

Fidelity® Variable Insurance Products: Contrafund Portfolio

Annual Report
December 31, 2009



Contents

| | | |
|--|-----------|---|
| Performance | 3 | How the fund has done over time. |
| Management's Discussion | 4 | The managers' review of fund performance, strategy and outlook. |
| Shareholder Expense Example | 5 | An example of shareholder expenses. |
| Investment Changes | 6 | A summary of major shifts in the fund's investments over the past six months. |
| Investments | 7 | A complete list of the fund's investments with their market values. |
| Financial Statements | 16 | Statements of assets and liabilities, operations, and changes in net assets, as well as financial highlights. |
| Notes | 21 | Notes to the financial statements. |
| Report of Independent Registered Public Accounting Firm | 27 | |
| Trustees and Officers | 28 | |
| Distributions | 32 | |
| Board Approval of Investment Advisory Contracts and Management Fees | 33 | |

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

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

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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.

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

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

Neither the fund nor Fidelity Distributors Corporation is a bank.

Performance: The Bottom Line

Average annual total return reflects the change in the value of an investment, assuming reinvestment of the class' dividend income and capital gains (the profits earned upon the sale of securities that have grown in value, if any) and assuming a constant rate of performance each year. During periods of reimbursement by Fidelity, a fund's total return will be greater than it would be had the reimbursement not occurred. Performance numbers are net of all underlying fund operating expenses, but do not include any insurance charges imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total returns would have been lower. How a fund did yesterday is no guarantee of how it will do tomorrow.

Average Annual Total Returns

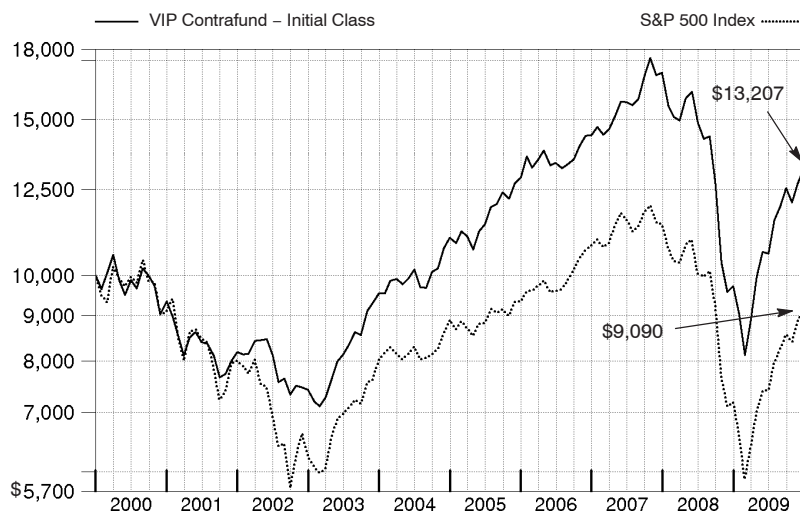
| Periods ended December 31, 2009 | Past 1 year | Past 5 years | Past 10 years |
|---|-------------|--------------|---------------|
| VIP Contrafund – Initial Class | 35.71% | 3.69% | 2.82% |
| VIP Contrafund – Service Class | 35.66% | 3.59% | 2.72% |
| VIP Contrafund – Service Class 2 ^A | 35.47% | 3.43% | 2.57% |
| VIP Contrafund – Investor Class ^B | 35.66% | 3.59% | 2.77% |

^A The initial offering of Service Class 2 shares took place on January 12, 2000. Performance for Service Class 2 shares reflects an asset-based service fee (12b-1 fee). Returns prior to January 12, 2000 are those of Service Class which reflect a different 12b-1 fee. Had Service Class 2's 12b-1 fee been reflected, returns prior to January 12, 2000 may have been lower.

^B The initial offering of Investor Class shares took place on July 21, 2005. Returns prior to July 21, 2005 are those of Initial Class. Had Investor Class's transfer agent fee been reflected, returns prior to July 21, 2005 would have been lower.

\$10,000 Over 10 Years

Let's say hypothetically that \$10,000 was invested in VIP Contrafund Portfolio – Initial Class on December 31, 1999. The chart shows how the value of your investment would have changed, and also shows how the Standard & Poor's 500SM Index (S&P 500[®]) performed over the same period.



Management's Discussion of Fund Performance

Market Recap: In 2009, most global markets saw both crippling lows and considerable highs. After a dismal start, the economy began to show signs of improvement, suggesting that a recovery was on the horizon. Credit markets began to heal as fiscal and monetary stimulus efforts around the world started to take effect, and corporate earnings staged an impressive rebound, fueled in large part by massive cost cutting. As a result, the flight to quality that marked most of 2008 and early 2009 shifted in March as investors flocked to riskier asset categories. The U.S. equity market, as measured by the bellwether Standard & Poor's 500SM Index and the blue-chip proxy Dow Jones Industrial AverageSM, reflected this changing environment, gaining 26.46% and 22.68%, respectively. Meanwhile, the technology-laden Nasdaq Composite[®] Index rose 45.32%. Foreign stocks also produced strong gains, as illustrated by the 31.93% jump of the MSCI[®] EAFE[®] Index (Europe, Australasia, Far East), a gauge of developed stock markets outside the U.S. and Canada. Emerging-markets stocks, which suffered their worst calendar-year performance ever in 2008, posted record returns this past year, with the MSCI Emerging Markets Index soaring 79.02%. A depreciating U.S. dollar helped bolster returns for U.S. investors in foreign equities.

Comments from Robert Stansky, Co-Portfolio Manager and Head of Fidelity's Multi-Manager Group, which manages VIP Contrafund

Portfolio: Performance of the fund was very strong in 2009, with solid stock selection helping us achieve outsized returns in nine of the 10 market sectors represented in the S&P[®] index, which gained 26.46%. (*For specific portfolio results, please refer to the performance section of this report.*) The lone sector that underperformed did so only marginally. Overall, the fund included a mix of companies of varying size, as well as aggressiveness in terms of valuation metrics such as forecasted price-to-earnings (P/E) ratios and price-to-book ratios. Overall performance was strong, reflecting the insights of our sector-focused managers. The top individual contributors included a mix of overweighted and underweighted stocks, with overall sector positioning roughly in line with the benchmark. Energy led the way during the year, as the fund was positioned to benefit from higher energy prices. Our largest boost came from not owning integrated oil giant Exxon Mobil, a large index component that underperformed the energy sector in 2009. Other contributors in energy included Weatherford International, a maker of oil-field services equipment, and an out-of-index stake in oil and gas exploration company Petrohawk Energy. The technology sector also boosted overall performance, with solid stock picks and an overweighting in the semiconductor industry helping the most. Our strongest performers in this industry included Micron Technology and three out-of-benchmark names — Dutch-based ASML Holding, Marvell Technology Group and South Korea's Samsung Electronics. Stock selection in financials also helped, especially Bank of America and US Bancorp. Conversely, we were hurt by underexposure to some strong names in technology hardware/equipment and software/services, including Apple, IBM and Google. Some of the stocks mentioned were sold by period end.

Note to shareholders: Nathan Strik will become Co-Manager of the fund's energy sector investments on January 11, 2010.

The views expressed above reflect those of the portfolio manager(s) only through the end of the period as stated on the cover of this report and do not necessarily represent the views of Fidelity or any other person in the Fidelity organization. Any such views are subject to change at any time based upon market or other conditions and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity fund.

Shareholder Expense Example

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

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (July 1, 2009 to December 31, 2009).

Actual Expenses

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

Hypothetical Example for Comparison Purposes

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

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

| | Annualized Expense Ratio | Beginning Account Value July 1, 2009 | Ending Account Value December 31, 2009 | Expenses Paid During Period [*] July 1, 2009 to December 31, 2009 |
|---------------------------|-----------------------------|--|--|---|
| Initial Class | .66% | | | |
| Actual | | \$ 1,000.00 | \$ 1,248.60 | \$ 3.74 |
| Hypothetical ^A | | \$ 1,000.00 | \$ 1,021.88 | \$ 3.36 |
| Service Class | .76% | | | |
| Actual | | \$ 1,000.00 | \$ 1,248.50 | \$ 4.31 |
| Hypothetical ^A | | \$ 1,000.00 | \$ 1,021.37 | \$ 3.87 |
| Service Class 2 | .91% | | | |
| Actual | | \$ 1,000.00 | \$ 1,247.00 | \$ 5.15 |
| Hypothetical ^A | | \$ 1,000.00 | \$ 1,020.62 | \$ 4.63 |
| Service Class 2R | .91% | | | |
| Actual | | \$ 1,000.00 | \$ 1,247.40 | \$ 5.15 |
| Hypothetical ^A | | \$ 1,000.00 | \$ 1,020.62 | \$ 4.63 |
| Investor Class | .75% | | | |
| Actual | | \$ 1,000.00 | \$ 1,248.60 | \$ 4.25 |
| Hypothetical ^A | | \$ 1,000.00 | \$ 1,021.42 | \$ 3.82 |

^A 5% return per year before expenses

^{*} Expenses are equal to each Class' annualized expense ratio, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

Investment Changes (Unaudited)

Top Ten Stocks as of December 31, 2009

| | % of fund's net assets | % of fund's net assets 6 months ago |
|-----------------------------|------------------------|-------------------------------------|
| JPMorgan Chase & Co. | 3.0 | 2.0 |
| Microsoft Corp. | 2.7 | 2.7 |
| Pfizer, Inc. | 2.1 | 1.4 |
| Wells Fargo & Co. | 2.1 | 1.6 |
| Google, Inc. Class A | 2.0 | 0.0 |
| Procter & Gamble Co. | 1.8 | 1.5 |
| Merck & Co., Inc. | 1.6 | 0.0 |
| Chevron Corp. | 1.5 | 1.3 |
| Micron Technology, Inc. | 1.4 | 0.8 |
| ASML Holding NV (NY Shares) | 1.4 | 1.6 |
| | <u>19.6</u> | |

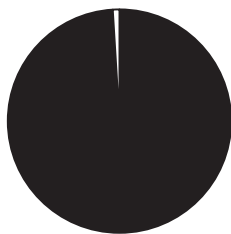
Market Sectors as of December 31, 2009

| | % of fund's net assets | % of fund's net assets 6 months ago |
|----------------------------|------------------------|-------------------------------------|
| Information Technology | 19.9 | 17.3 |
| Financials | 13.9 | 12.8 |
| Health Care | 12.1 | 13.2 |
| Consumer Staples | 11.4 | 11.4 |
| Energy | 11.3 | 10.9 |
| Industrials | 10.5 | 9.7 |
| Consumer Discretionary | 9.1 | 8.5 |
| Utilities | 3.7 | 4.0 |
| Materials | 3.5 | 2.9 |
| Telecommunication Services | 3.3 | 3.0 |

Asset Allocation (% of fund's net assets)

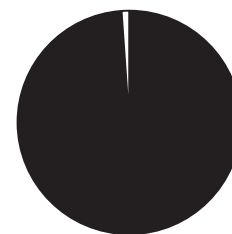
As of December 31, 2009*

| | |
|---|-------|
| ■ Stocks and Equity Futures | 99.0% |
| ■ Bonds | 0.0% |
| □ Short-Term Investments and Net Other Assets | 1.0% |
| * Foreign investments | 15.4% |



As of June 30, 2009**

| | |
|---|-------|
| ■ Stocks and Equity Futures | 98.9% |
| ■ Bonds | 0.0%* |
| □ Short-Term Investments and Net Other Assets | 1.1% |
| ** Foreign investments | 16.4% |



* Amount represents less than 0.1%.

Investments December 31, 2009

Showing Percentage of Net Assets

Common Stocks — 98.0%

| | Shares | Value |
|---|-----------|--------------------|
| CONSUMER DISCRETIONARY — 9.1% | | |
| Auto Components — 0.5% | | |
| BorgWarner, Inc. | 510,800 | \$ 16,968,776 |
| Johnson Controls, Inc. | 2,000,100 | 54,482,724 |
| TRW Automotive Holdings Corp. (a) ... | 634,175 | 15,144,099 |
| | | <u>86,595,599</u> |
| Automobiles — 0.2% | | |
| Harley-Davidson, Inc. | 1,164,700 | 29,350,440 |
| Distributors — 0.2% | | |
| Li & Fung Ltd. | 7,351,000 | 30,391,072 |
| Diversified Consumer Services — 0.2% | | |
| Educomp Solutions Ltd. | 2,837,468 | 43,641,125 |
| Hotels, Restaurants & Leisure — 0.7% | | |
| Las Vegas Sands Corp. (a)(c) | 983,100 | 14,687,514 |
| McDonald's Corp. | 515,817 | 32,207,613 |
| Royal Caribbean Cruises Ltd. (a)(c) ... | 1,316,300 | 33,276,064 |
| Starwood Hotels & Resorts Worldwide, Inc. | 909,100 | 33,245,787 |
| | | <u>113,416,978</u> |
| Household Durables — 0.3% | | |
| Black & Decker Corp. | 282,034 | 18,284,264 |
| D.R. Horton, Inc. | 1,307,200 | 14,209,264 |
| Newell Rubbermaid, Inc. | 1,504,000 | 22,575,040 |
| | | <u>55,068,568</u> |
| Internet & Catalog Retail — 0.7% | | |
| Amazon.com, Inc. (a) | 657,665 | 88,469,096 |
| Expedia, Inc. (a) | 1,045,938 | 26,891,066 |
| | | <u>115,360,162</u> |
| Leisure Equipment & Products — 0.0% | | |
| Brunswick Corp. | 687,687 | 8,740,502 |
| Media — 3.2% | | |
| Central European Media Enterprises Ltd. Class A (a)(c) | 539,000 | 12,725,790 |
| Comcast Corp. Class A | 3,930,619 | 66,270,236 |
| DIRECTV (a) | 1,748,100 | 58,299,135 |
| Discovery Communications, Inc. (a) | 528,030 | 16,194,680 |
| DISH Network Corp. Class A | 828,210 | 17,201,922 |
| DreamWorks Animation SKG, Inc. Class A (a) | 582,018 | 23,251,619 |
| Interpublic Group of Companies, Inc. (a) | 2,554,300 | 18,850,734 |
| Liberty Global, Inc. Class A (a) | 739,200 | 16,195,872 |
| McGraw-Hill Companies, Inc. | 1,309,527 | 43,882,250 |
| The Walt Disney Co. | 4,654,543 | 150,109,012 |
| The Weinstein Co. II Holdings, LLC Class A-1 (a)(h) | 11,499 | 4,312,125 |
| Time Warner Cable, Inc. | 1,251,543 | 51,801,365 |
| Viacom, Inc. Class B (non-vtg.) (a) | 2,326,416 | 69,164,348 |
| | | <u>548,259,088</u> |
| Multiline Retail — 0.5% | | |
| Target Corp. | 1,892,200 | 91,525,714 |

| | Shares | Value |
|--|-----------|----------------------|
| Specialty Retail — 2.4% | | |
| Best Buy Co., Inc. | 1,474,822 | \$ 58,196,476 |
| Home Depot, Inc. | 4,122,400 | 119,261,032 |
| Inditex SA | 375,296 | 23,313,123 |
| Lowe's Companies, Inc. | 4,118,800 | 96,338,732 |
| Ross Stores, Inc. | 413,600 | 17,664,856 |
| Sally Beauty Holdings, Inc. (a) | 2,017,121 | 15,430,976 |
| Tiffany & Co., Inc. | 420,300 | 18,072,900 |
| TJX Companies, Inc. | 1,353,552 | 49,472,326 |
| Urban Outfitters, Inc. (a) | 514,500 | 18,002,355 |
| | | <u>415,752,776</u> |
| Textiles, Apparel & Luxury Goods — 0.2% | | |
| LVMH Moet Hennessy — Louis Vuitton ... | 141,472 | 15,874,959 |
| Ports Design Ltd. | 4,211,000 | 12,982,966 |
| | | <u>28,857,925</u> |
| TOTAL CONSUMER DISCRETIONARY | | <u>1,566,959,949</u> |
| CONSUMER STAPLES — 11.4% | | |
| Beverages — 3.3% | | |
| Anheuser-Busch InBev SA NV | 842,457 | 43,896,139 |
| Coca-Cola Enterprises, Inc. | 1,476,658 | 31,305,150 |
| Coca-Cola FEMSA SAB de CV sponsored ADR | 150,247 | 9,874,233 |
| Coca-Cola Icecek AS | 550,200 | 5,515,974 |
| Companhia de Bebidas das Americas (AmBev) (PN) sponsored ADR | 99,698 | 10,078,471 |
| Constellation Brands, Inc. Class A (sub. vtg.) (a) | 3,250,638 | 51,782,663 |
| Diageo PLC sponsored ADR | 341,112 | 23,676,584 |
| Dr Pepper Snapple Group, Inc. | 949,407 | 26,868,218 |
| Embotelladora Andina SA sponsored ADR | 493,800 | 10,073,520 |
| Molson Coors Brewing Co. Class B | 1,359,439 | 61,392,265 |
| PepsiCo, Inc. | 2,179,736 | 132,527,949 |
| The Coca-Cola Co. | 2,931,952 | 167,121,264 |
| | | <u>574,112,430</u> |
| Food & Staples Retailing — 3.0% | | |
| BJ's Wholesale Club, Inc. (a) | 650,249 | 21,269,645 |
| Costco Wholesale Corp. | 463,600 | 27,431,212 |
| CVS Caremark Corp. | 4,252,807 | 136,982,913 |
| Kroger Co. | 2,150,189 | 44,143,380 |
| Safeway, Inc. | 2,548,171 | 54,250,561 |
| Wal-Mart Stores, Inc. | 1,885,197 | 100,763,780 |
| Walgreen Co. | 3,403,037 | 124,959,519 |
| | | <u>509,801,010</u> |
| Food Products — 1.2% | | |
| Archer Daniels Midland Co. | 1,107,848 | 34,686,721 |
| Ausnutria Dairy Hunan Co. Ltd. Class H | 6,087,000 | 4,992,310 |
| Bunge Ltd. | 81,000 | 5,170,230 |
| Dean Foods Co. (a) | 1,171,028 | 21,125,345 |
| Green Mountain Coffee Roasters, Inc. (a) | 238,174 | 19,404,036 |

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

Investments – continued

Common Stocks – continued

| | Shares | Value |
|--|-----------|----------------------|
| CONSUMER STAPLES – continued | | |
| Food Products – continued | | |
| Nestle SA (Reg.) | 1,291,020 | \$ 62,590,375 |
| Tyson Foods, Inc. Class A | 226,412 | 2,778,075 |
| Unilever NV (NY Shares) | 1,366,405 | 44,175,874 |
| Viterra, Inc. (a) | 533,500 | 5,011,797 |
| | | <u>199,934,763</u> |
| Household Products – 2.1% | | |
| Colgate-Palmolive Co. | 261,794 | 21,506,377 |
| Energizer Holdings, Inc. (a) | 448,670 | 27,494,498 |
| Procter & Gamble Co. | 5,258,869 | 318,845,227 |
| | | <u>367,846,102</u> |
| Personal Products – 0.4% | | |
| Avon Products, Inc. | 2,189,520 | 68,969,880 |
| Tobacco – 1.4% | | |
| Altria Group, Inc. | 3,587,475 | 70,422,134 |
| British American Tobacco PLC sponsored ADR | 1,523,590 | 98,515,329 |
| Philip Morris International, Inc. | 1,329,454 | 64,066,388 |
| Souza Cruz Industria Comerico | 148,300 | 4,985,875 |
| | | <u>237,989,726</u> |
| TOTAL CONSUMER STAPLES | | <u>1,958,653,911</u> |

ENERGY – 11.3%

Energy Equipment & Services – 3.3%

| | | |
|------------------------------------|-----------|--------------------|
| Baker Hughes, Inc. (c) | 1,545,700 | 62,569,936 |
| EnSCO International Ltd. ADR | 901,634 | 36,011,262 |
| Exterran Holdings, Inc. (a) | 1,319,708 | 28,307,737 |
| Halliburton Co. | 1,364,800 | 41,066,832 |
| Helmerich & Payne, Inc. | 1,370,500 | 54,655,540 |
| Nabors Industries Ltd. (a) | 1,707,325 | 37,373,344 |
| National Oilwell Varco, Inc. | 569,441 | 25,106,654 |
| Patterson-UTI Energy, Inc. | 1,867,592 | 28,667,537 |
| Pride International, Inc. (a) | 1,907,830 | 60,878,855 |
| Rowan Companies, Inc. (a) | 397,300 | 8,994,872 |
| Saipem SpA | 826,825 | 28,527,749 |
| Smith International, Inc. | 1,423,350 | 38,672,420 |
| Transocean Ltd. (a) | 485,507 | 40,199,980 |
| Weatherford International Ltd. (a) | 4,159,300 | 74,493,063 |
| | | <u>565,525,781</u> |

Oil, Gas & Consumable Fuels – 8.0%

| | | |
|---------------------------|-----------|-------------|
| Anadarko Petroleum Corp. | 1,001,507 | 62,514,067 |
| Arch Coal, Inc. | 1,356,638 | 30,185,196 |
| Arena Resources, Inc. (a) | 382,470 | 16,492,106 |
| BG Group PLC | 3,849,886 | 69,810,764 |
| Chesapeake Energy Corp. | 867,434 | 22,449,192 |
| Chevron Corp. | 3,364,379 | 259,023,539 |

| | Shares | Value |
|--|-----------|----------------------|
| China Shenhua Energy Co. Ltd. (H Shares) | 2,362,000 | \$ 11,465,433 |
| Concho Resources, Inc. (a) | 1,217,630 | 54,671,587 |
| Denbury Resources, Inc. (a) | 3,730,687 | 55,214,168 |
| Energy Resources of Australia Ltd. | 320,630 | 6,880,461 |
| EXCO Resources, Inc. | 833,739 | 17,700,279 |
| Frontier Oil Corp. | 1,506,468 | 18,137,875 |
| InterOil Corp. (a) | 73,400 | 5,637,854 |
| Marathon Oil Corp. | 668,004 | 20,855,085 |
| Occidental Petroleum Corp. | 1,385,534 | 112,713,191 |
| PetroBakken Energy Ltd. Class A | 1 | 31 |
| Petrobank Energy & Resources Ltd. (a) | 649,200 | 31,642,823 |
| Petrohawk Energy Corp. (a) | 3,198,943 | 76,742,643 |
| Plains Exploration & Production Co. (a) | 2,220,484 | 61,418,587 |
| Range Resources Corp. | 682,266 | 34,010,960 |
| Royal Dutch Shell PLC Class B ADR | 3,201,300 | 186,091,569 |
| Southwestern Energy Co. (a) | 1,503,636 | 72,475,255 |
| Suncor Energy, Inc. | 3,325,244 | 117,767,410 |
| Ultra Petroleum Corp. (a) | 629,541 | 31,388,914 |
| Whiting Petroleum Corp. (a) | 212,000 | 15,147,400 |
| | | <u>1,390,436,389</u> |
| TOTAL ENERGY | | <u>1,955,962,170</u> |

FINANCIALS – 13.2%

Capital Markets – 2.5%

| | | |
|--|-----------|--------------------|
| Ameriprise Financial, Inc. | 1,237,030 | 48,021,505 |
| Bank of New York Mellon Corp. | 3,622,652 | 101,325,576 |
| Broadpoint Gleacher Securities Group, Inc. (a) | 1,900,589 | 8,476,627 |
| Charles Schwab Corp. | 688,100 | 12,950,042 |
| Evercore Partners, Inc. Class A | 182,600 | 5,551,040 |
| GFI Group, Inc. | 686,882 | 3,139,051 |
| Invesco Ltd. | 1,752,390 | 41,163,641 |
| Janus Capital Group, Inc. | 711,252 | 9,566,339 |
| Morgan Stanley | 6,039,427 | 178,767,039 |
| Nomura Holdings, Inc. | 1,846,800 | 13,740,690 |
| TD Ameritrade Holding Corp. (a) | 227,800 | 4,414,764 |
| | | <u>427,116,314</u> |

Commercial Banks – 3.5%

| | | |
|---|------------|--------------------|
| East West Bancorp, Inc. (a)(h) | 627,754 | 8,926,662 |
| Huntington Bancshares, Inc. | 3,935,200 | 14,363,480 |
| PNC Financial Services Group, Inc. | 2,931,611 | 154,759,745 |
| Standard Chartered PLC (United Kingdom) | 495,323 | 12,608,131 |
| SunTrust Banks, Inc. | 2,141,763 | 43,456,371 |
| Umpqua Holdings Corp. | 818,050 | 10,970,051 |
| Wells Fargo & Co. | 13,374,709 | 360,983,396 |
| | | <u>606,067,836</u> |

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

Common Stocks – continued

| | Shares | Value |
|--|------------|----------------------|
| FINANCIALS – continued | | |
| Consumer Finance – 0.5% | | |
| American Express Co. | 1,497,747 | \$ 60,688,708 |
| Discover Financial Services | 1,663,449 | 24,469,335 |
| | | <u>85,158,043</u> |
| Diversified Financial Services – 3.5% | | |
| CME Group, Inc. | 239,150 | 80,342,443 |
| JPMorgan Chase & Co. | 12,371,042 | 515,501,314 |
| NBH Holdings Corp. Class A (a)(e) | 813,800 | 16,479,450 |
| | | <u>612,323,207</u> |
| Insurance – 1.9% | | |
| ACE Ltd. | 844,374 | 42,556,450 |
| Aon Corp. | 1,088,160 | 41,720,054 |
| Conseco, Inc. (a) | 3,241,779 | 16,208,895 |
| Genworth Financial, Inc. Class A (a) | 1,479,000 | 16,786,650 |
| MetLife, Inc. | 2,919,019 | 103,187,322 |
| PartnerRe Ltd. | 156,863 | 11,711,392 |
| Progressive Corp. | 2,470,168 | 44,438,322 |
| Protective Life Corp. | 981,200 | 16,238,860 |
| Sony Financial Holdings, Inc. | 4,725 | 12,302,427 |
| The First American Corp. | 879,105 | 29,107,167 |
| | | <u>334,257,539</u> |
| Real Estate Investment Trusts – 0.7% | | |
| Digital Realty Trust, Inc. | 330,100 | 16,597,428 |
| ProLogis Trust | 4,305,110 | 58,936,956 |
| SL Green Realty Corp. | 288,827 | 14,510,668 |
| Sunstone Hotel Investors, Inc. | 1,003,816 | 8,913,886 |
| U-Store-It Trust | 1,862,871 | 13,636,216 |
| | | <u>112,595,154</u> |
| Real Estate Management & Development – 0.3% | | |
| BR Malls Participacoes SA (a) | 1,445,500 | 17,763,976 |
| Forestar Group, Inc. (a) | 381,948 | 8,395,217 |
| Indiabulls Real Estate Ltd. (a) | 5,148,996 | 25,262,365 |
| | | <u>51,421,558</u> |
| Thriffs & Mortgage Finance – 0.3% | | |
| Ocwen Financial Corp. (a) | 1,979,600 | 18,944,772 |
| People's United Financial, Inc. | 1,753,800 | 29,288,460 |
| | | <u>48,233,232</u> |
| TOTAL FINANCIALS | | <u>2,277,172,883</u> |
| HEALTH CARE – 12.1% | | |
| Biotechnology – 1.4% | | |
| Acorda Therapeutics, Inc. (a) | 253,500 | 6,393,270 |
| Amgen, Inc. (a) | 1,157,514 | 65,480,567 |
| Biogen Idec, Inc. (a) | 1,453,111 | 77,741,439 |
| Genzyme Corp. (a) | 993,400 | 48,686,534 |

| | Shares | Value |
|--|------------|----------------------|
| Gilead Sciences, Inc. (a) | 693,643 | \$ 30,020,869 |
| Human Genome Sciences, Inc. (a)(c) ... | 393,727 | 12,048,046 |
| | | <u>240,370,725</u> |
| Health Care Equipment & Supplies – 1.6% | | |
| C. R. Bard, Inc. | 235,880 | 18,375,052 |
| CareFusion Corp. (a) | 933,843 | 23,355,413 |
| Covidien PLC | 2,331,222 | 111,642,222 |
| Edwards Lifesciences Corp. (a) | 440,971 | 38,298,331 |
| ev3, Inc. (a) | 1,119,945 | 14,940,066 |
| Fisher & Paykel Healthcare Corp. | 818,593 | 2,001,545 |
| Mako Surgical Corp. (a) | 1,139,693 | 12,650,592 |
| Nobel Biocare Holding AG (Switzerland) | 358,310 | 12,035,368 |
| Quidel Corp. (a) | 1,173,704 | 16,173,641 |
| Shandong Weigao Group Medical Polymer Co. Ltd. (H Shares) | 1,544,000 | 5,145,522 |
| William Demant Holding AS (a) | 294,824 | 22,261,891 |
| | | <u>276,879,643</u> |
| Health Care Providers & Services – 2.6% | | |
| CIGNA Corp. | 1,838,439 | 64,841,744 |
| Community Health Systems, Inc. (a) | 565,052 | 20,115,851 |
| Express Scripts, Inc. (a) | 939,946 | 81,258,332 |
| Health Net, Inc. (a) | 1,713,030 | 39,896,469 |
| Henry Schein, Inc. (a) | 764,500 | 40,212,700 |
| Medco Health Solutions, Inc. (a) | 1,759,614 | 112,456,931 |
| Sinopharm Group Co. Ltd. Class H | 1,214,400 | 4,267,472 |
| UnitedHealth Group, Inc. | 2,645,651 | 80,639,442 |
| | | <u>443,688,941</u> |
| Life Sciences Tools & Services – 0.5% | | |
| Fluidigm Corp. warrants 9/10/10 (a) .. | 1 | 0 |
| Illumina, Inc. (a) | 358,198 | 10,978,769 |
| Life Technologies Corp. (a) | 1,146,176 | 59,864,772 |
| QIAGEN NV (a) | 903,218 | 20,159,826 |
| | | <u>91,003,367</u> |
| Pharmaceuticals – 6.0% | | |
| Abbott Laboratories | 2,052,833 | 110,832,454 |
| Allergan, Inc. | 1,754,068 | 110,523,825 |
| Bayer AG | 276,273 | 22,133,649 |
| Johnson & Johnson | 916,603 | 59,038,399 |
| King Pharmaceuticals, Inc. (a) | 1,980,883 | 24,305,434 |
| Merck & Co., Inc. | 7,439,766 | 271,849,050 |
| Novo Nordisk AS Series B | 341,541 | 21,814,260 |
| Pfizer, Inc. | 20,146,731 | 366,469,037 |
| Sanofi-Aventis sponsored ADR | 374,400 | 14,702,688 |
| Shire PLC sponsored ADR | 467,200 | 27,424,640 |
| | | <u>1,029,093,436</u> |
| TOTAL HEALTH CARE | | <u>2,081,036,112</u> |
| INDUSTRIALS – 10.5% | | |
| Aerospace & Defense – 1.5% | | |
| Precision Castparts Corp. | 357,621 | 39,463,477 |

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

Investments – continued

Common Stocks – continued

| | Shares | Value |
|--|------------|--------------------|
| INDUSTRIALS – continued | | |
| Aerospace & Defense – continued | | |
| Raytheon Co. | 1,423,112 | \$ 73,318,730 |
| United Technologies Corp. | 2,175,880 | 151,027,831 |
| | | <u>263,810,038</u> |
| Air Freight & Logistics – 0.8% | | |
| C.H. Robinson Worldwide, Inc. | 335,001 | 19,674,609 |
| FedEx Corp. | 895,300 | 74,712,785 |
| United Parcel Service, Inc. Class B | 797,856 | 45,772,999 |
| | | <u>140,160,393</u> |
| Airlines – 0.1% | | |
| Southwest Airlines Co. | 1,870,416 | 21,378,855 |
| Building Products – 0.3% | | |
| Armstrong World Industries, Inc. (a) ... | 326,030 | 12,692,348 |
| Masco Corp. | 1,848,912 | 25,533,475 |
| Owens Corning (a) | 605,630 | 15,528,353 |
| | | <u>53,754,176</u> |
| Construction & Engineering – 0.3% | | |
| Jacobs Engineering Group, Inc. (a) | 199,900 | 7,518,239 |
| Quanta Services, Inc. (a) | 2,037,199 | 42,455,227 |
| | | <u>49,973,466</u> |
| Electrical Equipment – 0.9% | | |
| Cooper Industries PLC Class A | 1,062,775 | 45,316,726 |
| Nexxus Lighting, Inc. (a) | 110,139 | 374,473 |
| Regal-Beloit Corp. | 784,826 | 40,763,862 |
| Renewable Energy Corp. AS (a)(c) | 2,069,761 | 15,980,435 |
| Saft Groupe SA | 326,816 | 15,795,836 |
| SunPower Corp. Class B (a) | 1,245,015 | 26,083,064 |
| | | <u>144,314,396</u> |
| Industrial Conglomerates – 1.9% | | |
| Carlisle Companies, Inc. | 402,277 | 13,782,010 |
| General Electric Co. | 14,546,785 | 220,092,857 |
| Textron, Inc. | 2,996,394 | 56,362,171 |
| Tyco International Ltd. | 1,140,900 | 40,707,312 |
| | | <u>330,944,350</u> |
| Machinery – 3.0% | | |
| Caterpillar, Inc. | 994,900 | 56,699,351 |
| Cummins, Inc. | 1,713,256 | 78,569,920 |
| Danaher Corp. | 1,350,245 | 101,538,424 |
| Deere & Co. | 1,475,770 | 79,824,399 |
| Dover Corp. | 463,100 | 19,269,591 |
| Eaton Corp. | 1,187,820 | 75,569,108 |
| Ingersoll-Rand Co. Ltd. | 1,054,300 | 37,680,682 |
| Navistar International Corp. (a) | 765,223 | 29,575,869 |
| Timken Co. | 235,000 | 5,571,850 |
| Toro Co. | 470,392 | 19,667,090 |
| Vallourec SA | 74,581 | 13,565,623 |
| | | <u>517,531,907</u> |

| | Shares | Value |
|---|------------|----------------------|
| Professional Services – 0.2% | | |
| Manpower, Inc. | 467,511 | \$ 25,516,750 |
| Monster Worldwide, Inc. (a) | 860,524 | 14,973,118 |
| | | <u>40,489,868</u> |
| Road & Rail – 1.3% | | |
| CSX Corp. | 1,799,530 | 87,259,210 |
| Hertz Global Holdings, Inc. (a) | 1,652,459 | 19,697,311 |
| Union Pacific Corp. | 1,736,804 | 110,981,776 |
| | | <u>217,938,297</u> |
| Trading Companies & Distributors – 0.2% | | |
| W.W. Grainger, Inc. | 295,026 | 28,567,368 |
| | | <u>28,567,368</u> |
| TOTAL INDUSTRIALS | | <u>1,808,863,114</u> |
| INFORMATION TECHNOLOGY – 19.9% | | |
| Communications Equipment – 0.5% | | |
| Aruba Networks, Inc. (a) | 596,127 | 6,354,714 |
| Ciena Corp. (a)(c) | 909,558 | 9,859,609 |
| D-Link Corp. | 5,655,000 | 5,957,284 |
| Juniper Networks, Inc. (a) | 1,041,293 | 27,771,284 |
| Sycamore Networks, Inc. (d) | 1,522,934 | 31,844,550 |
| ZTE Corp. (H Shares) | 362,140 | 2,226,421 |
| | | <u>84,013,862</u> |
| Computers & Peripherals – 1.7% | | |
| Apple, Inc. (a) | 607,642 | 128,127,392 |
| Hewlett-Packard Co. | 63,389 | 3,265,167 |
| SanDisk Corp. (a) | 5,572,901 | 161,558,400 |
| Synaptics, Inc. (a) | 131,100 | 4,018,215 |
| | | <u>296,969,174</u> |
| Electronic Equipment & Components – 0.7% | | |
| Agilent Technologies, Inc. (a) | 1,684,051 | 52,323,465 |
| BYD Co. Ltd. (H Shares) (a) | 1,432,500 | 12,556,473 |
| Corning, Inc. | 901,617 | 17,410,224 |
| Hon Hai Precision Industry Co. Ltd. (Foxconn) | 2,029,400 | 9,610,944 |
| Tyco Electronics Ltd. | 1,209,760 | 29,699,608 |
| | | <u>121,600,714</u> |
| Internet Software & Services – 2.9% | | |
| eBay, Inc. (a) | 3,664,429 | 86,260,659 |
| Google, Inc. Class A (a) | 573,825 | 355,760,024 |
| WebMD Health Corp. (a) | 1,701,219 | 65,479,919 |
| | | <u>507,500,602</u> |
| IT Services – 0.1% | | |
| RightNow Technologies, Inc. (a) | 580,785 | 10,088,235 |
| Semiconductors & Semiconductor Equipment – 11.2% | | |
| Advanced Micro Devices, Inc. (a) | 4,690,278 | 45,401,891 |
| Analog Devices, Inc. | 3,741,906 | 118,169,391 |
| Applied Materials, Inc. | 15,303,025 | 213,324,169 |
| Applied Micro Circuits Corp. (a) | 429,220 | 3,206,273 |
| ASML Holding NV (NY Shares) | 6,816,200 | 232,364,258 |
| ATMI, Inc. (a)(d) | 1,718,269 | 31,994,169 |

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

Common Stocks – continued

| | Shares | Value |
|---|------------|----------------------|
| INFORMATION TECHNOLOGY – continued | | |
| Semiconductors & Semiconductor Equipment – continued | | |
| Avago Technologies Ltd. | 895,875 | \$ 16,385,554 |
| Brooks Automation, Inc. (a)(d) | 3,437,440 | 29,493,235 |
| Cymer, Inc. (a) | 893,598 | 34,296,291 |
| Entegris, Inc. (a) | 3,751,258 | 19,806,642 |
| Inotera Memories, Inc. (a) | 55,189,000 | 46,494,016 |
| Intel Corp. | 5,340,153 | 108,939,121 |
| KLA-Tencor Corp. | 3,658,281 | 132,283,441 |
| Kulicke & Soffa Industries, Inc. (a) | 2,140,876 | 11,539,322 |
| Lam Research Corp. (a) | 3,242,145 | 127,124,505 |
| Marvell Technology Group Ltd. (a) | 6,978,723 | 144,808,502 |
| MediaTek, Inc. | 84,000 | 1,465,208 |
| Micron Technology, Inc. (a) | 22,817,702 | 240,954,933 |
| Nanya Technology Corp. (a) | 7,709,000 | 7,880,097 |
| NVIDIA Corp. (a) | 2,390,438 | 44,653,382 |
| Photronics, Inc. (a) | 1,399,329 | 6,227,014 |
| Powertech Technology, Inc. | 2,714,000 | 9,205,033 |
| Realtek Semiconductor Corp. | 3,207,000 | 9,473,632 |
| Richtek Technology Corp. | 463,700 | 4,739,916 |
| Samsung Electronics Co. Ltd. | 230,722 | 158,091,827 |
| Taiwan Semiconductor Manufacturing Co. Ltd. | 17,492,000 | 35,268,334 |
| Teradyne, Inc. (a) | 2,140,662 | 22,969,303 |
| Tokyo Electron Ltd. | 304,500 | 19,554,708 |
| Varian Semiconductor Equipment Associates, Inc. (a) | 1,278,742 | 45,881,263 |
| | | <u>1,921,995,430</u> |
| Software – 2.8% | | |
| BMC Software, Inc. (a) | 662,234 | 26,555,583 |
| Microsoft Corp. | 15,087,566 | 460,019,887 |
| | | <u>486,575,470</u> |
| TOTAL INFORMATION TECHNOLOGY | | <u>3,428,743,487</u> |
| MATERIALS – 3.5% | | |
| Chemicals – 2.0% | | |
| Air Products & Chemicals, Inc. | 577,804 | 46,836,792 |
| Airgas, Inc. | 472,600 | 22,495,760 |
| Albemarle Corp. | 979,291 | 35,616,814 |
| Dow Chemical Co. | 3,102,000 | 85,708,260 |
| Monsanto Co. | 715,746 | 58,512,236 |
| Praxair, Inc. | 363,632 | 29,203,286 |
| Solutia, Inc. (a) | 1,246,400 | 15,829,280 |
| The Mosaic Co. | 395,000 | 23,593,350 |
| Wacker Chemie AG | 118,482 | 20,714,575 |
| | | <u>338,510,353</u> |
| Construction Materials – 0.1% | | |
| HeidelbergCement AG | 125,334 | 8,654,122 |

| | Shares | Value |
|--|------------|--------------------|
| Containers & Packaging – 0.3% | | |
| Ball Corp. | 175,513 | \$ 9,074,022 |
| Owens-Illinois, Inc. (a) | 699,600 | 22,995,852 |
| Rexam PLC | 2,330,400 | 10,944,798 |
| Temple-Inland, Inc. | 489,400 | 10,331,234 |
| | | <u>53,345,906</u> |
| Metals & Mining – 1.0% | | |
| Allegheny Technologies, Inc. | 234,100 | 10,480,657 |
| AngloGold Ashanti Ltd. sponsored ADR | 1,408,427 | 56,590,597 |
| Freeport-McMoRan Copper & Gold, Inc. | 658,200 | 52,846,878 |
| Globe Specialty Metals, Inc. | 158,700 | 1,491,780 |
| Globe Specialty Metals, Inc. (Reg. S) (a) | 2,093,133 | 19,675,450 |
| Ivanhoe Mines Ltd. (a) | 561,800 | 8,293,455 |
| Nucor Corp. | 510,000 | 23,791,500 |
| | | <u>173,170,317</u> |
| Paper & Forest Products – 0.1% | | |
| Weyerhaeuser Co. | 587,936 | 25,363,559 |
| | | <u>25,363,559</u> |
| TOTAL MATERIALS | | <u>599,044,257</u> |
| TELECOMMUNICATION SERVICES – 3.3% | | |
| Diversified Telecommunication Services – 2.0% | | |
| CenturyTel, Inc. | 1,730,120 | 62,647,645 |
| Clearwire Corp.: | | |
| rights 6/21/10 (a)(c) | 4,098,941 | 1,639,576 |
| Class A (a)(c) | 4,098,941 | 27,708,841 |
| Qwest Communications International, Inc. | 23,761,757 | 100,036,997 |
| Verizon Communications, Inc. | 4,841,179 | 160,388,260 |
| | | <u>352,421,319</u> |
| Wireless Telecommunication Services – 1.3% | | |
| American Tower Corp. Class A (a) | 2,405,675 | 103,949,217 |
| Leap Wireless International, Inc. (a) | 880,054 | 15,444,948 |
| NII Holdings, Inc. (a) | 1,841,653 | 61,842,708 |
| Vivo Participacoes SA sponsored ADR | 1,389,245 | 43,066,595 |
| | | <u>224,303,468</u> |
| TOTAL TELECOMMUNICATION SERVICES | | <u>576,724,787</u> |
| UTILITIES – 3.7% | | |
| Electric Utilities – 1.8% | | |
| American Electric Power Co., Inc. | 3,086,200 | 107,368,898 |
| Entergy Corp. | 788,055 | 64,494,421 |
| FirstEnergy Corp. | 1,601,324 | 74,381,500 |
| FPL Group, Inc. | 1,203,071 | 63,546,210 |
| | | <u>309,791,029</u> |
| Independent Power Producers & Energy Traders – 0.5% | | |
| AES Corp. | 1,124,044 | 14,961,026 |
| Constellation Energy Group, Inc. | 1,821,700 | 64,069,189 |
| | | <u>79,030,215</u> |

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

Investments – continued

Common Stocks – continued

| | Shares | Value |
|-------------------------------|-----------|-----------------------|
| UTILITIES – continued | | |
| Multi-Utilities – 1.4% | | |
| CenterPoint Energy, Inc. | 4,272,219 | \$ 61,989,898 |
| CMS Energy Corp. | 2,191,950 | 34,325,937 |
| DTE Energy Co. | 236,859 | 10,324,684 |
| PG&E Corp. | 1,415,600 | 63,206,540 |
| Sempra Energy | 742,120 | 41,543,878 |
| TECO Energy, Inc. | 2,397,201 | 38,882,600 |
| | | <u>250,273,537</u> |
| TOTAL UTILITIES | | <u>639,094,781</u> |
| TOTAL COMMON STOCKS | | |
| (Cost \$15,443,694,762) | | <u>16,892,255,451</u> |

Convertible Preferred Stocks – 0.7%

| | | |
|--|-----------|--------------------|
| ENERGY – 0.0% | | |
| Oil, Gas & Consumable Fuels – 0.0% | | |
| SandRidge Energy, Inc. 8.50% (a)(e) ... | 46,800 | <u>6,625,944</u> |
| FINANCIALS – 0.7% | | |
| Commercial Banks – 0.2% | | |
| East West Bancorp, Inc. Series C (a)(h) . | 10,839 | 16,670,958 |
| Huntington Bancshares, Inc. 8.50% | 18,015 | 15,132,600 |
| | | <u>31,803,558</u> |
| Diversified Financial Services – 0.5% | | |
| Bank of America Corp. | 5,916,500 | <u>88,274,180</u> |
| TOTAL FINANCIALS | | <u>120,077,738</u> |
| HEALTH CARE – 0.0% | | |
| Life Sciences Tools & Services – 0.0% | | |
| Fluidigm Corp. (a) | 412,471 | <u>2,887,297</u> |
| TOTAL CONVERTIBLE PREFERRED STOCKS | | |
| (Cost \$127,694,599) | | <u>129,590,979</u> |

U.S. Treasury Obligations – 0.1%

| | Principal Amount | |
|--|------------------|------------------|
| U.S. Treasury Bills, yield at date of purchase 0% 1/21/10 (f) (Cost \$9,649,986) | \$ 9,650,000 | <u>9,649,875</u> |

Money Market Funds – 1.9%

| | Shares | Value |
|---|-------------|--------------------|
| Fidelity Cash Central Fund, 0.16% (g) | 223,776,147 | \$ 223,776,147 |
| Fidelity Securities Lending Cash Central Fund, 0.15% (b)(g) | 111,643,048 | <u>111,643,048</u> |
| TOTAL MONEY MARKET FUNDS | | |
| (Cost \$335,419,195) | | <u>335,419,195</u> |

Cash Equivalents – 0.0%

| | Maturity Amount | |
|---|-----------------|--------------------------|
| Investments in repurchase agreements in a joint trading account at 0.01%, dated 12/31/09 due 1/4/10 (Collateralized by U.S. Government Obligations) # (Cost \$33,000) | \$ 33,000 | <u>33,000</u> |
| TOTAL INVESTMENT PORTFOLIO – 100.7% | | |
| (Cost \$15,916,491,542) | | <u>17,366,948,500</u> |
| NET OTHER ASSETS – (0.7)% | | <u>(128,403,220)</u> |
| NET ASSETS – 100% | | <u>\$ 17,238,545,280</u> |

Futures Contracts

| | Expiration Date | Underlying Face Amount at Value | Unrealized Appreciation/ (Depreciation) |
|--|-----------------|---------------------------------|---|
| Purchased | | | |
| Equity Index Contracts | | | |
| 982 CME E-mini S&P 500 Index Contracts | March 2010 | <u>\$ 54,535,370</u> | <u>\$ 661,279</u> |

The face value of futures purchased as a percentage of net assets – 0.3%

Legend

- Non-income producing
- Investment made with cash collateral received from securities on loan.
- Security or a portion of the security is on loan at period end.
- Affiliated company
- Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At the end of the period, the value of these securities amounted to \$23,105,394 or 0.1% of net assets.

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

- (f) Security or a portion of the security was pledged to cover margin requirements for futures contracts. At the period end, the value of securities pledged amounted to \$5,149,933.
- (g) Affiliated fund that is available only to investment companies and other accounts managed by Fidelity Investments. The rate quoted is the annualized seven-day yield of the fund at period end. A complete unaudited listing of the fund's holdings as of its most recent quarter end is available upon request.
- (h) Restricted securities – Investment in securities not registered under the Securities Act of 1933 (excluding 144A issues). At the end of the period, the value of restricted securities (excluding 144A issues) amounted to \$29,909,745 or 0.2% of net assets.

Additional information on each holding is as follows:

| Security | Acquisition Date | Acquisition Cost |
|---|------------------|------------------|
| East West Bancorp, Inc. | 11/6/09 | \$ 5,674,896 |
| East West Bancorp, Inc. Series C | 11/6/09 | \$ 10,839,000 |
| The Weinstein Co. II Holdings, LLC Class A-1 | 10/19/05 | \$ 11,499,000 |

Additional information on each counterparty to the repurchase agreement is as follows:

| Repurchase Agreement / Counterparty | Value |
|--------------------------------------|------------------|
| \$33,000 due 1/04/10 at 0.01% | |
| BNP Paribas Securities Corp. | \$ 2,847 |
| Mizuho Securities USA, Inc. | 30,153 |
| | <u>\$ 33,000</u> |

Affiliated Central Funds

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

| Fund | Income earned |
|---|---------------------|
| Fidelity Cash Central Fund | \$ 1,387,009 |
| Fidelity Securities Lending Cash Central Fund | 2,553,520 |
| Total | <u>\$ 3,940,529</u> |

Other Affiliated Issuers

An affiliated company is a company in which the fund has ownership of at least 5% of the voting securities. Fiscal year to date transactions with companies which are or were affiliates are as follows:

| Affiliates | Value, beginning of period | Purchases | Sales Proceeds | Dividend Income | Value, end of period |
|--------------------------|----------------------------------|----------------------|-----------------------|--------------------|----------------------------|
| ATMI, Inc. | \$ 14,908,466 | \$ 22,483,697 | \$ 9,081,235 | \$ — | \$ 31,994,169 |
| Brooks Automation, Inc. | 17,233,146 | 2,379,522 | — | — | 29,493,235 |
| Ciena Corp. | 39,405,099 | 5,428,354 | 65,618,860 | — | — |
| Cirrus Logic, Inc. | 9,407,912 | 114,136 | 18,223,272 | — | — |
| Concho Resources, Inc. | 103,767,446 | 8,567,788 | 117,937,702 | — | — |
| Mattson Technology, Inc. | 4,737,298 | — | 4,503,771 | — | — |
| Sycamore Networks, Inc. | 53,078,090 | — | 13,415,928 | 609,174 | 31,844,550 |
| Total | <u>\$ 242,537,457</u> | <u>\$ 38,973,497</u> | <u>\$ 228,780,768</u> | <u>\$ 609,174</u> | <u>\$ 93,331,954</u> |

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

Investments – continued

Other Information

The following is a summary of the inputs used, as of December 31, 2009, involving the Fund's assets and liabilities carried at value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels used in the tables below, please refer to the Security Valuation section in the accompanying Notes to Financial Statements.

Valuation Inputs at Reporting Date:

| Description | Total | Level 1 | Level 2 | Level 3 |
|---|--------------------------|--------------------------|-----------------------|----------------------|
| Investments in Securities: | | | | |
| Equities: | | | | |
| Consumer Discretionary | \$ 1,566,959,949 | \$ 1,519,273,786 | \$ 43,374,038 | \$ 4,312,125 |
| Consumer Staples | 1,958,653,911 | 1,953,661,601 | 4,992,310 | — |
| Energy | 1,962,588,114 | 1,944,496,737 | 18,091,377 | — |
| Financials | 2,397,250,621 | 2,313,997,834 | 66,773,337 | 16,479,450 |
| Health Care | 2,083,923,409 | 2,071,623,118 | 9,412,994 | 2,887,297 |
| Industrials | 1,808,863,114 | 1,808,863,114 | — | — |
| Information Technology | 3,428,743,487 | 3,394,405,885 | 34,337,602 | — |
| Materials | 599,044,257 | 599,044,257 | — | — |
| Telecommunication Services | 576,724,787 | 576,724,787 | — | — |
| Utilities | 639,094,781 | 639,094,781 | — | — |
| U.S. Government and Government Agency Obligations | 9,649,875 | — | 9,649,875 | — |
| Money Market Funds | 335,419,195 | 335,419,195 | — | — |
| Cash Equivalents | 33,000 | — | 33,000 | — |
| Total Investments in Securities: | \$ 17,366,948,500 | \$ 17,156,605,095 | \$ 186,664,533 | \$ 23,678,872 |
| Derivative Instruments: | | | | |
| Assets | | | | |
| Futures Contracts | \$ 661,279 | \$ 661,279 | \$ — | \$ — |

The following is a reconciliation of Investments in Securities for which Level 3 inputs were used in determining value:

Investments in Securities:

| | |
|--|----------------|
| Beginning Balance | \$ 44,610,724 |
| Total Realized Gain (Loss) | (43,231,617) |
| Total Unrealized Gain (Loss) | 20,476,805 |
| Cost of Purchases | 100,184,443 |
| Proceeds of Sales | (98,361,483) |
| Amortization/Accretion | — |
| Transfers in/out of Level 3 | — |
| Ending Balance | \$ 23,678,872 |
| The change in unrealized gain (loss) for the period attributable to Level 3 securities held at December 31, 2009 | \$ (4,108,675) |

The information used in the above reconciliation represents fiscal year to date activity for any Investments in Securities identified as using Level 3 inputs at either the beginning or the end of the current fiscal period. Transfers in or out of Level 3 represents either the beginning value (for transfers in), or the ending value (for transfers out) of any Security or Instrument where a change in the pricing level occurred from the beginning to the end of the period. Realized and unrealized gains (losses) disclosed in the reconciliation are included in Net Gain (Loss) on the Fund's Statement of Operations.

Value of Derivative Instruments

The following table is a summary of the Fund's value of derivative instruments by risk exposure as of December 31, 2009. For additional information on derivative instruments, please refer to the Derivative Instruments section in the accompanying Notes to Financial Statements.

| Risk Exposure / Derivative Type | Value | |
|------------------------------------|------------|-----------|
| | Asset | Liability |
| Equity Risk | | |
| Futures Contracts (a) | \$ 661,279 | \$ — |
| Total Value of Derivatives | \$ 661,279 | \$ — |

(a) Reflects cumulative appreciation/(depreciation) on futures contracts as disclosed on the Schedule of Investments. Only the period end variation margin is separately disclosed on the Statement of Assets and Liabilities.

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

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

| | |
|--|---------------|
| United States of America | 84.6% |
| United Kingdom | 2.6% |
| Netherlands | 1.8% |
| Switzerland | 1.7% |
| Bermuda | 1.4% |
| Canada | 1.2% |
| Ireland | 1.2% |
| Others (individually less than 1%) | 5.5% |
| | <u>100.0%</u> |

Income Tax Information

At December 31, 2009, the fund had a capital loss carryforward of approximately \$5,069,635,430 of which \$2,732,126,551 and \$2,337,508,879 will expire on December 31, 2016 and 2017, respectively.

The fund intends to elect to defer to its fiscal year ending December 31, 2010 approximately \$123,297,333 of losses recognized during the period November 1, 2009 to December 31, 2009.

Financial Statements

Statement of Assets and Liabilities

December 31, 2009

Assets

| | | |
|--|-----------------------|--|
| Investment in securities, at value (including securities loaned of \$106,915,591 and repurchase agreements of \$33,000) — See accompanying schedule: | | |
| Unaffiliated issuers (cost \$15,490,814,439) | \$16,938,197,351 | |
| Fidelity Central Funds (cost \$335,419,195) | 335,419,195 | |
| Other affiliated issuers (cost \$90,257,908) | 93,331,954 | |
| Total Investments (cost \$15,916,491,542) | \$17,366,948,500 | |
| Cash | 931 | |
| Foreign currency held at value (cost \$2,025,690) | 2,025,690 | |
| Receivable for investments sold | 65,522,067 | |
| Receivable for fund shares sold | 2,647,985 | |
| Dividends receivable | 18,577,740 | |
| Interest receivable | 18,707 | |
| Distributions receivable from Fidelity Central Funds | 90,089 | |
| Prepaid expenses | 74,246 | |
| Other receivables | 1,159,920 | |
| Total assets | <u>17,457,065,875</u> | |

Liabilities

| | | |
|--|--------------------|--|
| Payable for investments purchased .. \$ | 60,404,823 | |
| Payable for fund shares redeemed .. | 33,973,811 | |
| Accrued management fee | 7,976,554 | |
| Distribution fees payable | 1,715,965 | |
| Payable for daily variation on futures contracts | 559,740 | |
| Other affiliated payables | 1,119,320 | |
| Other payables and accrued expenses | 1,127,334 | |
| Collateral on securities loaned, at value | 111,643,048 | |
| Total liabilities | <u>218,520,595</u> | |

| | | |
|--|-------------------------|--|
| Net Assets | <u>\$17,238,545,280</u> | |
| Net Assets consist of: | | |
| Paid in capital | \$21,296,085,115 | |
| Undistributed net investment income | 4,097,167 | |
| Accumulated undistributed net realized gain (loss) on investments and foreign currency transactions | (5,512,770,359) | |
| Net unrealized appreciation (depreciation) on investments and assets and liabilities in foreign currencies | 1,451,133,357 | |
| Net Assets | <u>\$17,238,545,280</u> | |

Statement of Assets and Liabilities – continued

December 31, 2009

Initial Class:

| | |
|---|-----------------|
| Net Asset Value , offering price and redemption price per share (\$7,405,227,625 ÷ 359,081,095 shares) | <u>\$ 20.62</u> |
|---|-----------------|

Service Class:

| | |
|--|-----------------|
| Net Asset Value , offering price and redemption price per share (\$1,784,819,906 ÷ 86,859,230 shares) | <u>\$ 20.55</u> |
|--|-----------------|

Service Class 2:

| | |
|---|-----------------|
| Net Asset Value , offering price and redemption price per share (\$7,577,736,642 ÷ 373,489,024 shares) | <u>\$ 20.29</u> |
|---|-----------------|

Service Class 2R:

| | |
|--|-----------------|
| Net Asset Value , offering price and redemption price per share (\$13,285,091 ÷ 656,377 shares) | <u>\$ 20.24</u> |
|--|-----------------|

Investor Class:

| | |
|--|-----------------|
| Net Asset Value , offering price and redemption price per share (\$457,476,016 ÷ 22,252,460 shares) | <u>\$ 20.56</u> |
|--|-----------------|

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

Statement of Operations

Year ended December 31, 2009

Investment Income

| | | |
|--|--|--------------------|
| Dividends (including \$609,174 earned from other affiliated issuers) | | \$ 294,762,359 |
| Interest | | 239,564 |
| Income from Fidelity Central Funds | | 3,940,529 |
| Total income | | <u>298,942,452</u> |

Expenses

| | | |
|---|---------------|-------------|
| Management fee | \$ 84,507,370 | |
| Transfer agent fees | 12,074,363 | |
| Distribution fees | 18,190,142 | |
| Accounting and security lending fees | 1,669,792 | |
| Custodian fees and expenses | 892,667 | |
| Independent trustees' compensation | 105,607 | |
| Appreciation in deferred trustee compensation account | 50 | |
| Audit | 121,920 | |
| Legal | 97,403 | |
| Miscellaneous | 1,393,546 | |
| Total expenses before reductions | 119,052,860 | |
| Expense reductions | (2,158,503) | 116,894,357 |

Net investment income (loss) 182,048,095

Realized and Unrealized Gain (Loss)

| | | |
|--|-----------------|------------------------|
| Net realized gain (loss) on: | | |
| Investment securities: | | |
| Unaffiliated issuers | (1,144,090,154) | |
| Other affiliated issuers | (84,242,910) | |
| Foreign currency transactions | (1,993,280) | |
| Futures contracts | 18,488,512 | |
| Capital gain distributions from Fidelity Central Funds | 8,312 | |
| Total net realized gain (loss) | | (1,211,829,520) |
| Change in net unrealized appreciation (depreciation) on: | | |
| Investment securities | 5,677,867,612 | |
| Assets and liabilities in foreign currencies | (182,992) | |
| Futures contracts | (846,532) | |
| Total change in net unrealized appreciation (depreciation) | | 5,676,838,088 |
| Net gain (loss) | | <u>4,465,008,568</u> |
| Net increase (decrease) in net assets resulting from operations | | <u>\$4,647,056,663</u> |

Statement of Changes in Net Assets

| | Year ended December 31, 2009 | Year ended December 31, 2008 |
|--|------------------------------------|------------------------------------|
| Increase (Decrease) in Net Assets | | |
| Operations | | |
| Net investment income (loss) | \$ 182,048,095 | \$ 194,705,306 |
| Net realized gain (loss) | (1,211,829,520) | (4,169,606,650) |
| Change in net unrealized appreciation (depreciation) | 5,676,838,088 | (6,750,334,661) |
| Net increase (decrease) in net assets resulting from operations | <u>4,647,056,663</u> | <u>(10,725,236,005)</u> |
| Distributions to shareholders from net investment income | (191,893,175) | (185,329,200) |
| Distributions to shareholders from net realized gain | (4,181,790) | (591,923,050) |
| Total distributions | <u>(196,074,965)</u> | <u>(777,252,250)</u> |
| Share transactions – net increase (decrease) | (1,477,532,238) | 480,366,818 |
| Redemption fees | 784 | 26,163 |
| Total increase (decrease) in net assets | <u>2,973,450,244</u> | <u>(11,022,095,274)</u> |
| Net Assets | | |
| Beginning of period | 14,265,095,036 | 25,287,190,310 |
| End of period (including undistributed net investment income of \$4,097,167 and \$9,694,125, respectively) | <u>\$17,238,545,280</u> | <u>\$14,265,095,036</u> |

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

Financial Highlights — Initial Class

| Years ended December 31, | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|--------------------|-------------|--------------|--------------|--------------------|
| Selected Per-Share Data | | | | | |
| Net asset value, beginning of period | \$ 15.39 | \$ 27.90 | \$ 31.47 | \$ 31.03 | \$ 26.62 |
| Income from Investment Operations | | | | | |
| Net investment income (loss) ^C | .23 | .24 | .34 | .27 | .18 |
| Net realized and unrealized gain (loss) | 5.26 | (11.87) | 5.17 | 3.30 | 4.32 |
| Total from investment operations | 5.49 | (11.63) | 5.51 | 3.57 | 4.50 |
| Distributions from net investment income | (.25) | (.23) | (.33) | (.42) | (.08) |
| Distributions from net realized gain | (.01) | (.65) | (8.75) | (2.71) | (.01) |
| Total distributions | (.26) ^I | (.88) | (9.08) | (3.13) | (.09) ^H |
| Redemption fees added to paid in capital ^{C,G} | — | — | — | — | — |
| Net asset value, end of period | \$ 20.62 | \$ 15.39 | \$ 27.90 | \$ 31.47 | \$ 31.03 |
| Total Return^{A,B} | 35.71% | (42.51)% | 17.59% | 11.72% | 16.94% |
| Ratios to Average Net Assets^{D,F} | | | | | |
| Expenses before reductions | .67% | .66% | .65% | .66% | .66% |
| Expenses net of fee waivers, if any | .67% | .66% | .65% | .66% | .66% |
| Expenses net of all reductions | .65% | .65% | .64% | .65% | .64% |
| Net investment income (loss) | 1.33% | 1.07% | 1.00% | .85% | .66% |
| Supplemental Data | | | | | |
| Net assets, end of period (000 omitted) | \$7,405,228 | \$6,240,871 | \$12,371,009 | \$11,595,588 | \$11,099,527 |
| Portfolio turnover rate ^E | 145% | 172% | 134% | 75% | 60% |

^ATotal returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. ^BTotal returns would have been lower had certain expenses not been reduced during the periods shown. ^CCalculated based on average shares outstanding during the period. ^DFees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. ^EAmount does not include the portfolio activity of any underlying Fidelity Central Funds. ^FExpense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or reductions from other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. ^GAmount represents less than \$.01 per share. ^HTotal distributions of \$.09 per share is comprised of distributions from net investment income of \$.080 and distributions from net realized gain of \$.005 per share. ^ITotal distributions of \$.26 per share is comprised of distributions from net investment income of \$.250 and distributions from net realized gain of \$.005 per share.

Financial Highlights — Service Class

| Years ended December 31, | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|--------------------|-------------|-------------|-------------|--------------------|
| Selected Per-Share Data | | | | | |
| Net asset value, beginning of period | \$ 15.33 | \$ 27.80 | \$ 31.38 | \$ 30.93 | \$ 26.53 |
| Income from Investment Operations | | | | | |
| Net investment income (loss) ^C | .21 | .21 | .30 | .24 | .16 |
| Net realized and unrealized gain (loss) | 5.25 | (11.83) | 5.16 | 3.28 | 4.30 |
| Total from investment operations | 5.46 | (11.62) | 5.46 | 3.52 | 4.46 |
| Distributions from net investment income | (.23) | (.20) | (.29) | (.36) | (.06) |
| Distributions from net realized gain | (.01) | (.65) | (8.75) | (2.71) | (.01) |
| Total distributions | (.24) ^I | (.85) | (9.04) | (3.07) | (.06) ^H |
| Redemption fees added to paid in capital ^{C,G} | — | — | — | — | — |
| Net asset value, end of period | \$ 20.55 | \$ 15.33 | \$ 27.80 | \$ 31.38 | \$ 30.93 |
| Total Return^{A,B} | 35.66% | (42.61)% | 17.51% | 11.59% | 16.85% |
| Ratios to Average Net Assets^{D,F} | | | | | |
| Expenses before reductions | .77% | .76% | .75% | .76% | .76% |
| Expenses net of fee waivers, if any | .77% | .76% | .75% | .76% | .76% |
| Expenses net of all reductions | .75% | .75% | .74% | .75% | .74% |
| Net investment income (loss) | 1.23% | .97% | .90% | .75% | .56% |
| Supplemental Data | | | | | |
| Net assets, end of period (000 omitted) | \$1,784,820 | \$1,497,734 | \$3,008,644 | \$2,766,343 | \$2,503,244 |
| Portfolio turnover rate ^E | 145% | 172% | 134% | 75% | 60% |

^ATotal returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. ^BTotal returns would have been lower had certain expenses not been reduced during the periods shown. ^CCalculated based on average shares outstanding during the period. ^DFees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. ^EAmount does not include the portfolio activity of any underlying Fidelity Central Funds. ^FExpense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or reductions from other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. ^GAmount represents less than \$.01 per share. ^HTotal distributions of \$.06 per share is comprised of distributions from net investment income of \$.055 and distributions from net realized gain of \$.005 per share. ^ITotal distributions of \$.24 per share is comprised of distributions from net investment income of \$.232 and distributions from net realized gain of \$.005 per share.

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

Financial Highlights — Service Class 2

| Years ended December 31, | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|--------------------|-------------|-------------|-------------|--------------------|
| Selected Per-Share Data | | | | | |
| Net asset value, beginning of period | \$ 15.14 | \$ 27.46 | \$ 31.11 | \$ 30.69 | \$ 26.35 |
| Income from Investment Operations | | | | | |
| Net investment income (loss) ^C | .18 | .18 | .25 | .19 | .11 |
| Net realized and unrealized gain (loss) | 5.18 | (11.67) | 5.11 | 3.26 | 4.27 |
| Total from investment operations | 5.36 | (11.49) | 5.36 | 3.45 | 4.38 |
| Distributions from net investment income | (.21) | (.18) | (.26) | (.32) | (.04) |
| Distributions from net realized gain | (.01) | (.65) | (8.75) | (2.71) | (.01) |
| Total distributions | (.21) ^I | (.83) | (9.01) | (3.03) | (.04) ^H |
| Redemption fees added to paid in capital ^{C,G} | — | — | — | — | — |
| Net asset value, end of period | \$ 20.29 | \$ 15.14 | \$ 27.46 | \$ 31.11 | \$ 30.69 |
| Total Return^{A,B} | 35.47% | (42.69)% | 17.30% | 11.43% | 16.65% |
| Ratios to Average Net Assets^{D,F} | | | | | |
| Expenses before reductions | .92% | .91% | .90% | .91% | .91% |
| Expenses net of fee waivers, if any | .92% | .91% | .90% | .91% | .91% |
| Expenses net of all reductions | .90% | .90% | .89% | .90% | .89% |
| Net investment income (loss) | 1.08% | .82% | .75% | .60% | .40% |
| Supplemental Data | | | | | |
| Net assets, end of period (000 omitted) | \$7,577,737 | \$6,187,985 | \$9,339,663 | \$6,185,595 | \$3,247,909 |
| Portfolio turnover rate ^E | 145% | 172% | 134% | 75% | 60% |

^ATotal returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. ^BTotal returns would have been lower had certain expenses not been reduced during the periods shown. ^CCalculated based on average shares outstanding during the period. ^DFees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. ^EAmount does not include the portfolio activity of any underlying Fidelity Central Funds. ^FExpense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or reductions from other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. ^GAmount represents less than \$.01 per share. ^HTotal distributions of \$.04 per share is comprised of distributions from net investment income of \$.035 and distributions from net realized gain of \$.005 per share. ^ITotal distributions of \$.21 per share is comprised of distributions from net investment income of \$.205 and distributions from net realized gain of \$.005 per share.

Financial Highlights — Service Class 2R

| Years ended December 31, | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|--------------------|-----------|-----------|-----------|--------------------|
| Selected Per-Share Data | | | | | |
| Net asset value, beginning of period | \$ 15.10 | \$ 27.35 | \$ 31.02 | \$ 30.61 | \$ 26.29 |
| Income from Investment Operations | | | | | |
| Net investment income (loss) ^C | .18 | .18 | .25 | .19 | .11 |
| Net realized and unrealized gain (loss) | 5.17 | (11.62) | 5.09 | 3.25 | 4.27 |
| Total from investment operations | 5.35 | (11.44) | 5.34 | 3.44 | 4.38 |
| Distributions from net investment income | (.20) | (.16) | (.26) | (.32) | (.05) |
| Distributions from net realized gain | (.01) | (.65) | (8.75) | (2.71) | (.01) |
| Total distributions | (.21) ^I | (.81) | (9.01) | (3.03) | (.06) ^H |
| Redemption fees added to paid in capital ^{C,G} | — | — | — | — | — |
| Net asset value, end of period | \$ 20.24 | \$ 15.10 | \$ 27.35 | \$ 31.02 | \$ 30.61 |
| Total Return^{A,B} | 35.46% | (42.69)% | 17.30% | 11.43% | 16.67% |
| Ratios to Average Net Assets^{D,F} | | | | | |
| Expenses before reductions | .92% | .91% | .90% | .91% | .91% |
| Expenses net of fee waivers, if any | .92% | .91% | .90% | .91% | .91% |
| Expenses net of all reductions | .90% | .90% | .89% | .90% | .89% |
| Net investment income (loss) | 1.08% | .82% | .75% | .60% | .39% |
| Supplemental Data | | | | | |
| Net assets, end of period (000 omitted) | \$ 13,285 | \$ 13,585 | \$ 35,606 | \$ 26,707 | \$ 19,596 |
| Portfolio turnover rate ^E | 145% | 172% | 134% | 75% | 60% |

^ATotal returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. ^BTotal returns would have been lower had certain expenses not been reduced during the periods shown. ^CCalculated based on average shares outstanding during the period. ^DFees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. ^EAmount does not include the portfolio activity of any underlying Fidelity Central Funds. ^FExpense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or reductions from other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. ^GAmount represents less than \$.01 per share. ^HTotal distributions of \$.06 per share is comprised of distributions from net investment income of \$.050 and distributions from net realized gain of \$.005 per share. ^ITotal distributions of \$.21 per share is comprised of distributions from net investment income of \$.200 and distributions from net realized gain of \$.005 per share.

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

Financial Highlights — Investor Class

| Years ended December 31, | 2009 | 2008 | 2007 | 2006 | 2005 ^H |
|---|--------------------|------------|------------|------------|-------------------|
| Selected Per-Share Data | | | | | |
| Net asset value, beginning of period | \$ 15.34 | \$ 27.82 | \$ 31.41 | \$ 31.00 | \$ 28.34 |
| Income from Investment Operations | | | | | |
| Net investment income (loss) ^E | .21 | .21 | .30 | .23 | .06 |
| Net realized and unrealized gain (loss) | 5.25 | (11.83) | 5.16 | 3.30 | 2.60 |
| Total from investment operations | 5.46 | (11.62) | 5.46 | 3.53 | 2.66 |
| Distributions from net investment income | (.24) | (.21) | (.30) | (.41) | — |
| Distributions from net realized gain | (.01) | (.65) | (8.75) | (2.71) | — |
| Total distributions | (.24) ^K | (.86) | (9.05) | (3.12) | — |
| Redemption fees added to paid in capital ^{L,1} | — | — | — | — | — |
| Net asset value, end of period | \$ 20.56 | \$ 15.34 | \$ 27.82 | \$ 31.41 | \$ 31.00 |
| Total Return^{B,C,D} | 35.66% | (42.60)% | 17.47% | 11.60% | 9.39% |
| Ratios to Average Net Assets^{F,1} | | | | | |
| Expenses before reductions | .77% | .75% | .76% | .78% | .83% ^A |
| Expenses net of fee waivers, if any | .77% | .75% | .76% | .78% | .83% ^A |
| Expenses net of all reductions | .75% | .74% | .75% | .78% | .81% ^A |
| Net investment income (loss) | 1.23% | .98% | .89% | .73% | .43% ^A |
| Supplemental Data | | | | | |
| Net assets, end of period (000 omitted) | \$ 457,476 | \$ 324,919 | \$ 532,268 | \$ 315,995 | \$ 88,673 |
| Portfolio turnover rate ^G | 145% | 172% | 134% | 75% | 60% |

^AAnnualized. ^BTotal returns for periods of less than one year are not annualized. ^CTotal returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown. ^DTotal returns would have been lower had certain expenses not been reduced during the periods shown. ^ECalculated based on average shares outstanding during the period. ^FFees and expenses of the underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds. ^GAmount does not include the portfolio activity of any underlying Fidelity Central Funds. ^HFor the period July 21, 2005 (commencement of sale of shares) to December 31, 2005. ¹Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or reductions from other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expense ratios before reductions for start-up periods may not be representative of longer-term operating periods. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class. ¹Amount represents less than \$.01 per share. ^KTotal distributions of \$.24 per share is comprised of distributions from net investment income of \$.235 and distributions from net realized gain of \$.005 per share.

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

Notes to Financial Statements

For the period ended December 31, 2009

1. Organization.

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

2. Investments in Fidelity Central Funds.

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

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

A complete unaudited list of holdings for each Fidelity Central Fund is available upon request or at the Securities and Exchange Commission (the SEC) web site at www.sec.gov. In addition, the financial statements of the Fidelity Central Funds, which are not covered by the Fund's Report of Independent Registered Public Accounting Firm, are available on the SEC web site or upon request.

3. Significant Accounting Policies.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. Events or transactions occurring after period end through the date that the financial statements were issued, February 12, 2010, have been evaluated in the preparation of the financial statements. The following summarizes the significant accounting policies of the Fund:

Security Valuation. Investments are valued as of 4:00 p.m. Eastern time on the last calendar day of the period. The Fund uses independent pricing services approved by the Board of Trustees to value its investments. When current market prices or quotations are not readily available or reliable, valuations may be determined in good faith in accordance with procedures adopted by the Board of Trustees. Factors used in determining value may include significant market or security specific events. The frequency with which these procedures are used cannot be predicted and may be utilized to a significant extent. The value used for net asset value (NAV) calculation under these procedures may differ from published prices for the same securities.

The Fund categorizes the inputs to valuation techniques used to value its investments into a disclosure hierarchy consisting of three levels as shown below.

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, etc.)

Level 3 – unobservable inputs (including the fund's own assumptions based on the best information available)

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The aggregate value of investments by input level, as of December 31, 2009, as well as a roll forward of Level 3 securities, is included at the end of the Fund's Schedule of Investments. Valuation techniques used to value the Fund's investments by major category are as follows.

Equity securities, including restricted securities, for which market quotations are readily available, are valued at the last reported sale price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as level 1 in the hierarchy. In the event there were no sales during the day or closing prices are not available, securities are valued at the last quoted bid price or may be valued using the last available price and categorized as Level 2 in the hierarchy. For foreign equity securities, when significant market or security events arise, comparisons to the valuation of American Depository Receipts (ADRs), futures contracts, exchange-traded funds (ETFs) and certain indexes as well as quoted prices for similar securities are used and are categorized as Level 2 in the hierarchy in these circumstances. For restricted securities and private placements where observable inputs are limited, assumptions about market activity and risk are used and are categorized as level 3 in the hierarchy.

Notes to Financial Statements – continued

3. Significant Accounting Policies – continued

Security Valuation – continued

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded and are categorized as Level 1 in the hierarchy. Investments in open-end mutual funds, including the Fidelity Money Market Central Funds, are valued at their closing net asset value each business day and are categorized as Level 1 in the hierarchy. Short-term securities with remaining maturities of sixty days or less for which quotations are not readily available are valued at amortized cost, which approximates value and are categorized as level 2 in the hierarchy.

Foreign Currency. The Fund uses foreign currency contracts to facilitate transactions in foreign-denominated securities. Losses from these transactions may arise from changes in the value of the foreign currency or if the counterparties do not perform under the contracts' terms.

Foreign-denominated assets, including investment securities, and liabilities are translated into U.S. dollars at the exchange rate at period end. Purchases and sales of investment securities, income and dividends received and expenses denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date.

The effects of exchange rate fluctuations on investments are included with the net realized and unrealized gain (loss) on investment securities. Other foreign currency transactions resulting in realized and unrealized gain (loss) are disclosed separately.

Investment Transactions and Income. For financial reporting purposes, the Fund's investment holdings and NAV include trades executed through the end of the last business day of the period. The NAV per share for processing shareholder transactions is calculated as of the close of business of the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern time and includes trades executed through the end of the prior business day. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds received from litigation. Dividend income is recorded on the ex-dividend date, except for certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Fund is informed of the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Distributions received on securities that represent a return of capital or capital gain are recorded as a reduction of cost of investments and/or as a realized gain. The Fund estimates the components of distributions received that may be considered return of capital distributions or capital gain distributions. Interest income and distributions from the Fidelity Central Funds are accrued as earned. Interest income includes coupon interest and amortization of premium and accretion of discount on debt securities. Investment income is recorded net of foreign taxes withheld where recovery of such taxes is uncertain.

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

Deferred Trustee Compensation. Under a Deferred Compensation Plan (the Plan), independent Trustees must defer receipt of a portion of, and may elect to defer receipt of an additional portion of, their annual compensation. Deferred amounts are invested in a cross-section of Fidelity funds, are marked-to-market and remain in the Fund until distributed in accordance with the Plan. The investment of deferred amounts and the offsetting payable to the Trustees are included in the accompanying Statement of Assets and Liabilities.

Income Tax Information and Distributions to Shareholders. Each year, the Fund intends to qualify as a regulated investment company by distributing substantially all of its taxable income and realized gains under Subchapter M of the Internal Revenue Code and filing its U.S. federal tax return. As a result, no provision for income taxes is required. As of December 31, 2009, the Fund did not have any unrecognized tax benefits in the accompanying financial statements. A Fund's federal tax return is subject to examination by the Internal Revenue Service (IRS) for a period of three years. Foreign taxes are provided for based on the Fund's understanding of the tax rules and rates that exist in the foreign markets in which it invests.

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

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

Book-tax differences are primarily due to short-term gain distributions from Fidelity Central Funds, futures transactions, foreign currency transactions, certain foreign taxes, passive foreign investment companies (PFIC), market discount, partnerships, deferred trustees compensation, capital loss carryforwards and losses deferred due to wash sales and excise tax regulations.

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

| | |
|--|--------------------------|
| Gross unrealized appreciation | \$ 2,540,615,302 |
| Gross unrealized depreciation | (1,410,568,861) |
| Net unrealized appreciation (depreciation) | <u>\$ 1,130,046,441</u> |
| Tax Cost | <u>\$ 16,236,902,059</u> |

3. Significant Accounting Policies – continued

Income Tax Information and Distributions to Shareholders – continued

The tax-based components of distributable earnings as of period end were as follows:

| | |
|--|--------------------|
| Undistributed ordinary income | \$ 5,626,374 |
| Capital loss carryforward | \$ (5,069,635,430) |
| Net unrealized appreciation (depreciation) | \$ 1,130,061,559 |

The tax character of distributions paid was as follows:

| | December 31, 2009 | December 31, 2008 |
|-------------------------|-------------------|-------------------|
| Ordinary Income | \$ 196,074,965 | \$ 203,542,217 |
| Long-term Capital Gains | — | 573,710,033 |
| Total | \$ 196,074,965 | \$ 777,252,250 |

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

4. Operating Policies.

Repurchase Agreements. FMR has received an Exemptive Order from the SEC which permits the Fund and other affiliated entities of FMR to transfer uninvested cash balances into joint trading accounts which are then invested in repurchase agreements. The Fund may also invest directly with institutions in repurchase agreements. Repurchase agreements are collateralized by government or non-government securities. Upon settlement date, collateral is held in segregated accounts with custodian banks and may be obtained in the event of a default of the counterparty. The Fund monitors, on a daily basis, the value of the collateral to ensure it is at least equal to the principal amount of the repurchase agreement (including accrued interest). In the event of a default by the counterparty, realization of the collateral proceeds could be delayed, during which time the value of the collateral may decline.

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

5. Investments in Derivative Instruments.

Objectives and Strategies for Investing in Derivative Instruments. The Fund uses derivative instruments ("derivatives"), including futures contracts, in order to meet its investment objectives. The Fund's strategy is to use derivatives as a risk management tool and as an additional way to gain exposure to certain types of assets. The success of any strategy involving derivatives depends on analysis of numerous economic factors, and if the strategies for investment do not work as intended, the Fund may not achieve its objectives.

While utilizing derivatives in pursuit of its investment objectives, the Fund is exposed to certain financial risk relative to those derivatives. This risk is further explained below:

Equity Risk Equity risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

The following notes provide more detailed information about each derivative type held by the Fund:

Futures Contracts. The Fund uses futures contracts to manage its exposure to the stock market. A futures contract is an agreement between two parties to buy or sell a specified underlying instrument for a fixed price at a specified future date. Buying futures tends to increase a fund's exposure to the underlying instrument, while selling futures tends to decrease a fund's exposure to the underlying instrument. Risks of loss may exceed any futures variation margin reflected in the Fund's Statement of Assets and Liabilities and may include equity risk and potential lack of liquidity in the market. Futures have minimal counterparty risk to the Fund since the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the

Notes to Financial Statements – continued

5. Investments in Derivative Instruments – continued

Futures Contracts – continued

futures against default. The underlying face amount at value of any open futures contracts at period end is shown in the Schedule of Investments under the caption “Futures Contracts.” This amount reflects each contract’s exposure to the underlying instrument at period end.

The purchaser or seller of a futures contract is not required to pay for or deliver the instrument unless the contract is held until the delivery date. Upon entering into a futures contract, a fund is required to deposit with a clearing broker, no later than the following business day, an amount (“initial margin”) equal to a certain percentage of the face value of the contract. The initial margin may be in the form of cash or securities and is transferred to a segregated account on settlement date. Securities deposited to meet margin requirements are identified in the Fund’s Schedule of Investments. Futures contracts are marked-to-market daily and subsequent payments (“variation margin”) are made or received by a fund depending on the daily fluctuations in the value of the futures contract. These amounts are reflected as receivables or payables on the Statement of Assets and Liabilities and changes in value are recognized as unrealized gain (loss). Realized gain (loss) is recorded upon the expiration or closing of the futures contract. The net realized gain (loss) and change in unrealized gain (loss) on futures contracts during the period is included on the Statement of Operations. The total underlying face amount of all open futures contracts at period end is indicative of the volume of this derivative type.

Realized and Change in Unrealized Gain (Loss) on Derivative Instruments. A summary of the Fund’s value of derivatives by primary risk exposure as of period end, if any, is included at the end of the Fund’s Schedule of Investments. The table below reflects the Fund’s realized gain (loss) and change in unrealized gain (loss) for derivatives during the period.

| Risk Exposure / Derivative Type | Realized Gain (Loss) | Change in Unrealized Gain (Loss) |
|--|-------------------------|-------------------------------------|
| Equity Risk | | |
| Futures Contracts | \$ 18,488,512 | \$ (846,532) |
| Total Derivatives Realized and Change in Unrealized Gain (Loss) (a)(b) | <u>\$ 18,488,512</u> | <u>\$ (846,532)</u> |

(a) Total derivatives realized gain (loss) included in the Statement of Operations is comprised of \$18,488,512 for futures contracts.

(b) Total derivatives change in unrealized gain (loss) included in the Statement of Operations is comprised of \$(846,532) for futures contracts.

6. Purchases and Sales of Investments.

Purchases and sales of securities, other than short-term securities, aggregated \$21,225,293,391 and \$22,523,994,519, respectively.

7. Fees and Other Transactions with Affiliates.

Management Fee. FMR and its affiliates provide the Fund with investment management related services for which the Fund pays a monthly management fee. The management fee is the sum of an individual fund fee rate that is based on an annual rate of .30% of the Fund’s average net assets and a group fee rate that averaged .26% during the period. The group fee rate is based upon the average net assets of all the mutual funds advised by FMR. The group fee rate decreases as assets under management increase and increases as assets under management decrease. For the period, the total annual management fee rate was .56% of the Fund’s average net assets.

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

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

| | |
|-------------------------|----------------------|
| Service Class | \$ 1,553,462 |
| Service Class 2 | 16,604,814 |
| Service Class 2 R | 31,866 |
| | <u>\$ 18,190,142</u> |

7. Fees and Other Transactions with Affiliates – continued

Transfer Agent Fees. Fidelity Investments Institutional Operations Company, Inc. (FIIOC), an affiliate of FMR, is the Fund's transfer, dividend disbursing, and shareholder servicing agent. FIIOC receives an asset-based fee with respect to each class. Each class (with the exception of Investor Class) pays a transfer agent fee, excluding out of pocket expenses, equal to an annual rate of .07% of average net assets. Investor Class pays a monthly asset-based transfer agent fee of .15% of average net assets. The total transfer agent fees paid by each class to FIIOC, including out of pocket expenses, were as follows:

| | |
|------------------|----------------------|
| Initial Class | \$ 5,037,805 |
| Service Class | 1,212,685 |
| Service Class 2 | 5,170,393 |
| Service Class 2R | 9,934 |
| Investor Class | 643,546 |
| | <u>\$ 12,074,363</u> |

Accounting and Security Lending Fees. Fidelity Service Company, Inc. (FSC), an affiliate of FMR, maintains the Fund's accounting records. The accounting fee is based on the level of average net assets for the month. Under a separate contract, FSC administers the security lending program. The security lending fee is based on the number and duration of lending transactions.

Brokerage Commissions. The Fund placed a portion of its portfolio transactions with brokerage firms which are affiliates of the investment adviser. The commissions paid to these affiliated firms were \$435,236 for the period.

8. Committed Line of Credit.

The Fund participates with other funds managed by FMR in a \$3.5 billion credit facility (the "line of credit") to be utilized for temporary or emergency purposes to fund shareholder redemptions or for other short-term liquidity purposes. The Fund has agreed to pay commitment fees on its pro-rata portion of the line of credit, which amounted to \$75,366 and is reflected in Miscellaneous Expense on the Statement of Operations. During the period, there were no borrowings on this line of credit.

9. Security Lending.

The Fund lends portfolio securities from time to time in order to earn additional income. On the settlement date of the loan, the Fund receives collateral (in the form of U.S. Treasury obligations, letters of credit and/or cash) against the loaned securities and maintains collateral in an amount not less than 100% of the market value of the loaned securities during the period of the loan. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. If the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons, a fund could experience delays and costs in recovering the securities loaned or in gaining access to the collateral. Any cash collateral received is invested in the Fidelity Securities Lending Cash Central Fund. The value of loaned securities and cash collateral at period end are disclosed on the Fund's Statement of Assets and Liabilities. Security lending income represents the income earned on investing cash collateral, less fees and expenses associated with the loan, plus any premium payments that may be received on the loan of certain types of securities. Security lending income is presented in the Statement of Operations as a component of income from Fidelity Central Funds. Net income from lending portfolio securities during the period amounted to \$2,553,520.

10. Expense Reductions.

Many of the brokers with whom FMR places trades on behalf of the Fund provided services to the Fund in addition to trade execution. These services included payments of certain expenses on behalf of the Fund totaling \$2,154,911 for the period. In addition, through arrangements with the Fund's custodian, credits realized as a result of uninvested cash balances were used to reduce the Fund's expenses. During the period, these credits reduced the Fund's custody expenses by \$3,592.

Notes to Financial Statements – continued

11. Distributions to Shareholders.

Distributions to shareholders of each class were as follows:

| Years ended December 31, | 2009 | 2008 |
|-----------------------------------|-----------------------|-----------------------|
| From net investment income | | |
| Initial Class | \$ 89,825,612 | \$ 90,602,902 |
| Service Class | 20,191,848 | 19,549,112 |
| Service Class 2 | 76,591,597 | 70,722,525 |
| Service Class 2R | 133,806 | 140,284 |
| Investor Class | 5,150,312 | 4,314,377 |
| Total | <u>\$ 191,893,175</u> | <u>\$ 185,329,200</u> |
| From net realized gain | | |
| Initial Class | \$ 1,784,525 | \$ 283,640,043 |
| Service Class | 432,148 | 69,350,695 |
| Service Class 2 | 1,851,990 | 225,574,285 |
| Service Class 2R | 3,263 | 752,454 |
| Investor Class | 109,864 | 12,605,573 |
| Total | <u>\$ 4,181,790</u> | <u>\$ 591,923,050</u> |

12. Share Transactions.

Transactions for each class of shares were as follows:

| Years ended December 31, | Shares | | Dollars | |
|-------------------------------|---------------------|---------------------|-------------------------|-------------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Initial Class | | | | |
| Shares sold | 14,081,895 | 17,214,323 | \$ 237,639,561 | \$ 367,447,891 |
| Reinvestment of distributions | 4,636,839 | 17,689,881 | 91,610,137 | 374,242,945 |
| Shares redeemed | (65,265,249) | (72,624,796) | (1,075,039,384) | (1,561,195,619) |
| Net increase (decrease) | <u>(46,546,515)</u> | <u>(37,720,592)</u> | <u>\$ (745,789,686)</u> | <u>\$ (819,504,783)</u> |
| Service Class | | | | |
| Shares sold | 6,280,159 | 10,045,032 | \$ 104,665,220 | \$ 217,511,353 |
| Reinvestment of distributions | 1,049,443 | 4,168,313 | 20,623,996 | 88,899,807 |
| Shares redeemed | (18,151,640) | (24,772,545) | (296,874,025) | (531,153,700) |
| Net increase (decrease) | <u>(10,822,038)</u> | <u>(10,559,200)</u> | <u>\$ (171,584,809)</u> | <u>\$ (224,742,540)</u> |
| Service Class 2 | | | | |
| Shares sold | 57,118,843 | 104,589,963 | \$ 927,455,049 | \$ 2,230,223,383 |
| Reinvestment of distributions | 4,056,980 | 14,208,979 | 78,443,587 | 296,296,810 |
| Shares redeemed | (96,296,164) | (50,282,276) | (1,585,826,463) | (1,046,285,042) |
| Net increase (decrease) | <u>(35,120,341)</u> | <u>68,516,666</u> | <u>\$ (579,927,827)</u> | <u>\$ 1,480,235,151</u> |
| Service Class 2R | | | | |
| Shares sold | 142,133 | 315,752 | \$ 2,366,097 | \$ 7,183,840 |
| Reinvestment of distributions | 7,152 | 41,099 | 137,069 | 892,738 |
| Shares redeemed | (392,336) | (759,151) | (6,296,651) | (16,276,836) |
| Net increase (decrease) | <u>(243,051)</u> | <u>(402,300)</u> | <u>\$ (3,793,485)</u> | <u>\$ (8,200,258)</u> |
| Investor Class | | | | |
| Shares sold | 2,899,284 | 3,617,047 | \$ 50,858,034 | \$ 82,390,947 |
| Reinvestment of distributions | 266,531 | 807,800 | 5,260,176 | 16,919,950 |
| Shares redeemed | (2,091,088) | (2,380,010) | (32,554,641) | (46,731,649) |
| Net increase (decrease) | <u>1,074,727</u> | <u>2,044,837</u> | <u>\$ 23,563,569</u> | <u>\$ 52,579,248</u> |

13. Other.

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

At the end of the period, one otherwise unaffiliated shareholder was the owner of record of 18% of the total outstanding shares of the Fund.

Report of Independent Registered Public Accounting Firm

To the Trustees of Variable Insurance Products Fund II and Shareholders of VIP Contrafund Portfolio:

We have audited the accompanying statement of assets and liabilities of VIP Contrafund Portfolio (the Fund), a fund of Variable Insurance Products Fund II, including the schedule of investments, as of December 31, 2009, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2009, by correspondence with the custodians and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of VIP Contrafund Portfolio as of December 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts

February 12, 2010

Trustees and Officers

The Trustees, Member of the Advisory Board, and executive officers of the trust and fund, as applicable, are listed below. The Board of Trustees governs the fund and is responsible for protecting the interests of shareholders. The Trustees are experienced executives who meet periodically 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. Except for James C. Curvey, each of the Trustees oversees 222 funds advised by FMR or an affiliate. Mr. Curvey oversees 410 funds advised by FMR or an affiliate.

The Trustees hold office without limit in time except that (a) any Trustee may resign; (b) any Trustee may be removed by written instrument, signed by at least two-thirds of the number of Trustees prior to such removal; (c) any Trustee who requests to be retired or who has become incapacitated by illness or injury may be retired by written instrument signed by a majority of the other Trustees; and (d) any Trustee may be removed at any special meeting of shareholders by a two-thirds vote of the outstanding voting securities of the trust. Each Trustee who is not an interested person (as defined in the 1940 Act) (Independent Trustee), shall retire not later than the last day of the calendar year in which his or her 72nd birthday occurs. The Independent Trustees may waive this mandatory retirement age policy with respect to individual Trustees. The executive officers and Advisory Board Member hold office without limit in time, except that any officer and Advisory Board Member may resign or may be removed by a vote of a majority of the Trustees at any regular meeting or any special meeting of the Trustees. Except as indicated, each individual has held the office shown or other offices in the same company for the past five years.

The fund's Statement of Additional Information (SAI) includes more information about the Trustees. To request a free copy, call Fidelity at 1-877-208-0098.

Interested Trustees*:

Correspondence intended for each Trustee who is an interested person may be sent to Fidelity Investments, 82 Devonshire Street, Boston, Massachusetts 02109.

Name, Age; Principal Occupation

Edward C. Johnson 3d (79)

Year of Election or Appointment: 1988

Mr. Johnson is Trustee and Chairman of the Board of Trustees of certain Trusts. Mr. Johnson serves as Chief Executive Officer, Chairman, and a Director of FMR LLC; Chairman and a Director of FMR; Chairman and a Director of Fidelity Research & Analysis Company (FRAC); Chairman and a Director of Fidelity Investments Money Management, Inc.; and Chairman and a Director of FMR Co., Inc. In addition, Mr. Johnson serves as Chairman and Director of FIL Limited. Previously, Mr. Johnson served as President of FMR LLC (2006-2007).

James C. Curvey (74)

Year of Election or Appointment: 2007

Mr. Curvey also serves as Trustee (2007-present) of other investment companies advised by FMR. Mr. Curvey is a Director of FMR and FMR Co., Inc. (2007-present). Mr. Curvey is also Vice Chairman (2006-present) and Director of FMR LLC. In addition, Mr. Curvey serves as an Overseer for the Boston Symphony Orchestra and a member of the Trustees of Villanova University.

* Trustees have been determined to be "Interested Trustees" by virtue of, among other things, their affiliation with the trust or various entities under common control with FMR.

Independent Trustees:

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

Name, Age; Principal Occupation

Dennis J. Dirks (61)

Year of Election or Appointment: 2005

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

Name, Age; Principal Occupation

Alan J. Lacy (56)

Year of Election or Appointment: 2008

Mr. Lacy serves as Senior Adviser (2007-present) of Oak Hill Capital Partners, L.P. (private equity). Mr. Lacy also served as Chief Executive Officer (2000-2005) and Vice Chairman (2005-2006) of Sears Holdings Corporation and Sears, Roebuck and Co. (retail). In addition, Mr. Lacy serves as a member of the Board of Directors of The Western Union Company (global money transfer, 2006-present) and Bristol-Myers Squibb Company (global pharmaceuticals, 2007-present). Mr. Lacy is Chairman (2008-present) and a member (2006-present) of the Board of Trustees of The National Parks Conservation Association.

Ned C. Lautenbach (65)

Year of Election or Appointment: 2000

Mr. Lautenbach is Chairman of the Independent Trustees of the Equity and High Income Funds (2006-present). Mr. Lautenbach is an Advisory Partner of Clayton, Dubilier & Rice, Inc. (private equity investment). Previously, Mr. Lautenbach was with the International Business Machines Corporation (IBM) from 1968 until his retirement in 1998. Mr. Lautenbach serves as a Director of Eaton Corporation (diversified industrial) as well as the Philharmonic Center for the Arts in Naples, Florida. Mr. Lautenbach is also a member of the Board of Trustees of Fairfield University (2005-present), as well as a member of the Council on Foreign Relations. Previously, Mr. Lautenbach served as a Director of Sony Corporation (2006-2007).

Joseph Mauriello (65)

Year of Election or Appointment: 2008

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

Cornelia M. Small (65)

Year of Election or Appointment: 2005

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

William S. Stavropoulos (70)

Year of Election or Appointment: 2001

Mr. Stavropoulos serves as President and Founder of the Michigan Baseball Foundation, the Great Lakes Loons (2007-present). Mr. Stavropoulos is Chairman Emeritus of the Board of Directors of The Dow Chemical Company, where he previously served in numerous senior management positions, including President, CEO (1995-2000; 2002-2004), Chairman of the Executive Committee (2000-2006), and as a member of the Board of Directors (1990-2006). Currently, Mr. Stavropoulos is a Director of Teradata Corporation (data warehousing and technology solutions, 2008-present), Chemical Financial Corporation, Maersk Inc. (industrial conglomerate), Tyco International, Inc. (multinational manufacturing and services, 2007-present), and a member of the Advisory Board for Metalmark Capital (private equity investment, 2005-present). Mr. Stavropoulos is a special advisor to Clayton, Dubilier & Rice, Inc. (private equity investment). In addition, Mr. Stavropoulos is a member of the University of Notre Dame Advisory Council for the College of Science.

David M. Thomas (60)

Year of Election or Appointment: 2008

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

Michael E. Wiley (59)

Year of Election or Appointment: 2008

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

Trustees and Officers – continued

Advisory Board Member and Executive Officers:

Correspondence intended for each executive officer and Peter S. Lynch may be sent to Fidelity Investments, 82 Devonshire Street, Boston, Massachusetts 02109.

Name, Age; Principal Occupation

Peter S. Lynch (65)

Year of Election or Appointment: 2003

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

Kenneth B. Robins (40)

Year of Election or Appointment: 2008

President and Treasurer of Fidelity's Equity and High Income Funds. Mr. Robins also serves as Assistant Treasurer of other Fidelity funds (2009-present) and is an employee of Fidelity Investments (2004-present). Before joining Fidelity Investments, Mr. Robins worked at KPMG LLP, where he was a partner in KPMG's department of professional practice (2002-2004).

Bruce T. Herring (44)

Year of Election or Appointment: 2006

Vice President of certain Equity Funds. Mr. Herring also serves as Group Chief Investments Officer of FMR. Previously, Mr. Herring served as a portfolio manager for Fidelity U.S. Equity Funds.

Brian B. Hogan (45)

Year of Election or Appointment: 2009

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

Scott C. Goebel (41)

Year of Election or Appointment: 2008

Secretary and Chief Legal Officer (CLO) of the Fidelity funds. Mr. Goebel also serves as General Counsel, Secretary, and Senior Vice President of FMR (2008-present) and FMR Co., Inc. (2008-present); Deputy General Counsel of FMR LLC; Chief Legal Officer of Fidelity Management & Research (Hong Kong) Limited (2008-present) and Assistant Secretary of Fidelity Management & Research (Japan) Inc. (2008-present), Fidelity Investments Money Management, Inc. (2008-present), Fidelity Management & Research (U.K.) Inc. (2008-present), and Fidelity Research and Analysis Company (2008-present). Previously, Mr. Goebel served as Assistant Secretary of the Funds (2007-2008) and as Vice President and Secretary of Fidelity Distributors Corporation (FDC) (2005-2007).

William C. Coffey (40)

Year of Election or Appointment: 2009

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

Holly C. Laurent (55)

Year of Election or Appointment: 2008

Anti-Money Laundering (AML) Officer of the Fidelity funds. Ms. Laurent is an employee of Fidelity Investments. Previously, Ms. Laurent was Senior Vice President and Head of Legal for Fidelity Business Services India Pvt. Ltd. (2006-2008), and Senior Vice President, Deputy General Counsel and Group Head for FMR LLC (2005-2006).

Christine Reynolds (51)

Year of Election or Appointment: 2008

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

Kenneth A. Rathgeber (62)

Year of Election or Appointment: 2004

Chief Compliance Officer of Fidelity's Equity and High Income Funds. Mr. Rathgeber is Chief Compliance Officer of Fidelity Management & Research (Hong Kong) Limited (2008-present), Fidelity Management & Research (Japan) Inc. (2008-present), FMR (2005-present), FMR Co., Inc. (2005-present), Fidelity Management & Research (U.K.) Inc. (2005-present), Fidelity Research & Analysis Company (2005-present), Fidelity Investments Money Management, Inc. (2005-present), Pyramis Global Advisors, LLC (2005-present), and Strategic Advisers, Inc. (2005-present).

Name, Age; Principal Occupation

Jeffrey S. Christian (48)

Year of Election or Appointment: 2009

Deputy Treasurer of the Fidelity funds. Mr. Christian is an employee of Fidelity Investments. Previously, Mr. Christian served as Chief Financial Officer (2008-2009) of certain Fidelity funds, Senior Vice President of Fidelity Pricing and Cash Management Services (FPCMS) (2004-2009), and as Vice President of Business Analysis (2003-2004).

Bryan A. Mehrmann (48)

Year of Election or Appointment: 2005

Deputy Treasurer of the Fidelity funds. Mr. Mehrmann is an employee of Fidelity Investments. Previously, Mr. Mehrmann served as Vice President of Fidelity Investments Institutional Services Group (FIIS)/Fidelity Investments Institutional Operations Company, Inc. (FIIOC) Client Services (1998-2004).

Adrien E. Deberghes (42)

Year of Election or Appointment: 2008

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

John R. Hebble (51)

Year of Election or Appointment: 2009

Assistant Treasurer of Fidelity's Equity and High Income Funds. Mr. Hebble also serves as President and Treasurer of other Fidelity funds (2008-present) and is an employee of Fidelity Investments.

Paul M. Murphy (62)

Year of Election or Appointment: 2007

Assistant Treasurer of the Fidelity funds. Mr. Murphy is an employee of Fidelity Investments. Previously, Mr. Murphy served as Chief Financial Officer of the Fidelity funds (2005-2006), Vice President and Associate General Counsel of FMR (2007), and Senior Vice President of Fidelity Pricing and Cash Management Services (FPCMS) (1994-2007).

Gary W. Ryan (51)

Year of Election or Appointment: 2005

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

Distributions (Unaudited)

Initial Class, Service Class, Service Class 2 and Investor Class designate 100% of the dividends distributed during the fiscal year as qualifying for the dividends received deduction for corporate shareholders.

The fund will notify shareholders in January 2010 of amounts for use in preparing 2009 income tax returns.

Board Approval of Investment Advisory Contracts and Management Fees

VIP Contrafund Portfolio

Each year, the Board of Trustees, including the Independent Trustees (together, the Board), votes on the renewal of the management contract and sub-advisory agreements (together, the Advisory Contracts) for the fund. The Board, assisted by the advice of fund counsel and Independent Trustees' counsel, requests and considers a broad range of information throughout the year.

The Board meets regularly and, acting directly and through its separate committees, requests and receives information concerning, and considers at each of its meetings factors that are relevant to, its annual consideration of the renewal of the fund's Advisory Contracts, including the services and support provided to the fund and its shareholders. The Board has established various standing committees, each composed of Independent Trustees with varying backgrounds, to which the Board has assigned specific subject matter responsibilities in order to enhance effective decision-making by the Board. Each committee has a written charter outlining the structure and purposes of the committee. The Board also meets as needed to consider matters specifically related to the Board's annual consideration of the renewal of Advisory Contracts.

At its July 2009 meeting, the Board of Trustees, including the Independent Trustees, unanimously determined to renew the fund's Advisory Contracts. In reaching its determination, the Board considered all factors it believed relevant, including (i) the nature, extent, and quality of the services to be provided to the fund and its shareholders (including the investment performance of the fund); (ii) the competitiveness of the fund's management fee and total expenses; (iii) the total costs of the services to be provided by and the profits to be realized by Fidelity from its relationship with the fund; (iv) the extent to which economies of scale would be realized as the fund grows; and (v) whether fee levels reflect these economies of scale, if any, for the benefit of fund shareholders.

In considering whether to renew the Advisory Contracts for the fund, the Board ultimately reached a determination, with the assistance of fund counsel and Independent Trustees' counsel and through the exercise of its business judgment, that the renewal of the Advisory Contracts and the compensation to be received by Fidelity under the management contract is consistent with Fidelity's fiduciary duty under applicable law. The Board's decision to renew the Advisory Contracts was not based on any single factor noted above, but rather was based on a comprehensive consideration of all the information provided to the Board at its meetings throughout the year. The Board, in reaching its determination to renew the Advisory Contracts, is aware that shareholders in the fund have a broad range of investment choices available to them, including a wide choice among mutual funds offered by competitors to Fidelity, and that the fund's shareholders, with the opportunity to review and weigh the disclosure provided by the fund in its prospectus and other public disclosures, have chosen to invest in this fund, managed by Fidelity.

Nature, Extent, and Quality of Services Provided. The Board considered staffing within the investment adviser, FMR, and the sub-advisers (together, the Investment Advisers), including the backgrounds of the fund's investment personnel and the fund's investment objective and discipline. The Independent Trustees also had discussions with senior management of Fidelity's investment operations and investment groups. The Board considered the structure of the portfolio manager compensation program and whether this structure provides appropriate incentives.

Resources Dedicated to Investment Management and Support Services. The Board reviewed the size, education, and experience of the Investment Advisers' investment staff, their use of technology, and the Investment Advisers' approach to recruiting, training, and retaining portfolio managers and other research, advisory, and management personnel. In response to last year's financial crisis, FMR took a number of actions intended to cut costs and improve efficiency without weakening the investment teams or resources. The Board noted that Fidelity's analysts have access to a variety of technological tools and market and securities data that enable them to perform both fundamental and quantitative analysis and to specialize in various disciplines. The Board considered Fidelity's extensive global research capabilities that enable the Investment Advisers to aggregate data from various sources in an effort to produce positive investment results. The Board also considered that Fidelity's portfolio managers and analysts have access to daily portfolio attribution that allows for monitoring of a fund's portfolio, as well as an electronic communication system that provides immediate real-time access to research concerning issuers and credit enhancers.

Shareholder and Administrative Services. The Board considered (i) the nature, extent, quality, and cost of advisory, administrative, distribution, and shareholder services performed by the Investment Advisers and their affiliates under the Advisory Contracts and under separate agreements covering transfer agency, pricing and bookkeeping, and securities lending services for the fund; (ii) the nature and extent of the Investment Advisers' supervision of third party service providers, principally custodians and subcustodians; and (iii) the resources devoted to, and the record of compliance with, the fund's compliance policies and procedures. The Board also reviewed the allocation of fund brokerage, including allocations to brokers affiliated with the Investment Advisers, the use of brokerage commissions to pay fund expenses, and the use of "soft" commission dollars to pay for research services.

The Board noted that the growth of fund assets across the complex allows Fidelity to reinvest in the development of services designed to enhance the value or convenience of the Fidelity funds as investment vehicles. These services include 24-hour access to account information and market information through phone representatives and over the Internet, and investor education materials and asset allocation tools.

Investment in a Large Fund Family. The Board considered the benefits to shareholders of investing in a Fidelity fund, including the benefits of investing in a fund that is part of a large family of funds offering a variety of investment disciplines and providing for a large variety of mutual fund investor services. The Board noted that Fidelity has taken a number of actions over the previous year that benefited particular funds, including (i) dedicating

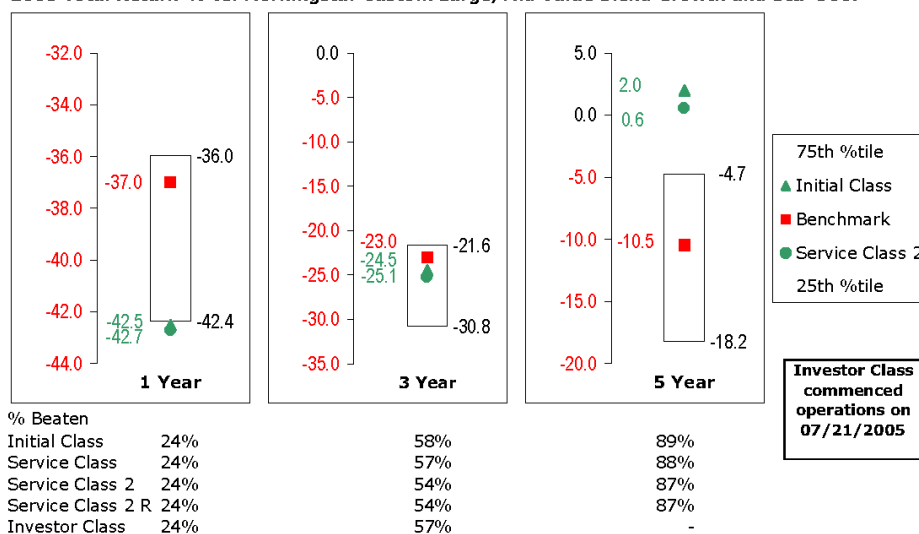
Board Approval of Investment Advisory Contracts and Management Fees – continued

additional resources to investment research and to restructure and broaden the focus of the investment research teams; (ii) bolstering the senior management team that oversees asset management; (iii) contractually agreeing to reduce the management fee on Fidelity U.S. Bond Index Fund; and (iv) expanding Class A and Class T load waiver categories to increase rollover retention opportunities and create consistent policies across the classes.

Investment Performance. The Board considered whether the fund has operated within its investment objective, as well as its record of compliance with its investment restrictions. It also reviewed the fund’s absolute investment performance for each class, as well as the fund’s relative investment performance for each class measured against (i) a broad-based securities market index, and (ii) a custom peer group of mutual funds deemed appropriate by the Board over multiple periods. The following charts considered by the Board show, over the one-, three-, and five-year periods ended December 31, 2008, the cumulative total returns of Initial Class and Service Class 2 of the fund, the cumulative total returns of a broad-based securities market index (“benchmark”), and a range of cumulative total returns of a custom peer group of mutual funds defined by FMR based on categories assigned by Morningstar, Inc. The returns of Initial Class and Service Class 2 show the performance of the highest and lowest performing classes, respectively (based on five-year performance). The box within each chart shows the 25th percentile return (bottom of box) and the 75th percentile return (top of box) of the peer group. Returns shown above the box are in the first quartile and returns shown below the box are in the fourth quartile. The percentage beaten numbers noted below each chart correspond to the percentile box and represent the percentage of funds in the peer group whose performance was equal to or lower than that of the class indicated. The fund’s custom peer group, defined by FMR, is a peer group that FMR believes provides a more meaningful performance comparison than the peer group assigned by Morningstar, Inc., which assigns mutual funds to categories based on their investment styles as measured by their underlying portfolio holdings.

VIP Contrafund Portfolio

2008 Total Return % vs. Morningstar Custom Large/Mid Value Blend Growth and S&P 500:



The Board reviewed the fund’s relative investment performance against its peer group and stated that the performance of Initial Class of the fund was in the fourth quartile for the one-year period, the second quartile for the three-year period, and the first quartile for the five-year period. The Board also stated that the investment performance of the fund was lower than its benchmark for the one- and three-year periods, although the five-year cumulative total return of Initial Class compared favorably to its benchmark. The Board considered that the variations in performance among the fund’s classes reflect the variations in class expenses, which result in lower performance for higher expense classes.

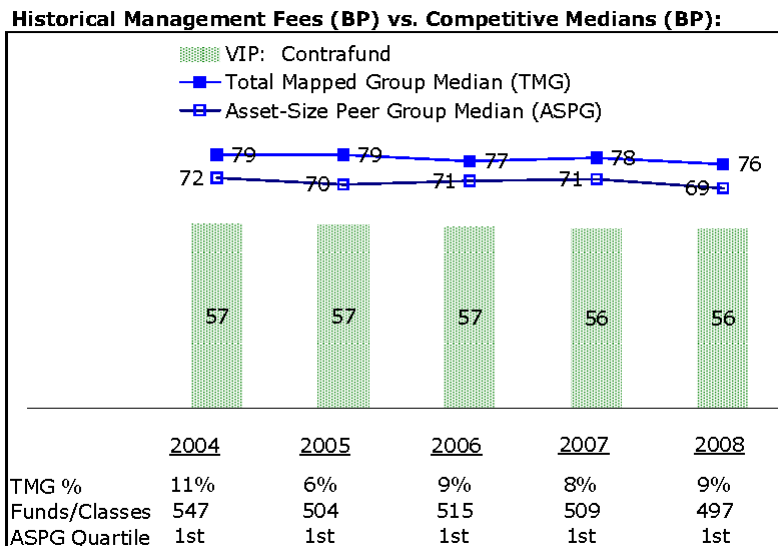
The Board considered that FMR has taken steps to refocus and strengthen equity research, equity portfolio management, and compliance. The Board reviewed the year-to-date performance of Initial Class through May 31, 2009 and stated that it exceeded the fund’s benchmark.

Based on its review, and giving particular weight to the nature and quality of the resources dedicated by the Investment Advisers to maintain and improve relative performance and factoring in the unprecedented market events in 2008, the Board concluded that the nature, extent, and quality of the services provided to the fund will benefit the fund’s shareholders, particularly in light of the Board’s view that the fund’s shareholders benefit from investing in a fund that is part of a large family of funds offering a variety of investment disciplines and services.

Competitiveness of Management Fee and Total Fund Expenses. The Board considered the fund’s management fee and total expenses compared to “mapped groups” of competitive funds and classes. Fidelity creates “mapped groups” by combining similar Lipper investment objective categories that have comparable management fee characteristics. Combining Lipper investment objective categories aids the Board’s management fee and total expense comparisons by broadening the competitive group used for comparison and by reducing the number of universes to which various Fidelity funds are compared.

The Board considered two proprietary management fee comparisons for the 12-month periods shown in the chart below. The group of Lipper funds used by the Board for management fee comparisons is referred to below as the “Total Mapped Group.” The Total Mapped Group comparison focuses on a fund’s standing relative to the total universe of comparable funds available to investors, in terms of gross management fees before expense reimbursements or caps. “TMG %” represents the percentage of funds in the Total Mapped Group that had management fees that were lower than the fund’s. For example, a TMG % of 9% means that 91% of the funds in the Total Mapped Group had higher management fees than the fund. The “Asset-Size Peer Group” (ASPG) comparison focuses on a fund’s standing relative to non-Fidelity funds similar in size to the fund within the Total Mapped Group. The ASPG represents at least 15% of the funds in the Total Mapped Group with comparable asset size and management fee characteristics, subject to a minimum of 50 funds (or all funds in the Total Mapped Group if fewer than 50). Additional information, such as the ASPG quartile in which the fund’s management fee ranked, is also included in the chart and considered by the Board.

VIP Contrafund Portfolio



The Board noted that the fund’s management fee ranked below the median of its Total Mapped Group and below the median of its ASPG for 2008.

Based on its review, the Board concluded that the fund’s management fee was fair and reasonable in light of the services that the fund receives and the other factors considered.

In its review of each class’s total expenses, the Board considered the fund’s management fee as well as other fund or class expenses, as applicable, such as transfer agent fees, pricing and bookkeeping fees, fund-paid 12b-1 fees, and custodial, legal, and audit fees. The Board also noted the effects of any waivers and reimbursements on fees and expenses. As part of its review, the Board also considered current and historical total expenses of each class of the fund compared to competitive fund median expenses. Each class of the fund is compared to those funds and classes in the Total Mapped Group (used by the Board for management fee comparisons) that have a similar sales load structure.

The Board noted that the total expenses of each class ranked below its competitive median for 2008.

In its review of total expenses, the Board also considered Fidelity fee structures and other information on clients that FMR and its affiliates service in other competitive markets, such as other mutual funds advised or subadvised by FMR or its affiliates, pension plan clients, and other institutional clients.

Based on its review, the Board concluded that the total expenses of each class of the fund were reasonable in light of the services that the fund and its shareholders receive and the other factors considered.

Costs of the Services and Profitability. The Board considered the revenues earned and the expenses incurred by Fidelity in conducting the business of developing, marketing, distributing, managing, administering and servicing the fund and its shareholders. The Board also considered the level of Fidelity’s profits in respect of all the Fidelity funds.

On an annual basis, FMR presents to the Board Fidelity’s profitability for the fund. Fidelity calculates the profitability for each fund, as well as aggregate profitability for groups of Fidelity funds and all Fidelity funds, using a series of detailed revenue and cost allocation methodologies which originate with the audited books and records of Fidelity. The Audit Committee of the Board reviews any significant changes from the prior year’s methodologies.

Board Approval of Investment Advisory Contracts and Management Fees – continued

PricewaterhouseCoopers LLP (PwC), independent registered public accounting firm and auditor to Fidelity and certain Fidelity funds, has been engaged annually by the Board as part of the Board's assessment of Fidelity's profitability analysis. PwC's engagement includes the review and assessment of Fidelity's methodologies used in determining the revenues and expenses attributable to Fidelity's mutual fund business, and completion of agreed-upon procedures surrounding the mathematical accuracy of fund profitability and its conformity to allocation methodologies. After considering PwC's reports issued under the engagement and information provided by Fidelity, the Board believes that while other allocation methods may also be reasonable, Fidelity's profitability methodologies are reasonable in all material respects.

The Board has also reviewed Fidelity's non-fund businesses and any fall-out benefits related to the mutual fund business as well as cases where Fidelity's affiliates may benefit from or be related to the fund's business.

The Board considered the costs of the services provided by and the profits realized by Fidelity in connection with the operation of the fund and determined that the amount of profit is a fair entrepreneurial profit for the management of the fund.

Economies of Scale. The Board considered whether there have been economies of scale in respect of the management of the Fidelity funds, whether the Fidelity funds (including the fund) have appropriately benefited from any such economies of scale, and whether there is potential for realization of any further economies of scale. The Board considered the extent to which the fund will benefit from economies of scale through increased services to the fund, through waivers or reimbursements, or through fee or expense reductions.

In February 2009, the Board created an Ad Hoc Committee (the "Committee") to analyze economies of scale. The Committee was formed to consider whether FMR attains economies of scale in respect of the management and servicing of the Fidelity funds, whether the Fidelity funds have appropriately benefited from such economies of scale, and whether there is potential for realization of any further economies of scale.

The Board recognized that the fund's management contract incorporates a "group fee" structure, which provides for lower group fee rates as total fund assets under FMR's management increase, and for higher group fee rates as total fund assets under FMR's management decrease. FMR determines the group fee rates based on a tiered asset "breakpoint" schedule. The Board considered that the group fee is designed to deliver the benefits of economies of scale to fund shareholders when total fund assets increase, even if assets of any particular fund are unchanged or have declined, because some portion of Fidelity's costs are attributable to services provided to all Fidelity funds, and all funds benefit if those costs can be allocated among more assets. The Board concluded that, given the group fee structure, fund shareholders will achieve a certain level of economies of scale as assets under FMR's management increase at the fund complex level, regardless of whether Fidelity achieves any such economies of scale.

The Board concluded, considering the findings of the Committee, that any potential economies of scale are being shared between fund shareholders and Fidelity in an appropriate manner.

Additional Information Requested by the Board. In order to develop fully the factual basis for consideration of the Fidelity funds' Advisory Contracts, the Board requested and received additional information on certain topics, including (i) fund performance trends, actions to be taken by FMR to improve certain funds' overall performance and Fidelity's long-term strategies for certain funds; (ii) portfolio manager changes that have occurred during the past year; (iii) Fidelity's compensation structure for portfolio managers and key personnel, including performance benchmarks used by Fidelity in evaluating incentive compensation for portfolio managers and research analysts; (iv) the structure and process of equity research and actions taken by FMR to improve the quality of research; (v) the selection of and compensation paid by FMR to fund sub-advisers; (vi) Fidelity's fee structures and rationale for recommending different fees among categories of funds; (vii) the rationale for any differences between fund fee structures and fee structures in place for other Fidelity clients; (viii) Fidelity's rationale for recommending which funds should have a performance adjustment component as part of their management fees; and (ix) explanations for the relative total expenses borne by certain funds and classes, total expense competitive trends, and actions that might be taken by FMR to reduce total expenses for certain funds and classes.

Based on its evaluation of all of the conclusions noted above, and after considering all material factors, the Board ultimately concluded that the advisory fee structures are fair and reasonable, and that the fund's Advisory Contracts should be renewed.

Investment Adviser

Fidelity Management & Research Company
Boston, MA

Investment Sub-Advisers

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

General Distributor

Fidelity Distributors Corporation
Boston, MA

Transfer and Service Agents

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

Custodian

Brown Brothers Harriman & Co.
Boston, MA