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Monitor™

Oil Flirts With \$100

Oil's surprise rebound caught many market analysts by surprise. How could the price of crude make a second run at \$100 a barrel when the U.S. economy is slowing and inventories are rising?

It used to be that U.S. oil consumption dominated the world energy markets, so anything that happened here was reflected in the global economy. As such, it was easy for energy analysts to ignore consumption

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Changes For Income Model, G&I Model, VIP G&I Model, and Growth Model

The following changes will take place on Monday, 3/10:

Our Income Model will be selling **Puritan** (4/FPURX) and buying **Balanced** (304/FBALX), for an approximate mix of 28% **Balanced**, 40% **Asset Manager 20%**, and 32% **Freedom Income**. Puritan's stock mix has shifted in the direction of growth, putting it more in line with **Balanced**. As such, we'd rather just hold **Balanced**, which has been performing slightly better for its risk level.

Our Growth and Income Model will sell **Puritan** (4/FPURX) and buy **Consumer Staples** (9/FDFAX), for an approximate mix of 21% **Asset Manager 20%**, 22% **Consumer Staples**, 36% **Balanced**, and 21% **Convertible Securities**. With inflation edging higher, a defensive stock fund with pricing power is a better bet than a fund with heavy bond exposure. We're giving up **Puritan** rather than **Balanced**, because **Puritan's** volatility has moved a bit higher under new manager Ramin Arani. With **Consumer Staples** carrying a weighting of 20-25%, the model's overall risk level will be essentially unchanged.

Our VIP Growth and Income Model will sell one-half of **VIP Asset Manager** and buy **VIP Consumer Staples**.

Our Growth Model will be selling **Spartan 500 Index** (317/FSMKX) and buying **Stock Selector** (320/FDSSX), for an estimated mix of 23% **Stock Selector**, 26% **Value Discovery**, 26% **Growth Discovery**, and 25% **Export/Multinational**. We think **Stock Selector** has the potential to outperform the S&P 500 while maintaining similar risks.

Review & Recommendations

Is the Fed turning a blind eye toward inflation? By hinting that more easing moves are coming while playing down the significance of a 7% year-over-year increase in the Producer Price Index, Fed officials may have helped trigger the latest jump in commodity prices. Money migrates to where it earns the highest returns, so lower rates in the U.S. – versus stable rates in Japan and Europe – can only translate to a weaker dollar. And a weaker dollar ultimately means higher prices for global commodities.

A weaker dollar also increases the profits for companies that sell their products overseas. February brought more evidence that non-financial earnings are still growing at a healthy clip. But that didn't seem to make much of an impression. Stagflation fears touched off a scramble for inflation hedges, and pushed up the yield on long-term bonds. The S&P 500 declined 3.2% for the month.

GROWTH FUNDS

Our Growth Model holdings are listed on page 7. If you prefer to pick your own funds instead of following the portfolio, our favorites include **Trend**, **Independence**, **Stock Selector**, **Value Discovery**, **Growth Discovery**, **Export**, **Tax-Managed Stock**.

Energy-heavy funds did well. **Independence** gained 2.8%, while **Leveraged Company** and **Fidelity Fifty** both rose 2.6%. Others that had concentrated bets on poor-performing stocks lagged behind. **OTC Portfolio** declined 4.4%, and **Large Cap Stock** declined 5.4%.

INTERNATIONAL FUNDS

Canada has exposure to natural resources, and makes a prudent alternative to emerging market funds. We upgraded **Japan** to a buy, because its automotive export economy is under-appreciated. In an age of high oil prices, its automakers are positioned to gain worldwide market share.

A weak dollar helped foreign returns, especially in emerging market funds that were focused on commodities. **Latin America** jumped 7.1%, and **Emerging Markets** was up 5.8%. But the Japanese market was rattled by the yen's climb, and by rising oil prices. **Japan Smaller Companies** was off 0.7%, and **Japan** slipped by 1.2%.

RECOMMENDATIONS - *Continued on page 8*

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patterns that occur outside of North America.

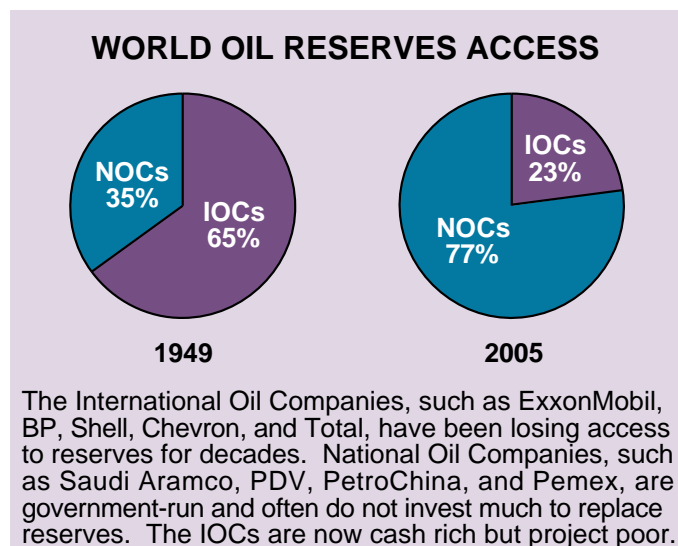
Those days are gone. Oil demand could be slowing in the U.S., but in other places it's growing faster than in 2007. Inventories of crude may be ample in the U.S., but they're at a three-year low on the global scene – the result of unprecedented demand from emerging countries.

Newspapers and television news stories try to explain the situation by pointing to a laundry list of short-term supply threats and worries. Some even suggest that investors are mostly responsible for pushing up the price. Somehow the basic supply and demand factors get lost in the noise. Perhaps these global forces aren't well understood, or maybe they're too hard to believe. Can it be that the world is nearing a hard limit on liquid fuel production?

This month we take an updated look at energy.

SUPPLY CONSTRAINTS

Resource nationalism is now the top threat to world oil supplies, having displaced geology as the top bottleneck on the supply side. As the chart below shows, so-called Big Oil isn't so big any more. The Exxon Mobils of the world are "getting the boot" because governments around the world are renegeing on past deals so they can keep most of the oil profits for themselves. Greed may be good when public companies compete, but it spells trouble when a country gives itself a monopoly on oil and voids all previous contracts. State-owned oil companies now control most of the world's known oil reserves, and are tightening their grip. There's little the free-market oil companies can do to address the supply crunch,



so they're developing the few projects that have attractive returns, while giving the rest of their profits back to shareholders. What might be the start of a profitable exit from oil production is good news for shareholders, because there's plenty of action in refining and natural gas. But it's a bit frightening when you consider who is taking over their role.

The bulk of the world's oil reserves are now in the hands of governments who really don't care if the global markets are well-supplied, now or in the future. Most state-owned oil monopolies don't spend anywhere near enough to replace the reserves they are depleting. Even when they're willing to do so, the political realities of a nationalized oil company dictate that a significant portion of oil revenue is returned to citizens in the form of food, education, or fuel subsidies. Too often that doesn't leave enough for exploration and development.

That's not the only problem. An even bigger concern is nationalistic behavior. Currently, when oil supply disruptions take place, free-market forces tend to cushion the blow by speeding supplies to where they are needed most. That probably won't happen in a world where state-owned monopolies are making all the oil decisions. Consider the current situation with wheat. With supplies of a critical commodity running short, several countries have suspended export activity to make sure they have enough to feed their own. In doing so, they turned a manageable shortfall into a full-blown crisis. The global economy isn't going to be brought to its knees by a surge that takes wheat prices from \$10 a bushel to \$24. But could we say the same thing if oil jumped from \$100 to \$240? Suddenly it's easy to understand why the U.S. and other oil importing nations are filling their strategic petroleum reserves to the brim.

Geological constraints are no walk in the park either. The world's major oil fields are old enough that depletion rates are in the 4-5% range. To grow output by 1-2% per year means supplies equal to the output of Iran must be brought on line every twelve months or so. That's no small challenge. In recent years deep-water drilling and natural gas liquids have done the trick, but going forward there may not be enough large projects in the pipeline.

DEMAND PRESSURES

Some of the strongest growth in oil demand is coming from the Middle East itself. Flush with cash from oil exports, economies in the region are booming, and consumers are buying air-conditioned houses and large vehicles. In this region, electricity is

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often generated by burning oil, so a higher standard of living means less oil available for export.

At the same time, the population in China is also climbing the economic ladder. The explosion of motor vehicles sales is obviously the main story, but it also takes a lot of diesel fuel to haul around all the coal that's needed for heat and electricity.

In South Africa, a severe shortage of electricity has impacted mining operations, driving up the price of platinum, gold, and copper. The government says it will take five years to resolve the problem. Like China in 2005, the diesel generators are coming to the rescue. Keeping them supplied will take more than just a few trips down to the local gas station.

ALTERNATIVES

In normal times, coal and natural gas might be able to pick up some of the slack as oil runs short. But that may not happen this time around. China has just become a net importer of coal, an event that is sending shock waves through the world's supply chain. So far, coal prices have roughly doubled in response, eliminating the incentive to switch from oil-fired electricity to coal-fired electricity. On the natural gas side, winter draw-downs this year have been higher than expected, and summertime electricity demand could require record amounts of natural gas. That's because the multi-year stall in coal plant construction has put utilities in the position of having to scramble to keep up with increases in demand.

STAGFLATION RETURNS

It takes energy to do almost everything. Some things, like food production, transportation, mining, and basic manufacturing use large amounts of energy compared with other economic activities. As higher energy costs ripple through the global economy, consumer spending will slow, and inflation will become a bigger problem. Stagflation, a popular term used to describe the situation in the late 70s and early 80s, is back. But this time it will play out differently throughout the global economy.

In the U.S., today's stagflation should be mild in comparison to 30 years ago, although it may be around for a longer period of time. It takes less energy to generate a dollar of GDP today, because our economy is now based largely on technology, financial services, health care, media, and high-priced capital goods. Because competition and productivity growth are robust, the economy should absorb cost pressures with relative ease. Consumers will get hit, but corporate earnings are likely to stay on track. They might even pick up because of the weak dollar.

The European economy may not have it as easy, because it isn't able to absorb cost pressures as well. Competition is restrained due to regulations and labor agreements. Productivity growth is lower because tradition-bound thinking means slower adoption of technology. Liquid fuels are taxed in a way that magnifies the inflationary effect of higher oil prices. On top of that, European central bankers aren't as willing to turn a blind eye toward inflation.

Emerging countries could be facing the biggest stagflation challenge of all. Economic activities tend to be far more energy-intensive, and many countries operate with large trade surpluses, which accelerates money supply growth. Some will have to live their own version of what the U.S. went through in the 1970s, complete with fuel rationing, food commodity shortages, and double-digit inflation.

PORTFOLIO STRATEGY

Investing over the next two decades might be very different from the last two. When inflation picks up and economic growth slows, some basic assumptions go out the window:

- It stops making sense to hold cash for long periods of time. During the 12 most inflationary years of the 1970s and 1980s, 30-day T-bills lost almost half their purchasing power. Even today, it's possible the real worth of money market funds is slipping by 2-3% a year, net of inflation and taxes. If you're investing for the long haul, put that cash to work. Going forward, it may take a stock weighting of 30% or more just to keep even with inflation.

- It makes less sense to hold high-grade bonds, because yields climb and unexpected events tend to boost credit risk. But junk bonds become more attractive, because it's easier for heavily-leveraged companies to service their debt when inflation is boosting revenue growth (some of these effects are masked by the current credit crunch, but they're still likely to play out over the next few years).

- In the stock market, fast-growing companies tend to grow slower, and slow-growth companies with pricing power tend to grow faster. Food and energy inflation, along with the weak dollar, should give a certain amount of pricing power to a wide range of participants. Consumers may struggle, but there should be many good earnings stories.

FUNDS THAT CAN BENEFIT

An increasing number of Fidelity managers are picking up on the energy situation. Some funds, like **Canada, Leveraged Company, Independence,**

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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 ↓.

FEBRUARY PERFORMANCE						2008	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.14	1.5(90)	19.42	3102.0	-15.6	-3.7	-14.6	-2.1	7.4	12.1	0.5
Blue Chip Gth (312/FBGRX)	B****	0.99	none	39.41	14573.5	-10.6	-1.7	-10.1	1.0	3.9	8.5	2.2
Blue Chip Value (1271/FBCVX)	H***	1.08	none	13.40	611.2	-8.2	-3.2	-8.3	-5.1	5.9		
Capital Apprec (307/FBCAX)	H***	1.13	none	24.34	8258.7	-9.0	-2.9	-13.3	-3.9	6.5	14.5	6.6
Contrafund (22/FCNTX)	B****	0.94	Closed	65.28	72969.0	-9.8	-0.3	-9.5	8.0	11.3	16.6	8.9
Growth Discovery (339/FDSVX)	B****	1.01	none	14.48	1822.3	-10.9	-1.6	-10.5	14.5	11.7	12.4	
Disc Equity (315/FDEQX)	H***	1.03	none	26.57	11964.4	-10.0	-2.2	-9.6	-0.9	7.2	13.2	5.3
Dividend Gth (330/FDGFY)	H***	0.93	none	27.00	12183.8	-8.2	-2.8	-9.8	-6.7	3.9	8.5	5.1
Export Fund (332/FEXPX)	B****	1.10	0.75(30)	22.86	4357.9	-11.2	-1.6	-10.4	1.5	8.0	15.0	10.0
Fidelity Fifty (500/FFTYX)	H***	1.11	none	19.49	1373.1	-10.6	2.6	-11.2	-1.3	8.5	10.5	7.7
Focused Stock (333/FTQGX)	H***	1.18	none	11.86	74.3	-10.8	-2.5	-8.9	2.0	7.1	13.9	3.1
Growth Company (25/FDGRX)	B****	1.06	Closed	73.49	33957.2	-11.4	-2.4	-11.6	7.0	11.2	16.5	7.4
Independence (73/FDFFX)	B****	1.29	none	25.98	5820.3	-6.1	2.8	-3.2	21.9	15.3	16.6	8.5
Lg Cap Core En Idx (1827/FLCEX)	H***	1.0 Est	none	9.20	823.9	-9.5	-3.0	-9.8				
Lg Cap Gth En Idx (1829/FLGEX)	H***	1.0 Est	none	9.25	35.1	-10.1	-2.5	-10.9				
Large Cap Growth (763/FSLGX)	S**	1.01	none	9.55	147.8	-10.8	-3.4	-10.9	-8.0	2.0	10.3	
Large-Cap Stock (338/FLCSX)	H***↓	1.04	none	16.92	1113.4	-12.5	-5.4	-12.1	-1.9	7.0	10.6	3.6
Lg Cap Val En Idx (1828/FLVEX)	H***	1.0 Est	none	8.68	23.4	-8.1	-3.7	-9.1				
Large Cap Value (708/FSLVX)	H***	1.07	none	13.07	1487.5	-9.9	-3.7	-10.2	-6.9	6.2	13.9	
Lev Co Stock (122/FLVCX)	B****	1.19	1.5(90)	30.26	6731.8	-6.4	2.6	-5.1	5.6	12.5	30.1	
Low-Priced Stock (316/FLPSX)	H***	0.96	Closed	38.69	31948.4	-5.9	-1.0	-5.4	-3.9	7.1	17.8	11.7
Magellan (21/FMAGX)	B****	1.11	none	84.10	39971.3	-10.4	-1.6	-10.1	5.2	7.0	11.2	4.3
Mid Cap Growth (793/FSMGX)	S**	1.18	0.75(30)	11.98	342.5	-11.4	-1.9	-11.7	-10.0	3.0	13.3	
Mid Cap Stock (337/FMCSX)	H***	1.10	Closed	26.37	13029.6	-9.8	-1.1	-9.3	-7.3	9.6	14.3	9.0
Mid Cap Value (762/FSMVX)	S**	1.10	0.75(30)	14.89	740.8	-8.5	-1.3	-8.6	-9.9	6.2	15.6	
New Millennium (300/FMILX)	B****	1.06	none	25.91	2075.0	-12.8	-3.5	-12.4	0.4	8.9	13.8	10.8
OTC Portfolio (93/FOCPX)	H***	1.18	none	43.04	7390.5	-17.5	-4.4	-17.2	3.8	9.1	14.0	5.0
Small Cap Gth (1388/FCPGX)	H***	1.06	1.5(90)	13.86	1238.9	-12.2	-4.0	-11.4	-1.6	8.7		
Small Cap Indep (336/FDSCX)	H***	1.10	1.5(90)	17.08	2047.1	-14.2	-3.2	-14.8	-11.2	5.3	13.9	4.8
Small Cap Stock (340/FSLCX)	H***	0.92	Closed	15.69	4192.8	-10.0	-2.8	-9.7	-5.3	5.7	15.9	
Small Cap Value (1389/FCPVX)	S**	1.13	1.5(90)	12.42	1125.4	-8.7	-2.3	-8.9	-9.5	6.4		
Stock Selector (320/FDSSX)	B****	0.98	none	26.52	964.4	-10.1	-3.3	-10.2	0.4	7.4	12.5	4.0
Tax Mgd Stock (343/FTXMX)	B****	1.04	1(730)	14.70	95.8	-8.5	-0.3	-7.2	2.4	8.8	14.6	
Trend (5/FTRNX)	B****	1.10	none	61.18	1046.1	-13.5	-2.2	-12.5	3.7	7.9	12.9	4.2
Value (39/FDVLX)	H***	1.07	none	68.41	18594.4	-8.8	-3.4	-10.4	-10.5	6.3	16.0	8.3
Value Discovery (832/FVDFX)	B****	1.05	none	16.25	1168.9	-9.4	-3.1	-9.2	-2.6	9.8	16.2	
Value Strategies (14/FSLSX)	H***	1.13	none	25.96	308.9	-9.8	-2.1	-10.3	-9.8	5.3	17.5	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.70	none	18.52	25859.5	-5.6	-1.1	-5.4	0.7	7.9	13.0	8.3
Convertible Sec (308/FCVFX)	B****	0.86	none	26.86	2802.9	-4.1	2.0	-2.9	7.8	11.7	13.6	10.5
Dynamic Strategies (1960/FDYSX)	B***	0.4 Est	none	9.18	42.1	-3.9	0.2					
Equity-Income (23/FEQIX)	H***	1.05	none	50.36	28108.4	-8.7	-3.6	-9.5	-7.4	5.3	12.5	5.1
Equity-Income II (319/FEQTX)	H***	1.04	none	20.74	9661.5	-9.0	-4.1	-9.7	-5.2	4.2	11.5	5.3
Fidelity Fund (3/FFIDX)	B****	0.99	none	36.02	7270.5	-9.6	-2.2	-9.2	5.4	9.0	13.0	5.1
Growth & Income (27/FGRIX)	H***	1.08	none	24.87	17209.1	-8.8	-4.5	-10.0	-8.0	1.9	7.3	2.7
Mega Cap Stock (361/FGRTX)	B****	0.97	none	10.58	598.3	-9.3	-3.3	-10.0	0.7	7.3	10.5	
Puritan (4/FPURX)	B****	0.65	none	17.83	23708.7	-6.3	-1.7	-6.2	-1.1	6.0	10.5	6.0
Real Estate Income (833/FRIFX)	S**	0.35	0.75(90)	10.04	417.8	-2.0	-3.2	-10.5	2.4			
Real Estate (303/FRESX)	S**	1.72	0.75(90)	25.31	4490.9	-3.2	-9.4	-28.3	7.0	16.2	10.3	
Strategic Div & Inc (1329/FSDIX)	B****	0.86	none	11.80	964.4	-5.7	-2.1	-6.6	-5.4	6.4		
Utilities (311/FUIX)	H***	1.05	none	17.91	1232.4	-12.8	-5.7	-12.0	-7.0	11.3	16.6	4.6
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.32	0.75(30)	37.47	49.7	-11.2	-7.1	-18.7	-16.7	9.4	17.8	8.5
Automotive (502/FSAVX)	S**	1.37	0.75(30)	34.23	25.1	-8.5	-5.5	-13.9	-12.1	1.3	10.8	3.4
Banking (507/FSRBX)	S**	1.52	0.75(30)	22.24	318.5	-9.2	-11.2	-14.8	-27.3	-5.5	3.9	2.3
Biotechnology (42/FBIOX)	H***	0.98	0.75(30)	62.57	1143.9	-6.2	-3.9	-12.5	-2.1	8.5	10.2	7.6
Brokerage (68/FSLBX)	H***	1.45	0.75(30)	59.56	726.6	-11.5	-5.0	-12.4	-11.2	12.3	18.7	10.2
IT Ser / Bus Ser (353/FBSOX)	H***	1.10	0.75(30)	14.77	40.2	-11.6	-2.1	-8.2	-2.9	7.8	14.1	8.3
Chemicals (69/FSCHX)	B****	1.23	0.75(30)	81.33	269.3	-1.7	3.1	-0.3	19.4	12.5	23.0	10.3
Computers (7/FDCPX)	B****	1.34	0.75(30)	40.25	435.4	-16.8	2.4	-16.5	2.5	5.1	12.5	4.8
Const & Housing (511/FSHOX)	S**	1.58	0.75(30)	33.18	82.0	-2.0	-7.0	-3.4	-18.1	-2.0	14.4	7.7
Consumer Disc (517/FSCPX)	S**	1.14	0.75(30)	19.70	24.8	-6.3	-4.4	-10.8	-16.1	0.6	7.2	2.6
Industrial / Cyc Ind (515/FCYIX)	H***	1.09	0.75(30)	20.50	117.4	-7.9	-0.8	-7.9	7.1	10.8	20.7	9.1
Defense & Aero (67/FSDAX)	H***	1.02	0.75(30)	79.93	1256.4	-9.6	-3.0	-12.2	2.8	13.6	22.2	11.0
Com Equip / DevC (518/FSDCX)	H***	1.35	0.75(30)	19.50	248.4	-13.2	-2.0	-14.5	-5.5	3.3	14.2	4.6
Electronics (8/FSELX)	H***	1.32	0.75(30)	37.17	1254.0	-18.5	-3.2	-18.4	-19.0	-1.3	8.5	3.9
Energy (60/FSENX)	B****	1.47	0.75(30)	64.48	2857.1	-3.3	8.5	5.5	40.7	27.1	31.5	16.6
Energy Service (43/FSESX)	B****	1.65	0.75(30)	92.62	2026.1	-8.9	10.4	-2.9	42.9	26.9	27.7	14.3
Environmental (516/FSLEX)	H***	1.02	0.75(30)	17.71	35.6	-8.5	0.1	-7.2	3.3	8.8	12.9	0.8
Financial Services (66/FIDSX)	S**	1.40	0.75(30)	84.32	408.7	-11.9	-9.8	-15.7	-23.0	-1.0	7.8	4.4
Con Stap / Food Ag (9/FDFAX)	B****	0.69	0.75(30)	63.25	627.7	-5.0	1.1	-5.6	13.7	13.1	16.1	7.8
Gold (41/FSAGX)	H***	1.69	0.75(30)	46.37	2076.0	16.3	7.2	16.5	45.1	35.9	26.3	17.5
Health Care (63/FSPHX)	B****	0.79	0.75(30)	114.24	2030.7	-9.2	-2.7	-10.4	0.7	8.1	10.1	6.3
Home Finance (98/FSVLX)	S**	1.87	0.75(30)	25.83	161.7	-9.6	-10.9	-13.2	-42.4	-14.6	-1.5	-0.5
Indust Equip (510/FSCGX)	B****	1.10	0.75(30)	32.45	171.8	-9.7	-0.8	-8.6	9.2	11.6	19.4	7.1
Materials / Ind Mat (509/FSDPX)	H***	1.34	0.75(30)	57.01	330.8	-2.5	3.4	-0.7	17.1	18.8	24.2	11.3
Insurance (45/FSPCX)	H***	1.23	0.75(30)	54.01	169.4	-14.2	-8.0	-15.4	-16.1	1.1	10.2	8.1
Leisure (62/FDLSX)	H***	1.05	0.75(30)	69.03	225.9	-10.4	-6.1	-13.3	-7.1	5.6	14.1	7.0
Medical Delivery (505/FSHCX)	B****	0.78	0.75(30)	45.28	665.9	-13.9	-7.8	-12.2	-4.0	6.9	20.2	7.8
Medical Equip/Sys (354/FSMEX)	B****	0.79	0.75(30)	24.41	1044.7	-1.8	0.0	-0.7	12.6	8.5	14.9	
Multimedia (503/FBMPX)	S**	0.98	0.75(30)	35.30	53.0	-6.1	0.5	-9.6	-13.9	2.7	10.3	6.5
Natural Gas (513/FSNGX)	B****	1.41	0.75(30)	49.91	1346.6	2.9	11.5	11.4	38.1	24.4	31.0	18.2
Nat Resources (514/FNARX)	B****	1.47	0.75(30)	39.00	2150.7	-2.6	8.8	5.6	41.6	29.9	32.4	16.9
Networking (912/FNINX)	H***	1.28	0.75(30)	1.97	54.3	-20.6	-5.7	-23.0	-20.9	-2.7	5.3	
Paper & Forest (506/FSPFX)	S**	1.27	0.75(30)	27.62	20.6	-11.8	-8.3	-12.4	-16.4	-1.5	4.8	3.3
Pharmaceuticals (580/FPHAX)	H***	0.89	0.75(30)	10.52	201.9	-9.6	-2.0	-11.9	1.6	9.8	10.3	
Retailing (46/FSRPX)	S**	1.36	0.75(30)	36.57	51.6	-10.6	-8.6	-14.3	-21.4	0.8	11.4	4.1
Software (28/FSCSX)	H***	1.13	0.75(30)	66.77	827.7	-17.8	-4.9	-14.5	2.0	12.0	13.7	9.9
Technology (64/FSPTX)	H***	1.31	0.75(30)	66.66	1574.2	-18.0	-0.5	-18.6	-4.6	5.0	11.7	5.8
Telecom (96/FSTCX)	H***	1.22	0.75(30)	42.70	369.3	-17.9	-7.0	-19.5	-15.3	8.1	13.6	1.0
Transportation (512/FSREX)	H***	1.30	0.75(30)	44.34	67.0	-3.1	-5.0	-8.3	-8.9	6.2	17.3	9.5
Utilities Growth (65/FSUTX)	H***	1.15	0.75(30)	57.09	655.8	-11.2	-3.9	-11.0	-0.2	14.5	20.4	6.1
Wireless (963/FWRLX)	H***	1.37	0.75(30)	7.23	501.0	-16.3	-3.1	-18.1	4.7	11.7	26.8	

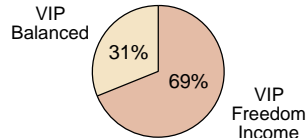
FEBRUARY PERFORMANCE						30-day	2008	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.96	1 (30)	13.78	447.0		-8.9	1.5	-11.0	-7.1	7.3	16.2
Canada (309/FICDX)	B****	1.12	1.5(90)	60.03	4243.7		-2.2	5.0	0.5	29.9	23.5	28.4
China Region (352/FHKCX)	S**	1.60	1.5(90)	28.05	1436.9		-10.0	5.5	-12.3	34.0	23.9	26.5
Diversified Int'l (325/FDIVX)	H***	1.05	Closed	36.53	50214.6		-8.4	0.9	-9.6	6.0	14.2	22.2
Emerging Mkts (322/FEMKX)	S**	1.43	1.5(90)	31.30	5602.7		-7.5	5.8	-6.6	36.0	32.6	37.7
Europe (301/FIEUX)	H***	1.11	1 (30)	38.10	4744.9		-9.6	0.6	-10.3	6.1	13.9	26.6
Europe Cap Appr (341/FECAV)	H***	1.09	1 (30)	24.00	1060.6		-9.8	0.5	-10.2	2.3	15.4	23.3
Global Balanced (334/FGBLX)	B****	0.61	1 (30)	21.53	376.5		-4.2	0.1	-4.3	7.2	10.4	15.5
Int'l Discovery (305/FIGRX)	H***	1.06	1 (30)	38.91	12611.6		-9.7	0.3	-10.7	7.4	15.4	23.6
Int'l Growth (1979/FIGFX)	H***	1.1 Est	1 (30)	8.76	16.1		-8.4	1.7				
Int'l Real Estate (1368/FIREX)	S**	1.28	1.5(90)	12.41	746.7		-7.4	-2.7	-12.9	-16.4	11.8	
Int'l Small Cap (818/FISMX)	H***	1.05	Closed	21.81	1217.0		-5.6	4.2	-8.2	4.2	13.3	30.1
Int'l Small Cap Opp (1504/FSCOX)	H***	1.27	2 (90)	13.75	905.0		-4.6	5.3	-9.1	-5.6		
Int'l Value (1597/FIVLX)	H***	1.11	1 (30)	10.47	294.7		-8.4	0.0	-10.7	-0.9		
Japan (350/FJPNX)	B****↑	1.12	1.5(90)	13.46	1575.5		-6.1	-1.2	-11.4	-11.1	7.2	14.3
Japan Smaller Co (360/FJSCX)	H***	1.11	Closed	9.93	630.0		-10.0	-0.7	-16.7	-20.7	-5.0	11.8
Latin America (349/FLATX)	S**	1.94	1.5(90)	62.84	5202.2		1.3	7.1	2.2	48.9	42.8	52.3
Nordic (342/FNORX)	H***	1.36	1.5(90)	42.37	761.9		-6.6	4.4	-7.4	16.2	21.5	31.0
Overseas (94/FOSFX)	H***	1.20	1 (30)	43.86	8193.3		-9.4	0.5	-10.7	10.4	16.0	22.7
Pacific Basin (302/FPBFX)	H***	1.25	1.5(90)	26.68	980.1		-11.7	1.6	-12.7	9.6	18.0	23.1
Southeast Asia (351/FSEAX)	S**	1.55	1.5(90)	34.51	4224.2		-13.0	3.7	-14.9	34.4	31.7	34.9
Total Int'l Equity (1978/FTIEX)	H***	1.0 Est	1 (30)	8.70	39.1		-7.9	1.6				
Worldwide (318/FWWFX)	H***	1.05	1 (30)	19.20	1522.4		-10.2	-1.0	-10.0	5.5	11.9	18.4
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.81	none	28.30	1859.0		-7.2	-2.2	-8.0	-2.1	6.6	12.6
NASDAQ Comp (1282/FNCMX)	H***	1.08	0.75(90)	30.07	171.8		-14.4	-4.9	-14.6	-5.5	4.0	
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.03	0.75(90)	35.15	2183.8		-8.3	-2.2	-8.7	-6.0	7.6	16.8
Spart Int'l Index (399/FSIIX)	H***	1.03	1(90)	43.23	4480.8		-8.6	-0.5	-11.0	-0.1	12.4	20.7
Spart 500 Index (317/FSMKX)	B****	1.00	none	92.14	7468.2		-9.1	-3.3	-9.7	-3.7	5.3	11.5
Spart Total Mkt Idx (397/FSTMX)	H***	1.00	0.5(90)	37.25	4545.4		-8.9	-3.0	-9.5	-4.1	6.0	12.7
Asset Mgr 20% (328/FASIX)	B****	0.19	none	12.22	2496.2		-1.8	-0.7	-1.7	1.7	5.3	7.2
Asset Mgr 30% (1957/FTANX)	B****	0.3 Est	none	9.52	23.9		-2.9	-0.9	-2.9			
Asset Mgr 40% (1958/FFANX)	B****	0.4 Est	none	9.34	5.7		-3.9	-1.0	-4.1			
Asset Mgr 50% (314/FASMX)	B****	0.48	none	14.71	7948.9		-5.2	-1.2	-5.5	-0.6	4.8	7.4
Asset Mgr 60% (1959/FSANX)	B****	0.6 Est	none	9.00	6.1		-6.3	-1.4	-6.6			
Asset Mgr 70% (321/FASGX)	B****	0.68	none	15.74	2841.0		-7.4	-1.6	-7.8	-2.0	4.7	8.5
Asset Mgr 85% (347/FAMRX)	B****	0.82	none	12.94	523.1		-8.6	-1.7	-9.2	-2.7	7.0	14.2
Freedom 2000 (370/FFBXX)	B****	0.26	none	12.18	1756.9		-1.5	-0.5	-1.5	2.6	4.8	5.7
Freedom 2005 (1312/FFVFX)	B****	0.48	none	11.30	1050.9		-4.2	-1.0	-4.3	1.6	5.9	
Freedom 2010 (371/FFFCX)	B****	0.50	none	14.21	14081.4		-4.1	-1.0	-4.2	1.9	6.1	8.7
Freedom 2015 (1313/FFVFX)	B****	0.55	none	11.85	6867.8		-5.0	-1.1	-5.2	1.3	6.6	
Freedom 2020 (372/FFFDX)	B****	0.68	none	14.82	20082.0		-6.3	-1.5	-6.5	0.7	7.0	11.3
Freedom 2025 (1314/FFTWX)	B****	0.70	none	12.29	6323.4		-6.8	-1.5	-7.0	0.2	7.1	
Freedom 2030 (373/FFFEEX)	B****	0.82	none	15.20	13409.7		-8.0	-1.8	-8.3	-0.4	7.3	12.5
Freedom 2035 (1315/FFTHX)	B****	0.83	none	12.56	3688.8		-8.2	-1.9	-8.6	-0.6	7.3	
Freedom 2040 (718/FFFFX)	B****	0.86	none	8.90	6884.6		-8.5	-1.9	-8.9	-1.0	7.4	13.3
Freedom 2045 (1617/FFFGX)	B****	0.88	none	10.37	539.8		-8.6	-2.0	-9.0	-0.7		
Freedom 2050 (1618/FFFHX)	B****	0.91	none	10.39	566.8		-9.1	-2.1	-9.6	-1.0		
Freedom Income (369/FFFAV)	B****	0.21	none	11.31	2542.0		-1.0	-0.4	-0.8	2.7	4.7	5.0
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.30	1(90)	8.29	9361.3	7.37	-3.5	-0.5	-3.4	-2.1	5.3	11.8
Floating Rate (814/FFRHX)	S**	0.16	1(60)	9.12	2002.0	7.61	-3.7	-0.6	-3.3	-2.6	2.8	3.8
Focused High Inc (1366/FFHFX)	H***	0.15	1(90)	9.63	54.1	7.04	-1.5	-0.7	-0.8	-0.3	3.9	
GNMA Portfolio (15/FGMNX)	H***	0.22	none	11.08	3336.8	4.92	2.2	0.3	2.1	7.9	5.2	4.3
Gov't Income (54/FGOVX)	H***	0.23	none	10.62	6718.1	3.79	3.2	0.8	3.4	9.9	5.8	4.3
High Income (455/SPHIX)	H***	0.19	1(90)	8.34	5118.5	8.27	-2.0	-0.3	-1.3	-1.5	4.4	9.1
Inflation-Protected (794/FINPX)	H***	0.36	none	11.59	1723.9	1.12	5.1	1.2	4.9	12.3	5.7	5.6
Intermed Bond (32/FTHRX)	H***	0.20	none	10.23	7510.4	4.34	1.5	0.2	1.8	4.1	3.9	3.6
Intermed Gov't Inc (452/FSTGX)	H***	0.20	none	10.57	844.8	3.56	3.5	1.1	4.0	10.4	5.7	3.9
Invest Grade Bond (26/FBNSD)	H***	0.24	none	7.18	10480.6	4.86	0.6	-0.5	0.7	1.9	3.6	3.7
Mortgage Securities (40/FMSFX)	H***	0.22	none	10.41	1236.5	5.35	0.5	-0.6	0.4	-0.7	2.4	2.9
New Markets Inc (331/FNMIX)	S**	0.22	1(90)	14.54	2126.7	5.87	0.2	-0.2	0.9	4.9	9.0	12.9
Short-Term Bond (450/FSHBX)	S**	0.11	none	8.59	7061.2	4.23	0.6	0.0	0.8	1.4	3.0	2.7
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.34	none	10.84	891.4	3.29	4.7	1.4	4.9	13.3		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.52	none	10.48	54.9	4.16	3.0	0.3	2.6	10.6		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.15	none	10.60	121.4	2.13	3.4	1.2	3.6	10.4		
Strategic Income (368/FSICX)	H***	0.14	none	10.41	5172.4	5.80	0.8	0.3	1.0	4.8	5.6	8.3
Strategic Real Rtn (1505/FSRRX)	H***	0.27	0.75(60)	10.41	4990.8	3.82	4.2	2.9	5.0	5.4		
Total Bond (820/FTBFX)	H***	0.21	none	10.38	9663.6	4.82	1.3	0.0	1.6	4.0	4.3	4.5
Ultra-Short Bond (812/FUSFX)	S**	0.14	0.25(60)	8.69	460.2	4.49	-3.0	-1.4	-2.6	-8.7	-0.3	0.5
US Bond Index (651/FBIDX)	H***	0.23	none	11.00	8693.2	4.49	1.8	0.2	2.0	5.6	4.6	4.3
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FSAZX)	H***	0.18	0.5(30)	10.70	140.5	3.69	-4.1	-5.1	-4.1	-2.7	1.7	2.6
CA Municipal Inc (91/FCTFX)	H***	0.17	0.5(30)	11.61	1614.2	3.77	-3.8	-4.8	-3.6	-2.0	2.1	3.2
CA Short-Int TF (1534/FCSTX)	H***↓	0.09	0.5(30)	10.09	143.6	2.65	0.0	-1.9	0.5	3.6		
CT Municipal Inc (407/FICNX)	H***	0.16	0.5(30)	10.92	454.5	3.34	-2.6	-4.2	-2.4	0.2	2.4	2.9
Intermediate Muni (36/FLTMX)	H***	0.12	0.5(30)	9.77	2177.0	3.25	-1.3	-2.9	-0.9	1.8	3.0	3.4
MA Municipal Inc (70/FDMMX)	H***	0.17	0.5(30)	11.29	1929.2	3.69	-3.5	-4.6	-3.2	-1.4	2.4	3.3
MD Municipal Inc (429/SMDMX)	H***	0.16	0.5(30)	10.38	145.3	3.46	-3.0	-4.3	-2.9	-0.9	2.1	2.9
MI Municipal Inc (81/FMHTX)	H***	0.15	0.5(30)	11.38	606.8	3.29	-2.6	-4.0	-2.3	0.2	2.6	3.3
MN Municipal Inc (82/FMIX)	H***	0.13	0.5(30)	10.87	356.6	3.34	-2.3	-3.7	-2.1	-0.1	2.4	3.1
Municipal Income (37/FHIGX)	H***	0.17	0.5(30)	12.03	5199.5	3.83	-3.6	-4.5	-3.3	-1.6	2.4	3.4
NJ Municipal Inc (416/FNJHX)	H***	0.16	0.5(30)	11.06	588.4	3.47	-3.1	-4.3	-2.7	-0.5	2.6	3.3
NY Municipal Inc (71/FTFMX)	H***	0.17	0.5(30)	12.18	1476.0	3.63	-3.5	-4.6	-3.1	-1.2	2.2	3.2
OH Municipal Inc (88/FOHFX)	H***	0.17	0.5(30)	11.09	434.4	3.49	-3.0	-4.4	-2.7	-0.4	2.5	3.3
PA Municipal Inc (402/FPXTX)	H***	0.14	0.5(30)	10.38	318.4	3.39	-2.6	-3.8	-2.4	0.2	2.5	3.2
Short-Int Municipal (404/FSTFX)	H***↓	0.08	0.5(30)	10.31	16075.5	2.41	0.5	-1.6	1.0	4.3	3.1	2.5
Tax-Free Bond (90/FTABX)	H***	0.17	0.5(30)	10.24	897.5	3.87	-3.6	-4.7	-3.3	-1.5	2.5	3.5

FEBRUARY PERFORMANCE Indexes and Model Portfolios	Risk	Value	2008 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.92	12266.39	-7.1	-2.8	-7.7	2.3	6.9	11.8	5.8
S&P 500	1.00	1330.63	-9.0	-3.2	-9.7	-3.6	5.4	11.6	4.1
NASDAQ	1.07	2271.48	-14.2	-4.9	-14.4	-5.2	4.3	11.9	3.0
Russell 2000	1.26	686.18	-10.2	-3.6	-10.2	-12.4	3.9	15.1	5.4
Fidelity Monitor Income Model	0.30	87238.49	-2.8	-0.9	-2.7	0.1	3.7	4.6	4.0
Fidelity Monitor G&I Model	0.62	180230.99	-4.6	-0.5	-4.3	0.3	7.3	12.8	8.0
Fidelity Monitor Growth Model	1.02	191686.45	-10.2	-2.4	-9.9	-4.0	6.7	15.9	6.5
Fidelity Monitor Select System	0.99	389116.96	-6.3	3.2	-5.0	5.6	12.4	16.7	8.8
Fidelity Monitor Unique Opportunities	1.11	128400.14	-9.2	0.4	-7.7	1.0	10.7	20.3	

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

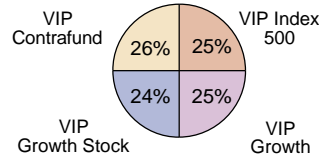


PAST PERFORMANCE

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: - 2.7%

VIP GROWTH MODEL

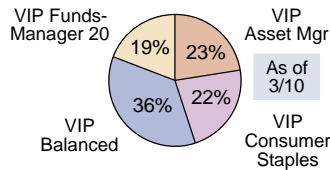


PAST PERFORMANCE

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: -11.2%

VIP G & I MODEL

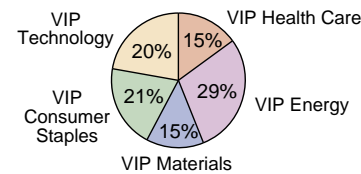


PAST PERFORMANCE

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: - 3.8%

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: - 9.2%

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

FEBRUARY VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2008 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	10.98	11.47	-15.9	-3.7	-15.0	-4.0		
VIP Asset Manager	B ****	12.18	38.21	-3.2	1.1	-1.9	9.9	7.1	8.6
VIP Asset Manager: Growth	B ****	12.30	25.26	-4.9	1.3	-3.3	11.5	7.5	10.1
VIP Balanced	B ****	11.87	17.61	-5.9	-1.2	-5.9	-0.2	6.1	8.0
VIP Consumer Discretionary	S **	9.68	10.63	-6.4	-4.4	-11.0	-16.6	-0.3	6.6
VIP Consumer Staples	B ****	10.58	10.54	-4.9	1.0	-5.6			
VIP Contrafund	B ****	12.41	46.03	-10.9	-2.8	-10.5	4.0	9.6	15.3
VIP Disciplined Small Cap	H ***	8.92	8.85	-9.7	-2.8	-10.0	-13.2		
VIP Dynamic Capital Appreciation	H ***	11.98	14.52	-9.4	-3.2	-13.7	-4.9	9.0	
VIP Energy	B ****	17.84	30.78	-3.6	8.4	4.9	39.6	26.7	30.2
VIP Equity-Income	H ***	11.33	63.22	-8.8	-3.7	-9.7	-8.1	4.7	11.8
VIP Financial Services	S **	9.45	11.49	-11.7	-9.6	-15.4	-23.3	-1.5	7.2
VIP Freedom 2005	B ****	11.64	11.78	-4.1	-1.0	-4.3	2.2		
VIP Freedom 2010	B ****	11.63	11.81	-4.3	-1.1	-4.5	2.1		
VIP Freedom 2015	B ****	11.83	12.07	-5.0	-1.2	-5.3	1.8		
VIP Freedom 2020	B ****	11.92	12.22	-6.3	-1.5	-6.6	1.3		
VIP Freedom 2025	B ****	11.98	12.32	-6.7	-1.6	-7.1	1.1		
VIP Freedom 2030	B ****	12.03	12.44	-7.9	-1.8	-8.3	0.6		
VIP Freedom Income	B ****	11.29	11.29	-1.2	-0.5	-1.1	2.8		
VIP FundsManager 20	B ****	10.91	10.80	-1.4	-0.4	-1.3	2.4		
VIP FundsManager 50	B ****	10.78	10.67	-4.7	-1.2	-4.8	-0.2		
VIP FundsManager 70	B ****	10.67	10.57	-7.1	-1.9	-7.4	-1.9		
VIP FundsManager 85	B ****	10.59	10.49	-8.7	-2.2	-9.1	-2.9		
VIP Growth	B ****	12.29	67.90	-11.1	-1.5	-10.7	11.6	8.3	11.8
VIP Growth & Income	B ****	11.89	19.51	-10.1	-3.2	-10.3	0.0	6.6	9.9
VIP Growth Opportunities	B ****	11.59	13.99	-15.4	-1.2	-14.6	1.2	5.8	10.6
VIP Growth Stock	B ****	10.97	11.15	-13.7	-2.2	-12.9	4.3		
VIP Health Care	B ****	10.95	12.65	-9.3	-2.7	-10.6	-1.6	7.0	9.2
VIP High Income	H ***	11.21	31.31	-2.5	-0.6	-1.7	-2.6	3.6	8.1
VIP Index 500	B ****	11.23	36.23	-9.2	-3.3	-9.9	-4.4	4.5	10.6
VIP Industrials	B ****	13.08	18.86	-8.2	-0.8	-8.0	6.7	10.5	20.3
VIP Int'l Capital Appreciation	H ***	11.72	12.28	-9.0	1.5	-11.1	-8.0		
VIP Investment Grade Bond	H ***	11.04	30.74	1.4	-0.1	1.4	3.5	3.3	3.2
VIP Materials	B ****	11.14	11.11	-2.3	3.5	-0.6			
VIP Mid Cap	B ****	12.81	22.89	-7.3	0.7	-7.1	4.6	10.3	19.7
VIP Money Market		11.18	21.53	0.6	0.2	0.9	4.2	3.7	2.3
VIP Overseas	H ***	13.86	43.32	-9.1	0.0	-10.5	5.5	12.9	20.2
VIP Real Estate	S **	11.26	17.84	-3.6	-3.2	-8.9	-26.0	8.6	
VIP Strategic Income	H ***	11.52	12.58	0.8	0.3	0.9	4.2	4.7	
VIP Technology	B ****	10.91	10.12	-18.4	-0.3	-19.4	-7.9	4.4	11.2
VIP Telecommunications	H ***	8.12	8.09	-18.2	-7.1	-19.8			
VIP Utilities	H ***	14.03	14.08	-11.4	-4.4	-11.1	0.4	14.9	20.4
VIP Value	H ***	10.89	11.18	-9.0	-3.5	-10.7	-11.2		
VIP Value Leaders	H ***	11.45	11.78	-8.2	-3.2	-8.4	-5.6		
VIP Value Strategies	H ***	11.28	14.29	-10.0	-2.1	-10.5	-10.5	4.5	
Fidelity Monitor VIP Income Model			20481.47	-2.7	-0.7	-2.6	1.9	3.7	4.8
Fidelity Monitor VIP G&I Model			26108.00	-3.8	0.0	-3.2	2.3	6.6	9.5
Fidelity Monitor VIP Growth Model			36781.05	-11.2	-2.5	-11.0	-3.4	6.6	12.4
Fidelity Monitor VIP Sector Model			18886.03	-9.2	2.0	-8.4	-1.2	10.1	17.4

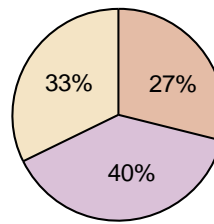
INCOME MODEL

Our Income Model aims for long-term growth of 7% per year from a mix of funds that emphasize income.

FUND	NAV	SHARES	BALANCE
Puritan	\$17.83	1344.588	\$23974.00
Asset Mgr 20%	\$12.22	2842.749	\$34738.39
Freedom Income	\$11.31	2522.202	\$28526.10

7% Foreign Holdings
Balance as of 2/29/08: \$87238.49
Balance at start of 2008: \$89754.23

Freedom Income
369/FFFA



Balanced
304/FBALX

As of
3/10

Asset
Mgr 20%
328/FASIX

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%
2008 YTD: - 2.8%

Our Income Model declined 0.9% for the month of February. On 3/10 we will sell **Puritan** and buy **Balanced**.

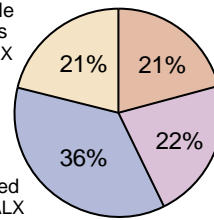
GROWTH AND INCOME MODEL

Our Growth and Income Model aims for long-term growth of 10% per year from stocks and bonds.

FUND	NAV	SHARES	BALANCE
Asset Mgr 20%	\$12.22	3099.365	\$37874.24
Puritan	\$17.83	2249.813	\$40114.17
Balanced	\$18.52	3473.505	\$64329.31
Conv. Securities	\$26.86	1410.514	\$37913.27

10% Foreign Holdings
Balance as of 2/29/08: \$180230.99
Balance at start of 2008: \$189006.21

Convertible Securities
308/FCVFX



Asset Mgr.
20% (Inc)
328/FASIX

As of
3/10

Consumer
Staples
9/FDFAX

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%
2008 YTD: - 4.6%

For February our Growth and Income Model was off 0.5%. On 3/10 we will sell **Puritan** and buy **Consumer Staples**.

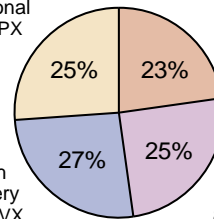
GROWTH MODEL

Our Growth Model aims for long-term growth of 13% per year. The model focuses on domestic funds and strives to hold profitable positions for at least a year.

FUND	NAV	SHARES	BALANCE
Spartan 500 Index	\$92.14	481.853	\$44397.94
Value Discovery	\$16.25	2994.897	\$48667.08
Growth Discovery	\$14.48	3515.551	\$50905.18
Export & Mult.	\$22.86	2087.325	\$47716.25

18% Foreign Holdings
Balance as of 2/29/08: \$191686.45
Balance at start of 2008: \$213419.53

Export &
Multinational
332/FEXPX



Stock
Selector
320/FDSSX

As of
3/10

Value
Discovery
832/FVDFX

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%
2008 YTD: - 10.2%

Our Growth Model declined 2.4% in February, versus a 3.2% loss for the S&P. On 3/10 we'll sell **Spartan 500** and buy **Stock Selector**.

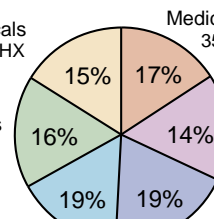
SELECT SYSTEM

Our Select System uses a volatility model to identify attractive sectors, and aims for growth of 14% per year.

FUND	NAV	SHARES	BALANCE
Medical Equipment	\$24.41	2643.537	\$64528.74
Computers	\$40.25	1361.136	\$54785.72
Consumer Staples	\$63.25	1198.944	\$75833.21
Natural Resources	\$39.00	1866.676	\$72800.36
Natural Gas	\$49.91	1229.763	\$61377.47
Chemicals	\$81.33	735.171	\$59791.46

16% Foreign Holdings
Balance as of 2/29/08: \$389116.96
Balance at start of 2008: \$415259.49

Chemicals
69/FSCHX



Medical Equipment
354/FSMEX

Computers
7/FDCPX

Natural Gas
513/FSNGX

Natural Resources
514/FNARX

Consumer Staples
9/FDFAX

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%
2008 YTD: - 6.3%

Our Select System gained 3.2% in February, versus a 3.2% loss for the S&P 500. On 2/11 we sold **Wireless** (\$7.37), and bought **Natural Gas** (\$47.39).

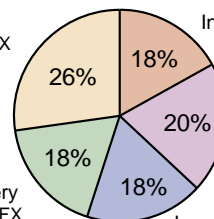
UNIQUE OPPORTUNITIES MODEL

Our portfolio aims for a growth rate of 14% per year.

FUND	NAV	SHARES	BALANCE
Industrial Equip.	\$32.45	695.529	\$22569.92
Independence	\$25.98	1003.818	\$26079.19
Lev. Co. Stock	\$30.26	776.507	\$23497.10
Value Discovery	\$16.25	1417.928	\$23041.33
Trend	\$61.18	542.867	\$33212.60

19% Foreign Holdings
Balance as of 2/29/08: \$128400.14
Balance at start of 2008: \$141360.40

Trend
5/FTRNX



Industrial Equip
510/FSCGX

Independence
73/FDFFX

Lev. Co. 122/FLVCX

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%
2008 YTD: - 9.2%

Our Unique Opportunities Model gained 0.4% in February. On 2/11 we sold half of **Leveraged Company Stock** (\$30.02) and bought **Value Discovery** (\$16.44).

and **Convertible Securities**, have made energy their top sector holding. Others, such as **Export** and **Value Discovery**, are holding an overweighted position relative to the S&P 500.

The most effective funds for offsetting stagflation include **Energy**, **Energy Service**, **Natural Gas**, or **Natural Resources**. But there's risk. **Natural Gas** and **Natural Resources** are a little less volatile than the other two, whereas **Energy Service** is the most risky because drillers are already getting top dollar for their services. But either way it's a volatile group that can gain or lose 20% in just weeks. As such, it makes sense to limit exposure and invest for at least five years. A prudent approach would be to put 20% in **Natural Resources**, while investing the remaining 80% in our Growth and Income Model.

Some indirect bets on energy could also pay off. The least risky is **Consumer Staples**, a group of defensive stocks that carry about 70% as much risk as the S&P 500. The weak dollar is helping this group of stocks more than it's hurting it, and some of the food and beverage companies should benefit from pricing power as higher food costs are passed along. **Chemicals** and **Industrial Equipment** are weak dollar plays that benefit from growth in both agriculture and energy, so they enjoy a degree of pricing power from both sides. **Materials** presents an opportunity because mining and refining are energy-intensive activities. Some of the same factors driving the supply/demand imbalance for oil are also at work. In some cases there just aren't enough good mines to sustain historical production levels, but more often rising global demand is at work. ■

FEBRUARY DISTRIBUTIONS

Asset Manager 20%	\$ 0.03 / \$12.37 (2/1)
Contrafund	\$ 0.65 / \$63.86 (2/8)
Dynamic Strategies	\$ 0.04 / \$9.01 (2/8)
Freedom Income	\$ 0.03 / \$11.40 (2/1)
Intermediate Muni	\$ 0.002/\$10.12 (2/8)
MI Municipal	\$ 0.005/\$11.92 (2/8)
MN Municipal	\$ 0.02 / \$11.33 (2/8)
Municipal Income	\$ 0.011/\$12.68 (2/8)
New Markets Income	\$ 0.04 /\$14.48 (2/15)
OH Municipal	\$ 0.008/\$11.66 (2/8)
PA Municipal	\$ 0.003/\$10.84 (2/8)
Strategic Income	\$ 0.06 /\$10.29 (2/15)

Following are the funds scheduled for payouts in March: **Asset Manager 20%**, **Equity-Income**, **Freedom Income**, **Large Cap Growth**, **Large Cap Value**, **Mid Cap Growth**, **Mid Cap Value**, **Real Estate**, **Real Estate Inc**, **MA Muni**, **NY Muni**, **Tax-Free Bond**, and **Utilities**.

GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed on page 7. If you prefer to pick your own funds instead, our favorites include **Convertible Securities**, **Balanced**, and the **Asset Manager** group.

Convertible Securities gained 2.0%, thanks to its energy position. **Dynamic Strategies** was up 0.2%, and **Balanced** declined 1.1%. Trailing behind, **Growth & Income** was off 4.5%, and **Utilities** declined 5.7%.

INCOME FUNDS

Our Income Model holdings are listed on page 7. If you prefer to pick your own funds instead, our favorites include **Freedom Income**, **Asset Mgr. 20%**, and **Dynamic Strategies**.

Strategic Real Return was up 2.9% as its commodity side rose, and **Spartan Intermediate-Term Treasury Index** returned 1.4%. But inflation worries and rising yields took a toll on others. **Ultra-Short Bond** was on the bottom, losing 1.4%.

Muni bond funds were hit hard by credit jitters as the auction-rate note fiasco degraded the perceived credit worthiness of municipalities. **California Muni** lost 4.8%, and **Arizona Muni** was down 5.1%.

SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. We prefer that subscribers stick to the model, but our buy list may contain some ideas that could pay off over the long haul: **Energy Service**, **Natural Gas**, **Natural Resources**, **Energy**, **Consumer Staples**, **Medical Delivery**, **Medical Equip.**, **Health Care**, **Chemicals**, **Ind. Equipment**, and **Computers**.

After moving opposite gold last month, energy stocks surged back. **Natural Gas** jumped 11.5%, **Energy Service** was up 10.4%, **Natural Resources** climbed 8.8%, and **Energy** gained 8.5%. On the flip side, financial stocks sank further as credit problems worsened. **Home Finance** fell 10.9%, and **Banking** tumbled 11.2%. ■

Happenings

Ramin Arani has been named manager of the equity side of Puritan. Arani, who has been serving as co-manager of the portfolio since February 2007, has boosted Puritan's technology exposure, giving the fund a risk profile more like **Balanced**. We continue to rate it a buy, but for other reasons we are taking it out of our model portfolios. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	119719.8	3.58	CT MM (418/FCMXX)	2114.0	2.65			
Select MM (85/FSLXX)	6701.3	3.58	MA MM (74/FDMXX)	5544.3	2.22			
Money Market (454/SPRXX)	8096.9	3.47	MI MM (420/FMIXX)	1119.9	2.38	MA AMT TF (426/FMSXX)	848.6	2.43
Gov't MM (458/SPAXX)	726.9	3.28	NJ MM (417/FNJXX)	2391.9	2.43	AMT Tax-Free (460/FIMXX)	3587.4	2.56
US Treas. MM (415/FDLXX)	3684.2	2.40	NY MM (92/FNYXX)	5490.7	2.23	NJ AMT TF (423/FSJXX)	732.2	2.63
Tax-Free MM (275/FMOXX)	5389.9	2.45	OH MM (419/FOMXX)	1196.3	2.31	NY AMT TF (422/FSNXX)	1394.6	2.45
US Gov't Reser (50/FGRXX)	3486.4	3.41	AZ MM (433/FSAXX)	399.8	2.35	PA MM (401/FPTXX)	718.8	2.61
CA MM (97/FCFXX)	6198.0	2.25	CA AMT TF (457/FSPXX)	2097.8	2.52	Municipal MM (10/FTEXX)	22804.6	2.50