

Jack
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Fidelity

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Monitor™

Energy Update

“Eighty-five million barrels of oil a day is all the world can produce, and the demand is 87 million. It’s just that simple.” With those words, T. Boone Pickens pushed up the price of long-dated oil futures, putting light, sweet crude into contango across all time periods – the further out the delivery date, the higher the contract price. In the same 5/20 CNBC interview, Pickens advocated wind power as a way to free up enough natural gas to run the U.S. transportation system without oil.

A lot has happened on the energy scene in the last few months. This month we review the events of 2008, along with a discussion of what to expect next.

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Changes Planned for Growth Model, VIP Growth Model, G&I Model, and VIP G&I Model

The following portfolio changes will take place on Monday, 6/16:

Our Growth Model will sell **Value Discovery** (832/FVDFX) and move into **Blue Chip Growth** (312/FBGRX), for an approximate mix of 23% **Stock Selector**, 25% **Blue Chip Growth**, 27% **Growth Discovery**, and 25% **Tax-Managed Stock**. With a 27% financial weighting, **Value Discovery**’s exposure to a sector with an uncertain outlook is a bit high for our comfort level. **Blue Chip Growth**, which focuses on large-cap growth stocks, is more likely to outperform in a slow-growth U.S. economy.

Our VIP Growth Model will sell **VIP Growth Stock** and buy **VIP Growth Opportunities**.

Our Growth and Income Model will sell **Consumer Staples** (9/FDFAX) and buy **Fidelity Fund** (3/FFIDX), for a mix of around 20% **Asset Mgr. 20%**, 22% **Fidelity Fund**, 36% **Balanced**, and 22% **Convertible Securities**. With the worst of the financial crisis behind us, it makes sense to move from a defensive stock fund to one that is broadly diversified. **Fidelity Fund** closely tracks the S&P 500’s industry weightings, and has similar overall risk. Its solid showing over the last 12 months is a result of good stockpicking.

Our VIP Growth and Income Model will swap **VIP Consumer Staples** for **VIP Growth & Income**.

Review & Recommendations

Throughout May, economic figures suggested the U.S. is not stalling out as much as the market anticipated. Fed minutes reinforced the growing belief that the current easing cycle has ended. And, for the first time, investors began to take seriously the evidence that worldwide oil production is on a declining trend. The S&P 500 posted a gain of 1.3%.

GROWTH FUNDS

Our Growth Model positions are listed on page 7. If you prefer to pick your own funds as opposed to following the model portfolio, our favorites include **Stock Selector**, **OTC Portfolio**, **Growth Discovery**, **Blue Chip Growth**, **Tax-Managed Stock**, **Leveraged Company**, and **Independence**.

Leveraged Company, up 8.8%, was helped by a strong energy group. **Mid Cap Stock** and **Aggressive Growth** benefited from a rebound in growth stocks; their respective gains were 7.3% and 5.7%. Trailing behind, **Large Cap Value Enhanced Index** was at breakeven, and **Blue Chip Value** declined 0.6%.

INTERNATIONAL FUNDS

Our favorites include **Japan**, a value play that could benefit if the yen declines against the dollar, and **Canada**, which offers commodity exposure without the liquidity risk of emerging markets.

Strength in energy and commodities helped **Canada** (up 8.3%) and **Latin America** (8.2% gain). On the bottom end, **Southeast Asia** declined 1.7%, and **Int’l Real Estate** lost 4.2%.

GROWTH & INCOME FUNDS

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

Convertible Securities rose 4.8%, followed by **Utilities** with a 3.6% increase. Both funds were helped somewhat by rising energy prices. **Growth & Income**, down 2.6%, finished on the bottom due to its heavy financial stock weighting.

INCOME FUNDS

Our Income Model positions are listed on page 7. If you prefer to pick your own funds as opposed

RECOMMENDATIONS - *Continued on page 8*

2008 CRUNCH STARTED WITH COAL

Throughout 2007, China's exports of coal fell sharply as domestic consumption rose and mine safety took precedence over production. Then, following a severe winter storm in late January, the country suddenly became a net importer. By the end of the first quarter, China had net imports of 3 million tons of coal, versus net exports of 9 million tons the first quarter of last year. This shift, which is the energy equivalent of losing half of Mexico's oil production in a single year, was accelerated by rising tariffs on coal exports and relaxed duties on imports.

The coal price chart below is similar to one that Fidelity manager John Dowd presented last month at the Las Vegas Money Show. As manager of **Energy**, **Energy Service**, and **Natural Resources**, Dowd has been all over the world. On a recent trip to China, he saw roads with entire lanes reserved for coal trucks. China's appetite for coal has grown so large there isn't enough rail capacity to move it all.

The global economy is straining to replace the coal that China is no longer exporting. Ports in Australia, a major coal supplier, are overloaded. Prices for high-quality thermal coal have more than doubled all over the globe. Even shipping rates have gone up, because there aren't enough ocean freighters to meet demand.

NOW DIESEL IS RUNNING SHORT

Facing the risk that it may not have enough coal to keep the lights on during the Olympics, China

appears to be stockpiling diesel fuel as a backup source for electricity. This comes in addition to the diesel fuel being used for all those coal trucks, which are only one-fourth as efficient as rail transport. To top it all off, China may need a significant portion of its diesel stockpile to deal with the effects of the recent earthquake, which shut down a significant amount of hydroelectric capacity.

China isn't the only country turning to diesel to solve an electricity shortfall. All over the world, mining operations are ramping up to take advantage of high commodity prices, but in many cases there is not enough grid capacity to handle the load. Diesel generators are suddenly carrying a significant part of the added electrical demand.

This comes as diesel has grown in popularity for passenger vehicles in Europe. Diesel isn't taxed as heavily as gasoline, and vehicles that burn it can go up to a third further on a gallon of fuel. These days, some 70% of new vehicles sold in Europe are equipped with a diesel engine.

NOT ENOUGH LIGHT, SWEET CRUDE

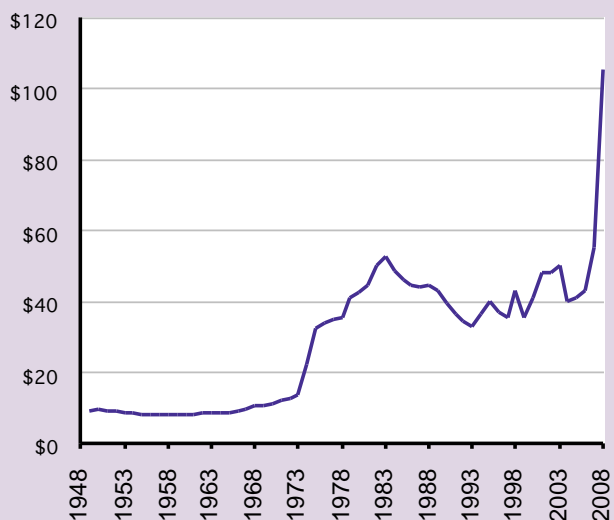
At a time of unprecedented diesel demand, the amount of light, sweet crude being pulled out of the ground has steadily slipped over the last five years. It's a trend that's almost irreversible, because the older oil fields that produce light, sweet crude are depleting faster than they can be replaced. Except for Nigeria's output (which was recently disrupted), most new oil fields produce heavy, sour crude.

Diesel fuel and home heating oil are considered distillates. Both fuels are easily derived from light, sweet crude. But making these fuels from heavy, sour crude is a nightmare with today's low-sulfur diesel requirements. Very few refineries are equipped to deal with this task, and new ones take huge amounts of capital and years of design and construction.

When the Saudis claim the oil markets are well supplied, they're talking about the heavy, sour crude that *they* produce. And they're essentially correct. The world currently has too much inventory of heavy, sour crude, and it's become difficult to find buyers. As a result, this type of oil sells at a significant discount. If the Saudis were to produce another million barrels a day, it would probably do very little to bring down the price of light, sweet crude.

Saudi Arabia does plan to eventually boost oil production, but is in the process of adding more refining capacity to process its own heavy oil. That way the country won't be stuck selling undesirable crude; instead it can export more gasoline and diesel.

U.S. Thermal Coal (\$/Short Ton)



Source: EIA

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RUSSIA'S OUTPUT HAS LEVELED OFF

As Dowd pointed out during his discussion, in recent years China's increased demand for oil has nearly been matched by an equivalent boost in Russian oil production. But starting in 2008, that too has changed.

Russia, which in recent years expanded its oil production to match Saudi Arabia's output, has seen a small decline in 2008, possibly marking the end of a long expansion era. Heavy export taxes may be to blame, and rollbacks are in the works. Still, without growth from Russia, it's tough to overcome depletion:

- Over the next two years, Saudi Arabia will be bringing up oil and refining capacity equal to one or two million barrels a day, but it's not yet clear how much of it will be produced and exported. The country's internal consumption rate is surging, so some of it will be used domestically.

- Iraq has the potential to double or triple its current production level of two million barrels a day, depending on the condition of its oil fields. Safety of workers and security of pipelines are still major issues, but with Nigeria devolving it may not look so bad in comparison.

- Petrobras, Brazil's state-controlled oil company, has made a deep water discovery that might be on the same scale as Saudi Arabia's Ghawar field (which currently produces 4-5 million barrels/day). The new field is located below a challenging salt layer, but has the potential to make Brazil the world's top oil producer in 10-15 years time.

The world needs new supplies of at least 3-4 million barrels/day each year just to offset mature oil field depletion. Rising domestic consumption among oil exporting countries takes away another million barrels/day. As such, it's unlikely that these sources will be enough to keep overall output from declining.

DON'T BLAME THE SPECULATORS

Some politicians actually believe there's plenty of oil, and they blame speculators for driving up the price. Hello? Oil is not some sort of precious metal where a year's worth of global production can fit in a small building. Raising the delivered price of oil even \$10 a barrel would take an immense amount of storage capacity – more than any one company could possibly round up. While some hedge funds have stored oil in tanker ships or near refineries, it's a drop in the bucket compared with global demand.

Granted, investors do play a role in the futures markets, but their main role is to accommodate the airlines, railroads, and trucking companies who have an economic interest in hedging their fuel costs. And

it could be argued that speculators have been holding *down* the price of long-date oil futures. Until recently, it was possible to lock in oil for delivery in 2016 at a price that was below current levels!

Along the same line of thinking, this is not a problem that Big Oil created, and it's not a problem it can solve. The ExxonMobils of the world are looking for new oil projects, but most opportunities with decent returns are either off-limits or controlled by foreign governments. Locked out of the oil game, most international oil companies are either building a new business around natural gas, or liquidating in slow motion by returning their profits to shareholders. Some are doing both.

NOT A BUBBLE

While it's always possible that oil prices may pull back from present levels, we don't view the long rally in energy stocks as some sort of buffalo stampede. Instead, it looks more like a tug-of-war, with bulls and bears lining up on opposite sides of the rope. Stock values have tracked earnings, and are still on the low side due to skepticism. The P/E ratio for the energy sector is around 10, well below the S&P 500's level and roughly in line with multiples from a decade ago, when earnings growth was low.

Despite obvious signs, the market does not yet believe that high oil prices are here to stay. Some oil bears believe that a slowdown in global economic growth will bring down the price of oil. But the U.S. and Japan are already in a slump, and there is very little evidence that emerging countries are slowing down. Even if they do, it's unlikely that newly affluent consumers will stop buying cars.

WHAT HAPPENS FROM HERE?

The price of oil has surged because global supply is shrinking while demand is rising. In the short run, it takes a 10% price increase to pinch off 1% of demand. From a global standpoint, the biggest "demand destruction" opportunity exists with fuel subsidies. Many governments keep the price of motor fuels artificially low for their citizens. Some have already begun to allow prices to rise. It's estimated that global demand would drop by three million barrels/day if all fuel was market priced.

If T. Boone Pickens is correct about global supplies being two million barrels a day short, the recent jump to \$130 a barrel should pinch off enough demand to put the market back in balance, especially if countries that subsidize fuel in Asia allow prices to move toward market levels in the coming months.

ENERGY UPDATE - *Continued on page 8*

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						2008	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
130/30 Large Cap (2063/FOTTX)	H***	1.3 Est	none	10.87	19.5		3.0					
Aggressive Gth (324/FDEGX)	H***	1.15	1.5(90)	20.92	2954.1	-9.1	5.7	7.7	-3.5	9.3	10.6	0.9
Blue Chip Gth (312/FBGRX)	B****	0.99	none	42.44	14475.2	-3.7	2.3	7.7	0.2	6.4	7.4	2.7
Blue Chip Value (1271/FBCVX)	H***	1.11	none	13.82	617.0	-5.3	-0.6	3.1	-11.2	8.0		
Capital Apprec (307/FDCAX)	H***	1.15	none	25.38	7967.5	-5.2	2.8	4.3	-8.4	8.0	11.4	6.8
Contrafund (22/FCNTX)	B****	0.92	Closed	69.90	75304.2	-3.4	3.3	7.1	5.9	13.9	15.5	9.2
Growth Discovery (339/FDSVX)	B****	1.01	none	15.36	1804.1	-5.5	3.7	6.1	8.7	14.1	11.5	7.7
Disc Equity (315/FDEQX)	H***	0.99	none	28.03	12968.3	-5.0	3.0	5.5	-6.1	9.5	11.6	5.4
Dividend Gth (330/FDGFEX)	H***	0.95	none	27.90	11346.1	-5.1	0.4	3.3	-11.4	5.4	6.4	4.9
Export Fund (332/FEXPX)	H***	1.11	0.75(30)	24.55	4386.8	-4.6	2.6	7.4	-0.7	11.0	13.0	10.7
Fidelity Fifty (500/FFTYX)	H***	1.12	none	20.98	1339.5	-3.8	4.1	7.6	-3.0	11.2	9.2	8.2
Focused Stock (333/FTQGX)	H***	1.17	none	13.57	78.4	2.1	4.9	14.4	6.2	12.4	14.5	4.5
Growth Company (25/FDGRX)	B****	1.08	Closed	81.64	36067.3	-1.6	3.3	11.1	8.0	13.7	14.5	8.7
Independence (73/FDFFX)	B****	1.34	none	28.91	6806.4	4.5	4.7	11.3	19.7	19.6	16.2	9.5
Lg Cap Core En Idx (1827/FLCEX)	H***	1.0 Est	none	9.71	928.0	-4.2	1.6	5.9				
Lg Cap Gth En Idx (1829/FLGEX)	H***	1.0 Est	none	9.97	36.5	-3.0	4.0	7.9				
Large Cap Growth (763/FLGX)	H***↑	0.96	none	10.13	145.1	-5.4	5.4	6.1	-9.5	3.8	8.4	
Large-Cap Stock (338/FLCSX)	H***	1.11	none	17.99	1101.4	-6.9	0.5	6.3	-5.3	9.5	9.3	3.8
Lg Cap Val En Idx (1828/FLVEX)	H***	1.0 Est	none	8.93	26.5	-5.2	0.0	3.2				
Large Cap Value (708/FLCSX)	H***	1.06	none	13.61	1495.4	-6.1	1.2	4.1	-11.5	8.2	11.8	
Lev Co Stock (122/FLVCSX)	B****	1.20	1.5(90)	35.16	7569.5	8.8	8.8	16.2	6.2	19.8	25.2	
Low-Priced Stock (316/FLPSX)	H***	0.92	Closed	41.32	31746.9	0.5	3.5	6.8	-5.9	10.2	15.5	12.1
Magellan (21/FMAGX)	B****	1.12	none	87.39	40531.8	-3.8	3.0	7.4	2.7	9.7	9.8	4.6
Mid Cap Growth (793/FMSGX)	H***↑	1.17	0.75(30)	13.11	298.2	-3.0	5.1	9.4	-8.9	6.3	11.4	
Mid Cap Stock (337/FMCSX)	H***	1.11	Closed	29.53	12973.6	1.0	7.3	12.0	-5.7	14.0	13.5	10.1
Mid Cap Value (762/FSMVX)	S**	1.08	0.75(30)	15.70	713.5	-3.6	3.8	5.4	-13.3	8.7	13.5	
New Millennium (300/FMILX)	B****	1.04	none	27.94	2067.8	-5.9	2.8	7.8	-0.7	13.5	11.5	11.6
OTC Portfolio (93/FOCPX)	B****	1.21	none	48.97	7384.8	-6.1	4.0	13.8	7.8	12.5	13.5	6.8
Small Cap Gth (1388/FCPGX)	H***	1.05	1.5(90)	14.70	1219.8	-6.8	5.2	6.1	-7.1	12.0		
Small Cap Indep (336/FDSCX)	H***	1.08	1.5(90)	18.37	2036.8	-7.7	4.7	7.6	-14.0	8.8	12.5	5.5
Small Cap Stock (340/FSLCX)	H***	0.94	Closed	16.72	4074.8	-4.1	4.2	6.6	-7.7	9.3	13.9	10.3
Small Cap Value (1389/FCPVX)	S**	1.12	1.5(90)	12.85	1150.5	-5.5	2.8	3.5	-14.6	8.3		
Stock Selector (320/FDSSX)	B****	0.99	none	28.15	1112.6	-4.6	1.5	6.1	-2.6	9.7	10.8	4.1
Tax Mgd Stock (343/FTXMX)	B****	0.99	1(730)	15.65	154.2	-2.6	5.1	6.5	-3.2	11.3	13.0	
Trend (5/FTRNX)	B****	1.12	none	66.66	995.0	-5.7	3.4	9.0	4.3	11.2	11.7	4.7
Value (39/FDVLX)	H***	1.08	none	73.79	19070.3	-1.6	2.5	7.9	-11.2	9.0	14.1	8.9
Value Discovery (832/FVDFX)	H***↓	1.09	none	16.97	1238.7	-5.4	0.4	4.4	-7.8	11.7	13.9	
Value Strategies (14/FSLSX)	H***	1.13	none	27.67	290.0	-3.9	3.6	6.6	-13.6	8.2	13.4	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.71	none	19.36	26732.9	-0.8	2.3	5.0	-1.3	10.1	11.2	8.4
Convertible Sec (308/FCVXSX)	B****	0.86	none	29.29	3102.5	5.2	4.8	9.7	6.8	16.1	13.1	11.1
Equity-Income (23/FEQIX)	H***	1.07	none	51.46	28980.3	-4.6	-0.3	4.4	-12.0	7.8	10.2	5.2
Equity-Income II (319/FEQTX)	H***	1.06	none	21.43	9388.0	-5.6	-0.6	3.8	-10.3	6.1	8.7	5.1
Fidelity Fund (3/FFIDX)	B****	0.99	none	38.01	7392.4	-4.3	2.1	5.8	1.4	11.0	11.4	5.2
Growth & Income (27/FGRIX)	H***	1.17	none	24.97	15917.1	-8.2	-2.6	0.7	-13.8	2.2	5.1	2.4
Mega Cap Stock (361/FGRTX)	B****	0.98	none	10.89	731.8	-6.7	0.3	2.9	-5.3	9.3	8.1	
Puritan (4/FPURX)	B****	0.64	none	18.33	23151.7	-3.0	1.1	3.5	-3.8	7.7	8.9	6.0
Real Estate Income (833/FRIFX)	S**	0.34	0.75(90)	9.97	412.9	-2.4	0.8	0.0	-11.0	1.8	5.6	
Real Estate (303/FRESX)	S**	1.63	0.75(90)	28.59	5191.9	10.3	-0.3	13.2	-15.7	9.1	16.8	11.9
Strategic Div & Inc (1329/FSDIX)	B****	0.88	none	12.36	878.7	-0.8	1.1	5.3	-6.5	8.6		
Utilities (311/FUIX)	B****	0.98	none	19.71	1174.3	-3.7	3.6	10.5	-8.8	14.6	14.7	5.1
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.39	0.75(30)	31.25	42.3	-19.1	-4.5	-8.9	-26.7	5.2	10.8	7.1
Automotive (502/FAVX)	H***↑	1.39	0.75(30)	35.48	22.7	-5.1	-5.4	3.7	-15.9	4.4	8.6	3.3
Banking (507/FSRBX)	S**	1.63	0.75(30)	21.64	322.8	-11.0	-4.6	-2.1	-30.4	-5.8	1.1	1.6
Biotechnology (42/FBIOX)	B****	0.97	0.75(30)	65.14	1069.7	-2.3	4.4	4.1	-3.0	6.4	6.5	8.4
Brokerage (68/FSLBX)	H***	1.42	0.75(30)	58.85	706.9	-8.3	2.0	3.6	-15.7	13.2	14.4	9.8
IT Ser / Bus Ser (353/FBSOX)	H***	1.08	0.75(30)	17.31	44.6	3.6	5.4	17.2	0.0	14.6	13.6	9.7
Chemicals (69/FSCHX)	B****	1.36	0.75(30)	91.08	412.0	10.2	6.3	12.1	24.4	20.6	23.0	11.6
Computers (7/FDCPX)	B****	1.30	0.75(30)	45.73	461.3	-5.4	5.8	13.6	5.8	10.1	10.3	6.2
Const & Housing (511/FSHOX)	H***↑	1.63	0.75(30)	34.49	93.3	4.6	1.0	6.8	-16.9	0.8	12.0	8.0
Consumer Disc (517/FSCPX)	S**	1.15	0.75(30)	20.34	24.6	-3.2	1.6	3.3	-17.8	1.3	5.2	2.4
Industrial / Cyc Ind (515/FCYIX)	H***	1.09	0.75(30)	22.28	143.9	0.4	2.6	9.1	4.6	15.3	19.5	9.5
Defense & Aero (67/FSDAX)	H***	1.01	0.75(30)	78.01	1202.6	-6.0	-0.5	4.0	-1.4	13.5	20.2	11.6
Com Equip / DevC (518/FSDCX)	H***	1.33	0.75(30)	22.71	259.9	1.1	7.5	16.5	0.4	8.2	12.5	6.1
Electronics (8/FSELX)	H***	1.31	0.75(30)	42.75	1283.9	-6.3	5.7	15.0	-10.3	2.9	6.2	6.7
Energy (60/FSENX)	B****	1.48	0.75(30)	72.88	3465.9	11.5	7.7	15.2	33.2	34.5	32.8	17.8
Energy Service (43/FSESX)	B****	1.61	0.75(30)	109.33	2554.8	12.1	8.5	23.0	39.4	37.8	29.9	15.7
Environmental (516/FSLEX)	H***	0.99	0.75(30)	19.22	48.6	-0.7	4.6	8.5	6.2	11.0	11.5	1.5
Financial Services (66/FIDSX)	S**	1.51	0.75(30)	81.86	423.0	-14.3	-5.2	-2.7	-29.5	-1.0	3.9	3.6
Con Stap / Food Ag (9/FDFAX)	B****	0.65	0.75(30)	65.30	859.5	-1.8	1.1	3.3	8.3	14.5	14.7	7.7
Gold (41/FSAGX)	H***	1.70	0.75(30)	41.54	2063.0	4.6	7.3	-10.1	32.5	37.8	23.7	16.6
Health Care (63/FSPHX)	H***	0.76	0.75(30)	107.86	1812.7	-10.3	2.8	-1.2	-8.6	5.6	7.7	5.7
Home Finance (98/FSVLX)	S**	2.06	0.75(30)	24.48	150.4	-13.8	-3.1	-4.6	-47.3	-14.5	-5.2	-1.5
Indust Equip (510/FSCGX)	B****	1.10	0.75(30)	34.26	181.7	-3.0	2.3	7.4	5.0	15.7	18.3	7.3
Materials / Ind Mat (509/FSDPX)	B****	1.40	0.75(30)	63.45	400.1	8.5	6.4	11.3	17.7	26.9	25.9	12.4
Insurance (45/FSPCX)	H***	1.28	0.75(30)	50.92	140.2	-19.1	-4.1	-5.7	-26.8	-0.9	4.9	7.0
Leisure (62/FDLSX)	H***	1.07	0.75(30)	70.45	209.0	-8.0	-0.9	2.6	-10.4	6.9	10.5	6.6
Medical Delivery (505/FSHCX)	H***	0.84	0.75(30)	42.61	446.5	-18.2	4.8	-5.0	-16.3	3.0	17.8	7.1
Medical Equip/Sys (354/FSMEX)	B****	0.76	0.75(30)	24.36	1167.2	1.1	1.5	3.0	10.1	8.9	12.4	14.7
Multimedia (503/FBMPX)	S**	0.98	0.75(30)	35.91	51.1	-2.0	4.6	4.4	-15.6	3.6	6.3	6.3
Natural Gas (513/FSNGX)	B****	1.44	0.75(30)	54.19	2018.9	16.5	5.2	13.1	30.0	31.6	31.2	19.5
Nat Resources (514/FNARX)	B****	1.49	0.75(30)	43.94	2680.8	11.1	8.5	14.1	34.4	38.4	33.6	18.2
Networking (912/FNINX)	H***	1.28	0.75(30)	2.34	54.4	-5.6	9.9	18.8	-9.3	3.0	4.3	
Paper & Forest (506/FSFPX)	S**	1.28	0.75(30)	29.34	18.4	-6.4	8.4	6.2	-16.4	5.0	5.4	3.8
Pharmaceuticals (580/FPHAX)	H***	0.85	0.75(30)	10.33	148.3	-10.6	2.2	-1.0	-10.4	8.6	6.8	
Retailing (46/FSRPX)	S**	1.37	0.75(30)	39.61	51.3	-3.2	2.8	8.3	-19.3	2.4	9.0	4.1
Software (28/FSCSX)	H***	1.17	0.75(30)	77.81	847.6	-4.2	4.8	16.5	9.4	16.1	14.1	11.8
Technology (64/FSPTX)	H***	1.30	0.75(30)	77.29	1675.9	-5.0	5.6	15.9	3.9	9.4	10.3	7.7
Telecom (96/FSTCX)	H***	1.22	0.75(30)	45.85	337.4	-11.7	2.3	7.6	-19.3	9.8	11.1	1.4
Transportation (512/FSREX)	H***	1.30	0.75(30)	46.40	75.7	4.5	2.7	7.8	-9.4	10.6	14.3	10.6
Utilities Growth (65/FSUTX)	H***	1.05	0.75(30)	62.66	593.3	-2.5	3.1	9.8	-1.0	17.2	17.3	6.8
Wireless (963/FWRLX)	H***	1.37	0.75(30)	7.87	393.1	-8.9	4.4	8.9	-1.5	13.1	23.0	

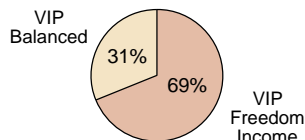
MAY PERFORMANCE						30-day	2008	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.96	1 (30)	14.85	444.1		-1.9	3.8	7.8	-7.2	11.9	13.9
Canada (309/FICDX)	B****	1.12	1.5(90)	66.00	4803.5		7.5	8.3	9.9	20.0	28.2	27.8
China Region (352/FHKCX)	S**	1.54	1.5(90)	29.22	1534.5		-6.3	-0.3	4.2	31.5	25.8	25.7
Diversified Int'l (325/FDIVX)	H***	1.01	Closed	38.94	53449.5		-2.4	2.0	6.6	1.6	18.1	20.4
Emerging Mkts (322/FEMKX)	S**	1.32	1.5(90)	32.91	6107.4		-2.8	3.5	5.1	22.2	37.8	36.0
Europe (301/FIEUX)	H***	1.03	1 (30)	40.89	4972.1		-3.0	3.1	7.3	-2.0	18.4	22.7
Europe Cap Appr (341/FECAX)	H***	1.04	1 (30)	25.40	1045.6		-4.5	1.8	5.8	-0.8	20.2	20.1
Global Balanced (334/FGBLX)	B****	0.58	1 (30)	22.59	430.7		0.5	1.5	4.9	7.1	12.5	14.4
Int'l Discovery (305/FIGRX)	H***	1.00	1 (30)	40.92	13160.5		-5.0	1.9	5.2	1.3	19.1	21.5
Int'l Growth (1979/FIGFX)	H***	1.1 Est	1 (30)	9.37	23.1		-2.0	2.5	7.0			
Int'l Real Estate (1368/FIREX)	S**	1.22	1.5(90)	12.44	716.0		-7.2	-4.2	0.2	-18.7	12.6	
Int'l Small Cap (818/FISMX)	H***	0.96	Closed	23.07	1196.5		-0.1	5.0	5.8	-1.5	18.1	26.9
Int'l Small Cap Opp (1504/FSCOX)	H***	1.21	2 (90)	14.08	899.4		-2.4	2.6	2.4	-11.1		
Int'l Value (1597/FIVLX)	H***	1.08	1 (30)	11.22	335.7		-1.8	1.0	7.2	-2.7		
Japan (350/FJPNX)	B****	1.09	1.5(90)	14.64	1706.0		2.1	2.9	8.8	-4.9	12.5	16.0
Japan Smaller Co (360/FJSCX)	H***	1.01	Closed	10.39	621.6		-5.8	2.1	4.6	-13.0	-2.4	11.9
Latin America (349/FLATX)	H***↑	1.80	1.5(90)	71.65	6317.2		15.5	8.2	14.0	36.8	51.6	49.1
Nordic (342/FNORX)	H***	1.29	1.5(90)	44.67	768.4		-1.5	4.1	5.4	4.4	24.4	26.9
Overseas (94/FOSFX)	H***	1.14	1 (30)	45.66	9055.0		-5.6	1.3	4.1	1.9	19.4	20.7
Pacific Basin (302/FPBFX)	H***	1.16	1.5(90)	26.88	942.1		-11.0	0.9	0.8	-2.5	20.1	22.0
Southeast Asia (351/FSEAX)	S**	1.43	1.5(90)	33.71	3998.5		-15.0	-1.7	-2.3	9.2	31.7	31.7
Total Int'l Equity (1978/FTIEX)	H***	1.0 Est	1 (30)	9.27	50.2		-1.9	2.0	6.6			
Worldwide (318/FWWFX)	H***	1.03	1 (30)	21.00	1566.0		-1.7	3.2	9.4	3.9	16.7	17.0
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.80	none	29.67	1901.0		-2.3	1.4	5.3	-4.2	8.8	10.9
NASDAQ Comp (1282/FNCMX)	H***	1.10	0.75(90)	33.52	176.0		-4.5	4.7	11.5	-2.5	7.5	
Spart Ext Mkt Idx (398/FSEMX)	H***	1.01	0.75(90)	37.67	2274.0		-0.2	4.8	8.8	-5.5	10.6	14.5
Spart Int'l Index (399/FSIIX)	H***	0.99	1(90)	46.12	4905.6		-2.4	1.0	6.8	-2.3	16.9	19.1
Spart 500 Index (317/FSMKX)	B****	1.00	none	97.44	7809.5		-3.8	1.3	5.8	-6.7	7.5	9.7
Spart Total Mkt Idx (397/FSTMX)	H***	1.00	0.5(90)	39.55	4895.1		-3.0	2.1	6.5	-6.3	8.3	10.8
Asset Mgr 20% (328/FASIX)	B****	0.19	none	12.23	2507.8		-0.8	0.3	0.9	0.5	5.6	6.0
Asset Mgr 30% (1957/FTANX)	B****	0.3 Est	none	9.61	30.1		-1.3	0.6	1.6			
Asset Mgr 40% (1958/FFANX)	B****	0.4 Est	none	9.51	8.4		-1.6	0.8	2.4			
Asset Mgr 50% (314/FASMIX)	B****	0.48	none	15.06	7808.9		-2.3	1.1	3.0	-2.3	6.0	6.1
Asset Mgr 60% (1959/FSANX)	B****	0.6 Est	none	9.34	10.4		-2.7	1.2	3.8			
Asset Mgr 70% (321/FASGX)	B****	0.69	none	16.48	2836.6		-3.0	1.5	4.7	-3.7	6.7	7.0
Asset Mgr 85% (347/FAMRX)	B****	0.83	none	13.67	547.3		-3.4	1.8	5.6	-4.8	9.1	11.7
Dynamic Strategies (1960/FDYSX)	B****	0.5 Est	none	9.70	65.1		1.6	2.6	5.7			
Freedom 2000 (370/FFBFX)	B****	0.25	none	12.09	1811.7		-0.2	0.6	1.4	0.8	5.0	5.0
Freedom 2005 (1312/FFVFX)	B****	0.47	none	11.38	1092.0		-1.1	1.1	3.2	-0.3	6.9	
Freedom 2010 (371/FFFCX)	B****	0.48	none	14.25	14415.4		-1.0	1.1	3.3	-0.1	7.2	7.6
Freedom 2015 (1313/FFVFX)	B****	0.53	none	11.98	7575.1		-1.5	1.2	3.7	-0.9	7.9	
Freedom 2020 (372/FFFDX)	B****	0.66	none	15.00	21151.8		-1.9	1.5	4.6	-1.5	8.7	9.9
Freedom 2025 (1314/FFTWX)	B****	0.69	none	12.52	7169.9		-2.1	1.6	5.0	-2.0	8.9	
Freedom 2030 (373/FFFEX)	B****	0.81	none	15.45	14321.0		-2.7	1.8	5.7	-2.8	9.5	10.9
Freedom 2035 (1315/FFTHX)	B****	0.82	none	12.85	4263.3		-2.8	1.9	5.9	-3.0	9.6	
Freedom 2040 (718/FFFFX)	B****	0.85	none	9.08	7504.3		-2.9	1.9	6.1	-3.3	9.8	11.6
Freedom 2045 (1617/FFFGX)	B****	0.87	none	10.72	748.8		-3.0	2.0	6.2	-3.3		
Freedom 2050 (1618/FFFHX)	B****	0.90	none	10.74	754.2		-3.3	2.0	6.4	-3.6		
Freedom Income (369/FFAFX)	B****	0.20	none	11.23	2583.3		0.1	0.4	1.1	1.2	4.7	4.5
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.28	1(90)	8.58	9769.4	7.22	1.4	1.2	5.1	-1.4	7.7	9.7
Floating Rate (814/FFRHX)	H***↑	0.15	1(60)	9.44	1786.9	5.18	0.8	0.5	4.7	0.6	4.3	4.3
Focused High Inc (1366/FHIFX)	H***	0.14	1(90)	9.70	63.7	6.91	0.7	-0.2	2.3	0.3	5.2	
GNMA Portfolio (15/FGMNX)	H***	0.23	none	10.89	3448.2	4.99	1.7	-0.5	-0.5	7.2	4.4	4.1
Gov't Income (54/FGOVX)	H***	0.25	none	10.37	7368.3	3.69	1.8	-0.8	-1.4	8.7	4.5	3.5
High Income (455/SPHIX)	H***	0.18	1(90)	8.58	5459.0	7.95	2.6	0.5	4.7	0.7	6.8	8.1
Inflation-Protected (794/FINPX)	H***	0.37	none	11.27	2012.4	0.96	2.5	0.2	-2.4	10.1	3.9	4.5
Intermed Bond (32/FTHRX)	H***	0.22	none	9.94	7409.8	4.50	-0.3	-0.4	-1.8	2.2	2.8	2.6
Intermed Gov't Inc (452/FSTGX)	H***	0.21	none	10.31	946.9	3.27	1.8	-0.7	-1.6	8.5	4.5	3.2
Invest Grade Bond (26/FBNDX)	H***	0.25	none	6.99	10152.1	4.88	-0.9	-0.3	-1.5	0.5	2.4	2.8
Mortgage Securities (40/FMSFX)	H***	0.23	none	10.13	1085.1	5.14	-1.0	-0.1	-1.4	-2.3	1.4	2.4
New Markets Inc (331/FNMIX)	H***↑	0.20	1(90)	14.59	2165.2	5.91	2.0	0.5	1.7	4.3	9.0	10.4
Short-Term Bond (450/FSHIX)	H***↑	0.12	none	8.35	6756.8	4.11	-1.2	0.3	-1.8	-1.0	2.1	2.0
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.36	none	10.32	977.8	3.43	1.7	-1.7	-2.8	11.1		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.53	none	10.03	57.1	4.37	-0.3	-2.1	-3.3	9.4		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.16	none	10.30	128.0	2.43	1.8	-0.6	-1.6	8.2		
Strategic Income (368/FSICX)	H***	0.14	none	10.35	5299.2	5.60	1.5	-0.2	0.7	4.4	6.0	6.9
Strategic Real Rtn (1505/FSRRX)	H***	0.28	0.75(60)	10.45	5316.8	3.17	5.7	1.2	1.4	6.3		
Total Bond (820/FTBFX)	H***	0.22	none	10.19	99848.8	5.06	0.7	-0.4	-0.6	3.6	3.6	3.6
Ultra-Short Bond (812/FUSFX)	H***↑	0.13	0.25(60)	8.29	333.2	2.07	-6.8	0.4	-3.9	-13.0	-1.9	-0.5
US Bond Index (651/FBIDX)	H***	0.25	none	10.77	9187.1	4.63	0.8	-0.8	-1.0	4.8	3.7	3.5
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FSAZX)	H***	0.20	0.5(30)	11.14	146.0	3.69	0.8	0.8	5.1	3.1	2.8	2.9
CA Municipal Inc (91/FCTFX)	H***	0.19	0.5(30)	12.01	1657.9	3.80	0.6	0.6	4.5	2.8	3.2	3.4
CA Short-Int TF (1534/FCSTX)	H***	0.09	0.5(30)	10.19	167.4	2.69	1.8	0.3	1.8	5.1		
CT Municipal Inc (407/FICNX)	H***	0.17	0.5(30)	11.24	476.2	3.49	1.2	0.4	3.9	4.6	3.2	3.0
Intermediate Muni (36/FLTMX)	H***	0.13	0.5(30)	9.95	2352.4	3.39	1.5	0.5	2.8	4.8	3.5	3.4
MA Municipal Inc (70/FDMMX)	H***	0.19	0.5(30)	11.66	1986.0	3.73	0.8	0.6	4.5	3.5	3.2	3.5
MD Municipal Inc (429/SMDMX)	H***	0.18	0.5(30)	10.70	150.3	3.58	1.0	0.4	4.1	3.7	3.0	3.1
MI Municipal Inc (81/FMHTX)	H***	0.16	0.5(30)	11.70	610.1	3.40	1.2	0.5	3.8	4.4	3.4	3.3
MN Municipal Inc (82/FMIX)	H***	0.15	0.5(30)	11.17	370.0	3.39	1.3	0.6	3.8	4.0	3.2	3.2
Municipal Income (37/FHIGX)	H***	0.18	0.5(30)	12.44	5232.7	3.93	0.7	0.7	4.5	3.3	3.3	3.6
NJ Municipal Inc (416/FNIHX)	H***	0.17	0.5(30)	11.39	607.7	3.54	0.8	0.5	4.0	4.1	3.3	3.4
NY Municipal Inc (71/FTFMX)	H***	0.18	0.5(30)	12.62	1522.2	3.73	1.0	0.6	4.7	4.0	3.3	3.4
OH Municipal Inc (88/FOHFX)	H***	0.18	0.5(30)	11.43	439.2	3.59	1.0	0.5	4.1	4.3	3.3	3.4
PA Municipal Inc (402/FPXTX)	H***	0.15	0.5(30)	10.64	335.1	3.53	0.8	0.6	3.5	4.1	3.2	3.3
Short-Int Municipal (404/FSTFX)	H***	0.08	0.5(30)	10.38	1740.3	2.74	2.0	0.4	1.5	5.6	3.4	2.6
Tax-Free Bond (90/FTABX)	H***	0.19	0.5(30)	10.61	1061.2	3.97	0.9	0.6	4.7	3.6	3.4	3.7

MAY PERFORMANCE Indexes and Model Portfolios	Risk	Value	2008 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.92	12638.32	-3.8	-1.2	3.6	-5.1	9.0	9.9	5.7
S&P 500	1.00	1400.38	-3.8	1.3	5.8	-6.7	7.6	9.8	4.2
NASDAQ	1.09	2522.66	-4.6	4.6	11.3	-2.4	7.7	10.3	4.1
Russell 2000	1.24	748.28	-1.8	4.6	9.5	-10.5	7.9	12.5	6.4
Fidelity Monitor Income Model	0.31	89287.15	-0.5	0.9	2.3	-0.1	4.3	4.5	4.0
Fidelity Monitor G&I Model	0.60	187842.61	-0.6	2.2	4.2	-2.0	9.1	10.8	8.2
Fidelity Monitor Growth Model	1.03	203683.97	-4.6	2.7	6.3	-7.1	9.5	13.4	6.9
Fidelity Monitor Select System	1.01	426595.40	2.7	4.7	9.6	5.7	15.9	14.6	9.1
Fidelity Monitor Unique Opportunities	1.13	141889.27	0.4	4.2	10.5	0.8	15.1	18.7	

VIP CORNER

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

VIP INCOME MODEL

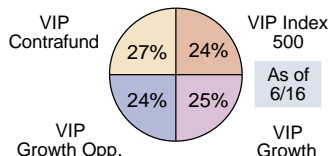


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2001: - 3.4%
1994: - 3.8%	2002: + 7.3%
1995: +16.9%	2003: + 9.9%
1996: + 6.9%	2004: + 5.1%
1997: +10.9%	2005: + 1.8%
1998: + 0.4%	2006: + 6.1%
1999: + 0.8%	2007: + 6.2%
2000: - 2.4%	*2008: - 0.5%

VIP GROWTH MODEL

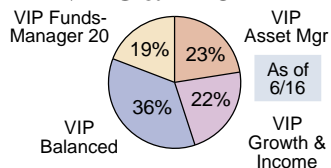


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2001: -14.0%
1994: + 4.6%	2002: -21.7%
1995: +36.1%	2003: +30.0%
1996: +16.1%	2004: + 7.0%
1997: +23.5%	2005: +10.1%
1998: +22.6%	2006: +14.5%
1999: +22.1%	2007: + 9.3%
2000: -10.3%	*2008: - 5.2%

VIP G & I MODEL

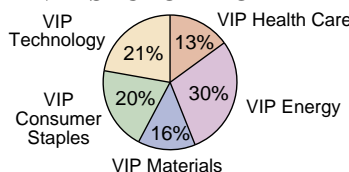


PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2002: - 9.4%
1996: +12.8%	2003: +20.8%
1997: +21.4%	2004: + 6.3%
1998: +15.1%	2005: + 4.5%
1999: + 6.1%	2006: +11.6%
2000: - 4.9%	2007: + 7.7%
2001: + 3.1%	*2008: - 0.8%

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: + 6.3%	2007: +11.2%
2005: +14.0%	*2008: - 0.6%

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

MAY VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2008 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	11.79	12.31	-9.8	5.6	7.3	-5.3		
VIP Asset Manager	B ****	12.85	40.26	2.0	2.3	5.4	9.0	9.1	7.8
VIP Asset Manager: Growth	B ****	13.23	27.16	2.2	3.0	7.5	10.3	10.5	9.1
VIP Balanced	B ****	12.48	18.48	-1.2	2.1	5.0	-1.9	8.3	6.9
VIP Consumer Discretionary	S **	10.02	10.98	-3.3	1.7	3.3	-18.3	0.5	4.4
VIP Consumer Staples	B ****	10.91	10.85	-2.1	0.9	2.9	7.4		
VIP Contrafund	B ****	13.25	49.07	-5.0	1.9	6.6	1.8	12.0	14.2
VIP Disciplined Small Cap	H ***	9.58	9.48	-3.2	5.0	7.2	-14.2		
VIP Dynamic Capital Appreciation	H ***	12.49	15.10	-5.8	2.8	4.0	-9.4	9.8	
VIP Energy	B ****	20.53	35.38	10.8	7.6	14.9	31.9	35.3	31.5
VIP Equity-Income	H ***	11.84	65.96	-4.9	-0.4	4.3	-12.7	7.1	9.6
VIP Financial Services	S **	9.25	11.24	-13.7	-5.1	-2.2	-29.3	-1.3	3.5
VIP Freedom 2005	B ****	11.96	12.08	-1.6	0.8	2.6	-0.2		
VIP Freedom 2010	B ****	11.96	12.13	-1.7	0.8	2.7	-0.2		
VIP Freedom 2015	B ****	12.22	12.46	-2.0	1.0	3.2	-0.7		
VIP Freedom 2020	B ****	12.42	12.71	-2.5	1.3	4.0	-1.5		
VIP Freedom 2025	B ****	12.50	12.85	-2.7	1.4	4.3	-1.8		
VIP Freedom 2030	B ****	12.67	13.08	-3.1	1.7	5.2	-2.4		
VIP Freedom Income	B ****	11.42	11.41	-0.2	0.3	1.0	1.7		
VIP FundsManager 20	B ****	11.05	10.92	-0.3	0.1	1.2	1.2		
VIP FundsManager 50	B ****	11.08	10.95	-2.2	0.4	2.6	-2.4		
VIP FundsManager 70	B ****	11.10	10.97	-3.5	0.8	3.8	-4.7		
VIP FundsManager 85	B ****	11.09	10.96	-4.6	1.0	4.5	-6.2		
VIP Growth	B ****	13.05	72.02	-5.7	3.7	6.1	7.1	10.5	9.7
VIP Growth & Income	B ****	12.62	20.70	-4.7	1.5	6.1	-2.9	9.8	8.2
VIP Growth Opportunities	B ****	13.02	15.70	-5.1	4.2	12.2	2.7	10.0	9.9
VIP Growth Stock	B ****	11.97	12.15	-5.9	3.6	9.0	3.9		
VIP Health Care	B ****	10.81	12.47	-10.6	2.5	-1.4	-9.3	4.5	6.8
VIP High Income	H ***	11.67	32.53	1.3	0.4	3.9	-0.9	5.9	7.0
VIP Index 500	B ****	11.87	38.24	-4.2	1.2	5.6	-7.5	6.6	8.7
VIP Industrials	B ****	14.26	20.52	0.0	2.5	8.8	4.0	15.0	19.0
VIP Int'l Capital Appreciation	H ***	12.63	13.21	-2.1	3.7	7.6	-8.1		
VIP Investment Grade Bond	H ***	10.89	30.28	-0.1	-0.6	-1.5	2.4	2.3	2.4
VIP Materials	B ****	12.40	12.34	8.6	6.3	11.1	17.5		
VIP Mid Cap	B ****	13.55	24.19	-2.0	3.7	5.7	0.3	13.9	18.7
VIP Money Market		11.25	21.64	1.1	0.2	0.6	3.6	3.7	2.4
VIP Overseas	H ***	14.82	46.27	-2.9	2.5	6.8	0.2	17.3	19.0
VIP Real Estate	S **	12.77	20.21	9.3	-0.1	13.3	-13.2	10.8	
VIP Strategic Income	H ***	11.59	12.63	1.2	-0.3	0.5	3.9	5.1	
VIP Technology	B ****	12.59	11.68	-5.9	5.4	15.4	0.0	8.8	9.7
VIP Telecommunications	H ***	8.72	8.68	-12.3	2.2	7.2	-20.9		
VIP Utilities	H ***	15.45	15.49	-2.5	3.2	10.0	-0.1	17.8	17.4
VIP Value	H ***	11.73	12.04	-2.1	2.4	7.6	-12.0		
VIP Value Leaders	H ***	11.79	12.12	-5.6	-0.6	2.9	-11.7		
VIP Value Strategies	H ***	12.03	15.20	-4.3	3.5	6.4	-14.3	7.5	
Fidelity Monitor VIP Income Model			20940.43	-0.5	0.9	2.2	0.5	4.1	4.3
Fidelity Monitor VIP G&I Model			26930.50	-0.8	1.5	3.1	-1.4	8.1	8.1
Fidelity Monitor VIP Growth Model			39274.85	-5.2	2.6	6.8	-5.8	9.6	10.5
Fidelity Monitor VIP Sector Model			20671.12	-0.6	4.9	9.5	0.4	14.3	14.5

INCOME MODEL

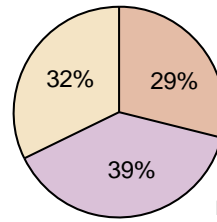
Our Income Model aims for long-term growth of 7% per year from a mix of funds that emphasize income.

FUND	NAV	SHARES	BALANCE
Balanced	\$19.36	1311.457	\$25389.81
Asset Mgr 20%	\$12.23	2867.203	\$35065.89
Freedom Income	\$11.23	2567.360	\$28831.45

7% Foreign Holdings

Balance as of 5/30/08: \$89287.15
Balance at start of 2008: \$89754.23

Freedom Income
369/FFFX



Balanced
304/FBALX

Asset
Mgr 20%
328/FASIX

PAST PERFORMANCE
Starting Balance: \$35,000

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

2008 YTD: - 0.5%

Our Income Model gained 0.9% for the month of May.

GROWTH AND INCOME MODEL

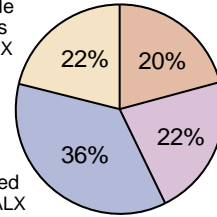
Our Growth and Income Model aims for long-term growth of 10% per year from stocks and bonds.

FUND	NAV	SHARES	BALANCE
Asset Mgr 20%	\$12.23	3126.026	\$38231.30
Consumer Staples	\$65.30	619.500	\$40453.35
Balanced	\$19.36	3490.222	\$67570.70
Conv. Securities	\$29.29	1419.845	\$41587.26

13% Foreign Holdings

Balance as of 5/30/08: \$187842.61
Balance at start of 2008: \$189006.21

Convertible Securities
308/FCVXS



Asset Mgr.
20% (Inc)
328/FASIX

As of
6/16
Fidelity
Fund
3/FFIDX

PAST PERFORMANCE
Starting Balance: \$50,000

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

2008 YTD: - 0.6%

For May our Growth and Income Model gained 2.2%. On 6/16, we'll sell **Consumer Staples** and buy **Fidelity Fund**.

GROWTH MODEL

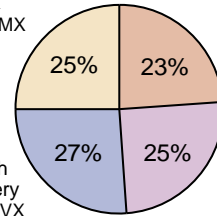
Our Growth Model aims for long-term growth of 13% per year. The model focuses on domestic funds and strives to hold profitable positions for at least a year.

FUND	NAV	SHARES	BALANCE
Stock Selector	\$28.15	1681.246	\$47327.07
Value Discovery	\$16.97	2994.897	\$50823.40
Growth Discovery	\$15.36	3515.551	\$53998.86
Tax-Manged Stock	\$15.65	3292.948	\$51534.64

14% Foreign Holdings

Balance as of 5/30/08: \$203683.97
Balance at start of 2008: \$213419.53

Tax-Managed Stock
343/FTXMX



Stock
Selector
320/FDSSX

As of
6/16
Blue Chip
Growth
312/FBGRX

PAST PERFORMANCE
Starting Balance: \$15,000

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

2008 YTD: - 4.6%

Our Growth Model was up 2.7% in May, versus 1.3% for the S&P. On 6/16 we will be selling **Value Discovery**, and buying **Blue Chip Growth**.

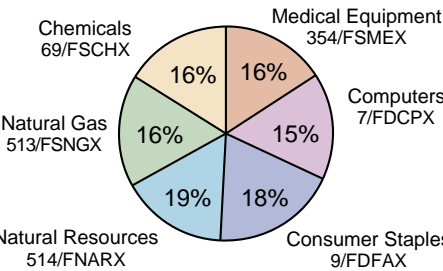
SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Medical Equipment	\$24.36	2729.352	\$66487.01
Computers	\$45.73	1361.136	\$62244.75
Consumer Staples	\$65.30	1199.574	\$78332.18
Natural Resources	\$43.94	1890.141	\$83052.80
Natural Gas	\$54.19	1281.571	\$69448.33
Chemicals	\$91.08	735.950	\$67030.33

18% Foreign Holdings

Balance as of 5/30/08: \$426595.40
Balance at start of 2008: \$415259.49



Natural Gas
513/FNSGX

Natural Resources
514/FNARX

Medical Equipment
354/FSMEX

Computers
7/FDCPX

Consumer Staples
9/FDFAX

PAST PERFORMANCE
Starting Balance: ~\$25,000

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

2008 YTD: + 2.7%

Our Select System was up 4.7% in May, compared to a 1.3% increase for the S&P 500.

UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Industrial Equip.	\$34.26	707.785	\$24248.71
Independence	\$28.91	1003.818	\$29020.38
Lev. Co. Stock	\$35.16	776.507	\$27301.99
Japan	\$14.64	1737.476	\$25436.65
OTC Portfolio	\$48.97	732.725	\$35881.54

32% Foreign Holdings

Balance as of 5/30/08: \$141889.27
Balance at start of 2008: \$141360.40

OTC Portfolio
93/FOCPX

Japan
350/FJPNX

Industrial Equip
510/FSCGX

Independence
73/FDFFX

Lev. Co. 122/FLVCX

PAST PERFORMANCE
Starting Balance: \$50,000

(Partial Yr 99)	2003: +43.2%
1999: +33.8%	2004: +20.6%
2000: -20.5%	2005: +18.8%
2001: + 1.6%	2006: +16.6%
2002: - 2.1%	2007: +11.6%

2008 YTD: + 0.4%

We were up 4.2% in May. On 5/12 we sold **Trend** (\$65.57) and bought **OTC Portfolio** (\$48.58).

It's possible that oil might get pushed into the \$150 to \$200 range if China's coal supply crashes and triggers a major electricity crisis, but so far the outages have been limited, and the recent earthquake had only a minor impact on coal supplies.

Currently, the price of oil is high enough that consumers in the U.S., Europe, and Japan will be purchasing higher-mileage vehicles, helping to shrink oil demand. Unless depletion accelerates, this should free up enough oil to accommodate a few years of rising demand in emerging countries.

Beginning in 2010, major automakers will begin building vehicles that get at least some of their energy from the grid. Driving on electricity is about three times more efficient than internal combustion, because it generates only a small fraction of the waste heat. The U.S. is self-sufficient in electricity, and it would only take a 10% increase in grid capacity to power all of the country's ground transportation.

RECOMMENDATIONS

Consumers are getting squeezed, and prices are rising, so investor fears may continue to weigh on the market until the price of oil settles into a new trading range. Fortunately, corporate earnings kept growing during the energy crunch in the 70s, and except for the financials they should continue to strengthen today.

Because inflation will continue to be a problem, it's important to have adequate stock exposure. Bonds are at risk because interest rates are likely to rise in coming years, and cash positions won't earn a high enough yield to offset purchasing power losses. But inflation allows companies to raise prices faster, meaning that earnings growth will pick up, even if P/E ratios shrink a bit along the way.

It's probably too early to be taking profits in the energy sector, but it might be a bit too late to jump in for short-term gains. Try to view the energy sector as a long-term inflation hedge. Unless you're fairly aggressive, limit your position to 20% of assets, and plan to sit tight for a period of at least five years. ■

RECOMMENDATIONS - Continued from page 1
to following the model portfolio, our favorites include **Freedom Income, Asset Manager 20%, and Dynamic Strategies.**

Signs that the economy is holding up better than expected gave a lift to **Capital & Income**, and rising commodity prices helped **Strategic Real Return**. Both funds returned 1.2%. Still, most bond funds finished slightly lower as interest rates moved up on inflation worries. Hardest hit was **Spartan Long-Term Treasury Index**, which lost 2.1% for the month.

Muni bond funds posted increases ranging from 0.3% to 0.8%.

SELECT PORTFOLIOS

Our Select System holdings are listed on page 7. We prefer that subscribers follow the model portfolio, but the following buy list is provided for those looking for ideas that might pay off over the long run: **Natural Gas, Energy Service, Energy, Natural Resources, Consumer Staples, Medical Equipment, Biotechnology, Chemicals, Materials, Industrial Equipment, and Computers.**

Networking was up 9.9%, while both **Natural Resources** and **Energy Service** rose 8.5%. On the bottom end, **Banking** declined 4.6%, **Financial Services** slid 5.2%, and **Automotive** lost 5.4%. ■

Happenings

Fidelity has unveiled **Emerging Europe, Middle East, Africa (EMEA) Fund**. Many economies in these regions are enjoying a boom in oil revenue, but we question whether the new offering will have any advantage over an energy fund. We rate it a hold.

Among manager changes, John Sheehy is the new stockpicker at **Paper & Forest**, Jonathan Kasen has taken over at **Industrial Equipment**, Maurice FitzMauice is now running **Defense & Aero**, Brian Wilhelm is heading **Insurance**, and Charles Myers has been named manager of **Small Cap Value**. ■

MAY DISTRIBUTIONS

Asset Manager 20%	\$0.03 / \$12.23 (5/2)	Freedom 2035	\$0.445/\$12.69 (5/9)
Asset Manager 30%	\$0.018 / \$9.61 (5/2)	Freedom 2040	\$0.36 / \$8.96 (5/9)
Freedom 2000	\$0.26 / \$12.08 (5/9)	Freedom 2045	\$0.285/\$10.57 (5/9)
Freedom 2005	\$0.275/\$11.32 (5/9)	Freedom 2050	\$0.31 / \$10.59 (5/9)
Freedom 2010	\$0.42 / \$14.18 (5/9)	Freedom Income	\$0.14 / \$11.22 (5/2)
Freedom 2015	\$0.305/\$11.90 (5/9)	Magellan	\$2.87 / \$86.42 (5/2)
Freedom 2020	\$0.505/\$14.87 (5/9)		
Freedom 2025	\$0.375/\$12.40 (5/9)		
Freedom 2030	\$0.61 / \$15.27 (5/9)		

Funds scheduled for June include **Asset Manager 20%/30%, Capital & Inc., Focused High Inc., Freedom Inc., High Inc., Large Cap Stock, Mid-Cap Stock, Real Estate, Real Estate Inc., Small Cap Ind., Small Cap Stock, Spartan 500.**

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	125050.9	2.61	CT MM (418/FCMXX)	2190.1	1.45			
Select MM (85/FSLXX)	7066.0	2.71	MA MM (74/FDMXX)	5374.2	1.32			
Money Market (454/SPRXX)	7788.9	2.55	MI MM (420/FMIXX)	1100.1	1.31	MA AMT TF (426/FMSXX)	798.7	1.51
Gov't MM (458/SPAXX)	837.9	2.16	NJ MM (417/FNJXX)	2491.3	1.48	AMT Tax-Free (460/FIMXX)	3488.7	1.60
US Treas. MM (415/FDLXX)	4786.5	1.39	NY MM (92/FNYXX)	5407.5	1.23	NJ AMT TF (423/FSJXX)	737.8	1.61
Tax-Free MM (275/FMOXX)	5864.0	1.43	OH MM (419/FOMXX)	1157.7	1.41	NY AMT TF (422/FSNXX)	1365.2	1.49
US Gov't Reser (50/FGRXX)	3661.3	2.29	AZ MM (433/FSAXX)	387.6	1.46	PA MM (401/FPTXX)	806.5	1.52
CA MM (97/FCFXX)	5967.1	1.47	CA AMT TF (457/FSPXX)	2026.7	1.66	Municipal MM (10/FTEXX)	22376.8	1.58