

# SECURITIES AND EXCHANGE COMMISSION

## FORM 485APOS

Post-effective amendments [Rule 485(a)]

Filing Date: **1995-02-22**  
SEC Accession No. **0000356494-95-000004**

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### FILER

#### VARIABLE INSURANCE PRODUCTS FUND

CIK: **356494** | IRS No.: **042766128** | State of Incorpor.: **MA** | Fiscal Year End: **1231**  
Type: **485APOS** | Act: **33** | File No.: **002-75010** | Film No.: **95514118**

Mailing Address  
*82 DEVONSHIRE STREET  
MAILZONE ZH1  
BOSTON MA 02109*

Business Address  
*82 DEVONSHIRE ST  
BOSTON MA 02109  
6174391269*

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT (NO 2-75010)

UNDER THE SECURITIES ACT OF 1933 [ ]

Pre-Effective Amendment No. [ ]

Post-Effective Amendment No. 30 [x]

and

REGISTRATION STATEMENT UNDER THE INVESTMENT

COMPANY ACT OF 1940 [x]

Amendment No. [ ]

Variable Insurance Products Fund

(Exact Name of Registrant as Specified in Charter)

82 Devonshire St., Boston, MA 02109

(Address Of Principal Executive Office)

Registrant's Telephone Number, Including Area Code 617-570-7000

Arthur S. Loring, Secretary, 82 Devonshire St., Boston, MA 02109

(Name and Address of Agent for Service)

It is proposed that this filing will become effective

( ) Immediately upon filing pursuant to paragraph (b)

( ) On ( ) pursuant to paragraph (b)

( ) 60 days after filing pursuant to paragraph (a)

(x) On April 30, 1995 pursuant to paragraph (a) of Rule 485

Registrant has filed a declaration pursuant to Rule 24f-2 under the Investment Company Act of 1940 and intends to file the notice required by such rule on or before February 24, 1995.

VARIABLE INSURANCE PRODUCTS FUND

CROSS REFERENCE SHEET

Form N-1A Item Number

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\* Not Applicable

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DOCUMENT NAME PREFIX  
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Please read this prospectus before investing, and keep it on file for future reference. It contains important information to help you decide if the goal of one or more of the funds matches your own. To learn more about each fund and its investments, you can obtain copy of the funds' most recent financial report and portfolio listing or a copy of

the Statement of Additional Information (SAI) dated April 30, 1995. The SAI has been filed with the Securities and Exchange Commission (SEC) and is incorporated herein by reference (legally forms a part of the prospectus). For a free copy of either document, call your insurance company or Fidelity at [INSERT APPROPRIATE PHONE NUMBER(S)].

Shares of each fund may only be purchased by the separate accounts of insurance companies, for the purpose of funding variable annuity and variable life insurance contracts. Particular funds may not be available in your state due to various insurance regulations. Please check with your insurance company for available funds. Inclusion of a fund in this Prospectus which is not available in your state is not to be considered a solicitation. This Prospectus should be read in conjunction with the prospectus of the separate account of the specific insurance product which accompanies this Prospectus

.AN INVESTMENT IN ANY FUND IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT, AND THERE CAN BE NO ASSURANCE THAT MONEY MARKET PORTFOLIO WILL MAINTAIN A STABLE \$1.00 SHARE PRICE.

HIGH INCOME PORTFOLIO MAY INVEST WITHOUT LIMITATION IN LOWER-QUALITY DEBT SECURITIES, SOMETIMES CALLED "JUNK BONDS." YOU SHOULD CONSIDER THAT THESE SECURITIES CARRY GREATER RISKS, SUCH AS THE RISK OF DEFAULT, THAN OTHER DEBT SECURITIES. REFER TO "INVESTMENT PRINCIPLES AND RISKS" ON PAGE \_\_\_ FOR FURTHER INFORMATION.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Variable Insurance Products Fund and Variable Insurance Products Fund II (the Trusts) are designed to provide investment vehicles for variable annuity and variable life insurance contracts of various insurance companies. The Trusts currently offer the following funds:

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MONEY MARKET PORTFOLIO  
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INVESTMENT GRADE BOND PORTFOLIO  
HIGH INCOME PORTFOLIO  
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APRIL 30, 1995 (FIDELITY\_LOGO\_GRAPHIC) 82 DEVONSHIRE STREET, BOSTON, MA  
02109  
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FINANCIAL HIGHLIGHTS

The financial highlights tables that follow are included in each fund's Annual Report and have been audited by either Coopers & Lybrand L.L.P. (Money Market, High Income, Equity-Income, Growth and Overseas) or Price Waterhouse LLP, (Investment Grade Bond, Asset Manager and Index 500) independent accountants. Their reports on the financial statements and financial highlights are included in the Annual Reports. Financial highlights for Asset Manager: Growth and Contrafund Portfolios are not included as they did not commence operations until January 3, 1995. The financial statements, the financial highlights, and the reports are incorporated by reference into the funds' SAI's, which may be obtained free of charge from your insurance company.

[INSERT A TABLE FOR THE/EACH FUND HERE]

THE FUNDS AT A GLANCE

The funds contained in this prospectus are designed to provide investment vehicles for variable annuity and variable life insurance contracts of various insurance companies.

The value of each fund's investments (except Money Market Portfolio) and the income they generate will vary from day to day, and generally reflect market conditions, interest rates, and other company, political, or economic news both here and abroad. In the short-term, stock prices can fluctuate dramatically in response to these factors. Over time, however, stocks have shown greater growth potential than other types of securities. The prices of bonds generally move in the opposite direction from interest rates. Investments in foreign securities may involve risks in addition to those of U.S. investments, including increased political and economic risk, as well as exposure to currency fluctuations. When fund shares are redeemed, they may be worth more or less than their original cost. An investment in any one fund is not in itself a balanced investment plan. As with any mutual fund, there is no assurance that a fund will achieve its goal.

MANAGEMENT: Fidelity Management & Research Company (FMR), 82 Devonshire Street, Boston, Massachusetts, is the management arm of Fidelity Investments, which was established in 1946 and is now America's largest mutual fund manager. Affiliates of FMR may choose investments for some of the funds.

MONEY MARKET FUND

MONEY MARKET PORTFOLIO

GOAL: Income while maintaining a stable \$1.00 share price.

STRATEGY: Invests in high-quality, short-term money market securities of all types.

SIZE: As of December 31, 1994, the fund had over \$\_\_ million in assets.

INCOME FUNDS

INVESTMENT GRADE BOND PORTFOLIO

GOAL: High current income.

STRATEGY: Invests mainly in investment-grade debt securities while maintaining an average portfolio maturity of ten years or less.

SIZE: As of December 31, 1994, the fund had over \$\_\_ million in assets.

HIGH INCOME PORTFOLIO

GOAL: High current income.

STRATEGY: Invests mainly in high-yielding debt securities, with an emphasis on lower-quality securities.

SIZE: As of December 31, 1994, the fund had over \$\_\_ million in assets.

ASSET ALLOCATION FUNDS

ASSET MANAGER PORTFOLIO

GOAL: High total return with reduced risk over the long-term.  
STRATEGY: The fund diversifies across stocks, bonds, and short-term instruments, both here and abroad, to pursue its goal. The fund has a neutral mix which represents the way the fund's investments will generally be allocated over the long term. This mix will vary over short-term periods as fund management gradually adjusts the fund's holdings - within defined ranges - based on the current outlook for the different markets.

Neutral Mix

Stocks 40%

(can range

from

10-60%)

Row: 1, Col: 1, Value: 20.0

Row: 1, Col: 2, Value: 40.0

Row: 1, Col: 3, Value: 40.0

Bonds 40%

(can range

from

20-60%)

Short-term

20%

(can range

from

0-70%)

SIZE: As of December 31, 1994, the fund had over \$\_\_ billion in assets.

ASSET MANAGER: GROWTH

GOAL: To seek maximum total return over the long term.

STRATEGY: The fund diversifies across stocks, bonds, and short-term instruments, both here and abroad, to pursue its goal. The fund has a neutral mix which represents the way the fund's investments will generally be allocated over the long term. This mix will vary over short-term periods as fund management gradually adjusts the fund's holdings - within defined ranges - based on the current outlook for the different markets.

Neutral Mix

Stocks 65%

(can range

from

0-100%)

Row: 1, Col: 1, Value: 5.0

Row: 1, Col: 2, Value: 65.0

Row: 1, Col: 3, Value: 30.0

Bonds 30%

(can range

from

0-100%)

Short-Term

5%

(can range

from

0-100%)

GROWTH & INCOME AND GROWTH FUNDS

EQUITY-INCOME PORTFOLIO

GOAL: Reasonable income. The fund also considers the potential for capital appreciation.

STRATEGY: Invests mainly in income-producing equity securities.

SIZE: As of December 31, 1994, the fund had over \$\_\_ billion in assets.

INDEX 500 PORTFOLIO

GOAL: Total return that corresponds to that of the Standard & Poor's Composite Index of 500 Stocks (S&P 500(registered trademark)).

STRATEGY: Invests in equity securities of companies that compose the S&P 500 and in other instruments that are based on the value of the index.

SIZE: As of December 31, 1994, the fund had over \$\_\_ million in assets.

CONTRAFUND PORTFOLIO

GOAL: To seek capital appreciation (increase in the value of the fund's shares).

STRATEGY: Invests mainly in equity securities of companies that are undervalued or out-of-favor.

GROWTH PORTFOLIO

GOAL: Capital Appreciation (increase in the value of the fund's shares).

STRATEGY: Invests mainly in common stocks, although its investments are not restricted to any one type of security.

SIZE: As of December 31, 1994, the fund had over \$\_\_ billion in assets.

OVERSEAS PORTFOLIO

GOAL: Long-term growth of capital.

STRATEGY: Invests mainly in equity securities outside of the U.S.

SIZE: As of December 31, 1994, the fund had over \$\_\_ million in assets.

#### WHO MAY WANT TO INVEST

##### MONEY MARKET PORTFOLIO:

The fund may be appropriate for those who would like to earn income at current money market rates while preserving the value of their investment. The fund is managed to keep its share price stable at \$1.00. The rate of income will vary from day to day, generally reflecting short-term interest rates.

##### INVESTMENT GRADE BOND PORTFOLIO:

The fund may be appropriate for investors who want high current income from a portfolio of investment-grade debt securities. The fund's level of risk, and potential reward, depend on the quality and maturity of its investments. With its focus on medium- to high-quality investments and intermediate maturity, the fund has a moderate risk level and yield potential.

##### HIGH INCOME PORTFOLIO:

###### THE SPECTRUM OF

###### FIDELITY FUNDS

Broad categories of Fidelity funds are presented here in order of ascending risk. Generally, investors seeking to maximize return must assume greater risk. The funds in this prospectus fall under one of the following categories.

(solid bullet) MONEY MARKET Seeks income and stability by investing in high-quality, short-term investments.

(solid bullet) INCOME Seeks income by investing in bonds.

(solid bullet) ASSET ALLOCATION Seeks high total return with reduced risk through a mix of stocks, bonds and short-term instruments.

(solid bullet) GROWTH AND INCOME Seeks long-term growth and income by investing in stocks and bonds.

(solid bullet) GROWTH Seeks long-term growth by investing mainly in stocks.

(checkmark)

The fund is designed for those who want high current income with some potential for capital growth from a portfolio of high-yielding debt securities and income-producing equity securities. The fund may be appropriate for long-term, aggressive investors who understand the potential risks and rewards of investing in lower-quality securities, including defaulted securities, and are willing to accept their greater price movements and credit risks.

##### ASSET MANAGER AND ASSET MANAGER: GROWTH PORTFOLIOS:

Asset allocation funds are designed for investors who want to diversify among domestic and foreign stocks, bonds, and short-term instruments and other types of securities, in one fund. Asset Manager Portfolio spreads its assets among all three asset classes moderating both its risk and return potential. On the other hand, Asset Manager: Growth, while spreading its assets among all three asset classes, uses a more aggressive approach by focusing on stocks for a higher potential return. However, because each fund can invest in bonds and short-term instruments, their returns may not be as high as a fund that invests only in stocks.

##### EQUITY-INCOME PORTFOLIO:

The fund may be appropriate for investors who are willing to ride out stock market fluctuations in pursuit of potentially high long-term returns. The fund is designed for those who want some income from equity and bond investments, but also want to be invested in the stock market for its long-term growth potential.

##### INDEX 500 PORTFOLIO:

The fund may be appropriate for investors who are willing to ride out stock market fluctuations in pursuit of potentially high long-term returns. The fund is designed for those who want to keep expenses low while pursuing growth of capital and income through a portfolio of securities that broadly represents the U.S. stock market, as measured by the S&P 500.

Because the fund seeks to track, rather than beat, the performance of the S&P 500, it is not managed in the same manner as other mutual funds. FMR

generally does not judge the merits of any particular stock as an investment. Therefore, you should not expect to achieve the potentially greater results that could be obtained by a fund that aggressively seeks growth.

#### CONTRAFUND PORTFOLIO:

The fund may be appropriate for investors who are willing to ride out stock market fluctuations in pursuit of potentially high long-term returns. The fund is designed for those who are looking for an investment approach that follows a contrarian philosophy. This approach focuses on companies that are currently out of public favor but show potential for capital appreciation.

#### GROWTH PORTFOLIO:

The fund may be appropriate for investors who are willing to ride out stock market fluctuations in pursuit of potentially high long-term returns. The fund is designed for those who want to pursue growth wherever it may arise, and who understands that this strategy often leads to investments in smaller, less well-known companies. The fund invests for growth and does not pursue an income strategy.

#### OVERSEAS PORTFOLIO:

The fund may be appropriate for investors who want to pursue their investment goals in markets outside the United States. By including international investments in your portfolio, you can achieve additional diversification and participate in growth opportunities around the world.

However, it is important to note that investments in foreign securities involve risks in addition to those of U.S. investments.

In addition to general risks, international investing involves different or increased risks. The performance of the fund depends upon currency values, the political and regulatory environment, and overall economic factors in the countries in which a fund invests. See "INVESTMENT PRINCIPLES AND RISKS."

#### INVESTMENT PRINCIPLES AND RISKS

The value of each fund's investments varies based on many factors. Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Each fund spreads investment risk by limiting its holdings in any one company or industry.

The value of bonds fluctuates based on changes in domestic and foreign interest rates and the credit quality of the issuer, market conditions, and other economic and political news. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for longer-term securities. Lower-quality securities offer higher yields, but also carry more risk.

Because many of the funds' investments may be denominated in foreign currencies, changes in the value of foreign securities can significantly affect a fund's share price. General economic and political factors in the various world markets can also impact the value of your investment. The value of some of the funds' investments may fluctuate based on other factors affecting security values such as commodity prices and currency values. FMR may use various investment techniques to hedge a fund's risks, but there is no guarantee that these strategies will work as intended. When fund shares are redeemed, they may be worth more or less than their original cost.

FMR normally invests each fund's assets according to its investment strategy. High Income, Equity-Income, Growth, Overseas, Asset Manager, Asset Manager: Growth, Index 500 and Contrafund Portfolios also reserve the right to invest without limitation in preferred stocks and investment-grade debt instruments for temporary, defensive purposes. Investment Grade Bond Portfolio reserves the right to invest without limitation in investment-grade money market or short-term debt instruments for temporary, defensive purposes.

#### MONEY MARKET PORTFOLIO

Money Market Portfolio seek to earn a high level of current income while maintaining a stable \$1.00 share price by investing in high-quality, short-term money market securities of different types.

The fund will invest in U.S. dollar-denominated securities of domestic and foreign issuers, including banks and other financial institutions, governments and their agencies or instrumentalities, and corporations. The fund has the flexibility to invest broadly in pursuit of a high level of current income

The fund earns income at current money market rates. It stresses income, preservation of capital, and liquidity, and does not seek the higher yields or capital appreciation that more aggressive investments may provide. The fund's yield will vary from day to day and generally reflects current short-term interest rates and other market conditions.

When fund shares are redeemed, they should be worth the same amount as when they were purchased. Of course, there is no guarantee that the fund will maintain a stable \$1.00 share price. The fund follows industry-standard



guidelines on the quality and maturity of its investments, which are designed to help maintain a stable \$1.00 share price. The fund will purchase only high-quality securities that FMR believes present minimal credit risks and will observe maturity restrictions on securities it buys. In general, securities with longer maturities are more vulnerable to price changes, although they may provide higher yields. It is possible that a major change in interest rates or a default on the fund's investments could cause its share prices (and the value of your investment) to change.

#### INVESTMENT GRADE BOND PORTFOLIO

The fund seeks high current income by investing primarily in fixed-income obligations of all types. FMR invests at least 65% of the fund's total assets in investment-grade, fixed-income securities such as bonds, notes and debentures. The fund invests in domestic and foreign investment-grade debt securities and maintains a dollar-weighted average maturity of ten years or less. In determining a security's maturity for purposes of calculating its average maturity, estimates of the expected time for its principal to be paid may be used. This can be substantially shorter than its stated final maturity. The fund may also invest in futures contracts and other derivatives to adjust its investment exposure.

The fund's yield and share price change daily based on changes in interest rates, market conditions, and other political and economic news, and on the quality and maturity of its investments. BECAUSE THE FUND INVESTS IN FIXED-INCOME SECURITIES, ITS SHARE PRICE IS RELATED TO CHANGES IN INTEREST RATES. FMR may use various investment techniques to hedge the fund's risks, but there is no guarantee that these strategies will work as intended.

#### INTEREST RATE

##### RISK

In general, bond prices rise when interest rates fall, and vice versa. Funds that hold short-term bonds are usually less affected by changes in interest rates than long-term bond funds. For that reason, long-term bond funds typically offer higher yields and carry more risk than short-term bond funds.

(checkmark)

#### HIGH INCOME PORTFOLIO

The fund seeks high current income by investing primarily in all types of income-producing debt securities, preferred stocks, and convertible securities. FMR normally invests at least 65% of the fund's total assets in these securities. The fund may also consider the potential for growth of capital by investing up to 20% in common stocks and other equity securities when consistent with the fund's primary objective or when acquired as part of a unit combining fixed-income and equity securities.

Although the fund has no limits on the quality and maturity of its investments, its strategy typically leads to longer-term, lower-quality, fixed-income securities. These domestic and foreign investments may present the risk of default or may be in default. If consistent with its investment objective, however, the fund can also invest in common stocks, other equity securities, and debt securities not currently paying interest but which are expected to do so in the future. Because of the fund's investment strategy, its performance is especially affected by individual company news.

In addition, the fund's yield and share price will change based on changes in interest rates, market conditions and other political and economic news. In general, bond prices rise when interest rates fall, and vice versa. FMR may use various investment techniques to hedge the fund's risks, but there is no guarantee that these strategies will work as intended.

See the section entitled "Securities and Investment Practices" for risks associated with lower-quality debt securities.

#### ASSET MANAGER PORTFOLIO

##### ASSET MANAGER: GROWTH

Each fund seeks to achieve its investment objective by allocating its assets among stocks, bonds, short-term and other instruments of U.S. and foreign issuers. Each fund however, has a different objective and pursues its objective by investing within different asset allocation ranges.

ASSET MANAGER seeks high total return with reduced risk over the long term.

ASSET MANAGER: GROWTH seeks to maximize total return over the long term.

Each fund allocates its assets among the following classes, or types, of investments. The STOCK CLASS includes equity securities of all types. The BOND CLASS includes all varieties of fixed-income instruments with maturities of more than three years (including adjustable-rate preferred stocks). The SHORT-TERM CLASS includes all types of short-term instruments

with remaining maturities of three years or less. Some types of investments, such as indexed securities, can fall into more than one asset class. The funds may also make other investments that do not fall within these classes.

FMR has the ability to allocate each fund's assets within specified ranges. Each fund's NEUTRAL MIX indicates the benchmark for its combination of investments in each asset class over time. FMR may change the neutral mix from time to time. The following chart illustrates the range and approximate neutral mix for each asset class.

#### ASSET MANAGER

Range Neutral mix

STOCK CLASS 10-60% 40%

BOND CLASS 20-60% 40%

SHORT-TERM CLASS 0-70% 20%

Asset Manager's approach spreads the fund's assets among all three classes, moderating both the risk and return potential of stocks, bonds, and short-term instruments.

#### ASSET MANAGER: GROWTH

Range Neutral mix

STOCK CLASS 0-100% 65%

BOND CLASS 0-100% 30%

SHORT-TERM CLASS 0-100% 5%

Asset Manager: Growth's more aggressive approach focuses on stocks for high potential returns. However, because the fund can invest in bonds and short-term instruments, its return may not be as high as a fund that invests only in stocks.

Although the funds seek to reduce their overall risk by diversifying among different types of investments, they aggressively invest in a wide variety of security types, including stocks and bonds issued in developed and developing countries and derivative transactions. Since the funds are subject to the risks of each investment type, the funds and their performance are affected by many factors.

In pursuit of each fund's objective, FMR will not try to pinpoint the precise moment when a major reallocation should be made. Instead, FMR regularly reviews each fund's allocation and makes changes gradually to favor investments that it believes will provide the most favorable outlook for achieving each fund's objective. Under normal circumstances, a single reallocation will not involve more than 10% of Asset Manager's total assets, or 20% of Asset Manager: Growth's total assets. Although FMR uses its expertise and resources in allocating assets, FMR's decisions may not be advantageous to a fund.

Each fund diversifies across investment types more than most mutual funds but keep in mind that no one mutual fund can provide an appropriate balanced investment plan for all investors.

#### EQUITY-INCOME PORTFOLIO

The fund seeks reasonable income by investing primarily in income-producing equity securities. FMR normally invests at least 65% of the fund's total assets in these securities. The remainder of the fund's assets will tend to be invested in debt obligations, many of which are expected to be convertible into common stock (if convertible securities present favorable investment opportunities). The fund has the flexibility, however, to invest the balance in all types of domestic and foreign securities, including bonds of varying quality. The fund seeks to achieve a yield that beats that of the S&P 500. The fund does not expect to invest in debt securities of companies that do not have proven earnings or credit. When choosing the fund's investments, FMR also considers the potential for capital appreciation.

#### INDEX 500 PORTFOLIO

The fund seeks to match the total return of the S&P 500 while keeping expenses low. FMR normally invests at least 80% (65% if fund assets are below \$20 million) of the fund's assets in equity securities of companies that compose the S&P 500.

The S&P 500 is made up of 500 common stocks, most of which trade on the New York Stock Exchange. Standard & Poor's Corporation is neither an affiliate nor a sponsor of the fund, and inclusion of a stock in the index does not imply that it is a good investment.

It is generally acknowledged that the S&P 500 broadly represents the performance of publicly traded common stocks in the U.S. In seeking a 98% or better long-term correlation of the fund's total return to that of the S&P 500, the fund utilizes a "passive" or "indexing" approach and tries to allocate its assets similarly to those of the index. The fund's composition may not always be identical to that of the S&P 500. FMR may choose, if extraordinary circumstances warrant, to exclude a stock held in the S&P 500 and include a similar stock in its place if doing so will help the fund achieve its objective. FMR monitors the correlation between the performance of the fund and the S&P 500 on a regular basis. In the unlikely event that

the fund cannot achieve a long-term correlation of 98% or better, the trustees will consider alternative arrangements. Although the fund focuses on common stocks, it may also invest in other equity securities and in other types of instruments. The fund purchases short-debt securities for cash management purposes and uses various investment techniques, such as futures contracts, to adjust its exposure to the S&P 500.

Please refer to the Appendix for more information on the S&P 500.

#### CONTRAFUND PORTFOLIO

The fund seeks capital appreciation by investing in companies that FMR believes to be undervalued due to an overly pessimistic appraisal by the public. In pursuit of the fund's goal, FMR looks for companies with the following characteristics:

(small solid bullet) unpopular, but improvements seem possible due to developments such as a change in management, a new product line, or an improved balance sheet,

(small solid bullet) recently popular, but temporarily out of favor due to short-term or one-time factors, or

(small solid bullet) undervalued compared to other companies in the same industry.

This strategy can lead to investments in domestic or foreign companies, many of which may not be well known. The stocks of small companies often involve more risk than those of larger companies. The fund usually invests primarily in common stock and securities convertible into common stock, but it has the flexibility to invest in any type of security that may produce capital appreciation.

#### GROWTH PORTFOLIO

The fund seeks capital appreciation by investing primarily in common stocks and securities convertible into common stock of companies that FMR believes have above-average growth potential. The fund however, is not restricted to any one type of security and may pursue capital appreciation through the purchase of bonds and preferred stocks.

Growth may be measured by factors such as earnings or gross sales. FMR tends to focus on smaller, lesser known companies in new and emerging areas of the economy. However, FMR may also pursue growth in larger or revitalized companies that hold a strong position in the market. These may be found in mature or declining industries.

COMPANIES WITH STRONG GROWTH POTENTIAL often have new products, technologies, distribution channels, or other opportunities. As a general rule, these domestic and foreign companies tend to be small and mid-sized companies that have higher than average price/earnings (P/E) ratios. A high P/E ratio means that the stock is more expensive than average relative to the company's earnings. The market prices of these stocks may be particularly sensitive to economic, market, or company news.

Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. The fund spreads investment risk by limiting its holdings in any one company or industry. FMR may use various investment techniques to hedge the fund's risks, but there is no guarantee that these strategies will work as FMR intends.

#### OVERSEAS PORTFOLIO

The fund seeks long-term growth of capital by investing primarily in securities of issuers whose principal activities are outside of the U.S. FMR normally invests at least 65% of the fund's total assets in securities of issuers from at least three different countries outside of North America (the U.S., Canada, Mexico, and Central America). The fund expects to invest a majority of its assets in equity securities, but may also invest in debt securities of any quality.

The fund may invest in the securities of any issuer, including companies and other business organizations as well as governments and government agencies. The fund, however, will tend to focus on the equity securities of both large and small companies. The fund may invest in short-term debt securities and money market instruments for cash management purposes. The fund's focus on international investing involves increased or additional risks compared to funds which invest primarily in domestic equity securities. International funds have increased economic and political risks as they are exposed to events and factors in the various world markets. Also, because many of the fund's investments are denominated in foreign currencies, changes in the value of foreign currencies can significantly affect the fund's share price. FMR may use a variety of techniques to either increase or decrease the fund's exposure to any currency.

FMR may also use different investment techniques in an attempt to hedge the fund's risks, but there is no guarantee that these strategies will work as FMR intends.

FMR determines where an issuer or its principal business is located by looking at such factors as its country of organization, the primary trading

market for its securities, and the location of its assets, personnel, sales, and earnings. When allocating the fund's investments among countries and regions, FMR considers such factors as the potential for economic growth, expected levels of inflation, governmental policies, and the outlook for currency relationships.

#### THE FUNDS IN DETAIL

#### CHARTER

EACH FUND IS A MUTUAL FUND: an investment that pools shareholders' money and invests it toward a specified goal. Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio are diversified funds of Variable Insurance Products Fund (VIP) and Investment Grade Bond Portfolio, Asset Manager Portfolio, Index 500 Portfolio, Asset Manager: Growth Portfolio and Contrafund Portfolio are diversified funds of Variable Insurance Products Fund II (VIPII). VIP and VIPII are open-end management investment companies organized as Massachusetts business trusts on November 13, 1981, and March 21, 1988, respectively. There is a remote possibility that one fund might become liable for a misstatement in the prospectus about another fund.

EACH FUND IS GOVERNED BY A BOARD OF TRUSTEES which is responsible for protecting the interests of shareholders. The trustees are experienced executives who meet throughout the year to oversee the funds' activities, review contractual arrangements with companies that provide services to the funds, and review the funds' performance. The majority of trustees are not otherwise affiliated with Fidelity.

THE FUNDS MAY HOLD SPECIAL MEETINGS AND MAIL PROXY MATERIALS. These meetings may be called to elect or remove trustees, change fundamental policies, approve a management contract, or for other purposes. Shareholders not attending these meetings are encouraged to vote by proxy. An insurance company issuing a variable contract that participates in the funds will vote shares held in its separate account as required by law and interpretations thereof, as may be amended or changed from time to time. In accordance with current law and interpretations thereof, a participating insurance company is required to request voting instructions from policyowners and must vote shares in the separate account in proportion to the voting instructions received. Your insurance company is entitled to one vote for each share it owns. For a further discussion, please refer to your insurance company's separate account prospectus.

#### FMR AND ITS AFFILIATES

Fidelity Investments is one of the largest investment management organizations in the United States and has its principal business address at 82 Devonshire Street, Boston, Massachusetts 02109. It includes a number of different subsidiaries and divisions which provide a variety of financial services and products. The funds employ various Fidelity companies to perform activities required for their operation. The funds are managed by FMR which handles each fund's business affairs and, with the assistance of affiliates for certain funds, chooses each fund's investments.

(small solid bullet) FMR Texas, in Irving, Texas, serves as a sub-adviser for Money Market Portfolio.

(small solid bullet) Fidelity Management & Research (U.K.) Inc. (FMR U.K.), in London, England, serves as a sub-adviser for High Income, Asset Manager, Asset Manager: Growth, Contrafund and Overseas Portfolios.

(small solid bullet) Fidelity Management & Research Far East Inc. (FMR Far East), in Tokyo, Japan, serves as a sub-adviser for High Income, Asset Manager, Asset Manager: Growth, Contrafund and Overseas Portfolios.

(small solid bullet) Fidelity International Investment Advisors (FIIA), in Pembroke, Bermuda, serves as a sub-adviser for Overseas Portfolio.

(small solid bullet) Fidelity International Investment Advisors (U.K.) Limited (FIIAL U.K.), in Kent, England, and serves as a sub-adviser for Overseas Portfolio.

Barry Jay Coffman is vice president and manager of High Income Portfolio, which he has managed since August 1990. Mr. Coffman also assists on Fidelity Puritan Fund. Previously, he served as an assistant manager and analyst for the high yield bond group. Before joining Fidelity in 1986, Mr. Coffman was an analyst for Equitable Capital Management and was a senior auditor at Arthur Anderson & Company.

Bettina Doulton is the manager of Equity-Income Portfolio, which she has managed since July 1993. Ms. Doulton is also manager of Fidelity Advisor Equity Portfolio Income. Previously, she managed Fidelity Select Automotive Portfolio and assisted on Fidelity Magellan Fund and Fidelity Equity-Income Fund. Ms. Doulton also served as an analyst following the domestic and European automotive and tire manufacturing industry as well as the gaming and lodging industry. She joined Fidelity in 1985.

Lawrence Greenberg is vice president and manager of Growth Portfolio, which

he has managed since April 1991. He also manages Emerging Growth. Previously, Mr. Greenberg managed Select Environmental Services and Select Medical Delivery. He also assisted on Fidelity Magellan Fund. Mr. Greenberg joined Fidelity in 1986.

John R. Hickling is a manager and vice president of Overseas, which he has managed since January 1993. Mr. Hickling also manages Advisor Overseas and VIP Overseas. Previously, he managed Japan, Emerging Markets, Europe, International Opportunities, and Pacific Basin. Mr. Hickling joined Fidelity in 1982.

#### FIDELITY FACTS

Fidelity offers the broadest selection of mutual funds in the world.

(solid bullet) Number of Fidelity mutual funds: over  
(solid bullet) Assets in Fidelity mutual funds: over \$250 billion

(solid bullet) Number of shareholder accounts: over 21 million

(solid bullet) Number of investment analysts and portfolio managers: over 200  
(checkmark)

Donald Taylor is manager and vice president of Investment Grade Bond Portfolio, which he has managed since September 1989. Mr. Taylor also manages Advisor Short Fixed Income, Fidelity Short-Term Bond Portfolio and Spartan Short-Term Income. In addition, Mr. Taylor manages Income Plus for Fidelity International. Previously, he managed Corporate Trust, Qualified Dividend, Zero Coupon Bond Fund, and Utilities Income. Mr. Taylor joined Fidelity in 1986.

Robert Beckwitt is manager of Asset Manager: Growth Portfolio and manager and vice president of Asset Manager Portfolio, which he has managed since January 1995 and October 1989, respectively. Mr. Beckwitt also manages Fidelity Asset Manager, Asset Manager: Growth, and Asset Manager: Income. In addition, he serves as chief investment strategist for Fidelity Portfolio Advisory Service. Previously, he managed Spartan Government Income, Spartan Long-Term Government Bond, and was director of quantitative research. Mr. Beckwitt joined Fidelity in 1985.

William Danoff is manager and vice president of Contrafund Portfolio, which he has managed since January 1995. Mr. Danoff also manages Fidelity Contrafund, which he has managed since October 1990. Previously, he managed Select Retailing and assisted on Magellan. Mr. Danoff joined Fidelity in 1986 as an equity analyst.

Each fund has an investment objective similar to that of an existing Fidelity retail fund. Money Market Portfolio is most similar to Fidelity Cash Reserves, High Income Portfolio to Spartan High Income Fund, Equity-Income Portfolio to Fidelity Equity-Income Fund, Growth Portfolio to Fidelity Growth Company Fund, Overseas Portfolio to Fidelity Overseas Fund, Investment Grade Bond Portfolio to Fidelity Intermediate Bond Fund, Asset Manager Portfolio to Fidelity Asset Manager, Index 500 Portfolio to Fidelity Market Index Fund, Contrafund Portfolio to Fidelity Contrafund and Asset Manager: Growth Portfolio to Fidelity Asset Manager: Growth.

Performance of these funds is not expected to be the same as the performance of the corresponding retail fund due in part to dissimilarities in their investments. Various insurance related costs at the insurance company's separate account will also affect performance.

Each fund sells its shares to separate accounts of insurance companies which are both affiliated and unaffiliated with FMR. Each fund currently does not foresee any disadvantages to policyowners arising out of the fact that each fund offers its shares to separate accounts of various insurance companies to serve as the investment medium for their variable products. Nevertheless, the Board of Trustees intends to monitor events in order to identify any material irreconcilable conflicts which may possibly arise, and to determine what action, if any, should be taken in response to such conflicts. If such a conflict were to occur, one or more insurance companies' separate accounts might be required to withdraw its investments in one or more funds and shares of another fund may be substituted. This might force a fund to sell securities at disadvantageous prices. In addition, the Board of Trustees may refuse to sell shares of any fund to any separate account or may suspend or terminate the offering of shares of any fund if such action is required by law or regulatory authority or is in the best interests of the shareholders of the fund.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that establishes procedures for personal investing and restricts certain transactions.

Fidelity Distributors Corporation (FDC) distributes and markets Fidelity's funds and services. Fidelity Investments Institutional Operations Company (FIIOC) performs transfer agent servicing functions for the funds.

FMR Corp. is the ultimate parent company of FMR, FMR Texas, FMR U.K., and FMR Far East. Through ownership of voting common stock, members of the Edward C. Johnson 3d family form a controlling group with respect to FMR Corp. Changes may occur in the Johnson family group, through death or disability, which would result in changes in each individual family members' holding of stock. Such changes could result in one or more family members becoming holders of over 25% of the stock. FMR Corp. has received an opinion of counsel that changes in the composition of the Johnson family group under these circumstances would not result in the termination of the funds' management or distribution contracts and, accordingly, would not require a shareholder vote to continue operation under those contracts. Fidelity International Limited (FIL), is the parent company of FIIA and FIIAL U.K. The Johnson family group also owns, directly or indirectly, more than 25% of the voting common stock of FIL.

A broker-dealer may use a portion of the commissions paid by a fund to reduce the its custodian or transfer agent fees. FMR may use its broker-dealer affiliates and other firms that sell fund shares to carry out a fund's transactions, provided that the fund receives brokerage services and commission rates comparable to those of other broker-dealers.

#### SECURITIES AND INVESTMENT PRACTICES

The following pages contain more detailed information about types of instruments in which a fund may invest, and strategies FMR may employ in pursuit of a fund's investment objective. A summary of risks and restrictions associated with these instrument types and investment practices is included as well. A complete listing of each fund's policies and limitations and more detailed information about each fund's investments is contained in the funds' SAI. Policies and limitations are considered at the time of purchase; the sale of instruments is not required in the event of a subsequent change in circumstances.

FMR may not buy all of these instruments or use all of these techniques to the full extent permitted unless it believes that doing so will help a fund achieve its goal. Current holdings and recent investment strategies are described in the funds' financial reports, which are sent to the funds' shareholders twice a year. For a free SAI or financial report, contact your insurance company.

MONEY MARKET SECURITIES are high-quality, short-term investments issued by the U.S. government, corporations, financial institutions, and other entities. These investments may carry fixed, variable, or floating interest rates. A security's credit may be enhanced by a bank, insurance company, or other entity.

Money market securities may include commercial paper, certificates of deposit, bankers' acceptances, time deposits, and short-term corporate obligations.

EQUITY SECURITIES may include common stocks, preferred stocks, convertible securities, and warrants. Common stocks, the most familiar type, represent an equity (ownership) interest in a corporation. Although equity securities have a history of long-term growth in value, their prices fluctuate based on changes in a company's financial condition and on overall market and economic conditions. Smaller companies are especially sensitive to these factors.

RESTRICTIONS: With respect to 75% of its total assets, each fund may not own more than 10% of the outstanding voting securities of a single issuer.

DEBT SECURITIES. Bonds and other debt instruments are used by issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest, and must repay the amount borrowed at maturity. Some debt securities, such as zero coupon bonds, do not pay current interest, but are purchased at a discount from their face values. Debt securities, loans, and other direct debt have varying degrees of quality and varying levels of sensitivity to changes in interest rates. Longer-term bonds are generally more sensitive to interest rate changes than short-term bonds.

Investment-grade debt securities are medium-and high-quality securities. Some, however, may possess speculative characteristics and may be more sensitive to economic changes and to changes in the financial condition of issuers.

Lower-quality debt securities (sometimes called "junk bonds") are often considered to be speculative and involve greater risk of default or price changes due to changes in interest rates, economic conditions, and the issuer's creditworthiness. As a result, their market prices tend to fluctuate more than higher-quality securities. Lower-quality securities are those rated lower than Baa by Moody's Investors Service, Inc. (Moody's) or BBB by Standard & Poor's Corporation (S&P), and unrated debt securities determined by FMR to be of equivalent quality.

The default rate of lower-quality debt securities is likely to be higher when issuers have difficulty meeting projected goals or obtaining additional financing. This could occur during economic recessions or

periods of high interest rates. If an issuer defaults, a fund may try to protect its interests and those of other security holders if it determines this to be in the interest of its shareholders.

Lower-quality securities may be thinly traded, making them difficult to sell promptly at an acceptable price. If market quotations are unavailable, lower-quality securities are valued under guidelines established by the Board of Trustees, including the use of outside pricing services. Negative publicity or investor perceptions may make this difficult, and could hurt a fund's ability to dispose of these securities.

The tables on page \_\_\_ provide a summary of ratings assigned to debt holdings (not including money market instruments) in certain of the funds' portfolios. These figures are dollar-weighted averages of month-end portfolio holdings during fiscal 1994, and are presented as a percentage of total security investments. These percentages are historical and do not necessarily indicate a fund's current or future debt holdings.

RESTRICTIONS: Purchase of a debt security is consistent with a fund's debt quality policy if it is rated at or above the stated level by Moody's or rated in the equivalent categories by S&P, or is unrated but judged to be of equivalent quality by FMR. Money Market and Index 500 will not invest in lower-quality debt securities; Investment Grade Bond currently limits its investments in debt securities to those rated Baa-quality or above; Equity-Income, Contrafund, Asset Manager: Growth, Overseas, and Growth Portfolios currently limit investment in lower than Baa-quality debt securities to 35% of each fund's assets; Asset Manager currently intends to limit its investment in lower than Baa-quality debt securities to 35% and currently intends to limit its investment in lower than Baa-quality debt securities as determined by FMR, to 20% of its total assets; and High Income has no limit on the amount of its assets that may be invested in lower-quality debt securities.

[INCLUDE ONE DEBT TABLE FOR EACH FUND:]

FISCAL 199\_ DEBT HOLDINGS, BY RATING

Fiscal 199\_ Debt Holdings, by Rating MOODY'S STANDARD & POOR'S

INVESTORS SERVICE, INC. CORPORATION

Rating Average [A] Rating Averag

e[A]

INVESTMENT GRADE

Highest quality Aaa AAA

High quality Aa % AA %

Upper-medium grade A A

Medium grade Baa % BBB %

LOWER QUALITY

Moderately speculative Ba % BB %

Speculative B % B %

Highly speculative Caa % CCC %

Poor quality Ca % CC %

Lowest quality, no interest C C

In default, in arrears -- D %

% %

[FOR TAXABLE GROWTH, GROWTH AND INCOME, BONDS] [A] FOR SOME FOREIGN

GOVERNMENT OBLIGATIONS, FMR ASSIGNS THE

RATINGS OF THE SOVEREIGN CREDIT OF THE ISSUING GOVERNMENT. THE

DOLLAR-WEIGHTED AVERAGE OF DEBT SECURITIES

NOT RATED DIRECTLY OR INDIRECTLY BY MOODY'S OR S&P AMOUNTED TO \_\_\_% FOR

MONEY MARKET AND \_\_\_% FOR HIGH

INCOME. THIS MAY INCLUDE SECURITIES RATED BY OTHER NATIONALLY RECOGNIZED

RATING SERVICES, AS WELL AS

UNRATED SECURITIES. [delete if <5% of debt securities are unrated: FMR HAS

DETERMINED THAT UNRATED SECURITIES THAT

ARE LOWER QUALITY ACCOUNT FOR \_\_\_% OF MONEY MARKET 'S AND \_\_\_% OF 'S TOTAL

SECURITY INVESTMENTS.] REFER TO

THE FUND'S STATEMENT OF ADDITIONAL INFORMATION FOR A MORE COMPLETE

DISCUSSION OF THESE RATINGS.

[FOR TAX-FREE BONDS] [A] THE DOLLAR-WEIGHTED AVERAGE OF DEBT SECURITIES

NOT RATED BY MOODY'S AND S&P

AMOUNTED TO \_\_\_%. THIS MAY INCLUDE SECURITIES RATED BY OTHER NATIONALLY

RECOGNIZED RATING SERVICES, AS

WELL AS UNRATED SECURITIES. [ DELETE IF <5% OF DEBT SECURITIES ARE UNRATED

: FMR HAS DETERMINED THAT

UNRATED SECURITIES THAT ARE LOWER QUALITY ACCOUNT FOR \_\_\_% OF THE FUND'S

SECURITY INVESTMENTS. ] REFER TO

THE FUND'S SAI FOR A MORE COMPLETE DISCUSSION OF THESE RATINGS.

U.S. GOVERNMENT SECURITIES are high-quality debt securities issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. government. Not all U.S. government securities are backed by the full

faith and credit of the United States. For example, securities issued by the Federal Farm Credit Bank or by the Federal National Mortgage Association are supported by the instrumentality's right to borrow money from the U.S. Treasury under certain circumstances. However, securities issued by the Financing Corporation are supported only by the credit of the entity that issued them.

STRIPPED SECURITIES are the separate income or principal components of a debt instrument. These involve risks that are similar to those of other debt securities, although they may be more volatile, and certain stripped securities move in the same direction as interest rates.

WHEN-ISSUED AND DELAYED-DELIVERY TRANSACTIONS are trading practices in which payment and delivery for the securities take place at a future date. The market value of a security could change during this period, which could affect the market value of a fund's assets or its yield.

FOREIGN SECURITIES and foreign currencies may involve additional risks. These include currency fluctuations, risks relating to political or economic conditions in the foreign country, and the potentially less stringent investor protection and disclosure standards of foreign markets. In addition to the political and economic factors that can affect foreign securities, a governmental issuer may be unwilling to repay principal and interest when due, and may require that the conditions for payment be renegotiated. These factors could make foreign investments, especially those in developing countries, more volatile.

Of particular importance to Money Market Portfolio, foreign obligations, including obligations of foreign banks, U.S. branches and agencies of foreign banks, and foreign branches of U.S. banks, may involve different risks than domestic obligations, including risks relating to the political and economic conditions of the foreign country involved, which could affect the payment of principal or interest.

RESTRICTIONS: FMR limits the amount of High Income, Equity-Income, Growth, Investment Grade Bond, Asset Manager and Index 500 Portfolio's net assets that may be invested in foreign securities to 50%. However, each fund, including Overseas, Asset Manager: Growth and Contrafund Portfolios, may not invest more than 20% of its assets in any one country. Each fund may have an additional 15% invested in securities of issuers located in any one (but only one) of the following countries: Australia, Canada, France, Japan, the United Kingdom or Germany. A fund must be diversified in at least three different countries if it exceeds 20% in any one country. Money Market Portfolio may not invest in foreign securities unless they are denominated in U.S. dollars.

ASSET-BACKED AND MORTGAGE SECURITIES may include interests in pools of lower-rated debt securities, consumer loans or mortgages, or complex instruments such as collateralized mortgage obligations and stripped mortgage-backed securities. The value of these securities may be significantly affected by changes in interest rates, the market's perception of issuers, and the creditworthiness of the parties involved. Some securities may have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile. These securities may also be subject to prepayment risk.

REPURCHASE AGREEMENTS. In a repurchase agreement, a fund buys a security at one price and simultaneously agrees to sell it back at a higher price. Delays or losses could result if the other party to the agreement defaults or becomes insolvent.

FOREIGN REPURCHASE AGREEMENTS may be less well secured than U.S. repurchase agreements, and may be denominated in foreign currencies. They also may involve greater risk of loss if the counterparty defaults. Some counterparties in these transactions may be less creditworthy than those in U.S. markets.

RESTRICTIONS: Money Market Portfolio may not use investment techniques which are inconsistent with the fund's goal of maintaining a stable share price.

REVERSE REPURCHASE AGREEMENTS. In a reverse repurchase agreement, a fund temporarily transfers possession of a portfolio instrument to another party in return for cash. This could increase the risk of fluctuation in the fund's yield or in the market value of its assets.

REAL ESTATE-RELATED INSTRUMENTS include real estate investment trusts, commercial and residential mortgage-backed securities, and real estate financings. Real estate-related instruments are sensitive to factors such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, overbuilding, and the management skill and creditworthiness of the issuer. Real estate-related instruments may also be affected by tax and regulatory requirements, such as those relating to the environment.

ADJUSTING INVESTMENT EXPOSURE. A fund can use various techniques to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates, commodity prices, or other factors that



affect security values. These techniques may involve derivative transactions such as buying and selling options and futures contracts, entering into currency exchange contracts or swap agreements, purchasing indexed securities, and selling securities short. FMR can use these practices to adjust the risk and return characteristics of a fund's portfolio of investments. If FMR judges market conditions incorrectly or employs a strategy that does not correlate well with a fund's investments, these techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These techniques may increase the volatility of a fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty to the transaction does not perform as promised.

**RESTRICTIONS:** Money Market Portfolio may not use investment techniques which are inconsistent with the fund's goal of maintaining a stable share price.

**DIRECT DEBT.** Loans and other direct debt instruments are interests in amounts owed to another party by a company, government, or other borrower. They have additional risks beyond conventional debt securities because they may entail less legal protection for a fund, or there may be a requirement that the fund supply additional cash to a borrower on demand.

**RESTRICTIONS:** Money Market and Index 500 Portfolios may not use investment techniques which are inconsistent with the fund's goal of maintaining a stable share price.

**ILLIQUID AND RESTRICTED SECURITIES.** Some investments may be determined by FMR, under the supervision of the Board of Trustees, to be illiquid, which means that they may be difficult to sell promptly at an acceptable price. The sale of some securities, including illiquid securities, may be subject to legal restrictions. Difficulty in selling securities may result in a loss or may be costly to a fund.

**RESTRICTIONS.** Equity-Income, Growth, Investment Grade Bond, Index 500, Contrafund, Asset Manager and Asset Manager: Growth Portfolios each may not purchase a security if, as a result, more than 10% of its net assets would be invested in illiquid securities. High Income and Overseas Portfolios each may not purchase a security if, as a result, more than 15% of its net assets would be invested in illiquid securities. Money Market Portfolio will invest less than 10% of its assets in illiquid securities.

**WARRANTS** are instruments which entitle the holder to buy underlying equity securities at a specific price for a specific period of time. A warrant tends to be more volatile than its underlying securities and ceases to have value if it is not exercised prior to its expiration date. In addition, changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying securities.

**DIVERSIFICATION.** Diversifying a fund's investment portfolio can reduce the risks of investing. This may include limiting the amount of money invested in any one issuer or, on a broader scale, in any one industry

**RESTRICTIONS:** Money Market Portfolio may not invest more than 5% of its total assets in the securities of any one issuer, except that the fund may invest up to 10% of its assets in the highest quality securities of a single issuer for up to three business days. The fund will invest more than 25% of its total assets in the financial services industry (see below). These limitations do not apply to U.S. government securities.

With respect to 75% of total assets, High Income, Equity-Income, Growth, Overseas, Investment Grade Bond, Index 500, Asset Manager, Asset Manager: Growth and Contrafund Portfolios each may not invest more than 5% of its total assets in any one issuer. Each fund also may not invest more than 25% of its total assets in any one industry. These limitations do not apply to U.S. government securities

**BORROWING.** Each fund may borrow from banks or from other funds advised by FMR, or through reverse repurchase agreements. 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.

**RESTRICTIONS:** Each fund may borrow only for temporary or emergency purposes, but not in an amount exceeding 25% of its total assets.

**LENDING.** Lending securities to broker-dealers and institutions, including FBSI, an affiliate of FMR, is a means of earning income. This practice could result in a loss or a delay in recovering a fund's securities. A fund may also lend money to other funds advised by FMR and to issuers in connection with certain direct debt transactions.

**RESTRICTIONS:** Loans, in the aggregate, may not exceed 33% of a fund's total assets.

**OTHER INSTRUMENTS** If consistent with its objective and policies, a fund's investments may include depository receipts, rights, and securities of closed-end investment companies.

**FINANCIAL SERVICES INDUSTRY.** Companies in the financial services industry

are subject to various risks related to that industry, such as government regulation, changes in interest rates, and exposure on loans, including loans to foreign borrowers.

**RESTRICTIONS:** Money Market Portfolio will invest more than 25% of its total assets in the financial services industry and its performance may be affected by conditions affecting the industry.

**FUNDAMENTAL INVESTMENT POLICIES AND RESTRICTIONS**

Some of the policies and restrictions discussed on the preceding pages are fundamental, that is, subject to change only by shareholder approval. The following paragraphs restate all those that are fundamental. All policies stated throughout this prospectus, other than those identified in the following paragraphs, can be changed without shareholder approval.

**MONEY MARKET PORTFOLIO** seeks as high a level of current income as is consistent with preservation of capital and liquidity by investing in money market instruments. The fund will not purchase a security if, as a result, more than 25% of its total assets would be invested in a particular industry; except that the fund will invest more than 25% of its total assets in the financial services industry. Loans, in the aggregate, may not exceed 33% of the fund's total assets.

**INVESTMENT GRADE BOND PORTFOLIO** seeks as high a level of current income as is consistent with the preservation of capital.

**HIGH INCOME PORTFOLIO** seeks a high level of current income by investing primarily in high yielding, lower-quality, fixed-income securities, while also considering growth of capital.

**ASSET MANAGER PORTFOLIO** seeks to obtain high total return with reduced risk over the long-term by allocating its assets among stocks, bonds, and short-term instruments.

**ASSET MANAGER: GROWTH PORTFOLIO** seeks to maximize total return by allocating its assets among stocks, bonds, short-term instruments, and other investments.

**EQUITY-INCOME PORTFOLIO** seeks reasonable income by investing primarily in income-producing equity securities.

**INDEX 500 PORTFOLIO** seeks investment results that correspond to the total return of common stocks publicly traded in the United States, as represented by the S&P 500.

**CONTRAFUND PORTFOLIO** seeks long-term capital appreciation.

**GROWTH PORTFOLIO** seeks to achieve capital appreciation.

**OVERSEAS PORTFOLIO** seeks long-term growth of capital primarily through investments in foreign securities.

**EACH FUND** (excluding Money Market Portfolio), with respect to 75% of total assets, may not invest more than 5% of its total assets in any one issuer and may not own more than 10% of the outstanding voting securities of a single issuer. Each fund (excluding Money Market Portfolio) may not invest more than 25% of its total assets in any one industry. Loans, in the aggregate, may not exceed 33% of each fund's total assets.

**INTERNAL REVENUE SERVICE (IRS) LIMITATIONS.** In addition to the above, each fund also follows certain limitations imposed by the IRS on separate accounts of insurance companies relating to the tax-deferred status of variable contracts. More specific information may be contained in your insurance company's separate account prospectus.

**BREAKDOWN OF EXPENSES**

Like all mutual funds, the funds pay fees related to their daily operations. Expenses paid out of a fund's assets are reflected in its share price.

Each fund pays a **MANAGEMENT FEE** to FMR for managing its investments and business affairs. FMR in turn, on behalf of Money Market, High Income, Asset Manager, Asset Manager: Growth, Contrafund and Overseas Portfolios, pays fees to affiliates who provide assistance with these services. Each fund also pays **OTHER EXPENSES**, which are explained on page \_\_.

FMR may, from time to time, agree to reimburse the funds for management fees and other expenses above a specified limit. FMR retains the ability to be repaid by a fund if expenses fall below the specified limit prior to the end of the fiscal year. Reimbursement arrangements, which may be terminated at any time without notice, can decrease a fund's expenses and boost its performance.

**MANAGEMENT FEE**

**EACH FUND'S MANAGEMENT FEE** is calculated and paid to FMR every month. The fee for each fund (excluding Money Market and Index 500 Portfolios) is calculated by adding a **GROUP FEE** rate to an **INDIVIDUAL FUND FEE** rate, and multiplying the result by each fund's average net assets.

**INDEX 500 PORTFOLIO** pays a monthly management fee to FMR at the annual rate of 0.28% of the fund's average net assets.

**MONEY MARKET PORTFOLIO'S** management fee is calculated by multiplying the sum of three components by the fund's average net assets. One component is based on the average net assets of all the mutual funds advised by FMR, another is fixed for the fund and the third is based on the fund's income.

The first component, the group fee rate, is discussed below, The second component, the individual fund fee rate, is 0.03%. The income component is 6% of the fund's gross income in excess of a 5% yield and cannot rise above 0.24% of the fund's average net assets.

THE GROUP FEE RATE is based on the average net assets of all the mutual funds advised by FMR. This rate cannot rise above 0.52% for Equity-Income, Growth, Overseas, Asset Manager, Asset Manager: Growth and Contrafund Portfolios, and 0.37% for Money Market, High Income and Investment Grade Bond Portfolios, and it drops as total assets under management increase. For December 31, 1994, the group fee rate was \_\_\_% for Equity-Income, Growth, Overseas, Asset Manager, Asset Manager: Growth and Contrafund Portfolios and \_\_\_% for Money Market, High Income and Investment Grade Bond Portfolios.

Each fund's individual fund fee rate and total management fee for fiscal year 1994 is outlined in the chart below.

Fund	Individual fund fee rate	Management fee
Money Market Portfolio	.03%	.__%
Equity-Income Portfolio	.20%	.__%
Growth Portfolio	.30%	.__%
Contrafund Portfolio	.30%	.__%
Investment Grade Bond Portfolio	.30%	.__%
Asset Manager Portfolio	.40%	.__%
Asset Manager: Growth Portfolio	.40%	.__%
High Income Portfolio	.45%	.__%
Overseas Portfolio	.45%	.__%

MANAGEMENT FEES FOR ASSET MANAGER: GROWTH AND CONTRAFUND ARE ESTIMATED AS THE FUNDS DID NOT COMMENCE OPERATIONS UNTIL JANUARY 3, 1995.

For Overseas Portfolio, this rate was higher than that of most other mutual funds, but not necessarily higher than those of a typical international fund, due to the greater complexity, expense and commitment of resources involved in international investing.

SUB-ADVISORY AGREEMENTS. On behalf of High Income, Asset Manager, Asset Manager: Growth and Contrafund Portfolios, FMR has sub-advisory agreements with two affiliates, FMR U.K. and FMR Far East. On behalf of Overseas Portfolio, FMR has sub-advisory agreements with three affiliates: FMR U.K., FMR Far East, and FIIA. FIIA in turn has a sub-advisory agreement with FIIAL U.K. These sub-advisers are compensated for providing FMR with investment research and advice on issuers based outside the United States. FMR pays FMR U.K. and FMR Far East fees equal to 110% and 105%, respectively, of the costs of providing these services. FMR pays FIIA a fee equal to 30% of its management fee rate associated with investments for which the sub-adviser provided investment advice.

On behalf of High Income, Asset Manager: Growth, Contrafund and Overseas Portfolios, the sub-advisers may also provide investment management services. In return, FMR pays FMR U.K., FMR Far East, and FIIA a fee equal to 50% of its management fee rate with respect to the fund's investments that the sub-adviser manages on a discretionary basis. FIIA pays FIIAL U.K. a fee equal to 110% of the cost of providing these services.

The following chart details the fees paid by FMR to FMR U.K., FMR Far East, FIIA and FIIAL U.K. on behalf of the funds (as a percentage of each fund's average net assets) for fiscal 1994:

Fund	Fee to FMR U.K.	Fee to FMR Far East	Fee to FIIA	Fee to FIIAL U.K.
High Income Portfolio	.__%	.__%	.__%	.__%
Asset Manager Portfolio	.__%	.__%	.__%	.__%
Overseas Portfolio	.__%	.__%	.__%	.__%

On behalf of Money Market Portfolio, FMR has entered into a sub-advisory agreement with FMR Texas, which has primary responsibility for providing investment management services. FMR pays FMR Texas 50% of its management

fee (before any expense reimbursement) for these services. FMR paid FMR Texas \_\_\_% of Money Market's average net assets for fiscal 1994.

OTHER EXPENSES

While the management fee is a significant component of each fund's annual operating costs, the funds have other expenses as well.

FIIOC, 82 Devonshire Street, Boston, Massachusetts, performs transfer agency, dividend disbursing and shareholder servicing functions for each fund. Fidelity Service Company (FSC), 82 Devonshire Street, Boston, Massachusetts, calculates the net asset value (NAV) and dividends, maintains the general accounting records and administers the securities lending program for each fund.

Each fund has adopted a Distribution and Service Plan. Each plan recognizes that FMR may use its resources, including management fees, to pay expenses associated with the sale of fund shares. This may include payments to third parties, such as banks or broker-dealers, that provide shareholder support services or engage in the sale of the funds' shares. The Board of Trustees has not authorized such payments.

Each fund also pays other expenses, such as legal, audit, and custodian fees; proxy solicitation costs; and the compensation of trustees who are not affiliated with Fidelity. A broker-dealer may use a portion of the commissions paid by the fund to reduce the fund's custodian or transfer agent fees.

The following chart details the fees paid to FIIOC and FSC and each fund's total expenses (as a percentage of each fund's average net assets) for fiscal 1994:

Fund	Fee to FIIOC	Fee to FSC	Total Expenses
Money Market Portfolio	.__%	.__%	.__%
Index 500 Portfolio	.__%	.__%	.__%
Equity-Income Portfolio	.__%	.__%	.__%
Growth Portfolio	.__%	.__%	.__%
Contrafund Portfolio	.__%	.__%	.__%
Investment Grade Bond Portfolio	.__%	.__%	.__%
Asset Manager Portfolio	.__%	.__%	.__%
Asset Manager: Growth Portfolio	.__%	.__%	.__%
High Income Portfolio	.__%	.__%	.__%
Overseas Portfolio	.__%	.__%	.__%

EXPENSES FOR ASSET MANAGER: GROWTH AND CONTRAFUND ARE ESTIMATED AS THE FUNDS DID NOT COMMENCE OPERATIONS UNTIL JANUARY 3, 1995.

For fiscal 1994, each fund's portfolio turnover rate is outlined in the table below. These rates vary from year to year. High turnover rates increase transaction costs. FMR considers these effects when evaluating the anticipated benefits of short-term investing.

Fund	Portfolio Turnover Rate
Index 500 Portfolio	.__%
Equity-Income Portfolio	.__%
Growth Portfolio	.__%
Investment Grade Bond Portfolio	.__%
Asset Manager Portfolio	.__%
High Income Portfolio	.__%
Overseas Portfolio	.__%

PERFORMANCE

Each fund's total return may be quoted in advertising if accompanied by performance of your insurance company's separate account. Performance is based on historical results and is not intended to indicate future

performance. For additional performance information, contact your insurance company for a free annual report.

#### EXPLANATION OF TERMS

TOTAL RETURN is the change in value of an investment in a fund over a given period, assuming reinvestment of any dividends and capital gains. A CUMULATIVE TOTAL RETURN reflects actual performance over a stated period of time. An AVERAGE ANNUAL TOTAL RETURN is a hypothetical rate of return that, if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total returns smooth out variations in performance; they are not the same as actual year-by-year results.

Average annual total returns covering periods of less than one year assume that performance will remain constant for the rest of the year.

YIELD refers to the income generated by an investment in a fund over a given period of time, expressed as an annual percentage rate. When a yield assumes that income is reinvested, it is called an effective yield.

Seven-day yield illustrates the income earned by an investment in a money market fund over a recent seven-day period. Since money market funds maintain a stable \$1.00 share price, current seven-day yields are the most common illustration of money market fund performance.

In calculating yield, High Income Portfolio may from time to time use a security's coupon rate instead of its yield to maturity in order to reflect the risk premium on that security. This practice will have the effect of reducing the fund's yield.

THE CONSUMER PRICE INDEX is a widely recognized measure of inflation calculated by the U.S. government.

A fund may quote its adjusted NAV including all distributions paid. This value may be averaged over specified periods and may be used to calculate a fund's moving average.

The funds' recent strategies, performance, and holdings are detailed twice a year in financial reports, which are sent to all shareholders.

TOTAL RETURNS AND YIELDS QUOTED FOR THE FUNDS INCLUDES EACH FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE SHARES OF THE FUNDS MAY ONLY BE PURCHASED THROUGH VARIABLE ANNUITY AND VARIABLE LIFE INSURANCE CONTRACTS, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of each fund's performance has the effect of increasing the performance quoted. You should bear in mind the effect of these charges when comparing a fund's performance to that of other mutual funds.

#### YOUR ACCOUNT

#### DISTRIBUTIONS AND TAXES

For a discussion of the tax status of your variable insurance contract, refer to the prospectus of your insurance company's separate account. It is suggested you keep all statements you receive to assist in your personal recordkeeping.

It is expected that shares of the funds will be held under the terms of variable annuity and variable life insurance contracts. Under current tax law, dividends or capital gain distributions from any fund are not currently taxable when left to accumulate within a variable annuity or variable life insurance contract. Depending on the variable contract, withdrawals from the contracts may be subject to ordinary income tax and, in addition to a 10% penalty tax on withdrawals before age 59 1/2.

Each fund is treated as a separate entity for federal income tax purposes. Each fund intends to pay out all of its net investment income and net realized capital gains for each year. Dividends from Money Market Portfolio are declared daily and paid monthly. Equity-Income Portfolio distributes its dividends quarterly and dividends from High Income, Investment Grade Bond, Growth, Overseas, Asset Manager, Asset Manager: Growth, Index 500, and Contrafund Portfolios will be distributed at least annually. Each fund makes dividend and capital gain distributions on a per-share basis. After distribution from a fund, the fund's share price drops by the amount of the distribution. Because dividends and capital gain distributions are reinvested, the total value of an account will not be affected because, although the shares will have a lower price, there will be correspondingly more of them. Normally, net realized capital gains, if any, are distributed each year for each fund. Such income and capital gain distributions are automatically reinvested in additional shares of the funds.

#### TRANSACTION DETAILS

THE FUNDS ARE OPEN FOR BUSINESS each day the New York Stock Exchange (NYSE) is open. Fidelity normally calculates each fund's NAV as of the close of business of the NYSE, normally 4 p.m. Eastern time.

EACH FUND'S NAV is the value of a single share. The NAV is computed by

adding the value of the fund's investments, cash, and other assets, subtracting its liabilities, and then dividing the result by the number of shares outstanding.

Money Market Portfolio values its portfolio securities on the basis of amortized cost. This method minimizes the effect of changes in a security's market value and helps the fund maintain a stable \$1.00 share price.

Each of the other fund's assets are valued primarily on the basis of market quotations. Foreign securities are valued on the basis of quotations from the primary market in which they are traded, and are translated from the local currency into U.S. dollars using current exchange rates. If quotations are not readily available or if the values have been materially affected by events occurring after the closing of a foreign market, assets are valued by a method that the Board of Trustees believes accurately reflects fair value.

EACH FUND'S OFFERING PRICE (price to buy one share) and REDEMPTION PRICE (price to sell one share) are its NAV.

EACH FUND RESERVES THE RIGHT TO SUSPEND THE OFFERING OF SHARES for a period of time. Each fund also reserves the right to reject any specific purchase order. Purchase orders may be refused if, in FMR's opinion, they would disrupt management of a fund.

INVESTMENTS AND REDEMPTIONS. Investments may be made only by separate accounts established and maintained by insurance companies for the purpose of funding variable insurance contracts. Please refer to the prospectus of your insurance company's separate account for information on how to invest in each fund.

Each Participating insurance company receives orders from its variable contract owners to purchase or redeem shares of the funds each business day. That night, all orders received by that insurance company on that business day are aggregated, and the insurance company places a net purchase or redemption order for shares of one or more funds the morning of the next business day. These orders are generally executed at the NAV that was computed at the close of the previous business day in order to provide a match between the variable contract owners' orders to the insurance companies and the insurance companies' orders to a fund. In some cases, an insurance company's orders for fund shares may be executed at the NAV next computed after the order is actually transmitted to a fund.

Redemption proceeds will normally be wired to the insurance company on the next business day after receipt of the redemption instructions by a fund but in no event later than 7 days following receipt of instructions. Each fund may suspend redemptions or postpone payment dates on days when the New York Stock Exchange is closed (other than weekend or holidays), when trading on the New York Stock Exchange is restricted, or as permitted by the Securities and Exchange Commission.

Please refer to the prospectus of your insurance company's separate account for more information on how to invest and redeem from each fund.

#### APPENDIX

#### DESCRIPTION OF MOODY'S CORPORATE BOND RATINGS:

AAA - Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

AA - Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A - Bonds rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

BAA - Bonds rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

BA - Bonds rated Ba are judged to have speculative elements. Their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position

characterizes bonds in this class.

B - Bonds rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small.

CAA - Bonds rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

CA - Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.

C - Bonds rated C are the lowest-rated class of bonds and issued so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies numerical modifiers, 1, 2, and 3, in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

#### DESCRIPTION OF S&P'S CORPORATE BOND RATINGS:

AAA - Debt rated AAA has the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher-rated issues only in small degree.

A - Debt rated A has a strong capacity to pay interest and repay principal, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB - Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher-rated categories.

BB - Debt rate BB has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

B - Debt rated B has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BB- rating.

CCC - Debt rated CCC has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

CC - Debt rated CC is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC debt rating.

C - The rating C is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC- debt rating. The C rating may be used to cover a situation where a bankruptcy petition has been filed but debt service payments are continued.

CI - The rating CI is reserved for income bonds on which no interest is being paid.

D - Debt rated D is in payment default. The D rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating will also be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

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VARIABLE INSURANCE PRODUCTS FUND:MONEY MARKET PORTFOLIO, HIGH INCOME PORTFOLIO, EQUITY-INCOME PORTFOLIO, GROWTH PORTFOLIO, AND OVERSEAS PORTFOLIO  
VARIABLE INSURANCE PRODUCTS FUND II: INVESTMENT GRADE BOND PORTFOLIO, ASSET MANAGER PORTFOLIO, INDEX 500 PORTFOLIO, CONTRAFUND PORTFOLIO AND ASSET MANAGER: GROWTH PORTFOLIO  
STATEMENT OF ADDITIONAL INFORMATION  
APRIL 30, 1995

This Statement is not a prospectus but should be read in conjunction with the funds' current Prospectus (dated April 30, 1995). Please retain this document for future reference. The funds' financial statements and financial highlights, included in the Annual Reports for the fiscal year ended December 31, 1994, are incorporated herein by reference. To obtain an additional copy of the Prospectus or Annual Reports, please call your insurance company or Fidelity Distributors Corporation at 1-800-544-8888.

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INVESTMENT ADVISER

Fidelity Management & Research Company (FMR)

INVESTMENT SUB-ADVISERS

Money Market Portfolio:

FMR Texas Inc. (FTX)

High Income, Asset Manager, Contrafund and Asset Manager: Growth Portfolios:

Fidelity Management & Research (U.K.) Inc. (FMR U.K.)

Fidelity Management & Research (Far East) Inc. (FMR Far East)

Overseas Portfolio:

FMR U.K.



FMR Far East

Fidelity International Investment Advisors (FIIA)

Fidelity International Investment Advisors (U.K.) Limited (FIIAL U.K.)

DISTRIBUTOR

Fidelity Distributors Corporation (FDC)

TRANSFER AGENT

Fidelity Investments Institutional Operations Company (FIIOC)

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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.

Each 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) of each fund. However, except for the fundamental investment limitations set forth below, the investment policies and limitations described in this Statement of Additional Information are not fundamental and may be changed without shareholder approval.

MONEY MARKET PORTFOLIO

THE FOLLOWING ARE THE FUND'S FUNDAMENTAL INVESTMENT LIMITATIONS. THE FUND MAY NOT:

(1) purchase the securities of any issuer (other than obligations issued or guaranteed as to principal and interest by the United States, its agencies or instrumentalities) if, as a result, more than 5% of its total assets would be invested in the securities of such issuer, provided, however, that with respect to 25% of its total assets, 10% of its assets may be invested in the securities of any single issuer;

(2) issue senior securities, except as permitted under the Investment Company Act of 1940;

(3) borrow money, except that the fund may (i) borrow money for temporary or emergency purposes (not for leveraging or investment) and (ii) engage in reverse repurchase agreements for any purpose; provided that (i) and (ii) in combination do not exceed 33 1/3% of the fund's 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;

(4) 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;

(5) 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, except that the fund will invest more than 25% of its total assets in the financial services industry;

(6) 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);

(7) purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments;

(8) 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

(9) invest in companies for the purpose of exercising control or management.

THE FOLLOWING INVESTMENT LIMITATIONS FOR MONEY MARKET PORTFOLIO ARE NOT FUNDAMENTAL AND MAY BE CHANGED WITHOUT SHAREHOLDER NOTIFICATION.

(i) The fund does not currently intend to purchase a security (other than a security issued or guaranteed by the U.S. government or any of its agencies or instrumentalities) if, as a result, more than 5% of its total assets would be invested in the securities of a single issuer; provided that the fund may invest up to 10% of its total assets in the first tier securities of a single issuer for up to three business days.

(ii) 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.

(iii) 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.

(iv) 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 advisor or (b) by engaging in reverse repurchase agreements with any party. The fund will not borrow money in excess of 25% of net assets so long as this limitation is required for certification by certain state insurance departments. The fund will not purchase any security while borrowings (excluding reverse repurchase agreements) representing more than 5% of its total assets are outstanding. The fund will not borrow from other funds advised by FMR or its affiliates if total outstanding borrowings immediately after such borrowing would exceed 15% of the fund's total assets.

(v) 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.

(vi) The fund does not currently intend to purchase or sell futures contracts or call options. This limitation does not apply to options attached to, or acquired or traded together with, their underlying securities, and does not apply to securities that incorporate features similar to options or futures contracts.

(vii) The fund does not currently intend to lend assets other than securities to other parties, except by lending money (up to 10% of the fund's net assets) to a registered investment company or portfolio for which FMR or an affiliate serves as investment advisor. (This limit does not apply to purchases of debt securities or to repurchase agreements.)

(viii) The fund does not currently intend to (a) purchase securities of other investment companies, except in the open market where no commission except the ordinary broker's commission is paid, or (b) purchase or retain securities issued by other open-end investment companies. Limitations (a) and (b) do not apply to securities received as dividends, through offers of exchange, or as a result of a reorganization, consolidation, or merger. (Due to certain state insurance regulations, the fund does not currently intend to purchase the securities of other investment companies.)

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

**QUALITY AND MATURITY.** Pursuant to procedures adopted by the Board of Trustees, the fund may purchase only high-quality securities that FMR believes present minimal credit risks. To be considered high quality, a security must be rated in accordance with applicable rules in one of the two highest categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security); or, if unrated, judged to be of equivalent quality by FMR. High-quality securities are divided into "first tier" and "second tier" securities. First tier securities are those deemed to be in the highest rating category (e.g., Standard & Poor's A-1), and second tier securities are those deemed to be in the second highest rating category (e.g., Standard & Poor's A-2). High-quality securities are divided into "first tier" and "second tier" securities.

The fund may not invest more than 5% of its total assets in second tier securities. In addition, the fund may not invest more than 1% of its total assets or \$1 million (whichever is greater) in the second tier securities of a single issuer.

The fund currently intends to limit its investments to securities with remaining maturities of 397 days or less, and to maintain a dollar-weighted average maturity of 90 days or less. When determining the maturity of a security, the fund may look to an interest rate reset or demand feature.

**DOMESTIC AND FOREIGN ISSUERS.** Investments may be made in U.S.

dollar-denominated time deposits, certificates of deposit, and bankers' acceptances of U.S. banks and their branches located outside of the United States, U.S. branches and agencies of foreign banks, and foreign branches of foreign banks. The fund may also invest in U.S. dollar-denominated securities issued or guaranteed by other U.S. or foreign issuers, including U.S. and foreign corporations or other business organizations, foreign governments, foreign government agencies or instrumentalities, and U.S. and foreign financial institutions, including savings and loan institutions,

insurance companies, mortgage bankers, and real estate investment trusts, as well as banks.

The obligations of foreign branches of U.S. banks may be general obligations of the parent bank in addition to the issuing branch, or may be limited by the terms of a specific obligation and by governmental regulation. Payment of interest and principal on these obligations may also be affected by governmental action in the country of domicile of the branch (generally referred to as sovereign risk). In addition, evidence of ownership of portfolio securities may be held outside of the United States and the fund may be subject to the risks associated with the holding of such property overseas. Various provisions of federal law governing the establishment and operation of U.S. branches do not apply to foreign branches of U.S. banks.

Obligations of U.S. branches and agencies of foreign banks may be general obligations of the parent bank in addition to the issuing branch, or may be limited by the terms of a specific obligation and by federal and state regulation, as well as by governmental action in the country in which the foreign bank has its head office.

Obligations of foreign issuers involve certain additional risks. These risks may include future unfavorable political and economic developments, withholding taxes, seizures of foreign deposits, currency controls, interest limitations, or other governmental restrictions that might affect payment of principal or interest. Additionally, there may be less public information available about foreign banks and their branches. Foreign issuers may be subject to less governmental regulation and supervision than U.S. issuers. Foreign issuers also generally are not bound by uniform accounting, auditing, and financial reporting requirements comparable to those applicable to U.S. issuers.

PUT FEATURES entitle the holder to sell a security back to the issuer or a third party at any time or at specified intervals. They are subject to the risk that the put provider is unable to honor the put feature (purchase the security). Put providers often support their ability to buy securities on demand by obtaining letters of credit or other guarantees from domestic or foreign banks. FMR may rely on its evaluation of a bank's credit in determining whether to purchase a security supported by a letter of credit. In evaluating a foreign bank's credit, FMR will consider whether adequate public information about the bank is available and whether the bank may be subject to unfavorable political or economic developments, currency controls, or other government restrictions that might affect the bank's ability to honor its credit commitment. Demand features, standby commitments, and tender options are types of put features.

STRIPPED GOVERNMENT SECURITIES. Stripped securities are created by separating the income and principal components of a debt instrument and selling them separately. The fund may purchase U.S. Treasury STRIPS (Separate Trading of Registered Interest and Principal of Securities), which are created when the coupon payments and the principal payment are stripped from an outstanding Treasury bond by the Federal Reserve Bank. Bonds issued by the Resolution Funding Corporation can also be stripped in this fashion and are eligible investments for the funds.

The fund can purchase privately stripped government securities, which are created when a dealer deposits a Treasury security or federal agency security with a custodian for safekeeping and then sells the coupon payments and principal payment that will be generated by this security. Proprietary receipts, such as Certificates of Accrual on Treasury Securities (CATS), Treasury Investment Growth Receipts (TIGRS), and generic Treasury Receipts (TRs), are stripped U.S. Treasury securities that are separated into their component parts through trusts created by their broker sponsors. Bonds issued by the Financing Corporation (FICO) can also be stripped in this fashion.

Because of the SEC's views on privately stripped government securities, the fund must evaluate them as they would non-government securities pursuant to regulatory guidelines applicable to all money market funds.

HIGH INCOME, EQUITY-INCOME, GROWTH, OVERSEAS, INVESTMENT GRADE BOND, ASSET MANAGER, INDEX 500, CONTRAFUND AND ASSET MANAGER: GROWTH PORTFOLIOS

THE FOLLOWING ARE HIGH INCOME, EQUITY-INCOME, GROWTH, OVERSEAS, INVESTMENT GRADE BOND, ASSET MANAGER, INDEX 500, CONTRAFUND AND ASSET MANAGER: GROWTH PORTFOLIOS' FUNDAMENTAL INVESTMENT LIMITATIONS. EACH FUND MAY NOT:

- (1) 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) 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;
- (2) issue senior securities, except as permitted under the Investment Company Act of 1940;

(3) (for High Income, Equity-Income, Growth and Overseas Portfolios) borrow money, except that the fund (i) may borrow money for temporary or emergency purposes (not for leveraging or investment) or (ii) engage in reverse repurchase agreements, provided that (i) and (ii) in combination (borrowings) do not exceed 33 1/3% of its total assets (including the amount borrowed) less liabilities (other than borrowings). Any borrowings that come to exceed 33 1/3% of the value of the fund's total assets by reason of a decline in net assets will be reduced within three days (exclusive of Sundays and holidays) to the extent necessary to comply with the 33 1/3% limitation;

(for Investment Grade Bond, Asset Manager, Index 500, Contrafund and Asset Manager: Growth Portfolios) 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;

(4) 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;

(5) 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 its total assets would be invested in the securities of companies whose principal business activities are in the same industry;

(6) 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);

(7) 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); or

(8) 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.

THE FOLLOWING INVESTMENT LIMITATIONS FOR HIGH INCOME, EQUITY-INCOME, GROWTH, OVERSEAS, INVESTMENT GRADE BOND, ASSET MANAGER, INDEX 500, CONTRAFUND AND ASSET MANAGER: GROWTH PORTFOLIOS ARE NOT FUNDAMENTAL AND MAY BE CHANGED WITHOUT SHAREHOLDER NOTIFICATION.

(i) Each 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.

(ii) Each 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.

(iii) Each 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 advisor or (b) by engaging in reverse repurchase agreements with any party (reverse repurchase agreements are treated as borrowings for purposes of fundamental investment limitation (3)). Each fund will not borrow money in excess of 25% of net assets so long as this limitation is required for certification by certain state insurance departments. Any borrowings that come to exceed this amount will be reduced within seven days (not including Sundays and holidays) to the extent necessary to comply with the 25% limitation. Each fund will not purchase any security while borrowings representing more than 5% of its total assets are outstanding. Each fund will not borrow from other funds advised by FMR or its affiliates if total outstanding borrowings immediately after such borrowing would exceed 15% of the fund's total assets.

(iv) Each fund does not currently intend to purchase any security if, as a result, more than 10% of Equity-Income, Growth, Investment Grade Bond, Asset Manager, Index 500, Contrafund and Asset Manager: Growth Portfolios' net assets and 15% of High Income and Overseas Portfolio's 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.

(v) Each fund does not currently intend to lend assets other than

securities to other parties, except by: (a) lending money (up to 5% of net assets for Equity-Income, Growth, Overseas, Asset Manager, Index 500, Contrafund and Asset Manager: Growth Portfolios and 7.5% of net assets for High Income and Investment Grade Bond Portfolios) to a registered investment company or portfolio for which FMR or an affiliate serves as investment advisor or (b) acquiring loans, loan participations, or other forms of direct debt instruments and, in connection therewith, assuming any associated unfunded commitments of the sellers. (This limitation does not apply to purchases of debt securities or to repurchase agreements.)

(vi) Each fund does not currently intend to (a) purchase securities of other investment companies, except in the open market where no commission except the ordinary broker's commission is paid, or (b) purchase or retain securities issued by other open-end investment companies. Limitations (a) and (b) do not apply to securities received as dividends, through offers of exchange, or as a result of a reorganization, consolidation, or merger.

(vii) Each fund does not currently intend to invest in oil, gas, or other mineral exploration or development programs or leases.

For each fund's limitations on futures and options transactions, see the section entitled "Limitations on Futures and Options Transactions." For limitations on short sales, see the section entitled "Short Sales."

For the funds' policies on foreign investments, see the section entitled "Foreign Investments."

Higher yielding, fixed-income securities of the type in which High Income Portfolio invests will at times be purchased at a discount from or a premium over par value. The total return on such securities includes the potential for a capital gain or loss. High Income Portfolio generally does not intend to hold securities for the purpose of achieving capital gains, however, unless current yields on these securities remain attractive. Capital gain or loss may also be realized upon the sale of portfolio securities.

The U.S. government has from time to time in the past imposed restrictions, through taxation and otherwise, on foreign investments by U.S. investors such as the funds. If such restrictions should be reinstated, it might become necessary for Overseas Portfolio to invest all or substantially all of its assets in U.S. securities. In such event, the Board of Trustees would reevaluate the fund's investment objective and policies.

In accordance with the funds' fundamental investment policies, there are no limitations on the percentage of the funds' assets which may be invested in any one type of instrument. Nor are there limitations (except those imposed by certain state insurance regulations) on the percentage of the funds' assets which may be invested in any foreign country. However, in order to comply with diversification requirements under Section 817(h) of the Internal Revenue Code of 1986, as amended, in connection with FMR serving as investment advisor, each fund has agreed to certain non-fundamental limitations. Please refer to your insurance company's separate account prospectus for more information.

Each fund's investments must be consistent with its investment objective and policies. Accordingly, not all of the security types and investment techniques discussed below are eligible investments for each of the funds.

**AFFILIATED BANK TRANSACTIONS.** A fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the fund under the Investment Company Act of 1940. These transactions may include 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, the Board of Trustees has established and periodically reviews procedures applicable to transactions involving affiliated financial institutions.

**FUNDS' RIGHTS AS A SHAREHOLDER.** The funds do not intend to direct or administer the day-to-day operations of any company. Each fund, however, may exercise its rights as a shareholder and may communicate its views on important matters of policy to management, the Board of Directors, and shareholders of a company when FMR determines that such matters could have a significant effect on the value of the fund's investment in the company. The activities that a fund may engage in, 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; or supporting or opposing third party takeover efforts. 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. FMR will monitor such activities 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.

ASSET ALLOCATION (ASSET MANAGER AND ASSET MANAGER: GROWTH). The short-term class includes all types of domestic and foreign securities and short-term instruments with remaining maturities of three years or less. FMR seeks to maximize total return within this asset class by taking advantage of yield differentials between different instruments, issuers, and currencies. Short-term instruments may include corporate debt securities, such as commercial paper and notes; government securities issued by U.S. or foreign governments or their agencies or instrumentalities; bank deposits and other financial institution obligations; repurchase agreements involving any type of security; and other similar short-term instruments. These instruments may be denominated in U.S. dollars or foreign currency.

The bond class includes all varieties of domestic and foreign fixed-income securities with maturities greater than three years. FMR seeks to maximize total return within the bond class by adjusting the fund's investments in securities with different credit qualities, maturities, and coupon or dividend rates, and by seeking to take advantage of yield differentials between securities. Securities in this class may include bonds, notes, adjustable-rate preferred stocks, convertible bonds, mortgage-related and asset-backed securities, domestic and foreign government and government agency securities, zero coupon bonds, and other intermediate-term and long-term securities. As with the short-term class, these securities may be denominated in U.S. dollars or foreign currency. The fund may also invest in lower quality, high-yielding debt securities (commonly referred to as "junk bonds").

The stock class includes domestic and foreign equity securities of all types (other than adjustable-rate preferred stocks which are included in the bond class). FMR seeks to maximize total return within this asset class by actively allocating assets to industry sectors expected to benefit from major trends, and to individual stocks that FMR believes to have superior investment potential. When FMR selects equity securities, it considers both growth and anticipated dividend income. Securities in the stock class may include common stocks, fixed-rate preferred stocks (including convertible preferred stocks), warrants, rights, depositary receipts, securities of closed-end investment companies, and other equity securities issued by companies of any size, located anywhere in the world.

In making asset allocation decisions, FMR will evaluate projections of risk, market conditions, economic conditions, volatility, yields, and returns. FMR's management will use database systems to help analyze past situations and trends, research specialists in each of the asset classes to help in securities selection, portfolio management professionals to determine asset allocation and to select individual securities, and its own credit analysis as well as credit analyses provided by rating services.

INVESTMENT DETAILS FOR INDEX 500 PORTFOLIO. Index 500 Portfolio is not managed according to traditional methods of "active" investment management, which involve the buying and selling of securities based upon economic, financial, and market analyses and investment judgment. Instead, the fund, utilizing a "passive" or "indexing" investment approach, attempts to duplicate the performance of the S&P 500. The fund may omit or remove an S&P 500 stock from its portfolio if, following objective criteria, FMR judges the stock to be insufficiently liquid or believes the merit of the investment has been substantially impaired by extraordinary events or financial conditions. FMR may purchase stocks that are not included in the S&P 500 to compensate for these differences if it believes that their prices will move together with the prices of S&P 500 stocks omitted from the portfolio.

The ability of the fund to meet its objective depends in part on its cash flow because investments and redemptions by shareholders generally will require the fund to purchase or sell portfolio securities. A low level of shareholder transactions will keep cash flow manageable and enhance the fund's ability to track the S&P 500. FMR will make investment changes to accommodate cash flow in an attempt to maintain the similarity of the fund's portfolio to the composition of the S&P 500. In addition, the fund will maintain a reasonable position in high-quality, short-term debt securities and money market instruments to meet redemption requests. S&P 500. The S&P 500 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. Stocks in the S&P 500 are weighted according to their market capitalization (i.e. the number of shares outstanding multiplied by the stock's current price), with the 62 largest stocks currently comprised approximately 50% of the index's value. The composition of the S&P 500 is determined by Standard & Poor's Corporation 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 and Poor's Corporation may change the index's composition from time to time.

The performance of the S&P 500 is a hypothetical number which does not take into account brokerage commissions and other costs of investing, which the fund bears.

**LOWER-QUALITY DEBT SECURITIES.** While the market for high-yield corporate debt securities has been in existence for many years and has weathered previous economic downturns, the 1980s brought a dramatic increase in the use of such securities to fund highly leveraged corporate acquisitions and restructurings. Past experience may not provide an accurate indication of the future performance of the high-yield bond market, especially during periods of economic recession. In fact, from 1989 to 1991, the percentage of lower-quality securities that defaulted rose significantly above prior levels, although the default rate decreased in 1992 and 1993 [and INCREASED/DECREASED in 1994].

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. If market quotations are not available, lower-quality debt securities will be valued in accordance with procedures established by the Board of Trustees, including the use of outside pricing services. Judgment plays a greater role in valuing high-yield corporate debt securities than is the case for securities for which more external sources for quotations and last-sale information are available. Adverse publicity and changing investor perceptions may affect the ability of outside pricing services to value lower-quality debt securities and a fund's ability to dispose of these securities.

Since the risk of default is higher for lower-quality debt securities, FMR's research and credit analysis are an especially important part of managing securities of this type held by a fund. In considering investments for the fund, FMR will 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. FMR's analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects, and the experience and managerial strength of the issuer.

Each 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.

**SWAP AGREEMENTS.** (excludes Money Market) Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease a fund's exposure to long- or short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices or inflation rates. Swap agreements can take many different forms and are known by a variety of names. A fund is not limited to any particular form of swap agreement if FMR determines it is consistent with the fund's investment objective and policies.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, or other factors that determine the amounts of payments due to and from a fund. If a swap agreement calls for payments by the fund, the fund must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declined, the value of a swap agreement would be likely to decline, potentially resulting in losses. Each fund expects to be able to eliminate its exposure under swap agreements either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or a similarly creditworthy party.

Each fund will maintain appropriate liquid assets in a segregated custodial account to cover its current obligations under swap agreements. If a fund enters into a swap agreement on a net basis, it will segregate assets with a daily value at least equal to the excess, if any, of the fund's accrued obligations under the swap agreement over the accrued amount the fund is entitled to receive under the agreement. If a fund enters into a swap agreement on other than a net basis, it will segregate assets with a value equal to the full amount of the fund's accrued obligations under the

agreement.

VARIABLE OR FLOATING RATE OBLIGATIONS bear variable or floating interest rates and may carry rights that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries. Floating rate instruments have interest rates that change whenever there is a change in a designated base rate while variable rate instruments provide for a specified periodic adjustment in the interest rate. These formulas are designed to result in a market value for the instrument that approximates its par value.

A demand instrument with a conditional demand feature must have received both a short-term and a long-term high-quality rating or, if unrated, have been determined to be of comparable quality pursuant to procedures adopted by the Board of Trustees. A demand instrument with an unconditional demand feature may be acquired solely in reliance upon a short-term high-quality rating or, if unrated, upon a finding of comparable short-term quality pursuant to procedures adopted by the Board of Trustees.

Money Market Portfolio may invest in variable or floating rate instruments that ultimately mature in more than 397 days, if the fund acquires a right to sell the instruments that meets certain requirements set forth in Rule 2a-7. Variable rate instruments (including instruments subject to a demand feature) that mature in 397 days or less and U.S. government securities with a variable rate of interest adjusted no less frequently than 762 days may be deemed to have maturities equal to the period remaining until the next readjustment of the interest rate. Other variable rate instruments with demand features may be deemed to have a maturity equal to the period remaining until the next adjustment of the interest rate or the period remaining until the principal amount can be recovered through demand. A floating rate instrument subject to a demand feature may be deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand.

INDEXED SECURITIES. Each fund (excluding Money Market) may purchase securities whose prices are indexed to the prices of other securities, securities indices, currencies, precious metals or other commodities, or other financial indicators. Indexed securities typically, but not always, are debt securities or deposits whose value at maturity or coupon rate is determined by reference to a specific instrument or statistic. Gold-indexed securities, for example, typically provide for a maturity value that depends on the price of gold, resulting in a security whose price tends to rise and fall together with gold prices. 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 of equivalent issuers.

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 security, currency, or other instrument to which they are indexed, and may also be influenced by interest rate changes in the United States and abroad. At the same time, indexed securities are 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. FMR will use its judgment in determining whether indexed securities should be treated as short-term instruments, bonds, stocks, or as a separate asset class for purposes of the fund's investment allocations, depending on the individual characteristics of the securities. Indexed securities may be more volatile than the underlying instruments.

ILLIQUID INVESTMENTS are investments that cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued. Under the supervision of the Board of Trustees, FMR determines the liquidity of a fund's investments and, through reports from FMR, the Board monitors investments in illiquid instruments. In determining the liquidity of a fund's investments, FMR may consider various factors, including (1) the frequency of trades and quotations, (2) the number of dealers and prospective purchasers in the marketplace, (3) dealer undertakings to make a market, (4) the nature of the security (including any demand or tender features), and (5) the nature of the marketplace for trades (including the ability to assign or offset the fund's rights and obligations relating to the investment).



For the bond fund, investments currently considered by the fund to be illiquid include repurchase agreements not entitling the holder to payment of principal and interest within seven days, non-government stripped fixed-rate mortgage-backed securities, and over-the-counter options. Also, FMR may determine some restricted securities, government-stripped fixed-rate mortgage-backed securities, loans and other direct debt instruments, emerging market securities, and swap agreements to be illiquid. However, with respect to over-the-counter options the fund writes, all or a portion of the value of the underlying instrument may be illiquid depending on the assets held to cover the option and the nature and terms of any agreement the fund may have to close out the option before expiration.

Investments currently considered by a fund to be illiquid include repurchase agreements not entitling the holder to payment of principal and interest within seven days, over-the-counter options, and non-government stripped fixed-rate mortgage-backed securities. Also, FMR may determine some restricted securities, government-stripped fixed-rate mortgage-backed securities, loans and other direct debt instruments, emerging market securities, and swap agreements to be illiquid. However, with respect to over-the-counter options a fund writes, all or a portion of the value of the underlying instrument may be illiquid depending on the assets held to cover the option and the nature and terms of any agreement the fund may have to close out the option before expiration.

In the absence of market quotations, illiquid investments for Money Market Portfolio are valued for purposes of monitoring amortized cost valuation, and for High Income Portfolio and Investment Grade Bond Portfolio are priced at fair value as determined in good faith by a committee appointed by the Board of Trustees. If through a change in values, net assets, or other circumstances, each fund were in a position where 10% or more than Money Market Portfolio's net assets and more than 10% of Equity-Income, Growth, Investment Grade Bond, Asset Manager, Index 500, Contrafund and Asset Manager: Growth Portfolios' net assets and more than 15% of High Income and Overseas Portfolio's net assets were invested in illiquid securities, each fund would seek to take appropriate steps to protect liquidity.

RESTRICTED SECURITIES generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933, or in a registered public offering. Where registration is required, a fund 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, a fund might obtain a less favorable price than prevailed when it decided to seek registration of the security. However, in general, the money market fund anticipates holding restricted securities to maturity or selling them in an exempt transaction.

REPURCHASE AGREEMENTS In a repurchase agreement, a fund purchases a security and simultaneously commits 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. While it does not presently appear possible to eliminate all risks from these transactions (particularly the possibility that the value of the underlying security will be less than the resale price, as well as delays and costs to a fund in connection with bankruptcy proceedings), it is each fund's current policy to engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by FMR.

REVERSE REPURCHASE AGREEMENTS In a reverse repurchase agreement, a fund sells a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time. While a reverse repurchase agreement is outstanding, the fund will maintain appropriate liquid assets in a segregated custodial account to cover its obligation under the agreement. A fund will enter into reverse repurchase agreements only with parties whose creditworthiness has been found satisfactory by FMR. Such transactions may increase fluctuations in the market value of the fund's assets and may be viewed as a form of leverage.

SECURITIES LENDING. A fund may lend securities to parties such as broker-dealers or institutional investors, including Fidelity Brokerage Services, Inc. (FBSI). FBSI is a member of the New York Stock Exchange and a subsidiary of FMR Corp. Securities lending allows a fund to retain ownership of the securities loaned and, at the same time, to earn additional income. Since there may be delays in the recovery of loaned securities, or even a loss of rights in collateral supplied should the borrower fail financially, loans will be

made only to parties deemed by FMR to be of good standing. Furthermore, they will only be made if, in FMR's judgment, the consideration to be earned from such loans would justify the risk.

FMR understands that it is the current view of the SEC Staff that a fund may engage in loan transactions only under the following conditions: (1) the fund must receive 100% collateral in the form of cash or cash equivalents (e.g., U.S. Treasury bills or notes) from the borrower; (2) the borrower must increase the collateral whenever the market value of the securities loaned (determined on a daily basis) rises above the value of the collateral; (3) after giving notice, the fund must be able to terminate the loan at any time; (4) the fund must receive reasonable interest on the loan or a flat fee from the borrower, as well as amounts equivalent to any dividends, interest, or other distributions on the securities loaned and to any increase in market value; (5) the fund may pay only reasonable custodian fees in connection with the loan; and (6) the Board of Trustees must be able to vote proxies on the securities loaned, either by terminating the loan or by entering into an alternative arrangement with the borrower.

Cash received through loan transactions may be invested in any security in which a fund is authorized to invest. Investing this cash subjects that investment, as well as the security loaned, to market forces (i.e., capital appreciation or depreciation).

**LOANS AND OTHER DIRECT DEBT INSTRUMENTS.** (excludes Money Market) 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 are subject to a fund's policies regarding the quality of debt securities. Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of principal and interest. Direct debt instruments may not be rated by any nationally recognized rating service. If a fund does not receive scheduled interest or principal payments on such indebtedness, the fund's share price and yield could be adversely affected. Loans that are fully secured offer the fund more protections than an unsecured loan in the event of non-payment of scheduled interest or principal. 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 developing 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.

Investments in loans through direct assignment of a financial institution's interests with respect to a loan may involve additional risks to a fund. For example, if a loan is foreclosed, a fund 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 fund 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. Direct debt instruments that are not in the form of securities may offer less legal protection to the fund in the event of fraud or misrepresentation. In the absence of definitive regulatory guidance, the fund relies on FMR's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect a fund.

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, a fund has direct recourse against the borrower, it 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 fund were determined to be subject to the claims of the agent's general creditors, the fund 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 purchased by a fund may include letters of credit, revolving credit facilities, or other standby financing commitments obligating the fund to pay additional cash on demand. These commitments may have the effect of requiring the fund 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. A fund will set aside appropriate liquid assets in a segregated custodial account to cover its potential obligations under standby financing

commitments.

A fund limits the amount of total assets that it will invest in any one issuer or in issuers within the same industry (see limitations 1 and 5). For purposes of these limitations, a 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 each 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 the funds' 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.

**ZERO COUPON BONDS.** Zero coupon bonds do not make interest payments; instead, they are sold at a deep 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 very volatile when interest rates change. In calculating its dividends, a fund takes into account as income a portion of the difference between a zero coupon bond's purchase price and its face value.

A broker-dealer creates a DERIVATIVE ZERO by separating the interest and principal components of a U.S. Treasury security and selling them as two individual securities. CATS (Certificates of Accrual on Treasury Securities), TIGRs (Treasury Investment Growth Receipts), and TRs (Treasury Receipts) are examples of derivative zeros.

The Federal Reserve Bank creates STRIPS (Separate Trading of Registered Interest and Principal of Securities) by separating the interest and principal components of an outstanding U.S. Treasury bond and selling them as individual securities. Bonds issued by the Resolution Funding Corporation (REFCORP) and the Financing Corporation (FICO) can also be separated in this fashion. ORIGINAL ISSUE ZEROS are zero coupon securities originally issued by the U.S. government, a government agency, or a corporation in zero coupon form.

**ASSET-BACKED SECURITIES** include pools of mortgages, loans, receivables or other assets. Payment of principal and interest 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. The value of asset-backed securities may also be affected by the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables, or the financial institution(s) providing the credit support.

Because of the SEC's views on privately stripped government securities, a fund must evaluate them as it would non-government securities pursuant to regulatory guidelines applicable to all money market funds. A fund currently intends to purchase only those privately stripped government securities that have either received the highest rating from two nationally recognized rating services (or one, if only one has rated the security) or, if unrated, been judged to be of equivalent quality by FMR pursuant to procedures adopted by the Board of Trustees.

**STRIPPED MORTGAGE-BACKED SECURITIES** are created when a U.S. government agency or a financial institution separates the interest and principal components of a mortgage-backed security and sells them as individual securities. The holder of the "principal-only" security (PO) receives the principal payments made by the underlying mortgage-backed security, while the holder of the "interest-only" security (IO) receives interest payments from the same underlying security.

The prices of stripped mortgage-backed securities may be particularly affected by changes in interest rates. As interest rates fall, prepayment rates tend to increase, which tends to reduce prices of IOs and increase prices of POs. Rising interest rates can have the opposite effect.

**MORTGAGE-BACKED SECURITIES.** The funds may purchase mortgage-backed securities issued by government and non-government entities such as banks, mortgage lenders, or other financial institutions. A mortgage-backed 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-backed securities, such as collateralized mortgage obligations or CMOs, make payments of both principal and interest at a variety of intervals; others make semiannual interest payments at a predetermined rate and repay principal at maturity (like a typical bond). Mortgage-backed securities are based on different types of mortgages including those on commercial real estate or residential properties. Other types of mortgage-backed securities will likely be developed in the future, and the funds may invest in them if FMR determines they are consistent with the

funds' investment objective and policies.

The value of mortgage-backed securities may change due to shifts in the market's perception of issuers. In addition, regulatory or tax changes may adversely affect the mortgage securities market as a whole. Non-government mortgage-backed securities may offer higher yields than those issued by government entities, but also may be subject to greater price changes than government issues. Mortgage-backed securities are subject to prepayment risk. Prepayment, which occurs when unscheduled or early payments are made on the underlying mortgages, may shorten the effective maturities of these securities and may lower their total returns.

REAL ESTATE-RELATED INSTRUMENTS include real estate investment trusts, commercial and residential mortgage-backed securities, and real estate financings. Real estate-related instruments are sensitive to factors such as real estate values and property taxes, interest rates, cash flow of underlying real estate assets, overbuilding, and the management skill and creditworthiness of the issuer. Real estate-related instruments may also be affected by tax and regulatory requirements, such as those relating to the environment.

WARRANTS. Warrants are securities that give a fund the right to purchase equity securities from the issuer at a specific price (the strike price) for a limited period of time. The strike price of warrants typically is much lower than the current market price of the underlying securities, yet they are subject to similar price fluctuations. As a result, warrants may be more volatile investments than the underlying securities and 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 securities and do not represent any rights in the assets if the issuing company. Also, the value of the warrant does not necessarily change with the value of the underlying securities and a warrant ceases to have value if it is not exercised prior to expiration date. These factors can make warrants more speculative than other types of investments.

SOVEREIGN DEBT OBLIGATIONS Overseas Portfolio may purchase sovereign debt instruments 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 interest when due, and may require renegotiation or rescheduling of debt payments. In addition, prospects for repayment of principal and interest may depend on political as well as economic factors.

SHORT SALES "AGAINST THE BOX". A fund may sell securities short when it owns or has the right to obtain securities equivalent in kind or amount to the securities sold short. Short sales could be used to protect the net asset value per share of the fund in anticipation of increased interest rates, without sacrificing the current yield of 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. The fund will incur transaction costs, including interest expenses, in connection with opening, maintaining, and closing short sales against the box.

SHORT SALES. A fund may enter into short sales with respect to stocks underlying its convertible security holdings. For example, if FMR anticipates a decline in the price of the stock underlying a convertible security a fund holds, 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. Each fund currently intends to hedge no more than 15% of its total assets with short sales on equity securities underlying its convertible security holdings under normal circumstances. When a fund enters into a short sale, it 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 expense, in connection with opening, maintaining, and closing short sales.

INTERFUND BORROWING PROGRAM. Each fund has received permission from the SEC to lend money to and borrow money from other funds advised by FMR or its affiliates. Interfund loans and borrowings normally will extend overnight, but can have a maximum duration of seven days. Loans may be called on one day's notice. The funds will lend through the program only when the returns are higher than those available at the same time from other short-term instruments (such as repurchase agreements), and will borrow

through the program only when the costs are equal to or lower than the cost of bank loans. The funds 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.

**FOREIGN INVESTMENTS.** Investing in securities issued by companies or other issuers whose principal activities are outside the United States may involve significant risks in addition to the risks inherent in U.S. investments. 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. In addition, there is generally less publicly available information about foreign issuers' financial condition and operations, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. 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. Further, economies of particular countries or areas of the world may differ favorably or unfavorably from the economy of the United States.

Investing abroad also involves different political and economic risks. Foreign investments may be affected by actions of foreign governments adverse to the interests of U.S. investors, including the possibility of 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. There may be a greater possibility of default by foreign governments or foreign government-sponsored enterprises. Investments in foreign countries also involve a risk of local political, economic, or social instability, military action or unrest, or adverse diplomatic developments. There is no assurance that FMR will be able to anticipate these potential events or counter their effects. The considerations noted above generally are intensified for investments in developing countries. Developing countries may have relatively unstable governments, economies based on only a few industries, and securities markets that trade a small number of securities. Foreign markets may offer less protection to investors than U.S. markets. It is anticipated that in most cases the best available market for foreign securities will be on exchanges or in over-the-counter 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 (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. issuers. Foreign security trading practices, including those involving securities settlement where fund assets may be released prior to receipt of payment, may expose a fund to increased risk in the event of a failed trade or the insolvency of a foreign broker-dealer, and may involve substantial delays. In addition, the costs of foreign investing, including withholding taxes, brokerage commissions and custodial costs, are generally higher than for U.S. investors. In general, there is less overall governmental supervision and regulation of securities exchanges, brokers, and listed companies than in the United States. It may also be difficult to enforce legal rights in foreign countries.

A fund may invest in foreign securities that 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.

A fund may invest in American Depositary Receipts and European Depositary Receipts (ADRs and EDRs), which are certificates evidencing ownership of shares of a foreign-based issuer held in trust by a bank or similar financial institution. Designed for use in the U.S. and European securities markets, respectively, ADRs and EDRs are alternatives to the purchase of the underlying securities in their national markets and currencies.

**FOREIGN CURRENCY TRANSACTIONS.** The funds may conduct foreign currency transactions on a spot (i.e., cash) basis or by entering into forward contracts to purchase or sell foreign currencies at a future date and price. The funds will convert currency on a spot basis from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers generally do not charge a fee for conversion, 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 to the fund at one rate, while offering a lesser rate of exchange should the fund desire to resell that currency to the dealer. Forward contracts are generally traded in an interbank market conducted 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. Each fund may use currency forward contracts for any purpose consistent with its investment objective. The following discussion summarizes the principal currency management strategies involving forward contracts that could be used by each fund. The funds may also use swap agreements, indexed securities, and options and futures contracts relating to foreign currencies for the same purposes.

When a fund agrees to buy or sell a security denominated in a foreign currency, it may desire to "lock in" the U.S. dollar price of the security. By entering into a forward contract for the purchase or sale, for a fixed amount of U.S. dollars, of the amount of foreign currency involved in the underlying security transaction, the fund will be able to protect itself against an adverse change in foreign currency values between the date the security is purchased or sold and the date on which payment is made or received. This technique is sometimes referred to as a "settlement hedge" or "transaction hedge." The funds may also enter into forward contracts to purchase or sell a foreign currency in anticipation of future purchases or sales of securities denominated in foreign currency, even if the specific investments have not yet been selected by FMR.

The funds may also use forward contracts to hedge against a decline in the value of existing investments denominated in 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 hedge the position by selling another currency expected to perform similarly to the pound sterling - for example, by entering into a forward contract to sell Deutschmarks or European Currency Units in return for U.S. dollars. 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 simple 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.

Each 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. For example, if a fund held investments denominated in Deutschmarks, the fund could enter into forward contracts to sell Deutschmarks and purchase Swiss Francs. 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 the fund had sold a security denominated in one currency and purchased an equivalent security denominated in another. Cross-hedges protect against losses resulting from a decline in the hedged currency, but will cause the fund to assume the risk of fluctuations in the value of the currency it purchases.

Under certain conditions, SEC guidelines require mutual funds to set aside appropriate liquid assets in a segregated custodial account to cover currency forward contracts. As required by SEC guidelines, the funds will segregate assets to cover currency forward contracts, if any, whose purpose is essentially speculative. The funds will not segregate assets to cover forward contracts entered into for hedging purposes, including settlement hedges, position hedges, and proxy hedges.

Successful use of currency management strategies will depend on FMR's skill in analyzing and predicting 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 the fund if currencies do not perform as FMR anticipates. For example, if a currency's value rose at a time when FMR had hedged a fund by selling that currency in exchange for dollars, the fund would be unable to participate in the currency's appreciation. If FMR hedges currency exposure through proxy hedges, a fund could realize currency losses from the hedge and the security position at the same time if the two currencies do not move in tandem. Similarly, if FMR increases a fund's exposure to a foreign currency, and that currency's value declines, the fund will realize a loss. There is no assurance that FMR's use of currency management strategies will be advantageous to the funds or that it will hedge at an appropriate time.

**LIMITATIONS ON FUTURES AND OPTIONS TRANSACTIONS.** (excludes Money Market Portfolio) Each fund has filed a notice of eligibility for exclusion from the definition of the term "commodity pool operator" with the Commodity Futures Trading Commission (CFTC) and the National Futures Association, which regulate trading in the futures markets. The funds intend to comply

with Rule 4.5 under the Commodity Exchange Act, which limits the extent to which a fund can commit assets to initial margin deposits and option premiums.

In addition, each fund (excluding Index 500 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 securities that incorporate features similar to options.

For Index 500 Portfolio, FMR also intends to follow certain other limitations on the fund's futures and options activities. Under normal conditions, the fund will not enter into any futures contract or option 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 indices or other instruments underlying the fund's other futures or options 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 securities that incorporate features similar to options.

The above limitations on the funds' investments in futures contracts and options, and the funds' policies regarding futures contracts and options discussed elsewhere in this Statement of Additional Information may be changed as regulatory agencies permit.

**FUTURES CONTRACTS.** When a fund purchases a futures contract, it agrees to purchase a specified underlying instrument at a specified future date. When a fund sells a futures contract, it agrees to sell the underlying instrument at a specified future date. The price at which the purchase and sale will take place is fixed when a fund enters into the contract. Some currently available futures contracts are based on specific securities, such as U.S. Treasury bonds or notes, and some are based on indices of securities prices, such as the Standard & Poor's Composite Index of 500 Stocks (S&P 500). Futures can be held until their delivery dates, or can be closed out before then if a liquid secondary market is available.

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. Selling futures contracts, therefore, will tend to offset both positive and negative market price changes, much as if the underlying instrument had been sold.

**FUTURES MARGIN PAYMENTS.** The purchaser or seller of a futures contract is not required to deliver or pay for the underlying instrument 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. Initial margin deposits are typically equal to a percentage of the contract's value. 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. The party that has a gain may be 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. In the event of the bankruptcy 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.

**PURCHASING PUT AND CALL OPTIONS.** By purchasing a put option, a fund 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 fund pays the current market price for the option (known as the option premium). Options have various types of underlying instruments, including specific securities, indices of securities prices, and futures contracts. The fund may terminate its position in a put option it has purchased by allowing it to expire or by exercising the option. If the option is allowed to expire, the fund will lose the entire premium it paid. If the fund exercises the option, it completes the sale of the underlying instrument at the strike price. A fund 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 security prices fall 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 paid, 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 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 security prices fall. At the same time, the buyer can expect to suffer a loss if security prices do not rise sufficiently to offset the cost of the option.

**WRITING PUT AND CALL OPTIONS.** When a fund writes a put option, it takes the opposite side of the transaction from the option's purchaser. In return for receipt of the premium, the fund assumes the obligation to pay the strike price for the option's underlying instrument if the other party to the option chooses to exercise it. When writing an option on a futures contract, the fund will be required to make margin payments to an FCM as described above for futures contracts. A fund may seek to terminate its position in a put option it writes 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 the fund has written, however, the fund must continue to be prepared to pay the strike price while the option is outstanding, regardless of price changes, and must continue to set aside assets to cover its position.

If security prices rise, a put writer would generally expect to profit, although its gain would be limited to the amount of the premium it received. If security prices remain 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 security prices fall, 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 a fund to sell or deliver the option's underlying instrument, 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 mitigates the effects of a price decline. At the same time, because a call writer must be prepared to deliver the underlying instrument 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.

**COMBINED POSITIONS.** A fund may purchase and write 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, a fund may purchase a put option and write a call option on the same underlying instrument, in order to 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, in order 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.

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

Options and futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match a fund's investments well. Options and 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 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 and 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 options or 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.

**LIQUIDITY OF OPTIONS AND FUTURES CONTRACTS.** There is no assurance a liquid secondary market will exist for any particular options or futures 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 options and 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 for a fund to enter into new positions or close out existing positions. If the secondary 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 or futures positions could also be impaired.

**OTC OPTIONS.** Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter (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 funds greater flexibility to tailor an option to its needs, OTC options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

**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.

**ASSET COVERAGE FOR FUTURES AND OPTIONS POSITIONS.** The funds will comply with guidelines established by the Securities and Exchange Commission with respect to coverage of options and futures strategies by mutual funds, and if the guidelines so require will set aside appropriate liquid assets in a segregated custodial account in the amount prescribed. Securities held in a segregated account cannot be sold while the futures or option strategy is outstanding, unless they are replaced with other suitable assets. As a result, there is a possibility that segregation of a large percentage of a fund's assets could impede portfolio management or the fund's ability to meet redemption requests or other current obligations.

#### PORTFOLIO TRANSACTIONS

All orders for the purchase or sale of portfolio securities are placed on behalf of each fund by FMR pursuant to authority contained in the management contract. If FMR grants investment management authority to the sub-advisers (see the section entitled "Management Contracts"), the sub-advisers are authorized to place orders for the purchase and sale of portfolio securities, and will do so in accordance with the policies described below. FMR is also responsible for the placement of transaction orders for other investment companies and accounts for which it or its affiliates act as investment adviser. Securities purchased and sold by the money market fund will generally be traded on a net basis (i.e., without commission). In selecting broker-dealers, subject to applicable limitations of the federal securities laws, FMR considers various relevant factors, including, but not limited to: the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the execution efficiency, settlement capability, and financial condition of the broker-dealer firm; the broker-dealer's execution services rendered on a continuing basis; the reasonableness of any commissions; and arrangements for payment of fund expenses. Generally, commissions for foreign investments traded will be higher than for U.S. investments and may not be subject to negotiation.

All orders for the purchase or sale of portfolio securities are placed on behalf of each fund by FMR pursuant to authority contained in the management contract. If FMR grants investment management authority to the sub-advisers (see the section entitled "Management Contracts"), the

sub-advisers are authorized to place orders for the purchase and sale of portfolio securities, and will do so in accordance with the policies described below. FMR is also responsible for the placement of transaction orders for other investment companies and accounts for which it or its affiliates act as investment adviser. In selecting broker-dealers, subject to applicable limitations of the federal securities laws, FMR considers various relevant factors, including, but not limited to: the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the execution efficiency, settlement capability, and financial condition of the broker-dealer firm; the broker-dealer's execution services rendered on a continuing basis; and the reasonableness of any commissions. Commissions for foreign investments traded on foreign exchanges generally will be higher than for U.S. investments and may not be subject to negotiation.

All orders for the purchase or sale of portfolio securities are placed on behalf of each fund by FMR pursuant to authority contained in the management contract. FMR has granted investment management authority to the sub-adviser (see the section entitled "Management Contracts"), and the sub-adviser is authorized to place orders for the purchase and sale of portfolio securities, and will do so in accordance with the policies described below. FMR is also responsible for the placement of transaction orders for other investment companies and accounts for which it or its affiliates act as investment adviser. Securities purchased and sold by a fund generally will be traded on a net basis (i.e., without commission). In selecting broker-dealers, subject to applicable limitations of the federal securities laws, FMR considers various relevant factors, including, but not limited to, the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the execution efficiency, settlement capability, and financial condition of the broker-dealer firm; the broker-dealer's execution services rendered on a continuing basis; and the reasonableness of any commissions.

The receipt of research from broker-dealers that execute transactions on behalf of the funds may be useful to FMR in rendering investment management services to the funds or its other clients, and conversely, such research provided by broker-dealers who have executed transaction orders on behalf of other FMR clients may be useful to FMR in carrying out its obligations to the funds. The receipt of such research has not reduced FMR's normal independent research activities; however, it enables FMR to avoid the additional expenses that could be incurred if FMR tried to develop comparable information through its own efforts.

Subject to applicable limitations of the federal securities laws, broker-dealers may receive commissions for agency transactions that are in excess of the amount of commissions charged by other broker-dealers in recognition of their research and execution services. In order to cause each fund to pay such higher commissions, FMR must determine in good faith that such commissions are reasonable in relation to the value of the brokerage and research services provided by such executing broker-dealers, viewed in terms of a particular transaction or FMR's overall responsibilities to the funds and its other clients. In reaching this determination, FMR will not attempt to place a specific dollar value on the brokerage and research services provided, or to determine what portion of the compensation should be related to those services.

FMR is authorized to use research services provided by and to place portfolio transactions with brokerage firms that have provided assistance in the distribution of shares of the funds or shares of other Fidelity funds to the extent permitted by law. FMR may use research services provided by and place agency transactions with Fidelity Brokerage Services, Inc. (FBSI) and Fidelity Brokerage Services, Ltd. (FBSL), subsidiaries of FMR Corp., if the commissions are fair, reasonable, and comparable to commissions charged by non-affiliated, qualified brokerage firms for similar services. Prior to September 4, 1992, FBSL operated under the name Fidelity Portfolio Services, Ltd. (FPPL) as a wholly owned subsidiary of Fidelity International Limited (FIL). Edward C. Johnson 3d is Chairman of FIL. Mr. Johnson 3d, 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.

Section 11(a) of the Securities Exchange Act of 1934 prohibits members of national securities exchanges from executing exchange transactions for accounts which they or their affiliates manage, unless certain requirements are satisfied. Pursuant to such requirements, the Board of Trustees has authorized FBSI to execute portfolio transactions on national securities exchanges in accordance with approved procedures and applicable SEC rules. Each fund's Trustees periodically review FMR's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the funds and review the commissions paid by each fund over representative periods of time to determine if they are reasonable in

relation to the benefits to the fund.

Because a high turnover rate increases brokerage costs, FMR carefully weighs the added costs of short-term investment against anticipated gain. For fiscal year ended December 31, each fund had the following turnover rates:

<TABLE>  
<CAPTION>

<S>	<C> HIGH INCOME	<C> EQUITY- INCOME	<C> GROWTH	<C> OVERSEAS	<C> INVESTMENT GRADE BOND	<C> ASSET MANAGER	<C> INDEX 500
1994	%	%	%	%	%	%	%
1993	155%	120%	159%	42%	70%	113%	9%

</TABLE>

BROKERAGE COMMISSIONS. The following lists the percentage of the brokerage commissions paid to brokerage firms which provided research services; the total brokerage commissions paid; the commissions paid to FBSI and FBSL in dollars and as a percentage of the dollar value of all transactions in which brokerage commissions were paid for the fiscal periods ended December 31, 1994, 1993 and 1992 for each of the funds. The funds pay both commissions and spreads in connection with the placement of portfolio transactions. The difference in the percentage of brokerage commissions paid to, and the percentage of the dollar amount of transactions effected through FBSI and FBSL, are the results of the low commission rates charged by FBSI and FBSL.

(HIGH INCOME PORTFOLIO) For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$25,198, and \$9,568, respectively. During fiscal 1994, \$\_\_\_\_\_ or approximately \_\_\_% of these commissions were paid to brokerage firms that provided research services, although the provision of such services was not necessarily a factor in the placement of all of this business with such firms. FBSI and FBSL are paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$0, and \$7, respectively, to FBSI.

(EQUITY-INCOME PORTFOLIO) For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$2,658,979, and \$752,271, respectively. FBSI is paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$712,270, and \$263,440, respectively, to FBSI. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund for transactions involving approximately \_\_\_% of the aggregate dollar amount of transactions in which the fund paid brokerage commissions.

(GROWTH PORTFOLIO) For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$2,137,399, and \$2,073,624, respectively. FBSI is paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$750,137, and \$599,019, respectively, to FBSI. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund for transactions involving approximately \_\_\_% of the aggregate dollar amount of transactions in which the fund paid brokerage commissions.

(OVERSEAS PORTFOLIO) For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$1,541,385, and \$602,862, respectively. FBSI is paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$3,119, and \$0, respectively, to FBSI. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund for transactions involving approximately \_\_\_% of the aggregate dollar amount of transactions in which the fund paid brokerage commissions.

During fiscal 1994 and 1993, the fund paid brokerage commissions of \$\_\_\_\_\_ and \$0 to FBSL. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund, for transactions involving approximately \_\_\_% of the dollar amount of transactions in which the fund paid brokerage commissions.

(ASSET MANAGER PORTFOLIO) For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$2,839,401, and \$544,613, respectively. FBSI is paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$398,687, and \$100,724, respectively, to FBSI. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund for transactions involving approximately \_\_\_% of the aggregate dollar amount of transactions in which the fund paid brokerage commissions.

During fiscal 1994 and 1993, the fund paid brokerage commissions of \$\_\_\_\_\_ and \$0 to FBSL. During fiscal 1994, this amounted to

approximately \_\_\_% of the aggregate brokerage commissions paid by the fund, for transactions involving approximately \_\_\_% of the dollar amount of transactions in which the fund paid brokerage commissions.

(INDEX 500) For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$3,870, and \$5,980, respectively. FBSI is paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$123, and \$112, respectively, to FBSI. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund for transactions involving approximately \_\_\_% of the aggregate dollar amount of transactions in which the fund paid brokerage commissions.

From time to time the Trustees will review whether the recapture for the benefit of the funds of some portion of the brokerage commissions or similar fees paid by the funds on portfolio transactions is legally permissible and advisable. Each fund seeks to recapture soliciting broker-dealer fees on the tender of portfolio securities, but at present no other recapture arrangements are in effect. The Trustees intend to continue to review whether recapture opportunities are available and are legally permissible and, if so, to determine in the exercise of their business judgment whether it would be advisable for each fund to seek such recapture.

Although the Trustees and officers of each fund are substantially the same as those of other funds managed by FMR, investment decisions for each fund are made independently from those of other funds managed by FMR or accounts managed by FMR affiliates. It sometimes happens that the same security is held in the portfolio of more than one of these funds or accounts. Simultaneous transactions are inevitable when several funds and 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 account.

When two or more funds are simultaneously engaged in the purchase or sale of the same security, the prices and amounts are allocated in accordance with procedures believed to be appropriate and equitable for each fund. In some cases this system could have a detrimental effect on the price or value of the security as far as each 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. It is the current opinion of the Trustees that the desirability of retaining FMR as investment adviser to each fund outweighs any disadvantages that may be said to exist from exposure to simultaneous transactions.

#### VALUATION OF PORTFOLIO SECURITIES

##### MONEY MARKET PORTFOLIO

The fund values its investments on the basis of amortized cost. This technique involves valuing an instrument at its cost as adjusted for amortization of premium or accretion of discount rather than its value based on current market quotations or appropriate substitutes which reflect current market conditions. The amortized cost value of an instrument may be higher or lower than the price the fund would receive if it sold the instrument.

Valuing the fund's instruments on the basis of amortized cost and use of the term "money market fund" are permitted by Rule 2a-7 under the 1940 Act. The fund must adhere to certain conditions under Rule 2a-7.

The Board of Trustees of the trust oversees FMR's adherence to SEC rules concerning money market funds, and has established procedures designed to stabilize the fund's net asset value (NAV) at \$1.00. At such intervals as they deem appropriate, the Trustees consider the extent to which NAV calculated by using market valuations would deviate from \$1.00 per share. If the Trustees believe that a deviation from the fund's amortized cost per share may result in material dilution or other unfair results to shareholders, the Trustees have agreed to take such corrective action, if any, as they deem appropriate to eliminate or reduce, to the extent reasonably practicable, the dilution or unfair results. Such corrective action could include selling portfolio instruments prior to maturity to realize capital gains or losses or to shorten average portfolio maturity; withholding dividends; redeeming shares in kind; establishing NAV by using available market quotations; and such other measures as the Trustees may deem appropriate.

During periods of declining interest rates, the fund's yield based on amortized cost may be higher than the yield based on market valuations. Under these circumstances, a shareholder of the fund would be able to obtain a somewhat higher yield than would result if the fund utilized market valuations to determine its NAV. The converse would apply in a period of rising interest rates.

##### INVESTMENT GRADE BOND AND HIGH INCOME PORTFOLIOS

Securities and other assets for which market quotations are readily available are valued at market values determined by their most recent bid

prices (sales prices if the principal market is an exchange) in the principal market in which such securities normally are traded. Securities and other assets for which market quotations are not readily available (including restricted securities, if any) are appraised at their fair value as determined in good faith under consistently applied procedures under the general supervision of the Board of Trustees.

Securities may also be valued on the basis of valuations furnished by a pricing service that uses both dealer-supplied valuations and evaluations based on expert analysis of market data and other factors if such valuations are believed to reflect more accurately the fair value of such securities. Use of a pricing service has been approved by the Board of Trustees. There are a number of pricing services available, and the Trustees, or officers acting on behalf of the Trustees, on the basis of ongoing evaluation of these pricing services, may use other pricing services or may discontinue the use of any pricing service in whole or in part.

Securities not valued by the pricing service, and for which quotations are readily available, are valued at market values determined on the basis of their latest available bid prices as furnished by recognized dealers in such securities. Futures contracts and options are valued on the basis of market quotations, if available.

EQUITY-INCOME, GROWTH, OVERSEAS, ASSET MANAGER, CONTRAFUND ASSET MANAGER: GROWTH AND INDEX 500 PORTFOLIOS

Portfolio securities are valued by various methods depending on the primary market or exchange on which they trade. Most equity securities for which the primary market is the U.S. are valued at last sale price or, if no sale has occurred, at the closing bid price. Most equity securities for which the primary market is outside the U.S. are valued using the official closing price or the last sale price in the principal market where they are traded. If the last sale price (on the local exchange) is unavailable, the last evaluated quote or last bid price is normally used. Short-term securities are valued either at amortized cost or at original cost plus accrued interest, both of which approximate current value. Convertible securities and fixed-income securities are valued primarily by a pricing service that uses a vendor security valuation matrix which incorporates both dealer-supplied valuations and electronic data processing techniques. This two-fold approach is believed to more accurately reflect fair value because it takes into account appropriate factors such as institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data, without exclusive reliance upon quoted, exchange, or over-the counter prices. Use of pricing services has been approved by the Board of Trustees. Securities and other assets for which there is no readily available market are valued in good faith by a committee appointed by the Board of Trustees. The procedures set forth above need not be used to determine the value of the securities owned by the fund if, in the opinion of a committee appointed by the Board of Trustees, some other method (e.g., closing over-the-counter bid prices in the case of debt instruments traded on an exchange) would more accurately reflect the fair market value of such securities.

Generally, the valuation of foreign and domestic equity securities, as well as corporate bonds, U.S. government securities, money market instruments, and repurchase agreements, is substantially completed each day at the close of the NYSE. The values of any such securities held by the fund are determined as of such time for the purpose of computing the fund's net asset value. Foreign security prices are furnished by independent brokers or quotation services which express the value of securities in their local currency. FSC gathers all exchange rates daily at the close of the NYSE using the last quoted price on the local currency and then translates the value of foreign securities from their local currency into U.S. dollars. Any changes in the value of forward contracts due to exchange rate fluctuations and days to maturity are included in the calculation of net asset value. If an extraordinary event that is expected to materially affect the value of a portfolio security occurs after the close of an exchange on which that security is traded, then the security will be valued as determined in good faith by a committee appointed by the Board of Trustees.

#### PERFORMANCE

TOTAL RETURN CALCULATIONS. Total returns quoted in advertising reflect all aspects of a fund's return, including the effect of reinvesting dividends and capital gain distributions, and any change in the fund's NAV over a stated period. Average annual total returns are calculated by determining the growth or decline in value of a hypothetical historical investment in a fund over a stated period, and then calculating the annually compounded percentage rate that would have produced the same result if the rate of growth or decline in value had been constant over the period. For example,

a cumulative total return of 100% over ten years would produce an average annual return of 7.18%, which is the steady annual rate of return that would equal 100% growth on a compounded basis in ten years. Average annual returns covering periods of less than one year are calculated by determining a fund's total return for the period, extending that return for a full year (assuming that return remains constant over the year), and quoting the result as an annual return. While average annual returns are a convenient means of comparing investment alternatives, investors should realize that a fund's performance is not constant over time, but changes from year to year, and that average annual returns represent averaged figures as opposed to the actual year-to-year performance of the fund. In addition to average annual total returns, a fund may quote unaveraged or cumulative total returns reflecting the simple change in value of an investment over a stated period. Average annual and cumulative total returns may be quoted as a percentage or as a dollar amount, and may be calculated for a single investment, a series of investments, or a series of redemptions, over any time period. Total returns may be broken down into their components of income and capital (including capital gains and changes in share price) in order to illustrate the relationship of these factors and their contributions to total return. Total returns may be quoted on a before-tax or after-tax basis. Total returns, yields, and other performance information may be quoted numerically or in a table, graph, or similar illustration.

<TABLE>  
 <CAPTION>  
 <S> <C> <C> <C> <C> <C> <C> <C> <C>  
 Average Annual Total Returns Cumulative Total Returns  
 </TABLE>

<TABLE>  
 <CAPTION>  
 <S> <C> <C> <C> <C> <C> <C> <C>  
 Yields One Five Life of One Five Life of  
 Year Years Fund\* Year Years Fund\*  
 Money Market 7-day % % % % % % %  
 Portfolio \_\_\_\_ %  
 High Income 30-day % % % % % % %  
 Portfolio \_\_\_\_ %  
 Equity-Income % % % % % % %  
 Portfolio  
 Growth Portfolio % % % % % % %  
 Overseas Portfolio % % % % % % %  
 Investment Grade 30-day % % % % % % %  
 Bond Portfolio \_\_\_\_ %  
 Asset Manager % % % % % % %  
 Portfolio  
 Index 500 Portfolio % % % % % % %  
 </TABLE>

\* 10-year return for Money Market Portfolio; High Income Portfolio commenced operations September 19, 1985; Equity-Income and Growth Portfolios commenced operations October 9, 1986; Overseas Portfolio commenced operations January 28, 1987; Investment Grade Bond Portfolio commenced operations December 5, 1988; Asset Manager Portfolio commenced operations September 6, 1989 and Index 500 Portfolio commenced operations August 27, 1992. If FMR had not reimbursed certain fund expenses during these periods, the total returns would have been lower. The following charts show the income and capital elements of each fund's total return from the date it commenced operations through the year ended December 31, 1994. The charts compare the funds' returns to the record of the Standard & Poor's 500 Composite Stock Price Index (S&P), the Dow Jones Industrial Average (DJIA), the cost of living (measured by the Consumer

Price Index, or CPI) over the same period, and (for Asset Manager Portfolio) a benchmark "Fidelity Composite Index" (created by FMR), over the same period. The Fidelity Composite Index is a hypothetical historical representation which simulates Asset Manager Portfolio's neutral mix (20% money market instruments, 40% bonds, and 40% stocks) by combining the following indices based on their weighting in the neutral mix: the Salomon Brothers 3-month T-Bill Total Rate of Return Index, representing the average of T-Bill rates for each of the prior three months, adjusted to a bond equivalent yield basis (money market); the Lehman Brothers Treasury Bond Index, a widely utilized benchmark of bond market performance which includes virtually all long-term public obligations of the U.S. Treasury (bonds); and the S&P 500 (a registered trademark of Standard & Poor's Corporation), which represents common stock prices (stocks).

The comparison to the S&P shows how the funds' total returns compared to the record of a broad average of common stock prices, and the comparison to the DJIA shows how the funds' total returns compared to the record of a narrower set of stocks of major industrial companies. Each fund has the ability to invest in securities not included in either index, and its investment portfolio may or may not be similar in composition to the indices. The S&P and DJIA comparisons for Investment Grade Bond and High Income Portfolios are provided to show how each fund's return compared to the return of common stocks over the same period. Of course, since Investment Grade Bond and High Income Portfolios invest in fixed-income securities, common stocks represent a different type of investment from the fund. The indices do not include fixed-income securities. In general, common stocks generally offer greater potential growth a bond fund, but generally are more volatile in value and may offer greater potential for loss. In addition, common stocks generally provide lower income than a mutual fund which focuses on fixed-income securities. The S&P, DJIA and The Fidelity Composite Index are based on the prices of unmanaged groups of stocks and, unlike the funds' returns, their returns do not include the effect of paying brokerage commissions and other costs of investing.

(MONEY MARKET PORTFOLIO) During the ten year period ended December 31, 1994, a hypothetical \$10,000 investment in Money Market would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating interest rates and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Money Market Portfolio

INDICES

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended	Value of Initial Investment	Value of Reinvested Dividend Distributions	Value of Reinvested Capital Gains Distributions	Total Value	S&P 500	DJIA	Cost of Living*

1994	\$10,000	\$	\$	\$	\$	\$	\$
1993	\$10,000	\$9,532	\$0	\$19,532	\$	\$	\$
1992	\$10,000	\$8,920	\$0	\$18,920	\$	\$	\$
1991	\$10,000	\$8,211	\$0	\$18,211	\$	\$	\$
1990	\$10,000	\$7,165	\$0	\$17,165	\$	\$	\$
1989	\$10,000	\$5,888	\$0	\$15,888	\$	\$	\$
1988	\$10,000	\$4,560	\$0	\$14,560	\$	\$	\$
1987	\$10,000	\$3,559	\$0	\$13,559	\$	\$	\$
1986	\$10,000	\$2,738	\$0	\$12,738	\$	\$	\$
1985	\$10,000	\$1,939	\$0	\$11,939	\$	\$	\$

</TABLE>

\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on December 31, 1984, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments (dividends) for the period would have amounted to \$\_\_\_\_\_. The fund did not distribute any capital gains during the period. Tax consequences of different investments have not been factored into the above figures.

(HIGH INCOME PORTFOLIO) During the period from September 19, 1985 (commencement of operations) to December 31, 1994, a hypothetical \$10,000 investment in High Income Portfolio would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating interest rates and bond prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

High Income Portfolio

INDICES

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended	Value of Initial Investment	Value of Reinvested Dividend Distributions	Value of Reinvested Capital Gains Distributions	Total Value	S&P 500	DJIA	Cost of Living**

1994	\$	\$	\$	\$	\$	\$	\$
1993	\$11,990	\$14,223	\$333	\$26,546	\$33,797	\$38,211	\$13,463
1992	\$10,820	\$11,057	\$172	\$22,049	\$30,702	\$32,661	\$13,102
1991	\$9,550	\$8,200	\$152	\$17,902	\$28,522	\$30,440	\$12,733
1990	\$7,070	\$6,070	\$112	\$13,253	\$21,859	\$24,481	\$12,355
1989	\$8,110	\$5,317	\$129	\$13,556	\$22,562	\$24,613	\$11,644
1988	\$9,660	\$4,332	\$154	\$14,146	\$17,133	\$18,680	\$11,127
1987	\$9,680	\$2,837	\$154	\$12,671	\$14,693	\$16,114	\$10,656
1986	\$10,830	\$1,689	\$0	\$12,519	\$13,958	\$15,284	\$10,203
1985*	\$10,310	\$328	\$0	\$10,638	\$11,761	\$12,031	\$10,092

</TABLE>

\* From September 19, 1985 (commencement of operations).

\*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on September 19, 1985, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

(EQUITY-INCOME PORTFOLIO) During the period from October 9, 1986 (commencement of operations) to December 31, 1994, a hypothetical \$10,000



investment in Equity-Income Portfolio would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating interest rates, bond prices, and stock prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Equity-Income Portfolio

INDICES

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended	Value of Initial Investment	Value of Reinvested Dividend Distributions	Value of Reinvested Capital Gains Distributions	Total Value	S&P 500	DJIA	Cost of Living**
1994	\$	\$	\$	\$	\$	\$	\$
1993	\$15,440	\$5,529	\$992	\$21,961	\$24,966	\$26,491	\$13,230
1992	\$13,400	\$4,304	\$861	\$18,565	\$22,680	\$22,644	\$12,877
1991	\$11,850	\$3,272	\$761	\$15,883	\$21,070	\$21,104	\$12,514
1990	\$9,510	\$1,963	\$611	\$12,084	\$16,147	\$16,972	\$12,142
1989	\$12,290	\$1,682	\$293	\$14,265	\$16,667	\$17,064	\$11,443
1988	\$11,010	\$979	\$167	\$12,156	\$12,657	\$12,951	\$10,935
1987	\$9,420	\$343	\$143	\$9,907	\$10,854	\$11,172	\$10,472
1986*	\$10,020	\$0	\$0	\$10,020	\$10,311	\$10,596	\$10,027

</TABLE>

\* From October 9, 1986 (commencement of operations).

\*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on October 9, 1986, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_.

If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

The yield for the S&P 500 for the year ended December 31, 1994 was \_\_%, calculated by dividing the dollar value of dividends paid by the S&P 500 stocks during the period by the average value of the S&P 500 on December 31. The S&P yield is calculated differently from the fund's yield. For example, the fund's yield calculation treats dividends as accrued in anticipation of payment, rather than recording them when paid.

During the period from October 9, 1986 (commencement of operations) to December 31, 1994, a hypothetical \$10,000 investment in Growth Portfolio would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating stock prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Growth Portfolio

INDICES

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended	Value of Initial Investment	Value of Reinvested Dividend Distributions	Value of Reinvested Capital Gains Distributions	Total Value	S&P 500	DJIA	Cost of Living**

	\$10,000 Investment	Dividend Distributions	Capital Gain Distributions				
1994	\$	\$	\$	\$	\$	\$	\$
1993	\$23,080	\$1,546	\$1,864	\$26,490	\$24,966	\$26,491	\$13,230
1992	\$19,760	\$1,202	\$1,230	\$22,192	\$22,680	\$22,644	\$12,877
1991	\$18,510	\$1,075	\$715	\$20,300	\$21,070	\$21,104	\$12,514
1990	\$12,910	\$542	\$499	\$13,950	\$16,147	\$16,972	\$12,142
1989	\$15,180	\$400	\$225	\$15,805	\$16,667	\$17,064	\$11,443
1988	\$11,720	\$124	\$174	\$12,018	\$12,657	\$12,951	\$10,935
1987	\$10,140	\$107	\$150	\$10,398	\$10,854	\$11,172	\$10,472
1986*	\$10,030	\$0	\$0	\$10,030	\$10,311	\$10,956	\$10,027

</TABLE>

\* From October 9, 1986 (commencement of operations).

\*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on October 9, 1986, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_.

If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

(OVERSEAS PORTFOLIO) During the period from January 28, 1987 (commencement of operations) to December 31, 1994, a hypothetical \$10,000 investment in Overseas Portfolio would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating stock prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Overseas Portfolio

INDICES

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended	Value of Initial \$10,000 Investment	Value of Reinvested Dividend Distributions	Value of Reinvested Capital Gain Distributions	Total Value	S&P 500	DJIA	EAFE Index	Cost of Living**

1994_	\$	\$	\$	\$	\$	\$	\$	\$
1993	\$15,480	\$1,276	\$70	\$16,826	\$21,371	\$21,996	\$	\$13,112
1992	\$11,530	\$720	\$0	\$12,250	\$19,414	\$18,801	\$	\$12,761

1991	\$13,090	\$631	\$0	\$13,721	\$18,036	\$17,522	\$	\$12,401
1990	\$12,420	\$285	\$0	\$12,705	\$13,822	\$14,092	\$	\$12,032
1989	\$12,670	\$250	\$0	\$12,920	\$14,267	\$14,168	\$	\$11,340
1988	\$10,110	\$121	\$0	\$10,231	\$10,834	\$10,753	\$	\$10,836
1987*	\$9,350	\$112	\$0	\$9,462	\$9,291	\$9,276	\$	\$10,378

</TABLE>

\* From January 28, 1987 (commencement of operations).  
 \*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on January 28, 1987, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

(INVESTMENT GRADE BOND PORTFOLIO) During the period from December 5, 1988 (commencement of operations) to December 31, 1994, a hypothetical \$10,000 investment in Investment Grade Bond Portfolio would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating interest rates and bond prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

<TABLE>

<CAPTION>

<S> Investment Grade Bond Portfolio <C> <C> <C> <C> <C> INDICES <C> <C>

</TABLE>

<TABLE>

<CAPTION>

<S> Year Ended	<C> Value of Initial \$10,000 Investment	<C> Value of Reinvested Dividend Distributions	<C> Value of Reinvested Capital Gain Distributions	<C> Total Value	<C> S&P 500	<C> DJIA	<C> Cost of Living**
----------------	--	--	--	-----------------	-------------	----------	----------------------

1994	\$	\$	\$	\$	\$	\$	\$
1993	\$11,480	\$4,420	\$313	\$16,213	\$20,203	\$21,257	\$12,120
1992	\$10,970	\$3,419	\$223	\$14,611	\$18,353	\$18,170	\$11,796
1991	\$11,080	\$2,596	\$24	\$13,700	\$17,050	\$16,934	\$11,463
1990	\$9,920	\$1,831	\$21	\$11,772	\$13,067	\$13,619	\$11,122
1989	\$10,140	\$921	\$22	\$11,083	\$13,487	\$13,692	\$10,482
1988*	\$10,000	\$52	\$0	\$10,052	\$10,242	\$10,392	\$10,017

</TABLE>

\* From December 5, 1988 (commencement of operations).  
 \*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on December 5, 1988, the net amount invested in fund shares was \$10,000. The cost of

the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

(ASSET MANAGER PORTFOLIO) During the period from September 6, 1989 (commencement of operations) to December 31, 1994, a hypothetical \$10,000 investment in Asset Manager Portfolio would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating interest rates and bond prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Asset Manager Portfolio

INDICES

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended	Value of Initial Investment	Value of Reinvested Dividend Distributions	Value of Reinvested Capital Gain Distributions	Total Value	S&P 500	DJIA	Cost of Living**	Fidelity Composite Index***

1994	\$	\$	\$	\$	\$	\$	\$	\$
1993	\$15,420	\$1,642	\$795	\$17,857	\$15,172	\$11,701	\$14,714	\$
1992	\$13,320	\$1,004	\$406	\$14,730	\$13,783	\$11,388	\$13,507	\$
1991	\$12,550	\$610	\$25	\$13,185	\$12,804	\$11,067	\$12,654	\$
1990	\$10,240	\$498	\$21	\$10,758	\$9,813	\$10,738	\$10,819	\$
1989*	\$9,970	\$91	\$20	\$10,081	\$10,128	\$10,120	\$10,302	\$

</TABLE>

\* From September 6, 1989 (commencement of operations).

\*\* From month-end closest to initial investment date.

\*\*\* From month-end closest to initial investment date. The money market, bond, and stock indices that compose the Fidelity Composite Index returned \_\_%, \_\_%, and \_\_%, respectively, during the 1994 fiscal year. These indices are unmanaged, include reinvestment of income and/or dividends, and are not indicative of the fund's past or future performance.

Explanatory Notes: With an initial investment of \$10,000 made on September 6, 1989, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

(INDEX 500 PORTFOLIO) During the period from August 27, 1992 (commencement of operations) to December 31, 1994, a hypothetical \$10,000 investment in Index 500 Portfolio would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating stock prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Index 500 Portfolio

INDICES

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended	Value of Initial Investment	Value of Reinvested Dividend Distributions	Value of Reinvested Capital Gains Distributions	Total Value	S&P 500	DJIA	Cost of Living**
1994	\$	\$	\$	\$	\$	\$	\$
1993	\$11,148	\$360	\$158	\$11,666	\$11,722	\$12,021	\$10,348
1992*	\$10,520	\$95	\$16	\$10,631	\$10,648	\$10,275	\$10,071

</TABLE>

\* From August 27, 1992 (commencement of operations).

\*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on August 27, 1992, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

From time to time, a fund's performance may also be compared to other mutual funds tracked by financial or business publications and periodicals. For example, the fund may quote Morningstar, Inc. in its advertising materials. Morningstar, Inc. is a mutual fund rating service that rates mutual funds on the basis of risk-adjusted performance. Rankings that compare the performance of Fidelity funds to one another in appropriate categories over specific periods of time may also be quoted in advertising. A fund may be compared in advertising to Certificates of Deposit (CDs) or other investments issued by banks or other depository institutions. Mutual funds differ from bank investments in several respects. For example, a fund may offer greater liquidity or higher potential returns than CDs, a fund does not guarantee your principal or your return, and fund shares are not FDIC insured.

Fidelity may provide information designed to help individuals understand their investment goals and explore various financial strategies. Such information may include information about current economic, market, and political conditions; materials that describe general principles of investing, such as asset allocation, diversification, risk tolerance, and goal setting; questionnaires designed to help create a personal financial profile; worksheets used to project savings needs based on assumed rates of inflation and hypothetical rates of return; and action plans offering investment alternatives. Materials may also include discussions of Fidelity's asset allocation funds and other Fidelity funds, products, and services.

Ibbotson Associates of Chicago, Illinois (Ibbotson) provides historical returns of the capital markets in the United States, including common stocks, small capitalization stocks, long-term corporate bonds, intermediate-term government bonds, long-term government bonds, Treasury bills, the U.S. rate of inflation (based on the CPI), and combinations of various capital markets. The performance of these capital markets is based on the returns of different indices.

Fidelity funds may use the performance of these capital markets in order to demonstrate general risk-versus-reward investment scenarios. Performance comparisons may also include the value of a hypothetical investment in any of these capital markets. The risks associated with the security types in any capital market may or may not correspond directly to those of the funds. Ibbotson calculates total returns in the same method as the funds. The funds may also compare performance to that of other compilations or indices that may be developed and made available in the future. In advertising materials, Fidelity may reference or discuss its products

and services, which may include: other Fidelity funds; retirement investing; brokerage products and services; the effects of periodic investment plans and dollar cost averaging; saving for college or other goals; charitable giving; and the Fidelity credit card. In addition, Fidelity may quote or reprint financial or business publications and periodicals, including model portfolios or allocations, as they relate to current economic and political conditions, fund management, portfolio composition, investment philosophy, investment techniques, the desirability of owning a particular mutual fund, and Fidelity services and products. Fidelity may also reprint, and use as advertising and sales literature, articles from Fidelity Focus, a quarterly magazine provided free of charge to Fidelity fund shareholders.

A fund may present its fund number, Quotron (trademark) number, and CUSIP number, and discuss or quote its current portfolio manager.

**VOLATILITY.** A fund may quote various measures of volatility and benchmark correlation in advertising. In addition, the fund may compare these measures to those of other funds. Measures of volatility seek to compare the fund's historical share price fluctuations or total returns to those of a benchmark. Measures of benchmark correlation indicate how valid a comparative benchmark may be. All measures of volatility and correlation are calculated using averages of historical data. In advertising, a fund may also discuss or illustrate examples of interest rate sensitivity.

**MOMENTUM INDICATORS** indicate a fund's price movements over specific periods of time. Each point on the momentum indicator represents the fund's percentage change in price movements over that period.

A fund may advertise examples of the effects of periodic investment plans, including the principle of dollar cost averaging. In such a program, an investor invests a fixed dollar amount in a fund at periodic intervals, thereby purchasing fewer shares when prices are high and more shares when prices are low. While such a strategy does not assure a profit or guard against loss in a declining market, the investor's average cost per share can be lower than if fixed numbers of shares are purchased at the same intervals. In evaluating such a plan, investors should consider their ability to continue purchasing shares during periods of low price levels. A fund may be available for purchase through retirement plans or other programs offering deferral of, or exemption from, income taxes, which may produce superior after-tax returns over time. For example, a \$1,000 investment earning a taxable return of 10% annually would have an after-tax value of \$1,949 after ten years, assuming tax was deducted from the return each year at a 31% rate. An equivalent tax-deferred investment would have an after-tax value of \$2,100 after ten years, assuming tax was deducted at a 31% rate from the tax-deferred earnings at the end of the ten-year period.

As of December 31, 199\_, FMR advised over \$\_\_ billion in tax-free fund assets, \$\_\_ billion in money market fund assets, \$\_\_\_ billion in equity fund assets, \$\_\_ billion in international fund assets, and \$\_\_\_ billion in Spartan fund assets. The funds may reference the growth and variety of money market mutual funds and the adviser's innovation and participation in the industry. The equity funds under management figure represents the largest amount of equity fund assets under management by a mutual fund investment adviser in the United States, making FMR America's leading equity (stock) fund manager. FMR, its subsidiaries, and affiliates maintain a worldwide information and communications network for the purpose of researching and managing investments abroad.

#### ADDITIONAL PURCHASE AND REDEMPTION INFORMATION

Each fund is open for business and its net asset value per share (NAV) is calculated each day the New York Stock Exchange (NYSE) is open for trading. The NYSE has designated the following holiday closings for 1995: New Year's Day (observed), President's Day (observed), Good Friday, Memorial Day (observed), Independence Day (observed), Labor Day, Thanksgiving Day, and Christmas Day. Although FMR expects the same holiday schedule to be observed in the future, the NYSE may modify its holiday schedule at any time.

FSC normally determines each fund's NAV as of the close of the NYSE (normally 4:00 p.m. Eastern time). However, NAV may be calculated earlier if trading on the NYSE is restricted or as permitted by the Securities and Exchange Commission (SEC). To the extent that portfolio securities are traded in other markets on days when the NYSE is closed, the fund's NAV may be affected on days when investors do not have access to the fund to purchase or redeem shares. In addition, trading in some of the fund's portfolio securities may not occur on days when a fund is open for business.

If the Trustees determine that existing conditions make cash payments undesirable, redemption payments may be made in whole or in part in securities or other property, valued for this purpose as they are valued in computing the fund's NAV. Shareholders receiving securities or other

property on redemption may realize a gain or loss for tax purposes, and will incur any costs of sale, as well as the associated inconveniences.

#### TAXES

For a discussion of tax consequences of variable contracts, please refer to your insurance company's separate account prospectus.

Variable contracts purchased through insurance company separate accounts provide for the accumulation of all earnings from interest, dividends, and capital appreciation without current federal income tax liability to the owner. Depending on the variable contract, distributions from the contract may be subject to ordinary income tax and a 10% penalty tax on distributions before age 59 1/2. Only the portion of a distribution attributable to income is subject to federal income tax. Investors should consult with competent tax advisors for a more complete discussion of possible tax consequences in a particular situation.

Section 817(h) of the Internal Revenue Code provides that the investments of a separate account underlying a variable insurance contract (or the investments of a mutual fund, the shares of which are owned by the variable separate account) must be "adequately diversified" in order for the contract to be treated as an annuity or life insurance for tax purposes.

The Treasury Department has issued regulations prescribing these diversification requirements. Each fund intends to comply with these requirements.

Each fund intends to qualify each year as a "regulated investment company" for tax purposes, so that it will not be liable for federal tax on income and capital gains distributed to shareholders. In order to qualify as a regulated investment company and avoid being subject to federal income or excise taxes, each fund intends to distribute substantially all its net taxable income and net realized capital gains within each calendar year as well as on a fiscal year basis. Each fund also intends to comply with other tax rules applicable to regulated investment companies including a requirement that gross capital gains from selling securities held less than three months must constitute less than 30% of a fund's gross income for each fiscal year. Income and capital gain distributions are reinvested in additional shares of the fund. This is done to preserve the tax advantaged status of the variable contracts. Each fund is treated as a separate entity from the other funds of the trust it is associated with for tax purposes.

[insert any capital loss carryovers]

#### FMR

All of the stock of FMR is owned by FMR Corp., its parent company organized in 1972. Through ownership of voting common stock and the execution of a shareholders' voting agreement, Edward C. Johnson 3d, Johnson family members, and various trusts for the benefit of the Johnson family form a controlling group with respect to FMR Corp.

At present, the principal operating activities of FMR Corp. are those conducted by three of its divisions as follows: FSC, which is the transfer and shareholder servicing agent for certain of the funds advised by FMR; Fidelity Investments Institutional Operations Company, which performs shareholder servicing functions for institutional customers and funds sold through intermediaries; and Fidelity Investments Retail Marketing Company, which provides marketing services to various companies within the Fidelity organization.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that sets forth all employees' fiduciary responsibilities regarding the funds, establishes procedures for personal investing and restricts certain transactions. For example, all personal trades in most securities require pre-clearance, and participation in initial public offerings is prohibited. In addition, restrictions on the timing of personal investing in relation to trades by Fidelity funds and on short-term trading have been adopted.

#### TRUSTEES AND OFFICERS

The Trustees and executive officers of each trust are listed below. Except as indicated, each individual has held the office shown or other offices in the same company for the last five years. All persons named as Trustees also serve in similar capacities for other funds advised by FMR. Unless otherwise noted, the business address of each Trustee and officer is 82 Devonshire Street, Boston, Massachusetts 02109, which is also the address of FMR. Those Trustees who are "interested persons" (as defined in the Investment Company Act of 1940) by virtue of their affiliation with either the trust or FMR are indicated by an asterisk (\*).

\*EDWARD C. JOHNSON 3d, Trustee and President, is Chairman, Chief Executive Officer and a Director of FMR Corp.; a Director and Chairman of the Board and of the Executive Committee of FMR; Chairman and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc.

\*J. GARY BURKHEAD, Trustee and Senior Vice President, is President of FMR;

and President and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc. RALPH F. COX, 200 Rivercrest Drive, Fort Worth, TX, Trustee (1991), is a consultant to Western Mining Corporation (1994). Prior to February 1994, he was President of Greenhill Petroleum Corporation (petroleum exploration and production, 1990). Until March 1990, Mr. Cox was President and Chief Operating Officer of Union Pacific Resources Company (exploration and production). He is a Director of Sanifill Corporation (non-hazardous waste, 1993) and CH2M Hill Companies (engineering). In addition, he served on the Board of Directors of the Norton Company (manufacturer of industrial devices, 1983-1990) and continues to serve on the Board of Directors of the Texas State Chamber of Commerce, and is a member of advisory boards of Texas A&M University and the University of Texas at Austin.

PHYLLIS BURKE DAVIS, P.O. Box 264, Bridgehampton, NY, Trustee (1992). Prior to her retirement in September 1991, Mrs. Davis was the Senior Vice President of Corporate Affairs of Avon Products, Inc. She is currently a Director of BellSouth Corporation (telecommunications), Eaton Corporation (manufacturing, 1991), and the TJX Companies, Inc. (retail stores, 1990), and previously served as a Director of Hallmark Cards, Inc. (1985-1991) and Nabisco Brands, Inc. In addition, she is a member of the President's Advisory Council of The University of Vermont School of Business Administration.

RICHARD J. FLYNN, 77 Fiske Hill, Sturbridge, MA, Trustee, is a financial consultant. Prior to September 1986, Mr. Flynn was Vice Chairman and a Director of the Norton Company (manufacturer of industrial devices). He is currently a Director of Mechanics Bank and a Trustee of College of the Holy Cross and Old Sturbridge Village, Inc.

E. BRADLEY JONES, 3881-2 Lander Road, Chagrin Falls, OH, Trustee (1990). Prior to his retirement in 1984, Mr. Jones was Chairman and Chief Executive Officer of LTV Steel Company. Prior to May 1990, he was Director of National City Corporation (a bank holding company) and National City Bank of Cleveland. He is a Director of TRW Inc. (original equipment and replacement products), Cleveland-Cliffs Inc (mining), NACCO Industries, Inc. (mining and marketing), Consolidated Rail Corporation, Birmingham Steel Corporation, Hyster-Yale Materials Handling, Inc. (1989), and RPM, Inc. (manufacturer of chemical products, 1990). In addition, he serves as a Trustee of First Union Real Estate Investments, a Trustee and member of the Executive Committee of the Cleveland Clinic Foundation, a Trustee and member of the Executive Committee of University School (Cleveland), and a Trustee of Cleveland Clinic Florida.

DONALD J. KIRK, One Harborside, 680 Steamboat Road, Greenwich, CT, Trustee, is Executive-in-Residence (1995) at Columbia University Graduate School of Business and a financial consultant. From 1987 to January 1995, Mr. Kirk was a Professor at Columbia University Graduate School of Business. Prior to 1987, he was Chairman of the Financial Accounting Standards Board. Mr. Kirk is a Director of General Re Corporation (reinsurance) and Valuation Research Corp. (appraisals and valuations, 1993). In addition, he serves as Vice Chairman of the Board of Directors of the National Arts Stabilization Fund, Vice Chairman of the Board of Trustees of the Greenwich Hospital Association, and as a Member of the Public Oversight Board of the American Institute of Certified Public Accountants' SEC Practice Section (1995).

\*PETER S. LYNCH, Trustee (1990) is Vice Chairman of FMR (1992). Prior to his retirement on May 31, 1990, he was a Director of FMR (1989) and Executive Vice President of FMR (a position he held until March 31, 1991); Vice President of Fidelity Magellan Fund and FMR Growth Group Leader; and Managing Director of FMR Corp. Mr. Lynch was also Vice President of Fidelity Investments Corporate Services (1991-1992). He is a Director of W.R. Grace & Co. (chemicals, 1989) and Morrison Knudsen Corporation (engineering and construction). In addition, he serves as a Trustee of Boston College, Massachusetts Eye & Ear Infirmary, Historic Deerfield (1989) and Society for the Preservation of New England Antiquities, and as an Overseer of the Museum of Fine Arts of Boston (1990).

GERALD C. McDONOUGH, 135 Aspenwood Drive, Cleveland, OH, Trustee (1989), is Chairman of G.M. Management Group (strategic advisory services). Prior to his retirement in July 1988, he was Chairman and Chief Executive Officer of Leaseway Transportation Corp. (physical distribution services). Mr. McDonough is a Director of ACME-Cleveland Corp. (metal working, telecommunications and electronic products), Brush-Wellman Inc. (metal refining), York International Corp. (air conditioning and refrigeration, 1989), Commercial Intertech Corp. (water treatment equipment, 1992), and Associated Estates Realty Corporation (a real estate investment trust, 1993).

EDWARD H. MALONE, 5601 Turtle Bay Drive #2104, Naples, FL, Trustee. Prior to his retirement in 1985, Mr. Malone was Chairman, General Electric Investment Corporation and a Vice President of General Electric Company. He is a Director of Allegheny Power Systems, Inc. (electric utility), General



Re Corporation (reinsurance) and Mattel Inc. (toy manufacturer). In addition, he serves as a Trustee of Corporate Property Investors, the EPS Foundation at Trinity College, the Naples Philharmonic Center for the Arts, and Rensselaer Polytechnic Institute, and he is a member of the Advisory Boards of Butler Capital Corporation Funds and Warburg, Pincus Partnership Funds.

MARVIN L. MANN, 55 Railroad Avenue, Greenwich, CT, Trustee (1993) is Chairman of the Board, President, and Chief Executive Officer of Lexmark International, Inc. (office machines, 1991). Prior to 1991, he held the positions of Vice President of International Business Machines Corporation ("IBM") and President and General Manager of various IBM divisions and subsidiaries. Mr. Mann is a Director of M.A. Hanna Company (chemicals, 1993) and Infomart (marketing services, 1991), a Trammell Crow Co. In addition, he serves as the Campaign Vice Chairman of the Tri-State United Way (1993) and is a member of the University of Alabama President's Cabinet (1990).

THOMAS R. WILLIAMS, 21st Floor, 191 Peachtree Street, N.E., Atlanta, GA, Trustee, is President of The Wales Group, Inc. (management and financial advisory services). Prior to retiring in 1987, Mr. Williams served as Chairman of the Board of First Wachovia Corporation (bank holding company), and Chairman and Chief Executive Officer of The First National Bank of Atlanta and First Atlanta Corporation (bank holding company). He is currently a Director of BellSouth Corporation (telecommunications), ConAgra, Inc. (agricultural products), Fisher Business Systems, Inc. (computer software), Georgia Power Company (electric utility), Gerber Alley & Associates, Inc. (computer software), National Life Insurance Company of Vermont, American Software, Inc. (1989), and AppleSouth, Inc. (restaurants, 1992).

WILLIAM J. HAYES, Vice President (1994), is Vice President of Fidelity's equity funds; Senior Vice President of FMR; and Managing Director of FMR Corp.

ROBERT H. MORRISON, Manager of Security Transactions of Fidelity's equity funds is Vice President of FMR.

ROBERT A. LAWRENCE, Vice President (1994), is Vice President of Fidelity's high income funds and Senior Vice President of FMR (1993). Prior to joining FMR, Mr. Lawrence was Managing Director of the High Yield Department for Citicorp (1984-1991).

FRED L. HENNING, JR., Vice President (1994), is Vice President of Fidelity's money market funds and Senior Vice President of FMR Texas Inc.

ROBERT LITTERST is manager and Vice President of Money Market Portfolio, which he has managed since January 1992. He also manages Cash Reserves and various institutional portfolios. Previously, he was Vice President of the money market group at the Prudential Insurance Co. Mr. Litterst joined Fidelity in 1992.

BARRY COFFMAN, Vice President of High Income Portfolio (1992), is an employee of FMR.

LAWRENCE GREENBERG, Vice President of Growth Portfolio (1994), is an employee of FMR.

JOHN R. HICKLING, Vice President of Overseas Portfolio (1993), is an employee of FMR.

DONALD TAYLOR, Vice President of Investment Grade Bond Portfolio (1992), is an employee of FMR.

ROBERT BECKWITT, Vice President of Asset Manager Portfolio (1990), is an employee of FMR.

ARTHUR S. LORING, Secretary, is Senior Vice President (1993) and General Counsel of FMR, Vice President-Legal of FMR Corp., and Vice President and Clerk of FDC.

GARY L. FRENCH, Treasurer (1991). Prior to becoming Treasurer of the Fidelity funds, Mr. French was Senior Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1991); Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1990); and Senior Vice President, Chief Financial and Operations Officer - Huntington Advisers, Inc. (1985-1990).

THOMAS D. MAHER, Assistant Vice President (1990), is Assistant Vice President of Fidelity's money market funds and Vice President and Associate General Counsel of FMR Texas Inc. (1990). Prior to 1990, Mr. Maher was an employee of FMR and Assistant Secretary of all the Fidelity funds (1985-1989).

JOHN H. COSTELLO, Assistant Treasurer, is an employee of FMR.

LEONARD M. RUSH, Assistant Treasurer (1994), is an employee of FMR (1994). Prior to becoming Assistant Treasurer of the Fidelity Funds, Mr. Rush was Chief Compliance Officer of FMR Corp. (1993-1994); Chief Financial Officer of Fidelity Brokerage Services, Inc. (1990-1993); and Vice President, Assistant Controller, and Director of the Accounting Department - First Boston Corp. (1986-1990).

The following table sets forth information describing the compensation of

each current non-interested trustee of each fund for his or her services as trustee for the fiscal year ended December 31, 1994.

COMPENSATION TABLE

Aggregate Compensation

<TABLE>  
<CAPTION>  
<S>

	<C> Ralph F. Cox	<C> Phyllis Burke Davis	<C> Richard J. Flynn	<C> E. Bradley Jones	<C> Donald J. Kirk	<C> Gerald C. McDonoug h	<C> Edward H. Malone	<C> Marvin L. Mann	<C> Thomas R. William s
Money Market	\$	\$	\$	\$	\$	\$	\$	\$	\$
High Income									
Equity-Income									

</TABLE>

<TABLE>  
<CAPTION>  
<S>

	<C> Pension or Retirement Benefits Accrued from the Fund Complex*	<C> Estimated Annual Benefits Upon Retirement from the Fund Complex*	<C> Total Compensation from the Fund Complex*
Ralph F. Cox	\$ 5,200	\$ 52,000	\$ 125,000
Phyllis Burke Davis	5,200	52,000	122,000
Richard J. Flynn	0	52,000	154,500
E. Bradley Jones	5,200	49,400	123,500
Donald J. Kirk	5,200	52,000	125,000
Gerald C. McDonough	5,200	52,000	125,000
Edward H. Malone	5,200	44,200	128,000
Marvin L. Mann	5,200	52,000	125,000
Thomas R. Williams	5,200	52,000	126,500

</TABLE>

\* Information is as December 31, 1994 for the 206 funds in the complex. Under a retirement program adopted in July 1988, Trustees, upon reaching age 72, become eligible to participate in a retirement program under which they receive payments during their lifetime from a fund based on their basic trustee fees and length of service. The obligation of a fund to make such payments are not secured or funded. Trustees become eligible if, at the time of retirement, they have served on the Board for at least five years. Currently, Messrs. Ralph S. Saul, William R. Spaulding, Bertram H. Witham, and David L. Yunich, all former non-interested Trustees, receive retirement benefits under the program. On December 31, the Trustees and officers of each fund owned, in the aggregate, less than 1% of each fund's total outstanding shares. As of February 28, 1995, significant shares of the funds were held by the following companies with the figures beneath each fund representing that company's holdings as a percentage of each fund's total outstanding shares. [insert table of significant shareholders]

MANAGEMENT CONTRACTS

The funds employ FMR to furnish investment advisory and other services. Under its management contract with each fund, FMR acts as investment adviser and, subject to the supervision of the Board of Trustees, directs the investments of each 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 funds' investments, compensates all officers of the funds and all Trustees who are "interested

persons" of the trusts or of FMR, and all personnel of the funds 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 the funds' 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 the funds' records and the registration of the funds' shares under federal and state laws; developing management and shareholder services for the funds; and furnishing reports, evaluations, and analyses on a variety of subjects to the Trustees.

In addition to the management fee payable to FMR and the fees payable to FSC and FIIOC, the fund pays all of its expenses, without limitation, that are not assumed by those parties. The fund pays for typesetting, printing, and mailing proxy material to shareholders, legal expenses, and the fees of the custodian, auditor, and non-interested Trustees. Although the fund's current management contract provides that it will pay for typesetting, printing, and mailing prospectuses, statements of additional information, notices, and reports to existing shareholders, the trust on behalf of the has entered into a revised transfer agent agreement with FIIOC, pursuant to which FIIOC bears the cost of providing these services to existing shareholders. Other expenses paid by the fund include interest, taxes, brokerage commissions, the proportionate share of insurance premiums and Investment Company Institute dues, and the costs of registering shares under federal and state securities laws. The fund is also liable for such nonrecurring 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 is each fund's manager pursuant to management contracts dated as follows:

<TABLE>  
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	Money Market	High Income	Equity-Income	Growth	Overseas	Investment Grade Bond	Asset Manager	Index 500	Contrafund	Asset Manager: Growth
Contract Dated	January 1, 1994	January 1, 1994	January 1, 1993	January 1, 1993	January 1, 1993	January 1, 1993	January 1, 1993	January 1, 1993	November 1, 1994	November 1, 1994
Date Approved by Shareholders	December 15, 1993	December 15, 1993	December 16, 1992	December 16, 1992	December 16, 1992	December 16, 1992	December 16, 1992	December 16, 1992	November 9, 1994	November 9, 1994

</TABLE>

The management fee paid to FMR by Index 500 Portfolio is reduced by an amount equal to the fees and expenses of the non-interested Trustees.  
 MONEY MARKET PORTFOLIO: For the services of FMR under the contract, the fund pays FMR a monthly management fee composed of a group fee rate and an individual fund fee rate (.03%), and an income-based component of 6% of the fund's gross income in excess of a 5% yield. The maximum income-based component is .24% of average net assets.

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 and is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown on the left. The schedule below 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 \$\_\_\_ billion of group net assets - - their approximate level for February 1995 - was \_\_\_\_, which is the weighted average of the respective fee rates for each level of group net assets up to \$\_\_\_ billion.

GROUP FEE RATE SCHEDULE EFFECTIVE ANNUAL FEE RATES

Average Group	Annualized Fee Rate	Group Net	Effective Annual
---------------	---------------------	-----------	------------------

Assets		Assets	Fee Rate		
0	-	\$ 3 billion	.3700%	\$ 0.5 billion	.3700%
3	-	6	.3400	25	.2664
6	-	9	.3100	50	.2188
9	-	12	.2800	75	.1986
12	-	15	.2500	100	.1869
15	-	18	.2200	125	.1793
18	-	21	.2000	150	.1736
21	-	24	.1900	175	.1695
24	-	30	.1800	200	.1658
30	-	36	.1750	225	.1629
36	-	42	.1700	250	.1604
42	-	48	.1650	275	.1583
48	-	66	.1600	300	.1565
66	-	84	.1550	325	.1548
84	-	120	.1500	350	.1533
120	-	174	.1450	400	.1507
174	-	228	.1400		
228	-	282	.1375		
282	-	336	.1350		
Over 336			.1325		

On August 1, 1994, FMR voluntarily revised the group fee rate schedule by adding new breakpoints. The revised group fee rate schedule provides for lower management fee rates as FMR's assets under management increase. The revised group fee rate schedule is identical to the above schedule for average group assets under \$156 billion. For average group assets in excess of \$156 billion, the group fee rate schedule voluntarily adopted by FMR is as follows:

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES			
Average Group Assets	Annualized Fee Rate	Group Net Assets	Effective Annual Fee Rate		
\$120	-	156 billion	.1450%	\$150 billion =	.1736%
156	-	192	.1400	175	.1690
192	-	228	.1350	200	.1652
228	-	264	.1300	225	.1618
264	-	300	.1275	250	.1587
300	-	336	.1250	275	.1560
336	-	372	.1225	300	.1536

Over 372	.1200	325	.1514
		350	.1494
		375	.1476
		400	.1459

The individual fund fee rate is .03%.

One twelfth of the sum of the group fee rate and the individual fund fee rate is applied to the fund's average net assets for the current month, giving a dollar amount which is the fee for that month.

If the fund's monthly gross yield is 5% or less, the total management fee is the sum of the group fee and the individual fund fee. If the fund's monthly gross yield is greater than 5%, the management fee that FMR receives includes an income-based component. The income-based component equals 6% of that portion of the fund's gross income that represents a gross yield of more than 5% per year. The maximum income-based component is .24% (annualized) of average net assets, at a fund gross yield of 9%. Gross income for this purpose, includes interest accrued and/or discount earned (including both original issue discount and market discount) on portfolio obligations, less amortization of premium. Realized and unrealized gains and losses, if any, are not included in gross income.

For the fiscal years ended December 31, 1994, 1993, and 1992, FMR received \$\_\_\_\_, \$415,213, and \$487,024, respectively for its services as investment adviser. These fees were equivalent to \_\_\_\_%, .14%, and .17%, respectively, of the fund's average net assets for each of those years.

Prior to January 1, 1994, for the services of FMR under the contract, the fund paid FMR a monthly management fee computed on the basis of the fund's gross income. To the extent that the monthly gross income of the fund was equivalent to an annualized yield of 5% or less, FMR received 4% of that amount of the fund's gross income. In addition, to the extent that the fund's monthly income exceeded an annualized yield of 5%, FMR received 6% of that excess. For this purpose, gross income included interest accrued or discount earned (including both original issue and market discount), less amortization of premium. The amount of discount or premium on portfolio instruments was fixed at the time of purchase. Realized and unrealized gains and losses, if any, were not included in gross income.

Pursuant to the terms of the contract, limitations were imposed on the compensation FMR could receive under the above formula. These limitations were based on the fund's average monthly net assets as follows:

AVERAGE MONTHLY NET ASSETS ANNUALIZED RATE

On the first \$1.5 billion	.50%
On the portion in excess of \$1.5 to \$3.0 billion	.45%
On the portion in excess of \$3.0 billion to \$4.5 billion	.43%
On the portion in excess of \$4.5 billion to \$6.0 billion	.41%
On the portion in excess of \$6.0 billion	.40%

(HIGH INCOME AND INVESTMENT GRADE BOND PORTFOLIOS) For the services of FMR under the contracts, each fund pays FMR a monthly management fee composed of the sum of two elements: 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 and is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown below on the left. The schedule below 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 \$\_\_\_\_ billion of group net assets - - the approximate level for February 1994 was \_\_\_\_%, which is the weighted average of the respective fee rates for each level of group net assets up to \$\_\_ billion.

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
0 - \$3 billion	.3700%	\$ 0.5 billion	.3700%
3 - 6	.3400	25	.2664
6 - 9	.3100	50	.2188

9 - 12	.2800	75	.1986
12 - 15	.2500	100	.1869
15 - 18	.2200	125	.1793
18 - 21	.2000	150	.1736
21 - 24	.1900	175	.1695
24 - 30	.1800	200	.1658
30 - 36	.1750	225	.1629
36 - 42	.1700	250	.1604
42 - 48	.1650	275	.1583
48 - 66	.1600	300	.1565
66 - 84	.1550	325	.1548
84 - 120	.1500	350	.1533
120 - 174	.1450	400	.1507
174 - 228	.1400		
228 - 282	.1375		
282 - 336	.1350		
Over 336	.1325		

Under Investment Grade Bond's current management contract with FMR, the group fee rate is based on a schedule with breakpoints ending at .1400% for average group assets in excess of \$174 billion. Prior to January 1, 1993, the group fee rate breakpoints shown above for average group assets in excess of \$120 billion and under \$228 billion were voluntarily adopted by FMR, and went into effect on January 1, 1992. The additional breakpoints shown above for average group assets in excess of \$228 billion were voluntarily adopted by FMR on November 1, 1993.

On August 1, 1994, FMR voluntarily revised the prior extensions to the group fee rate schedule, and added new breakpoints for each fund. The revised group fee rate schedule provides for lower management fee rates as FMR's assets under management increase. The revised group fee rate schedule is identical to the above schedule for average group assets under \$156 billion. For average group assets in excess of \$156 billion, the group fee rate schedule voluntarily adopted by FMR is as follows:

GROUP FEE RATE SCHEDULE	EFFECTIVE ANNUAL FEE RATES		
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
120 - \$156 billion	.1450%	\$150 billion	.1736%
156 - 192	.1400	175	.1690
192 - 228	.1350	200	.1652
228 - 264	.1300	225	.1618
264 - 300	.1275	250	.1587
300 - 336	.1250	275	.1560
336 - 372	.1225	300	.1536
Over 372	.1200	325	.1514
	350		.1494
	375		.1476
	400		.1459

The individual fund fee rate for Investment Grade Bond Portfolio is .30% and the individual fund fee rate for High Income Portfolio is .45%. Based on the average group net assets of the funds advised by FMR for February, 1995, the annual management fee rate for each fund would be calculated as follows:

INVESTMENT GRADE BOND PORTFOLIO

Group Fee Rate		Individual Fund Fee Rate
	Management Fee rate	
. _____ %	+	.30%
=		
	. _____ %	

HIGH INCOME PORTFOLIO

Group Fee Rate		Individual Fund Fee Rate
	Management Fee rate	
. _____ %	+	.45%
=		
	. _____ %	

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

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$\_\_\_\_\_, \$460,983 and \$272,562, respectively, for its services as investment adviser to Investment Grade Bond Portfolio. These fees were equivalent to \_\_%, .47%, and .47%, respectively, of the average net assets of the fund for each of those years.

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$\_\_\_\_\_, \$1,764,257 and \$784,904, respectively, for its services as investment adviser to High Income Portfolio. These fees were equivalent to \_\_%, .51%, and .52%, respectively, of the average net assets of the fund for those years. On December 15, 1993, shareholders voted to increase the fund's individual fund fee rate from 0.35% to 0.45%.

(EQUITY-INCOME, GROWTH, OVERSEAS, ASSET MANAGER, CONTRAFUND AND ASSET MANAGER: GROWTH PORTFOLIOS) For the services of FMR under the contract, each fund pays FMR a monthly management fee composed of the sum of two elements: 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 and is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown below on the left. The schedule below 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 \$\_\_\_ billion of group net assets - - the approximate level for fiscal year end 1994 - was \_\_%, which is the weighted average of the respective fee rates for each level of group net assets up to \$\_\_\_ billion.

GROUP FEE RATE SCHEDULE

EFFECTIVE ANNUAL FEE RATES

Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
0 - \$ 3 billion	.5200%	\$ 0.5 billion	.5200%
3 - 6	.4900	25	.4238
6 - 9	.4600	50	.3823
9 - 12	.4300	75	.3626
12 - 15	.4000	100	.3512
15 - 18	.3850	125	.3430
18 - 21	.3700	150	.3371
21 - 24	.3600	175	.3325
24 - 30	.3500	200	.3284
30 - 36	.3450	225	.3253
36 - 42	.3400	250	.3223
42 - 48	.3350	275	.3198
48 - 66	.3250	300	.3175
66 - 84	.3200	325	.3153

84 -	102	.3150	350	.3133
102 -	138	.3100		
138 -	174	.3050		
174 -	228	.3000		
228 -	282	.2950		
282 -	336	.2900		
	Over 336	.2850		

Under Equity-Income, Growth, Overseas and Asset Manager Portfolios' current management contract with FMR, the group fee rate is based on a schedule with breakpoints ending at .3000% for average group assets in excess of \$174 billion. Prior to January 1, 1993, the group fee rate breakpoints shown above for average group assets in excess of \$138 billion and under \$228 billion were voluntarily adopted by FMR, and went into effect on January 1, 1992. The additional breakpoints shown above for average group assets in excess of \$228 billion were voluntarily adopted by FMR on November 1, 1993.

On August 1, 1994, FMR voluntarily revised the prior extensions to the group fee rate schedule, and added new breakpoints (Asset Manager: Growth and Contrafund Portfolios' management contracts are each dated November 1, 1994 and therefore, include the following additional breakpoint schedules in their fee schedules). The revised group fee rate schedule provides for lower management fee rates as FMR's assets under management increase. The revised group fee rate schedule is identical to the above schedule for average group assets under \$210 billion. For average group assets in excess of \$210 billion, the group fee rate schedule voluntarily adopted by FMR is as follows:

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
138 - \$174 billion	.3050%	\$150 billion	.3371%
174 - 210	.3000	175	.3325
210 - 246	.2950	200	.3284
246 - 282	.2900	225	.3249
282 - 318	.2850	250	.3219
318 - 354	.2800	275	.3190
354 - 390	.2750	300	.3163
Over 390	.2700	325	.3137
	350		.3113
	375		.3090
	400		.3067

The individual fund fee rate for the funds are as follows: .20% for Equity-Income Portfolio; .30% for Growth and Contrafund Portfolios; .40% for Asset Manager and Asset Manager: Growth Portfolios; and .45% for Overseas Portfolio. Based on the average group net assets of the funds advised by FMR for February, 1995, the annual management fee rate for each fund would be calculated as follows:

EQUITY-INCOME PORTFOLIO		
Group Fee Rate	Management Fee rate	Individual Fund Fee Rate
. _____ %	+	.20%
=	. _____ %	
GROWTH AND CONTRAFUND PORTFOLIOS		
Group Fee Rate	Management Fee rate	Individual Fund Fee Rate
. _____ %	+	.30%
=	. _____ %	



ASSET MANAGER AND ASSET MANAGER: GROWTH PORTFOLIOS

Group Fee Rate	Management Fee rate	Individual Fund Fee Rate
. _____ %	+	.40%
=		
	. _____ %	

OVERSEAS PORTFOLIO

Group Fee Rate	Management Fee rate	Individual Fund Fee Rate
. _____ %	+	.45%
=		
	. _____ %	

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

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$ \_\_\_\_\_, \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively, for its services as investment adviser to Equity-Income Portfolio. These fees were equivalent to \_\_%, \_\_%, and \_\_%, respectively, of the average net assets of the fund for each of those years.

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$ \_\_\_\_\_, \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively, for its services as investment adviser to Growth Portfolio. These fees were equivalent to \_\_%, \_\_%, and \_\_%, respectively, of the average net assets of the fund for each of those years.

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$ \_\_\_\_\_, \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively, for its services as investment adviser to Overseas Portfolio. These fees were equivalent to \_\_%, \_\_%, and \_\_%, respectively, of the average net assets of the fund for each of those years.

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$ \_\_\_\_\_, \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively, for its services as investment adviser to Asset Manager Portfolio. These fees were equivalent to \_\_%, \_\_%, and \_\_%, respectively, of the average net assets of the fund for each of those years.

INDEX 500 PORTFOLIOFMR is the fund's manager pursuant to a management contract dated January 1, 1993, which was approved by shareholders on December 16, 1992. The management fee paid to FMR is reduced by an amount equal to the fees and expenses of the non-interested Trustees.

For the services of FMR under the contract, Index 500 pays FMR a monthly management fee at the annual rate of .28% of the average net assets of the fund throughout the month. For the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$ \_\_\_\_\_, \$58,243, and \$11,715, respectively, after reduction for compensation to the non-interested Trustees.

FMR may, from time to time, voluntarily reimburse all or a portion of a fund's operating expenses (exclusive of interest, taxes, brokerage commissions, and extraordinary 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 the fund's total returns and yield and repayment of the reimbursement by the fund will lower its total returns and yield.

Effective as follows for each fund (with expense cap in parentheses as a percentage of the fund's average net assets); September 19, 1985 (1.00%) for High Income Portfolio; October 9, 1986 (1.50%) for Equity-Income and Growth Portfolios; January 28, 1987 (1.50%) for Overseas Portfolio; December 5, 1988 (.80%) for Investment Grade Bond Portfolio; January 1, 1990 (1.25%) for Asset Manager Portfolio; August 27, 1992 (.28%) for Index 500 Portfolio; and January 3, 1995 (1.00%) for Asset Manager: Growth and Contrafund Portfolios, FMR voluntarily agreed, subject to revision or termination, to reimburse the funds if and to the extent that its aggregate operating expenses, including management fees, were in excess of an annual rate quoted above for funds. For fiscal year ended 199\_, if this reimbursement had not been in effect, FMR would have received a fee amounting to \$ \_\_\_\_\_ from [insert any fund in reimbursement], which would have been equivalent to \_\_% of average net assets of the fund (after reduction for compensation to the non-interested Trustees).

SUB-ADVISERS. On behalf of High Income and Asset Manager, Contrafund and Asset Manager: Growth Portfolios, FMR, has entered into sub-advisory agreements with FMR U.K. and FMR Far East,. On behalf of Overseas Portfolio, FMR has entered into sub-advisory agreements with FMR U.K., FMR Far East, and FIIA. FIIA, in turn, has entered into a sub-advisory agreement with FIIAL U.K. Pursuant to the sub-advisory agreements, FMR may receive investment advice and research services outside the United States from the sub-advisers. On behalf of High Income, Contrafund, Asset Manager: Growth and Overseas Portfolios, FMR may also grant the sub-advisers investment management authority as well as the authority to buy and sell securities if FMR believes it would be beneficial to a fund.

Currently, FMR U.K. and FMR Far East each focus on issuers in countries

other than the United States such as those in Europe, Asia, and the Pacific Basin.

Currently, FMR U.K., FMR Far East, FIIA, and FIIAL U.K. each focus on issuers in countries other than the United States such as those in Europe, Asia, and the Pacific Basin.

FMR U.K. and FMR Far East, which were organized in 1986, are wholly owned subsidiaries of FMR. FIIA is a wholly owned subsidiary of Fidelity International Limited (FIL), a Bermuda company formed in 1968 which primarily provides investment advisory services to non-U.S. investment companies and institutional investors investing in securities throughout the world. Edward C. Johnson 3d, Johnson family members, and various trusts for the benefit of the Johnson family owns, directly or indirectly, more than 25% of the voting common stock of FIL. FIIA was organized in Bermuda in 1983. FIIAL U.K. was organized in the United Kingdom in 1984, and is a wholly owned subsidiary of Fidelity International Management Holdings Limited, an indirect wholly owned subsidiary of FIL.

Under the sub-advisory agreements FMR pays the fees of FMR U.K., FMR Far East, and FIIA. FIIA, in turn, pays the fees of FIIAL U.K. For providing non-discretionary investment advice and research services the sub-advisers are compensated as follows:

(small solid bullet) FMR pays FMR U.K. and FMR Far East fees equal to 110% and 105%, respectively, of FMR U.K.'s and FMR Far East's costs incurred in connection with providing investment advice and research services.

(small solid bullet) FMR pays FIIA a fee equal to 30% of FMR's monthly management fee with respect to the average net assets held by the fund for which FIIA has provided FMR with investment advice and research services.

(small solid bullet) FIIA pays FIIAL U.K. a fee equal to 110% of FIIAL U.K.'s costs incurred in connection with providing investment advice and research services.

For providing discretionary investment management and executing portfolio transactions, the sub-advisers are compensated as follows:

(small solid bullet) FMR pays FMR U.K., FMR Far East, and FIIA a fee equal to 50% of its monthly management fee with respect to the fund's average net assets managed by the sub-adviser on a discretionary basis.

(small solid bullet) FIIA pays FIIAL U.K. a fee equal to 110% of FIIAL U.K.'s costs incurred in connection with providing discretionary investment management services.

For providing investment advice and research services, the fees paid to the sub-advisers for fiscal 1994, 1993, and 1992 were as follows:

#### High Income Portfolio

Fiscal Year	FMR U.K.	FMR Far East
-------------	----------	--------------

1994	\$	\$
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1993	\$	\$
------	----	----

#### Overseas Portfolio

Fiscal Year	FMR U.K.	FMR Far East	FIIA	FIIAL U.K.
-------------	----------	--------------	------	------------

1994	\$	\$	\$	\$
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1993	\$63,133	\$125,264	\$	\$
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1992	\$41,512	\$34,267	\$	\$
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For providing discretionary investment management and executing portfolio transactions, the fees paid to [Name of Sub-adviser] for fiscal 1994, 1993, and 1992 were \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively, FMR entered into the sub-advisory agreements described above as follows: April 1, 1992 for Overseas; January 1, 1994 for High Income; and November 1, 1994 for Contrafund and Asset Manager: Growth Portfolios. The agreements were approved by shareholders as follows: March 25, 1992 for Overseas, December 15, 1993 for High Income; and November 9, 1994 for Contrafund and Asset Manager: Growth.

On behalf of MONEY MARKET PORTFOLIO, FMR has entered into a sub-advisory agreement with FTX pursuant to which FTX has primary responsibility for providing portfolio investment management services to the fund.

Under the sub-advisory agreement, FMR pays FTX fees equal to 50% of the management fee payable to FMR under its management contract with the fund. The fee paid to FTX are not reduced by any voluntary or mandatory expense reimbursements that may be in effect from time to time. For the fiscal years ended December 31, 1994, 1993 and 1992, FMR paid FTX management fees of \$\_\_\_\_\_, \$207,606, and \$243,512, respectively.

#### DISTRIBUTION AND SERVICE PLANS

Each fund has adopted a distribution and service plan (the plan) under Rule

12b-1 of the Investment Company Act of 1940 (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 adopted by each fund under the Rule. Each fund's Board of Trustees has adopted the plan to allow the funds and FMR to incur certain expenses that might be considered to constitute indirect payment by the fund of distribution expenses. Under the plan, if the payment of management fees by a 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 plan also specifically recognizes that FMR, either directly or through FDC, may use its management fee revenue, past profits, or other resources, without limitation, to pay promotional and administrative expenses in connection with the offer and sale of shares of the fund. In addition, each plan provides that FMR may use its resources, including its management fee revenues, to make payments to third parties that provide assistance in selling shares of the fund, or to third parties, including banks, that render shareholder support services. The Trustees have not authorized such payments to date.

Each fund's plan has been approved by the Trustees. As required by the Rule, the Trustees carefully considered all pertinent factors relating to the implementation of each plan prior to its approval, and have determined that there is a reasonable likelihood that the plan will benefit the fund and its shareholders. In particular, the Trustees noted that each plan does not authorize payments by 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 shares of the fund, additional sales of the fund's shares may result.

Additionally, certain shareholder support services may be provided more effectively under each plan by local entities with whom shareholders have other relationships. Money Market, High Income, Equity-Income and Growth Portfolios' Plans were approved by shareholders of their respective fund on December 11, 1986. Overseas Portfolio's Plan was approved by shareholders on November 18, 1987. The Plans for Investment Grade Bond Portfolio and Asset Manager Portfolio were approved by the funds' shareholders on December 13, 1989. Index 500 Portfolio's Plan was approved by the Portfolio's shareholders on December 16, 1992. Contrafund and Asset Manager: Growth Portfolios' Plans were approved by the fund sole shareholder on November 9, 1994.

#### CONTRACTS WITH COMPANIES AFFILIATED WITH FMR

Each fund has an agreement with FSC, an affiliate of FMR Corp., under which FSC determines the NAV per share and dividends of each fund and maintains the portfolio and general accounting records of each fund. Prior to July 1, 1991, the annual fee for these pricing and bookkeeping services was based on two schedules, one pertaining to each fund's average net assets, and one pertaining to the type and number of transactions each fund made. The fee rates in effect as of July 1, 1991, are based on each fund's average net assets as follows: for Money Market Portfolio, .0175% for the first \$500 million of average net assets and .0075% for average net assets in excess of \$500 million. The fee is limited to a minimum of \$20,000 and a maximum of \$750,000 per year; for High Income and Investment Grade Bond Portfolios, .04% for the first \$500 million of average net assets and .02% for average net assets in excess of \$500 million. For Equity-Income, Growth, Overseas, Asset Manager, Contrafund, Asset Manager: Growth and Index 500 Portfolios, .06% for the first \$500 million of average net assets and .03% for average net assets in excess of \$500 million. The fee for High Income, Equity Income, Growth, Overseas, Asset Manager, Investment Grade Bond, Index 500, Contrafund and Asset Manager: Growth Portfolios is limited to a minimum of \$45,000 and a maximum of \$750,000 per year. The following are the fees paid by each fund to FSC for the last three fiscal years:

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	Money Market	High Income	Equity-Inc ome	Growth	Overseas	Investmen t Grade Bond	Asset Manager	Index 500
1994								
1993	\$53,769	\$138,642	\$439,891	\$456,795	\$230,456	\$46,426	\$583,404	\$45,074
1992	\$52,389	\$62,305	\$242,745	\$303,007	\$109,649	\$46,187	\$243,598	\$15,547

</TABLE>

Each fund utilizes FIIOC, an affiliate of FMR Corp., to maintain the master accounts of the participating insurance companies. Under the contract, each fund pays a fee of \$95 per shareholder account per year and a fee of \$20 for each monetary transaction. In addition to providing transfer agent and shareholder servicing functions, FIIOC pays all transfer agent out-of-pocket expenses and also pays for typesetting, printing and mailing Prospectuses, Statements of Additional Information, reports, notices and statements to shareholders allocable to the master account of participating insurance companies.

The following are the fees paid by each fund to FIIOC (including reimbursement for out-of-pocket expenses) for the last three fiscal years:

<TABLE>  
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	Money Market	High Income	Equity-Inc ome	Growth	Overseas	Investmen t Grade Bond	Asset Manager	Index 500
1994								
1993	\$87,208	\$108,432	\$111,756	\$140,122	\$143,222	\$71,119	\$115,600	\$33,911
1992	\$59,118	\$61,198	\$68,260	\$79,504	\$65,240	\$39,809	\$63,976	\$1,205

</TABLE>

If a portion of each fund's brokerage commissions had not been allocated toward payment of these fees, the transfer agent fees for the last three fiscal years would have been as follows (not applicable for Money Market, High Income and Investment Grade Bond Portfolios):

	Equity- Income Portfolio	Growth Portfolio	Overseas Portfolio	Asset Manager Portfolio	Index 500 Portfolio
12/31/94					
12/31/93	\$171,916	\$228,419	--	\$168,919	--
12/31/92	--	--	--	--	--

[IF A FUND INCURRED SECURITIES LENDING FEES IN ANY OF THE LAST THREE FISCAL PERIODS: FSC also receives fees for administering each fund's securities lending program. Securities lending fees are based on the number and duration of individual securities loans. The table below shows the securities lending fees paid to FSC during each fund's last three fiscal years:

Securities Lending Fees

	199_	199_	199_
Money Market Portfolio	\$	\$	\$
High Income Portfolio	\$	\$	\$

Each fund has a distribution agreement with FDC, a Massachusetts corporation organized on July 18, 1960. FDC is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The distribution agreements call for FDC to use all reasonable efforts, consistent with its other business, to secure purchasers for shares of each fund, which are continuously offered at net asset value. Promotional and administrative expenses in connection with the offer and sale of shares are paid by FMR.

DESCRIPTION OF THE TRUSTS

TRUST ORGANIZATION. Money Market Portfolio, High Income Portfolio, and Equity-Income Portfolio are funds of Variable Insurance Products Fund, an open-end management investment company organized as a Massachusetts business trust. In July 1985, pursuant to shareholder approval, the Declaration of Trust was amended to change the name of the Trust from Fidelity Cash Reserves II to Variable Insurance Products Fund. The Declaration of Trust permits the Trustees to create additional funds. Investment Grade Bond Portfolio, Asset Manager Portfolio, Index 500 Portfolio, Contrafund Portfolio and Asset Manager: Growth Portfolio are

funds of Variable Insurance Products Fund II, an open-end management investment company organized as a Massachusetts business trust on March 21, 1988. The Declaration of Trust permits the Trustees to create additional funds.

Investments in each trust may be made only by the separate accounts of insurance companies for the purpose of funding variable annuity and variable life insurance contracts issued by insurance companies. In the event that FMR ceases to be the investment adviser to a trust or a fund, the right of the trust or fund to use the identifying name "Fidelity" may be withdrawn. There is a remote possibility that one fund might become liable for any misstatement in its prospectus or statement of additional information about another fund.

The assets of each trust received for the issue or sale of shares of each fund and all income, earnings, profits, and proceeds thereof, subject only to the rights of creditors, are especially allocated to such fund, and constitute the underlying assets of such fund. The underlying assets of each fund are segregated on the books of account, and are to be charged with the liabilities with respect to such fund and with a share of the general expenses of the trust. Expenses with respect to the trust are to be allocated in proportion to the asset value of the respective funds, except where allocations of direct expense can otherwise be fairly made. The officers of the trust, subject to the general supervision of the Board of Trustees, have the power to determine which expenses are allocable to a given fund, or which are general or allocable to all of the funds. In the event of the dissolution or liquidation of the trust, shareholders of each fund are entitled to receive as a class the underlying assets of such fund available for distribution.

SHAREHOLDER AND TRUSTEE LIABILITY. Each trust is an entity of the type commonly known as "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 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 shall include a provision limiting the obligations created thereby to the trust and its assets. Each Declaration of Trust provides for indemnification out of each fund's property of any shareholders held personally liable for the obligations of the fund. 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 the 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.

Each Declaration of Trust further provides that the Trustees, if they have exercised reasonable care, will not be liable for any neglect or wrongdoing, but nothing in the Declaration of Trust protects Trustees against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

VOTING RIGHTS. Each fund's capital consists of shares of beneficial interest. The shares have no preemptive or conversion rights; the voting and dividend rights, the right of redemption, and the privilege of exchange are described in the Prospectus. Shares are fully paid and nonassessable, except as set forth under the heading "Shareholder and Trustee Liability" above. Shareholders representing 10% or more of the trust or a fund may, as set forth in the Declaration of Trust, call meetings of the trust or a fund for any purpose related to the trust or fund, as the case may be, including, in the case of a meeting of the entire trust, the purpose of voting on removal of one or more Trustees. The trust or any fund may be terminated upon the sale of its assets to another open-end management investment company, or upon liquidation and distribution of its assets, if approved by vote of the holders of a majority of the outstanding shares of the trust or the fund. If not so terminated, the trust and its funds will continue indefinitely.

CUSTODIAN. Morgan Guaranty Trust Company, 60 Wall Street, New York, New York is custodian of Money Market Portfolio's assets; The Bank of New York, 110 Washington Street, New York New York, is custodian of High Income and Investment Grade Bond Portfolios' assets; The Chase Manhattan Bank, N.A., 1211 Avenue of the Americas, New York, New York 10036, is custodian of Equity-Income, Overseas, Asset Manager: Growth, and Asset Manager Portfolios' assets; and Brown Brothers Harriman & Co., 40 Water Street, Boston, Massachusetts, is custodian of Growth, Contrafund, and Index 500 Portfolios' assets. The custodians take no part in determining the investment policies of the funds or in deciding which securities are

purchased or sold by the funds. The funds, however, may invest in obligations of the custodians and may purchase or sell securities from or to the custodians. Investors should understand that the expense ratio for the Overseas Portfolio may be higher than that of investment companies which invest exclusively in domestic securities since the cost of maintaining the custody of foreign securities is higher.

FMR, its officers and directors and its affiliated companies from time to time have transactions with various banks, including the custodian banks for certain of the funds advised by FMR. The Boston branch of Brown Brothers Harriman & Co. leases its office space from an affiliate of FMR at a lease payment which, when entered into, was consistent with prevailing market rates. Other 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.

AUDITOR. Coopers & Lybrand, L.L.P. One Post Office Square, Boston, Massachusetts, serves as the independent accountant for Variable Insurance Products Fund and Price Waterhouse LLP, 160 Federal Street, Boston, Massachusetts serves as the independent accountant of Variable Insurance Products Fund II, each providing audit services including (1) audit of annual financial statements, (2) assistance and consultation in connection with SEC filings and (3) review of the annual federal income tax returns filed on behalf of each fund.

#### FINANCIAL STATEMENTS

Each fund's financial statements and financial highlights for the fiscal year ended December 31, 1994 are included in the funds' Annual Reports, which are separate reports supplied with this Statement of Additional Information. Each fund's financial statements and financial highlights are incorporated herein by reference.

#### APPENDIX

DOLLAR-WEIGHTED AVERAGE MATURITY is derived by multiplying the value of each investment by the number of days remaining to its maturity, adding these calculations, and then dividing the total by the value of the fund's portfolio. An obligation's maturity is typically determined on a stated final maturity basis, although there are some exceptions to this rule. For example, if it is probable that the issuer of an instrument will take advantage of a maturity-shortening device, such as a call, refunding, or redemption provision, the date on which the instrument will probably be called, refunded, or redeemed may be considered to be its maturity date. Also, the maturities of mortgage-backed securities and some asset-backed securities, such as collateralized mortgage obligations, are determined on a weighted average life basis, which is the average time for principal to be repaid. For a mortgage security, this average time is calculated based on estimates of the date principal will be paid in advance of its stated maturity. The weighted average life of these securities is likely to be substantially shorter than their stated final maturity.

DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S COMMERCIAL PAPER RATINGS: Issuers rated PRIME-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics:

- Leading market positions in well established industries.

- High rates of return on funds employed.

- Conservative capitalization structures with moderate reliance on debt and ample asset protection.

- Broad margins in earning coverage of fixed financial charges and with high internal cash generation.

- Well established access to a range of financial markets and assured sources of alternate liquidity.

Issuers rated PRIME-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earning trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

DESCRIPTION OF STANDARD & POOR'S CORPORATION'S COMMERCIAL PAPER RATINGS:

A - Issues assigned this highest rating are regarded as having the greatest capacity for timely payment. Issues in this category are delineated with the numbers 1 and 2 to indicate the relative degree of safety.

A-1 - This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics will be denoted with a plus (+) sign designation.

A-2 - Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as high as for issues

designated A-1.

DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S CORPORATE BOND RATINGS:

AAA - Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

AA - Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

Moody's applies numerical modifiers, 1, 2, and 3, in its Aa generic rating classification in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

DESCRIPTION OF STANDARD & POOR'S CORPORATION'S CORPORATE BOND RATINGS:

AAA - Debt rated AAA has the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher-rated issues only in small degree. The AA rating may be modified by the addition of a plus or minus to show relative standing within its major rating category.

DESCRIPTION OF FITCH INVESTOR'S SERVICE, INC.'S COMMERCIAL PAPER RATINGS:

FITCH-1 - (Highest Grade) Commercial paper assigned this rating is regarded as having the strongest degree of assurance for timely payment.

FITCH-2 - (Very Good Grade) Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than the strongest issues.

DESCRIPTION OF FITCH INVESTOR'S SERVICE, INC.'S CORPORATE BOND RATINGS:

AAA - Bonds of this rating are regarded as strictly high grade, broadly marketable, suitable for investment by trustees and fiduciary institutions, and liable to but slight market fluctuation other than through changes in the money rate. The factor last named is of importance, varying with the length of maturity. Such bonds are mainly senior issues of strong companies, and are most numerous in the railway and public utility fields, though some industrial obligations have this rating. The prime feature of an AAA bond is of showing of earnings several times or many times interest requirements with such stability of applicable earnings that safety is beyond reasonable question whatever changes occur in conditions. Other features may enter, such as a wide margin of protection through collateral security or direct lien on specific property as in the case of high-class equipment certificates or bonds that are first mortgages on valuable real estate. Sinking funds or voluntary reduction of the debt, by call or purchase are often factors, while guarantee or assumption by parties other than the original debtor may influence the rating.

AA - Bonds in this group are of safety virtually beyond question, and as a class are readily saleable while many are highly active. Their merits are not greatly unlike those of the "AAA" class, but a bond so rated may be of junior though strong lien - in many cases directly following an AAA bond - or the margin of safety is strikingly broad. The issue may be the obligation of a small company, strongly secured but influenced as to rating by the lesser financial power of the enterprise and more local type of market.

DESCRIPTION OF DUFF & PHELPS INC.'S COMMERCIAL PAPER RATINGS:

DUFF 1 - High certainty of timely payment. Liquidity factors are excellent and supported by strong fundamental protection factors. Risk factors are minor.

DUFF 2 - Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing internal funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

DESCRIPTION OF DUFF & PHELPS INC.'S CORPORATE BOND RATINGS:

DUFF 1 - Highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

DUFF 2 - High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

(INDEX 500 PORTFOLIO) The S&P 500 Composite Stock Price Index (S&P 500) 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. FMR believes that the performance of the S&P 500 is representative of the performance of publicly traded common stocks in general. The composition of the S&P 500 is determined by Standard & Poor's Corporation, and is based on such factors as the market capitalization and trading activity of each stock and its adequacy as representative of stocks in a particular industry group; Standard & Poor's may change the composition of the Index from time to time. Stocks in the S&P 500 Index are weighted according to their market capitalization (i.e., the number of shares outstanding multiplied by the stock's current price), with the 59 largest stocks currently composing 50% of the S&P 500's value. Although Standard & Poor's obtains information for inclusion in or for use in the calculation of the S&P 500 from sources which considers reliable, Standard & Poor's does not guarantee the accuracy or the completeness of the S&P 500 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 the fund, or any other person or entity from the use of the S&P 500 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 any data included therein.

VARIABLE INSURANCE PRODUCTS FUND

CROSS REFERENCE SHEET

Form N-1A Item Number

Part A Prospectus Caption

- 1 a,b Cover Page
- 2 a,b,c \*
- 3 a,b Financial Highlights
  - c Performance
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  - a(ii) The Funds at a Glance; Investment Principals and Risks; Securities and Investment Practices; Fundamental Investment Policies and Restrictions
    - b,c Investment Principals and Risks; Securities and Investment Practices; Fundamental Investment Policies and Restrictions
- 5 a,b(i) FMR and Its Affiliates
  - b(ii)(iii),c The Funds at a Glance; FMR and Its Affiliates; Breakdown of Expenses
    - d FMR and Its Affiliates; Breakdown of Expenses
    - e Breakdown of Expenses; Other Expenses
    - f, g Breakdown of Expenses
- 6 a(i) (ii) Charter; FMR and Its Affiliates; Transaction Details
  - a(iii) \*
    - b FMR and Its Affiliates
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    - e Cover Page, Distributions and Taxes
    - f,g Distributions and Taxes
- 7 a FMR and Its Affiliates
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\* Not Applicable

Part B Statement of Additional Information Caption

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a(iii),b	Management Contracts, Contracts with Companies Affiliated with FMR
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h	Description of the Trust
i	*Contracts with Companies Affiliated with FMR; Description of the Trust
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b	Valuation of Portfolio Securities; Additional Purchase and Redemption Information
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23	*

\* Not Applicable

VARIABLE  
INSURANCE PRODUCTS  
FUND

Please read this prospectus before investing, and keep it on file for future reference. It contains important information to help you decide if the fund's goal matches your own.

To learn more about the fund and its investments, you can obtain copy of the fund's most recent financial report and portfolio listing or a copy of the Statement of Additional Information (SAI) dated April 30, 1995. The SAI has been filed with the Securities and Exchange Commission (SEC) and is incorporated herein by reference (legally forms a part of the prospectus).

For a free copy of either document, contact your insurance company. Shares of the fund may only be purchased by the separate accounts of insurance companies, for the purpose of funding variable annuity and variable life insurance contracts. The fund may not be available in your state due to various insurance regulations. Please check with your insurance company for availability. If the fund in this Prospectus is not available in your state, this Prospectus is not to be considered a

solicitation. This Prospectus should be read in conjunction with the prospectus of the separate account of the specific insurance product which accompanies this Prospectus.

AN INVESTMENT IN MONEY MARKET PORTFOLIO IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT, AND THERE CAN BE NO ASSURANCE THAT THE FUND WILL MAINTAIN A STABLE \$1.00 SHARE PRICE.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Variable Insurance Products Fund (the Trust) is designed to provide investment vehicles for variable annuity and variable life insurance contracts of various insurance companies. Money Market Portfolio is a fund of the Trust.

MONEY MARKET PORTFOLIO SEEKS HIGH CURRENT INCOME WHILE MAINTAINING A STABLE SHARE PRICE BY INVESTING IN SHORT-TERM MONEY MARKET INSTRUMENTS.

PROSPECTUS

APRIL 30, 1995 (FIDELITY\_LOGO\_GRAPHIC) 82 DEVONSHIRE STREET, BOSTON, MA 02109

CONTENTS

[insert table of contents]

THE FUND AT A GLANCE

Money Market Portfolio is designed to provide an investment vehicle for variable annuity and variable life insurance contracts of various insurance companies.

MANAGEMENT: Fidelity Management & Research Company (FMR) is the management arm of Fidelity Investments, which was established in 1946 and is now America's largest mutual fund manager. FMR Texas Inc. (FTX), a subsidiary of FMR, chooses investments for the fund.

GOAL: Income while maintaining a stable \$1.00 share price. As with any mutual fund, there is no assurance that the fund will achieve its goal.

STRATEGY: Invests in high-quality, short-term money market securities of all types.

SIZE: As of December 31, 1994, the fund had over \$\_\_ million in assets.

FINANCIAL HIGHLIGHTS

The financial highlights table that follows and the fund's financial statements are included in the fund's Annual Report and has been audited by Coopers & Lybrand L.L.P., independent accountants. Their report on the financial statements and financial highlights is included in the Annual Report. The financial statements, the financial highlights, and the report are incorporated by reference into the fund's SAI, which may be obtained free of charge from your insurance company.

[insert Per-Share data table[s]]

WHO MAY WANT TO INVEST

The fund may be appropriate for those who would like to earn income at current money market rates while preserving the value of their investment. The fund is managed to keep its share price stable at \$1.00. The rate of income will vary from day to day, generally reflecting short-term interest rates.

INVESTMENT PRINCIPLES

Money Market Portfolio seek to earn a high level of current income while maintaining a stable \$1.00 share price by investing in high-quality, short-term money market securities of different types.

The fund will invest in U.S. dollar-denominated securities of domestic and foreign issuers, including banks and other financial institutions, governments and their agencies or instrumentalities, and corporations. The fund has the flexibility to invest broadly in pursuit of a high level of current income.

The fund earns income at current money market rates. It stresses income, preservation of capital, and liquidity, and does not seek the higher yields or capital appreciation that more aggressive investments may provide. The fund's yield will vary from day to day and generally reflects current short-term interest rates and other market conditions.

When fund shares are redeemed, they should be worth the same amount as when they were purchased. Of course, there is no guarantee that the fund will maintain a stable \$1.00 share price. The fund follows industry-standard guidelines on the quality and maturity of its investments, which are

designed to help maintain a stable \$1.00 share price. The fund will purchase only high-quality securities that FMR believes present minimal credit risks and will observe maturity restrictions on securities it buys. In general, securities with longer maturities are more vulnerable to price changes, although they may provide higher yields. It is possible that a major change in interest rates or a default on the fund's investments could cause its share prices (and the value of your investment) to change.

#### THE FUND[S] IN DETAIL

##### CHARTER

MONEY MARKET PORTFOLIO IS A MUTUAL FUND: an investment that pools shareholders' money and invests it toward a specified goal. The fund is a diversified fund of Variable Insurance Products Fund (VIP). VIP is an open-end management investment company organized as a Massachusetts business trust on November 13, 1981.

THE FUND IS GOVERNED BY A BOARD OF TRUSTEES which is responsible for protecting the interests of shareholders. The trustees are experienced executives who meet throughout the year to oversee the fund's activities, review contractual arrangements with companies that provide services to the fund, and review the fund's performance. The majority of trustees are not otherwise affiliated with Fidelity.

THE FUND MAY HOLD SPECIAL MEETINGS AND MAIL PROXY MATERIALS. These meetings may be called to elect or remove trustees, change fundamental policies, approve a management contract, or for other purposes. Shareholders not attending these meetings are encouraged to vote by proxy. An insurance company issuing a variable contract that participates in the fund will vote shares held in its separate account as required by law and interpretations thereof, as may be amended or changed from time to time. In accordance with current law and interpretations thereof, a participating insurance company is required to request voting instructions from policyowners and must vote shares in the separate account in proportion to the voting instructions received. Your insurance company is entitled to one vote for each share it owns. For a further discussion, please refer to your insurance company's separate account prospectus.

##### FMR AND ITS AFFILIATES

Fidelity Investments is one of the largest investment management organizations in the United States and has its principal business address at 82 Devonshire Street, Boston, Massachusetts 02109. It includes a number of different subsidiaries and divisions which provide a variety of financial services and products. The fund employs various Fidelity companies to perform activities required for its operation.

The fund is managed by FMR, which handles the fund's business affairs. FMR Texas has primary responsibility for providing investment management services.

The fund has an investment objective similar to that of Fidelity Cash Reserves, an existing Fidelity retail fund. Performance of the fund is not expected to be the same as the performance of the corresponding retail fund due in part to dissimilarities in their investments. Various insurance related costs at the insurance company's separate account will also affect performance.

The fund sells its shares to separate accounts of insurance companies which are both affiliated and unaffiliated with FMR. The fund currently does not foresee any disadvantages to policyowners arising out of the fact that the fund offers its shares to separate accounts of various insurance companies to serve as the investment medium for their variable products.

Nevertheless, the Board of Trustees intends to monitor events in order to identify any material irreconcilable conflicts which may possibly arise, and to determine what action, if any, should be taken in response to such conflicts. If such a conflict were to occur, one or more insurance companies' separate accounts might be required to withdraw its investments in the fund and shares of another fund may be substituted. This might force the fund to sell securities at disadvantageous prices. In addition, the Board of Trustees may refuse to sell shares of the fund to any separate account or may suspend or terminate the offering of shares of the fund if such action is required by law or regulatory authority or is in the best interests of the shareholders of the fund.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that establishes procedures for personal investing and restricts certain transactions.

Fidelity Distributors Corporation (FDC) distributes and markets Fidelity's funds and services. Fidelity Investments Institutional Operations Company (FIIOC), 82 Devonshire Street, Boston, Massachusetts, performs transfer agent servicing functions for the funds.

FMR Corp. is the ultimate parent company of FMR and FMR Texas. Through

ownership of voting common stock, members of the Edward C. Johnson 3d family form a controlling group with respect to FMR Corp. Changes may occur in the Johnson family group, through death or disability, which would result in changes in each individual family members' holding of stock. Such changes could result in one or more family members becoming holders of over 25% of the stock. FMR Corp. has received an opinion of counsel that changes in the composition of the Johnson family group under these circumstances would not result in the termination of the fund's management or distribution contracts and, accordingly, would not require a shareholder vote to continue operation under those contracts.

To carry out the fund's transactions, FMR may use its broker-dealer affiliates and other firms that sell fund shares, provided that the fund receives services and commission rates comparable to those of other broker-dealers.

#### SECURITIES AND INVESTMENT PRACTICES

The following pages contain more detailed information about types of instruments in which the fund may invest, and strategies FMR may employ in pursuit of the fund's investment objective. A summary of risks and restrictions associated with these instrument types and investment practices is included as well. A complete listing of the fund's policies and limitations and more detailed information about the fund's investments is contained in the fund's SAI. Policies and limitations are considered at the time of purchase; the sale of instruments is not required in the event of a subsequent change in circumstances.

FMR may not buy all of these instruments or use all of these techniques to the full extent permitted unless it believes that doing so will help a fund achieve its goal. Current holdings and recent investment strategies are described in the funds' financial reports, which are sent to the funds' shareholders twice a year. For a free SAI or financial report, contact your insurance company.

MONEY MARKET SECURITIES are high-quality, short-term investments issued by the U.S. Government, corporations, financial institutions, and other entities. These investments may carry fixed, variable, or floating interest rates. A security's credit may be enhanced by a bank, insurance company, or other entity.

OTHER MONEY MARKET SECURITIES may include commercial paper, certificates of deposit, bankers' acceptances, time deposits, and short-term corporate obligations.

U.S. GOVERNMENT SECURITIES are debt securities issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. government. Not all U.S. government securities are backed by the full faith and credit of the United States. For example, securities issued by the Federal Farm Credit Bank or by the Federal National Mortgage Association are supported by the instrumentality's right to borrow money from the U.S. Treasury under certain circumstances. However, securities issued by the Financing Corporation are supported only by the credit of the entity that issued them.

FOREIGN OBLIGATIONS, including obligations of foreign governments, foreign corporations, foreign banks, U.S. branches and agencies of foreign banks, and foreign branches of U.S. banks, may involve different risks than domestic obligations, including risks relating to the political and economic conditions of the foreign country involved, which could affect the payment of principal or interest.

RESTRICTIONS: The fund may not invest in foreign securities unless they are denominated in U.S. dollars.

STRUCTURED SECURITIES employ a trust or other similar structure to modify the maturity, price characteristics, or quality of financial assets so that they are eligible investments for money market funds. If the structure does not perform as intended, adverse investment consequences may result.

ASSET-BACKED SECURITIES include interests in pools of mortgages, loans, receivables, or other assets. Payment of principal and interest may be largely dependent upon the cash flows generated by the assets backing the securities.

VARIABLE AND FLOATING RATE SECURITIES have interest rates that are periodically adjusted either at specific intervals or whenever a benchmark rate changes. These interest rate adjustments are designed to help stabilize the security's price.

STRIPPED SECURITIES are the separate income or principal components of a debt instrument. These involve risks that are similar to those of other debt securities, although they may be more volatile, and certain stripped securities move in the same direction as interest rates.

REPURCHASE AGREEMENTS. In a repurchase agreement, the fund buys a security at one price and simultaneously agrees to sell it back at a higher price. Delays or losses could result if the other party to the agreement defaults or becomes insolvent.

ILLIQUID AND RESTRICTED SECURITIES. Some investments may be determined by

FMR, under the supervision of the Board of Trustees, to be illiquid, which means that they may be difficult to sell promptly at an acceptable price. The sale of some securities, including illiquid securities, may be subject to legal restrictions. Difficulty in selling securities may result in a loss or may be costly to the fund.

**RESTRICTIONS.** The fund will invest less than 10% of its assets in illiquid securities.

**WHEN-ISSUED AND DELAYED-DELIVERY TRANSACTIONS** are trading practices in which payment and delivery for the securities take place at a future date. The market value of a security could change during this period, which could affect the market value of the fund's assets.

**DIVERSIFICATION.** Diversifying the fund's investment portfolio can reduce the risks of investing. This may include limiting the amount of money invested in any one issuer or, on a broader scale, in any one industry.

**RESTRICTIONS:** Money Market Portfolio may not invest more than 5% of its total assets in the securities of any one issuer, except that the fund may invest up to 10% of its assets in the highest quality securities of a single issuer for up to three business days. The fund will invest more than 25% of its total assets in the financial services industry (see below). These limitations do not apply to U.S. government securities.

**FINANCIAL SERVICES INDUSTRY.** Companies in the financial services industry are subject to various risks related to that industry, such as government regulation, changes in interest rates, and exposure on loans, including loans to foreign borrowers. The fund's performance may be affected by conditions affecting the industry.

**BORROWING.** The fund may borrow from banks or from other funds advised by FMR, or through reverse repurchase agreements, and may make additional investments while borrowings are outstanding.

**RESTRICTIONS:** The fund may borrow only for temporary or emergency purposes, but not in an amount exceeding 25% of its total assets.

**LENDING.** Lending securities to broker-dealers and institutions, including FBSI, an affiliate of FMR, is a means of earning income. This practice could result in a loss or a delay in recovering the fund's securities. The fund may also lend money to other funds advised by FMR.

**RESTRICTIONS:** Loans, in the aggregate, may not exceed 33% of the fund's total assets.

#### FUNDAMENTAL INVESTMENT POLICIES AND RESTRICTIONS

Some of the policies and restrictions discussed on the preceding pages are fundamental, that is, subject to change only by shareholder approval. The following paragraph restates all those that are fundamental. All policies stated throughout this prospectus, other than those identified in the following paragraph, can be changed without shareholder approval.

**MONEY MARKET PORTFOLIO** seeks as high a level of current income as is consistent with preservation of capital and liquidity by investing in money market instruments. The fund will not purchase a security if, as a result, more than 25% of its total assets would be invested in a particular industry; except that the fund will invest more than 25% of its total assets in the financial services industry. Loans, in the aggregate, may not exceed 33% of the fund's total assets.

**INTERNAL REVENUE SERVICE (IRS) LIMITATIONS.** In addition to the above, the fund also follows certain limitations imposed by the IRS on separate accounts of insurance companies relating to the tax-deferred status of variable contracts. More specific information may be contained in your insurance company's separate account prospectus.

#### BREAKDOWN OF EXPENSES

Like all mutual funds, the fund pays fees related to its daily operations. Expenses paid out of the fund's assets are reflected in its share price. The fund pays a **MANAGEMENT FEE** to FMR for managing its investments and business affairs. FMR in turn pays fees to an affiliate who provides assistance with these services. The fund also pays **OTHER EXPENSES**, which are explained below.

#### MANAGEMENT FEE

THE FUND'S management fee is calculated by multiplying the sum of three components by the fund's average net assets. One component is based on the average net assets of all the mutual funds advised by FMR, another is fixed for the fund and the third is based on the fund's income. The first component, the group fee rate, is discussed below. The second component, the individual fund fee rate, is 0.03%. The third component, the income component is 6% of the fund's gross income in excess of a 5% yield and cannot rise above 0.24% of the fund's average net assets.

THE **GROUP FEE RATE** is based on the average net assets of all the mutual funds advised by FMR. This rate cannot rise above 0.37%, and it drops as total assets under management increase.

For December 31, 1994, the group fee rate was \_\_%. The fund's individual fund fee rate is 0.03%. For fiscal year 1994, the total management was \_\_%.

FMR HAS A SUB-ADVISORY AGREEMENT with FMR Texas, which has primary

responsibility for providing investment management for the fund, while FMR retains responsibility for providing the fund with other management services. FMR pays FMR Texas 50% of its management fee (before expense reimbursements) for these services. FMR paid FMR Texas % of the fund's average net assets for fiscal 1994.

#### OTHER EXPENSES

While the management fee is a significant component of the fund's annual operating costs, the fund has other expenses as well.

FIIOC performs transfer agency, dividend disbursing and shareholder servicing functions for the fund. Fidelity Service Company (FSC), 82 Devonshire Street, Boston, Massachusetts, calculates the net asset value (NAV) and dividends, maintains the general accounting records and administers securities lending program for the fund.

In fiscal 1994, the fund paid FIIOC fees equal to % of the fund's average net assets for transfer agency and related services, and the fund paid FSC fees equal to % of its average net assets for pricing and bookkeeping services.

The fund also pays other expenses, such as legal, audit, and custodian fees; proxy solicitation costs; and the compensation of trustees who are not affiliated with Fidelity.

The fund has adopted a Distribution and Service Plan. This plan recognizes that FMR may use its resources, including management fees, to pay expenses associated with the sale of fund shares. This may include payments to third parties, such as banks or broker-dealers, that provide shareholder support services or engage in the sale of the fund's shares. The Board of Trustees has not authorized such payments.

#### PERFORMANCE

The fund's total return may be quoted in advertising if accompanied by performance of your insurance company's separate account. Performance is based on historical results and is not intended to indicate future performance. For additional performance information, contact your insurance company for a free annual report.

#### EXPLANATION OF TERMS

TOTAL RETURN is the change in value of an investment in the fund over a given period, assuming reinvestment of any dividends and capital gains. A CUMULATIVE TOTAL RETURN reflects actual performance over a stated period of time. An AVERAGE ANNUAL TOTAL RETURN is a hypothetical rate of return that, if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total returns smooth out variations in performance; they are not the same as actual year-by-year results.

YIELD refers to the income generated by an investment in the fund over a given period of time, expressed as an annual percentage rate. When a yield assumes that income earned is reinvested, it is called an EFFECTIVE YIELD. Seven-day yield illustrates the income earned by an investment in a money market fund over a recent seven-day period. Since money market funds maintain a stable \$1.00 share price, current seven-day yields are the most common illustration of money market fund performance.

THE CONSUMER PRICE INDEX is a widely recognized measure of inflation calculated by the U.S. government.

The fund's recent strategies, performance, and holdings are detailed twice a year in financial reports, which are sent to all shareholders.

TOTAL RETURNS AND YIELDS QUOTED FOR THE FUND INCLUDES THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE SHARES OF THE FUND MAY ONLY BE PURCHASED THROUGH VARIABLE ANNUITY AND VARIABLE LIFE INSURANCE CONTRACTS, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted. You should bear in mind the effect of these charges when comparing the fund's performance to that of other mutual funds.

#### DISTRIBUTIONS AND TAXES

For a discussion of the tax status of your variable insurance contract, refer to the prospectus of your insurance company's separate account. It is suggested you keep all statements you receive to assist in your personal recordkeeping.

It is expected that shares of the fund will be held under the terms of variable annuity and variable life insurance contracts. Under current tax law, dividends or capital gain distributions from the fund are not currently taxable when left to accumulate within a variable annuity or variable life insurance contract. Depending on the variable contract, withdrawals from the contracts may be subject to ordinary income tax and, in addition to a 10% penalty tax on withdrawals before age 59 1/2.

The fund is treated as a separate entity for federal income tax purposes. The fund intends to pay out all of its net investment income and net realized capital gains for each year. Dividends from the fund are declared

daily and paid monthly. The fund makes dividend and capital gain distributions on a per-share basis. After distribution from the fund, the fund's share price drops by the amount of the distribution. Because dividends and capital gain distributions are reinvested, the total value of an account will not be affected because, although the shares will have a lower price, there will be correspondingly more of them. Normally, net realized capital gains, if any, are distributed each year for the fund. Such income and capital gain distributions are automatically reinvested in additional shares of the funds.

#### TRANSACTION DETAILS

THE FUND IS OPEN FOR BUSINESS each day the New York Stock Exchange (NYSE) is open. Fidelity normally calculates the fund's NAV as of the close of business of the NYSE, normally 4 p.m. Eastern time.

THE FUND'S NAV is the value of a single share. The NAV is computed by adding the value of the fund's investments, cash, and other assets, subtracting its liabilities, and then dividing the result by the number of shares outstanding. The fund values its portfolio securities on the basis of amortized cost. This method minimizes the effect of changes in a security's market value and helps the fund maintain a stable \$1.00 share price.

THE FUND'S OFFERING PRICE (price to buy one share) and REDEMPTION PRICE (price to sell one share) are its NAV.

THE FUND RESERVES THE RIGHT TO SUSPEND THE OFFERING OF SHARES for a period of time. The fund also reserves the right to reject any specific purchase order. Purchase orders may be refused if, in FMR's opinion, they would disrupt management of the fund.

INVESTMENTS AND REDEMPTIONS. Investments may be made only by separate accounts established and maintained by insurance companies for the purpose of funding variable insurance contracts. Please refer to the prospectus of your insurance company's separate account for information on how to invest and redeem from the fund.

Each Participating insurance company receives orders from its variable contract owners to purchase or redeem shares of the fund each Business Day. That night, all orders received by that insurance company on that Business Day are aggregated, and the insurance company places a net purchase or redemption order for shares of the fund the morning of the next Business Day. These orders are generally executed at the NAV that was computed at the close of the previous Business Day in order to provide a match between the variable contract owners' orders to the insurance companies and the insurance companies' orders to the fund. In some cases, an insurance company's orders for fund shares may be executed at the NAV next computed after the order is actually transmitted to the fund.

Redemption proceeds will normally be wired to the insurance company on the next business day after receipt of the redemption instructions by the fund but in no event later than 7 days following receipt of instructions. The fund may suspend redemptions or postpone payment dates on days when the NYSE is closed (other than weekend or holidays), when trading on the NYSE is restricted, or as permitted by the SEC.

#### MONEY MARKET PORTFOLIO

A FUND OF VARIABLE INSURANCE PRODUCTS FUND

STATEMENT OF ADDITIONAL INFORMATION

APRIL 30, 1995

This Statement is not a prospectus but should be read in conjunction with the fund's current Prospectus (dated April 30, 1995). Please retain this document for future reference. The fund's financial statements and financial highlights, included in the Annual Report for the fiscal year ended December 31, 1994, are incorporated herein by reference. To obtain an additional copy of the Prospectus or the Annual Report, please call your insurance company or Fidelity Distributors Corporation at 1-800-544-8888.

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INVESTMENT ADVISER

Fidelity Management & Research Company (FMR)

INVESTMENT SUB-ADVISER

FMR Texas Inc. (FTX)

DISTRIBUTOR

Fidelity Distributors Corporation (FDC)

TRANSFER AGENT

Fidelity Investments Institutional Operations Company (FIIOC)

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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 the 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.

The 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) of the fund. However, except for the fundamental investment limitations set forth below, the investment policies and limitations described in this Statement of Additional Information are not fundamental and may be changed without shareholder approval.

THE FOLLOWING ARE THE FUND'S FUNDAMENTAL INVESTMENT LIMITATIONS. THE FUND MAY NOT:

(1) purchase the securities of any issuer (other than obligations issued or guaranteed as to principal and interest by the United States, its agencies or instrumentalities) if, as a result, more than 5% of its total assets would be invested in the securities of such issuer, provided, however, that with respect to 25% of its total assets, 10% of its assets may be invested in the securities of any single issuer;

(2) issue senior securities, except as permitted under the Investment Company Act of 1940;

(3) borrow money, except that the fund may (i) borrow money for temporary or emergency purposes (not for leveraging or investment) and (ii) engage in reverse repurchase agreements for any purpose; provided that (i) and (ii) in combination do not exceed 33 1/3% of the fund's 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;

(4) 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;

(5) 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, except that the fund will invest more than 25% of its total assets in the financial services industry;

(6) 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);

(7) purchase or sell physical commodities unless acquired as a result of



ownership of securities or other instruments;

(8) 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

(9) invest in companies for the purpose of exercising control or management.

THE FOLLOWING INVESTMENT LIMITATIONS FOR MONEY MARKET PORTFOLIO ARE NOT FUNDAMENTAL AND MAY BE CHANGED WITHOUT SHAREHOLDER NOTIFICATION.

(i) The fund does not currently intend to purchase a security (other than a security issued or guaranteed by the U.S. government or any of its agencies or instrumentalities) if, as a result, more than 5% of its total assets would be invested in the securities of a single issuer; provided that the fund may invest up to 10% of its total assets in the first tier securities of a single issuer for up to three business days.

(ii) 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.

(iii) 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.

(iv) 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. The fund will not borrow money in excess of 25% of net assets so long as this limitation is required for certification by certain state insurance departments. The fund will not purchase any security while borrowings (excluding reverse repurchase agreements) representing more than 5% of its total assets are outstanding. The fund will not borrow from other funds advised by FMR or its affiliates if total outstanding borrowings immediately after such borrowing would exceed 15% of the fund's total assets.

(v) 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.

(vi) The fund does not currently intend to purchase or sell futures contracts or call options. This limitation does not apply to options attached to, or acquired or traded together with, their underlying securities, and does not apply to securities that incorporate features similar to options or futures contracts.

(vii) The fund does not currently intend to lend assets other than securities to other parties, except by lending money (up to 10% of the fund's net assets) to a registered investment company or portfolio for which FMR or an affiliate serves as investment advisor. (This limit does not apply to purchases of debt securities or to repurchase agreements.)

(viii) The fund does not currently intend to (a) purchase securities of other investment companies, except in the open market where no commission except the ordinary broker's commission is paid, or (b) purchase or retain securities issued by other open-end investment companies. Limitations (a) and (b) do not apply to securities received as dividends, through offers of exchange, or as a result of a reorganization, consolidation, or merger.

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

For the fund's policies on quality and maturity, see the section entitled "Quality and Maturity" below.

**AFFILIATED BANK TRANSACTIONS.** The fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the fund under the Investment Company Act of 1940. These transactions may include 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, the Board of Trustees has established and periodically reviews procedures applicable to transactions involving affiliated financial institutions.

**QUALITY AND MATURITY.** Pursuant to procedures adopted by the Board of Trustees, the fund may purchase only high-quality securities that FMR

believes present minimal credit risks. To be considered high quality, a security must be rated in accordance with applicable rules in one of the two highest categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security); or, if unrated, judged to be of equivalent quality by FMR. High-quality securities are divided into "first tier" and "second tier" securities. First tier securities are those deemed to be in the highest rating category (e.g., Standard & Poor's A-1), and second tier securities are those deemed to be in the second highest rating category (e.g., Standard & Poor's A-2). High-quality securities are divided into "first tier" and "second tier" securities.

The fund may not invest more than 5% of its total assets in second tier securities. In addition, the fund may not invest more than 1% of its total assets or \$1 million (whichever is greater) in the second tier securities of a single issuer.

The fund currently intends to limit its investments to securities with remaining maturities of 397 days or less, and to maintain a dollar-weighted average maturity of 90 days or less. When determining the maturity of a security, the fund may look to an interest rate reset or demand feature.

PUT FEATURES entitle the holder to sell a security back to the issuer or a third party at any time or at specified intervals. They are subject to the risk that the put provider is unable to honor the put feature (purchase the security). Put providers often support their ability to buy securities on demand by obtaining letters of credit or other guarantees from domestic or foreign banks. FMR may rely on its evaluation of a bank's credit in determining whether to purchase a security supported by a letter of credit. In evaluating a foreign bank's credit, FMR will consider whether adequate public information about the bank is available and whether the bank may be subject to unfavorable political or economic developments, currency controls, or other government restrictions that might affect the bank's ability to honor its credit commitment. Demand features, standby commitments, and tender options are types of put features.

VARIABLE OR FLOATING RATE OBLIGATIONS bear variable or floating interest rates and may carry rights that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries. Floating rate instruments have interest rates that change whenever there is a change in a designated base rate while variable rate instruments provide for a specified periodic adjustment in the interest rate. These formulas are designed to result in a market value for the instrument that approximates its par value.

A demand instrument with a conditional demand feature must have received both a short-term and a long-term high-quality rating or, if unrated, have been determined to be of comparable quality pursuant to procedures adopted by the Board of Trustees. A demand instrument with an unconditional demand feature may be acquired solely in reliance upon a short-term high-quality rating or, if unrated, upon a finding of comparable short-term quality pursuant to procedures adopted by the Board of Trustees.

The fund may invest in variable or floating rate instruments that ultimately mature in more than 397 days, if the fund acquires a right to sell the instruments that meets certain requirements set forth in Rule 2a-7. Variable rate instruments (including instruments subject to a demand feature) that mature in 397 days or less and U.S. government securities with a variable rate of interest adjusted no less frequently than 762 days may be deemed to have maturities equal to the period remaining until the next readjustment of the interest rate. Other variable rate instruments with demand features may be deemed to have a maturity equal to the period remaining until the next adjustment of the interest rate or the period remaining until the principal amount can be recovered through demand. A floating rate instrument subject to a demand feature may be deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand.

DELAYED-DELIVERY TRANSACTIONS. A fund may buy and sell securities on a delayed-delivery or when-issued basis. These transactions involve a commitment by a fund to purchase or sell specific securities at a predetermined price or yield, with payment and delivery taking place after the customary settlement period for that type of security (and more than seven days in the future). Typically, no interest accrues to the purchaser until the security is delivered.

When purchasing securities on a delayed-delivery basis, a fund assumes the rights and risks of ownership, including the risk of price and yield fluctuations. Because a fund is not required to pay for securities until the delivery date, these risks are in addition to the risks associated with a fund's other investments. If a fund remains substantially fully invested at a time when delayed-delivery purchases are outstanding, the delayed-delivery purchases may result in a form of leverage. When delayed-delivery purchases are outstanding, a fund will set aside

appropriate liquid assets in a segregated custodial account to cover its purchase obligations. When a fund has sold a security on a delayed-delivery basis, 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 could suffer a loss.

A fund may renegotiate delayed-delivery transactions after they are entered into, and may sell underlying securities before they are delivered, which may result in capital gains or losses.

ILLIQUID INVESTMENTS are investments that cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued. Under the supervision of the Board of Trustees, FMR determines the liquidity of the fund's investments and, through reports from FMR, the Board monitors investments in illiquid instruments. In determining the liquidity of the fund's investments, FMR may consider various factors, including (1) the frequency of trades and quotations, (2) the number of dealers and prospective purchasers in the marketplace, (3) dealer undertakings to make a market, (4) the nature of the security (including any demand or tender features), and (5) the nature of the marketplace for trades (including the ability to assign or offset the fund's rights and obligations relating to the investment).

Investments currently considered by the fund to be illiquid include repurchase agreements not entitling the holder to payment of principal and interest within seven days. Also, FMR may determine some restricted securities and time deposits to be illiquid.

In the absence of market quotations, illiquid investments are valued for purposes of monitoring amortized cost valuation at fair value as determined in good faith by a committee appointed by the Board of Trustees. 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 was invested in illiquid securities, it would seek to take appropriate steps to protect liquidity.

RESTRICTED SECURITIES generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933, or in a registered public offering. Where registration is required, the fund 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 fund might obtain a less favorable price than prevailed when it decided to seek registration of the security. However, in general, the fund anticipates holding restricted securities to maturity or selling them in an exempt transaction.

REPURCHASE AGREEMENTS In a repurchase agreement, the fund purchases a security and simultaneously commits 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. While it does not presently appear possible to eliminate all risks from these transactions (particularly the possibility that the value of the underlying security will be less than the resale price, as well as delays and costs to the fund in connection with bankruptcy proceedings), it is the fund's current policy to engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by FMR.

REVERSE REPURCHASE AGREEMENTS In a reverse repurchase agreement, the fund sells a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time. While a reverse repurchase agreement is outstanding, the fund will maintain appropriate liquid assets in a segregated custodial account to cover its obligation under the agreement. The fund will enter into reverse repurchase agreements only with parties whose creditworthiness has been found satisfactory by FMR. Such transactions may increase fluctuations in the market value of the fund's assets and may be viewed as a form of leverage.

ASSET-BACKED SECURITIES include pools of mortgages, loans, receivables or other assets. Payment of principal and interest 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. The value of asset-backed securities may also be affected by the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables, or the financial institution(s) providing the credit support.

STRIPPED GOVERNMENT SECURITIES. Stripped securities are created by separating the income and principal components of a debt instrument and selling them separately. The fund may purchase U.S. Treasury STRIPS (Separate Trading of Registered Interest and Principal of Securities), which are created when the coupon payments and the principal payment are

stripped from an outstanding Treasury bond by the Federal Reserve Bank. Bonds issued by the Resolution Funding Corporation can also be stripped in this fashion and are eligible investments for the funds.

The fund can purchase privately stripped government securities, which are created when a dealer deposits a Treasury security or federal agency security with a custodian for safekeeping and then sells the coupon payments and principal payment that will be generated by this security. Proprietary receipts, such as Certificates of Accrual on Treasury Securities (CATS), Treasury Investment Growth Receipts (TIGRS), and generic Treasury Receipts (TRs), are stripped U.S. Treasury securities that are separated into their component parts through trusts created by their broker sponsors. Bonds issued by the Financing Corporation (FICO) can also be stripped in this fashion.

Because of the SEC's views on privately stripped government securities, the fund must evaluate them as they would non-government securities pursuant to regulatory guidelines applicable to all money market funds.

**SHORT SALES "AGAINST THE BOX".** The fund may sell securities short when it owns or has the right to obtain securities equivalent in kind or amount to the securities sold short. Short sales could be used to protect the net asset value per share of the fund in anticipation of increased interest rates, without sacrificing the current yield of the securities sold short. If the 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. The fund will incur transaction costs, including interest expenses, in connection with opening, maintaining, and closing short sales against the box.

**INTERFUND BORROWING PROGRAM.** The fund has received permission from the SEC to lend money to and borrow money from other funds advised by FMR or its affiliates. Interfund loans and borrowings normally will extend overnight, but can have a maximum duration of seven days. Loans may be called on one day's notice. The fund will lend through the program only when the returns are higher than those available at the same time from other short-term instruments (such as repurchase agreements), and will borrow through the program only when the costs are equal to or lower than the cost of bank loans. The 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.

**DOMESTIC AND FOREIGN ISSUERS.** Investments may be made in U.S. dollar-denominated time deposits, certificates of deposit, and bankers' acceptances of U.S. banks and their branches located outside of the United States, U.S. branches and agencies of foreign banks, and foreign branches of foreign banks. The fund may also invest in U.S. dollar-denominated securities issued or guaranteed by other U.S. or foreign issuers, including U.S. and foreign corporations or other business organizations, foreign governments, foreign government agencies or instrumentalities, and U.S. and foreign financial institutions, including savings and loan institutions, insurance companies, mortgage bankers, and real estate investment trusts, as well as banks.

The obligations of foreign branches of U.S. banks may be general obligations of the parent bank in addition to the issuing branch, or may be limited by the terms of a specific obligation and by governmental regulation. Payment of interest and principal on these obligations may also be affected by governmental action in the country of domicile of the branch (generally referred to as sovereign risk). In addition, evidence of ownership of portfolio securities may be held outside of the United States and the fund may be subject to the risks associated with the holding of such property overseas. Various provisions of federal law governing the establishment and operation of U.S. branches do not apply to foreign branches of U.S. banks.

Obligations of U.S. branches and agencies of foreign banks may be general obligations of the parent bank in addition to the issuing branch, or may be limited by the terms of a specific obligation and by federal and state regulation, as well as by governmental action in the country in which the foreign bank has its head office.

Obligations of foreign issuers involve certain additional risks. These risks may include future unfavorable political and economic developments, withholding taxes, seizures of foreign deposits, currency controls, interest limitations, or other governmental restrictions that might affect payment of principal or interest. Additionally, there may be less public information available about foreign banks and their branches. Foreign issuers may be subject to less governmental regulation and supervision than U.S. issuers. Foreign issuers also generally are not bound by uniform accounting, auditing, and financial reporting requirements comparable to

those applicable to U.S. issuers.

#### PORTFOLIO TRANSACTIONS

All orders for the purchase or sale of portfolio securities are placed on behalf of the fund by FMR pursuant to authority contained in the management contract. FMR has granted investment management authority to the sub-adviser (see the section entitled "Management Contracts"), and the sub-adviser is authorized to place orders for the purchase and sale of portfolio securities, and will do so in accordance with the policies described below. FMR is also responsible for the placement of transaction orders for other investment companies and accounts for which it or its affiliates act as investment adviser. Securities purchased and sold by the fund generally will be traded on a net basis (i.e., without commission). In selecting broker-dealers, subject to applicable limitations of the federal securities laws, FMR considers various relevant factors, including, but not limited to, the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the execution efficiency, settlement capability, and financial condition of the broker-dealer firm; the broker-dealer's execution services rendered on a continuing basis; and the reasonableness of any commissions.

The fund may execute portfolio transactions with broker-dealers who provide research and execution services to the fund or other accounts over which FMR or its affiliates exercise investment discretion. Such services may include advice concerning the value of securities; the advisability of investing in, purchasing, or selling securities; the availability of securities or the purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and performance of accounts; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). FMR maintains a listing of broker-dealers who provide such services on a regular basis. However, as many transactions on behalf of the money market fund are placed with broker-dealers (including broker-dealers on the list) without regard to the furnishing of such services, it is not possible to estimate the proportion of such transactions directed to such broker-dealers solely because such services were provided. The selection of such broker-dealers generally is made by FMR (to the extent possible consistent with execution considerations) based upon the quality of research and execution services provided.

The receipt of research from broker-dealers that execute transactions on behalf of the fund may be useful to FMR in rendering investment management services to the fund or its other clients, and conversely, such research provided by broker-dealers who have executed transaction orders on behalf of other FMR clients may be useful to FMR in carrying out its obligations to the fund. The receipt of such research has not reduced FMR's normal independent research activities; however, it enables FMR to avoid the additional expenses that could be incurred if FMR tried to develop comparable information through its own efforts.

Subject to applicable limitations of the federal securities laws, broker-dealers may receive commissions for agency transactions that are in excess of the amount of commissions charged by other broker-dealers in recognition of their research and execution services. In order to cause the fund to pay such higher commissions, FMR must determine in good faith that such commissions are reasonable in relation to the value of the brokerage and research services provided by such executing broker-dealers, viewed in terms of a particular transaction or FMR's overall responsibilities to the fund and its other clients. In reaching this determination, FMR will not attempt to place a specific dollar value on the brokerage and research services provided, or to determine what portion of the compensation should be related to those services.

FMR is authorized to use research services provided by and to place portfolio transactions with brokerage firms that have provided assistance in the distribution of shares of the fund or shares of other Fidelity funds to the extent permitted by law. FMR may use research services provided by and place agency transactions with Fidelity Brokerage Services, Inc. (FBSI) and Fidelity Brokerage Services, Ltd. (FBSL), subsidiaries of FMR Corp., if the commissions are fair, reasonable, and comparable to commissions charged by non-affiliated, qualified brokerage firms for similar services.

Section 11(a) of the Securities Exchange Act of 1934 prohibits members of national securities exchanges from executing exchange transactions for accounts which they or their affiliates manage, unless certain requirements are satisfied. Pursuant to such requirements, the Board of Trustees has authorized FBSI to execute portfolio transactions on national securities exchanges in accordance with approved procedures and applicable SEC rules. The Trustees periodically review FMR's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the fund and review the commissions paid by the fund over representative periods of time to determine if they are reasonable in relation to the

benefits to the fund.

From time to time the Trustees will review whether the recapture for the benefit of the fund of some portion of the brokerage commissions or similar fees paid by the fund on portfolio transactions is legally permissible and advisable. The fund seeks to recapture soliciting broker-dealer fees on the tender of portfolio securities, but at present no other recapture arrangements are in effect. The Trustees intend to continue to review whether recapture opportunities are available and are legally permissible and, if so, to determine in the exercise of their business judgment whether it would be advisable for the fund to seek such recapture.

Although the Trustees and officers of the fund are substantially the same as those of other funds managed by FMR, investment decisions for the fund are made independently from those of other funds managed by FMR or accounts managed by FMR affiliates. It sometimes happens that the same security is held in the portfolio of more than one of these funds or accounts.

Simultaneous transactions are inevitable when several funds and 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 account.

When two or more funds are simultaneously engaged in the purchase or sale of the same security, the prices and amounts are allocated in accordance with procedures believed to be appropriate and equitable for each fund. In some cases this system could have a detrimental effect on the price or value of the security as far as the fund is concerned. In other cases, however, the ability of the fund to participate in volume transactions will produce better executions and prices for the fund. It is the current opinion of the Trustees that the desirability of retaining FMR as investment adviser to the fund outweighs any disadvantages that may be said to exist from exposure to simultaneous transactions.

#### VALUATION OF PORTFOLIO SECURITIES

The fund values its investments on the basis of amortized cost. This technique involves valuing an instrument at its cost as adjusted for amortization of premium or accretion of discount rather than its value based on current market quotations or appropriate substitutes which reflect current market conditions. The amortized cost value of an instrument may be higher or lower than the price the fund would receive if it sold the instrument.

Valuing the fund's instruments on the basis of amortized cost and use of the term "money market fund" are permitted by Rule 2a-7 under the 1940 Act. The fund must adhere to certain conditions under Rule 2a-7.

The Board of Trustees of the trust oversees FMR's adherence to SEC rules concerning money market funds, and has established procedures designed to stabilize the fund's net asset value (NAV) at \$1.00. At such intervals as they deem appropriate, the Trustees consider the extent to which NAV calculated by using market valuations would deviate from \$1.00 per share. If the Trustees believe that a deviation from the fund's amortized cost per share may result in material dilution or other unfair results to shareholders, the Trustees have agreed to take such corrective action, if any, as they deem appropriate to eliminate or reduce, to the extent reasonably practicable, the dilution or unfair results. Such corrective action could include selling portfolio instruments prior to maturity to realize capital gains or losses or to shorten average portfolio maturity; withholding dividends; redeeming shares in kind; establishing NAV by using available market quotations; and such other measures as the Trustees may deem appropriate.

During periods of declining interest rates, the fund's yield based on amortized cost may be higher than the yield based on market valuations. Under these circumstances, a shareholder of the fund would be able to obtain a somewhat higher yield than would result if the fund utilized market valuations to determine its NAV. The converse would apply in a period of rising interest rates.

#### PERFORMANCE

The fund may quote performance in various ways. All performance information supplied by the fund in advertising is historical and is not intended to indicate future returns. The fund's yield and total return fluctuate in response to market conditions and other factors.

**YIELD CALCULATIONS.** To compute the fund's yield for a period, the net change in value of a hypothetical account containing one share reflects the value of additional shares purchased with dividends from the one original share and dividends declared on both the original share and any additional shares. The net change is then divided by the value of the account at the beginning of the period to obtain a base period return. This base period return is annualized to obtain a current annualized yield. The fund also may calculate an effective yield by compounding the base period return over a one-year period. In addition to the current yield, the fund may quote yields in advertising based on any historical seven-day period. Yields for

the fund are calculated on the same basis as other money market funds, as required by applicable regulations. Yield information may be useful in reviewing the fund's performance and in providing a basis for comparison with other investment alternatives. However, the fund's yield fluctuates, unlike investments that pay a fixed interest rate over a stated period of time. When comparing investment alternatives, investors should also note the quality and maturity of the portfolio securities of respective investment companies they have chosen to consider.

Investors should recognize that in periods of declining interest rates the fund's yield will tend to be somewhat higher than prevailing market rates, and in periods of rising interest rates the fund's yield will tend to be somewhat lower. Also, when interest rates are falling, the inflow of net new money to the fund from the continuous sale of its shares will likely be invested in instruments producing lower yields than the balance of the fund's holdings, thereby reducing the fund's current yield. In periods of rising interest rates, the opposite can be expected to occur.

**TOTAL RETURN CALCULATIONS.** Total returns quoted in advertising reflect all aspects of the fund's return, including the effect of reinvesting dividends and capital gain distributions, and any change in the fund's NAV over a stated period. Average annual total returns are calculated by determining the growth or decline in value of a hypothetical historical investment in the fund over a stated period, and then calculating the annually compounded percentage rate that would have produced the same result if the rate of growth or decline in value had been constant over the period. For example, a cumulative total return of 100% over ten years would produce an average annual return of 7.18%, which is the steady annual rate of return that would equal 100% growth on a compounded basis in ten years. While average annual returns are a convenient means of comparing investment alternatives, investors should realize that the fund's performance is not constant over time, but changes from year to year, and that average annual returns represent averaged figures as opposed to the actual year-to-year performance of the fund.

In addition to average annual total returns, the fund may quote unaveraged or cumulative total returns reflecting the simple change in value of an investment over a stated period. Average annual and cumulative total returns may be quoted as a percentage or as a dollar amount, and may be calculated for a single investment, a series of investments, or a series of redemptions, over any time period. Total returns may be broken down into their components of income and capital (including capital gains and changes in share price) in order to illustrate the relationship of these factors and their contributions to total return. Total returns may be quoted on a before-tax or after-tax basis. Total returns, yields, and other performance information may be quoted numerically or in a table, graph, or similar illustration.

**HISTORICAL FUND RESULTS.** The following table shows the fund's 7-day yields and total returns for the period ended December 31, 1994.

<TABLE>  
 <CAPTION>  

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
			Average Annual Total Returns			Cumulative Total Returns			

</TABLE>

<TABLE>  
 <CAPTION>  

<S>	<C>	<C>	<C>	<C>	<C>	<C>
	One	Five	Ten	One	Five	Ten
	Year	Years	Years	Year	Years	Years

Money Market 7-day current yield \_\_\_% % % % % % %

</TABLE>

Note: If FMR had not reimbursed certain fund expenses during these periods, the fund's total returns would have been lower.

The following table shows the income and capital elements of the fund's cumulative total return. The table compares the fund's return to the record of the Standard & Poor's Composite Index of 500 Stocks (S&P 500), the Dow Jones Industrial Average (DJIA), and the cost of living (measured by the Consumer Price Index, or CPI) over the same period. The CPI information is as of the month end closest to the initial investment date for the fund.

The S&P 500 and DJIA comparisons are provided to show how the fund's total return compared to the record of a broad average of common stocks and a narrower set of stocks of major industrial companies, respectively, over the same period. Of course, since the fund invests in short-term fixed-income securities, common stocks represent a different type of investment from the fund. Common stocks generally offer greater growth potential than the fund, but generally experience greater price volatility, which means greater potential for loss. In addition, common stocks generally provide lower income than a fixed-income investment such as the fund. Figures for the S&P 500 and DJIA are based on the prices of unmanaged groups of stocks and, unlike the fund's returns, do not include the effect of paying brokerage commissions or other costs of investing. During the ten year period ended December 31, 1994, a hypothetical \$10,000 investment in Money Market would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating interest rates and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Money Market Portfolio

INDICES

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended	Value of Initial \$10,000 Investment	Value of Reinvested Dividend Distributions	Value of Reinvested Capital Gain Distributions	Total Value	S&P 500	DJIA	Cost of Living*

1994	\$10,000	\$	\$	\$	\$	\$	\$
1993	\$10,000	\$9,532	\$0	\$19,532	\$	\$	\$
1992	\$10,000	\$8,920	\$0	\$18,920	\$	\$	\$
1991	\$10,000	\$8,211	\$0	\$18,211	\$	\$	\$
1990	\$10,000	\$7,165	\$0	\$17,165	\$	\$	\$
1989	\$10,000	\$5,888	\$0	\$15,888	\$	\$	\$
1988	\$10,000	\$4,560	\$0	\$14,560	\$	\$	\$
1987	\$10,000	\$3,559	\$0	\$13,559	\$	\$	\$
1986	\$10,000	\$2,738	\$0	\$12,738	\$	\$	\$
1985	\$10,000	\$1,939	\$0	\$11,939	\$	\$	\$

</TABLE>

\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on December 31, 1984, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments (dividends) for the period would have amounted to \$\_\_\_\_\_. The fund did not distribute any capital gains during the period. Tax consequences of different investments have not been factored into the above figures.

The fund's performance may be compared to the performance of other mutual funds in general, or to the performance of particular types of mutual funds. These comparisons may be expressed as mutual fund rankings prepared by Lipper Analytical Services, Inc. (Lipper), an independent service located in Summit, New Jersey that monitors the performance of mutual funds. Lipper generally ranks funds on the basis of total return, assuming reinvestment of distributions, but does not take sales charges or redemption fees into consideration, and is prepared without regard to tax



consequences. Lipper may also rank funds based on yield. In addition to the mutual fund rankings, the fund's performance may be compared to stock, bond, and money market mutual fund performance indices prepared by Lipper or other organizations. When comparing these indices, it is important to remember the risk and return characteristics of each type of investment. For example, while stock mutual funds may offer higher potential returns, they also carry the highest degree of share price volatility. Likewise, money market funds may offer greater stability of principal, but generally do not offer the higher potential returns from stock mutual funds.

From time to time, the fund's performance may also be compared to other mutual funds tracked by financial or business publications and periodicals. For example, the fund may quote Morningstar, Inc. in its advertising materials. Morningstar, Inc. is a mutual fund rating service that rates mutual funds on the basis of risk-adjusted performance. Rankings that compare the performance of Fidelity funds to one another in appropriate categories over specific periods of time may also be quoted in advertising. The fund may be compared in advertising to Certificates of Deposit (CDs) or other investments issued by banks or other depository institutions. Mutual funds differ from bank investments in several respects. For example, the fund may offer higher potential returns than CDs, the fund does not guarantee your principal or your return, and fund shares are not FDIC insured.

Fidelity may provide information designed to help individuals understand their investment goals and explore various financial strategies. Such information may include information about current economic, market, and political conditions; materials that describe general principles of investing, such as asset allocation, diversification, risk tolerance, and goal setting; questionnaires designed to help create a personal financial profile; worksheets used to project savings needs based on assumed rates of inflation and hypothetical rates of return; and action plans offering investment alternatives. Materials may also include discussions of Fidelity's asset allocation funds and other Fidelity funds, products, and services.

Ibbotson Associates of Chicago, Illinois (Ibbotson) provides historical returns of the capital markets in the United States, including common stocks, small capitalization stocks, long-term corporate bonds, intermediate-term government bonds, long-term government bonds, Treasury bills, the U.S. rate of inflation (based on the Consumer Price Index), and combinations of various capital markets. The performance of these capital markets is based on the returns of different indices.

Fidelity funds may use the performance of these capital markets in order to demonstrate general risk-versus-reward investment scenarios. Performance comparisons may also include the value of a hypothetical investment in any of these capital markets. The risks associated with the security types in any capital market may or may not correspond directly to those of the funds. Ibbotson calculates total returns in the same method as the funds. The funds may also compare performance to that of other compilations or indices that may be developed and made available in the future.

The fund may compare its performance or the performance of securities in which it may invest to averages published by IBC USA (Publications), Inc. of Ashland, Massachusetts. These averages assume reinvestment of distributions. The IBC/Donoghue's MONEY FUND AVERAGES (trademark) All Taxable, which is reported in the MONEY FUND REPORT (registered trademark), covers over 695 taxable money market funds.

In advertising materials, Fidelity may reference or discuss its products and services, which may include: other Fidelity funds; retirement investing; brokerage products and services; the effects of periodic investment plans and dollar cost averaging; saving for college or other goals; charitable giving; and the Fidelity credit card. In addition, Fidelity may quote or reprint financial or business publications and periodicals, including model portfolios or allocations, as they relate to current economic and political conditions, fund management, portfolio composition, investment philosophy, investment techniques, the desirability of owning a particular mutual fund, and Fidelity services and products. Fidelity may also reprint, and use as advertising and sales literature, articles from Fidelity Focus, a quarterly magazine provided free of charge to Fidelity fund shareholders.

The fund may present its fund number, Quotron (trademark) number, and CUSIP number, and discuss or quote its current portfolio manager.

As of December 31, 1994, FMR advised over \$\_\_ billion in tax-free fund assets, \$\_\_ billion in money market fund assets, \$\_\_ billion in equity fund assets, \$\_\_ billion in international fund assets, and \$\_\_ billion in Spartan fund assets. The fund may reference the growth and variety of money market mutual funds and the adviser's innovation and participation in the industry. The equity funds under management figure represents the largest amount of equity fund assets under management by a mutual fund investment

adviser in the United States, making FMR America's leading equity (stock) fund manager. FMR, its subsidiaries, and affiliates maintain a worldwide information and communications network for the purpose of researching and managing investments abroad.

In addition to performance rankings, the fund may compare its total expense ratio to the average total expense ratio of similar funds tracked by Lipper. A fund's total expense ratio is a significant factor in comparing bond and money market investments because of its effect on yield.

The fund is available only through the purchase of variable annuity and variable life insurance contracts offering deferral of income taxes on earnings, which may produce superior after-tax returns over time. For example, a \$1,000 investment earning a taxable return of 10% annually would have an after-tax value of \$1,949 after ten years, assuming tax was deducted from the return each year at a 31% rate. An equivalent tax-deferred investment would have an after-tax value of \$2,100 after ten years, assuming tax was deducted at a 31% rate from the tax-deferred earnings at the end of the ten-year period. Individuals holding shares of the fund through a variable annuity or variable life insurance contract may receive additional tax benefits from the deferral of income taxes associated with variable contracts. Individuals should consult their tax advisors to determine the effect of holding variable contracts on their individual tax situations.

YIELDS AND TOTAL RETURNS QUOTED FOR THE FUND INCLUDE THE EFFECT OF DEDUCTING THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE YOU CAN ONLY PURCHASE SHARES OF THE FUND THROUGH A VARIABLE ANNUITY AND/OR A VARIABLE LIFE INSURANCE CONTRACT, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted.

#### ADDITIONAL PURCHASE AND REDEMPTION INFORMATION

The fund is open for business and its net asset value per share (NAV) is calculated each day the New York Stock Exchange (NYSE) is open for trading. The NYSE has designated the following holiday closings for 1995: New Year's Day (observed), President's Day (observed), Good Friday, Memorial Day (observed), Independence Day (observed), Labor Day, Thanksgiving Day, and Christmas Day. Although FMR expects the same holiday schedule to be observed in the future, the NYSE may modify its holiday schedule at any time.

FSC normally determines the fund's NAV as of the close of the NYSE (normally 4:00 p.m. Eastern time). However, NAV may be calculated earlier if trading on the NYSE is restricted or as permitted by the Securities and Exchange Commission (SEC). To the extent that portfolio securities are traded in other markets on days when the NYSE is closed, the fund's NAV may be affected on days when investors do not have access to the fund to purchase or redeem shares. In addition, trading in some of the fund's portfolio securities may not occur on days when the fund is open for business.

If the Trustees determine that existing conditions make cash payments undesirable, redemption payments may be made in whole or in part in securities or other property, valued for this purpose as they are valued in computing the fund's NAV. Shareholders receiving securities or other property on redemption may realize a gain or loss for tax purposes, and will incur any costs of sale, as well as the associated inconveniences.

#### TAXES

For a discussion of tax consequences of variable contracts, please refer to your insurance company's separate account prospectus.

Variable contracts purchased through insurance company separate accounts provide for the accumulation of all earnings from interest, dividends, and capital appreciation without current federal income tax liability to the owner. Depending on the variable contract, distributions from the contract may be subject to ordinary income tax and a 10% penalty tax on distributions before age 59 1/2. Only the portion of a distribution attributable to income is subject to federal income tax. Investors should consult with competent tax advisors for a more complete discussion of possible tax consequences in a particular situation.

Section 817(h) of the Internal Revenue Code provides that the investments of a separate account underlying a variable insurance contract (or the investments of a mutual fund, the shares of which are owned by the variable separate account) must be "adequately diversified" in order for the contract to be treated as an annuity or life insurance for tax purposes. The Treasury Department has issued regulations prescribing these diversification requirements. The fund intends to comply with these requirements.

The fund intends to qualify each year as a "regulated investment company" for tax purposes, so that it will not be liable for federal tax on income

and capital gains distributed to shareholders. In order to qualify as a regulated investment company and avoid being subject to federal income or excise taxes, the fund intends to distribute substantially all its net taxable income and net realized capital gains within each calendar year as well as on a fiscal year basis. The fund also intends to comply with other tax rules applicable to regulated investment companies including a requirement that gross capital gains from selling securities held less than three months must constitute less than 30% of the fund's gross income for each fiscal year. Income and capital gain distributions are reinvested in additional shares of the fund. This is done to preserve the tax advantaged status of the variable contracts. The fund is treated as a separate entity form the other funds of Variable Insurance Products Fund for tax purposes. The fund may distribute any net realized short-term gains once each year, or more frequently if necessary, in order to maintain the fund's NAV at \$1.00 per share and to comply with tax regulations.

#### FMR

All of the stock of FMR is owned by FMR Corp., its parent company organized in 1972. Through ownership of voting common stock and the execution of a shareholders' voting agreement, Edward C. Johnson 3d, Johnson family members, and various trusts for the benefit of the Johnson family form a controlling group with respect to FMR Corp.

At present, the principal operating activities of FMR Corp. are those conducted by three of its divisions as follows: FSC, which is the transfer and shareholder servicing agent for certain of the funds advised by FMR; Fidelity Investments Institutional Operations Company, which performs shareholder servicing functions for institutional customers and funds sold through intermediaries; and Fidelity Investments Retail Marketing Company, which provides marketing services to various companies within the Fidelity organization.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that sets forth all employees' fiduciary responsibilities regarding the funds, establishes procedures for personal investing and restricts certain transactions. For example, all personal trades in most securities require pre-clearance, and participation in initial public offerings is prohibited. In addition, restrictions on the timing of personal investing in relation to trades by Fidelity funds and on short-term trading have been adopted.

#### TRUSTEES AND OFFICERS

The Trustees and executive officers of the trust are listed below. Except as indicated, each individual has held the office shown or other offices in the same company for the last five years. All persons named as Trustees also serve in similar capacities for other funds advised by FMR. Unless otherwise noted, the business address of each Trustee and officer is 82 Devonshire Street, Boston, Massachusetts 02109, which is also the address of FMR. Those Trustees who are "interested persons" (as defined in the Investment Company Act of 1940) by virtue of their affiliation with either the trust or FMR are indicated by an asterisk (\*).

\*EDWARD C. JOHNSON 3d, Trustee and President, is Chairman, Chief Executive Officer and a Director of FMR Corp.; a Director and Chairman of the Board and of the Executive Committee of FMR; Chairman and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc.

\*J. GARY BURKHEAD, Trustee and Senior Vice President, is President of FMR; and President and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc. RALPH F. COX, 200 Rivercrest Drive, Fort Worth, TX, Trustee (1991), is a consultant to Western Mining Corporation (1994). Prior to February 1994, he was President of Greenhill Petroleum Corporation (petroleum exploration and production, 1990). Until March 1990, Mr. Cox was President and Chief Operating Officer of Union Pacific Resources Company (exploration and production). He is a Director of Sanifill Corporation (non-hazardous waste, 1993) and CH2M Hill Companies (engineering). In addition, he served on the Board of Directors of the Norton Company (manufacturer of industrial devices, 1983-1990) and continues to serve on the Board of Directors of the Texas State Chamber of Commerce, and is a member of advisory boards of Texas A&M University and the University of Texas at Austin.

PHYLLIS BURKE DAVIS, P.O. Box 264, Bridgehampton, NY, Trustee (1992). Prior to her retirement in September 1991, Mrs. Davis was the Senior Vice President of Corporate Affairs of Avon Products, Inc. She is currently a Director of BellSouth Corporation (telecommunications), Eaton Corporation (manufacturing, 1991), and the TJX Companies, Inc. (retail stores, 1990), and previously served as a Director of Hallmark Cards, Inc. (1985-1991) and Nabisco Brands, Inc. In addition, she is a member of the President's Advisory Council of The University of Vermont School of Business Administration.

RICHARD J. FLYNN, 77 Fiske Hill, Sturbridge, MA, Trustee, is a financial

consultant. Prior to September 1986, Mr. Flynn was Vice Chairman and a Director of the Norton Company (manufacturer of industrial devices). He is currently a Director of Mechanics Bank and a Trustee of College of the Holy Cross and Old Sturbridge Village, Inc.

E. BRADLEY JONES, 3881-2 Lander Road, Chagrin Falls, OH, Trustee (1990). Prior to his retirement in 1984, Mr. Jones was Chairman and Chief Executive Officer of LTV Steel Company. Prior to May 1990, he was Director of National City Corporation (a bank holding company) and National City Bank of Cleveland. He is a Director of TRW Inc. (original equipment and replacement products), Cleveland-Cliffs Inc (mining), NACCO Industries, Inc. (mining and marketing), Consolidated Rail Corporation, Birmingham Steel Corporation, Hyster-Yale Materials Handling, Inc. (1989), and RPM, Inc. (manufacturer of chemical products, 1990). In addition, he serves as a Trustee of First Union Real Estate Investments, a Trustee and member of the Executive Committee of the Cleveland Clinic Foundation, a Trustee and member of the Executive Committee of University School (Cleveland), and a Trustee of Cleveland Clinic Florida.

DONALD J. KIRK, One Harborside, 680 Steamboat Road, Greenwich, CT, Trustee, is Executive-in-Residence (1995) at Columbia University Graduate School of Business and a financial consultant. From 1987 to January 1995, Mr. Kirk was a Professor at Columbia University Graduate School of Business. Prior to 1987, he was Chairman of the Financial Accounting Standards Board. Mr. Kirk is a Director of General Re Corporation (reinsurance) and Valuation Research Corp. (appraisals and valuations, 1993). In addition, he serves as Vice Chairman of the Board of Directors of the National Arts Stabilization Fund, Vice Chairman of the Board of Trustees of the Greenwich Hospital Association, and as a Member of the Public Oversight Board of the American Institute of Certified Public Accountants' SEC Practice Section (1995).

\*PETER S. LYNCH, Trustee (1990) is Vice Chairman of FMR (1992). Prior to his retirement on May 31, 1990, he was a Director of FMR (1989) and Executive Vice President of FMR (a position he held until March 31, 1991); Vice President of Fidelity Magellan Fund and FMR Growth Group Leader; and Managing Director of FMR Corp. Mr. Lynch was also Vice President of Fidelity Investments Corporate Services (1991-1992). He is a Director of W.R. Grace & Co. (chemicals, 1989) and Morrison Knudsen Corporation (engineering and construction). In addition, he serves as a Trustee of Boston College, Massachusetts Eye & Ear Infirmary, Historic Deerfield (1989) and Society for the Preservation of New England Antiquities, and as an Overseer of the Museum of Fine Arts of Boston (1990).

GERALD C. McDONOUGH, 135 Aspenwood Drive, Cleveland, OH, Trustee (1989), is Chairman of G.M. Management Group (strategic advisory services). Prior to his retirement in July 1988, he was Chairman and Chief Executive Officer of Leaseway Transportation Corp. (physical distribution services). Mr. McDonough is a Director of ACME-Cleveland Corp. (metal working, telecommunications and electronic products), Brush-Wellman Inc. (metal refining), York International Corp. (air conditioning and refrigeration, 1989), Commercial Intertech Corp. (water treatment equipment, 1992), and Associated Estates Realty Corporation (a real estate investment trust, 1993).

EDWARD H. MALONE, 5601 Turtle Bay Drive #2104, Naples, FL, Trustee. Prior to his retirement in 1985, Mr. Malone was Chairman, General Electric Investment Corporation and a Vice President of General Electric Company. He is a Director of Allegheny Power Systems, Inc. (electric utility), General Re Corporation (reinsurance) and Mattel Inc. (toy manufacturer). In addition, he serves as a Trustee of Corporate Property Investors, the EPS Foundation at Trinity College, the Naples Philharmonic Center for the Arts, and Rensselaer Polytechnic Institute, and he is a member of the Advisory Boards of Butler Capital Corporation Funds and Warburg, Pincus Partnership Funds.

MARVIN L. MANN, 55 Railroad Avenue, Greenwich, CT, Trustee (1993) is Chairman of the Board, President, and Chief Executive Officer of Lexmark International, Inc. (office machines, 1991). Prior to 1991, he held the positions of Vice President of International Business Machines Corporation ("IBM") and President and General Manager of various IBM divisions and subsidiaries. Mr. Mann is a Director of M.A. Hanna Company (chemicals, 1993) and Infomart (marketing services, 1991), a Trammell Crow Co. In addition, he serves as the Campaign Vice Chairman of the Tri-State United Way (1993) and is a member of the University of Alabama President's Cabinet (1990).

THOMAS R. WILLIAMS, 21st Floor, 191 Peachtree Street, N.E., Atlanta, GA, Trustee, is President of The Wales Group, Inc. (management and financial advisory services). Prior to retiring in 1987, Mr. Williams served as Chairman of the Board of First Wachovia Corporation (bank holding company), and Chairman and Chief Executive Officer of The First National Bank of Atlanta and First Atlanta Corporation (bank holding company). He is currently a Director of BellSouth Corporation (telecommunications),

ConAgra, Inc. (agricultural products), Fisher Business Systems, Inc. (computer software), Georgia Power Company (electric utility), Gerber Alley & Associates, Inc. (computer software), National Life Insurance Company of Vermont, American Software, Inc. (1989), and AppleSouth, Inc. (restaurants, 1992).

GARY L. FRENCH, Treasurer (1991). Prior to becoming Treasurer of the Fidelity funds, Mr. French was Senior Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1991); Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1990); and Senior Vice President, Chief Financial and Operations Officer - Huntington Advisers, Inc. (1985-1990).

JOHN H. COSTELLO, Assistant Treasurer, is an employee of FMR. LEONARD M. RUSH, Assistant Treasurer (1994), is an employee of FMR (1994). Prior to becoming Assistant Treasurer of the Fidelity Funds, Mr. Rush was Chief Compliance Officer of FMR Corp. (1993-1994); Chief Financial Officer of Fidelity Brokerage Services, Inc. (1990-1993); and Vice President, Assistant Controller, and Director of the Accounting Department - First Boston Corp. (1986-1990).

ARTHUR S. LORING, Secretary, is Senior Vice President (1993) and General Counsel of FMR, Vice President-Legal of FMR Corp., and Vice President and Clerk of FDC.

FRED L. HENNING, JR., Vice President (1994), is Vice President of Fidelity's money market funds and Senior Vice President of FMR Texas Inc. THOMAS D. MAHER, Assistant Vice President (1990), is Assistant Vice President of Fidelity's money market funds and Vice President and Associate General Counsel of FMR Texas Inc. (1990). Prior to 1990, Mr. Maher was an employee of FMR and Assistant Secretary of all the Fidelity funds (1985-1989).

ROBERT LITTERST is manager and Vice President of the fund, which he has managed since January 1992. He also manages Cash Reserves and various institutional portfolios. Previously, he was Vice President of the money market group at the Prudential Insurance Co. Mr. Litterst joined Fidelity in 1992.

The following table sets forth information describing the compensation of each current non-interested trustee of the fund for his or her services as trustee for the fiscal year ended December 31, 1994.

COMPENSATION TABLE

<TABLE>  
<CAPTION>  
<S>

<S>	<C> Aggregate Compensation from the Fund	<C> Pension or Retirement Benefits Accrued from the Fund Complex*	<C> Estimated Annual Benefits Upon Retirement from the Fund Complex*	<C> Total Compensation from the Fund Complex*
Ralph F. Cox	\$	\$ 5,200	\$ 52,000	\$ 125,000
Phyllis Burke Davis		5,200	52,000	122,000
Richard J. Flynn		0	52,000	154,500
E. Bradley Jones		5,200	49,400	123,500
Donald J. Kirk		5,200	52,000	125,000
Gerald C. McDonough		5,200	52,000	125,000
Edward H. Malone		5,200	44,200	128,000
Marvin L. Mann		5,200	52,000	125,000
Thomas R. Williams		5,200	42,900	126,500

</TABLE>

\* Information is as December 31, 1994 for the 206 funds in the complex. Under a retirement program adopted in July 1988, the non-interested Trustees, upon reaching age 72, become eligible to participate in a retirement program under which they receive payments during their lifetime from a fund based on their basic trustee fees and length of service. The obligation of a fund to make such payments are not secured or funded. Trustees become eligible if, at the time of retirement, they have served on the Board for at least five years. Currently, Messrs. Ralph S. Saul,

William R. Spaulding, Bertram H. Witham, and David L. Yunich, all former non-interested Trustees, receive retirement benefits under the program On December 31, the Trustees and officers of the fund owned, in the aggregate, less than 1% of the fund's total outstanding shares. As of February 28, 1995, significant shares of the fund were held by the following companies with the figures beneath the fund representing that company's holdings as a percentage of the fund's total outstanding shares. [insert table of significant shareholders]

MANAGEMENT CONTRACT

The fund employs FMR to furnish investment advisory and other services. Under its management contract with the fund, FMR acts as investment adviser and, subject to the supervision of the Board of Trustees, directs the investments of the fund in accordance with its investment objective, policies, and limitations. FMR also provides the fund with all necessary office facilities and personnel for servicing the fund's investments, compensates all officers of the fund and all Trustees who are "interested persons" of the trust or of FMR, and all personnel of the fund or FMR performing services related 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 the fund. These services include providing facilities for maintaining the fund's organization; supervising relations with custodians, transfer and pricing agents, accountants, underwriters, and other persons dealing with the fund; preparing all general shareholder communications and conducting shareholder relations; maintaining the fund's records and the registration of the fund's shares under federal and state law; developing management and shareholder services for the fund; and furnishing reports, evaluations, and analyses on a variety of subjects to the Board of Trustees.

In addition to the management fee payable to FMR and the fees payable to FSC and FIIOC, the fund pays all of its expenses, without limitation, that are not assumed by those parties. The fund pays for typesetting, printing, and mailing proxy material to shareholders, legal expenses, and the fees of the custodian, auditor, and non-interested Trustees. Although the fund's current management contract provides that it will pay for typesetting, printing, and mailing prospectuses, statements of additional information, notices, and reports to existing shareholders, the trust on behalf of the has entered into a revised transfer agent agreement with FIIOC, pursuant to which FIIOC bears the cost of providing these services to existing shareholders. Other expenses paid by the fund include interest, taxes, brokerage commissions, the proportionate share of insurance premiums and Investment Company Institute dues, and the costs of registering shares under federal and state securities laws. The fund is also liable for such nonrecurring 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 is the fund's manager pursuant to management contracts dated January 1, 1994, which was approved by shareholders on December 15 1993.

For the services of FMR under the contract, the fund pays FMR a monthly management fee composed of a group fee rate and an individual fund fee rate (.03%), and an income-based component of 6% of the fund's gross income in excess of a 5% yield. The maximum income-based component is .24% of average net assets.

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 and is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown on the left. The schedule below 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 \$\_\_\_ billion of group net assets - - their approximate level for [insert month] 1995 - was \_\_\_\_, which is the weighted average of the respective fee rates for each level of group net assets up to \$\_\_\_ billion.

GROUP FEE RATE SCHEDULE EFFECTIVE ANNUAL FEE RATES

Average Group Assets	Annualized Fee Rate	Group Net Assets	Effective Annual Fee Rate
0	-	\$ 3 billion	.3700%
		\$ 0.5 billion	.3700%

3	-	6	.3400	25	.2664
6	-	9	.3100	50	.2188
9	-	12	.2800	75	.1986
12	-	15	.2500	100	.1869
15	-	18	.2200	125	.1793
18	-	21	.2000	150	.1736
21	-	24	.1900	175	.1695
24	-	30	.1800	200	.1658
30	-	36	.1750	225	.1629
36	-	42	.1700	250	.1604
42	-	48	.1650	275	.1583
48	-	66	.1600	300	.1565
66	-	84	.1550	325	.1548
84	-	120	.1500	350	.1533
120	-	174	.1450	400	.1507
174	-	228	.1400		
228	-	282	.1375		
282	-	336	.1350		
Over 336			.1325		

On August 1, 1994, FMR voluntarily revised the group fee rate schedule by adding new breakpoints. The revised group fee rate schedule provides for lower management fee rates as FMR's assets under management increase. The revised group fee rate schedule is identical to the above schedule for average group assets under \$156 billion. For average group assets in excess of \$156 billion, the group fee rate schedule voluntarily adopted by FMR is as follows:

GROUP FEE RATE SCHEDULE      EFFECTIVE ANNUAL FEE RATES

Average Group Assets	Annualized Fee Rate	Group Net Assets	Effective Annual Fee Rate		
\$120	-	156 billion	.1450%	\$150 billion =	.1736%
156	-	192	.1400	175	.1690
192	-	228	.1350	200	.1652
228	-	264	.1300	225	.1618
264	-	300	.1275	250	.1587
300	-	336	.1250	275	.1560
336	-	372	.1225	300	.1536
Over 372			.1200	325	.1514
				350	.1494
				375	.1476
				400	.1459

The individual fund fee rate is .03%.

One twelfth of the sum of the group fee rate and the individual fund fee rate is applied to the fund's average net assets for the current month, giving a dollar amount which is the fee for that month.

If the fund's monthly gross yield is 5% or less, the total management fee is the sum of the group fee and the individual fund fee. If the fund's monthly gross yield is greater than 5%, the management fee that FMR receives includes an income-based component. The income-based component equals 6% of that portion of the fund's gross income that represents a gross yield of more than 5% per year. The maximum income-based component is .24% (annualized) of average net assets, at a fund gross yield of 9%. Gross income for this purpose, includes interest accrued and/or discount earned (including both original issue discount and market discount) on portfolio obligations, less amortization of premium. Realized and unrealized gains and losses, if any, are not included in gross income.

For the fiscal years ended December 31, 1994, 1993, and 1992, FMR received \$\_\_\_\_, \$415,213, and \$487,024, respectively for its services as investment adviser. These fees were equivalent to \_\_\_\_%, .14%, and .17%, respectively, of the fund's average net assets for each of those years.

Prior to January 1, 1994, for the services of FMR under the contract, the fund paid FMR a monthly management fee computed on the basis of the fund's gross income. To the extent that the monthly gross income of the fund was equivalent to an annualized yield of 5% or less, FMR received 4% of that amount of the fund's gross income. In addition, to the extent that the fund's monthly income exceeded an annualized yield of 5%, FMR received 6% of that excess. For this purpose, gross income included interest accrued or discount earned (including both original issue and market discount), less amortization of premium. The amount of discount or premium on portfolio instruments was fixed at the time of purchase. Realized and unrealized gains and losses, if any, were not included in gross income.

Pursuant to the terms of the contract, limitations were imposed on the compensation FMR could receive under the above formula. These limitations were based on the fund's average monthly net assets as follows:

#### AVERAGE MONTHLY NET ASSETS ANNUALIZED RATE

On the first \$1.5 billion .50%

On the portion in excess of \$1.5 to \$3.0 billion .45%

On the portion in excess of \$3.0 billion to \$4.5 billion .43%

On the portion in excess of \$4.5 billion to \$6.0 billion .41%

On the portion in excess of \$6.0 billion .40%

SUB-ADVISER. On behalf of the fund, FMR has entered into a sub-advisory agreement with FTX pursuant to which FTX has primary responsibility for providing portfolio investment management services to the fund.

Under the sub-advisory agreement, FMR pays FTX fees equal to 50% of the management fee payable to FMR under its management contract with the fund. The fee paid to FTX are not reduced by any voluntary or mandatory expense reimbursements that may be in effect from time to time. For the fiscal years ended December 31, 1994, 1993 and 1992, FMR paid FTX management fees of \$\_\_\_\_, \$207,606, and \$243,512, respectively.

#### DISTRIBUTION AND SERVICE PLAN

The fund has adopted a distribution and service plan (the plan) under Rule 12b-1 of the Investment Company Act of 1940 (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 adopted by the fund under the Rule. The fund's Board of Trustees has adopted the plan to allow the fund and FMR to incur certain expenses that might be considered to constitute indirect payment by the fund of distribution expenses. Under the 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.

The plan also specifically recognizes that FMR, either directly or through FDC, may use its management fee revenue, past profits, or other resources, without limitation, to pay promotional and administrative expenses in connection with the offer and sale of shares of the fund. In addition, the plan provides that FMR may use its resources, including its management fee revenues, to make payments to third parties that provide assistance in selling shares of the fund, or to third parties, including banks, that render shareholder support services. The Trustees have not authorized such payments to date.

The fund's plan has been approved by the Trustees. As required by the Rule, the Trustees carefully considered all pertinent factors relating to the implementation of the plan prior to its approval, and have determined that



there is a reasonable likelihood that the plan will benefit the fund and its shareholders. In particular, the Trustees noted that the plan does not authorize payments by the fund other than those made to FMR under its management contract with the fund. To the extent that the plan gives FMR and FDC greater flexibility in connection with the distribution of shares of the fund, additional sales of the fund's shares may result. Additionally, certain shareholder support services may be provided more effectively under the plan by local entities with whom shareholders have other relationships. The plan was approved by shareholders on December 11, 1986.

#### CONTRACTS WITH COMPANIES AFFILIATED WITH FMR

The fund has an agreement with FSC, an affiliate of FMR Corp., under which FSC determines the NAV per share and dividends of the fund and maintains the portfolio and general accounting records of the fund. The fee rates in effect as of July 1, 1991, are based on the fund's average net assets as follows: .0175% for the first \$500 million of average net assets and .0075% for average net assets in excess of \$500 million. The fee is limited to a minimum of \$20,000 and a maximum of \$750,000 per year.

The following are the fees paid by the fund to FSC for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$53,769 and \$52,389, respectively.

The fund utilizes FIIOC, an affiliate of FMR Corp., to maintain the master accounts of the participating insurance companies. Under the contract, the fund pays a fee of \$95 per shareholder account per year and a fee of \$20 for each monetary transaction. In addition to providing transfer agent and shareholder servicing functions, FIIOC pays all transfer agent out-of-pocket expenses and also pays for typesetting, printing and mailing Prospectuses, Statements of Additional Information, reports, notices and statements to shareholders allocable to the master account of participating insurance companies.

The following are the fees paid by the fund to FIIOC (including reimbursement for out-of-pocket expenses) for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$87,208 and \$59,118, respectively.

The fund has a distribution agreement with FDC, a Massachusetts corporation organized on July 18, 1960. FDC is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The distribution agreement calls for FDC to use all reasonable efforts, consistent with its other business, to secure purchasers for shares of the fund, which are continuously offered at net asset value. Promotional and administrative expenses in connection with the offer and sale of shares are paid by FMR.

#### DESCRIPTION OF THE TRUST

TRUST ORGANIZATION. Money Market Portfolio is a fund of Variable Insurance Products Fund, an open-end management investment company organized as a Massachusetts Business Trust. In July 1985, pursuant to shareholder approval, the Declaration of Trust was amended to change the name of the Trust from Fidelity Cash Reserves II to Variable Insurance Products Fund. Currently, there are five funds of the trust: Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio. The Declaration of Trust permits the Trustees to create additional funds.

Investments in the trust may be made only by the separate accounts of insurance companies for the purpose of funding variable annuity and variable life insurance contracts issued by insurance companies.

In the event that FMR ceases to be the investment adviser to the trust or the fund, the right of the trust or fund to use the identifying name "Fidelity" may be withdrawn.

The assets of the trust received for the issue or sale of shares of each fund and all income, earnings, profits, and proceeds thereof, subject only to the rights of creditors, are especially allocated to such fund, and constitute the underlying assets of such fund. The underlying assets of each fund are segregated on the books of account, and are to be charged with the liabilities with respect to such fund and with a share of the general expenses of the trust. Expenses with respect to the trust are to be allocated in proportion to the asset value of the respective funds, except where allocations of direct expense can otherwise be fairly made. The officers of the trust, subject to the general supervision of the Board of Trustees, have the power to determine which expenses are allocable to a given fund, or which are general or allocable to all of the funds. In the event of the dissolution or liquidation of the trust, shareholders of each fund are entitled to receive as a class the underlying assets of such fund available for distribution.

SHAREHOLDER AND TRUSTEE LIABILITY. The trust is an entity of the type 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. The 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 include a provision limiting the obligations created thereby to the trust and its assets. The Declaration of Trust provides for indemnification out of each fund's property of any shareholder held personally liable for the obligations of the fund. The 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.

The Declaration of Trust further provides that the Trustees, if they have exercised reasonable care, will not be liable for any neglect or wrongdoing, but nothing in the Declaration of Trust protects Trustees against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

**VOTING RIGHTS.** Each fund's capital consists of shares of beneficial interest. The shares have no preemptive or conversion rights; the voting and dividend rights, the right of redemption, and the privilege of exchange are described in the Prospectus. Shares are fully paid and nonassessable, except as set forth under the heading "Shareholder and Trustee Liability" above. Shareholders representing 10% or more of the trust or a fund may, as set forth in the Declaration of Trust, call meetings of the trust or a fund for any purpose related to the trust or fund, as the case may be, including, in the case of a meeting of the entire trust, the purpose of voting on removal of one or more Trustees. The trust or any fund may be terminated upon the sale of its assets to another open-end management investment company, or upon liquidation and distribution of its assets, if approved by vote of the holders of a majority of the outstanding shares of the trust or the fund. If not so terminated, the trust and its funds will continue indefinitely.

**CUSTODIAN.** Morgan Guaranty Trust Company, 60 Wall Street, New York, New York is custodian of the fund's assets. The custodian takes no part in determining the investment policies of the fund or in deciding which securities are purchased or sold by the fund. The fund, however, may invest in obligations of the custodian and may purchase or sell securities from or to the custodian.

FMR, its officers and directors and its affiliated companies from time to time have transactions with various banks, including the custodian banks for certain of the funds advised by FMR.

**AUDITOR.** Coopers & Lybrand L.L.P., One Post Office Square, Boston, Massachusetts, serves as the fund's independent accountant providing audit services including (1) audit of annual financial statements, (2) assistance and consultation in connection with SEC filings and (3) review of the annual federal income tax returns filed on behalf of the fund.

#### FINANCIAL STATEMENTS

The fund's financial statements and financial highlights for the fiscal year ended December 31, 1994 are included in the fund's Annual Report, which is a separate report supplied with this Statement of Additional Information. The fund's financial statements and financial highlights are incorporated herein by reference.

#### APPENDIX

**DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S COMMERCIAL PAPER RATINGS:** Issuers rated PRIME-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics:

- Leading market positions in well established industries.

- High rates of return on funds employed.

- Conservative capitalization structures with moderate reliance on debt and ample asset protection.

- Broad margins in earning coverage of fixed financial charges and with high internal cash generation.

- Well established access to a range of financial markets and assured sources of alternate liquidity.

Issuers rated PRIME-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earning trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate

liquidity is maintained.

DESCRIPTION OF STANDARD & POOR'S CORPORATION'S COMMERCIAL PAPER RATINGS:

A - Issues assigned this highest rating are regarded as having the greatest capacity for timely payment. Issues in this category are delineated with the numbers 1 and 2 to indicate the relative degree of safety.

A-1 - This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics will be denoted with a plus (+) sign designation.

A-2 - Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as high as for issues designated A-1.

DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S CORPORATE BOND RATINGS:

AAA - Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

AA - Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

Moody's applies numerical modifiers, 1, 2, and 3, in its Aa generic rating classification in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

DESCRIPTION OF STANDARD & POOR'S CORPORATION'S CORPORATE BOND RATINGS:

AAA - Debt rated AAA has the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher-rated issues only in small degree. The AA rating may be modified by the addition of a plus or minus to show relative standing within its major rating category.

DESCRIPTION OF FITCH INVESTOR'S SERVICE, INC.'S COMMERCIAL PAPER RATINGS:

FITCH-1 - (Highest Grade) Commercial paper assigned this rating is regarded as having the strongest degree of assurance for timely payment.

FITCH-2 - (Very Good Grade) Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than the strongest issues.

DESCRIPTION OF FITCH INVESTOR'S SERVICE, INC.'S CORPORATE BOND RATINGS:

AAA - Bonds of this rating are regarded as strictly high grade, broadly marketable, suitable for investment by trustees and fiduciary institutions, and liable to but slight market fluctuation other than through changes in the money rate. The factor last named is of importance, varying with the length of maturity. Such bonds are mainly senior issues of strong companies, and are most numerous in the railway and public utility fields, though some industrial obligations have this rating. The prime feature of an AAA bond is of showing of earnings several times or many times interest requirements with such stability of applicable earnings that safety is beyond reasonable question whatever changes occur in conditions. Other features may enter, such as a wide margin of protection through collateral security or direct lien on specific property as in the case of high-class equipment certificates or bonds that are first mortgages on valuable real estate. Sinking funds or voluntary reduction of the debt, by call or purchase are often factors, while guarantee or assumption by parties other than the original debtor may influence the rating.

AA - Bonds in this group are of safety virtually beyond question, and as a class are readily saleable while many are highly active. Their merits are not greatly unlike those of the "AAA" class, but a bond so rated may be of junior though strong lien - in many cases directly following an AAA bond - or the margin of safety is strikingly broad. The issue may be the obligation of a small company, strongly secured but influenced as to rating by the lesser financial power of the enterprise and more local type of market.

DESCRIPTION OF DUFF & PHELPS INC.'S COMMERCIAL PAPER RATINGS:

DUFF 1 - High certainty of timely payment. Liquidity factors are excellent and supported by strong fundamental protection factors. Risk factors are minor.

DUFF 2 - Good certainty of timely payment. Liquidity factors and company

fundamentals are sound. Although ongoing internal funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

DESCRIPTION OF DUFF & PHELPS INC.'S CORPORATE BOND RATINGS:

DUFF 1 - Highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

DUFF 2 - High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

VARIABLE INSURANCE PRODUCTS FUND

CROSS REFERENCE SHEET

Form N-1A Item Number

Part A Prospectus Caption

- 1 a,b Cover Page
- 2 a,b,c \*
- 3 a,b Financial Highlights
  - c Performance
- 4 a(i) FMR and Its Affiliates
  - a(ii) The Funds at a Glance; Investment Principals and Risks; Securities and Investment Practices; Fundamental Investment Policies and Restrictions
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\* Not Applicable

VARIABLE  
INSURANCE PRODUCTS  
FUND

Please read this prospectus before investing, and keep it on file for future reference. It contains important information to help you decide if the fund's goal matches your own.

To learn more about the fund and its investments, you can obtain copy of the fund's most recent financial report and portfolio listing or a copy of the Statement of Additional Information (SAI) dated April 30, 1995. The SAI has been filed with the Securities and Exchange Commission (SEC) and is incorporated herein by reference (legally forms a part of the prospectus).

For a free copy of either document, contact your insurance company. Shares of the fund may only be purchased by the separate accounts of insurance companies, for the purpose of funding variable annuity and variable life insurance contracts. The fund may not be available in your state due to various insurance regulations. Please check with your insurance company for availability. If the fund in this Prospectus is not available in your state, this Prospectus is not to be considered a solicitation. This Prospectus should be read in conjunction with the prospectus of the separate account of the specific insurance product which accompanies this Prospectus.

THE FUND MAY INVEST WITHOUT LIMITATION IN LOWER-QUALITY DEBT SECURITIES, SOMETIMES CALLED "JUNK BONDS." INVESTORS SHOULD CONSIDER THAT THESE SECURITIES CARRY GREATER RISKS, SUCH AS THE RISK OF DEFAULT, THAN OTHER DEBT SECURITIES. REFER TO "INVESTMENT PRINCIPLES AND RISKS" ON PAGE \_\_\_ FOR FURTHER INFORMATION.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION,

NOR HAS THE SECURITIES AND EXCHANGE  
COMMISSION OR ANY STATE SECURITIES  
COMMISSION PASSED UPON THE  
ACCURACY OR ADEQUACY OF THIS  
PROSPECTUS. ANY REPRESENTATION TO  
THE CONTRARY IS A CRIMINAL OFFENSE.

Variable Insurance Products Fund (the Trust) is designed to provide  
investment vehicles for variable annuity and variable life insurance  
contracts of various insurance companies. High Income Portfolio is a fund  
of the Trust.

HIGH INCOME PORTFOLIO SEEKS HIGH CURRENT INCOME BY INVESTING MAINLY IN HIGH  
YIELDING DEBT SECURITIES, WITH AN EMPHASIS ON LOWER-QUALITY SECURITIES.

PROSPECTUS

APRIL 30, 1995 (FIDELITY\_LOGO\_GRAPHIC) 82 DEVONSHIRE STREET, BOSTON, MA  
02109

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THE FUND AT A GLANCE

High Income Portfolio is designed to provide an investment vehicle for  
variable annuity and variable life insurance contracts of various insurance  
companies.

MANAGEMENT: Fidelity Management & Research Company (FMR) is the management  
arm of Fidelity Investments, which was established in 1946 and is now  
America's largest mutual fund manager. Foreign affiliates of FMR may help  
choose investments for the fund.

GOAL: High current income. As with any mutual fund, there is no assurance  
that the fund will achieve its goal.

STRATEGY: Invests mainly in high-yielding debt securities, with an emphasis  
on lower-quality securities.

SIZE: As of December 31, 1994, the fund had over \$\_\_ million in assets.

THE SPECTRUM OF

FIDELITY FUNDS

Broad categories of Fidelity  
funds are presented here in  
order of ascending risk.

Generally, investors seeking  
to maximize return must  
assume greater risk. High  
Income Portfolio is in the  
INCOME category.

(solid bullet) MONEY MARKET Seeks  
income and stability by  
investing in high-quality,  
short-term investments.

(solid bullet) INCOME Seeks income by  
investing in bonds.

(solid bullet) ASSET ALLOCATION Seeks  
high total return with reduced  
risk through a mix of stocks,  
bonds and short-term  
instruments.

(solid bullet) GROWTH AND INCOME  
Seeks long-term growth and  
income by investing in stocks  
and bonds.

(solid bullet) GROWTH Seeks long-term  
growth by investing mainly in  
stocks.

(checkmark)

FINANCIAL HIGHLIGHTS

The financial highlights table that follows and the fund's financial  
statements are included in the fund's Annual Report and has been audited  
by Coopers & Lybrand L.L.P., independent accountants. Their report on the  
financial statements and financial highlights is included in the Annual  
Report. The financial statements, the financial highlights, and the report  
are incorporated by reference into the fund's SAI, which may be obtained  
free of charge from your insurance company.

[insert Per-Share data table[s]]

WHO MAY WANT TO INVEST

The fund is designed for those who want high current income with some  
potential for capital growth from a portfolio of high-yielding debt  
securities and income-producing equity securities. The fund may be  
appropriate for long-term, aggressive investors who understand the  
potential risks and rewards of investing in lower-quality securities,

including defaulted securities, and are willing to accept their greater price movements and credit risks.

#### INVESTMENT PRINCIPLES AND RISKS

The value of the fund's investments varies based on many factors. The fund spreads investment risk by limiting its holdings in any one company or industry.

The value of bonds fluctuates based on changes in domestic and foreign interest rates and the credit quality of the issuer, market conditions, and other economic and political news. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for longer-term securities. Lower-quality securities offer higher yields, but also carry more risk.

Because the fund's investments may be denominated in foreign currencies, changes in the value of foreign securities can significantly affect the fund's share price. General economic and political factors in the various world markets can also impact the value of your investment. The value of some of the fund's investments may fluctuate based on other factors affecting security values such as commodity prices and currency values. FMR may use various investment techniques to hedge the fund's risks, but there is no guarantee that these strategies will work as intended. When fund shares are redeemed, they may be worth more or less than their original cost.

FMR normally invests the fund's assets according to its investment strategy. The fund also reserves the right to invest without limitation in preferred stocks and investment-grade debt instruments for temporary, defensive purposes.

An investment in the fund is not in itself, a balanced investment plan. When fund shares are redeemed, they may be worth more or less than their original cost.

#### INTEREST RATE

##### RISK

In general, bond prices rise when interest rates fall, and vice versa. Funds that hold short-term bonds are usually less affected by changes in interest rates than long-term bond funds. For that reason, long-term bond funds typically offer higher yields and carry more risk than short-term bond funds.

(checkmark)

The fund seeks high current income by investing primarily in all types of income-producing debt securities, preferred stocks, and convertible securities. FMR normally invests at least 65% of the fund's total assets in these securities. The fund may also consider the potential for growth of capital by investing up to 20% in common stocks and other equity securities when consistent with the fund's primary objective or when acquired as part of a unit combining fixed-income and equity securities.

Although the fund has no limits on the quality and maturity of its investments, its strategy typically leads to longer-term, lower-quality, fixed-income securities. These domestic and foreign investments may present the risk of default or may be in default. If consistent with its investment objective, however, the fund can also invest in common stocks, other equity securities, and debt securities not currently paying interest but which are expected to do so in the future. Because of the fund's investment strategy, its performance is especially affected by individual company news.

In addition, the fund's yield and share price will change based on changes in interest rates, market conditions and other political and economic news. In general, bond prices rise when interest rates fall, and vice versa. FMR may use various investment techniques to hedge the fund's risks, but there is no guarantee that these strategies will work as intended.

See the section entitled "Securities and Investment Practices" for risks associated with lower-quality debt securities.

#### THE FUND IN DETAIL

##### CHARTER

HIGH INCOME PORTFOLIO IS A MUTUAL FUND: an investment that pools shareholders' money and invests it toward a specified goal. The fund is a diversified fund of Variable Insurance Products Fund (VIP). VIP is an open-end management investment company organized as a Massachusetts

business trust on November 13, 1981.

THE FUND IS GOVERNED BY A BOARD OF TRUSTEES which is responsible for protecting the interests of shareholders. The trustees are experienced executives who meet throughout the year to oversee the fund's activities, review contractual arrangements with companies that provide services to the fund, and review the fund's performance. The majority of trustees are not otherwise affiliated with Fidelity.

THE FUND MAY HOLD SPECIAL MEETINGS AND MAIL PROXY MATERIALS. These meetings may be called to elect or remove trustees, change fundamental policies, approve a management contract, or for other purposes. Shareholders not attending these meetings are encouraged to vote by proxy. An insurance company issuing a variable contract that participates in the fund will vote shares held in its separate account as required by law and interpretations thereof, as may be amended or changed from time to time. In accordance with current law and interpretations thereof, a participating insurance company is required to request voting instructions from policyowners and must vote shares in the separate account in proportion to the voting instructions received. Your insurance company is entitled to one vote for each share it owns. For a further discussion, please refer to your insurance company's separate account prospectus.

#### FMR AND ITS AFFILIATES

Fidelity Investments is one of the largest investment management organizations in the United States and has its principal business address at 82 Devonshire Street, Boston, Massachusetts, 02109. It includes a number of different subsidiaries and divisions which provide a variety of financial services and products. The fund employs various Fidelity companies to perform activities required for its operation.

The fund is managed by FMR, which chooses the fund's investments and handles its business affairs.

The fund is managed by FMR, which chooses the fund's investments and handles its business affairs. Fidelity Management & Research (U.K.) Inc. (FMR U.K.) in London, England, and Fidelity Management & Research (Far East) Inc. (FMR Far East) in Tokyo, Japan, assist FMR with foreign investments.

#### FIDELITY FACTS

Fidelity offers the broadest selection of mutual funds in the world.

(solid bullet) Number of Fidelity mutual funds: over

(solid bullet) Assets in Fidelity mutual funds: over \$250 billion

(solid bullet) Number of shareholder accounts: over 21 million

(solid bullet) Number of investment analysts and portfolio managers: over 200

(checkmark)

Barry Jay Coffman is vice president and manager of High Income Portfolio, which he has managed since August 1990. Mr. Coffman also assists on Fidelity Puritan Fund. Previously, he served as an assistant manager and analyst for the high yield bond group. Before joining Fidelity in 1986, Mr. Coffman was an analyst for Equitable Capital Management and was a senior auditor at Arthur Anderson & Company.

The fund has an investment objective similar to that of Spartan High Income Fund, an existing Fidelity retail fund. Performance of the fund is not expected to be the same as the performance of the corresponding retail fund due in part to dissimilarities in their investments. Various insurance related costs at the insurance company's separate account will also affect performance.

The fund sells its shares to separate accounts of insurance companies which are both affiliated and unaffiliated with FMR. The fund currently does not foresee any disadvantages to policyowners arising out of the fact that the fund offers its shares to separate accounts of various insurance companies to serve as the investment medium for their variable products.

Nevertheless, the Board of Trustees intends to monitor events in order to identify any material irreconcilable conflicts which may possibly arise, and to determine what action, if any, should be taken in response to such conflicts. If such a conflict were to occur, one or more insurance companies' separate accounts might be required to withdraw its investments in the fund and shares of another fund may be substituted. This might force the fund to sell securities at disadvantageous prices. In addition, the Board of Trustees may refuse to sell shares of the fund to any separate account or may suspend or terminate the offering of shares of the fund if such action is required by law or regulatory authority or is in the best interests of the shareholders of the fund.

Fidelity investment personnel may invest in securities for their own



account pursuant to a code of ethics that establishes procedures for personal investing and restricts certain transactions.

Fidelity Distributors Corporation (FDC) distributes and markets Fidelity's funds and services. Fidelity Investments Institutional Operations Company (FIIOC), 82 Devonshire Street, Boston, Massachusetts, performs transfer agent servicing functions for the fund.

FMR Corp. is the ultimate parent company of FMR FMR U.K., and FMR Far East. Through ownership of voting common stock, members of the Edward C. Johnson 3d family form a controlling group with respect to FMR Corp. Changes may occur in the Johnson family group, through death or disability, which would result in changes in each individual family members' holding of stock. Such changes could result in one or more family members becoming holders of over 25% of the stock. FMR Corp. has received an opinion of counsel that changes in the composition of the Johnson family group under these circumstances would not result in the termination of the fund's management or distribution contracts and, accordingly, would not require a shareholder vote to continue operation under those contracts.

To carry out the fund's transactions, FMR may use its broker-dealer affiliates and other firms that sell fund shares, provided that the fund receives services and commission rates comparable to those of other broker-dealers.

#### SECURITIES AND INVESTMENT PRACTICES

The following pages contain more detailed information about types of instruments in which the fund may invest, and strategies FMR may employ in pursuit of the fund's investment objective. A summary of risks and restrictions associated with these instrument types and investment practices is included as well. A complete listing of the fund's policies and limitations and more detailed information about the fund's investments is contained in the fund's SAI. Policies and limitations are considered at the time of purchase; the sale of instruments is not required in the event of a subsequent change in circumstances.

FMR may not buy all of these instruments or use all of these techniques to the full extent permitted unless it believes that doing so will help the fund achieve its goal. Current holdings and recent investment strategies are described in the fund's financial reports, which are sent to the fund's shareholders twice a year. For a free SAI or financial report, contact your insurance company.

**DEBT SECURITIES.** Bonds and other debt instruments are used by issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest, and must repay the amount borrowed at maturity. Some debt securities, such as zero coupon bonds, do not pay current interest, but are purchased at a discount from their face values. Debt securities, loans, and other direct debt have varying degrees of quality and varying levels of sensitivity to changes in interest rates. Longer-term bonds are generally more sensitive to interest rate changes than short-term bonds.

Lower-quality debt securities (sometimes called "junk bonds") are often considered to be speculative and involve greater risk of default or price changes due to changes in interest rates, economic conditions, and the issuer's creditworthiness. As a result, their market prices tend to fluctuate more than higher-quality securities. Lower-quality securities are those rated lower than Baa by Moody's Investors Service, Inc. (Moody's) or BBB by Standard & Poor's Corporation (S&P), and unrated debt securities determined by FMR to be of equivalent quality.

The default rate of lower-quality debt securities is likely to be higher when issuers have difficulty meeting projected goals or obtaining additional financing. This could occur during economic recessions or periods of high interest rates. If an issuer defaults, a fund may try to protect its interests and those of other security holders if it determines this to be in the interest of its shareholders.

Lower-quality securities may be thinly traded, making them difficult to sell promptly at an acceptable price. If market quotations are unavailable, lower-quality securities are valued under guidelines established by the Board of Trustees, including the use of outside pricing services. Negative publicity or investor perceptions may make this difficult, and could hurt a fund's ability to dispose of these securities.

The following table provides a summary of ratings assigned to debt holdings (not including money market instruments) in the fund's portfolio. These figures are dollar-weighted averages of month-end portfolio holdings during fiscal 1994, and are presented as a percentage of total security investments. These percentages are historical and do not necessarily indicate a fund's current or future debt holdings.

#### FISCAL 199\_ DEBT HOLDINGS, BY RATING

Fiscal 199\_ Debt Holdings, by Rating MOODY'S STANDARD & POOR'S  
INVESTORS SERVICE, INC. CORPORATION

Rating Average [A] Rating Average

e[A]

INVESTMENT GRADE

Highest quality Aaa AAA

High quality Aa % AA %

Upper-medium grade A A

Medium grade Baa % BBB %

LOWER QUALITY

Moderately speculative Ba % BB %

Speculative B % B %

Highly speculative Caa % CCC %

Poor quality Ca % CC %

Lowest quality, no interest C C

In default, in arrears -- D %

% %

[FOR TAXABLE GROWTH, GROWTH AND INCOME, BONDS] [A] FOR SOME FOREIGN

GOVERNMENT OBLIGATIONS, FMR ASSIGNS THE

RATINGS OF THE SOVEREIGN CREDIT OF THE ISSUING GOVERNMENT. THE

DOLLAR-WEIGHTED AVERAGE OF DEBT SECURITIES

NOT RATED DIRECTLY OR INDIRECTLY BY MOODY'S OR S&P AMOUNTED TO \_\_\_% FOR HIGH

INCOME AND \_\_\_% FOR FUND

NAME IN TEXT 2. THIS MAY INCLUDE SECURITIES RATED BY OTHER NATIONALLY

RECOGNIZED RATING SERVICES, AS WELL

AS UNRATED SECURITIES. [delete if <5% of debt securities are unrated: FMR

HAS DETERMINED THAT UNRATED SECURITIES

THAT ARE LOWER QUALITY ACCOUNT FOR \_\_\_% OF HIGH INCOME 'S AND \_\_\_% OF 'S

TOTAL SECURITY INVESTMENTS.] REFER

TO THE FUND'S SAI FOR A MORE COMPLETE DISCUSSION OF THESE RATINGS.

[FOR TAX-FREE BONDS] [A] THE DOLLAR-WEIGHTED AVERAGE OF DEBT SECURITIES

NOT RATED BY MOODY'S AND S&P

AMOUNTED TO \_\_\_%. THIS MAY INCLUDE SECURITIES RATED BY OTHER NATIONALLY

RECOGNIZED RATING SERVICES, AS

WELL AS UNRATED SECURITIES. [ DELETE IF <5% OF DEBT SECURITIES ARE UNRATED

: FMR HAS DETERMINED THAT

UNRATED SECURITIES THAT ARE LOWER QUALITY ACCOUNT FOR \_\_\_% OF THE FUND'S

SECURITY INVESTMENTS. ] REFER TO

THE FUND'S SAI FOR A MORE COMPLETE DISCUSSION OF THESE RATINGS.

EQUITY SECURITIES may include common stocks, preferred stocks, convertible securities, and warrants. Common stocks, the most familiar type, represent an equity (ownership) interest in a corporation. Although equity securities have a history of long-term growth in value, their prices fluctuate based on changes in a company's financial condition and on overall market and economic conditions. Smaller companies are especially sensitive to these factors.

RESTRICTIONS: With respect to 75% of its total assets, the fund may not own more than 10% of the outstanding voting securities of a single issuer.

FOREIGN SECURITIES and foreign currencies may involve additional risks.

These include currency fluctuations, risks relating to political or economic conditions in the foreign country, and the potentially less stringent investor protection and disclosure standards of foreign markets.

In addition to the political and economic factors that can affect foreign securities, a governmental issuer may be unwilling to repay principal and interest when due, and may require that the conditions for payment be renegotiated. These factors could make foreign investments, especially those in developing countries, more volatile.

RESTRICTIONS: FMR limits the amount of the fund's net assets that may be invested in foreign securities to 50%. However, the fund, may not invest more than 20% of its assets in any one country. The fund may have an additional 15% invested in securities of issuers located in any one (but only one) of the following countries: Australia, Canada, France, Japan, the United Kingdom or Germany.

ASSET-BACKED AND MORTGAGE SECURITIES may include interests in pools of lower-rated debt securities, consumer loans or mortgages, or complex instruments such as collateralized mortgage obligations and stripped mortgage-backed securities. The value of these securities may be significantly affected by changes in interest rates, the market's perception of issuers, and the creditworthiness of the parties involved. Some securities may have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile. These securities may also be subject to prepayment risk.

STRIPPED SECURITIES are the separate income or principal components of a debt instrument. These involve risks that are similar to those of other debt securities, although they may be more volatile, and certain stripped securities move in the same direction as interest rates.

REPURCHASE AGREEMENTS. In a repurchase agreement, the fund buys a security

at one price and simultaneously agrees to sell it back at a higher price. Delays or losses could result if the other party to the agreement defaults or becomes insolvent.

REAL ESTATE-RELATED INSTRUMENTS include real estate investment trusts, commercial and residential mortgage-backed securities, and real estate financings. Real estate-related instruments are sensitive to factors such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, overbuilding, and the management skill and creditworthiness of the issuer. Real estate-related instruments may also be affected by tax and regulatory requirements, such as those relating to the environment.

ADJUSTING INVESTMENT EXPOSURE. The fund can use various techniques to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates, commodity prices, or other factors that affect security values. These techniques may involve derivative transactions such as buying and selling options and futures contracts, entering into currency exchange contracts or swap agreements, purchasing indexed securities, and selling securities short.

FMR can use these practices to adjust the risk and return characteristics of the fund's portfolio of investments. If FMR judges market conditions incorrectly or employs a strategy that does not correlate well with the fund's investments, these techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These techniques may increase the volatility of the fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty to the transaction does not perform as promised.

DIRECT DEBT. Loans and other direct debt instruments are interests in amounts owed to another party by a company, government, or other borrower. They have additional risks beyond conventional debt securities because they may entail less legal protection for the fund, or there may be a requirement that the fund supply additional cash to a borrower on demand.

ILLIQUID AND RESTRICTED SECURITIES. Some investments may be determined by FMR, under the supervision of the Board of Trustees, to be illiquid, which means that they may be difficult to sell promptly at an acceptable price. The sale of some securities, including illiquid securities, may be subject to legal restrictions. Difficulty in selling securities may result in a loss or may be costly to the fund.

RESTRICTIONS. The fund may not purchase a security if, as a result, more than 15% of its net assets would be invested in illiquid securities.

WHEN-ISSUED AND DELAYED-DELIVERY TRANSACTIONS are trading practices in which payment and delivery for the securities take place at a future date. The market value of a security could change during this period, which could affect the fund's yield.

OTHER INSTRUMENTS If consistent with its investment objective of producing income, the fund's investments may include depositary receipts, rights, and securities of closed-end investment companies.

DIVERSIFICATION. Diversifying the fund's investment portfolio can reduce the risks of investing. This may include limiting the amount of money invested in any one issuer or, on a broader scale, in any one industry.

RESTRICTIONS. With respect to 75% of total assets, the fund may not invest more than 5% of its total assets in any one issuer. The fund also may not invest more than 25% of its total assets in any one industry. These limitations do not apply to U.S. government securities.

BORROWING. The fund may borrow from banks or from other funds advised by FMR, or through reverse repurchase agreements. If the fund borrows money, its share price may be subject to greater fluctuation until the borrowing is paid off. If the fund makes additional investments while borrowings are outstanding, this may be considered a form of leverage.

RESTRICTIONS: The fund may borrow only for temporary or emergency purposes, but not in an amount exceeding 25% of its total assets.

LENDING. Lending securities to broker-dealers and institutions, including FBSI, an affiliate of FMR, is a means of earning income. This practice could result in a loss or a delay in recovering the fund's securities. The fund may also lend money to other funds advised by FMR and to issuers in connection with certain direct debt transactions.

RESTRICTIONS: Loans, in the aggregate, may not exceed 33% of the fund's total assets.

#### FUNDAMENTAL INVESTMENT POLICIES AND RESTRICTIONS

Some of the policies and restrictions discussed on the preceding pages are fundamental, that is, subject to change only by shareholder approval. The following paragraph restates all those that are fundamental. All policies stated throughout this prospectus, other than those identified in the following paragraph, can be changed without shareholder approval.

The fund seeks a high level of current income by investing primarily in high yielding, lower-quality, fixed-income securities, while also

considering growth of capital. With respect to 75% of the fund's total assets, the fund may not invest more than 5% of its total assets in any one issuer and may not own more than 10% of the outstanding voting securities of a single issuer. The fund may not invest more than 25% of its total assets in any one industry. Loans, in the aggregate, may not exceed 33% of the fund's total assets.

INTERNAL REVENUE SERVICE (IRS) LIMITATIONS. In addition to the above, the fund also follows certain limitations imposed by the IRS on separate accounts of insurance companies relating to the tax-deferred status of variable contracts. More specific information may be contained in your insurance company's separate account prospectus.

#### BREAKDOWN OF EXPENSES

Like all mutual funds, the fund pays fees related to its daily operations. Expenses paid out of the fund's assets are reflected in its share price. The fund pays a MANAGEMENT FEE to FMR for managing its investments and business affairs. FMR in turn pays fees to affiliates who provide assistance with these services. The fund also pays OTHER EXPENSES, which are explained on page \_\_\_.

FMR may, from time to time, agree to reimburse the fund for management fees and other expenses above a specified limit. FMR retains the ability to be repaid by the fund if expenses fall below the specified limit prior to the end of the fiscal year. Reimbursement arrangements, which may be terminated at any time without notice, can decrease the fund's expenses and boost its performance.

#### MANAGEMENT FEE

The fund's MANAGEMENT FEE is calculated and paid to FMR every month. The fee for the fund is calculated by adding a group fee rate to an individual fee rate, and multiplying the result by the fund's average net assets.

THE GROUP FEE RATE is based on the average net assets of all the mutual funds advised by FMR. This rate cannot rise above 0.37% and it drops as total assets under management increase.

For December 31, 1994, the group fee rate was \_\_%. The fund's individual fund fee rate is 0.45%. For fiscal year 1994, the total management was \_\_%.

FMR HAS SUB-ADVISORY AGREEMENTS with FMR U.K. and FMR Far East. These sub-advisers provide FMR with investment research and advice on issuers based outside the United States. Under the sub-advisory agreements, FMR pays FMR U.K. and FMR Far East fees equal to 110% and 105%, respectively, of the costs of providing these services.

The sub-advisers may also provide investment management services. In return, FMR pays FMR U.K. and FMR Far East a fee equal to 50% of its management fee rate with respect to the fund's investments that the sub-adviser manages on a discretionary basis.

#### OTHER EXPENSES

While the management fee is a significant component of the fund's annual operating costs, the fund has other expenses as well.

FIIOC performs transfer agency, dividend disbursing and shareholder servicing functions for the fund. Fidelity Service Company (FSC), 82 Devonshire Street, Boston, Massachusetts, calculates the net asset value (NAV) and dividends, maintains the general accounting records and administers securities lending program for the fund.

In fiscal 1994, the fund paid FIIOC fees equal to % of the fund's average net assets for transfer agency and related services, and the fund paid FSC fees equal to % of its average net assets for pricing and bookkeeping services.

For fiscal year 1994, the fund's total expenses amounted to % of the fund's average net assets. FMR has voluntarily agreed to temporarily limit the fund's total operating expenses (as a percentage of the fund's average net assets) to 1.00% [if the fund was in reimbursement, restate its management fee, expenses and total expense ratio before the reimbursement.] The fund has adopted a Distribution and Service Plan. This plan recognizes that FMR may use its resources, including management fees, to pay expenses associated with the sale of fund shares. This may include payments to third parties, such as banks or broker-dealers, that provide shareholder support services or engage in the sale of the fund's shares. The Board of Trustees has not authorized such payments.

The fund also pays other expenses, such as legal, audit, and custodian fees; proxy solicitation costs; and the compensation of trustees who are not affiliated with Fidelity.

The fund's portfolio turnover rate for fiscal 1994 was %. This rate varies from year to year. High turnover rates increase transaction costs. FMR considers these effects when evaluating the anticipated benefits of short-term investing.

#### PERFORMANCE

The fund's total return may be quoted in advertising if accompanied by performance of your insurance company's separate account. Performance is based on historical results and is not intended to indicate future

performance. For additional performance information, contact your insurance company for a free annual report.

#### EXPLANATION OF TERMS

TOTAL RETURN is the change in value of an investment in the fund over a given period, assuming reinvestment of any dividends and capital gains. A CUMULATIVE TOTAL RETURN reflects actual performance over a stated period of time. An AVERAGE ANNUAL TOTAL RETURN is a hypothetical rate of return that, if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total returns smooth out variations in performance; they are not the same as actual year-by-year results.

YIELD refers to the income generated by an investment in the fund over a given period of time, expressed as an annual percentage rate.

In calculating yield, the fund may from time to time use a security's coupon rate instead of its yield to maturity in order to reflect the risk premium on that security. This practice will have the effect of reducing the fund's yield.

THE CONSUMER PRICE INDEX is a widely recognized measure of inflation calculated by the U.S. government.

The fund's recent strategies, performance, and holdings are detailed twice a year in financial reports, which are sent to all shareholders.

TOTAL RETURNS AND YIELDS QUOTED FOR THE FUND INCLUDES THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE SHARES OF THE FUND MAY ONLY BE PURCHASED THROUGH VARIABLE ANNUITY AND VARIABLE LIFE INSURANCE CONTRACTS, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted. You should bear in mind the effect of these charges when comparing the fund's performance to that of other mutual funds.

#### DISTRIBUTIONS AND TAXES

For a discussion of the tax status of your variable insurance contract, refer to the prospectus of your insurance company's separate account. It is suggested you keep all statements you receive to assist in your personal recordkeeping.

It is expected that shares of the fund will be held under the terms of variable annuity and variable life insurance contracts. Under current tax law, dividends or capital gain distributions from the fund are not currently taxable when left to accumulate within a variable annuity or variable life insurance contract. Depending on the variable contract, withdrawals from the contracts may be subject to ordinary income tax and, in addition to a 10% penalty tax on withdrawals before age 59 1/2.

The fund is treated as a separate entity for federal income tax purposes and intends to pay out all of its net investment income and net realized capital gains for each year. Dividends will be distributed at least annually. The fund makes dividend and capital gain distributions on a per-share basis. After distribution from the fund, the fund's share price drops by the amount of the distribution. Because dividends and capital gain distributions are reinvested, the total value of an account will not be affected because, although the shares will have a lower price, there will be correspondingly more of them. Normally, net realized capital gains, if any, are distributed each year for the fund. Such income and capital gain distributions are automatically reinvested in additional shares of the fund.

#### TRANSACTION DETAILS

THE FUND IS OPEN FOR BUSINESS each day the New York Stock Exchange (NYSE) is open. Fidelity normally calculates the fund's NAV as of the close of business of the NYSE, normally 4 p.m. Eastern time.

THE FUND'S NAV is the value of a single share. The NAV is computed by adding the value of the fund's investments, cash, and other assets, subtracting its liabilities, and then dividing the result by the number of shares outstanding.

The fund's assets are valued primarily on the basis of market quotations. Foreign securities are valued on the basis of quotations from the primary market in which they are traded, and are translated from the local currency into U.S. dollars using current exchange rates. If quotations are not readily available or if the values have been materially affected by events occurring after the closing of a foreign market, assets are valued by a method that the Board of Trustees believes accurately reflects fair value.

THE FUND'S OFFERING PRICE (price to buy one share) and REDEMPTION PRICE (price to sell one share) are its NAV.

THE FUND RESERVES THE RIGHT TO SUSPEND THE OFFERING OF SHARES for a period of time. The fund also reserves the right to reject any specific purchase order. Purchase orders may be refused if, in FMR's opinion, they would disrupt management of the fund.

INVESTMENTS AND REDEMPTIONS. Investments may be made only by separate

accounts established and maintained by insurance companies for the purpose of funding variable insurance contracts. Please refer to the prospectus of your insurance company's separate account for information on how to invest and redeem from the fund.

Each Participating insurance company receives orders from its variable contract owners to purchase or redeem shares of the fund each Business Day. That night, all orders received by that insurance company on that Business Day are aggregated, and the insurance company places a net purchase or redemption order for shares of the fund the morning of the next Business Day. These orders are generally executed at the NAV that was computed at the close of the previous Business Day in order to provide a match between the variable contract owners' orders to the insurance companies and the insurance companies' orders to the fund. In some cases, an insurance company's orders for fund shares may be executed at the NAV next computed after the order is actually transmitted to the fund.

Redemption proceeds will normally be wired to the insurance company on the next business day after receipt of the redemption instructions by the fund but in no event later than 7 days following receipt of instructions. The fund may suspend redemptions or postpone payment dates on days when the NYSE is closed (other than weekend or holidays), when trading on the NYSE is restricted, or as permitted by the SEC.

#### APPENDIX

##### DESCRIPTION OF MOODY'S CORPORATE BOND RATINGS:

AAA - Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

AA - Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A - Bonds rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

BAA - Bonds rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

BA - Bonds rated Ba are judged to have speculative elements. Their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B - Bonds rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small.

CAA - Bonds rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

CA - Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.

C - Bonds rated C are the lowest-rated class of bonds and issued so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies numerical modifiers, 1, 2, and 3, in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

##### DESCRIPTION OF S&P'S CORPORATE BOND RATINGS:

AAA - Debt rated AAA has the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated AA has a very strong capacity to pay interest and repay

principal and differs from the higher-rated issues only in small degree.

A - Debt rated A has a strong capacity to pay interest and repay principal, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB - Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher-rated categories.

BB - Debt rate BB has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

B - Debt rated B has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BB- rating.

CCC - Debt rated CCC has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

CC - Debt rated CC is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC debt rating.

C - The rating C is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC- debt rating. The C rating may be used to cover a situation where a bankruptcy petition has been filed but debt service payments are continued.

CI - The rating CI is reserved for income bonds on which no interest is being paid.

D - Debt rated D is in payment default. The D rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating will also be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

HIGH INCOME PORTFOLIO  
 A FUND OF VARIABLE INSURANCE PRODUCTS FUND  
 STATEMENT OF ADDITIONAL INFORMATION  
 APRIL 30, 1995

This Statement is not a prospectus but should be read in conjunction with the fund's current Prospectus (dated April 30, 1995). Please retain this document for future reference. The fund's financial statements and financial highlights, included in the Annual Report for the fiscal year ended December 31, 1994, are incorporated herein by reference. To obtain an additional copy of the Prospectus or the Annual Report, please call your insurance company or Fidelity Distributors Corporation at 1-800-544-8888.

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Description of the Trust

Financial Statements

INVESTMENT ADVISER

Fidelity Management & Research Company (FMR)

INVESTMENT SUB-ADVISERS

Fidelity Management & Research (U.K.) Inc. (FMR U.K.)

Fidelity Management & Research (Far East) Inc. (FMR Far East)

DISTRIBUTOR

Fidelity Distributors Corporation (FDC)

TRANSFER AGENT

Fidelity Investments Institutional Operations Company (FIIOC)

VIP-HI-ptb-0495

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 the 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.

The 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) of the fund. However, except for the fundamental investment limitations set forth below, the investment policies and limitations described in this Statement of Additional Information are not fundamental and may be changed without shareholder approval.

THE FOLLOWING ARE THE FUND'S FUNDAMENTAL INVESTMENT LIMITATIONS. THE FUND MAY NOT:

(1) 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) 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;

(2) issue senior securities, except as permitted under the Investment Company Act of 1940;

(3) borrow money, except that the fund (i) may borrow money for temporary or emergency purposes (not for leveraging or investment) or (ii) engage in reverse repurchase agreements, provided that (i) and (ii) in combination (borrowings) do not exceed 33 1/3% of its total assets (including the amount borrowed) less liabilities (other than borrowings). Any borrowings that come to exceed 33 1/3% of the value of the fund's total assets by reason of a decline in net assets will be reduced within three days (exclusive of Sundays and holidays) to the extent necessary to comply with the 33 1/3% limitation;

(4) 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;

(5) 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 its total assets would be invested in the securities of companies whose principal business activities are in the same industry;

(6) 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);

(7) 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); or

(8) 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.

THE FOLLOWING INVESTMENT LIMITATIONS ARE NOT FUNDAMENTAL AND MAY BE CHANGED WITHOUT SHAREHOLDER NOTIFICATION.

(i) 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.

(ii) 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.

(iii) 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 advisor or (b) by engaging in reverse repurchase agreements with any party (reverse repurchase agreements are treated as borrowings for purposes of fundamental investment limitation (3)). The fund will not borrow money in excess of 25% of net assets so long as this limitation is required for certification by certain state insurance departments. Any borrowings that come to exceed this amount will be reduced within seven days (not including Sundays and holidays) to the extent necessary to comply with the 25% limitation. The fund will not purchase any security while borrowings representing more than 5% of its total assets are outstanding. The fund will not borrow from other funds advised by FMR or its affiliates if total outstanding borrowings immediately after such borrowing would exceed 15% of the fund's total assets.

(iv) 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.

(v) The fund does not currently intend to lend assets other than securities to other parties, except by: (a) lending money (up to 7.5% of its net assets) to a registered investment company or portfolio for which FMR or an affiliate serves as investment advisor or (b) acquiring loans, loan participations, or other forms of direct debt instruments and, in connection therewith, assuming any associated unfunded commitments of the sellers. (This limitation does not apply to purchases of debt securities or to repurchase agreements.)

(vi) The fund does not currently intend to (a) purchase securities of other investment companies, except in the open market where no commission except the ordinary broker's commission is paid, or (b) purchase or retain securities issued by other open-end investment companies. Limitations (a) and (b) do not apply to securities received as dividends, through offers of exchange, or as a result of a reorganization, consolidation, or merger.

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

In accordance with the fund's fundamental investment policies, there are no limitations on the percentage of the funds' assets which may be invested in any one type of instrument. Nor are there limitations (except those imposed by certain state insurance regulations) on the percentage of the fund's assets which may be invested in any foreign country. However, in order to comply with diversification requirements under Section 817(h) of the Internal Revenue Code of 1986, as amended, in connection with FMR serving as investment advisor, the fund has agreed to certain non-fundamental limitations. Please refer to your insurance company's separate account prospectus for more information.

For the fund's limitations on futures and options transactions, see the section entitled "Limitations on Futures and Options Transactions" beginning on page \_\_\_.

For the fund's policies on foreign investments, see the section entitled "Foreign Investments" on page \_\_\_.

**AFFILIATED BANK TRANSACTIONS.** The fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the fund under the Investment Company Act of 1940. These transactions may include 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, the Board of Trustees has established and periodically reviews procedures applicable to transactions involving affiliated financial institutions.

**LOWER-QUALITY DEBT SECURITIES.** While the market for high-yield corporate debt securities has been in existence for many years and has weathered previous economic downturns, the 1980s brought a dramatic increase in the use of such securities to fund highly leveraged corporate acquisitions and

restructurings. Past experience may not provide an accurate indication of the future performance of the high-yield bond market, especially during periods of economic recession. In fact, from 1989 to 1991, the percentage of lower-quality securities that defaulted rose significantly above prior levels, although the default rate decreased in 1992, 1993 and [increased/decreased] in 1994.

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. If market quotations are not available, lower-quality debt securities will be valued in accordance with procedures established by the Board of Trustees, including the use of outside pricing services. Judgment plays a greater role in valuing high-yield corporate debt securities than is the case for securities for which more external sources for quotations and last-sale information are available. Adverse publicity and changing investor perceptions may affect the ability of outside pricing services to value lower-quality debt securities and the fund's ability to dispose of these securities. Since the risk of default is higher for lower-quality debt securities, FMR's research and credit analysis are an especially important part of managing securities of this type held by the fund. In considering investments for the fund, FMR will 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. FMR's analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects, and the experience and managerial strength of the issuer.

The 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.

**SWAP AGREEMENTS.** Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the fund's exposure to long- or short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The fund is not limited to any particular form of swap agreement if FMR determines it is consistent with the fund's investment objective and policies.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

Swap agreements will tend to shift the fund's investment exposure from one type of investment to another. For example, if the fund agreed to exchange payments in dollars for payments in foreign currency, the swap agreement would tend to decrease the fund's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the fund's investments and its share price and yield.

The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, or other factors that determine the amounts of payments due to and from the fund. If a swap agreement calls for payments by the fund, the fund must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declined, the value of a swap agreement would be likely to decline, potentially resulting in losses. The fund expects to be able to eliminate its exposure under swap agreements either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or a similarly creditworthy party.

The fund will maintain appropriate liquid assets in a segregated custodial account to cover its current obligations under swap agreements. If the fund enters into a swap agreement on a net basis, it will segregate assets with a daily value at least equal to the excess, if any, of the fund's accrued obligations under the swap agreement over the accrued amount the fund is entitled to receive under the agreement. If the fund enters into a swap agreement on other than a net basis, it will segregate assets with a value equal to the full amount of the fund's accrued obligations under the agreement.

**VARIABLE OR FLOATING RATE OBLIGATIONS** bear variable or floating interest

rates and may carry rights that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries. Floating rate instruments have interest rates that change whenever there is a change in a designated base rate while variable rate instruments provide for a specified periodic adjustment in the interest rate. These formulas are designed to result in a market value for the instrument that approximates its par value.

**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 are subject to the fund's policies regarding the quality of debt securities.

Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of principal and interest. Direct debt instruments may not be rated by any nationally recognized rating service. If the fund does not receive scheduled interest or principal payments on such indebtedness, the fund's share price and yield could be adversely affected. Loans that are fully secured offer the fund more protections than an unsecured loan in the event of non-payment of scheduled interest or principal. 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 developing 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.

Investments in loans through direct assignment of a financial institution's interests with respect to a loan may involve additional risks to the fund. For example, if a loan is foreclosed, the fund 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, the fund 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. Direct debt instruments that are not in the form of securities may offer less legal protection to the fund in the event of fraud or misrepresentation. In the absence of definitive regulatory guidance, the fund relies on FMR's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the fund.

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 fund has direct recourse against the borrower, it 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 the fund were determined to be subject to the claims of the agent's general creditors, the fund 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 purchased by the fund may include letters of credit, revolving credit facilities, or other standby financing commitments obligating the fund to pay additional cash on demand. These commitments may have the effect of requiring the fund 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. The fund will set aside appropriate liquid assets in a segregated custodial account to cover its potential obligations under standby financing commitments.

The fund limits the amount of total assets that it will invest in any one issuer or in issuers within the same industry (see limitations 1 and 5). For purposes of these limitations, 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 the fund and the borrower, if the participation does not shift to the fund the direct debtor-creditor relationship with the borrower, SEC interpretations require the 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 the 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.

**INDEXED SECURITIES.** The fund may purchase securities whose prices are indexed to the prices of other securities, securities indices, currencies, precious metals or other commodities, or other financial indicators. Indexed securities typically, but not always, are debt securities or deposits whose value at maturity or coupon rate is determined by reference to a specific instrument or statistic. Gold-indexed securities, for example, typically provide for a maturity value that depends on the price of gold, resulting in a security whose price tends to rise and fall together with gold prices. 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 of equivalent issuers. 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 security, currency, or other instrument to which they are indexed, and may also be influenced by interest rate changes in the United States and abroad. At the same time, indexed securities are 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. Indexed securities may be more volatile than the underlying instruments.

**ILLIQUID INVESTMENTS** are investments that cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued. Under the supervision of the Board of Trustees, FMR determines the liquidity of the fund's investments and, through reports from FMR, the Board monitors investments in illiquid instruments. In determining the liquidity of the fund's investments, FMR may consider various factors, including (1) the frequency of trades and quotations, (2) the number of dealers and prospective purchasers in the marketplace, (3) dealer undertakings to make a market, (4) the nature of the security (including any demand or tender features), and (5) the nature of the marketplace for trades (including the ability to assign or offset the fund's rights and obligations relating to the investment).

Investments currently considered by the fund to be illiquid include repurchase agreements not entitling the holder to payment of principal and interest within seven days, non-government stripped fixed-rate mortgage-backed securities, and over-the-counter options. Also, FMR may determine some restricted securities, government-stripped fixed-rate mortgage-backed securities, loans and other direct debt instruments, emerging market securities, and swap agreements to be illiquid. However, with respect to over-the-counter options the fund writes, all or a portion of the value of the underlying instrument may be illiquid depending on the assets held to cover the option and the nature and terms of any agreement the fund may have to close out the option before expiration.

In the absence of market quotations, illiquid investments are priced at fair value as determined in good faith by a committee appointed by the Board of Trustees. 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 was invested in illiquid securities, it would seek to take appropriate steps to protect liquidity.

**RESTRICTED SECURITIES** generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933, or in a registered public offering. Where registration is required, the fund 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 fund might obtain a less favorable price than prevailed when it decided to seek registration of the security.

**REPURCHASE AGREEMENTS** In a repurchase agreement, the fund purchases a security and simultaneously commits 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. While it does not presently appear possible to eliminate all risks from these transactions

(particularly the possibility that the value of the underlying security will be less than the resale price, as well as delays and costs to the fund in connection with bankruptcy proceedings), it is the fund's current policy to engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by FMR.

**REVERSE REPURCHASE AGREEMENTS** In a reverse repurchase agreement, the fund sells a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time. While a reverse repurchase agreement is outstanding, the fund will maintain appropriate liquid assets in a segregated custodial account to cover its obligation under the agreement. The fund will enter into reverse repurchase agreements only with parties whose creditworthiness has been found satisfactory by FMR. Such transactions may increase fluctuations in the market value of the fund's assets and may be viewed as a form of leverage.

**SECURITIES LENDING.** The fund may lend securities to parties such as broker-dealers or institutional investors, including Fidelity Brokerage Services, Inc. (FBSI). FBSI is a member of the New York Stock Exchange and a subsidiary of FMR Corp.

Securities lending allows the fund to retain ownership of the securities loaned and, at the same time, to earn additional income. Since there may be delays in the recovery of loaned securities, or even a loss of rights in collateral supplied should the borrower fail financially, loans will be made only to parties deemed by FMR to be of good standing. Furthermore, they will only be made if, in FMR's judgment, the consideration to be earned from such loans would justify the risk.

FMR understands that it is the current view of the SEC Staff that a fund may engage in loan transactions only under the following conditions: (1) the fund must receive 100% collateral in the form of cash or cash equivalents (e.g., U.S. Treasury bills or notes) from the borrower; (2) the borrower must increase the collateral whenever the market value of the securities loaned (determined on a daily basis) rises above the value of the collateral; (3) after giving notice, the fund must be able to terminate the loan at any time; (4) the fund must receive reasonable interest on the loan or a flat fee from the borrower, as well as amounts equivalent to any dividends, interest, or other distributions on the securities loaned and to any increase in market value; (5) the fund may pay only reasonable custodian fees in connection with the loan; and (6) the Board of Trustees must be able to vote proxies on the securities loaned, either by terminating the loan or by entering into an alternative arrangement with the borrower.

Cash received through loan transactions may be invested in any security in which the fund is authorized to invest. Investing this cash subjects that investment, as well as the security loaned, to market forces (i.e., capital appreciation or depreciation).

**ZERO COUPON BONDS.** Zero coupon bonds do not make interest payments; instead, they are sold at a deep 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 very volatile when interest rates change. In calculating its dividends, the fund takes into account as income a portion of the difference between a zero coupon bond's purchase price and its face value.

A broker-dealer creates a **DERIVATIVE ZERO** by separating the interest and principal components of a U.S. Treasury security and selling them as two individual securities. **CATS** (Certificates of Accrual on Treasury Securities), **TIGRs** (Treasury Investment Growth Receipts), and **TRs** (Treasury Receipts) are examples of derivative zeros.

The Federal Reserve Bank creates **STRIPS** (Separate Trading of Registered Interest and Principal of Securities) by separating the interest and principal components of an outstanding U.S. Treasury bond and selling them as individual securities. Bonds issued by the Resolution Funding Corporation (REFCORP) and the Financing Corporation (FICO) can also be separated in this fashion. **ORIGINAL ISSUE ZEROS** are zero coupon securities originally issued by the U.S. government, a government agency, or a corporation in zero coupon form.

**STRIPPED MORTGAGE-BACKED SECURITIES** are created when a U.S. government agency or a financial institution separates the interest and principal components of a mortgage-backed security and sells them as individual securities. The holder of the "principal-only" security (PO) receives the principal payments made by the underlying mortgage-backed security, while the holder of the "interest-only" security (IO) receives interest payments from the same underlying security.

The prices of stripped mortgage-backed securities may be particularly affected by changes in interest rates. As interest rates fall, prepayment rates tend to increase, which tends to reduce prices of IOs and increase prices of POs. Rising interest rates can have the opposite effect.

**MORTGAGE-BACKED SECURITIES.** The fund may purchase mortgage-backed securities issued by government and non-government entities such as banks, mortgage lenders, or other financial institutions. A mortgage-backed security may be 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-backed securities, such as collateralized mortgage obligations or CMOs, make payments of both principal and interest at a variety of intervals; others make semiannual interest payments at a predetermined rate and repay principal at maturity (like a typical bond). Mortgage-backed securities are based on different types of mortgages including those on commercial real estate or residential properties. Other types of mortgage-backed securities will likely be developed in the future, and the fund may invest in them if FMR determines they are consistent with the fund's investment objective and policies.

The value of mortgage-backed securities may change due to shifts in the market's perception of issuers. In addition, regulatory or tax changes may adversely affect the mortgage securities market as a whole. Non-government mortgage-backed securities may offer higher yields than those issued by government entities, but also may be subject to greater price changes than government issues. Mortgage-backed securities are subject to prepayment risk. Prepayment, which occurs when unscheduled or early payments are made on the underlying mortgages, may shorten the effective maturities of these securities and may lower their total returns.

**INTERFUND BORROWING PROGRAM.** The fund has received permission from the SEC to lend money to and borrow money from other funds advised by FMR or its affiliates. Interfund loans and borrowings normally will extend overnight, but can have a maximum duration of seven days. Loans may be called on one day's notice. The fund will lend through the program only when the returns are higher than those available at the same time from other short-term instruments (such as repurchase agreements), and will borrow through the program only when the costs are equal to or lower than the cost of bank loans. The 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.

**FOREIGN INVESTMENTS.** Investing in securities issued by companies or other issuers whose principal activities are outside the United States may involve significant risks in addition to the risks inherent in U.S. investments. 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. In addition, there is generally less publicly available information about foreign issuers' financial condition and operations, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. 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. Further, economies of particular countries or areas of the world may differ favorably or unfavorably from the economy of the United States.

Investing abroad also involves different political and economic risks. Foreign investments may be affected by actions of foreign governments adverse to the interests of U.S. investors, including the possibility of 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. There may be a greater possibility of default by foreign governments or foreign government-sponsored enterprises. Investments in foreign countries also involve a risk of local political, economic, or social instability, military action or unrest, or adverse diplomatic developments. There is no assurance that FMR will be able to anticipate these potential events or counter their effects. The considerations noted above generally are intensified for investments in developing countries. Developing countries may have relatively unstable governments, economies based on only a few industries, and securities markets that trade a small number of securities. Foreign markets may offer less protection to investors than U.S. markets. It is anticipated that in most cases the best available market for foreign securities will be on exchanges or in over-the-counter 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 (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. issuers. Foreign security trading practices, including those involving securities settlement where fund assets may be released prior to receipt of payment, may expose the fund to increased risk in the event of a failed trade or the insolvency of a foreign broker-dealer, and may involve substantial delays. In addition, the costs

of foreign investing, including withholding taxes, brokerage commissions and custodial costs, are generally higher than for U.S. investors. In general, there is less overall governmental supervision and regulation of securities exchanges, brokers, and listed companies than in the United States. It may also be difficult to enforce legal rights in foreign countries.

The fund may invest in foreign securities that 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.

The fund may invest in American Depository Receipts and European Depository Receipts (ADRs and EDRs), which are certificates evidencing ownership of shares of a foreign-based issuer held in trust by a bank or similar financial institution. Designed for use in the U.S. and European securities markets, respectively, ADRs and EDRs are alternatives to the purchase of the underlying securities in their national markets and currencies.

**FOREIGN CURRENCY TRANSACTIONS.** The fund may conduct foreign currency transactions on a spot (i.e., cash) basis or by entering into forward contracts to purchase or sell foreign currencies at a future date and price. The fund will convert currency on a spot basis from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers generally do not charge a fee for conversion, 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 to the fund at one rate, while offering a lesser rate of exchange should the fund desire to resell that currency to the dealer. Forward contracts are generally traded in an interbank market conducted 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 fund may use currency forward contracts for any purpose consistent with its investment objective. The following discussion summarizes the principal currency management strategies involving forward contracts that could be used by the fund. The fund may also use swap agreements, indexed securities, and options and futures contracts relating to foreign currencies for the same purposes.

When the fund agrees to buy or sell a security denominated in a foreign currency, it may desire to "lock in" the U.S. dollar price of the security. By entering into a forward contract for the purchase or sale, for a fixed amount of U.S. dollars, of the amount of foreign currency involved in the underlying security transaction, the fund will be able to protect itself against an adverse change in foreign currency values between the date the security is purchased or sold and the date on which payment is made or received. This technique is sometimes referred to as a "settlement hedge" or "transaction hedge." The fund may also enter into forward contracts to purchase or sell a foreign currency in anticipation of future purchases or sales of securities denominated in foreign currency, even if the specific investments have not yet been selected by FMR.

The fund may also use forward contracts to hedge against a decline in the value of existing investments denominated in foreign currency. For example, if the 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. The fund could also hedge the position by selling another currency expected to perform similarly to the pound sterling - for example, by entering into a forward contract to sell Deutschmarks or European Currency Units in return for U.S. dollars. 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 simple 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.

The 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. For example, if the fund held investments denominated in Deutschmarks, the fund could enter into forward contracts to sell Deutschmarks and purchase Swiss Francs. 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 the fund had sold a security denominated in one

currency and purchased an equivalent security denominated in another. Cross-hedges protect against losses resulting from a decline in the hedged currency, but will cause the fund to assume the risk of fluctuations in the value of the currency it purchases.

Under certain conditions, SEC guidelines require mutual funds to set aside appropriate liquid assets in a segregated custodial account to cover currency forward contracts. As required by SEC guidelines, the fund will segregate assets to cover currency forward contracts, if any, whose purpose is essentially speculative. The fund will not segregate assets to cover forward contracts entered into for hedging purposes, including settlement hedges, position hedges, and proxy hedges.

Successful use of currency management strategies will depend on FMR's skill in analyzing and predicting currency values. Currency management strategies may substantially change the fund's investment exposure to changes in currency exchange rates, and could result in losses to the fund if currencies do not perform as FMR anticipates. For example, if a currency's value rose at a time when FMR had hedged the fund by selling that currency in exchange for dollars, the fund would be unable to participate in the currency's appreciation. If FMR hedges currency exposure through proxy hedges, the fund could realize currency losses from the hedge and the security position at the same time if the two currencies do not move in tandem. Similarly, if FMR increases the fund's exposure to a foreign currency, and that currency's value declines, the fund will realize a loss. There is no assurance that FMR's use of currency management strategies will be advantageous to the fund or that it will hedge at an appropriate time.

**LIMITATIONS ON FUTURES AND OPTIONS TRANSACTIONS.** The fund has filed a notice of eligibility for exclusion from the definition of the term "commodity pool operator" with the Commodity Futures Trading Commission (CFTC) and the National Futures Association, which regulate trading in the futures markets. The fund intends to comply with Rule 4.5 under the Commodity Exchange Act, which limits the extent to which the fund can commit assets to initial margin deposits and option premiums.

In addition, the fund 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 securities that incorporate features similar to options.

The above limitations on the fund's investments in futures contracts and options, and the fund's policies regarding futures contracts and options discussed elsewhere in this Statement of Additional Information may be changed as regulatory agencies permit.

**FUTURES CONTRACTS.** When the fund purchases a futures contract, it agrees to purchase a specified underlying instrument at a specified future date. When the fund sells a futures contract, it agrees to sell the underlying instrument at a specified future date. The price at which the purchase and sale will take place is fixed when the fund enters into the contract. Some currently available futures contracts are based on specific securities, such as U.S. Treasury bonds or notes, and some are based on indices of securities prices, such as the Standard & Poor's Composite Index of 500 Stocks (S&P 500). Futures can be held until their delivery dates, or can be closed out before then if a liquid secondary market is available.

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

**FUTURES MARGIN PAYMENTS.** The purchaser or seller of a futures contract is not required to deliver or pay for the underlying instrument 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. Initial margin deposits are typically equal to a percentage of the contract's value. 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. The party that has a gain may



be 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 the fund's investment limitations. In the event of the bankruptcy of an FCM that holds margin on behalf of the 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.

**PURCHASING PUT AND CALL OPTIONS.** By purchasing a put option, the fund 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 fund pays the current market price for the option (known as the option premium). Options have various types of underlying instruments, including specific securities, indices of securities prices, and futures contracts. The fund may terminate its position in a put option it has purchased by allowing it to expire or by exercising the option. If the option is allowed to expire, the fund will lose the entire premium it paid. If the fund exercises the option, it completes the sale of the underlying instrument at the strike price. The fund 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 security prices fall 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 paid, 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 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 security prices fall. At the same time, the buyer can expect to suffer a loss if security prices do not rise sufficiently to offset the cost of the option.

**WRITING PUT AND CALL OPTIONS.** When the fund writes a put option, it takes the opposite side of the transaction from the option's purchaser. In return for receipt of the premium, the fund assumes the obligation to pay the strike price for the option's underlying instrument if the other party to the option chooses to exercise it. When writing an option on a futures contract, the fund will be required to make margin payments to an FCM as described above for futures contracts. The fund may seek to terminate its position in a put option it writes 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 the fund has written, however, the fund must continue to be prepared to pay the strike price while the option is outstanding, regardless of price changes, and must continue to set aside assets to cover its position.

If security prices rise, a put writer would generally expect to profit, although its gain would be limited to the amount of the premium it received. If security prices remain 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 security prices fall, 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 fund to sell or deliver the option's underlying instrument, 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 mitigates the effects of a price decline. At the same time, because a call writer must be prepared to deliver the underlying instrument 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.

**COMBINED POSITIONS.** The fund may purchase and write 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, the fund may purchase a put option and write a call option on the same underlying instrument, in order to 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, in order 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.

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

Options and futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match the fund's investments well. Options and 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 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. The fund may purchase or sell options and 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 the fund's options or 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.

**LIQUIDITY OF OPTIONS AND FUTURES CONTRACTS.** There is no assurance a liquid secondary market will exist for any particular options or futures 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 options and 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 for the fund to enter into new positions or close out existing positions. If the secondary 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 the fund to continue to hold a position until delivery or expiration regardless of changes in its value. As a result, the fund's access to other assets held to cover its options or futures positions could also be impaired.

**OTC OPTIONS.** Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter (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 fund greater flexibility to tailor an option to its needs, OTC options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

**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 indices, as discussed above. The fund may purchase and sell currency futures and may purchase and write currency options to increase or decrease its exposure to different foreign currencies. The fund may also purchase and write currency options 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 the fund's investments. A currency hedge, for example, should protect a Yen-denominated security from a decline in the Yen, but will not protect the fund against a price decline resulting from deterioration in the issuer's creditworthiness. Because the value of the 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.

ASSET COVERAGE FOR FUTURES AND OPTIONS POSITIONS. The fund will comply with guidelines established by the Securities and Exchange Commission with respect to coverage of options and futures strategies by mutual funds, and if the guidelines so require will set aside appropriate liquid assets in a segregated custodial account in the amount prescribed. Securities held in a segregated account cannot be sold while the futures or option strategy is outstanding, unless they are replaced with other suitable assets. As a result, there is a possibility that segregation of a large percentage of the fund's assets could impede portfolio management or the fund's ability to meet redemption requests or other current obligations.

#### PORTFOLIO TRANSACTIONS

All orders for the purchase or sale of portfolio securities are placed on behalf of the fund by FMR pursuant to authority contained in the management contract. If FMR grants investment management authority to the sub-advisers (see the section entitled "Management Contracts"), the sub-advisers are authorized to place orders for the purchase and sale of portfolio securities, and will do so in accordance with the policies described below. FMR is also responsible for the placement of transaction orders for other investment companies and accounts for which it or its affiliates act as investment adviser. In selecting broker-dealers, subject to applicable limitations of the federal securities laws, FMR considers various relevant factors, including, but not limited to: the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the execution efficiency, settlement capability, and financial condition of the broker-dealer firm; the broker-dealer's execution services rendered on a continuing basis; and the reasonableness of any commissions. Commissions for foreign investments traded on foreign exchanges generally will be higher than for U.S. investments and may not be subject to negotiation.

The fund may execute portfolio transactions with broker-dealers who provide research and execution services to the fund or other accounts over which FMR or its affiliates exercise investment discretion. Such services may include advice concerning the value of securities; the advisability of investing in, purchasing, or selling securities; the availability of securities or the purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and performance of accounts; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). The selection of such broker-dealers generally is made by FMR (to the extent possible consistent with execution considerations) based upon the quality of research and execution services provided.

The receipt of research from broker-dealers that execute transactions on behalf of the fund may be useful to FMR in rendering investment management services to the fund or its other clients, and conversely, such research provided by broker-dealers who have executed transaction orders on behalf of other FMR clients may be useful to FMR in carrying out its obligations to the fund. The receipt of such research has not reduced FMR's normal independent research activities; however, it enables FMR to avoid the additional expenses that could be incurred if FMR tried to develop comparable information through its own efforts.

Subject to applicable limitations of the federal securities laws, broker-dealers may receive commissions for agency transactions that are in excess of the amount of commissions charged by other broker-dealers in recognition of their research and execution services. In order to cause the fund to pay such higher commissions, FMR must determine in good faith that such commissions are reasonable in relation to the value of the brokerage and research services provided by such executing broker-dealers, viewed in terms of a particular transaction or FMR's overall responsibilities to the fund and its other clients. In reaching this determination, FMR will not attempt to place a specific dollar value on the brokerage and research services provided, or to determine what portion of the compensation should be related to those services.

FMR is authorized to use research services provided by and to place portfolio transactions with brokerage firms that have provided assistance in the distribution of shares of the fund or shares of other Fidelity funds to the extent permitted by law. FMR may use research services provided by and place agency transactions with Fidelity Brokerage Services, Inc. (FBSI) and Fidelity Brokerage Services, Ltd. (FBSL), subsidiaries of FMR Corp., if the commissions are fair, reasonable, and comparable to commissions charged by non-affiliated, qualified brokerage firms for similar services.

Section 11(a) of the Securities Exchange Act of 1934 prohibits members of national securities exchanges from executing exchange transactions for accounts which they or their affiliates manage, unless certain requirements are satisfied. Pursuant to such requirements, the Board of Trustees has

authorized FBSI to execute portfolio transactions on national securities exchanges in accordance with approved procedures and applicable SEC rules. The Trustees periodically review FMR's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the fund and review the commissions paid by the fund over representative periods of time to determine if they are reasonable in relation to the benefits to the fund.

For the fiscal periods ended December 31, 1994 and 1993, the fund's portfolio turnover rates were 122% and 155%, respectively. Because a high turnover rate increases transaction costs, FMR carefully weighs the anticipated benefits of short-term investing against these consequences. For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$25,198, and \$9,568, respectively. During fiscal 1994, \$\_\_\_\_\_ or approximately \_\_\_% of these commissions were paid to brokerage firms that provided research services, although the provision of such services was not necessarily a factor in the placement of all of this business with such firms. The fund pays both commissions and spreads in connection with the placement of portfolio transactions; FBSI and FBSL are paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$0, and \$7, respectively, to FBSI.

From time to time the Trustees will review whether the recapture for the benefit of the fund of some portion of the brokerage commissions or similar fees paid by the fund on portfolio transactions is legally permissible and advisable. The fund seeks to recapture soliciting broker-dealer fees on the tender of portfolio securities, but at present no other recapture arrangements are in effect. The Trustees intend to continue to review whether recapture opportunities are available and are legally permissible and, if so, to determine in the exercise of their business judgment whether it would be advisable for the fund to seek such recapture.

Although the Trustees and officers of the fund are substantially the same as those of other funds managed by FMR, investment decisions for the fund are made independently from those of other funds managed by FMR or accounts managed by FMR affiliates. It sometimes happens that the same security is held in the portfolio of more than one of these funds or accounts. Simultaneous transactions are inevitable when several funds and 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 account.

When two or more funds are simultaneously engaged in the purchase or sale of the same security, the prices and amounts are allocated in accordance with procedures believed to be appropriate and equitable for each fund. In some cases this system could have a detrimental effect on the price or value of the security as far as the fund is concerned. In other cases, however, the ability of the fund to participate in volume transactions will produce better executions and prices for the fund. It is the current opinion of the Trustees that the desirability of retaining FMR as investment adviser to the fund outweighs any disadvantages that may be said to exist from exposure to simultaneous transactions.

#### VALUATION OF PORTFOLIO SECURITIES

Securities and other assets for which market quotations are readily available are valued at market values determined by their most recent bid prices (sales prices if the principal market is an exchange) in the principal market in which such securities normally are traded. Securities and other assets for which market quotations are not readily available (including restricted securities, if any) are appraised at their fair value as determined in good faith under consistently applied procedures under the general supervision of the Board of Trustees.

Securities may also be valued on the basis of valuations furnished by a pricing service that uses both dealer-supplied valuations and evaluations based on expert analysis of market data and other factors if such valuations are believed to reflect more accurately the fair value of such securities. Use of a pricing service has been approved by the Board of Trustees. There are a number of pricing services available, and the Trustees, or officers acting on behalf of the Trustees, on the basis of ongoing evaluation of these pricing services, may use other pricing services or may discontinue the use of any pricing service in whole or in part.

Securities not valued by the pricing service, and for which quotations are readily available, are valued at market values determined on the basis of their latest available bid prices as furnished by recognized dealers in such securities. Futures contracts and options are valued on the basis of market quotations, if available.

#### PERFORMANCE

The fund may quote performance in various ways. All performance information supplied by the fund in advertising is historical and is not intended to indicate future returns. The fund's share price, yield, and total return

fluctuate in response to market conditions and other factors, and the value of fund shares when redeemed may be more or less than their original cost.

**YIELD CALCULATIONS.** Yields for the fund are computed by dividing the fund's interest and dividend income for a given 30-day or one-month period, net of expenses, by the average number of shares entitled to receive distributions during the period, dividing this figure by the fund's net asset value (NAV) at the end of the period, and annualizing the result (assuming compounding of income) in order to arrive at an annual percentage rate. Income is calculated for purposes of yield quotations in accordance with standardized methods applicable to all stock and bond funds. Dividends from equity investments are treated as if they were accrued on a daily basis, solely for the purposes of yield calculations. In general, interest income is reduced with respect to bonds trading at a premium over their par value by subtracting a portion of the premium from income on a daily basis, and is increased with respect to bonds trading at a discount by adding a portion of the discount to daily income. For the fund's investments denominated in foreign currencies, income and expenses are calculated first in their respective currencies, and are then converted to U.S. dollars, either when they are actually converted or at the end of the 30-day or one month period, whichever is earlier. Capital gains and losses generally are excluded from the calculation as are gains and losses from currency exchange rate fluctuations.

Income calculated for the purposes of calculating the fund's yield differs from income as determined for other accounting purposes. Because of the different accounting methods used, and because of the compounding of income assumed in yield calculations, the fund's yield may not equal its distribution rate, the income paid to an account, or the income reported in the fund's financial statements.

In calculating the fund's yield, a fund may from time to time use a portfolio security's coupon rate instead of its yield to maturity in order to reflect the risk premium on that security. This practice will have the effect of reducing the fund's yield.

Yield information may be useful in reviewing the fund's performance and in providing a basis for comparison with other investment alternatives. However, the fund's yield fluctuates, unlike investments that pay a fixed interest rate over a stated period of time. When comparing investment alternatives, investors should also note the quality and maturity of the portfolio securities of respective investment companies they have chosen to consider.

Investors should recognize that in periods of declining interest rates the fund's yield will tend to be somewhat higher than prevailing market rates, and in periods of rising interest rates the fund's yield will tend to be somewhat lower. Also, when interest rates are falling, the inflow of net new money to the fund from the continuous sale of its shares will likely be invested in instruments producing lower yields than the balance of the fund's holdings, thereby reducing the fund's current yield. In periods of rising interest rates, the opposite can be expected to occur.

**TOTAL RETURN CALCULATIONS.** Total returns quoted in advertising reflect all aspects of the fund's return, including the effect of reinvesting dividends and capital gain distributions, and any change in the fund's NAV over a stated period. Average annual total returns are calculated by determining the growth or decline in value of a hypothetical historical investment in the fund over a stated period, and then calculating the annually compounded percentage rate that would have produced the same result if the rate of growth or decline in value had been constant over the period. For example, a cumulative total return of 100% over ten years would produce an average annual return of 7.18%, which is the steady annual rate of return that would equal 100% growth on a compounded basis in ten years. While average annual returns are a convenient means of comparing investment alternatives, investors should realize that the fund's performance is not constant over time, but changes from year to year, and that average annual returns represent averaged figures as opposed to the actual year-to-year performance of the fund.

In addition to average annual total returns, the fund may quote unaveraged or cumulative total returns reflecting the simple change in value of an investment over a stated period. Average annual and cumulative total returns may be quoted as a percentage or as a dollar amount, and may be calculated for a single investment, a series of investments, or a series of redemptions, over any time period. Total returns may be broken down into their components of income and capital (including capital gains and changes in share price) in order to illustrate the relationship of these factors and their contributions to total return. Total returns may be quoted on a before-tax or after-tax basis. Total returns, yields, and other performance information may be quoted numerically or in a table, graph, or similar illustration.

**NET ASSET VALUE.** Charts and graphs using the fund's net asset values,

adjusted net asset values, and benchmark indices may be used to exhibit performance. An adjusted NAV includes any distributions paid by the fund and reflects all elements of its return.

HISTORICAL FUND RESULTS. The following tables show the fund's yields and total returns for periods ended December 31, 1994.

<TABLE>  
 <CAPTION>  
 <S> <C> <C> <C> <C> <C> <C> <C> <C>  
 Average Annual Total Returns Cumulative Total Returns

</TABLE>

<TABLE>  
 <CAPTION>  
 <S> <C> <C> <C> <C> <C> <C>  
 One Five Life of One Five Life of  
 Year Years Fund\* Year Years Fund\*

High Income - 30 day yield \_\_% % % % % % %

</TABLE>

\* From September 19, 1985 (commencement of operations).  
 Note: If FMR had not reimbursed certain fund expenses during these periods, the fund's [IF CURRENTLY IN REIMBURSEMENT: yield and] total returns would have been lower.

The following table shows the income and capital elements of the fund's cumulative total return. The table compares the fund's return to the record of the Standard & Poor's Composite Index of 500 Stocks (S&P 500), the Dow Jones Industrial Average (DJIA), and the cost of living (measured by the Consumer Price Index, or CPI) over the same period. The CPI information is as of the month end closest to the initial investment date for the fund. The S&P 500 and DJIA comparisons are provided to show how the fund's total return compared to the record of a broad average of common stocks and a narrower set of stocks of major industrial companies, respectively, over the same period. Of course, since the fund invests in fixed-income securities, common stocks represent a different type of investment from the fund. Common stocks generally offer greater growth potential than the fund, but generally experience greater price volatility, which means greater potential for loss. In addition, common stocks generally provide lower income than a fixed-income investment such as the fund. Figures for the S&P 500 and DJIA are based on the prices of unmanaged groups of stocks and, unlike the fund's returns, do not include the effect of paying brokerage commissions or other costs of investing.

During the period from September 19, 1985 (commencement of operations) to December 31, 1994, a hypothetical \$10,000 investment in High Income would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating interest rates and bond prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

High Income Portfolio INDICES

<TABLE>  
 <CAPTION>  
 <S> <C> <C> <C> <C> <C> <C> <C>  
 Year Value of Value of Value of Total S&P 500 DJIA Cost of  
 Ended Initial Reinvested Reinvested Value S&P 500 DJIA Living\*\*  
 \$10,000 Dividend Capital  
 Investment Distribution s  
 s

1994 \$ \$ \$ \$ \$ \$ \$

1993	\$11,990	\$14,223	\$333	\$26,546	\$33,797	\$38,211	\$13,463
1992	\$10,820	\$11,057	\$172	\$22,049	\$30,702	\$32,661	\$13,102
1991	\$9,550	\$8,200	\$152	\$17,902	\$28,522	\$30,440	\$12,733
1990	\$7,070	\$6,070	\$112	\$13,253	\$21,859	\$24,481	\$12,355
1989	\$8,110	\$5,317	\$129	\$13,556	\$22,562	\$24,613	\$11,644
1988	\$9,660	\$4,332	\$154	\$14,146	\$17,133	\$18,680	\$11,127
1987	\$9,680	\$2,837	\$154	\$12,671	\$14,693	\$16,114	\$10,656
1986	\$10,830	\$1,689	\$0	\$12,519	\$13,958	\$15,284	\$10,203
1985*	\$10,310	\$328	\$0	\$10,638	\$11,761	\$12,031	\$10,092

</TABLE>

\* From September 19, 1985 (commencement of operations).

\*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on September 19, 1985, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

The fund's performance may be compared to the performance of other mutual funds in general, or to the performance of particular types of mutual funds. These comparisons may be expressed as mutual fund rankings prepared by Lipper Analytical Services, Inc. (Lipper), an independent service located in Summit, New Jersey that monitors the performance of mutual funds. Lipper generally ranks funds on the basis of total return, assuming reinvestment of distributions, but does not take sales charges or redemption fees into consideration, and is prepared without regard to tax consequences. Lipper may also rank funds based on yield. In addition to the mutual fund rankings, the fund's performance may be compared to stock, bond, and money market mutual fund performance indices prepared by Lipper or other organizations. When comparing these indices, it is important to remember the risk and return characteristics of each type of investment. For example, while stock mutual funds may offer higher potential returns, they also carry the highest degree of share price volatility. Likewise, money market funds may offer greater stability of principal, but generally do not offer the higher potential returns from stock mutual funds. From time to time, the fund's performance may also be compared to other mutual funds tracked by financial or business publications and periodicals. For example, the fund may quote Morningstar, Inc. in its advertising materials. Morningstar, Inc. is a mutual fund rating service that rates mutual funds on the basis of risk-adjusted performance. Rankings that compare the performance of Fidelity funds to one another in appropriate categories over specific periods of time may also be quoted in advertising. The fund may be compared in advertising to Certificates of Deposit (CDs) or other investments issued by banks or other depository institutions. Mutual funds differ from bank investments in several respects. For example, the fund may offer greater liquidity or higher potential returns than CDs, the fund does not guarantee your principal or your return, and fund shares are not FDIC insured.

Fidelity may provide information designed to help individuals understand their investment goals and explore various financial strategies. Such information may include information about current economic, market, and political conditions; materials that describe general principles of investing, such as asset allocation, diversification, risk tolerance, and goal setting; questionnaires designed to help create a personal financial profile; worksheets used to project savings needs based on assumed rates of inflation and hypothetical rates of return; and action plans offering investment alternatives. Materials may also include discussions of Fidelity's asset allocation funds and other Fidelity funds, products, and services.

Ibbotson Associates of Chicago, Illinois (Ibbotson) provides historical returns of the capital markets in the United States, including common stocks, small capitalization stocks, long-term corporate bonds,

intermediate-term government bonds, long-term government bonds, Treasury bills, the U.S. rate of inflation (based on the CPI), and combinations of various capital markets. The performance of these capital markets is based on the returns of different indices.

Fidelity funds may use the performance of these capital markets in order to demonstrate general risk-versus-reward investment scenarios. Performance comparisons may also include the value of a hypothetical investment in any of these capital markets. The risks associated with the security types in any capital market may or may not correspond directly to those of the funds. Ibbotson calculates total returns in the same method as the funds. The funds may also compare performance to that of other compilations or indices that may be developed and made available in the future.

The fund may compare its performance or the performance of securities in which it may invest to averages published by IBC USA (Publications), Inc. of Ashland, Massachusetts. These averages assume reinvestment of distributions. The IBC/Donoghue's MONEY FUND

AVERAGES(trademark)/All-Taxable, which is reported in the MONEY FUND REPORT(registered trademark), covers over 340 taxable money market funds. The BOND FUND REPORT AVERAGES(trademark)/Taxable Bond, which is reported in the BOND FUND REPORT, covers over 350 taxable bond funds. When evaluating comparisons to money market funds, investors should consider the relevant differences in investment objectives and policies. Specifically, money market funds invest in short-term, high-quality instruments and seek to maintain a stable \$1.00 share price. The fund, however, invests in longer-term instruments and its share price changes daily in response to a variety of factors.

In advertising materials, Fidelity may reference or discuss its products and services, which may include: other Fidelity funds; retirement investing; brokerage products and services; the effects of periodic investment plans and dollar cost averaging; saving for college or other goals; charitable giving; and the Fidelity credit card. In addition, Fidelity may quote or reprint financial or business publications and periodicals, including model portfolios or allocations, as they relate to current economic and political conditions, fund management, portfolio composition, investment philosophy, investment techniques, the desirability of owning a particular mutual fund, and Fidelity services and products. Fidelity may also reprint, and use as advertising and sales literature, articles from Fidelity Focus, a quarterly magazine provided free of charge to Fidelity fund shareholders.

The fund may present its fund number, Quotron(trademark) number, and CUSIP number, and discuss or quote its current portfolio manager. VOLATILITY. The fund may quote various measures of volatility and benchmark correlation in advertising. In addition, the fund may compare these measures to those of other funds. Measures of volatility seek to compare the fund's historical share price fluctuations or total returns to those of a benchmark. Measures of benchmark correlation indicate how valid a comparative benchmark may be. All measures of volatility and correlation are calculated using averages of historical data. In advertising, the fund may also discuss or illustrate examples of interest rate sensitivity. MOMENTUM INDICATORS indicate the fund's price movements over specific periods of time. Each point on the momentum indicator represents the fund's percentage change in price movements over that period.

The fund may advertise examples of the effects of periodic investment plans, including the principle of dollar cost averaging. In such a program, an investor invests a fixed dollar amount in a fund at periodic intervals, thereby purchasing fewer shares when prices are high and more shares when prices are low. While such a strategy does not assure a profit or guard against loss in a declining market, the investor's average cost per share can be lower than if fixed numbers of shares are purchased at the same intervals. In evaluating such a plan, investors should consider their ability to continue purchasing shares during periods of low price levels. As of December 31, 1994, FMR advised over \$\_\_ billion in tax-free fund assets, \$\_\_ billion in money market fund assets, \$\_\_ billion in equity fund assets, \$\_\_ billion in international fund assets, and \$\_\_ billion in Spartan fund assets. The fund may reference the growth and variety of money market mutual funds and the adviser's innovation and participation in the industry. The equity funds under management figure represents the largest amount of equity fund assets under management by a mutual fund investment adviser in the United States, making FMR America's leading equity (stock) fund manager. FMR, its subsidiaries, and affiliates maintain a worldwide information and communications network for the purpose of researching and managing investments abroad.

In addition to performance rankings, the fund may compare its total expense ratio to the average total expense ratio of similar funds tracked by Lipper. The fund's total expense ratio is a significant factor in comparing bond and money market investments because of its effect on yield.



The fund is available only through the purchase of variable annuity and variable life insurance contracts offering deferral of income taxes on earnings, which may produce superior after-tax returns over time. For example, a \$1,000 investment earning a taxable return of 10% annually would have an after-tax value of \$1,949 after ten years, assuming tax was deducted from the return each year at a 31% rate. An equivalent tax-deferred investment would have an after-tax value of \$2,100 after ten years, assuming tax was deducted at a 31% rate from the tax-deferred earnings at the end of the ten-year period. Individuals holding shares of the fund through a variable annuity or variable life insurance contract may receive additional tax benefits from the deferral of income taxes associated with variable contracts. Individuals should consult their tax advisors to determine the effect of holding variable contracts on their individual tax situations.

YIELDS AND TOTAL RETURNS QUOTED FOR THE FUND INCLUDE THE EFFECT OF DEDUCTING THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE YOU CAN ONLY PURCHASE SHARES OF THE FUND THROUGH A VARIABLE ANNUITY AND/OR A VARIABLE LIFE INSURANCE CONTRACT, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted.

#### ADDITIONAL PURCHASE AND REDEMPTION INFORMATION

The fund is open for business and its net asset value per share (NAV) is calculated each day the New York Stock Exchange (NYSE) is open for trading. The NYSE has designated the following holiday closings for 1995: New Year's Day (observed), President's Day (observed), Good Friday, Memorial Day (observed), Independence Day (observed), Labor Day, Thanksgiving Day, and Christmas Day. Although FMR expects the same holiday schedule to be observed in the future, the NYSE may modify its holiday schedule at any time.

FSC normally determines the fund's NAV as of the close of the NYSE (normally 4:00 p.m. Eastern time). However, NAV may be calculated earlier if trading on the NYSE is restricted or as permitted by the Securities and Exchange Commission (SEC). To the extent that portfolio securities are traded in other markets on days when the NYSE is closed, the fund's NAV may be affected on days when investors do not have access to the fund to purchase or redeem shares. In addition, trading in some of the fund's portfolio securities may not occur on days when the fund is open for business.

If the Trustees determine that existing conditions make cash payments undesirable, redemption payments may be made in whole or in part in securities or other property, valued for this purpose as they are valued in computing the fund's NAV. Shareholders receiving securities or other property on redemption may realize a gain or loss for tax purposes, and will incur any costs of sale, as well as the associated inconveniences.

#### TAXES

For a discussion of tax consequences of variable contracts, please refer to your insurance company's separate account prospectus.

Variable contracts purchased through insurance company separate accounts provide for the accumulation of all earnings from interest, dividends, and capital appreciation without current federal income tax liability to the owner. Depending on the variable contract, distributions from the contract may be subject to ordinary income tax and a 10% penalty tax on distributions before age 59 1/2. Only the portion of a distribution attributable to income is subject to federal income tax. Investors should consult with competent tax advisors for a more complete discussion of possible tax consequences in a particular situation.

Section 817(h) of the Internal Revenue Code provides that the investments of a separate account underlying a variable insurance contract (or the investments of a mutual fund, the shares of which are owned by the variable separate account) must be "adequately diversified" in order for the contract to be treated as an annuity or life insurance for tax purposes. The Treasury Department has issued regulations prescribing these diversification requirements. The fund intends to comply with these requirements.

The fund intends to qualify each year as a "regulated investment company" for tax purposes, so that it will not be liable for federal tax on income and capital gains distributed to shareholders. In order to qualify as a regulated investment company and avoid being subject to federal income or excise taxes, the fund intends to distribute substantially all its net taxable income and net realized capital gains within each calendar year as well as on a fiscal year basis. The fund also intends to comply with other tax rules applicable to regulated investment companies including a requirement that gross capital gains from selling securities held less than three months must constitute less than 30% of the fund's gross income for

each fiscal year. Income and capital gain distributions are reinvested in additional shares of the fund. This is done to preserve the tax advantaged status of the variable contracts. The fund is treated as a separate entity from the other funds of Variable Insurance Products Fund for tax purposes.

FMR

All of the stock of FMR is owned by FMR Corp., its parent company organized in 1972. Through ownership of voting common stock and the execution of a shareholders' voting agreement, Edward C. Johnson 3d, Johnson family members, and various trusts for the benefit of the Johnson family form a controlling group with respect to FMR Corp.

At present, the principal operating activities of FMR Corp. are those conducted by three of its divisions as follows: FSC, which is the transfer and shareholder servicing agent for certain of the funds advised by FMR; Fidelity Investments Institutional Operations Company, which performs shareholder servicing functions for institutional customers and funds sold through intermediaries; and Fidelity Investments Retail Marketing Company, which provides marketing services to various companies within the Fidelity organization.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that sets forth all employees' fiduciary responsibilities regarding the funds, establishes procedures for personal investing and restricts certain transactions. For example, all personal trades in most securities require pre-clearance, and participation in initial public offerings is prohibited. In addition, restrictions on the timing of personal investing in relation to trades by Fidelity funds and on short-term trading have been adopted.

#### TRUSTEES AND OFFICERS

The Trustees and executive officers of the trust are listed below. Except as indicated, each individual has held the office shown or other offices in the same company for the last five years. All persons named as Trustees also serve in similar capacities for other funds advised by FMR. Unless otherwise noted, the business address of each Trustee and officer is 82 Devonshire Street, Boston, Massachusetts 02109, which is also the address of FMR. Those Trustees who are "interested persons" (as defined in the Investment Company Act of 1940) by virtue of their affiliation with either the trust or FMR are indicated by an asterisk (\*).

\*EDWARD C. JOHNSON 3d, Trustee and President, is Chairman, Chief Executive Officer and a Director of FMR Corp.; a Director and Chairman of the Board and of the Executive Committee of FMR; Chairman and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc.

\*J. GARY BURKHEAD, Trustee and Senior Vice President, is President of FMR; and President and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc. RALPH F. COX, 200 Rivercrest Drive, Fort Worth, TX, Trustee (1991), is a consultant to Western Mining Corporation (1994). Prior to February 1994, he was President of Greenhill Petroleum Corporation (petroleum exploration and production, 1990). Until March 1990, Mr. Cox was President and Chief Operating Officer of Union Pacific Resources Company (exploration and production). He is a Director of Sanifill Corporation (non-hazardous waste, 1993) and CH2M Hill Companies (engineering). In addition, he served on the Board of Directors of the Norton Company (manufacturer of industrial devices, 1983-1990) and continues to serve on the Board of Directors of the Texas State Chamber of Commerce, and is a member of advisory boards of Texas A&M University and the University of Texas at Austin.

PHYLLIS BURKE DAVIS, P.O. Box 264, Bridgehampton, NY, Trustee (1992). Prior to her retirement in September 1991, Mrs. Davis was the Senior Vice President of Corporate Affairs of Avon Products, Inc. She is currently a Director of BellSouth Corporation (telecommunications), Eaton Corporation (manufacturing, 1991), and the TJX Companies, Inc. (retail stores, 1990), and previously served as a Director of Hallmark Cards, Inc. (1985-1991) and Nabisco Brands, Inc. In addition, she is a member of the President's Advisory Council of The University of Vermont School of Business Administration.

RICHARD J. FLYNN, 77 Fiske Hill, Sturbridge, MA, Trustee, is a financial consultant. Prior to September 1986, Mr. Flynn was Vice Chairman and a Director of the Norton Company (manufacturer of industrial devices). He is currently a Director of Mechanics Bank and a Trustee of College of the Holy Cross and Old Sturbridge Village, Inc.

E. BRADLEY JONES, 3881-2 Lander Road, Chagrin Falls, OH, Trustee (1990). Prior to his retirement in 1984, Mr. Jones was Chairman and Chief Executive Officer of LTV Steel Company. Prior to May 1990, he was Director of National City Corporation (a bank holding company) and National City Bank of Cleveland. He is a Director of TRW Inc. (original equipment and replacement products), Cleveland-Cliffs Inc (mining), NACCO Industries, Inc. (mining and marketing), Consolidated Rail Corporation, Birmingham

Steel Corporation, Hyster-Yale Materials Handling, Inc. (1989), and RPM, Inc. (manufacturer of chemical products, 1990). In addition, he serves as a Trustee of First Union Real Estate Investments, a Trustee and member of the Executive Committee of the Cleveland Clinic Foundation, a Trustee and member of the Executive Committee of University School (Cleveland), and a Trustee of Cleveland Clinic Florida.

DONALD J. KIRK, One Harborside, 680 Steamboat Road, Greenwich, CT, Trustee, is Executive-in-Residence (1995) at Columbia University Graduate School of Business and a financial consultant. From 1987 to January 1995, Mr. Kirk was a Professor at Columbia University Graduate School of Business. Prior to 1987, he was Chairman of the Financial Accounting Standards Board. Mr. Kirk is a Director of General Re Corporation (reinsurance) and Valuation Research Corp. (appraisals and valuations, 1993). In addition, he serves as Vice Chairman of the Board of Directors of the National Arts Stabilization Fund, Vice Chairman of the Board of Trustees of the Greenwich Hospital Association, and as a Member of the Public Oversight Board of the American Institute of Certified Public Accountants' SEC Practice Section (1995).

\*PETER S. LYNCH, Trustee (1990) is Vice Chairman of FMR (1992). Prior to his retirement on May 31, 1990, he was a Director of FMR (1989) and Executive Vice President of FMR (a position he held until March 31, 1991); Vice President of Fidelity Magellan Fund and FMR Growth Group Leader; and Managing Director of FMR Corp. Mr. Lynch was also Vice President of Fidelity Investments Corporate Services (1991-1992). He is a Director of W.R. Grace & Co. (chemicals, 1989) and Morrison Knudsen Corporation (engineering and construction). In addition, he serves as a Trustee of Boston College, Massachusetts Eye & Ear Infirmary, Historic Deerfield (1989) and Society for the Preservation of New England Antiquities, and as an Overseer of the Museum of Fine Arts of Boston (1990).

GERALD C. McDONOUGH, 135 Aspenwood Drive, Cleveland, OH, Trustee (1989), is Chairman of G.M. Management Group (strategic advisory services). Prior to his retirement in July 1988, he was Chairman and Chief Executive Officer of Leaseway Transportation Corp. (physical distribution services). Mr. McDonough is a Director of ACME-Cleveland Corp. (metal working, telecommunications and electronic products), Brush-Wellman Inc. (metal refining), York International Corp. (air conditioning and refrigeration, 1989), Commercial Intertech Corp. (water treatment equipment, 1992), and Associated Estates Realty Corporation (a real estate investment trust, 1993).

EDWARD H. MALONE, 5601 Turtle Bay Drive #2104, Naples, FL, Trustee. Prior to his retirement in 1985, Mr. Malone was Chairman, General Electric Investment Corporation and a Vice President of General Electric Company. He is a Director of Allegheny Power Systems, Inc. (electric utility), General Re Corporation (reinsurance) and Mattel Inc. (toy manufacturer). In addition, he serves as a Trustee of Corporate Property Investors, the EPS Foundation at Trinity College, the Naples Philharmonic Center for the Arts, and Rensselaer Polytechnic Institute, and he is a member of the Advisory Boards of Butler Capital Corporation Funds and Warburg, Pincus Partnership Funds.

MARVIN L. MANN, 55 Railroad Avenue, Greenwich, CT, Trustee (1993) is Chairman of the Board, President, and Chief Executive Officer of Lexmark International, Inc. (office machines, 1991). Prior to 1991, he held the positions of Vice President of International Business Machines Corporation ("IBM") and President and General Manager of various IBM divisions and subsidiaries. Mr. Mann is a Director of M.A. Hanna Company (chemicals, 1993) and Infomart (marketing services, 1991), a Trammell Crow Co. In addition, he serves as the Campaign Vice Chairman of the Tri-State United Way (1993) and is a member of the University of Alabama President's Cabinet (1990).

THOMAS R. WILLIAMS, 21st Floor, 191 Peachtree Street, N.E., Atlanta, GA, Trustee, is President of The Wales Group, Inc. (management and financial advisory services). Prior to retiring in 1987, Mr. Williams served as Chairman of the Board of First Wachovia Corporation (bank holding company), and Chairman and Chief Executive Officer of The First National Bank of Atlanta and First Atlanta Corporation (bank holding company). He is currently a Director of BellSouth Corporation (telecommunications), ConAgra, Inc. (agricultural products), Fisher Business Systems, Inc. (computer software), Georgia Power Company (electric utility), Gerber Alley & Associates, Inc. (computer software), National Life Insurance Company of Vermont, American Software, Inc. (1989), and AppleSouth, Inc. (restaurants, 1992).

ROBERT A. LAWRENCE, Vice President (1994), is Vice President of Fidelity's high income funds and Senior Vice President of FMR (1993). Prior to joining FMR, Mr. Lawrence was Managing Director of the High Yield Department for Citicorp (1984-1991).

BARRY COFFMAN, Vice President of High Income Portfolio (1992), is an employee of FMR.

ARTHUR S. LORING, Secretary, is Senior Vice President (1993) and General Counsel of FMR, Vice President-Legal of FMR Corp., and Vice President and Clerk of FDC.

GARY L. FRENCH, Treasurer (1991). Prior to becoming Treasurer of the Fidelity funds, Mr. French was Senior Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1991); Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1990); and Senior Vice President, Chief Financial and Operations Officer - Huntington Advisers, Inc. (1985-1990).

JOHN H. COSTELLO, Assistant Treasurer, is an employee of FMR.

LEONARD M. RUSH, Assistant Treasurer (1994), is an employee of FMR (1994). Prior to becoming Assistant Treasurer of the Fidelity Funds, Mr. Rush was Chief Compliance Officer of FMR Corp. (1993-1994); Chief Financial Officer of Fidelity Brokerage Services, Inc. (1990-1993); and Vice President, Assistant Controller, and Director of the Accounting Department - First Boston Corp. (1986-1990).

The following table sets forth information describing the compensation of each current non-interested trustee of the fund for his or her services as trustee for the fiscal year ended December 31, 1994.

COMPENSATION TABLE

<TABLE>  
<CAPTION>  
<S>

<S>	<C> Aggregate Compensation from the Fund	<C> Pension or Retirement Benefits Accrued from the Fund Complex*	<C> Estimated Annual Benefits Upon Retirement from the Fund Complex*	<C> Total Compensation from the Fund Complex*
Ralph F. Cox	\$	\$ 5,200	\$ 52,000	\$ 125,000
Phyllis Burke Davis		5,200	52,000	122,000
Richard J. Flynn		0	52,000	154,500
E. Bradley Jones		5,200	49,400	123,500
Donald J. Kirk		5,200	52,000	125,000
Gerald C. McDonough		5,200	52,000	125,000
Edward H. Malone		5,200	44,200	128,000
Marvin L. Mann		5,200	52,000	125,000
Thomas R. Williams		5,200	52,000	126,500

</TABLE>

\* Information is as December 31, 1994 for the 206 funds in the complex. Under a retirement program adopted in July 1988, the non-interested Trustees, upon reaching age 72, become eligible to participate in a retirement program under which they receive payments during their lifetime from a fund based on their basic trustee fees and length of service. The obligation of a fund to make such payments are not secured or funded. Trustees become eligible if, at the time of retirement, they have served on the Board for at least five years. Currently, Messrs. Ralph S. Saul, William R. Spaulding, Bertram H. Witham, and David L. Yunich, all former non-interested Trustees, receive retirement benefits under the program. On December 31, the Trustees and officers of the fund owned, in the aggregate, less than 1% of the fund's total outstanding shares. As of February 28, 1995, significant shares of the fund were held by the following companies with the figures beneath the fund representing that company's holdings as a percentage of the fund's total outstanding shares. [insert table of significant shareholders]

MANAGEMENT CONTRACT

The fund employs FMR to furnish investment advisory and other services. Under its management contract with the fund, FMR acts as investment adviser and, subject to the supervision of the Board of Trustees, directs the investments of the fund in accordance with its investment objective, policies, and limitations. FMR also provides the fund with all necessary office facilities and personnel for servicing the fund's investments, compensates all officers of the fund and all Trustees who are "interested persons" of the trust or of FMR, and all personnel of the 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 the fund. These services include providing facilities for maintaining the fund's organization; supervising relations with custodians, transfer and pricing agents, accountants, underwriters, and other persons dealing with the fund; preparing all general shareholder communications and conducting shareholder relations; maintaining the fund's records and the registration of the fund's shares under federal and state laws; developing management and shareholder services for the fund; and furnishing reports, evaluations, and analyses on a variety of subjects to the Trustees.

In addition to the management fee payable to FMR and the fees payable to FSC and FIIOC, the fund pays all of its expenses, without limitation, that are not assumed by those parties. The fund pays for typesetting, printing, and mailing proxy material to shareholders, legal expenses, and the fees of the custodian, auditor, and non-interested Trustees. Although the fund's current management contract provides that it will pay for typesetting, printing, and mailing prospectuses, statements of additional information, notices, and reports to existing shareholders, the trust on behalf of the has entered into a revised transfer agent agreement with FIIOC, pursuant to which FIIOC bears the cost of providing these services to existing shareholders. Other expenses paid by the fund include interest, taxes, brokerage commissions, the proportionate share of insurance premiums and Investment Company Institute dues, and the costs of registering shares under federal and state securities laws. The fund is also liable for such nonrecurring 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 is the fund's manager pursuant to a management contract dated January 1, 1994, which was approved by shareholders on December 15, 1993.

For the services of FMR under the contract, the fund pays FMR a monthly management fee composed of the sum of two elements: 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 and is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown below on the left. The schedule below 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 \$\_\_\_ billion of group net assets - - the approximate level for February 28, 1994, - was \_\_%, which is the weighted average of the respective fee rates for each level of group net assets up to \$\_\_ billion.

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
0 - \$3 billion	.3700%	\$ 0.5 billion	.3700%
3 - 6	.3400	25	.2664
6 - 9	.3100	50	.2188
9 - 12	.2800	75	.1986
12 - 15	.2500	100	.1869
15 - 18	.2200	125	.1793
18 - 21	.2000	150	.1736
21 - 24	.1900	175	.1695
24 - 30	.1800	200	.1658
30 - 36	.1750	225	.1629
36 - 42	.1700	250	.1604
42 - 48	.1650	275	.1583
48 - 66	.1600	300	.1565

66 - 84	.1550	325	.1548
84 - 120	.1500	350	.1533
120 - 174	.1450	400	.1507
174 - 228	.1400		
228 - 282	.1375		
282 - 336	.1350		
Over 336	.1325		

On August 1, 1994, FMR voluntarily revised the prior extension to the group fee rate schedule, and added new breakpoints. The revised group fee rate schedule provides for lower management fee rates as FMR's assets under management increase. The revised group fee rate schedule is identical to the above schedule for average group assets under \$156 billion. For average group assets in excess of \$156 billion, the group fee rate schedule voluntarily adopted by FMR is as follows:

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
120 - \$156 billion	.1450%	\$150 billion	.1736%
156 - 192	.1400	175	.1690
192 - 228	.1350	200	.1652
228 - 264	.1300	225	.1618
264 - 300	.1275	250	.1587
300 - 336	.1250	275	.1560
336 - 372	.1225	300	.1536
Over 372	.1200	325	.1514
	350		.1494
	375		.1476
	400		.1459

The individual fund fee rate is 0.45%. Based on the average group net assets of the funds advised by FMR for February 28, 1995, the annual management fee rate would be calculated as follows:

Group Fee Rate	Management Fee rate	Individual Fund Fee Rate
. _____ %	+	0.45%
=		. _____ %

On December 15, 1993, shareholders voted to increase the fund's individual fund fee rate from 0.35% to 0.45%. One-twelfth of this annual management fee rate is applied to the fund's net assets averaged for the most recent month, giving a dollar amount, which is the fee for that month.

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$\_\_\_\_\_, \$1,764,257 and \$784,904, respectively, for its services as investment adviser to the fund. These fees were equivalent to \_\_%, .51%, and .52%, respectively, of the average net assets of the fund for those years.

FMR may, from time to time, voluntarily reimburse all or a portion of the fund's operating expenses (exclusive of interest, taxes, brokerage commissions, and extraordinary 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 the fund's total returns and yield and repayment of the reimbursement by the fund will lower its total returns and yield. Effective January 1, 1986, FMR voluntarily agreed, subject to revision or termination, to reimburse the fund if and to the extent that its aggregate operating expenses, including management fees, were in excess of an annual rate of 1.00% of average net assets of the fund. There was no reimbursement

for the last three fiscal years.

SUB-ADVISERS. On behalf of the fund, FMR has entered into sub-advisory agreements with FMR U.K. and FMR Far East. Pursuant to the sub-advisory agreements, FMR may receive investment advice and research services outside the United States from the sub-advisers. FMR may also grant the sub-advisers investment management authority as well as the authority to buy and sell securities if FMR believes it would be beneficial to the fund. Currently, FMR U.K. and FMR Far East each focus on issuers in countries other than the United States such as those in Europe, Asia, and the Pacific Basin.

FMR U.K. and FMR Far East are wholly owned subsidiaries of FMR. Under the sub-advisory agreements FMR pays the fees of FMR U.K. and FMR Far East. For providing non-discretionary investment advice and research services, FMR pays FMR U.K. and FMR Far East fees equal to 110% and 105%, respectively, of FMR U.K.'s and FMR Far East's costs incurred in connection with providing investment advice and research services.

For providing discretionary investment management and executing portfolio transactions, FMR pays FMR U.K. and FMR Far East a fee equal to 50% of its monthly management fee with respect to the fund's average net assets managed by the sub-adviser on a discretionary basis.

Fiscal Year    FMR U.K.    FMR Far East

1994	\$	\$
1993	\$	\$
1992	\$	\$

#### DISTRIBUTION AND SERVICE PLAN

The fund has adopted a distribution and service plan (the plan) under Rule 12b-1 of the Investment Company Act of 1940 (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 adopted by the fund under the Rule. The fund's Board of Trustees has adopted the plan to allow the fund and FMR to incur certain expenses that might be considered to constitute indirect payment by the fund of distribution expenses. Under the 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.

The plan also specifically recognizes that FMR, either directly or through FDC, may use its management fee revenue, past profits, or other resources, without limitation, to pay promotional and administrative expenses in connection with the offer and sale of shares of the fund. In addition, the plan provides that FMR may use its resources, including its management fee revenues, to make payments to third parties that provide assistance in selling shares of the fund, or to third parties, including banks, that render shareholder support services. The Trustees have not authorized such payments to date.

The fund's plan has been approved by the Trustees. As required by the Rule, the Trustees carefully considered all pertinent factors relating to the implementation of the plan prior to its approval, and have determined that there is a reasonable likelihood that the plan will benefit the fund and its shareholders. In particular, the Trustees noted that the plan does not authorize payments by the fund other than those made to FMR under its management contract with the fund. To the extent that the plan gives FMR and FDC greater flexibility in connection with the distribution of shares of the fund, additional sales of the fund's shares may result. Additionally, certain shareholder support services may be provided more effectively under the plan by local entities with whom shareholders have other relationships.

The plan was approved by shareholders on December 11, 1986.

#### CONTRACTS WITH COMPANIES AFFILIATED WITH FMR

The fund has an agreement with FSC, an affiliate of FMR Corp., under which FSC determines the NAV per share and dividends of the fund and maintains the portfolio and general accounting records of the fund. The fee rates in effect as of July 1, 1991, are based on the fund's average net assets as follows: .04% for the first \$500 million of average net assets and .02% for average net assets in excess of \$500 million. The fee is limited to a minimum of \$45,000 and a maximum of \$750,000 per year.

The following are the fees paid by the fund to FSC for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$138,642 and \$62,305, respectively.

The fund utilizes FIIOC, an affiliate of FMR Corp., to maintain the master accounts of the participating insurance companies. Under the contract, the fund pays a fee of \$95 per shareholder account per year and a fee of \$20

for each monetary transaction. In addition to providing transfer agent and shareholder servicing functions, FIIOC pays all transfer agent out-of-pocket expenses and also pays for typesetting, printing and mailing Prospectuses, Statements of Additional Information, reports, notices and statements to shareholders allocable to the master account of participating insurance companies.

The following are the fees paid by the fund to FIIOC (including reimbursement for out-of-pocket expenses) for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$108,432 and \$61,198, respectively.

The fund has a distribution agreement with FDC, a Massachusetts corporation organized on July 18, 1960. FDC is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The distribution agreement calls for FDC to use all reasonable efforts, consistent with its other business, to secure purchasers for shares of the fund, which are continuously offered at net asset value. Promotional and administrative expenses in connection with the offer and sale of shares are paid by FMR.

#### DESCRIPTION OF THE TRUST

TRUST ORGANIZATION. High Income Portfolio is a fund of Variable Insurance Products Fund, an open-end management investment company organized as a Massachusetts Business Trust. In July 1985, pursuant to shareholder approval, the Declaration of Trust was amended to change the name of the Trust from Fidelity Cash Reserves II to Variable Insurance Products Fund. Currently, there are five funds of the trust: Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio. The Declaration of Trust permits the Trustees to create additional funds.

Investments in the trust may be made only by the separate accounts of insurance companies for the purpose of funding variable annuity and variable life insurance contracts issued by insurance companies.

In the event that FMR ceases to be the investment adviser to the trust or a fund, the right of the trust or fund to use the identifying name "Fidelity" may be withdrawn.

The assets of the trust received for the issue or sale of shares of each fund and all income, earnings, profits, and proceeds thereof, subject only to the rights of creditors, are especially allocated to such fund, and constitute the underlying assets of such fund. The underlying assets of each fund are segregated on the books of account, and are to be charged with the liabilities with respect to such fund and with a share of the general expenses of the trust. Expenses with respect to the trust are to be allocated in proportion to the asset value of the respective funds, except where allocations of direct expense can otherwise be fairly made. The officers of the trust, subject to the general supervision of the Board of Trustees, have the power to determine which expenses are allocable to a given fund, or which are general or allocable to all of the funds. In the event of the dissolution or liquidation of the trust, shareholders of each fund are entitled to receive as a class the underlying assets of such fund available for distribution.

SHAREHOLDER AND TRUSTEE LIABILITY. The trust is an entity of the type 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. The 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 include a provision limiting the obligations created thereby to the trust and its assets. The Declaration of Trust provides for indemnification out of each fund's property of any shareholder held personally liable for the obligations of the fund. The 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.

The Declaration of Trust further provides that the Trustees, if they have exercised reasonable care, will not be liable for any neglect or wrongdoing, but nothing in the Declaration of Trust protects Trustees against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

VOTING RIGHTS. Each fund's capital consists of shares of beneficial interest. The shares have no preemptive or conversion rights; the voting and dividend rights, the right of redemption, and the privilege of exchange



are described in the Prospectus. Shares are fully paid and nonassessable, except as set forth under the heading "Shareholder and Trustee Liability" above. Shareholders representing 10% or more of the trust or a fund may, as set forth in the Declaration of Trust, call meetings of the trust or a fund for any purpose related to the trust or fund, as the case may be, including, in the case of a meeting of the entire trust, the purpose of voting on removal of one or more Trustees. The trust or any fund may be terminated upon the sale of its assets to another open-end management investment company, or upon liquidation and distribution of its assets, if approved by vote of the holders of a majority of the outstanding shares of the trust or the fund. If not so terminated, the trust and its funds will continue indefinitely.

CUSTODIAN. The Bank of New York, 110 Washington Street, New York NY, is custodian of the fund's assets. The custodians take no part in determining the investment policies of the fund or in deciding which securities are purchased or sold by the fund. The fund, however, may invest in obligations of the custodians and may purchase or sell securities from or to the custodians.

FMR, its officers and directors and its affiliated companies from time to time have transactions with various banks, including the custodian banks for certain of the funds advised by FMR.

AUDITOR. Coopers & Lybrand L.L.P., One Post Office Square, Boston, MA, serves as the fund's independent accountant, providing services including (1) audit of annual financial statements, (2) assistance and consultation in connection with SEC filings and (3) review of the annual federal income tax return filed on behalf of the fund.

#### FINANCIAL STATEMENTS

The fund's financial statements and financial highlights for the fiscal year ended December 31, 1994 are included in the fund's Annual Report, which is a separate report supplied with this Statement of Additional Information. The fund's financial statements and financial highlights are incorporated herein by reference.

#### VARIABLE INSURANCE PRODUCTS FUND

#### CROSS REFERENCE SHEET

Form N-1A Item Number

Part A Prospectus Caption

- 1 a,b Cover Page
- 2 a,b,c \*
- 3 a,b Financial Highlights  
c Performance
- 4 a(i) FMR and Its Affiliates  
a(ii) The Funds at a Glance; Investment Principals and Risks;  
Securities and Investment Practices; Fundamental  
Investment Policies and Restrictions  
b,c Investment Principals and Risks; Securities and  
Investment Practices; Fundamental Investment Policies and  
Restrictions
- 5 a,b(i) FMR and Its Affiliates  
b(ii)(iii),c The Funds at a Glance; FMR and Its Affiliates;  
Breakdown of Expenses  
d FMR and Its Affiliates; Breakdown of Expenses  
e Breakdown of Expenses; Other Expenses  
f, g Breakdown of Expenses
- 6 a(i) (ii) Charter; FMR and Its Affiliates; Transaction Details  
a(iii) \*  
b FMR and Its Affiliates  
c,d \*  
e Cover Page, Distributions and Taxes  
f,g Distributions and Taxes
- 7 a FMR and Its Affiliates  
b(i),(ii) Financial Highlights; Transaction Details  
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f Other Expenses
- 8 a Transaction Details  
b,c \*  
d Transaction Details
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\* Not Applicable

Part B Statement of Additional Information Caption

10,11 Cover Page

12	Description of the Trust
13 a,b,c	Investment Policies and Limitations
d	Portfolio Transactions
14 a,b	Trustees and Officers
c	*
15 a	*
15 b, c	Trustees and Officers
16 a(i)	FMR
a(ii)	Trustees and Officers
a(iii),b	Management Contracts, Contracts with Companies Affiliated with FMR
c	*
d	Contracts with Companies Affiliated with FMR
e	*
f	Distribution and Service Plans
g	*
h	Description of the Trust
i	*Contracts with Companies Affiliated with FMR; Description of the Trust
17 a, c, b, d	Portfolio Transactions
e	*
18 a	Description of the Trust
b	*
19 a	Additional Purchase and Redemption Information
b	Valuation of Portfolio Securities; Additional Purchase and Redemption Information
c	*
20	Taxes
21 a(i), (ii)	Contracts with Companies Affiliated with FMR
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22	Performance
23	*

\* Not Applicable

VARIABLE  
INSURANCE PRODUCTS  
FUND

Please read this prospectus before investing, and keep it on file for future reference. It contains important information to help you decide if the fund's goal matches your own.

To learn more about the fund and its investments, you can obtain copy of

the fund's most recent financial report and portfolio listing or a copy of the Statement of Additional Information (SAI) dated April 30, 1995. The SAI has been filed with the Securities and Exchange Commission (SEC) and is incorporated herein by reference (legally forms a part of the prospectus). For a free copy of either document, contact your insurance company. Shares of the fund may only be purchased by the separate accounts of insurance companies, for the purpose of funding variable annuity and variable life insurance contracts. The fund may not be available in your state due to various insurance regulations. Please check with your insurance company for availability. If the fund in this Prospectus is not available in your state, this Prospectus is not to be considered a solicitation. This Prospectus should be read in conjunction with the prospectus of the separate account of the specific insurance product which accompanies this Prospectus.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Variable Insurance Products Fund (the Trust) is designed to provide investment vehicles for variable annuity and variable life insurance contracts of various insurance companies. Equity-Income Portfolio is a fund of the Trust.

EQUITY-INCOME PORTFOLIO SEEKS REASONABLE INCOME BY INVESTING MAINLY IN INCOME-PRODUCING EQUITY SECURITIES. IN SELECTING INVESTMENTS, THE FUND ALSO CONSIDERS THE POTENTIAL FOR CAPITAL APPRECIATION.

PROSPECTUS

APRIL 30, 1995 (FIDELITY\_LOGO\_GRAPHIC) 82 DEVONSHIRE STREET, BOSTON, MA 02109

CONTENTS

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THE FUND AT A GLANCE

Equity-Income Portfolio is designed to provide an investment vehicle for variable annuity and variable life insurance contracts of various insurance companies.

MANAGEMENT: Fidelity Management & Research Company (FMR) is the management arm of Fidelity Investments, which was established in 1946 and is now America's largest mutual fund manager.

GOAL: Reasonable income. The fund also considers the potential for capital appreciation. As with any mutual fund, there is no assurance that the fund will achieve its goal.

STRATEGY: Invests mainly in income-producing equity securities.

SIZE: As of December 31, 1994, the fund had over \$\_\_ billion in assets.

FINANCIAL HIGHLIGHTS

The financial highlights table that follows and the fund's financial statements are included in the fund's Annual Report and has been audited by Coopers & Lybrand L.L.P., independent accountants. Their report on the financial statements and financial highlights is included in the Annual Report. The financial statements, the financial highlights, and the report are incorporated by reference into the fund's SAI, which may be obtained free of charge from your insurance company.

[insert Per-Share data table[s]]

WHO MAY WANT TO INVEST

The fund may be appropriate for investors who are willing to ride out stock market fluctuations in pursuit of potentially high long-term returns. The fund is designed for those who want some income from equity and bond investments, but also want to be invested in the stock market for its long-term growth potential.

THE SPECTRUM OF FIDELITY FUNDS

Broad categories of Fidelity funds are presented here in order of ascending risk. Generally, investors seeking to maximize return must assume greater risk. The fund in this prospectus falls

under the Growth and Income category.

(solid bullet) MONEY MARKET Seeks income and stability by investing in high-quality, short-term investments.

(solid bullet) INCOME Seeks income by investing in bonds.

(solid bullet) ASSET ALLOCATION Seeks high total return with reduced risk through a mix of stocks, bonds and short-term instruments.

(solid bullet) GROWTH AND INCOME Seeks long-term growth and income by investing in stocks and bonds.

(solid bullet) GROWTH Seeks long-term growth by investing mainly in stocks.

(checkmark)

#### INVESTMENT PRINCIPLES AND RISKS

The value of the fund's investments varies based on many factors. Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. The fund spreads investment risk by limiting its holdings in any one company or industry.

The fund seeks reasonable income by investing primarily in income-producing equity securities. FMR normally invests at least 65% of the fund's total assets in these securities. The remainder of the fund's assets will tend to be invested in debt obligations, many of which are expected to be convertible into common stock (if convertible securities present favorable investment opportunities). The fund has the flexibility, however, to invest the balance in all types of domestic and foreign securities, including bonds of varying quality. The fund seeks to achieve a yield that beats that of the S&P 500. The fund does not expect to invest in debt securities of companies that do not have proven earnings or credit. When choosing the fund's investments, FMR also considers the potential for capital appreciation.

The value of the fund's domestic and foreign investments varies in response to many factors. Stock values fluctuate in response to the activities of individual companies, and general market and economic conditions. The value of bonds fluctuates based on changes in interest rates and in the credit quality of the issuer. Investments in foreign securities may involve risks in addition to those of U.S. investments, including increased political and economic risk, as well as exposure to currency fluctuations. FMR may use various investment techniques to hedge the fund's risks, but there is no guarantee that these strategies will work as FMR intends.

FMR normally invests the fund's assets according to its investment strategy. The fund also reserves the right to invest without limitation in preferred stocks and investment-grade debt instruments for temporary, defensive purposes.

An investment in the fund is not in itself, a balanced investment plan. When fund shares are redeemed, they may be worth more or less than their original cost.

#### THE FUND IN DETAIL

#### CHARTER

EQUITY-INCOME PORTFOLIO IS A MUTUAL FUND: an investment that pools shareholders' money and invests it toward a specified goal. The fund is a diversified fund of Variable Insurance Products Fund (VIP). VIP is an open-end management investment company organized as a Massachusetts business trust on November 13, 1981.

THE FUND IS GOVERNED BY A BOARD OF TRUSTEES which is responsible for protecting the interests of shareholders. The trustees are experienced executives who meet throughout the year to oversee the fund's activities, review contractual arrangements with companies that provide services to the fund, and review the fund's performance. The majority of trustees are not otherwise affiliated with Fidelity.

THE FUND MAY HOLD SPECIAL MEETINGS AND MAIL PROXY MATERIALS. These meetings may be called to elect or remove trustees, change fundamental policies, approve a management contract, or for other purposes. Shareholders not attending these meetings are encouraged to vote by proxy. An insurance company issuing a variable contract that participates in the fund will vote shares held in its separate account as required by law and interpretations thereof, as may be amended or changed from time to time. In accordance with

current law and interpretations thereof, a participating insurance company is required to request voting instructions from policyowners and must vote shares in the separate account in proportion to the voting instructions received. Your insurance company is entitled to one vote for each share it owns. For a further discussion, please refer to your insurance company's separate account prospectus.

#### FMR AND ITS AFFILIATES

Fidelity Investments is one of the largest investment management organizations in the United States and has its principal business address at 82 Devonshire Street, Boston, Massachusetts 02109. It includes a number of different subsidiaries and divisions which provide a variety of financial services and products. The fund employs various Fidelity companies to perform activities required for its operation. The fund is managed by FMR, which chooses the fund's investments and handles its business affairs.

#### FIDELITY FACTS

Fidelity offers the broadest selection of mutual funds in the world.

(solid bullet) Number of Fidelity mutual funds: over

(solid bullet) Assets in Fidelity mutual funds: over \$250 billion

(solid bullet) Number of shareholder accounts: over 21 million

(solid bullet) Number of investment analysts and portfolio managers: over 200

(checkmark)

Bettina Doulton is the manager of Equity-Income Portfolio, which she has managed since July 1993. Ms. Doulton is also manager of Fidelity Advisor Equity Portfolio Income. Previously, she managed Fidelity Select Automotive Portfolio and assisted on Fidelity Magellan Fund and Fidelity Equity-Income Fund. Ms. Doulton also served as an analyst following the domestic and European automotive and tire manufacturing industry as well as the gaming and lodging industry. She joined Fidelity in 1985.

The fund has an investment objective similar to that of Fidelity Equity-Income Fund, an existing Fidelity retail fund. Performance of the fund is not expected to be the same as the performance of the corresponding retail fund due in part to dissimilarities in their investments. Various insurance related costs at the insurance company's separate account will also affect performance.

The fund sells its shares to separate accounts of insurance companies which are both affiliated and unaffiliated with FMR. The fund currently does not foresee any disadvantages to policyowners arising out of the fact that the fund offers its shares to separate accounts of various insurance companies to serve as the investment medium for their variable products.

Nevertheless, the Board of Trustees intends to monitor events in order to identify any material irreconcilable conflicts which may possibly arise, and to determine what action, if any, should be taken in response to such conflicts. If such a conflict were to occur, one or more insurance companies' separate accounts might be required to withdraw its investments in the fund and shares of another fund may be substituted. This might force the fund to sell securities at disadvantageous prices. In addition, the Board of Trustees may refuse to sell shares of the fund to any separate account or may suspend or terminate the offering of shares of the fund if such action is required by law or regulatory authority or is in the best interests of the shareholders of the fund.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that establishes procedures for personal investing and restricts certain transactions.

Fidelity Distributors Corporation (FDC) distributes and markets Fidelity's funds and services. Fidelity Investments Institutional Operations Company (FIIOC), 82 Devonshire Street, Boston, Massachusetts, performs transfer agent servicing functions for the fund.

FMR Corp. is the ultimate parent company of FMR. Through ownership of voting common stock, members of the Edward C. Johnson 3d family form a controlling group with respect to FMR Corp. Changes may occur in the Johnson family group, through death or disability, which would result in changes in each individual family members' holding of stock. Such changes could result in one or more family members becoming holders of over 25% of the stock. FMR Corp. has received an opinion of counsel that changes in the composition of the Johnson family group under these circumstances would not result in the termination of the fund's management or distribution contracts and, accordingly, would not require a shareholder vote to continue operation under those contracts.

A broker-dealer may use a portion of the commissions paid by the fund to

reduce the fund's custodian or transfer agent fees. FMR may use its broker-dealer affiliates and other firms that sell fund shares to carry out the fund's transactions, provided that the fund receives brokerage services and commission rates comparable to those of other broker-dealers.

#### SECURITIES AND INVESTMENT PRACTICES

The following pages contain more detailed information about types of instruments in which the fund may invest, and strategies FMR may employ in pursuit of the fund's investment objective. A summary of risks and restrictions associated with these instrument types and investment practices is included as well. A complete listing of the fund's policies and limitations and more detailed information about the fund's investments is contained in the fund's SAI. Policies and limitations are considered at the time of purchase; the sale of instruments is not required in the event of a subsequent change in circumstances.

FMR may not buy all of these instruments or use all of these techniques to the full extent permitted unless it believes that doing so will help a fund achieve its goal. Current holdings and recent investment strategies are described in the fund's financial reports, which are sent to the fund's shareholders twice a year. For a free SAI or financial report, contact your insurance company.

EQUITY SECURITIES may include common stocks, preferred stocks, convertible securities, and warrants. Common stocks, the most familiar type, represent an equity (ownership) interest in a corporation. Although equity securities have a history of long-term growth in value, their prices fluctuate based on changes in a company's financial condition and on overall market and economic conditions. Smaller companies are especially sensitive to these factors.

RESTRICTIONS: With respect to 75% of its total assets, the fund may not own more than 10% of the outstanding voting securities of a single issuer.

DEBT SECURITIES. Bonds and other debt instruments are used by issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest, and must repay the amount borrowed at maturity. Some debt securities, such as zero coupon bonds, do not pay current interest, but are purchased at a discount from their face values. Debt securities, loans, and other direct debt have varying degrees of quality and varying levels of sensitivity to changes in interest rates. Longer-term bonds are generally more sensitive to interest rate changes than short-term bonds.

Lower-quality debt securities (sometimes called "junk bonds") are often considered to be speculative and involve greater risk of default or price changes due to changes in the issuer's creditworthiness. The market prices of these securities may fluctuate more than higher-quality securities and may decline significantly in periods of general economic difficulty. The following table provides a summary of ratings assigned to debt holdings (not including money market instruments) in the fund's portfolio. These figures are dollar-weighted averages of month-end portfolio holdings during fiscal 1994, and are presented as a percentage of total security investments. These percentages are historical and do not necessarily indicate the fund's current or future debt holdings.

RESTRICTIONS: Purchase of a debt security is consistent with the fund's debt quality policy if it is rated at or above the stated level by Moody's or rated in the equivalent categories by S&P, or is unrated but judged to be of equivalent quality by FMR. The fund currently limits investment in lower than Baa-quality debt securities to 35% of its assets

#### FISCAL 199\_ DEBT HOLDINGS, BY RATING

Fiscal 199\_ Debt Holdings, by Rating MOODY'S STANDARD & POOR'S

INVESTORS SERVICE, INC. CORPORATION

Rating Average [A] Rating Averag

e[A]

#### INVESTMENT GRADE

Highest quality Aaa AAA

High quality Aa % AA %

Upper-medium grade A A

Medium grade Baa % BBB %

#### LOWER QUALITY

Moderately speculative Ba % BB %

Speculative B % B %

Highly speculative Caa % CCC %

Poor quality Ca % CC %

Lowest quality, no interest C C

In default, in arrears -- D %

% %

[FOR TAXABLE GROWTH, GROWTH AND INCOME, BONDS] [A] FOR SOME FOREIGN

GOVERNMENT OBLIGATIONS, FMR ASSIGNS THE

RATINGS OF THE SOVEREIGN CREDIT OF THE ISSUING GOVERNMENT. THE

DOLLAR-WEIGHTED AVERAGE OF DEBT SECURITIES

NOT RATED DIRECTLY OR INDIRECTLY BY MOODY'S OR S&P AMOUNTED TO \_\_\_% FOR EQUITY-INCOME AND \_\_\_% FOR

FUND NAME IN TEXT 2. THIS MAY INCLUDE SECURITIES RATED BY OTHER NATIONALLY RECOGNIZED RATING SERVICES,

AS WELL AS UNRATED SECURITIES. [delete if <5% of debt securities are unrated: FMR HAS DETERMINED THAT UNRATED

SECURITIES THAT ARE LOWER QUALITY ACCOUNT FOR \_\_\_% OF EQUITY-INCOME 'S AND \_\_\_% OF 'S TOTAL SECURITY

INVESTMENTS.] REFER TO THE FUND'S SAI FOR A MORE COMPLETE DISCUSSION OF THESE RATINGS.

FOREIGN SECURITIES and foreign currencies may involve additional risks. These include currency fluctuations, risks relating to political or economic conditions in the foreign country, and the potentially less stringent investor protection and disclosure standards of foreign markets. In addition to the political and economic factors that can affect foreign securities, a governmental issuer may be unwilling to repay principal and interest when due, and may require that the conditions for payment be renegotiated. These factors could make foreign investments, especially those in developing countries, more volatile.

RESTRICTIONS: FMR limits the amount of the fund's net assets that may be invested in foreign securities to 50%. However, the fund may not invest more than 20% of its assets in any one country. The fund may have an additional 15% invested in securities of issuers located in any one (but only one) of the following countries: Australia, Canada, France, Japan, the United Kingdom or Germany.

ADJUSTING INVESTMENT EXPOSURE. The fund can use various techniques to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates, commodity prices, or other factors that affect security values. These techniques may involve derivative transactions such as buying and selling options and futures contracts, entering into currency exchange contracts or swap agreements, purchasing indexed securities, and selling securities short.

FMR can use these practices to adjust the risk and return characteristics of the fund's portfolio of investments. If FMR judges market conditions incorrectly or employs a strategy that does not correlate well with the fund's investments, these techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These techniques may increase the volatility of the fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty to the transaction does not perform as promised.

REPURCHASE AGREEMENTS. In a repurchase agreement, the fund buys a security at one price and simultaneously agrees to sell it back at a higher price. Delays or losses could result if the other party to the agreement defaults or becomes insolvent.

DIRECT DEBT. Loans and other direct debt instruments are interests in amounts owed to another party by a company, government, or other borrower. They have additional risks beyond conventional debt securities because they may entail less legal protection for the fund, or there may be a requirement that the fund supply additional cash to a borrower on demand.

ASSET-BACKED AND MORTGAGE SECURITIES may include interests in pools of lower-rated debt securities, consumer loans or mortgages, or complex instruments such as collateralized mortgage obligations and stripped mortgage-backed securities. The value of these securities may be significantly affected by changes in interest rates, the market's perception of issuers, and the creditworthiness of the parties involved. Some securities may have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile. These securities may also be subject to prepayment risk.

ILLIQUID AND RESTRICTED SECURITIES. Some investments may be determined by FMR, under the supervision of the Board of Trustees, to be illiquid, which means that they may be difficult to sell promptly at an acceptable price. The sale of some securities, including illiquid securities, may be subject to legal restrictions. Difficulty in selling securities may result in a loss or may be costly to the fund.

RESTRICTIONS. The fund may not purchase a security if, as a result, more than 10% of its net assets would be invested in illiquid securities.

DIVERSIFICATION. Diversifying the fund's investment portfolio can reduce the risks of investing. This may include limiting the amount of money invested in any one issuer or, on a broader scale, in any one industry.

RESTRICTIONS. With respect to 75% of total assets, the fund may not invest more than 5% of its total assets in any one issuer. The fund also may not invest more than 25% of its total assets in any one industry. These limitations do not apply to U.S. government securities.

BORROWING. The fund may borrow from banks or from other funds advised by

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

RESTRICTIONS: The fund may borrow only for temporary or emergency purposes, but not in an amount exceeding 25% of its total assets.

LENDING. Lending securities to broker-dealers and institutions, including FBSI, an affiliate of FMR, is a means of earning income. This practice could result in a loss or a delay in recovering the fund's securities. The fund may also lend money to other funds advised by FMR and to issuers in connection with certain direct debt transactions.

RESTRICTIONS: Loans, in the aggregate, may not exceed 33% of the fund's total assets.

#### FUNDAMENTAL INVESTMENT POLICIES AND RESTRICTIONS

Some of the policies and restrictions discussed on the preceding pages are fundamental, that is, subject to change only by shareholder approval. The following paragraph restates all those that are fundamental. All policies stated throughout this prospectus, other than those identified in the following paragraph, can be changed without shareholder approval.

The fund seeks reasonable income by investing primarily in income-producing equity securities. The fund, with respect to 75% of total assets, may not invest more than 5% of its total assets in any one issuer and may not own more than 10% of the outstanding voting securities of a single issuer. The fund may not invest more than 25% of its total assets in any one industry. Loans, in the aggregate, may not exceed 33% of the fund's total assets.

INTERNAL REVENUE SERVICE (IRS) LIMITATIONS. In addition to the above, the fund also follows certain limitations imposed by the IRS on separate accounts of insurance companies relating to the tax-deferred status of variable contracts. More specific information may be contained in your insurance company's separate account prospectus.

#### BREAKDOWN OF EXPENSES

Like all mutual funds, the fund pays fees related to its daily operations. Expenses paid out of the fund's assets are reflected in its share price. The fund pays a MANAGEMENT FEE to FMR for managing its investments and business affairs. The fund also pays OTHER EXPENSES, which are explained [at right/on page\_\_].

FMR may, from time to time, agree to reimburse the fund for management fees and other expenses above a specified limit. FMR retains the ability to be repaid by the fund if expenses fall below the specified limit prior to the end of the fiscal year. Reimbursement arrangements, which may be terminated at any time without notice, can decrease the fund's expenses and boost its performance.

#### MANAGEMENT FEE

The fund's MANAGEMENT FEE is calculated and paid to FMR every month. The fee for the fund is calculated by adding a group fee rate to an individual fee rate, and multiplying the result by the fund's average net assets. THE GROUP FEE RATE is based on the average net assets of all the mutual funds advised by FMR. This rate cannot rise above 0.52% and it drops as total assets under management increase.

For December 31, 1994, the group fee rate was \_\_%. The fund's individual fund fee rate is 0.20%. For fiscal year 1994, the total management was \_\_%.

#### OTHER EXPENSES

While the management fee is a significant component of the fund's annual operating costs, the fund has other expenses as well.

FIIOC performs transfer agency, dividend disbursing and shareholder servicing functions for the fund. Fidelity Service Company (FSC), 82 Devonshire Street, Boston, Massachusetts, calculates the net asset value (NAV) and dividends, maintains the general accounting records and administers securities lending program for the fund.

In fiscal 1994, the fund paid FIIOC fees equal to % of the fund's average net assets for transfer agency and related services, and the fund paid FSC fees equal to % of its average net assets for pricing and bookkeeping services.

For fiscal year 1994, the fund's total expenses amounted to % of the fund's average net assets. FMR has voluntarily agreed to temporarily limit the fund's total operating expenses (as a percentage of the fund's average net assets) to 1.50%.

The fund also pays other expenses, such as legal, audit, and custodian fees; proxy solicitation costs; and the compensation of trustees who are not affiliated with Fidelity. A broker-dealer may use a portion of the commissions paid by the fund to reduce the fund's custodian or transfer agent fees.

The fund's portfolio turnover rate for fiscal 1994 was %. This rate varies from year to year. High turnover rates increase transaction costs. FMR considers these effects when evaluating the anticipated benefits of short-term investing.



The fund has adopted a Distribution and Service Plan. This plan recognizes that FMR may use its resources, including management fees, to pay expenses associated with the sale of fund shares. This may include payments to third parties, such as banks or broker-dealers, that provide shareholder support services or engage in the sale of the fund's shares. The Board of Trustees has not authorized such payments.

#### PERFORMANCE

The fund's total return may be quoted in advertising if accompanied by performance of your insurance company's separate account. Performance is based on historical results and is not intended to indicate future performance. For additional performance information, contact your insurance company for a free annual report.

#### EXPLANATION OF TERMS

TOTAL RETURN is the change in value of an investment in the fund over a given period, assuming reinvestment of any dividends and capital gains. A CUMULATIVE TOTAL RETURN reflects actual performance over a stated period of time. An AVERAGE ANNUAL TOTAL RETURN is a hypothetical rate of return that, if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total returns smooth out variations in performance; they are not the same as actual year-by-year results.

YIELD refers to the income generated by an investment in the fund over a given period of time, expressed as an annual percentage rate.

THE CONSUMER PRICE INDEX is a widely recognized measure of inflation calculated by the U.S. government.

The fund may quote its adjusted net asset value (NAV), including all distributions paid. This value may be averaged over specified periods and may be used to calculate the fund's moving average.

The fund's recent strategies, performance, and holdings are detailed twice a year in financial reports, which are sent to all shareholders.

TOTAL RETURNS AND YIELDS QUOTED FOR THE FUND INCLUDES THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE SHARES OF THE FUND MAY ONLY BE PURCHASED THROUGH VARIABLE ANNUITY AND VARIABLE LIFE INSURANCE CONTRACTS, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted. You should bear in mind the effect of these charges when comparing the fund's performance to that of other mutual funds.

#### DISTRIBUTIONS AND TAXES

For a discussion of the tax status of your variable insurance contract, refer to the prospectus of your insurance company's separate account. It is suggested you keep all statements you receive to assist in your personal recordkeeping.

It is expected that shares of the fund will be held under the terms of variable annuity and variable life insurance contracts. Under current tax law, dividends or capital gain distributions from the fund are not currently taxable when left to accumulate within a variable annuity or variable life insurance contract. Depending on the variable contract, withdrawals from the contracts may be subject to ordinary income tax and, in addition to a 10% penalty tax on withdrawals before age 59 1/2.

The fund is treated as a separate entity for federal income tax purposes. The fund intends to pay out all of its net investment income and net realized capital gains for each year and distribute its dividends quarterly. The fund makes dividend and capital gain distributions on a per-share basis. After distribution from the fund, the fund's share price drops by the amount of the distribution. Because dividends and capital gain distributions are reinvested, the total value of an account will not be affected because, although the shares will have a lower price, there will be correspondingly more of them. Normally, net realized capital gains, if any, are distributed each year for the fund. Such income and capital gain distributions are automatically reinvested in additional shares of the fund.

#### TRANSACTION DETAILS

THE FUND IS OPEN FOR BUSINESS each day the New York Stock Exchange (NYSE) is open. Fidelity normally calculates the fund's NAV as of the close of business of the NYSE, normally 4 p.m. Eastern time.

THE FUND'S NAV is the value of a single share. The NAV is computed by adding the value of the fund's investments, cash, and other assets, subtracting its liabilities, and then dividing the result by the number of shares outstanding.

The fund's assets are valued primarily on the basis of market quotations. Foreign securities are valued on the basis of quotations from the primary market in which they are traded, and are translated from the local currency into U.S. dollars using current exchange rates. If quotations are not readily available or if the values have been materially affected by events

occurring after the closing of a foreign market, assets are valued by a method that the Board of Trustees believes accurately reflects fair value. THE FUND'S OFFERING PRICE (price to buy one share) and REDEMPTION PRICE (price to sell one share) are its NAV.

THE FUND RESERVES THE RIGHT TO SUSPEND THE OFFERING OF SHARES for a period of time. The fund also reserves the right to reject any specific purchase order. Purchase orders may be refused if, in FMR's opinion, they would disrupt management of the fund.

INVESTMENTS AND REDEMPTIONS. Investments may be made only by separate accounts established and maintained by insurance companies for the purpose of funding variable insurance contracts. Please refer to the prospectus of your insurance company's separate account for information on how to invest and redeem from the fund.

Each Participating insurance company receives orders from its variable contract owners to purchase or redeem shares of the fund each Business Day. That night, all orders received by that insurance company on that Business Day are aggregated, and the insurance company places a net purchase or redemption order for shares of the fund the morning of the next Business Day. These orders are generally executed at the NAV that was computed at the close of the previous Business Day in order to provide a match between the variable contract owners' orders to the insurance companies and the insurance companies' orders to the fund. In some cases, an insurance company's orders for fund shares may be executed at the NAV next computed after the order is actually transmitted to the fund.

Redemption proceeds will normally be wired to the insurance company on the next business day after receipt of the redemption instructions by the fund but in no event later than 7 days following receipt of instructions. The fund may suspend redemptions or postpone payment dates on days when the NYSE is closed (other than weekend or holidays), when trading on the NYSE is restricted, or as permitted by the SEC.

#### EQUITY-INCOME PORTFOLIO

A FUND OF VARIABLE INSURANCE PRODUCTS FUND

STATEMENT OF ADDITIONAL INFORMATION

APRIL 30, 1995

This Statement is not a prospectus but should be read in conjunction with the fund's current Prospectus (dated April 30, 1995). Please retain this document for future reference. The fund's financial statements and financial highlights, included in the Annual Report for the fiscal year ended December 31, 1994, are incorporated herein by reference. To obtain an additional copy of the Prospectus or the Annual Report, please call your insurance company or Fidelity Distributors Corporation at 1-800-544-8888.

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INVESTMENT ADVISER

Fidelity Management & Research Company (FMR)

DISTRIBUTOR

Fidelity Distributors Corporation (FDC)

TRANSFER AGENT

Fidelity Investments Institutional Operations Company (FIIOC)

VIP-ei-ptb-0495

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 the 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.

The 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) of the fund. However, except for the fundamental investment limitations set forth below, the investment policies and limitations described in this Statement of Additional Information are not fundamental and may be changed without shareholder approval.

THE FOLLOWING ARE THE FUND'S FUNDAMENTAL INVESTMENT LIMITATIONS. THE FUND MAY NOT:

(1) 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) 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;

(2) issue senior securities, except as permitted under the Investment Company Act of 1940;

(3) borrow money, except that the fund (i) may borrow money for temporary or emergency purposes (not for leveraging or investment) or (ii) engage in reverse repurchase agreements, provided that (i) and (ii) in combination (borrowings) do not exceed 33 1/3% of its total assets (including the amount borrowed) less liabilities (other than borrowings). Any borrowings that come to exceed 33 1/3% of the value of the fund's total assets by reason of a decline in net assets will be reduced within three days (exclusive of Sundays and holidays) to the extent necessary to comply with the 33 1/3% limitation;

(4) 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;

(5) 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 its total assets would be invested in the securities of companies whose principal business activities are in the same industry;

(6) 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);

(7) 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); or

(8) 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.

THE FOLLOWING INVESTMENT LIMITATIONS ARE NOT FUNDAMENTAL AND MAY BE CHANGED WITHOUT SHAREHOLDER NOTIFICATION.

(i) 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.

(ii) 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.

(iii) 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 advisor or (b) by engaging in reverse repurchase agreements with any party (reverse repurchase agreements are treated as borrowings for purposes of fundamental investment limitation (3)). The fund will not borrow money in excess of 25% of net assets so long as this limitation is required for certification by certain state insurance departments. Any borrowings that come to exceed this amount will be reduced within seven days (not including Sundays and holidays) to the extent necessary to comply with the 25% limitation. The fund will not purchase any security while borrowings representing more than 5% of its total assets are outstanding. The fund will not borrow from other funds advised by FMR or its affiliates if total outstanding borrowings immediately after such borrowing would exceed 15% of the fund's total assets.

(iv) 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.

(v) The fund does not currently intend to lend assets other than securities to other parties, except by: (a) lending money (up to 5% of its net assets) to a registered investment company or portfolio for which FMR or an affiliate serves as investment advisor or (b) acquiring loans, loan participations, or other forms of direct debt instruments and, in connection therewith, assuming any associated unfunded commitments of the sellers. (This limitation does not apply to purchases of debt securities or to repurchase agreements.)

(vi) The fund does not currently intend to (a) purchase securities of other investment companies, except in the open market where no commission except the ordinary broker's commission is paid, or (b) purchase or retain securities issued by other open-end investment companies. Limitations (a) and (b) do not apply to securities received as dividends, through offers of exchange, or as a result of a reorganization, consolidation, or merger.

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

In accordance with the fund's fundamental investment policies, there are no limitations on the percentage of the funds' assets which may be invested in any one type of instrument. Nor are there limitations (except those imposed by certain state insurance regulations) on the percentage of the fund's assets which may be invested in any foreign country. However, in order to comply with diversification requirements under Section 817(h) of the Internal Revenue Code of 1986, as amended, in connection with FMR serving as investment advisor, the fund has agreed to certain non-fundamental limitations. Please refer to your insurance company's separate account prospectus for more information.

For the fund's limitations on futures and options transactions, see the section entitled "Limitations on Futures and Options Transactions" beginning on page \_\_\_.

For the fund's policies on foreign investments, see the section entitled "Foreign Investments" on page \_\_\_.

**AFFILIATED BANK TRANSACTIONS.** The fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the fund under the Investment Company Act of 1940. These transactions may include 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, the Board of Trustees has established and periodically reviews procedures applicable to transactions involving affiliated financial institutions.

**FUND'S RIGHTS AS A SHAREHOLDER.** The fund does not intend to direct or administer the day-to-day operations of any company. The fund, however, may exercise its rights as a shareholder and may communicate its views on important matters of policy to management, the Board of Directors, and shareholders of a company when FMR determines that such matters could have a significant effect on the value of the fund's investment in the company. The activities that the fund may engage in, 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; or supporting or opposing third party takeover efforts. This area of corporate activity is increasingly prone to litigation and it is possible that the fund could be involved in

lawsuits related to such activities. FMR will monitor such activities with a view to mitigating, to the extent possible, the risk of litigation against the fund and the risk of actual liability if the fund is involved in litigation. No guarantee can be made, however, that litigation against the fund will not be undertaken or liabilities incurred.

**LOWER-QUALITY DEBT SECURITIES.** While the market for high-yield corporate debt securities has been in existence for many years and has weathered previous economic downturns, the 1980s brought a dramatic increase in the use of such securities to fund highly leveraged corporate acquisitions and restructurings. Past experience may not provide an accurate indication of the future performance of the high-yield bond market, especially during periods of economic recession. In fact, from 1989 to 1991, the percentage of lower-quality securities that defaulted rose significantly above prior levels, although the default rate decreased in 1992 and 1993 and [increased/decreased] in 1994.

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. If market quotations are not available, lower-quality debt securities will be valued in accordance with procedures established by the Board of Trustees, including the use of outside pricing services. Judgment plays a greater role in valuing high-yield corporate debt securities than is the case for securities for which more external sources for quotations and last-sale information are available. Adverse publicity and changing investor perceptions may affect the ability of outside pricing services to value lower-quality debt securities and the fund's ability to dispose of these securities. Since the risk of default is higher for lower-quality debt securities, FMR's research and credit analysis are an especially important part of managing securities of this type held by the fund. In considering investments for the fund, FMR will 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. FMR's analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects, and the experience and managerial strength of the issuer.

The 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.

**SWAP AGREEMENTS.** Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the fund's exposure to long- or short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The fund is not limited to any particular form of swap agreement if FMR determines it is consistent with the fund's investment objective and policies.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

Swap agreements will tend to shift the fund's investment exposure from one type of investment to another. For example, if the fund agreed to exchange payments in dollars for payments in foreign currency, the swap agreement would tend to decrease the fund's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the fund's investments and its share price and yield.

The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, or other factors that determine the amounts of payments due to and from the fund. If a swap agreement calls for payments by the fund, the fund must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declined, the value of a swap agreement would be likely to decline, potentially resulting in losses. The fund expects to be able to eliminate its exposure under swap agreements either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or a similarly creditworthy party.

The fund will maintain appropriate liquid assets in a segregated custodial

account to cover its current obligations under swap agreements. If the fund enters into a swap agreement on a net basis, it will segregate assets with a daily value at least equal to the excess, if any, of the fund's accrued obligations under the swap agreement over the accrued amount the fund is entitled to receive under the agreement. If the fund enters into a swap agreement on other than a net basis, it will segregate assets with a value equal to the full amount of the fund's accrued obligations under the agreement.

**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 are subject to the fund's policies regarding the quality of debt securities.

Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of principal and interest. Direct debt instruments may not be rated by any nationally recognized rating service. If the fund does not receive scheduled interest or principal payments on such indebtedness, the fund's share price and yield could be adversely affected. Loans that are fully secured offer the fund more protections than an unsecured loan in the event of non-payment of scheduled interest or principal. 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 developing 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.

Investments in loans through direct assignment of a financial institution's interests with respect to a loan may involve additional risks to the fund. For example, if a loan is foreclosed, the fund 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, the fund 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. Direct debt instruments that are not in the form of securities may offer less legal protection to the fund in the event of fraud or misrepresentation. In the absence of definitive regulatory guidance, the fund relies on FMR's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the fund.

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 fund has direct recourse against the borrower, it 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 the fund were determined to be subject to the claims of the agent's general creditors, the fund 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 purchased by the fund may include letters of credit, revolving credit facilities, or other standby financing commitments obligating the fund to pay additional cash on demand. These commitments may have the effect of requiring the fund 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. The fund will set aside appropriate liquid assets in a segregated custodial account to cover its potential obligations under standby financing commitments.

The fund limits the amount of total assets that it will invest in any one issuer or in issuers within the same industry (see limitations 1 and 5). For purposes of these limitations, 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 the fund and the borrower, if the participation does not shift to the fund the direct debtor-creditor relationship with the borrower, SEC interpretations require the 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 the 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.

**INDEXED SECURITIES.** The fund may purchase securities whose prices are indexed to the prices of other securities, securities indices, currencies, precious metals or other commodities, or other financial indicators. Indexed securities typically, but not always, are debt securities or deposits whose value at maturity or coupon rate is determined by reference to a specific instrument or statistic. Gold-indexed securities, for example, typically provide for a maturity value that depends on the price of gold, resulting in a security whose price tends to rise and fall together with gold prices. 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 of equivalent issuers. 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 security, currency, or other instrument to which they are indexed, and may also be influenced by interest rate changes in the United States and abroad. At the same time, indexed securities are 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. Indexed securities may be more volatile than the underlying instruments.

**ILLIQUID INVESTMENTS** are investments that cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued. Under the supervision of the Board of Trustees, FMR determines the liquidity of the fund's investments and, through reports from FMR, the Board monitors investments in illiquid instruments. In determining the liquidity of the fund's investments, FMR may consider various factors, including (1) the frequency of trades and quotations, (2) the number of dealers and prospective purchasers in the marketplace, (3) dealer undertakings to make a market, (4) the nature of the security (including any demand or tender features), and (5) the nature of the marketplace for trades (including the ability to assign or offset the fund's rights and obligations relating to the investment).

Investments currently considered by the fund to be illiquid include repurchase agreements not entitling the holder to payment of principal and interest within seven days, over-the-counter options, and non-government stripped fixed-rate mortgage-backed securities. Also, FMR may determine some restricted securities, government-stripped fixed-rate mortgage-backed securities, loans and other direct debt instruments, emerging market securities, and swap agreements to be illiquid. However, with respect to over-the-counter options the fund writes, all or a portion of the value of the underlying instrument may be illiquid depending on the assets held to cover the option and the nature and terms of any agreement the fund may have to close out the option before expiration.

In the absence of market quotations, illiquid investments are priced at fair value as determined in good faith by a committee appointed by the Board of Trustees. 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 was invested in illiquid securities, it would seek to take appropriate steps to protect liquidity.

**RESTRICTED SECURITIES** generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933, or in a registered public offering. Where registration is required, the fund 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 fund might obtain a less favorable price than prevailed when it decided to seek registration of the security.

**REPURCHASE AGREEMENTS** In a repurchase agreement, the fund purchases a security and simultaneously commits 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. While it does not

presently appear possible to eliminate all risks from these transactions (particularly the possibility that the value of the underlying security will be less than the resale price, as well as delays and costs to the fund in connection with bankruptcy proceedings), it is the fund's current policy to engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by FMR.

**REVERSE REPURCHASE AGREEMENTS** In a reverse repurchase agreement, the fund sells a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time. While a reverse repurchase agreement is outstanding, the fund will maintain appropriate liquid assets in a segregated custodial account to cover its obligation under the agreement. The fund will enter into reverse repurchase agreements only with parties whose creditworthiness has been found satisfactory by FMR. Such transactions may increase fluctuations in the market value of the fund's assets and may be viewed as a form of leverage.

**SECURITIES LENDING.** The fund may lend securities to parties such as broker-dealers or institutional investors, including Fidelity Brokerage Services, Inc. (FBSI). FBSI is a member of the New York Stock Exchange and a subsidiary of FMR Corp.

Securities lending allows the fund to retain ownership of the securities loaned and, at the same time, to earn additional income. Since there may be delays in the recovery of loaned securities, or even a loss of rights in collateral supplied should the borrower fail financially, loans will be made only to parties deemed by FMR to be of good standing. Furthermore, they will only be made if, in FMR's judgment, the consideration to be earned from such loans would justify the risk.

FMR understands that it is the current view of the SEC Staff that a fund may engage in loan transactions only under the following conditions: (1) the fund must receive 100% collateral in the form of cash or cash equivalents (e.g., U.S. Treasury bills or notes) from the borrower; (2) the borrower must increase the collateral whenever the market value of the securities loaned (determined on a daily basis) rises above the value of the collateral; (3) after giving notice, the fund must be able to terminate the loan at any time; (4) the fund must receive reasonable interest on the loan or a flat fee from the borrower, as well as amounts equivalent to any dividends, interest, or other distributions on the securities loaned and to any increase in market value; (5) the fund may pay only reasonable custodian fees in connection with the loan; and (6) the Board of Trustees must be able to vote proxies on the securities loaned, either by terminating the loan or by entering into an alternative arrangement with the borrower.

Cash received through loan transactions may be invested in any security in which the fund is authorized to invest. Investing this cash subjects that investment, as well as the security loaned, to market forces (i.e., capital appreciation or depreciation).

**ASSET-BACKED SECURITIES.** Asset-backed securities represent interests in pools of consumer loans (generally unrelated to mortgage loans) and most often are structured as pass-through securities. Interest and principal payments ultimately depend upon payment of the underlying loans by individuals, although the securities may be supported by letters of credit or other credit enhancements. The value of asset-backed securities may also depend on the creditworthiness of the servicing agent for the loan pool, the originator of the loans, or the financial institution providing the credit enhancement.

**MORTGAGE-BACKED SECURITIES.** The fund may purchase mortgage-backed securities issued by government and non-government entities such as banks, mortgage lenders, or other financial institutions. A mortgage-backed security may be 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-backed securities, such as collateralized mortgage obligations or CMOs, make payments of both principal and interest at a variety of intervals; others make semiannual interest payments at a predetermined rate and repay principal at maturity (like a typical bond). Mortgage-backed securities are based on different types of mortgages including those on commercial real estate or residential properties. Other types of mortgage-backed securities will likely be developed in the future, and the fund may invest in them if FMR determines they are consistent with the fund's investment objective and policies.

**REAL ESTATE-RELATED INSTRUMENTS** include real estate investment trusts, commercial and residential mortgage-backed securities, and real estate financings. Real estate-related instruments are sensitive to factors such as real estate values and property taxes, interest rates, cash flow of underlying real estate assets, overbuilding, and the management skill and creditworthiness of the issuer. Real estate-related instruments may also be affected by tax and regulatory requirements, such as those relating to the



environment.

**SHORT SALES.** The fund may enter into short sales with respect to stocks underlying its convertible security holdings. For example, if FMR anticipates a decline in the price of the stock underlying a convertible security a fund holds, 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. The fund currently intends to hedge no more than 15% of its total assets with short sales on equity securities underlying its convertible security holdings under normal circumstances. When the fund enters into a short sale, it 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. The fund will incur transaction costs, including interest expense, in connection with opening, maintaining, and closing short sales.

**INTERFUND BORROWING PROGRAM.** The fund has received permission from the SEC to lend money to and borrow money from other funds advised by FMR or its affiliates. Interfund loans and borrowings normally will extend overnight, but can have a maximum duration of seven days. Loans may be called on one day's notice. The fund will lend through the program only when the returns are higher than those available at the same time from other short-term instruments (such as repurchase agreements), and will borrow through the program only when the costs are equal to or lower than the cost of bank loans. The 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.

**FOREIGN INVESTMENTS.** Investing in securities issued by companies or other issuers whose principal activities are outside the United States may involve significant risks in addition to the risks inherent in U.S. investments. 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. In addition, there is generally less publicly available information about foreign issuers' financial condition and operations, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. 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. Further, economies of particular countries or areas of the world may differ favorably or unfavorably from the economy of the United States.

Investing abroad also involves different political and economic risks. Foreign investments may be affected by actions of foreign governments adverse to the interests of U.S. investors, including the possibility of 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. There may be a greater possibility of default by foreign governments or foreign government-sponsored enterprises. Investments in foreign countries also involve a risk of local political, economic, or social instability, military action or unrest, or adverse diplomatic developments. There is no assurance that FMR will be able to anticipate these potential events or counter their effects. The considerations noted above generally are intensified for investments in developing countries. Developing countries may have relatively unstable governments, economies based on only a few industries, and securities markets that trade a small number of securities. Foreign markets may offer less protection to investors than U.S. markets. It is anticipated that in most cases the best available market for foreign securities will be on exchanges or in over-the-counter 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 (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. issuers. Foreign security trading practices, including those involving securities settlement where fund assets may be released prior to receipt of payment, may expose the fund to increased risk in the event of a failed trade or the insolvency of a foreign broker-dealer, and may involve substantial delays. In addition, the costs of foreign investing, including withholding taxes, brokerage commissions and custodial costs, are generally higher than for U.S. investors. In general, there is less overall governmental supervision and regulation of securities exchanges, brokers, and listed companies than in the United States. It may also be difficult to enforce legal rights in foreign countries.

The fund may invest in foreign securities that 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.

The fund may invest in American Depository Receipts and European Depository Receipts (ADRs and EDRs), which are certificates evidencing ownership of shares of a foreign-based issuer held in trust by a bank or similar financial institution. Designed for use in the U.S. and European securities markets, respectively, ADRs and EDRs are alternatives to the purchase of the underlying securities in their national markets and currencies.

**FOREIGN CURRENCY TRANSACTIONS.** The fund may conduct foreign currency transactions on a spot (i.e., cash) basis or by entering into forward contracts to purchase or sell foreign currencies at a future date and price. The fund will convert currency on a spot basis from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers generally do not charge a fee for conversion, 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 to the fund at one rate, while offering a lesser rate of exchange should the fund desire to resell that currency to the dealer. Forward contracts are generally traded in an interbank market conducted 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 fund may use currency forward contracts for any purpose consistent with its investment objective. The following discussion summarizes the principal currency management strategies involving forward contracts that could be used by the fund. The fund may also use swap agreements, indexed securities, and options and futures contracts relating to foreign currencies for the same purposes.

When the fund agrees to buy or sell a security denominated in a foreign currency, it may desire to "lock in" the U.S. dollar price of the security. By entering into a forward contract for the purchase or sale, for a fixed amount of U.S. dollars, of the amount of foreign currency involved in the underlying security transaction, the fund will be able to protect itself against an adverse change in foreign currency values between the date the security is purchased or sold and the date on which payment is made or received. This technique is sometimes referred to as a "settlement hedge" or "transaction hedge." The fund may also enter into forward contracts to purchase or sell a foreign currency in anticipation of future purchases or sales of securities denominated in foreign currency, even if the specific investments have not yet been selected by FMR.

The fund may also use forward contracts to hedge against a decline in the value of existing investments denominated in foreign currency. For example, if the 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. The fund could also hedge the position by selling another currency expected to perform similarly to the pound sterling - for example, by entering into a forward contract to sell Deutschmarks or European Currency Units in return for U.S. dollars. 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 simple 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.

The 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. For example, if the fund held investments denominated in Deutschmarks, the fund could enter into forward contracts to sell Deutschmarks and purchase Swiss Francs. 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 the fund had sold a security denominated in one currency and purchased an equivalent security denominated in another. Cross-hedges protect against losses resulting from a decline in the hedged currency, but will cause the fund to assume the risk of fluctuations in the value of the currency it purchases.

Under certain conditions, SEC guidelines require mutual funds to set aside appropriate liquid assets in a segregated custodial account to cover currency forward contracts. As required by SEC guidelines, the fund will

segregate assets to cover currency forward contracts, if any, whose purpose is essentially speculative. The fund will not segregate assets to cover forward contracts entered into for hedging purposes, including settlement hedges, position hedges, and proxy hedges.

Successful use of currency management strategies will depend on FMR's skill in analyzing and predicting currency values. Currency management strategies may substantially change the fund's investment exposure to changes in currency exchange rates, and could result in losses to the fund if currencies do not perform as FMR anticipates. For example, if a currency's value rose at a time when FMR had hedged the fund by selling that currency in exchange for dollars, the fund would be unable to participate in the currency's appreciation. If FMR hedges currency exposure through proxy hedges, the fund could realize currency losses from the hedge and the security position at the same time if the two currencies do not move in tandem. Similarly, if FMR increases the fund's exposure to a foreign currency, and that currency's value declines, the fund will realize a loss. There is no assurance that FMR's use of currency management strategies will be advantageous to the fund or that it will hedge at an appropriate time.

**LIMITATIONS ON FUTURES AND OPTIONS TRANSACTIONS.** The fund has filed a notice of eligibility for exclusion from the definition of the term "commodity pool operator" with the Commodity Futures Trading Commission (CFTC) and the National Futures Association, which regulate trading in the futures markets. The fund intends to comply with Rule 4.5 under the Commodity Exchange Act, which limits the extent to which the fund can commit assets to initial margin deposits and option premiums.

In addition, the fund 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 securities that incorporate features similar to options.

The above limitations on the fund's investments in futures contracts and options, and the fund's policies regarding futures contracts and options discussed elsewhere in this Statement of Additional Information may be changed as regulatory agencies permit.

**FUTURES CONTRACTS.** When the fund purchases a futures contract, it agrees to purchase a specified underlying instrument at a specified future date. When the fund sells a futures contract, it agrees to sell the underlying instrument at a specified future date. The price at which the purchase and sale will take place is fixed when the fund enters into the contract. Some currently available futures contracts are based on specific securities, such as U.S. Treasury bonds or notes, and some are based on indices of securities prices, such as the Standard & Poor's Composite Index of 500 Stocks (S&P 500). Futures can be held until their delivery dates, or can be closed out before then if a liquid secondary market is available.

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

**FUTURES MARGIN PAYMENTS.** The purchaser or seller of a futures contract is not required to deliver or pay for the underlying instrument 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. Initial margin deposits are typically equal to a percentage of the contract's value. 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. The party that has a gain may be 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 the fund's investment limitations. In the event of the bankruptcy of an FCM that holds margin on behalf of the 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.

**PURCHASING PUT AND CALL OPTIONS.** By purchasing a put option, the fund 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 fund pays the current market price for the option (known as the option premium). Options have various types of underlying instruments, including specific securities, indices of securities prices, and futures contracts. The fund may terminate its position in a put option it has purchased by allowing it to expire or by exercising the option. If the option is allowed to expire, the fund will lose the entire premium it paid. If the fund exercises the option, it completes the sale of the underlying instrument at the strike price. The fund 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 security prices fall 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 paid, 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 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 security prices fall. At the same time, the buyer can expect to suffer a loss if security prices do not rise sufficiently to offset the cost of the option.

**WRITING PUT AND CALL OPTIONS.** When the fund writes a put option, it takes the opposite side of the transaction from the option's purchaser. In return for receipt of the premium, the fund assumes the obligation to pay the strike price for the option's underlying instrument if the other party to the option chooses to exercise it. When writing an option on a futures contract, the fund will be required to make margin payments to an FCM as described above for futures contracts. The fund may seek to terminate its position in a put option it writes 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 the fund has written, however, the fund must continue to be prepared to pay the strike price while the option is outstanding, regardless of price changes, and must continue to set aside assets to cover its position.

If security prices rise, a put writer would generally expect to profit, although its gain would be limited to the amount of the premium it received. If security prices remain 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 security prices fall, 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 fund to sell or deliver the option's underlying instrument, 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 mitigates the effects of a price decline. At the same time, because a call writer must be prepared to deliver the underlying instrument 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.

**COMBINED POSITIONS.** The fund may purchase and write 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, the fund may purchase a put option and write a call option on the same underlying instrument, in order to 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, in order 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.

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

performance of the fund's other investments.

Options and futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match the fund's investments well. Options and 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 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. The fund may purchase or sell options and 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 the fund's options or 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.

**LIQUIDITY OF OPTIONS AND FUTURES CONTRACTS.** There is no assurance a liquid secondary market will exist for any particular options or futures 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 options and 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 for the fund to enter into new positions or close out existing positions. If the secondary 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 the fund to continue to hold a position until delivery or expiration regardless of changes in its value. As a result, the fund's access to other assets held to cover its options or futures positions could also be impaired.

**OTC OPTIONS.** Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter (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 fund greater flexibility to tailor an option to its needs, OTC options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

**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 indices, as discussed above. The fund may purchase and sell currency futures and may purchase and write currency options to increase or decrease its exposure to different foreign currencies. The fund may also purchase and write currency options 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 the fund's investments. A currency hedge, for example, should protect a Yen-denominated security from a decline in the Yen, but will not protect the fund against a price decline resulting from deterioration in the issuer's creditworthiness. Because the value of the 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.

**ASSET COVERAGE FOR FUTURES AND OPTIONS POSITIONS.** The fund will comply with guidelines established by the Securities and Exchange Commission with respect to coverage of options and futures strategies by mutual funds, and if the guidelines so require will set aside appropriate liquid assets in a segregated custodial account in the amount prescribed. Securities held in a segregated account cannot be sold while the futures or option strategy is

outstanding, unless they are replaced with other suitable assets. As a result, there is a possibility that segregation of a large percentage of the fund's assets could impede portfolio management or the fund's ability to meet redemption requests or other current obligations.

#### PORTFOLIO TRANSACTIONS

The fund may execute portfolio transactions with broker-dealers who provide research and execution services to the fund or other accounts over which FMR or its affiliates exercise investment discretion. Such services may include advice concerning the value of securities; the advisability of investing in, purchasing, or selling securities; the availability of securities or the purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and performance of accounts; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). The selection of such broker-dealers generally is made by FMR (to the extent possible consistent with execution considerations) in accordance with a ranking of broker-dealers determined periodically by FMR's investment staff based upon the quality of research and execution services provided.

The receipt of research from broker-dealers that execute transactions on behalf of the fund may be useful to FMR in rendering investment management services to the fund or its other clients, and conversely, such research provided by broker-dealers who have executed transaction orders on behalf of other FMR clients may be useful to FMR in carrying out its obligations to the fund. The receipt of such research has not reduced FMR's normal independent research activities; however, it enables FMR to avoid the additional expenses that could be incurred if FMR tried to develop comparable information through its own efforts.

Subject to applicable limitations of the federal securities laws, broker-dealers may receive commissions for agency transactions that are in excess of the amount of commissions charged by other broker-dealers in recognition of their research and execution services. In order to cause the fund to pay such higher commissions, FMR must determine in good faith that such commissions are reasonable in relation to the value of the brokerage and research services provided by such executing broker-dealers, viewed in terms of a particular transaction or FMR's overall responsibilities to the fund and its other clients. In reaching this determination, FMR will not attempt to place a specific dollar value on the brokerage and research services provided, or to determine what portion of the compensation should be related to those services.

FMR is authorized to use research services provided by and to place portfolio transactions with brokerage firms that have provided assistance in the distribution of shares of the fund or shares of other Fidelity funds to the extent permitted by law. FMR may use research services provided by and place agency transactions with Fidelity Brokerage Services, Inc. (FBSI) and Fidelity Brokerage Services, Ltd. (FBSL), subsidiaries of FMR Corp., if the commissions are fair, reasonable, and comparable to commissions charged by non-affiliated, qualified brokerage firms for similar services. FMR may allocate brokerage transactions to broker-dealers who have entered into arrangements with FMR under which the broker-dealer allocates a portion of the commissions paid by the fund toward payment of the fund's expenses, such as transfer agent fees or custodian fees. The transaction quality must, however, be comparable to those of other qualified broker-dealers.

Section 11(a) of the Securities Exchange Act of 1934 prohibits members of national securities exchanges from executing exchange transactions for accounts which they or their affiliates manage, unless certain requirements are satisfied. Pursuant to such requirements, the Board of Trustees has authorized FBSI to execute portfolio transactions on national securities exchanges in accordance with approved procedures and applicable SEC rules. The Trustees periodically review FMR's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the fund and review the commissions paid by the fund over representative periods of time to determine if they are reasonable in relation to the benefits to the fund.

For the fiscal periods ended December 31, 1994 and 1993, the fund's portfolio turnover rates were 134% and 120%, respectively. Because a high turnover rate increases transaction costs, FMR carefully weighs the anticipated benefits of short-term investing against these consequences. For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$2,658,979, and \$752,271, respectively. The fund pays both commissions and spreads in connection with the placement of portfolio transactions; FBSI is paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$712,270, and \$263,440, respectively, to FBSI. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund

for transactions involving approximately \_\_\_% of the aggregate dollar amount of transactions in which the fund paid brokerage commissions. The difference between the percentage of brokerage commissions paid to and the percentage of the dollar amount of transactions effected through FBSI is a result of the low commission rates charged by FBSI.

From time to time the Trustees will review whether the recapture for the benefit of the fund of some portion of the brokerage commissions or similar fees paid by the fund on portfolio transactions is legally permissible and advisable. The fund seeks to recapture soliciting broker-dealer fees on the tender of portfolio securities, but at present no other recapture arrangements are in effect. The Trustees intend to continue to review whether recapture opportunities are available and are legally permissible and, if so, to determine in the exercise of their business judgment whether it would be advisable for the fund to seek such recapture.

Although the Trustees and officers of the fund are substantially the same as those of other funds managed by FMR, investment decisions for the fund are made independently from those of other funds managed by FMR or accounts managed by FMR affiliates. It sometimes happens that the same security is held in the portfolio of more than one of these funds or accounts.

Simultaneous transactions are inevitable when several funds and 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 account.

When two or more funds are simultaneously engaged in the purchase or sale of the same security, the prices and amounts are allocated in accordance with procedures believed to be appropriate and equitable for each fund. In some cases this system could have a detrimental effect on the price or value of the security as far as the fund is concerned. In other cases, however, the ability of the fund to participate in volume transactions will produce better executions and prices for the fund. It is the current opinion of the Trustees that the desirability of retaining FMR as investment adviser to the fund outweighs any disadvantages that may be said to exist from exposure to simultaneous transactions.

#### VALUATION OF PORTFOLIO SECURITIES

Portfolio securities are valued by various methods depending on the primary market or exchange on which they trade. Most equity securities for which the primary market is the U.S. are valued at last sale price or, if no sale has occurred, at the closing bid price. Most equity securities for which the primary market is outside the U.S. are valued using the official closing price or the last sale price in the principal market where they are traded. If the last sale price (on the local exchange) is unavailable, the last evaluated quote or last bid price is normally used. Short-term securities are valued either at amortized cost or at original cost plus accrued interest, both of which approximate current value. Convertible securities and fixed-income securities are valued primarily by a pricing service that uses a vendor security valuation matrix which incorporates both dealer-supplied valuations and electronic data processing techniques. This two-fold approach is believed to more accurately reflect fair value because it takes into account appropriate factors such as institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data, without exclusive reliance upon quoted, exchange, or over-the-counter prices. Use of pricing services has been approved by the Board of Trustees. Securities and other assets for which there is no readily available market are valued in good faith by a committee appointed by the Board of Trustees. The procedures set forth above need not be used to determine the value of the securities owned by the fund if, in the opinion of a committee appointed by the Board of Trustees, some other method (e.g., closing over-the-counter bid prices in the case of debt instruments traded on an exchange) would more accurately reflect the fair market value of such securities.

Generally, the valuation of foreign and domestic equity securities, as well as corporate bonds, U.S. government securities, money market instruments, and repurchase agreements, is substantially completed each day at the close of the NYSE. The values of any such securities held by the fund are determined as of such time for the purpose of computing the fund's net asset value. Foreign security prices are furnished by independent brokers or quotation services which express the value of securities in their local currency. FSC gathers all exchange rates daily at the close of the NYSE using the last quoted price on the local currency and then translates the value of foreign securities from their local currency into U.S. dollars. Any changes in the value of forward contracts due to exchange rate fluctuations and days to maturity are included in the calculation of net asset value. If an extraordinary event that is expected to materially affect the value of a portfolio security occurs after the close of an exchange on which that security is traded, then the security will be valued

as determined in good faith by a committee appointed by the Board of Trustees.

#### PERFORMANCE

The fund may quote performance in various ways. All performance information supplied by the fund in advertising is historical and is not intended to indicate future returns. The fund's share price, yield, and total return fluctuate in response to market conditions and other factors, and the value of fund shares when redeemed may be more or less than their original cost.

**YIELD CALCULATIONS.** Yields for the fund are computed by dividing the fund's interest and dividend income for a given 30-day or one-month period, net of expenses, by the average number of shares entitled to receive distributions during the period, dividing this figure by the fund's net asset value (NAV) at the end of the period, and annualizing the result (assuming compounding of income) in order to arrive at an annual percentage rate. Income is calculated for purposes of yield quotations in accordance with standardized methods applicable to all stock and bond funds. Dividends from equity investments are treated as if they were accrued on a daily basis, solely for the purposes of yield calculations. In general, interest income is reduced with respect to bonds trading at a premium over their par value by subtracting a portion of the premium from income on a daily basis, and is increased with respect to bonds trading at a discount by adding a portion of the discount to daily income. For the fund's investments denominated in foreign currencies, income and expenses are calculated first in their respective currencies, and are then converted to U.S. dollars, either when they are actually converted or at the end of the 30-day or one month period, whichever is earlier. Capital gains and losses generally are excluded from the calculation as are gains and losses from currency exchange rate fluctuations.

Income calculated for the purposes of calculating the fund's yield differs from income as determined for other accounting purposes. Because of the different accounting methods used, and because of the compounding of income assumed in yield calculations, the fund's yield may not equal its distribution rate, the income paid to your account, or the income reported in the fund's financial statements.

In calculating the fund's yield, a fund may from time to time use a portfolio security's coupon rate instead of its yield to maturity in order to reflect the risk premium on that security. This practice will have the effect of reducing the fund's yield.

Yield information may be useful in reviewing the fund's performance and in providing a basis for comparison with other investment alternatives. However, the fund's yield fluctuates, unlike investments that pay a fixed interest rate over a stated period of time. When comparing investment alternatives, investors should also note the quality and maturity of the portfolio securities of respective investment companies they have chosen to consider.

Investors should recognize that in periods of declining interest rates the fund's yield will tend to be somewhat higher than prevailing market rates, and in periods of rising interest rates the fund's yield will tend to be somewhat lower. Also, when interest rates are falling, the inflow of net new money to the fund from the continuous sale of its shares will likely be invested in instruments producing lower yields than the balance of the fund's holdings, thereby reducing the fund's current yield. In periods of rising interest rates, the opposite can be expected to occur.

**TOTAL RETURN CALCULATIONS.** Total returns quoted in advertising reflect all aspects of the fund's return, including the effect of reinvesting dividends and capital gain distributions, and any change in the fund's NAV over a stated period. Average annual total returns are calculated by determining the growth or decline in value of a hypothetical historical investment in the fund over a stated period, and then calculating the annually compounded percentage rate that would have produced the same result if the rate of growth or decline in value had been constant over the period. For example, a cumulative total return of 100% over ten years would produce an average annual return of 7.18%, which is the steady annual rate of return that would equal 100% growth on a compounded basis in ten years. While average annual returns are a convenient means of comparing investment alternatives, investors should realize that the fund's performance is not constant over time, but changes from year to year, and that average annual returns represent averaged figures as opposed to the actual year-to-year performance of the fund.

In addition to average annual total returns, the fund may quote unaveraged or cumulative total returns reflecting the simple change in value of an investment over a stated period. Average annual and cumulative total returns may be quoted as a percentage or as a dollar amount, and may be calculated for a single investment, a series of investments, or a series of redemptions, over any time period. Total returns may be broken down into their components of income and capital (including capital gains and changes



in share price) in order to illustrate the relationship of these factors and their contributions to total return. Total returns may be quoted on a before-tax or after-tax basis. Total returns, yields, and other performance information may be quoted numerically or in a table, graph, or similar illustration.

NET ASSET VALUE. Charts and graphs using the fund's net asset values, adjusted net asset values, and benchmark indices may be used to exhibit performance. An adjusted NAV includes any distributions paid by the fund and reflects all elements of its return. Unless otherwise indicated, the fund's adjusted NAVs are not adjusted for sales charges, if any.

MOVING AVERAGES. The fund may illustrate performance using moving averages. A long-term moving average is the average of each week's adjusted closing NAV for a specified period. A short-term moving average is the average of each day's adjusted closing NAV for a specified period. Moving Average Activity Indicators combine adjusted closing NAVs from the last business day of each week with moving averages for a specified period to produce indicators showing when an NAV has crossed, stayed above, or stayed below its moving average. On December 31, 1994, the 13-week and 39-week long-term moving averages were \_\_\_ and \_\_\_, respectively.

HISTORICAL FUND RESULTS. The following table shows the fund's total returns for periods ended December 31, 1994.

<TABLE>  
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 Average Annual Total Returns Cumulative Total Returns  
 </TABLE>

One Five Life of One Five Life of  
 Year Years Fund\* Year Years Fund\*

Equity-Income % % % % % %

\* From October 9, 1986 (commencement of operations).  
 If FMR had not reimbursed certain fund expenses during these periods, the fund's total returns would have been lower.  
 The following table shows the income and capital elements of the fund's cumulative total return. The table compares the fund's return to the record of the Standard and Poor's Composite Index of 500 Stocks (S&P 500 (registered trademark)), the Dow Jones Industrial Average (DJIA), and the cost of living (measured by the Consumer Price Index, or CPI) over the same period. The CPI information is as of the month end closest to the initial investment date for the fund. The S&P 500 and the DJIA comparisons are provided to show how the fund's total return compared to the record of a broad average of common stock prices and a narrower set of stocks of major industrial companies, respectively, over the same period. The fund has the ability to invest in securities not included in either index, and its investment portfolio may or may not be similar in composition to the indices. Figures for the S&P 500 and DJIA are based on the prices of unmanaged groups of stocks and, unlike the fund's returns, do not include the effect of paying brokerage commissions and other costs of investing. During the period from October 9, 1986 (commencement of operations) to December 31, 1994, a hypothetical \$10,000 investment in Equity-Income would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating interest rates, bond prices, and stock prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Equity-Income Portfolio INDICES

<TABLE>  
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 <S> <C> <C> <C> <C> <C> <C> <C>  
 Year Value of Value of Value of Total S&P 500 DJIA Cost of  
 Ended Initial Reinvested Reinvested Value  
 \$10,000 Dividend Capital  
 Investment Distribution Gain  
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Year	1994	1993	1992	1991	1990	1989	1988	1987	1986*
1994	\$	\$	\$	\$	\$	\$	\$	\$	\$
1993	\$15,440	\$5,529	\$992	\$21,961	\$24,966	\$26,491	\$13,230		
1992	\$13,400	\$4,304	\$861	\$18,565	\$22,680	\$22,644	\$12,877		
1991	\$11,850	\$3,272	\$761	\$15,883	\$21,070	\$21,104	\$12,514		
1990	\$9,510	\$1,963	\$611	\$12,084	\$16,147	\$16,972	\$12,142		
1989	\$12,290	\$1,682	\$293	\$14,265	\$16,667	\$17,064	\$11,443		
1988	\$11,010	\$979	\$167	\$12,156	\$12,657	\$12,951	\$10,935		
1987	\$9,420	\$343	\$143	\$9,907	\$10,854	\$11,172	\$10,472		
1986*	\$10,020	\$0	\$0	\$10,020	\$10,311	\$10,596	\$10,027		

</TABLE>

\* From October 9, 1986 (commencement of operations).

\*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on October 9, 1986, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

The yield for the S&P 500 for the year ended December 31, 1994 was \_\_%, calculated by dividing the dollar value of dividends paid by the S&P 500 stocks during the period by the average value of the S&P 500 on December 31. The S&P yield is calculated differently from the fund's yield. For example, the fund's yield calculation treats dividends as accrued in anticipation of payment, rather than recording them when paid.

The fund's performance may be compared to the performance of other mutual funds in general, or to the performance of particular types of mutual funds. These comparisons may be expressed as mutual fund rankings prepared by Lipper Analytical Services, Inc. (Lipper), an independent service located in Summit, New Jersey that monitors the performance of mutual funds. Lipper generally ranks funds on the basis of total return, assuming reinvestment of distributions, but does not take sales charges or redemption fees into consideration, and is prepared without regard to tax consequences. In addition to the mutual fund rankings, the fund's performance may be compared to stock, bond, and money market mutual fund performance indices prepared by Lipper or other organizations. When comparing these indices, it is important to remember the risk and return characteristics of each type of investment. For example, while stock mutual funds may offer higher potential returns, they also carry the highest degree of share price volatility. Likewise, money market funds may offer greater stability of principal, but generally do not offer the higher potential returns from stock mutual funds.

From time to time, the fund's performance may also be compared to other mutual funds tracked by financial or business publications and periodicals. For example, the fund may quote Morningstar, Inc. in its advertising materials. Morningstar, Inc. is a mutual fund rating service that rates mutual funds on the basis of risk-adjusted performance. Rankings that compare the performance of Fidelity funds to one another in appropriate categories over specific periods of time may also be quoted in advertising. The fund may be compared in advertising to Certificates of Deposit (CDs) or other investments issued by banks or other depository institutions. Mutual funds differ from bank investments in several respects. For example, the fund may offer greater liquidity or higher potential returns than CDs, the fund does not guarantee your principal or your return, and fund shares are not FDIC insured.

Fidelity may provide information designed to help individuals understand their investment goals and explore various financial strategies. Such information may include information about current economic, market, and political conditions; materials that describe general principles of

investing, such as asset allocation, diversification, risk tolerance, and goal setting; questionnaires designed to help create a personal financial profile; worksheets used to project savings needs based on assumed rates of inflation and hypothetical rates of return; and action plans offering investment alternatives. Materials may also include discussions of Fidelity's asset allocation funds and other Fidelity funds, products, and services.

Ibbotson Associates of Chicago, Illinois (Ibbotson) provides historical returns of the capital markets in the United States, including common stocks, small capitalization stocks, long-term corporate bonds, intermediate-term government bonds, long-term government bonds, Treasury bills, the U.S. rate of inflation (based on the CPI), and combinations of various capital markets. The performance of these capital markets is based on the returns of different indices.

Fidelity funds may use the performance of these capital markets in order to demonstrate general risk-versus-reward investment scenarios. Performance comparisons may also include the value of a hypothetical investment in any of these capital markets. The risks associated with the security types in any capital market may or may not correspond directly to those of the funds. Ibbotson calculates total returns in the same method as the funds. The funds may also compare performance to that of other compilations or indices that may be developed and made available in the future.

In advertising materials, Fidelity may reference or discuss its products and services, which may include: other Fidelity funds; retirement investing; brokerage products and services; the effects of periodic investment plans and dollar cost averaging; saving for college or other goals; charitable giving; and the Fidelity credit card. In addition, Fidelity may quote or reprint financial or business publications and periodicals, including model portfolios or allocations, as they relate to current economic and political conditions, fund management, portfolio composition, investment philosophy, investment techniques, the desirability of owning a particular mutual fund, and Fidelity services and products. Fidelity may also reprint, and use as advertising and sales literature, articles from Fidelity Focus, a quarterly magazine provided free of charge to Fidelity fund shareholders.

The fund may present its fund number, Quotron(trademark) number, and CUSIP number, and discuss or quote its current portfolio manager.

**VOLATILITY.** The fund may quote various measures of volatility and benchmark correlation in advertising. In addition, the fund may compare these measures to those of other funds. Measures of volatility seek to compare the fund's historical share price fluctuations or total returns to those of a benchmark. Measures of benchmark correlation indicate how valid a comparative benchmark may be. All measures of volatility and correlation are calculated using averages of historical data. In advertising, the fund may also discuss or illustrate examples of interest rate sensitivity.

**MOMENTUM INDICATORS** indicate the fund's price movements over specific periods of time. Each point on the momentum indicator represents the fund's percentage change in price movements over that period.

The fund may advertise examples of the effects of periodic investment plans, including the principle of dollar cost averaging. In such a program, an investor invests a fixed dollar amount in a fund at periodic intervals, thereby purchasing fewer shares when prices are high and more shares when prices are low. While such a strategy does not assure a profit or guard against loss in a declining market, the investor's average cost per share can be lower than if fixed numbers of shares are purchased at the same intervals. In evaluating such a plan, investors should consider their ability to continue purchasing shares during periods of low price levels.

As of December 31, 1994, FMR advised over \$\_\_ billion in tax-free fund assets, \$\_\_ billion in money market fund assets, \$\_\_ billion in equity fund assets, \$\_\_ billion in international fund assets, and \$\_\_ billion in Spartan fund assets. The fund may reference the growth and variety of money market mutual funds and the adviser's innovation and participation in the industry. The equity funds under management figure represents the largest amount of equity fund assets under management by a mutual fund investment adviser in the United States, making FMR America's leading equity (stock) fund manager. FMR, its subsidiaries, and affiliates maintain a worldwide information and communications network for the purpose of researching and managing investments abroad.

The fund is available only through the purchase of variable annuity and variable life insurance contracts offering deferral of income taxes on earnings, which may produce superior after-tax returns over time. For example, a \$1,000 investment earning a taxable return of 10% annually would have an after-tax value of \$1,949 after ten years, assuming tax was deducted from the return each year at a 31% rate. An equivalent tax-deferred investment would have an after-tax value of \$2,100 after ten years, assuming tax was deducted at a 31% rate from the tax-deferred

earnings at the end of the ten-year period. Individuals holding shares of the fund through a variable annuity or variable life insurance contract may receive additional tax benefits from the deferral of income taxes associated with variable contracts. Individuals should consult their tax advisors to determine the effect of holding variable contracts on their individual tax situations.

YIELDS AND TOTAL RETURNS QUOTED FOR THE FUND INCLUDE THE EFFECT OF DEDUCTING THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE YOU CAN ONLY PURCHASE SHARES OF THE FUND THROUGH A VARIABLE ANNUITY AND/OR A VARIABLE LIFE INSURANCE CONTRACT, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted.

#### ADDITIONAL PURCHASE AND REDEMPTION INFORMATION

The fund is open for business and its net asset value per share (NAV) is calculated each day the New York Stock Exchange (NYSE) is open for trading. The NYSE has designated the following holiday closings for 1995: New Year's Day (observed), President's Day (observed), Good Friday, Memorial Day (observed), Independence Day (observed), Labor Day, Thanksgiving Day, and Christmas Day. Although FMR expects the same holiday schedule to be observed in the future, the NYSE may modify its holiday schedule at any time.

FSC normally determines the fund's NAV as of the close of the NYSE (normally 4:00 p.m. Eastern time). However, NAV may be calculated earlier if trading on the NYSE is restricted or as permitted by the Securities and Exchange Commission (SEC). To the extent that portfolio securities are traded in other markets on days when the NYSE is closed, the fund's NAV may be affected on days when investors do not have access to the fund to purchase or redeem shares. In addition, trading in some of the fund's portfolio securities may not occur on days when the fund is open for business.

If the Trustees determine that existing conditions make cash payments undesirable, redemption payments may be made in whole or in part in securities or other property, valued for this purpose as they are valued in computing the fund's NAV. Shareholders receiving securities or other property on redemption may realize a gain or loss for tax purposes, and will incur any costs of sale, as well as the associated inconveniences.

#### TAXES

For a discussion of tax consequences of variable contracts, please refer to your insurance company's separate account prospectus.

Variable contracts purchased through insurance company separate accounts provide for the accumulation of all earnings from interest, dividends, and capital appreciation without current federal income tax liability to the owner. Depending on the variable contract, distributions from the contract may be subject to ordinary income tax and a 10% penalty tax on distributions before age 59 1/2. Only the portion of a distribution attributable to income is subject to federal income tax. Investors should consult with competent tax advisors for a more complete discussion of possible tax consequences in a particular situation.

Section 817(h) of the Internal Revenue Code provides that the investments of a separate account underlying a variable insurance contract (or the investments of a mutual fund, the shares of which are owned by the variable separate account) must be "adequately diversified" in order for the contract to be treated as an annuity or life insurance for tax purposes. The Treasury Department has issued regulations prescribing these diversification requirements. The fund intends to comply with these requirements.

The fund intends to qualify each year as a "regulated investment company" for tax purposes, so that it will not be liable for federal tax on income and capital gains distributed to shareholders. In order to qualify as a regulated investment company and avoid being subject to federal income or excise taxes, the fund intends to distribute substantially all its net taxable income and net realized capital gains within each calendar year as well as on a fiscal year basis. The fund also intends to comply with other tax rules applicable to regulated investment companies including a requirement that gross capital gains from selling securities held less than three months must constitute less than 30% of the fund's gross income for each fiscal year. Income and capital gain distributions are reinvested in additional shares of the fund. This is done to preserve the tax advantaged status of the variable contracts. The fund is treated as a separate entity from the other funds of Variable Insurance Products Fund for tax purposes.

#### FMR

All of the stock of FMR is owned by FMR Corp., its parent company organized in 1972. Through ownership of voting common stock and the execution of a shareholders' voting agreement, Edward C. Johnson 3d, Johnson family

members, and various trusts for the benefit of the Johnson family form a controlling group with respect to FMR Corp.

At present, the principal operating activities of FMR Corp. are those conducted by three of its divisions as follows: FSC, which is the transfer and shareholder servicing agent for certain of the funds advised by FMR; Fidelity Investments Institutional Operations Company, which performs shareholder servicing functions for institutional customers and funds sold through intermediaries; and Fidelity Investments Retail Marketing Company, which provides marketing services to various companies within the Fidelity organization.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that sets forth all employees' fiduciary responsibilities regarding the funds, establishes procedures for personal investing and restricts certain transactions. For example, all personal trades in most securities require pre-clearance, and participation in initial public offerings is prohibited. In addition, restrictions on the timing of personal investing in relation to trades by Fidelity funds and on short-term trading have been adopted.

#### TRUSTEES AND OFFICERS

The Trustees and executive officers of the trust are listed below. Except as indicated, each individual has held the office shown or other offices in the same company for the last five years. All persons named as Trustees also serve in similar capacities for other funds advised by FMR. Unless otherwise noted, the business address of each Trustee and officer is 82 Devonshire Street, Boston, Massachusetts 02109, which is also the address of FMR. Those Trustees who are "interested persons" (as defined in the Investment Company Act of 1940) by virtue of their affiliation with either the trust or FMR are indicated by an asterisk (\*).

\*EDWARD C. JOHNSON 3d, Trustee and President, is Chairman, Chief Executive Officer and a Director of FMR Corp.; a Director and Chairman of the Board and of the Executive Committee of FMR; Chairman and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc.

\*J. GARY BURKHEAD, Trustee and Senior Vice President, is President of FMR; and President and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc. RALPH F. COX, 200 Rivercrest Drive, Fort Worth, TX, Trustee (1991), is a consultant to Western Mining Corporation (1994). Prior to February 1994, he was President of Greenhill Petroleum Corporation (petroleum exploration and production, 1990). Until March 1990, Mr. Cox was President and Chief Operating Officer of Union Pacific Resources Company (exploration and production). He is a Director of Sanifill Corporation (non-hazardous waste, 1993) and CH2M Hill Companies (engineering). In addition, he served on the Board of Directors of the Norton Company (manufacturer of industrial devices, 1983-1990) and continues to serve on the Board of Directors of the Texas State Chamber of Commerce, and is a member of advisory boards of Texas A&M University and the University of Texas at Austin.

PHYLLIS BURKE DAVIS, P.O. Box 264, Bridgehampton, NY, Trustee (1992). Prior to her retirement in September 1991, Mrs. Davis was the Senior Vice President of Corporate Affairs of Avon Products, Inc. She is currently a Director of BellSouth Corporation (telecommunications), Eaton Corporation (manufacturing, 1991), and the TJX Companies, Inc. (retail stores, 1990), and previously served as a Director of Hallmark Cards, Inc. (1985-1991) and Nabisco Brands, Inc. In addition, she is a member of the President's Advisory Council of The University of Vermont School of Business Administration.

RICHARD J. FLYNN, 77 Fiske Hill, Sturbridge, MA, Trustee, is a financial consultant. Prior to September 1986, Mr. Flynn was Vice Chairman and a Director of the Norton Company (manufacturer of industrial devices). He is currently a Director of Mechanics Bank and a Trustee of College of the Holy Cross and Old Sturbridge Village, Inc.

E. BRADLEY JONES, 3881-2 Lander Road, Chagrin Falls, OH, Trustee (1990). Prior to his retirement in 1984, Mr. Jones was Chairman and Chief Executive Officer of LTV Steel Company. Prior to May 1990, he was Director of National City Corporation (a bank holding company) and National City Bank of Cleveland. He is a Director of TRW Inc. (original equipment and replacement products), Cleveland-Cliffs Inc (mining), NACCO Industries, Inc. (mining and marketing), Consolidated Rail Corporation, Birmingham Steel Corporation, Hyster-Yale Materials Handling, Inc. (1989), and RPM, Inc. (manufacturer of chemical products, 1990). In addition, he serves as a Trustee of First Union Real Estate Investments, a Trustee and member of the Executive Committee of the Cleveland Clinic Foundation, a Trustee and member of the Executive Committee of University School (Cleveland), and a Trustee of Cleveland Clinic Florida.

DONALD J. KIRK, One Harborside, 680 Steamboat Road, Greenwich, CT, Trustee, is Executive-in-Residence (1995) at Columbia University Graduate School of

Business and a financial consultant. From 1987 to January 1995, Mr. Kirk was a Professor at Columbia University Graduate School of Business. Prior to 1987, he was Chairman of the Financial Accounting Standards Board. Mr. Kirk is a Director of General Re Corporation (reinsurance) and Valuation Research Corp. (appraisals and valuations, 1993). In addition, he serves as Vice Chairman of the Board of Directors of the National Arts Stabilization Fund, Vice Chairman of the Board of Trustees of the Greenwich Hospital Association, and as a Member of the Public Oversight Board of the American Institute of Certified Public Accountants' SEC Practice Section (1995).

\*PETER S. LYNCH, Trustee (1990) is Vice Chairman of FMR (1992). Prior to his retirement on May 31, 1990, he was a Director of FMR (1989) and Executive Vice President of FMR (a position he held until March 31, 1991); Vice President of Fidelity Magellan Fund and FMR Growth Group Leader; and Managing Director of FMR Corp. Mr. Lynch was also Vice President of Fidelity Investments Corporate Services (1991-1992). He is a Director of W.R. Grace & Co. (chemicals, 1989) and Morrison Knudsen Corporation (engineering and construction). In addition, he serves as a Trustee of Boston College, Massachusetts Eye & Ear Infirmary, Historic Deerfield (1989) and Society for the Preservation of New England Antiquities, and as an Overseer of the Museum of Fine Arts of Boston (1990).

GERALD C. McDONOUGH, 135 Aspenwood Drive, Cleveland, OH, Trustee (1989), is Chairman of G.M. Management Group (strategic advisory services). Prior to his retirement in July 1988, he was Chairman and Chief Executive Officer of Leaseway Transportation Corp. (physical distribution services). Mr.

McDonough is a Director of ACME-Cleveland Corp. (metal working, telecommunications and electronic products), Brush-Wellman Inc. (metal refining), York International Corp. (air conditioning and refrigeration, 1989), Commercial Intertech Corp. (water treatment equipment, 1992), and Associated Estates Realty Corporation (a real estate investment trust, 1993).

EDWARD H. MALONE, 5601 Turtle Bay Drive #2104, Naples, FL, Trustee. Prior to his retirement in 1985, Mr. Malone was Chairman, General Electric Investment Corporation and a Vice President of General Electric Company. He is a Director of Allegheny Power Systems, Inc. (electric utility), General Re Corporation (reinsurance) and Mattel Inc. (toy manufacturer). In addition, he serves as a Trustee of Corporate Property Investors, the EPS Foundation at Trinity College, the Naples Philharmonic Center for the Arts, and Rensselaer Polytechnic Institute, and he is a member of the Advisory Boards of Butler Capital Corporation Funds and Warburg, Pincus Partnership Funds.

MARVIN L. MANN, 55 Railroad Avenue, Greenwich, CT, Trustee (1993) is Chairman of the Board, President, and Chief Executive Officer of Lexmark International, Inc. (office machines, 1991). Prior to 1991, he held the positions of Vice President of International Business Machines Corporation ("IBM") and President and General Manager of various IBM divisions and subsidiaries. Mr. Mann is a Director of M.A. Hanna Company (chemicals, 1993) and Infomart (marketing services, 1991), a Trammell Crow Co. In addition, he serves as the Campaign Vice Chairman of the Tri-State United Way (1993) and is a member of the University of Alabama President's Cabinet (1990).

THOMAS R. WILLIAMS, 21st Floor, 191 Peachtree Street, N.E., Atlanta, GA, Trustee, is President of The Wales Group, Inc. (management and financial advisory services). Prior to retiring in 1987, Mr. Williams served as Chairman of the Board of First Wachovia Corporation (bank holding company), and Chairman and Chief Executive Officer of The First National Bank of Atlanta and First Atlanta Corporation (bank holding company). He is currently a Director of BellSouth Corporation (telecommunications), ConAgra, Inc. (agricultural products), Fisher Business Systems, Inc. (computer software), Georgia Power Company (electric utility), Gerber Alley & Associates, Inc. (computer software), National Life Insurance Company of Vermont, American Software, Inc. (1989), and AppleSouth, Inc. (restaurants, 1992).

WILLIAM J. HAYES, Vice President (1994), is Vice President of Fidelity's equity funds; Senior Vice President of FMR; and Managing Director of FMR Corp.

ROBERT H. MORRISON, Manager of Security Transactions of Fidelity's equity funds is Vice President of FMR.

ARTHUR S. LORING, Secretary, is Senior Vice President (1993) and General Counsel of FMR, Vice President-Legal of FMR Corp., and Vice President and Clerk of FDC.

GARY L. FRENCH, Treasurer (1991). Prior to becoming Treasurer of the Fidelity funds, Mr. French was Senior Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1991); Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1990); and Senior Vice President, Chief Financial and Operations Officer - Huntington Advisers, Inc. (1985-1990).

JOHN H. COSTELLO, Assistant Treasurer, is an employee of FMR.  
 LEONARD M. RUSH, Assistant Treasurer (1994), is an employee of FMR (1994).  
 Prior to becoming Assistant Treasurer of the Fidelity Funds, Mr. Rush was  
 Chief Compliance Officer of FMR Corp. (1993-1994); Chief Financial  
 Officer of Fidelity Brokerage Services, Inc. (1990-1993); and Vice  
 President, Assistant Controller, and Director of the Accounting Department  
 - - First Boston Corp. (1986-1990).

The following table sets forth information describing the compensation of  
 each current non-interested trustee of the fund for his or her services as  
 trustee for the fiscal year ended December 31, 1994.

COMPENSATION TABLE

<TABLE>  
 <CAPTION>  
 <S>

<S>	<C> Aggregate Compensation from the Fund	<C> Pension or Retirement Benefits Accrued from the Fund Complex*	<C> Estimated Annual Benefits Upon Retirement from the Fund Complex*	<C> Total Compensation from the Fund Complex*
Ralph F. Cox	\$	\$ 5,200	\$ 52,000	\$ 125,000
Phyllis Burke Davis		5,200	52,000	122,000
Richard J. Flynn		0	52,000	154,500
E. Bradley Jones		5,200	49,400	123,500
Donald J. Kirk		5,200	52,000	125,000
Gerald C. McDonough		5,200	52,000	125,000
Edward H. Malone		5,200	44,200	128,000
Marvin L. Mann		5,200	52,000	125,000
Thomas R. Williams		5,200	52,000	126,500

</TABLE>

\* Information is as December 31, 1994 for the 206 funds in the complex.  
 Under a retirement program adopted in July 1988, the non-interested  
 Trustees, upon reaching age 72, become eligible to participate in a  
 retirement program under which they receive payments during their lifetime  
 from a fund based on their basic trustee fees and length of service. The  
 obligation of a fund to make such payments are not secured or funded.  
 Trustees become eligible if, at the time of retirement, they have served on  
 the Board for at least five years. Currently, Messrs. Ralph S. Saul,  
 William R. Spaulding, Bertram H. Witham, and David L. Yunich, all former  
 non-interested Trustees, receive retirement benefits under the program  
 On December 31, the Trustees and officers of the fund owned, in the  
 aggregate, less than 1% of the fund's total outstanding shares.  
 As of February 28, 1995, significant shares of the fund were held by the  
 following companies with the figures beneath the fund representing that  
 company's holdings as a percentage of the fund's total outstanding shares.  
 [insert table of significant shareholders]

MANAGEMENT CONTRACT

The fund employs FMR to furnish investment advisory and other services.  
 Under its management contract with the fund, FMR acts as investment adviser  
 and, subject to the supervision of the Board of Trustees, directs the  
 investments of the fund in accordance with its investment objective,  
 policies, and limitations. FMR also provides the fund with all necessary  
 office facilities and personnel for servicing the fund's investments,  
 compensates all officers of the fund and all Trustees who are "interested  
 persons" of the trust or of FMR, and all personnel of the 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 the fund. These services include providing facilities  
 for maintaining the fund's organization; supervising relations with  
 custodians, transfer and pricing agents, accountants, underwriters, and  
 other persons dealing with the fund; preparing all general shareholder  
 communications and conducting shareholder relations; maintaining the fund's

records and the registration of the fund's shares under federal and state laws; developing management and shareholder services for the fund; and furnishing reports, evaluations, and analyses on a variety of subjects to the Trustees.

In addition to the management fee payable to FMR and the fees payable to FSC and FIIOC, the fund pays all of its expenses, without limitation, that are not assumed by those parties. The fund pays for typesetting, printing, and mailing proxy material to shareholders, legal expenses, and the fees of the custodian, auditor, and non-interested Trustees. Although the fund's current management contract provides that it will pay for typesetting, printing, and mailing prospectuses, statements of additional information, notices, and reports to existing shareholders, the trust on behalf of the has entered into a revised transfer agent agreement with FIIOC, pursuant to which FIIOC bears the cost of providing these services to existing shareholders. Other expenses paid by the fund include interest, taxes, brokerage commissions, the proportionate share of insurance premiums and Investment Company Institute dues, and the costs of registering shares under federal and state securities laws. The fund is also liable for such nonrecurring 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 is the fund's manager pursuant to a management contract dated January 1, 1993, which was approved by shareholders on December 16, 1992.

For the services of FMR under the contract, the fund pays FMR a monthly management fee composed of the sum of two elements: 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 and is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown below on the left. The schedule below 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 \$\_\_\_ billion of group net assets - - the approximate level for fiscal year end 1994 - was \_\_%, which is the weighted average of the respective fee rates for each level of group net assets up to \$\_\_ billion.

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
0 - \$ 3 billion	.5200%	\$ 0.5 billion	.5200%
3 - 6	.4900	25	.4238
6 - 9	.4600	50	.3823
9 - 12	.4300	75	.3626
12 - 15	.4000	100	.3512
15 - 18	.3850	125	.3430
18 - 21	.3700	150	.3371
21 - 24	.3600	175	.3325
24 - 30	.3500	200	.3284
30 - 36	.3450	225	.3253
36 - 42	.3400	250	.3223
42 - 48	.3350	275	.3198
48 - 66	.3250	300	.3175
66 - 84	.3200	325	.3153
84 - 102	.3150	350	.3133
102 - 138	.3100		
138 - 174	.3050		
174 - 228	.3000		



228 -	282	.2950
282 -	336	.2900
	Over 336	.2850

Under the fund's current management contract with FMR, the group fee rate is based on a schedule with breakpoints ending at .3000% for average group assets in excess of \$174 billion. Prior to January 1, 1993, the group fee rate breakpoints shown above for average group assets in excess of \$138 billion and under \$228 billion were voluntarily adopted by FMR, and went into effect on January 1, 1992. The additional breakpoints shown above for average group assets in excess of \$228 billion were voluntarily adopted by FMR on November 1, 1993.

On August 1, 1994, FMR voluntarily revised the prior extensions to the group fee rate schedule, and added new breakpoints. The revised group fee rate schedule provides for lower management fee rates as FMR's assets under management increase. The revised group fee rate schedule is identical to the above schedule for average group assets under \$210 billion. For average group assets in excess of \$210 billion, the group fee rate schedule voluntarily adopted by FMR is as follows:

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
138 - \$174 billion	.3050%	\$150 billion	.3371%
174 - 210	.3000	175	.3325
210 - 246	.2950	200	.3284
246 - 282	.2900	225	.3249
282 - 318	.2850	250	.3219
318 - 354	.2800	275	.3190
354 - 390	.2750	300	.3163
Over 390	.2700	325	.3137
	350		.3113
	375		.3090
	400		.3067

The individual fund fee rate is .20%. Based on the average group net assets of the funds advised by FMR for February 28, 1995, the annual management fee rate would be calculated as follows:

Group Fee Rate	Management Fee rate	Individual Fund Fee Rate
. _____ %	+ _____ %	.20%
=		

One-twelfth of this annual management fee rate is applied to the fund's net assets averaged for the most recent month, giving a dollar amount, which is the fee for that month.

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$\_\_\_\_\_, \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively, for its services as investment adviser to the fund. These fees were equivalent to \_\_%, \_\_%, and \_\_%, respectively, of the average net assets of the fund for each of those years.

FMR may, from time to time, voluntarily reimburse all or a portion of the fund's operating expenses (exclusive of interest, taxes, brokerage commissions, and extraordinary 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 the fund's total returns and repayment of the reimbursement by the fund will lower its total returns.

Effective October 9, 1986, FMR voluntarily agreed, subject to revision or termination, to reimburse the fund if and to the extent that its aggregate operating expenses, including management fees, were in excess of an annual rate of 1.50% of average net assets of the fund. There was no reimbursement for the last three fiscal years.

#### DISTRIBUTION AND SERVICE PLAN

The fund has adopted a distribution and service plan (the plan) under Rule 12b-1 of the Investment Company Act of 1940 (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 adopted by the fund under the Rule. The fund's Board of Trustees has adopted the plan to allow the fund and FMR to incur certain expenses that might be considered to constitute indirect payment by the fund of distribution expenses. Under the 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.

The plan also specifically recognizes that FMR, either directly or through FDC, may use its management fee revenue, past profits, or other resources, without limitation, to pay promotional and administrative expenses in connection with the offer and sale of shares of the fund. In addition, the plan provides that FMR may use its resources, including its management fee revenues, to make payments to third parties that provide assistance in selling shares of the fund, or to third parties, including banks, that render shareholder support services. The Trustees have not authorized such payments to date.

The fund's plan has been approved by the Trustees. As required by the Rule, the Trustees carefully considered all pertinent factors relating to the implementation of the plan prior to its approval, and have determined that there is a reasonable likelihood that the plan will benefit the fund and its shareholders. In particular, the Trustees noted that the plan does not authorize payments by the fund other than those made to FMR under its management contract with the fund. To the extent that the plan gives FMR and FDC greater flexibility in connection with the distribution of shares of the fund, additional sales of the fund's shares may result. Additionally, certain shareholder support services may be provided more effectively under the plan by local entities with whom shareholders have other relationships.

The plan was approved by shareholders on December 11, 1986.

#### CONTRACTS WITH COMPANIES AFFILIATED WITH FMR

The fund has an agreement with FSC, an affiliate of FMR Corp., under which FSC determines the NAV per share and dividends of the fund and maintains the portfolio and general accounting records of the fund. The fee rates in effect as of July 1, 1991, are based on the fund's average net assets as follows: .06% for the first \$500 million of average net assets and .03% for average net assets in excess of \$500 million. The fee is limited to a minimum of \$45,000 and a maximum of \$750,000 per year.

The following are the fees paid by the fund to FSC for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$439,891 and \$242,745, respectively.

The fund utilizes FIIOC, an affiliate of FMR Corp., to maintain the master accounts of the participating insurance companies. Under the contract, the fund pays a fee of \$95 per shareholder account per year and a fee of \$20 for each monetary transaction. In addition to providing transfer agent and shareholder servicing functions, FIIOC pays all transfer agent out-of-pocket expenses and also pays for typesetting, printing and mailing Prospectuses, Statements of Additional Information, reports, notices and statements to shareholders allocable to the master account of participating insurance companies.

The following are the fees paid by the fund to FIIOC (including reimbursement for out-of-pocket expenses) for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$111,756 and \$68,260 respectively.

[IF THE FUND INCURRED SECURITIES LENDING FEES IN ANY OF THE LAST THREE FISCAL PERIODS: FSC also receives fees for administering the fund's securities lending program. Securities lending fees are based on the number and duration of individual securities loans. Securities lending fees for fiscal 1994, 1993, and 1992 were \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively.

The fund has a distribution agreement with FDC, a Massachusetts corporation organized on July 18, 1960. FDC is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The distribution agreement calls for FDC to use all reasonable efforts, consistent with its other business, to secure purchasers for shares of the fund, which are continuously offered at net asset value. Promotional and administrative expenses in connection with the offer and sale of shares are paid by FMR.

#### DESCRIPTION OF THE TRUST

TRUST ORGANIZATION. Equity-Income Portfolio is a fund of Variable Insurance Products Fund, an open-end management investment company organized as a Massachusetts Business Trust. In July 1985, pursuant to shareholder approval, the Declaration of Trust was amended to change the name of the

Trust from Fidelity Cash Reserves II to Variable Insurance Products Fund. Currently, there are five funds of the trust: Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio. The Declaration of Trust permits the Trustees to create additional funds.

Investments in the trust may be made only by the separate accounts of insurance companies for the purpose of funding variable annuity and variable life insurance contracts issued by insurance companies. In the event that FMR ceases to be the investment adviser to the trust or a fund, the right of the trust or fund to use the identifying name "Fidelity" may be withdrawn.

The assets of the trust received for the issue or sale of shares of each fund and all income, earnings, profits, and proceeds thereof, subject only to the rights of creditors, are especially allocated to such fund, and constitute the underlying assets of such fund. The underlying assets of each fund are segregated on the books of account, and are to be charged with the liabilities with respect to such fund and with a share of the general expenses of the trust. Expenses with respect to the trust are to be allocated in proportion to the asset value of the respective funds, except where allocations of direct expense can otherwise be fairly made. The officers of the trust, subject to the general supervision of the Board of Trustees, have the power to determine which expenses are allocable to a given fund, or which are general or allocable to all of the funds. In the event of the dissolution or liquidation of the trust, shareholders of each fund are entitled to receive as a class the underlying assets of such fund available for distribution.

**SHAREHOLDER AND TRUSTEE LIABILITY.** The trust is an entity of the type 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. The 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 include a provision limiting the obligations created thereby to the trust and its assets. The Declaration of Trust provides for indemnification out of each fund's property of any shareholder held personally liable for the obligations of the fund. The 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.

The Declaration of Trust further provides that the Trustees, if they have exercised reasonable care, will not be liable for any neglect or wrongdoing, but nothing in the Declaration of Trust protects Trustees against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

**VOTING RIGHTS.** Each fund's capital consists of shares of beneficial interest. The shares have no preemptive or conversion rights; the voting and dividend rights, the right of redemption, and the privilege of exchange are described in the Prospectus. Shares are fully paid and nonassessable, except as set forth under the heading "Shareholder and Trustee Liability" above. Shareholders representing 10% or more of the trust or a fund may, as set forth in the Declaration of Trust, call meetings of the trust or a fund for any purpose related to the trust or fund, as the case may be, including, in the case of a meeting of the entire trust, the purpose of voting on removal of one or more Trustees. The trust or any fund may be terminated upon the sale of its assets to another open-end management investment company, or upon liquidation and distribution of its assets, if approved by vote of the holders of a majority of the outstanding shares of the trust or the fund. If not so terminated, the trust and its funds will continue indefinitely.

**CUSTODIAN.** The Chase Manhattan Bank, N.A., 1211 Avenue of the Americas, New York, NY 10036, is custodian of the fund's assets. The custodians take no part in determining the investment policies of the funds or in deciding which securities are purchased or sold by the funds. The funds, however, may invest in obligations of the custodians and may purchase or sell securities from or to the custodians.

FMR, its officers and directors and its affiliated companies from time to time have transactions with various banks, including the custodian banks for certain of the funds advised by FMR.

**AUDITOR.** Coopers & Lybrand L.L.P., One Post Office Square, Boston, MA, serves as the fund's independent accountant, providing services including

(1) audit of annual financial statements, (2) assistance and consultation in connection with SEC filings and (3) review of the annual federal income tax return filed on behalf of the fund.

#### FINANCIAL STATEMENTS

The fund's financial statements and financial highlights for the fiscal year ended December 31, 1994 are included in the fund's Annual Report, which is a separate report supplied with this Statement of Additional Information. The fund's financial statements and financial highlights are incorporated herein by reference.

#### APPENDIX

##### DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S CORPORATE BOND RATINGS:

AAA - Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

AA - Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A - Bonds rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

BAA - Bonds rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

BA - Bonds rated Ba are judged to have speculative elements. Their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B - Bonds rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small.

CAA - Bonds rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

CA - Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.

C - Bonds rated C are the lowest-rated class of bonds and issued so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies numerical modifiers, 1, 2, and 3, in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

##### DESCRIPTION OF STANDARD & POOR'S CORPORATION'S CORPORATE BOND RATINGS:

AAA - Debt rated AAA has the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher-rated issues only in small degree.

A - Debt rated A has a strong capacity to pay interest and repay principal, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB - Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher-rated categories.

BB - Debt rate BB has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could

lead to inadequate capacity to meet timely interest and principal payments. B - Debt rated B has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BB- rating.

CCC - Debt rated CCC has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal.

In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

CC - Debt rated CC is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC debt rating.

C - The rating C is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC- debt rating. The C rating may be used to cover a situation where a bankruptcy petition has been filed but debt service payments are continued.

CI - The rating CI is reserved for income bonds on which no interest is being paid.

D - Debt rated D is in payment default. The D rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating will also be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

The ratings from AA to CCC may be modified by the addition of a plus or minus to show relative standing within the major rating categories.

VARIABLE INSURANCE PRODUCTS FUND

CROSS REFERENCE SHEET

Form N-1A Item Number

Part A Prospectus Caption

- 1 a,b Cover Page
- 2 a,b,c \*
- 3 a,b Financial Highlights  
c Performance
- 4 a(i) FMR and Its Affiliates  
a(ii) The Funds at a Glance; Investment Principals and Risks;  
Securities and Investment Practices; Fundamental  
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\* Not Applicable

VARIABLE  
INSURANCE PRODUCTS  
FUND

Please read this prospectus before investing, and keep it on file for future reference. It contains important information to help you decide if the fund's goal matches your own.

To learn more about the fund and its investments, you can obtain copy of the fund's most recent financial report and portfolio listing or a copy of the Statement of Additional Information (SAI) dated April 30, 1995. The SAI has been filed with the Securities and Exchange Commission (SEC) and is incorporated herein by reference (legally forms a part of the prospectus).

For a free copy of either document, contact your insurance company. Shares of the fund may only be purchased by the separate accounts of insurance companies, for the purpose of funding variable annuity and variable life insurance contracts. The fund may not be available in your state due to various insurance regulations. Please check with your insurance company for availability. If the fund in this Prospectus is not available in your state, this Prospectus is not to be considered a solicitation. This Prospectus should be read in conjunction with the prospectus of the separate account of the specific insurance product which accompanies this Prospectus.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Variable Insurance Products Fund (the Trust) is designed to provide investment vehicles for variable annuity and variable life insurance contracts of various insurance companies. Growth Portfolio is a fund of the Trust.

GROWTH PORTFOLIO SEEKS CAPITAL APPRECIATION BY INVESTING MAINLY IN COMMON STOCKS, ALTHOUGH ITS INVESTMENTS ARE NOT RESTRICTED TO ANY ONE TYPE OF SECURITY.

PROSPECTUS

APRIL 30, 1995 (FIDELITY\_LOGO\_GRAPHIC) 82 DEVONSHIRE STREET, BOSTON, MA 02109

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THE FUND AT A GLANCE

Growth Portfolio is designed to provide an investment vehicle for variable annuity and variable life insurance contracts of various insurance companies.

MANAGEMENT: Fidelity Management & Research Company (FMR) is the management arm of Fidelity Investments, which was established in 1946 and is now America's largest mutual fund manager.

GOAL: Capital Appreciation (increase in the value of the fund's shares). As with any mutual fund, there is no assurance that the fund will achieve its goal.

STRATEGY: Invests mainly in common stocks, although its investments are not restricted to any one type of security.

SIZE: As of December 31, 1994, the fund had over \$\_\_ billion in assets.

FINANCIAL HIGHLIGHTS

The financial highlights table that follows and the fund's financial statements are included in the fund's Annual Report and has been audited by Coopers & Lybrand L.L.P., independent accountants. Their report on the financial statements and financial highlights is included in the Annual Report. The financial statements, the financial highlights, and the report are incorporated by reference into the fund's SAI, which may be obtained free of charge from your insurance company.

[insert Per-Share data table[s]]

WHO MAY WANT TO INVEST

THE SPECTRUM OF

FIDELITY FUNDS

Broad categories of Fidelity funds are presented here in order of ascending risk.

Generally, investors seeking to maximize return must assume greater risk. Growth Portfolio is in the Growth category.

(solid bullet) MONEY MARKET Seeks income and stability by investing in high-quality, short-term investments.

(solid bullet) INCOME Seeks income by investing in bonds.

(solid bullet) ASSET ALLOCATION Seeks

high total return with reduced risk through a mix of stocks, bonds and short-term instruments.

(solid bullet) GROWTH AND INCOME

Seeks long-term growth and income by investing in stocks and bonds.

(solid bullet) GROWTH Seeks long-term growth by investing mainly in stocks.

(checkmark)

The fund may be appropriate for investors who are willing to ride out stock market fluctuations in pursuit of potentially high long-term returns. The fund is designed for those who want to pursue growth wherever it may arise, and who understands that this strategy often leads to investments in smaller, less well-known companies. The fund invests for growth and does not pursue an income strategy.

INVESTMENT PRINCIPLES AND RISKS

The value of the fund's investments varies based on many factors. Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. The fund spreads investment risk by limiting its holdings in any one company or industry.

The fund seeks capital appreciation by investing primarily in common stocks and securities convertible into common stock of companies that FMR believes have above-average growth potential. The fund however, is not restricted to any one type of security and may pursue capital appreciation through the purchase of bonds and preferred stocks.

Growth may be measured by factors such as earnings or gross sales. FMR tends to focus on smaller, lesser known companies in new and emerging areas of the economy. However, FMR may also pursue growth in larger or revitalized companies that hold a strong position in the market. These may be found in mature or declining industries.

COMPANIES WITH STRONG GROWTH POTENTIAL often have new products, technologies, distribution channels, or other opportunities. As a general rule, these domestic and foreign companies tend to be small and mid-sized companies that have higher than average price/earnings (P/E) ratios. A high P/E ratio means that the stock is more expensive than average relative to the company's earnings. The market prices of these stocks may be particularly sensitive to economic, market, or company news.

Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. The fund spreads investment risk by limiting its holdings in any one company or industry. FMR may use various investment techniques to hedge the fund's risks, but there is no guarantee that these strategies will work as FMR intends. FMR normally invests the fund's assets according to its investment strategy. The fund also reserves the right to invest without limitation in preferred stocks and investment-grade debt instruments for temporary, defensive purposes.

An investment in the fund is not in itself, a balanced investment plan. When fund shares are redeemed, they may be worth more or less than their original cost.

THE FUND IN DETAIL

CHARTER

GROWTH PORTFOLIO IS A MUTUAL FUND: an investment that pools shareholders' money and invests it toward a specified goal. The fund is a diversified fund of Variable Insurance Products Fund (VIP). VIP is an open-end management investment company organized as a Massachusetts business trust on November 13, 1981.

THE FUND IS GOVERNED BY A BOARD OF TRUSTEES which is responsible for protecting the interests of shareholders. The trustees are experienced executives who meet throughout the year to oversee the fund's activities, review contractual arrangements with companies that provide services to the fund, and review the fund's performance. The majority of trustees are not otherwise affiliated with Fidelity.

THE FUND MAY HOLD SPECIAL MEETINGS AND MAIL PROXY MATERIALS. These meetings may be called to elect or remove trustees, change fundamental policies, approve a management contract, or for other purposes. Shareholders not attending these meetings are encouraged to vote by proxy. An insurance company issuing a variable contract that participates in the fund will vote shares held in its separate account as required by law and interpretations thereof, as may be amended or changed from time to time. In accordance with current law and interpretations thereof, a participating insurance company is required to request voting instructions from policyowners and must vote



shares in the separate account in proportion to the voting instructions received. Your insurance company is entitled to one vote for each share it owns. For a further discussion, please refer to your insurance company's separate account prospectus.

#### FMR AND ITS AFFILIATES

Fidelity Investments is one of the largest investment management organizations in the United States and has its principal business address at 82 Devonshire Street, Boston, Massachusetts 02109. It includes a number of different subsidiaries and divisions which provide a variety of financial services and products. The fund employs various Fidelity companies to perform activities required for its operation.

The fund is managed by FMR, which chooses the fund's investments and handles its business affairs.

#### FIDELITY FACTS

Fidelity offers the broadest selection of mutual funds in the world.

(solid bullet) Number of Fidelity mutual funds: over

(solid bullet) Assets in Fidelity mutual funds: over \$250 billion

(solid bullet) Number of shareholder accounts: over 21 million

(solid bullet) Number of investment analysts and portfolio managers: over 200

(checkmark)

Lawrence Greenberg is vice president and manager of Growth Portfolio, which he has managed since April 1991. He also manages Emerging Growth.

Previously, Mr. Greenberg managed Select Environmental Services and Select Medical Delivery. He also assisted on Fidelity Magellan Fund. Mr. Greenberg joined Fidelity in 1986.

The fund has an investment objective similar to that of Fidelity Growth Company Fund, an existing Fidelity retail fund. Performance of the fund is not expected to be the same as the performance of the corresponding retail fund due in part to dissimilarities in their investments. Various insurance related costs at the insurance company's separate account will also affect performance.

The fund sells its shares to separate accounts of insurance companies which are both affiliated and unaffiliated with FMR. The fund currently does not foresee any disadvantages to policyowners arising out of the fact that the fund offers its shares to separate accounts of various insurance companies to serve as the investment medium for their variable products.

Nevertheless, the Board of Trustees intends to monitor events in order to identify any material irreconcilable conflicts which may possibly arise, and to determine what action, if any, should be taken in response to such conflicts. If such a conflict were to occur, one or more insurance companies' separate accounts might be required to withdraw its investments in the fund and shares of another fund may be substituted. This might force the fund to sell securities at disadvantageous prices. In addition, the Board of Trustees may refuse to sell shares of the fund to any separate account or may suspend or terminate the offering of shares of the fund if such action is required by law or regulatory authority or is in the best interests of the shareholders of the fund.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that establishes procedures for personal investing and restricts certain transactions.

Fidelity Distributors Corporation (FDC) distributes and markets Fidelity's funds and services. Fidelity Investments Institutional Operations Company (FIIOC), 82 Devonshire Street, Boston, Massachusetts, performs transfer agent servicing functions for the fund.

FMR Corp. is the ultimate parent company of FMR. Through ownership of voting common stock, members of the Edward C. Johnson 3d family form a controlling group with respect to FMR Corp. Changes may occur in the Johnson family group, through death or disability, which would result in changes in each individual family members' holding of stock. Such changes could result in one or more family members becoming holders of over 25% of the stock. FMR Corp. has received an opinion of counsel that changes in the composition of the Johnson family group under these circumstances would not result in the termination of the fund's management or distribution contracts and, accordingly, would not require a shareholder vote to continue operation under those contracts.

A broker-dealer may use a portion of the commissions paid by the fund to reduce the fund's custodian or transfer agent fees. FMR may use its broker-dealer affiliates and other firms that sell fund shares to carry out the fund's transactions, provided that the fund receives brokerage services and commission rates comparable to those of other broker-dealers.

## SECURITIES AND INVESTMENT PRACTICES

The following pages contain more detailed information about types of instruments in which the fund may invest, and strategies FMR may employ in pursuit of the fund's investment objective. A summary of risks and restrictions associated with these instrument types and investment practices is included as well. A complete listing of the fund's policies and limitations and more detailed information about the fund's investments is contained in the fund's SAI. Policies and limitations are considered at the time of purchase; the sale of instruments is not required in the event of a subsequent change in circumstances.

FMR may not buy all of these instruments or use all of these techniques to the full extent permitted unless it believes that doing so will help a fund achieve its goal. Current holdings and recent investment strategies are described in the funds' financial reports, which are sent to the funds' shareholders twice a year. For a free SAI or financial report, contact your insurance company.

EQUITY SECURITIES may include common stocks, preferred stocks, convertible securities, and warrants. Common stocks, the most familiar type, represent an equity (ownership) interest in a corporation. Although equity securities have a history of long-term growth in value, their prices fluctuate based on changes in a company's financial condition and on overall market and economic conditions. Smaller companies are especially sensitive to these factors.

RESTRICTIONS: With respect to 75% of its total assets, the fund may not own more than 10% of the outstanding voting securities of a single issuer.

DEBT SECURITIES. Bonds and other debt instruments are used by issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest, and must repay the amount borrowed at maturity. Some debt securities, such as zero coupon bonds, do not pay current interest, but are purchased at a discount from their face values. Debt securities, loans, and other direct debt have varying degrees of quality and varying levels of sensitivity to changes in interest rates. Longer-term bonds are generally more sensitive to interest rate changes than short-term bonds.

### RESTRICTIONS:

Purchase of a debt security is consistent with the fund's debt quality policy if it is rated at or above the stated level by Moody's or rated in the equivalent categories by any other nationally recognized rating service, or is unrated but judged to be of equivalent quality by FMR. The fund currently intends to limit investment in lower than Baa-quality debt securities to 35% of its assets.

FOREIGN SECURITIES and foreign currencies may involve additional risks.

These include currency fluctuations, risks relating to political or economic conditions in the foreign country, and the potentially less stringent investor protection and disclosure standards of foreign markets. In addition to the political and economic factors that can affect foreign securities, a governmental issuer may be unwilling to repay principal and interest when due, and may require that the conditions for payment be renegotiated. These factors could make foreign investments, especially those in developing countries, more volatile.

RESTRICTIONS: FMR limits the amount of the fund's net assets that may be invested in foreign securities to 50%, respectively, however, the fund, may not invest more than 20% of its assets in any one country. The fund may have an additional 15% invested in securities of issuers located in any one (but only one) of the following countries: Australia, Canada, France, Japan, the United Kingdom or Germany. The fund must be diversified in at least three different countries if it exceeds 20% in any one country.

REPURCHASE AGREEMENTS. In a repurchase agreement, the fund buys a security at one price and simultaneously agrees to sell it back at a higher price. Delays or losses could result if the other party to the agreement defaults or becomes insolvent.

ADJUSTING INVESTMENT EXPOSURE. The fund can use various techniques to increase or decrease its exposure to changing security prices, interest rates, currency exchange rates, commodity prices, or other factors that affect security values. These techniques may involve derivative transactions such as buying and selling options and futures contracts, entering into currency exchange contracts or swap agreements and purchasing indexed securities.

FMR can use these practices to adjust the risk and return characteristics of the fund's portfolio of investments. If FMR judges market conditions incorrectly or employs a strategy that does not correlate well with the fund's investments, these techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These techniques may increase the volatility of the fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty to the transaction

does not perform as promised.

**DIRECT DEBT.** Loans and other direct debt instruments are interests in amounts owed to another party by a company, government, or other borrower. They have additional risks beyond conventional debt securities because they may entail less legal protection for the fund, or there may be a requirement that the fund supply additional cash to a borrower on demand.

**ILLIQUID AND RESTRICTED SECURITIES.** Some investments may be determined by FMR, under the supervision of the Board of Trustees, to be illiquid, which means that they may be difficult to sell promptly at an acceptable price. The sale of some securities, including illiquid securities, may be subject to legal restrictions. Difficulty in selling securities may result in a loss or may be costly to the fund.

**RESTRICTIONS.** The fund may not purchase a security if, as a result, more than 10% of its net assets would be invested in illiquid securities.

**DIVERSIFICATION.** Diversifying the fund's investment portfolio can reduce the risks of investing. This may include limiting the amount of money invested in any one issuer or, on a broader scale, in any one industry.

**RESTRICTIONS.** With respect to 75% of total assets, the fund may not invest more than 5% of its total assets in any one issuer. The fund also may not invest more than 25% of its total assets in any one industry. These limitations do not apply to U.S. government securities.

**BORROWING.** The fund may borrow from banks or from other funds advised by FMR, or through reverse repurchase agreements. If the fund borrows money, its share price may be subject to greater fluctuation until the borrowing is paid off. If the fund makes additional investments while borrowings are outstanding, this may be considered a form of leverage.

**RESTRICTIONS:** The fund may borrow only for temporary or emergency purposes, but not in an amount exceeding 25% of its total assets.

**LENDING.** Lending securities to broker-dealers and institutions, including FBSI, an affiliate of FMR, is a means of earning income. This practice could result in a loss or a delay in recovering the fund's securities. The fund may also lend money to other funds advised by FMR.

**RESTRICTIONS:** Loans, in the aggregate, may not exceed 33% of the fund's total assets.

#### FUNDAMENTAL INVESTMENT POLICIES AND RESTRICTIONS

Some of the policies and restrictions discussed on the preceding pages are fundamental, that is, subject to change only by shareholder approval. The following paragraph restates all those that are fundamental. All policies stated throughout this prospectus, other than those identified in the following paragraph, can be changed without shareholder approval.

**GROWTH PORTFOLIO** seeks to achieve capital appreciation. The fund, with respect to 75% of total assets, may not invest more than 5% of its total assets in any one issuer and may not own more than 10% of the outstanding voting securities of a single issuer. The fund may not invest more than 25% of its total assets in any one industry. Loans, in the aggregate, may not exceed 33% of the fund's total assets.

**INTERNAL REVENUE SERVICE (IRS) LIMITATIONS.** In addition to the above, the fund also follows certain limitations imposed by the IRS on separate accounts of insurance companies relating to the tax-deferred status of variable contracts. More specific information may be contained in your insurance company's separate account prospectus.

#### BREAKDOWN OF EXPENSES

Like all mutual funds, the fund pays fees related to its daily operations. Expenses paid out of the fund's assets are reflected in its share price. The fund pays a **MANAGEMENT FEE** to FMR for managing its investments and business affairs. The fund also pays **OTHER EXPENSES**, which are explained [at right/on page\_\_].

FMR may, from time to time, agree to reimburse the fund for management fees and other expenses above a specified limit. FMR retains the ability to be repaid by the fund if expenses fall below the specified limit prior to the end of the fiscal year. Reimbursement arrangements, which may be terminated at any time without notice, can decrease the fund's expenses and boost its performance.

#### MANAGEMENT FEE

The fund's **MANAGEMENT FEE** is calculated and paid to FMR every month. The fee for the fund is calculated by adding a group fee rate to an individual fee rate, and multiplying the result by the fund's average net assets.

**THE GROUP FEE RATE** is based on the average net assets of all the mutual funds advised by FMR. This rate cannot rise above 0.52% and it drops as total assets under management increase.

For December 31, 1994, the group fee rate was \_\_%.

The fund's individual fund fee rate is 0.30%. For fiscal year 1994, the total management was \_\_%.

#### OTHER EXPENSES

While the management fee is a significant component of the fund's annual operating costs, the fund has other expenses as well.

FIIOC performs transfer agency, dividend disbursing and shareholder servicing functions for the fund. Fidelity Service Company (FSC), 82 Devonshire Street, Boston, Massachusetts, calculates the net asset value (NAV) and dividends, maintains the general accounting records and administers securities lending program for the fund.

In fiscal 1994, the fund paid FIIOC fees equal to % of the fund's average net assets for transfer agency and related services, and the fund paid FSC fees equal to % of its average net assets for pricing and bookkeeping services.

For fiscal year 1994, the fund's total expenses amounted to % of the fund's average net assets. FMR has voluntarily agreed to temporarily limit the fund's total operating expenses (as a percentage of the fund's average net assets) to 1.50%.

The fund also pays other expenses, such as legal, audit, and custodian fees; proxy solicitation costs; and the compensation of trustees who are not affiliated with Fidelity. A broker-dealer may use a portion of the commissions paid by the fund to reduce the fund's custodian or transfer agent fees.

The fund's portfolio turnover rate for fiscal 1994 was %. This rate varies from year to year. High turnover rates increase transaction costs. FMR considers these effects when evaluating the anticipated benefits of short-term investing.

The fund has adopted a Distribution and Service Plan. This plan recognizes that FMR may use its resources, including management fees, to pay expenses associated with the sale of fund shares. This may include payments to third parties, such as banks or broker-dealers, that provide shareholder support services or engage in the sale of the fund's shares. The Board of Trustees has not authorized such payments.

#### PERFORMANCE

The fund's total return may be quoted in advertising if accompanied by performance of your insurance company's separate account. Performance is based on historical results and is not intended to indicate future performance. For additional performance information, contact your insurance company for a free annual report.

#### EXPLANATION OF TERMS

TOTAL RETURN is the change in value of an investment in the fund over a given period, assuming reinvestment of any dividends and capital gains. A CUMULATIVE TOTAL RETURN reflects actual performance over a stated period of time. An AVERAGE ANNUAL TOTAL RETURN is a hypothetical rate of return that, if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total returns smooth out variations in performance; they are not the same as actual year-by-year results.

YIELD refers to the income generated by an investment in the fund over a given period of time, expressed as an annual percentage rate.

THE CONSUMER PRICE INDEX is a widely recognized measure of inflation calculated by the U.S. government.

The fund may quote its adjusted net asset value (NAV), including all distributions paid. This value may be averaged over specified periods and may be used to calculate the fund's moving average.

The fund's recent strategies, performance, and holdings are detailed twice a year in financial reports, which are sent to all shareholders.

TOTAL RETURNS AND YIELDS QUOTED FOR THE FUND INCLUDES THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE SHARES OF THE FUND MAY ONLY BE PURCHASED THROUGH VARIABLE ANNUITY AND VARIABLE LIFE INSURANCE CONTRACTS, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted. You should bear in mind the effect of these charges when comparing the fund's performance to that of other mutual funds.

#### DISTRIBUTIONS AND TAXES

For a discussion of the tax status of your variable insurance contract, refer to the prospectus of your insurance company's separate account. It is suggested you keep all statements you receive to assist in your personal recordkeeping.

It is expected that shares of the fund will be held under the terms of variable annuity and variable life insurance contracts. Under current tax law, dividends or capital gain distributions from the fund are not currently taxable when left to accumulate within a variable annuity or variable life insurance contract. Depending on the variable contract, withdrawals from the contracts may be subject to ordinary income tax and, in addition to a 10% penalty tax on withdrawals before age 59 1/2.

The fund is treated as a separate entity for federal income tax purposes. The fund intends to pay out all of its net investment income and net realized capital gains for each year. Dividends will be distributed at

least annually. The fund makes dividend and capital gain distributions on a per-share basis. After distribution from the fund, the fund's share price drops by the amount of the distribution. Because dividends and capital gain distributions are reinvested, the total value of an account will not be affected because, although the shares will have a lower price, there will be correspondingly more of them. Normally, net realized capital gains, if any, are distributed each year for the fund. Such income and capital gain distributions are automatically reinvested in additional shares of the fund.

#### TRANSACTION DETAILS

THE FUND IS OPEN FOR BUSINESS each day the New York Stock Exchange (NYSE) is open. Fidelity normally calculates the fund's NAV as of the close of business of the NYSE, normally 4 p.m. Eastern time.

THE FUND'S NAV is the value of a single share. The NAV is computed by adding the value of the fund's investments, cash, and other assets, subtracting its liabilities, and then dividing the result by the number of shares outstanding.

Each of the fund's assets are valued primarily on the basis of market quotations. Foreign securities are valued on the basis of quotations from the primary market in which they are traded, and are translated from the local currency into U.S. dollars using current exchange rates. If quotations are not readily available or if the values have been materially affected by events occurring after the closing of a foreign market, assets are valued by a method that the Board of Trustees believes accurately reflects fair value.

THE FUND'S OFFERING PRICE (price to buy one share) and REDEMPTION PRICE (price to sell one share) are its NAV.

THE FUND RESERVES THE RIGHT TO SUSPEND THE OFFERING OF SHARES for a period of time. The fund also reserves the right to reject any specific purchase order. Purchase orders may be refused if, in FMR's opinion, they would disrupt management of the fund.

INVESTMENTS AND REDEMPTIONS. Investments may be made only by separate accounts established and maintained by insurance companies for the purpose of funding variable insurance contracts. Please refer to the prospectus of your insurance company's separate account for information on how to invest in and redeem from each fund.

Each Participating insurance company receives orders from its variable contract owners to purchase or redeem shares of the fund each Business Day. That night, all orders received by that insurance company on that Business Day are aggregated, and the insurance company places a net purchase or redemption order for shares of the fund the morning of the next Business Day. These orders are generally executed at the NAV that was computed at the close of the previous Business Day in order to provide a match between the variable contract owners' orders to the insurance companies and the insurance companies' orders to the fund. In some cases, an insurance company's orders for fund shares may be executed at the NAV next computed after the order is actually transmitted to the fund.

Redemption proceeds will normally be wired to the insurance company on the next business day after receipt of the redemption instructions by the fund but in no event later than 7 days following receipt of instructions. The fund may suspend redemptions or postpone payment dates on days when the NYSE is closed (other than weekend or holidays), when trading on the NYSE is restricted, or as permitted by the SEC.

#### GROWTH PORTFOLIO

A FUND OF VARIABLE INSURANCE PRODUCTS FUND

STATEMENT OF ADDITIONAL INFORMATION

APRIL 30, 1995

This Statement is not a prospectus but should be read in conjunction with the fund's current Prospectus (dated April 30, 1995). Please retain this document for future reference. The fund's financial statements and financial highlights, included in the Annual Report for the fiscal year ended December 31, 1994, are incorporated herein by reference. To obtain an additional copy of the Prospectus or the Annual Report, please call your insurance company or Fidelity Distributors Corporation at 1-800-544-8888.

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INVESTMENT ADVISER

Fidelity Management & Research Company (FMR)

DISTRIBUTOR

Fidelity Distributors Corporation (FDC)

TRANSFER AGENT

Fidelity Investments Institutional Operations Company (FIIOC)

VIP-gro-ptb-0495

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 the 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.

The 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) of the fund. However, except for the fundamental investment limitations set forth below, the investment policies and limitations described in this Statement of Additional Information are not fundamental and may be changed without shareholder approval.

THE FOLLOWING ARE THE FUND'S FUNDAMENTAL INVESTMENT LIMITATIONS. THE FUND MAY NOT:

- (1) 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) 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;
- (2) issue senior securities, except as permitted under the Investment Company Act of 1940;
- (3) borrow money, except that the fund (i) may borrow money for temporary or emergency purposes (not for leveraging or investment) or (ii) engage in reverse repurchase agreements, provided that (i) and (ii) in combination (borrowings) do not exceed 33 1/3% of its total assets (including the amount borrowed) less liabilities (other than borrowings). Any borrowings that come to exceed 33 1/3% of the value of the fund's total assets by reason of a decline in net assets will be reduced within three days (exclusive of Sundays and holidays) to the extent necessary to comply with the 33 1/3% limitation;
- (4) 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;
- (5) 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 its total assets would be invested in the securities of companies whose principal business activities are in the same industry;
- (6) 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);

(7) 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); or

(8) 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.

THE FOLLOWING INVESTMENT LIMITATIONS ARE NOT FUNDAMENTAL AND MAY BE CHANGED WITHOUT SHAREHOLDER NOTIFICATION.

(i) 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.

(ii) 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.

(iii) 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 advisor or (b) by engaging in reverse repurchase agreements with any party (reverse repurchase agreements are treated as borrowings for purposes of fundamental investment limitation (3)). The fund will not borrow money in excess of 25% of net assets so long as this limitation is required for certification by certain state insurance departments. Any borrowings that come to exceed this amount will be reduced within seven days (not including Sundays and holidays) to the extent necessary to comply with the 25% limitation. The fund will not purchase any security while borrowings representing more than 5% of its total assets are outstanding. The fund will not borrow from other funds advised by FMR or its affiliates if total outstanding borrowings immediately after such borrowing would exceed 15% of the fund's total assets.

(iv) 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.

(v) The fund does not currently intend to lend assets other than securities to other parties, except by: (a) lending money (up to 5% of its net assets) to a registered investment company or portfolio for which FMR or an affiliate serves as investment advisor or (b) acquiring loans, loan participations, or other forms of direct debt instruments and, in connection therewith, assuming any associated unfunded commitments of the sellers. (This limitation does not apply to purchases of debt securities or to repurchase agreements.)

(vi) The fund does not currently intend to (a) purchase securities of other investment companies, except in the open market where no commission except the ordinary broker's commission is paid, or (b) purchase or retain securities issued by other open-end investment companies. Limitations (a) and (b) do not apply to securities received as dividends, through offers of exchange, or as a result of a reorganization, consolidation, or merger.

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

In accordance with the fund's fundamental investment policies, there are no limitations on the percentage of the funds' assets which may be invested in any one type of instrument. Nor are there limitations (except those imposed by certain state insurance regulations) on the percentage of the fund's assets which may be invested in any foreign country. However, in order to comply with diversification requirements under Section 817(h) of the Internal Revenue Code of 1986, as amended, in connection with FMR serving as investment advisor, the fund has agreed to certain non-fundamental limitations. Please refer to your insurance company's separate account prospectus for more information.

For the fund's limitations on futures and options transactions, see the section entitled "Limitations on Futures and Options Transactions" beginning on page \_\_\_\_.

For the fund's policies on foreign investments, see the section entitled "Foreign Investments" on page \_\_\_\_.

AFFILIATED BANK TRANSACTIONS. The fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the fund under the Investment Company Act of 1940. These

transactions may include 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, the Board of Trustees has established and periodically reviews procedures applicable to transactions involving affiliated financial institutions.

**FUND'S RIGHTS AS A SHAREHOLDER.** The fund does not intend to direct or administer the day-to-day operations of any company. The fund, however, may exercise its rights as a shareholder and may communicate its views on important matters of policy to management, the Board of Directors, and shareholders of a company when FMR determines that such matters could have a significant effect on the value of the fund's investment in the company. The activities that the fund may engage in, 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; or supporting or opposing third party takeover efforts. This area of corporate activity is increasingly prone to litigation and it is possible that the fund could be involved in lawsuits related to such activities. FMR will monitor such activities with a view to mitigating, to the extent possible, the risk of litigation against the fund and the risk of actual liability if the fund is involved in litigation. No guarantee can be made, however, that litigation against the fund will not be undertaken or liabilities incurred.

**LOWER-QUALITY DEBT SECURITIES.** The fund may purchase lower-quality debt securities (those rated below Baa by Moody's Investors Service, Inc. or BBB by Standard and Poor's Corporation, and unrated securities judged by FMR to be of equivalent quality) that have poor protection with respect to the payment of interest and repayment of principal. 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.

While the market for high-yield corporate debt securities has been in existence for many years and has weathered previous economic downturns, the 1980s brought a dramatic increase in the use of such securities to fund highly leveraged corporate acquisitions and restructurings. Past experience may not provide an accurate indication of the future performance of the high-yield bond market, especially during periods of economic recession. In fact, from 1989 to 1991, the percentage of lower-quality securities that defaulted rose significantly above prior levels, although the default rate decreased in 1992 and 1993 [and increased/decreased in 1994].

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. If market quotations are not available, lower-quality debt securities will be valued in accordance with procedures established by the Board of Trustees, including the use of outside pricing services. Judgment plays a greater role in valuing high-yield corporate debt securities than is the case for securities for which more external sources for quotations and last-sale information are available. Adverse publicity and changing investor perceptions may affect the ability of outside pricing services to value lower-quality debt securities and the fund's ability to sell these securities.

Since the risk of default is higher for lower-quality debt securities, FMR's research and credit analysis are an especially important part of managing securities of this type held by the fund. In considering investments for the fund, FMR will 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. FMR's analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects, and the experience and managerial strength of the issuer.

The 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.

**SWAP AGREEMENTS.** Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the fund's exposure to long- or



short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The fund is not limited to any particular form of swap agreement if FMR determines it is consistent with the fund's investment objective and policies.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

Swap agreements will tend to shift the fund's investment exposure from one type of investment to another. For example, if the fund agreed to exchange payments in dollars for payments in foreign currency, the swap agreement would tend to decrease the fund's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the fund's investments and its share price.

The most significant factor in the performance of swap agreements is the change in the specific interest rate or other factors that determine the amounts of payments due to and from the fund. If a swap agreement calls for payments by the fund, the fund must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declined, the value of a swap agreement would be likely to decline, potentially resulting in losses. The fund expects to be able to eliminate its exposure under swap agreements either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or a similarly creditworthy party.

The fund will maintain appropriate liquid assets in a segregated custodial account to cover its current obligations under swap agreements. If the fund enters into a swap agreement on a net basis, it will segregate assets with a daily value at least equal to the excess, if any, of the fund's accrued obligations under the swap agreement over the accrued amount the fund is entitled to receive under the agreement. If the fund enters into a swap agreement on other than a net basis, it will segregate assets with a value equal to the full amount of the fund's accrued obligations under the agreement.

LOANS AND OTHER DIRECT DEBT INSTRUMENTS are interests in amounts owed by a corporate, governmental, or other borrower to another party. They may represent amounts owed 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 fund in the event of fraud or misrepresentation. In addition, loan participations involve a risk of insolvency of the lending bank or other financial intermediary. Direct debt instruments may also include standby financing commitments that obligate the fund to supply additional cash to the borrower on demand.

INDEXED SECURITIES. The fund may purchase securities whose prices are indexed to the prices of other securities, securities indices, currencies, precious metals or other commodities, or other financial indicators. Indexed securities typically, but not always, are debt securities or deposits whose value at maturity or coupon rate is determined by reference to a specific instrument or statistic. Gold-indexed securities, for example, typically provide for a maturity value that depends on the price of gold, resulting in a security whose price tends to rise and fall together with gold prices. 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 of equivalent issuers. 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 security, currency, or other instrument to which they are indexed, and may also be influenced by interest rate changes in the

United States and abroad. At the same time, indexed securities are 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. Indexed securities may be more volatile than the underlying instruments.

ILLIQUID INVESTMENTS are investments that cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued. Under the supervision of the Board of Trustees, FMR determines the liquidity of the fund's investments and, through reports from FMR, the Board monitors investments in illiquid instruments. In determining the liquidity of the fund's investments, FMR may consider various factors, including (1) the frequency of trades and quotations, (2) the number of dealers and prospective purchasers in the marketplace, (3) dealer undertakings to make a market, (4) the nature of the security (including any demand or tender features), and (5) the nature of the marketplace for trades (including the ability to assign or offset the fund's rights and obligations relating to the investment).

Investments currently considered by the fund to be illiquid include repurchase agreements not entitling the holder to payment of principal and interest within seven days, over-the-counter options, and non-government stripped fixed-rate mortgage-backed securities. Also, FMR may determine some restricted securities, government-stripped fixed-rate mortgage-backed securities, loans and other direct debt instruments, emerging market securities, and swap agreements to be illiquid. However, with respect to over-the-counter options the fund writes, all or a portion of the value of the underlying instrument may be illiquid depending on the assets held to cover the option and the nature and terms of any agreement the fund may have to close out the option before expiration.

In the absence of market quotations, illiquid investments are priced at fair value as determined in good faith by a committee appointed by the Board of Trustees. 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 was invested in illiquid securities, it would seek to take appropriate steps to protect liquidity.

RESTRICTED SECURITIES generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933, or in a registered public offering. Where registration is required, the fund 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 fund might obtain a less favorable price than prevailed when it decided to seek registration of the security.

REPURCHASE AGREEMENTS In a repurchase agreement, the fund purchases a security and simultaneously commits 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. While it does not presently appear possible to eliminate all risks from these transactions (particularly the possibility that the value of the underlying security will be less than the resale price, as well as delays and costs to the fund in connection with bankruptcy proceedings), it is the fund's current policy to engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by FMR.

REVERSE REPURCHASE AGREEMENTS In a reverse repurchase agreement, the fund sells a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time. While a reverse repurchase agreement is outstanding, the fund will maintain appropriate liquid assets in a segregated custodial account to cover its obligation under the agreement. The fund will enter into reverse repurchase agreements only with parties whose creditworthiness has been found satisfactory by FMR. Such transactions may increase fluctuations in the market value of the fund's assets and may be viewed as a form of leverage.

SECURITIES LENDING. The fund may lend securities to parties such as broker-dealers or institutional investors, including Fidelity Brokerage Services, Inc. (FBSI). FBSI is a member of the New York Stock Exchange and a subsidiary of FMR Corp.

Securities lending allows the fund to retain ownership of the securities loaned and, at the same time, to earn additional income. Since there may be delays in the recovery of loaned securities, or even a loss of rights in collateral supplied should the borrower fail financially, loans will be made only to parties deemed by FMR to be of good standing. Furthermore, they will only be made if, in FMR's judgment, the consideration to be

earned from such loans would justify the risk.

FMR understands that it is the current view of the SEC Staff that a fund may engage in loan transactions only under the following conditions: (1) the fund must receive 100% collateral in the form of cash or cash equivalents (e.g., U.S. Treasury bills or notes) from the borrower; (2) the borrower must increase the collateral whenever the market value of the securities loaned (determined on a daily basis) rises above the value of the collateral; (3) after giving notice, the fund must be able to terminate the loan at any time; (4) the fund must receive reasonable interest on the loan or a flat fee from the borrower, as well as amounts equivalent to any dividends, interest, or other distributions on the securities loaned and to any increase in market value; (5) the fund may pay only reasonable custodian fees in connection with the loan; and (6) the Board of Trustees must be able to vote proxies on the securities loaned, either by terminating the loan or by entering into an alternative arrangement with the borrower.

Cash received through loan transactions may be invested in any security in which the fund is authorized to invest. Investing this cash subjects that investment, as well as the security loaned, to market forces (i.e., capital appreciation or depreciation).

REAL ESTATE-RELATED INSTRUMENTS include real estate investment trusts, commercial and residential mortgage-backed securities, and real estate financings. Real estate-related instruments are sensitive to factors such as real estate values and property taxes, interest rates, cash flow of underlying real estate assets, overbuilding, and the management skill and creditworthiness of the issuer. Real estate-related instruments may also be affected by tax and regulatory requirements, such as those relating to the environment.

SHORT SALES "AGAINST THE BOX". If the 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. The fund will incur transaction costs, including interest expenses, in connection with opening, maintaining, and closing short sales against the box.

INTERFUND BORROWING PROGRAM. The fund has received permission from the SEC to lend money to and borrow money from other funds advised by FMR or its affiliates. Interfund loans and borrowings normally will extend overnight, but can have a maximum duration of seven days. Loans may be called on one day's notice. The fund will lend through the program only when the returns are higher than those available at the same time from other short-term instruments (such as repurchase agreements), and will borrow through the program only when the costs are equal to or lower than the cost of bank loans. The 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.

FOREIGN INVESTMENTS. Investing in securities issued by companies or other issuers whose principal activities are outside the United States may involve significant risks in addition to the risks inherent in U.S. investments. 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. In addition, there is generally less publicly available information about foreign issuers' financial condition and operations, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. 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. Further, economies of particular countries or areas of the world may differ favorably or unfavorably from the economy of the United States.

Investing abroad also involves different political and economic risks. Foreign investments may be affected by actions of foreign governments adverse to the interests of U.S. investors, including the possibility of 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. There may be a greater possibility of default by foreign governments or foreign government-sponsored enterprises. Investments in foreign countries also involve a risk of local political, economic, or social instability, military action or unrest, or adverse diplomatic developments. There is no assurance that FMR will be able to anticipate these potential events or counter their effects. The considerations noted above generally are intensified for investments in developing countries. Developing countries may have relatively unstable governments, economies based on only a few industries, and securities markets that trade a small number of securities.

Foreign markets may offer less protection to investors than U.S. markets. It is anticipated that in most cases the best available market for foreign securities will be on exchanges or in over-the-counter 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 (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. issuers. Foreign security trading practices, including those involving securities settlement where fund assets may be released prior to receipt of payment, may expose the fund to increased risk in the event of a failed trade or the insolvency of a foreign broker-dealer, and may involve substantial delays. In addition, the costs of foreign investing, including withholding taxes, brokerage commissions and custodial costs, are generally higher than for U.S. investors. In general, there is less overall governmental supervision and regulation of securities exchanges, brokers, and listed companies than in the United States. It may also be difficult to enforce legal rights in foreign countries.

The fund may invest in foreign securities that 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.

The fund may invest in American Depository Receipts and European Depository Receipts (ADRs and EDRs), which are certificates evidencing ownership of shares of a foreign-based issuer held in trust by a bank or similar financial institution. Designed for use in the U.S. and European securities markets, respectively, ADRs and EDRs are alternatives to the purchase of the underlying securities in their national markets and currencies.

**FOREIGN CURRENCY TRANSACTIONS.** The fund may conduct foreign currency transactions on a spot (i.e., cash) basis or by entering into forward contracts to purchase or sell foreign currencies at a future date and price. The fund will convert currency on a spot basis from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers generally do not charge a fee for conversion, 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 to the fund at one rate, while offering a lesser rate of exchange should the fund desire to resell that currency to the dealer. Forward contracts are generally traded in an interbank market conducted 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 fund may use currency forward contracts for any purpose consistent with its investment objective. The following discussion summarizes the principal currency management strategies involving forward contracts that could be used by the fund. The fund may also use swap agreements, indexed securities, and options and futures contracts relating to foreign currencies for the same purposes.

When the fund agrees to buy or sell a security denominated in a foreign currency, it may desire to "lock in" the U.S. dollar price of the security. By entering into a forward contract for the purchase or sale, for a fixed amount of U.S. dollars, of the amount of foreign currency involved in the underlying security transaction, the fund will be able to protect itself against an adverse change in foreign currency values between the date the security is purchased or sold and the date on which payment is made or received. This technique is sometimes referred to as a "settlement hedge" or "transaction hedge." The fund may also enter into forward contracts to purchase or sell a foreign currency in anticipation of future purchases or sales of securities denominated in foreign currency, even if the specific investments have not yet been selected by FMR.

The fund may also use forward contracts to hedge against a decline in the value of existing investments denominated in foreign currency. For example, if the 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. The fund could also hedge the position by selling another currency expected to perform similarly to the pound sterling - for example, by entering into a forward contract to sell Deutschmarks or European Currency Units in return for U.S. dollars. 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 simple 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.

The 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. For example, if the fund held investments denominated in Deutschemarks, the fund could enter into forward contracts to sell Deutschemarks and purchase Swiss Francs. 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 the fund had sold a security denominated in one currency and purchased an equivalent security denominated in another. Cross-hedges protect against losses resulting from a decline in the hedged currency, but will cause the fund to assume the risk of fluctuations in the value of the currency it purchases.

Under certain conditions, SEC guidelines require mutual funds to set aside appropriate liquid assets in a segregated custodial account to cover currency forward contracts. As required by SEC guidelines, the fund will segregate assets to cover currency forward contracts, if any, whose purpose is essentially speculative. The fund will not segregate assets to cover forward contracts entered into for hedging purposes, including settlement hedges, position hedges, and proxy hedges.

Successful use of currency management strategies will depend on FMR's skill in analyzing and predicting currency values. Currency management strategies may substantially change the fund's investment exposure to changes in currency exchange rates, and could result in losses to the fund if currencies do not perform as FMR anticipates. For example, if a currency's value rose at a time when FMR had hedged the fund by selling that currency in exchange for dollars, the fund would be unable to participate in the currency's appreciation. If FMR hedges currency exposure through proxy hedges, the fund could realize currency losses from the hedge and the security position at the same time if the two currencies do not move in tandem. Similarly, if FMR increases the fund's exposure to a foreign currency, and that currency's value declines, the fund will realize a loss. There is no assurance that FMR's use of currency management strategies will be advantageous to the fund or that it will hedge at an appropriate time.

**LIMITATIONS ON FUTURES AND OPTIONS TRANSACTIONS.** The fund has filed a notice of eligibility for exclusion from the definition of the term "commodity pool operator" with the Commodity Futures Trading Commission (CFTC) and the National Futures Association, which regulate trading in the futures markets. The fund intends to comply with Rule 4.5 under the Commodity Exchange Act, which limits the extent to which the fund can commit assets to initial margin deposits and option premiums.

In addition, the fund 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 securities that incorporate features similar to options.

The above limitations on the fund's investments in futures contracts and options, and the fund's policies regarding futures contracts and options discussed elsewhere in this Statement of Additional Information may be changed as regulatory agencies permit.

**FUTURES CONTRACTS.** When the fund purchases a futures contract, it agrees to purchase a specified underlying instrument at a specified future date. When the fund sells a futures contract, it agrees to sell the underlying instrument at a specified future date. The price at which the purchase and sale will take place is fixed when the fund enters into the contract. Some currently available futures contracts are based on specific securities, such as U.S. Treasury bonds or notes, and some are based on indices of securities prices, such as the Standard & Poor's Composite Index of 500 Stocks (S&P 500). Futures can be held until their delivery dates, or can be closed out before then if a liquid secondary market is available.

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 the fund's exposure to positive and negative price fluctuations in the underlying instrument, much as if it had purchased the underlying instrument directly. When the fund sells a futures contract, by contrast, the value of its futures position will tend to move

in a direction contrary to the market. Selling futures contracts, therefore, will tend to offset both positive and negative market price changes, much as if the underlying instrument had been sold.

**FUTURES MARGIN PAYMENTS.** The purchaser or seller of a futures contract is not required to deliver or pay for the underlying instrument 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. Initial margin deposits are typically equal to a percentage of the contract's value. 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. The party that has a gain may be 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 the fund's investment limitations. In the event of the bankruptcy of an FCM that holds margin on behalf of the 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.

**PURCHASING PUT AND CALL OPTIONS.** By purchasing a put option, the fund 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 fund pays the current market price for the option (known as the option premium). Options have various types of underlying instruments, including specific securities, indices of securities prices, and futures contracts. The fund may terminate its position in a put option it has purchased by allowing it to expire or by exercising the option. If the option is allowed to expire, the fund will lose the entire premium it paid. If the fund exercises the option, it completes the sale of the underlying instrument at the strike price. The fund 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 security prices fall 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 paid, 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 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 security prices fall. At the same time, the buyer can expect to suffer a loss if security prices do not rise sufficiently to offset the cost of the option.

**WRITING PUT AND CALL OPTIONS.** When the fund writes a put option, it takes the opposite side of the transaction from the option's purchaser. In return for receipt of the premium, the fund assumes the obligation to pay the strike price for the option's underlying instrument if the other party to the option chooses to exercise it. When writing an option on a futures contract, the fund will be required to make margin payments to an FCM as described above for futures contracts. The fund may seek to terminate its position in a put option it writes 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 the fund has written, however, the fund must continue to be prepared to pay the strike price while the option is outstanding, regardless of price changes, and must continue to set aside assets to cover its position.

If security prices rise, a put writer would generally expect to profit, although its gain would be limited to the amount of the premium it received. If security prices remain 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 security prices fall, 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 fund to sell or deliver the option's underlying instrument, 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 mitigates the effects of a price decline. At the same time, because a call writer must be prepared to deliver the underlying instrument 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.

COMBINED POSITIONS. The fund may purchase and write 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, the fund may purchase a put option and write a call option on the same underlying instrument, in order to 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, in order 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.

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

Options and futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match the fund's investments well. Options and 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 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. The fund may purchase or sell options and 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 the fund's options or 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.

LIQUIDITY OF OPTIONS AND FUTURES CONTRACTS. There is no assurance a liquid secondary market will exist for any particular options or futures 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 options and 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 for the fund to enter into new positions or close out existing positions. If the secondary 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 the fund to continue to hold a position until delivery or expiration regardless of changes in its value. As a result, the fund's access to other assets held to cover its options or futures positions could also be impaired.

OTC OPTIONS. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter (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 fund greater flexibility to tailor an option to its needs, OTC options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

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 indices, as discussed above. The fund may purchase and sell currency futures and may purchase and write currency

options to increase or decrease its exposure to different foreign currencies. The fund may also purchase and write currency options 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 the fund's investments. A currency hedge, for example, should protect a Yen-denominated security from a decline in the Yen, but will not protect the fund against a price decline resulting from deterioration in the issuer's creditworthiness. Because the value of the 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.

**ASSET COVERAGE FOR FUTURES AND OPTIONS POSITIONS.** The fund will comply with guidelines established by the Securities and Exchange Commission with respect to coverage of options and futures strategies by mutual funds, and if the guidelines so require will set aside appropriate liquid assets in a segregated custodial account in the amount prescribed. Securities held in a segregated account cannot be sold while the futures or option strategy is outstanding, unless they are replaced with other suitable assets. As a result, there is a possibility that segregation of a large percentage of the fund's assets could impede portfolio management or the fund's ability to meet redemption requests or other current obligations.

#### **PORTFOLIO TRANSACTIONS**

The fund may execute portfolio transactions with broker-dealers who provide research and execution services to the fund or other accounts over which FMR or its affiliates exercise investment discretion. Such services may include advice concerning the value of securities; the advisability of investing in, purchasing, or selling securities; the availability of securities or the purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and performance of accounts; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). The selection of such broker-dealers generally is made by FMR (to the extent possible consistent with execution considerations) in accordance with a ranking of broker-dealers determined periodically by FMR's investment staff based upon the quality of research and execution services provided.

The receipt of research from broker-dealers that execute transactions on behalf of the fund may be useful to FMR in rendering investment management services to the fund or its other clients, and conversely, such research provided by broker-dealers who have executed transaction orders on behalf of other FMR clients may be useful to FMR in carrying out its obligations to the fund. The receipt of such research has not reduced FMR's normal independent research activities; however, it enables FMR to avoid the additional expenses that could be incurred if FMR tried to develop comparable information through its own efforts.

Subject to applicable limitations of the federal securities laws, broker-dealers may receive commissions for agency transactions that are in excess of the amount of commissions charged by other broker-dealers in recognition of their research and execution services. In order to cause the fund to pay such higher commissions, FMR must determine in good faith that such commissions are reasonable in relation to the value of the brokerage and research services provided by such executing broker-dealers, viewed in terms of a particular transaction or FMR's overall responsibilities to the fund and its other clients. In reaching this determination, FMR will not attempt to place a specific dollar value on the brokerage and research services provided, or to determine what portion of the compensation should be related to those services.

FMR is authorized to use research services provided by and to place portfolio transactions with brokerage firms that have provided assistance in the distribution of shares of the fund or shares of other Fidelity funds to the extent permitted by law. FMR may use research services provided by and place agency transactions with Fidelity Brokerage Services, Inc. (FBSI) and Fidelity Brokerage Services, Ltd. (FBSL), subsidiaries of FMR Corp., if the commissions are fair, reasonable, and comparable to commissions charged by non-affiliated, qualified brokerage firms for similar services.

FMR may allocate brokerage transactions to broker-dealers who have entered into arrangements with FMR under which the broker-dealer allocates a portion of the commissions paid by the fund toward payment of the fund's expenses, such as transfer agent fees or custodian fees. The transaction quality must, however, be comparable to those of other qualified broker-dealers.

Section 11(a) of the Securities Exchange Act of 1934 prohibits members of national securities exchanges from executing exchange transactions for accounts which they or their affiliates manage, unless certain requirements



are satisfied. Pursuant to such requirements, the Board of Trustees has authorized FBSI to execute portfolio transactions on national securities exchanges in accordance with approved procedures and applicable SEC rules. The Trustees periodically review FMR's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the fund and review the commissions paid by the fund over representative periods of time to determine if they are reasonable in relation to the benefits to the fund.

For the fiscal periods ended December 31, 1994 and 1993, the fund's portfolio turnover rates were 122% and 159%, respectively. Because a high turnover rate increases transaction costs, FMR carefully weighs the anticipated benefits of short-term investing against these consequences. For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$2,137,399, and \$2,073,624, respectively. The fund pays both commissions and spreads in connection with the placement of portfolio transactions; FBSI is paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$750,137, and \$599,019, respectively, to FBSI. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund for transactions involving approximately \_\_\_% of the aggregate dollar amount of transactions in which the fund paid brokerage commissions. The difference between the percentage of brokerage commissions paid to and the percentage of the dollar amount of transactions effected through FBSI is a result of the low commission rates charged by FBSI.

From time to time the Trustees will review whether the recapture for the benefit of the fund of some portion of the brokerage commissions or similar fees paid by the fund on portfolio transactions is legally permissible and advisable. The fund seeks to recapture soliciting broker-dealer fees on the tender of portfolio securities, but at present no other recapture arrangements are in effect. The Trustees intend to continue to review whether recapture opportunities are available and are legally permissible and, if so, to determine in the exercise of their business judgment whether it would be advisable for the fund to seek such recapture.

Although the Trustees and officers of the fund are substantially the same as those of other funds managed by FMR, investment decisions for the fund are made independently from those of other funds managed by FMR or accounts managed by FMR affiliates. It sometimes happens that the same security is held in the portfolio of more than one of these funds or accounts.

Simultaneous transactions are inevitable when several funds and 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 account.

When two or more funds are simultaneously engaged in the purchase or sale of the same security, the prices and amounts are allocated in accordance with procedures believed to be appropriate and equitable for each fund. In some cases this system could have a detrimental effect on the price or value of the security as far as the fund is concerned. In other cases, however, the ability of the fund to participate in volume transactions will produce better executions and prices for the fund. It is the current opinion of the Trustees that the desirability of retaining FMR as investment adviser to the fund outweighs any disadvantages that may be said to exist from exposure to simultaneous transactions.

#### VALUATION OF PORTFOLIO SECURITIES

Portfolio securities are valued by various methods depending on the primary market or exchange on which they trade. Most equity securities for which the primary market is the U.S. are valued at last sale price or, if no sale has occurred, at the closing bid price. Most equity securities for which the primary market is outside the U.S. are valued using the official closing price or the last sale price in the principal market where they are traded. If the last sale price (on the local exchange) is unavailable, the last evaluated quote or last bid price is normally used. Short-term securities are valued either at amortized cost or at original cost plus accrued interest, both of which approximate current value. Convertible securities and fixed-income securities are valued primarily by a pricing service that uses a vendor security valuation matrix which incorporates both dealer-supplied valuations and electronic data processing techniques. This two-fold approach is believed to more accurately reflect fair value because it takes into account appropriate factors such as institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data, without exclusive reliance upon quoted, exchange, or over-the counter prices. Use of pricing services has been approved by the Board of Trustees. Securities and other assets for which there is no readily available market are valued in good faith by a committee appointed by the Board of Trustees. The procedures set forth above need not be used to determine the value of the securities owned by the fund if, in the opinion of a committee



</TABLE>

One Year	Five Years	Life of Fund*	One Year	Five Years	Life of Fund*
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Growth	%	%	%	%	%	%
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\* From October 9, 1986 (commencement of operations).

If FMR had not reimbursed certain fund expenses during these periods, the fund's total returns would have been lower.

The following table shows the income and capital elements of the fund's cumulative total return. The table compares the fund's return to the record of the Standard and Poor's Composite Index of 500 Stocks (S&P 500 (registered trademark)), the Dow Jones Industrial Average (DJIA), and the cost of living (measured by the Consumer Price Index, or CPI) over the same period. The CPI information is as of the month end closest to the initial investment date for each fund. The S&P 500 and the DJIA comparisons are provided to show how the fund's total return compared to the record of a broad average of common stock prices and a narrower set of stocks of major industrial companies, respectively, over the same period. The fund has the ability to invest in securities not included in either index, and its investment portfolio may or may not be similar in composition to the indices. Figures for the S&P 500 and DJIA are based on the prices of unmanaged groups of stocks and, unlike the fund's returns, do not include the effect of paying brokerage commissions and other costs of investing. During the period from October 9, 1986 (commencement of operations) to December 31, 199\_, a hypothetical \$10,000 investment in Growth would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating stock prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Growth Portfolio INDICES

<TABLE>

<CAPTION>

<S> Year Ended	<C> Value of Initial \$10,000 Investment	<C> Value of Reinvested Dividend Distribution s	<C> Value of Reinvested Capital Gain Distribution s	<C> Total Value	<C> S&P 500	<C> DJIA	<C> Cost of Living**
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1994	\$	\$	\$	\$	\$	\$	\$
1993	\$23,080	\$1,546	\$1,864	\$26,490	\$24,966	\$26,491	\$13,230
1992	\$19,760	\$1,202	\$1,230	\$22,192	\$22,680	\$22,644	\$12,877
1991	\$18,510	\$1,075	\$715	\$20,300	\$21,070	\$21,104	\$12,514
1990	\$12,910	\$542	\$499	\$13,950	\$16,147	\$16,972	\$12,142
1989	\$15,180	\$400	\$225	\$15,805	\$16,667	\$17,064	\$11,443
1988	\$11,720	\$124	\$174	\$12,018	\$12,657	\$12,951	\$10,935
1987	\$10,140	\$107	\$150	\$10,398	\$10,854	\$11,172	\$10,472
1986*	\$10,030	\$0	\$0	\$10,030	\$10,311	\$10,956	\$10,027

</TABLE>

\* From October 9, 1986 (commencement of operations).

\*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on October 9,

1986, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

The fund's performance may be compared to the performance of other mutual funds in general, or to the performance of particular types of mutual funds. These comparisons may be expressed as mutual fund rankings prepared by Lipper Analytical Services, Inc. (Lipper), an independent service located in Summit, New Jersey that monitors the performance of mutual funds. Lipper generally ranks funds on the basis of total return, assuming reinvestment of distributions, but does not take sales charges or redemption fees into consideration, and is prepared without regard to tax consequences. In addition to the mutual fund rankings, the fund's performance may be compared to stock, bond, and money market mutual fund performance indices prepared by Lipper or other organizations. When comparing these indices, it is important to remember the risk and return characteristics of each type of investment. For example, while stock mutual funds may offer higher potential returns, they also carry the highest degree of share price volatility. Likewise, money market funds may offer greater stability of principal, but generally do not offer the higher potential returns from stock mutual funds.

From time to time, the fund's performance may also be compared to other mutual funds tracked by financial or business publications and periodicals. For example, the fund may quote Morningstar, Inc. in its advertising materials. Morningstar, Inc. is a mutual fund rating service that rates mutual funds on the basis of risk-adjusted performance. Rankings that compare the performance of Fidelity funds to one another in appropriate categories over specific periods of time may also be quoted in advertising. The fund may be compared in advertising to Certificates of Deposit (CDs) or other investments issued by banks or other depository institutions. Mutual funds differ from bank investments in several respects. For example, the fund may offer greater liquidity or higher potential returns than CDs, the fund does not guarantee your principal or your return, and fund shares are not FDIC insured.

Fidelity may provide information designed to help individuals understand their investment goals and explore various financial strategies. Such information may include information about current economic, market, and political conditions; materials that describe general principles of investing, such as asset allocation, diversification, risk tolerance, and goal setting; questionnaires designed to help create a personal financial profile; worksheets used to project savings needs based on assumed rates of inflation and hypothetical rates of return; and action plans offering investment alternatives. Materials may also include discussions of Fidelity's asset allocation funds and other Fidelity funds, products, and services.

Ibbotson Associates of Chicago, Illinois (Ibbotson) provides historical returns of the capital markets in the United States, including common stocks, small capitalization stocks, long-term corporate bonds, intermediate-term government bonds, long-term government bonds, Treasury bills, the U.S. rate of inflation (based on the CPI), and combinations of various capital markets. The performance of these capital markets is based on the returns of different indices.

Fidelity funds may use the performance of these capital markets in order to demonstrate general risk-versus-reward investment scenarios. Performance comparisons may also include the value of a hypothetical investment in any of these capital markets. The risks associated with the security types in any capital market may or may not correspond directly to those of the funds. Ibbotson calculates total returns in the same method as the funds. The funds may also compare performance to that of other compilations or indices that may be developed and made available in the future.

In advertising materials, Fidelity may reference or discuss its products and services, which may include: other Fidelity funds; retirement investing; brokerage products and services; the effects of periodic investment plans and dollar cost averaging; saving for college or other goals; charitable giving; and the Fidelity credit card. In addition, Fidelity may quote or reprint financial or business publications and periodicals, including model portfolios or allocations, as they relate to current economic and political conditions, fund management, portfolio composition, investment philosophy, investment techniques, the desirability of owning a particular mutual fund, and Fidelity services and products. Fidelity may also reprint, and use as advertising and sales literature,

articles from Fidelity Focus, a quarterly magazine provided free of charge to Fidelity fund shareholders.

The fund may present its fund number, Quotron(trademark) number, and CUSIP number, and discuss or quote its current portfolio manager.

**VOLATILITY.** The fund may quote various measures of volatility and benchmark correlation in advertising. In addition, the fund may compare these measures to those of other funds. Measures of volatility seek to compare the fund's historical share price fluctuations or total returns to those of a benchmark. Measures of benchmark correlation indicate how valid a comparative benchmark may be. All measures of volatility and correlation are calculated using averages of historical data.

**MOMENTUM INDICATORS** indicate the fund's price movements over specific periods of time. Each point on the momentum indicator represents the fund's percentage change in price movements over that period.

The fund may advertise examples of the effects of periodic investment plans, including the principle of dollar cost averaging. In such a program, an investor invests a fixed dollar amount in a fund at periodic intervals, thereby purchasing fewer shares when prices are high and more shares when prices are low. While such a strategy does not assure a profit or guard against loss in a declining market, the investor's average cost per share can be lower than if fixed numbers of shares are purchased at the same intervals. In evaluating such a plan, investors should consider their ability to continue purchasing shares during periods of low price levels. As of December 31, 1994, FMR advised over \$\_\_ billion in tax-free fund assets, \$\_\_ billion in money market fund assets, \$\_\_\_ billion in equity fund assets, \$\_\_ billion in international fund assets, and \$\_\_\_ billion in Spartan fund assets. The fund may reference the growth and variety of money market mutual funds and the adviser's innovation and participation in the industry. The equity funds under management figure represents the largest amount of equity fund assets under management by a mutual fund investment adviser in the United States, making FMR America's leading equity (stock) fund manager. FMR, its subsidiaries, and affiliates maintain a worldwide information and communications network for the purpose of researching and managing investments abroad.

The fund is available only through the purchase of variable annuity and variable life insurance contracts offering deferral of income taxes on earnings, which may produce superior after-tax returns over time. For example, a \$1,000 investment earning a taxable return of 10% annually would have an after-tax value of \$1,949 after ten years, assuming tax was deducted from the return each year at a 31% rate. An equivalent tax-deferred investment would have an after-tax value of \$2,100 after ten years, assuming tax was deducted at a 31% rate from the tax-deferred earnings at the end of the ten-year period. Individuals holding shares of the fund through a variable annuity or variable life insurance contract may receive additional tax benefits from the deferral of income taxes associated with variable contracts. Individuals should consult their tax advisors to determine the effect of holding variable contracts on their individual tax situations.

**YIELDS AND TOTAL RETURNS QUOTED FOR THE FUND INCLUDE THE EFFECT OF DEDUCTING THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE YOU CAN ONLY PURCHASE SHARES OF THE FUND THROUGH A VARIABLE ANNUITY AND/OR A VARIABLE LIFE INSURANCE CONTRACT, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES.** Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted.

#### **ADDITIONAL PURCHASE AND REDEMPTION INFORMATION**

The fund is open for business and its net asset value per share (NAV) is calculated each day the New York Stock Exchange (NYSE) is open for trading. The NYSE has designated the following holiday closings for 1995: New Year's Day (observed), President's Day (observed), Good Friday, Memorial Day (observed), Independence Day (observed), Labor Day, Thanksgiving Day, and Christmas Day. Although FMR expects the same holiday schedule to be observed in the future, the NYSE may modify its holiday schedule at any time.

FSC normally determines the fund's NAV as of the close of the NYSE (normally 4:00 p.m. Eastern time). However, NAV may be calculated earlier if trading on the NYSE is restricted or as permitted by the Securities and Exchange Commission (SEC). To the extent that portfolio securities are traded in other markets on days when the NYSE is closed, the fund's NAV may be affected on days when investors do not have access to the fund to purchase or redeem shares. In addition, trading in some of the fund's portfolio securities may not occur on days when the fund is open for business.

If the Trustees determine that existing conditions make cash payments undesirable, redemption payments may be made in whole or in part in

securities or other property, valued for this purpose as they are valued in computing the fund's NAV. Shareholders receiving securities or other property on redemption may realize a gain or loss for tax purposes, and will incur any costs of sale, as well as the associated inconveniences.

#### DISTRIBUTIONS AND TAXES

For a discussion of tax consequences of variable contracts, please refer to your insurance company's separate account prospectus.

Variable contracts purchased through insurance company separate accounts provide for the accumulation of all earnings from interest, dividends, and capital appreciation without current federal income tax liability to the owner. Depending on the variable contract, distributions from the contract may be subject to ordinary income tax and a 10% penalty tax on distributions before age 59 1/2. Only the portion of a distribution attributable to income is subject to federal income tax. Investors should consult with competent tax advisors for a more complete discussion of possible tax consequences in a particular situation.

Section 817(h) of the Internal Revenue Code provides that the investments of a separate account underlying a variable insurance contract (or the investments of a mutual fund, the shares of which are owned by the variable separate account) must be "adequately diversified" in order for the contract to be treated as an annuity or life insurance for tax purposes. The Treasury Department has issued regulations prescribing these diversification requirements. The fund intends to comply with these requirements.

The fund intends to qualify each year as a "regulated investment company" for tax purposes, so that it will not be liable for federal tax on income and capital gains distributed to shareholders. In order to qualify as a regulated investment company and avoid being subject to federal income or excise taxes, the fund intends to distribute substantially all its net taxable income and net realized capital gains within each calendar year as well as on a fiscal year basis. The fund also intends to comply with other tax rules applicable to regulated investment companies including a requirement that gross capital gains from selling securities held less than three months must constitute less than 30% of the fund's gross income for each fiscal year. Income and capital gain distributions are reinvested in additional shares of the fund. This is done to preserve the tax advantaged status of the variable contracts. The fund is treated as a separate entity form the other funds of Variable Insurance Products Fund for tax purposes.

#### FMR

All of the stock of FMR is owned by FMR Corp., its parent company organized in 1972. Through ownership of voting common stock and the execution of a shareholders' voting agreement, Edward C. Johnson 3d, Johnson family members, and various trusts for the benefit of the Johnson family form a controlling group with respect to FMR Corp.

At present, the principal operating activities of FMR Corp. are those conducted by three of its divisions as follows: FSC, which is the transfer and shareholder servicing agent for certain of the funds advised by FMR; Fidelity Investments Institutional Operations Company, which performs shareholder servicing functions for institutional customers and funds sold through intermediaries; and Fidelity Investments Retail Marketing Company, which provides marketing services to various companies within the Fidelity organization.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that sets forth all employees' fiduciary responsibilities regarding the funds, establishes procedures for personal investing and restricts certain transactions. For example, all personal trades in most securities require pre-clearance, and participation in initial public offerings is prohibited. In addition, restrictions on the timing of personal investing in relation to trades by Fidelity funds and on short-term trading have been adopted.

#### TRUSTEES AND OFFICERS

The Trustees and executive officers of the trust are listed below. Except as indicated, each individual has held the office shown or other offices in the same company for the last five years. All persons named as Trustees also serve in similar capacities for other funds advised by FMR. Unless otherwise noted, the business address of each Trustee and officer is 82 Devonshire Street, Boston, Massachusetts 02109, which is also the address of FMR. Those Trustees who are "interested persons" (as defined in the Investment Company Act of 1940) by virtue of their affiliation with either the trust or FMR are indicated by an asterisk (\*).

\*EDWARD C. JOHNSON 3d, Trustee and President, is Chairman, Chief Executive Officer and a Director of FMR Corp.; a Director and Chairman of the Board and of the Executive Committee of FMR; Chairman and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc.

\*J. GARY BURKHEAD, Trustee and Senior Vice President, is President of FMR;

and President and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc. RALPH F. COX, 200 Rivercrest Drive, Fort Worth, TX, Trustee (1991), is a consultant to Western Mining Corporation (1994). Prior to February 1994, he was President of Greenhill Petroleum Corporation (petroleum exploration and production, 1990). Until March 1990, Mr. Cox was President and Chief Operating Officer of Union Pacific Resources Company (exploration and production). He is a Director of Sanifill Corporation (non-hazardous waste, 1993) and CH2M Hill Companies (engineering). In addition, he served on the Board of Directors of the Norton Company (manufacturer of industrial devices, 1983-1990) and continues to serve on the Board of Directors of the Texas State Chamber of Commerce, and is a member of advisory boards of Texas A&M University and the University of Texas at Austin.

PHYLLIS BURKE DAVIS, P.O. Box 264, Bridgehampton, NY, Trustee (1992). Prior to her retirement in September 1991, Mrs. Davis was the Senior Vice President of Corporate Affairs of Avon Products, Inc. She is currently a Director of BellSouth Corporation (telecommunications), Eaton Corporation (manufacturing, 1991), and the TJX Companies, Inc. (retail stores, 1990), and previously served as a Director of Hallmark Cards, Inc. (1985-1991) and Nabisco Brands, Inc. In addition, she is a member of the President's Advisory Council of The University of Vermont School of Business Administration.

RICHARD J. FLYNN, 77 Fiske Hill, Sturbridge, MA, Trustee, is a financial consultant. Prior to September 1986, Mr. Flynn was Vice Chairman and a Director of the Norton Company (manufacturer of industrial devices). He is currently a Director of Mechanics Bank and a Trustee of College of the Holy Cross and Old Sturbridge Village, Inc.

E. BRADLEY JONES, 3881-2 Lander Road, Chagrin Falls, OH, Trustee (1990). Prior to his retirement in 1984, Mr. Jones was Chairman and Chief Executive Officer of LTV Steel Company. Prior to May 1990, he was Director of National City Corporation (a bank holding company) and National City Bank of Cleveland. He is a Director of TRW Inc. (original equipment and replacement products), Cleveland-Cliffs Inc (mining), NACCO Industries, Inc. (mining and marketing), Consolidated Rail Corporation, Birmingham Steel Corporation, Hyster-Yale Materials Handling, Inc. (1989), and RPM, Inc. (manufacturer of chemical products, 1990). In addition, he serves as a Trustee of First Union Real Estate Investments, a Trustee and member of the Executive Committee of the Cleveland Clinic Foundation, a Trustee and member of the Executive Committee of University School (Cleveland), and a Trustee of Cleveland Clinic Florida.

DONALD J. KIRK, One Harborside, 680 Steamboat Road, Greenwich, CT, Trustee, is Executive-in-Residence (1995) at Columbia University Graduate School of Business and a financial consultant. From 1987 to January 1995, Mr. Kirk was a Professor at Columbia University Graduate School of Business. Prior to 1987, he was Chairman of the Financial Accounting Standards Board. Mr. Kirk is a Director of General Re Corporation (reinsurance) and Valuation Research Corp. (appraisals and valuations, 1993). In addition, he serves as Vice Chairman of the Board of Directors of the National Arts Stabilization Fund, Vice Chairman of the Board of Trustees of the Greenwich Hospital Association, and as a Member of the Public Oversight Board of the American Institute of Certified Public Accountants' SEC Practice Section (1995).

\*PETER S. LYNCH, Trustee (1990) is Vice Chairman of FMR (1992). Prior to his retirement on May 31, 1990, he was a Director of FMR (1989) and Executive Vice President of FMR (a position he held until March 31, 1991); Vice President of Fidelity Magellan Fund and FMR Growth Group Leader; and Managing Director of FMR Corp. Mr. Lynch was also Vice President of Fidelity Investments Corporate Services (1991-1992). He is a Director of W.R. Grace & Co. (chemicals, 1989) and Morrison Knudsen Corporation (engineering and construction). In addition, he serves as a Trustee of Boston College, Massachusetts Eye & Ear Infirmary, Historic Deerfield (1989) and Society for the Preservation of New England Antiquities, and as an Overseer of the Museum of Fine Arts of Boston (1990).

GERALD C. McDONOUGH, 135 Aspenwood Drive, Cleveland, OH, Trustee (1989), is Chairman of G.M. Management Group (strategic advisory services). Prior to his retirement in July 1988, he was Chairman and Chief Executive Officer of Leaseway Transportation Corp. (physical distribution services). Mr. McDonough is a Director of ACME-Cleveland Corp. (metal working, telecommunications and electronic products), Brush-Wellman Inc. (metal refining), York International Corp. (air conditioning and refrigeration, 1989), Commercial Intertech Corp. (water treatment equipment, 1992), and Associated Estates Realty Corporation (a real estate investment trust, 1993).

EDWARD H. MALONE, 5601 Turtle Bay Drive #2104, Naples, FL, Trustee. Prior to his retirement in 1985, Mr. Malone was Chairman, General Electric Investment Corporation and a Vice President of General Electric Company. He is a Director of Allegheny Power Systems, Inc. (electric utility), General

Re Corporation (reinsurance) and Mattel Inc. (toy manufacturer). In addition, he serves as a Trustee of Corporate Property Investors, the EPS Foundation at Trinity College, the Naples Philharmonic Center for the Arts, and Rensselaer Polytechnic Institute, and he is a member of the Advisory Boards of Butler Capital Corporation Funds and Warburg, Pincus Partnership Funds.

MARVIN L. MANN, 55 Railroad Avenue, Greenwich, CT, Trustee (1993) is Chairman of the Board, President, and Chief Executive Officer of Lexmark International, Inc. (office machines, 1991). Prior to 1991, he held the positions of Vice President of International Business Machines Corporation ("IBM") and President and General Manager of various IBM divisions and subsidiaries. Mr. Mann is a Director of M.A. Hanna Company (chemicals, 1993) and Infomart (marketing services, 1991), a Trammell Crow Co. In addition, he serves as the Campaign Vice Chairman of the Tri-State United Way (1993) and is a member of the University of Alabama President's Cabinet (1990).

THOMAS R. WILLIAMS, 21st Floor, 191 Peachtree Street, N.E., Atlanta, GA, Trustee, is President of The Wales Group, Inc. (management and financial advisory services). Prior to retiring in 1987, Mr. Williams served as Chairman of the Board of First Wachovia Corporation (bank holding company), and Chairman and Chief Executive Officer of The First National Bank of Atlanta and First Atlanta Corporation (bank holding company). He is currently a Director of BellSouth Corporation (telecommunications), ConAgra, Inc. (agricultural products), Fisher Business Systems, Inc. (computer software), Georgia Power Company (electric utility), Gerber Alley & Associates, Inc. (computer software), National Life Insurance Company of Vermont, American Software, Inc. (1989), and AppleSouth, Inc. (restaurants, 1992).

WILLIAM J. HAYES, Vice President (1994), is Vice President of Fidelity's equity funds; Senior Vice President of FMR; and Managing Director of FMR Corp.

ROBERT H. MORRISON, Manager of Security Transactions of Fidelity's equity funds is Vice President of FMR.

LAWRENCE GREENBERG, Vice President of Growth Portfolio (1994), is an employee of FMR.

ARTHUR S. LORING, Secretary, is Senior Vice President (1993) and General Counsel of FMR, Vice President-Legal of FMR Corp., and Vice President and Clerk of FDC.

GARY L. FRENCH, Treasurer (1991). Prior to becoming Treasurer of the Fidelity funds, Mr. French was Senior Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1991); Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1990); and Senior Vice President, Chief Financial and Operations Officer - Huntington Advisers, Inc. (1985-1990).

JOHN H. COSTELLO, Assistant Treasurer, is an employee of FMR.

LEONARD M. RUSH, Assistant Treasurer (1994), is an employee of FMR (1994). Prior to becoming Assistant Treasurer of the Fidelity Funds, Mr. Rush was Chief Compliance Officer of FMR Corp. (1993-1994); Chief Financial Officer of Fidelity Brokerage Services, Inc. (1990-1993); and Vice President, Assistant Controller, and Director of the Accounting Department - First Boston Corp. (1986-1990).

The following table sets forth information describing the compensation of each current non-interested trustee of the fund for his or her services as trustee for the fiscal year ended December 31, 1994.

COMPENSATION TABLE

<TABLE>  
<CAPTION>  
<S>

<S>	<C> Aggregate Compensation from the Fund	<C> Pension or Retirement Benefits Accrued from the Fund Complex*	<C> Estimated Annual Benefits Upon Retirement from the Fund Complex*	<C> Total Compensation from the Fund Complex*
Ralph F. Cox	\$	\$ 5,200	\$ 52,000	\$ 125,000
Phyllis Burke Davis		5,200	52,000	122,000
Richard J. Flynn		0	52,000	154,500
E. Bradley Jones		5,200	49,400	123,500
Donald J. Kirk		5,200	52,000	125,000



Gerald C. McDonough	5,200	52,000	125,000
Edward H. Malone	5,200	44,200	128,000
Marvin L. Mann	5,200	52,000	125,000
Thomas R. Williams	5,200	52,000	126,500

</TABLE>

\* Information is as December 31, 1994 for the 206 funds in the complex.

Under a retirement program adopted in July 1988, the non-interested Trustees, upon reaching age 72, become eligible to participate in a retirement program under which they receive payments during their lifetime from a fund based on their basic trustee fees and length of service. The obligation of a fund to make such payments are not secured or funded. Trustees become eligible if, at the time of retirement, they have served on the Board for at least five years. Currently, Messrs. Ralph S. Saul, William R. Spaulding, Bertram H. Witham, and David L. Yunich, all former non-interested Trustees, receive retirement benefits under the program. On December 31, the Trustees and officers of the fund owned, in the aggregate, less than 1% of the fund's total outstanding shares. As of February 28, 1995, significant shares of the fund were held by the following companies with the figures beneath the fund representing that company's holdings as a percentage of the fund's total outstanding shares.

[insert table of significant shareholders]

#### MANAGEMENT CONTRACT

The fund employs FMR to furnish investment advisory and other services. Under its management contract with the fund, FMR acts as investment adviser and, subject to the supervision of the Board of Trustees, directs the investments of the fund in accordance with its investment objective, policies, and limitations. FMR also provides the fund with all necessary office facilities and personnel for servicing the fund's investments, compensates all officers of the fund and all Trustees who are "interested persons" of the trust or of FMR, and all personnel of the 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 the fund. These services include providing facilities for maintaining the fund's organization; supervising relations with custodians, transfer and pricing agents, accountants, underwriters, and other persons dealing with the fund; preparing all general shareholder communications and conducting shareholder relations; maintaining the fund's records and the registration of the fund's shares under federal and state laws; developing management and shareholder services for the fund; and furnishing reports, evaluations, and analyses on a variety of subjects to the Trustees.

In addition to the management fee payable to FMR and the fees payable to FSC and FIIOC, the fund pays all of its expenses, without limitation, that are not assumed by those parties. The fund pays for typesetting, printing, and mailing proxy material to shareholders, legal expenses, and the fees of the custodian, auditor, and non-interested Trustees. Although the fund's current management contract provides that it will pay for typesetting, printing, and mailing prospectuses, statements of additional information, notices, and reports to existing shareholders, the trust on behalf of the has entered into a revised transfer agent agreement with FIIOC, pursuant to which FIIOC bears the cost of providing these services to existing shareholders. Other expenses paid by the fund include interest, taxes, brokerage commissions, the proportionate share of insurance premiums and Investment Company Institute dues, and the costs of registering shares under federal and state securities laws. The fund is also liable for such nonrecurring 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 is the fund's manager pursuant to a management contract dated January 1, 1993, which was approved by shareholders on December 16, 1992.

For the services of FMR under the contract, the fund pays FMR a monthly management fee composed of the sum of two elements: 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 and is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown below on the left. The schedule below 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 \$\_\_\_ billion of group net assets - - the approximate level for fiscal year end 1994 - was \_\_%, which is the weighted average of the respective fee rates for each level of group net assets up to \$\_\_ billion.

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
0 - \$ 3 billion	.5200%	\$ 0.5 billion	.5200%
3 - 6	.4900	25	.4238
6 - 9	.4600	50	.3823
9 - 12	.4300	75	.3626
12 - 15	.4000	100	.3512
15 - 18	.3850	125	.3430
18 - 21	.3700	150	.3371
21 - 24	.3600	175	.3325
24 - 30	.3500	200	.3284
30 - 36	.3450	225	.3253
36 - 42	.3400	250	.3223
42 - 48	.3350	275	.3198
48 - 66	.3250	300	.3175
66 - 84	.3200	325	.3153
84 - 102	.3150	350	.3133
102 - 138	.3100		
138 - 174	.3050		
174 - 228	.3000		
228 - 282	.2950		
282 - 336	.2900		
Over 336	.2850		

Under the fund's current management contract with FMR, the group fee rate is based on a schedule with breakpoints ending at .3000% for average group assets in excess of \$174 billion. Prior to January 1, 1993, the group fee rate breakpoints shown above for average group assets in excess of \$138 billion and under \$228 billion were voluntarily adopted by FMR, and went into effect on January 1, 1992. The additional breakpoints shown above for average group assets in excess of \$228 billion were voluntarily adopted by FMR on November 1, 1993.

On August 1, 1994, FMR voluntarily revised the prior extensions to the group fee rate schedule, and added new breakpoints. The revised group fee rate schedule provides for lower management fee rates as FMR's assets under management increase. The revised group fee rate schedule is identical to the above schedule for average group assets under \$210 billion. For average group assets in excess of \$210 billion, the group fee rate schedule voluntarily adopted by FMR is as follows:

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
138 - \$174 billion	.3050%	\$150 billion	.3371%
174 - 210	.3000	175	.3325
210 - 246	.2950	200	.3284

246 -	282	.2900	225	.3249
282 -	318	.2850	250	.3219
318 -	354	.2800	275	.3190
354 -	390	.2750	300	.3163
Over 390		.2700	325	.3137
	350	.3113		
	375	.3090		
	400	.3067		

The individual fund fee rate is .30%. Based on the average group net assets of the funds advised by FMR for February 28, 1995, the annual management fee rate would be calculated as follows:

Group Fee Rate	Management Fee rate	Individual Fund Fee Rate
. _____ %	+	.30%
=		. _____ %

One-twelfth of this annual management fee rate is applied to the fund's net assets averaged for the most recent month, giving a dollar amount, which is the fee for that month.

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$\_\_\_\_\_, \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively, for its services as investment adviser to the fund. These fees were equivalent to \_\_%, \_\_%, and \_\_%, respectively, of the average net assets of the fund for each of those years.

FMR may, from time to time, voluntarily reimburse all or a portion of the fund's operating expenses (exclusive of interest, taxes, brokerage commissions, and extraordinary 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 the fund's total returns and repayment of the reimbursement by the fund will lower its total returns.

Effective October 9, 1986, FMR voluntarily agreed, subject to revision or termination, to reimburse the fund if and to the extent that its aggregate operating expenses, including management fees, were in excess of an annual rate of 1.50% of average net assets of the fund. There was no reimbursement for the last three fiscal years.

#### DISTRIBUTION AND SERVICE PLAN

The fund has adopted a distribution and service plan (the plan) under Rule 12b-1 of the Investment Company Act of 1940 (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 adopted by the fund under the Rule. The fund's Board of Trustees has adopted the plan to allow the fund and FMR to incur certain expenses that might be considered to constitute indirect payment by the fund of distribution expenses. Under the 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.

The plan also specifically recognizes that FMR, either directly or through FDC, may use its management fee revenue, past profits, or other resources, without limitation, to pay promotional and administrative expenses in connection with the offer and sale of shares of the fund. In addition, the plan provides that FMR may use its resources, including its management fee revenues, to make payments to third parties that provide assistance in selling shares of the fund, or to third parties, including banks, that render shareholder support services. The Trustees have not authorized such payments to date.

The fund's plan has been approved by the Trustees. As required by the Rule, the Trustees carefully considered all pertinent factors relating to the implementation of the plan prior to its approval, and have determined that there is a reasonable likelihood that the plan will benefit the fund and its shareholders. In particular, the Trustees noted that the plan does not authorize payments by the fund other than those made to FMR under its management contract with the fund. To the extent that the plan gives FMR and FDC greater flexibility in connection with the distribution of shares of the fund, additional sales of the fund's shares may result.

Additionally, certain shareholder support services may be provided more effectively under the plan by local entities with whom shareholders have

other relationships.

The plan was approved by shareholders on December 11, 1986.

#### CONTRACTS WITH COMPANIES AFFILIATED WITH FMR

The fund has an agreement with FSC, an affiliate of FMR Corp., under which FSC determines the NAV per share and dividends of the fund and maintains the portfolio and general accounting records of the fund. The fee rates in effect as of July 1, 1991, are based on the fund's average net assets as follows: .06% for the first \$500 million of average net assets and .03% for average net assets in excess of \$500 million. The fee is limited to a minimum of \$45,000 and a maximum of \$750,000 per year.

The following are the fees paid by the fund to FSC for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$456,795 and \$303,007, respectively.

The fund utilizes FIIOC, an affiliate of FMR Corp., to maintain the master accounts of the participating insurance companies. Under the contract, the fund pays a fee of \$95 per shareholder account per year and a fee of \$20 for each monetary transaction. In addition to providing transfer agent and shareholder servicing functions, FIIOC pays all transfer agent out-of-pocket expenses and also pays for typesetting, printing and mailing Prospectuses, Statements of Additional Information, reports, notices and statements to shareholders allocable to the master account of participating insurance companies.

The following are the fees paid by the fund to FIIOC (including reimbursement for out-of-pocket expenses) for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$140,122 and \$79,504, respectively.

[IF THE FUND INCURRED SECURITIES LENDING FEES IN ANY OF THE LAST THREE FISCAL PERIODS: FSC also receives fees for administering the fund's securities lending program. Securities lending fees are based on the number and duration of individual securities loans. Securities lending fees for fiscal 1994, 1993, and 1992 were \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively.

The fund has a distribution agreement with FDC, a Massachusetts corporation organized on July 18, 1960. FDC is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The distribution agreement calls for FDC to use all reasonable efforts, consistent with its other business, to secure purchasers for shares of the fund, which are continuously offered at net asset value. Promotional and administrative expenses in connection with the offer and sale of shares are paid by FMR.

#### DESCRIPTION OF THE TRUST

TRUST ORGANIZATION. Growth Portfolio is a fund of Variable Insurance Products Fund, an open-end management investment company organized as a Massachusetts Business Trust. In July 1985, pursuant to shareholder approval, the Declaration of Trust was amended to change the name of the Trust from Fidelity Cash Reserves II to Variable Insurance Products Fund. Currently, there are five funds of the trust: Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio. The Declaration of Trust permits the Trustees to create additional funds.

Investments in the trust may be made only by the separate accounts of insurance companies for the purpose of funding variable annuity and variable life insurance contracts issued by insurance companies. In the event that FMR ceases to be the investment adviser to the trust or a fund, the right of the trust or fund to use the identifying name "Fidelity" may be withdrawn.

The assets of the trust received for the issue or sale of shares of the fund and all income, earnings, profits, and proceeds thereof, subject only to the rights of creditors, are especially allocated to such fund, and constitute the underlying assets of such fund. The underlying assets of each fund are segregated on the books of account, and are to be charged with the liabilities with respect to such fund and with a share of the general expenses of the trust. Expenses with respect to the trust are to be allocated in proportion to the asset value of the respective funds, except where allocations of direct expense can otherwise be fairly made. The officers of the trust, subject to the general supervision of the Board of Trustees, have the power to determine which expenses are allocable to a given fund, or which are general or allocable to all of the funds. In the event of the dissolution or liquidation of the trust, shareholders of each fund are entitled to receive as a class the underlying assets of such fund available for distribution.

SHAREHOLDER AND TRUSTEE LIABILITY. The trust is an entity of the type 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. The 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 include a provision limiting the obligations created thereby to the trust and its assets. The Declaration of Trust provides for indemnification out of each fund's property of any shareholder held personally liable for the obligations of the fund. The 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.

The Declaration of Trust further provides that the Trustees, if they have exercised reasonable care, will not be liable for any neglect or wrongdoing, but nothing in the Declaration of Trust protects Trustees against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

**VOTING RIGHTS.** Each fund's capital consists of shares of beneficial interest. The shares have no preemptive or conversion rights; the voting and dividend rights, the right of redemption, and the privilege of exchange are described in the Prospectus. Shares are fully paid and nonassessable, except as set forth under the heading "Shareholder and Trustee Liability" above. Shareholders representing 10% or more of the trust or a fund may, as set forth in the Declaration of Trust, call meetings of the trust or a fund for any purpose related to the trust or fund, as the case may be, including, in the case of a meeting of the entire trust, the purpose of voting on removal of one or more Trustees. The trust or any fund may be terminated upon the sale of its assets to another open-end management investment company, or upon liquidation and distribution of its assets, if approved by vote of the holders of a majority of the outstanding shares of the trust or the fund. If not so terminated, the trust and its funds will continue indefinitely.

**CUSTODIAN.** Brown Brothers Harriman & Co., 40 Water Street, Boston, MA, is custodian of the fund's assets. The custodians take no part in determining the investment policies of the fund or in deciding which securities are purchased or sold by the funds. The fund, however, may invest in obligations of the custodians and may purchase or sell securities from or to the custodians.

FMR, its officers and directors and its affiliated companies from time to time have transactions with various banks, including the custodian banks for certain of the funds advised by FMR. The Boston branch of Brown Brothers Harriman & Co. leases its office space from an affiliate of FMR at a lease payment which, when entered into, was consistent with prevailing market rates. Other 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.

**AUDITOR.** Coopers & Lybrand, One Post Office Square, Boston, MA, serves as the fund's independent accountant, providing services including (1) audit of annual financial statements, (2) assistance and consultation in connection with SEC filings and (3) review of the annual federal income tax return filed on behalf of the fund.

#### FINANCIAL STATEMENTS

The fund's financial statements and financial highlights for the fiscal year ended December 31, 1994 are included in the fund's Annual Report, which is a separate report supplied with this Statement of Additional Information. The fund's financial statements and financial highlights are incorporated herein by reference.

#### APPENDIX

##### DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S CORPORATE BOND RATINGS:

AAA - Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

AA - Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A - Bonds rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security

to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

BAA - Bonds rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

BA - Bonds rated Ba are judged to have speculative elements. Their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B - Bonds rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small.

CAA - Bonds rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

CA - Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.

C - Bonds rated C are the lowest-rated class of bonds and issued so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies numerical modifiers, 1, 2, and 3, in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

#### DESCRIPTION OF STANDARD & POOR'S CORPORATION'S CORPORATE BOND RATINGS:

AAA - Debt rated AAA has the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher-rated issues only in small degree.

A - Debt rated A has a strong capacity to pay interest and repay principal, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB - Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher-rated categories.

BB - Debt rate BB has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

B - Debt rated B has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BB- rating.

CCC - Debt rated CCC has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal.

In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

CC - Debt rated CC is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC debt rating.

C - The rating C is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC- debt rating. The C rating may be used to cover a situation where a bankruptcy petition has been filed but debt service payments are continued.

CI - The rating CI is reserved for income bonds on which no interest is being paid.

D - Debt rated D is in payment default. The D rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating will also be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

The ratings from AA to CCC may be modified by the addition of a plus or minus to show relative standing within the major rating categories.

VARIABLE INSURANCE PRODUCTS FUND

CROSS REFERENCE SHEET

Form N-1A Item Number

Part A Prospectus Caption

- 1 a,b Cover Page
- 2 a,b,c \*
- 3 a,b Financial Highlights
  - c Performance
- 4 a(i) FMR and Its Affiliates
  - a(ii) The Funds at a Glance; Investment Principals and Risks; Securities and Investment Practices; Fundamental Investment Policies and Restrictions
    - b,c Investment Principals and Risks; Securities and Investment Practices; Fundamental Investment Policies and Restrictions
- 5 a,b(i) FMR and Its Affiliates
  - b(ii)(iii),c The Funds at a Glance; FMR and Its Affiliates; Breakdown of Expenses
    - d FMR and Its Affiliates; Breakdown of Expenses
    - e Breakdown of Expenses; Other Expenses
    - f, g Breakdown of Expenses
- 6 a(i) (ii) Charter; FMR and Its Affiliates; Transaction Details
  - a(iii) \*
  - b FMR and Its Affiliates
  - c,d \*
  - e Cover Page, Distributions and Taxes
  - f,g Distributions and Taxes
- 7 a FMR and Its Affiliates
  - b(i),(ii) Financial Highlights; Transaction Details
  - b(iii,iv,v) \*
  - c,d,e \*
  - f Other Expenses
- 8 a Transaction Details
  - b,c \*
  - d Transaction Details
- 9 \*

\* Not Applicable

Part B Statement of Additional Information Caption

- 10,11 Cover Page
- 12 Description of the Trust
- 13 a,b,c Investment Policies and Limitations
  - d Portfolio Transactions
- 14 a,b Trustees and Officers
  - c \*
- 15 a \*
- 15 b, c Trustees and Officers
- 16 a(i) FMR
  - a(ii) Trustees and Officers
  - a(iii),b Management Contracts, Contracts with Companies Affiliated with FMR
  - c \*
  - d Contracts with Companies Affiliated with FMR
  - e \*
  - f Distribution and Service Plans

g	*
h	Description of the Trust
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VARIABLE  
INSURANCE PRODUCTS  
FUND

Please read this prospectus before investing, and keep it on file for future reference. It contains important information to help you decide if the fund's goal matches your own.

To learn more about the fund and its investments, you can obtain copy of the fund's most recent financial report and portfolio listing or a copy of the Statement of Additional Information (SAI) dated April 30, 1995. The SAI has been filed with the Securities and Exchange Commission (SEC) and is incorporated herein by reference (legally forms a part of the prospectus). For a free copy of either document, contact your insurance company.

Shares of the fund may only be purchased by the separate accounts of insurance companies, for the purpose of funding variable annuity and variable life insurance contracts. The fund may not be available in your state due to various insurance regulations. Please check with your insurance company for availability. If the fund in this Prospectus is not available in your state, this Prospectus is not to be considered a solicitation. This Prospectus should be read in conjunction with the prospectus of the separate account of the specific insurance product which accompanies this Prospectus.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Variable Insurance Products Fund (the Trust) is designed to provide investment vehicles for variable annuity and variable life insurance contracts of various insurance companies. Overseas Portfolio is a fund of the Trust.

OVERSEAS PORTFOLIO SEEKS LONG TERM GROWTH OF CAPITAL BY INVESTING MAINLY IN



FOREIGN SECURITIES.

PROSPECTUS

APRIL 30, 1995 (FIDELITY\_LOGO\_GRAPHIC) 82 DEVONSHIRE STREET, BOSTON, MA  
02109

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THE FUND AT A GLANCE

Overseas Portfolio is designed to provide an investment vehicle for variable annuity and variable life insurance contracts of various insurance companies.

MANAGEMENT: Fidelity Management & Research Company (FMR) is the management arm of Fidelity Investments, which was established in 1946 and is now America's largest mutual fund manager. Foreign affiliates of FMR may help choose investments for the fund.

GOAL: Long-term growth of capital. As with any mutual fund, there is no assurance that the fund will achieve its goal.

STRATEGY: Invests mainly in equity securities outside of the U.S.

SIZE: As of December 31, 1994, the fund had over \$\_\_ million in assets.

FINANCIAL HIGHLIGHTS

The financial highlights table that follows and the fund's financial statements are included in the fund's Annual Report and has been audited by Coopers & Lybrand L.L.P., independent accountants. Their report on the financial statements and financial highlights is included in the Annual Report. The financial statements, the financial highlights, and the report are incorporated by reference into the fund's SAI, which may be obtained free of charge from your insurance company.

[insert Per-Share data table[s]]

WHO MAY WANT TO INVEST

THE SPECTRUM OF

FIDELITY FUNDS

Broad categories of Fidelity funds are presented here in order of ascending risk.

Generally, investors seeking to maximize return must assume greater risk.

Overseas Portfolio falls under the Growth category.

(solid bullet) MONEY MARKET Seeks income and stability by investing in high-quality, short-term investments.

(solid bullet) INCOME Seeks income by investing in bonds.

(solid bullet) ASSET ALLOCATION Seeks high total return with reduced risk through a mix of stocks, bonds and short-term instruments.

(solid bullet) GROWTH AND INCOME Seeks long-term growth and income by investing in stocks and bonds.

(solid bullet) GROWTH Seeks long-term growth by investing mainly in stocks.

(checkmark)

The fund may be appropriate for investors who want to pursue their investment goals in markets outside the United States. By including international investments in your portfolio, you can achieve additional diversification and participate in growth opportunities around the world. However, it is important to note that investments in foreign securities involve risks in addition to those of U.S. investments.

In addition to general risks, international investing involves different or increased risks. The performance of the fund depends upon currency values, the political and regulatory environment, and overall economic factors in the countries in which a fund invests. See "INVESTMENT PRINCIPLES AND RISKS."

INVESTMENT PRINCIPLES AND RISKS

The value of the fund's investments varies based on many factors. Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. The fund spreads investment risk by limiting its holdings in any one company or industry.

Because many of the fund's investments are denominated in foreign currencies, changes in the value of foreign securities can significantly affect the fund's share price. General economic and political factors in the various world markets can also impact the value of your investment. The value of some of the fund's investments may fluctuate based on other factors affecting security values such as commodity prices and currency values. FMR may use various investment techniques to hedge the fund's risks, but there is no guarantee that these strategies will work as intended. When fund shares are redeemed, they may be worth more or less than their original cost.

The fund seeks long-term growth of capital by investing primarily in securities of issuers whose principal activities are outside of the U.S. FMR normally invests at least 65% of the fund's total assets in securities of issuers from at least three different countries outside of North America (the U.S., Canada, Mexico, and Central America). The fund expects to invest a majority of its assets in equity securities, but may also invest in debt securities of any quality.

The fund may invest in the securities of any issuer, including companies and other business organizations as well as governments and government agencies. The fund, however, will tend to focus on the equity securities of both large and small companies. The fund may invest in short-term debt securities and money market instruments for cash management purposes. The fund's focus on international investing involves increased or additional risks compared to funds which invest primarily in domestic equity securities. International funds have increased economic and political risks as they are exposed to events and factors in the various world markets. Also, because many of the fund's investments are denominated in foreign currencies, changes in the value of foreign currencies can significantly affect the fund's share price. FMR may use a variety of techniques to either increase or decrease the fund's exposure to any currency.

FMR may also use different investment techniques in an attempt to hedge the fund's risks, but there is no guarantee that these strategies will work as FMR intends.

FMR determines where an issuer or its principal business is located by looking at such factors as its country of organization, the primary trading market for its securities, and the location of its assets, personnel, sales, and earnings. When allocating the fund's investments among countries and regions, FMR considers such factors as the potential for economic growth, expected levels of inflation, governmental policies, and the outlook for currency relationships.

FMR normally invests the fund's assets according to its investment strategy. The fund also reserves the right to invest without limitation in preferred stocks and investment-grade debt instruments for temporary, defensive purposes.

An investment in the fund is not in itself, a balanced investment plan. When fund shares are redeemed, they may be worth more or less than their original cost.

THE FUND IN DETAIL

#### CHARTER

OVERSEAS PORTFOLIO IS A MUTUAL FUND: an investment that pools shareholders' money and invests it toward a specified goal. The fund is a diversified fund of Variable Insurance Products Fund (VIP). VIP is an open-end management investment company organized as a Massachusetts business trust on November 13, 1981.

THE FUND IS GOVERNED BY A BOARD OF TRUSTEES which is responsible for protecting the interests of shareholders. The trustees are experienced executives who meet throughout the year to oversee the fund's activities, review contractual arrangements with companies that provide services to the fund, and review the fund's performance. The majority of trustees are not otherwise affiliated with Fidelity.

THE FUND MAY HOLD SPECIAL MEETINGS AND MAIL PROXY MATERIALS. These meetings may be called to elect or remove trustees, change fundamental policies, approve a management contract, or for other purposes. Shareholders not attending these meetings are encouraged to vote by proxy. An insurance company issuing a variable contract that participates in the fund will vote shares held in its separate account as required by law and interpretations thereof, as may be amended or changed from time to time. In accordance with current law and interpretations thereof, a participating insurance company is required to request voting instructions from policyowners and must vote shares in the separate account in proportion to the voting instructions received. Your insurance company is entitled to one vote for each share it owns. For a further discussion, please refer to your insurance company's separate account prospectus.

#### FMR AND ITS AFFILIATES

Fidelity Investments is one of the largest investment management organizations in the United States and has its principal business address at 82 Devonshire Street, Boston, Massachusetts 02109. It includes a number of different subsidiaries and divisions which provide a variety of financial services and products. The fund employs various Fidelity companies to perform activities required for its operation. The fund is managed by FMR, which chooses the fund's investments and handles its business affairs. The fund is managed by FMR, which handles its business affairs and, with the assistance of foreign affiliates, chooses the fund's investments.

#### FIDELITY FACTS

Fidelity offers the broadest selection of mutual funds in the world.

(solid bullet) Number of Fidelity mutual funds: over

(solid bullet) Assets in Fidelity mutual funds: over \$250 billion

(solid bullet) Number of shareholder accounts: over 21 million

(solid bullet) Number of investment analysts and portfolio managers: over 200

(checkmark)

Affiliates assist FMR with foreign securities: Fidelity Management & Research (U.K.) Inc. (FMR U.K.) in London, England; Fidelity Management & Research Far East Inc. (FMR Far East) in Tokyo, Japan; Fidelity International Investment Advisors (FIIA) in Pembroke, Bermuda; and Fidelity International Investment Advisers (U.K.) Limited (FIIAL U.K.), in Kent, England.

John R. Hickling is a manager and vice president of Overseas, which he has managed since January 1993. Mr. Hickling also manages Advisor Overseas and VIP Overseas. Previously, he managed Japan, Emerging Markets, Europe, International Opportunities, and Pacific Basin. Mr. Hickling joined Fidelity in 1982.

The fund has an investment objective similar to that of Fidelity Overseas Fund, an existing Fidelity retail fund. Performance of the fund is not expected to be the same as the performance of the corresponding retail fund due in part to dissimilarities in their investments. Various insurance related costs at the insurance company's separate account will also affect performance.

The fund sells its shares to separate accounts of insurance companies which are both affiliated and unaffiliated with FMR. The fund currently does not foresee any disadvantages to policyowners arising out of the fact that the fund offers its shares to separate accounts of various insurance companies to serve as the investment medium for their variable products.

Nevertheless, the Board of Trustees intends to monitor events in order to identify any material irreconcilable conflicts which may possibly arise, and to determine what action, if any, should be taken in response to such conflicts. If such a conflict were to occur, one or more insurance companies' separate accounts might be required to withdraw its investments in the fund and shares of another fund may be substituted. This might force the fund to sell securities at disadvantageous prices. In addition, the Board of Trustees may refuse to sell shares of the fund to any separate account or may suspend or terminate the offering of shares of the fund if such action is required by law or regulatory authority or is in the best interests of the shareholders of the fund.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that establishes procedures for personal investing and restricts certain transactions.

Fidelity Distributors Corporation (FDC) distributes and markets Fidelity's funds and services. Fidelity Investments Institutional Operations Company (FIIOC), 82 Devonshire Street, Boston, Massachusetts, performs transfer agent servicing functions for the fund.

FMR Corp. is the ultimate parent company of FMR, FMR U.K., and FMR Far East. Through ownership of voting common stock, members of the Edward C. Johnson 3d family form a controlling group with respect to FMR Corp. Changes may occur in the Johnson family group, through death or disability, which would result in changes in each individual family members' holding of stock. Such changes could result in one or more family members becoming holders of over 25% of the stock. FMR Corp. has received an opinion of counsel that changes in the composition of the Johnson family group under these circumstances would not result in the termination of the fund's management or distribution contracts and, accordingly, would not require a shareholder vote to continue operation under those contracts.

Fidelity International Limited (FIL), is the parent company of FIIA and

FIIAL U.K. The Johnson family group also owns, directly or indirectly, more than 25% of the voting common stock of FIL.

A broker-dealer may use a portion of the commissions paid by the fund to reduce the fund's custodian or transfer agent fees. FMR may use its broker-dealer affiliates and other firms that sell fund shares to carry out the fund's transactions, provided that the fund receives brokerage services and commission rates comparable to those of other broker-dealers.

#### SECURITIES AND INVESTMENT PRACTICES

The following pages contain more detailed information about types of instruments in which the fund may invest, and strategies FMR may employ in pursuit of the fund's investment objective. A summary of risks and restrictions associated with these instrument types and investment practices is included as well. A complete listing of the fund's policies and limitations and more detailed information about the fund's investments is contained in the fund's SAI. Policies and limitations are considered at the time of purchase; the sale of instruments is not required in the event of a subsequent change in circumstances.

FMR may not buy all of these instruments or use all of these techniques to the full extent permitted unless it believes that doing so will help the fund achieve its goal. Current holdings and recent investment strategies are described in the fund's financial reports, which are sent to the fund's shareholders twice a year. For a free SAI or financial report, contact your insurance company.

EQUITY SECURITIES may include common stocks, preferred stocks, convertible securities, and warrants. Common stocks, the most familiar type, represent an equity (ownership) interest in a corporation. Although equity securities have a history of long-term growth in value, their prices fluctuate based on changes in a company's financial condition and on overall market and economic conditions. Smaller companies are especially sensitive to these factors.

RESTRICTIONS: With respect to 75% of its total assets, the fund may not own more than 10% of the outstanding voting securities of a single issuer.

DEBT SECURITIES. Bonds and other debt instruments are used by issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest, and must repay the amount borrowed at maturity. Some debt securities, such as zero coupon bonds, do not pay current interest, but are purchased at a discount from their face values. Debt securities, loans, and other direct debt have varying degrees of quality and varying levels of sensitivity to changes in interest rates. Longer-term bonds are generally more sensitive to interest rate changes than short-term bonds.

Lower-quality debt securities (sometimes called "junk bonds") are often considered to be speculative and involve greater risk of default or price changes, or they may already be in default. These risks are in addition to the general risks associated with foreign securities.

RESTRICTIONS: Purchase of a debt security is consistent with the fund's debt quality policy if it is rated at or above the stated level by Moody's or rated in the equivalent categories by any other nationally recognized rating service, or is unrated but judged to be of equivalent quality by FMR. The fund currently limits its investment in lower than Baa-quality debt securities to 35% of the fund's average net assets.

FOREIGN SECURITIES and foreign currencies may involve additional risks. These include currency fluctuations, risks relating to political or economic conditions in the foreign country, and the potentially less stringent investor protection and disclosure standards of foreign markets. In addition to the political and economic factors that can affect foreign securities, a governmental issuer may be unwilling to repay principal and interest when due, and may require that the conditions for payment be renegotiated. These factors could make foreign investments, especially those in developing countries, more volatile.

RESTRICTIONS: The fund may not invest more than 20% of its assets in any one country, however, the fund may have an additional 15% invested in securities of issuers located in any one (but only one) of the following countries: Australia, Canada, France, Japan, the United Kingdom or Germany. The fund must be diversified in at least three different countries if it exceeds 20% in any one country.

REPURCHASE AGREEMENTS. In a repurchase agreement, the fund buys a security at one price and simultaneously agrees to sell it back at a higher price. Delays or losses could result if the other party to the agreement defaults or becomes insolvent.

FOREIGN REPURCHASE AGREEMENTS may be less well secured than U.S. repurchase agreements, and may be denominated in foreign currencies. They also may involve greater risk of loss if the counterparty defaults. Some counterparties in these transactions may be less creditworthy than those in U.S. markets.

ADJUSTING INVESTMENT EXPOSURE. The fund can use various techniques to

increase or decrease its exposure to changing security prices, interest rates, currency exchange rates, commodity prices, or other factors that affect security values. These techniques may involve derivative transactions such as buying and selling options and futures contracts, entering into currency exchange contracts or swap agreements, purchasing indexed securities, and selling securities short.

FMR can use these practices to adjust the risk and return characteristics of the fund's portfolio of investments. If FMR judges market conditions incorrectly or employs a strategy that does not correlate well with the fund's investments, these techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These techniques may increase the volatility of the fund and may involve a small investment of cash relative to the magnitude of the risk assumed. In addition, these techniques could result in a loss if the counterparty to the transaction does not perform as promised.

**DIRECT DEBT.** Loans and other direct debt instruments are interests in amounts owed to another party by a company, government, or other borrower. They have additional risks beyond conventional debt securities because they may entail less legal protection for the fund, or there may be a requirement that the fund supply additional cash to a borrower on demand.

**ILLIQUID AND RESTRICTED SECURITIES.** Some investments may be determined by FMR, under the supervision of the Board of Trustees, to be illiquid, which means that they may be difficult to sell promptly at an acceptable price. The sale of some securities, including illiquid securities, may be subject to legal restrictions. Difficulty in selling securities may result in a loss or may be costly to the fund.

**RESTRICTIONS.** The fund may not purchase a security if, as a result, more than 15% of its net assets would be invested in illiquid securities.

**WARRANTS** are instruments which entitle the holder to buy underlying equity securities at a specific price for a specific period of time. A warrant tends to be more volatile than its underlying securities and ceases to have value if it is not exercised prior to its expiration date. In addition, changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying securities.

**DIVERSIFICATION.** Diversifying the fund's investment portfolio can reduce the risks of investing. This may include limiting the amount of money invested in any one issuer or, on a broader scale, in any one industry.

**RESTRICTIONS.** With respect to 75% of total assets, the fund may not invest more than 5% of its total assets in any one issuer. The fund also may not invest more than 25% of its total assets in any one industry. These limitations do not apply to U.S. government securities.

**BORROWING.** The fund may borrow from banks or from other funds advised by FMR, or through reverse repurchase agreements. If the fund borrows money, its share price may be subject to greater fluctuation until the borrowing is paid off. If the fund makes additional investments while borrowings are outstanding, this may be considered a form of leverage.

**RESTRICTIONS:** The fund may borrow only for temporary or emergency purposes, but not in an amount exceeding 25% of its total assets.

**LENDING.** Lending securities to broker-dealers and institutions, including FBSI, an affiliate of FMR, is a means of earning income. This practice could result in a loss or a delay in recovering the fund's securities. The fund may also lend money to other funds advised by FMR.

**RESTRICTIONS:** Loans, in the aggregate, may not exceed 33% of the fund's total assets.

#### FUNDAMENTAL INVESTMENT POLICIES AND RESTRICTIONS

Some of the policies and restrictions discussed on the preceding pages are fundamental, that is, subject to change only by shareholder approval. The following paragraph restates all those that are fundamental. All policies stated throughout this prospectus, other than those identified in the following paragraph, can be changed without shareholder approval.

The fund seeks long-term growth of capital primarily through investments in foreign securities. The fund, with respect to 75% of total assets, may not invest more than 5% of its total assets in any one issuer and may not own more than 10% of the outstanding voting securities of a single issuer. The fund may not invest more than 25% of its total assets in any one industry. Loans, in the aggregate, may not exceed 33% of the fund's total assets.

**INTERNAL REVENUE SERVICE (IRS) LIMITATIONS.** In addition to the above, the fund also follows certain limitations imposed by the IRS on separate accounts of insurance companies relating to the tax-deferred status of variable contracts. More specific information may be contained in your insurance company's separate account prospectus.

#### BREAKDOWN OF EXPENSES

Like all mutual funds, the fund pays fees related to its daily operations. Expenses paid out of the fund's assets are reflected in its share price. The fund pays a **MANAGEMENT FEE** to FMR for managing its investments and business affairs. FMR in turn pays fees to affiliates who provide

assistance with these services. The fund also pays OTHER EXPENSES, which are explained [at right/on page \_\_\_]. FMR may, from time to time, agree to reimburse the fund for management fees and other expenses above a specified limit. FMR retains the ability to be repaid by the fund if expenses fall below the specified limit prior to the end of the fiscal year. Reimbursement arrangements, which may be terminated at any time without notice, can decrease the fund's expenses and boost its performance.

#### MANAGEMENT FEE

The fund's MANAGEMENT FEE is calculated and paid to FMR every month. The fee for the fund is calculated by adding a group fee rate to an individual fee rate, and multiplying the result by the fund's average net assets. THE GROUP FEE RATE is based on the average net assets of all the mutual funds advised by FMR. This rate cannot rise above 0.52% and it drops as total assets under management increase.

For December 31, 1994, the group fee rate was \_\_%. The fund's individual fund fee rate is 0.45%. For fiscal year 1994, the total management was \_\_%. This rate was higher than that of most other mutual funds, but not necessarily higher than those of a typical international fund, due to the greater complexity, expense and commitment of resources involved in international investing.

FMR HAS SUB-ADVISORY AGREEMENTS with three affiliates: FMR U.K., FMR Far East, and FIIA. FIIA in turn has a sub-advisory agreement with FIIAL U.K. These sub-advisers are compensated for providing FMR with investment research and advice on issuers based outside the United States. FMR pays FMR U.K. and FMR Far East fees equal to 110% and 105%, respectively, of the costs of providing these services. FMR pays FIIA a fee equal to 30% of its management fee rate associated with investments for which the sub-adviser provided investment advice.

The sub-advisers may also provide investment management services. In return, FMR pays FMR U.K., FMR Far East, and FIIA a fee equal to 50% of its management fee rate with respect to the fund's investments that the sub-adviser manages on a discretionary basis. FIIA pays FIIAL U.K. a fee equal to 110% of the cost of providing these services.

#### OTHER EXPENSES

While the management fee is a significant component of the fund's annual operating costs, the fund has other expenses as well.

FIIOC performs transfer agency, dividend disbursing and shareholder servicing functions for the fund. Fidelity Service Company (FSC), 82 Devonshire Street, Boston, Massachusetts, calculates the net asset value (NAV) and dividends, maintains the general accounting records and administers securities lending program for the fund.

In fiscal 1994, the fund paid FIIOC fees equal to % of the fund's average net assets for transfer agency and related services, and the fund paid FSC fees equal to % of its average net assets for pricing and bookkeeping services.

For fiscal year 1994, the fund's total expenses amounted to \_\_% of the fund's average net assets. FMR has voluntarily agreed to temporarily limit the fund's total operating expenses (as a percentage of the fund's average net assets) to 1.50%.

The fund also pays other expenses, such as legal, audit, and custodian fees; proxy solicitation costs; and the compensation of trustees who are not affiliated with Fidelity. A broker-dealer may use a portion of the commissions paid by the fund to reduce the fund's custodian or transfer agent fees.

The fund's portfolio turnover rate for fiscal 1994 was %. This rate varies from year to year. High turnover rates increase transaction costs. FMR considers these effects when evaluating the anticipated benefits of short-term investing.

The fund has adopted a Distribution and Service Plan. This plan recognizes that FMR may use its resources, including management fees, to pay expenses associated with the sale of fund shares. This may include payments to third parties, such as banks or broker-dealers, that provide shareholder support services or engage in the sale of the fund's shares. The Board of Trustees has not authorized such payments.

#### PERFORMANCE

The fund's total return may be quoted in advertising if accompanied by performance of your insurance company's separate account. Performance is based on historical results and is not intended to indicate future performance. For additional performance information, contact your insurance company for a free annual report.

#### EXPLANATION OF TERMS

TOTAL RETURN is the change in value of an investment in the fund over a given period, assuming reinvestment of any dividends and capital gains. A CUMULATIVE TOTAL RETURN reflects actual performance over a stated period of time. An AVERAGE ANNUAL TOTAL RETURN is a hypothetical rate of return that,

if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total returns smooth out variations in performance; they are not the same as actual year-by-year results.

YIELD refers to the income generated by an investment in the fund over a given period of time, expressed as an annual percentage rate.

THE CONSUMER PRICE INDEX is a widely recognized measure of inflation calculated by the U.S. government.

The fund may quote its adjusted net asset value (NAV), including all distributions paid. This value may be averaged over specified periods and may be used to calculate the fund's moving average.

The fund's recent strategies, performance, and holdings are detailed twice a year in financial reports, which are sent to all shareholders.

TOTAL RETURNS AND YIELDS QUOTED FOR THE FUND INCLUDES THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE SHARES OF THE FUND MAY ONLY BE PURCHASED THROUGH VARIABLE ANNUITY AND VARIABLE LIFE INSURANCE CONTRACTS, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted. You should bear in mind the effect of these charges when comparing the fund's performance to that of other mutual funds.

#### DISTRIBUTIONS AND TAXES

For a discussion of the tax status of your variable insurance contract, refer to the prospectus of your insurance company's separate account. It is suggested you keep all statements you receive to assist in your personal recordkeeping.

It is expected that shares of the fund will be held under the terms of variable annuity and variable life insurance contracts. Under current tax law, dividends or capital gain distributions from the fund are not currently taxable when left to accumulate within a variable annuity or variable life insurance contract. Depending on the variable contract, withdrawals from the contracts may be subject to ordinary income tax and, in addition to a 10% penalty tax on withdrawals before age 59 1/2.

The fund is treated as a separate entity for federal income tax purposes. The fund intends to pay out all of its net investment income and net realized capital gains for each year. Dividends will be distributed at least annually. The fund makes dividend and capital gain distributions on a per-share basis. After distribution from the fund, it's share price drops by the amount of the distribution. Because dividends and capital gain distributions are reinvested, the total value of an account will not be affected because, although the shares will have a lower price, there will be correspondingly more of them. Normally, net realized capital gains, if any, are distributed each year for the fund. Such income and capital gain distributions are automatically reinvested in additional shares of the fund.

#### TRANSACTION DETAILS

THE FUND IS OPEN FOR BUSINESS each day the New York Stock Exchange (NYSE) is open. Fidelity normally calculates the fund's NAV as of the close of business of the NYSE, normally 4 p.m. Eastern time.

THE FUND'S NAV is the value of a single share. The NAV is computed by adding the value of the fund's investments, cash, and other assets, subtracting its liabilities, and then dividing the result by the number of shares outstanding.

The fund's assets are valued primarily on the basis of market quotations. Foreign securities are valued on the basis of quotations from the primary market in which they are traded, and are translated from the local currency into U.S. dollars using current exchange rates. If quotations are not readily available or if the values have been materially affected by events occurring after the closing of a foreign market, assets are valued by a method that the Board of Trustees believes accurately reflects fair value. THE FUND'S OFFERING PRICE (price to buy one share) and REDEMPTION PRICE (price to sell one share) are its NAV.

THE FUND RESERVES THE RIGHT TO SUSPEND THE OFFERING OF SHARES for a period of time. The fund also reserves the right to reject any specific purchase order. Purchase orders may be refused if, in FMR's opinion, they would disrupt management of the fund.

INVESTMENTS AND REDEMPTIONS. Investments may be made only by separate accounts established and maintained by insurance companies for the purpose of funding variable insurance contracts. Please refer to the prospectus of your insurance company's separate account for information on how to invest and redeem from the fund.

Each Participating insurance company receives orders from its variable contract owners to purchase or redeem shares of the fund each Business Day. That night, all orders received by that insurance company on that Business Day are aggregated, and the insurance company places a net purchase or

redemption order for shares of the fund the morning of the next Business Day. These orders are generally executed at the NAV that was computed at the close of the previous Business Day in order to provide a match between the variable contract owners' orders to the insurance companies and the insurance companies' orders to the fund. In some cases, an insurance company's orders for fund shares may be executed at the NAV next computed after the order is actually transmitted to the fund. Redemption proceeds will normally be wired to the insurance company on the next business day after receipt of the redemption instructions by the fund but in no event later than 7 days following receipt of instructions. The fund may suspend redemptions or postpone payment dates on days when the NYSE is closed (other than weekend or holidays), when trading on the NYSE is restricted, or as permitted by the SEC.

#### OVERSEAS PORTFOLIO

A FUND OF VARIABLE INSURANCE PRODUCTS FUND

STATEMENT OF ADDITIONAL INFORMATION

APRIL 30, 1995

This Statement is not a prospectus but should be read in conjunction with the fund's current Prospectus (dated April 30, 1995). Please retain this document for future reference. The fund's financial statements and financial highlights, included in the Annual Report for the fiscal year ended December 31, 1994, are incorporated herein by reference. To obtain an additional copy of the Prospectus or the Annual Report, please call your insurance company or Fidelity Distributors Corporation at 1-800-544-8888.

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#### INVESTMENT ADVISER

Fidelity Management & Research Company (FMR)

#### INVESTMENT SUB-ADVISERS

Fidelity Management & Research (U.K.) Inc. (FMR U.K.)

Fidelity Management & Research (Far East) Inc. (FMR Far East)

Fidelity International Investment Advisors (FIIA)

Fidelity International Investment Advisors (U.K.) Limited (FIIAL U.K.)

#### DISTRIBUTOR

Fidelity Distributors Corporation (FDC)

#### TRANSFER AGENT

Fidelity Investments Institutional Operations Company (FIIOC)

VIP-ove-ptb-0495

#### 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 the 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.

The 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) of the fund. However, except for the fundamental investment limitations set forth below, the investment policies and limitations described in this Statement of Additional Information are not fundamental and may be changed without shareholder approval.

THE FOLLOWING ARE THE FUND'S FUNDAMENTAL INVESTMENT LIMITATIONS. THE FUND MAY NOT:

(1) 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) 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;

(2) issue senior securities, except as permitted under the Investment Company Act of 1940;

(3) borrow money, except that the fund (i) may borrow money for temporary or emergency purposes (not for leveraging or investment) or (ii) engage in reverse repurchase agreements, provided that (i) and (ii) in combination (borrowings) do not exceed 33 1/3% of its total assets (including the amount borrowed) less liabilities (other than borrowings). Any borrowings that come to exceed 33 1/3% of the value of the fund's total assets by reason of a decline in net assets will be reduced within three days (exclusive of Sundays and holidays) to the extent necessary to comply with the 33 1/3% limitation;

(4) 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;

(5) 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 its total assets would be invested in the securities of companies whose principal business activities are in the same industry;

(6) 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);

(7) 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); or

(8) 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.

THE FOLLOWING INVESTMENT LIMITATIONS ARE NOT FUNDAMENTAL AND MAY BE CHANGED WITHOUT SHAREHOLDER NOTIFICATION.

(i) 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.

(ii) 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.

(iii) 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 advisor or (b) by engaging in reverse repurchase agreements with any party (reverse repurchase agreements are treated as borrowings for purposes of fundamental investment limitation (3)). The fund will not borrow money in excess of 25% of net assets so long as this limitation is required for certification by certain state insurance departments. Any borrowings that come to exceed this amount will be reduced within seven days (not including Sundays and holidays) to the extent necessary to comply with the 25% limitation. The fund will not purchase any security while borrowings representing more than 5% of its total assets are outstanding. The fund will not borrow from other funds advised by FMR or its affiliates if total outstanding borrowings immediately after such borrowing would

exceed 15% of the fund's total assets.

(iv) 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.

(v) The fund does not currently intend to lend assets other than securities to other parties, except by: (a) lending money (up to 5% of its net assets) to a registered investment company or portfolio for which FMR or an affiliate serves as investment advisor or (b) acquiring loans, loan participations, or other forms of direct debt instruments and, in connection therewith, assuming any associated unfunded commitments of the sellers. (This limitation does not apply to purchases of debt securities or to repurchase agreements.)

(vi) The fund does not currently intend to (a) purchase securities of other investment companies, except in the open market where no commission except the ordinary broker's commission is paid, or (b) purchase or retain securities issued by other open-end investment companies. Limitations (a) and (b) do not apply to securities received as dividends, through offers of exchange, or as a result of a reorganization, consolidation, or merger.

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

In accordance with the fund's fundamental investment policies, there are no limitations on the percentage of the funds' assets which may be invested in any one type of instrument. Nor are there limitations (except those imposed by certain state insurance regulations) on the percentage of the fund's assets which may be invested in any foreign country. However, in order to comply with diversification requirements under Section 817(h) of the Internal Revenue Code of 1986, as amended, in connection with FMR serving as investment advisor, the fund has agreed to certain non-fundamental limitations. Please refer to your insurance company's separate account prospectus for more information.

For the fund's limitations on futures and options transactions, see the section entitled "Limitations on Futures and Options Transactions" beginning on page \_\_\_.

For the fund's policies on foreign investments, see the section entitled "Foreign Investments" on page \_\_\_.

**AFFILIATED BANK TRANSACTIONS.** The fund may engage in transactions with financial institutions that are, or may be considered to be, "affiliated persons" of the fund under the Investment Company Act of 1940. These transactions may include 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, the Board of Trustees has established and periodically reviews procedures applicable to transactions involving affiliated financial institutions.

**FUND'S RIGHTS AS A SHAREHOLDER.** The fund does not intend to direct or administer the day-to-day operations of any company. The fund, however, may exercise its rights as a shareholder and may communicate its views on important matters of policy to management, the Board of Directors, and shareholders of a company when FMR determines that such matters could have a significant effect on the value of the fund's investment in the company. The activities that the fund may engage in, 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; or supporting or opposing third party takeover efforts. This area of corporate activity is increasingly prone to litigation and it is possible that the fund could be involved in lawsuits related to such activities. FMR will monitor such activities with a view to mitigating, to the extent possible, the risk of litigation against the fund and the risk of actual liability if the fund is involved in litigation. No guarantee can be made, however, that litigation against the fund will not be undertaken or liabilities incurred.

**LOWER-QUALITY DEBT SECURITIES.** The fund may purchase lower-quality debt securities (those rated below Baa by Moody's Investors Service, Inc. or BBB by Standard and Poor's Corporation, and unrated securities judged by FMR to be of equivalent quality) that have poor protection with respect to the payment of interest and repayment of principal. 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.

While the market for high-yield corporate debt securities has been in existence for many years and has weathered previous economic downturns, the 1980s brought a dramatic increase in the use of such securities to fund highly leveraged corporate acquisitions and restructurings. Past experience may not provide an accurate indication of the future performance of the high-yield bond market, especially during periods of economic recession. In fact, from 1989 to 1991, the percentage of lower-quality securities that defaulted rose significantly above prior levels, although the default rate decreased in 1992 and 1993 and [increased/decreased in 1994].

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. If market quotations are not available, lower-quality debt securities will be valued in accordance with procedures established by the Board of Trustees, including the use of outside pricing services. Judgment plays a greater role in valuing high-yield corporate debt securities than is the case for securities for which more external sources for quotations and last-sale information are available. Adverse publicity and changing investor perceptions may affect the ability of outside pricing services to value lower-quality debt securities and the fund's ability to sell these securities.

Since the risk of default is higher for lower-quality debt securities, FMR's research and credit analysis are an especially important part of managing securities of this type held by the fund. In considering investments for the fund, FMR will 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. FMR's analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects, and the experience and managerial strength of the issuer.

The 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.

**SWAP AGREEMENTS.** Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the fund's exposure to long- or short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The fund is not limited to any particular form of swap agreement if FMR determines it is consistent with the fund's investment objective and policies.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

Swap agreements will tend to shift the fund's investment exposure from one type of investment to another. For example, if the fund agreed to exchange payments in dollars for payments in foreign currency, the swap agreement would tend to decrease the fund's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the fund's investments and its share price.

The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, or other factors that determine the amounts of payments due to and from the fund. If a swap agreement calls for payments by the fund, the fund must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declined, the value of a swap agreement would be likely to decline, potentially resulting in losses. The fund expects to be able to eliminate its exposure under swap agreements either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or a similarly creditworthy party.

The fund will maintain appropriate liquid assets in a segregated custodial account to cover its current obligations under swap agreements. If the fund enters into a swap agreement on a net basis, it will segregate assets with

a daily value at least equal to the excess, if any, of the fund's accrued obligations under the swap agreement over the accrued amount the fund is entitled to receive under the agreement. If the fund enters into a swap agreement on other than a net basis, it will segregate assets with a value equal to the full amount of the fund's accrued obligations under the agreement.

LOANS AND OTHER DIRECT DEBT INSTRUMENTS are interests in amounts owed by a corporate, governmental, or other borrower to another party. They may represent amounts owed 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 fund in the event of fraud or misrepresentation. In addition, loan participations involve a risk of insolvency of the lending bank or other financial intermediary. Direct debt instruments may also include standby financing commitments that obligate the fund to supply additional cash to the borrower on demand.

INDEXED SECURITIES. The fund may purchase securities whose prices are indexed to the prices of other securities, securities indices, currencies, precious metals or other commodities, or other financial indicators. Indexed securities typically, but not always, are debt securities or deposits whose value at maturity or coupon rate is determined by reference to a specific instrument or statistic. Gold-indexed securities, for example, typically provide for a maturity value that depends on the price of gold, resulting in a security whose price tends to rise and fall together with gold prices. 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 of equivalent issuers. 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 security, currency, or other instrument to which they are indexed, and may also be influenced by interest rate changes in the United States and abroad. At the same time, indexed securities are 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. Indexed securities may be more volatile than the underlying instruments.

ILLIQUID INVESTMENTS are investments that cannot be sold or disposed of in the ordinary course of business at approximately the prices at which they are valued. Under the supervision of the Board of Trustees, FMR determines the liquidity of the fund's investments and, through reports from FMR, the Board monitors investments in illiquid instruments. In determining the liquidity of the fund's investments, FMR may consider various factors, including (1) the frequency of trades and quotations, (2) the number of dealers and prospective purchasers in the marketplace, (3) dealer undertakings to make a market, (4) the nature of the security (including any demand or tender features), and (5) the nature of the marketplace for trades (including the ability to assign or offset the fund's rights and obligations relating to the investment).

Investments currently considered by the fund to be illiquid include repurchase agreements not entitling the holder to payment of principal and interest within seven days, over-the-counter options, and non-government stripped fixed-rate mortgage-backed securities. Also, FMR may determine some restricted securities, government-stripped fixed-rate mortgage-backed securities, loans and other direct debt instruments, emerging market securities, and swap agreements to be illiquid. However, with respect to over-the-counter options the fund writes, all or a portion of the value of the underlying instrument may be illiquid depending on the assets held to cover the option and the nature and terms of any agreement the fund may have to close out the option before expiration.

In the absence of market quotations, illiquid investments are priced at fair value as determined in good faith by a committee appointed by the Board of Trustees. 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 was invested in illiquid securities, it would seek to take appropriate steps to protect liquidity.

**RESTRICTED SECURITIES** generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933, or in a registered public offering. Where registration is required, the fund 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 fund might obtain a less favorable price than prevailed when it decided to seek registration of the security.

**REPURCHASE AGREEMENTS** In a repurchase agreement, the fund purchases a security and simultaneously commits 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. While it does not presently appear possible to eliminate all risks from these transactions (particularly the possibility that the value of the underlying security will be less than the resale price, as well as delays and costs to the fund in connection with bankruptcy proceedings), it is the fund's current policy to engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by FMR.

**REVERSE REPURCHASE AGREEMENTS** In a reverse repurchase agreement, the fund sells a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase the instrument at a particular price and time. While a reverse repurchase agreement is outstanding, the fund will maintain appropriate liquid assets in a segregated custodial account to cover its obligation under the agreement. The fund will enter into reverse repurchase agreements only with parties whose creditworthiness has been found satisfactory by FMR. Such transactions may increase fluctuations in the market value of the fund's assets and may be viewed as a form of leverage.

**SECURITIES LENDING.** The fund may lend securities to parties such as broker-dealers or institutional investors, including Fidelity Brokerage Services, Inc. (FBSI). FBSI is a member of the New York Stock Exchange and a subsidiary of FMR Corp.

Securities lending allows the fund to retain ownership of the securities loaned and, at the same time, to earn additional income. Since there may be delays in the recovery of loaned securities, or even a loss of rights in collateral supplied should the borrower fail financially, loans will be made only to parties deemed by FMR to be of good standing. Furthermore, they will only be made if, in FMR's judgment, the consideration to be earned from such loans would justify the risk.

FMR understands that it is the current view of the SEC Staff that a fund may engage in loan transactions only under the following conditions: (1) the fund must receive 100% collateral in the form of cash or cash equivalents (e.g., U.S. Treasury bills or notes) from the borrower; (2) the borrower must increase the collateral whenever the market value of the securities loaned (determined on a daily basis) rises above the value of the collateral; (3) after giving notice, the fund must be able to terminate the loan at any time; (4) the fund must receive reasonable interest on the loan or a flat fee from the borrower, as well as amounts equivalent to any dividends, interest, or other distributions on the securities loaned and to any increase in market value; (5) the fund may pay only reasonable custodian fees in connection with the loan; and (6) the Board of Trustees must be able to vote proxies on the securities loaned, either by terminating the loan or by entering into an alternative arrangement with the borrower.

Cash received through loan transactions may be invested in any security in which the fund is authorized to invest. Investing this cash subjects that investment, as well as the security loaned, to market forces (i.e., capital appreciation or depreciation).

**SOVEREIGN DEBT OBLIGATIONS** The fund may purchase sovereign debt instruments 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 interest when due, and may require renegotiation or rescheduling of debt payments. In addition, prospects for repayment of principal and interest may depend on political as well as economic factors.

**WARRANTS.** Warrants are securities that give a fund the right to purchase equity securities from the issuer at a specific price (the strike price) for a limited period of time. The strike price of warrants typically is much lower than the current market price of the underlying securities, yet

they are subject to similar price fluctuations. As a result, warrants may be more volatile investments than the underlying securities and 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 securities and do not represent any rights in the assets of the issuing company. Also, the value of the warrant does not necessarily change with the value of the underlying securities and a warrant ceases to have value if it is not exercised prior to expiration date. These factors can make warrants more speculative than other types of investments.

**FOREIGN REPURCHASE AGREEMENTS.** Foreign repurchase agreements may include agreements to purchase and sell foreign securities in exchange for fixed U.S. dollar amounts, or in exchange for specified amounts of 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, the 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.

**REAL ESTATE-RELATED INSTRUMENTS** include real estate investment trusts, commercial and residential mortgage-backed securities, and real estate financings. Real estate-related instruments are sensitive to factors such as real estate values and property taxes, interest rates, cash flow of underlying real estate assets, overbuilding, and the management skill and creditworthiness of the issuer. Real estate-related instruments may also be affected by tax and regulatory requirements, such as those relating to the environment.

**SHORT SALES "AGAINST THE BOX".** If the 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. The fund will incur transaction costs, including interest expenses, in connection with opening, maintaining, and closing short sales against the box.

**INTERFUND BORROWING PROGRAM.** The fund has received permission from the SEC to lend money to and borrow money from other funds advised by FMR or its affiliates. Interfund loans and borrowings normally will extend overnight, but can have a maximum duration of seven days. Loans may be called on one day's notice. The fund will lend through the program only when the returns are higher than those available at the same time from other short-term instruments (such as repurchase agreements), and will borrow through the program only when the costs are equal to or lower than the cost of bank loans. The 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.

**FOREIGN INVESTMENTS.** Investing in securities issued by companies or other issuers whose principal activities are outside the United States may involve significant risks in addition to the risks inherent in U.S. investments. 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. In addition, there is generally less publicly available information about foreign issuers' financial condition and operations, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. 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. Further, economies of particular countries or areas of the world may differ favorably or unfavorably from the economy of the United States.

Investing abroad also involves different political and economic risks. Foreign investments may be affected by actions of foreign governments adverse to the interests of U.S. investors, including the possibility of 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. There may be a greater possibility of default by foreign governments or foreign government-sponsored enterprises. Investments in foreign countries also involve a risk of local political, economic, or social instability,

military action or unrest, or adverse diplomatic developments. There is no assurance that FMR will be able to anticipate these potential events or counter their effects. The considerations noted above generally are intensified for investments in developing countries. Developing countries may have relatively unstable governments, economies based on only a few industries, and securities markets that trade a small number of securities. Foreign markets may offer less protection to investors than U.S. markets. It is anticipated that in most cases the best available market for foreign securities will be on exchanges or in over-the-counter 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 (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. issuers. Foreign security trading practices, including those involving securities settlement where fund assets may be released prior to receipt of payment, may expose the fund to increased risk in the event of a failed trade or the insolvency of a foreign broker-dealer, and may involve substantial delays. In addition, the costs of foreign investing, including withholding taxes, brokerage commissions and custodial costs, are generally higher than for U.S. investors. In general, there is less overall governmental supervision and regulation of securities exchanges, brokers, and listed companies than in the United States. It may also be difficult to enforce legal rights in foreign countries.

The fund may invest in foreign securities that 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.

The fund may invest in American Depository Receipts and European Depository Receipts (ADRs and EDRs), which are certificates evidencing ownership of shares of a foreign-based issuer held in trust by a bank or similar financial institution. Designed for use in the U.S. and European securities markets, respectively, ADRs and EDRs are alternatives to the purchase of the underlying securities in their national markets and currencies.

**FOREIGN CURRENCY TRANSACTIONS.** The fund may conduct foreign currency transactions on a spot (i.e., cash) basis or by entering into forward contracts to purchase or sell foreign currencies at a future date and price. The fund will convert currency on a spot basis from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers generally do not charge a fee for conversion, 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 to the fund at one rate, while offering a lesser rate of exchange should the fund desire to resell that currency to the dealer. Forward contracts are generally traded in an interbank market conducted 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 fund may use currency forward contracts for any purpose consistent with its investment objective. The following discussion summarizes the principal currency management strategies involving forward contracts that could be used by the fund. The fund may also use swap agreements, indexed securities, and options and futures contracts relating to foreign currencies for the same purposes.

When the fund agrees to buy or sell a security denominated in a foreign currency, it may desire to "lock in" the U.S. dollar price of the security. By entering into a forward contract for the purchase or sale, for a fixed amount of U.S. dollars, of the amount of foreign currency involved in the underlying security transaction, the fund will be able to protect itself against an adverse change in foreign currency values between the date the security is purchased or sold and the date on which payment is made or received. This technique is sometimes referred to as a "settlement hedge" or "transaction hedge." The fund may also enter into forward contracts to purchase or sell a foreign currency in anticipation of future purchases or sales of securities denominated in foreign currency, even if the specific investments have not yet been selected by FMR.

The fund may also use forward contracts to hedge against a decline in the value of existing investments denominated in foreign currency. For example, if the 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. The fund could also hedge the

position by selling another currency expected to perform similarly to the pound sterling - for example, by entering into a forward contract to sell Deutschemarks or European Currency Units in return for U.S. dollars. 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 simple 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.

The 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. For example, if the fund held investments denominated in Deutschemarks, the fund could enter into forward contracts to sell Deutschemarks and purchase Swiss Francs. 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 the fund had sold a security denominated in one currency and purchased an equivalent security denominated in another. Cross-hedges protect against losses resulting from a decline in the hedged currency, but will cause the fund to assume the risk of fluctuations in the value of the currency it purchases.

Under certain conditions, SEC guidelines require mutual funds to set aside appropriate liquid assets in a segregated custodial account to cover currency forward contracts. As required by SEC guidelines, the fund will segregate assets to cover currency forward contracts, if any, whose purpose is essentially speculative. The fund will not segregate assets to cover forward contracts entered into for hedging purposes, including settlement hedges, position hedges, and proxy hedges.

Successful use of currency management strategies will depend on FMR's skill in analyzing and predicting currency values. Currency management strategies may substantially change the fund's investment exposure to changes in currency exchange rates, and could result in losses to the fund if currencies do not perform as FMR anticipates. For example, if a currency's value rose at a time when FMR had hedged the fund by selling that currency in exchange for dollars, the fund would be unable to participate in the currency's appreciation. If FMR hedges currency exposure through proxy hedges, the fund could realize currency losses from the hedge and the security position at the same time if the two currencies do not move in tandem. Similarly, if FMR increases the fund's exposure to a foreign currency, and that currency's value declines, the fund will realize a loss. There is no assurance that FMR's use of currency management strategies will be advantageous to the fund or that it will hedge at an appropriate time.

**LIMITATIONS ON FUTURES AND OPTIONS TRANSACTIONS.** The fund has filed a notice of eligibility for exclusion from the definition of the term "commodity pool operator" with the Commodity Futures Trading Commission (CFTC) and the National Futures Association, which regulate trading in the futures markets. The fund intends to comply with Rule 4.5 under the Commodity Exchange Act, which limits the extent to which the fund can commit assets to initial margin deposits and option premiums.

In addition, the fund 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 securities that incorporate features similar to options.

The above limitations on the fund's investments in futures contracts and options, and the fund's policies regarding futures contracts and options discussed elsewhere in this Statement of Additional Information may be changed as regulatory agencies permit.

**FUTURES CONTRACTS.** When the fund purchases a futures contract, it agrees to purchase a specified underlying instrument at a specified future date. When the fund sells a futures contract, it agrees to sell the underlying instrument at a specified future date. The price at which the purchase and sale will take place is fixed when the fund enters into the contract. Futures can be held until their delivery dates, or can be closed out before then if a liquid secondary market is available.

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 the fund's exposure to positive and



negative price fluctuations in the underlying instrument, much as if it had purchased the underlying instrument directly. When the fund sells a futures contract, by contrast, the value of its futures position will tend to move in a direction contrary to the market. Selling futures contracts, therefore, will tend to offset both positive and negative market price changes, much as if the underlying instrument had been sold.

**FUTURES MARGIN PAYMENTS.** The purchaser or seller of a futures contract is not required to deliver or pay for the underlying instrument 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. Initial margin deposits are typically equal to a percentage of the contract's value. 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. The party that has a gain may be 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 the fund's investment limitations. In the event of the bankruptcy of an FCM that holds margin on behalf of the 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.

**PURCHASING PUT AND CALL OPTIONS.** By purchasing a put option, the fund 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 fund pays the current market price for the option (known as the option premium). Options have various types of underlying instruments, including specific securities, indices of securities prices, and futures contracts. The fund may terminate its position in a put option it has purchased by allowing it to expire or by exercising the option. If the option is allowed to expire, the fund will lose the entire premium it paid. If the fund exercises the option, it completes the sale of the underlying instrument at the strike price. The fund 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 security prices fall 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 paid, 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 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 security prices fall. At the same time, the buyer can expect to suffer a loss if security prices do not rise sufficiently to offset the cost of the option.

**WRITING PUT AND CALL OPTIONS.** When the fund writes a put option, it takes the opposite side of the transaction from the option's purchaser. In return for receipt of the premium, the fund assumes the obligation to pay the strike price for the option's underlying instrument if the other party to the option chooses to exercise it. When writing an option on a futures contract, the fund will be required to make margin payments to an FCM as described above for futures contracts. The fund may seek to terminate its position in a put option it writes 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 the fund has written, however, the fund must continue to be prepared to pay the strike price while the option is outstanding, regardless of price changes, and must continue to set aside assets to cover its position.

If security prices rise, a put writer would generally expect to profit, although its gain would be limited to the amount of the premium it received. If security prices remain 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 security prices fall, 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 fund to sell or deliver the option's underlying instrument, 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 mitigates the effects of a price decline. At the same time, because a call writer must be prepared to deliver the underlying

instrument 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.

**COMBINED POSITIONS.** The fund may purchase and write 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, the fund may purchase a put option and write a call option on the same underlying instrument, in order to 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, in order 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.

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

Options and futures prices can also diverge from the prices of their underlying instruments, even if the underlying instruments match the fund's investments well. Options and 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 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. The fund may purchase or sell options and 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 the fund's options or 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.

**LIQUIDITY OF OPTIONS AND FUTURES CONTRACTS.** There is no assurance a liquid secondary market will exist for any particular options or futures 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 options and 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 for the fund to enter into new positions or close out existing positions. If the secondary 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 the fund to continue to hold a position until delivery or expiration regardless of changes in its value. As a result, the fund's access to other assets held to cover its options or futures positions could also be impaired.

**OTC OPTIONS.** Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter (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 fund greater flexibility to tailor an option to its needs, OTC options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

**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 indices, as discussed above. The fund may purchase and sell currency futures and may purchase and write currency options to increase or decrease its exposure to different foreign currencies. The fund may also purchase and write currency options 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 the fund's investments. A currency hedge, for example, should protect a Yen-denominated security from a decline in the Yen, but will not protect the fund against a price decline resulting from deterioration in the issuer's creditworthiness. Because the value of the 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.

**ASSET COVERAGE FOR FUTURES AND OPTIONS POSITIONS.** The fund will comply with guidelines established by the Securities and Exchange Commission with respect to coverage of options and futures strategies by mutual funds, and if the guidelines so require will set aside appropriate liquid assets in a segregated custodial account in the amount prescribed. Securities held in a segregated account cannot be sold while the futures or option strategy is outstanding, unless they are replaced with other suitable assets. As a result, there is a possibility that segregation of a large percentage of the fund's assets could impede portfolio management or the fund's ability to meet redemption requests or other current obligations.

#### **PORTFOLIO TRANSACTIONS**

All orders for the purchase or sale of portfolio securities are placed on behalf of the fund by FMR pursuant to authority contained in the management contract. If FMR grants investment management authority to the sub-advisers (see the section entitled "Management Contract"), the sub-advisers are authorized to place orders for the purchase and sale of portfolio securities, and will do so in accordance with the policies described below. FMR is also responsible for the placement of transaction orders for other investment companies and accounts for which it or its affiliates act as investment adviser. In selecting broker-dealers, subject to applicable limitations of the federal securities laws, FMR considers various relevant factors, including, but not limited to: the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the execution efficiency, settlement capability, and financial condition of the broker-dealer firm; the broker-dealer's execution services rendered on a continuing basis; the reasonableness of any commissions; and arrangements for payment of fund expenses. Generally, commissions for foreign investments traded will be higher than for U.S. investments and may not be subject to negotiation.

The fund may execute portfolio transactions with broker-dealers who provide research and execution services to the fund or other accounts over which FMR or its affiliates exercise investment discretion. Such services may include advice concerning the value of securities; the advisability of investing in, purchasing, or selling securities; the availability of securities or the purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and performance of accounts; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). The selection of such broker-dealers generally is made by FMR (to the extent possible consistent with execution considerations) in accordance with a ranking of broker-dealers determined periodically by FMR's investment staff based upon the quality of research and execution services provided.

The receipt of research from broker-dealers that execute transactions on behalf of the fund may be useful to FMR in rendering investment management services to the fund or its other clients, and conversely, such research provided by broker-dealers who have executed transaction orders on behalf of other FMR clients may be useful to FMR in carrying out its obligations to the fund. The receipt of such research has not reduced FMR's normal independent research activities; however, it enables FMR to avoid the additional expenses that could be incurred if FMR tried to develop comparable information through its own efforts.

Subject to applicable limitations of the federal securities laws, broker-dealers may receive commissions for agency transactions that are in excess of the amount of commissions charged by other broker-dealers in recognition of their research and execution services. In order to cause the fund to pay such higher commissions, FMR must determine in good faith that such commissions are reasonable in relation to the value of the brokerage and research services provided by such executing broker-dealers, viewed in terms of a particular transaction or FMR's overall responsibilities to the

fund and its other clients. In reaching this determination, FMR will not attempt to place a specific dollar value on the brokerage and research services provided, or to determine what portion of the compensation should be related to those services.

FMR is authorized to use research services provided by and to place portfolio transactions with brokerage firms that have provided assistance in the distribution of shares of the fund or shares of other Fidelity funds to the extent permitted by law. FMR may use research services provided by and place agency transactions with Fidelity Brokerage Services, Inc. (FBSI) and Fidelity Brokerage Services, Ltd. (FBSL), subsidiaries of FMR Corp., if the commissions are fair, reasonable, and comparable to commissions charged by non-affiliated, qualified brokerage firms for similar services. Prior to September 4, 1992, FBSL operated under the name Fidelity Portfolio Services, Ltd. (FPSL) as a wholly owned subsidiary of Fidelity International Limited (FIL). Edward C. Johnson 3d is Chairman of FIL. Mr. Johnson 3d, 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.

FMR may allocate brokerage transactions to broker-dealers who have entered into arrangements with FMR under which the broker-dealer allocates a portion of the commissions paid by the fund toward payment of the fund's expenses, such as transfer agent fees or custodian fees. The transaction quality must, however, be comparable to those of other qualified broker-dealers.

Section 11(a) of the Securities Exchange Act of 1934 prohibits members of national securities exchanges from executing exchange transactions for accounts which they or their affiliates manage, unless certain requirements are satisfied. Pursuant to such requirements, the Board of Trustees has authorized FBSI to execute portfolio transactions on national securities exchanges in accordance with approved procedures and applicable SEC rules. The Trustees periodically review FMR's performance of its responsibilities in connection with the placement of portfolio transactions on behalf of the fund and review the commissions paid by the fund over representative periods of time to determine if they are reasonable in relation to the benefits to the fund.

For the fiscal periods ended December 31, 1994 and 1993, the fund's portfolio turnover rates were 42% and 42%, respectively.

For fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$1,541,385, and \$602,862, respectively. The fund pays both commissions and spreads in connection with the placement of portfolio transactions; FBSI is paid on a commission basis. During fiscal 1994, 1993, and 1992, the fund paid brokerage commissions of \$\_\_\_\_\_, \$3,119, and \$0, respectively, to FBSI. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund for transactions involving approximately \_\_\_% of the aggregate dollar amount of transactions in which the fund paid brokerage commissions. The difference between the percentage of brokerage commissions paid to and the percentage of the dollar amount of transactions effected through FBSI is a result of the low commission rates charged by FBSI.

During fiscal 1994 and 1993, the fund paid brokerage commissions of \$\_\_\_\_\_ and \$0 to FBSL. During fiscal 1994, this amounted to approximately \_\_\_% of the aggregate brokerage commissions paid by the fund, for transactions involving approximately \_\_\_% of the dollar amount of transactions in which the fund paid brokerage commissions.

From time to time the Trustees will review whether the recapture for the benefit of the fund of some portion of the brokerage commissions or similar fees paid by the fund on portfolio transactions is legally permissible and advisable. The fund seeks to recapture soliciting broker-dealer fees on the tender of portfolio securities, but at present no other recapture arrangements are in effect. The Trustees intend to continue to review whether recapture opportunities are available and are legally permissible and, if so, to determine in the exercise of their business judgment whether it would be advisable for the fund to seek such recapture.

Although the Trustees and officers of the fund are substantially the same as those of other funds managed by FMR, investment decisions for the fund are made independently from those of other funds managed by FMR or accounts managed by FMR affiliates. It sometimes happens that the same security is held in the portfolio of more than one of these funds or accounts.

Simultaneous transactions are inevitable when several funds and 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 account.

When two or more funds are simultaneously engaged in the purchase or sale of the same security, the prices and amounts are allocated in accordance with procedures believed to be appropriate and equitable for each fund. In some cases this system could have a detrimental effect on the price or

value of the security as far as the fund is concerned. In other cases, however, the ability of the fund to participate in volume transactions will produce better executions and prices for the fund. It is the current opinion of the Trustees that the desirability of retaining FMR as investment adviser to the fund outweighs any disadvantages that may be said to exist from exposure to simultaneous transactions.

#### VALUATION OF PORTFOLIO SECURITIES

Portfolio securities are valued by various methods depending on the primary market or exchange on which they trade. Most equity securities for which the primary market is the U.S. are valued at last sale price or, if no sale has occurred, at the closing bid price. Most equity securities for which the primary market is outside the U.S. are valued using the official closing price or the last sale price in the principal market where they are traded. If the last sale price (on the local exchange) is unavailable, the last evaluated quote or last bid price is normally used. Short-term securities are valued either at amortized cost or at original cost plus accrued interest, both of which approximate current value. Convertible securities and fixed-income securities are valued primarily by a pricing service that uses a vendor security valuation matrix which incorporates both dealer-supplied valuations and electronic data processing techniques. This two-fold approach is believed to more accurately reflect fair value because it takes into account appropriate factors such as institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data, without exclusive reliance upon quoted, exchange, or over-the-counter prices. Use of pricing services has been approved by the Board of Trustees. Securities and other assets for which there is no readily available market are valued in good faith by a committee appointed by the Board of Trustees. The procedures set forth above need not be used to determine the value of the securities owned by the fund if, in the opinion of a committee appointed by the Board of Trustees, some other method (e.g., closing over-the-counter bid prices in the case of debt instruments traded on an exchange) would more accurately reflect the fair market value of such securities.

Generally, the valuation of foreign and domestic equity securities, as well as corporate bonds, U.S. government securities, money market instruments, and repurchase agreements, is substantially completed each day at the close of the NYSE. The values of any such securities held by the fund are determined as of such time for the purpose of computing the fund's net asset value. Foreign security prices are furnished by independent brokers or quotation services which express the value of securities in their local currency. FSC gathers all exchange rates daily at the close of the NYSE using the last quoted price on the local currency and then translates the value of foreign securities from their local currency into U.S. dollars. Any changes in the value of forward contracts due to exchange rate fluctuations and days to maturity are included in the calculation of net asset value. If an extraordinary event that is expected to materially affect the value of a portfolio security occurs after the close of an exchange on which that security is traded, then the security will be valued as determined in good faith by a committee appointed by the Board of Trustees.

#### PERFORMANCE

The fund may quote performance in various ways. All performance information supplied by the fund in advertising is historical and is not intended to indicate future returns. The fund's share price, yield, and total return fluctuate in response to market conditions and other factors, and the value of fund shares when redeemed may be more or less than their original cost. **TOTAL RETURN CALCULATIONS.** Total returns quoted in advertising reflect all aspects of the fund's return, including the effect of reinvesting dividends and capital gain distributions, and any change in the fund's NAV over a stated period. Average annual total returns are calculated by determining the growth or decline in value of a hypothetical historical investment in the fund over a stated period, and then calculating the annually compounded percentage rate that would have produced the same result if the rate of growth or decline in value had been constant over the period. For example, a cumulative total return of 100% over ten years would produce an average annual return of 7.18%, which is the steady annual rate of return that would equal 100% growth on a compounded basis in ten years. While average annual returns are a convenient means of comparing investment alternatives, investors should realize that the fund's performance is not constant over time, but changes from year to year, and that average annual returns represent averaged figures as opposed to the actual year-to-year performance of the fund.

In addition to average annual total returns, the fund may quote unaveraged or cumulative total returns reflecting the simple change in value of an investment over a stated period. Average annual and cumulative total

returns may be quoted as a percentage or as a dollar amount, and may be calculated for a single investment, a series of investments, or a series of redemptions, over any time period. Total returns may be broken down into their components of income and capital (including capital gains and changes in share price) in order to illustrate the relationship of these factors and their contributions to total return. Total returns may be quoted on a before-tax or after-tax basis. Total returns, yields, and other performance information may be quoted numerically or in a table, graph, or similar illustration.

NET ASSET VALUE. Charts and graphs using the fund's net asset values, adjusted net asset values, and benchmark indices may be used to exhibit performance. An adjusted NAV includes any distributions paid by the fund and reflects all elements of its return. Unless otherwise indicated, the fund's adjusted NAVs are not adjusted for sales charges, if any.

MOVING AVERAGES. The fund may illustrate performance using moving averages. A long-term moving average is the average of each week's adjusted closing NAV for a specified period. A short-term moving average is the average of each day's adjusted closing NAV for a specified period. Moving Average Activity Indicators combine adjusted closing NAVs from the last business day of each week with moving averages for a specified period to produce indicators showing when an NAV has crossed, stayed above, or stayed below its moving average. On December 31, 1994, the 13-week and 39-week long-term moving averages were \_\_\_ and \_\_\_, respectively.

HISTORICAL FUND RESULTS. The following table shows the fund's total returns for periods ended December 31, 1994.

<TABLE>  
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 <S> <C> <C> <C> <C> <C> <C> <C> <C>  
 Average Annual Total Returns Cumulative Total Returns

</TABLE>

	One Year	Five Years	Life of Fund*	One Year	Five Years	Life of Fund*
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Overseas % % % % % %

\* From January 28, 1987 (commencement of operations).

If FMR had not reimbursed certain fund expenses during these periods, the fund's total returns would have lower.

The following table shows the income and capital elements of the fund's cumulative total return. The table compares the fund's return to the record of the Standard and Poor's Composite Index of 500 Stocks (S&P 500 (registered trademark)), the Dow Jones Industrial Average (DJIA), and the cost of living (measured by the Consumer Price Index, or CPI) over the same period. The CPI information is as of the month end closest to the initial investment date for the fund. The S&P 500 and the DJIA comparisons are provided to show how the fund's total return compared to the record of a broad average of common stock prices and a narrower set of stocks of major industrial companies, respectively, over the same period. The fund has the ability to invest in securities not included in either index, and its investment portfolio may or may not be similar in composition to the indices. Figures for the S&P 500 and DJIA are based on the prices of unmanaged groups of stocks and, unlike the fund's returns, do not include the effect of paying brokerage commissions and other costs of investing.

HISTORICAL FUNDS RESULTS. The following tables show the income and capital elements of the fund's total return from the date it commenced operations through December 31, 1994. The fund may compare its total returns to the Morgan Stanley Capital International EAFE Index, an unmanaged index of 900 foreign common stocks. The companies included in the indices change only in the event of mergers, takeovers, failures and the like, and minor adjustments may be made when Morgan Stanley Capital International, S.A. reviews the companies covered as to suitability every three or four years. The table compares the funds' returns to the record of the Standard & Poor's Composite Index of 500 Stocks (S&P 500), the Dow Jones Industrial Average (DJIA), the EAFE index as described above, and the cost of living (measured by the Consumer Price Index (CPI) over the same period. The CPI information is as of the month end closest to the initial investment date for the fund. The S&P 500 and DJIA comparisons are provided to show how the fund's total return compared to the record of a broad range of U.S. common stocks and a narrower set of stocks of major U.S. industrial companies, respectively, over the same period. The fund has the ability to invest in securities not included in the indices, and its investment portfolios may

or may not be similar in composition to the indices. The EAFE Index, S&P 500, and DJIA are based on the prices of unmanaged groups of stocks and, unlike the fund's returns, their returns do not include the effect of paying brokerage commissions and other costs of investing. During the period from January 28, 1987 (commencement of operations) to December 31, 1994, a hypothetical \$10,000 investment in Overseas would have grown to \$\_\_\_\_\_, assuming all distributions were reinvested. This was a period of fluctuating stock prices and the figures below should not be considered representative of the dividend income or capital gain or loss that could be realized from an investment in the fund today.

Overseas Portfolio

INDICES

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended	Value of Initial Investment	Value of Reinvested Dividend Distributions	Value of Reinvested Capital Gain Distributions	Total Value	S&P 500	DJIA	EAFE Index	Cost of Living**
1994_	\$	\$	\$	\$	\$	\$	\$	\$
1993	\$15,480	\$1,276	\$70	\$16,826	\$21,371	\$21,996	\$	\$13,112
1992	\$11,530	\$720	\$0	\$12,250	\$19,414	\$18,801	\$	\$12,761
1991	\$13,090	\$631	\$0	\$13,721	\$18,036	\$17,522	\$	\$12,401
1990	\$12,420	\$285	\$0	\$12,705	\$13,822	\$14,092	\$	\$12,032
1989	\$12,670	\$250	\$0	\$12,920	\$14,267	\$14,168	\$	\$11,340
1988	\$10,110	\$121	\$0	\$10,231	\$10,834	\$10,753	\$	\$10,836
1987*	\$9,350	\$112	\$0	\$9,462	\$9,291	\$9,276	\$	\$10,378

</TABLE>

\* From January 28, 1987 (commencement of operations).

\*\* From month-end closest to initial investment date.

Explanatory Notes: With an initial investment of \$10,000 made on January 28, 1987, the net amount invested in fund shares was \$10,000. The cost of the initial investment (\$10,000), together with the aggregate cost of reinvested dividends and capital gain distributions for the period covered (their cash value at the time they were reinvested), amounted to \$\_\_\_\_\_. If distributions had not been reinvested, the amount of distributions earned from the fund over time would have been smaller, and cash payments for the period would have amounted to \$\_\_\_\_\_ for dividends and \$\_\_\_\_\_ for capital gains distributions. Tax consequences of different investments have not been factored into the above figures.

The fund's performance may be compared to the performance of other mutual funds in general, or to the performance of particular types of mutual funds. These comparisons may be expressed as mutual fund rankings prepared by Lipper Analytical Services, Inc. (Lipper), an independent service located in Summit, New Jersey that monitors the performance of mutual funds. Lipper generally ranks funds on the basis of total return, assuming reinvestment of distributions, but does not take sales charges or redemption fees into consideration, and is prepared without regard to tax consequences. In addition to the mutual fund rankings, the fund's performance may be compared to stock, bond, and money market mutual fund performance indices prepared by Lipper or other organizations. When comparing these indices, it is important to remember the risk and return characteristics of each type of investment. For example, while stock mutual funds may offer higher potential returns, they also carry the highest degree of share price volatility. Likewise, money market funds may offer greater stability of principal, but generally do not offer the higher

potential returns from stock mutual funds.

From time to time, the fund's performance may also be compared to other mutual funds tracked by financial or business publications and periodicals. For example, the fund may quote Morningstar, Inc. in its advertising materials. Morningstar, Inc. is a mutual fund rating service that rates mutual funds on the basis of risk-adjusted performance. Rankings that compare the performance of Fidelity funds to one another in appropriate categories over specific periods of time may also be quoted in advertising. The fund may be compared in advertising to Certificates of Deposit (CDs) or other investments issued by banks or other depository institutions. Mutual funds differ from bank investments in several respects. For example, the fund may offer greater liquidity or higher potential returns than CDs, the fund does not guarantee your principal or your return, and fund shares are not FDIC insured.

Fidelity may provide information designed to help individuals understand their investment goals and explore various financial strategies. Such information may include information about current economic, market, and political conditions; materials that describe general principles of investing, such as asset allocation, diversification, risk tolerance, and goal setting; questionnaires designed to help create a personal financial profile; worksheets used to project savings needs based on assumed rates of inflation and hypothetical rates of return; and action plans offering investment alternatives. Materials may also include discussions of Fidelity's asset allocation funds and other Fidelity funds, products, and services.

Ibbotson Associates of Chicago, Illinois (Ibbotson) provides historical returns of the capital markets in the United States, including common stocks, small capitalization stocks, long-term corporate bonds, intermediate-term government bonds, long-term government bonds, Treasury bills, the U.S. rate of inflation (based on the CPI), and combinations of various capital markets. The performance of these capital markets is based on the returns of different indices.

Fidelity funds may use the performance of these capital markets in order to demonstrate general risk-versus-reward investment scenarios. Performance comparisons may also include the value of a hypothetical investment in any of these capital markets. The risks associated with the security types in any capital market may or may not correspond directly to those of the funds. Ibbotson calculates total returns in the same method as the funds. The funds may also compare performance to that of other compilations or indices that may be developed and made available in the future.

In advertising materials, Fidelity may reference or discuss its products and services, which may include: other Fidelity funds; retirement investing; brokerage products and services; the effects of periodic investment plans and dollar cost averaging; saving for college or other goals; charitable giving; and the Fidelity credit card. In addition, Fidelity may quote or reprint financial or business publications and periodicals, including model portfolios or allocations, as they relate to current economic and political conditions, fund management, portfolio composition, investment philosophy, investment techniques, the desirability of owning a particular mutual fund, and Fidelity services and products. Fidelity may also reprint, and use as advertising and sales literature, articles from Fidelity Focus, a quarterly magazine provided free of charge to Fidelity fund shareholders.

The fund may present its fund number, Quotron(trademark) number, and CUSIP number, and discuss or quote its current portfolio manager.

**VOLATILITY.** The fund may quote various measures of volatility and benchmark correlation in advertising. In addition, the fund may compare these measures to those of other funds. Measures of volatility seek to compare the fund's historical share price fluctuations or total returns to those of a benchmark. Measures of benchmark correlation indicate how valid a comparative benchmark may be. All measures of volatility and correlation are calculated using averages of historical data.

**MOMENTUM INDICATORS** indicate the fund's price movements over specific periods of time. Each point on the momentum indicator represents the fund's percentage change in price movements over that period.

The fund may advertise examples of the effects of periodic investment plans, including the principle of dollar cost averaging. In such a program, an investor invests a fixed dollar amount in a fund at periodic intervals, thereby purchasing fewer shares when prices are high and more shares when prices are low. While such a strategy does not assure a profit or guard against loss in a declining market, the investor's average cost per share can be lower than if fixed numbers of shares are purchased at the same intervals. In evaluating such a plan, investors should consider their ability to continue purchasing shares during periods of low price levels. As of December 31, 1994, FMR advised over \$\_\_ billion in tax-free fund assets, \$\_\_ billion in money market fund assets, \$\_\_ billion in equity



fund assets, \$\_\_ billion in international fund assets, and \$\_\_ billion in Spartan fund assets. The fund may reference the growth and variety of money market mutual funds and the adviser's innovation and participation in the industry. The equity funds under management figure represents the largest amount of equity fund assets under management by a mutual fund investment adviser in the United States, making FMR America's leading equity (stock) fund manager. FMR, its subsidiaries, and affiliates maintain a worldwide information and communications network for the purpose of researching and managing investments abroad.

The fund is available only through the purchase of variable annuity and variable life insurance contracts offering deferral of income taxes on earnings, which may produce superior after-tax returns over time. For example, a \$1,000 investment earning a taxable return of 10% annually would have an after-tax value of \$1,949 after ten years, assuming tax was deducted from the return each year at a 31% rate. An equivalent tax-deferred investment would have an after-tax value of \$2,100 after ten years, assuming tax was deducted at a 31% rate from the tax-deferred earnings at the end of the ten-year period. Individuals holding shares of the fund through a variable annuity or variable life insurance contract may receive additional tax benefits from the deferral of income taxes associated with variable contracts. Individuals should consult their tax advisors to determine the effect of holding variable contracts on their individual tax situations.

YIELDS AND TOTAL RETURNS QUOTED FOR THE FUND INCLUDE THE EFFECT OF DEDUCTING THE FUND'S EXPENSES, BUT MAY NOT INCLUDE CHARGES AND EXPENSES ATTRIBUTABLE TO ANY PARTICULAR INSURANCE PRODUCT. SINCE YOU CAN ONLY PURCHASE SHARES OF THE FUND THROUGH A VARIABLE ANNUITY AND/OR A VARIABLE LIFE INSURANCE CONTRACT, YOU SHOULD CAREFULLY REVIEW THE PROSPECTUS OF THE INSURANCE PRODUCT YOU HAVE CHOSEN FOR INFORMATION ON RELEVANT CHARGES AND EXPENSES. Excluding these charges from quotations of the fund's performance has the effect of increasing the performance quoted.

#### ADDITIONAL PURCHASE AND REDEMPTION INFORMATION

The fund is open for business and its net asset value per share (NAV) is calculated each day the New York Stock Exchange (NYSE) is open for trading. The NYSE has designated the following holiday closings for 1995: New Year's Day (observed), President's Day (observed), Good Friday, Memorial Day (observed), Independence Day (observed), Labor Day, Thanksgiving Day, and Christmas Day. Although FMR expects the same holiday schedule to be observed in the future, the NYSE may modify its holiday schedule at any time.

FSC normally determines the fund's NAV as of the close of the NYSE (normally 4:00 p.m. Eastern time). However, NAV may be calculated earlier if trading on the NYSE is restricted or as permitted by the Securities and Exchange Commission (SEC). To the extent that portfolio securities are traded in other markets on days when the NYSE is closed, the fund's NAV may be affected on days when investors do not have access to the fund to purchase or redeem shares. In addition, trading in some of the fund's portfolio securities may not occur on days when the fund is open for business.

If the Trustees determine that existing conditions make cash payments undesirable, redemption payments may be made in whole or in part in securities or other property, valued for this purpose as they are valued in computing the fund's NAV. Shareholders receiving securities or other property on redemption may realize a gain or loss for tax purposes, and will incur any costs of sale, as well as the associated inconveniences.

#### TAXES

For a discussion of tax consequences of variable contracts, please refer to your insurance company's separate account prospectus.

Variable contracts purchased through insurance company separate accounts provide for the accumulation of all earnings from interest, dividends, and capital appreciation without current federal income tax liability to the owner. Depending on the variable contract, distributions from the contract may be subject to ordinary income tax and a 10% penalty tax on distributions before age 59 1/2. Only the portion of a distribution attributable to income is subject to federal income tax. Investors should consult with competent tax advisors for a more complete discussion of possible tax consequences in a particular situation.

Section 817(h) of the Internal Revenue Code provides that the investments of a separate account underlying a variable insurance contract (or the investments of a mutual fund, the shares of which are owned by the variable separate account) must be "adequately diversified" in order for the contract to be treated as an annuity or life insurance for tax purposes. The Treasury Department has issued regulations prescribing these diversification requirements. The fund intends to comply with these requirements.

The fund intends to qualify each year as a "regulated investment company"

for tax purposes, so that it will not be liable for federal tax on income and capital gains distributed to shareholders. In order to qualify as a regulated investment company and avoid being subject to federal income or excise taxes, the fund intends to distribute substantially all its net taxable income and net realized capital gains within each calendar year as well as on a fiscal year basis. The fund also intends to comply with other tax rules applicable to regulated investment companies including a requirement that gross capital gains from selling securities held less than three months must constitute less than 30% of the fund's gross income for each fiscal year. Income and capital gain distributions are reinvested in additional shares of the fund. This is done to preserve the tax advantaged status of the variable contracts. The fund is treated as a separate entity from the other funds of Variable Insurance Products Fund for tax purposes.

#### FMR

All of the stock of FMR is owned by FMR Corp., its parent company organized in 1972. Through ownership of voting common stock and the execution of a shareholders' voting agreement, Edward C. Johnson 3d, Johnson family members, and various trusts for the benefit of the Johnson family form a controlling group with respect to FMR Corp.

At present, the principal operating activities of FMR Corp. are those conducted by three of its divisions as follows: FSC, which is the transfer and shareholder servicing agent for certain of the funds advised by FMR; Fidelity Investments Institutional Operations Company, which performs shareholder servicing functions for institutional customers and funds sold through intermediaries; and Fidelity Investments Retail Marketing Company, which provides marketing services to various companies within the Fidelity organization.

Fidelity investment personnel may invest in securities for their own account pursuant to a code of ethics that sets forth all employees' fiduciary responsibilities regarding the funds, establishes procedures for personal investing and restricts certain transactions. For example, all personal trades in most securities require pre-clearance, and participation in initial public offerings is prohibited. In addition, restrictions on the timing of personal investing in relation to trades by Fidelity funds and on short-term trading have been adopted.

#### TRUSTEES AND OFFICERS

The Trustees and executive officers of the trust are listed below. Except as indicated, each individual has held the office shown or other offices in the same company for the last five years. All persons named as Trustees also serve in similar capacities for other funds advised by FMR. Unless otherwise noted, the business address of each Trustee and officer is 82 Devonshire Street, Boston, Massachusetts 02109, which is also the address of FMR. Those Trustees who are "interested persons" (as defined in the Investment Company Act of 1940) by virtue of their affiliation with either the trust or FMR are indicated by an asterisk (\*).

\*EDWARD C. JOHNSON 3d, Trustee and President, is Chairman, Chief Executive Officer and a Director of FMR Corp.; a Director and Chairman of the Board and of the Executive Committee of FMR; Chairman and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc.

\*J. GARY BURKHEAD, Trustee and Senior Vice President, is President of FMR; and President and a Director of FMR Texas Inc. (1989), Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc. RALPH F. COX, 200 Rivercrest Drive, Fort Worth, TX, Trustee (1991), is a consultant to Western Mining Corporation (1994). Prior to February 1994, he was President of Greenhill Petroleum Corporation (petroleum exploration and production, 1990). Until March 1990, Mr. Cox was President and Chief Operating Officer of Union Pacific Resources Company (exploration and production). He is a Director of Sanifill Corporation (non-hazardous waste, 1993) and CH2M Hill Companies (engineering). In addition, he served on the Board of Directors of the Norton Company (manufacturer of industrial devices, 1983-1990) and continues to serve on the Board of Directors of the Texas State Chamber of Commerce, and is a member of advisory boards of Texas A&M University and the University of Texas at Austin.

PHYLLIS BURKE DAVIS, P.O. Box 264, Bridgehampton, NY, Trustee (1992). Prior to her retirement in September 1991, Mrs. Davis was the Senior Vice President of Corporate Affairs of Avon Products, Inc. She is currently a Director of BellSouth Corporation (telecommunications), Eaton Corporation (manufacturing, 1991), and the TJX Companies, Inc. (retail stores, 1990), and previously served as a Director of Hallmark Cards, Inc. (1985-1991) and Nabisco Brands, Inc. In addition, she is a member of the President's Advisory Council of The University of Vermont School of Business Administration.

RICHARD J. FLYNN, 77 Fiske Hill, Sturbridge, MA, Trustee, is a financial consultant. Prior to September 1986, Mr. Flynn was Vice Chairman and a Director of the Norton Company (manufacturer of industrial devices). He is

currently a Director of Mechanics Bank and a Trustee of College of the Holy Cross and Old Sturbridge Village, Inc.

E. BRADLEY JONES, 3881-2 Lander Road, Chagrin Falls, OH, Trustee (1990). Prior to his retirement in 1984, Mr. Jones was Chairman and Chief Executive Officer of LTV Steel Company. Prior to May 1990, he was Director of National City Corporation (a bank holding company) and National City Bank of Cleveland. He is a Director of TRW Inc. (original equipment and replacement products), Cleveland-Cliffs Inc (mining), NACCO Industries, Inc. (mining and marketing), Consolidated Rail Corporation, Birmingham Steel Corporation, Hyster-Yale Materials Handling, Inc. (1989), and RPM, Inc. (manufacturer of chemical products, 1990). In addition, he serves as a Trustee of First Union Real Estate Investments, a Trustee and member of the Executive Committee of the Cleveland Clinic Foundation, a Trustee and member of the Executive Committee of University School (Cleveland), and a Trustee of Cleveland Clinic Florida.

DONALD J. KIRK, One Harborside, 680 Steamboat Road, Greenwich, CT, Trustee, is Executive-in-Residence (1995) at Columbia University Graduate School of Business and a financial consultant. From 1987 to January 1995, Mr. Kirk was a Professor at Columbia University Graduate School of Business. Prior to 1987, he was Chairman of the Financial Accounting Standards Board. Mr. Kirk is a Director of General Re Corporation (reinsurance) and Valuation Research Corp. (appraisals and valuations, 1993). In addition, he serves as Vice Chairman of the Board of Directors of the National Arts Stabilization Fund, Vice Chairman of the Board of Trustees of the Greenwich Hospital Association, and as a Member of the Public Oversight Board of the American Institute of Certified Public Accountants' SEC Practice Section (1995).

\*PETER S. LYNCH, Trustee (1990) is Vice Chairman of FMR (1992). Prior to his retirement on May 31, 1990, he was a Director of FMR (1989) and Executive Vice President of FMR (a position he held until March 31, 1991); Vice President of Fidelity Magellan Fund and FMR Growth Group Leader; and Managing Director of FMR Corp. Mr. Lynch was also Vice President of Fidelity Investments Corporate Services (1991-1992). He is a Director of W.R. Grace & Co. (chemicals, 1989) and Morrison Knudsen Corporation (engineering and construction). In addition, he serves as a Trustee of Boston College, Massachusetts Eye & Ear Infirmary, Historic Deerfield (1989) and Society for the Preservation of New England Antiquities, and as an Overseer of the Museum of Fine Arts of Boston (1990).

GERALD C. McDONOUGH, 135 Aspenwood Drive, Cleveland, OH, Trustee (1989), is Chairman of G.M. Management Group (strategic advisory services). Prior to his retirement in July 1988, he was Chairman and Chief Executive Officer of Leaseway Transportation Corp. (physical distribution services). Mr. McDonough is a Director of ACME-Cleveland Corp. (metal working, telecommunications and electronic products), Brush-Wellman Inc. (metal refining), York International Corp. (air conditioning and refrigeration, 1989), Commercial Intertech Corp. (water treatment equipment, 1992), and Associated Estates Realty Corporation (a real estate investment trust, 1993).

EDWARD H. MALONE, 5601 Turtle Bay Drive #2104, Naples, FL, Trustee. Prior to his retirement in 1985, Mr. Malone was Chairman, General Electric Investment Corporation and a Vice President of General Electric Company. He is a Director of Allegheny Power Systems, Inc. (electric utility), General Re Corporation (reinsurance) and Mattel Inc. (toy manufacturer). In addition, he serves as a Trustee of Corporate Property Investors, the EPS Foundation at Trinity College, the Naples Philharmonic Center for the Arts, and Rensselaer Polytechnic Institute, and he is a member of the Advisory Boards of Butler Capital Corporation Funds and Warburg, Pincus Partnership Funds.

MARVIN L. MANN, 55 Railroad Avenue, Greenwich, CT, Trustee (1993) is Chairman of the Board, President, and Chief Executive Officer of Lexmark International, Inc. (office machines, 1991). Prior to 1991, he held the positions of Vice President of International Business Machines Corporation ("IBM") and President and General Manager of various IBM divisions and subsidiaries. Mr. Mann is a Director of M.A. Hanna Company (chemicals, 1993) and Infomart (marketing services, 1991), a Trammell Crow Co. In addition, he serves as the Campaign Vice Chairman of the Tri-State United Way (1993) and is a member of the University of Alabama President's Cabinet (1990).

THOMAS R. WILLIAMS, 21st Floor, 191 Peachtree Street, N.E., Atlanta, GA, Trustee, is President of The Wales Group, Inc. (management and financial advisory services). Prior to retiring in 1987, Mr. Williams served as Chairman of the Board of First Wachovia Corporation (bank holding company), and Chairman and Chief Executive Officer of The First National Bank of Atlanta and First Atlanta Corporation (bank holding company). He is currently a Director of BellSouth Corporation (telecommunications), ConAgra, Inc. (agricultural products), Fisher Business Systems, Inc. (computer software), Georgia Power Company (electric utility), Gerber Alley

& Associates, Inc. (computer software), National Life Insurance Company of Vermont, American Software, Inc. (1989), and AppleSouth, Inc. (restaurants, 1992).

WILLIAM J. HAYES, Vice President (1994), is Vice President of Fidelity's equity funds; Senior Vice President of FMR; and Managing Director of FMR Corp.

ROBERT H. MORRISON, Manager of Security Transactions of Fidelity's equity funds is Vice President of FMR.

JOHN R. HICKLING, Vice President of the fund (1993), is an employee of FMR. ARTHUR S. LORING, Secretary, is Senior Vice President (1993) and General Counsel of FMR, Vice President-Legal of FMR Corp., and Vice President and Clerk of FDC.

GARY L. FRENCH, Treasurer (1991). Prior to becoming Treasurer of the Fidelity funds, Mr. French was Senior Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1991); Vice President, Fund Accounting - Fidelity Accounting & Custody Services Co. (1990); and Senior Vice President, Chief Financial and Operations Officer - Huntington Advisers, Inc. (1985-1990).

JOHN H. COSTELLO, Assistant Treasurer, is an employee of FMR. LEONARD M. RUSH, Assistant Treasurer (1994), is an employee of FMR (1994). Prior to becoming Assistant Treasurer of the Fidelity Funds, Mr. Rush was Chief Compliance Officer of FMR Corp. (1993-1994); Chief Financial Officer of Fidelity Brokerage Services, Inc. (1990-1993); and Vice President, Assistant Controller, and Director of the Accounting Department - First Boston Corp. (1986-1990).

The following table sets forth information describing the compensation of each current non-interested trustee of the fund for his or her services as trustee for the fiscal year ended December 31, 1994.

COMPENSATION TABLE

<TABLE>  
<CAPTION>  
<S>

<S>	<C> Aggregate Compensation from the Fund	<C> Pension or Retirement Benefits Accrued from the Fund Complex*	<C> Estimated Annual Benefits Upon Retirement from the Fund Complex*	<C> Total Compensation from the Fund Complex*
Ralph F. Cox	\$	\$ 5,200	\$ 52,000	\$ 125,000
Phyllis Burke Davis		5,200	52,000	122,000
Richard J. Flynn		0	52,000	154,500
E. Bradley Jones		5,200	49,400	123,500
Donald J. Kirk		5,200	52,000	125,000
Gerald C. McDonough		5,200	52,000	125,000
Edward H. Malone		5,200	44,200	128,000
Marvin L. Mann		5,200	52,000	125,000
Thomas R. Williams		5,200	52,000	126,500

</TABLE>

\* Information is as December 31, 1994 for the 206 funds in the complex.

Under a retirement program adopted in July 1988, the non-interested Trustees, upon reaching age 72, become eligible to participate in a retirement program under which they receive payments during their lifetime from a fund based on their basic trustee fees and length of service. The obligation of a fund to make such payments are not secured or funded. Trustees become eligible if, at the time of retirement, they have served on the Board for at least five years. Currently, Messrs. Ralph S. Saul, William R. Spaulding, Bertram H. Witham, and David L. Yunich, all former non-interested Trustees, receive retirement benefits under the program. On December 31, the Trustees and officers of the fund owned, in the aggregate, less than 1% of the fund's total outstanding shares. As of February 28, 1995, significant shares of the fund were held by the following companies with the figures beneath the fund representing that company's holdings as a percentage of the fund's total outstanding shares. [insert table of significant shareholders]

MANAGEMENT CONTRACT

The fund employs FMR to furnish investment advisory and other services. Under its management contract with the fund, FMR acts as investment adviser and, subject to the supervision of the Board of Trustees, directs the investments of the fund in accordance with its investment objective, policies, and limitations. FMR also provides the fund with all necessary office facilities and personnel for servicing the fund's investments, compensates all officers of the fund and all Trustees who are "interested persons" of the trust or of FMR, and all personnel of the 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 the fund. These services include providing facilities for maintaining the fund's organization; supervising relations with custodians, transfer and pricing agents, accountants, underwriters, and other persons dealing with the fund; preparing all general shareholder communications and conducting shareholder relations; maintaining the fund's records and the registration of the fund's shares under federal and state laws; developing management and shareholder services for the fund; and furnishing reports, evaluations, and analyses on a variety of subjects to the Trustees.

In addition to the management fee payable to FMR and the fees payable to FSC and FIIOC, the fund pays all of its expenses, without limitation, that are not assumed by those parties. The fund pays for typesetting, printing, and mailing proxy material to shareholders, legal expenses, and the fees of the custodian, auditor, and non-interested Trustees. Although the fund's current management contract provides that it will pay for typesetting, printing, and mailing prospectuses, statements of additional information, notices, and reports to existing shareholders, the trust on behalf of the has entered into a revised transfer agent agreement with FIIOC, pursuant to which FIIOC bears the cost of providing these services to existing shareholders. Other expenses paid by the fund include interest, taxes, brokerage commissions, the proportionate share of insurance premiums and Investment Company Institute dues, and the costs of registering shares under federal and state securities laws. The fund is also liable for such nonrecurring 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 is the fund's manager pursuant to a management contract dated January 1, 1993, which was approved by shareholders on December 16, 1992. For the services of FMR under the contract, the fund pays FMR a monthly management fee composed of the sum of two elements: 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 and is calculated on a cumulative basis pursuant to the graduated fee rate schedule shown below on the left. The schedule below 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 \$\_\_\_ billion of group net assets - - the approximate level for fiscal year end 1994 - was \_\_%, which is the weighted average of the respective fee rates for each level of group net assets up to \$\_\_ billion.

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
0 - \$ 3 billion	.5200%	\$ 0.5 billion	.5200%
3 - 6	.4900	25	.4238
6 - 9	.4600	50	.3823
9 - 12	.4300	75	.3626
12 - 15	.4000	100	.3512
15 - 18	.3850	125	.3430
18 - 21	.3700	150	.3371
21 - 24	.3600	175	.3325
24 - 30	.3500	200	.3284

30 - 36	.3450	225	.3253
36 - 42	.3400	250	.3223
42 - 48	.3350	275	.3198
48 - 66	.3250	300	.3175
66 - 84	.3200	325	.3153
84 - 102	.3150	350	.3133
102 - 138	.3100		
138 - 174	.3050		
174 - 228	.3000		
228 - 282	.2950		
282 - 336	.2900		
Over 336	.2850		

Under the fund's current management contract with FMR, the group fee rate is based on a schedule with breakpoints ending at .3000% for average group assets in excess of \$174 billion. Prior to January 1, 1993, the group fee rate breakpoints shown above for average group assets in excess of \$138 billion and under \$228 billion were voluntarily adopted by FMR, and went into effect on January 1, 1992. The additional breakpoints shown above for average group assets in excess of \$228 billion were voluntarily adopted by FMR on November 1, 1993.

On August 1, 1994, FMR voluntarily revised the prior extensions to the group fee rate schedule, and added new breakpoints. The revised group fee rate schedule provides for lower management fee rates as FMR's assets under management increase. The revised group fee rate schedule is identical to the above schedule for average group assets under \$210 billion. For average group assets in excess of \$210 billion, the group fee rate schedule voluntarily adopted by FMR is as follows:

GROUP FEE RATE SCHEDULE		EFFECTIVE ANNUAL FEE RATES	
Average Group Assets	Annualized Rate	Group Net Assets	Effective Annual Fee Rate
138 - \$174 billion	.3050%	\$150 billion	.3371%
174 - 210	.3000	175	.3325
210 - 246	.2950	200	.3284
246 - 282	.2900	225	.3249
282 - 318	.2850	250	.3219
318 - 354	.2800	275	.3190
354 - 390	.2750	300	.3163
Over 390	.2700	325	.3137
	350		.3113
	375		.3090
	400		.3067

The individual fund fee rate is .45%. Based on the average group net assets of the funds advised by FMR for February 28, 1995, the annual management fee rate would be calculated as follows:

Group Fee Rate	Management Fee rate	Individual Fund Fee Rate
. _____ %	+	.45%
=		. _____ %

One-twelfth of this annual management fee rate is applied to the fund's net assets averaged for the most recent month, giving a dollar amount, which is

the fee for that month.

During the fiscal years ended December 31, 1994, 1993 and 1992, FMR received \$\_\_\_\_\_, \$1,231,227 and \$799,438, respectively, for its services as investment adviser to the fund. These fees were equivalent to \_\_%, .78%, and .79%, respectively, of the average net assets of the fund for each of those years.

FMR may, from time to time, voluntarily reimburse all or a portion of the fund's operating expenses (exclusive of interest, taxes, brokerage commissions, and extraordinary 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 the fund's total returns and repayment of the reimbursement by the fund will lower its total returns.

Effective January 28, 1987, FMR voluntarily agreed, subject to revision or termination, to reimburse the fund if and to the extent that its aggregate operating expenses, including management fees, were in excess of an annual rate of 1.50% of average net assets of the fund. There was no reimbursement for the last three fiscal years.

SUB-ADVISERS. On behalf of the fund, FMR has entered into sub-advisory agreements with FMR U.K., FMR Far East, and FIIA. FIIA, in turn, has entered into a sub-advisory agreement with FIIAL U.K. Pursuant to the sub-advisory agreements, FMR may receive investment advice and research services outside the United States from the sub-advisers. FMR may also grant the sub-advisers investment management authority as well as the authority to buy and sell securities if FMR believes it would be beneficial to the fund.

Currently, FMR U.K., FMR Far East, FIIA, and FIIAL U.K. each focus on issuers in countries other than the United States such as those in Europe, Asia, and the Pacific Basin.

FMR U.K. and FMR Far East, which were organized in 1986, are wholly owned subsidiaries of FMR. FIIA is a wholly owned subsidiary of Fidelity International Limited (FIL), a Bermuda company formed in 1968 which primarily provides investment advisory services to non-U.S. investment companies and institutional investors investing in securities throughout the world. Edward C. Johnson 3d, Johnson family members, and various trusts for the benefit of the Johnson family owns, directly or indirectly, more than 25% of the voting common stock of FIL. FIIA was organized in Bermuda in 1983. FIIAL U.K. was organized in the United Kingdom in 1984, and is a wholly owned subsidiary of Fidelity International Management Holdings Limited, an indirect wholly owned subsidiary of FIL.

Under the sub-advisory agreements FMR pays the fees of FMR U.K., FMR Far East, and FIIA. FIIA, in turn, pays the fees of FIIAL U.K. For providing non-discretionary investment advice and research services the sub-advisers are compensated as follows:

(small solid bullet) FMR pays FMR U.K. and FMR Far East fees equal to 110% and 105%, respectively, of FMR U.K.'s and FMR Far East's costs incurred in connection with providing investment advice and research services.

(small solid bullet) FMR pays FIIA a fee equal to 30% of FMR's monthly management fee with respect to the average net assets held by the fund for which FIIA has provided FMR with investment advice and research services.

(small solid bullet) FIIA pays FIIAL U.K. a fee equal to 110% of FIIAL U.K.'s costs incurred in connection with providing investment advice and research services.

For providing discretionary investment management and executing portfolio transactions, the sub-advisers are compensated as follows:

(small solid bullet) FMR pays FMR U.K., FMR Far East, and FIIA a fee equal to 50% of its monthly management fee with respect to the fund's average net assets managed by the sub-adviser on a discretionary basis.

(small solid bullet) FIIA pays FIIAL U.K. a fee equal to 110% of FIIAL U.K.'s costs incurred in connection with providing discretionary investment management services.

For providing investment advice and research services, the fees paid to the sub-advisers for fiscal 1994, 1993, and 1992 were as follows:

Fiscal Year	FMR U.K.	FMR Far East	FIIA	FIIAL U.K.
1994	\$	\$	\$	\$
1993	\$63,133	\$125,264	\$	\$
1992	\$41,512	\$34,267	\$	\$

For providing discretionary investment management and executing portfolio transactions, the fees paid to [Name of Sub-adviser] for fiscal 1994, 1993, and 1992 were \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively, FMR entered into the sub-advisory agreements described above April 1, 1992,

following shareholder approval on March 25, 1992.

#### DISTRIBUTION AND SERVICE PLAN

The fund has adopted a distribution and service plan (the plan) under Rule 12b-1 of the Investment Company Act of 1940 (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 adopted by the fund under the Rule. The fund's Board of Trustees has adopted the plan to allow the fund and FMR to incur certain expenses that might be considered to constitute indirect payment by the fund of distribution expenses. Under the 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.

The plan also specifically recognizes that FMR, either directly or through FDC, may use its management fee revenue, past profits, or other resources, without limitation, to pay promotional and administrative expenses in connection with the offer and sale of shares of the fund. In addition, the plan provides that FMR may use its resources, including its management fee revenues, to make payments to third parties that provide assistance in selling shares of the fund, or to third parties, including banks, that render shareholder support services. The Trustees have not authorized such payments to date.

The fund's plan has been approved by the Trustees. As required by the Rule, the Trustees carefully considered all pertinent factors relating to the implementation of the plan prior to its approval, and have determined that there is a reasonable likelihood that the plan will benefit the fund and its shareholders. In particular, the Trustees noted that the plan does not authorize payments by the fund other than those made to FMR under its management contract with the fund. To the extent that the plan gives FMR and FDC greater flexibility in connection with the distribution of shares of the fund, additional sales of the fund's shares may result. Additionally, certain shareholder support services may be provided more effectively under the plan by local entities with whom shareholders have other relationships.

The plan was approved by shareholders on November 18, 1987.

#### CONTRACTS WITH COMPANIES AFFILIATED WITH FMR

The fund has an agreement with FSC, an affiliate of FMR Corp., under which FSC determines the NAV per share and dividends of the fund and maintains the portfolio and general accounting records of the fund. The fee rates in effect as of July 1, 1991, are based on the fund's average net assets as follows: .06% for the first \$500 million of average net assets and .03% for average net assets in excess of \$500 million. The fee is limited to a minimum of \$45,000 and a maximum of \$750,000 per year.

The following are the fees paid by the fund to FSC for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$230,456 and \$109,649, respectively.

The fund utilizes FIIOC, an affiliate of FMR Corp., to maintain the master accounts of the participating insurance companies. Under the contract, the fund pays a fee of \$95 per shareholder account per year and a fee of \$20 for each monetary transaction. In addition to providing transfer agent and shareholder servicing functions, FIIOC pays all transfer agent out-of-pocket expenses and also pays for typesetting, printing and mailing Prospectuses, Statements of Additional Information, reports, notices and statements to shareholders allocable to the master account of participating insurance companies.

The following are the fees paid by the fund to FIIOC (including reimbursement for out-of-pocket expenses) for the fiscal years ended December 31, 1994, 1993 and 1992: \$\_\_\_\_\_, \$143,222 and \$65,240 respectively.

[IF THE FUND INCURRED SECURITIES LENDING FEES IN ANY OF THE LAST THREE FISCAL PERIODS: FSC also receives fees for administering the fund's securities lending program. Securities lending fees are based on the number and duration of individual securities loans. Securities lending fees for fiscal 1994, 1993, and 1992 were \$\_\_\_\_\_, \$\_\_\_\_\_, and \$\_\_\_\_\_, respectively. The fund has a distribution agreement with FDC, a Massachusetts corporation organized on July 18, 1960. FDC is a broker-dealer registered under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The distribution agreement calls for FDC to use all reasonable efforts, consistent with its other business, to secure purchasers for shares of the fund, which are continuously offered at net asset value. Promotional and administrative expenses in connection with the offer and sale of shares are paid by FMR.

#### DESCRIPTION OF THE TRUST

TRUST ORGANIZATION. Overseas Portfolio is a fund of Variable Insurance Products Fund, an open-end management investment company organized as a Massachusetts Business Trust. In July 1985, pursuant to shareholder



approval, the Declaration of Trust was amended to change the name of the Trust from Fidelity Cash Reserves II to Variable Insurance Products Fund. Currently, there are five funds of the trust: Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio. The Declaration of Trust permits the Trustees to create additional funds.

Investments in the trust may be made only by the separate accounts of insurance companies for the purpose of funding variable annuity and variable life insurance contracts issued by insurance companies. In the event that FMR ceases to be the investment adviser to the trust or a fund, the right of the trust or fund to use the identifying name "Fidelity" may be withdrawn.

The assets of the trust received for the issue or sale of shares of each fund and all income, earnings, profits, and proceeds thereof, subject only to the rights of creditors, are especially allocated to such fund, and constitute the underlying assets of such fund. The underlying assets of each fund are segregated on the books of account, and are to be charged with the liabilities with respect to such fund and with a share of the general expenses of the trust. Expenses with respect to the trust are to be allocated in proportion to the asset value of the respective funds, except where allocations of direct expense can otherwise be fairly made. The officers of the trust, subject to the general supervision of the Board of Trustees, have the power to determine which expenses are allocable to a given fund, or which are general or allocable to all of the funds. In the event of the dissolution or liquidation of the trust, shareholders of each fund are entitled to receive as a class the underlying assets of such fund available for distribution.

SHAREHOLDER AND TRUSTEE LIABILITY. The trust is an entity of the type 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. The 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 include a provision limiting the obligations created thereby to the trust and its assets. The Declaration of Trust provides for indemnification out of each fund's property of any shareholder held personally liable for the obligations of the fund. The 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.

The Declaration of Trust further provides that the Trustees, if they have exercised reasonable care, will not be liable for any neglect or wrongdoing, but nothing in the Declaration of Trust protects Trustees against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

VOTING RIGHTS. Each fund's capital consists of shares of beneficial interest. The shares have no preemptive or conversion rights; the voting and dividend rights, the right of redemption, and the privilege of exchange are described in the Prospectus. Shares are fully paid and nonassessable, except as set forth under the heading "Shareholder and Trustee Liability" above. Shareholders representing 10% or more of the trust or a fund may, as set forth in the Declaration of Trust, call meetings of the trust or a fund for any purpose related to the trust or fund, as the case may be, including, in the case of a meeting of the entire trust, the purpose of voting on removal of one or more Trustees. The trust or any fund may be terminated upon the sale of its assets to another open-end management investment company, or upon liquidation and distribution of its assets, if approved by vote of the holders of a majority of the outstanding shares of the trust or the fund. If not so terminated, the trust and its funds will continue indefinitely.

CUSTODIAN. The Chase Manhattan Bank, N.A., 1211 Avenue of the Americas, New York, NY 10036, is custodian of the fund's assets. The custodians take no part in determining the investment policies of the funds or in deciding which securities are purchased or sold by the funds. The funds, however, may invest in obligations of the custodians and may purchase or sell securities from or to the custodians.

FMR, its officers and directors and its affiliated companies from time to time have transactions with various banks, including the custodian banks for certain of the funds advised by FMR.

AUDITOR. Coopers & Lybrand L.L.P., One Post Office Square, Boston, MA,

serves as the fund's independent accountant, providing services including (1) audit of annual financial statements, (2) assistance and consultation in connection with SEC filings and (3) review of the annual federal income tax return filed on behalf of the fund.

#### FINANCIAL STATEMENTS

The fund's financial statements and financial highlights for the fiscal year ended December 31, 1994 are included in the fund's Annual Report, which is a separate report supplied with this Statement of Additional Information. The fund's financial statements and financial highlights are incorporated herein by reference.

#### APPENDIX

##### DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S CORPORATE BOND RATINGS:

AAA - Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

AA - Bonds rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A - Bonds rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

BAA - Bonds rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

BA - Bonds rated Ba are judged to have speculative elements. Their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B - Bonds rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small.

CAA - Bonds rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

CA - Bonds rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked short-comings.

C - Bonds rated C are the lowest-rated class of bonds and issued so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's applies numerical modifiers, 1, 2, and 3, in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

##### DESCRIPTION OF STANDARD & POOR'S CORPORATION'S CORPORATE BOND RATINGS:

AAA - Debt rated AAA has the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher-rated issues only in small degree.

A - Debt rated A has a strong capacity to pay interest and repay principal, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB - Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher-rated categories.

BB - Debt rate BB has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or

exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. B - Debt rated B has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BB- rating.

CCC - Debt rated CCC has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal.

In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal.

CC - Debt rated CC is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC debt rating.

C - The rating C is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC- debt rating. The C rating may be used to cover a situation where a bankruptcy petition has been filed but debt service payments are continued.

CI - The rating CI is reserved for income bonds on which no interest is being paid.

D - Debt rated D is in payment default. The D rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The D rating will also be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

The ratings from AA to CCC may be modified by the addition of a plus or minus to show relative standing within the major rating categories.

#### PART C. OTHER INFORMATION

##### Item 24. Financial Statements and Exhibits

(a)(1) Financial Statements - Not applicable.

(a)(2) Financial Statements - Not applicable.

(b) Exhibits:

(1) (a) Declaration of Trust dated November 13, 1981 is incorporated herein by reference to Exhibit 1 to the initial Registration Statement.

(b) Amended and Restated Declaration of Trust dated July 31, 1985 is incorporated herein by reference to Exhibit 1 to Post-Effective Amendment No. 8.

(c) Supplement to the Declaration of Trust dated January 2, 1987 is incorporated herein by reference to Exhibit 1(c) to Post-Effective Amendment No. 12.

(d) Supplement to the Declaration of Trust dated January 1, 1990 is incorporated herein by reference to Exhibit 1(d) to Post-Effective Amendment No. 20.

(2) (a) Amendment to Bylaws of the Trust dated December 20, 1985 is incorporated herein by reference to Exhibit 2(a) to Post-Effective Amendment No. 12.

(b) Bylaws of the Trust are incorporated herein by reference to Exhibit 2(b) to Post-Effective Amendment No. 12.

(3) Not applicable.

(4) Not applicable.

(5) (a) Management Contract between Money Market Portfolio and Fidelity Management & Research Company dated January 1, 1987 is incorporated herein by reference to Exhibit 5(a) to Post-Effective Amendment No. 12.

(b) Management Contract between High Income Portfolio and Fidelity Management & Research Company dated January 1, 1990 is incorporated herein by reference to Exhibit 5(b) to Post-Effective Amendment No. 21.

(c) Management Contract between Equity-Income Portfolio and Fidelity Management & Research Company dated January 1, 1990 is incorporated herein by reference to Exhibit 5(c) to Post-Effective Amendment No. 21.

(d) Management Contract between Growth Portfolio and Fidelity Management & Research Company dated January 1, 1990 is incorporated herein by reference to Exhibit 5(d) to Post-Effective Amendment No. 21.

(e) Management Contract between Overseas Portfolio and Fidelity Management & Research Company dated January 1, 1990 is incorporated herein by reference to Exhibit 5(e) to Post-Effective Amendment No. 21.

(f) Sub-Advisory Agreement between Fidelity Management & Research Company and Fidelity Management & Research (U.K.) Inc. on behalf of Overseas Portfolio dated January 1, 1990 is incorporated herein by reference to Exhibit 5(f) to Post-Effective Amendment No. 21.

(g) Sub-Advisory Agreement between Fidelity Management & Research Company and Fidelity Management & Research (Far East) Inc. on behalf of Overseas Portfolio dated January 1, 1990 is incorporated herein by reference to Exhibit 5(g) to Post-Effective Amendment No. 21.

(h) Sub-Advisory Agreement between Fidelity Management & Research

Company and FMR Texas Inc. on behalf of Money Market Portfolio dated January 1, 1990 is incorporated herein by reference to Exhibit 5(h) to Post-Effective Amendment No. 21.

(i) Form of Sub-Advisory Agreement among Fidelity Management & Research Company, Fidelity Management & Research (U.K.) Inc. and Variable Insurance Products Fund on behalf of Overseas Portfolio was filed as Exhibit 5(i) to Post-Effective Amendment No. 24.

(j) Form of Sub-Advisory Agreement among Fidelity Management & Research Company, Fidelity Management & Research (Far East) Inc. and Variable Insurance Products Fund on behalf of Overseas Portfolio was filed as Exhibit 5(j) to Post-Effective Amendment No. 24

(k) Form of Sub-Advisory Agreement among Fidelity Management & Research Company, Fidelity International Investment Advisors and Variable Insurance Products Fund on behalf of Overseas Portfolio was filed as Exhibit 5(k) to Post-Effective Amendment No. 24.

(l) Form of Sub-Advisory Agreement between Fidelity International Investment Advisors and Fidelity International Investment Advisors (U.K.) Limited on behalf of Overseas Portfolio was filed as Exhibit 5(l) to Post-Effective Amendment No. 24.

(m) Form of Management Contract between High Income Portfolio and Fidelity Management & Research Company was filed as Exhibit 5(m) to Post-Effective Amendment No. 26.

(n) Form of Management Contract between Equity-Income Portfolio and Fidelity Management & Research Company was filed as Exhibit 5(n) to Post-Effective Amendment No. 26.

(o) Form of Management Contract between Growth Portfolio and Fidelity Management & Research Company was filed as Exhibit 5(o) to Post-Effective Amendment No. 26.

(p) Form of Management Contract between Overseas Portfolio and Fidelity Management & Research Company was filed as Exhibit 5(p) to Post-Effective Amendment No. 26.

(q) Management Contract between Money Market Portfolio and Fidelity Management & Research Company dated January 1, 1994, is incorporated herein by reference to Exhibit 5(q) to Post-Effective Amendment No. 28.

(r) Management Contract between High Income Portfolio and Fidelity Management & Research Company dated January 1, 1994, is incorporated herein by reference to Exhibit 5(r) to Post-Effective Amendment No. 28.

(s) Sub-Advisory Agreement between Fidelity Management & Research Company and Fidelity Management & Research (U.K.) Inc. on behalf of High Income Portfolio dated January 1, 1994, is incorporated herein by reference to Exhibit 5(s) to Post-Effective No. 28.

(t) Sub-Advisory Agreement between Fidelity Management & Research Company and Fidelity Management & Research (Far East) Inc. on behalf of High Income Portfolio dated January 1, 1994, is incorporated herein by reference to Exhibit 5(t) to Post-Effective No. 28.

(6) (a) Amended General Distribution Agreement between Money Market Portfolio and Fidelity Distributors Corporation, dated April 1, 1987, is incorporated herein by reference to Exhibit 6(a) to Post-Effective Amendment No. 22.

(b) Amended General Distribution Agreement between High Income Portfolio and Fidelity Distributors Corporation, dated April 1, 1987, is incorporated herein by reference to Exhibit 6(b) to Post-Effective Amendment No. 22.

(c) Amended General Distribution Agreement between Equity-Income Portfolio and Fidelity Distributors Corporation, dated April 1, 1987, is incorporated herein by reference to Exhibit 6(c) to Post-Effective Amendment No. 22.

(d) Amended General Distribution Agreement between Growth Portfolio and Fidelity Distributors Corporation, dated April 1, 1987, is incorporated herein by reference to Exhibit 6(d) to Post-Effective Amendment No. 22.

(e) Amended General Distribution Agreement between Overseas Portfolio and Fidelity Distributors Corporation dated April 1, 1987, is incorporated herein by reference to Exhibit 6(e) to Post-Effective Amendment No. 22.

(f) Amendment to General Distribution Agreement between Money Market, High Income, Equity-Income, Growth and Overseas Portfolios and Fidelity Distributors Corporation, dated January 1, 1988, is incorporated herein by reference to Exhibit 6(f) to Post-Effective Amendment No. 18.

(7) Retirement Plan for Non-Interested Person Trustees, Directors or General Partners, effective November 1, 1989, is incorporated herein by reference to Exhibit 7 to Post-Effective Amendment No. 24.

(8) (a) Custodian Agreement between Registrant, for Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio and Growth Portfolio, and Shawmut Bank of Boston, N.A., dated August 19, 1982, is incorporated herein by reference to Exhibit 8 to Post-Effective Amendment No. 2.

(b) Custodian Agreement between Registrant, for the Overseas Portfolio and Brown Brothers Harriman & Co. of Boston, MA, dated November 21, 1987, is incorporated herein by reference to Exhibit 8(b) to Post-Effective Amendment No. 20.

(c) Subcustodian Agreement between Shawmut Bank of Boston, N.A. and Brown Brothers Harriman & Co. of Boston, MA, dated January 29, 1988 is incorporated herein by reference to Exhibit 8(c) to Post-Effective Amendment No. 22.

(d) Custodian Agreement between Registrant, for Money Market Portfolio and Morgan Guaranty Trust Company of New York, dated July 18, 1991, is incorporated herein by reference to Exhibit 8(d) to Post-Effective Amendment No. 24.

(e) Custodian Agreement between Registrant, for High Income Portfolio and The Bank of New York, dated July 18, 1991, is incorporated herein by reference to Exhibit 8(e) to Post-Effective Amendment No. 24.

(f) Custodian Agreement between Registrant, for Equity-Income and Overseas Portfolios and The Chase Manhattan Bank, N.A., dated July 18, 1991, is incorporated herein by reference to Exhibit 8(f) to Post-Effective Amendment No. 24.

(g) Custodian Agreement between Registrant, for Growth Portfolio and Brown Brothers & Harriman of Boston, MA, dated July 18, 1991, is incorporated herein by reference to Exhibit 8(g) to Post-Effective Amendment No. 24.

(9) (a) Amended Service Agreement between the Registrant and Fidelity Service Company including Schedules B (pricing and bookkeeping) and C (securities lending) to that Agreement for the Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio dated June 1, 1989, are incorporated herein by reference to Exhibit 9(a) to Post-Effective Amendment No. 20.

(b) Amended Transfer Agent Agreement between the Registrant and Fidelity Investments Institutional Operations Company including Schedule A to that Agreement for the Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio dated June 1, 1989, are incorporated herein by reference to Exhibit 9(b) to Post-Effective Amendment No. 20.

(c) Form of Amended Schedule B to the Service Agreement between the Registrant and Fidelity Service Co. for the Money Market Portfolio, High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio was filed as Exhibit 9(c) to Post-Effective Amendment No. 26.

(10) Not applicable.

(11) (a) Not applicable.

(11) (b) Not applicable.

(12) Not applicable.

(13) Not applicable.

(14) Not applicable.

(15) (a) Distribution and Service Plan pursuant to Rule 12b-1 for Equity-Income Portfolio is incorporated herein by reference to Exhibit 15(a) to Post-Effective Amendment No. 8.

(b) Distribution and Service Plan pursuant to Rule 12b-1 for Growth Portfolio is incorporated by reference to Exhibit 15(b) to Post-Effective Amendment No. 8.

(c) Distribution and Service Plan pursuant to Rule 12b-1 for Money Market Portfolio is incorporated herein by reference to Exhibit 15(c) to Post-Effective Amendment No. 12.

(d) Distribution and Service Plan pursuant to Rule 12b-1 for High Income Portfolio is incorporated herein by reference to Exhibit 15(d) to Post-Effective Amendment No. 12.

(e) Distribution and Service Plan pursuant to Rule 12b-1 for Overseas Portfolio is incorporated herein by reference to Exhibit 15(e) to Post-Effective Amendment No. 12.

(16) Schedule for Computation of performance quotations is incorporated herein by reference to Exhibit 16 to Post-Effective Amendment No. 26.

(a) A schedule for the computation of a moving average (using Equity-Income as an example) was filed as Exhibit 16(a) to Post-Effective Amendment No. 29.

Item 25. Persons Controlled by or Under Common Control with Registrant

The Board of Trustees of Registrant is the same as the Board of Trustees of other funds advised by Fidelity Management & Research Company ("FMR"). In addition, the officers of these portfolios are substantially identical. Registrant takes the position that it is not under common control with any of the above portfolios since the power residing in the respective companies, boards and officers arises in each instance as the result of an official position with the respective funds.

Item 26. Number of Holders of Securities

December 31, 1994

Title of Securities      Number of Record Holders

Shares of Beneficial Interest  
Money Market Portfolio:      48

High Income Portfolio:      56

Equity-Income Portfolio: 61  
Growth Portfolio: 72  
Overseas Portfolio: 65

Item 27. Indemnification

Article XI, Section 2 of the Declaration of Trust sets forth the reasonable and fair means for determining whether indemnification shall be provided to any past or present Trustee or officer. It states that the Registrant shall indemnify any present or past Trustee or officer to the fullest extent permitted by law against liability and all expenses reasonably incurred by him in connection with any claim action, suit or proceeding in which he is involved by virtue of his service as a trustee, an officer or both. Additionally, amounts paid or incurred in settlement of such matters are covered by this indemnification. Indemnification will not be provided in certain circumstances, however. These include instances of willful misfeasance, bad faith, gross negligence and reckless disregard of the duties involved in the conduct of the particular office involved.

Item 28. Business and Other Connections of Investment Adviser

(1) FIDELITY MANAGEMENT & RESEARCH COMPANY

FMR serves as investment adviser to a number of other investment companies. The directors and officers of the Adviser have held, during the past two fiscal years, the following positions of a substantial nature.

<TABLE>

<CAPTION>

<S>	<C>
Edward C. Johnson 3d	Chairman of the Executive Committee of FMR; President and Chief Executive Officer of FMR Corp.; Chairman of the Board and a Director of FMR, FMR Corp., FMR Texas Inc., Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc.; President and Trustee of funds advised by FMR.
J. Gary Burkhead	President of FMR; Managing Director of FMR Corp.; President and a Director of FMR Texas Inc., Fidelity Management & Research (U.K.) Inc., and Fidelity Management & Research (Far East) Inc.; Senior Vice President and Trustee of funds advised by FMR.
Peter S. Lynch	Vice Chairman and Director of FMR.
Robert Beckwitt	Vice President of FMR and of funds advised by FMR.
David Breazzano	Vice President of FMR (1993) and of a fund advised by FMR.
Stephan Campbell	Vice President of FMR (1993).
Dwight Churchill	Vice President of FMR (1993).
Will Danoff	Vice President of FMR (1993) and of a fund advised by FMR.
Scott DeSano	Vice President of FMR (1993).

Penelope Dobkin	Vice President of FMR and of a fund advised by FMR.
Larry Domash	Vice President of FMR (1993).
George Domolky	Vice President of FMR (1993) and of a fund advised by FMR.
Robert K. Duby	Vice President of FMR.
Margaret L. Eagle	Vice President of FMR and of a fund advised by FMR.
Kathryn L. Eklund	Vice President of FMR.
Richard B. Fentin	Senior Vice President of FMR (1993) and of a fund advised by FMR.
Daniel R. Frank	Vice President of FMR and of funds advised by FMR.
Gary L. French	Vice President of FMR and Treasurer of the funds advised by FMR.
Michael S. Gray	Vice President of FMR and of funds advised by FMR.
Lawrence Greenberg	Vice President of FMR (1993).
Barry A. Greenfield	Vice President of FMR and of a fund advised by FMR.
William J. Hayes	Senior Vice President of FMR; Equity Division Leader.
Robert Haber	Vice President of FMR and of funds advised by FMR.
Richard Haberman	Senior Vice President of FMR (1993).
Daniel Harmetz	Vice President of FMR and of a fund advised by FMR.
Ellen S. Heller	Vice President of FMR.

</TABLE>

John Hickling	Vice President of FMR (1993) and of funds advised by FMR.
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<TABLE>  
<CAPTION>  
<S>

<C>

Robert F. Hill	Vice President of FMR; and Director of Technical Research.
Stephen Jonas	Treasurer and Vice President of FMR (1993); Treasurer of FMR Texas Inc. (1993), Fidelity Management & Research (U.K.) Inc. (1993), and Fidelity Management & Research (Far East) Inc. (1993).
David B. Jones	Vice President of FMR (1993).
Steven Kaye	Vice President of FMR (1993) and of a fund advised by FMR.
Frank Knox	Vice President of FMR (1993).
Robert A. Lawrence	Senior Vice President of FMR (1993); and High Income Division Leader.
Alan Leifer	Vice President of FMR and of a fund advised by FMR.
Harris Leviton	Vice President of FMR (1993) and of a fund advised by FMR.
Bradford E. Lewis	Vice President of FMR and of funds advised by FMR.
Malcolm W. McNaught III	Vice President of FMR (1993).
Robert H. Morrison	Vice President of FMR and Director of Equity Trading.
David Murphy	Vice President of FMR and of funds advised by FMR.
Andrew Offit	Vice President of FMR (1993).
Judy Pagliuca	Vice President of FMR (1993).
Jacques Perold	Vice President of FMR.
Anne Punzak	Vice President of FMR and of funds advised by FMR.



Lee Sandwen	Vice President of FMR (1993).
Patricia A. Satterthwaite	Vice President of FMR (1993) and of a fund advised by FMR.
Thomas T. Soviero	Vice President of FMR (1993).
Richard A. Spillane	Vice President of FMR and of funds advised by FMR; and Director of Equity Research.
Robert E. Stansky	Senior Vice President of FMR (1993) and of funds advised by FMR.
Gary L. Swayze	Vice President of FMR and of funds advised by FMR; and Tax-Free Fixed-Income Group Leader.
Thomas Sweeney	Vice President of FMR (1993).
Donald Taylor	Vice President of FMR (1993) and of funds advised by FMR.
Beth F. Terrana	Senior Vice President of FMR (1993) and of funds advised by FMR.
Joel Tillinghast	Vice President of FMR (1993) and of a fund advised by FMR.
Robert Tucket	Vice President of FMR (1993).
George A. Vanderheiden	Senior Vice President of FMR; Vice President of funds advised by FMR; and Growth Group Leader.
Jeffrey Vinik	Senior Vice President of FMR (1993) and of a fund advised by FMR.
Guy E. Wickwire	Vice President of FMR and of a fund advised by FMR.
Arthur S. Loring	Senior Vice President (1993), Clerk and General Counsel of FMR; Vice President, Legal of FMR Corp.; and Secretary of funds advised by FMR.

</TABLE>

(2) FIDELITY MANAGEMENT & RESEARCH (U.K.) INC. (FMR U.K.)  
FMR U.K. provides investment advisory services to Fidelity Management & Research Company and Fidelity Management Trust Company. The directors and

officers of the Sub-Adviser have held the following positions of a substantial nature during the past two fiscal years.

<TABLE>	
<CAPTION>	
<S>	<C>
Edward C. Johnson 3d	Chairman and Director of FMR U.K.; Chairman of the Executive Committee of FMR; Chief Executive Officer of FMR Corp.; Chairman of the Board and a Director of FMR, FMR Corp., FMR Texas Inc., and Fidelity Management & Research (Far East) Inc.; President and Trustee of funds advised by FMR.
J. Gary Burkhead	President and Director of FMR U.K.; President of FMR; Managing Director of FMR Corp.; President and a Director of FMR Texas Inc. and Fidelity Management & Research (Far East) Inc.; Senior Vice President and Trustee of funds advised by FMR.
Richard C. Habermann	Senior Vice President of FMR U.K.; Senior Vice President of Fidelity Management & Research (Far East) Inc.; Director of Worldwide Research of FMR.
Rick Spillane	Senior Vice President and Director of Operations and Compliance of FMR U.K. (1993).
Stephen Jonas	Treasurer of FMR U.K. (1993), Fidelity Management & Research (Far East) Inc. (1993), and FMR Texas Inc. (1993); Treasurer and Vice President of FMR (1993).
David Weinstein	Clerk of FMR U.K.; Clerk of Fidelity Management & Research (Far East) Inc.; Secretary of FMR Texas Inc.

</TABLE>

(3) FIDELITY MANAGEMENT & RESEARCH (FAR EAST) INC. (FMR Far East)  
FMR Far East provides investment advisory services to Fidelity Management & Research Company and Fidelity Management Trust Company. The directors and officers of the Sub-Adviser have held the following positions of a substantial nature during the past two fiscal years.

<TABLE>	
<CAPTION>	
<S>	<C>
Edward C. Johnson 3d	Chairman and Director of FMR Far East; Chairman of the Executive Committee of FMR; Chief Executive Officer of FMR Corp.; Chairman of the Board and a Director of FMR, FMR Corp., FMR Texas Inc. and Fidelity Management & Research (U.K.) Inc.; President and Trustee of funds advised by FMR.
J. Gary Burkhead	President and Director of FMR Far East; President of FMR; Managing Director of FMR Corp.; President and a Director of FMR Texas Inc. and Fidelity Management & Research (U.K.) Inc.; Senior Vice President and Trustee of funds advised by FMR.
Richard C. Habermann	Senior Vice President of FMR Far East; Senior Vice President of Fidelity Management & Research (U.K.) Inc.; Director of Worldwide Research of FMR.

William R. Ebsworth	Vice President of FMR Far East.
Bill Wilder	Vice President of FMR Far East (1993).
Stephen Jonas	Treasurer of FMR Far East (1993), Fidelity Management & Research (U.K.) Inc. (1993), and FMR Texas Inc. (1993); Treasurer and Vice President of FMR (1993).
David C. Weinstein	Clerk of FMR Far East; Clerk of Fidelity Management & Research (U.K.) Inc.; Secretary of FMR Texas Inc.

</TABLE>

(4) FMR TEXAS INC. (FMR Texas)

FMR Texas provides investment advisory services to Fidelity Management & Research Company. The directors and officers of the Sub-Adviser have held the following positions of a substantial nature during the past two fiscal years.

<TABLE>

<CAPTION>

<S>

<C>

Edward C. Johnson 3d	Chairman and Director of FMR Texas; Chairman of the Executive Committee of FMR; President and Chief Executive Officer of FMR Corp.; Chairman of the Board and a Director of FMR, FMR Corp., Fidelity Management & Research (Far East) Inc. and Fidelity Management & Research (U.K.) Inc.; President and Trustee of funds advised by FMR.
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J. Gary Burkhead	President and Director of FMR Texas; President of FMR; Managing Director of FMR Corp.; President and a Director of Fidelity Management & Research (Far East) Inc. and Fidelity Management & Research (U.K.) Inc.; Senior Vice President and Trustee of funds advised by FMR.
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Fred L. Henning, Jr.	Senior Vice President of FMR Texas; Money Market Division Leader.
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Robert Auld	Vice President of FMR Texas (1993).
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Leland Barron	Vice President of FMR Texas and of funds advised by FMR.
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Robert Litterst	Vice President of FMR Texas and of funds advised by FMR (1993).
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Thomas D. Maher	Vice President of FMR Texas and Assistant Vice President of funds advised by FMR.
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Burnell R. Stehman	Vice President of FMR Texas and of funds advised by FMR.
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John J. Todd	Vice President of FMR Texas and of funds advised by FMR.
Sarah H. Zenoble	Vice President of FMR Texas and of funds advised by FMR.
Steven Jonas	Treasurer of FMR Texas Inc. (1993), Fidelity Management & Research (U.K.) Inc. (1993), and Fidelity Mangement & Research (Far East) Inc. (1993); Treasurer and Vice President of FMR (1993).
David C. Weinstein	Secretary of FMR Texas; Clerk of Fidelity Management & Research (U.K.) Inc.; Clerk of Fidelity Management & Research (Far East) Inc.

</TABLE>

(5) FIDELITY INTERNATIONAL INVESTMENT ADVISORS

Pembroke Hall, 42 Crow Lane, Pembroke, Bermuda

The directors and officers of Fidelity International Investment Advisors (FIIA) have held, during the past two fiscal years, the following positions of a substantial nature.

<TABLE>

<CAPTION>

<S>	<C>
Anthony Bolton	Director of FIIA and FIIAL (U.K.); Director of Fidelity International Management Holdings Limited.

Martin P. Cambridge	Director of FIIA and FIIAL (U.K.); Chief Financial Officer of Fidelity International Ltd. and Fidelity Investment Services Ltd.
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Kirk Caza	Vice President of FIIA.
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Charles T. M. Collis	Director and Secretary of FIIA; Partner in Conyers, Dill & Pearman, Hamilton, Bermuda; Secretary to many companies in the Fidelity international group of companies.
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Philip de Cristo	Vice President and Treasurer of FIIA (1993).
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William R. Ebsworth	Director of FIIA (1992).
---------------------	--------------------------

Frank Mutch	Assistant Secretary of FIIA.
-------------	------------------------------

David J. Saul	President, Director, and Controller of FIIA; Director of Fidelity International Limited.
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Michael Sommerville Vice President of FIIA; Vice President of Fidelity International Limited.

Toshiaki Wakabayashi Director of FIIA.

</TABLE>

(6) FIDELITY INTERNATIONAL INVESTMENT ADVISORS (U.K.) LIMITED

27-28 Lovat Lane, London, England

The directors and officers of Fidelity International Investment Advisors (U.K.) Limited (FIIAL (U.K.)) have held, during the past two fiscal years, the following positions of a substantial nature.

<TABLE>

<CAPTION>

<S>

<C>

Anthony Bolton Director of FIIAL (U.K.) and FIIA; Director of Fidelity International Management Holdings Limited.

Martin P. Cambridge Director and Secretary of FIIAL (U.K.) and FIIA; Chief Financial Officer of Fidelity Investments Japan Limited, Fidelity International Ltd., and Fidelity Investment Services Ltd.

C. Bruce Johnstone Director of FIIAL (U.K.).

</TABLE>

Item 29. Principal Underwriters

(a) Fidelity Distributors Corporation (FDC) acts as distributor for most funds advised by FMR and the following other funds:

CrestFunds, Inc.

ARK Funds

(b)

Name and Principal Business Address*	Positions and Offices With Underwriter	Positions and Offices With Registrant
Edward C. Johnson 3d	Director	Trustee and President
Nita B. Kincaid	Director	None
W. Humphrey Bogart	Director	None
Kurt A. Lange	President and Treasurer	None
William L. Adair	Senior Vice President	None
Thomas W. Littauer	Senior Vice President	None
Arthur S. Loring	Vice President and Clerk	Secretary

\* 82 Devonshire Street, Boston, MA

(c) Not applicable.

Item 30. Location of Accounts and Records

All accounts, books, and other documents required to be maintained by Section 31a of the 1940 Act and the Rules promulgated thereunder are maintained by Fidelity Management & Research Company or Fidelity Service Co., 82 Devonshire Street, Boston, MA 02109, or the funds' respective custodian: The Bank of New York, 110 Washington Street, New York, N.Y., The Chase Manhattan Bank, 1211 Avenue of the Americas, New York, N.Y., Brown Brothers Harriman & Co., 40 Water Street, Boston, MA., and Morgan Guaranty Trust Company of New York, 61 Wall Street, 37th Floor, New York, N.Y.

Item 31. Management Services

Not applicable.

Item 32. Undertakings

The Registrant on behalf of High Income Portfolio, Equity-Income Portfolio, Growth Portfolio and Overseas Portfolio undertakes, provided the

information required by Item 5A is contained in the annual report, to furnish each person to whom a prospectus has been delivered, upon their request and without charge, a copy of the Registrant's latest annual report to shareholders.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant has duly caused this Post-Effective Amendment No. 30 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Boston, and Commonwealth of Massachusetts, on the 21 day of February 1995.

VARIABLE INSURANCE PRODUCTS FUND

By /s/Edward C. Johnson 3d (dagger)  
Edward C. Johnson 3d, President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

(Signature) (Title) (Date)

<TABLE>  
<CAPTION>  
<S> <C> <C>  
/s/Edward C. Johnson 3d(dagger) President and Trustee February 21, 1995  
Edward C. Johnson 3d (Principal Executive Officer)

</TABLE>  
/s/Gary L. French Treasurer February 21, 1995

Gary L. French

/s/J. Gary Burkhead Trustee February 21, 1995

J. Gary Burkhead

/s/Ralph F. Cox \* Trustee February 21, 1995

Ralph F. Cox

/s/Phyllis Burke Davis \* Trustee February 21, 1995

Phyllis Burke Davis

/s/Richard J. Flynn \* Trustee February 21, 1995

Richard J. Flynn

/s/E. Bradley Jones \* Trustee February 21, 1995

E. Bradley Jones

/s/Donald J. Kirk \* Trustee February 21, 1995

Donald J. Kirk

/s/Peter S. Lynch \* Trustee February 21, 1995

Peter S. Lynch

/s/Edward H. Malone \* Trustee February 21, 1995

Edward H. Malone

/s/Marvin L. Mann \* Trustee February 21, 1995

Marvin L. Mann

/s/Gerald C. McDonough\* Trustee February 21, 1995

Gerald C. McDonough

/s/Thomas R. Williams \* Trustee February 21, 1995

Thomas R. Williams

(dagger) Signatures affixed by J. Gary Burkhead pursuant to a power of attorney dated December 15, 1994, and filed herewith.

\* Signature affixed by Robert C. Hacker pursuant to a power of attorney dated December 15, 1994, and filed herewith.

POWER OF ATTORNEY

We, the undersigned Directors, Trustees or General Partners, as the case may be, of the following investment companies:

<TABLE>

<CAPTION>

<S>

Fidelity Advisor Annuity Fund  
Fidelity Advisor Series I  
Fidelity Advisor Series II  
Fidelity Advisor Series III  
Fidelity Advisor Series IV  
Fidelity Advisor Series V  
Fidelity Advisor Series VI  
Fidelity Advisor Series VII  
Fidelity Advisor Series VIII  
Fidelity California Municipal Trust  
Fidelity Capital Trust  
Fidelity Charles Street Trust  
Fidelity Commonwealth Trust  
Fidelity Congress Street Fund  
Fidelity Contrafund  
Fidelity Corporate Trust  
Fidelity Court Street Trust  
Fidelity Deutsche Mark Performance  
Portfolio, L.P.  
Fidelity Devonshire Trust  
Fidelity Exchange Fund  
Fidelity Financial Trust  
Fidelity Fixed-Income Trust  
Fidelity Government Securities Fund  
Fidelity Hastings Street Trust

<C>

Fidelity Income Fund  
Fidelity Institutional Trust  
Fidelity Investment Trust  
Fidelity Magellan Fund  
Fidelity Massachusetts Municipal Trust  
Fidelity Mt. Vernon Street Trust  
Fidelity Municipal Trust  
Fidelity New York Municipal Trust  
Fidelity Puritan Trust  
Fidelity School Street Trust  
Fidelity Securities Fund  
Fidelity Select Portfolios  
Fidelity Sterling Performance Portfolio, L.P.  
Fidelity Summer Street Trust  
Fidelity Trend Fund  
Fidelity U.S. Investments-Bond Fund, L.P.  
Fidelity U.S. Investments-Government Securities  
Fund, L.P.  
Fidelity Union Street Trust  
Fidelity Yen Performance Portfolio, L.P.  
Spartan U.S. Treasury Money Market  
Fund  
Variable Insurance Products Fund  
Variable Insurance Products Fund II

</TABLE>

plus any other investment company for which Fidelity Management & Research Company acts as investment adviser and for which the undersigned individuals serve as Board Members (collectively, the "Funds"), hereby severally constitute and appoint Arthur J. Brown, Arthur C. Delibert, Robert C. Hacker, Richard M. Phillips, Dana L. Platt and Stephanie A. Djinis, each of them singly, our true and lawful attorneys-in-fact, with full power of substitution, and with full power to each of them, to sign for us and in our names in the appropriate capacities, all Pre-Effective Amendments to any Registration Statements of the Funds, any and all subsequent Post-Effective Amendments to said Registration Statements, any Registration Statements on Form N-14, and any supplements or other instruments in connection therewith, and generally to do all such things in our names and behalf in connection therewith as said attorneys-in-fact deem necessary or appropriate, to comply with the provisions of the Securities Act of 1933 and Investment Company Act of 1940, and all related requirements of the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact or their substitutes may do or cause to be done by virtue hereof.

WITNESS our hands on this fifteenth day of December, 1994.

/s/Edward C. Johnson 3d /s/Donald J. Kirk

Edward C. Johnson 3d

Donald J. Kirk

/s/J. Gary Burkhead

/s/Peter S. Lynch

J. Gary Burkhead

Peter S. Lynch

/s/Ralph F. Cox

/s/Marvin L. Mann

Ralph F. Cox

Marvin L. Mann

/s/Phyllis Burke Davis

/s/Edward H. Malone

Phyllis Burke Davis

Edward H. Malone

/s/Richard J. Flynn

/s/Gerald C. McDonough

Richard J. Flynn

Gerald C. McDonough

/s/E. Bradley Jones

/s/Thomas R. Williams

E. Bradley Jones

Thomas R. Williams

POWER OF ATTORNEY

I, the undersigned President and Director, Trustee or General Partner, as the case may be, of the following investment companies:

<TABLE>

<CAPTION>

<S>

Fidelity Advisor Annuity Fund  
Fidelity Advisor Series I  
Fidelity Advisor Series II  
Fidelity Advisor Series III  
Fidelity Advisor Series IV  
Fidelity Advisor Series V  
Fidelity Advisor Series VI  
Fidelity Advisor Series VII  
Fidelity Advisor Series VIII  
Fidelity California Municipal Trust  
Fidelity Capital Trust  
Fidelity Charles Street Trust  
Fidelity Commonwealth Trust  
Fidelity Congress Street Fund  
Fidelity Contrafund  
Fidelity Corporate Trust  
Fidelity Court Street Trust  
Fidelity Destiny Portfolios  
Fidelity Deutsche Mark Performance  
Portfolio, L.P.  
Fidelity Devonshire Trust  
Fidelity Exchange Fund  
Fidelity Financial Trust  
Fidelity Fixed-Income Trust  
Fidelity Government Securities Fund  
Fidelity Hastings Street Trust  
Fidelity Income Fund

<C>

Fidelity Institutional Trust  
Fidelity Investment Trust  
Fidelity Magellan Fund  
Fidelity Massachusetts Municipal Trust  
Fidelity Money Market Trust  
Fidelity Mt. Vernon Street Trust  
Fidelity Municipal Trust  
Fidelity New York Municipal Trust  
Fidelity Puritan Trust  
Fidelity School Street Trust  
Fidelity Securities Fund  
Fidelity Select Portfolios  
Fidelity Sterling Performance Portfolio, L.P.  
Fidelity Summer Street Trust  
Fidelity Trend Fund  
Fidelity U.S. Investments-Bond Fund, L.P.  
Fidelity U.S. Investments-Government Securities  
Fund, L.P.  
Fidelity Union Street Trust  
Fidelity Yen Performance Portfolio, L.P.  
Spartan U.S. Treasury Money Market  
Fund  
Variable Insurance Products Fund  
Variable Insurance Products Fund II

</TABLE>

plus any other investment company for which Fidelity Management & Research



Company acts as investment adviser and for which the undersigned individual serves as President and Board Member (collectively, the "Funds"), hereby severally constitute and appoint J. Gary Burkhead, my true and lawful attorney-in-fact, with full power of substitution, and with full power to sign for me and in my name in the appropriate capacity, all Pre-Effective Amendments to any Registration Statements of the Funds, any and all subsequent Post-Effective Amendments to said Registration Statements, any Registration Statements on Form N-14, and any supplements or other instruments in connection therewith, and generally to do all such things in my name and behalf in connection therewith as said attorney-in-fact deem necessary or appropriate, to comply with the provisions of the Securities Act of 1933 and Investment Company Act of 1940, and all related requirements of the Securities and Exchange Commission. I hereby ratify and confirm all that said attorneys-in-fact or their substitutes may do or cause to be done by virtue hereof.

WITNESS my hand on the date set forth below.

/s/Edward C. Johnson 3d December 15, 1994

Edward C. Johnson 3d