

Question & Answer Forum

With the S&P 500 reaching new highs, isn't it time to cut back on stocks?

Fact is, new highs can occur when stocks are cheap (like 1982) or when they are expensive (like 1999). Suppose stock values had moved up in a straight line over the last 80 years. In that situation, a new high would have been set every single day.

Since the bear market bottom in 2002, corporate earnings have roughly quadrupled, but stock values have only doubled. Most domestic investors have been shunning U.S. stocks, preferring instead to chase foreign markets. Now the "buyers of last resort" are stepping up to the plate. Corporations are using their own profits to buy back stock and acquire competitors on the cheap, and private equity firms are raising money to take companies private. When you can borrow at 8% to buy a company with a cash flow yield of 12%, it's almost a no-brainer.

U.S. equities are being bought up at a robust pace. This year will likely be the second in a row where the amount of stock available for public purchase (known as *float*) will *shrink*. That's a sharp contrast to 1999, when the opposite effect was occurring – a

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Income Model, Select System, VIP Sector Model Plan Changes

On Monday, 6/11, our Income Model will sell **Ultra-Short Bond** (812/FUSFX), putting half the proceeds in **Puritan** (4/FPURX) and half in **Floating Rate High Income** (814/FFRHX). The resulting mix will be approximately 29% **Puritan**, 39% **Asset Manager 20**, and 32% **Floating Rate High Income**. This move will better position the portfolio for a period of rising global interest rates.

Also on 6/11, our Select System will sell **Chemicals** (69/FSCHX) and buy **Medical Delivery** (505/FSHCX), for a mix of 12% **Medical Delivery**, 17% **Insurance**, 18% **Consumer Staples**, 18% **Utilities Growth**, 16% **Software**, 19% **Telecom**. Health care sectors have recently become less volatile.

On the same day, our VIP Sector Model will sell one-half of **VIP Utilities** and buy the new **VIP Telecommunications** portfolio.

Review & Recommendations

Worries about the housing market and its impact on consumer spending were tempered by a fresh wave of buyout activity, and by new evidence that global economic strength is helping to boost the U.S. economy. The S&P 500 gained 3.5% in May.

GROWTH FUNDS

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

Funds that overweighted the energy sector did well, as did those that focused on smaller technology stocks. **Small Cap Growth** gained 7.0%, **Leveraged Company Stock** was up 6.5%, and **Independence** climbed 6.1%. However, some large-cap funds were a bit on the weak side. **Blue Chip Growth** rose 2.9%, and **Large Cap Value** returned 2.8%.

INTERNATIONAL FUNDS

Our current favorite is **Int'l Value**, which offers broad exposure to foreign stocks with an emphasis on European markets. We also like **Canada**, because the country's commodity-driven economy gives it the characteristics of an emerging market fund with substantially less risk.

Getting a strong boost from the energy sector, **Latin America** jumped 11.7%, and **Canada** climbed 9.5%. But strong gains were the exception; most funds trailed their domestic counterparts. On the flip side, **Europe Capital Appreciation** returned 0.6%, and **Japan Smaller Companies** edged up 0.2%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Favorites include **Balanced**, **Equity-Income**, and **Puritan**. For a heavy emphasis on income, consider **Asset Manager 20%**.

The energy sector's strong showing gave a boost to **Convertible Securities**, which was up 5.9%. **Utilities** also did well, rising 5.3%, thanks to strong gains in telecom stocks. **Equity-Income** climbed 4.0%. Trailing behind, **Strategic Dividend & Income** rose 2.8%, and **Puritan** – held back a bit by its bond holdings – gained 2.5% (it still performed well for its conservative positioning).

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huge volume of IPOs were diluting the market's earnings base as they competed for capital invested in established companies.

So, don't confuse "record highs" with "high priced stocks." Today's market has been catching up with five years of robust earnings growth.

I don't understand why the stock market continues to rally even as the economy shows obvious signs of a slowdown.

When push comes to shove, the stock market is driven by corporate earnings. The domestic economy is very important, of course, but it's not the only thing that affects earnings.

Foreign earnings currently account for about 30% of the S&P 500's total. In recent years, sluggish foreign economies have kept that number from growing, despite heavy foreign investment on the part of U.S. multinationals. But now the global economy is expanding at a brisk pace, and a weak dollar is serving as a tail wind. Earnings on foreign operations could easily climb to more than half the S&P 500's total in the coming decade. And because most U.S. multinationals borrow domestically (or don't need to borrow at all), they are in good shape to weather a string of foreign central bank tightening moves. That's not necessarily true for their foreign competitors.

You haven't said much about the energy situation lately. How about an update?

The recent runup in gasoline prices was mostly the result of a global shortage of refining capacity, compounded by unexpected outages at U.S. refineries. The supply of oil itself has not been much of a factor – although the declining availability of light sweet crude remains a key issue.

In the short run, consumers are likely to get some relief at the pump. Refinery output is getting back on track, imports of gasoline are picking up, and the easy-to-produce winter formulations are right around the corner. The infrastructure in the Gulf of Mexico is a lot more robust than it was two years ago, so it will take more than just an active hurricane season to repeat the disruptions of 2005.

But things don't look so good in the long run. Iran, Mexico, and Venezuela are likely to reduce exports of crude each year, thanks to policies that encourage domestic consumption while constraining exploration and development activities. What this

means is that about 12% of the world's supply of crude is provided by a group of countries that could be net oil importers in less than a decade.

Meanwhile, emerging country demand will shift into high gear as hundreds of millions of consumers purchase their first car. This year, vehicle sales in China are expected to exceed U.S. sales for the first time in history. In India, Tata Motors is hoping to roll out its version of Ford's Model T – a \$2500 car that any middle-class Indian family can afford.

It's hard to say when market forces will push oil permanently above the \$100 per barrel threshold. It could happen as soon as 2008 or take as long as 2012. A lot of it depends on the success of expensive deep-water drilling projects. All we know for sure is the days of cheap energy are gone for good.

Currently our focus is on the soft energy bets (as described in the February issue) because the oil sector is still rather volatile. But at some point it will settle down and we can move back to some direct plays on the energy sector.

What is your opinion on investing in gold?

As a long-term inflation hedge, **Select Gold** is a reasonable option for 5-10% of your portfolio.

Gold bulls like to point out that a huge number of consumers in Asian emerging markets are climbing the economic ladder, and will want to own gold jewelry. Because mining output is relatively fixed, the odds are good that the price of gold will climb faster than inflation over the next 20 years.

However, the near-term outlook for gold is not that certain. The introduction of gold ETFs, which make it easy and convenient to own physical quantities of the metal, drove up the price of gold over the last two years. Some 20 million ounces are now held by about a dozen ETFs, an amount equal to about 20% of annual gold production. With pent-up demand for gold largely satisfied, and central banks in China and India raising interest rates, it seems unlikely that the metal will rally much in the near term. Unlike other metals, there isn't much industrial demand for gold, and almost all the gold mined since the dawn of time is still laying around. That means any strong advance for the metal must be followed by a workoff period where consumers trade in old jewelry to buy things that are more useful.

Why do you wait until the middle of the month to make switches? Is it okay to move sooner?

There are several reasons for announcing our

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trades a week or two ahead of time. It avoids having all the money move at once, which makes things easier to manage on Fidelity's end. For subscribers without email, it allows enough time for the monthly issue to show up in their mailbox. For those with email, it provides time to download and read the prospectus before moving into the new fund. Finally, since most funds make distributions on the first or second Friday of the month, it makes it easy to avoid buying a fund until after its scheduled payout.

If our trades involved individual stocks, there might be a clear advantage to moving early. But with open-end mutual funds, the dollar flows from our model switches have no significant impact on the underlying securities.

Granted, we may be anticipating improved performance potential with a new position, but we aren't always right. And in some cases, trades are being made to reduce the model's risk exposure.

So, tax considerations aside, it's okay to move sooner than an announced switch date, but you shouldn't expect performance to be consistently better. About 40-50% of the time it will probably be a bit worse.

Does it make sense to use your money management service for a 403(b) or an ORP plan? What do you see as the main advantage?

Whether it's a retirement plan or any other type of account, perhaps the main advantage with today's market is the discipline factor. While most investors who manage their own portfolios do just fine, a growing number are "shooting themselves in the foot" by going to cash when they get nervous. Others are chasing funds with strong gains and ignoring risk, which is a recipe for disaster.

The idea of cashing out or enjoying a run of luck might work fine on the gambling floor of a casino, where the entertainment factor and the prospect of a big win or loss keeps things exciting. But investing is not supposed to be exciting. The goal is to build wealth while minimizing risk. Boring is better.

For some, a money management service can be a good way to impose the necessary discipline. By letting professionals buy and sell your funds, you gain a degree of structure that's sometimes missing in a do-it-yourself portfolio.

As the Chief Investment Strategist of Weber Asset Management, I use strategies similar to the model portfolios in Fidelity Monitor. For a given level of risk, I look for the most attractive mix of Fidelity funds. To learn more, call Weber Asset Management

at 800-438-3863, or visit www.weberasset.com.

It seems to me that Short-Term Bond should be less risky than Floating Rate High Income, but your risk figures suggest the opposite. Can you explain? I'd also like to know why you don't have buy ratings on most bond funds.

Generally speaking, the risks of inflation and higher interest rates tend to affect day-to-day bond pricing much more than credit risk. As such, a fund like **Floating Rate High Income**, which has very little interest rate risk, ends up with a low standard deviation – and thus an unusually low risk score. **Floating Rate High Income** doesn't see much impact from interest rates because asset-backed notes are usually written like adjustable rate mortgages, where the borrower pays a higher rate of interest if rates go up. But the fund does have significantly more credit risk than **Short-Term Bond**, because its holdings carry a greater risk of default. In our view, that risk is only about one-fifth that of a traditional high-yield bond fund (such as **High Income**). Still, if the economy suddenly slipped into a recession, **Floating Rate High Income's** decline in price could still wipe out a year's worth of income.

The main reason we favor **Floating Rate High Income** over other bond funds is that credit risk is currently less of a concern than interest-rate risk. With inflation and interest rates headed higher on the global scene, the domestic bond market could come under pressure even if housing and consumer spending remain in a slump.

I keep reading how the U.S. savings rate has plummeted, and I'm worried that our economy will run into big trouble down the road.

It's not the kind of problem most financial columnists have made it out to be. What's really going on is that government figures are tracking 1960s-style savings, which mainly involved savings accounts and stock dividends.

Barrons ran an excellent story on this topic in their 5/28 issue, clearly explaining why the stats are so far off, and showing a corrected indicator that includes stock profits and accounts for intangible assets, such as buying a fixer-upper and renting it out.

It turns out that Americans have accumulated substantial retirement wealth, and home equity accounts for only one-fifth of it (as of year-end '06). The Barrons chart shows an increasing savings rate through the 1990s, one that has only leveled off in

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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 ↓.

MAY 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***	1.64	1.5(90)	21.68	3707.4	11.9	3.8	9.3	23.6	11.5	9.0	3.7
Blue Chip Gth (312/FBGRX)	H***	1.05	none	47.62	20232.3	7.5	2.9	8.5	15.8	7.4	5.3	5.1
Blue Chip Value (1271/FBCVX)	H***	1.07	none	16.46	610.7	11.2	4.1	10.2	23.9	16.9		
Capital Apprec (307/FDCAX)	B****	1.33	none	29.99	9448.1	10.6	4.7	9.4	18.1	13.3	12.7	10.1
Contrafund (22/FCNTX)	B****	1.10	Closed	70.53	70660.3	9.3	4.1	9.2	18.1	16.2	12.8	11.3
Growth Discovery (339/FDSVX)	H***	1.02	none	14.17	448.6	10.3	5.6	11.8	23.1	12.9	8.4	
Disc Equity (315/FDEQX)	H***	1.12	none	32.53	9541.5	12.1	3.9	11.4	24.9	16.1	11.1	9.3
Dividend Gth (330/DFGFX)	H***	0.91	none	34.29	17141.1	8.2	3.7	8.8	22.0	10.6	7.3	9.5
Export Fund (332/FEXPX)	H***	1.26	0.75(30)	25.45	4328.0	10.7	4.3	9.8	19.3	15.4	12.5	13.5
Fidelity Fifty (500/FFTYX)	B****	1.23	none	25.88	1494.2	11.7	3.7	9.5	21.7	14.2	9.2	10.8
Focused Stock (333/FTQGX)	H***	1.31	none	14.06	75.2	12.5	3.8	9.8	16.4	17.0	6.4	5.9
Growth Company (25/FDGRX)	H***	1.37	Closed	76.14	31171.1	9.2	4.3	10.1	19.4	13.7	11.6	9.6
Independence (73/FDFFX)	H***	1.26	none	24.85	4782.4	13.2	6.1	13.4	22.5	15.7	9.3	10.3
Large Cap Growth (763/FSLGX)	H***	1.62	none	12.27	177.7	6.6	3.5	7.8	15.3	12.3	8.4	
Large-Cap Stock (338/FLCSX)	H***	1.10	none	19.48	928.5	11.2	4.1	10.2	23.7	12.7	8.1	7.0
Large Cap Value (708/FSLVX)	B****	1.09	none	16.14	1590.1	10.0	2.8	9.6	23.8	17.7	12.0	
Lev Co Stock (122/FLVCX)	B****	1.40	1.5(90)	34.99	6515.9	20.8	6.5	15.6	32.2	26.4	34.2	
Low-Priced Stock (316/FLPSX)	H***	1.07	Closed	47.94	40668.3	10.1	3.9	9.1	21.9	18.5	15.7	15.6
Magellan (21/FMAGX)	H***	1.32	Closed	94.20	44421.5	11.3	4.0	10.0	16.4	10.6	7.2	7.0
Mid Cap Growth (793/FSMGX)	H***	1.78	0.75(30)	15.23	437.4	9.0	4.2	8.1	14.9	15.0	11.4	
Mid Cap Stock (337/FMCSX)	H***	1.47	Closed	33.77	15236.7	15.9	4.1	10.1	21.5	18.9	12.1	13.7
Mid Cap Value (762/FSMVX)	H***	1.20	0.75(30)	18.67	949.8	14.2	3.1	9.6	25.4	20.6	14.5	
New Millennium (300/FMILX)	H***	1.54	none	31.88	2281.9	10.3	4.5	9.0	16.3	14.6	10.4	13.8
OTC Portfolio (93/FOCPX)	H***	1.54	none	45.41	8773.6	9.8	4.1	9.6	24.5	12.1	10.3	7.7
Small Cap Gth (1388/FCPGX)	H***	1.59	1.5(90)	16.92	942.9	17.1	7.0	12.4	25.0			
Small Cap Indep (336/FDSCX)	H***	1.50	1.5(90)	24.24	2818.0	15.2	5.7	11.1	26.0	18.3	11.8	10.0
Small Cap Stock (340/FSLCX)	H***	1.45	Closed	21.29	4987.1	12.0	4.4	9.4	16.9	15.3	13.0	
Small Cap Value (1389/FCVPX)	H***	1.48	1.5(90)	15.66	1277.9	11.9	5.4	9.7	20.2			
Stock Selector (320/FDSSX)	H***	1.03	none	30.47	862.9	9.5	3.7	9.4	21.2	13.6	10.0	7.2
Tax Mgd Stock (343/FTXMX)	B****	1.27	1(730)	16.25	79.1	15.0	4.7	12.7	25.5	18.0	11.1	
Trend (5/FTRNX)	H***	1.09	none	68.98	922.2	7.5	3.5	8.4	19.3	12.6	9.5	6.2
Value (39/FDVLX)	B****	1.09	none	91.27	22005.3	13.2	3.8	8.8	25.0	20.2	15.1	12.2
Value Discovery (832/FVDFX)	B****	1.14	none	19.67	1170.7	12.5	4.2	10.3	23.5	20.4		
Value Strategies (14/FSLSX)	B****	1.17	none	37.18	645.6	17.5	4.8	11.3	30.2	16.4	15.1	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.81	none	21.18	25150.3	9.5	3.0	7.2	18.3	14.3	11.8	10.9
Convertible Sec (308/FCVXS)	B****	0.99	none	28.89	2416.2	14.6	5.9	10.7	23.3	14.9	12.1	12.9
Equity-Income (23/FEQIX)	B****	0.99	none	63.08	32404.8	9.9	4.0	9.9	25.0	15.4	10.8	9.1
Equity-Income II (319/FEQTX)	B****	0.99	none	25.55	11557.9	9.9	3.6	9.7	21.7	13.6	10.4	9.0
Fidelity Fund (3/FFIDX)	H***	1.13	none	39.42	7403.8	10.2	3.8	10.1	22.9	12.9	9.2	8.1
Growth & Income (27/FGRIX)	H***	1.10	none	33.35	29243.1	7.3	3.2	7.5	17.2	10.0	6.5	6.7
Growth & Inc II (361/FGRTX)	H***	1.01	none	12.21	201.3	9.4	3.7	9.4	21.3	12.1	9.0	
Puritan (4/FPURX)	B****	0.66	none	21.23	26379.3	7.0	2.5	6.5	18.7	11.8	9.5	8.5
Strategic Div & Inc (1329/FSDIX)	B****	0.90	none	14.14	1291.3	9.4	2.8	6.5	20.0	15.7		
Utilities (311/FIUX)	H***	0.99	none	22.00	1954.7	17.0	5.3	12.6	42.7	26.8	16.8	9.4
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.81	0.75(30)	51.22	96.8	8.2	5.2	3.4	20.1	22.5	12.3	14.2
Automotive (502/FAVX)	H***	1.41	0.75(30)	43.60	26.1	12.9	3.4	8.3	24.4	12.4	9.0	7.1
Banking (507/FSRBX)	H***	1.07	0.75(30)	33.24	328.3	0.7	1.9	2.3	9.8	8.4	7.4	9.0
Biotechnology (42/FBIOX)	H***↑	1.56	0.75(30)	67.16	1390.4	3.4	-0.4	5.1	11.2	4.7	9.1	10.4
Brokerage (68/FSLBX)	H***	1.68	0.75(30)	78.03	1177.5	8.7	2.8	9.3	25.8	25.6	17.9	17.0
IT Ser / Bus Ser (353/FSBOX)	S**	1.46	0.75(30)	18.76	41.7	15.5	7.4	13.8	25.5	16.3	9.4	
Chemicals (69/FSCHX)	H***↓	1.40	0.75(30)	75.46	182.2	13.8	4.7	7.6	23.6	20.7	15.7	10.6
Computers (7/FDCPX)	H***	1.55	0.75(30)	43.23	444.7	9.5	6.6	10.1	22.2	7.7	7.0	7.1
Const & Housing (511/FSHOX)	S**	1.74	0.75(30)	47.83	129.9	8.4	6.5	5.1	17.6	17.0	13.9	13.2
Consumer Disc (517/FSCPX)	H***	1.24	0.75(30)	26.99	42.3	8.0	2.7	5.4	19.9	11.0	6.3	8.1
Industrial / Cyc Ind (515/FCYIX)	H***	1.32	0.75(30)	22.31	78.0	13.0	5.7	11.7	17.5	20.8	15.2	11.3
Defense & Aero (67/FSDAX)	H***	1.39	0.75(30)	87.46	1239.0	12.3	5.1	8.5	25.5	23.8	16.2	14.6
Com Equip / DevC (518/FSDCX)	H***	1.88	0.75(30)	22.62	324.5	10.6	4.0	9.6	10.1	9.3	11.6	7.9
Electronics (8/FSLEX)	H***	1.99	0.75(30)	47.95	1902.9	9.4	0.7	3.9	11.0	4.9	2.7	7.6
Energy (60/FSENX)	H***	2.35	0.75(30)	58.51	2346.0	21.8	7.6	21.8	22.4	37.9	23.7	15.8
Energy Services (43/FSSEX)	H***	2.88	0.75(30)	82.20	1441.6	24.8	8.0	26.1	17.2	39.0	20.1	15.3
Environmental (516/FSLEX)	H***	1.36	0.75(30)	18.16	43.9	5.1	1.4	5.5	3.5	11.0	9.3	2.3
Financial Services (66/FIDSX)	H***	1.15	0.75(30)	123.27	538.7	5.1	2.3	6.3	18.7	13.4	10.5	11.2
Con Stap / Food Ag (9/FDFAX)	B****↓	0.83	0.75(30)	62.30	411.8	10.1	1.4	8.5	25.4	15.4	9.3	9.1
Gold (41/FSAGX)	H***	2.39	0.75(30)	34.33	1393.8	-1.4	-1.0	-1.5	5.3	24.6	15.6	8.7
Health Care (63/FSPHX)	B****	1.01	0.75(30)	133.30	2162.3	10.3	2.4	8.8	20.1	11.6	8.8	9.8
Home Finance (98/FSVLX)	H***	1.33	0.75(30)	49.20	244.6	1.6	4.1	4.4	10.0	5.4	6.9	8.7
Indust Equip (510/FSFGX)	H***	1.32	0.75(30)	34.66	77.6	13.8	5.6	11.8	18.8	17.4	12.6	9.0
Materials / Ind Mat (509/FSDPX)	H***	1.70	0.75(30)	55.67	317.2	19.1	5.5	10.7	24.0	25.9	18.7	11.4
Insurance (45/FSPCX)	B****	0.95	0.75(30)	74.93	251.0	5.7	3.2	8.1	20.0	13.1	11.2	14.1
Leisure (62/FDLSX)	H***	1.33	0.75(30)	82.47	253.9	6.9	4.0	6.4	18.6	13.6	12.3	12.0
Medical Delivery (505/FSHCX)	B****↑	1.24	0.75(30)	54.27	680.0	14.1	4.7	9.0	24.2	25.8	15.1	10.8
Medical Equip/Sys (354/FSMEX)	H***	1.13	0.75(30)	24.29	815.7	8.3	1.3	5.4	18.4	8.8	12.6	
Multimedia (503/FBMPX)	H***	1.14	0.75(30)	46.77	80.3	5.3	3.7	6.5	20.3	11.2	13.1	12.0
Natural Gas (513/FSNGX)	H***	2.60	0.75(30)	45.75	1168.7	26.3	7.1	20.2	27.6	36.0	24.9	16.7
Nat Resources (514/FNARX)	H***	2.27	0.75(30)	33.87	1190.2	24.0	7.5	20.2	27.2	37.6	23.7	15.2
Networking (912/FNINX)	S**	2.02	0.75(30)	2.58	79.9	4.5	2.4	3.6	6.6	4.2	4.1	
Paper & Forest (506/FSFPX)	H***↓	1.24	0.75(30)	36.53	52.6	12.8	4.6	6.1	27.0	7.4	4.9	6.4
Pharmaceuticals (580/FPHAX)	B****	1.08	0.75(30)	11.98	229.8	13.3	2.0	12.3	21.0	12.6	8.3	
Retailing (46/FSRPX)	H***	1.51	0.75(30)	55.76	86.6	10.4	2.3	5.4	21.7	14.8	10.1	11.0
Software (28/FSCSX)	B****	1.36	0.75(30)	71.12	912.4	8.5	2.9	8.6	32.8	14.6	13.5	13.1
Technology (64/FSPTX)	H***	1.62	0.75(30)	74.38	1683.3	9.6	3.5	6.5	20.3	8.2	9.6	8.4
Telecom (96/FSTCX)	B****	1.34	0.75(30)	57.38	625.6	18.4	9.0	13.0	40.5	22.1	18.1	7.2
Transportation (512/FSRFX)	H***↑	1.91	0.75(30)	57.15	102.2	14.6	5.4	8.4	14.3	21.9	15.3	13.7
Utilities Growth (65/FSUTX)	B****↓	1.02	0.75(30)	64.33	1176.8	16.4	1.8	10.7	41.4	26.5	17.3	10.1
Wireless (963/FWRLX)	H***	1.48	0.75(30)	8.25	276.8	17.9	10.0	15.7	27.7	21.4	19.8	

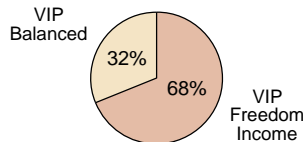
MAY PERFORMANCE						30-day	2007	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.37	1 (30)	18.61	528.1		11.3	3.0	7.9	24.3	17.8	13.2
Canada (309/FICDX)	B****	1.38	1.5(90)	58.35	3198.2		21.0	9.5	19.0	28.6	31.3	23.9
China Region (352/FHKCX)	H***	1.24	1.5(90)	25.57	947.6		4.3	3.0	6.1	22.9	21.3	15.8
Diversified Int'l (325/FDIVX)	H***	1.28	Closed	41.17	52022.5		11.4	2.8	11.2	25.2	22.8	18.4
Emerging Mkts (322/FEMKX)	H***	1.77	1.5(90)	28.14	3794.2		15.4	5.9	17.0	40.8	40.9	27.8
Europe (301/FIEUX)	H***	1.35	1 (30)	43.58	4985.9		10.7	1.5	11.7	26.1	27.4	19.3
Europe Cap Appr (341/FECAX)	H***	1.29	1 (30)	30.13	1593.7		10.4	0.6	9.2	26.4	26.3	17.2
Global Balanced (334/FGBLX)	B****	0.75	1 (30)	23.10	328.1		6.8	1.0	5.0	15.0	14.2	12.2
Int'l Discovery (305/FIGRX)	B****	1.33	1 (30)	42.32	11125.8		11.6	3.3	11.5	27.4	24.1	18.4
Int'l Small Cap (818/FISMX)	H***	1.33	Closed	28.63	1595.5		14.8	3.5	12.0	17.9	27.2	
Int'l Small Cap Opp (1504/FSCOX)	H***	1.81	2 (90)	17.85	1560.7		13.0	2.9	8.7	25.5		
Int'l Value (1597/FIVLX)	B****	1.30	1 (30)	12.32	369.9		10.5	2.2	9.1			
Japan (350/FJPNX)	H***	1.85	1.5(90)	17.83	1792.9		4.5	3.2	1.7	3.1	14.2	12.1
Japan Smaller Co (360/FJSCX)	H***	1.82	Closed	12.17	900.4		-5.1	0.2	-4.6	-16.7	3.7	11.1
Latin America (349/FLATX)	S**	2.47	1.5(90)	54.28	4020.2		21.4	11.7	24.1	59.3	58.5	37.9
Nordic (342/FNORX)	H***	1.73	1.5(90)	46.47	743.4		16.2	1.6	17.3	37.0	33.2	23.0
Overseas (94/FOSFX)	H***	1.33	1 (30)	50.56	8484.3		12.9	3.4	12.8	27.2	22.2	15.6
Pacific Basin (302/FPBFX)	H***	1.43	1.5(90)	31.26	1079.8		14.3	5.3	13.2	26.3	25.5	18.0
Southeast Asia (351/FSEAX)	H***	1.64	1.5(90)	33.25	2489.2		20.9	10.2	20.2	49.4	36.9	24.9
Worldwide (318/FWVFX)	H***	1.20	1 (30)	22.53	1474.0		12.0	3.8	11.0	26.1	18.5	13.6
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.90	none	31.86	1866.0		8.3	2.8	7.7	20.7	13.8	10.7
NASDAQ Comp (1282/FNCMX)	H***	1.40	0.75(90)	35.02	189.0		8.2	3.2	8.0	20.4	10.0	
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.34	0.75(90)	42.03	2257.3		11.2	4.4	8.1	21.9	17.3	14.6
Spart Int'l Index (399/FSIIX)	B****	1.29	1(90)	48.71	4020.5		10.6	2.2	9.2	26.8	23.0	16.6
Spart 500 Index (317/FSMKX)	B****	1.00	none	106.52	8405.3		8.7	3.5	9.3	22.7	12.9	9.3
Spart Total Mkt Idx (397/FSTMXX)	H***	1.06	0.5(90)	43.14	4385.7		9.3	3.7	9.0	22.6	14.1	10.5
Asset Mgr 50% (314/FASMX)	B****	0.54	none	17.01	9268.2		6.3	1.7	4.8	14.3	8.3	7.0
Asset Mgr 85% (347/FAMRX)	B****	0.92	none	14.62	527.8		9.5	3.1	8.0	20.4	13.0	9.0
Asset Mgr 70% (321/FASGX)	B****	0.73	none	17.55	3249.6		8.0	2.5	6.6	17.1	9.4	7.4
Asset Mgr 20% (328/FASIX)	B****	0.25	none	12.92	2370.4		3.4	0.5	2.2	9.1	7.7	7.3
Freedom 2000 (370/FFFBX)	B****	0.34	none	12.76	1723.9		4.3	1.0	3.2	10.3	6.5	5.5
Freedom 2005 (1312/FFVFX)	B****	0.57	none	12.09	903.7		6.4	1.7	5.1	14.4	9.4	
Freedom 2010 (371/FFFCX)	B****	0.59	none	15.18	13585.7		6.5	1.8	5.3	14.7	9.7	8.0
Freedom 2015 (1313/FFVFX)	B****	0.68	none	12.78	5433.1		7.2	2.1	5.9	15.9	10.9	
Freedom 2020 (372/FFDFX)	B****	0.81	none	16.28	19183.4		8.1	2.5	7.0	17.8	12.2	9.7
Freedom 2025 (1314/FFTWX)	B****	0.84	none	13.52	4709.8		8.5	2.5	7.3	18.4	12.7	
Freedom 2030 (373/FFFEEX)	B****	0.95	none	16.97	12586.4		9.4	3.1	8.3	20.1	13.7	10.5
Freedom 2035 (1315/FFTHX)	B****	0.96	none	14.07	2777.4		9.5	3.0	8.5	20.2	14.0	
Freedom 2040 (718/FFFEEX)	B****	0.98	none	10.07	6266.6		9.8	3.2	8.7	20.8	14.4	10.8
Freedom 2045 (1617/FFFGX)	B****	0.98	none	11.67	214.1		9.9	3.3	9.1			
Freedom 2050 (1618/FFHHX)	B****	0.99	none	11.71	179.3		10.2	3.4	9.2			
Freedom Income (369/FFFAAX)	B****	0.27	none	11.74	2421.4		3.7	0.7	2.5	9.1	5.9	5.0
Real Estate Income (833/FRIFX)	H***	0.38	0.75(90)	12.16	634.8		2.6	0.2	0.6	11.5	10.0	
Real Estate (303/FRESX)	S**	1.64	0.75(90)	37.37	8948.6		2.9	-0.9	-3.7	27.9	27.1	21.8
Int'l Real Estate (1368/FIGRX)	S**	1.41	1.5(90)	17.37	1475.3		4.8	0.3	3.1	36.9		
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.26	1(90)	9.27	8934.5	5.69	6.8	1.5	4.4	16.1	13.1	15.1
Floating Rate (814/FFRHX)	B****	0.04	1(60)	9.97	3319.4	6.38	2.9	0.6	1.4	7.1	5.6	
Focused High Inc (1366/FFHIFX)	H***	0.13	1(90)	10.31	56.1	6.22	3.5	0.4	1.7	11.0		
GNMA Portfolio (15/FGMNX)	H***	0.24	none	10.68	3264.1	5.14	1.3	-0.6	0.2	6.3	4.0	3.9
Gov't Income (54/FGOVX)	H***	0.26	none	9.96	6344.7	4.68	1.0	-0.8	-0.3	5.5	3.7	4.2
High Income (455/SPHIX)	H***	0.14	1(90)	9.19	4998.9	6.70	4.3	0.8	2.4	12.1	9.5	11.0
Inflation-Protected (794/FINPX)	H***	0.40	none	10.78	1303.1	2.56	1.6	-1.3	-0.5	3.9	3.5	
Intermed Bond (32/FTHRXX)	H***	0.21	none	10.21	8312.3	4.83	1.4	-0.6	0.0	5.9	3.7	4.4
Intermed Gov't Inc (452/FSTGX)	H***	0.21	none	9.92	713.4	4.64	1.2	-0.6	0.1	5.0	3.1	3.6
Invest Grade Bond (26/FBNDX)	H***	0.25	none	7.31	11742.7	5.03	1.2	-0.7	-0.1	6.6	4.6	5.0
Mortgage Securities (40/FMSFX)	H***	0.24	none	10.92	1589.3	5.32	0.9	-0.5	0.1	6.2	4.2	4.3
New Markets Inc (331/FNMIX)	H***	0.28	1(90)	14.93	2373.2	5.79	3.3	-0.2	2.2	13.5	14.8	14.7
Short-Term Bond (450/FSHBX)	H***	0.12	none	8.83	7377.5	4.98	1.4	-0.1	0.6	5.0	3.3	3.7
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.36	none	9.78	632.4	4.68	0.8	-1.4	-0.9	6.0		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.56	none	9.58	12.4	4.86	-0.2	-2.0	-2.3	7.3		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.16	none	9.94	32.0	4.67	1.4	-0.3	0.4	4.8		
Strategic Income (368/FSICX)	H***	0.20	none	10.64	4793.2	5.46	2.5	-0.3	1.1	8.7	8.4	9.6
Strategic Real Rtn (1505/FSRRX)	H***	0.46	0.75(60)	10.39	3786.6	4.51	3.2	-0.2	0.6	5.9		
Total Bond (820/FTBFX)	H***	0.23	none	10.37	4358.5	5.04	1.2	-0.7	-0.2	6.8	4.9	
Ultra-Short Bond (812/FUSFX)	B****	0.04	0.25(60)	9.97	1045.1	5.27	1.7	0.4	0.9	4.8	3.5	
US Bond Index (651/FBIDX)	H***	0.26	none	10.79	7200.7	5.00	1.3	-0.8	-0.2	6.6	4.3	4.9
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H***	0.19	0.5(30)	11.26	125.8	3.60	0.3	-0.6	-0.8	4.4	4.2	4.5
CA Municipal Inc (91/FCTFX)	H***	0.18	0.5(30)	12.20	1626.4	3.72	0.6	-0.4	-0.4	4.7	5.0	4.8
CA Short-Int TF (1534/FCSTX)	B****	0.10	0.5(30)	10.02	107.2	3.47	1.0	-0.1	0.2	3.7		
CT Municipal Inc (407/FICNX)	H***	0.17	0.5(30)	11.19	441.8	3.58	0.4	-0.6	-0.5	4.1	3.8	4.2
FL Municipal Inc (427/FFLIX)	H***	0.16	0.5(30)	11.30	428.2	3.72	0.5	-0.4	-0.3	4.2	4.4	4.5
Intermediate Muni (36/FLTMX)	H***	0.14	0.5(30)	9.87	2022.6	3.68	0.7	-0.3	-0.2	4.2	4.0	4.3
MA Municipal Inc (70/FDMMX)	H***	0.19	0.5(30)	11.77	1876.2	3.74	0.5	-0.4	-0.6	4.8	4.9	4.9
MD Municipal Inc (429/SMDMX)	H***	0.19	0.5(30)	10.73	123.5	3.65	0.3	-0.5	-0.5	4.3	4.1	4.3
MI Municipal Inc (81/FMHTX)	H***	0.17	0.5(30)	11.68	580.7	3.60	0.5	-0.4	-0.4	4.4	4.2	4.6
MN Municipal Inc (82/FMIX)	H***	0.16	0.5(30)	11.24	339.7	3.62	0.6	-0.4	-0.3	4.3	4.1	4.3
Municipal Income (37/FFHGX)	H***	0.18	0.5(30)	12.61	4772.1	3.76	0.5	-0.4	-0.5	4.7	5.0	5.2
NJ Municipal Inc (416/FNJHX)	H***	0.19	0.5(30)	11.38	597.2	3.62	0.4	-0.5	-0.7	4.6	4.7	4.7
NY Municipal Inc (71/FTFMX)	H***	0.19	0.5(30)	12.63	1438.6	3.65	0.3	-0.5	-0.6	4.5	4.6	4.9
OH Municipal Inc (88/FOHFX)	H***	0.19	0.5(30)	11.43	425.9	3.60	0.3	-0.5	-0.6	4.5	4.6	4.8
PA Municipal Inc (402/FPXTX)	H***	0.16	0.5(30)	10.65	303.2	3.58	0.6	-0.4	-0.4	4.1	4.4	4.5
Short-Int Municipal (404/FSTFX)	B****	0.09	0.5(30)	10.15	1527.5	3.42	0.9	-0.1	0.3	3.2	2.5	2.7
Tax-Free Bond (90/FTABX)	H***	0.19	0.5(30)	10.67	598.6	3.89	0.5	-0.5	-0.5	4.8	5.2	5.4

MAY 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	0.95	13627.64	10.3	4.6	11.6	24.9	12.7	9.0	8.5
S&P 500	1.00	1530.62	8.8	3.5	9.3	22.8	13.0	9.5	7.8
NASDAQ	1.39	2604.52	8.2	3.2	8.0	20.4	10.2	10.7	6.9
Russell 2000	1.70	847.18	8.1	4.1	7.1	19.0	15.6	13.1	9.7
Fidelity Monitor Income Model	0.23	89418.19	3.7	0.9	2.6	9.1	6.0	6.0	5.2
Fidelity Monitor G&I Model	0.69	191696.59	7.6	2.6	6.7	18.7	13.7	12.6	10.2
Fidelity Monitor Growth Model	1.10	219373.27	10.3	4.1	9.9	23.3	16.0	14.1	10.3
Fidelity Monitor Select System	1.28	403574.14	12.4	3.8	9.5	24.1	15.8	14.0	11.8
Fidelity Monitor Unique Opportunities	1.20	140727.15	11.1	3.9	10.7	20.3	21.6	18.6	

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

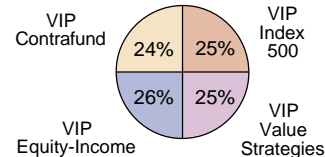


PAST PERFORMANCE

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: + 5.1%
2000: - 2.4%	

VIP GROWTH MODEL

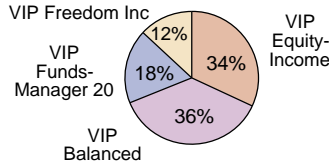


PAST PERFORMANCE

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%	*2007: + 9.9%
2000: -10.3%	

VIP G & I MODEL

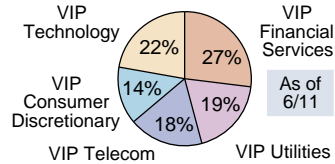


PAST PERFORMANCE

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%	*2007: + 8.3%

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: + 6.3%	*2007: +10.2%
2005: +14.0%	

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

MAY 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 ***	12.40	13.00	11.1	3.7	8.9	21.9		
VIP Asset Manager	H ***	11.74	36.95	7.3	2.6	6.3	13.5	7.3	6.3
VIP Asset Manager: Growth	H ***	11.95	24.62	9.4	3.9	8.7	15.9	8.0	6.5
VIP Balanced	B ****	12.66	18.84	8.9	2.7	6.8	17.1	10.1	7.9
VIP Consumer Discretionary	H ***↓	12.21	13.45	7.8	2.6	5.4	19.0	10.1	5.9
VIP Consumer Staples	B ****	10.11	10.10		1.0				
VIP Contrafund	B ****	12.96	48.20	8.8	3.9	8.8	17.2	15.7	12.2
VIP Disciplined Small Cap	H ***	11.10	11.05	9.4	4.5	8.4			
VIP Dynamic Capital Appreciation	B ****	13.73	16.68	10.5	4.7	9.2	17.7	15.5	
VIP Energy	H ***	15.50	26.83	21.6	7.6	21.6	22.0	35.1	22.3
VIP Equity-Income	B ****	13.51	75.59	9.8	4.1	9.9	24.6	14.8	10.2
VIP Financial Services	B ****	13.03	15.90	4.9	2.2	6.2	18.0	12.8	9.8
VIP Freedom 2005	B ****	11.92	12.10	6.2	1.8	5.0	13.8		
VIP Freedom 2010	B ****	11.93	12.16	6.2	1.8	5.1	14.0		
VIP Freedom 2015	B ****	12.25	12.54	7.1	2.1	5.8	15.4		
VIP Freedom 2020	B ****	12.54	12.90	8.2	2.5	7.0	17.2		
VIP Freedom 2025	B ****	12.66	13.08	8.5	2.8	7.3	17.7		
VIP Freedom 2030	B ****	12.93	13.40	9.6	3.2	8.4	19.4		
VIP Freedom Income	B ****	11.19	11.22	3.4	0.8	2.2	8.4		
VIP FundsManager 20	B ****	10.86	10.79	3.6	0.8	2.4			
VIP FundsManager 50	B ****	11.29	11.22	6.4	1.9	4.9			
VIP FundsManager 70	B ****	11.58	11.51	8.2	2.7	6.8			
VIP FundsManager 85	B ****	11.75	11.68	9.6	3.2	8.2			
VIP Growth	H ***	12.14	67.27	10.9	5.2	10.5	16.8	8.3	5.4
VIP Growth & Income	B ****	12.94	21.32	9.2	3.7	9.3	20.8	11.4	8.5
VIP Growth Opportunities	H ***	12.63	15.29	12.9	4.2	10.7	24.6	10.9	7.9
VIP Growth Stock	H ***	11.47	11.70	10.2	3.4	9.5	16.2		
VIP Health Care	B ****	11.87	13.76	7.8	1.9	7.0	18.2	10.6	8.0
VIP High Income	H ***	11.73	32.82	4.2	0.7	2.1	11.7	8.9	10.5
VIP Index 500	H ***	12.76	41.33	8.4	3.4	9.0	21.7	12.0	8.4
VIP Industrials	H ***	13.65	19.73	12.8	5.7	11.6	17.2	20.4	14.8
VIP Int'l Capital Appreciation	H ***	13.67	14.37	11.2	3.0	7.7	23.0		
VIP Investment Grade Bond	H ***	10.57	29.56	0.9	-0.8	-0.4	5.6	3.4	4.1
VIP Materials	H ***	10.51	10.51		5.1				
VIP Mid Cap	B ****	13.44	24.11	12.0	4.5	10.1	16.0	21.4	16.5
VIP Money Market		10.80	20.88	1.8	0.4	1.1	4.3	2.8	1.8
VIP Overseas	H ***	14.73	46.18	12.7	3.1	12.4	24.9	20.5	13.9
VIP Real Estate	S **	14.65	23.28	2.7	-0.3	-3.3	29.6	27.5	
VIP Strategic Income	H ***	11.11	12.17	2.1	-0.4	0.8	7.7		
VIP Technology	B ****	12.53	11.68	7.7	4.2	6.3	15.4	9.1	9.7
VIP Telecommunications	B ****	10.97	10.97		9.7				
VIP Utilities	B ****	15.38	15.50	16.8	1.6	10.5	42.9	26.3	16.7
VIP Value	B ****	13.26	13.67	12.7	3.7	8.6	24.6		
VIP Value Leaders	H ***	13.29	13.73	11.0	4.1	10.0	23.0		
VIP Value Strategies	B ****	13.96	17.73	17.0	4.6	11.0	29.2	15.3	
Fidelity Monitor VIP Income Model			20833.25	5.1	1.4	3.6	11.1	6.4	6.7
Fidelity Monitor VIP G&I Model			27318.48	8.3	2.7	7.0	18.2	10.4	8.9
Fidelity Monitor VIP Growth Model			41673.41	9.9	4.0	9.5	19.8	14.1	9.7
Fidelity Monitor VIP Sector Model			20598.13	10.2	2.5	7.8	22.5	16.3	15.5

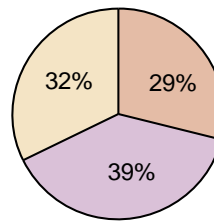
INCOME MODEL

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	\$21.23	818.414	\$17374.93
Asset Mgr 20%	\$12.92	2701.678	\$34905.68
Ultra-Short Bond	\$9.97	1668.707	\$16637.01
Floating Rate	\$9.97	2056.226	\$20500.57

8% Foreign Holdings
Balance as of 5/31/07: \$89418.19
Balance at start of 2007: \$86264.24

Floating Rate High Income
814/FFRHX



Puritan 4/FPURX

As of 6/11

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 YTD: + 3.7%

Our Income Model returned 0.9% in May. On 6/11 we will sell **Ultra-Short Bond**, placing half of the proceeds in **Puritan** and half into **Floating Rate High Income**.

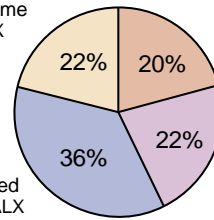
GROWTH AND INCOME MODEL

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%	\$12.92	2945.561	\$38056.65
Puritan	\$21.23	2033.197	\$43164.77
Balanced	\$21.18	3231.028	\$68433.17
Equity-Income	\$63.08	666.487	\$42042.00

9% Foreign Holdings
Balance as of 5/31/07: \$191696.59
Balance at start of 2007: \$178097.11

Equity-Income 23/FEQIX



Asset Mgr. 20% (Inc) 328/FASIX

Balanced 304/FBALX

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: + 7.6%

During May our Growth and Income Model gained 2.6%.

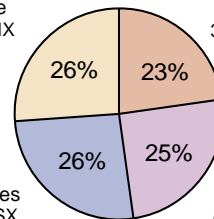
GROWTH MODEL

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	\$106.52	472.682	\$50350.09
Value Discovery	\$19.67	2801.678	\$55109.01
Value Strategies	\$37.18	1532.678	\$56984.97
Equity-Income	\$63.08	902.492	\$56929.20

11% Foreign Holdings
Balance as of 5/31/07: \$219373.27
Balance at start of 2007: \$198855.65

Equity-Income 23/FEQIX



Spartan 500 Index 317/F5MKX

Value Strategies 14/FSLSX

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: +10.3%

Our Growth Model rose 4.1% in May, compared to a 3.5% gain for the S&P 500.

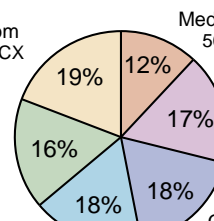
SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Chemicals	\$75.46	643.072	\$48526.21
Insurance	\$74.93	902.564	\$67629.12
Consumer Staples	\$62.30	1161.102	\$72336.65
Utilities Growth	\$64.33	1121.943	\$72174.59
Software	\$71.12	920.627	\$65474.98
Telecom	\$57.38	1349.470	\$77432.59

13% Foreign Holdings
Balance as of 5/31/07: \$403574.14
Balance at start of 2007: \$359086.92

Telecom 96/FSTCX



Medical Delivery 505/F5HCX

Insurance 45/F5PCX

As of 6/11

Consumer Staples 9/FDFAX

Utilities Growth 65/FSUTX

Our Select System rose 3.8% in May, versus a 3.5% gain for the S&P 500. On 6/11 we will sell **Chemicals** and buy **Medical Delivery**.

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: +12.4%

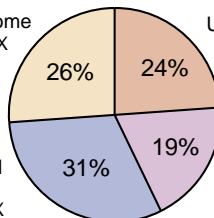
UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Utilities Growth	\$64.33	523.688	\$33688.85
Int'l Value	\$12.32	2177.189	\$26822.97
Lev. Co. Stock	\$34.99	1243.259	\$43501.63
Equity-Income	\$63.08	582.018	\$36713.70

26% Foreign Holdings
Balance as of 5/31/07: \$140727.15
Balance at start of 2007: \$126671.24

Equity-Income 23/FEQIX



Utilities Growth 65/FSUTX

Leveraged Company 122/FLVCX

Int'l Value 1597/FIVLX

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 YTD: +11.1%

Our Unique Opportunities Model posted an increase of 3.9% for the month of May.

QUESTION & ANSWER FORUM - *Continued from page 3*
 recent years. The article doesn't mention it, but this could easily be due to baby-boomer parents paying for their kids' college education.

At any rate, there is no savings crisis. And even though some boomers are not saving enough, it isn't necessarily a bad thing for the economy. There's already too much surplus capital in the financial markets, and labor shortages are beginning to crop up in key industries. Fifteen years from now, wages should be much higher than today, and anyone who has not saved enough for retirement will be pleased to discover how much money can be made by remaining in the workforce.

Can you discuss the concept of enhanced indexing?

Outside of Fidelity's universe, actively managed stock funds have a poor reputation – in any given 10-year period, some 80% end up trailing their benchmarks. High fees, excessive turnover, and heavy sector bets are largely to blame. Enhanced index funds remedy the problem by limiting fees and turnover, and maintaining strict industry weightings. As such, the odds of lagging are sharply reduced – although the ability to outperform is curtailed too. The concept is not new, although today's funds place greater emphasis on low fees and reduced turnover.

Given that Fidelity's stock funds outperform more often than not, the introduction of enhanced index funds is mostly a marketing move. These funds aren't hard to run, and may bring in lots of new money. ■

MAY DISTRIBUTIONS

Asset Manager 20%	\$0.038/\$12.90	(5/4)
Freedom 2000	\$0.24 / \$12.70	(5/4)
Freedom 2005	\$0.26 / \$11.99	(5/4)
Freedom 2010	\$0.38 / \$15.05	(5/4)
Freedom 2015	\$0.29 / \$12.65	(5/4)
Freedom 2020	\$0.50 / \$16.08	(5/4)
Freedom 2025	\$0.33 / \$13.34	(5/4)
Freedom 2030	\$0.55 / \$16.70	(5/4)
Freedom 2035	\$0.37 / \$13.85	(5/4)
Freedom 2040	\$0.33 / \$9.90	(5/4)
Freedom 2045	\$0.13 / \$11.47	(5/4)
Freedom 2050	\$0.13 / \$11.50	(5/4)
Freedom Income	\$0.13 / \$11.70	(5/4)
Magellan	\$5.28 / \$92.19	(5/4)

Funds scheduled for June include **Asset Manager 20%**, **Capital & Income**, **Focused High Income**, **Freedom Income**, **High Income**, **Large Cap Stock**, **Mid-Cap Stock**, **Real Estate**, **Real Estate Income**, **Short-Term Bond**, **Small Cap Ind.**, **Small Cap Stock**, and **Spartan 500 Index**.

RECOMMENDATIONS - *Continued from page 1*

BOND FUNDS

Income Model holdings are listed on page 7. Our current favorite is **Floating Rate High Income**, which offers an income stream similar to high yield bond funds, but with only a fraction of the credit risk. Its interest rate sensitivity is very low.

An improved outlook for the domestic economy boosted high yield, but hurt investment-grade funds due to the upward pressure on interest rates. **Capital & Income** gained 1.5%, and **High Income** rose 0.8%. On the losing end, **Spartan Long-Term Treasury Index** slid 2.0%.

Municipal bond funds, also affected by rising long-term interest rates, posted losses that ranged between 0.1% and 0.6%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Current buy recommendations, as ranked by our relative volatility model, include **Utilities Growth**, **Insurance**, **Telecommunications**, **Medical Delivery**, **Consumer Staples**, **Health Care**, **Pharmaceuticals**, **Software**, and **Paper & Forest Products**.

Wireless jumped 10.0%, **Telecom** gained 9.0%, **Energy Services** was up 8.0%, and **Energy** climbed 7.6%. Laggards included **Biotechnology**, off 0.4%, and **Gold**, which was down 1.0% for the month. ■

Happenings

Fidelity has introduced three enhanced index stock funds: **Large Cap Value Enhanced Index**, **Large Cap Core Enhanced Index**, and **Large Cap Growth Enhanced Index**. We'll add coverage in our data pages beginning next month.

Fidelity's annuity group has rounded out its sector lineup by adding three new industry groups: **VIP Consumer Staples**, **VIP Materials**, and **VIP Telecommunications**. Over the next few months we'll incorporate them into our VIP Sector Model.

New Millennium has reopened and is now available to new investors for the first time since Fidelity went no-load. The fund has seen heavy outflows since the departure of Neal Miller last June, so this move may actually help existing shareholders.

Among manager changes, Melissa Reilly has been appointed to **Europe Capital Appreciation** and will also co-manage **Global Balanced**, Matthew Sabel is the new stockpicker at **VIP Health Care**, and Daniel Kelley has been named manager at **Construction & Housing**. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	94763.4	4.98	CT MM (418/FCMXX)	1720.1	3.35			
Select MM (85/FSLXX)	3075.6	5.05	MA MM (74/FDMXX)	4871.4	3.31	FL MM (428/FSFXX)	1383.8	3.41
Money Market (454/SPRXX)	7222.3	5.02	MI MM (420/FMIXX)	869.6	3.35	MA AMT TF (426/FMSXX)	1913.5	3.55
Gov't MM (458/SPAXX)	482.4	5.02	NJ MM (417/FNJXX)	1976.5	3.33	AMT Tax-Free (460/FIMXX)	3246.9	3.53
US Treas. MM (415/FDLXX)	1789.0	4.61	NY MM (92/FNYXX)	4502.9	3.31	NJ AMT TF (423/FSJXX)	1390.5	3.52
Tax-Free MM (275/FMOXX)	3267.9	3.41	OH MM (419/FOMXX)	976.4	3.37	NY AMT TF (422/FSNXX)	2403.4	3.53
US Gov't Reser (50/FGRXX)	3224.5	4.99	AZ MM (433/FSAXX)	290.7	3.41	PA MM (401/FPTXX)	579.1	3.40
CA MM (97/FCFXX)	4787.6	3.34	CA AMT TF (457/FSPXX)	3428.0	3.52	Municipal MM (10/FTEXX)	17565.4	3.46