

Global Asset Allocation Shift May Favor Stocks Over Bonds

The overseas liquidity pool is suddenly showing signs of being drained. There's more upward pressure on interest rates, and it doesn't really have all that much to do with inflation. Across the globe, many foreign governments and state-run enterprises that invest surplus capital in bonds are starting to pull back. Some are stepping up their infrastructure spending, and have less to put in U.S. treasuries. Others are still throwing off lots of excess capital, but are shifting their investment focus to include stock-oriented investments.

Here at home, the hedge fund situation is also

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Unique Opportunities, Select System, VIP Sector To Change

The following model portfolio trades will take place on 7/16:

Our Unique Opportunities Model will sell **Utilities Growth** (65/FSUTX), moving three-fourths of the proceeds to **Industrial Equip** (510/FSCGX), and adding the rest to **Leveraged Company Stock** (122/FLVCX). The resulting mix will be roughly 17% **Industrial Equipment**, 20% **International Value**, 37% **Leveraged Company Stock**, and 26% **Equity-Income**. By replacing an interest-rate sensitive sector with cyclical stocks, the portfolio should hold up better as inflation creeps up overseas.

Our Select System will sell **Utilities Growth** (65/FSUTX), placing one-fourth of the proceeds into **Medical Delivery** (505/FSHCX), and the remaining three-fourths in **Natural Resources** (514/FNARX). The resulting mix will be roughly 16% **Medical Delivery**, 17% **Insurance**, 18% **Consumer Staples**, 13% **Natural Resources**, 16% **Software**, and 20% **Telecom**. Volatility has jumped in the utility sector, and declined in the energy groups. It's now possible to return to a direct bet on energy without incurring too much overall risk in the portfolio.

Our VIP Sector Model will sell **VIP Consumer Discretionary** and buy the new **VIP Consumer Staples** portfolio. The portfolio will also sell **VIP Utilities**, putting one-fourth of proceeds into **VIP Consumer Staples**, and three-fourths in **VIP Energy**.

Review & Recommendations

Long-term bond yields jumped as overseas interest rates continued to move up, and as the market concluded the Fed will not be able to ease this year. Investors also reacted to the bailout of two Bear Stearns hedge funds caught up in the sub-prime meltdown – factoring in the possibility that corporate takeovers won't be as easy to finance from now on. The S&P 500 declined 1.7% for June.

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**.

Leading the group, **Aggressive Growth** gained 1.8%, **OTC Portfolio** was up 1.4%, and **Growth Discovery** climbed 1.3%. On the bottom end, **Mid Cap Value** slid 2.6%, while **Large Cap Growth** and **Mid-Cap Growth** both declined 3.5%.

INTERNATIONAL FUNDS

Our current favorite is **Int'l Value**, which offers broad exposure to foreign stocks with an emphasis on European markets. **Canada** is a good choice for commodity exposure. This month we're downgrading emerging market funds. Rising interest rates could spell trouble for a group that's come too far, too fast. Limit them to 5% (or less) of your total portfolio.

China Region jumped 9.5%, **Southeast Asia** climbed 6.5%, and **Emerging Markets** was up 3.8%. Those trailing behind included **Worldwide**, off 0.4%, **Europe Capital Appreciation** with a decline of 0.6%, and **Europe**, down 0.9%.

GROWTH & INCOME FUNDS

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

Convertible Securities, helped by a strong energy group, was up 0.9%. **Growth & Income** was off just 0.3%, and **Balanced** declined 0.9%. Interest rate sensitive funds lagged. **Equity-Income II** lost 2.1%, and **Utilities** was down 3.5%.

BOND FUNDS

Income Model holdings are listed on page 7.

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starting to reduce demand for bonds, and eventually may provide a boost for large-cap stocks. With the sub-prime meltdown taking out two Bear Sterns hedge funds, the institutions that fed the “alternative investment” boom may be forced to reevaluate their strategies. And with an increasing number of hedge funds struggling to keep up with the S&P 500 (in part due to high fees), many endowments, foundations, and pension funds may simply decide they are better off just indexing to the S&P 500.

It’s not that stocks aren’t vulnerable in the short run. There are still many big investors who believe stocks are worth less anytime the yield on 10-year treasuries goes up. It may take a while before they realize that corporations are carrying much less debt these days, and that foreign earnings growth could largely offset any increase in borrowing costs. But eventually they’ll figure it out, and in the meantime a huge volume of stock buyback activity will continue to support the S&P 500.

With those thoughts in mind, here’s a review of the Fidelity stock funds that are well-positioned to weather the storm and grow over the long run. They are listed alphabetically.

CAPITAL APPRECIATION

This fund has done remarkably well considering it has zero energy exposure. Manager Fergus Shiel is emphasizing consumer stocks (specialty retailers and media firms) and the industrial sector. The two groups account for a combined 43% of assets, suggesting that Shiel is not too concerned about an economic slowdown. It probably doesn’t make sense to put a large share of your money in this fund, but it offers a degree of diversification if other funds in your portfolio have heavy emphasis on the energy sector. **Capital Appreciation** is currently in the large-cap growth stylebox, and is about 20-30% more risky than the S&P 500.

DISCIPLINED EQUITY

If you like the concept of an enhanced index fund, this fund may actually be the best bet. Unlike Fidelity’s recent introductions, **Disciplined Equity** has been in operation for over 18 years. With a lifetime return of about 13% per year, it has exceeded the S&P 500 by about one percentage point during that period. New manager Keith Quinton, who has done quite well at the helm of **Tax-Managed Stock**, took over the fund last October and has posted good results – considering how closely **Disciplined Equity**

matches the S&P 500 on industry weightings. The fund currently falls in the large-cap value stylebox, and carries about 5-10% more risk than the S&P 500.

EQUITY-INCOME

This fund invests mainly in dividend stocks and has an internal goal of exceeding the dividend yield on the S&P 500. That income stream, which is currently around 2%, isn’t anything to write home about. However, because many of the companies paying dividends are also buying back lots of stock, **Equity-Income** is a play on the S&P 500 firms that are most committed to improving their stock values through direct shareholder compensation.

Actually, that’s nothing new. Except today the money is split between dividends and buybacks, whereas in the past almost all of it would have been paid in the form of dividends. Either way, it should come as no surprise that dividend stocks have always been the most dependable segment of the stock market over time, and that **Equity-Income** has outperformed the S&P for more than 40 years.

But there is one problem – the financial sector currently makes up 27.3% of the fund’s portfolio, which means performance may suffer in the next year or two if the financials lag along with the bond market. **Equity-Income** resides in the large-cap value corner of the stylebox, and maintains a risk level that’s very close to the S&P 500 index.

LEVERAGED COMPANY STOCK

Thomas Soviero may be a modern day Peter Lynch in the making, but don’t expect to read about him in any magazines. Financial columnists these days are too busy grinding their axes to give Fidelity credit where credit is due. Besides, the very name of this fund can cause shivers to go down the spine.

But it’s not as bad as it sounds. Leverage in this case refers not to the style of investing, but rather the amount of debt a corporation is carrying. Companies in the fund’s portfolio carry substantial debt, and their bonds are rated in the junk-bond category. But contrary to investor beliefs, a heavy debt load is not always a bad thing. The market tends to value these companies on the cheap, creating opportunity for those who can spot the diamonds in the rough.

Unlike other stock funds, **Leveraged Company Stock** gets its research from Fidelity’s high-yield bond group. Soviero himself is a former high-yield bond manager. It’s an approach that works, because the most important thing to know is whether these companies will survive and prosper, or end up filing

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for bankruptcy. Fidelity's high-yield research team gets it right far more often than not.

With 35% of holdings in the energy sector and 10% in the materials group, the fund is somewhat of a natural resources play, and could be vulnerable if commodity prices fall. But it shouldn't be hurt much by rising interest rates and rising global inflation. **Leveraged Company Stock** carries 20-30% more risk than the S&P 500, and falls into the mid-cap blend category.

NEW MILLENNIUM

New manager John Roth has reshaped this fund into a low-risk play on large-cap growth stocks, and Fidelity recently reopened it to new investors. With only 11% of assets in the fund's top 10 positions, it has more diversification than other Fidelity funds in this corner of the stylebox. That means it shouldn't fall out of bed if one of its top stock holdings has a bad day on Wall Street.

Top industry groups include tech (22%) and health care (19%). Financials (15%) are underweighted relative to the S&P 500. The fund has 22% of assets in foreign stocks, more than most funds in this group. **New Millennium's** risk score implies that it's one-third more volatile than the S&P 500, but an analysis of the period since Roth took over suggests the fund has dropped down to 10-20% more risk than the index.

Because this fund saw heavy redemptions in the wake of Neal Miller's departure last July, investors who are tax-sensitive may want to wait until 2008 to purchase it in a non-retirement account. That way the tax impact of the fund's upcoming December distribution (which may be sizable) can be avoided.

SPARTAN 500 INDEX

There are times when indexing works well, and times when it doesn't. However, with foreign growth driving the U.S. economy (as opposed to the other way around), a case can be made for large-cap stocks. And the S&P 500 index is a good way to bet on the bluest of the blue chips.

Indexing sometimes feeds on itself. The period from 1996 to 1998 can be described as an index "mania" of sorts – the S&P 500 became such a popular investment vehicle that it left most other investments in the dust. But large-cap valuations got pushed up so high that earnings have been playing catch-up ever since. Now that large-cap valuations are once again attractive, the stage may be set for a new wave of index popularity.

This time, however, the rush may come more from pension funds, foundations, and endowments.

These are the institutions that have put the most money in hedge funds, and their disillusionment could send a lot of money into S&P 500 index vehicles. If that happens, large cap stocks stand to come out ahead. It won't be the kind of "melt-up" scenario that played out in 1996-1998, but it could make things tough for funds that focus mostly on smaller stocks.

Spartan 500 Index comes in two flavors – investor class, with an expense ratio of 0.10%, and a high minimum advantaged class with a 0.07% ratio.

TAX-MANAGED STOCK

Designed for the investor who doesn't like paying taxes on capital gain distributions in a non-retirement account, this fund lets you build up a large unrealized capital gain so you can take one big tax hit when selling out many years down the road. That may not be the best strategy given today's low 15% rate on long-term capital gains. However, if you plan to donate the appreciated securities to a charity, a fund like this makes good sense.

Interestingly, **Tax-Managed Stock** has been more tax-efficient than most index funds. Up until 2004 it didn't perform any better than the S&P 500, but that changed after manager Keith Quinton came on board. Over the last three years, the fund has exceeded the return of the S&P 500 index by an impressive 5 percentage points per year.

If Quinton is able to keep up that kind of track record, **Tax-Managed Stock** could be a sensible alternative to variable annuities and retirement accounts. Unlike those vehicles, which ultimately tax all investment gains at full income rates, the gains realized in this fund are mostly taxed at the more favorable long-term capital gain rate (provided the fund is held for more than one year).

There is an element of risk using **Tax-Managed Stock** as a tax-deferral vehicle. If it begins to lag many years from now, you won't be able to switch to another fund without triggering a big tax bill. Fortunately, the odds of slipping behind the S&P 500 are lower at Fidelity than at its competitors, thanks to savvy research. Some 60% of Fidelity's diversified stock funds finished ahead of the S&P 500 over the last 10 years. In the industry, it's more like 20%.

VALUE FUND

Long-time manager Rich Fentin looks at stocks that have been clobbered in a major way, and buys the ones with the greatest potential for recovery. For any given stock, this approach can take years to pay off, so Fentin spreads his bets far and wide, holding

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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 ↓.

JUNE 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***	1.54	1.5(90)	22.06	3774.6	13.8	1.8	11.1	27.4	11.2	13.0	3.6
Blue Chip Gth (312/FBGRX)	H***	1.03	none	47.43	20282.6	7.0	-0.4	7.7	16.2	6.7	6.9	4.7
Blue Chip Value (1271/FBCVX)	H***	1.05	none	16.18	695.0	9.3	-1.7	6.7	22.3	15.1		
Capital Apprec (307/FDCAX)	B****	1.28	none	29.81	9817.1	10.0	-0.6	7.5	18.4	12.4	14.6	9.5
Contrafund (22/FCNTX)	H***↓	1.05	Closed	70.38	72979.4	9.0	-0.2	7.5	17.0	15.3	13.7	10.8
Growth Discovery (339/FDSVX)	H***	1.04	none	14.36	470.7	11.8	1.3	11.4	25.2	12.9	10.0	
Disc Equity (315/FDEQX)	B****↑	1.09	none	31.76	10065.9	9.4	-2.4	6.3	21.1	14.4	11.9	8.5
Dividend Gth (330/FDGFY)	H***	0.92	none	33.97	17614.5	7.2	-0.9	7.0	21.5	9.7	9.2	8.9
Export Fund (332/FEXPX)	H***	1.18	0.75(30)	25.23	4496.8	9.8	-0.9	7.1	17.3	14.1	14.4	12.6
Fidelity Fifty (500/FFTYX)	H***↓	1.17	none	26.09	1557.0	12.7	0.8	7.6	20.5	13.7	11.1	10.4
Focused Stock (333/FTQGX)	H***	1.25	none	13.84	78.1	10.7	-1.6	7.2	10.9	14.7	9.5	5.2
Growth Company (25/FDGRX)	H***	1.30	Closed	76.01	32265.9	9.0	-0.2	9.3	18.6	12.9	13.8	9.2
Independence (73/FDFFX)	H***	1.25	none	24.91	5035.5	13.4	0.2	11.2	21.9	14.8	12.6	9.8
Lg Cap Core En Idx (1827/FLCEX)	H***	1.0 Est	none	10.28	23.8		-1.7					
Lg Cap Gth En Idx (1829/FLGEX)	H***	1.0 Est	none	10.31	17.0		-1.4					
Large Cap Growth (763/FSLGX)	H***	1.54	none	11.84	181.8	2.9	-3.5	2.8	11.0	10.0	9.7	
Large-Cap Stock (338/FLCSX)	H***	1.08	none	19.37	973.5	10.8	-0.3	9.3	23.3	11.8	9.5	6.6
Lg Cap Val En Idx (1828/FLVEX)	H***	1.0 Est	none	10.20	17.4		-2.3					
Large Cap Value (708/FSLVX)	H***↓	1.07	none	15.79	1685.4	7.7	-2.2	4.6	19.7	15.9	12.8	
Lev Co Stock (122/FLVEX)	B****	1.32	1.5(90)	34.83	7454.8	20.2	-0.5	12.2	29.3	24.1	37.9	
Low-Priced Stock (316/FLPSX)	H***	1.03	Closed	47.50	41868.3	9.1	-0.9	6.3	22.3	16.8	16.1	15.0
Magellan (21/FMAGX)	H***	1.27	Closed	93.80	45277.3	10.8	-0.4	8.6	16.7	10.0	8.8	6.5
Mid Cap Growth (793/FSMGX)	H***	1.66	0.75(30)	14.70	445.7	5.2	-3.5	3.4	9.9	12.5	13.3	
Mid Cap Stock (337/FMCSX)	H***	1.35	Closed	31.90	15948.2	14.8	-1.0	7.7	20.6	17.8	14.4	13.0
Mid Cap Value (762/FSMVX)	H***	1.18	0.75(30)	18.18	1054.8	11.2	-2.6	4.2	19.8	18.5	14.8	
New Millennium (300/FMLIX)	B****↑	1.32	none	31.92	2331.2	10.4	0.1	7.8	16.5	13.4	12.4	13.5
OTC Portfolio (93/FOCPX)	H***	1.48	none	46.06	8906.3	11.4	1.4	9.6	26.6	11.5	12.1	7.6
Small Cap Gth (1388/FCPGX)	H***	1.44	1.5(90)	16.82	1032.3	16.4	-0.6	10.0	24.3			
Small Cap Indep (336/FDSCX)	H***	1.38	1.5(90)	24.18	2620.9	14.9	-0.2	9.5	25.4	17.2	13.4	9.3
Small Cap Stock (340/FSLCX)	H***	1.34	Closed	19.88	5132.9	12.1	0.1	7.6	18.9	13.4	14.4	
Small Cap Value (1389/FCPVX)	H***	1.39	1.5(90)	15.47	1333.9	10.5	-1.2	7.1	18.8			
Stock Selector (320/FDSSX)	H***	1.00	none	30.10	892.4	8.2	-1.2	6.6	19.9	12.4	11.3	6.5
Tax Mgd Stock (343/FTXMX)	B****	1.21	1(730)	16.03	85.5	13.4	-1.4	8.5	21.3	15.9	12.7	
Trend (5/FTRNX)	H***	1.08	none	68.97	947.0	7.5	0.0	7.5	19.4	11.8	11.0	5.5
Value (39/FDVLX)	B****	1.07	none	89.81	23016.0	11.4	-1.6	6.3	23.8	17.7	16.1	11.6
Value Discovery (832/FVDFX)	B****	1.11	none	19.44	1200.6	11.2	-1.2	7.7	21.4	18.7		
Value Strategies (14/FSLSX)	B****	1.16	none	36.58	745.4	15.6	-1.6	7.7	29.5	14.4	17.1	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.79	none	20.98	26250.6	8.5	-0.9	5.2	17.4	13.1	12.7	10.4
Convertible Sec (308/FCVXX)	B****	0.93	none	29.16	2610.8	15.6	0.9	10.4	24.3	14.8	13.9	12.6
Equity-Income (23/FEQIX)	B****	0.98	none	62.23	33766.6	8.4	-1.3	7.3	23.7	13.9	12.0	8.5
Equity-Income II (319/FEQTX)	B****	1.00	none	25.02	11839.0	7.6	-2.1	6.1	19.6	11.9	11.5	8.3
Fidelity Fund (3/FFIDX)	H***	1.08	none	38.98	7643.7	9.0	-1.1	7.0	20.9	11.8	10.3	7.5
Growth & Income (27/FGRIX)	H***	1.08	none	33.24	29525.0	6.9	-0.3	7.4	17.3	9.2	7.6	6.1
Growth & Inc II (361/FGRTX)	H***	1.00	none	12.06	207.7	8.1	-1.2	6.6	20.0	11.5	10.6	
Puritan (4/FPURX)	B****	0.66	none	21.00	26962.0	5.9	-1.1	4.6	17.7	10.7	10.1	7.9
Strategic Div & Inc (1329/FSDIX)	B****	0.88	none	13.88	1363.5	7.4	-1.8	3.9	17.3	14.1		
Utilities (311/FUIX)	H***	1.09	none	21.24	2121.1	12.9	-3.5	4.4	33.7	24.4	18.0	8.7
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.73	0.75(30)	50.37	83.2	6.4	-1.7	2.8	13.2	18.8	13.7	13.9
Automotive (502/FAVXX)	H***	1.40	0.75(30)	46.02	29.3	19.1	5.6	14.7	34.4	12.9	11.6	7.4
Banking (507/FSRBX)	H***	1.08	0.75(30)	32.22	327.6	-2.3	-3.1	0.5	7.0	7.2	7.6	8.1
Biotechnology (42/FBIOX)	H***	1.53	0.75(30)	64.57	1353.6	-0.6	-3.9	4.1	6.0	3.2	11.1	9.7
Brokerage (68/FSLBX)	H***	1.62	0.75(30)	74.30	1168.9	3.5	-4.8	3.7	23.1	23.8	18.1	15.7
IT Ser / Bus Ser (353/FBSOX)	H***↑	1.42	0.75(30)	18.90	47.7	16.4	0.7	14.1	25.3	16.1	12.8	
Chemicals (69/FSCHX)	H***	1.32	0.75(30)	77.93	186.8	17.5	3.3	9.8	31.1	19.7	16.6	10.6
Computers (7/FDCPX)	H***	1.49	0.75(30)	43.77	458.4	10.8	1.2	10.4	28.3	7.8	10.6	7.3
Const & Housing (511/FSHOX)	S**	1.68	0.75(30)	45.52	134.0	3.2	-4.8	3.0	14.0	13.6	13.3	12.5
Consumer Disc (517/FSCPX)	H***	1.23	0.75(30)	26.41	40.3	5.7	-2.1	1.7	16.8	10.4	7.4	7.4
Industrial / Cyc Ind (515/FCYIX)	H***	1.27	0.75(30)	22.42	89.0	13.6	0.5	12.1	19.1	18.6	16.7	10.8
Defense & Aero (67/FSDAX)	H***	1.33	0.75(30)	86.57	1285.5	11.2	-1.0	6.3	25.6	20.4	16.7	14.2
Com Equip / DevC (518/FSDCX)	H***	1.74	0.75(30)	23.16	327.4	13.2	2.4	10.3	16.7	8.2	17.0	7.8
Electronics (8/FSELX)	H***	1.95	0.75(30)	49.47	1848.8	12.9	3.2	10.5	17.9	7.2	7.7	8.0
Energy (60/FSENX)	H***	2.25	0.75(30)	58.98	2570.8	22.8	0.8	15.4	21.0	35.4	25.1	15.8
Energy Services (43/FSESX)	H***	2.75	0.75(30)	85.91	1617.0	30.5	4.5	21.5	23.2	37.0	24.4	15.1
Environmental (516/FSLEX)	S**↓	1.32	0.75(30)	18.13	43.6	4.9	-0.2	5.0	5.9	9.2	10.9	1.7
Financial Services (66/FIDSX)	H***	1.14	0.75(30)	118.29	536.3	0.8	-4.0	2.3	15.0	11.4	10.7	10.2
Con Stap / Food Ag (9/FDFAX)	B****	0.81	0.75(30)	61.13	423.6	8.1	-1.9	3.2	21.1	14.4	9.9	8.5
Gold (41/FSAGX)	H***	2.23	0.75(30)	33.96	1320.5	-2.5	-1.1	-2.2	6.3	25.9	18.0	9.6
Health Care (63/FSPHX)	B****	1.01	0.75(30)	129.70	2196.3	7.4	-2.7	5.9	17.3	10.7	10.2	8.7
Home Finance (98/FSVLX)	S**↓	1.37	0.75(30)	46.49	252.9	-4.0	-5.5	2.3	4.7	3.2	6.6	7.2
Indust Equip (510/FSCGX)	B****↑	1.25	0.75(30)	35.03	88.3	15.0	1.1	12.0	21.5	15.8	15.2	8.4
Materials / Ind Mat (509/FSDPX)	H***	1.55	0.75(30)	55.96	332.3	19.7	0.5	9.5	26.1	24.0	19.7	11.5
Insurance (45/FSPCX)	B****	0.93	0.75(30)	73.67	263.9	3.9	-1.7	5.8	18.4	11.6	11.5	13.1
Leisure (62/FDLSX)	H***	1.31	0.75(30)	81.20	259.6	5.3	-1.5	3.8	16.0	12.4	14.7	11.4
Medical Delivery (505/FSHCX)	B****	1.21	0.75(30)	52.22	690.6	9.8	-3.8	2.9	18.1	21.4	14.9	10.3
Medical Equip/Sys (354/FSMEX)	H***	1.11	0.75(30)	24.18	810.3	7.8	-0.5	2.9	19.4	7.8	14.3	
Multimedia (503/FBMPX)	H***	1.13	0.75(30)	46.72	77.9	5.2	-0.1	5.6	19.7	11.3	16.4	11.3
Natural Gas (513/FSNGX)	H***	2.45	0.75(30)	45.18	1326.1	24.7	-1.2	12.3	20.9	31.9	25.9	17.0
Nat Resources (514/FNARX)	B****↑	2.16	0.75(30)	34.25	1389.9	25.4	1.1	15.1	26.1	35.5	25.3	15.2
Networking (912/FNINX)	S**	1.91	0.75(30)	2.64	75.8	6.9	2.3	7.8	14.3	3.8	8.3	
Paper & Forest (506/FSPEX)	H***	1.21	0.75(30)	36.32	63.2	12.2	-0.6	6.8	26.9	5.8	5.1	6.2
Pharmaceuticals (580/FPHAX)	B****	1.08	0.75(30)	11.70	247.2	10.6	-2.3	9.0	18.7	11.4	9.0	
Retailing (46/FSRPX)	H***	1.49	0.75(30)	54.16	79.5	7.2	-2.9	1.0	17.8	13.0	10.2	10.0
Software (28/FSCTX)	H***↓	1.34	0.75(30)	70.59	906.0	7.7	-0.7	5.9	30.1	13.2	14.7	13.0
Technology (64/FSPTX)	H***	1.57	0.75(30)	77.16	1700.6	13.7	3.7	10.2	26.4	8.9	13.1	8.6
Telecom (96/FSTCX)	B****	1.30	0.75(30)	57.30	670.4	18.2	-0.1	11.3	37.9	21.1	22.6	6.6
Transportation (512/FSRFY)	H***	1.87	0.75(30)	55.06	106.1	10.4	-3.7	5.2	5.9	17.4	15.0	12.9
Utilities Growth (65/FSUTX)	H***↓	1.18	0.75(30)	61.10	1431.7	10.5	-5.0	0.6	29.6	23.1	18.9	9.2
Wireless (963/FWRLX)	B****↑	1.39	0.75(30)	8.53	317.4	21.9	3.4	18.6	35.2	20.9	26.6	

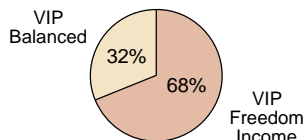
JUNE PERFORMANCE						30-day	2007	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.20	1 (30)	18.63	642.3		11.4	0.1	6.2	25.2	18.4	14.2
Canada (309/FICDX)	B****	1.33	1.5(90)	58.42	3685.2		21.1	0.1	16.2	31.7	29.4	24.9
China Region (352/FHKCX)	S**↓	1.19	1.5(90)	28.01	898.0		14.2	9.5	15.2	35.9	25.6	19.4
Diversified Int'l (325/FDIVX)	H***	1.15	Closed	41.05	53618.9		11.1	-0.3	7.8	25.7	22.1	19.0
Emerging Mkts (322/FEMKX)	S**↓	1.58	1.5(90)	29.22	4065.3		19.8	3.8	15.6	47.6	43.3	30.7
Europe (301/FIEUX)	H***	1.27	1 (30)	43.20	5070.8		9.8	-0.9	7.2	25.7	26.0	20.3
Europe Cap Appr (341/FECAX)	H***	1.15	1 (30)	29.95	1553.1		9.7	-0.6	5.1	30.3	25.2	17.5
Global Balanced (334/FGBLX)	B****	0.68	1 (30)	23.05	333.3		6.6	-0.2	3.4	15.9	13.2	12.6
Int'l Discovery (305/FIGRX)	B****	1.21	1 (30)	42.43	11643.2		11.9	0.3	8.5	28.7	23.3	19.4
Int'l Small Cap (818/FISMX)	H***	1.16	Closed	29.54	1625.7		18.5	3.2	11.8	26.1	26.6	
Int'l Small Cap Opp (1504/FSCOX)	H***	1.62	2 (90)	17.91	1569.8		13.4	0.3	6.0	28.8		
Int'l Value (1597/FIVLX)	B****	1.20	1 (30)	12.32	420.5		10.5	0.0	6.5			
Japan (350/FJPNX)	H***	1.67	1.5(90)	17.97	1812.0		5.3	0.8	1.0	5.9	12.3	13.2
Japan Smaller Co (360/FJSCX)	H***	1.66	Closed	12.54	863.3		-2.3	3.0	-0.6	-11.0	1.4	11.9
Latin America (349/FLATX)	S**	2.28	1.5(90)	55.39	4606.1		23.8	2.0	20.3	57.7	57.7	42.4
Nordic (342/FNORX)	H***	1.57	1.5(90)	46.99	778.3		17.5	1.1	12.0	40.1	31.8	23.4
Overseas (94/FOSFX)	H***	1.21	1 (30)	50.72	8676.0		13.2	0.3	9.3	28.2	22.3	17.0
Pacific Basin (302/FPBFX)	H***	1.29	1.5(90)	32.17	1133.9		17.6	2.9	12.6	32.3	25.6	19.8
Southeast Asia (351/FSEAX)	S**↓	1.52	1.5(90)	35.41	2833.4		28.8	6.5	23.6	62.6	41.7	27.9
Worldwide (318/FWWFX)	H***	1.13	1 (30)	22.45	1523.2		11.6	-0.4	7.9	25.7	17.8	15.0
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.88	none	31.48	1951.9		7.0	-1.2	5.1	19.1	12.6	11.7
NASDAQ Comp (1282/FNCMX)	H***	1.35	0.75(90)	35.02	195.5		8.2	0.0	7.7	20.6	8.8	
Spart Ext Mkt Idx (398/FSEMX)	H***	1.27	0.75(90)	41.41	2355.8		9.6	-1.5	5.3	19.7	15.7	15.9
Spart Int'l Index (399/FSIIX)	B****	1.17	1(90)	48.75	4250.2		10.7	0.1	6.3	27.1	21.9	17.5
Spart 500 Index (317/FSMKX)	B****	1.00	none	104.20	8508.7		6.9	-1.7	6.3	20.5	11.6	10.6
Spart Total Mkt Idx (397/FSTMX)	H***	1.05	0.5(90)	42.45	4540.5		7.5	-1.6	6.1	20.4	12.7	11.8
Asset Mgr 50% (314/FAMX)	B****	0.56	none	16.88	9290.9		5.5	-0.8	3.2	13.4	7.6	8.0
Asset Mgr 85% (347/FAMRX)	B****	0.90	none	14.50	547.4		8.6	-0.8	5.8	19.5	12.1	12.2
Asset Mgr 70% (321/FASGX)	B****	0.75	none	17.42	3297.5		7.2	-0.7	4.7	16.6	8.7	8.9
Asset Mgr 20% (328/FASIX)	B****	0.26	none	12.84	2427.6		3.0	-0.4	1.4	8.8	7.2	7.8
Freedom 2000 (370/FFBFX)	B****	0.34	none	12.70	1761.6		3.9	-0.4	2.4	9.8	6.1	5.7
Freedom 2005 (1312/FFVFX)	B****	0.56	none	12.01	943.5		5.7	-0.7	3.6	13.6	8.7	
Freedom 2010 (371/FFFCX)	B****	0.58	none	15.09	13986.2		5.8	-0.6	3.9	14.0	9.0	8.6
Freedom 2015 (1313/FFVFX)	B****	0.66	none	12.69	5730.5		6.4	-0.7	4.3	15.2	10.2	
Freedom 2020 (372/FFFDX)	B****	0.77	none	16.17	19900.1		7.4	-0.7	5.3	17.2	11.4	10.7
Freedom 2025 (1314/FFTWX)	B****	0.80	none	13.42	5018.2		7.7	-0.7	5.5	17.7	11.8	
Freedom 2030 (373/FFEX)	B****	0.91	none	16.84	13166.1		8.5	-0.8	6.3	19.4	12.8	11.7
Freedom 2035 (1315/FFTHX)	B****	0.92	none	13.96	2977.6		8.7	-0.8	6.3	19.5	13.0	
Freedom 2040 (718/FFFX)	B****	0.94	none	9.99	6581.7		8.9	-0.8	6.6	20.1	13.3	12.3
Freedom 2045 (1617/FFFGX)	B****	0.96	none	11.57	254.4		8.9	-0.9	6.8			
Freedom 2050 (1618/FFHFX)	B****	0.98	none	11.61	219.8		9.2	-0.9	6.9			
Freedom Income (369/FFAFX)	B****	0.28	none	11.67	2447.8		3.3	-0.3	1.7	8.7	5.5	5.1
Real Estate Income (833/FRIFX)	H***	0.40	0.75(90)	11.82	613.0		0.6	-2.0	-1.1	8.5	8.8	
Real Estate (303/FRESX)	S**	1.76	0.75(90)	33.42	8172.3		-7.8	-10.4	-11.1	9.3	21.2	18.5
Int'l Real Estate (1368/FIREX)	S**	1.36	1.5(90)	16.27	1328.7		-1.8	-6.3	-6.2	25.7		
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.27	1(90)	9.12	9360.7	5.77	5.5	-1.2	2.3	15.3	12.0	17.1
Floating Rate (814/FFRHX)	B****	0.04	1(60)	9.92	3448.7	6.35	3.0	0.0	1.2	6.9	5.4	
Focused High Inc (1366/FFHFX)	H***	0.15	1(90)	10.07	59.1	6.55	1.7	-1.8	-0.5	9.3		
GNMA Portfolio (15/FGMNX)	H***	0.26	none	10.59	3220.9	5.15	0.8	-0.4	-0.5	5.8	3.6	3.6
Gov't Income (54/FGOVX)	H***	0.27	none	9.92	6267.1	4.91	1.0	0.0	-0.4	5.3	3.5	3.9
High Income (455/SPHIX)	H***	0.15	1(90)	8.98	5117.7	6.98	2.6	-1.7	0.2	10.6	8.5	12.0
Inflation-Protected (794/FINPX)	H***	0.43	none	10.63	1292.0	2.81	1.3	-0.3	-0.9	3.4	3.4	
Intermed Bond (32/FTHR)	H***	0.22	none	10.14	8276.1	4.97	1.1	-0.3	-0.4	5.4	3.5	4.2
Intermed Gov't Inc (452/FSTGX)	H***	0.22	none	9.90	699.2	4.86	1.4	0.2	0.0	5.1	3.1	3.4
Invest Grade Bond (26/FBNDX)	H***	0.26	none	7.24	11748.0	5.14	0.6	-0.6	-0.7	6.0	4.2	4.8
Mortgage Securities (40/FMSFX)	H***	0.26	none	10.73	1573.2	5.37	-0.4	-1.3	-1.5	4.6	3.5	3.8
New Markets Inc (331/FNMIX)	H***	0.30	1(90)	14.56	2374.2	6.06	1.3	-2.0	-0.9	11.6	13.4	15.5
Short-Term Bond (450/FSHFX)	H***	0.12	none	8.79	7495.5	5.07	1.4	-0.1	0.3	4.7	3.3	3.6
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.38	none	9.72	650.8	5.00	0.6	-0.3	-1.1	5.5		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.60	none	9.46	13.0	5.13	-1.1	-0.9	-2.0	5.7		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.16	none	9.94	34.4	4.87	1.8	0.3	0.4	5.1		
Strategic Income (368/FSICX)	H***	0.20	none	10.52	4916.9	5.63	1.8	-0.7	0.1	8.2	7.8	9.7
Strategic Real Rtn (1505/FSRRX)	H***	0.45	0.75(60)	10.26	3841.2	4.61	1.9	-1.3	-0.7	4.8		
Total Bond (820/FTBFX)	H***	0.25	none	10.28	5009.6	5.20	0.8	-0.5	-0.7	6.1	4.5	
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.25(60)	9.94	1035.6	5.28	1.8	0.1	0.9	4.6	3.5	
US Bond Index (651/FBIDX)	H***	0.28	none	10.71	7303.1	5.19	1.0	-0.3	-0.5	6.0	4.0	4.7
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H***	0.20	0.5(30)	11.17	127.5	3.81	-0.2	-0.5	-0.9	4.4	4.0	4.1
CA Municipal Inc (91/FCTFX)	H***	0.18	0.5(30)	12.09	1624.8	3.91	0.0	-0.6	-0.7	4.5	4.6	4.5
CA Short-Int TF (1534/FCSTX)	B****	0.11	0.5(30)	9.98	108.6	3.66	0.9	-0.1	-0.1	3.8		
CT Municipal Inc (407/FICNX)	H***	0.18	0.5(30)	11.10	444.9	3.80	-0.1	-0.5	-0.8	4.1	3.6	3.9
FL Municipal Inc (427/FLIX)	H***	0.16	0.5(30)	11.22	412.8	3.92	0.1	-0.4	-0.6	4.2	4.2	4.2
Intermediate Muni (36/FLTMX)	H***	0.15	0.5(30)	9.80	1999.9	3.87	0.3	-0.4	-0.4	4.2	3.7	4.0
MA Municipal Inc (70/FDMMX)	H***	0.19	0.5(30)	11.66	1870.5	3.90	-0.1	-0.6	-0.8	4.6	4.5	4.6
MD Municipal Inc (429/SMDMX)	H***	0.20	0.5(30)	10.64	125.6	3.86	-0.2	-0.5	-0.8	4.2	3.8	3.9
MI Municipal Inc (81/FMHTX)	H***	0.18	0.5(30)	11.59	581.5	3.82	0.1	-0.4	-0.6	4.5	4.0	4.3
MN Municipal Inc (82/FIMIX)	H***	0.16	0.5(30)	11.15	340.0	3.83	0.1	-0.5	-0.6	4.1	3.8	4.0
Municipal Income (37/FHIGX)	H***	0.19	0.5(30)	12.50	4770.0	3.96	-0.1	-0.5	-0.7	4.5	4.7	4.8
NJ Municipal Inc (416/FNJHX)	H***	0.20	0.5(30)	11.28	599.3	3.86	-0.2	-0.6	-0.9	4.4	4.4	4.3
NY Municipal Inc (71/FTFMX)	H***	0.20	0.5(30)	12.52	1436.1	3.86	-0.3	-0.6	-0.8	4.3	4.3	4.5
OH Municipal Inc (88/FOHFX)	H***	0.19	0.5(30)	11.33	422.9	3.80	-0.2	-0.6	-0.9	4.4	4.2	4.4
PA Municipal Inc (402/FPXTX)	H***	0.16	0.5(30)	10.58	301.8	3.78	0.3	-0.3	-0.5	4.2	4.2	4.2
Short-Int Municipal (404/FSTFX)	B****	0.10	0.5(30)	10.13	1528.3	3.54	1.0	0.1	0.1	3.5	2.4	2.6
Tax-Free Bond (90/FTABX)	H***	0.20	0.5(30)	10.58	608.3	4.14	0.0	-0.5	-0.7	4.8	4.9	5.0

JUNE 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	13408.62	8.8	-1.5	9.1	23.1	11.2	10.2	7.8
S&P 500	1.00	1503.35	7.0	-1.7	6.3	20.6	11.7	10.7	7.1
NASDAQ	1.34	2603.23	8.2	0.0	7.7	20.7	9.1	12.9	6.6
Russell 2000	1.60	833.70	6.4	-1.5	4.4	16.4	13.4	13.9	9.1
Fidelity Monitor Income Model	0.23	89117.59	3.3	-0.3	1.8	8.7	5.7	6.0	5.0
Fidelity Monitor G&I Model	0.69	189877.43	6.6	-0.9	4.8	17.5	12.6	13.3	9.8
Fidelity Monitor Growth Model	1.05	216204.88	8.7	-1.4	7.1	21.6	14.6	15.5	9.7
Fidelity Monitor Select System	1.15	395580.69	10.2	-2.0	5.1	22.1	14.0	15.0	11.1
Fidelity Monitor Unique Opportunities	1.13	138342.00	9.2	-1.7	6.5	18.2	19.0	19.6	

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

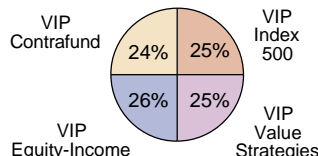


PAST PERFORMANCE

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: + 4.6%
2000: - 2.4%	

VIP GROWTH MODEL

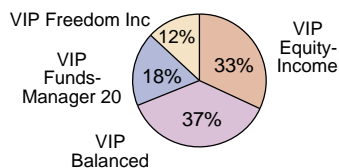


PAST PERFORMANCE

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: + 8.5%
2000: -10.3%	

VIP G & I MODEL

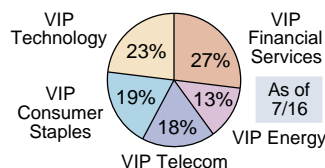


PAST PERFORMANCE

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: + 7.3%

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: + 6.3%	*2007: +7.9%
2005: +14.0%	

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

JUNE 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 ***	12.61	13.22	13.0	1.7	10.6	25.7		
VIP Asset Manager	H ***	11.72	36.88	7.0	-0.2	5.0	14.1	6.9	7.4
VIP Asset Manager: Growth	H ***	11.95	24.61	9.3	-0.1	7.2	17.3	7.6	8.2
VIP Balanced	B ****	12.54	18.65	7.9	-1.0	4.9	16.4	9.6	8.6
VIP Consumer Discretionary	H ***	11.95	13.16	5.5	-2.2	1.7	16.0	9.5	6.8
VIP Consumer Staples	B ****	9.93	9.92		-1.8				
VIP Contrafund	B ****	12.93	48.07	8.5	-0.3	7.1	16.1	14.7	13.1
VIP Disciplined Small Cap	H ***	10.94	10.89	7.8	-1.4	5.4	14.7		
VIP Dynamic Capital Appreciation	B ****	13.65	16.56	9.7	-0.7	7.3	18.1	14.6	
VIP Energy	B ****↑	15.63	27.05	22.7	0.8	15.3	20.7	32.9	23.7
VIP Equity-Income	B ****	13.32	74.52	8.2	-1.4	7.3	23.3	13.3	11.3
VIP Financial Services	H ***↓	12.50	15.24	0.6	-4.1	2.2	14.4	10.8	10.0
VIP Freedom 2005	B ****	11.86	12.04	5.6	-0.6	3.5	13.4		
VIP Freedom 2010	B ****	11.87	12.09	5.7	-0.6	3.6	13.6		
VIP Freedom 2015	B ****	12.17	12.47	6.4	-0.6	4.2	14.9		
VIP Freedom 2020	B ****	12.46	12.81	7.4	-0.7	5.0	16.7		
VIP Freedom 2025	B ****	12.57	12.99	7.8	-0.7	5.3	17.4		
VIP Freedom 2030	B ****	12.84	13.31	8.9	-0.7	6.3	19.2		
VIP Freedom Income	B ****	11.16	11.19	3.1	-0.3	1.6	8.1		
VIP FundsManager 20	B ****	10.81	10.74	3.1	-0.5	1.4			
VIP FundsManager 50	B ****	11.19	11.12	5.4	-0.9	3.4			
VIP FundsManager 70	B ****	11.47	11.40	7.2	-0.9	4.9			
VIP FundsManager 85	B ****	11.63	11.56	8.4	-1.1	5.9			
VIP Growth	H ***	12.27	68.01	12.1	1.1	10.7	19.3	8.2	7.8
VIP Growth & Income	B ****	12.79	21.04	7.8	-1.3	6.5	19.5	10.9	9.9
VIP Growth Opportunities	H ***	12.55	15.19	12.2	-0.6	7.2	23.2	10.1	9.3
VIP Growth Stock	H ***	11.51	11.74	10.6	0.3	9.4	17.6		
VIP Health Care	B ****	11.55	13.38	4.8	-2.8	3.6	15.6	9.7	9.3
VIP High Income	H ***	11.53	32.30	2.6	-1.6	0.1	10.3	7.7	11.3
VIP Index 500	H ***	12.54	40.62	6.5	-1.7	6.0	19.5	10.7	9.7
VIP Industrials	H ***	13.72	19.83	13.3	0.5	12.0	18.9	18.2	16.3
VIP Int'l Capital Appreciation	H ***	13.69	14.38	11.3	0.1	6.1	24.7		
VIP Investment Grade Bond	H ***	10.50	29.35	0.2	-0.7	-1.1	4.8	3.0	3.9
VIP Materials	H ***	10.57	10.56		0.5				
VIP Mid Cap	B ****	13.45	24.10	11.9	0.0	9.0	17.7	19.8	17.9
VIP Money Market		10.84	20.95	2.1	0.3	1.1	4.3	2.9	1.9
VIP Overseas	H ***	14.71	46.11	12.6	-0.1	8.0	25.6	20.4	15.2
VIP Real Estate	S **	13.28	21.09	-6.9	-9.4	-9.5	10.7	22.0	
VIP Strategic Income	H ***	11.03	12.07	1.3	-0.8	-0.2	7.3	6.7	
VIP Technology	H ****↓	12.97	12.08	11.4	3.4	9.7	23.8	9.7	13.1
VIP Telecommunications	B ****	10.95	10.95		-0.2				
VIP Utilities	H ****↓	14.64	14.74	11.0	-4.9	0.4	30.9	22.9	18.2
VIP Value	B ****	13.04	13.44	10.7	-1.7	6.1	23.0		
VIP Value Leaders	H ***	13.05	13.48	9.0	-1.8	6.5	21.5		
VIP Value Strategies	B ****	13.72	17.43	15.1	-1.7	7.4	28.4	13.3	
Fidelity Monitor VIP Income Model			20719.20	4.5	-0.5	2.6	10.6	5.9	6.5
Fidelity Monitor VIP G&I Model			27053.03	7.3	-1.0	5.1	17.3	9.5	9.7
Fidelity Monitor VIP Growth Model			41137.87	8.5	-1.3	6.9	18.6	12.9	11.1
Fidelity Monitor VIP Sector Model			20180.51	7.9	-2.0	3.6	18.9	14.7	16.2

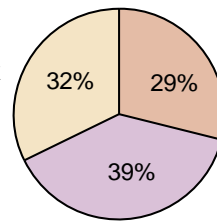
INCOME MODEL

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	\$21.00	1215.129	\$25517.71
Asset Mgr 20%	\$12.84	2708.595	\$34778.36
Floating Rate	\$9.92	2905.395	\$28821.52

8% Foreign Holdings
Balance as of 6/30/07: \$89117.59
Balance at start of 2007: \$86264.24

Floating Rate High Income 814/FFRHX



Puritan 4/FPURX

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: + 3.3%

Our Income Model declined 0.3% in June. On 6/11 we sold **Ultra-Short Bond** (\$9.97), placing half of the proceeds in **Puritan** (\$21.00) and half into **Floating Rate** (\$9.97).

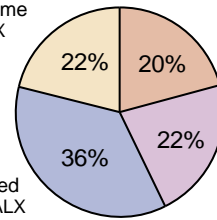
GROWTH AND INCOME MODEL

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%	\$12.84	2953.102	\$37917.83
Puritan	\$21.00	2033.197	\$42697.14
Balanced	\$20.98	3231.028	\$67786.97
Equity-Income	\$62.23	666.487	\$41475.49

9% Foreign Holdings
Balance as of 6/30/07: \$189877.43
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: + 6.6%

During June our Growth and Income Model declined 0.9%.

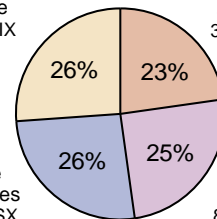
GROWTH MODEL

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	\$104.20	475.171	\$49512.82
Value Discovery	\$19.44	2801.678	\$54464.62
Value Strategies	\$36.58	1532.678	\$56065.36
Equity-Income	\$62.23	902.492	\$56162.08

11% Foreign Holdings
Balance as of 6/30/07: \$216204.88
Balance at start of 2007: \$198855.65

Equity-Income 23/FEQIX



Spartan 500 Index 317/FSMKX

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: +8.7%

Our Growth Model was down 1.4% in June, compared to a 1.7% loss for the S&P 500.

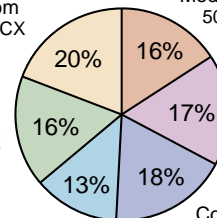
SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Medical Delivery	\$52.22	904.792	\$47248.24
Insurance	\$73.67	902.564	\$66491.89
Consumer Staples	\$61.13	1161.102	\$70978.17
Utilities Growth	\$61.10	1121.943	\$68550.72
Software	\$70.59	920.627	\$64987.04
Telecom	\$57.30	1349.470	\$77324.63

13% Foreign Holdings
Balance as of 6/30/07: \$395580.69
Balance at start of 2007: \$359086.92

Telecom 96/FSTCX



Medical Delivery 505/FSHCX

Software 28/FSCSX

Insurance 45/FSPCX

Natural Resources 514/FNARX

Consumer Staples 9/FDFAX

PAST PERFORMANCE

Starting Balance: ~\$25,000

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

2007 YTD: +10.2%

Our Select System lost 2.0% in June, versus a 1.7% decline in the S&P. On 6/11 we sold **Chemicals** (\$74.95) and bought **Medical Delivery** (\$53.27). Please see page 1 for upcoming changes.

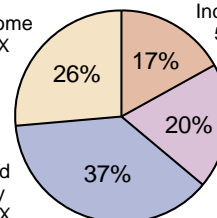
UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Utilities Growth	\$61.10	523.688	\$31997.34
Int'l Value	\$12.32	2177.189	\$26822.97
Lev. Co. Stock	\$34.83	1243.259	\$43302.71
Equity-Income	\$62.23	582.018	\$36218.98

26% Foreign Holdings
Balance as of 6/30/07: \$140727.15
Balance at start of 2007: \$126671.24

Equity-Income 23/FEQIX



Industrial Equip 510/FSCGX

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: +9.2%

Our Unique Opportunities Model declined 1.7% in June. On 7/16 we'll sell **Utilities Growth**, putting three-fourths of the proceeds in **Industrial Equipment**, and one-fourth in **Leveraged Company**.

ASSET ALLOCATION SHIFT - Continued from page 3
a broad mix of firms in various stages of recovery. He also limits his exposure to any one stock – **Value's** top 10 stock holdings amount to only 11% of assets.

The fund's strategy is a lot like **Low-Priced Stock**, which at times has also been in the mid-cap blend category. Both funds currently have an overall risk level similar to the S&P 500, and both currently keep around half of their assets in the consumer discretionary, technology, and financial sectors.

Value's performance has been strong over the last two years, but its asset base is getting rather large. Five years from now it may have a tougher time keeping ahead of the S&P 500 (although it technically competes with the Russell Mid-Cap Value index). Fortunately, **Value Strategies** is now quite similar to **Value**, yet is only a small fraction of its size.

VALUE DISCOVERY FUND

If you been looking for a **Contrafund** alternative, this fund is a good candidate. **Value Discovery** has a similar investment strategy, but with much more investment flexibility because it's 50 times smaller.

Manager Scott Offen oversees a portfolio that falls into the large-cap blend stylebox. Top industry groups are financial (23%), tech (18%), and energy (14%). Over the last three years, **Value Discovery** has outperformed 99% of its peers in the industry, and is second only to **Leveraged Company Stock** among Fidelity's diversified stock funds. Offen's energy background has been an asset in recent years.

Value Discovery carries about 10% more risk than the S&P 500 index, and has less international exposure than **Contrafund** (14% versus 23%).

VALUE STRATEGIES FUND

Fidelity revamped this fund in 2005, and it now behaves a lot like **Value**. While many of the stock holdings are different, other factors are quite similar: the mid-cap blend stylebox, the Russell Midcap Value benchmark, the industry weightings, and the limited exposure to any particular stock.

It's also 30 times smaller in size. That allows the fund to take a significant position in companies that are too small to absorb a meaningful share of **Value's** \$20 billion portfolio.

Manager Matthew Friedman has been at the helm for about a year. **Value Strategies** carries about 10–15% more risk than the S&P 500 index. The fund's benchmark includes significant positions in real estate and utility stocks, but Friedman is underweighting both of those groups. ■

Our current favorite is **Floating Rate High Income**, which offers an income stream similar to high yield bond funds, but with a fraction of the credit risk.

Short-maturity funds held up best amid wide-spread bond market weakness. **Spartan Short-Term Treasury Index** gained 0.3%, **Intermediate Gov't Income** rose 0.2%, and **Ultra-Short Bond** edged up 0.1%. On the losing end, **Focused High Income** slid 1.8%, and **New Markets Income** was down 2.0%. Muni returns ranged from a gain of 0.1% to a decline of 0.6%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Our current buy-rated funds are **Telecommunications, Insurance, Wireless, Consumer Staples, Paper & Forest Products, Med. Delivery, Pharmaceuticals, Health Care, Natural Resources, and Industrial Equipment**.

Automotive gained 5.6%, **Energy Services** was up 4.5%, **Technology** rose 3.7%, and **Wireless** was up 3.4%. Laggards included **Brokerage** and **Construction & Housing**, both with a loss of 4.8%, **Utilities Growth**, down 5.0%, and **Home Finance**, which declined 5.5%. ■

Happenings

Nordic has reopened to new investors. Fidelity had proposed merging the fund into **Europe**, but failed to win the necessary two-thirds majority in the required shareholder vote.

Among manager changes, Edward Best has been appointed to **Large Cap Growth**, Wilson Wong is the new stockpicker at **China Region**, and Benjamin Hesse has been named manager of **Brokerage**. ■

JUNE DISTRIBUTIONS

Asset Manager 20%	\$ 0.033/\$12.89 (6/1)
Freedom Income	\$ 0.03 / \$11.72 (6/1)
Inflation-Protected Bond	\$ 0.095/\$10.65 (6/1)
Large Cap Stock	\$ 0.05 / \$19.49 (6/1)
Mid-Cap Stock	\$ 1.57 / \$32.45 (6/1)
Real Estate	\$ 0.08 / \$37.40 (6/1)
Real Estate Income	\$ 0.10 / \$12.07 (6/1)
Small Cap Stock	\$ 1.44 / \$19.98 (6/1)
Spartan 500 Index (inv. class)	\$ 0.56/\$106.36 (6/1)

Funds scheduled for July include **Asset Manager 50%**, **Asset Manager 20%**, **Balanced, Convertible Securities, Equity-Income, Equity-Income II, Fidelity Fund, Freedom Income, Growth & Income, Growth & Income II, Puritan, Strategic Dividend & Income**, and **Utilities**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	97781.7	5.10	CT MM (418/FCMXX)	1752.6	3.32			
Select MM (85/FSLXX)	3311.1	5.15	MA MM (74/FDMXX)	4887.0	3.34	FL MM (428/FSFXX)	1315.4	3.38
Money Market (454/SPRXX)	7340.3	5.14	MI MM (420/FMIXX)	916.2	3.31	MA AMT TF (426/FMSXX)	2405.1	3.50
Gov't MM (458/SPAXX)	492.0	5.01	NJ MM (417/FNJXX)	1999.2	3.31	AMT Tax-Free (460/FIMXX)	3345.9	3.51
US Treas. MM (415/FDLXX)	1782.2	4.61	NY MM (92/FNYXX)	4553.0	3.31	NJ AMT TF (423/FSJXX)	1595.1	3.51
Tax-Free MM (275/FMOXX)	3439.6	3.39	OH MM (419/FOMXX)	1020.3	3.31	NY AMT TF (422/FSNXX)	2870.0	3.52
US Gov't Reser (50/FGRXX)	3200.9	5.13	AZ MM (433/FSAXX)	310.2	3.33	PA MM (401/FPTXX)	625.1	3.34
CA MM (97/FCFXX)	4918.5	3.30	CA AMT TF (457/FSPXX)	3833.8	3.49	Municipal MM (10/FTEXX)	18024.3	3.43