

## Foreign Stock Funds (The Contrarian View)

These days, it's tough to find any skeptics when it comes to international stocks. Five years of strong returns has created an expectation that foreign funds can only enhance performance. Investors are not even asking if it makes sense to invest overseas, which is taken as a given. Rather, they are fixating on the strongest foreign markets and questioning how far to cut back their U.S. stock holdings.

That could be a big mistake. Many investors believe – incorrectly – that the best way to hedge against a cheap dollar is to own a lot of foreign stocks. In reality, the biggest long-term beneficiaries of a weak greenback are U.S. multinationals. Not only do these firms see a favorable exchange rate trend, which boosts their foreign revenue and earnings, but those that export enjoy a pricing advantage that allows them to grab market share from foreign competitors.

We're only seeing the beginning of the weak dollar/strong foreign economy effect. Inflation threatens to be a bigger problem on the global scene, but the U.S. economy should be able to take it in stride – thanks to the housing situation, a balanced and competitive labor market, and the deflationary impact of advancing technology.

FOREIGN STOCK FUNDS - *Continued on page 2*

## VIP Portfolios Make Switches

On Monday, 5/14, our VIP Growth Model will sell one-fourth of **VIP Contrafund** and two-fifths of **VIP Equity-Income**, investing the proceeds in **VIP Value Strategies**. The resulting mix will be approximately 25% **VIP Index 500**, 25% **VIP Equity-Income**, 25% **VIP Value Strategies**, and 25% **VIP Contrafund**. These trades will bring the portfolio more in line with the holdings of our regular Growth Model.

On the same day, our VIP Growth and Income Model will sell one-third of **VIP Balanced** and buy **VIP FundsManager 20**, for a mix of roughly 33% **VIP Equity-Income**, 36% **Balanced**, 18% **VIP FundsManager 20**, and 13% **VIP Freedom Income**. Here again we are moving closer to the mix of stocks and bonds held in our regular Growth and Income Model.

## Review & Recommendations

Investors saw relief on the sub-prime front as concerns over mortgage lending and consumer spending were eased by data showing that both are still alive and well. But the big news for April was first-quarter earnings. Buoyed by the strength of overseas economies and the favorable impact of a weak dollar, large-cap multinationals posted strong results for the first three months of the year. The S&P 500 was up 4.4% for the month.

### GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorite growth funds include **Value Strategies**, **Leveraged Company**, **Value Discovery**, and **Spartan 500 Index**.

Helped by its energy stock positions, **Leveraged Company Stock** led the group with a 5.8% gain. **Large Cap Stock** rose 5.3%. **Aggressive Growth** also did well, climbing 5.1% thanks to a heavy bet on health care. In contrast, funds that lacked blue chip stocks had a harder time keeping up. **Small Cap Value** and **Fidelity Fifty** posted increases of 2.9%, and **Mid Cap Growth** returned 2.8%.

### INTERNATIONAL FUNDS

**Int'l Value** offers broad exposure to foreign stocks, with an emphasis on European markets. **Canada** may benefit from exposure to commodities.

**Nordic** gained 9.0% on technology strength, and **Europe** rose 6.5%. **Canada** and **Latin America** were helped by rising oil prices, posting respective increases of 6.0% and 5.6%. On the losing end were **Japan** and **Japan Smaller Companies** with declines of 2.9% and 3.7%, respectively.

### GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Favorites include **Balanced**, **Equity-Income**, and **Puritan**. For an ultra-conservative position, consider **Asset Manager 20%**.

Several funds rode the rally in blue chip stocks. **Equity-Income II** climbed 4.6%. **Equity-Income** and **Growth & Income** both gained 4.5%. On the trailing side, **Puritan** rose 3.1% owing to its bond holdings, **Strategic Dividend & Income** posted an increase of 2.9%, and **Utilities** returned 2.7%.

RECOMMENDATIONS - *Continued on page 8*

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Most of the world's central banks could be tightening for some time to come, but the Fed has a lot more breathing room. That may put greater downward pressure on the dollar, setting the stage for faster earnings growth within the S&P 500.

Meanwhile, foreign companies may still have the advantage of stronger economic growth, but the headwinds will be picking up in other places:

- In China and India, inflation is becoming a big problem. Most of the pressures are the result of rising costs for raw materials and economies that are expanding too fast. But in China, the problem is further complicated by a large and growing trade surplus. Up until now, the Chinese government could simply print yuan, buy up all the trade surplus dollars in its own economy, and invest them in U.S. treasuries. But that strategy cannot be sustained much longer because the country's trade surplus has become too big. The Chinese central bank is now in a bind. Either they allow the yuan to gain enough strength to reign in the trade surplus, or the expansion of their money supply will be so great that inflation will resolve the trade surplus by driving up the price of everything denominated in yuan.

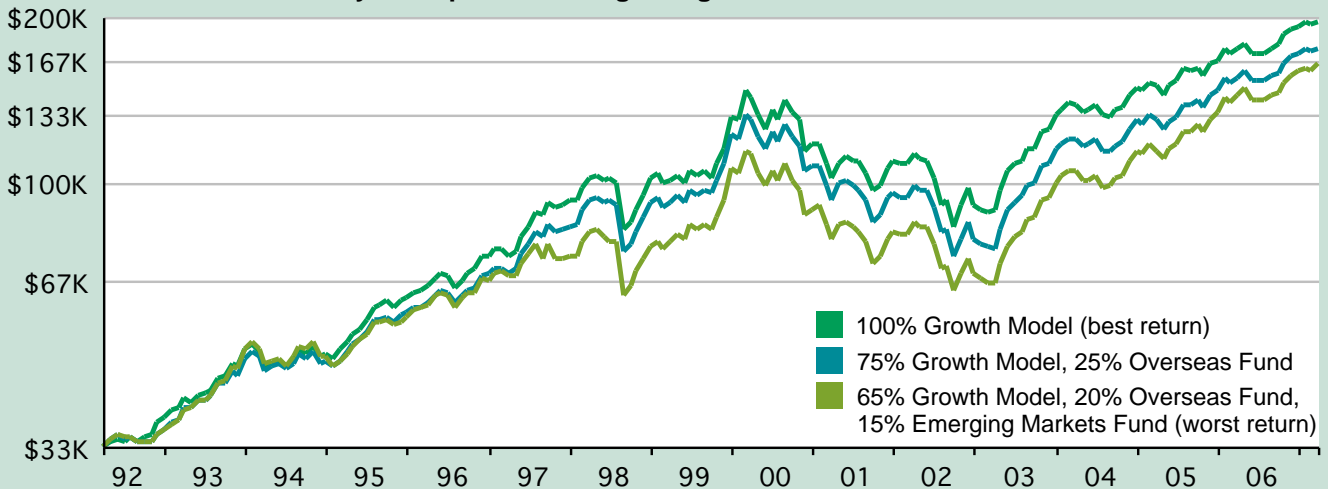
- Low interest rates have made Japan the world's lender of choice, and have contributed to excess leverage in the world's financial markets as big institutional players put large amounts of money to work on the carry trade. Japan still hasn't licked its deflation problem, but with the country's economy growing at 5%, the risk of a depression is no longer

an issue. As such, the country's central bankers are gradually bringing interest rates back up to normal. Their hope is to unwind the global carry trade in an orderly fashion and restore stability to the yen, doing so soon enough to avoid a real estate bubble. So far, so good. But there's still some risk that a large group of carry trade players will close out their positions all at once, causing the yen to spike up and depressing Japanese stocks. Even if that doesn't happen, rising interest rates and a stronger yen are not good news.

- Europe's economy may suffer from the impact of both rising interest rates and a weak dollar (which makes American products and U.S. shopping trips more attractive). Because Europe has the least labor flexibility and the biggest consumer taxes on energy, its central bankers may find it relatively difficult to get inflation under control. And because they tend to be hawkish, interest rates may end up a lot higher than the market expects.

Here at home, the biggest inflation concern is the bond market, which could be hurt if a weak dollar pushes up long-term interest rates. But the economy and the stock market should hold up well, even in the face of a prolonged housing slump. That's because exports are poised to pick up the slack. After two decades of growing trade deficits, we're about to enter a new era where everyone wants our stuff – technology, media, jets, tractors, medical equipment, biotech drugs, high-margin agricultural products. The demand has been growing for years, but exports are now taking off in a way that will have a broad impact on the economy.

### Adding International Exposure Doesn't Always Help 15-year impact of adding foreign funds to the Growth Model



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So back to the question at hand. How much foreign exposure do you really need? Not much, because the S&P 500 already derives some 30-40% of earnings from exports and foreign operations. Furthermore, most of Fidelity's domestic stock funds have a 5-20% position in foreign stocks. Bottom line, unless you are heavily invested in small-caps, technology, and biotech, you probably don't need any international funds at all.

The last five years have been the exception, not the rule. International funds usually deliver inferior risk-adjusted returns, because foreign-managed firms typically have lower productivity than U.S. managed companies. The main reason for this? Most foreign firms are so tradition-bound that they resist change. As a result, they are slow to embrace new technology and they don't look for more efficient ways of doing things. There are domestic industries like that, such as the U.S. automakers. But they're the exception, not the rule. The U.S. leads the pace on innovation, and can recover even after entire industries get wiped out. Consumer electronics is a case in point.

If your portfolio is loaded with international exposure, this may be a good time to start paring it back. Aim to cut your foreign exposure to 25% or less. Start by getting rid of foreign funds that focus heavily on one country or region. Many of these are concentrated just like a sector fund, but lack the long-term performance consistency of Fidelity's Select family. Furthermore, their fees and trading costs are higher, and liquidity is often poor. Keep foreign funds that are well-diversified or closely tied to the U.S. stock market. Liquidity is better, and they'll be less likely to disappoint if international investing suddenly goes out of favor. Following is a review of the funds we like best.

#### CANADA

This fund is a soft play on the energy sector. Oil stocks currently account for about a quarter of the fund's holdings, although at times it can seem like it has more than that – the Canadian currency tends to reinforce the price swings that occur in the oil patch. **Canada's** overall risk level is fairly benign – about 1.4 relative to the S&P 500. That's because the U.S. economy and the Canadian economy are closely linked through trade, so Canadian stocks tend to behave a lot like the U.S. market. **Canada** makes for a solid, low-risk alternative to emerging market funds. It offers the same commodity exposure that drives developing economies, but won't fall apart if rising interest rates put a squeeze on those markets.

#### INTERNATIONAL DISCOVERY

This fund is broadly diversified and competes with the EAFE (Europe, Australasia Far East) index – a benchmark that's like a foreign version of the S&P 500. The index doesn't include Canada and has very little exposure to emerging markets, but other than that it's broadly diversified with exposure to all the major markets outside the U.S.

**International Discovery** sticks close to this index, which means it's unlikely to disappoint – but the fund probably won't beat the benchmark by much either. The fund's relatively structured approach is similar to **Diversified International**, except that it has a slight advantage owing to its smaller size. It has also kept cash levels a bit lower. The fund's industry mix reflects the nature of the EAFE index – heavy emphasis on financial and consumer stocks, and limited exposure to technology and health care.

#### INTERNATIONAL VALUE

This fund can be considered an international version of **Equity-Income**. Stocks like these tend to do well during periods of robust economic growth and rising inflation, which is why the fund is currently our top choice for foreign exposure. **Int'l Value** may also benefit from the expanding role of European private equity firms, although it remains to be seen if European regulators will be receptive to a major wave of consolidation. Unlike the U.S., labor unions in Europe still carry a lot of political clout, and they often oppose restructuring activity.

#### SPARTAN INTERNATIONAL INDEX

This fund mimics the EAFE index, with Japan (23%) and the United Kingdom (23%) carrying the most weight, followed by France (9%), Germany (8%), Switzerland (7%), Australia (6%), Spain (4%), the Netherlands (4%), Italy (4%), and Sweden (3%). Industry mix is skewed toward the value side: 29% financial, 12% consumer discretionary, 11% industrial, 9% materials, 8% consumer staples, 7% energy, 7% health care, 5% tech, 5% telecom, and 5% utilities.

Indexing internationally makes even more sense than indexing the U.S. market. That's because expenses and trading costs in actively managed foreign funds are roughly double that of domestic funds, so indexing gives you more of a built-in advantage. Indexing also removes the possibility that you might end up in a fund that does poorly over the long run. That's not much of a concern on the domestic side, but Fidelity's international stock funds have been more of a hit or miss proposition. ■

#### 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 ↓.

APRIL PERFORMANCE						2007	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***	1.66	1.5(90)	20.88	3622.6	7.7	5.1	5.2	10.4	10.9	6.7	4.2
Blue Chip Gth (312/FBGRX)	H***	1.05	none	46.30	19903.7	4.5	5.1	2.8	8.0	7.0	4.3	5.5
Blue Chip Value (1271/FBCVX)	H***	1.08	none	15.81	540.6	6.8	4.3	5.2	14.5	15.8		
Capital Apprec (307/FDCAX)	B****	1.36	none	28.64	9143.7	5.6	3.3	2.5	8.5	11.7	11.7	10.6
Contrafund (22/FCNTX)	B****	1.11	Closed	67.75	68713.1	4.9	3.5	2.7	9.1	15.3	11.9	11.5
Growth Discovery (339/FDSVX)	H***	0.99	none	13.42	437.7	4.4	4.1	3.0	13.0	10.5	7.2	
Disc Equity (315/FDEQX)	H***	1.13	none	31.30	8943.0	7.9	4.8	5.9	16.5	15.4	10.0	9.5
Dividend Gth (330/FDGFY)	H***	0.92	none	33.07	16615.6	4.4	4.1	3.1	15.3	9.1	6.6	9.7
Export Fund (332/FEXPX)	H***	1.27	0.75(30)	24.39	4198.4	6.1	3.6	2.9	8.8	14.4	11.4	14.2
Fidelity Fifty (500/FFTYX)	B****	1.23	none	24.95	1409.0	7.7	2.9	4.6	10.8	13.2	8.8	11.3
Focused Stock (333/FTQGX)	H***	1.32	none	13.54	71.8	8.3	4.9	5.5	8.8	16.8	4.6	6.4
Growth Company (25/FDGRX)	H***	1.38	Closed	72.98	29895.3	4.7	5.0	2.9	8.0	13.2	9.9	10.0
Independence (73/FDFFX)	H***	1.24	none	23.42	4609.3	6.6	4.5	5.0	9.6	14.3	8.0	10.3
Large Cap Growth (763/FSLGX)	H***	1.60	none	11.86	177.2	3.0	3.0	1.4	5.0	12.5	7.2	
Large-Cap Stock (338/FLCSX)	H***	1.09	none	18.72	885.7	6.8	5.3	4.9	13.8	11.8	7.0	7.3
Large Cap Value (708/FSLVX)	B****	1.10	none	15.70	1500.8	7.0	4.0	5.4	16.9	17.2	11.5	
Lev Co Stock (122/FLVCX)	B****	1.41	1.5(90)	32.84	5713.1	13.4	5.8	10.6	18.6	24.6	31.3	
Low-Priced Stock (316/FLPSX)	H***	1.07	Closed	46.13	39609.2	5.9	3.3	4.7	12.6	17.1	14.7	16.0
Magellan (21/FMAGX)	H***	1.32	Closed	95.72	43379.8	6.9	4.8	3.9	6.1	9.6	6.3	7.3
Mid Cap Growth (793/FMSGX)	H***	1.76	0.75(30)	14.61	430.3	4.6	2.8	2.1	1.5	14.6	9.6	
Mid Cap Stock (337/FMCSX)	H***	1.48	Closed	32.43	14494.2	11.3	4.4	7.4	11.5	18.3	10.5	14.2
Mid Cap Value (762/FSMVX)	H***	1.20	0.75(30)	18.11	832.0	10.8	3.8	7.5	18.4	20.2	13.8	
New Millennium (300/FMILX)	H***	1.62	Closed	30.52	2260.5	5.6	3.1	2.5	4.8	13.9	9.1	14.4
OTC Portfolio (93/FOCPX)	H***	1.53	none	43.61	8739.5	5.4	3.8	3.2	10.3	11.7	8.6	8.2
Small Cap Gth (1388/FCPGX)	H***	1.57	1.5(90)	15.82	877.6	9.5	3.5	6.2	9.5			
Small Cap Indep (336/FDSCX)	H***	1.51	1.5(90)	22.94	2978.8	9.0	3.9	6.2	10.6	15.8	10.1	10.3
Small Cap Stock (340/FSLCX)	H***	1.46	Closed	20.40	4863.9	7.3	3.0	6.3	5.0	14.0	11.6	
Small Cap Value (1389/FCVPX)	H***	1.45	1.5(90)	14.86	1253.5	6.1	2.9	4.4	8.5			
Stock Selector (320/FDSSX)	H***	1.03	none	29.38	836.7	5.6	4.0	4.1	12.5	12.7	9.1	7.4
Tax Mgd Stock (343/FTXMX)	B****	1.27	1(730)	15.52	73.7	9.8	5.0	7.2	15.5	16.7	10.0	
Trend (5/FTRNX)	H***	1.08	none	66.67	892.7	3.9	3.9	2.1	10.7	11.8	8.6	7.2
Value (39/FDVLX)	B****	1.07	none	87.95	20779.4	9.1	4.1	5.8	16.7	19.3	14.4	12.7
Value Discovery (832/FVDFX)	B****	1.13	none	18.88	1112.0	8.0	4.6	5.9	13.9	19.1		
Value Strategies (14/FSLSX)	B****	1.16	none	35.49	422.2	12.2	4.5	7.9	20.1	15.3	13.4	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B*****	0.81	none	20.57	24010.2	6.3	3.2	4.6	11.9	13.5	11.2	11.1
Convertible Sec (308/FCVX)	B****	1.00	none	27.29	2296.5	8.2	3.4	5.4	14.3	13.3	10.5	12.8
Equity-Income (23/FEQIX)	B****	1.00	none	60.63	31309.8	5.7	4.5	4.3	17.2	14.2	10.1	9.4
Equity-Income II (319/FEQTX)	B****	0.99	none	24.66	11289.6	6.1	4.6	4.7	14.0	12.1	9.7	9.2
Fidelity Fund (3/FFIDX)	H***	1.13	none	37.96	7181.8	6.1	4.2	3.8	13.1	11.8	8.3	8.3
Growth & Income (27/FGRIX)	H***	1.10	none	32.32	28447.4	4.0	4.5	2.6	9.3	9.0	5.8	6.9
Growth & Inc II (361/FGRTX)	H***	1.01	none	11.77	194.0	5.5	4.1	4.1	12.8	11.1	8.0	
Puritan (4/FPURX)	B****	0.67	none	20.71	25784.9	4.4	3.1	3.4	13.9	11.0	9.1	8.6
Strategic Div & Inc (1329/FSDIX)	B****	0.90	none	13.75	1213.0	6.4	2.9	3.5	13.5	15.1		
Utilities (311/FIUX)	H***	0.97	none	20.89	1796.1	11.1	2.7	8.7	34.9	24.2	15.8	9.4
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.81	0.75(30)	48.69	128.8	2.8	-0.6	-2.7	9.1	21.3	10.6	14.4
Automotive (502/FSAVX)	H***	1.39	0.75(30)	42.15	33.5	9.1	5.1	4.3	17.5	9.9	7.8	7.4
Banking (507/FSRBX)	H***	1.06	0.75(30)	32.63	336.0	-1.1	1.8	-0.9	3.9	8.5	7.1	9.2
Biotechnology (42/FBIOX)	S**	1.57	0.75(30)	67.45	1303.4	3.8	8.7	1.9	8.1	4.8	7.7	11.7
Brokerage (68/FSLBX)	H***	1.72	0.75(30)	75.90	1183.3	5.7	5.9	2.1	13.6	24.6	17.4	17.5
IT Ser / Bus Ser (353/FBSOX)	S**	1.41	0.75(30)	17.47	34.4	7.6	5.5	6.5	13.4	13.9	7.1	
Chemicals (69/FSCHX)	B****	1.39	0.75(30)	72.07	176.1	8.6	1.6	4.3	15.8	18.9	15.2	10.6
Computers (7/FDCPX)	H***	1.54	0.75(30)	40.55	449.3	2.7	2.3	-0.4	6.6	7.6	4.8	7.1
Const & Housing (511/FSHOX)	S**	1.72	0.75(30)	44.92	142.9	1.8	1.7	-3.2	2.4	15.1	12.1	13.6
Consumer Disc (517/FSCPX)	H***	1.22	0.75(30)	26.28	39.4	5.2	1.2	0.8	12.2	9.9	5.7	8.5
Industrial / Cyc Ind (515/FCYIX)	H***	1.32	0.75(30)	21.10	75.5	6.9	5.4	4.5	7.4	19.4	13.8	11.4
Defense & Aero (67/FSDAX)	H***	1.38	0.75(30)	83.22	1236.0	6.9	2.2	3.5	12.9	22.1	15.2	14.9
Com Equip / DevC (518/FSDCX)	H***	1.85	0.75(30)	21.76	325.1	6.4	3.6	7.7	-3.8	9.4	10.2	8.9
Electronics (8/FSELX)	H***	1.96	0.75(30)	47.63	1856.5	8.7	6.4	7.3	-0.2	7.7	1.3	8.6
Energy (60/FSENX)	H***	2.34	0.75(30)	54.37	2213.4	13.2	6.4	12.9	9.1	34.2	21.6	16.0
Energy Services (43/FSESX)	H***	2.88	0.75(30)	76.12	1324.4	15.6	7.7	17.9	4.9	33.6	18.0	15.9
Environmental (516/FSLEX)	H***	1.38	0.75(30)	17.91	43.0	3.6	3.7	2.3	-4.2	10.7	8.7	2.8
Financial Services (66/FIDSX)	H***	1.16	0.75(30)	120.55	524.9	2.8	4.3	1.7	10.7	13.2	10.1	11.3
Con Stap / Food Ag (9/FDFAX)	B****	0.83	0.75(30)	61.45	377.5	8.6	3.7	5.6	22.8	14.5	9.1	9.3
Gold (41/FSAGX)	H***	2.41	0.75(30)	34.66	1443.6	-0.5	-0.1	0.8	-3.2	28.4	19.4	9.4
Health Care (63/FSPHX)	B****↑	1.01	0.75(30)	130.15	2052.3	7.7	6.2	5.1	14.8	10.9	7.9	10.3
Home Finance (98/FSVLX)	H***	1.28	0.75(30)	47.28	241.1	-2.4	4.1	-2.6	3.4	5.5	6.5	8.9
Indust Equip (510/FSFGX)	H***	1.33	0.75(30)	32.81	76.3	7.7	4.9	5.4	8.7	16.2	10.7	9.3
Materials / Ind Mat (509/FSDPX)	H***	1.76	0.75(30)	52.77	277.2	12.9	3.3	7.5	16.3	25.2	19.0	11.5
Insurance (45/FSPCX)	B****	0.96	0.75(30)	72.59	246.8	2.4	4.3	4.5	11.3	11.7	10.4	14.5
Leisure (62/FDSLX)	H***	1.31	0.75(30)	79.32	252.4	2.8	1.4	-0.2	7.5	12.1	11.2	12.6
Medical Delivery (505/FSHCX)	H***	1.26	0.75(30)	51.84	675.1	9.0	2.2	6.1	15.7	25.0	14.1	11.3
Medical Equip/Sys (354/FSMEX)	H***	1.12	0.75(30)	23.99	803.4	7.0	2.0	2.6	12.1	8.9	12.2	
Multimedia (503/FBMPX)	H***	1.13	0.75(30)	45.09	78.5	1.5	2.0	-1.9	12.2	9.8	11.1	12.6
Natural Gas (513/FSNGX)	H***	2.61	0.75(30)	42.70	1060.2	17.8	6.1	13.1	12.5	32.1	22.4	17.0
Nat Resources (514/FNARX)	H***	2.30	0.75(30)	31.51	1026.8	15.4	5.9	13.5	13.1	34.3	21.9	15.3
Networking (912/FNINX)	S**	2.01	0.75(30)	2.52	85.5	2.0	2.9	1.2	-7.4	6.1	1.8	
Paper & Forest (506/FSPFX)	B****	1.24	0.75(30)	34.93	57.5	7.9	2.7	4.9	15.0	6.9	4.7	7.1
Pharmaceuticals (580/FPHAX)	B****	1.07	0.75(30)	11.74	188.0	11.0	9.4	8.1	15.2	11.2	7.4	
Retailing (46/FSRPX)	H***	1.49	0.75(30)	54.51	86.8	7.9	1.6	3.6	14.3	14.3	9.8	11.3
Software (28/FSCSX)	B****	1.34	0.75(30)	69.09	914.7	5.4	3.7	2.2	22.0	12.4	12.2	13.7
Technology (64/FSPTX)	H***	1.59	0.75(30)	71.85	1676.1	5.8	2.6	3.9	7.3	9.3	7.7	9.1
Telecom (96/FSTCX)	B****	1.35	0.75(30)	52.66	629.8	8.7	2.3	2.6	22.0	18.3	15.7	7.7
Transportation (512/FSRFX)	S**	1.91	0.75(30)	54.21	100.4	8.7	3.5	2.7	6.1	20.7	14.0	13.8
Utilities Growth (65/FSUTX)	B****	0.99	0.75(30)	63.22	944.1	14.4	4.1	14.3	37.8	25.5	16.9	10.6
Wireless (963/FWRLX)	H***	1.47	0.75(30)	7.50	272.5	7.1	4.3	4.0	7.1	20.4	16.4	

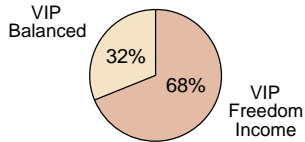
APRIL PERFORMANCE						30-day	2007	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.42	1 (30)	18.07	475.1		8.1	3.0	5.3	14.0	16.0	12.4
Canada (309/FICDX)	B****	1.39	1.5(90)	53.27	2968.6		10.4	6.0	9.5	14.4	28.1	22.8
China Region (352/FHKCX)	H***	1.24	1.5(90)	24.83	978.4		1.3	2.1	0.9	14.8	20.1	14.8
Diversified Int'l (325/FDIVX)	H***↓	1.33	Closed	40.06	49352.3		8.4	5.2	7.4	16.0	21.8	18.1
Emerging Mkts (322/FEMKX)	H***	1.89	1.5(90)	26.56	3542.1		8.9	5.1	10.0	18.0	37.0	25.8
Europe (301/FIEUX)	H***	1.44	1 (30)	42.92	4665.3		9.0	6.5	7.3	18.0	26.9	18.0
Europe Cap Appr (341/FECAX)	H***	1.40	1 (30)	29.96	1468.7		9.8	5.1	8.4	20.3	26.0	17.0
Global Balanced (334/FGBLX)	B****	0.77	1 (30)	22.86	311.4		5.7	2.5	4.9	10.9	13.8	12.2
Int'l Discovery (305/FIGRX)	B****	1.38	1 (30)	40.95	10415.9		8.0	4.7	7.3	17.0	22.9	18.1
Int'l Small Cap (818/FISMX)	H***	1.39	Closed	27.66	1539.1		11.0	4.7	9.6	5.1	25.3	
Int'l Small Cap Opp (1504/FSCOX)	H***	1.86	2 (90)	17.35	1472.2		9.9	2.7	6.4	13.1		
Int'l Value (1597/FIVLX)	B****	1.2 Est	1 (30)	12.05	325.6		8.1	4.1	6.9			
Japan (350/FJPNX)	H***	1.87	1.5(90)	17.28	1867.1		1.2	-2.9	1.7	-7.5	12.3	12.4
Japan Smaller Co (360/FJSCX)	H***	1.84	Closed	12.14	965.1		-5.4	-3.7	-4.9	-22.2	2.3	13.1
Latin America (349/FLATX)	S**	2.63	1.5(90)	48.61	3749.2		8.7	5.6	7.3	23.9	52.7	33.3
Nordic (342/FNORX)	H***	1.87	1.5(90)	45.75	660.9		14.4	9.0	12.0	27.1	33.2	22.8
Overseas (94/FOSFX)	H***	1.37	1 (30)	48.91	8030.0		9.2	5.4	8.3	16.4	20.6	15.3
Pacific Basin (302/FPBFX)	H***	1.44	1.5(90)	29.70	1029.0		8.6	3.9	9.0	12.1	22.2	17.3
Southeast Asia (351/FSEAX)	H***	1.67	1.5(90)	30.16	2273.1		9.7	5.3	11.0	26.7	31.7	21.7
Worldwide (318/FWWFX)	H***	1.23	1 (30)	21.70	1420.8		7.9	4.3	6.1	16.2	17.2	12.8
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FNOX)	H***	0.91	none	30.99	1760.6		5.3	3.5	3.8	14.0	13.1	10.0
NASDAQ Comp (1282/FNCMX)	H***	1.38	0.75(90)	33.93	181.2		4.8	4.3	2.7	9.5	10.1	
Spart Ext Mkt Idx (398/FSEMX)	H***	1.33	0.75(90)	40.27	2156.2		6.6	2.4	3.3	11.8	16.3	13.1
Spart Int'l Index (399/FSIIX)	B****	1.32	1(90)	47.65	3624.7		8.2	3.9	7.2	19.2	22.4	16.4
Spart 500 Index (317/FSMKX)	B****	1.00	none	102.94	8046.2		5.1	4.4	3.5	15.1	12.2	8.4
Spart Total Mkt Idx (397/FSTMX)	H***	1.06	0.5(90)	41.62	4143.3		5.4	4.0	3.5	14.5	13.2	9.5
Asset Mgr 50% (314/FAMRX)	B****	0.54	none	16.73	9124.6		4.5	2.3	3.4	10.9	7.6	6.7
Asset Mgr 85% (347/FAMRX)	B****	0.94	none	14.18	506.1		6.2	3.4	4.4	12.7	11.9	7.5
Asset Mgr 70% (321/FASGX)	B****	0.73	none	17.12	3175.4		5.4	2.9	3.9	12.2	8.3	7.0
Asset Mgr 20% (328/FASIX)	B****	0.27	none	12.89	2318.9		2.9	1.2	2.3	7.3	7.6	7.3
Freedom 2000 (370/FFFBX)	B****	0.34	none	12.87	1697.9		3.3	1.7	2.5	8.1	6.3	5.3
Freedom 2005 (1312/FFVFX)	B****	0.57	none	12.14	862.5		4.6	2.5	3.4	10.1	8.9	
Freedom 2010 (371/FFFCX)	B****	0.60	none	15.29	13113.2		4.6	2.7	3.5	10.2	9.1	7.6
Freedom 2015 (1313/FFVFX)	B****	0.69	none	12.81	5071.7		5.0	2.9	3.7	10.7	10.4	
Freedom 2020 (372/FFFDX)	B****	0.81	none	16.38	18329.5		5.5	3.4	4.1	11.4	11.6	9.0
Freedom 2025 (1314/FFTWX)	B****	0.84	none	13.51	4318.9		5.8	3.6	4.3	11.7	12.1	
Freedom 2030 (373/FFFEY)	B****	0.96	none	17.01	11888.1		6.1	4.0	4.5	12.3	12.9	9.6
Freedom 2035 (1315/FFTHX)	B****	0.97	none	14.02	2534.1		6.3	4.0	4.6	12.4	13.2	
Freedom 2040 (718/FFFEY)	B****	0.99	none	10.08	5906.5		7.3	4.1	4.7	12.6	13.5	9.9
Freedom 2045 (1617/FFFGX)	B****	1.0 Est	none	11.43	174.0		6.4	4.3	4.8			
Freedom 2050 (1618/FFHHX)	B****	1.0 Est	none	11.45	146.1		6.5	4.3	4.8			
Freedom Income (369/FFFAV)	B****	0.28	none	11.79	2386.4		3.0	1.4	2.3	7.6	5.7	4.8
Real Estate Income (833/FRIFX)	H***	0.36	0.75(90)	12.14	639.5		2.4	0.7	0.5	11.4	9.9	
Real Estate (303/FRESX)	S**	1.54	0.75(90)	37.72	9035.2		3.8	0.1	-3.7	25.9	30.2	22.7
Int'l Real Estate (1368/FIREX)	S**	1.41	1.5(90)	17.32	1443.2		4.5	-0.1	4.4	28.8		
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	H***	0.26	1(90)	9.18	8531.0	5.75	5.2	2.0	4.1	13.9	11.8	14.1
Floating Rate (814/FFRHX)	B****	0.04	1(60)	9.96	3241.4	6.35	2.3	0.5	1.5	6.6	5.4	
Focused High Inc (1366/FFHFX)	H***	0.13	1(90)	10.32	55.4	6.30	3.1	0.9	2.7	10.1		
GNMA Portfolio (15/FGMNX)	H***	0.24	none	10.79	3277.3	5.09	1.9	0.5	1.9	6.8	4.1	4.1
Gov't Income (54/FGOVX)	H***	0.25	none	10.08	6361.8	4.57	1.9	0.5	2.0	6.3	3.9	4.5
High Income (455/SPHIX)	H***	0.14	1(90)	9.17	4884.4	6.70	3.5	1.1	2.8	11.1	8.7	10.5
Inflation-Protected (794/FINPX)	H***	0.39	none	10.94	1320.7	2.45	2.9	0.6	2.8	5.6	4.5	
Intermed Bond (32/FTHRFX)	H***	0.21	none	10.31	8260.2	4.80	2.0	0.5	1.9	6.5	3.7	4.7
Intermed Gov't Inc (452/FSTGX)	H***	0.21	none	10.02	715.2	4.49	1.9	0.4	2.0	5.8	3.2	3.9
Invest Grade Bond (26/FBNDX)	H***	0.25	none	7.39	11602.9	5.01	1.9	0.5	1.9	7.3	4.6	5.3
Mortgage Securities (40/FMSFX)	H***	0.24	none	11.02	1589.0	5.26	1.4	0.3	1.4	6.4	4.3	4.5
New Markets Inc (331/FNMIX)	H***	0.32	1(90)	15.03	2325.6	5.73	3.5	1.3	3.8	11.3	14.0	14.5
Short-Term Bond (450/FSHFX)	H***	0.12	none	8.87	7318.4	4.94	1.5	0.4	1.2	5.2	3.3	3.8
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.5 Est	none	9.95	606.7	4.56	2.2	0.5	2.6	7.4		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.3 Est	none	9.81	11.4	4.77	1.7	0.8	2.6	9.5		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.1 Est	none	10.01	30.3	4.56	1.8	0.4	1.7	5.2		
Strategic Income (368/FSICX)	H***	0.20	none	10.72	4642.6	5.40	2.8	1.1	2.7	9.0	8.1	9.7
Strategic Real Rtn (1505/FSRRX)	H***	0.47	0.75(60)	10.41	3705.9	4.37	3.4	0.7	2.3	6.6		
Total Bond (820/FTBFX)	H***	0.23	none	10.49	3552.5	5.04	2.0	0.5	2.0	7.4	5.0	
Ultra-Short Bond (812/FUSFX)	B****	0.04	0.25(60)	9.97	1050.0	5.04	1.3	0.3	0.8	4.7	3.3	
US Bond Index (651/FBIDX)	H***	0.26	none	10.92	7012.2	4.97	2.1	0.6	2.1	7.2	4.4	5.2
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FAZFX)	H***	0.19	0.5(30)	11.36	123.4	3.54	0.9	0.2	1.2	5.5	4.3	4.7
CA Municipal Inc (91/FCTFX)	H***	0.17	0.5(30)	12.29	1612.2	3.65	1.0	0.3	1.3	5.7	5.0	5.1
CA Short-Int TF (1534/FCSTX)	B****	0.10	0.5(30)	10.06	104.4	3.34	1.1	0.2	1.1	4.2		
CT Municipal Inc (407/FICNX)	H***	0.17	0.5(30)	11.29	440.6	3.52	1.0	0.2	1.4	5.1	3.9	4.4
FL Municipal Inc (427/FFLIX)	H***	0.16	0.5(30)	11.38	435.5	3.65	0.9	0.1	1.2	5.1	4.4	4.7
Intermediate Muni (36/FLTMX)	H***	0.14	0.5(30)	9.93	2023.1	3.63	1.0	0.2	1.2	4.9	3.9	4.6
MA Municipal Inc (70/FDMMX)	H***	0.18	0.5(30)	11.86	1873.1	3.66	0.9	0.2	1.3	5.7	4.9	5.1
MD Municipal Inc (429/SMDMX)	H***	0.18	0.5(30)	10.82	122.7	3.57	0.9	0.2	1.3	5.3	4.1	4.5
MI Municipal Inc (81/FMHTX)	H***	0.17	0.5(30)	11.77	581.6	3.56	0.9	0.3	1.4	5.3	4.3	4.8
MN Municipal Inc (82/FIMIX)	H***	0.15	0.5(30)	11.32	339.2	3.56	0.9	0.2	1.2	5.0	4.1	4.5
Municipal Income (37/FHIGX)	H***	0.18	0.5(30)	12.71	4754.0	3.70	0.9	0.3	1.2	5.6	5.0	5.4
NJ Municipal Inc (416/FNJHX)	H***	0.19	0.5(30)	11.48	590.1	3.57	0.9	0.2	1.4	5.8	4.7	4.9
NY Municipal Inc (71/FTFMX)	H***	0.19	0.5(30)	12.74	1424.3	3.61	0.8	0.3	1.2	5.4	4.6	5.2
OH Municipal Inc (88/FOHFX)	H***	0.18	0.5(30)	11.53	423.8	3.52	0.9	0.2	1.3	5.5	4.6	5.0
PA Municipal Inc (402/FPXTX)	H***	0.15	0.5(30)	10.73	307.0	3.52	1.0	0.2	1.2	5.0	4.4	4.7
Short-Int Municipal (404/FSTFX)	B****	0.09	0.5(30)	10.19	1524.6	3.36	1.0	0.2	1.1	3.7	2.4	2.9
Tax-Free Bond (90/FTABX)	H***	0.19	0.5(30)	10.76	573.1	3.82	1.0	0.3	1.4	5.9	5.2	5.6

APRIL PERFORMANCE Indexes and Model Portfolios	Risk	Value	2007 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.96	13062.91	5.5	5.9	4.1	17.6	11.0	8.0	8.5
S&P 500	1.00	1482.37	5.1	4.4	3.6	15.2	12.3	8.5	8.0
NASDAQ	1.37	2525.09	4.8	4.3	2.7	9.5	10.3	9.1	7.7
Russell 2000	1.68	814.57	3.8	1.8	2.1	7.8	14.7	11.1	10.4
Fidelity Monitor Income Model	0.24	88606.94	2.7	1.3	2.1	7.2	5.5	5.9	5.3
Fidelity Monitor G&I Model	0.70	186835.64	4.9	3.1	3.7	13.2	12.9	12.1	10.3
Fidelity Monitor Growth Model	1.11	210666.40	5.9	4.4	4.3	14.3	14.9	13.1	10.5
Fidelity Monitor Select System	1.32	388811.47	8.3	3.3	5.5	12.4	15.1	13.1	12.2
Fidelity Monitor Unique Opportunities	1.21	135459.07	6.9	4.3	6.8	11.3	20.2	17.8	

## 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

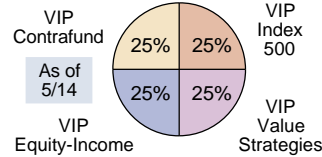


#### PAST PERFORMANCE

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%	<b>2007: +3.7%</b>
2000: -2.4%	

### VIP GROWTH MODEL

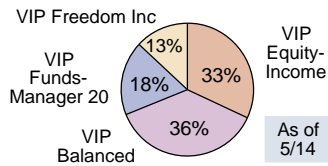


#### PAST PERFORMANCE

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%	<b>2007: +5.6%</b>
2000: -10.3%	

### VIP G & I MODEL

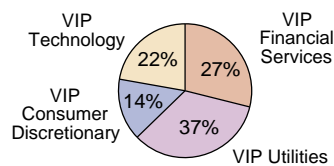


#### PAST PERFORMANCE

Starting Balance: \$10,000

1994: -2.3%	2001: +3.1%
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%	<b>2007: +5.5%</b>

### VIP SECTOR MODEL



#### PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: +6.3%	<b>2007: +7.5%</b>
2005: +14.0%	

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

APRIL VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2007 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	11.96	12.54	7.2	4.9	4.9	9.1		
VIP Asset Manager	H ***	11.43	36.00	4.5	2.5	3.4	7.1	6.2	5.8
VIP Asset Manager: Growth	H ***	11.49	23.69	5.2	3.2	3.9	6.3	6.4	5.8
VIP Balanced	B ****	12.32	18.34	6.1	3.1	4.4	11.1	9.2	7.2
VIP Cons Disc (Consumer Indust)	B ***	11.89	13.10	5.0	1.3	0.8	11.1	9.0	5.3
VIP Contrafund	B ****	12.46	46.37	4.7	3.3	2.5	8.3	14.8	11.5
VIP Industrials (Cyclical Industries)	H ***	12.90	18.66	6.6	5.4	4.2	7.2	19.0	13.4
VIP Disciplined Small Cap	H ***	10.62	10.57	4.7	2.2	2.9			
VIP Dynamic Capital Appreciation	B ****	13.12	15.93	5.6	3.2	2.5	8.2	15.4	
VIP Equity-Income	B ****	12.97	72.65	5.5	4.6	4.2	16.8	13.5	9.5
VIP Financial Services	B ****	12.74	15.55	2.6	4.2	1.6	10.0	12.6	9.4
VIP Freedom 2005	B ****	11.71	11.89	4.3	2.3	3.3	9.8		
VIP Freedom 2010	B ****	11.72	11.94	4.3	2.3	3.3	10.0		
VIP Freedom 2015	B ****	11.98	12.28	4.8	2.6	3.7	10.6		
VIP Freedom 2020	B ****	12.22	12.58	5.5	3.1	4.1	11.5		
VIP Freedom 2025	B ****	12.32	12.73	5.6	3.2	4.2	11.6		
VIP Freedom 2030	B ****	12.52	12.98	6.2	3.6	4.6	12.3		
VIP Freedom Income	B ****	11.10	11.14	2.6	1.1	1.9	7.0		
VIP FundsManager 20	B ****	10.77	10.71	2.8	1.2	2.2			
VIP FundsManager 50	B ****	11.07	11.01	4.4	2.3	3.2			
VIP FundsManager 70	B ****	11.28	11.21	5.4	3.2	3.9			
VIP FundsManager 85	B ****	11.38	11.32	6.2	3.7	4.3			
VIP Growth	H ***	11.53	63.92	5.4	4.0	3.3	6.9	7.2	3.7
VIP Growth & Income	B ****	12.48	20.56	5.3	4.1	4.0	12.3	10.4	7.5
VIP Growth Opportunities	H ***	12.12	14.68	8.4	3.6	4.1	11.5	9.9	6.9
VIP Growth Stock	H ***	11.10	11.32	6.7	5.6	4.7	4.7		
VIP Health Care	B ****↑	11.64	13.50	5.8	4.6	3.9	13.5	10.0	7.2
VIP High Income	H ***	11.64	32.59	3.5	1.0	2.6	11.0	7.9	10.1
VIP Index 500	H ***	12.33	39.97	4.8	4.4	3.3	14.2	11.2	7.5
VIP Int'l Capital Appreciation	H ***	13.27	13.96	8.0	3.0	5.2	12.4		
VIP Investment Grade Bond	H ***	10.66	29.80	1.7	0.4	1.7	6.2	3.5	4.5
VIP Mid Cap	B ****	12.86	23.07	7.2	4.4	5.6	6.6	20.1	15.8
VIP Money Market		10.76	20.80	1.4	0.3	1.0	4.3	2.7	1.7
VIP Energy (Natural Resources)	H ***	14.40	24.94	13.1	6.3	12.8	8.2	31.9	20.5
VIP Overseas	H ***	14.29	44.80	9.4	4.9	8.6	15.6	19.0	13.7
VIP Real Estate	S **	14.69	23.35	3.0	0.1	-4.9	26.5	30.3	
VIP Strategic Income	H ***	11.14	12.21	2.5	1.0	2.5	7.9		
VIP Technology	B ****	12.03	11.21	3.3	1.8	3.4	0.5	10.0	7.6
VIP Utilities (Telecom & Utilities)	B ****	15.14	15.25	14.9	3.9	14.8	39.4	25.4	16.3
VIP Value	B ****	12.78	13.18	8.6	4.1	5.4	16.4		
VIP Value Leaders	H ***↓	12.76	13.19	6.6	4.2	5.0	13.5		
VIP Value Strategies	B ****	13.33	16.94	11.8	4.4	7.7	19.3	14.3	
Fidelity Monitor VIP Income Model			20549.25	3.7	1.7	2.7	8.3	5.6	6.5
Fidelity Monitor VIP G&I Model			26593.74	5.4	3.3	4.0	12.0	9.3	8.3
Fidelity Monitor VIP Growth Model			40052.91	5.6	4.1	3.9	11.2	13.1	8.5
Fidelity Monitor VIP Sector Model			20096.93	7.5	3.2	6.5	15.0	16.6	

## INCOME MODEL

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

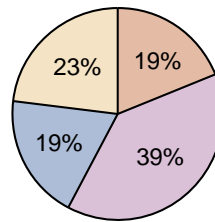
FUND	NAV	SHARES	BALANCE
Puritan	\$20.71	818.414	\$16949.35
Asset Mgr 20%	\$12.89	2693.743	\$34722.35
Ultra-Short Bond	\$9.97	1661.541	\$16565.56
Floating Rate	\$9.96	2045.149	\$20369.68

8% Foreign Holdings

Balance as of 4/30/07: \$88606.94  
Balance at start of 2007: \$86264.24

Floating Rate High Income 814/FFRHX

Ultra-Short 812/FUSFX



Puritan 4/FPURX

Asset Mgr 20% (Income) 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 YTD: + 2.7%

Our Income Model gained 1.3% for the month of April. Current asset mix is 19% stock, 69% bond, 12% cash.

## GROWTH AND INCOME MODEL

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

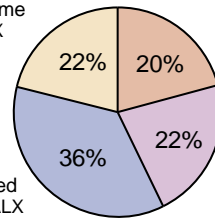
FUND	NAV	SHARES	BALANCE
Asset Mgr 20%	\$12.89	2936.910	\$37856.77
Puritan	\$20.71	2033.197	\$42107.51
Balanced	\$20.57	3231.028	\$66462.25
Equity-Income	\$60.63	666.487	\$40409.11

9% Foreign Holdings

Balance as of 4/30/07: \$186835.64  
Balance at start of 2007: \$178097.11

Equity-Income 23/FEQIX

Balanced 304/FBALX



Asset Mgr. 20% (Inc) 328/FASIX

Puritan 4/FPURX

### 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 YTD: + 4.9%

For April our Growth and Income Model gained 3.1%. On 4/16 we sold one-third of **Equity-Income** (\$60.00), buying **Balanced** (\$20.47). Current asset mix is 62% stock, 33% bond, 5% cash.

## 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.

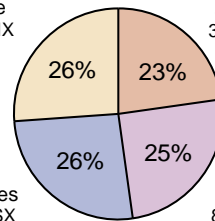
FUND	NAV	SHARES	BALANCE
Spartan 500 Index	\$102.94	472.682	\$48657.89
Value Discovery	\$18.88	2801.678	\$52895.68
Value Strategies	\$35.49	1532.678	\$54394.74
Equity-Income	\$60.63	902.492	\$54718.09

11% Foreign Holdings

Balance as of 4/30/07: \$210666.40  
Balance at start of 2007: \$198855.65

Equity-Income 23/FEQIX

Value Strategies 14/FSLSX



Spartan 500 Index 317/FSMKX

Value Discovery 832/FVDFX

### PAST PERFORMANCE

Starting Balance: \$15,000

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

2007 YTD: + 5.9%

Our Growth Model rose 4.4% in April, matching the S&P 500's return. On 4/16 we sold half of **Equity-Income** (\$60.00) and bought **Value Strategies** (\$35.33). Current mix is 99% stock, 1% cash.

## 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
Chemicals	\$72.07	643.072	\$46346.20
Insurance	\$72.59	902.564	\$65517.12
Consumer Staples	\$61.45	1161.102	\$71349.72
Utilities Growth	\$63.22	1121.943	\$70929.24
Software	\$69.09	920.627	\$63606.10
Telecom	\$52.66	1349.470	\$71063.09

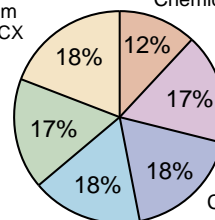
13% Foreign Holdings

Balance as of 4/30/07: \$388811.47  
Balance at start of 2007: \$359086.92

Telecom 96/FSTCX

Software 28/FSCSX

Utilities Growth 65/FSUTX



Chemicals 69/FSCHX

Insurance 45/FSPCX

Consumer Staples 9/FDFAX

### PAST PERFORMANCE

Starting Balance: ~\$25,000

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

2007 YTD: + 8.3%

Our Select System gained 3.3% in April, versus 4.4% for the S&P 500. The current asset mix is 97% stock, 3% cash.

## UNIQUE OPPORTUNITIES MODEL

Aims for a long-term return of 12% by emphasizing value, inflation protection, and foreign opportunities.

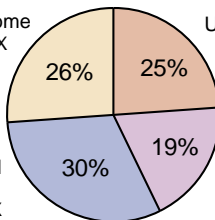
FUND	NAV	SHARES	BALANCE
Utilities Growth	\$63.22	523.688	\$33107.56
Int'l Value	\$12.05	2177.189	\$26235.13
Lev. Co. Stock	\$32.84	1243.259	\$40828.63
Equity-Income	\$60.63	582.018	\$35287.75

26% Foreign Holdings

Balance as of 4/30/07: \$135459.07  
Balance at start of 2007: \$126671.24

Equity-Income 23/FEQIX

Leveraged Company 122/FLVCX



Utilities Growth 65/FSUTX

Int'l Value 1597/FIVLX

### PAST PERFORMANCE

Starting Balance: \$50,000

(Partial Yr 99) 1999: +33.8%	2003: +43.2%
2000: -20.5%	2004: +20.6%
2001: + 1.6%	2005: +18.8%
2002: - 2.1%	2006: +16.6%

2007 YTD: + 6.9%

We logged a gain of 4.3% in April. On 4/16 we sold **Spartan 500** (\$101.95) and one-fifth of **Equity-Income** (\$60.00), buying **Lev. Co. Stock** (\$32.58). Current mix is 97% stock, 3% cash.

## Happenings

There were several manager changes in April. Robert Rowland has been appointed to **Japan**, and Jeffery Feingold has taken over at **VIP Growth Stock**. For the Selects, Duffy Fischer is the new stockpicker at **Materials**, John Harris is now leading **Consumer Discretionary**, and Evan Hornbuckle has been named manager of **Retailing**. ■

### APRIL DISTRIBUTIONS

Asset Manager 50%	\$0.106/\$16.47	(4/4)
Asset Manager 20%	\$0.046/\$12.77	(4/4)
Balanced	\$0.09 / \$20.15	(4/4)
CA Municipal	\$0.033/\$12.24	(4/13)
Convertible Securities	\$0.12 / \$26.71	(4/4)
Equity-Income	\$0.24 / \$58.67	(4/4)
Equity-Income II	\$0.09 / \$23.87	(4/4)
Fidelity Fund	\$0.08 / \$36.94	(4/4)
Four-In-One Index	\$0.10 / \$30.57	(4/13)
Freedom Income	\$0.03 / \$11.67	(4/4)
Growth & Income	\$0.06 / \$31.32	(4/4)
Growth & Income II	\$0.02 / \$11.48	(4/4)
Puritan	\$0.14 / \$20.26	(4/4)
Select Air Transportation	\$1.22 / \$49.91	(4/13)
Select Banking	\$1.00 / \$31.86	(4/13)
Select Brokerage	\$2.34 / \$73.18	(4/13)
Select Chemicals	\$0.49 / \$71.80	(4/13)
Select Construction & Housing	\$0.47 / \$44.59	(4/13)
Select Consumer Discretionary	\$1.29 / \$26.64	(4/13)
Select Consumer Staples	\$0.732/\$60.28	(4/13)
Select Defense & Aero	\$3.89 / \$82.19	(4/13)
Select Electronics	\$0.015/\$46.29	(4/13)
Select Energy	\$0.85 / \$53.98	(4/13)
Select Energy Services	\$1.90 / \$75.39	(4/13)
Select Financial Services	\$1.33/\$116.79	(4/13)
Select Gold	\$1.759/\$36.48	(4/13)
Select Health Care	\$4.51/\$128.44	(4/13)
Select Home Finance	\$1.23 / \$45.16	(4/13)
Select IT Services	\$0.96 / \$17.45	(4/13)
Select Industrial Equipment	\$0.50 / \$31.59	(4/13)
Select Industrials	\$0.75 / \$20.41	(4/13)
Select Insurance	\$0.06 / \$70.38	(4/13)
Select Leisure	\$2.12 / \$79.55	(4/13)
Select Materials	\$0.654/\$52.67	(4/13)
Select Medical Delivery	\$1.27 / \$51.84	(4/13)
Select Medical Equip. & Systems	\$0.64 / \$23.83	(4/13)
Select Multimedia	\$3.53 / \$45.74	(4/13)
Select Natural Gas	\$1.74 / \$42.68	(4/13)
Select Natural Resources	\$0.64 / \$31.48	(4/13)
Select Paper & Forest Products	\$0.11 / \$34.93	(4/13)
Select Pharmaceuticals	\$0.23 / \$11.46	(4/13)
Select Retailing	\$2.15 / \$54.59	(4/13)
Select Telecommunications	\$0.116/\$52.62	(4/13)
Select Transportation	\$0.28 / \$54.66	(4/13)
Select Utilities Growth	\$0.15 / \$62.20	(4/13)
Strategic Dividend & Income	\$0.039/\$13.51	(4/4)
Strategic Real Return	\$0.085/\$10.36	(4/4)
Spartan Extended Mkt Index	\$0.79 / \$40.27	(4/13)
Spartan Int. Treasury Bond Index	\$0.01 / \$9.86	(4/13)
Spartan International Index	\$0.12 / \$47.27	(4/13)
Spartan LT Treasury Bond Index	\$0.02 / \$9.68	(4/13)
Spartan ST Treasury Bond Index	\$0.01 / \$9.97	(4/13)
Spartan Total Mkt Index	\$0.11 / \$40.96	(4/13)
Utilities	\$0.07 / \$20.57	(4/4)

Funds scheduled for May payouts include **Asset Manager 20%**, all **Freedom** funds, **Magellan**, and **Real Estate Income**.

RECOMMENDATIONS - Continued from page 1

### BOND FUNDS

Income Model holdings are listed on page 7. **Ultra-Short Bond** offers a yield slightly higher than a money market fund, but carries only minimal interest rate risk. **Floating Rate High Income** offers an income stream on par with junk bond funds, but has only a fraction of the credit risk.

Rising long-term interest rates made it a weak month for many bond funds, but the high yield group was encouraged by continuing strength in the global economy. **Capital & Income** rose 2.0%, **New Markets Income** posted a 1.3% gain, and **High Income** edged up 1.1%. On the bottom end, **Ultra-Short Bond** returned 0.3%.

Municipal bond funds finished with returns ranging from 0.1% to 0.3%.

### SELECT PORTFOLIOS

Select System holdings are listed on page 7. Sector funds rated buy include **Utilities Growth**, **Consumer Staples**, **Pharmaceuticals**, **Insurance**, **Telecom**, **Health Care**, **Software**, **Paper & Forest Products**, and **Chemicals**. Our volatility model is starting to view the health care group more favorably.

The top positions were held by the health care and energy groups. **Pharmaceuticals** jumped 9.4%, **Biotechnology** was up 8.7%, and **Energy Services** climbed 7.7%. On the bottom end, **Consumer Discretionary** rose 1.2%, **Gold** was off 0.1%, and **Air Transportation** declined 0.6%. ■

## Fidelity Reorganizes At the Top

Fidelity's chief operating officer, Bob Reynolds, is retiring and won't be replaced. The three-person money management team reporting to Reynolds will now report directly to Ned Johnson. The change comes as Fidelity struggles to attract new money, a problem that stems from lagging performance at a few of its larger funds (it could also be related to the closing of its most popular funds, the expansion and enforcement of roundtrip limits, and the lack of an ETF lineup). Like other organizational changes at Fidelity, we don't see this change as anything to worry about. Fund performance isn't as bad as the media makes it out to be. Fidelity may elect to move toward a disciplined multi-manager approach in its larger funds (as it has in the Asset Manager lineup), but the main challenge its leaders face is one of improving the company's image. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	93416.0	4.98	CT MM (418/FCMXX)	1730.7	3.38	FL MM (428/FSFXX)	1483.3	3.46
Select MM (85/FSLXX)	2890.9	4.99	MA MM (74/FDMXX)	5110.5	3.36	MA AMT TF (426/FMSXX)	1990.4	3.61
Money Market (454/SPRXX)	7356.2	5.00	MI MM (420/FMIXX)	867.3	3.38	AMT Tax-Free (460/FIMXX)	3292.0	3.60
Gov't MM (458/SPAXX)	485.7	4.82	NJ MM (417/FNJXX)	2012.6	3.36	NJ AMT TF (423/FSJXX)	1426.2	3.57
US Treas. MM (415/FDLXX)	1806.5	4.66	NY MM (92/FNYXX)	4769.2	3.42	NY AMT TF (422/FSNXX)	2439.1	3.58
Tax-Free MM (275/FMOXX)	3331.2	3.44	OH MM (419/FOMXX)	985.3	3.37	PA MM (401/FPTXX)	584.0	3.44
US Gov't Reser (50/FGRXX)	3221.7	4.99	AZ MM (433/FSAXX)	318.5	3.45	Municipal MM (10/FTEXX)	18100.4	3.50
CA MM (97/FCFXX)	4804.9	3.35	CA AMT TF (457/FSPXX)	3436.3	3.58			