

Jack  
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# Fidelity

Best Performing  
Fidelity Newsletter

20  
Years

JULY  
2008

# Monitor™

## Contrarian Thoughts

Ken Fisher's best-selling book, *The Only Three Questions That Count*, is based on the idea that you can beat the market by knowing something that others don't. While most individual investors aren't in a position to acquire unique knowledge that hasn't been reflected in the financial markets, Fisher talks about ways to develop critical thinking skills and use them to identify investing opportunities.

Fisher's approach starts with believing something that others don't. Or, as he phrases it, "What Do You Believe That Is Actually False?" Fisher goes on to say that much of what everyone believes is false, providing examples and making a case for thinking outside the box, especially if it involves assumptions from a major media source.

Along those lines of thought, this month we take an updated look at conventional wisdom, and attempt to challenge it on a variety of topics.

### TECHNOLOGY STOCKS

**Popular View:** Tech stocks are too risky to own in today's shaky economy. **More Likely:** Technology and other growth stocks are poised to lead the market as soon as oil prices settle into a trading range.

The P/E ratio for the NASDAQ Composite is around 21, only slightly higher than the S&P 500's

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## Unique Opportunities Model To Make Switch

On 7/14, Our Unique Opportunities Model will sell **Industrial Equipment** (510/FSCGX) and buy **Magellan** (21/FMAGX), for an approximate mix of 16% **Magellan**, 22% **Independence**, 20% **Leveraged Company**, 17% **Japan**, and 25% **OTC Portfolio**. We're a little concerned about **Industrial Equipment**'s heavy exposure to aerospace stocks, so we're moving to a more diversified fund. We like **Magellan**'s mix of growth and cyclical stocks, as well as its underweighted financial position. Fidelity has made structural changes to address the challenges of managing its giant funds, and Harry Lange has performed well since taking over **Magellan** in late 2005. Lange holds a unique group of stocks, but his portfolio's behavior is somewhat like **Contrafund**.

## Review & Recommendations

Inflation fears weighed heavy on the market in June. Stubbornly high oil prices and tough talk by the Fed dashed hopes that the economy might see some short-term relief. Then a series of analyst downgrades in the financial sector suggested the problems in the banking system might end up lasting a lot longer than expected. The S&P 500 lost 8.4%.

It was a disappointing month, to be sure, but with investors expecting the worst, there could be a greater chance for upside surprises as second-quarter earnings are announced.

### GROWTH FUNDS

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

Helped by heavy exposure to energy stocks, **Independence** gained 1.8%, and **Leveraged Co. Stock** limited its decline to 1.5%. Funds with heavy exposure to financial and consumer stocks finished on the bottom. **Blue Chip Value** lost 10.4%, **Small Cap Value** and **Value Strategies** were both down 11.2%, and **Large Cap Stock** fell 11.4%.

### INTERNATIONAL FUNDS

**Japan** is the one country where it actually makes sense to invest in financial and automotive stocks. **Canada** offers commodity exposure without the liquidity risk of emerging markets.

Conservatively positioned **Global Balanced** was down 3.2%, and **Canada**'s heavy exposure to natural resources helped limit its loss to 3.5%. On the flip side, emerging country regions that subsidize imported oil were big losers due to the potential impact of paying market prices. **China Region** slid 9.9%, **Southeast Asia** lost 10.4%, **Pacific Basin** fell 10.7%, and **Int'l Real Estate** was down 12.7%.

### GROWTH & INCOME FUNDS

Our Growth and Income Model positions are listed on page 7. If you prefer to pick your own funds instead, our favorites include **Fidelity Fund**,

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multiple of about 16. Earnings growth is robust, and is likely to remain so because the weak dollar is boosting exports. The financial crisis hasn't affected earnings in any meaningful way, but investors worry that rising energy costs will put the economy into a recession, and that rising inflation will prompt the Fed to boost interest rates.

Both fears are overblown. Emerging market demand for state-of-the-art technology and advanced health care products will continue to grow as these countries improve their standard of living. In addition, the weak dollar provides a double benefit. Not only does it boost the value of foreign sales and earnings through currency translation, but it also sets the stage for market share gains. American goods are now less costly, making them more competitive in the global marketplace.

Technology and health care are the main growth engines in the U.S. economy, and are well-represented in the domestic stock market. In foreign markets, however, they account for only a small slice of capitalization. Because sector trends are usually global in nature, you can expect to see the domestic stock market outperforming most foreign markets whenever tech and health care are leading the pack.

#### FINANCIAL STOCKS

**Popular View:** The worst of the financial crisis is over. If you're willing to invest for the long run, there are good bargains in the banking sector. **More Likely:** The financial sector is going through its own version of the 2000-2002 technology bust.

Berkshire Hathaway's experience with Gen Re Securities shows just how difficult it can be to wind down a derivative portfolio that's gone bad. Due to its involvement with insurance derivatives, Gen Re took a big hit after 9/11. Warren Buffet, in his 2001 letter to shareholders, chastised himself for failing to understand the risks, and began to shut down the trading operation while minimizing the damage to Berkshire's bottom line. It was easier said than done. Three years later, in his 2004 letter, Buffet wrote, "Like Hell, derivative trading is easy to enter but difficult to leave." Some 88% of Gen Re's contracts had been closed out, and cumulative losses had reached \$300 million. The next year, another \$104 million was added to the total, because some of the most challenging contracts were the last to be sold.

With this much trouble liquidating a minor derivatives player, it will be anything but easy to deal with the mortgage securities crisis. It's possible the financial sector will consume large amounts of capital for the next several years. Some of its former revenue streams are gone for good. Japan's banking

crisis dragged on for much longer than expected, in part because of inaction on the part of Japanese regulators. But even with a more proactive approach, cleaning up the mortgage securities mess may take much longer than expected.

As you might expect, our portfolios are light on financial stocks, and at this stage we have no plans for bargain-hunting.

#### DEMOGRAPHICS

**Popular View:** Stock market returns could slump over the next two decades as the baby-boomers retire. **More Likely:** Most won't need to liquidate stocks because they can easily live off stock dividends (the wealthiest 10% of Americans control roughly two-thirds of the stock market's capitalization).

There are really two boomer retirement waves. An early wave for those whose employers provide pensions starting at ages 55-65, and a later wave for those funding their own retirement.

The first group won't need to liquidate their stock holdings because their pensions will cover most of their living expenses. And the pension funds that provide this income won't have to sell much stock either, because at this stage they can cover most of their outflows from stock dividends and inflows from younger workers.

The second group is larger, but these boomers will probably work an average of 10 years longer, partly because their jobs are more enjoyable, but also to build some safety margin into their nest eggs.

Most likely, boomer liquidation activity will pick up in about five years, and last for perhaps 30 years. If we assume that around 15% of stock market capitalization will be involved, that averages to about 0.5% of U.S. market capitalization annually, and might peak at 1.5% some 15-20 years from now.

Those numbers are relatively small, and they're easily offset by corporate stock buyback programs. Buybacks are currently running about \$100 billion per quarter, equal to almost 3% of U.S. market capitalization annually.

All things considered, the boomer retirement wave is probably only number four on the list of "big things to worry about" during the next three decades. The top three: energy, inflation, and taxes.

#### OIL MARKETS

**Popular View:** Excessive speculation has pushed up world prices. **More Likely:** The world can't produce much more than 85 million barrels a day, and emerging market consumption continues to grow. Prices have surged because it's the only way to choke off demand among the biggest users.

Crude sells for about 3 cents an ounce, so it's not exactly a precious metal. Futures markets do

get pushed around by speculators, but when delivery time comes around there's very little that's artificial. Supply and demand are the dominant factors.

The U.S. consumes nearly *a billion gallons per day*, so in order for oil prices to be held artificially high, some of it would have to be stored somewhere. Other than the various strategic petroleum reserves, there's only enough space in the world to store a few weeks supply, and most of that is needed by refiners. The futures market can encourage refiners to work off the top of their tanks or off the bottom, but any speculative impact is very temporary and can last a few weeks at most. The idea that oil has a natural price of \$70 is pure fantasy. The only way speculators could double the price would be to fill a dedicated "strategic petroleum reserve" at a rate of five million barrels a day. Even if someone built one in secret, it would take major pipelines and \$700 billion a day to fill it with oil. That's hard to do without being noticed.

These days, some refiners are paying a premium of several dollars for light, sweet crude because they can't get what they need paying the market price. That type of situation would not exist if the futures price was truly inflated. Besides, it's just as easy to bet on a decline in oil prices as to bet on an increase. And it's just as easy to make money on either side of the bet. If we assume that futures traders always look for the easiest way to make money, any major imbalance would always be self-correcting.

Some lawmakers actually want to stop futures trading and force airlines and shipping companies to negotiate directly with fuel suppliers. Have they forgotten the 1970s? Any time you hamstring a large, liquid market with burdensome regulations, shortages are the inevitable result. Fortunately, the most likely change is a futures margin requirement of 50%. Like putting the brakes on filling the Strategic Petroleum Reserve, that kind of symbolic victory for the legislators would not be nearly as disruptive.

#### HOLDING TOO MUCH CASH

**Popular View:** It doesn't make sense to put money into stocks until the economy shows signs of improvement. **More Likely:** The stock market will anticipate an economic recovery long before it becomes obvious.

If you're sitting in cash with money that would normally be in stocks, you run the risk of ignoring the first 20 percentage points of the next big rally that comes along. Stock market recoveries just don't seem all that real with anything less.

There's no free lunch in the financial markets.

Investors are rewarded for *bearing risk*, not sitting on the sidelines. When it comes to long-term investments, cash is only good for diluting returns.

These days, automatic stop-loss techniques are becoming more popular. But here again, the free lunch rule still applies. Let's say you own the S&P 500 in an account that's set up to sell it automatically upon a 5% decline. Once the trigger point is reached, there are two possibilities. The market will either bounce back or decline some more. With the first scenario, you've lost a few percentage points you may never get back. In the second, you have the opportunity to buy back in at a lower price, but that scenario occurs less often than the first one.

Market timing and stop loss strategies can be modeled using trading software, and may even appear to boost returns with the right parameter settings. However, if you include a statistically significant number of trades, the result is almost always the same. Cash dilutes long-term returns.

#### RISK

**Popular View:** Stocks are risky, cash is not. **Reality:** That's true for short horizons, but over a 20-year period cash is risky, stocks are not.

Inflation is now running 4-5%, and cash yields are 2-3%. A situation like this isn't all that unusual, and the spread could persist for years to come. The purchasing power of cash could easily be cut in half by inflation and taxes over the next 20 years.

In contrast, stocks usually outperform inflation by about 7 percentage points over the long run. While some years are good and other years are bad, the value of stocks tends to track earnings over the long run. In some ways it has to, because companies are worth some multiple of their current and future profits. And earnings grow faster than inflation, thanks to productivity, reinvestment, dividends, and stock buybacks. Even in a lousy stock market, there's very little chance of lagging inflation over a 20 year period. In a normal market, purchasing power would grow by a factor of 3-4 over two decades.

#### AUTOMAKERS AND AIRLINES

**Popular View:** Big companies that have been around for decades are headed for bankruptcy, which means the economy and the stock market are in real trouble. **More Likely:** These two industries need to re-build their business models from scratch, much like the steel industry did two decades ago. This may put upward pressure on unemployment, but these sectors represent only a tiny slice of stock

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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						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	10.29	45.5							
Aggressive Gth (324/FDEGX)	H ***	1.14	1.5(90)	19.65	3098.0	-14.6	-6.1	7.0	-10.9	6.5	9.0	-0.7
Blue Chip Gth (312/FBGRX)	B ****	1.00	none	39.60	14635.6	-10.1	-6.7	0.5	-6.1	4.1	5.7	1.4
Blue Chip Value (1271/FBCVX)	H ***	1.11	none	12.38	612.2	-15.2	-10.4	-6.4	-19.0	3.7	8.3	
Capital Apprec (307/FDCAX)	H ***	1.14	none	24.20	8102.9	-9.6	-4.6	3.2	-12.1	6.3	9.8	6.0
Contrafund (22/FCNTX)	B ****	0.91	Closed	66.47	77999.4	-8.2	-4.9	3.4	0.9	11.3	13.9	8.0
Growth Discovery (339/FDSVX)	B ****	1.00	none	14.61	1865.2	-10.1	-4.9	3.8	2.0	11.9	10.2	6.5
Disc Equity (315/FDEQX)	H ***	0.99	none	26.16	13499.7	-11.4	-6.7	1.2	-10.2	6.6	9.6	4.4
Dividend Gth (330/FDGFEX)	H ***	0.96	none	25.63	10972.4	-12.8	-8.1	-3.2	-17.8	2.2	4.1	3.7
Export Fund (332/FEXPX)	H ***	1.10	0.75(30)	23.16	4499.4	-10.0	-5.7	5.0	-5.5	8.4	11.5	9.3
Fidelity Fifty (500/FFTYX)	H ***	1.12	none	19.94	1379.1	-8.5	-5.0	6.6	-8.5	9.3	8.1	7.4
Focused Stock (333/FTQGX)	H ***	1.16	none	13.04	88.5	-1.9	-3.9	9.1	3.7	10.1	13.5	4.0
Growth Company (25/FDGRX)	B ****	1.07	Closed	78.43	37510.9	-5.5	-3.9	7.0	3.9	12.3	13.4	7.6
Independence (73/FDFFX)	B ****	1.32	none	29.43	7396.3	6.4	1.8	17.0	21.5	20.1	16.4	9.1
Lg Cap Core En Idx (1827/FLCEX)	H ***	1.0 Est	none	8.99	1020.5	-11.3	-7.4	-1.2	-11.9			
Lg Cap Gth En Idx (1829/FLGEX)	H ***	1.0 Est	none	9.30	38.2	-9.5	-6.7	2.1	-9.3			
Large Cap Growth (763/FLGLX)	H ***	0.95	none	9.39	152.8	-12.3	-7.3	2.4	-13.0	1.0	6.5	
Large-Cap Stock (338/FLCSX)	H ***	1.12	none	15.91	1059.2	-17.5	-11.4	-5.1	-15.9	5.1	6.6	2.0
Lg Cap Val En Idx (1828/FLVEX)	H ***	1.0 Est	none	8.17	27.5	-13.2	-8.5	-4.1	-18.5			
Large Cap Value (708/FMCSX)	H ***	1.05	none	12.49	1506.4	-13.9	-8.2	-2.6	-17.0	4.2	9.6	
Lev Co Stock (122/FLVCSX)	B ****	1.18	1.5(90)	34.64	8643.0	7.1	-1.5	17.5	5.1	17.9	23.2	
Low-Priced Stock (316/FLPSX)	H ***	0.92	Closed	37.71	32647.1	-8.3	-8.7	-0.7	-13.3	5.8	12.8	11.2
Magellan (21/FMAGX)	B ****	1.11	none	80.07	41213.3	-11.9	-8.4	0.6	-5.5	6.5	7.6	3.2
Mid Cap Growth (793/FMSGX)	H ***	1.16	0.75(30)	12.23	313.2	-9.5	-6.7	4.4	-11.9	3.1	9.6	
Mid Cap Stock (337/FMCSX)	H ***	1.10	Closed	28.08	13893.7	-3.1	-4.1	11.6	-8.7	11.3	12.5	9.3
Mid Cap Value (762/FSMVX)	S **	1.07	0.75(30)	14.67	734.4	-9.9	-6.6	1.7	-16.8	4.8	11.9	
New Millennium (300/FMILX)	B ****	1.04	none	25.56	2101.2	-14.0	-8.5	-0.4	-9.2	9.5	9.4	10.1
OTC Portfolio (93/FOCPX)	B ****	1.21	none	45.59	7734.5	-12.6	-6.9	5.8	-1.0	10.1	11.4	5.3
Small Cap Gth (1388/FCPGX)	H ***	1.04	1.5(90)	14.04	1286.4	-11.0	-4.5	5.1	-10.7	8.0		
Small Cap Indep (336/FDSCX)	H ***	1.08	1.5(90)	17.17	2111.4	-13.8	-6.5	2.0	-19.4	4.7	10.2	4.8
Small Cap Stock (340/FSLCX)	H ***	0.95	Closed	15.30	4117.7	-11.0	-7.2	-0.8	-14.5	5.4	11.5	9.5
Small Cap Value (1389/FCPVX)	S **	1.12	1.5(90)	11.41	1190.7	-16.1	-11.2	-4.8	-23.2	2.7		
Stock Selector (320/FDSSX)	B ****	0.99	none	26.01	1152.3	-11.8	-7.6	-1.4	-8.9	6.8	8.7	3.1
Tax Mgd Stock (343/FTXMX)	B ****	0.98	1(730)	14.70	181.1	-8.5	-6.1	3.6	-7.9	8.0	11.4	
Trend (5/FTRNX)	B ****	1.12	none	62.02	960.2	-12.3	-7.0	2.9	-3.0	8.4	9.7	3.7
Value (39/FDVLX)	H ***	1.08	none	66.56	19627.3	-11.3	-9.8	-2.3	-18.6	4.5	11.6	7.9
Value Discovery (832/FVDFX)	H ***	1.09	none	15.28	1264.3	-14.8	-10.0	-4.1	-16.0	6.8	11.5	
Value Strategies (14/FSLSX)	H ***	1.13	none	24.58	294.2	-14.6	-11.2	-3.5	-22.0	3.8	10.1	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B ****	0.70	none	18.24	27468.1	-6.5	-5.8	0.8	-6.1	7.2	9.7	7.6
Convertible Sec (308/FCVXSX)	B ****	0.85	none	28.84	3408.3	3.6	-1.5	10.6	4.1	14.4	12.5	10.7
Equity-Income (23/FEQIX)	H ***	1.07	none	46.15	28809.9	-14.5	-10.3	-5.3	-20.0	3.7	7.5	3.9
Equity-Income II (319/FEQTX)	H ***	1.07	none	19.28	9289.5	-15.1	-10.0	-6.0	-17.6	2.4	6.2	3.7
Fidelity Fund (3/FFIDX)	B ****	0.99	none	35.69	7548.5	-10.2	-6.1	1.3	-3.7	8.7	9.8	4.0
Growth & Income (27/FGRIX)	S **↓	1.18	none	21.92	15121.7	-19.4	-12.2	-10.1	-24.1	-2.1	2.3	0.7
Mega Cap Stock (361/FGRTX)	B ****	0.99	none	9.91	743.3	-15.1	-9.0	-4.3	-12.7	6.0	5.8	
Puritan (4/FPURX)	B ****	0.63	none	17.43	23336.9	-7.8	-4.9	-0.3	-7.5	5.6	7.6	5.3
Real Estate Income (833/FRIFX)	S **	0.34	0.75(90)	9.52	418.5	-5.7	-3.3	0.0	-12.2	0.1	4.5	
Real Estate (303/FRESX)	S **	1.63	0.75(90)	25.50	5255.0	-1.6	-10.7	-6.0	-16.0	3.5	13.7	10.7
Strategic Div & Inc (1329/FSDIX)	B ****	0.89	none	11.38	866.2	-8.6	-7.9	-1.9	-12.3	5.0		
Utilities (311/FUIX)	B ****	0.97	none	18.51	1223.9	-9.6	-6.1	2.1	-11.3	10.8	12.9	4.3
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H ***	1.41	0.75(30)	26.24	40.4	-32.1	-16.0	-17.1	-37.4	-0.6	4.6	4.6
Automotive (502/FSAVX)	H ***	1.43	0.75(30)	28.28	20.6	-24.4	-20.3	-16.8	-36.5	-3.5	3.0	1.1
Banking (507/FSRBX)	S **	1.66	0.75(30)	17.27	294.9	-29.0	-20.2	-20.8	-42.7	-12.9	-3.7	-0.9
Biotechnology (42/FBIOX)	B ****	0.95	0.75(30)	65.21	1104.9	-2.2	0.1	6.4	1.0	6.1	6.8	8.4
Brokerage (68/FSLBX)	H ***	1.41	0.75(30)	49.61	712.0	-22.7	-15.7	-10.4	-25.4	4.6	9.8	7.4
IT Ser / Bus Ser (353/FBSOX)	H ***	1.09	0.75(30)	16.29	71.7	-2.5	-5.9	10.7	-6.6	11.7	12.0	8.2
Chemicals (69/FSCHX)	B ****	1.36	0.75(30)	88.27	480.7	6.8	-3.1	10.9	16.8	18.9	22.8	12.2
Computers (7/FDCPX)	B ****	1.30	0.75(30)	40.74	485.9	-15.7	-10.9	2.8	-6.9	6.5	7.7	4.1
Const & Housing (511/FSHOX)	H ***	1.63	0.75(30)	30.07	97.4	-8.8	-12.8	-8.3	-23.8	-5.4	8.4	6.4
Consumer Disc (517/FSCPX)	S **	1.17	0.75(30)	17.85	25.6	-15.0	-12.2	-7.6	-26.3	-3.1	2.2	0.6
Industrial / Cyc Ind (515/FCYIX)	H ***	1.10	0.75(30)	20.04	160.8	-9.7	-10.1	-2.9	-6.4	11.0	16.6	8.3
Defense & Aero (67/FSDAX)	H ***	1.05	0.75(30)	65.15	1180.1	-21.5	-16.5	-9.6	-16.8	6.3	14.9	9.6
Com Equip / DevC (518/FSDCX)	H ***	1.33	0.75(30)	20.03	279.6	-10.8	-11.8	4.2	-13.5	4.0	9.8	4.1
Electronics (8/FSELX)	H ***	1.32	0.75(30)	38.44	1338.5	-15.7	-10.1	2.7	-21.8	-0.4	4.6	5.4
Energy (60/FSENX)	B ****	1.48	0.75(30)	76.04	3828.5	16.3	4.3	24.0	37.8	32.6	34.3	18.6
Energy Service (43/FSESX)	B ****	1.59	0.75(30)	117.42	2861.0	20.4	7.4	31.3	43.2	36.9	33.8	18.2
Environmental (516/FSLEX)	H ***	1.01	0.75(30)	17.52	50.0	-9.5	-8.8	1.1	-3.0	6.4	9.6	0.8
Financial Services (66/FIDSX)	S **	1.53	0.75(30)	67.99	408.0	-28.8	-16.9	-17.4	-39.0	-7.6	0.1	1.2
Con Stap / Food Ag (9/FDFAX)	B ****	0.66	0.75(30)	60.01	822.7	-9.8	-8.1	-7.5	1.4	11.8	12.4	6.6
Gold (41/FSAGX)	H ***	1.69	0.75(30)	43.52	2151.6	9.6	4.8	4.5	40.4	36.3	24.5	18.7
Health Care (63/FSPHX)	H ***	0.75	0.75(30)	103.56	1830.8	-13.9	-4.0	1.8	-9.8	3.7	6.1	4.6
Home Finance (98/FSVLX)	S **	2.07	0.75(30)	19.10	141.5	-32.7	-22.0	-23.2	-56.5	-21.9	-9.5	-3.7
Indust Equip (510/FSCGX)	B ****	1.10	0.75(30)	30.84	181.5	-12.7	-10.0	-4.3	-6.5	12.0	15.3	6.2
Materials / Ind Mat (509/FSDPX)	B ****	1.38	0.75(30)	61.59	442.8	5.3	-2.9	9.7	13.7	25.8	24.4	12.6
Insurance (45/FSPCX)	H ***	1.29	0.75(30)	44.04	127.2	-30.0	-13.5	-15.6	-35.6	-6.3	2.0	5.0
Leisure (62/FDLSX)	H ***	1.10	0.75(30)	61.49	201.1	-19.7	-12.7	-9.7	-20.6	1.7	6.8	4.4
Medical Delivery (505/FSHCX)	H ***	0.85	0.75(30)	38.48	449.9	-26.2	-9.7	-0.3	-21.4	-2.0	15.3	5.8
Medical Equip/Sys (354/FSMEX)	B ****	0.76	0.75(30)	24.05	1176.7	-0.2	-1.3	3.5	9.2	8.4	11.6	14.0
Multimedia (503/FBMPX)	S **	0.99	0.75(30)	32.01	52.7	-12.7	-10.9	-3.4	-24.7	-0.5	3.2	4.4
Natural Gas (513/FSNGX)	B ****	1.43	0.75(30)	56.14	2384.5	20.7	3.6	19.2	36.3	29.2	32.7	20.0
Nat Resources (514/FNARX)	B ****	1.48	0.75(30)	45.78	3007.5	15.7	4.2	24.0	38.5	36.9	34.7	19.2
Networking (912/FNINX)	H ***	1.28	0.75(30)	2.11	65.8	-14.9	-9.8	10.5	-20.1	0.0	2.0	
Paper & Forest (506/FSFPX)	S **	1.30	0.75(30)	24.65	20.4	-21.3	-16.0	-10.7	-29.3	-0.3	1.7	2.5
Pharmaceuticals (580/FPHAX)	H ***	0.84	0.75(30)	9.96	141.8	-13.8	-3.6	1.1	-11.6	7.2	5.4	
Retailing (46/FSRPX)	S **	1.39	0.75(30)	35.95	54.9	-12.1	-9.2	-2.0	-24.6	-2.2	5.8	2.6
Software (28/FSCSX)	H ***	1.19	0.75(30)	70.67	897.1	-13.0	-9.2	6.2	0.1	12.8	11.2	9.5
Technology (64/FSPTX)	H ***	1.30	0.75(30)	68.47	1775.0	-15.8	-11.4	4.0	-11.3	5.5	7.5	5.6
Telecom (96/FSTCX)	H ***	1.22	0.75(30)	40.69	343.7	-21.6	-11.3	-1.8	-28.3	5.1	7.9	-0.2
Transportation (512/FSREX)	H ***	1.33	0.75(30)	41.44	79.6	-6.7	-10.7	-4.0	-16.0	7.2	10.9	9.1
Utilities Growth (65/FSUTX)	B ****↑	1.01	0.75(30)	62.23	595.6	-3.2	-0.7	8.5	3.5	15.5	16.8	6.7
Wireless (963/FWRLX)	H ***	1.36	0.75(30)	6.98	395.3	-19.2	-11.3	0.4	-15.5	7.4	19.7	

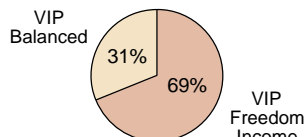
JUNE PERFORMANCE						30-day	2008	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.96	1 (30)	13.59	454.8		-10.2	-8.5	0.9	-15.2	8.0	11.1
Canada (309/FICDX)	B****	1.10	1.5(90)	63.67	5438.8		3.7	-3.5	12.1	15.6	24.7	32.7
China Region (352/FHKCX)	S**	1.53	1.5(90)	26.34	1550.4		-15.5	-9.9	-2.6	8.2	20.7	22.4
Diversified Int'l (325/FDIVX)	H***	1.00	Closed	36.04	54444.6		-9.7	-7.4	-0.1	-5.7	14.4	17.8
Emerging EMEA (2053/FEMEX)	H***	1.5 Est	1.5(90)	9.30	33.8			-7.9				
Emerging Mkts (322/FEMKX)	S**	1.30	1.5(90)	29.70	6421.0		-12.3	-9.8	1.2	6.2	31.8	32.0
Europe (301/FIEUX)	H***	1.01	1 (30)	38.38	5113.9		-9.0	-6.1	0.7	-3.4	15.0	20.9
Europe Cap Appr (341/FECAX)	H***	1.02	1 (30)	23.47	1046.6		-11.8	-7.6	-2.2	-7.8	16.1	18.0
Global Balanced (334/FGBLX)	B****	0.58	1 (30)	21.86	450.6		-2.7	-3.2	0.9	3.9	10.9	13.3
Int'l Discovery (305/FIGRX)	H***	0.99	1 (30)	38.03	13461.6		-11.7	-7.1	-0.3	-6.1	15.3	19.0
Int'l Enhanced Index (2010/FIENX)	H***	1.0 Est	1 (30)	9.08	11.3			-8.0	-2.6			
Int'l Growth (1979/FIGFX)	H***	1.1 Est	1 (30)	8.72	25.0		-8.8	-6.9	0.6			
Int'l Real Estate (1368/FIREX)	S**	1.21	1.5(90)	10.86	686.1		-19.0	-12.7	-11.3	-24.3	6.8	
Int'l Small Cap (818/FISMX)	H***	0.95	Closed	21.61	1236.7		-6.5	-6.3	1.6	-10.6	13.7	23.8
Int'l Small Cap Opp (1504/FSCOX)	H***	1.20	2 (90)	12.70	906.6		-11.9	-9.8	-2.6	-20.1		
Int'l Value (1597/FIVLX)	H***	1.07	1 (30)	10.14	353.4		-11.3	-9.6	-2.5	-12.1		
Japan (350/FJPNX)	B****	1.10	1.5(90)	13.37	1770.6		-6.8	-8.7	2.2	-13.8	8.7	12.2
Japan Smaller Co (360/FJSCX)	H***	1.00	Closed	9.74	632.4		-11.7	-6.3	-4.6	-20.8	-5.6	9.3
Latin America (349/FLATX)	H***	1.77	1.5(90)	66.80	7347.5		7.7	-6.8	12.3	25.0	45.6	46.3
Nordic (342/FNORX)	H***	1.28	1.5(90)	40.38	789.8		-11.0	-9.6	-4.0	-6.6	18.5	24.6
Overseas (94/FOSFX)	H***	1.13	1 (30)	41.46	9247.4		-14.3	-9.2	-3.1	-7.8	15.1	17.3
Pacific Basin (302/FPBFX)	H***	1.15	1.5(90)	24.00	937.2		-20.5	-10.7	-4.8	-15.4	14.6	17.7
Southeast Asia (351/FSEAX)	S**	1.41	1.5(90)	30.20	3774.1		-23.9	-10.4	-6.7	-8.1	26.1	27.4
Total Int'l Equity (1978/FTIEX)	H***	1.0 Est	1 (30)	8.46	52.3		-10.5	-8.7	-1.1			
Worldwide (318/FWWFX)	H***	1.02	1 (30)	19.77	1630.8		-7.5	-5.9	3.8	-1.8	14.0	14.9
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.80	none	27.57	1951.3		-9.2	-7.1	-1.6	-9.9	5.8	9.0
NASDAQ Comp (1282/FNCMX)	H***	1.11	0.75(90)	30.46	185.8		-13.2	-9.1	0.8	-11.4	4.3	
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.01	0.75(90)	34.83	2406.3		-7.7	-7.5	2.2	-11.3	6.6	12.2
Spart Int'l Index (399/FSIIX)	H***	0.99	1(90)	42.18	5027.4		-10.7	-8.5	-2.3	-10.7	12.9	16.4
Spart 500 Index (317/F500X)	B****	1.00	none	88.70	7631.1		-11.9	-8.4	-2.7	-13.2	4.3	7.5
Spart Total Mkt Idx (397/FSTMX)	H***	0.99	0.5(90)	36.32	5072.9		-10.9	-8.2	-1.6	-12.6	5.0	8.6
Asset Mgr 20% (328/FASIX)	B****	0.19	none	11.98	2498.9		-2.6	-1.8	-0.1	-1.0	4.7	5.5
Asset Mgr 30% (1957/FTANX)	B****	0.3 Est	none	9.32	33.2		-4.0	-2.8	-0.4			
Asset Mgr 40% (1958/FFANX)	B****	0.4 Est	none	9.16	9.5		-5.3	-3.7	-0.4			
Asset Mgr 50% (314/FASMXX)	B****	0.48	none	14.37	7747.5		-6.8	-4.6	-0.4	-6.0	4.1	4.8
Asset Mgr 60% (1959/FSANX)	B****	0.6 Est	none	8.83	12.2		-8.0	-5.5	-0.7			
Asset Mgr 70% (321/FASGX)	B****	0.69	none	15.45	2867.5		-9.1	-6.3	-0.5	-9.1	4.2	5.2
Asset Mgr 85% (347/FAMRX)	B****	0.83	none	12.67	562.3		-10.5	-7.3	-0.8	-11.0	6.4	9.6
Dynamic Strategies (1960/FDYSSX)	B****	0.5 Est	none	9.43	82.3		-1.2	-2.8	3.9			
Freedom 2000 (370/FFBXX)	B****	0.24	none	11.86	1809.2		-2.1	-1.9	0.3	-0.8	4.2	4.5
Freedom 2005 (1312/FFFVX)	B****	0.46	none	10.95	1113.2		-4.9	-3.8	0.2	-3.5	5.3	
Freedom 2010 (371/FFFCX)	B****	0.48	none	13.69	14636.1		-4.9	-3.9	0.2	-3.4	5.5	6.6
Freedom 2015 (1313/FFVFX)	B****	0.53	none	11.47	7845.3		-5.7	-4.3	0.3	-4.4	6.1	
Freedom 2020 (372/FFFDX)	B****	0.66	none	14.21	21711.6		-7.1	-5.3	0.2	-6.0	6.5	8.4
Freedom 2025 (1314/FFTWX)	B****	0.69	none	11.83	7483.9		-7.5	-5.5	0.3	-6.7	6.6	
Freedom 2030 (373/FFFEY)	B****	0.80	none	14.48	14781.8		-8.8	-6.3	0.3	-8.2	6.9	9.2
Freedom 2035 (1315/FFTHX)	B****	0.82	none	12.02	4467.4		-9.1	-6.5	0.3	-8.5	6.9	
Freedom 2040 (718/FFFFX)	B****	0.85	none	8.48	7782.6		-9.3	-6.6	0.3	-9.0	7.1	9.7
Freedom 2045 (1617/FFFGX)	B****	0.86	none	9.98	808.7		-9.7	-6.9	0.1	-9.2		
Freedom 2050 (1618/FFFHX)	B****	0.90	none	9.98	755.3		-10.1	-7.1	0.1	-9.7		
Freedom Income (369/FFFAX)	B****	0.20	none	11.03	2619.1		-1.4	-1.5	0.3	0.0	4.1	4.1
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	H***	0.28	1(90)	8.34	9979.8	7.53	-0.9	-2.3	3.7	-2.5	6.3	8.5
Floating Rate (814/FFRHX)	H***	0.15	1(60)	9.40	1809.3	4.96	0.8	-0.1	3.7	0.5	4.1	4.2
Focused High Inc (1366/FHIFX)	H***	0.14	1(90)	9.45	67.5	7.31	-1.3	-2.1	0.4	0.0	4.0	
GNMA Portfolio (15/FGMNX)	H***	0.23	none	10.88	3450.2	5.02	2.0	0.3	-0.2	8.0	4.5	4.1
Gov't Income (54/FGOVX)	H***	0.25	none	10.38	7601.8	3.92	2.2	0.4	-1.6	9.2	4.5	3.7
High Income (455/SPHIX)	H***	0.18	1(90)	8.36	5505.3	8.30	0.6	-2.0	2.6	0.4	5.5	7.1
Inflation-Protected (794/FINPX)	H***	0.37	none	11.33	1995.8	1.08	4.3	1.7	-0.4	12.3	4.4	5.1
Intermed Bond (32/FTHRX)	H***	0.22	none	9.90	7301.5	4.56	-0.4	-0.1	-1.0	2.4	2.7	2.6
Intermed Gov't Inc (452/FSTGX)	H***	0.21	none	10.34	933.0	3.47	2.4	0.6	-1.4	8.9	4.6	3.4
Invest Grade Bond (26/FBNDX)	H***	0.26	none	6.96	10046.0	4.90	-1.0	-0.1	-0.4	1.0	2.2	2.8
Mortgage Securities (40/FMSFX)	H***	0.23	none	10.12	1067.8	4.91	-0.7	0.3	0.0	-0.7	1.4	2.4
New Markets Inc (331/FNMIX)	H***	0.19	1(90)	14.26	2203.4	5.89	0.1	-1.8	0.1	4.5	7.8	10.0
Short-Term Bond (450/FSHBX)	H***	0.12	none	8.34	6754.3	4.07	-1.0	0.2	0.0	-0.7	2.0	2.0
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.35	none	10.39	971.1	3.62	2.7	1.0	-3.2	12.4		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.52	none	10.18	55.7	4.40	1.5	1.8	-2.4	12.4		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.17	none	10.31	123.6	2.72	2.1	0.3	-1.6	8.2		
Strategic Income (368/FSICX)	H***	0.14	none	10.23	5381.7	5.73	0.7	-0.8	-0.2	4.3	5.3	6.6
Strategic Real Rtn (1505/FSRRX)	H***	0.28	0.75(60)	10.57	5455.8	3.13	6.9	1.1	4.5	8.8		
Total Bond (820/FTBFX)	H***	0.22	none	10.13	9890.6	5.05	0.5	-0.2	-0.5	3.9	3.3	3.6
Ultra-Short Bond (812/FUSFX)	H***	0.13	0.25(60)	8.28	330.2	2.05	-6.8	0.0	0.2	-13.1	-1.9	-0.5
US Bond Index (651/FBIDX)	H***	0.25	none	10.74	9012.2	4.74	0.9	0.1	-0.9	5.3	3.5	3.5
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FSAZX)	H***	0.20	0.5(30)	10.99	152.5	3.91	-0.3	-1.0	0.7	2.5	2.3	2.8
CA Municipal Inc (91/FCITX)	H***	0.19	0.5(30)	11.84	1674.4	3.99	-0.5	-1.1	0.6	2.3	2.5	3.3
CA Short-Int TF (1534/FCSTX)	H***	0.09	0.5(30)	10.10	184.5	2.88	1.1	-0.6	-0.2	4.6		
CT Municipal Inc (407/FICNX)	H***	0.17	0.5(30)	11.09	486.9	3.65	0.2	-1.0	0.2	4.1	2.7	2.9
Intermediate Muni (36/FLTMX)	H***	0.13	0.5(30)	9.84	2538.3	3.53	0.7	-0.8	0.1	4.4	3.1	3.3
MA Municipal Inc (70/FDMMX)	H***	0.18	0.5(30)	11.50	2023.4	3.89	-0.3	-1.1	0.6	3.1	2.7	3.4
MD Municipal Inc (429/SMDMX)	H***	0.18	0.5(30)	10.56	154.0	3.79	0.0	-1.0	0.4	3.2	2.5	2.9
MI Municipal Inc (81/FMHTX)	H***	0.16	0.5(30)	11.52	620.3	3.58	-0.1	-1.2	-0.1	3.6	2.8	3.1
MN Municipal Inc (82/FMIX)	H***	0.14	0.5(30)	11.03	380.2	3.59	0.4	-0.9	0.3	3.5	2.7	3.1
Municipal Income (37/FHIGX)	H***	0.18	0.5(30)	12.27	5256.6	4.08	-0.4	-1.0	0.8	2.8	2.7	3.4
NJ Municipal Inc (416/FNJHX)	H***	0.17	0.5(30)	11.23	621.5	3.73	-0.3	-1.1	0.2	3.6	2.7	3.3
NY Municipal Inc (71/FFEMX)	H***	0.18	0.5(30)	12.46	1551.8	3.87	0.0	-1.0	0.9	3.6	2.7	3.3
OH Municipal Inc (88/FOHFX)	H***	0.18	0.5(30)	11.28	445.1	3.75	0.0	-1.0	0.4	3.8	2.7	3.3
PA Municipal Inc (402/FPXTX)	H***	0.15	0.5(30)	10.52	340.4	3.66	0.0	-0.8	0.5	3.6	2.8	3.2
Short-Int Municipal (404/FSTFX)	H***	0.08	0.5(30)	10.29	1764.1	3.53	1.4	-0.6	-0.4	4.8	3.1	2.5
Tax-Free Bond (90/FTABX)	H***	0.19	0.5(30)	10.47	1117.4	4.12	-0.1	-1.0	0.8	3.1	2.8	3.6

JUNE 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	0.93	11350.01	-13.4	-10.0	-6.9	-13.3	5.8	7.2	4.5
S&P 500	1.00	1280.00	-11.9	-8.4	-2.7	-13.1	4.4	7.6	2.9
NASDAQ	1.11	2292.98	-13.2	-9.1	0.8	-11.2	4.5	7.9	2.4
Russell 2000	1.24	689.66	-9.4	-7.8	0.5	-16.3	3.8	10.3	5.5
Fidelity Monitor Income Model	0.31	86762.83	-3.3	-2.8	0.3	-2.6	3.2	3.7	3.7
Fidelity Monitor G&I Model	0.59	179205.30	-5.2	-4.6	0.7	-5.6	6.8	9.5	7.5
Fidelity Monitor Growth Model	1.02	190147.58	-10.9	-6.6	1.3	-12.0	6.2	11.2	6.1
Fidelity Monitor Select System	1.00	416520.40	0.3	-2.4	8.5	5.3	13.7	13.9	8.3
Fidelity Monitor Unique Opportunities	1.12	134903.63	-4.6	-4.9	6.8	-2.5	11.9	16.6	

## 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

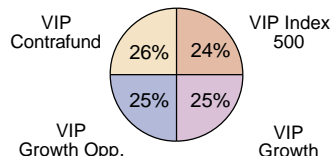


### PAST PERFORMANCE

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: + 6.2%
2000: - 2.4%	<b>*2008: - 3.4%</b>

### VIP GROWTH MODEL

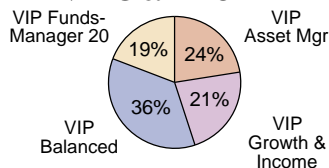


### PAST PERFORMANCE

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%	<b>*2008: -11.5%</b>

### VIP G & I MODEL

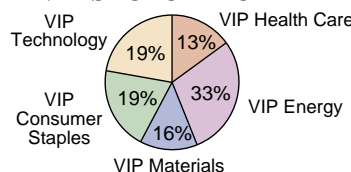


### PAST PERFORMANCE

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%	<b>*2008: - 5.0%</b>

### VIP SECTOR MODEL



### PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: + 6.3%	2007: +11.2%
2005: +14.0%	<b>*2008: - 4.3%</b>

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

JUNE 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 ***	11.08	11.56	-15.3	-6.1	6.6	-12.6		
VIP Asset Manager	B ***	12.90	40.41	2.4	0.4	8.0	9.6	9.1	7.5
VIP Asset Manager: Growth	B ***	13.20	27.09	2.0	-0.3	9.9	10.1	10.3	8.6
VIP Balanced	B ****	11.78	17.44	-6.8	-5.7	0.8	-6.5	6.3	5.5
VIP Consumer Discretionary	S **	8.79	9.62	-15.3	-12.4	-7.7	-26.8	-3.9	1.4
VIP Consumer Staples	B ****	10.03	9.98	-10.0	-8.1	-7.8	0.6		
VIP Contrafund	B ****	12.20	45.19	-12.5	-7.9	-0.8	-6.0	8.3	11.9
VIP Disciplined Small Cap	H ***	8.88	8.80	-10.2	-7.2	0.1	-19.2		
VIP Dynamic Capital Appreciation	H ***	11.89	14.37	-10.4	-4.8	3.2	-13.2	7.6	
VIP Energy	B ****	21.40	36.86	15.4	4.2	23.7	36.2	33.8	32.6
VIP Equity-Income	H ***	10.59	59.01	-14.9	-10.5	-5.6	-20.8	3.0	6.8
VIP Financial Services	S **	7.68	9.32	-28.4	-17.0	-17.2	-38.8	-7.9	-0.3
VIP Freedom 2005	B ****	11.49	11.61	-5.5	-3.9	-0.7	-3.6		
VIP Freedom 2010	B ****	11.47	11.62	-5.8	-4.2	-0.7	-3.9		
VIP Freedom 2015	B ****	11.65	11.87	-6.6	-4.7	-0.8	-4.8		
VIP Freedom 2020	B ****	11.72	11.98	-8.1	-5.7	-0.8	-6.5		
VIP Freedom 2025	B ****	11.77	12.09	-8.5	-5.9	-0.8	-7.0		
VIP Freedom 2030	B ****	11.81	12.19	-9.7	-6.8	-0.8	-8.4		
VIP Freedom Income	B ****	11.24	11.22	-1.9	-1.7	-0.3	0.3		
VIP FundsManager 20	B ****	10.88	10.75	-1.9	-1.6	-0.1	0.1		
VIP FundsManager 50	B ****	10.62	10.49	-6.3	-4.2	-0.9	-5.6		
VIP FundsManager 70	B ****	10.42	10.30	-9.5	-6.1	-1.5	-9.7		
VIP FundsManager 85	B ****	10.25	10.13	-11.8	-7.6	-2.1	-12.3		
VIP Growth	B ****	12.39	68.34	-10.6	-5.1	3.6	0.5	8.7	8.4
VIP Growth & Income	B ****	11.64	19.06	-12.2	-7.9	-1.7	-9.4	6.9	6.1
VIP Growth Opportunities	B ****	12.54	15.11	-8.7	-3.8	11.1	-0.6	8.5	8.9
VIP Growth Stock	B ****	11.11	11.28	-12.6	-7.2	2.8	-3.9		
VIP Health Care	B ****	10.38	11.97	-14.2	-4.0	1.8	-10.5	2.6	5.2
VIP High Income	H ***	11.45	31.92	-0.6	-1.9	2.0	-1.2	4.7	6.0
VIP Index 500	B ****	10.87	34.99	-12.3	-8.5	-2.9	-13.9	3.5	6.6
VIP Industrials	B ****	12.83	18.46	-10.1	-10.1	-3.1	-6.9	10.6	16.2
VIP Int'l Capital Appreciation	H ***	11.55	12.08	-10.4	-8.6	0.8	-16.0		
VIP Investment Grade Bond	H ***	10.89	30.26	-0.2	-0.1	-1.0	3.1	2.1	2.4
VIP Materials	B ****	12.04	11.98	5.4	-3.0	9.5	13.4		
VIP Mid Cap	B ****	12.85	22.94	-7.1	-5.2	3.1	-4.8	10.8	17.0
VIP Money Market		11.27	21.68	1.3	0.1	0.5	3.5	3.7	2.5
VIP Overseas	H ***	13.63	42.51	-10.8	-8.1	-0.7	-7.8	13.6	15.9
VIP Real Estate	S **	11.30	17.87	-3.4	-11.6	-5.8	-15.3	4.8	
VIP Strategic Income	H ***	11.51	12.53	0.4	-0.8	-0.5	3.8	4.4	
VIP Technology	B ****	11.20	10.38	-16.4	-11.1	4.1	-14.1	5.1	7.0
VIP Telecommunications	H ***	7.75	7.71	-22.0	-11.1	-1.9	-29.6		
VIP Utilities	B ****↑	15.37	15.40	-3.1	-0.5	8.8	4.5	16.1	16.9
VIP Value	H ***	10.57	10.84	-11.8	-9.9	-2.5	-19.3		
VIP Value Leaders	H ***	10.56	10.86	-15.4	-10.4	-6.6	-19.5		
VIP Value Strategies	H ***	10.69	13.51	-15.0	-11.1	-3.5	-22.5	3.1	
Fidelity Monitor VIP Income Model			20329.53	-3.4	-2.9	0.0	-1.9	2.9	3.6
Fidelity Monitor VIP G&I Model			25791.17	-5.0	-4.2	0.1	-4.7	6.3	6.9
Fidelity Monitor VIP Growth Model			36680.95	-11.5	-6.6	1.2	-10.8	6.7	8.8
Fidelity Monitor VIP Sector Model			19912.82	-4.3	-3.7	7.6	-1.3	11.6	13.5

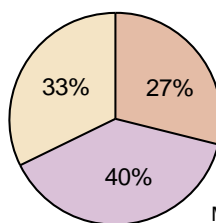
## INCOME MODEL

Focuses on funds that hold mainly bonds and cash.  
Target Growth Rate: 7% Target Risk Level: 0.33

FUND	NAV	SHARES	BALANCE
Balanced	\$18.24	1311.457	\$23920.98
Asset Mgr 20%	\$11.98	2875.449	\$34447.88
Freedom Income	\$11.03	2574.249	\$28393.97

7% Foreign Holdings  
Balance as of 6/30/08: \$86762.83  
Balance at start of 2008: \$89754.23

Freedom Income  
369/FFAX



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: - 3.3%**

Our Income Model declined 2.8% for the month of June.

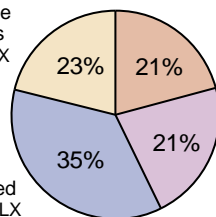
## GROWTH AND INCOME MODEL

Focuses on asset allocation funds to help limit risk.  
Target Growth Rate: 10% Target Risk Level: 0.67

FUND	NAV	SHARES	BALANCE
Asset Mgr 20%	\$11.98	3135.016	\$37557.49
Fidelity Fund	\$35.69	1037.765	\$37037.83
Balanced	\$18.24	3490.222	\$63661.65
Conv. Securities	\$28.84	1419.845	\$40948.33

13% Foreign Holdings  
Balance as of 6/30/08: \$179205.30  
Balance at start of 2008: \$189006.21

Convertible Securities  
308/FCV SX



Asset Mgr.  
20% (Inc)  
328/FASIX  
  
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: - 5.2%**

In June our Growth and Income Model lost 4.6%. On 6/16, we sold **Consumer Staples** (\$63.07), and bought **Fidelity Fund** (\$37.65).

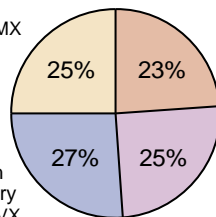
## GROWTH MODEL

Focuses on domestic funds and aims to hold profitable positions long enough to qualify for long-term gains.  
Target Growth Rate: 13% Target Risk Level: 1.0

FUND	NAV	SHARES	BALANCE
Stock Selector	\$26.01	1681.246	\$43729.21
Blue Chip Growth	\$39.60	1178.026	\$46649.83
Growth Discovery	\$14.61	3515.551	\$51362.20
Tax-Managed Stock	\$14.70	3292.948	\$48406.34

14% Foreign Holdings  
Balance as of 6/30/08: \$190147.58  
Balance at start of 2008: \$213419.53

Tax-Managed Stock  
343/FTXMX



Stock Selector  
320/FDSSX  
  
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: -10.9%**

Our Growth Model was down 6.6% in June, versus an 8.4% loss for the S&P. On 6/16 we sold **Value Discovery** (\$16.43), and bought **Blue Chip Growth** (\$41.77).

## SELECT SYSTEM

Uses a volatility model to identify attractive sectors.  
Target Growth Rate: 14% Target Risk Level: 1.2

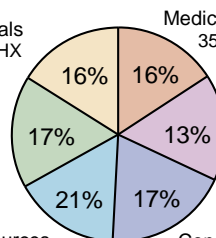
FUND	NAV	SHARES	BALANCE
Medical Equipment	\$24.05	2729.352	\$65640.92
Computers	\$40.74	1361.136	\$55452.68
Consumer Staples	\$60.01	1199.574	\$71986.44
Natural Resources	\$45.78	1890.141	\$86530.65
Natural Gas	\$56.14	1281.571	\$71947.40
Chemicals	\$88.27	735.950	\$64962.31

18% Foreign Holdings  
Balance as of 6/30/08: \$416520.40  
Balance at start of 2008: \$415259.49

Chemicals  
69/FSCHX

Natural Gas  
513/FSNGX

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: + 0.3%**

Our Select System was off 2.4% in June, compared to an 8.4% decline for the S&P 500.

## UNIQUE OPPORTUNITIES MODEL

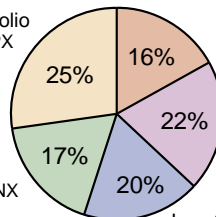
Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Industrial Equip.	\$30.84	707.785	\$21828.09
Independence	\$29.43	1003.818	\$29542.36
Lev. Co. Stock	\$34.64	776.507	\$26898.20
Japan	\$13.37	1737.476	\$23230.05
OTC Portfolio	\$45.59	732.725	\$33404.93

32% Foreign Holdings  
Balance as of 6/30/08: \$134903.63  
Balance at start of 2008: \$141360.40

OTC Portfolio  
93/FOCPX

Japan  
350/FJPNX



Magellan  
21/FMAGX  
  
As of  
7/14  
  
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: - 4.6%**

We were down 4.9% in June. On 7/14 we will sell **Industrial Equipment** and buy **Magellan**.

CONTRARIAN THOUGHTS - *Continued from page 3*  
 market capitalization, so their impact on corporate earnings is minimal.

Over the next 30 years, consumer transportation will increasingly run on electricity. It's cheap, and the U.S. will always be self-sufficient. Unfortunately, the present group of automakers – surrounded by an internal combustion infrastructure – may not be capable of addressing the challenge. General Motors once had an early lead in electric vehicles, then squandered it. Now the firm is scrambling to develop its Volt plug-in hybrid while struggling to avoid running out of cash. Most other automakers haven't even seriously considered the grid as a power source. The future will belong to new companies that figure out how to make vehicles fun, exciting, and cheap to operate. It should be no surprise when they start going public and their stock values exceed that of old-line automakers many times their size.

The U.S. airline industry flies the equivalent of the entire U.S. population twice a year. Overall jet plane fuel efficiency is climbing much faster than that of vehicles, and the aviation sector accounts for only 10% or so of U.S. oil consumption. Today's carriers need to remake themselves with higher prices and a greater emphasis on luxury and convenience, but instead most seem determined to make flying as miserable as possible. The situation begs for new upstarts that are willing to make flying both enjoyable and productive. Here again, the market value of a few new upstarts could easily rival the combined capitalization of today's dinosaurs.

Whenever companies that aren't innovating are replaced with new upstarts with fresh ideas, the impact on the economy is long-term positive. High-wage jobs are created, and overall productivity gets a lift. ■

#### JUNE DISTRIBUTIONS

Asset Manager 20%	\$ 0.035/\$12.17 (6/6)
Asset Manager 30%	\$ 0.026/ \$9.54 (6/6)
Freedom Income	\$ 0.03 / \$11.18 (6/6)
Inflation-Protected Bond	\$ 0.12 / \$11.23 (6/6)
Large Cap Stock	\$ 0.035/\$17.40 (6/6)
Mid-Cap Stock	\$ 0.26 / \$29.37 (6/6)
Real Estate	\$ 0.02 / \$27.84 (6/6)
Real Estate Income	\$ 0.12 / \$9.80 (6/6)
Small Cap Stock	\$ 0.23 / \$16.80 (6/6)
Spartan 500 Index (Inv. Class)	\$ 0.55 / \$94.19 (6/6)

Funds scheduled for July include **Asset Manager 20%, 30%, 40%, 50%, Balanced, Convertible Securities, Equity-Income, Equity-Income II, Fidelity Fund, Freedom Income, Growth & Income, Mega Cap Stock, Puritan, Strategic Dividend & Income, and Utilities.**

#### RECOMMENDATIONS - *Continued from page 1*

**Convertible Securities, Balanced, Puritan,** and the **Asset Manager** group.

**Convertible Securities'** energy holdings helped hold its loss to 1.5%. **Real Estate Income** was down 3.3%. **Puritan** (4.9% loss) and **Balanced** (5.8% slide) were down less than the S&P 500 due to their bond holdings. On the bottom end, **Equity-Income** lost 10.3%, **Real Estate** lost 10.7%, and **Growth & Income** fell 12.2%.

#### INCOME FUNDS

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

**Spartan Long-Term Treasury Index** climbed 1.8% on economic fears, while **Inflation-Protected Bond** (up 1.7%) and **Strategic Real Return** (1.1% increase) benefited from inflation worries. On the flip side, credit concerns weighed on the high yield sector. **Focused High Income** declined 2.1%, and **Capital & Income** slid 2.3%.

Muni bond funds posted declines ranging from 0.6% to 1.2%.

#### SELECT PORTFOLIOS

We prefer that subscribers follow the Select System (page 7), but the following buy list is provided for those who want some ideas that might pay off over the long run: **Natural Gas, Energy Service, Energy, Natural Resources, Medical Equipment, Biotechnology, Chemicals, Materials, Consumer Staples, Computers, and Utilities Growth.**

Energy stocks moved up as the odds of a pullback in oil prices diminished, while inflation worries gave a lift to gold stocks. **Energy Service** was up 7.4%, **Gold** climbed 4.8%, **Energy** gained 4.3%, **Natural Resources** rose 4.2%, and **Natural Gas** was up 3.6%. On the bottom, **Banking** lost 20.2%, **Automotive** fell 20.3%, and **Home Finance** tumbled 22.0%. ■

## Happenings

Andrew Sassine has taken over at **Small Cap Stock**, Derek Young has been named sole portfolio manager of the **Asset Manager** group, Robin Foley is now co-manager of **Short-Term Bond**, Robert Galusza is sole manager of **Ultra-Short Bond**, Vincent Montemaggiore is the new stockpicker at **Banking**, and Noriko Takahashi has been named co-manager of **Int'l Small Cap.** ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	122959.0	2.46	CT MM (418/FCMXX)	2215.1	1.32			
Select MM (85/FSLXX)	7106.4	2.55	MA MM (74/FDMXX)	5524.9	1.19			
Money Market (454/SPRXX)	7575.4	2.53	MI MM (420/FMIXX)	1109.7	1.23	MA AMT TF (426/FMSXX)	832.8	1.36
Gov't MM (458/SPAXX)	814.1	2.07	NJ MM (417/FNJXX)	2526.6	1.23	AMT Tax-Free (460/FIMXX)	3605.2	1.48
US Treas. MM (415/FDLXX)	4441.4	1.45	NY MM (92/FNYXX)	5518.3	1.12	NJ AMT TF (423/FSJXX)	755.8	1.48
Tax-Free MM (275/FMOXX)	6127.2	1.31	OH MM (419/FOMXX)	1127.6	1.38	NY AMT TF (422/FSNXX)	1415.4	1.34
US Gov't Reser (50/FGRXX)	3672.8	2.21	AZ MM (433/FSAXX)	394.0	1.31	PA MM (401/FPTXX)	833.2	1.31
CA MM (97/FCFXX)	6113.3	1.26	CA AMT TF (457/FSPXX)	2091.6	1.43	Municipal MM (10/FTExX)	22542.2	1.52