

SECURITIES AND EXCHANGE COMMISSION

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EQUITY-INCOME II
FUND
ANNUAL REPORT
NOVEMBER 30, 1993
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THIS REPORT AND THE FINANCIAL STATEMENTS CONTAINED HEREIN ARE SUBMITTED FOR THE GENERAL INFORMATION OF THE SHAREHOLDERS OF THE FUND. THIS REPORT IS NOT AUTHORIZED FOR DISTRIBUTION TO PROSPECTIVE INVESTORS IN THE FUND UNLESS PRECEDED OR ACCOMPANIED BY AN EFFECTIVE PROSPECTUS. NEITHER THE FUND NOR FIDELITY DISTRIBUTORS CORPORATION IS A BANK, AND FUND SHARES ARE NOT BACKED OR GUARANTEED BY ANY BANK OR INSURED BY THE FDIC.

PRESIDENT'S MESSAGE

DEAR SHAREHOLDER:

Once the new year begins, many people start reviewing their finances and calculating their tax bills. No one wants to pay more taxes than they have to. But a recent survey of 500 U.S. households, conducted by Fidelity and Yankelovich Partners, showed that few people have taken steps to reduce their taxes under the new legislation. Many were not even aware that the new tax laws were retroactive to January 1993.

Whether or not you're someone whose tax bill will increase as a result of these changes, it may make sense to consider ways to keep more of what you earn.

First, if your employer offers a 401(k) or 403(b) retirement savings plan, consider enrolling. These plans are set up so you can make regular contributions -

before taxes - to a retirement savings plan. They offer a disciplined savings strategy, the ability to accumulate earnings tax-deferred, and immediate tax savings. For example, if you earn \$40,000 a year and contribute 7% of your salary to your 401(k) plan, your annual contribution is \$2,800. That reduces your taxable income to \$37,200 and, if you're in the

28% tax bracket, saves you \$784 in Federal taxes. In addition, you pay no taxes on any earnings until withdrawal.

It may be a good idea to contact your benefits office as soon as possible to find out when you can enroll or increase your contribution. Most employers allow employees to make changes only a few times each year.

Second, consider an IRA. Many people are eligible to make an IRA contribution (up to \$2,000) that is fully tax deductible. That includes people who are not covered by company pension plans, or those within certain income brackets. Even if you don't qualify for a fully deductible contribution, any IRA earnings will grow tax-deferred until withdrawal.

Third, consider tax-free investments like municipal bonds and municipal bond funds. Often these can provide higher after-tax yields than comparable taxable investments. For example, if you're in the new 36% Federal income tax bracket and invest \$10,000 in a taxable investment yielding 7%, you'll pay \$252 in Federal taxes and receive \$448 in income. That same \$10,000 invested in a tax-free bond fund yielding 5.5% would allow you to keep \$550 in income.

These are three investment strategies that could help lower your tax bill in 1994. If you're interested in learning more, please call us at 1-800-544-8888 or visit a Fidelity Investor Center.

Wishing you a prosperous new year,

Edward C. Johnson 3d, Chairman

PERFORMANCE: THE BOTTOM LINE

There are several ways to evaluate a fund's historical performance. You can look at the total percentage change in value, the average annual percentage change, or the growth of a hypothetical \$10,000 investment. Each performance figure includes changes in a fund's share price, plus reinvestment of any dividends (or income) and capital gains (the profits the fund earns when it sells stocks that have grown in value).

CUMULATIVE TOTAL RETURNS

PERIODS ENDED NOVEMBER 30, 1993	PAST 1 YEAR	LIFE OF FUND
Equity-Income II	19.08%	112.04%
S&P 500 (Registered trademark)	10.10%	55.72%
Average Equity Income Fund	13.66%	63.10%

CUMULATIVE TOTAL RETURNS show the fund's performance in percentage terms over a set period - in this case, one year, or since the fund began on August 21, 1990. For example, if you invested \$1,000 in a fund that had a 5% return over the past year, you would end up with \$1,050. You can compare the fund's returns to the performance of the Standard & Poor's 500 Composite Stock Price Index - a common proxy for the U.S. stock market. You can also compare them to the average equity income fund, which reflects the performance of 92 equity income funds with similar objectives tracked by Lipper Analytical Services. Both benchmarks include reinvested dividends and capital gains, if any, and exclude the effects of sales charges.

AVERAGE ANNUAL TOTAL RETURNS

PERIODS ENDED NOVEMBER 30, 1993	PAST 1 YEAR	LIFE OF FUND
Equity-Income II	19.08%	25.74%
S&P 500 (Registered trademark)	10.10%	14.45%
Average Equity Income Fund	13.66%	16.03%

AVERAGE ANNUAL TOTAL RETURNS take the fund's actual (or cumulative) return and show you what would have happened if the fund had performed at a constant rate each year.

\$10,000 OVER LIFE OF FUND

	Equity-Income II (319)	S&P 500
08/21/90	10000.00	10000.00
08/31/90	10090.00	9833.94
09/30/90	9790.00	9355.02
10/31/90	9790.00	9314.80
11/30/90	10180.00	9916.53
12/31/90	10451.06	10193.20
01/31/91	10954.00	10637.63
02/28/91	11929.70	11398.22
03/31/91	12425.00	11674.06
04/30/91	12770.42	11702.07
05/31/91	13420.62	12207.60
06/30/91	13105.68	11648.49
07/31/91	13833.74	12191.31
08/31/91	14361.43	12480.25
09/30/91	14456.52	12271.83
10/31/91	14904.70	12436.27
11/30/91	14456.52	11935.09
12/31/91	15320.98	13300.46
01/31/92	15754.68	13053.08
02/29/92	16262.55	13222.77
03/31/92	16199.85	12964.92
04/30/92	16550.86	13346.09
05/31/92	16731.69	13411.49
06/30/92	16626.26	13211.65

07/31/92	17139.48	13752.01
08/31/92	16786.64	13470.10
09/30/92	17001.03	13629.04
10/31/92	17140.73	13676.74
11/30/92	17807.02	14143.12
12/31/92	18240.50	14317.08
01/31/93	18739.34	14437.34
02/28/93	19071.80	14633.69
03/31/93	19793.83	14942.46
04/30/93	19849.52	14580.86
05/31/93	20150.27	14971.62
06/30/93	20341.48	15015.04
07/31/93	20542.99	14954.98
08/31/93	21214.70	15521.77
09/30/93	21136.44	15402.26
10/31/93	21530.15	15721.08
11/30/93	21203.93	15571.73

\$10,000 OVER LIFE OF FUND: Let's say you invested \$10,000 in Fidelity Equity-Income II Fund on August 21, 1990, when the fund started. As the chart shows, by November 30, 1993, the value of your investment would have grown to \$21,204 - a 112.04% increase on your initial investment. For comparison, look at how the S&P 500 did over the same period. With dividends reinvested, the same \$10,000 investment would have grown to \$15,572 - a 55.72% increase.

UNDERSTANDING

PERFORMANCE

How a fund did yesterday is no guarantee of how it will do tomorrow. The stock market, for example, has a history of growth in the long run and volatility in the short run. In turn, the share price and return of a fund that invests in stocks will vary. That means if you sell your shares during a market downturn, you might lose money. But if you can ride out the market's ups and downs, you may have a gain. (checkmark)

FUND TALK: THE MANAGER'S OVERVIEW

MARKET RECAP

Low inflation, falling interest rates and a gradually improving economy boosted U.S. stocks during the 12 months ended November 30, 1993. The Standard & Poor's 500 index - a broad measure of U.S. stock performance - rose 10.10%, in line with the market's long-term average annual return. Continued poor performance by tobacco, drug and brand-name consumer products stocks was offset by impressive results in other sectors, including technology, although semiconductors gave back part of their gains in October and November. Other market leaders were finance, notably securities brokers; autos; entertainment; and precious metals. Communications stocks soared as traditional telephone utilities, cellular communications companies and entertainment companies scrambled to form strategic alliances. Mergers and acquisitions activity resumed at a pace reminiscent of the 1980s. The NASDAQ Composite Index, which tracks over-the-counter stocks, rose 15.57% for the year, compared to 14.73% for the Dow Jones Industrial Average, an index of 30 blue-chip stocks. Both trailed

the Morgan Stanley EAFE (Europe, Australia, Far East) index, which rose 24.27%. Two widely watched benchmarks broke records during the period: slow growth and the prospect of higher taxes helped push the yield on the 30-year Treasury below 6% in early September; meanwhile, the Dow closed above 3700 for the first time in mid-November, and finished the month at 3684.

An Interview with Brian S. Posner, Portfolio Manager of Fidelity Equity-Income II Fund

Q. BRIAN, HOW HAS THE FUND PERFORMED DURING THE LAST YEAR?

A. For the 12 months ended November 30, 1993, the fund delivered a total return of 19.08%. That was ahead of the average equity-income fund's return, which was 13.66% according to Lipper Analytical Services. The fund also outpaced the Standard and Poor's 500 index, which gained 10.10%.

Q. WHAT DROVE THE FUND'S PERFORMANCE DURING THE PERIOD?

A. The fund's gains came from a broad cross-section of stocks. For example, we profited by investing in companies in the oil and gas industry that are cutting costs or have the potential to increase their production. One of our largest holdings was British Petroleum, which accounts for 3.2% of the fund's investments and was a strong performer. The fund also owned stock in companies such as Apache and Parker & Parsley, which benefited from strong natural gas prices. I continued to invest heavily in banks and S&Ls, although I became more selective as share prices of financial services firms rose during the year. Among banks, I concentrated on firms such as Citicorp, whose stock price rose sharply as investors recognized the enormous improvement in the company's balance sheet and its growing earnings power. Among S&Ls, the fund owned shares of financially strong companies such as Standard Federal Bank, a Michigan-based S&L, which was also a strong performer. Ford and Chrysler also contributed to the fund's performance.

Q. THE FUND'S ASSET SIZE HAS MORE THAN DOUBLED THIS YEAR, FROM \$1.9 BILLION TO \$4.8 BILLION. SHOULD SHAREHOLDERS BE CONCERNED THAT THIS GROWTH WILL AFFECT PERFORMANCE?

A. As the fund becomes larger, it is somewhat more difficult to buy and sell shares of small companies without influencing their prices in ways that penalize the fund's returns. But because I invest with a 12- to 24-month horizon, I can move gradually into or out of those issues, which helps alleviate that problem. Overall, I feel that any impact on performance resulting from the fund's growth has been minimal.

Q. ANY DISAPPOINTMENTS?

A. Aluminum stocks such as Reynolds Metals have been very frustrating. Aluminum is one commodity that looks like it should rise in price in the foreseeable future. Worldwide demand is going up and production capacity down. Meanwhile, the stocks are much cheaper than other commodity-based stocks where the outlook for price increases isn't nearly as good. So far, the problem has been that the Russians are producing far more aluminum than they can use and dumping the excess on the world market. I expect that this scenario should improve over the next one to two years, so I'm sticking with these stocks.

Q. THE FUND'S STAKE IN TRANSPORTATION STOCKS HAS MOVED UP SHARPLY IN RECENT MONTHS, TO OVER 5%. WHY?

A. I recently invested in the convertible preferred stocks issued by UAL and AMR, the parent corporations of United and American Airlines, respectively. The airline industry has finally started to cut back on capacity, which should help bolster prices and profitability. In addition, there is a renewed interest in controlling general operating costs. I bought the convertible issues because they were attractively priced relative to the common stocks. If the stocks rise, the fund should participate in most of those gains through the convertibles. And while we wait for that to happen, the fund will collect higher yields on the convertibles than it would if I bought the common shares themselves.

Q. WHAT ROLE HAVE OVERSEAS STOCKS PLAYED IN THE FUND?

A. Foreign stocks account for roughly 19% of the fund's investments. I don't aim to invest a set percentage of the fund's assets overseas. Instead I take a stock-by-stock approach, just as I do in the U.S. During the year, I found opportunities on a selective basis in Canada and the United Kingdom, among other countries. For example, British financial stocks such as Barclays Bank and National Westminster were very strong performers.

Q. WHAT'S THE OUTLOOK FOR THE FUND?

A. Unlike last year, in which rates fell to levels not seen in a generation, the next 12 months are likely to bring relatively stable interest rates. Investors should therefore be prepared for more modest returns than those they may have enjoyed in recent years in both the stock and bond markets. In addition, stock market valuations - as measured by yardsticks like price-to-earnings ratios - have become quite high. In such an environment, I intend to focus more on companies with solid business

prospects and relatively low valuations.

FUND FACTS

GOAL: to provide current income and increase the value

of the fund's shares

START DATE: August 21, 1990

SIZE: as of November 30, 1993, over \$4.8 billion

MANAGER: Brian S. Posner, since April 1992; manager, Fidelity Value Fund, October 1990 - June 1992; Select Energy Portfolio, 1990 (checkmark)

BRIAN S. POSNER ON HIS

INVESTMENT STRATEGY:

"I don't try to figure out what sector of the economy or the stock market is going to do well. Instead, I take a very stock-specific approach. In the long run, that strategy works best because it makes me more familiar with the individual stocks in the fund, so I know why the fund owns them and what they're worth. That way, I have a very clear idea of when to sell them or when to buy more.

"The fund must invest at least two-thirds of its assets in securities that pay a dividend. At the end of November the figure was 74%. At times the fund will invest in stocks that do not pay a dividend, if I think they can provide a superior total return. An example of such an investment is HCA - Hospital Corporation of America, which has done an excellent job of reducing operating costs and interest expense, and has recently agreed to be acquired by Columbia Healthcare. "

(bullet) As of November 30, 1993, the fund held 6.3% of its assets in fixed-income securities, including a 2.2% position in bonds rated below investment grade. It also held 19.9% of its assets in cash.

DISTRIBUTIONS

The Board of Trustees of Fidelity Equity-Income II Fund voted to pay on December 20, 1993, to shareholders of record at the opening of business on December 17, 1993, a distribution of \$.68 derived from capital gains realized from sales of portfolio securities and a dividend of \$.18 from net investment income.

INVESTMENT CHANGES

TOP TEN STOCKS AS OF NOVEMBER 30, 1993

	% OF FUND'S INVESTMENTS	% OF FUND'S INVESTMENTS IN THESE STOCKS 6 MONTHS AGO
British Petroleum PLC	3.2	3.0

Grace (W.R.) & Co.	1.8	1.1
HCA - Hospital Corporation of America	1.3	0.9
Bank of New York, Inc.	1.3	1.5
Philip Morris Companies, Inc.	1.2	0.0
Litton Industries, Inc.	1.2	0.6
AMR Corp. \$3.00	1.1	1.0
Reynolds Metals Co.	1.1	1.0
Canadian Pacific Ltd. Ord.	1.1	0.6
Dayton Hudson Corp.	1.1	0.4

TOP FIVE INDUSTRIES AS OF NOVEMBER 30, 1993

	% OF FUND'S INVESTMENTS	% OF FUND'S INVESTMENTS IN THESE INDUSTRIES 6 MONTHS AGO
Finance	17.7	18.2
Basic Industries	11.7	11.8
Energy	12.2	12.6
Conglomerates	5.8	4.8
Transportation	5.0	4.2

ASSET ALLOCATION

AS OF NOVEMBER 30, 1993* AS OF MAY 31, 1993*

Row: 1, Col: 1, Value: 19.9
 Row: 1, Col: 2, Value: 6.7
 Row: 1, Col: 3, Value: 4.5
 Row: 1, Col: 4, Value: 34.45
 Row: 1, Col: 5, Value: 34.45
 Row: 1, Col: 1, Value: 16.6
 Row: 1, Col: 2, Value: 8.1
 Row: 1, Col: 3, Value: 4.2
 Row: 1, Col: 4, Value: 35.55
 Row: 1, Col: 5, Value: 35.55

Stocks 68.9%

Bonds 4.5%

Convertible securities 6.7%

Short-term investments and other 19.9%

FOREIGN INVESTMENTS 19.0%

Stocks 71.1%

Bonds 4.2%

Convertible securities 8.1%

Short-term investments and other 16.6%

FOREIGN INVESTMENTS 16.9%

*
*

INVESTMENTS NOVEMBER 30, 1993

Showing Percentage of Total Value of Investments

COMMON STOCKS - 68.7%

SHARES VALUE (NOTE 1)
(000S)

AEROSPACE & DEFENSE - 0.6%

Flightsafety International, Inc. 505,000 \$ 17,170 33942310

Martin Marietta Corp. 311,800 12,784 57290010

29,954

BASIC INDUSTRIES - 11.1%

CHEMICALS & PLASTICS - 4.3%

Akzo NV Ord. 141,600 13,094 01019910
 Ferro Corp. 18,000 554 31540510
 GEON 91,000 2,093 37246W10
 Goodrich (B.F.) Company 83,400 3,638 38238810
 Grace (W.R.) & Co. 2,284,500 89,095 38388310
 Imperial Chemical Industries:
 PLC ADR 116,100 5,239 45270450
 Ord. 2,881,300 32,069 45270440
 Lubrizol Corp. 102,800 3,290 54927110
 Lyondell Petrochemical Co. 152,300 3,065 55207810
 Monsanto Co. 172,500 11,730 61166210
 OM Group, Inc. (b) 223,500 4,191 67087210
 Potash Corp. of Saskatchewan 1,025,900 21,409 73755L10
 Union Carbide Corp. 702,300 14,573 90558110
 Vigoro Corp. 481,600 13,545 92675410
 217,585

IRON & STEEL - 1.7%

Allegheny Ludlum Industries, Inc. 1,018,300 23,803 01690010
 British Steel PLC:
 ADR 13,200 239 11101530
 Ord. 8,323,300 15,089 11101510
 Cleveland Cliffs, Inc. 103,800 3,438 18589610
 Inland Steel Industries, Inc. (b) 307,700 10,000 45747210
 LTV Corp. (b) 799,400 11,591 50192110
 USX-U.S. Steel Group 353,000 12,708 90337T10
 Wheeling Pittsburgh Corp. (b) 650,000 10,725 96314210
 87,593

METALS & MINING - 2.4%

Alcan Aluminum Ltd. 1,858,300 38,606 01371610
 Alumax, Inc. 475,500 9,213 02219710
 Aluminum Co. of America 96,308 6,669 02224910
 De Beers Consolidated Mines Ltd. ADR 440,000 8,195 24025330
 Reynolds Metals Co. 1,230,200 55,205 76176310
 117,888

COMMON STOCKS - CONTINUED

SHARES VALUE (NOTE 1)

(000S)

BASIC INDUSTRIES - CONTINUED

PACKAGING & CONTAINERS - 0.2%

Owens-Illinois, Inc. (b) 686,800 \$ 7,641 69076840

PAPER & FOREST PRODUCTS - 2.5%

Champion International Corp. 672,600 20,683 15852510
 Chesapeake Corp. 314,100 7,578 16515910
 Georgia-Pacific Corp. 157,000 11,540 37329810
 International Paper Co. 372,000 24,831 46014610
 Pentair, Inc. 295,350 10,411 70963110
 Repola OY 753,500 11,661 75999A92
 Temple-Inland, Inc. 232,600 11,775 87986810
 Union Camp Corp. 354,800 16,498 90553010
 Willamette Industries, Inc. 238,900 11,467 96913310
 126,444

TOTAL BASIC INDUSTRIES 557,151

CONGLOMERATES - 5.3%

Allied-Signal, Inc. 82,400 5,861 01951210
 Canadian Pacific Ltd. Ord. 3,314,900 54,287 13644030
 Christies International PLC 540,000 1,645 17099892
 Dial Corp. (The) 507,800 19,487 25247010
 GenCorp, Inc. 235,800 3,272 36868210
 Hanson Trust PLC sponsored ADR 2,204,000 46,284 41135230
 Litton Industries, Inc. (b) 924,068 60,295 53802110
 Mark IV Industries, Inc. 188,527 3,558 57038710
 Standex International Corp. 261,900 6,482 85423110
 Suncor, Inc. 245,000 5,411 86722910
 Textron, Inc. 771,200 42,512 88320310
 United Technologies Corp. 278,000 17,201 91301710
 266,295

CONSTRUCTION & REAL ESTATE - 1.6%

BUILDING MATERIALS - 0.7%

Armstrong World Industries, Inc. 389,000 17,845 04247610
 BPB Industries PLC 498,000 2,061 05562299
 Lafarge Corp. 161,200 3,224 50586210
 Medusa Corp. 221,550 5,594 58507230
 USG Corp. (b) 276,700 6,883 90329340
 35,607

COMMON STOCKS - CONTINUED

SHARES VALUE (NOTE 1)

(000S)

CONSTRUCTION & REAL ESTATE - CONTINUED

CONSTRUCTION - 0.1%

Lennar Corp. 120,000 \$ 3,570 52605710

ENGINEERING - 0.2%

EG&G, Inc. 671,200 11,914 26845710

REAL ESTATE INVESTMENT TRUSTS - 0.6%

Associated Estates Realty Corp. REIT 65,600 1,312 04560410

Bradley Real Estate Trust (SBI) 450,000 3,712 10458310

Carr Realty Corp. 132,700 3,102 14441K10

Crown American Realty Trust (SBI) 114,500 1,861 22818610

Developers Diversified Realty 100,000 2,700 25159110

Excel Realty Trust, Inc. 41,300 785 30067R10

Federal Realty Investment Trust 47,100 1,242 31374720

Kimco Realty Corporation 2,500 80 49446R10

LTC Properties, Inc. 103,400 1,318 50217510

Nationwide Health Properties, Inc. 20,800 785 63862010

New Plan Realty Trust 32,127 743 64805910

Taubman Centers, Inc. 142,500 1,799 87666410

Urban Shopping Centers, Inc. REIT (b) 87,000 1,827 91706010

Vornado Realty Trust 84,400 3,144 92904210

Weingarten Realty Investors (SBI) 37,800 1,441 94874110

Western Investment Real Estate Trust (SBI) 87,100 1,176 95846810

27,027

TOTAL CONSTRUCTION & REAL ESTATE 78,118

DURABLES - 0.6%

AUTOS, TIRES, & ACCESSORIES - 0.1%

Volvo Aktiebolaget Class B (b) 90,000 4,402 92885630

CONSUMER ELECTRONICS - 0.3%

Newell Co. 216,900 8,730 65119210

Sony Corp. 134,000 5,738 83569999

14,468

TEXTILES & APPAREL - 0.2%

Kellwood Co. 90,800 3,450 48804410

Stride Rite Corp. 291,600 5,394 86331410

Unifi, Inc. 179,600 4,468 90467710

13,312

TOTAL DURABLES 32,182

COMMON STOCKS - CONTINUED

SHARES VALUE (NOTE 1)

(000S)

ENERGY - 10.9%

COAL - 0.1%

Pittston Co. Minerals Group 313,920 \$ 6,985 72570120

ENERGY SERVICES - 2.1%

BJ Services Co. 146,300 3,219 05548210

Baker Hughes, Inc. 539,000 10,713 05722410

Enterra Corp. (b) 61,300 1,103 29380510

Halliburton Co. 1,070,400 33,049 40621610

Offshore Logistics, Inc. (b) 142,500 2,173 67625510

Schlumberger Ltd. 777,900 44,729 80685710

Smith International, Inc. (b) 173,000 1,535 83211010

Tidewater, Inc. 302,500 6,050 88642310

102,571

OIL & GAS - 8.7%

Amerada Hess Corp. 1,104,400 51,493 02355110

Apache Corp. 224,000 4,900 03741110

British Borneo Petroleum 154,500 475 11099D22

British Petroleum PLC:

ADR 2,425,900 143,735 11088940

Ord. 3,397,225 16,760 11088910

Burlington Resources, Inc. 412,600 18,567 12201410

Louisiana Land & Exploration Co. 251,200 9,954 54626810

Murphy Oil Corp. 817,400 32,798 62671710

Newfield Exploration Co. (b) 167,000 2,735 65129010

Noble Affiliates, Inc. 191,988 4,752 65489410

Norsk Hydro A.S. 225,000 6,364 65653150

Norsk Hydro A.S. ADR (b) 266,200 7,420 65653160

Occidental Petroleum Corp. 815,000 14,466 67459910

Parker & Parsley Petroleum Co. 200,100 4,102 70101810

Petro-Canada 200,000 1,797 71644E10

Petroleum Heat & Power, Inc. Class A 537,700 5,243 71660030

Repsol SA sponsored ADR 586,700 16,794 76026T20

Royal Dutch Petroleum Co. 517,203 52,238 78025770

Total Compagnie Francaise des Petroles Class B (b) 676,028 34,420

20434510

Total SA sponsored ADR (b) 161,467 4,097 89151E10

YPF Sociedad Anonima sponsored ADR representing

Class D shares 205,500 5,086 98424510

438,196

TOTAL ENERGY 547,752

COMMON STOCKS - CONTINUED

SHARES VALUE (NOTE 1)

(000S)

FINANCE - 14.5%

BANKS - 5.5%

BNP CI Ord. 137,700 \$ 6,586 05599996
 Banco de Santander Ord. (Reg.) 50,000 2,172 05957410
 Banco Central SA (Reg.) 107,300 2,334 05947010
 Banco Popular Espanol 57,700 6,318 05999110
 Bank of Boston Corp. 2,226,357 48,423 06071610
 Bank of Ireland U.S. Holdings Inc. 2,985,000 12,220 06278793
 Bank of New York Co., Inc. 1,163,632 64,581 06405710
 BanPonce Corp. 301,262 8,963 06670410
 Barclays PLC Ord. 2,115,000 18,386 06738E10
 Citicorp (b) 832,000 29,536 17303410
 First Empire State Corp. 86,100 12,011 32007610
 First Fidelity Bancorporation 1,003,414 42,018 32019510
 NationsBank Corp. 221,615 10,444 63858510
 Westpac Banking Corp. 4,750,726 13,309 96121410

277,301

CREDIT & OTHER FINANCE - 2.7%

American Express Co. 665,000 20,864 02581610
 Argentaria Corp. Bancaria de Espana (b) 167,400 7,153 21991392
 Beneficial Corp. 524,600 38,689 08172110
 Corporacion Bancaria de Espana
 SA sponsored ADR (b) 267,000 5,741 21991310
 Dean Witter Discover & Co. 291,924 11,093 24240V10
 GFC Financial Corp. 719,900 19,437 36160910
 Household International, Inc. 615,105 20,298 44181510
 Primerica Corp. 241,724 9,669 74158910

132,944

FEDERAL SPONSORED CREDIT - 1.1%

Federal Home Loan Mortgage Corporation 909,600 43,661 31340030
 Federal National Mortgage Association 50,000 3,775 31358610
 Student Loan Marketing Association 150,000 6,675 86387150

54,111

INSURANCE - 3.7%

ACE Ltd. 683,600 19,910 00499G92
 Allstate Corp. (b) 720,100 21,243 02000210
 American Bankers Insurance Group, Inc. 326,400 7,834 02445610
 American General Corp. 237,200 6,375 02635110
 American Reinsurance Corp. (b) 65,900 1,779 02916310
 Capital Holding Corp. 465,900 17,821 14018610

COMMON STOCKS - CONTINUED

SHARES VALUE (NOTE 1)

(000S)

FINANCE - CONTINUED

INSURANCE - CONTINUED

Exel Ltd. 446,200 \$ 19,354 30161610
 Loews Corp. 520,600 48,155 54042410
 Midocean Reinsurance Ord. (b) 300,000 6,413 59899993
 PennCorp. Financial Group, Inc. 309,900 5,888 70809410
 Sedgwick Group 585,621 1,653 81482610
 St. Paul Companies, Inc. (The) 274,000 24,317 79286010
 Torchmark Corp. 52,500 2,310 89102710
 Willis Coroon PLC Ord. (b) 352,000 1,242 97062410

184,294

SAVINGS & LOANS - 1.3%

Ahmanson (H.F.) & Co. 1,544,700 29,156 00867710
 Golden West Financial Corp. 172,700 6,671 38131710
 Standard Federal Bank 1,073,600 30,866 85338910

66,693

SECURITIES INDUSTRY - 0.2%

Paine Webber Group, Inc. 467,600 12,450 69562910

TOTAL FINANCE 727,793

HEALTH - 2.1%

DRUGS & PHARMACEUTICALS - 0.3%

Upjohn Co. 473,700 14,803 91530210

MEDICAL EQUIPMENT & SUPPLIES - 0.1%

Johnson & Johnson 100,000 4,363 47816010

MEDICAL FACILITIES MANAGEMENT - 1.7%

Columbia Healthcare Corp. 659,900 19,137 19767910

HCA - Hospital Corporation of America Class A (b) 2,191,400 64,646

40412010

83,783

TOTAL HEALTH 102,949

INDUSTRIAL MACHINERY & EQUIPMENT - 3.2%

ELECTRICAL EQUIPMENT - 1.3%

Alcatel Alsthom CGE 65,000 8,523 01390492

General Electric Co. 332,100 32,629 36960410
Intel Corp. (b) 95,554 2,449 46564210
COMMON STOCKS - CONTINUED

SHARES VALUE (NOTE 1)
(000S)

INDUSTRIAL MACHINERY & EQUIPMENT - CONTINUED
ELECTRICAL EQUIPMENT - CONTINUED
Philips Electronics 869,700 \$ 16,907 71833799
Philips NV (NY shs.) (b) 314,000 6,123 71833750
66,631
INDUSTRIAL MACHINERY & EQUIPMENT - 1.9%
Caterpillar, Inc. 603,400 51,439 14912310
Deere & Co. 298,000 21,121 24419910
Tenneco, Inc. 468,500 22,547 88037010
95,107
TOTAL INDUSTRIAL MACHINERY & EQUIPMENT 161,738
MEDIA & LEISURE - 1.2%
LEISURE DURABLES & TOYS - 0.2%
Huffy Corp. 188,100 3,409 44435610
Outboard Marine Corp. 290,700 5,596 69002010
9,005
PUBLISHING - 1.0%
Dow Jones & Co Inc. 474,800 17,033 26056110
MacClean Hunter Ltd. 1,151,200 10,234 55474980
Times Mirror Co., Series A 755,400 23,607 88736010
50,874
TOTAL MEDIA & LEISURE 59,879
NONDURABLES - 3.8%
BEVERAGES - 0.2%
Seagram Co. Ltd. 367,100 10,169 81185010
FOODS - 1.2%
ConAgra, Inc. 1,531,400 40,965 20588710
Dole Food, Inc. 749,200 19,573 25660510
60,538
HOUSEHOLD PRODUCTS - 0.9%
Avon Products, Inc. 628,800 31,361 05430310
Orkla AS:
Class A Free shares 206,500 7,308 39299193
Class B (non-vtg.) 178,450 6,100 39299192
Stanhome, Inc. 21,300 708 85442510
45,477
COMMON STOCKS - CONTINUED

SHARES VALUE (NOTE 1)
(000S)

NONDURABLES - CONTINUED
TOBACCO - 1.5%
American Brands, Inc. 115,300 \$ 3,963 02470310
Imasco Ltd. 320,300 9,202 45245170
Philip Morris Companies, Inc. 1,084,300 60,586 71815410
RJR Nabisco Holdings Corp. (b) 223,100 1,450 74960K10
75,201
TOTAL NONDURABLES 191,385
RETAIL & WHOLESALE - 4.2%
APPAREL STORES - 1.0%
Charming Shoppes, Inc. 997,500 13,466 16113310
Edison Brothers Stores, Inc. 351,300 11,110 28087510
Limited, Inc. (The) 1,155,000 26,276 53271610
50,852
GENERAL MERCHANDISE STORES - 2.2%
Dayton Hudson Corp. 753,800 53,803 23975310
Dillard Department Stores, Inc. Class A 410,500 16,933 25406310
Federated Department Stores, Inc. (b) 777,600 17,010 31410J10
Penney (J.C.) Co., Inc. 200,000 10,675 70816010
Sears, Roebuck & Co. 150,400 8,178 81238710
106,599
GROCERY STORES - 0.8%
American Stores Co. 190,300 7,874 03009610
Great Atlantic & Pacific Tea Co., Inc. 1,054,300 29,256 39006410
Stop & Shop Companies, Inc. (b) 168,400 2,947 86209910
40,077
RETAIL & WHOLESALE, MISCELLANEOUS - 0.2%
Sotheby's Holdings, Inc. Class A 743,500 10,967 83589810
Wolohan Lumber Co. 95,860 1,486 97786510
12,453
TOTAL RETAIL & WHOLESALE 209,981
COMMON STOCKS - CONTINUED

SHARES VALUE (NOTE 1)
(000S)

SERVICES - 0.4%
 ADVERTISING - 0.1%
 Saatchi & Saatchi Co. (b):
 sponsored ADR 182,300 \$ 1,413 78514340
 PLC Ord. 2,027,600 5,423 78514310
 6,836
 PRINTING - 0.3%
 Harland (John H.) Co. 358,200 8,238 41269310
 Nashua Corp. 87,500 2,352 63122610
 Standard Register Co. 90,400 1,831 85388710
 12,421
 TOTAL SERVICES 19,257
 TECHNOLOGY - 2.1%
 COMPUTERS & OFFICE EQUIPMENT - 0.9%
 Comdisco, Inc. 591,500 10,869 20033610
 Digital Equipment Corp. (b) 510,000 18,806 25384910
 Stratus Computer, Inc. (b) 357,100 9,597 86315510
 Tandem Computers, Inc. (b) 539,300 5,595 87537010
 44,867
 ELECTRONICS - 0.4%
 Hitachi, Ltd. 2,641,000 18,597 43357810
 PHOTOGRAPHIC EQUIPMENT - 0.8%
 Polaroid Corp. 1,147,100 40,579 73109510
 TOTAL TECHNOLOGY 104,043
 TRANSPORTATION - 2.7%
 RAILROADS - 2.7%
 Burlington Northern, Inc. 206,000 11,819 12189710
 CSX Corp. 339,700 28,195 12640810
 Chicago & North Western Holdings Corp. (b) 892,300 21,192 16715510
 Illinois Central Corp., Series A 1,045,800 34,642 45184110
 Union Pacific Corp. 603,200 38,304 90781810
 134,152
 COMMON STOCKS - CONTINUED

SHARES VALUE (NOTE 1)
 (000S)

UTILITIES - 4.4%
 ELECTRIC UTILITY - 3.9%
 Central & South West Corp. 521,700 \$ 15,521 15235710
 DPL, Inc. 341,250 6,612 23329310
 DQE, Inc. 202,100 6,821 23329J10
 Entergy Corp. 1,315,100 48,494 29364F10
 Houston Industries, Inc. 558,600 25,346 44216110
 Illinois Power Co. 1,103,000 24,266 45209210
 NIPSCO Industries, Inc. 594,400 18,872 62914010
 Niagara Mohawk Power Corp. 113,800 2,333 65352210
 PSI Resources, Inc. 209,200 5,387 69363210
 PacifiCorp. 707,500 13,443 69511410
 Pinnacle West Capital Corp. (b) 251,700 5,317 72348410
 Rochester Gas & Electric Corp. 203,100 5,331 77136710
 Texas Utilities Co. 360,657 15,418 88284810
 Union Electric Co. 122,700 4,739 90654810
 197,900
 GAS - 0.4%
 MCN Corp. 50,000 1,738 55267J10
 Pacific Enterprises 153,000 3,921 69423210
 UGI Corporation 172,354 3,770 90268110
 Westcoat Energy, Inc. 770,000 12,682 95751D10
 22,111
 TELEPHONE SERVICES - 0.1%
 Comsat Corp., Series 1 95,000 3,004 20564D10
 TOTAL UTILITIES 223,015
 TOTAL COMMON STOCKS
 (Cost \$3,152,762) 3,445,644
 PREFERRED STOCKS - 5.1%

CONVERTIBLE PREFERRED STOCKS - 4.9%
 BASIC INDUSTRIES - 0.2%
 METALS & MINING - 0.2%
 Alumax, Inc., Series A, \$4.00 98,166 9,129 02219720
 PREFERRED STOCKS - CONTINUED

SHARES VALUE (NOTE 1)
 (000S)

CONVERTIBLE PREFERRED STOCKS - CONTINUED
 DURABLES - 0.8%
 AUTOS, TIRES, & ACCESSORIES - 0.8%
 Chrysler Corp., Series A, \$4.625 (e) 45,100 \$ 6,697 17119670
 Ford Motor Co. (Del.), Series A, \$4.20 331,100 33,938 34537020
 40,635
 ENERGY - 0.9%

OIL & GAS - 0.9%
 Occidental Petroleum Corp. \$3.875 (e) 305,000 16,318 67459982
 Unocal Corp. \$3.50 (b)(e) 504,600 29,266 91528920
 45,584
 FINANCE - 0.9%
 BANKS - 0.9%
 Citicorp \$5.375 (b)(e) 432,300 46,040 17303451
 SAVINGS & LOANS - 0.0%
 California Federal Bank, Series A, \$1.94 19,200 324 13020940
 TOTAL FINANCE 46,364
 NONDURABLES - 0.1%
 TOBACCO - 0.1%
 RJR Nabisco Holdings Corp., Series A,
 depository shares representing 1/4 share (b) 830,200 5,708 74960K40
 TRANSPORTATION - 2.0%
 AIR TRANSPORTATION - 2.0%
 AMR Corp. \$3.00 (b)(e) 1,110,300 57,458 00176588
 UAL, Inc. (cumulative) 6 1/4% (e) 360,100 42,267 90254930
 99,725
 TOTAL CONVERTIBLE PREFERRED STOCKS 247,145
 PREFERRED STOCKS - CONTINUED

SHARES VALUE (NOTE 1)
 (000S)

NONCONVERTIBLE PREFERRED STOCKS - 0.2%
 ENERGY - 0.0%
 OIL & GAS - 0.0%
 Gulf Canada Resources Ltd. sr. Series 1, adj. rate 410,232 \$ 1,077
 40218L40
 Gulf Canada Resources Ltd. (b)(d) 11,768 34 40218L92
 1,111
 FINANCE - 0.2%
 SAVINGS & LOANS - 0.2%
 Ahmanson (H.F.) & Co. depository shares
 representing 1/2 share pref. B 9.6% 265,161 7,159 00867730
 TOTAL NONCONVERTIBLE PREFERRED STOCKS 8,270
 TOTAL PREFERRED STOCKS
 (Cost \$227,004) 255,415
 CORPORATE BONDS - 4.7%

MOODY'S RATINGS (C) PRINCIPAL
 (UNAUDITED) AMOUNT (A) (000S)

CONVERTIBLE BONDS - 1.8%
 CONGLOMERATES - 0.2%
 American Group Ltd.:
 euro 6 1/4%, 6/15/03 - \$ 2,000 1,830 0235129B
 6 1/4%, 6/15/03 (e) - 5,000 4,475 023512AA
 Gencorp, Inc. 8%, 8/1/02 Ba3 2,000 2,255 368682AC
 8,560
 CONSTRUCTION & REAL ESTATE - 0.0%
 REAL ESTATE INVESTMENT TRUSTS - 0.0%
 Sizeler Property Investors, Inc.
 8%, 7/15/03 - 1,000 1,008 830137AA
 DURABLES - 0.1%
 AUTOS, TIRES, & ACCESSORIES - 0.1%
 Magna International, Inc.
 10%, 5/1/01 (e) - 1,345 6,819 559222AC
 CORPORATE BONDS - CONTINUED

MOODY'S RATINGS (C) PRINCIPAL VALUE (NOTE 1)
 (UNAUDITED) AMOUNT (A) (000S) (000S)

CONVERTIBLE BONDS - CONTINUED
 ENERGY - 0.1%
 OIL & GAS - 0.1%
 Alaska Intermediate 8 1/4%,
 12/1/95 - \$ 300 \$ 299 9047889B
 USX-Marathon Group
 0%, 8/9/05 BB 4,000 1,685 902905AG
 1,984
 FINANCE - 0.7%
 BANKS - 0.6%
 Banco Santander euro 9%,
 6/24/94 A ESP 310,000 2,535 0595749B
 Bank of New York Co., Inc.
 7 1/2%, 8/15/01 A2 18,000 27,945 064057AK
 30,480
 CREDIT & OTHER FINANCE - 0.1%
 Lend Lease Finance International Ltd. gtd.
 bond 4 3/4%, 6/1/03 (e) Aa 3,550 4,020 526025AA
 TOTAL FINANCE 34,500
 MEDIA & LEISURE - 0.1%

BROADCASTING - 0.1%
Time Warner, Inc. liquid yield option 0%,
6/22/13 BBB 8,055 3,303 887315AS
PUBLISHING - 0.0%
News Corp./Pearson euro 5%, 3/15/99 - DEM 3,175 2,129 7050999B
TOTAL MEDIA & LEISURE 5,432
RETAIL & WHOLESALE - 0.0%
GENERAL MERCHANDISE STORES - 0.0%
Caseys General Stores Inc. 6 1/4%,
5/1/12 B 700 820 147528AA
SERVICES - 0.2%
Manpower, Inc. 6 1/4%, 10/1/02 (e) Ba 11,540 12,463 56418HAA
CORPORATE BONDS - CONTINUED

MOODY'S RATINGS (C) PRINCIPAL VALUE (NOTE 1)
(UNAUDITED) AMOUNT (A) (000S) (000S)
CONVERTIBLE BONDS - CONTINUED

TECHNOLOGY - 0.1%
PHOTOGRAPHIC EQUIPMENT - 0.1%
Eastman Kodak Co. liquid yield option 0%,
10/15/11 Baa1 \$ 17,000 \$ 5,971 277461BA
TRANSPORTATION - 0.3%
AIR TRANSPORTATION - 0.3%
Alaska Air Group, Inc. liquid yield option 0%,
4/18/06 B 27,500 10,656 011659AC
TRUCKING & FREIGHT - 0.0%
Builders Transport, Inc. 8%, 8/15/05 B 618 609 120084AA
TOTAL TRANSPORTATION 11,265
TOTAL CONVERTIBLE BONDS 88,822
NONCONVERTIBLE BONDS - 2.9%
BASIC INDUSTRIES - 0.4%
CHEMICALS & PLASTICS - 0.3%
du Pont (E.I.) de Nemours & Co. euro
9%, 7/18/94 Aa 2,000 2,060 263991AG
IMC Fertilizer Group, Inc.:
10 1/8, 6/15/01 B 10,000 10,400 449669AF
9.45%, 12/15/11 B 3,000 2,955 449669AB
15,415
IRON & STEEL - 0.1%
Inland Steel Industries, Inc. 12 3/4%,
12/15/02 Ba 4,000 4,575 457472AB
TOTAL BASIC INDUSTRIES 19,990
CONGLOMERATES - 0.3%
Coltec Industries, Inc. 10 1/4%, 4/1/02 Ba 6,750 7,155 196879AB
Sequa Corp. 10 1/2%, 5/1/98 B 6,300 6,536 817320AC
13,691
CORPORATE BONDS - CONTINUED

MOODY'S RATINGS (C) PRINCIPAL VALUE (NOTE 1)
(UNAUDITED) AMOUNT (A) (000S) (000S)

NONCONVERTIBLE BONDS - CONTINUED
CONSTRUCTION & REAL ESTATE - 0.2%
BUILDING MATERIALS - 0.2%
USG Corp.:
10 1/4%, 12/15/02 B \$ 2,500 \$ 2,563 903293AK
10 1/4%, 12/15/02 B 8,000 8,200 903293AL
10,763
DURABLES - 0.0%
AUTOS, TIRES, & ACCESSORIES - 0.0%
Auburn Hills Trust gtd. exchangeable 15 7/8%,
5/1/20 Baa 1,100 1,656 050297AA
ENERGY - 0.3%
ENERGY SERVICES - 0.1%
TransTexas Gas Corp. 10 1/2%, 9/1/00 B 4,000 4,280 893895AA
OIL & GAS - 0.2%
Atlantic Richfield Co. notes 10 3/8%,
7/15/1995 A 500 544 048825AM
BP America, Inc. gtd. 10.15%, 3/15/96 A 1,500 1,662 055625AH
Chevron Corp. Profit Sharing/Savings Plan
Trust Fund gtd. 6.92%, 1/1/96 Aa 2,000 2,045 16675HAD
Mesa Capital Corp. (f):
0%, 6/30/96 - 2,000 1,600 590910AD
secured 0%, 6/30/98 - 7,500 6,450 590910AF
12,301
TOTAL ENERGY 16,581
FINANCE - 1.4%
BANKS - 0.1%
Keycorp 8.55%, 2/25/94 A2 1,000 1,011 49326EAF
Morgan (J.P.) & Co., Inc. 5 3/8%, 1/21/95 Aa 2,000 2,029 6168809D
Republic National Bank New York
5.20%, 1/17/95 Aa 2,000 2,021 760677BE

MOODY'S RATINGS (C) PRINCIPAL VALUE (NOTE 1)
(UNAUDITED) AMOUNT (A) (000S) (000S)
NONCONVERTIBLE BONDS - CONTINUED
FINANCE - CONTINUED
CREDIT & OTHER FINANCE - 0.2%
AT&T Capital Corp. 5.22%, 2/18/94 Aa \$ 2,000 \$ 2,000 00206J9B
Chrysler Financial Corp. 9 1/2%, 12/15/99 Baa 5,000 5,773 171205CY
Exxon Capital Corp. gtd. 7 3/4%, 2/14/96 Aaa 2,000 2,127 302289AJ
9,900
INSURANCE - 1.0%
American Reinsurance 10 7/8%, 9/15/04 Baa 22,000 26,107 029163AA
ICH Corp. 9 3/4%, 8/31/94 B 2,500 2,556 449264AA
ITT Hartford Group, Inc. 7 1/4%, 12/1/96 A 1,500 1,585 45068HAB
Phoenix Reinsurance Corp. 9 3/4%, 08/15/03 Ba 5,300 5,565 719123AA
Reliance Group 9%, 11/15/00 Ba 13,900 14,039 759464AG
49,852
SAVINGS & LOANS - 0.1%
Coast Savings Financial, Inc. 10%, 4/1/00 B 4,000 4,210 19039MAA
TOTAL FINANCE 69,023
MEDIA & LEISURE - 0.0%
PUBLISHING - 0.0%
News America Holdings, Inc. 12%,
12/15/01 Ba 950 1,148 652478AB
NONDURABLES - 0.0%
BEVERAGES - 0.0%
Coca-Cola Company (The) 12 1/8%,
6/15/95 Aa 1,000 1,064 191216AB
TRANSPORTATION - 0.1%
AIR TRANSPORTATION - 0.1%
US Air, Inc. 9 5/8%, 9/1/94 Ba 4,000 4,030 91154RAB
UTILITIES - 0.2%
ELECTRIC UTILITY - 0.2%
Carolina Power & Light Co. 5.20%, 1/1/95 A 2,000 2,022 144141BU
Long Island Lighting Co. 10 1/4%, 6/15/94 Baa 2,000 2,060 542671CB
Ontario Hydro gtd. 9 1/4%, 5/1/95 Aa 1,000 1,066 683078DM
CORPORATE BONDS - CONTINUED

MOODY'S RATINGS (C) PRINCIPAL VALUE (NOTE 1)
(UNAUDITED) AMOUNT (A) (000S) (000S)
NONCONVERTIBLE BONDS - CONTINUED
UTILITIES - CONTINUED
ELECTRIC UTILITY - CONTINUED
Philadelphia Electric Co. 1st & ref. mtg.
4 1/2%, 5/1/94 Baa \$ 2,250 \$ 2,250 717537AN
Southern California Edison Co. 5.55%, 2/1/95 Aa 2,000 2,030 842400CW
9,428
TOTAL NONCONVERTIBLE BONDS 147,374
TOTAL CORPORATE BONDS
(Cost \$225,352) 236,196
U.S. TREASURY OBLIGATIONS - 8.1%

Bills, Yields at date of purchase,
3.13% - 3.15%, 2/4/94 to 2/24/94 400,000 396,878 99399H5Q
8 7/8%, 2/15/94 Aaa 50 51 912827WY
9 1/2%, 10/15/94 Aaa 3,000 3,149 912827VK
9 1/4%, 1/15/96 Aaa 2,000 2,201 912827XB
7 7/8% 7/31/96 Aaa 2,000 2,168 912827B7
TOTAL U.S. TREASURY OBLIGATIONS
(Cost \$404,712) 404,447
FOREIGN GOVERNMENT OBLIGATIONS - 1.4%

Canadian Government:
7 1/2%, 3/6/94 Aaa CAD 1,800 1,359 136992JQ
8 1/4%, 3/1/97 Aaa CAD 1,200 969 136992JW
Mexican Government:
Adjustabono 7 3/4%, 1/20/94 - MXN 6,713 3,071 597998SK
Cetes 0%, 1/6/94 to 4/7/94 - MXN 201,894 63,319 597998TC
TOTAL FOREIGN GOVERNMENT OBLIGATIONS
(Cost \$67,653) 68,718
COMMERCIAL PAPER - 0.3%

Bancomer SNC 0%, 2/3/94 MXN 32,319 10,142 05999KBE
Nacional Financiera SNC 0%, 6/2/94 MXN 21,973 6,629 66299CAH
TOTAL COMMERCIAL PAPER
(Cost \$16,669) 16,771
REPURCHASE AGREEMENT - 11.7%

MATURITY VALUE (NOTE 1)

AMOUNT (000S)
(000S)

Investments in repurchase agreements
(U.S. Treasury obligations), in a
joint trading account at 3.24%
dated 11/30/93 due 12/1/93 \$585,740 \$ 585,687
TOTAL INVESTMENTS - 100.0%
(Cost \$4,679,839) \$ 5,012,878
CURRENCY TYPE ABBREVIATIONS

CAD - Canadian dollar
MXN - Mexican peso
ESP - Spanish peseta
DEM - German Deutsche mark

LEGEND

1. Principal amount is stated in United States dollars unless otherwise noted.
2. Non-income producing
3. Standard & Poor's Corporation credit ratings are used in the absence of a rating by Moody's Investors Service, Inc.
4. Restricted securities - investment in securities not registered under the Securities Act of 1933 (see Note 2 of Notes to Financial Statements).

Additional information on this holding is as follows:

ACQUISITION ACQUISITION

SECURITY DATE COST

Gulf Canada

Resources, Ltd. 11/3/93 \$ 29,000

5. Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At the period end, the value of these securities amounted to \$225,823,000 or 4.7% of net assets.

(f) The coupon rate shown on floating or adjustable rate securities represents the rate at period end.

OTHER INFORMATION

Distribution of investments by country, as a percentage of total value of investments in securities, is as follows:

United States 81.0%
United Kingdom 5.9
Canada 3.5
Netherlands 2.7
Mexico 1.7
France 1.1
Others (individually less than 1%) 4.1
TOTAL 100.0%

INCOME TAX INFORMATION

At November 30, 1993, the aggregate cost of investment securities for income tax purposes was \$4,680,451,000. Net unrealized appreciation aggregated \$332,427,000, of which \$435,609,000 related to appreciated investment securities and \$103,182,000 related to depreciated investment securities.

The fund hereby designates \$25,352,000 as a capital gain dividend for the purpose of the dividend paid deduction.

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

<TABLE>

<CAPTION>

<S>

<C>

<C>

AMOUNTS IN THOUSANDS (EXCEPT PER-SHARE AMOUNTS) NOVEMBER 30, 1993

ASSETS

Investment in securities, at value (including repurchase agreements of \$585,687) (cost \$4,679,839) (Notes 1 and 2) - See accompanying schedule		\$ 5,012,878
Receivable for investments sold		60,892
Receivable for fund shares sold		17,092
Dividends receivable		11,768
Interest receivable		4,566
Other receivables		19
TOTAL ASSETS		5,107,215

LIABILITIES

Payable for investments purchased	\$ 277,725
Payable for fund shares redeemed	10,512
Accrued management fee	2,094
Other payables and accrued expenses	1,990
TOTAL LIABILITIES	292,321
NET ASSETS	\$ 4,814,894
Net Assets consist of:	
Paid in capital	\$ 4,227,817
Undistributed net investment income	37,905
Accumulated undistributed net realized gain (loss) on investments	216,133
Net unrealized appreciation (depreciation) on investment securities	333,039
NET ASSETS, for 255,388 shares outstanding	\$ 4,814,894
NET ASSET VALUE, offering price and redemption price per share (\$4,814,894 (divided by) 255,388 shares)	\$18.85

</TABLE>

STATEMENT OF OPERATIONS

<TABLE>

<CAPTION>

<S>

AMOUNTS IN THOUSANDS YEAR ENDED NOVEMBER 30, 1993

	<C>	<C>
INVESTMENT INCOME		\$ 86,739
Dividends		
Interest		40,119
TOTAL INCOME		126,858
EXPENSES		
Management fee (Note 4)	\$ 18,696	
Transfer agent fees (Note 4)	10,129	
Accounting fees and expenses (Note 4)	762	
Non-interested trustees' compensation	21	
Custodian fees and expenses	363	
Registration fees	1,041	
Audit	96	
Legal	32	
Miscellaneous	335	
Total expenses before reductions	31,475	
Expense reductions (Note 5)	(108)	31,367
NET INVESTMENT INCOME		95,491
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS (NOTES 1 AND 3)		207,418
Net realized gain (loss) on investment securities		
Change in net unrealized appreciation (depreciation) on investment securities		234,493

NET GAIN (LOSS)	441,911
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 537,402

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>

<CAPTION>

<S>

AMOUNTS IN THOUSANDS

<C>

YEARS ENDED NOVEMBER 30,

<C>

1993

1992

INCREASE (DECREASE) IN NET ASSETS

Operations	\$ 95,491	\$ 32,277
Net investment income		
Net realized gain (loss) on investments	207,418	53,780
Change in net unrealized appreciation (depreciation) on investments	234,493	94,616
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	537,402	180,673
Distributions to shareholders from:		
Net investment income	(71,676)	(19,098)
Net realized gain	(45,921)	(3,099)
Share transactions		
Net proceeds from sales of shares	3,502,848	1,977,114
Reinvestment of distributions from:		
Net investment income	69,446	18,507
Net realized gain	45,020	3,018
Cost of shares redeemed	(1,164,550)	(506,981)
Net increase (decrease) in net assets resulting from share transactions	2,452,764	1,491,658
TOTAL INCREASE (DECREASE) IN NET ASSETS	2,872,569	1,650,134

NET ASSETS

Beginning of period	1,942,325	292,191
End of period (including undistributed net investment income of \$37,905 and \$14,090, respectively)	\$ 4,814,894	\$ 1,942,325

OTHER INFORMATION

Shares

Sold	196,097	127,494
Issued in reinvestment of distributions from:		
Net investment income	3,936	1,210
Net realized gain	2,746	216
Redeemed	(64,583)	(32,792)
Net increase (decrease)	138,196	96,128

</TABLE>

FINANCIAL HIGHLIGHTS

<TABLE>

<CAPTION>

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	1993	1992	1991	1990
SELECTED PER-SHARE DATA				
Net asset value, beginning of period	\$ 16.57	\$ 13.87	\$ 10.18	\$ 10.00
Income from Investment Operations				
Net investment income	.44	.40	.45 (dagger) (dagger)	.03
Net realized and unrealized gain (loss) on investments	2.62	2.75	3.76	.15
Total from investment operations	3.06	3.15	4.21	.18
Less Distributions				
From net investment income	(.41)	(.32)	(.44)	-
From net realized gain	(.37)	(.13)	(.08)	-
Total distributions	(.78)	(.45)	(.52)	-
Net asset value, end of period	\$ 18.85	\$ 16.57	\$ 13.87	\$ 10.18
TOTAL RETURN (dagger)	19.08 %	23.18 %	42.01%	1.80% (double dagger)
RATIOS AND SUPPLEMENTAL DATA				
Net assets, end of period (in millions)	\$ 4,815	\$ 1,942	\$ 292	\$ 3
Ratio of expenses to average net assets	.88 %	1.01 %	1.52%	2.50%* (double dagger)
Ratio of expenses to average net assets before expense reductions (diamond)	.89 %	1.01 %	1.52%	2.50%*
Ratio of net investment income to average net assets	2.69 %	3.09 %	3.83%	3.89%*
Portfolio turnover rate	55 %	89 %	206%	167%*

</TABLE>

* ANNUALIZED

(double dagger) DURING THE PERIOD AUGUST 21, 1990 (COMMENCEMENT OF OPERATIONS) TO NOVEMBER 30, 1990, EXPENSES WERE LIMITED IN ACCORDANCE WITH A STATE EXPENSE LIMITATION. TOTAL RETURNS WOULD HAVE BEEN LOWER HAD THIS LIMITATION NOT BEEN IN EFFECT.

(dagger) TOTAL RETURNS FOR PERIODS OF LESS THAN ONE YEAR ARE NOT ANNUALIZED.

(dagger) (dagger) NET INVESTMENT INCOME PER SHARE REFLECTS \$.12 PER SHARE RELATING TO A NONRECURRING INITIATIVE TO INVEST IN DIVIDEND INCOME PRODUCING SECURITIES WHICH WAS IN EFFECT FOR A PORTION OF 1991.

(diamond) SEE NOTE 5 OF NOTES TO FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

For the period ended November 30, 1993

1. SIGNIFICANT ACCOUNTING POLICIES.

Fidelity Equity-Income II Fund (the fund) is a fund of Fidelity Financial Trust (the trust) and is authorized to issue an unlimited number of shares. The trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust. The following summarizes the significant accounting policies of the fund:

SECURITY VALUATION. Securities for which exchange quotations are readily available are valued at the last sale price, or if no sale price, at the closing bid price. Securities (including restricted securities) for which

exchange quotations are not readily available (and in certain cases debt securities which trade on an exchange), are valued primarily using dealer-supplied valuations or at their fair value as determined in good faith under consistently applied procedures under the general supervision of the Board of Trustees. Short-term securities maturing within sixty days are valued at amortized cost or original cost plus accrued interest, both of which approximate current value.

FOREIGN CURRENCY TRANSLATION. The accounting records of the fund are maintained in U.S. dollars. Investment securities, other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current exchange rate. Purchases and sales of securities, income receipts and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions.

It is not practical to identify the portion of each amount shown in the fund's Statement of Operations under the caption "Realized and Unrealized Gain (Loss) on Investments" that arises from changes in foreign currency exchange rates. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates.

INCOME TAXES. As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the fund is not subject to income taxes to the extent that it distributes all of its taxable income for its fiscal year. The schedule of investments includes information regarding income taxes under the caption "Income Tax Information."

INVESTMENT INCOME. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, are recorded as soon as the fund is informed of the ex-dividend date. Interest income is accrued as earned. Dividend and interest income is recorded net of foreign taxes where recovery of such taxes is not assured.

EXPENSES. Most expenses of the trust can be directly attributed to a fund. Expenses which cannot be directly attributed are apportioned between the funds in the trust.

DISTRIBUTIONS TO SHAREHOLDERS. Distributions are recorded on the ex-dividend date.

1. SIGNIFICANT ACCOUNTING

POLICIES - CONTINUED

SECURITY TRANSACTIONS. Security transactions are accounted for as of trade date. Gains and losses on securities sold are determined on the basis of identified cost.

2. OPERATING POLICIES.

FORWARD FOREIGN CURRENCY CONTRACTS. The fund may enter into forward foreign currency contracts. These contracts involve market risk in excess of the amount reflected in the fund's Statement of Assets and Liabilities. The face or contract amount in U.S. dollars reflects the total exposure the fund has in that particular currency contract. The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

Purchases and sales of forward foreign currency contracts having the same settlement date and broker are offset and presented net on the Statement of Assets and Liabilities. Gain (loss) on the purchase or sale of forward foreign currency contracts having the same settlement date and broker is recognized on the date of offset, otherwise gain (loss) is recognized on settlement date.

REPURCHASE AGREEMENTS. The fund, through its custodian, receives delivery of the underlying securities, whose market value is required to be at least 102% of the resale price at the time of purchase. The fund's investment adviser, Fidelity Management & Research Company (FMR), is responsible for determining that the value of these underlying securities remains at least equal to the resale price.

JOINT TRADING ACCOUNT. Pursuant to an Exemptive Order issued by the Securities and Exchange Commission (SEC), the fund, along with other registered investment companies having management contracts with FMR, may transfer uninvested cash balances into a joint trading account. These balances are invested in one or more repurchase agreements that are collateralized by U.S. Treasury or Federal Agency obligations.

RESTRICTED SECURITIES. The fund is permitted to invest in privately placed restricted securities. These securities may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at an acceptable price may be difficult. At the end of the period, restricted securities (excluding 144A issues) amounted to \$34,000 or 0.0% of net assets.

3. PURCHASES AND SALES OF

INVESTMENTS.

Purchases and sales of securities, other than short-term securities, aggregated \$3,531,065,000 and \$1,621,122,000, respectively, of which sales of U.S. government and government agency obligations aggregated \$36,389,000.

4. FEES AND OTHER TRANSACTIONS WITH AFFILIATES.

MANAGEMENT FEE. As the fund's investment adviser, FMR receives a monthly fee that is calculated on the basis of a group fee rate plus a fixed individual fund fee rate applied to the average net assets of the fund. The group fee rate is the weighted average of a series of rates ranging from .31% to .52% and is based on the monthly average net assets of all the mutual funds advised by FMR. The annual individual fund fee rate is .20%. For the period, the management fee was equivalent to an annual rate of .53% of average net assets.

The Board of Trustees approved a new group fee rate schedule with rates ranging from .2850% to .5200% FMR has voluntarily agreed to implement this new group fee rate schedule as it results in the same or a lower management fee.

DISTRIBUTION AND SERVICE PLAN. Pursuant to the Distribution and Service Plan (the Plan), and in accordance with Rule 12b-1 of the 1940 Act, FMR or the fund's distributor, Fidelity Distributors Corporation (FDC), an affiliate of FMR, may use their resources to pay administrative and promotional expenses related to the sale of the fund's shares. Subject to the approval of the Board of Trustees, the Plan also authorizes payments to third parties that assist in the sale of the fund's shares or render shareholder support services. FMR or FDC has informed the fund that payments made to third parties under the Plan amounted to \$23,000 for the period.

TRANSFER AGENT FEE. Fidelity Service Co. (FSC), an affiliate of FMR, is the fund's transfer, dividend disbursing and shareholder servicing agent. FSC receives fees based on the type, size, number of accounts and the number of transactions made by shareholders. FSC pays for typesetting, printing and mailing of all shareholder reports, except proxy statements.

ACCOUNTING FEE. FSC maintains the fund's accounting records. The fee is based on the level of average net assets for the month plus out-of-pocket expenses.

BROKERAGE COMMISSIONS. The fund placed a portion of its portfolio transactions with brokerage firms which are affiliates of FMR. The commissions paid to these affiliated firms were \$1,812,000 for the period.

5. EXPENSE REDUCTIONS.

FMR has directed certain portfolio trades to brokers who paid a portion of the fund's expenses. For the period, the fund's expenses were reduced by \$108,000 under this arrangement.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Trustees of Fidelity Financial Trust and the Shareholders of Fidelity Equity-Income II Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments (except for Moody's and Standard & Poor's ratings), and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Fidelity Equity-Income II Fund (a fund of Fidelity Financial Trust) at November 30, 1993, the results of its operations for the year then ended, the changes in its net assets and the financial highlights for the periods indicated in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fidelity Equity-Income II Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities owned at November 30, 1993 by correspondence with the custodian and brokers and the application of alternative auditing procedures where confirmations from brokers were not received, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE

Boston, Massachusetts

January 6, 1994

TO CALL FIDELITY

FOR FUND INFORMATION AND QUOTES

The Fidelity Telephone Connection offers you special automated telephone services for quotes and balances. The services are easy to use, confidential and quick. All you need is a Touch Tone telephone.

YOUR PERSONAL IDENTIFICATION NUMBER

(PIN)

The first time you call one of our automated telephone services, we'll ask you

to set up your Personal Identification

Number (PIN). The PIN assures that only you have automated telephone access to your account information. Please have your Customer Number (T-account #) handy when you call -- you'll need it to establish your PIN. If you would ever like to change your PIN, just choose the "Change your Personal Identification Number" option when you call. If you forget your PIN, please call a Fidelity representative at 1-800-544-6666 for assistance.

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Fidelity Investments
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Fidelity Investments
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