

Jack  
Bowers



# Fidelity

Best Performing  
Fidelity Newsletter

20  
Years

JANUARY  
2009

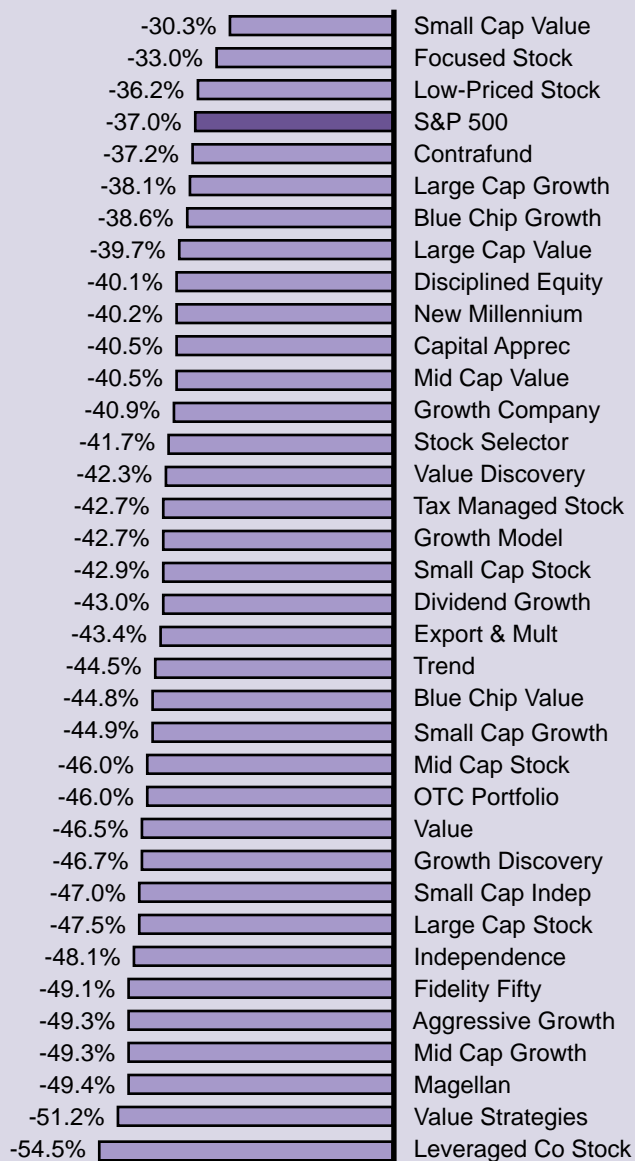
# Monitor™

## Year-End Review

When push came to shove, there were only three asset classes in 2008: cash, treasury bonds, and everything else. As the sub-prime crisis evolved into a massive global credit crunch, stock values were cut in half, conservative strategies lost a third, and even corporate bonds suffered double-digit losses.

YEAR-END REVIEW - *Continued on page 2*

### 2008 GROWTH FUND PERFORMANCE



## Changes For G&I, VIP G&I, Select System, and VIP Sector

On Monday, 1/12, we'll make several changes:

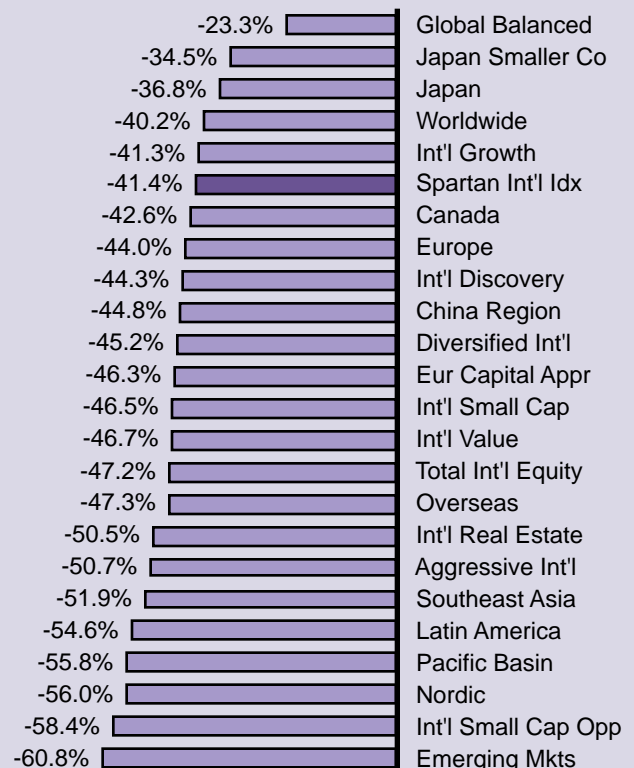
Our Growth and Income Model will sell **Asset Mgr. 20%** (328/FASIX) and **Fidelity** (3/FFIDX), buying **Puritan** (4/FPURX), for a mix of 46% **Puritan**, 37% **Balanced**, and 17% **Disc. Equity**. This move will reduce cash and boost bond exposure.

Our VIP Growth & Income Model will exchange **VIP FundsManager 20** for **VIP Inv Grade Bond**.

Our Select System will exchange all of **Medical Equip.** (354/FSMEX) and one-sixth of **Consumer Staples** (9/FDFAX) for **Construction & Housing** (511/FSHOX). The resulting mix will be roughly 19% **Construction & Housing**, 18% **Biotech**, 17% **Consumer Staples**, 19% **Transportation**, 13% **Utilities Growth**, and 14% **Chemicals**.

Our VIP Sector Model will sell one-half of **VIP Health Care** and one-sixth of **VIP Consumer Staples**, and buy **VIP Consumer Discretionary**.

### 2008 INTERNATIONAL PERFORMANCE



The string of events looked somewhat like a repeat of the Asian currency crisis of 1998, except the epicenter was here in the U.S. and the resulting credit crunch was far more extreme. Excess financial leverage, courtesy of the hedge fund industry and other institutional investors, triggered a broad financial bust that in the last century has been eclipsed only by the Great Depression.

Managing the nearly instantaneous transition from commodity-driven pricing pressures to deflation was especially difficult. With many industrial firms cut off from their lines of credit, global demand for oil has dropped almost 10% overnight, throwing fuel markets into a chronic surplus situation. It's certainly possible we'll see another energy crunch sometime in the distant future, but probably not for

at least five years. Many of the largest industrial energy users are becoming casualties of the financial crisis, meaning market share will move to producers that have greater efficiency. That suggests energy demand could remain subdued even after a global recovery cycle kicks in.

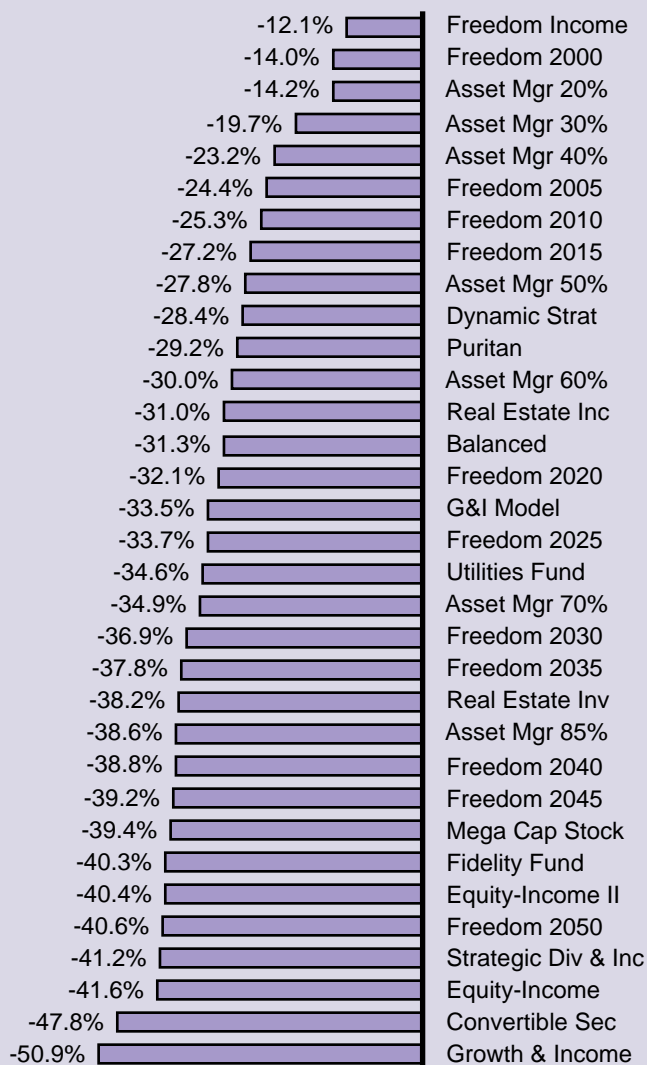
Most of Fidelity's stock funds fell harder than the S&P 500. It's not unusual for actively managed funds to lag in a bear market, but this time around the effect was magnified by mutual fund redemption activity. With the bargains that have been created, it should be relatively easy for actively managed funds to outperform over the next 3-5 years, but all bets are off until redemptions subside – which might not occur until 2010.

**DOMESTIC GROWTH FUNDS**

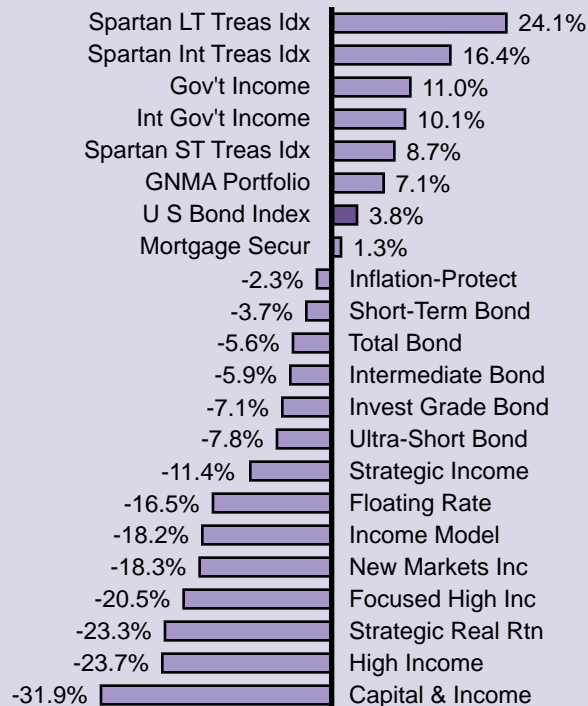
**Small Cap Value** finished with a significantly smaller loss than the S&P 500. Stockpicker Chuck Myers scooped up bargains in small bank stocks after many were hit despite healthy balance sheets and an influx of new customers defecting from larger banks.

Fidelity's quantitative stockpicking models seem to be coming of age, as evidenced by **Focused Stock**. Manager Stephen DuFour cut his heavy energy position in half just before the big plunge, and soon after doubled his financial weighting by picking up healthy players on the cheap. The fund's small size was key – it would be difficult to execute a strategy requiring 400% turnover in a larger fund.

**2008 G & I, REAL ESTATE, & ASSET ALLOCATION PERFORMANCE**



**2008 BOND FUND PERFORMANCE**



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**Contrafund** and **Low-Priced Stock** held up better than most other domestic stock funds, thanks to defensive positioning, above-average cash holdings, and a modest redemption activity for their size.

After a stellar seven-year run, the fun ended for **Leveraged Company Stock**, which suffered the largest loss in the group. Over half of its holdings were in energy and materials just before commodity stocks took an unprecedented fall. On top of that, many of its non-commodity holdings lagged because debt-heavy firms were cut off from credit.

Our Growth Model lagged the S&P 500. We bet heavily on large-cap growth funds in hopes that a portfolio underweighted in financial stocks would outperform, but technology stocks suffered more than the market when the downturn hit.

Our Unique Opportunities Model was an even bigger disappointment. Our energy-heavy holdings (**Independence** and **Leveraged Company**) were hit hard, and we did a poor job of fund selection in the remaining positions. We also failed to make any defensive moves until after the damage was done.

#### INTERNATIONAL FUNDS

Foreign stock funds were hit slightly harder than domestic stock funds, mainly because of the dollar's rebound.

**Global Balanced**, one of our favorites, held up well thanks to the bond side of its portfolio. Ironically, it outperformed **Balanced**, because foreign bonds did better than domestic bonds.

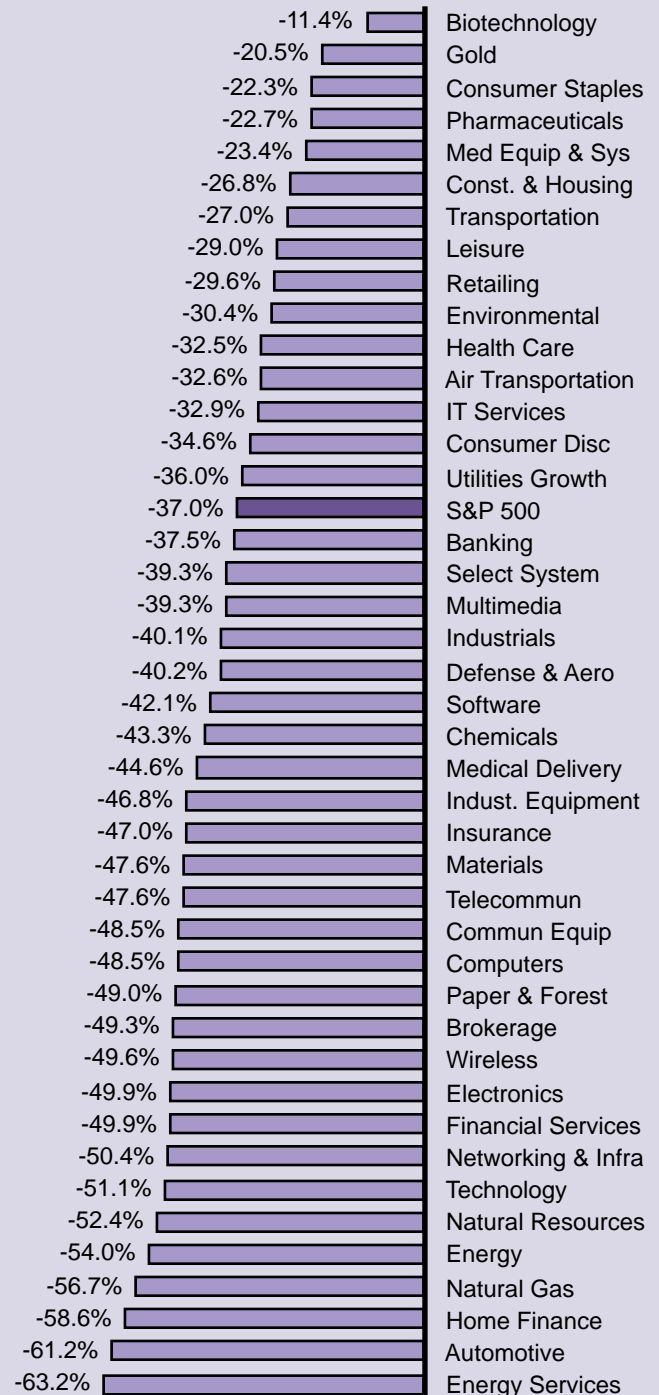
Despite another round of deflationary pressures and a tough environment for auto stocks, **Japan** and

**Japan Smaller Companies** kept losses smaller than other foreign stock funds.

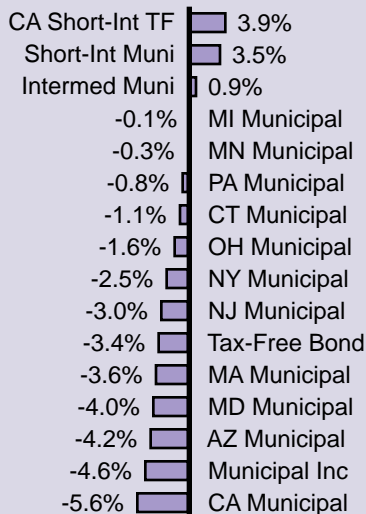
**Canada**, a choice we favored for most of the year, managed an above-average finish despite significant

YEAR-END REVIEW - *Continued on page 8*

### 2008 SELECT FUND PERFORMANCE



### 2008 MUNI BOND PERFORMANCE



#### GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

Gain/loss percentages are for prior month's close (annualized for periods over a year). Reinvested distributions are assumed. Size figures are for the close of the prior month, in millions. Risk is based on standard deviation of daily gains and losses over a one-year period, relative to the S&P 500. Fee: **0.75(90)** indicates a 0.75% redemption fee on shares held less than 90 days. All retail Fidelity funds are no-load. If a fund is closed to new investors, it is listed as such in the Fee column. Fidelity limits roundtrip trades to two in the last 90 days and four in the last 12 months (a roundtrip trade is defined as the purchase and sale of a fund within 30 days). Fund ratings: **B\*\*\*\*** is for a **favorite buy**, **B\*\*\*\*** means **buy**, **H\*\*\*** means **hold** for the long run, **S\*\*** means reduce to below 5% of holdings, **S\*** means **sell** and move to a buy-rated fund within the same asset class. Upgrades and downgrades from the prior month are indicated by ↑ and ↓.

DECEMBER PERFORMANCE												
Fund Name (Code/Symbol)	Rating	Risk	Payout	NAV	Size	2008	One Mth	Three Mth	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
130/30 Large Cap (2063/FOTTX)	H***	1.3 Est	0.036/6.26	6.43	101.4		1.0	-26.3				
Aggressive Gth (324/FDEGX)	H***	0.95	see page 8	11.65	1494.3	-49.3	3.5	-24.5	-49.3	-13.1	-4.8	-7.1
Blue Chip Gth (312/FBGRX)	B****	0.91	0.123/25.93	26.31	8722.2	-38.6	1.2	-24.7	-38.6	-10.2	-4.3	-3.6
Blue Chip Value (1271/FBCVX)	H***	1.15	0.07/7.61	7.90	307.5	-44.8	2.1	-25.1	-44.8	-12.8	-3.5	
Capital Apprec (307/FDCAX)	H***	0.99	0.184/15.05	15.73	4281.6	-40.5	5.0	-20.0	-40.5	-10.2	-3.2	1.2
Contrafund (22/FCNTX)	B****	0.83	0.21/43.92	45.26	44992.8	-37.2	1.6	-20.4	-37.2	-5.7	2.3	2.8
Growth Discovery (339/FDSVX)	H***↓	0.92	0.018/8.51	8.61	953.6	-46.7	-0.3	-27.0	-46.7	-8.3	-2.7	0.3
Disc Equity (315/FDEQX)	B****	0.96	0.257/16.50	17.41	8900.3	-40.1	2.6	-23.3	-40.1	-8.7	-1.2	-0.1
Dividend Gth (330/FDGFY)	B****	1.09	0.171/15.08	15.79	5263.9	-43.0	4.9	-26.7	-43.0	-12.9	-6.2	-1.8
Export Fund (332/FEXPX)	H***	0.97	0.005/13.48	14.41	2264.4	-43.4	2.5	-24.6	-43.4	-10.9	-1.5	3.8
Fidelity Fifty (500/FFTYX)	H***	1.00	0.05/10.51	11.03	634.5	-49.1	3.3	-27.5	-49.1	-13.9	-5.3	1.1
Focused Stock (333/FTQGX)	H***	0.89	0.07/8.79	8.83	92.5	-33.0	0.2	-20.9	-33.0	-6.3	2.4	-0.8
Growth Company (25/FDGRX)	B****	1.01	see page 8	48.96	21070.8	-40.9	3.9	-23.5	-40.9	-8.1	-0.2	1.6
Independence (73/FDFFX)	H***	1.26	0.085/13.88	14.27	3402.7	-48.1	1.5	-28.4	-48.1	-8.9	-1.4	0.5
Lg Cap Core En Idx (1827/FLCEX)	H***	0.97	0.11/6.21	6.40	838.7	-35.7	1.3	-20.3	-35.7			
Lg Cap Gth En Idx (1829/FLGEX)	H***	0.92	0.08/6.17	6.39	23.5	-37.0	2.1	-21.4	-37.0			
Large Cap Growth (763/FLGSX)	H***	0.98	0.046/6.30	6.58	83.2	-38.1	4.2	-22.0	-38.1	-12.6	-3.0	
Large-Cap Stock (338/FLCSX)	H***	1.15	0.11/9.47	10.02	534.5	-47.5	3.2	-26.9	-47.5	-12.4	-5.2	-3.8
Lg Cap Val En Idx (1828/FLVEX)	H***	1.05	0.12/5.72	5.91	27.2	-35.9	1.4	-20.2	-35.9			
Large Cap Value (708/FLSVX)	H***	1.03	0.185/8.19	8.55	993.9	-39.7	2.9	-23.2	-39.7	-9.9	-0.8	
Lev Co Stock (122/FLVCX)	H***	1.28	see page 8	14.44	2886.2	-54.5	4.4	-37.3	-54.5	-14.3	-1.6	
Low-Priced Stock (316/FLPSX)	B****↑	0.86	0.024/21.79	23.12	17271.3	-36.2	8.6	-20.7	-36.2	-8.1	0.6	8.0
Magellan (21/FMAGX)	H***	1.09	0.104/42.37	45.86	18637.7	-49.4	4.9	-27.1	-49.4	-13.6	-5.9	-3.5
Mid Cap Growth (793/FMGMX)	H***	1.08	0.061/6.47	6.79	143.6	-49.3	3.7	-31.0	-49.3	-17.5	-5.8	
Mid Cap Stock (337/FMCSX)	H***	1.04	0.051/15.13	15.61	4551.2	-46.0	7.4	-26.6	-46.0	-12.4	-3.2	2.8
Mid Cap Value (762/FSMVX)	H***	1.08	0.157/8.78	9.51	369.6	-40.5	8.3	-24.8	-40.5	-11.3	-0.6	
New Millennium (300/FMILX)	B****	0.98	0.11/17.15	17.64	1166.2	-40.2	3.9	-23.1	-40.2	-7.5	-1.9	4.8
OTC Portfolio (93/FOCPX)	B****	1.06		28.18	3139.5	-46.0	4.0	-24.2	-46.0	-9.3	-2.6	-1.3
Small Cap Gth (1388/FCPGX)	H***	0.99		8.69	795.3	-44.9	3.6	-27.6	-44.9	-10.0		
Small Cap Indep (336/FDSCX)	H***	1.04	0.023/9.85	10.53	1157.3	-47.0	4.5	-28.1	-47.0	-13.3	-3.6	1.3
Small Cap Stock (340/FSLCX)	H***	1.01	0.01/8.82	9.80	2057.1	-42.9	8.8	-27.8	-42.9	-11.6	-3.1	5.9
Small Cap Value (1389/FCPVX)	B****	1.12	0.068/8.45	9.32	907.4	-30.3	8.4	-22.2	-30.3	-6.6		
Stock Selector (320/FDSSX)	B****	0.99	0.223/16.51	16.98	559.1	-41.7	0.8	-24.4	-41.7	-9.6	-2.4	-1.2
Tax Mgd Stock (343/FTXMX)	B****	0.95	0.085/8.63	9.12	114.6	-42.7	2.9	-25.7	-42.7	-9.8	-1.5	
Trend (5/FTRNX)	B****	0.97	0.18/37.84	39.09	526.8	-44.5	2.5	-23.2	-44.5	-9.3	-2.3	0.3
Value (39/FDVLX)	H***	1.11	0.235/36.79	39.86	9562.1	-46.5	4.2	-31.7	-46.5	-14.3	-2.7	3.4
Value Discovery (832/FVDFX)	H***	1.09	0.09/9.91	10.18	647.3	-42.3	0.5	-25.2	-42.3	-9.9	-0.1	
Value Strategies (14/FSLSX)	H***	1.19	0.157/12.96	13.89	121.9	-51.2	6.4	-33.8	-51.2	-15.7	-6.7	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.64	0.084/12.92	13.12	16546.2	-31.3	2.3	-15.9	-31.3	-5.8	0.5	3.5
Convertible Sec (308/FCVFX)	H***	0.83	0.33/13.22	14.00	1439.0	-47.8	5.9	-28.2	-47.8	-11.3	-4.0	3.4
Equity-Income (23/FEQIX)	B****	1.09	0.209/29.84	30.87	17515.7	-41.6	1.7	-23.4	-41.6	-10.8	-3.6	-0.1
Equity-Income II (319/FEQTX)	B****	1.07	0.074/12.86	13.32	5216.3	-40.4	0.6	-22.5	-40.4	-10.9	-4.0	-0.5
Fidelity Fund (3/FFIDX)	B****	0.95	0.114/22.31	22.76	4485.2	-40.3	1.4	-22.6	-40.3	-7.5	-1.7	-1.1
Growth & Income (27/FGRIX)	H***	1.23	0.039/12.69	13.17	6534.2	-50.9	1.6	-28.9	-50.9	-18.2	-9.2	-5.1
Mega Cap Stock (361/FGRTX)	H***	0.98	0.066/6.77	6.95	469.7	-39.4	1.3	-21.3	-39.4	-8.8	-2.9	
Puritan (4/FPURX)	B****	0.64	0.115/12.84	13.06	14904.4	-29.2	2.2	-15.5	-29.2	-4.8	-0.3	2.0
Real Estate Income (833/FRIFX)	H***	0.35	see page 8	6.61	266.8	-31.0	2.3	-23.2	-31.0	-10.3	-3.3	
Real Estate (303/FRESX)	H***	1.81	see page 8	15.61	2407.1	-38.2	18.7	-37.4	-38.2	-13.6	-0.1	7.2
Strategic Div & Inc (1329/FSDIX)	B****	0.93	0.052/6.94	7.16	392.6	-41.2	4.5	-24.6	-41.2	-11.6		
Utilities (311/FUIUX)	B****	0.93	0.14/12.66	13.07	759.8	-34.6	0.0	-10.1	-34.6	-1.8	4.7	-0.5
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	B****↑	1.32		26.05	44.7	-32.6	12.2	0.8	-32.6	-6.8	2.4	6.1
Automotive (502/FSAVX)	S**	1.36		14.22	8.9	-61.2	-1.1	-44.7	-61.2	-23.9	-14.3	-4.8
Banking (507/FSRFX)	B****↑	1.68	0.42/13.92	14.76	238.2	-37.5	-1.6	-19.4	-37.5	-17.7	-9.1	-2.1
Biotechnology (42/FBIOX)	B****	0.82		59.11	1099.3	-11.4	8.5	-10.1	-11.4	-1.9	2.8	4.9
Brokerage (68/FSLBX)	H***	1.40	0.71/28.92	31.74	340.3	-49.3	7.3	-29.7	-49.3	-15.0	-2.1	4.5
IT Ser / Bus Ser (353/FBSOX)	B****	0.98		11.21	44.0	-32.9	4.1	-23.8	-32.9	-5.0	0.8	3.0
Chemicals (69/FSCHX)	B****	1.27	0.61/45.79	46.21	279.4	-43.3	-3.0	-31.9	-43.3	-5.3	2.7	6.7
Computers (7/FDCPX)	H***	0.94		24.89	223.7	-48.5	-1.3	-28.8	-48.5	-11.6	-7.0	-5.0
Const & Housing (511/FSHOX)	B****	1.39	see page 8	23.87	58.6	-26.8	7.3	-19.1	-26.8	-12.3	-1.0	3.7
Consumer Disc (517/FSCPX)	B****↑	1.06	0.08/13.24	13.65	18.5	-34.6	6.0	-22.5	-34.6	-12.2	-5.3	-2.8
Industrial / Cyc Ind (515/FCYIX)	B****	1.00	0.13/12.31	13.14	91.4	-40.1	4.7	-25.2	-40.1	-6.8	2.3	4.6
Defense & Aero (67/FSDAX)	H***	0.95	0.40/45.42	49.24	534.6	-40.2	8.1	-18.6	-40.2	-5.3	3.7	7.6
Com Equip / DevC (518/FSDCX)	H***	1.03	see page 8	11.52	123.7	-48.5	3.8	-30.4	-48.5	-16.7	-7.0	-4.7
Electronics (8/FSELX)	H***	1.09	0.19/20.59	22.65	588.6	-49.9	5.2	-26.3	-49.9	-19.3	-11.3	-3.8
Energy (60/FSENX)	H***	1.74		30.08	1453.0	-54.0	-5.6	-36.3	-54.0	-8.6	8.9	10.0
Energy Service (43/FSESX)	H***	1.70		35.92	866.1	-63.2	-11.7	-50.7	-63.2	-14.7	5.3	10.9
Environmental (516/FSLEX)	B****	0.96	see page 8	13.39	36.0	-30.4	5.3	-16.6	-30.4	-4.8	0.3	-0.1
Financial Services (66/FIDSX)	H***	1.50	1.16/45.68	46.67	289.7	-49.9	2.5	-27.6	-49.9	-20.5	-9.7	-1.9
Con Stap / Food Ag (9/FDFAX)	H***↓	0.69	0.659/48.38	50.99	682.5	-22.3	3.0	-12.9	-22.3	4.3	6.8	4.3
Gold (41/FSAGX)	S**	1.69		31.58	1275.8	-20.5	27.0	1.8	-20.5	7.6	9.6	14.3
Health Care (63/FSPHX)	H***	0.74	0.20/76.66	80.99	1267.7	-32.5	6.1	-18.1	-32.5	-7.3	0.2	0.8
Home Finance (98/FSVLX)	H***	1.60	0.45/10.65	11.29	71.0	-58.6	0.8	-18.2	-58.6	-33.9	-21.2	-6.2
Indust Equip (510/FSCGX)	H***	1.06	0.28/17.54	18.51	65.5	-46.8	3.4	-28.6	-46.8	-8.4	-1.4	1.2
Materials / Ind Mat (509/FSDPX)	H***	1.29	see page 8	30.46	137.9	-47.6	3.2	-30.1	-47.6	-6.8	0.9	6.6
Insurance (45/FSPCX)	H***	1.39	0.55/29.63	32.75	74.1	-47.0	9.8	-17.1	-47.0	-17.4	-6.2	1.8
Leisure (62/FDLSX)	B****↑	0.97	0.47/52.54	53.87	127.7	-29.0	10.9	-11.3	-29.0	-4.9	1.0	2.0
Medical Delivery (505/FSHCX)	S**↓	0.92		28.89	236.9	-44.6	10.2	-22.2	-44.6	-13.9	3.6	4.7
Medical Equip/Sys (354/FSMEX)	H***	0.73	0.005/17.47	18.45	1096.5	-23.4	5.1	-25.6	-23.4	-2.1	3.5	9.5
Multimedia (503/FBMPX)	H***	1.09	0.06/20.93	22.19	28.2	-39.3	5.5	-24.4	-39.3	-14.4	-7.0	-0.4
Natural Gas (513/FSNGX)	H***	1.85		20.17	811.7	-56.7	-5.0	-39.8	-56.7	-13.7	5.6	9.8
Nat Resources (514/FNARX)	H***	1.70		18.83	1031.5	-52.4	-1.9	-34.3	-52.4	-5.2	8.9	10.9
Networking (912/FNINX)	H***	1.02		1.23	31.1	-50.4	2.5	-28.1	-50.4	-19.4	-12.1	
Paper & Forest (506/FSPEX)	H***↑	1.18	0.25/15.40	15.71	10.0	-49.0	0.8	-38.5	-49.0	-16.9	-10.7	-0.7
Pharmaceuticals (580/FPHAX)	H***	0.73	0.11/8.34	8.81	147.1	-22.7	5.9	-9.2	-22.7	-0.5	2.3	
Retailing (46/FSRPX)	B****	1.12	0.20/28.78	28.61	35.6	-29.6	8.0	-19.9	-29.6	-9.3	-1.5	-1.1
Software (28/FSCTX)	H***↓	1.03		47.00	493.3	-42.1	1.5	-20.8	-42.1	-3.6	-0.7	3.6
Technology (64/FSPTX)	H***	1.07	see page 8	39.66	791.1	-51.1	4.7	-27.7	-51.1	-14.3	-7.9	-3.4
Telecom (96/FSTCX)	H***	1.22	0.508/26.11	26.66	176.5	-47.6	3.5	-22.0	-47.6	-10.4	-2.4	-5.1
Transportation (512/FSRFY)	B****	1.02	0.17/29.67	32.23	110.9	-27.0	0.3	-19.4	-27.0	-7.4	2.5	7.6
Utilities Growth (65/FSUTX)	H***↓	0.94	0.85/39.09	40.26	368.2	-36.0	-2.1	-10.5	-36.0	-0.5	6.0	0.0
Wireless (963/FWRLX)	H***	1.17	0.06/4.07	4.29	167.3	-49.6	5.2	-24.7	-49.6	-11.3	3.1	

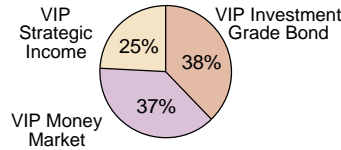
DECEMBER PERFORMANCE						30-day	One	Three	One	3-Yr	5-Yr	
Fund Name (Code/Symbol)	Rating	Risk	Payout	NAV	Size	Yield	2008	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.18	0.03/6.51	7.43	187.7		-50.7	8.0	-25.5	-50.7	-15.7	-5.5
Canada (309/FICDX)	H***	1.09	see page 8	35.06	2401.9		-42.6	3.4	-30.5	-42.6	-3.8	7.1
China Region (352/FHKCX)	S***	1.15	0.171/16.06	17.01	721.2		-44.8	6.4	-16.5	-44.8	1.5	6.0
Diversified Int'l (325/FDIVX)	H***	1.01	0.312/19.02	21.51	25635.5		-45.2	8.1	-23.4	-45.2	-8.0	1.8
Emerging EMEA (2053/FEMEX)	S**	1.5 Est	0.036/4.54	4.77	30.3			7.1	-29.3			
Emerging Mkts (322/FEMKX)	S**	1.21	0.24/11.64	12.99	1845.6		-60.8	7.1	-34.2	-60.8	-8.8	6.1
Europe (301/FIEUX)	S**	0.98	0.73/20.27	22.78	2540.0		-44.0	7.5	-19.2	-44.0	-6.6	4.4
Europe Cap Appr (341/FECAX)	S**	1.02	0.56/12.17	13.67	450.1		-46.3	7.5	-21.9	-46.3	-5.8	2.5
Global Balanced (334/FGBLX)	B****	0.48	0.55/15.78	16.66	332.0		-23.3	5.2	-10.0	-23.3	-0.3	4.2
Int'l Discovery (305/FIGRX)	H***	0.97	0.336/21.20	23.63	6461.8		-44.3	7.2	-19.9	-44.3	-6.3	3.0
Int'l Enhanced Index (2010/FIENX)	H***	1.0 Est	0.12/5.39	5.67	10.3			8.3	-19.6			
Int'l Growth (1979/FIGFX)	H***	0.97	0.064/4.91	5.54	13.9		-41.3	8.6	-17.8	-41.3		
Int'l Real Estate (1368/FIREX)	S**	1.12		6.63	272.3		-50.5	5.6	-24.3	-50.5	-13.4	
Int'l Small Cap (818/FISMX)	H***	0.76		12.35	498.9		-46.5	7.6	-23.0	-46.5	-11.6	3.0
Int'l Small Cap Opp (1504/FSCOX)	S**	1.15	0.003/5.91	5.99	271.8		-58.4	6.1	-34.4	-58.4	-18.7	
Int'l Value (1597/FIVLX)	H***	1.17	0.114/5.23	5.96	148.0		-46.7	8.7	-22.9	-46.7		
Japan (350/FJPNX)	H***	1.04	0.12/7.55	8.92	923.7		-36.8	9.7	-16.7	-36.8	-16.4	-1.6
Japan Smaller Co (360/FJSCX)	H***	0.71	0.05/6.48	7.17	366.0		-34.5	8.8	-11.3	-34.5	-23.3	-4.9
Latin America (349/FLATX)	S**	1.59	see page 8	27.62	2029.3		-54.6	5.0	-35.2	-54.6	-2.0	15.6
Nordic (342/FNORX)	H***	1.18	1.06/16.80	18.79	256.6		-56.0	6.8	-28.9	-56.0	-9.5	3.1
Overseas (94/FOSFX)	H***	1.04	0.37/22.43	25.08	5066.7		-47.3	7.0	-21.9	-47.3	-8.2	0.9
Pacific Basin (302/FPBFX)	S**	0.98	0.07/11.54	13.28	357.2		-55.8	12.7	-24.1	-55.8	-13.7	-0.5
Southeast Asia (351/FSEAX)	S**	1.00	see page 8	18.87	1520.2		-51.9	7.0	-19.2	-51.9	0.8	9.2
Total Int'l Equity (1978/FIEX)	H***	1.08	0.121/4.29	4.85	21.4		-47.2	8.6	-22.9	-47.2		
Worldwide (318/FWWFX)	H***	0.92	0.17/11.89	12.59	850.7		-40.2	3.7	-20.9	-40.2	-6.0	1.2
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.84	0.605/19.18	19.83	1413.3		-32.6	3.1	-18.4	-32.6	-6.2	-0.2
NASDAQ Comp (1282/FNCMX)	B****	1.01	0.20/20.68	20.85	118.5		-40.0	2.8	-24.4	-40.0	-10.0	-4.2
Spart Ext Mkt Idx (398/FSEMX)	B****	1.03	0.67/21.98	22.55	1583.7		-38.4	4.6	-26.3	-38.4	-9.2	-0.6
Spart Int'l Index (399/FSIHX)	H***	1.04	0.89/25.58	26.74	2952.6		-41.4	8.5	-19.1	-41.4	-6.5	2.2
Spart 500 Index (317/FSMKX)	B****	1.00	1.28/60.97	62.11	5199.6		-37.0	1.1	-22.0	-37.0	-8.4	-2.3
Spart Total Mkt Idx (397/FSTMX)	H***	1.00	0.54/24.57	25.07	3814.1		-37.2	1.8	-22.9	-37.2	-8.4	-1.7
Asset Mgr 20% (328/FASIX)	H***	0.20	0.069/10.24	10.32	1850.3		-14.2	2.2	-7.8	-14.2	-1.2	1.7
Asset Mgr 30% (1957/FTANX)	H***	0.30	0.04/7.57	7.64	23.7		-19.7	2.1	-10.6	-19.7		
Asset Mgr 40% (1958/FFANX)	H***	0.39	0.054/7.20	7.27	10.7		-23.2	2.3	-12.4	-23.2		
Asset Mgr 50% (314/FASMX)	H***	0.50	0.103/10.69	10.84	4973.0		-27.8	3.2	-14.7	-27.8	-5.7	-1.7
Asset Mgr 60% (1959/FSANX)	H***	0.60	0.117/6.49	6.60	15.2		-30.0	3.1	-15.6	-30.0		
Asset Mgr 70% (321/FASGX)	H***	0.71	0.311/10.55	10.74	1719.3		-34.9	3.5	-18.9	-34.9	-8.4	-3.3
Asset Mgr 85% (347/FAMRX)	H***	0.86	0.184/8.32	8.50	321.7		-38.6	3.8	-20.9	-38.6	-9.3	-2.4
Dynamic Strategies (1960/FDYSX)	H***	0.58	0.147/6.53	6.69	67.3		-28.4	2.9	-18.1	-28.4		
Freedom 2000 (370/FFBFX)	H***↓	0.24	0.36/9.93	10.05	1473.5		-14.0	1.8	-8.2	-14.0	-1.1	1.0
Freedom 2005 (1312/FFVFX)	H***↓	0.47	0.30/8.22	8.39	792.3		-24.4	2.8	-13.5	-24.4	-4.0	0.0
Freedom 2010 (371/FFFCX)	H***↓	0.49	0.38/10.13	10.36	9903.1		-25.3	3.1	-14.1	-25.3	-4.2	-0.1
Freedom 2015 (1313/FFVFX)	H***↓	0.52	0.29/8.36	8.56	5925.5		-27.2	3.1	-15.0	-27.2	-4.7	0.1
Freedom 2020 (372/FFFDX)	H***↓	0.65	0.32/9.78	10.05	14510.6		-32.1	3.3	-18.2	-32.1	-6.3	-0.6
Freedom 2025 (1314/FFTWX)	H***↓	0.69	0.25/8.00	8.23	5427.6		-33.7	3.3	-19.2	-33.7	-6.9	-0.8
Freedom 2030 (373/FFPEX)	H***↓	0.79	0.25/9.44	9.76	9595.0		-36.9	3.4	-21.1	-36.9	-8.0	-1.3
Freedom 2035 (1315/FFTHX)	H***↓	0.81	0.19/7.77	8.03	3226.0		-37.8	3.3	-21.7	-37.8	-8.4	-1.5
Freedom 2040 (718/FFFFX)	H***↓	0.84	0.13/5.40	5.59	5126.6		-38.8	3.3	-22.3	-38.8	-8.8	-1.6
Freedom 2045 (1617/FFFGX)	H***↓	0.85	0.14/6.35	6.58	710.1		-39.2	3.5	-22.5	-39.1		
Freedom 2050 (1618/FFFHX)	H***↓	0.89	0.13/6.22	6.46	605.5		-40.6	3.5	-23.4	-40.6		
Freedom Income (369/FFFAFX)	H***↓	0.21	see page 8	9.56	2196.5		-12.1	1.9	-7.2	-12.1	-0.7	1.1
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	B****↑	0.8 Est		5.46	6169.7	12.28	-31.9	2.3	-23.1	-31.9	-7.2	-1.1
Floating Rate (814/FFRHX)	B****↑	0.4 Est		7.58	1190.0	10.23	-16.5	1.0	-12.9	-16.5	-3.0	-0.1
Focused High Inc (1366/FHIFX)	B****	0.5 Est		7.33	58.5	11.93	-20.5	5.3	-14.6	-20.5	-3.9	
GNMA Portfolio (15/FGMNX)	B****	0.15		11.15	4009.2	4.92	7.1	1.5	3.7	7.1	6.0	5.0
Gov't Income (54/FGOVX)	B****	0.15	0.03/10.99	10.95	6138.5	2.96	11.0	3.2	6.8	11.0	7.4	5.6
High Income (455/SPHIX)	B****	0.6 Est		6.04	3820.3	13.32	-23.7	5.2	-18.2	-23.7	-4.7	-0.4
Inflation-Protected (794/FINPX)	H***	0.25	0.038/10.62	10.50	1654.0	2.71	-2.3	6.0	-2.7	-2.3	2.2	3.4
Intermed Bond (32/FTHRX)	H***	0.14	0.03/9.05	9.09	5912.5	6.07	-5.9	3.0	-2.6	-5.9	0.7	1.4
Intermed Gov't Inc (452/FSTGX)	B****	0.13		10.95	1485.0	1.94	10.1	2.6	6.0	10.1	7.2	5.0
Invest Grade Bond (26/FBNDX)	B****	0.16		6.35	8298.3	6.38	-7.1	3.0	-3.4	-7.1	0.0	1.4
Mortgage Securities (40/FMSFX)	H***	0.15		10.07	933.7	5.24	1.3	1.4	1.1	1.3	1.9	2.5
New Markets Inc (331/FNMIX)	H***	0.7 Est		11.24	1351.6	9.87	-18.3	7.6	-12.5	-18.3	-1.1	3.9
Short-Term Bond (450/FSHBX)	H***	0.07		7.96	5461.3	3.82	-3.7	0.6	-2.4	-3.7	0.8	1.3
Spart Intermed Tr Idx (1561/FIBIX)	B****	0.22	0.025/11.64	11.54	1110.0	1.80	16.4	4.3	10.6	16.4		
Spart L-Term Tr Idx (1562/FLBIX)	B****	0.33	0.01/12.41	12.19	139.9	2.79	24.1	9.2	18.8	24.1		
Spart S-Term Tr Idx (1560/FSBIX)	H***↓	0.10	0.03/10.80	10.78	221.5	0.64	8.7	1.0	4.3	8.7		
Strategic Income (368/FSICX)	B****	0.4 Est		8.72	4030.3	7.67	-11.4	4.1	-8.1	-11.4	0.3	2.7
Strategic Real Rtn (1505/FSRRX)	H***	0.29	0.507/6.75	6.86	3645.1	6.48	-23.3	2.7	-20.1	-23.4	-5.9	
Total Bond (820/FTBFX)	B****	0.15	0.003/9.14	9.20	8025.4	6.99	-5.6	3.4	-3.2	-5.6	1.1	2.2
Ultra-Short Bond (812/FUSFX)	H***	0.04		8.12	263.5	0.81	-7.8	0.2	-0.8	-7.8	-2.8	-0.9
US Bond Index (651/FBIDX)	B****	0.15		10.79	8789.7	4.50	3.8	3.4	3.5	3.8	4.5	4.0
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FSAZX)	H***	0.18	0.003/9.99	10.31	119.7	4.69	-4.2	1.0	-0.1	-4.2	0.9	1.8
CA Municipal Inc (91/FCTFX)	H***	0.17		10.99	1393.6	4.81	-5.6	0.8	-2.1	-5.6	0.5	2.0
CA Short-Int TF (1534/FCSTX)	H***	0.06		10.23	294.8	2.51	3.9	0.9	2.2	3.9	3.9	
CT Municipal Inc (407/FICNX)	H***	0.15	0.05/10.52	10.68	461.3	4.27	-1.1	1.2	1.1	-1.1	2.2	2.5
Intermediate Muni (36/FLTMX)	B****	0.10		9.68	2622.8	3.89	0.9	1.4	1.2	0.9	3.0	3.0
MA Municipal Inc (70/FDMMX)	H***	0.17		10.89	1845.2	4.47	-3.6	1.1	-0.3	-3.6	1.4	2.5
MD Municipal Inc (429/SMDMX)	H***	0.17		9.93	129.4	4.43	-4.0	0.3	-1.0	-4.0	1.0	1.9
MI Municipal Inc (81/FMHTX)	H***	0.14		11.29	567.0	4.03	-0.1	1.6	2.2	-0.1	2.7	2.9
MN Municipal Inc (82/FIMIX)	H***	0.12		10.74	364.8	3.92	-0.3	1.6	1.3	-0.3	2.3	2.7
Municipal Income (37/FHIGX)	B****	0.18		11.49	4535.7	4.78	-4.6	1.4	-1.0	-4.6	1.0	2.3
NJ Municipal Inc (416/FNJHX)	H***	0.15	0.025/10.53	10.68	546.7	4.28	-3.0	0.3	0.1	-3.0	1.7	2.5
NY Municipal Inc (71/FTFMX)	H***	0.19		11.90	1374.6	4.73	-2.5	1.9	0.8	-2.5	1.7	2.5
OH Municipal Inc (88/FOHFX)	H***	0.16		10.87	418.3	4.29	-1.6	2.1	1.7	-1.6	2.1	2.7
PA Municipal Inc (402/FPXTX)	H***	0.13	0.02/10.13	10.21	322.8	4.18	-0.8	0.8	1.9	-0.8	2.4	2.8
Short-Int Municipal (404/FSTFX)	B****	0.05		10.34	1792.3	2.86	3.5	0.7	1.7	3.5	3.6	2.7
Tax-Free Bond (90/FTABX)	B****	0.17		9.90	1151.4	4.93	-3.4	1.4	-0.2	-3.4	1.5	2.6

DECEMBER PERFORMANCE Indexes and Model Portfolios	Risk	Value	2008	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.92	8859.56	-31.2	0.6	-17.5	-31.2	-3.8	-0.9	1.8
S&P 500	1.00	903.25	-37.0	1.1	-22.0	-37.0	-8.4	-2.2	-1.4
NASDAQ	1.00	1577.03	-40.0	2.8	-24.4	-40.0	-9.8	-4.0	-2.7
Russell 2000	1.13	499.45	-33.8	5.7	-26.2	-33.8	-8.3	-0.9	3.0
Fidelity Monitor Income Model	0.30	73441.91	-18.2	2.4	-9.4	-18.2	-3.1	-0.4	2.0
Fidelity Monitor G&I Model	0.62	125716.09	-33.5	2.1	-17.3	-33.5	-7.1	-0.6	3.5
Fidelity Monitor Growth Model	0.95	122262.93	-42.7	1.4	-25.1	-42.7	-10.7	-2.3	1.5
Fidelity Monitor Select System	0.95	252121.09	-39.3	1.4	-25.5	-39.3	-7.3	-0.3	2.9
Fidelity Monitor Unique Opportunities	1.08	74054.57	-47.6	2.8	-27.3	-47.6	-12.0	-0.5	

## VIP CORNER

Fidelity's Variable Insurance Products allow tax-deferred growth, but the benefit may be offset by higher tax rates at withdrawal. Performance figures reflect the Retirement Reserves fee structure. Returns for the Personal Retirement Annuity are roughly 0.5 percentage points higher per year.

### VIP INCOME MODEL

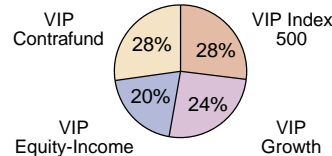


### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2001: -3.4%
1994: -3.8%	2002: +7.3%
1995: +16.9%	2003: +9.9%
1996: +6.9%	2004: +5.1%
1997: +10.9%	2005: +1.8%
1998: +0.4%	2006: +6.1%
1999: +0.8%	2007: +6.2%
2000: -2.4%	2008: -18.3%

### VIP GROWTH MODEL

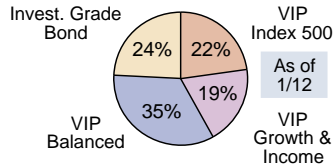


### PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2001: -14.0%
1994: +4.6%	2002: -21.7%
1995: +36.1%	2003: +30.0%
1996: +16.1%	2004: +7.0%
1997: +23.5%	2005: +10.1%
1998: +22.6%	2006: +14.5%
1999: +22.1%	2007: +9.3%
2000: -10.3%	2008: -45.5%

### VIP G & I MODEL

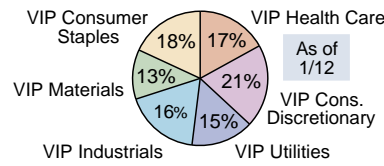


### PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2002: -9.4%
1996: +12.8%	2003: +20.8%
1997: +21.4%	2004: +6.3%
1998: +15.1%	2005: +4.5%
1999: +6.1%	2006: +11.6%
2000: -4.9%	2007: +7.7%
2001: +3.1%	2008: -31.0%

### VIP SECTOR MODEL



### PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: +6.3%	2007: +11.2%
2005: +14.0%	2008: -41.4%

Please see the figures at the bottom of the page for VIP model portfolio performance.

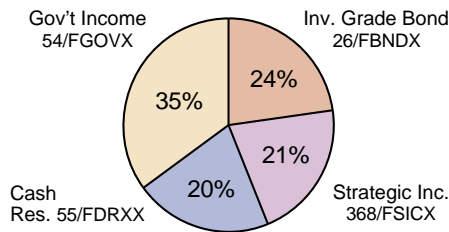
DECEMBER VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2008	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	6.65	6.93	-49.2	3.5	-24.3	-49.2	-13.9	
VIP Asset Manager	H ***	8.93	27.91	-29.3	2.3	-15.2	-29.3	-4.8	-1.4
VIP Asset Manager: Growth	H ***	8.27	16.91	-36.3	2.2	-19.8	-36.3	-7.3	-2.9
VIP Balanced	B ****	8.30	12.25	-34.5	4.0	-18.7	-34.5	-7.7	-2.9
VIP Consumer Discretionary	B ****↑	6.80	7.43	-34.6	5.6	-22.2	-34.6	-12.7	-5.9
VIP Consumer Staples	B ****	8.72	8.65	-22.0	2.8	-12.2	-22.0		
VIP Contrafund	B ****	7.97	29.46	-43.0	1.5	-23.2	-43.0	-9.7	-0.4
VIP Disciplined Small Cap	B ****	6.51	6.43	-34.3	5.2	-24.8	-34.3		
VIP Dynamic Capital Appreciation	H ***	7.75	9.34	-41.7	4.9	-20.3	-41.7	-11.2	-3.3
VIP Energy	H ***	8.43	14.48	-54.7	-5.8	-36.8	-54.7	-8.7	6.3
VIP Equity-Income	B ****	7.10	39.44	-43.1	1.7	-24.5	-43.1	-11.9	-4.5
VIP Financial Services	H ***	5.31	6.45	-50.5	2.6	-28.5	-50.5	-21.1	-10.3
VIP Freedom 2005	B ****	9.21	9.28	-24.4	2.7	-12.6	-24.4	-4.0	
VIP Freedom 2010	B ****	9.09	9.18	-25.7	2.8	-13.3	-25.7	-4.4	
VIP Freedom 2015	B ****	9.05	9.20	-27.6	2.9	-14.2	-27.6	-4.7	
VIP Freedom 2020	B ****	8.54	8.72	-33.1	2.9	-17.8	-33.1	-6.7	
VIP Freedom 2025	B ****	8.42	8.63	-34.7	3.0	-18.8	-34.7	-7.2	
VIP Freedom 2030	B ****	8.06	8.30	-38.5	2.9	-21.4	-38.5	-8.6	
VIP Freedom Income	B ****	10.20	10.16	-11.2	1.8	-5.8	-11.2	-0.2	
VIP FundsManager 20	B ****	10.12	9.97	-9.0	2.3	-3.1	-9.0		
VIP FundsManager 50	B ****	8.73	8.61	-23.2	3.2	-10.7	-23.2		
VIP FundsManager 70	B ****	7.78	7.67	-32.6	3.3	-16.2	-32.6		
VIP FundsManager 85	B ****	7.15	7.04	-38.7	3.5	-20.1	-38.7		
VIP Growth	B ****	7.28	40.04	-47.6	-0.3	-27.1	-47.6	-11.2	-5.5
VIP Growth & Income	H ***	7.67	12.55	-42.2	0.6	-24.5	-42.2	-10.3	-4.1
VIP Growth Opportunities	H ***	6.14	7.38	-55.4	-0.4	-25.7	-55.4	-17.1	-8.1
VIP Growth Stock	B ****	7.00	7.09	-45.1	2.1	-24.2	-45.1	-12.5	
VIP Health Care	B ****	8.15	9.38	-32.8	6.1	-18.0	-32.8	-8.1	-0.5
VIP High Income	B ****	8.60	23.89	-25.6	2.8	-19.8	-25.6	-5.7	-1.5
VIP Index 500	B ****	7.76	24.93	-37.5	1.0	-22.1	-37.5	-9.1	-3.1
VIP Industrials	B ****	8.55	12.25	-40.3	4.7	-24.8	-40.3	-7.0	2.1
VIP Int'l Capital Appreciation	S **	6.33	6.61	-51.0	7.8	-25.5	-51.0	-16.6	
VIP Investment Grade Bond	B ****	10.50	29.11	-4.0	3.4	-1.4	-4.0	0.9	1.6
VIP Materials	H ***	6.03	5.99	-47.3	3.2	-30.5	-47.3		
VIP Mid Cap	B ****	8.33	14.83	-39.9	4.4	-23.8	-39.9	-8.3	2.3
VIP Money Market		11.41	21.88	2.2	0.1	0.5	2.2	3.5	2.6
VIP Overseas	H ***	8.53	26.57	-44.3	6.7	-20.9	-44.3	-8.7	0.2
VIP Real Estate	H ***	6.99	11.03	-40.4	19.6	-39.8	-40.4	-12.9	0.1
VIP Strategic Income	B ****	10.22	11.12	-10.9	4.0	-7.4	-10.9	-0.1	
VIP Technology	H ***	6.55	6.06	-51.2	4.6	-27.3	-51.2	-15.7	-8.1
VIP Telecommunications	H ***	5.20	5.16	-47.8	3.1	-21.3	-47.8		
VIP Utilities	B ****	10.16	10.15	-36.1	-2.3	-10.9	-36.1	0.0	6.1
VIP Value	H ***	6.37	6.52	-47.0	4.0	-31.9	-47.0	-15.1	
VIP Value Leaders	H ***	6.88	7.05	-45.1	2.1	-25.2	-45.1	-13.3	
VIP Value Strategies	H ***	6.10	7.70	-51.6	6.1	-34.0	-51.6	-16.3	-7.5
Fidelity Monitor VIP Income Model			17202.58	-18.3	2.6	-9.2	-18.3	-2.7	-0.3
Fidelity Monitor VIP G&I Model			18724.92	-31.0	2.3	-16.7	-31.0	-6.1	-1.6
Fidelity Monitor VIP Growth Model			22578.19	-45.5	1.0	-23.6	-45.5	-12.0	-4.3
Fidelity Monitor VIP Sector Model			12195.97	-41.4	1.4	-24.5	-41.4	-8.4	-1.4

## INCOME MODEL

Focuses on income funds that hold bonds or cash.  
Target Growth Rate: 7% Target Risk Level: 0.25

FUND	NAV	SHARES	BALANCE
Invest. Grade Bond	\$6.35	2784.694	\$17682.81
Strategic Income	\$8.72	1769.242	\$15427.79
Cash Reserves	\$1.00	14844.882	\$14844.88
Gov't Income	\$10.95	2327.528	\$25486.43

2% Foreign Holdings  
Balance as of 12/31/08: \$73441.91  
Balance at start of 2008: \$89754.23



**PAST PERFORMANCE**  
Starting Balance: \$35,000

1992: +10.1%	2000: + 0.3%
1993: +11.3%	2001: + 5.6%
1994: - 2.1%	2002: + 5.4%
1995: +14.8%	2003: + 8.4%
1996: + 9.0%	2004: + 4.2%
1997: +10.5%	2005: + 3.6%
1998: + 3.5%	2006: + 6.9%
1999: + 3.0%	2007: + 4.0%
<b>2008: - 18.2%</b>	

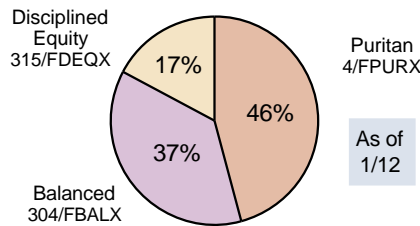
Our December return was 2.4%. On 12/8 we exchanged **Balanced** (\$12.90) for **Inv. Grade** (\$6.20), traded **Freedom Income** (\$9.50) for **Gov't Income** (\$10.75), and split **Asset Manager 20%** (\$10.15) evenly into **Strategic Income** (\$8.43) and **Cash Reserves** (\$1.00).

## GROWTH AND INCOME MODEL

Focuses on asset allocation funds to help limit risk.  
Target Growth Rate: 10% Target Risk Level: 0.67

FUND	NAV	SHARES	BALANCE
Asset Mgr 20%	\$10.32	3206.629	\$33092.41
Fidelity Fund	\$22.76	1080.865	\$24600.49
Balanced	\$13.12	3566.273	\$46789.50
Disciplined Equity	\$17.41	1219.626	\$21233.69

11% Foreign Holdings  
Balance as of 12/31/08: \$125716.09  
Balance at start of 2008: \$189006.21



**PAST PERFORMANCE**  
Starting Balance: \$50,000

1994: - 3.7%	2001: + 1.3%
1995: +21.6%	2002: - 6.4%
1996: +15.8%	2003: +33.0%
1997: +18.7%	2004: +11.5%
1998: +11.1%	2005: + 8.2%
1999: +12.2%	2006: +13.7%
2000: + 2.7%	2007: + 6.1%
<b>2008: - 33.5%</b>	

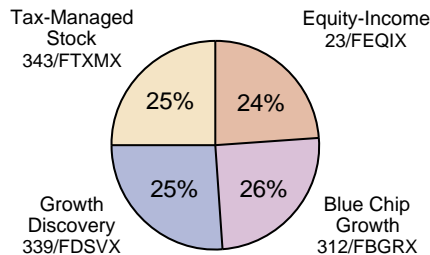
Our Growth and Income Model gained 2.1% in December. On 1/12 we will sell **Asset Manager 20%** and **Fidelity Fund**, placing the proceeds into **Puritan**.

## GROWTH MODEL

Focuses on domestic funds and aims to hold profitable positions long enough to qualify for long-term gains.  
Target Growth Rate: 13% Target Risk Level: 1.0

FUND	NAV	SHARES	BALANCE
Equity-Income	\$30.87	959.324	\$29614.33
Blue Chip Growth	\$26.31	1211.201	\$31866.70
Growth Discovery	\$8.61	3537.100	\$30454.43
Tax-Managed Stock	\$9.12	3325.381	\$30327.47

13% Foreign Holdings  
Balance as of 12/31/08: \$122262.93  
Balance at start of 2008: \$213419.53



**PAST PERFORMANCE**  
Starting Balance: \$15,000

1987: + 2.8%	1998: + 9.9%
1988: +26.0%	1999: +29.0%
1989: +30.4%	2000: -10.8%
1990: - 4.4%	2001: - 6.4%
1991: +40.6%	2002: -17.1%
1992: +15.7%	2003: +46.1%
1993: +31.9%	2004: +12.4%
1994: - 2.1%	2005: +11.2%
1995: +27.2%	2006: +15.7%
1996: +19.2%	2007: + 7.3%
1997: +25.5%	
<b>2008: - 42.7%</b>	

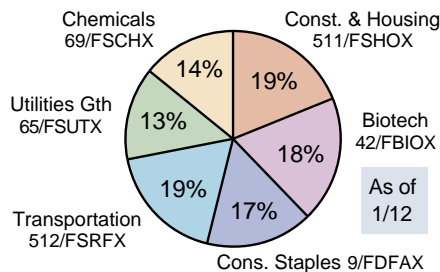
Our Growth Model edged up 1.4% in December, versus a 1.1% increase for the S&P 500.

## SELECT SYSTEM

Uses a volatility model to identify attractive sectors.  
Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Medical Equipment	\$18.45	2184.107	\$40296.77
Biotechnology	\$59.11	785.728	\$46444.38
Consumer Staples	\$50.99	972.731	\$49599.55
Transportation	\$32.23	1460.879	\$47084.13
Utilities	\$40.26	850.347	\$34234.97
Chemicals	\$46.21	745.754	\$34461.29

12% Foreign Holdings  
Balance as of 12/31/08: \$252121.09  
Balance at start of 2008: \$415259.49



**PAST PERFORMANCE**  
Starting Balance: ~\$25,000

1989: +23.4%	1999: +44.9%
1990: +31.3%	2000: -14.9%
1991: +35.3%	2001: - 7.3%
1992: +20.4%	2002: -14.7%
1993: +25.9%	2003: +38.4%
1994: - 0.9%	2004: + 7.4%
1995: +39.0%	2005: +15.0%
1996: + 5.2%	2006: +13.6%
1997: +29.3%	2007: +15.6%
1998: +21.7%	
<b>2008: - 39.3%</b>	

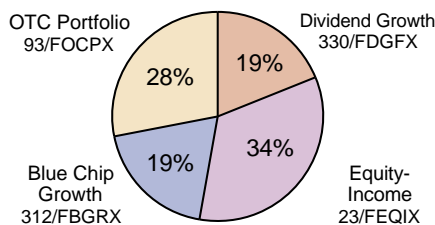
We were up 1.4% in December, versus 1.1% for the S&P 500. On 12/8 we sold **Nat. Gas** (\$18.40) and a fifth of **Med. Equip.** (\$18.10), buying **Util. Growth** (\$39.35). On 1/12 we'll sell all of **Medical Equip.** and one-sixth of **Con. Staples**, buying **Const. & Housing**.

## UNIQUE OPPORTUNITIES MODEL

An aggressive portfolio looking for contrarian values.  
Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Dividend Growth	\$15.79	914.581	\$14441.23
Equity-Income	\$30.87	811.619	\$25054.68
Blue Chip Growth	\$26.31	528.714	\$13910.47
OTC Portfolio	\$28.18	732.725	\$20648.19

11% Foreign Holdings  
Balance as of 12/31/08: \$74054.57  
Balance at start of 2008: \$141360.40



**PAST PERFORMANCE**  
Starting Balance: \$50,000

(Partial Yr 99)	2003: +43.2%
1999: +33.8%	2004: +20.6%
2000: -20.5%	2005: +18.8%
2001: + 1.6%	2006: +16.6%
2002: - 2.1%	2007: +11.6%
<b>2008 YTD: - 47.6%</b>	

Our Unique Opportunities Model gained 2.8% in December.

exposure to the commodities bust.

Most emerging market funds suffered heavy losses. But Fidelity did reasonably well with **China Region**, which invested in Hong Kong and Taiwan.

**G&I AND ASSET ALLOCATION FUNDS**

**Freedom Income, Freedom 2000, and Asset Manager 20%** lagged with double digit losses, despite keeping more than 75% in cash and bonds. But these funds held up better than others that had more exposure to stocks.

**Balanced and Puritan** lost almost a third of their value. Their stock holdings declined more than the S&P 500, much like the growth funds. And their bond holdings, which accounted for about 35% of holdings prior to the market's plunge, did not do a very good job of cushioning the blow. Despite the disappointment, we think these funds have good recovery potential, especially on the bond side.

Two funds lost roughly half their value. Heavy energy exposure and hedge fund selling pressures weighed on **Convertible Securities**, while an early bet on "cheap" financial stocks was the undoing for **Growth & Income**.

Our Growth & Income Model, which picked among this grouping of funds, suffered an unusually large loss for its risk level. We would have done slightly better if we had not sought to outperform with **Convertible Securities** and **Consumer Staples**, but losses for the year would still have been large.

**BOND FUNDS**

An unprecedented flight-to-safety in the bond markets pushed up treasury valuations and triggered a price plunge in most other groups.

Fidelity's long-term and intermediate treasury index funds finished with unusually strong gains, thanks to minimal credit risk and declining long-term interest rates (think twice before jumping on this trend, because the best bond opportunities are in higher-yielding securities that have yet to recover).

Investment grade and high yield funds suffered losses well in excess of their income streams. Funds that invest in junk bonds were hit especially hard, with most suffering losses that would be large for stock funds in any other year.

A lack of well-capitalized insurers of municipal bonds pulled down the value of long-dated munis, causing most funds in this group to finish with losses. With state budget pressures mounting, municipal bonds are now behaving much like corporate debt.

Our Income Model lost much more than we expected. We paid a price for our heavy reliance on asset allocation funds. Returning to bond funds helped a little in December, and we see many good bond fund opportunities going into 2009.

**SELECT PORTFOLIOS**

The energy group was out in front for the first half of the year, but the commodities bust pushed these funds all the way to the bottom for the year. That left an interesting collection of health care and consumer groups holding the top spots for 2008.

**Biotechnology** held up significantly better than the rest of the pack. Investors are realizing that bio-engineered drugs are not easy to copy at the end of their patent life, potentially giving these firms a better-than-expected return on their research dollars.

Several consumer groups finished in the upper third. The market is betting that survivors in this segment will benefit from increased market share and expanded economic stimulus programs.

Our Select System finished slightly behind the S&P 500, but ahead of the average Select. It was not a bad outcome considering how much energy exposure we had when the commodities bust hit, but the magnitude of the loss was disappointing. ■

**Happenings**

**Contrafund** and **Low-Priced Stock** have been reopened. Both funds are relatively defensive and are holding above-average levels of cash.

Jed Weiss has been named manager of **Int'l Small Cap Opportunities**. He'll continue to manage **Int'l Growth** and co-manage **Total Int'l Equity**. ■

**DECEMBER DISTRIBUTIONS**

December distributions are listed on pages 4 & 5. Fourteen funds had two December payouts: **Aggressive Growth** (.026/11.38 on 12/12 and .002/11.41 on 12/30), **Canada** (.128/31.10 on 12/5 and .015/34.44 on 12/30), **Growth Co.** (.068/47.38 on 12/12 and .01/48.19 on 12/30), **Freedom Income** (.03/9.41 on 12/5 and .10/9.45 on 12/26), **Latin America** (.35/24.38 on 12/5 and .11/27.12 on 12/30), **Lev. Co.** (.091/13.73 on 12/12 and .01/13.98 on 12/30), **Real Estate Inc.** (.20/6.61 on 12/19 and .04/6.62 on 12/30), **Real Estate Inv.** (.24/15.09 on 12/19 and .02/14.87 on 12/30), **S.E. Asia** (.18/17.30 on 12/5 and .015/18.51 on 12/30), **Commun. Equip.** (.04/10.50 on 12/5 and .005/11.25 on 12/30), **Const. & Housing** (.21/23.72 on 12/12 and .04/23.40 on 12/30), **Environmental** (.06/12.30 on 12/5 and .01/13.14 on 12/30), **Materials** (.19/29.30 on 12/12 and .01/29.92 on 12/30), and **Technology** (.09/36.93 on 12/5 and .015/38.95 on 12/30). Funds scheduled for January include **Aggressive Growth, Conv. Securities, Equity-Income II, Growth Company, Independence, NASDAQ Comp. Idx, New Millennium, CT Muni, Muni Inc., NJ Muni, and Strategic Div. & Inc.**

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	134564.4	1.96	CT MM (418/FCMXX)	2099.3	0.57			
Select MM (85/FSLXX)	7054.2	2.04	MA MM (74/FDMXX)	5338.2	0.69			
Money Market (454/SPRXX)	8037.9	2.01	MI MM (420/FMIXX)	1132.4	0.54	MA AMT TF (426/FMSXX)	704.6	0.84
Gov't MM (458/SPAXX)	1212.6	1.15	NJ MM (417/FNJXX)	2585.0	0.59	AMT Tax-Free (460/FIMXX)	3034.9	0.86
US Treas. MM (415/FDLXX)	10805.5	0.49	NY MM (92/FNYXX)	5973.0	0.75	NJ AMT TF (423/FSJXX)	645.2	0.97
Tax-Free MM (275/FMOXX)	6690.3	0.71	OH MM (419/FOMXX)	1201.8	0.89	NY AMT TF (422/FSNXX)	1159.0	0.89
US Gov't Reser (50/FGRXX)	4710.2	1.25	AZ MM (433/FSAXX)	412.7	0.77	PA MM (401/FPTXX)	843.1	0.83
CA MM (97/FCFX)	6474.0	0.60	CA AMT TF (457/FSPXX)	1626.0	0.76	Municipal MM (10/FTEXX)	25665.5	0.94