 0.3000% | = | 0.5559% |
| VIP Growth Stock Portfolio | 0.2559% | + | 0.3000% | = | 0.5559% |
| VIP Growth Strategies Portfolio | 0.2559% | + | 0.3500% | = | 0.6059% |
| VIP High Income Portfolio | 0.1145% | + | 0.4500% | = | 0.5645% |
| VIP International Capital | | | | | |
| Appreciation Portfolio | 0.2559% | + | 0.4500% | = | 0.7059% |
| VIP Mid Cap Portfolio | 0.2559% | + | 0.3000% | = | 0.5559% |
| VIP Overseas Portfolio | 0.2559% | + | 0.4500% | = | 0.7059% |
| VIP Value Portfolio | 0.2559% | + | 0.3000% | = | 0.5559% |
| VIP Value Leaders Portfolio | 0.2559% | + | 0.3000% | = | 0.5559% |
| VIP Value Strategies Portfolio | 0.2559% | + | 0.3000% | = | 0.5559% |

One-twelfth of the management fee rate is applied to each fund's average net assets for the month, giving a dollar amount which is the fee for that month.

The following table shows the amount of management fees paid by each fund (except VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio) to FMR for the past three fiscal years.

| | Fiscal Years | Ma | nagement Fees |
|--|--------------|----|---------------|
| | Ended | | Paid to |
| <u>Fund</u> | December 31 | | <u>FMR</u> |
| VIP Balanced Portfolio | 2012 | \$ | 7,670,115 |
| | 2011 | \$ | 7,448,561 |
| | 2010 | \$ | 6,676,891 |
| VIP Contrafund Portfolio | 2012 | \$ | 90,534,257 |
| | 2011 | \$ | 90,471,687 |
| | 2010 | \$ | 93,327,654 |
| VIP Dynamic Capital Appreciation Portfolio | 2012 | \$ | 356,460 |
| | 2011 | \$ | 302,499 |
| | 2010 | \$ | 303,467 |
| VIP Emerging Markets Portfolio | 2012 | \$ | 795,364 |
| | 2011 | \$ | 761,469 |
| | 2010 | \$ | 656,958 |
| VIP Equity-Income Portfolio | 2012 | \$ | 25,636,897 |
| | 2011 | \$ | 26,265,128 |
| | 2010 | \$ | 26,340,116 |
| VIP Growth Portfolio | 2012 | \$ | 21,744,311 |
| | 2011 | \$ | 22,218,424 |
| | 2010 | \$ | 20,222,973 |

| | Fiscal Years | Ma | nagement Fees |
|--|-------------------|----|-----------------------|
| Fund | Ended December 31 | | Paid to <u>FMR</u> |
| VIP Growth & Income Portfolio | 2012 | \$ | 3,567,724 |
| VII GIOWII & INCOINC FORIONO | 2011 | \$ | 3,464,604 |
| | 2010 | \$ | 3,504,671 |
| VIP Growth Opportunities Portfolio | 2012 | \$ | 2,371,295 |
| · · · · · · · · · · · · · · · · · · · | 2011 | \$ | 1,973,084 |
| | 2010 | \$ | 2,237,075 |
| VIP Growth Stock Portfolio | 2012 | \$ | 563,800 |
| | 2011 | \$ | 181,499 |
| | 2010 | \$ | 99,939 |
| VIP Growth Strategies Portfolio | 2012 | \$ | 112,484 |
| | 2011 | \$ | 131,439 |
| | 2010 | \$ | 111,404 |
| VIP High Income Portfolio | 2012 | \$ | 7,824,108 |
| | 2011 | \$ | 6,918,013 |
| | 2010 | \$ | 6,493,662 |
| VIP International Capital Appreciation Portfolio | 2012 | \$ | 308,339 |
| | 2011 | \$ | 295,371 |
| | 2010 | \$ | 312,495 |
| VIP Mid Cap Portfolio | 2012 | \$ | 40,996,980 |
| | 2011 | \$ | 42,857,053 |
| | 2010 | \$ | 39,609,139 |
| VIP Overseas Portfolio | 2012 | \$ | 10,290,977 |
| | 2011 | \$ | 11,921,743 |
| | 2010 | \$ | 12,060,613 |
| VIP Value Portfolio | 2012 | \$ | 821,443 |
| | 2011 | \$ | 841,435 |
| | 2010 | \$ | 769,650 |
| VIP Value Leaders Portfolio | 2012 | \$ | 106,901 |
| | 2011 | \$ | 140,462 |
| | 2010 | \$ | 173,513 |
| VIP Value Strategies Portfolio | 2012 | \$ | 1,787,290 |
| | 2011 | \$ | 1,824,551 |
| | 2010 | \$ | 1,819,953 |

<u>Sub-Adviser – Geode.</u> VIP Disciplined Small Cap Portfolio, VIP Index 500 Portfolio, and FMR have entered into sub-advisory agreements with Geode. Pursuant to the sub-advisory agreements, FMR has granted Geode investment management authority as well as the authority to buy and sell securities.

Under the terms of the sub-advisory agreements, for providing investment management services to VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio, FMR, and not the funds, pays Geode fees at an annual rate of 0.225% and 0.0099%, respectively, of the average net assets of each fund.

The following table shows the amount of management fees paid by VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio to FMR, and the amount of sub-advisory fees paid by FMR, on behalf of each fund, to Geode for the past three fiscal years.

| Fiscal Years | Management Fees | | Sub-Advisory Fo | |
|--------------|-----------------------------|---|--|--|
| Ended | Paid to | | Paid by FM | |
| December 31 | <u>FMR</u> | | to Geode | |
| 2012 | \$ | 591,192 | \$ | 188,106 |
| 2011 | \$ | 563,120 | \$ | 179,045 |
| 2010 | \$ | 354,579 | \$ | 112,580 |
| | Ended December 31 2012 2011 | Ended <u>December 31</u> 2012 \$ 2011 \$ | Ended Paid to December 31 FMR 2012 \$ 591,192 2011 \$ 563,120 | Ended Paid to Paid December 31 FMR t 2012 \$ 591,192 \$ 2011 \$ 563,120 \$ |

| | Fiscal Years | Management Fees | Sub-Advisory Fees |
|-------------------------|--------------|-----------------|-------------------|
| | Ended | Paid to | Paid by FMR |
| <u>Fund</u> | December 31 | <u>FMR</u> | to Geode |
| VIP Index 500 Portfolio | 2012 | \$ 1,105,856 | \$ 243,282 |
| | 2011 †,†† | \$ 1,829,853 | \$ 221,048 |
| | 2010 | \$ 2,020,219 | \$ 201,150 |

[†] On September 1, 2011, FMR reduced the management fee rate paid by VIP Index 500 Portfolio from 0.10% to 0.045%.

FMR may, from time to time, voluntarily reimburse all or a portion of a class's operating expenses. FMR retains the ability to be repaid for these expense reimbursements in the amount that expenses fall below the limit prior to the end of the fiscal year.

Expense reimbursements by FMR will increase a class's returns and yield, and repayment of the reimbursement by a class will decrease its returns and yield.

<u>Sub-Adviser – FIMM.</u> On behalf of VIP Balanced Portfolio, FMR has entered into a sub-advisory agreement with FIMM pursuant to which FIMM has day-to-day responsibility for choosing certain types of investments for the fund. Under the terms of the sub-advisory agreement, FMR, and not the fund, pays FIMM's fees.

Sub-Adviser – FMRC. On behalf of VIP Contrafund Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Emerging Markets Portfolio, VIP Equity-Income Portfolio, VIP Growth Portfolio, VIP Growth & Income Portfolio, VIP Growth Opportunities Portfolio, VIP Growth Stock Portfolio, VIP Growth Strategies Portfolio, VIP High Income Portfolio, VIP International Capital Appreciation Portfolio, VIP Mid Cap Portfolio, VIP Overseas Portfolio, VIP Value Portfolio, VIP Value Leaders Portfolio, and VIP Value Strategies Portfolio, FMR has entered into a sub-advisory agreement with FMRC pursuant to which FMRC has day-to-day responsibility for choosing investments for each fund. On behalf of VIP Balanced Portfolio, FMR has entered into a sub-advisory agreement with FMRC pursuant to which FMRC has day-to-day responsibility for choosing certain types of investments for the fund. On behalf of VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio, FMR has entered into a sub-advisory agreement with FMRC pursuant to which FMRC may provide investment advisory services for each fund. Under the terms of the sub-advisory agreements for each fund, FMR, and not the funds, pays FMRC's fees.

Sub-Advisers – FMR U.K., FMR H.K., FMR Japan, FIA, FIA(UK), and FIJ. On behalf of VIP Balanced Portfolio, VIP Contrafund Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Emerging Markets Portfolio, VIP Equity-Income Portfolio, VIP Growth Portfolio, VIP Growth & Income Portfolio, VIP Growth Opportunities Portfolio, VIP Growth Stock Portfolio, VIP Growth Strategies Portfolio, VIP High Income Portfolio, VIP International Capital Appreciation Portfolio, VIP Mid Cap Portfolio, VIP Overseas Portfolio, VIP Value Portfolio, VIP Value Leaders Portfolio, and VIP Value Strategies Portfolio, FMR has entered into subadvisory agreements with FMR U.K., FMR H.K., and FMR Japan. On behalf of VIP Emerging Markets Portfolio, VIP International Capital Appreciation Portfolio, and VIP Overseas Portfolio, FMR has entered into sub-advisory agreements with FIA. On behalf of VIP Emerging Markets Portfolio and VIP Overseas Portfolio, FIA, in turn, has entered into sub-advisory agreements with FIA(UK) and FIJ. On behalf of VIP International Capital Appreciation Portfolio, FIA in turn, has entered into a sub-advisory agreement with FIA(UK). Pursuant to the sub-advisory agreements, FMR may receive from the sub-advisers investment research and advice on issuers outside the United States (non-discretionary services) and FMR may grant the sub-advisers investment management authority and the authority to buy and sell securities if FMR believes it would be beneficial to the funds (discretionary services). FMR and FIA, and not the funds, pay the sub-advisers.

Fergus Shiel is the portfolio manager of VIP Dynamic Capital Appreciation Portfolio and receives compensation for his services. Sammy Simnegar is the portfolio manager of VIP Emerging Markets Portfolio and VIP International Capital Appreciation Portfolio and receives compensation for his services. Jason Weiner is the portfolio manager of VIP Growth Portfolio and receives compensation for his services. Matthew Fruhan is the portfolio manager of VIP Growth & Income Portfolio and receives compensation for his services. Steven Wymer is lead portfolio manager of VIP Growth Opportunities Portfolio and receives compensation for his services. Gopal Reddy is co-manager of VIP Growth Opportunities Portfolio and receives compensation for his services. Daniel Kelley is the portfolio manager of VIP Growth Stock Portfolio and receives compensation for his services. Christopher Lee is the portfolio manager of VIP Growth Strategies Portfolio and receives compensation for his services. Tom Allen is the portfolio manager of VIP Mid Cap Portfolio and receives compensation for his services. Graeme Rockett is the portfolio manager of VIP Overseas Portfolio and receives compensation for his services. Matthew Friedman is the portfolio manager of VIP Value Portfolio and receives compensation for his services. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of each portfolio manager's compensation may be deferred based on criteria established by FMR or at the election of the portfolio manager.

^{††} Prior to September 1, 2011, under the terms of the sub-advisory agreement, the rate paid by FMR, and not the fund, to Geode for management services to VIP Index 500 Portfolio was an annual rate of 0.01% of the average net assets of the fund.

Each portfolio manager's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of each portfolio manager's bonus are based on the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index and within a defined peer group assigned to each fund or account. The pre-tax investment performance of each portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to three years for the comparison to a peer group. A smaller, subjective component of each portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of each portfolio manager's bonus that is linked to the investment performance of his fund is based on the fund's pre-tax investment performance measured against the benchmark index identified below for the fund, and the fund's pre-tax investment performance (based on the performance of the fund's Initial Class) within the peer group(s) identified below for the fund. Each portfolio manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, portfolio managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

| <u>Fund</u> | Benchmark Index | Peer Group(s) |
|---|---|--|
| VIP Dynamic Capital Appreciation Portfolio | S&P 500 [®] Index | Morningstar [®] Large Growth; Large Value; Large Blend; Mid-Cap Growth; Mid-Cap Value; and Mid-Cap Blend Categories |
| VIP Emerging Markets Portfolio | MSCI® Emerging Markets Index | Morningstar [®] Diversified Emerging Markets Category |
| VIP Growth Portfolio | Russell 3000 [®] Growth Index | Morningstar Large Growth and Mid-Cap Growth Categories |
| VIP Growth & Income Portfolio | S&P 500 [®] Index | Morningstar Large Blend Category |
| VIP Growth Opportunities Portfolio | Russell 1000 [®] Growth Index | Morningstar Large Growth Category |
| VIP Growth Stock Portfolio | Russell 1000 [®] Growth Index | Morningstar Large Growth Category |
| VIP Growth Strategies Portfolio | Russell Midcap [®] Growth Index | Morningstar Mid-Cap Growth Category |
| VIP International Capital Appreciation Portfolio | MSCI [®] ACWI [®] (All Country World Index) ex USA Index (net MA tax) | Morningstar Foreign Large Growth; Foreign Large Value; Foreign Large Blend Categories |
| VIP Mid Cap Portfolio | S&P Midcap 400 [®] Index | Morningstar Mid-Cap Blend Category |
| VIP Overseas Portfolio | MSCI [®] EAFE [®] Index (net MA tax) | Morningstar Foreign Large Blend Category |
| VIP Value Portfolio | Russell 3000 [®] Value Index | Morningstar Large Value; Mid-Cap Value Categories |
| VIP Value Leaders Portfolio | Russell 1000 Value Index | Morningstar Large Value Category |

James Morrow is lead portfolio manager of VIP Equity-Income Portfolio and receives compensation for his services. Adam Kramer is co-manager of VIP Equity-Income Portfolio and receives compensation for his services. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of each portfolio manager's compensation may be deferred based on criteria established by FMR or at the election of the portfolio manager.

Mr. Morrow's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of the portfolio manager's bonus are based on the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index and within a defined peer group assigned to each fund or account. The pre-tax investment performance of the portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to five years for the comparison to a peer group. A smaller, subjective component of the portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of the portfolio manager's bonus that is linked to the investment performance of VIP Equity-Income Portfolio is based on the pre-tax investment performance of the fund measured against the Russell 3000 Value

Index, and the pre-tax investment performance of the fund (based on the performance of the fund's Initial Class) within the Lipper Equity Income Funds. The portfolio manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, portfolio managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

Mr. Kramer's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of the portfolio manager's bonus are based on (i) the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index and within a defined peer group assigned to each fund or account, and (ii) the investment performance of other FMR high yield funds and accounts. The pre-tax investment performance of the portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to five years for the comparison to a peer group. A smaller, subjective component of the portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of the portfolio manager's bonus that is linked to the investment performance of VIP Equity-Income Portfolio is based on the pre-tax investment performance of the fund measured against the Russell 3000 Value Index, and the pre-tax investment performance of the fund (based on the performance of the fund's Initial Class) within the Lipper Equity Income Funds. Another component of the portfolio manager's bonus is based on the pre-tax investment performance of the portion of the fund's assets he manages measured against The BofA Merrill Lynch All US Convertibles Index, and the pre-tax investment performance of the portion of the fund's assets he manages (based on the performance of the fund's Initial Class) within the Lipper Convertible Securities Funds. The portfolio manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, portfolio managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

Thomas Soviero is the portfolio manager of VIP Value Strategies Portfolio and receives compensation for his services. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of the portfolio manager's compensation may be deferred based on criteria established by FMR or at the election of the portfolio manager.

The portfolio manager's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of the portfolio manager's bonus are based on (i) the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index and within a defined peer group assigned to each fund or account, and (ii) the investment performance of other FMR high yield funds and accounts. The pre-tax investment performance of the portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to five years for the comparison to a peer group. A smaller, subjective component of the portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of the portfolio manager's bonus that is linked to the investment performance of VIP Value Strategies Portfolio is based on the fund's pre-tax investment performance measured against the Russell Midcap Value Index, and the fund's pre-tax investment performance (based on the performance of the fund's Initial Class) within the Morningstar Mid-Cap Value Category. The portfolio manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, portfolio managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

A portfolio manager's compensation plan may give rise to potential conflicts of interest. A portfolio manager's compensation is linked to the pre-tax performance of the fund, rather than its after-tax performance. A portfolio manager's base pay tends to increase with additional and more complex responsibilities that include increased assets under management and a portion of the bonus relates to marketing efforts, which together indirectly link compensation to sales. When a portfolio manager takes over a fund or an account, the time period over which performance is measured may be adjusted to provide a transition period in which to assess the portfolio. The management of multiple funds and accounts (including proprietary accounts) may give rise to potential conflicts of interest if the funds and accounts have different objectives, benchmarks, time horizons, and fees as a portfolio manager must allocate his time and investment ideas across multiple funds and accounts. In addition, a fund's trade allocation policies and procedures may give rise to conflicts

of interest if the fund's orders do not get fully executed due to being aggregated with those of other accounts managed by FMR or an affiliate. A portfolio manager may execute transactions for another fund or account that may adversely impact the value of securities held by a fund. Securities selected for other funds or accounts may outperform the securities selected for the fund. Portfolio managers may be permitted to invest in the funds they manage, even if a fund is closed to new investors. Trading in personal accounts, which may give rise to potential conflicts of interest, is restricted by a fund's Code of Ethics.

The following table provides information relating to other accounts managed by Mr. Shiel as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 2 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 1 | none | none |
| Assets Managed (in millions) | \$ 6,353 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 6,278 | none | none |

^{*} Includes VIP Dynamic Capital Appreciation Portfolio (\$75 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Dynamic Capital Appreciation Portfolio beneficially owned by Mr. Shiel was none.

The following table provides information relating to other accounts managed by Mr. Simnegar as of December 31, 2012:

| | Registered Investment Companies* | Other Pooled Investment Vehicles | Other Accounts |
|---|--|--|----------------|
| | Companies | venicles | Accounts |
| Number of Accounts Managed | 6 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 2 | none | none |
| Assets Managed (in millions) | \$ 4,437 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 920 | none | none |

^{*} Includes VIP Emerging Markets Portfolio (\$108 (in millions) assets managed) and VIP International Capital Appreciation Portfolio (\$61 (in millions) assets managed). The amount of assets managed of a fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Emerging Markets Portfolio beneficially owned by Mr. Simnegar was none. As of December 31, 2012, the dollar range of shares of VIP International Capital Appreciation Portfolio beneficially owned by Mr. Simnegar was none.

The following table provides information relating to other accounts managed by Mr. Weiner as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 3 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 1 | none | none |
| Assets Managed (in millions) | \$ 7,756 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 920 | none | none |

^{*} Includes VIP Growth Portfolio (\$3,752 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Growth Portfolio beneficially owned by Mr. Weiner was none.

The following table provides information relating to other accounts managed by Mr. Fruhan as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 8 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 2 | none | none |
| Assets Managed (in millions) | \$ 13,862 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 2,190 | none | none |

^{*} Includes VIP Growth & Income Portfolio (\$799 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Growth & Income Portfolio beneficially owned by Mr. Fruhan was none.

The following table provides information relating to other accounts managed by Mr. Wymer as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 3 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 2 | none | none |
| Assets Managed (in millions) | \$ 45,118 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 44,702 | none | none |

^{*} Includes VIP Growth Opportunities Portfolio (\$416 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Growth Opportunities Portfolio beneficially owned by Mr. Wymer was \$50,001 – \$100,000.

The following table provides information relating to other accounts managed by Mr. Reddy as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 2 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 1 | none | none |
| Assets Managed (in millions) | \$ 2,531 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 2,115 | none | none |

^{*} Includes VIP Growth Opportunities Portfolio (\$416 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Growth Opportunities Portfolio beneficially owned by Mr. Reddy was none.

The following table provides information relating to other accounts managed by Mr. Kelley as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 4 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 3 | none | none |
| Assets Managed (in millions) | \$ 1,458 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 1,348 | none | none |

^{*} Includes VIP Growth Stock Portfolio (\$110 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Growth Stock Portfolio beneficially owned by Mr. Kelley was none.

The following table provides information relating to other accounts managed by Mr. Christopher Lee as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 2 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 1 | none | none |
| Assets Managed (in millions) | \$ 1,661 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 1,643 | none | none |

^{*} Includes VIP Growth Strategies Portfolio (\$17 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Growth Strategies Portfolio beneficially owned by Mr. Christopher Lee was none.

The following table provides information relating to other accounts managed by Mr. Allen as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 4 | none | 3 |
| Number of Accounts Managed with Performance-Based Advisory Fees | 1 | none | none |
| Assets Managed (in millions) | \$ 11,105 | none | \$ 1,012 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 77 | none | none |

^{*} Includes VIP Mid Cap Portfolio (\$7,396 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Mid Cap Portfolio beneficially owned by Mr. Allen was none.

The following table provides information relating to other accounts managed by Mr. Rockett as of December 31, 2012:

| | Registered | Other Pooled | | |
|---|------------|-----------------|-----------------|--|
| | Investment | Investment | Other | |
| | Companies* | <u>Vehicles</u> | <u>Accounts</u> | |
| Number of Accounts Managed | 2 | none | none | |
| Number of Accounts Managed with Performance-Based Advisory Fees | 1 | none | none | |
| Assets Managed (in millions) | \$ 2,130 | none | none | |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 632 | none | none | |

^{*} Includes VIP Overseas Portfolio (\$1,498 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Overseas Portfolio beneficially owned by Mr. Rockett was none.

The following table provides information relating to other accounts managed by Mr. Friedman as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 6 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 3 | none | none |
| Assets Managed (in millions) | \$ 5,475 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 3,818 | none | none |
| | | | |

^{*} Includes VIP Value Portfolio (\$148 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Value Portfolio beneficially owned by Mr. Friedman was none.

The following table provides information relating to other accounts managed by Mr. Chren as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 4 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 3 | none | none |
| Assets Managed (in millions) | \$ 4,486 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 4,469 | none | none |

^{*} Includes VIP Value Leaders Portfolio (\$17 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Value Leaders Portfolio beneficially owned by Mr. Chren was none.

The following table provides information relating to other accounts managed by Mr. Morrow as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 6 | none | 1 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 23,594 | none | \$ 74 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes VIP Equity-Income Portfolio (\$5,599 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Equity-Income Portfolio beneficially owned by Mr. Morrow was none.

The following table provides information relating to other accounts managed by Mr. Kramer as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 4 | none | 2 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 1,785 | none | \$ 1,167 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes assets of VIP Equity-Income Portfolio managed by Mr. Kramer (\$251 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Equity-Income Portfolio beneficially owned by Mr. Kramer was none.

The following table provides information relating to other accounts managed by Mr. Soviero as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 5 | none | 2 |
| Number of Accounts Managed with Performance-Based Advisory Fees | 2 | none | none |
| Assets Managed (in millions) | \$ 10,606 | none | \$ 308 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 2,971 | none | none |

^{*} Includes VIP Value Strategies Portfolio (\$354 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Value Strategies Portfolio beneficially owned by Mr. Soviero was none.

Robert Stansky is co-manager of VIP Contrafund Portfolio and receives compensation for his services. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain

cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of the portfolio manager's compensation may be deferred based on criteria established by FMR or at the election of the portfolio manager.

The portfolio manager's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of the portfolio manager's bonus are based on the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index and within a defined peer group assigned to each fund or account. The pre-tax investment performance of the portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to three years for the comparison to a peer group. A smaller, subjective component of the portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of the portfolio manager's bonus that is linked to the investment performance of VIP Contrafund Portfolio is based on the fund's pre-tax investment performance measured against the S&P 500[®] Index, and the fund's pre-tax investment performance (based on the performance of the fund's Initial Class) within the Morningstar Large Blend Category. The portfolio manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, portfolio managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

Steven Kaye is co-manager of VIP Contrafund Portfolio and receives compensation for his services. Peter Saperstone is co-manager of VIP Contrafund Portfolio and receives compensation for his services. Douglas Simmons is co-manager of VIP Contrafund Portfolio and receives compensation for his services. Pierre Sorel is co-manager of VIP Contrafund Portfolio and receives compensation for his services. Nathan Strik is co-manager of VIP Contrafund Portfolio and receives compensation for his services. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of each portfolio manager's compensation may be deferred based on criteria established by FMR or at the election of the portfolio manager.

Each portfolio manager's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of each portfolio manager's bonus are based on the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index and within a defined peer group assigned to each fund or account. The pre-tax investment performance of each portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to three years for the comparison to a peer group. A smaller, subjective component of each portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of each portfolio manager's bonus that is linked to the investment performance of VIP Contrafund Portfolio is based on the fund's pre-tax investment performance measured against the S&P 500 Index, the fund's pre-tax investment performance (based on the portformance of the fund's Initial Class) within the Morningstar Large Blend Category, and the pre-tax investment performance of the portion of the fund's assets managed by each co-manager measured against the benchmark index identified in the table below.

Co-ManagerBenchmark Index(es)Steven KayeS&P 500 Health Care

Peter Saperstone S&P 500 Consumer Discretionary

Douglas Simmons S&P 500 Telecom Services; S&P 500 Utilities

Pierre Sorel S&P 500 Financials
Nathan Strik S&P 500 Energy

John Avery is co-manager of VIP Contrafund Portfolio and receives compensation for his services. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of the portfolio manager's compensation may be deferred based on criteria established by FMR or at the election of the portfolio manager.

The portfolio manager's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of the portfolio manager's bonus are based on the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index and within a defined peer group, if applicable, assigned to each fund or account. The pre-tax investment performance of the portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over

the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to three years for the comparison to a peer group, if applicable. A smaller, subjective component of the portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of the portfolio manager's bonus that is linked to the investment performance of VIP Contrafund Portfolio is based on the pre-tax investment performance of the portion of the fund's assets he manages measured against the S&P 500 Industrials Index.

Robert Lee is co-manager of VIP Contrafund Portfolio and receives compensation for his services. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of the portfolio manager's compensation may be deferred based on criteria established by FMR or at the election of the portfolio manager.

The portfolio manager's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of the portfolio manager's bonus are based on (i) the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index and within a defined peer group, if applicable, assigned to each fund or account, and (ii) the investment performance of other FMR equity funds and accounts within the portfolio manager's designated team. The pre-tax investment performance of the portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to three years for the comparison to a peer group, if applicable. A smaller, subjective component of the portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of the portfolio manager's bonus that is linked to the investment performance of VIP Contrafund Portfolio is based on the fund's pre-tax investment performance measured against the S&P 500 Index, the fund's pre-tax investment performance of the fund's Initial Class) within the Morningstar Large Blend Category, and the pre-tax investment performance of the portion of the fund's assets he manages measured against the S&P 500 Consumer Staples Index.

Each portfolio manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, portfolio managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

A portfolio manager's compensation plan may give rise to potential conflicts of interest. A portfolio manager's compensation is linked to the pre-tax performance of the fund, rather than its after-tax performance. A portfolio manager's base pay tends to increase with additional and more complex responsibilities that include increased assets under management and a portion of the bonus relates to marketing efforts, which together indirectly link compensation to sales. When a portfolio manager takes over a fund or an account, the time period over which performance is measured may be adjusted to provide a transition period in which to assess the portfolio. The management of multiple funds and accounts (including proprietary accounts) may give rise to potential conflicts of interest if the funds and accounts have different objectives, benchmarks, time horizons, and fees as a portfolio manager must allocate his time and investment ideas across multiple funds and accounts. In addition, a fund's trade allocation policies and procedures may give rise to conflicts of interest if the fund's orders do not get fully executed due to being aggregated with those of other accounts managed by FMR or an affiliate. A portfolio manager may execute transactions for another fund or account that may adversely impact the value of securities held by a fund. Securities selected for other funds or accounts may outperform the securities selected for the fund. Portfolio managers may be permitted to invest in the funds they manage, even if a fund is closed to new investors. Trading in personal accounts, which may give rise to potential conflicts of interest, is restricted by a fund's Code of Ethics.

Effective April 10, 2013, Brian Lempel is a research analyst and is co-manager of VIP Contrafund and receives compensation for his services as a research analyst and as a portfolio manager under a single compensation plan. Information with respect to Mr. Lempel's holdings and other accounts managed will be updated in a supplement to this SAI. Tobias Welo is a research analyst and is comanager of VIP Contrafund Portfolio and receives compensation for his services as a research analyst and as a portfolio manager under a single compensation plan. Research analysts who also manage sector funds are referred to as sector fund managers. As of December 31, 2012 (April 30, 2013 for Mr. Lempel), each sector fund manager's compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of each sector fund manager's compensation may be deferred based on criteria established by FMR or at the election of the sector fund manager.

Each sector fund manager's base salary is determined primarily by level of experience and skills, and performance as a research analyst and sector fund manager at FMR or its affiliates. A portion of each sector fund manager's bonus relates to his performance as a research analyst and is based on the Director of Research's assessment of the research analyst's performance and may include factors such as portfolio manager survey-based assessments, which relate to analytical work and investment results within the relevant sector(s) and impact on other equity funds and accounts as a research analyst, and the research analyst's contributions to the research groups and to FMR. Another component of the bonus is based upon (i) the pre-tax investment performance of each sector fund

manager's fund(s) and account(s) measured against a benchmark index (which may be a customized industry benchmark index developed by FMR) and within a defined peer group, if applicable, assigned to each fund or account, (ii) the pre-tax investment performance of the research analyst's recommendations measured against a benchmark index corresponding to the research analyst's assignment universe and against a broadly diversified equity index, and (iii) the investment performance of other FMR equity funds and accounts within the sector fund manager's designated sector team. The pre-tax investment performance of each sector fund manager's fund(s) and account(s) is weighted according to each sector fund manager's tenure on those fund(s) and account(s). The component of the bonus relating to the Director of Research's assessment is calculated over a one-year period, and each other component of the bonus is calculated over a measurement period that initially is contemporaneous with each sector fund manager's tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to three years for the comparison to a peer group, if applicable. The portion of each sector fund manager's bonus that is linked to the investment performance of VIP Contrafund Portfolio is based on the fund's pre-tax investment performance measured against the S&P 500 Index, and the fund's pre-tax investment performance (based on the performance of the fund's Initial Class) within the Morningstar Large Blend Category. An additional portion of Mr. Lempel's bonus is based on the pre-tax investment performance of the portion of the fund's assets he manages measured against the S&P 500 Information Technology Index. An additional portion of Mr. Welo's bonus is based on the pre-tax investment performance of the portion of the fund's assets he manages measured against the S&P 500 Materials Index. Each sector fund manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, sector fund managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

A sector fund manager's compensation plan may give rise to potential conflicts of interest. A sector fund manager's compensation is linked to the pre-tax performance of the fund, rather than its after-tax performance. A sector fund manager's base pay and bonus opportunity tend to increase with a sector fund manager's level of experience and skills relative to research and fund assignments. The management of multiple funds and accounts (including proprietary accounts) may give rise to potential conflicts of interest if the funds and accounts have different objectives, benchmarks, time horizons, and fees as a sector fund manager must allocate his time and investment ideas across multiple funds and accounts. In addition, the fund's trade allocation policies and procedures may give rise to conflicts of interest if the fund's orders do not get fully executed due to being aggregated with those of other accounts managed by FMR. A sector fund manager may execute transactions for another fund or account that may adversely impact the value of securities held by the fund. Securities selected for other funds or accounts may outperform the securities selected for the fund. Trading in personal accounts, which may give rise to potential conflicts of interest, is restricted by a fund's Code of Ethics. Furthermore, the potential exists that a sector fund manager's responsibilities as a portfolio manager of a sector fund may not be entirely consistent with his responsibilities as a research analyst providing recommendations to other Fidelity portfolio managers.

The following table provides information relating to other accounts managed by Mr. Stansky as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 4 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 1 | none | none |
| Assets Managed (in millions) | \$ 47,488 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 9,386 | none | none |

^{*} Includes VIP Contrafund Portfolio (\$16,269 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

The following table provides information relating to other accounts managed by Mr. Kaye as of December 31, 2012:

| Registered | Other Pooled | |
|------------|------------------------------------|--|
| Investment | Investment | Other |
| Companies* | <u>Vehicles</u> | Accounts |
| 4 | 1 | none |
| 1 | none | none |
| \$ 4,811 | \$ 0 | none |
| \$ 1,101 | none | none |
| | Investment Companies* 4 1 \$ 4,811 | Investment Investment Companies* Vehicles 4 1 1 none \$ 4,811 \$ 0 |

^{*} Includes assets of VIP Contrafund Portfolio managed by Mr. Kaye (\$1,941 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

The following table provides information relating to other accounts managed by Mr. Saperstone as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 4 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 1 | none | none |
| Assets Managed (in millions) | \$ 4,477 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 1,042 | none | none |

^{*} Includes assets of VIP Contrafund Portfolio managed by Mr. Saperstone (\$1,839 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

The following table provides information relating to other accounts managed by Mr. Simmons as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|-----------------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | <u>Accounts</u> |
| Number of Accounts Managed | 14 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 6 | none | none |
| Assets Managed (in millions) | \$ 4,939 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 1,753 | none | none |

^{*} Includes assets of VIP Contrafund Portfolio managed by Mr. Simmons (\$1,081 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

The following table provides information relating to other accounts managed by Mr. Sorel as of December 31, 2012:

^{*} Includes assets of VIP Contrafund Portfolio managed by Mr. Sorel (\$2,505 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

The following table provides information relating to other accounts managed by Mr. Strik as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 4 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 1 | none | none |
| Assets Managed (in millions) | \$ 4,390 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 1,006 | none | none |

^{*} Includes assets of VIP Contrafund Portfolio managed by Mr. Strik (\$1,795 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

The following table provides information relating to other accounts managed by Mr. Avery as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 4 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 8,293 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes assets of VIP Contrafund Portfolio managed by Mr. Avery (\$1,648 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

The following table provides information relating to other accounts managed by Mr. Robert Lee as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 9 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 2 | none | none |
| Assets Managed (in millions) | \$ 7,831 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 1,333 | none | none |

^{*} Includes assets of VIP Contrafund Portfolio managed by Mr. Robert Lee (\$16,269 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

The following table provides information relating to other accounts managed by Mr. Welo as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 13 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 2 | none | none |
| Assets Managed (in millions) | \$ 5,859 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 730 | none | none |

^{*} Includes assets of VIP Contrafund Portfolio managed by Mr. Welo (\$598 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

Dollar range of shares of VIP Contrafund Portfolio beneficially owned by each co-manager as of December 31, 2012:

| <u>Co-Manager</u> | Dollar Range of Shares |
|-------------------|-------------------------------|
| Robert Stansky | none |
| Steven Kaye | \$10,001 - \$50,000 |
| Peter Saperstone | none |
| Douglas Simmons | none |
| Pierre Sorel | \$10,001 - \$50,000 |
| Nathan Strik | none |
| John Avery | none |
| Robert Lee | none |
| Tobias Welo | none |

Lawrence Rakers is lead portfolio manager of VIP Balanced Portfolio and receives compensation for his services. Ford O'Neil is co-manager of VIP Balanced Portfolio and does not receive compensation for his services to the fund. Substantially all of the bond assets of the fund are invested in VIP Investment Grade Central Fund, which is managed by Mr. O'Neil. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of the portfolio manager's compensation may be deferred based on criteria established by FMR or at the election of the portfolio manager.

Mr. Rakers' base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of the portfolio manager's bonus are based on the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index and within a defined peer group assigned to each fund or account. The pre-tax investment performance of the portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index and rolling periods of up to three years for the comparison to a peer group. A smaller, subjective component of the portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of the portfolio manager's bonus that is linked to the investment performance of VIP Balanced Portfolio is based on the pre-tax investment performance of the equity investments of the fund measured against the S&P 500 Index, and the pre-tax investment performance of the fund (based on the performance of the fund's Initial Class) within the Lipper Variable Annuity Balanced Funds. The portfolio manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, portfolio managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

Mr. O'Neil's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of the co-manager's bonus are based on (i) the pre-tax investment performance of the co-manager's fund(s) and account(s) measured against a benchmark index assigned to each fund or account, and (ii) the investment performance of other FMR taxable bond funds and accounts. The pre-tax investment performance of the co-manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over his tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to three years for the comparison to a benchmark index. A smaller, subjective component of the portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portfolio manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, portfolio managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

A portfolio manager's compensation plan may give rise to potential conflicts of interest. A portfolio manager's compensation is linked to the pre-tax performance of the fund, rather than its after-tax performance. A portfolio manager's base pay tends to increase with additional and more complex responsibilities that include increased assets under management and a portion of the bonus relates to marketing efforts, which together indirectly link compensation to sales. When a portfolio manager takes over a fund or an account, the time period over which performance is measured may be adjusted to provide a transition period in which to assess the portfolio. The management of multiple funds and accounts (including proprietary accounts) may give rise to potential conflicts of interest if the funds and accounts have different objectives, benchmarks, time horizons, and fees as a portfolio manager must allocate his time and investment ideas across multiple funds and accounts. In addition, a fund's trade allocation policies and procedures may give rise to conflicts of interest if the fund's orders do not get fully executed due to being aggregated with those of other accounts managed by FMR or an affiliate. A portfolio manager may execute transactions for another fund or account that may adversely impact the value of securities held by a fund. Securities selected for other funds or accounts may outperform the securities selected for the fund. Portfolio managers may be permitted to invest in the funds they manage, even if a fund is closed to new investors. Trading in personal accounts, which may give rise to potential conflicts of interest, is restricted by a fund's Code of Ethics.

The following table provides information relating to other accounts managed by Mr. Rakers as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|-----------------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | <u>Accounts</u> |
| Number of Accounts Managed | 5 | none | none |
| Number of Accounts Managed with Performance-Based Advisory Fees | 2 | none | none |
| Assets Managed (in millions) | \$ 10,695 | none | none |
| Assets Managed with Performance-Based Advisory Fees (in millions) | \$ 8,099 | none | none |

As of December 31, 2012, the dollar range of shares of VIP Balanced Portfolio beneficially owned by Mr. Rakers was none.

Includes VIP Balanced Portfolio (\$1,954 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

The following table provides information relating to other accounts managed by Mr. O'Neil as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|-----------------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 16 | 3 | 5 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 81,104 | \$ 5,504 | \$ 3,095 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes VIP Balanced Portfolio (\$469 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Balanced Portfolio beneficially owned by Mr. O'Neil was none.

Matthew Conti is the portfolio manager of VIP High Income Portfolio and receives compensation for his services. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary determined periodically (typically annually), a bonus, in certain cases, participation in several types of equity-based compensation plans, and, if applicable, relocation plan benefits. A portion of the portfolio manager's compensation may be deferred based on criteria established by FMR or at the election of the portfolio manager.

The portfolio manager's base salary is determined by level of responsibility and tenure at FMR or its affiliates. The primary components of the portfolio manager's bonus are based on (i) the pre-tax investment performance of the portfolio manager's fund(s) and account(s) measured against a benchmark index or within a defined peer group assigned to each fund or account, and (ii) the investment performance of other FMR high yield funds and accounts. The pre-tax investment performance of the portfolio manager's fund(s) and account(s) is weighted according to his tenure on those fund(s) and account(s) and the average asset size of those fund(s) and account(s) over his tenure. Each component is calculated separately over the portfolio manager's tenure on those fund(s) and account(s) over a measurement period that initially is contemporaneous with his tenure, but that eventually encompasses rolling periods of up to five years for the comparison to a benchmark index or a peer group. A smaller, subjective component of the portfolio manager's bonus is based on the portfolio manager's overall contribution to management of FMR. The portion of the portfolio manager's bonus that is linked to the investment performance of VIP High Income Portfolio is based on the fund's pre-tax investment performance (based on the performance of the fund's Initial Class) within the Lipper Variable Annuity High Current Yield Funds. The portfolio manager also is compensated under equity-based compensation plans linked to increases or decreases in the net asset value of the stock of FMR LLC, FMR's parent company. FMR LLC is a diverse financial services company engaged in various activities that include fund management, brokerage, retirement, and employer administrative services. If requested to relocate their primary residence, portfolio managers also may be eligible to receive benefits, such as home sale assistance and payment of certain moving expenses, under relocation plans for most full-time employees of FMR LLC and its affiliates.

The portfolio manager's compensation plan may give rise to potential conflicts of interest. The portfolio manager's compensation is linked to the pre-tax performance of the fund, rather than its after-tax performance. The portfolio manager's base pay tends to increase with additional and more complex responsibilities that include increased assets under management and a portion of the bonus relates to marketing efforts, which together indirectly link compensation to sales. When a portfolio manager takes over a fund or an account, the time period over which performance is measured may be adjusted to provide a transition period in which to assess the portfolio. The management of multiple funds and accounts (including proprietary accounts) may give rise to potential conflicts of interest if the funds and accounts have different objectives, benchmarks, time horizons, and fees as the portfolio manager must allocate his time and investment ideas across multiple funds and accounts. In addition, a fund's trade allocation policies and procedures may give rise to conflicts of interest if the fund's orders do not get fully executed due to being aggregated with those of other accounts managed by FMR or an affiliate. The portfolio manager may execute transactions for another fund or account that may adversely impact the value of securities held by a fund. Securities selected for other funds or accounts may outperform the securities selected for the fund. Portfolio managers may be permitted to invest in the funds they manage, even if a fund is closed to new investors. Trading in personal accounts, which may give rise to potential conflicts of interest, is restricted by a fund's Code of Ethics.

The following table provides information relating to other accounts managed by Mr. Conti as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 9 | 1 | 1 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 5,125 | \$ 960 | \$ 263 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes VIP High Income Portfolio (\$1,514 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP High Income Portfolio beneficially owned by Mr. Conti was none.

VIP Disciplined Small Cap Portfolio and VIP Index 500 Portfolio are managed by Geode, a sub-adviser to each fund. James Francis is a portfolio manager of VIP Disciplined Small Cap Portfolio and senior portfolio manager of VIP Index 500 Portfolio and receives compensation for his services. Lou Bottari is a portfolio manager of each fund and receives compensation for his services. Maximilian Kaufmann is a portfolio manager of each fund and receives compensation for his services. Bobe Simon is a portfolio manager of VIP Disciplined Small Cap Portfolio and receives compensation for his services. Patrick Waddell is a portfolio manager of each fund and receives compensation for his services. Peter Matthew is an assistant portfolio manager of each fund and receives compensation for his services. As of December 31, 2012, portfolio manager compensation generally consists of a fixed base salary, a bonus that is based on both objective and subjective criteria, and, in certain cases, participation in a profit-based compensation plan. A portion of each portfolio manager's compensation may be deferred based on criteria established by Geode.

Each portfolio manager's base salary is determined annually by level of responsibility and tenure at Geode. The primary component for determining each portfolio manager's bonus is the pre-tax investment performance of the portfolio manager's fund(s) and account(s) relative to a custom peer group, if applicable, and relative to a benchmark index assigned to each fund or account. Performance is measured over multiple measurement periods that eventually encompass periods of up to five years. A portion of each portfolio manager's bonus is linked to each fund's relative pre-tax investment performance measured against the Russell 2000 Index (for VIP Disciplined Small Cap Portfolio) or the S&P 500 Index (for VIP Index 500 Portfolio), as applicable. A subjective component of each portfolio manager's bonus is based on the portfolio manager's overall contribution to the management of Geode, including recruiting, monitoring, and mentoring within the investment management teams, as well as time spent assisting in firm promotion. Each portfolio manager may also be compensated under a profit-based compensation plan, which is primarily based on the profits of Geode.

A portfolio manager's compensation plan can give rise to potential conflicts of interest. A manager's base pay tends to increase with additional and more complex responsibilities that include increased assets under management and a portion of the bonus relates to firm promotion efforts, which together indirectly link compensation to sales. Managing and providing research to multiple accounts (including proprietary accounts) can give rise to potential conflicts of interest if the accounts have different objectives, benchmarks, time horizons, and fees as a portfolio manager must allocate his time and investment ideas across multiple accounts. Securities selected for accounts other than the fund may outperform the securities selected for the fund.

In addition to managing each fund's investment portfolio, each portfolio manager also manages other investment portfolios and accounts on behalf of Geode or its affiliates.

The following table provides information relating to other accounts managed by Mr. Francis as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|-----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 22 | 11 | 4 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 88,014 | \$ 7,370 | \$ 16,708 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes VIP Disciplined Small Cap Portfolio (\$87 (in millions) assets managed) and VIP Index 500 Portfolio (\$2,610 (in millions) assets managed). The amount of assets managed of a fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Disciplined Small Cap Portfolio beneficially owned by Mr. Francis was none, and the dollar ranges of shares of VIP Index 500 Portfolio beneficially owned by Mr. Francis was none.

The following table provides information relating to other accounts managed by Mr. Bottari as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|-----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 25 | 13 | 4 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 99,446 | \$ 7,819 | \$ 16,708 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes VIP Disciplined Small Cap Portfolio (\$87 (in millions) assets managed) and VIP Index 500 Portfolio (\$2,610 (in millions) assets managed). The amount of assets managed of a fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Disciplined Small Cap Portfolio beneficially owned by Mr. Bottari was none, and the dollar range of shares of VIP Index 500 Portfolio beneficially owned by Mr. Bottari was none.

The following table provides information relating to other accounts managed by Mr. Kaufmann as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|-----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 25 | 13 | 4 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 99,446 | \$ 7,819 | \$ 16,708 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes VIP Disciplined Small Cap Portfolio (\$87 (in millions) assets managed) and VIP Index 500 Portfolio (\$2,610 (in millions) assets managed). The amount of assets managed of a fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Disciplined Small Cap Portfolio beneficially owned by Mr. Kaufmann was none, and the dollar range of shares of VIP Index 500 Portfolio beneficially owned by Mr. Kaufmann was none.

The following table provides information relating to other accounts managed by Mr. Simon as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 10 | 4 | 9 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 12,254 | \$ 1,392 | \$ 24 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes VIP Disciplined Small Cap Portfolio (\$87 (in millions) assets managed). The amount of assets managed of the fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Disciplined Small Cap Portfolio beneficially owned by Mr. Simon was none.

The following table provides information relating to other accounts managed by Mr. Waddell as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|-----------------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | <u>Accounts</u> |
| Number of Accounts Managed | 25 | 13 | 4 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 99,446 | \$ 7,819 | \$ 16,708 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes VIP Disciplined Small Cap Portfolio (\$87 (in millions) assets managed) and VIP Index 500 Portfolio (\$2,610 (in millions) assets managed). The amount of assets managed of a fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Disciplined Small Cap Portfolio beneficially owned by Mr. Waddell was none, and the dollar range of shares of VIP Index 500 Portfolio beneficially owned by Mr. Waddell was none.

The following table provides information relating to other accounts managed by Mr. Matthew as of December 31, 2012:

| | Registered | Other Pooled | |
|---|------------|-----------------|-----------|
| | Investment | Investment | Other |
| | Companies* | <u>Vehicles</u> | Accounts |
| Number of Accounts Managed | 22 | 11 | 4 |
| Number of Accounts Managed with Performance-Based Advisory Fees | none | none | none |
| Assets Managed (in millions) | \$ 88,014 | \$ 7,370 | \$ 16,708 |
| Assets Managed with Performance-Based Advisory Fees (in millions) | none | none | none |

^{*} Includes VIP Disciplined Small Cap Portfolio (\$87 (in millions) assets managed) and VIP Index 500 Portfolio (\$2,610 (in millions) assets managed). The amount of assets managed of a fund reflects trades and other assets as of the close of the business day prior to the fund's fiscal year-end.

As of December 31, 2012, the dollar range of shares of VIP Disciplined Small Cap Portfolio beneficially owned by Mr. Matthew was none, and the dollar range of shares of VIP Index 500 Portfolio beneficially owned by Mr. Matthew was none.

PROXY VOTING GUIDELINES

Fidelity Fund Proxy Voting Guidelines

The following Proxy Voting Guidelines were established by the Board of Trustees of the Fidelity funds, after consultation with Fidelity. (The guidelines are reviewed periodically by Fidelity and by the Independent Trustees of the Fidelity funds, and, accordingly, are subject to change.)

- I. General Principles
 - A. Voting of shares will be conducted in a manner consistent with the best interests of Fidelity Fund shareholders as follows: (i) securities of a portfolio company will generally be voted in a manner consistent with the Guidelines; and (ii) voting will be done without regard to any other Fidelity companies' relationship, business or otherwise, with that portfolio company.
 - B. FMR Investment Proxy Research votes proxies. Like other Fidelity employees, Investment Proxy Research employees have a fiduciary duty to never place their own personal interest ahead of the interests of Fidelity Fund shareholders, and are instructed to avoid actual and apparent conflicts of interest. In the event of a conflict of interest, Investment Proxy Research employees, like other Fidelity employees, will escalate to their managers or the Ethics Office, as appropriate, in accordance with Fidelity's corporate policy on conflicts of interest. A conflict of interest arises when there are factors that may prompt one to question whether a Fidelity employee is acting solely on the best interests of Fidelity and its customers. Employees are expected to avoid situations that could present even the appearance of a conflict between their interests and the interests of Fidelity and its customers.
 - C. Except as set forth herein, FMR will generally vote in favor of routine management proposals.
 - D. Non-routine proposals will generally be voted in accordance with the Guidelines.
 - E. Non-routine proposals not covered by the Guidelines or involving other special circumstances will be evaluated on a case-by-case basis with input from the appropriate FMR analyst or portfolio manager, as applicable, subject to review by an attorney within FMR's General Counsel's office and a member of senior management within FMR Investment Proxy Research. A significant pattern of such proposals or other special circumstances will be referred to the appropriate Fidelity Fund Board Committee or its designee.
 - F. FMR will vote on shareholder proposals not specifically addressed by the Guidelines based on an evaluation of a proposal's likelihood to enhance the economic returns or profitability of the portfolio company or to maximize shareholder value. Where information is not readily available to analyze the economic impact of the proposal, FMR will generally abstain.

- G. Many Fidelity Funds invest in voting securities issued by companies that are domiciled outside the United States and are not listed on a U.S. securities exchange. Corporate governance standards, legal or regulatory requirements and disclosure practices in foreign countries can differ from those in the United States. When voting proxies relating to non-U.S. securities, FMR will generally evaluate proposals in the context of the Guidelines and where applicable and feasible, take into consideration differing laws, regulations and practices in the relevant foreign market in determining how to vote shares.
- H. In certain non-U.S. jurisdictions, shareholders voting shares of a portfolio company may be restricted from trading the shares for a period of time around the shareholder meeting date. Because such trading restrictions can hinder portfolio management and could result in a loss of liquidity for a fund, FMR will generally not vote proxies in circumstances where such restrictions apply. In addition, certain non-U.S. jurisdictions require voting shareholders to disclose current share ownership on a fund-by-fund basis. When such disclosure requirements apply, FMR will generally not vote proxies in order to safeguard fund holdings information.
- I. Where a management-sponsored proposal is inconsistent with the Guidelines, FMR may receive a company's commitment to modify the proposal or its practice to conform to the Guidelines, and FMR will generally support management based on this commitment. If a company subsequently does not abide by its commitment, FMR will generally withhold authority for the election of directors at the next election.

II. Definitions (as used in this document)

- A. Anti-Takeover Provision includes fair price amendments; classified boards; "blank check" preferred stock; Golden Parachutes; supermajority provisions; Poison Pills; restricting the right to call special meetings; provisions restricting the right of shareholders to set board size; and any other provision that eliminates or limits shareholder rights.
- B. Golden Parachute Employment contracts, agreements, or policies that include an excise tax gross-up provision; single trigger for cash incentives; or may result in a lump sum payment of cash and acceleration of equity that may total more than three times annual compensation (salary and bonus) in the event of a termination following a change in control.
- C. Greenmail payment of a premium to repurchase shares from a shareholder seeking to take over a company through a proxy contest or other means.
- D. Sunset Provision a condition in a charter or plan that specifies an expiration date.
- E. Permitted Bid Feature a provision suspending the application of a Poison Pill, by shareholder referendum, in the event a potential acquirer announces a bona fide offer for all outstanding shares.
- F. Poison Pill a strategy employed by a potential take-over / target company to make its stock less attractive to an acquirer. Poison Pills are generally designed to dilute the acquirer's ownership and value in the event of a take-over.
- G. Large-Capitalization Company a company included in the Russell 1000[®] Index or the Russell Global ex-U.S. Large Cap Index.
- H. Small-Capitalization Company a company not included in the Russell 1000[®] Index or the Russell Global ex-U.S. Large Cap Index that is not a Micro-Capitalization Company.
- I. Micro-Capitalization Company a company with a market capitalization under US \$300 million.
- J. Evergreen Provision a feature which provides for an automatic increase in the shares available for grant under an equity award plan on a regular basis.

III. Directors

A. Incumbent Directors

FMR will generally vote in favor of incumbent and nominee directors except where one or more such directors clearly appear to have failed to exercise reasonable judgment. FMR will also generally withhold authority for the election of all directors or directors on responsible committees if:

 An Anti-Takeover Provision was introduced, an Anti-Takeover Provision was extended, or a new Anti-Takeover Provision was adopted upon the expiration of an existing Anti-Takeover Provision, without shareholder approval except as set forth below.

With respect to Poison Pills, however, FMR will consider not withholding authority on the election of directors if all of the following conditions are met when a Poison Pill is introduced, extended, or adopted:

- a. The Poison Pill includes a Sunset Provision of less than five years;
- b. The Poison Pill includes a Permitted Bid Feature;
- c. The Poison Pill is linked to a business strategy that will result in greater value for the shareholders; and
- d. Shareholder approval is required to reinstate the Poison Pill upon expiration.

FMR will also consider not withholding authority on the election of directors when one or more of the conditions above are not met if a board is willing to strongly consider seeking shareholder ratification of, or adding above conditions noted a. and b. to an existing Poison Pill. In such a case, if the company does not take appropriate action prior to the next annual shareholder meeting, FMR will withhold authority on the election of directors.

- 2. The company refuses, upon request by FMR, to amend the Poison Pill to allow Fidelity to hold an aggregate position of up to 20% of a company's total voting securities and of any class of voting securities.
- Within the last year and without shareholder approval, a company's board of directors or compensation committee has repriced outstanding options, exchanged outstanding options for equity, or tendered cash for outstanding options.
- 4. Executive compensation appears misaligned with shareholder interests or otherwise problematic, taking into account such factors as: (i) whether the company has an independent compensation committee; (ii) whether the compensation committee engaged independent compensation consultants; (iii) whether, in the case of stock awards, the restriction period was less than three years for non-performance-based awards, and less than one year for performance-based awards; (iv) whether the compensation committee has lapsed or waived equity vesting restrictions; and (v) whether the company has adopted or extended a Golden Parachute without shareholder approval.
- 5. To gain FMR's support on a proposal, the company made a commitment to modify a proposal or practice to conform to the Guidelines and the company has failed to act on that commitment.
- 6. The director attended fewer than 75% of the aggregate number of meetings of the board or its committees on which the director served during the company's prior fiscal year, absent extenuating circumstances.
- 7. The board is not composed of a majority of independent directors.

B. Indemnification

FMR will generally vote in favor of charter and by-law amendments expanding the indemnification of directors and/or limiting their liability for breaches of care unless FMR is otherwise dissatisfied with the performance of management or the proposal is accompanied by Anti-Takeover Provisions.

C. Independent Chairperson

FMR will generally vote against shareholder proposals calling for or recommending the appointment of a non-executive or independent chairperson. However, FMR will consider voting for such proposals in limited cases if,

based upon particular facts and circumstances, appointment of a non-executive or independent chairperson appears likely to further the interests of shareholders and to promote effective oversight of management by the board of directors.

D. Majority Director Elections

FMR will generally vote in favor of proposals calling for directors to be elected by an affirmative majority of votes cast in a board election, provided that the proposal allows for plurality voting standard in the case of contested elections (i.e., where there are more nominees than board seats). FMR may consider voting against such shareholder proposals where a company's board has adopted an alternative measure, such as a director resignation policy, that provides a meaningful alternative to the majority voting standard and appropriately addresses situations where an incumbent director fails to receive the support of a majority of the votes cast in an uncontested election.

IV. Compensation

A. Executive Compensation

- 1. Advisory votes on executive compensation
 - a. FMR will generally vote for proposals to ratify executive compensation unless such compensation appears misaligned with shareholder interests or otherwise problematic, taking into account such factors as, among other things, (i) whether the company has an independent compensation committee; (ii) whether the compensation committee engaged independent compensation consultants; (iii) whether, in the case of stock awards, the restriction period was less than three years for non-performance-based awards, and less than one year for performance-based awards; (iv) whether the compensation committee has lapsed or waived equity vesting restriction; and (v) whether the company has adopted or extended a Golden Parachute without shareholder approval.
 - b. FMR will generally vote against proposals to ratify Golden Parachutes.
- 2. Frequency of advisory vote on executive compensation

FMR will generally support annual advisory votes on executive compensation.

B. Equity award plans (including stock options, restricted stock awards, and other stock awards).

FMR will generally vote against equity award plans or amendments to authorize additional shares under such plans if:

- 1. (a) The company's average three year burn rate is greater than 1.5% for a Large-Capitalization Company, 2.5% for a Small-Capitalization Company or 3.5% for a Micro-Capitalization Company; and (b) there were no circumstances specific to the company or the plans that lead FMR to conclude that the burn rate is acceptable.
- 2. In the case of stock option plans, (a) the offering price of options is less than 100% of fair market value on the date of grant, except that the offering price may be as low as 85% of fair market value if the discount is expressly granted in lieu of salary or cash bonus; (b) the plan's terms allow repricing of underwater options; or (c) the board/committee has repriced options outstanding under the plan in the past two years without shareholder approval.
- 3. The plan includes an Evergreen Provision.
- 4. The plan provides for the acceleration of vesting of equity awards even though an actual change in control may not occur.

C. Equity Exchanges and Repricing

FMR will generally vote in favor of a management proposal to exchange, reprice or tender for cash, outstanding options if the proposed exchange, repricing, or tender offer is consistent with the interests of shareholders, taking into account such factors as:

1. Whether the proposal excludes senior management and directors;

- 2. Whether the exchange or repricing proposal is value neutral to shareholders based upon an acceptable pricing model;
- 3. The company's relative performance compared to other companies within the relevant industry or industries;
- 4. Economic and other conditions affecting the relevant industry or industries in which the company competes; and
- Any other facts or circumstances relevant to determining whether an exchange or repricing proposal is consistent with the interests of shareholders.

D. Employee Stock Purchase Plans

FMR will generally vote in favor of employee stock purchase plans if the minimum stock purchase price is equal to or greater than 85% of the stock's fair market value and the plan constitutes a reasonable effort to encourage broad based participation in the company's equity. In the case of non-U.S. company stock purchase plans, FMR may permit a lower minimum stock purchase price equal to the prevailing "best practices" in the relevant non-U.S. market, provided that the minimum stock purchase price must be at least 75% of the stock's fair market value.

E. Employee Stock Ownership Plans (ESOPs)

FMR will generally vote in favor of non-leveraged ESOPs. For leveraged ESOPs, FMR may examine the company's state of incorporation, existence of supermajority vote rules in the charter, number of shares authorized for the ESOP, and number of shares held by insiders. FMR may also examine where the ESOP shares are purchased and the dilution effect of the purchase. FMR will generally vote against leveraged ESOPs if all outstanding loans are due immediately upon change in control.

F. Bonus Plans and Tax Deductibility Proposals

FMR will generally vote in favor of cash and stock incentive plans that are submitted for shareholder approval in order to qualify for favorable tax treatment under Section 162(m) of the Internal Revenue Code, provided that the plan includes well defined and appropriate performance criteria, and with respect to any cash component, that the maximum award per participant is clearly stated and is not unreasonable or excessive.

V. Anti-Takeover Provisions

FMR will generally vote against a proposal to adopt or approve the adoption of an Anti-Takeover Provision unless:

- A. The Poison Pill includes the following features:
 - 1. A Sunset Provision of no greater than five years;
 - 2. Linked to a business strategy that is expected to result in greater value for the shareholders;
 - 3. Requires shareholder approval to be reinstated upon expiration or if amended;
 - 4. Contains a Permitted Bid Feature; and
 - 5. Allows the Fidelity Funds to hold an aggregate position of up to 20% of a company's total voting securities and of any class of voting securities.
- B. An Anti-Greenmail proposal that does not include other Anti-Takeover Provisions; or
- C. It is a fair price amendment that considers a two-year price history or less.

FMR will generally vote in favor of proposals to eliminate Anti-Takeover Provisions unless:

D. In the case of proposals to declassify a board of directors, FMR will generally vote against such a proposal if the issuer's Articles of Incorporation or applicable statutes include a provision whereby a majority of directors may be

removed at any time, with or without cause, by written consent, or other reasonable procedures, by a majority of shareholders entitled to vote for the election of directors.

- E. In the case of proposals regarding shareholders' rights to call special meetings, FMR generally will vote against each proposal if the threshold required to call a special meeting is less than 25% of the outstanding stock.
- F. In the case of proposals regarding shareholders' right to act by written consent, FMR will generally vote against each proposal if it does not include appropriate mechanisms for implementation including, among other things, that at least 25% of the outstanding stock request that the company establish a record date determining which shareholders are entitled to act and that consents be solicited from all shareholders.

VI. Capital Structure/Incorporation

A. Increases in Common Stock

FMR will generally vote against a provision to increase a company's common stock if such increase will result in a total number of authorized shares greater than three times the current number of outstanding and scheduled to be issued shares, including stock options, except in the case of real estate investment trusts, where an increase that will result in a total number of authorized shares up to five times the current number of outstanding and scheduled to be issued shares is generally acceptable.

B. New Classes of Shares

FMR will generally vote against the introduction of new classes of stock with differential voting rights.

C. Cumulative Voting Rights

FMR will generally vote against the introduction and in favor of the elimination of cumulative voting rights.

D. Acquisition or Business Combination Statutes

FMR will generally vote in favor of proposed amendments to a company's certificate of incorporation or by-laws that enable the company to opt out of the control shares acquisition or business combination statutes.

E. Incorporation or Reincorporation in Another State or Country

FMR will generally vote for management proposals calling for, or recommending that, a portfolio company reincorporate in another state or country if, on balance, the economic and corporate governance factors in the proposed jurisdiction appear reasonably likely to be better aligned with shareholder interests, taking into account the corporate laws of the current and proposed jurisdictions and any changes to the company's current and proposed governing documents. FMR will consider supporting such shareholder proposals in limited cases if, based upon particular facts and circumstances, remaining incorporated in the current jurisdiction appears misaligned with shareholder interests.

VII. Shares of Investment Companies

- A. When a Fidelity Fund invests in an underlying Fidelity Fund with public shareholders, an exchange traded fund (ETF), or non-affiliated fund, FMR will vote in the same proportion as all other voting shareholders of such underlying fund or class ("echo voting"). FMR may choose not to vote if "echo voting" is not operationally feasible.
- B. Certain Fidelity Funds may invest in shares of underlying Fidelity Funds, which are held exclusively by Fidelity Funds or accounts managed by an FMR or an affiliate. FMR will generally vote in favor of proposals recommended by the underlying funds' Board of Trustees.

VIII. Other

A. Voting Process

FMR will generally vote in favor of proposals to adopt confidential voting and independent vote tabulation practices.

B. Regulated Industries

Voting of shares in securities of any regulated industry (e.g. U.S. banking) organization shall be conducted in a manner consistent with conditions that may be specified by the industry's regulator (e.g. the Federal Reserve Board) for a determination under applicable law (e.g. federal banking law) that no fund or group of funds has acquired control of such organization.

To view a fund's proxy voting record for the most recent 12-month period ended June 30, visit www.fidelity.com/proxyvotingresults or visit the SEC's web site at www.sec.gov.

Geode Proxy Voting Policies

As an investment adviser, Geode holds voting authority for securities in many of the client accounts that it manages. Geode takes seriously its responsibility to monitor corporate events affecting securities in those client accounts and to exercise its voting authority with respect to those securities in the best interests of its clients (including shareholders of mutual funds for which it serves as adviser or sub-adviser). The purposes of these proxy voting policies are to (1) establish a framework for Geode's analysis and decision-making with respect to proxy voting and to (2) set forth operational procedures for Geode's exercise of proxy voting authority.

Overview

Geode applies the same voting decision for all accounts in which it exercises voting authority, and seeks in all cases to vote in a manner that Geode believes represents the best interests of its clients (including shareholders of mutual funds for which it serves as adviser or sub-adviser). Geode anticipates that, based on its current business model, it will manage the vast majority of assets under its management using passive investment management techniques, such as indexing. Geode also manages private funds and separate accounts using active investment management techniques, primarily employing quantitative investment strategies.

Members of the Operations Committee oversee the exercise of voting authority under these proxy voting policies, consulting with Geode's legal counsel with respect to controversial matters and for interpretive and other guidance. Geode will engage an established commercial proxy advisory service (the "Agent") for comprehensive analysis, research and voting recommendations, particularly for matters that may be controversial, present potential conflicts of interest or require additional analysis under these guidelines.

Geode may determine to accept or reject any recommendation based on the research and analysis provided by the Agent or on any independent research and analysis obtained or generated by Geode. However, because the recommended votes are determined solely based on the customized policies established by Geode, Geode expects that the recommendations will be followed in most cases. The Agent also acts as a proxy voting agent to effect the votes and maintain records of all of Geode's proxy votes. In all cases, the ultimate voting decision and responsibility rests with the members of the Operations Committee, which are accountable to Geode's clients (including shareholders of mutual funds for which it serves as adviser or sub-adviser).

Due to its focused business model and the number of investments that Geode will make for its clients (particularly pursuant to its indexing strategy), Geode does not anticipate that actual or potential conflicts of interest are likely to occur in the ordinary course of its business. However, Geode believes it is essential to avoid having conflicts of interest affect its objective of voting in the best interests of its clients. Therefore, in the event that members of the Operations Committee, the Agent or any other person involved in the analysis or voting of proxies has knowledge of, or has reason to believe there may exist, any potential relationship, business or otherwise, between the portfolio company subject to the proxy vote and Geode (and any subsidiary of Geode) or their respective directors, officers, employees or agents, such person shall notify other members of the Operations Committee and may consult with outside counsel to Geode to analyze and address such potential conflict of interest. In the case of an actual conflict of interest, on the advice of counsel, Geode expects that the independent directors of Geode will consider the matter and may (1) determine that there is no conflict of interest (or that reasonable measures have been taken to remedy or avoid any conflict of interest) that would prevent Geode from voting the applicable proxy, (2) using such information as is available from the Agent, vote the applicable proxy, or (3) cause authority to be delegated to the Agent or a similar special fiduciary to vote the applicable proxy.

Geode has established the specific proxy voting policies that are summarized below to maximize the value of investments in its clients' accounts, which it believes will be furthered through (1) accountability of a company's management and directors to its shareholders, (2) alignment of the interests of management with those of shareholders (including through compensation, benefit and equity ownership programs), and (3) increased disclosure of a company's business and operations. Geode reserves the right to override any of its proxy voting policies with respect to a particular shareholder vote when such an override is, in Geode's best judgment, consistent with the overall principle of voting proxies in the best long-term economic interests of Geode's clients.

Policies

All proxy votes shall be considered and made in a manner consistent with the best interests of Geode's clients (including share-holders of mutual fund clients) without regard to any other relationship, business or otherwise, between the portfolio company subject to the proxy vote and Geode or its affiliates. As a general matter, (1) proxies will be voted FOR incumbent members of a board of directors and FOR routine management proposals, except as otherwise addressed under these policies; (2) shareholder and non-routine management proposals addressed by these policies will be voted as provided in these policies; and (3) shareholder and non-routine management proposals not addressed by these policies will be evaluated by the members of Geode's Operations Committee based on fundamental analysis and/or research and recommendations provided by the Agent, and the members of the Operations Committee, shall make the voting decision.

When voting the securities of non-US issuers, Geode will evaluate proposals in accordance with these policies but will also take local market standards and best practices into consideration. Geode may also limit or modify its voting at certain non-US meetings (e.g., if shares are required to be blocked or reregistered in connection with voting).

Geode's specific policies are as follows:

I. Election of Directors

Geode will generally vote FOR incumbent members of a board of directors except:

- **Attendance.** The incumbent board member failed to attend at least 75% of meetings in the previous year and does not provide a reasonable explanation.
- **Independent Directors** do not comprise a majority of the board or certain key committees (e.g., audit, compensation, and nominating).
- **Director Responsiveness.** The board failed to act on shareholder proposals that received approval by Geode and a majority of the shares outstanding the previous year or Geode and a majority of the votes cast in the last year and one of the two previous years. The board failed to act on takeover offers where Geode and a majority of shareholders tendered their shares. At the previous board election, directors opposed by Geode received more than 50 percent withhold/against votes of the shares cast, and the company failed to address the issue(s) that caused the high withhold/against vote.
- In **Other Circumstances** when a member of the board has acted in a manner inconsistent with the interests of shareholders of a company whose securities are held in client accounts.
- **II. Majority Election.** Unless a company has a policy achieving a similar result, Geode will generally vote in favor of a proposal calling for directors to be elected by a majority of votes cast in a board election provided that the plurality vote applies when there are more nominees than board seats.

III. Say on Pay (non-binding).

- General Advisory Vote. Geode will generally vote FOR the company's prior year's compensation for its
 executive officers named in the proxy statement, unless it believes the company has engaged in poor
 compensation practice, or provided poor compensation disclosure.
- Frequency Vote. Geode will generally vote FOR having an advisory vote on executive compensation every year.
- Golden Parachute. Geode will vote all separate non-binding votes on "golden parachute" severance agreements tied to shareholder votes on mergers, acquisitions, or the sale of substantially all of a company's assets as provided below in the section related to Anti-Takeover Proposals.

IV. Vote AGAINST Anti-Takeover Proposals, including:

- Addition of Special Interest Directors to the board.
- Authorization of "Blank Check" Preferred Stock. Geode will vote FOR proposals to require shareholder
 approval for the distribution of preferred stock except for acquisitions and raising capital in the ordinary course
 of business.
- Classification of Boards, except in certain instances where the company's charter or applicable statute includes a provision whereby a majority of directors may be removed at any time, with or without cause, by written

- consent, or other reasonable procedures, by a majority of shareholders entitled to vote for the election of directors. Geode will vote FOR proposals to de-classify boards.
- Fair Price Amendments, other than those that consider only a two-year price history and are not accompanied by other anti-takeover measures.
- Golden Parachutes including (1) any accelerated options and/or employment contracts that Geode deems to be excessive in the event of termination, (2) compensation contracts for outside directors, and (3) Tin Parachutes that cover a group beyond officers and directors and permit employees to voluntarily terminate employment and receive payment. In addition, adoption of a Golden or Tin Parachute will result in Geode voting AGAINST the election of incumbent members of the compensation committee or a management slate in the concurrent or next following vote on the election of directors.
- Poison Pills. Adoption or extension of a Poison Pill without shareholder approval will result in our voting AGAINST the election of incumbents or a management slate in the concurrent or next following vote on the election of directors, provided the matter will be considered if (a) the board has adopted a Poison Pill with a sunset provision; (b) the Pill is linked to a business strategy that will result in greater value for the shareholders; (c) the term is less than three years; (d) the Pill includes a qualifying offer clause; and (e) shareholder approval is required to reinstate the expired Pill. Geode will vote FOR shareholder proposals requiring or recommending that shareholders be given an opportunity to vote on the adoption of poison pills.
- **Reduction or Limitation of Shareholder Rights** (e.g., action by written consent, ability to call meetings, or remove directors).
- **Reincorporation** in another state (when accompanied by Anti-Takeover Provisions, including increased statutory anti-takeover provisions). Geode will vote FOR reincorporation in another state when not accompanied by such anti-takeover provisions.
- Requirements that the Board Consider Non-Financial Effects of merger and acquisition proposals.
- Requirements regarding Size, Selection and Removal of the Board that are likely to have an anti-takeover effect (although changes with legitimate business purposes will be evaluated).
- **Supermajority Voting Requirements** (i.e., typically 2/3 or greater) for boards and shareholders. Geode will vote FOR proposals to eliminate supermajority voting requirements.
- Transfer of Authority from Shareholders to Directors.
- V. Vote FOR proposed amendments to a company's certificate of incorporation or by-laws that enable the company to Opt Out of the Control Shares Acquisition Statutes.
- VI. Vote AGAINST the introduction of new classes of Stock with Differential Voting Rights.
- VII. Vote AGAINST introduction and FOR elimination of Cumulative Voting Rights, except in certain instances where it is determined not to enhance shareholders' interests.
- VIII. Vote FOR elimination of Preemptive Rights.
- **IX. Vote FOR Anti-Greenmail** proposals so long as they are not part of anti-takeover provisions (in which case the vote will be AGAINST).
- X. Vote FOR charter and by-law amendments expanding the **Indemnification of Directors** to the maximum extent permitted under Delaware law (regardless of the state of incorporation) and vote **AGAINST** charter and by-law amendments completely **Eliminating Directors' Liability for Breaches of Care**.
- XI. Vote FOR proposals to adopt Confidential Voting and Independent Vote Tabulation practices.
- **XII. Vote FOR** Open-Market **Stock Repurchase Programs**, provided that the repurchase price to be paid would not exceed 105% of the market price as of the date of purchase.

- **XIII. Vote FOR** management proposals to implement a **Reverse Stock Split** when the number of shares will be proportionately reduced to avoid de-listing.
- XIV. Vote FOR management proposals to Reduce the Par Value of common stock.
- **XV. Vote FOR** the **Issuance of Large Blocks of Stock** if such proposals have a legitimate business purpose and do not result in dilution of greater than 20%.
- XVI. Vote AGAINST Excessive Increases in Common Stock, Vote AGAINST increases in authorized common stock that would result in authorized capital in excess of three times the company's shares outstanding and reserved for legitimate purposes. For non-U.S. securities with conditional capital requests, vote AGAINST issuances of shares with preemptive rights in excess of 100% of the company's current shares outstanding. Special requests will be evaluated, taking company-specific circumstances into account.
- XVII. Vote AGAINST the adoption of or amendment to authorize additional shares under a Stock Option Plan if:
 - The **stock option plan** includes **evergreen provisions**, which provides for an automatic allotment of equity compensation every year.
 - The **dilution effect** of the shares authorized under the plan (including by virtue of any "evergreen" or replenishment provision), plus the shares reserved for issuance pursuant to all other option or restricted stock plans, is **greater than 10%.** However, for companies with a smaller market capitalization, the dilution effect may not be greater than 15%. If the plan fails this test, the dilution effect may be evaluated relative to any unusual factor involving the company.
 - The **offering price of options is less than 100% of fair market value** on the date of grant, except that the offering price may be as low as 85% of fair market value if the discount is expressly granted in lieu of salary or cash bonus, except that a modest number of shares (limited to 5% for a large capitalization company and 10% for a small capitalization company) may be available for grant to employees and directors under the plan if the grant is made by a compensation committee composed entirely of independent directors (the "De Minimis Exception").
 - The plan is administered by (1) a compensation committee not comprised entirely of independent directors or (2) a board of directors not comprised of a majority of independent directors, provided that a plan is acceptable if it satisfies the De Minimis Exception.
 - The plan's terms allow repricing of underwater options, or the board/committee has repriced options outstanding under the plan in the past two years, unless by the express terms of the plan or a board resolution such repricing is rarely used (and then only to maintain option value due to extreme circumstances beyond management's control) and is within the limits of the De Minimis Exception.
- XVIII. Vote AGAINST the election of incumbent members of the compensation committee or a management slate in the concurrent or next following vote on the election of directors if, within the last year and without shareholder approval, the company's board of directors or compensation committee has repriced outstanding options.
- XIX. Evaluate proposals to Reprice Outstanding Stock Options, taking into account such factors as: (1) whether the repricing proposal excludes senior management and directors; (2) whether the options proposed to be repriced exceeded the dilution thresholds described in these current proxy voting policies when initially granted; (3) whether the repricing proposal is value neutral to shareholders based upon an acceptable options pricing model; (4) the company's relative performance compared to other companies within the relevant industry or industries; (5) economic and other conditions affecting the relevant industry or industries in which the company competes; and (6) other facts or circumstances relevant to determining whether a repricing proposal is consistent with the interests of shareholders.
- XX. Vote AGAINST adoption of or amendments to authorize additional shares for Restricted Stock Awards ("RSA") if:
 - The **dilution effect** of the shares authorized under the plan, plus the shares reserved for issuance pursuant to all other option or restricted stock plans, is **greater than 10%.** However, for small capitalization companies, the dilution effect may not be greater than 15%. If the plan fails this test, the dilution effect may be evaluated relative to any unusual factor involving the company.

- **XXI. Vote AGAINST Omnibus Stock Plans** if one or more component violates any of the criteria applicable to Stock Option Plans or RSAs under these proxy voting policies, unless such component is de minimis. In the case of an omnibus stock plan, the dilution limits applicable to Stock Option Plans or RSAs under these proxy voting policies will be measured against the total number of shares under all components of such plan.
- XXII. Vote AGAINST Employee Stock Purchase Plans if the plan violates any of the relevant criteria applicable to Stock Option Plans or RSAs under these proxy voting policies, except that (1) the minimum stock purchase price may be equal to or greater than 85% of the stock's fair market value if the plan constitutes a reasonable effort to encourage broad based participation in the company's equity, and (2) in the case of non-U.S. company stock purchase plans, the minimum stock purchase price may be equal to the prevailing "best practices," as articulated by the Agent, provided that the minimum stock purchase price must be at least 75% of the stock's fair market value.
- **XXIII. Vote AGAINST Stock Awards** (other than stock options and RSAs) unless it is determined they are identified as being granted to officers/directors in lieu of salary or cash bonus, subject to number of shares being reasonable.
- **XXIV. Vote AGAINST equity vesting acceleration programs** or amendments to authorize additional shares under such programs if the program provides for the acceleration of vesting of equity awards even though an actual change in control may not occur.
- XXV. Vote FOR Employee Stock Ownership Plans ("ESOPs") of nonleveraged ESOPs, and in the case of leveraged ESOPs, giving consideration to the company's state of incorporation, existence of supermajority vote rules in the charter, number of shares authorized for the ESOP, and number of shares held by insiders. Geode may also examine where the ESOP shares are purchased and the dilution effect of the purchase. Geode will vote AGAINST a leveraged ESOP if all outstanding loans are due immediately upon a change in control.
- **XXVI. Vote AGAINST management or shareholder** proposals on other **Compensation Plans or Practices** if such plans or practices are **Inconsistent with the Interests of Shareholders**. In addition, Geode may vote AGAINST the election of incumbents or a management slate in the concurrent or next following vote on the election of directors if Geode believes a board has approved executive compensation arrangements inconsistent with the interests of shareholders.
- **XXVII. ABSTAIN with respect to shareholder proposals addressing Social/Political Responsibility Issues**, which Geode believes generally address ordinary business matters that are primarily the responsibility of a company's management and board, except where a proposal has substantial economic implications for the company's securities held in client accounts.
- **XXVIII.ABSTAIN with respect to shareholder proposals addressing Political Contributions**, which Geode believes generally address ordinary business matters that are primarily the responsibility of a company's management and board, except where a proposal has substantial economic implications for the company's securities held in client accounts.
- **XXIX. Vote AGAINST shareholder proposals seeking to establish proxy access.** Geode will evaluate management proposals on proxy access.

To view a fund's proxy voting record for the most recent 12-month period ended June 30, visit www.fidelity.com/proxyvotingresults or visit the SEC's web site at www.sec.gov.

DISTRIBUTION SERVICES

Each fund has entered into a distribution agreement with FDC, an affiliate of FMR. The principal business address of FDC is 100 Salem Street, Smithfield, Rhode Island 02917. FDC is a broker-dealer registered under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority, Inc. The distribution agreements call for FDC to use all reasonable efforts, consistent with its other business, to secure purchasers for shares of the funds, which are continuously offered at NAV. Promotional and administrative expenses in connection with the offer and sale of shares are paid by FMR.

The Trustees have approved Distribution and Service Plans on behalf of Initial Class, Service Class, and Service Class 2 of each fund (the Plans) pursuant to Rule 12b-1 under the 1940 Act (the Rule). The Rule provides in substance that a mutual fund may not engage directly or indirectly in financing any activity that is primarily intended to result in the sale of shares of the fund except pursuant

to a plan approved on behalf of the fund under the Rule. The Plans, as approved by the Trustees, allow Initial Class, Service Class, Service Class 2, and FMR to incur certain expenses that might be considered to constitute direct or indirect payment by the funds of distribution expenses.

The Rule 12b-1 Plan adopted for Service Class and Service Class 2 of each fund is described in the prospectus for that class.

SERVICE CLASS SERVICE FEES

The table below shows the service fees paid for Service Class shares of each fund for the fiscal year ended December 31, 2012.

| | Service Fees Paid to | | | Service Fees Paid by FDC to | | Service Fees Retained by | |
|--|-------------------------|-----------|-----|-----------------------------|-----|-----------------------------|--|
| <u>Fund</u> | | FDC | Int | ermediaries | FDC | | |
| VIP Balanced Portfolio | \$ | 3,862 | \$ | 3,862 | \$ | 0 | |
| VIP Contrafund Portfolio | \$ | 1,369,277 | \$ | 1,369,277 | \$ | 0 | |
| VIP Disciplined Small Cap Portfolio | \$ | 260 | \$ | 260 | \$ | 0 | |
| VIP Dynamic Capital Appreciation Portfolio | \$ | 179 | \$ | 179 | \$ | 0 | |
| VIP Emerging Markets Portfolio | \$ | 77 | \$ | 77 | \$ | 0 | |
| VIP Equity-Income Portfolio | \$ | 356,215 | \$ | 356,215 | \$ | 0 | |
| VIP Growth Portfolio | \$ | 415,623 | \$ | 415,623 | \$ | 0 | |
| VIP Growth & Income Portfolio | \$ | 122,102 | \$ | 122,102 | \$ | 0 | |
| VIP Growth Opportunities Portfolio | \$ | 151,145 | \$ | 151,145 | \$ | 0 | |
| VIP Growth Stock Portfolio | \$ | 455 | \$ | 455 | \$ | 0 | |
| VIP Growth Strategies Portfolio | \$ | 174 | \$ | 174 | \$ | 0 | |
| VIP High Income Portfolio | \$ | 81,509 | \$ | 81,509 | \$ | 0 | |
| VIP Index 500 Portfolio | \$ | 39,142 | \$ | 39,142 | \$ | 0 | |
| VIP International Capital Appreciation Portfolio | \$ | 85 | \$ | 85 | \$ | 0 | |
| VIP Mid Cap Portfolio | \$ | 553,642 | \$ | 553,642 | \$ | 0 | |
| VIP Overseas Portfolio | \$ | 110,462 | \$ | 110,462 | \$ | 0 | |
| VIP Value Portfolio | \$ | 209 | \$ | 209 | \$ | 0 | |
| VIP Value Leaders Portfolio | \$ | 290 | \$ | 290 | \$ | 0 | |
| VIP Value Strategies Portfolio | \$ | 27,972 | \$ | 27,972 | \$ | 0 | |

SERVICE CLASS 2 SERVICE FEES

The table below shows the service fees paid for Service Class 2 shares of each fund for the fiscal year ended December 31, 2012.

| | Service Fees | | | | | |
|--|--------------|------------|-----------------------|------------|--------------|---|
| | Service Fees | | Paid by | | Service Fees | |
| | | Paid to | | FDC to | Retained by | |
| <u>Fund</u> | | <u>FDC</u> | Intermediaries | | <u>FDC</u> | |
| VIP Balanced Portfolio | \$ | 817,761 | \$ | 817,761 | \$ | 0 |
| VIP Contrafund Portfolio | \$ | 19,292,732 | \$ | 19,292,732 | \$ | 0 |
| VIP Disciplined Small Cap Portfolio | \$ | 5,717 | \$ | 5,717 | \$ | 0 |
| VIP Dynamic Capital Appreciation Portfolio | \$ | 39,529 | \$ | 39,529 | \$ | 0 |
| VIP Emerging Markets Portfolio | \$ | 7,783 | \$ | 7,783 | \$ | 0 |
| VIP Equity-Income Portfolio | \$ | 3,944,855 | \$ | 3,944,855 | \$ | 0 |
| VIP Growth Portfolio | \$ | 1,522,844 | \$ | 1,522,844 | \$ | 0 |
| VIP Growth & Income Portfolio | \$ | 718,013 | \$ | 718,013 | \$ | 0 |
| VIP Growth Opportunities Portfolio | \$ | 176,988 | \$ | 176,988 | \$ | 0 |
| VIP Growth Stock Portfolio | \$ | 121,166 | \$ | 121,166 | \$ | 0 |
| VIP Growth Strategies Portfolio | \$ | 12,356 | \$ | 12,356 | \$ | 0 |

| Service Fees | | | | | |
|--------------|----------------------------|--|--|---|--|
| S | Service Fees | Paid by | | Service Fees | |
| | Paid to | | FDC to | | etained by |
| | <u>FDC</u> | In | <u>Intermediaries</u> | | FDC |
| \$ | 619,306 | \$ | 619,306 | \$ | 0 |
| \$ | 658,341 | \$ | 658,341 | \$ | 0 |
| \$ | 1,478 | \$ | 1,478 | \$ | 0 |
| \$ | 13,266,156 | \$ | 13,266,156 | \$ | 0 |
| \$ | 879,652 | \$ | 879,652 | \$ | 0 |
| \$ | 9,719 | \$ | 9,719 | \$ | 0 |
| \$ | 3,533 | \$ | 3,533 | \$ | 0 |
| \$ | 352,827 | \$ | 352,827 | \$ | 0 |
| | \$ \$ \$ \$ \$ | FDC \$ 619,306 \$ 658,341 \$ 1,478 \$ 13,266,156 \$ 879,652 \$ 9,719 \$ 3,533 | Service Fees Paid to FDC In \$ 619,306 \$ \$ 658,341 \$ \$ 1,478 \$ \$ 13,266,156 \$ \$ 879,652 \$ \$ 9,719 \$ \$ 3,533 \$ | Paid to FDC to Intermediaries \$ 619,306 \$ 619,306 \$ 658,341 \$ 658,341 \$ 1,478 \$ 1,478 \$ 13,266,156 \$ 13,266,156 \$ 879,652 \$ 879,652 \$ 9,719 \$ 9,719 \$ 3,533 \$ 3,533 | Service Fees Paid by FDC to FDC to Intermediaries Service Fees FDC to FDC to FDC Intermediaries \$ 619,306 \$ 619,306 \$ 658,341 \$ 1,478 \$ 1,478 \$ 13,266,156 \$ 879,652 \$ 879,652 \$ 879,652 \$ 9,719 \$ 9,719 \$ 3,533 |

Under each Initial Class Plan, if the payment of management fees by the fund to FMR is deemed to be indirect financing by the fund of the distribution of its shares, such payment is authorized by the Plan. Each Initial Class Plan specifically recognizes that FMR may use its management fee revenue, as well as its past profits or its other resources, to pay FDC for expenses incurred in connection with providing services intended to result in the sale of Initial Class shares and/or support services that benefit variable product owners. In addition, each Initial Class Plan provides that FMR, directly or through FDC, may pay significant amounts to intermediaries, including insurance companies or their affiliated broker-dealers, and other service-providers (who may be affiliated with FMR or FDC), that provide those services. Currently, the Board of Trustees has authorized such payments for Initial Class shares.

Under each Service Class and Service Class 2 Plan, if the payment of management fees by the fund to FMR is deemed to be indirect financing by the fund of the distribution of its shares, such payment is authorized by each Plan. Each Service Class and Service Class 2 Plan specifically recognizes that FMR may use its management fee revenue, as well as its past profits or its other resources, to pay FDC for expenses incurred in connection with providing services intended to result in the sale of Service Class and Service Class 2 shares and/or support services that benefit variable product owners, including payments of significant amounts made to intermediaries, including insurance companies or their affiliated broker-dealers, and other service-providers (who may be affiliated with FMR or FDC), that provide those services. Currently, the Board of Trustees has authorized such payments for Service Class and Service Class 2 shares.

Prior to approving each Plan, the Trustees carefully considered all pertinent factors relating to the implementation of the Plan, and determined that there is a reasonable likelihood that the Plan will benefit the applicable class of the fund and variable product owners. In particular, the Trustees noted that each Initial Class Plan does not authorize payments by Initial Class of the fund other than those made to FMR under its management contract with the fund. To the extent that each Plan gives FMR and FDC greater flexibility in connection with the distribution of Initial Class shares, additional sales of Initial Class shares or stabilization of cash flows may result. Furthermore, certain support services that benefit variable product owners may be provided more effectively under the Plans by insurance companies and their affiliates with whom variable product owners have other relationships.

Each Service Class and Service Class 2 Plan does not provide for specific payments by Service Class and Service Class 2 of any of the expenses of FDC, or obligate FDC or FMR to perform any specific type or level of distribution activities or incur any specific level of expense in connection with distribution activities.

In addition to the service fees paid by FDC to intermediaries, including affiliates of FDC, shown in the table above, FDC or an affiliate may compensate intermediaries that distribute and/or service the funds. A number of factors are considered in determining whether to pay these additional amounts. Such factors may include, without limitation, the level or type of services provided by the intermediary, the level or expected level of assets or sales of shares, the placing of the funds on a preferred or recommended fund list, access to an intermediary's personnel, and other factors. The total amount paid to intermediaries in the aggregate currently will not exceed 0.10% of the total assets of all VIP funds on an annual basis. In addition to such payments, FDC or an affiliate may offer other incentives such as sponsorship of educational or client seminars relating to current products and issues, assistance in training and educating the intermediaries' personnel, payments or reimbursements for travel and related expenses associated with due diligence trips that an intermediary may undertake in order to explore possible business relationships with affiliates of FDC, and/or payments of costs and expenses associated with attendance at seminars, including travel, lodging, entertainment, and meals. FDC anticipates that payments will be made to over a hundred intermediaries, including some of the largest broker-dealers and other financial firms, and certain of the payments described above may be significant to an intermediary. As permitted by SEC and Financial Industry Regulatory Authority rules and other applicable laws and regulations, FDC or an affiliate may pay or allow other incentives or payments to intermediaries.

A fund's transfer agent or an affiliate may also make payments and reimbursements from its own resources to certain intermediaries (who may be affiliated with the transfer agent) for performing recordkeeping and other services. Please see "Transfer and Service Agent Agreements" in this SAI for more information.

If you have purchased shares of a fund through an investment professional, please speak with your investment professional to learn more about any payments his or her firm may receive from FMR, FDC, and/or their affiliates, as well as fees and/or commissions the investment professional charges. You should also consult disclosures made by your investment professional at the time of purchase.

Any of the payments described in this section may represent a premium over payments made by other fund families. Investment professionals may have an added incentive to sell or recommend a fund or a share class over others offered by competing fund families.

TRANSFER AND SERVICE AGENT AGREEMENTS

Each fund has entered into a transfer agent agreement with Fidelity Investments Institutional Operations Company, Inc. (FIIOC), an affiliate of FMR, which is located at 245 Summer Street, Boston, Massachusetts 02210. Under the terms of the agreements, FIIOC (or an agent, including an affiliate) performs transfer agency services for each class of each fund.

For providing transfer agency services, FIIOC receives an asset-based fee, calculated and paid monthly on the basis of each class's average daily net assets, with respect to each account in a fund.

For each fund (except VIP High Income Portfolio), the asset-based fees are subject to adjustment in any month in which the total return of the S&P 500 Index exceeds a positive or negative 15% from a pre-established base value.

FIIOC also may collect fees charged in connection with providing certain types of services such as exchanges, closing out fund balances, maintaining fund positions with low balances, checkwriting, wire transactions, and providing historical account research.

FIIOC receives a separate asset-based monthly fee from each fund to cover the expense of typesetting and printing prospectuses, statements of additional information, and other reports to existing shareholders, with the exception of proxy statements.

FIIOC or an affiliate may make payments out of its own resources to intermediaries (including affiliates of FIIOC) for transfer agency and related recordkeeping services with respect to variable product owners' accounts.

Each fund has entered into a service agent agreement with Fidelity Service Company, Inc. (FSC), an affiliate of FMR (or an agent, including an affiliate). Each fund has also entered into a securities lending administration agreement with FSC. Under the terms of the agreements, FSC calculates the NAV and dividends for each class of each fund, maintains each fund's portfolio and general accounting records, and administers each fund's securities lending program.

For providing pricing and bookkeeping services, FSC receives a monthly fee based on each fund's average daily net assets throughout the month.

The annual rates for pricing and bookkeeping services for certain domestic equity funds are 0.0389% of the first \$500 million of average net assets, 0.0275% of average net assets between \$500 million and \$3.5 billion, 0.0041% of average net assets between \$3.5 billion and \$25 billion, and 0.0019% of average net assets in excess of \$25 billion.

The annual rates for pricing and bookkeeping services for certain taxable domestic fixed-income funds are 0.0415% of the first \$500 million of average net assets, 0.0301% of average net assets between \$500 million and \$3.5 billion, 0.0041% of average net assets between \$3.5 billion and \$25 billion, and 0.0019% of average net assets in excess of \$25 billion.

The annual rates for pricing and bookkeeping services for certain international funds are 0.0518% of the first \$500 million of average net assets, 0.0415% of average net assets between \$500 million and \$3.5 billion, 0.0041% of average net assets between \$3.5 billion and \$25 billion, and 0.0019% of average net assets in excess of \$25 billion.

The annual rates for pricing and bookkeeping services for VIP Balanced Portfolio are 0.0492% of the first \$500 million of average net assets, 0.0353% of average net assets between \$500 million and \$3.5 billion, 0.0041% of average net assets between \$3.5 billion and \$25 billion, and 0.0019% of average net assets in excess of \$25 billion.

The annual rates for pricing and bookkeeping services for VIP Index 500 Portfolio are 0.0389% of the first \$500 million of average net assets, 0.0207% of average net assets between \$500 million and \$3.5 billion, 0.0041% of average net assets between \$3.5 billion and \$25 billion, and 0.0019% of average net assets in excess of \$25 billion.

For administering each fund's securities lending program, FSC is paid based on the number and duration of individual securities loans.

FMR bears the cost of pricing and bookkeeping services and administration of the securities lending program under the terms of its management contract with VIP Index 500 Portfolio.

Pricing and bookkeeping fees paid by each fund (other than VIP Index 500 Portfolio) to FSC for the past three fiscal years are shown in the following table.

| <u>Fund</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|-----------------|-----------------|-----------------|
| VIP Balanced Portfolio | \$ 734,730 | \$ 714,816 | \$ 646,053 |
| VIP Contrafund Portfolio | \$ 1,544,466 | \$ 1,543,453 | \$ 1,577,137 |
| VIP Disciplined Small Cap Portfolio | \$ 32,624 | \$ 31,001 | \$ 19,556 |
| VIP Dynamic Capital Appreciation Portfolio | \$ 24,905 | \$ 21,152 | \$ 21,176 |
| VIP Emerging Markets Portfolio | \$ 51,109 | \$ 48,889 | \$ 42,071 |
| VIP Equity-Income Portfolio | \$ 1,106,970 | \$ 1,111,940 | \$ 1,126,288 |
| VIP Growth Portfolio | \$ 1,036,299 | \$ 1,039,856 | \$ 1,026,286 |
| VIP Growth & Income Portfolio | \$ 271,758 | \$ 265,271 | \$ 270,156 |
| VIP Growth Opportunities Portfolio | \$ 165,967 | \$ 138,475 | \$ 156,259 |
| VIP Growth Stock Portfolio | \$ 39,369 | \$ 12,664 | \$ 6,956 |
| VIP Growth Strategies Portfolio | \$ 7,205 | \$ 8,419 | \$ 7,117 |
| VIP High Income Portfolio | \$ 473,635 | \$ 425,231 | \$ 402,167 |
| VIP International Capital Appreciation Portfolio | \$ 22,597 | \$ 21,656 | \$ 22,890 |
| VIP Mid Cap Portfolio | \$ 1,178,789 | \$ 1,197,101 | \$ 1,187,726 |
| VIP Overseas Portfolio | \$ 656,083 | \$ 751,668 | \$ 758,558 |
| VIP Value Portfolio | \$ 57,352 | \$ 58,736 | \$ 53,609 |
| VIP Value Leaders Portfolio | \$ 7,484 | \$ 9,819 | \$ 12,086 |
| VIP Value Strategies Portfolio | \$ 124,909 | \$ 127,357 | \$ 126,835 |

For the fiscal years ended December 31, 2012, 2011, and 2010, VIP Growth Strategies Portfolio, VIP High Income Portfolio, and VIP Index 500 Portfolio did not pay FSC for securities lending.

Payments made by each fund (except VIP Growth Strategies Portfolio, VIP High Income Portfolio, and VIP Index 500 Portfolio) to FSC for securities lending for the past three fiscal years are shown in the following table.

| <u>Fund</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|--------------|--------------|--------------|
| VIP Balanced Portfolio | \$ 2,601 | \$ 2,122 | \$ 1,599 |
| VIP Contrafund Portfolio | \$ 27,512 | \$ 22,412 | \$ 42,791 |
| VIP Disciplined Small Cap Portfolio | \$ 222 | \$ 1,638 | \$ 738 |
| VIP Dynamic Capital Appreciation Portfolio | \$ 118 | \$ 619 | \$ 500 |
| VIP Emerging Markets Portfolio | \$ 231 | \$ 439 | \$ 338 |
| VIP Equity-Income Portfolio | \$ 8,642 | \$ 12,654 | \$ 6,367 |
| VIP Growth Portfolio | \$ 11,656 | \$ 7,241 | \$ 10,080 |
| VIP Growth & Income Portfolio | \$ 973 | \$ 2,094 | \$ 397 |
| VIP Growth Opportunities Portfolio | \$ 5,465 | \$ 6,529 | \$ 7,266 |
| VIP Growth Stock Portfolio | \$ 66 | \$ 35 | \$ 30 |
| VIP International Capital Appreciation Portfolio | \$ 148 | \$ 275 | \$ 508 |
| VIP Mid Cap Portfolio | \$ 19,595 | \$ 49,711 | \$ 94,743 |
| VIP Overseas Portfolio | \$ 12,117 | \$ 12,097 | \$ 11,538 |
| VIP Value Portfolio | \$ 325 | \$ 155 | \$ 191 |
| VIP Value Leaders Portfolio | \$ 147 | \$ 379 | \$ 54 |
| VIP Value Strategies Portfolio | \$ 2,488 | \$ 1,402 | \$ 1,131 |

DESCRIPTION OF THE TRUSTS

Trust Organization. Equity-Income Portfolio, Growth Portfolio, High Income Portfolio, Overseas Portfolio, and Value Portfolio are funds of Variable Insurance Products Fund, an open-end management investment company created under an initial declaration of trust dated November 13, 1981. Contrafund Portfolio, Disciplined Small Cap Portfolio, Emerging Markets Portfolio, Growth Stock Portfolio, Index 500 Portfolio, International Capital Appreciation Portfolio, and Value Leaders Portfolio are funds of Variable Insurance Products Fund II, an open-end management investment company created under an initial declaration of trust dated March 21, 1988. Balanced Portfolio, Dynamic Capital Appreciation Portfolio, Growth & Income Portfolio, Growth Opportunities Portfolio,

Growth Strategies Portfolio, Mid Cap Portfolio, and Value Strategies Portfolio are funds of Variable Insurance Products Fund III, an open-end management investment company created under an initial declaration of trust dated July 14, 1994. On April 30, 2009, Growth Strategies Portfolio changed its name from Aggressive Growth Portfolio to Growth Strategies Portfolio. Currently, there are five funds offered in Variable Insurance Products Fund: Equity-Income Portfolio, Growth Portfolio, High Income Portfolio, Overseas Portfolio, and Value Portfolio. Currently, there are seven funds offered in Variable Insurance Products Fund II: Contrafund Portfolio, Disciplined Small Cap Portfolio, Emerging Markets Portfolio, Growth Stock Portfolio, Index 500 Portfolio, International Capital Appreciation Portfolio, and Value Leaders Portfolio. Currently, there are seven funds offered in Variable Insurance Products Fund III: Balanced Portfolio, Dynamic Capital Appreciation Portfolio, Growth & Income Portfolio, Growth Opportunities Portfolio, Growth Strategies Portfolio, Mid Cap Portfolio, and Value Strategies Portfolio. The Trustees are permitted to create additional funds in the trusts and to create additional classes of the funds.

The assets of each trust received for the issue or sale of shares of each of its funds and all income, earnings, profits, and proceeds thereof, subject to the rights of creditors, are allocated to such fund, and constitute the underlying assets of such fund. The underlying assets of each fund in a trust shall be charged with the liabilities and expenses attributable to such fund, except that liabilities and expenses may be allocated to a particular class. Any general expenses of the respective trusts shall be allocated between or among any one or more of the funds or classes.

<u>Shareholder Liability.</u> Each trust is an entity commonly known as a "Massachusetts business trust." Under Massachusetts law, shareholders of such a trust may, under certain circumstances, be held personally liable for the obligations of the trust.

Each Declaration of Trust contains an express disclaimer of shareholder liability for the debts, liabilities, obligations, and expenses of the trust or fund. Each Declaration of Trust provides that the trust shall not have any claim against shareholders except for the payment of the purchase price of shares and requires that each agreement, obligation, or instrument entered into or executed by the trust or the Trustees relating to the trust or to a fund shall include a provision limiting the obligations created thereby to the trust or to one or more funds and its or their assets. Each Declaration of Trust further provides that shareholders of a fund shall not have a claim on or right to any assets belonging to any other fund.

Each Declaration of Trust provides for indemnification out of each fund's property of any shareholder or former shareholder held personally liable for the obligations of the fund solely by reason of his or her being or having been a shareholder and not because of his or her acts or omissions or for some other reason. Each Declaration of Trust also provides that each fund shall, upon request, assume the defense of any claim made against any shareholder for any act or obligation of the fund and satisfy any judgment thereon. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which a fund itself would be unable to meet its obligations. FMR believes that, in view of the above, the risk of personal liability to shareholders is remote. Claims asserted against one class of shares may subject holders of another class of shares to certain liabilities.

<u>Voting Rights.</u> Each fund's capital consists of shares of beneficial interest. Shareholders are entitled to one vote for each dollar of net asset value they own. The voting rights of shareholders can be changed only by a shareholder vote. Shares may be voted in the aggregate, by fund, and by class.

The shares have no preemptive or conversion rights. Shares are fully paid and nonassessable, except as set forth under the heading "Shareholder Liability" above.

Each trust or a fund or a class may be terminated upon the sale of its assets to, or merger with, another open-end management investment company, series, or class thereof, or upon liquidation and distribution of its assets. The Trustees may reorganize, terminate, merge, or sell all or a portion of the assets of each trust or a fund or a class without prior shareholder approval. In the event of the dissolution or liquidation of a trust, shareholders of each of its funds are entitled to receive the underlying assets of such fund available for distribution. In the event of the dissolution or liquidation of a fund or a class, shareholders of that fund or that class are entitled to receive the underlying assets of the fund or class available for distribution.

Custodians. Brown Brothers Harriman & Co., 40 Water Street, Boston, Massachusetts, is custodian of the assets of VIP Contrafund Portfolio, VIP International Capital Appreciation Portfolio, VIP Mid Cap Portfolio, and VIP Value Leaders Portfolio. State Street Bank and Trust Company, 1776 Heritage Drive, Quincy, Massachusetts, is custodian of the assets of VIP Dynamic Capital Appreciation Portfolio, VIP Emerging Markets Portfolio, VIP Growth Portfolio, and VIP Value Portfolio. JPMorgan Chase Bank, 270 Park Avenue, New York, New York, is custodian of the assets of VIP Balanced Portfolio, VIP Growth & Income Portfolio, VIP Growth Strategies Portfolio, and VIP Overseas Portfolio. The Bank of New York Mellon, 1 Wall Street, New York, New York, is custodian of the assets of VIP Growth Opportunities Portfolio, VIP Growth Stock Portfolio, VIP High Income Portfolio, VIP Index 500 Portfolio, and VIP Value Strategies Portfolio and VIP Equity-Income Portfolio. Each custodian is responsible for the safekeeping of a fund's assets and the appointment of any subcustodian banks and clearing agencies. JPMorgan Chase Bank, headquartered in New York, also may serve as a special purpose custodian of certain assets of VIP Contrafund Portfolio, VIP Disciplined Small Cap Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Emerging Markets Portfolio, VIP Equity-Income Portfolio, VIP Growth Portfolio, VIP International Growth Opportunities Portfolio, VIP Growth Stock Portfolio, VIP High Income Portfolio, VIP Index 500 Portfolio, VIP International

Capital Appreciation Portfolio, VIP Mid Cap Portfolio, VIP Value Portfolio, VIP Value Leaders Portfolio, and VIP Value Strategies Portfolio in connection with repurchase agreement transactions. The Bank of New York Mellon, headquartered in New York, also may serve as a special purpose custodian of certain assets of VIP Balanced Portfolio, VIP Contrafund Portfolio, VIP Disciplined Small Cap Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Emerging Markets Portfolio, VIP Equity-Income Portfolio, VIP Growth Portfolio, VIP Growth & Income Portfolio, VIP Growth Strategies Portfolio, VIP International Capital Appreciation Portfolio, VIP Mid Cap Portfolio, VIP Overseas Portfolio, VIP Value Portfolio, and VIP Value Leaders Portfolio in connection with repurchase agreement transactions. From time to time, subject to approval by a fund's Treasurer, each fund may enter into escrow arrangements with other banks if necessary to participate in certain investment offerings.

FMR, its officers and directors, its affiliated companies, Members of the Advisory Board, and Members of the Board of Trustees may, from time to time, conduct transactions with various banks, including banks serving as custodians for certain funds advised by FMR. The Boston branch of VIP Contrafund Portfolio's, VIP International Capital Appreciation Portfolio's, VIP Mid Cap Portfolio's, and VIP Value Leaders Portfolio's custodian leases its office space from an affiliate of FMR at a lease payment which, when entered into, was consistent with prevailing market rates. Transactions that have occurred to date include mortgages and personal and general business loans. In the judgment of FMR, the terms and conditions of those transactions were not influenced by existing or potential custodial or other fund relationships.

Independent Registered Public Accounting Firms. Pricewaterhouse Coopers LLP, 125 High Street, Boston, Massachusetts, independent registered public accounting firm, audits financial statements for VIP Equity-Income Portfolio, VIP Growth Portfolio, VIP Growth Stock Portfolio, VIP High Income Portfolio, VIP International Capital Appreciation Portfolio, VIP Mid Cap Portfolio, VIP Overseas Portfolio, and VIP Value Leaders Portfolio and provides other audit, tax, and related services.

Deloitte & Touche LLP, 200 Berkeley Street, Boston, Massachusetts, independent registered public accounting firm, audits financial statements for VIP Balanced Portfolio, VIP Contrafund Portfolio, VIP Disciplined Small Cap Portfolio, VIP Dynamic Capital Appreciation Portfolio, VIP Emerging Markets Portfolio, VIP Growth & Income Portfolio, VIP Growth Opportunities Portfolio, VIP Growth Strategies Portfolio, VIP Index 500 Portfolio, VIP Value Portfolio, and VIP Value Strategies Portfolio and provides other audit related services.

FUND HOLDINGS INFORMATION

Each fund views holdings information as sensitive and limits its dissemination. The Board authorized FMR to establish and administer guidelines for the dissemination of fund holdings information, which may be amended at any time without prior notice. FMR's Disclosure Policy Committee (comprising executive officers of FMR) evaluates disclosure policy with the goal of serving a fund's best interests by striking an appropriate balance between providing information about a fund's portfolio and protecting a fund from potentially harmful disclosure. The Board reviews the administration and modification of these guidelines and receives reports from the funds' chief compliance officer periodically.

Each fund (except VIP Disciplined Small Cap Portfolio and VIP High Income Portfolio) will provide a full list of holdings, including its top ten holdings, monthly on www.advisor.fidelity.com 30 days after the month-end (excluding high income security holdings, which generally will be presented collectively monthly and included in a list of full holdings 60 days after its fiscal quarter-end). This information may also be provided to insurance companies via an electronic reporting tool at that time.

VIP Disciplined Small Cap Portfolio and VIP High Income Portfolio will provide a full list of holdings, including its top ten holdings, as of the end of the fund's fiscal quarter on www.advisor.fidelity.com 60 days after its fiscal quarter-end. This information may also be provided to insurance companies via an electronic reporting tool at that time.

Each fund will provide its top ten holdings (excluding cash and futures) as of the end of the calendar quarter on www.advisor.fidelity.com 15 or more days after the calendar quarter-end. This information may also be provided to insurance companies via an electronic reporting tool at that time.

Unless otherwise indicated, this information will be available on the web site until updated for the next applicable period.

A fund may also from time to time provide or make available to the Board or third parties upon request specific fund level performance attribution information and statistics. Third parties may include variable product owners or prospective variable product owners, members of the press, consultants, and ratings and ranking organizations.

The Use of Holdings In Connection With Fund Operations. Material non-public holdings information may be provided as part of the activities associated with managing Fidelity funds to: entities which, by explicit agreement or by virtue of their respective duties to the fund, are required to maintain the confidentiality of the information disclosed; other parties if legally required; or persons FMR believes will not misuse the disclosed information. These entities, parties, and persons include, but are not limited to: a fund's trustees; a fund's manager, its sub-advisers, if any, and their affiliates whose access persons are subject to a code of ethics (including portfolio managers of affiliated funds of funds); contractors who are subject to a confidentiality agreement; a fund's auditors; a fund's

custodians; proxy voting service providers; financial printers; pricing service vendors; broker-dealers in connection with the purchase or sale of securities or requests for price quotations or bids on one or more securities; securities lending agents; counsel to a fund or its Independent Trustees; regulatory authorities; stock exchanges and other listing organizations; parties to litigation; third parties in connection with a bankruptcy proceeding relating to a fund holding; and third parties who have submitted a standing request to a money market fund for daily holdings information. Non-public holdings information may also be provided to an issuer regarding the number or percentage of its shares that are owned by a fund and in connection with redemptions in kind.

Other Uses Of Holdings Information. In addition, each fund may provide material non-public holdings information to (i) third parties that calculate information derived from holdings for use by FMR or its affiliates, (ii) ratings and rankings organizations, and (iii) an investment adviser, trustee, or their agents to whom holdings are disclosed for due diligence purposes or in anticipation of a merger involving a fund. Each individual request is reviewed by the Disclosure Policy Committee which must find, in its sole discretion that, based on the specific facts and circumstances, the disclosure appears unlikely to be harmful to a fund. Entities receiving this information must have in place control mechanisms to reasonably ensure or otherwise agree that, (a) the holdings information will be kept confidential, (b) no employee shall use the information to effect trading or for their personal benefit, and (c) the nature and type of information that they, in turn, may disclose to third parties is limited. FMR relies primarily on the existence of non-disclosure agreements and/or control mechanisms when determining that disclosure is not likely to be harmful to a fund.

At this time, the entities receiving information described in the preceding paragraph are: Factset Research Systems Inc. (full or partial fund holdings daily, on the next business day); Standard & Poor's Ratings Services (full holdings weekly (generally as of the previous Friday), generally 5 business days thereafter); DocuLynx Inc. (full or partial holdings daily, on the next business day); MSCI Inc. and certain affiliates (full or partial fund holdings daily, on the next business day); and Barclays Capital Inc. (full holdings daily, on the next business day).

FMR, its affiliates, or the funds will not enter into any arrangements with third parties from which they derive consideration for the disclosure of material non-public holdings information. If, in the future, FMR desired to make such an arrangement, it would seek prior Board approval and any such arrangements would be disclosed in the funds' SAI.

There can be no assurance that the funds' policies and procedures with respect to disclosure of fund portfolio holdings will prevent the misuse of such information by individuals and firms that receive such information.

FINANCIAL STATEMENTS

Each fund's financial statements and financial highlights for the fiscal year ended December 31, 2012, and report of the independent registered public accounting firm, are included in the fund's annual report and are incorporated herein by reference. Total annual operating expenses as shown in the prospectus fee table may differ from the ratios of expenses to average net assets in the financial highlights because total annual operating expenses as shown in the prospectus fee table include any acquired fund fees and expenses, whereas the ratios of expenses in the financial highlights do not, except to the extent any acquired fund fees and expenses relate to an entity, such as a wholly-owned subsidiary, with which a fund's financial statements are consolidated. Acquired funds include other investment companies (such as central funds or other underlying funds) in which a fund has invested, if and to the extent it is permitted to do so. Total annual operating expenses in the prospectus fee table and the financial highlights do not include any expenses associated with investments in certain structured or synthetic products that may rely on the exception from the definition of "investment company" provided by section 3(c)(1) or 3(c)(7) of the 1940 Act.

APPENDIX

About the S&P 500 Index. The S&P 500 Index is a well-known stock market index that includes common stocks of companies representing a significant portion of the market value of all common stocks publicly traded in the United States. The composition of the S&P 500 Index is determined by Standard & Poor's and is based on such factors as the market capitalization and trading activity of each stock and its adequacy as a representation of stocks in a particular industry group. Standard & Poor's may change the index's composition from time to time.

The performance of the S&P 500 Index is a hypothetical number that does not take into account brokerage commissions and other costs of investing, which a fund bears.

Although Standard & Poor's obtains information for inclusion in or for use in the calculation of the S&P 500 Index from sources which it considers reliable, Standard & Poor's does not guarantee the accuracy or the completeness of the S&P 500 Index or any data included therein. Standard & Poor's makes no warranty, express or implied, as to results to be obtained by the licensee, owners of a fund, or any other person or entity from the use of the S&P 500 Index or any data included therein in connection with the rights licensed hereunder or for any other use. Standard & Poor's makes no express or implied warranties, and hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the S&P 500 Index and any data included therein.

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The third-party marks appearing above are the marks of their respective owners.

The term "VIP" as used in this document refers to Fidelity Variable Insurance Products.