

Jack
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Monitor™

Housing Situation Triggers Credit Crunch

Following in the footsteps of the mortgage lenders, bond buyers have suddenly tightened up their lending standards.

The new reality has been somewhat of a shock treatment for the financial markets. Until recently, the demand for high-yield bonds had been insatiable, allowing private equity groups to borrow cheaply for almost any type of takeover deal. Now demand for low-grade debt securities has dried up, suggesting that the cost of financing takeovers may rise sharply, curtailing the number of deals that get done.

CREDIT CRUNCH - *Continued on page 2*

Income Model, Select System, Unique Opportunities, and VIP Sector Model Plan Changes

The following model portfolio trades will take place on 8/13:

Our Income Model will sell **Floating Rate High Income** (814/FFRHX), and buy **Freedom Income** (369/FFFAX), for a resulting mix of 28% **Puritan**, 40% **Asset Mgr. 20%**, and 32% **Freedom Income**. This move will distance us from the effects of the credit crunch, and will reduce our bond exposure in favor of stocks and cash.

Our Select System will be selling **Software** (28/FSCSX) and buying **Wireless** (963/FWRLX), for a resulting mix of approximately 16% **Medical Delivery**, 16% **Insurance**, 18% **Consumer Staples**, 13% **Natural Resources**, 17% **Wireless**, and 20% **Telecom**. Among "soft" technology funds, wireless stocks now have the most favorable volatility score.

Our Unique Opportunities Model will sell **Equity-Income** (23/FEQIX) and replace it with **Trend** (5/FTRNX), for a mix of roughly 17% **Industrial Equipment**, 20% **International Value**, 37% **Leveraged Company Stock**, and 26% **Trend**. This move adds some large-cap growth exposure to a portfolio that is mostly value-oriented.

Our VIP Sector Model will sell two-fifths of **VIP Financial Services** and buy **VIP Technology**. This will bring the model closer to the anticipated weighting of the Select System.

Review & Recommendations

Early on, stocks climbed on earnings optimism and indications the economy was getting a lift from export activity. However, high yield bond buyers turned cautious after Bear Sterns reported that its sub-prime hedge funds were essentially worthless, then disappeared almost entirely after Countrywide reported problems in some of its *prime* mortgages. Stocks then sold off on fears that takeover activity may wind down. The S&P 500 lost 3.1% for July.

GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorite growth funds include **Spartan 500 Index**, **Value Discovery**, **Trend**, **Large Cap Stock**, and **Leveraged Company**. **Value Strategies** has been downgraded to a hold because its mid-cap stock emphasis might hold it back.

Funds with heavy technology exposure posted gains. **OTC Portfolio** was up 2.2%, while **Aggressive Growth** and **Growth Discovery** both managed to edge up 1.5%. In contrast, funds emphasizing value stocks suffered, especially if their focus was smaller stocks. **Mid Cap Value** lost 6.4%, and **Small Cap Value** was down 6.7%.

INTERNATIONAL FUNDS

International funds may not offer much of an advantage going forward, although **Canada** is a good choice for commodity exposure.

Emerging market funds saw some impact from the credit crunch, but so far it hasn't hurt returns. **China Region** climbed 8.3%, **Southeast Asia** was up 7.9%, and **Emerging Markets** rose 4.8%. On the flip side, European markets were impacted along with the U.S. market. **International Value** slid 1.9%, and **Europe** was down 2.8%.

GROWTH & INCOME FUNDS

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

Convertible Securities, off 1.1%, was helped by its energy-heavy portfolio. **Growth & Income II** and **Balanced** also did well, posting respective declines of 1.9% and 2.0%. Trailing behind, **Growth**

RECOMMENDATIONS - *Continued on page 8*

This change of heart on the part of bond investors is not just a mood swing. The combination of falling home values and rising energy costs has reached a point where it might have a slowing effect on the U.S. economy. Junk bond buyers are simply insisting on a higher yield premium to compensate for the possibility of more corporate defaults in the future.

The new reality has negative implications for high-yield bonds and the earnings of investment banks, and the recent selloff reflects caution that may persist until there's a better understanding of the overall earnings impact. But the risk of a bear market is relatively low. What's more likely is a shift in market leadership favoring large-cap stocks at the expense of mid-caps and small-caps, as well as a greater preference for growth stocks.

IMPACT ON HIGH-YIELD BONDS

Until recently, the yield premium in this asset class was unusually slim – default rates have been very low, and global investors have been desperate for any extra yield they could find.

Now excess liquidity is drying up, low-grade yields are rising fast, and the demand for bonds that finance takeovers has all but disappeared. If defaults on corporate debt remain low, and other lenders step up to the plate, liquidity could return a few months down the road. Still, in this asset class it doesn't usually pay to stick around and hope for the best. If enough investors *believe* there's a looming default problem, it can cut off credit to those who need it the most and create *actual* defaults.

We've downgraded all of Fidelity's low-grade bond funds to a two-star sell rating, which means we recommend no more than 5% exposure as a groups. The affected funds are **Capital & Income, Floating Rate High Income, Focused High Income, High Income, New Markets Income, and Strategic Income**. In our Income Model, we'll be replacing **Floating Rate High Income** with **Freedom Income**.

IMPACT ON FINANCIAL STOCKS

Unlike the savings and loan crisis back in the mid-1980s, mortgage debt today is sliced and diced and sold to institutional investors. Most lending institutions are not heavily exposed – their earnings may suffer for a year or two, perhaps longer if a U.S. economic slowdown takes hold. But investment banks are more directly impacted. They may be forced to bankroll some of the deals that bond buyers don't like, which means they may be more exposed to corporate defaults. They could also take an earnings hit because the volume of private equity deals is likely to decline.

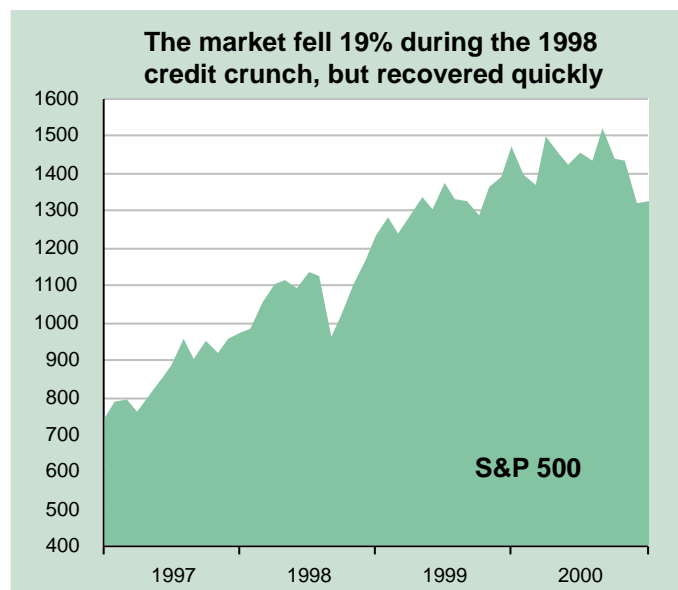
As a result, funds with a heavy weighting in financial stocks could be negatively impacted. We've been downgrading most of them in recent months, although **Equity-Income** is still rated a buy. At this point it's more important to be in large-caps than to be shifting from value to growth. As a large-cap value fund, **Equity-Income** invests in companies that derive a substantial portion of earnings from overseas operations. These firms are also buying back their own stock at a record-breaking pace.

IMPACT ON U.S. STOCK MARKET

The last big credit crunch occurred in 1998, shortly after Russia defaulted on its debt and the hedge fund Long Term Capital Management was nearly wiped out. The S&P 500 lost 19% of its value in late summer and early fall, but recovered quickly once it became clear there was very little impact on corporate earnings.

It's unlikely that the current selloff will run that deep, because foreign economies remain strong and the dollar is weak. Both factors tend to have a favorable impact on S&P 500 earnings, some 30% of which are earned outside the U.S. On top of that, stock valuations today are much cheaper than they were in 1998, and many global investors are shifting their asset mix more toward stocks.

Most small-caps and mid-caps are heavily dependent on the domestic economy, and their valuations are higher than comparable large-caps.



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So, if the U.S. economy slows, they've got more to lose. Large-caps, on the other hand, were cheap long before the sub-prime crisis came along, and the growth of foreign revenue is helping to offset a slowdown in U.S. earnings. Furthermore, the weak dollar is especially favorable for technology, health care, industrial, and natural resources. These groups earn a large share of their profits outside the U.S., and realize the greatest benefit when foreign economies are strong. As such, the most attractive corner of the stylebox is large-cap growth.

This month, we've upgraded several large-cap growth funds that overweight technology stocks without significantly boosting overall volatility. They include **Blue Chip Growth**, **Growth Discovery**, **Large Cap Stock**, and **Trend**. In our Unique Opportunities Model, we'll be exchanging **Equity-Income** for **Trend**.

OTHER CONSIDERATIONS

Domestic large-caps remain the most attractive asset class for this market. Since the bear market bottom in 2002, corporate earnings have roughly quadrupled, but stock values have only doubled. The U.S. economy may slow, but rising exports will keep it from slipping into a recession. Corporate takeover activity may take a hit, but stock buyback programs will continue to support the S&P 500 in a significant way.

Investing overseas is not necessarily a good way to overcome the U.S. housing burden. There's some risk the credit crunch will extend its reach to emerging markets, and if a flight-to-safety gets started it could be magnified by poor liquidity. For Europe and Japan, rising interest rates are a key problem, and stocks in the two regions aren't any cheaper than the U.S. (a heavy skew toward value makes for lower market multiples, but our markets would look cheap too if tech and health care didn't pull up the averages). Finally, while the weak dollar is helping the U.S. economy and the S&P 500, it's undermining Europe. So far the effect hasn't been all that noticeable, but over time it's likely to become a bigger problem. ■

Question & Answer Forum

The risk level and the actual results of your Unique Opportunities Model suggest that the portfolio's goal should be higher.

Effective this month, we're raising the long-term performance goal for the Unique Opportunities Model to 14% per year. The new target will be the

same as what we use for the Select System, and the Unique Opportunities Model will operate with a similar range of risk.

We're making this change because we haven't been able to keep the model's relative volatility below 1.0 with our current theme of resource scarcity, inflation hedging, and contrarian bets. Getting the risk below S&P 500 levels would require some sort of bond position, and that doesn't make sense at this time. We'd rather modify the model's risk and return goals so they're in sync with our current approach.

Over the last six years, the Unique Opportunities Model has enjoyed strong performance, thanks to its unusual approach. The portfolio's focus on value and foreign opportunities will continue as it seeks out opportunities related to resource scarcity. But we also expect to take on more growth-oriented positions, in part because growth stocks are now a contrarian bet, but also because a technology theme makes sense. The dollar is cheap, the developing world is embracing the internet, and American companies are supplying equipment and software.

Our model portfolio allocation matrix (shown below) is basically unchanged, except we now allow a 100% allocation to the Unique Opportunities Model in the lower right box.

To use the allocation matrix, first consider your tolerance for risk. Go with "Low" if protecting your portfolio against short-term losses is a key priority.

QUESTION & ANSWER - *Continued on page 8*

Risk Level	Years Before Money Is Needed for Living Expenses		
	Less than 3 Yrs.	3 - 8 Years	8 Years or more
Low	Money Market	Income Model	Growth and Income Model *
Medium	Income Model	Growth and Income Model	Growth Model *
High	Growth and Income Model *	Growth Model *	Select System or Unique Opportunities

* Up to 50% may be invested in the Unique Opportunities Model

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 ↓.

JULY 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***	1.38	1.5(90)	22.40	3810.4	15.6	1.5	7.3	34.2	15.1	15.0	2.7
Blue Chip Gth (312/FBGRX)	B****↑	1.00	none	46.87	19705.1	5.8	-1.2	1.2	16.0	8.1	8.2	3.8
Blue Chip Value (1271/FBCVX)	H***	1.03	none	15.46	734.1	4.5	-4.4	-2.2	16.6	14.5		
Capital Apprec (307/FCAX)	B****	1.22	none	29.05	9694.4	7.2	-2.5	1.4	19.3	13.9	16.5	8.4
Contrafund (22/FCNTX)	H***	0.99	Closed	69.79	72874.6	8.1	-0.8	3.0	17.6	16.7	15.1	9.8
Growth Discovery (339/FDSVX)	B****↑	1.02	none	14.58	480.5	13.5	1.5	8.6	26.6	14.1	12.3	
Disc Equity (315/FDEQX)	B****	1.06	none	30.50	10049.6	5.1	-4.0	-2.6	15.8	14.4	12.7	7.1
Dividend Gth (330/FDGFY)	H***	0.90	none	32.73	17263.2	3.3	-3.7	-1.0	15.6	10.1	10.2	7.6
Export Fund (332/FEXPX)	H***	1.12	0.75(30)	24.64	4449.0	7.2	-2.3	1.0	16.3	14.9	16.1	11.6
Fidelity Fifty (500/FFTYX)	H***	1.11	none	25.82	1566.0	11.5	-1.0	3.5	24.3	15.7	12.8	9.4
Focused Stock (333/FTQGX)	H***	1.19	none	13.54	76.3	8.3	-2.2	0.0	11.1	15.5	11.6	3.9
Growth Company (25/FDGRX)	H***	1.20	Closed	75.99	32155.3	9.0	0.0	4.1	22.3	16.4	16.0	8.3
Independence (73/FDFFX)	B****↑	1.22	none	24.56	5033.0	11.8	-1.4	4.9	23.2	16.6	13.3	8.7
Lg Cap Core En Idx (1827/FLCEX)	H***	1.0 Est	none	9.94	33.9			-3.3				
Lg Cap Gth En Idx (1829/FLGEX)	H***	1.0 Est	none	10.07	24.1			-2.3				
Large Cap Growth (763/FSLGX)	H***	1.38	none	11.34	175.0	-1.5	-4.2	-4.4	12.2	10.8	10.3	
Large-Cap Stock (338/FLCSX)	B****↑	1.04	none	19.00	1004.9	8.7	-1.9	1.8	21.6	13.2	10.8	5.6
Lg Cap Val En Idx (1828/FLVEX)	H***	1.0 Est	none	9.73	21.5			-4.6				
Large Cap Value (708/FSLVX)	H***	1.06	none	15.01	1694.0	2.3	-4.9	-4.4	12.0	14.6	14.0	
Lev Co Stock (122/FLVCX)	B****	1.27	1.5(90)	33.78	7771.9	16.6	-3.0	2.9	27.1	24.3	39.8	
Low-Priced Stock (316/FLPSX)	H***	1.02	Closed	45.38	41236.8	4.2	-4.5	-1.6	18.2	16.4	17.2	13.9
Magellan (21/FMAGX)	H***	1.19	Closed	92.09	44373.1	8.8	-1.8	1.7	18.3	10.7	10.0	5.5
Mid Cap Growth (793/FSMGX)	H***	1.49	0.75(30)	14.21	430.1	1.7	-3.3	-2.7	13.0	13.9	14.8	
Mid Cap Stock (337/FMCSX)	H***	1.24	Closed	30.85	15888.1	11.0	-3.3	-0.3	21.9	19.3	16.4	11.8
Mid Cap Value (762/FSMVX)	H***	1.17	0.75(30)	17.02	1065.4	4.1	-6.4	-6.0	13.5	16.9	15.8	
New Millennium (300/FMILX)	B****	1.23	none	31.27	2309.2	8.2	-2.0	2.5	21.6	15.2	13.6	11.8
OTC Portfolio (93/FOCPX)	H***	1.39	none	47.08	8848.2	13.8	2.2	8.0	35.7	16.1	15.2	6.8
Small Cap Gth (1388/FCPGX)	H***	1.30	1.5(90)	16.15	1042.2	11.8	-4.0	2.1	25.8			
Small Cap Indep (336/FDSCX)	H***	1.29	1.5(90)	23.01	2625.7	9.3	-4.8	0.3	25.6	17.1	15.5	8.0
Small Cap Stock (340/FSLCX)	H***	1.18	Closed	19.30	5069.9	8.8	-2.9	1.4	22.3	14.2	17.1	
Small Cap Value (1389/FCPVX)	H***	1.32	1.5(90)	14.43	1323.3	3.1	-6.7	-2.9	15.0			
Stock Selector (320/FDSSX)	H***	0.98	none	29.52	878.6	6.1	-1.9	0.5	17.8	13.2	12.5	5.5
Tax Mgd Stock (343/FTXMX)	B****	1.12	1(730)	15.46	88.5	9.4	-3.6	-0.4	19.0	16.4	14.1	
Trend (5/FTRNX)	B****↑	1.07	none	69.18	939.8	7.8	0.3	3.8	19.0	13.2	12.8	4.8
Value (39/FDVLX)	B****	1.05	none	85.96	22982.9	6.7	-4.3	-2.3	19.6	17.5	17.6	10.4
Value Discovery (832/FVDFX)	B****	1.08	none	18.94	1205.1	8.4	-2.6	0.3	18.6	19.0		
Value Strategies (14/FSLSX)	H***↓	1.14	none	34.77	762.2	9.9	-4.9	-2.0	25.0	15.7	19.2	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.75	none	20.47	26248.9	6.3	-2.0	0.0	15.3	13.5	13.6	9.6
Convertible Sec (308/FCV SX)	B****	0.89	none	28.72	2687.1	14.3	-1.1	5.6	23.5	15.8	15.7	11.9
Equity-Income (23/FEQIX)	B****	0.99	none	59.67	33310.3	4.4	-3.7	-1.2	17.2	13.5	13.1	7.4
Equity-Income II (319/FEQTX)	B****	1.01	none	24.13	11517.3	4.2	-3.2	-1.8	15.8	11.2	12.7	7.2
Fidelity Fund (3/FFIDX)	H***	1.04	none	38.07	7499.9	6.7	-2.1	0.5	18.3	12.3	11.8	6.4
Growth & Income (27/FGRIX)	H***	1.05	none	31.92	29061.3	2.9	-3.7	-1.0	14.3	8.7	8.1	5.0
Growth & Inc II (361/FGRTX)	H***	0.98	none	11.81	205.2	6.0	-1.9	0.5	17.7	11.7	10.9	
Puritan (4/FPURX)	B****	0.66	none	20.36	26588.4	3.3	-2.4	-1.0	13.2	10.3	10.8	7.1
Strategic Div & Inc (1329/FSDIX)	B****	0.85	none	13.43	1306.0	4.4	-2.8	-1.9	13.2	13.8		
Utilities (311/FUIUX)	H***	1.14	none	20.34	1906.6	8.6	-3.8	-2.2	23.2	22.2	20.3	8.0
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.57	0.75(30)	51.03	77.0	7.8	1.3	4.8	21.8	21.9	17.7	13.3
Automotive (502/FSAVX)	H***	1.37	0.75(30)	43.24	37.4	11.9	-6.0	2.6	30.2	11.7	13.3	6.3
Banking (507/FSR BX)	S**↓	1.11	0.75(30)	29.77	305.7	-9.8	-7.6	-8.8	-4.1	4.6	7.3	6.1
Biotechnology (42/FBIOX)	H***	1.40	0.75(30)	63.91	1264.8	-1.6	-1.0	-5.2	6.6	7.1	10.9	9.5
Brokerage (68/FSLBX)	H***	1.56	0.75(30)	69.22	1081.5	-3.6	-6.8	-8.8	11.8	23.6	19.5	13.7
IT Ser / Bus Ser (353/FB SOX)	H***	1.34	0.75(30)	18.41	63.6	13.4	-2.6	5.4	29.7	17.1	14.8	
Chemicals (69/FSCHX)	H***	1.25	0.75(30)	77.14	154.2	16.3	-1.0	7.0	34.2	20.2	18.4	9.7
Computers (7/FDCPX)	B****↑	1.36	0.75(30)	44.38	465.5	12.4	1.4	9.4	37.3	13.0	13.9	5.2
Const & Housing (511/FSHOX)	S**	1.57	0.75(30)	42.76	122.4	-3.1	-6.1	-4.8	14.0	12.4	15.0	10.7
Consumer Disc (517/FSCPX)	H***	1.23	0.75(30)	24.94	39.4	-0.2	-5.6	-5.1	12.3	10.1	8.6	6.1
Industrial / Cyc Ind (515/FCYIX)	H***	1.18	0.75(30)	22.41	93.1	13.5	0.0	6.2	25.3	19.6	19.2	10.1
Defense & Aero (67/FSDAX)	H***	1.26	0.75(30)	87.72	1269.4	12.6	1.3	5.4	26.4	21.5	19.5	13.3
Com Equip / DevC (518/FSDCX)	H***	1.59	0.75(30)	23.02	330.0	12.5	-0.6	5.8	27.2	13.2	19.3	6.5
Electronics (8/FSELX)	H***	1.78	0.75(30)	49.06	1868.2	12.0	-0.8	3.0	24.2	12.6	11.0	6.2
Energy (60/FSENX)	H***	2.11	0.75(30)	58.78	2636.5	22.4	-0.3	8.1	20.5	33.9	28.2	15.0
Energy Services (43/FSE SX)	H***	2.49	0.75(30)	90.10	1846.2	36.8	4.9	18.4	31.7	37.4	29.2	13.9
Environmental (516/FSLEX)	S**	1.25	0.75(30)	17.65	42.8	2.1	-2.6	-1.5	7.7	11.6	12.5	1.2
Financial Services (66/FIDSX)	H***	1.15	0.75(30)	109.48	503.1	-6.7	-7.4	-9.2	4.9	9.4	10.6	8.2
Con Stap / Food Ag (9/FDFAX)	B****	0.81	0.75(30)	60.83	400.0	7.5	-0.5	-1.0	17.7	15.3	11.6	8.1
Gold (41/FSAGX)	H***	2.12	0.75(30)	35.86	1275.2	3.0	5.6	3.5	12.2	28.9	23.8	10.4
Health Care (63/FS PHX)	B****	0.96	0.75(30)	126.25	2113.3	4.5	-2.7	-3.0	10.4	11.9	10.1	8.0
Home Finance (98/FSVLX)	S**	1.43	0.75(30)	40.79	227.8	-15.8	-12.3	-13.7	-7.5	-1.2	4.8	4.8
Indust Equip (510/FS CGX)	B****	1.14	0.75(30)	34.92	119.5	14.6	-0.3	6.4	27.5	17.2	17.5	7.6
Materials / Ind Mat (509/FS DPX)	H***	1.48	0.75(30)	55.16	338.8	18.0	-1.4	4.5	30.2	24.0	23.3	10.4
Insurance (45/FS PCX)	H***↓	0.94	0.75(30)	68.22	249.6	-3.8	-7.4	-6.0	9.4	10.1	11.0	11.3
Leisure (62/FDL SX)	H***	1.24	0.75(30)	78.01	254.1	1.1	-3.9	-1.7	20.6	13.0	16.0	10.4
Medical Delivery (505/FS HCX)	H***↓	1.12	0.75(30)	50.08	696.6	5.3	-4.1	-3.4	13.7	21.9	15.0	9.2
Medical Equip/Sys (354/FS MEX)	H***	1.00	0.75(30)	24.33	794.2	8.5	0.6	1.4	16.5	10.7	15.1	
Multimedia (503/FB MPX)	H***	1.10	0.75(30)	44.54	77.5	0.3	-4.7	-1.2	18.0	12.1	17.2	10.2
Natural Gas (513/FS NGX)	H***	2.26	0.75(30)	43.38	1351.5	19.7	-4.0	1.6	15.3	28.9	27.3	16.1
Nat Resources (514/FS NARX)	B****	2.01	0.75(30)	34.13	1501.3	25.0	-0.4	8.3	27.4	34.5	28.4	14.5
Networking (912/FS NIX)	H***↑	1.71	0.75(30)	2.61	72.3	5.7	-1.1	3.6	27.9	9.8	10.4	
Paper & Forest (506/FS PFX)	B****	1.17	0.75(30)	33.99	72.4	5.0	-6.4	-2.7	20.8	4.8	7.2	4.7
Pharmaceuticals (580/FS PHX)	B****	1.08	0.75(30)	11.14	209.0	5.3	-4.8	-5.1	9.6	12.6	10.4	
Retailing (46/FS RPX)	H***	1.40	0.75(30)	50.66	72.7	0.3	-6.5	-7.1	15.6	11.6	12.0	8.2
Software (28/FS CSX)	H***	1.29	0.75(30)	71.22	890.0	8.6	0.9	3.1	29.5	17.8	18.5	11.8
Technology (64/FS PTX)	H***	1.46	0.75(30)	77.62	1751.1	14.3	0.6	8.0	33.9	13.6	15.7	7.5
Telecom (96/FS TCX)	B****	1.26	0.75(30)	55.98	690.6	15.5	-2.3	6.3	36.0	20.6	25.8	6.1
Transportation (512/FS RFX)	H***	1.67	0.75(30)	54.80	100.4	9.9	-0.5	1.1	17.6	18.6	17.4	12.1
Utilities Growth (65/FS UTX)	H***	1.30	0.75(30)	58.08	1079.1	5.1	-4.9	-8.1	18.5	20.6	19.8	8.4
Wireless (963/FS WRLX)	B****	1.31	0.75(30)	8.59	381.8	22.7	0.7	14.5	36.8	23.5	29.0	

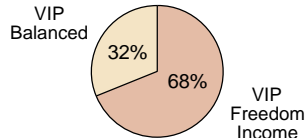
JULY PERFORMANCE						30-day	2007	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.10	1 (30)	18.43	731.5		10.2	-1.1	2.0	23.7	20.0	16.7
Canada (309/FICDX)	B****	1.28	1.5(90)	58.09	3820.8		20.4	-0.6	9.0	30.8	29.2	27.7
China Region (352/FHKCX)	S**	1.26	1.5(90)	30.34	954.1		23.7	8.3	22.2	46.2	29.4	22.3
Diversified Int'l (325/FDIVX)	H***	1.09	Closed	40.71	53188.6		10.2	-0.8	1.6	24.0	23.4	21.4
Emerging Mkts (322/FEMKX)	S**	1.54	1.5(90)	30.61	4426.0		25.5	4.8	15.2	51.9	47.1	33.8
Europe (301/FIEUX)	H***	1.23	1 (30)	42.01	5028.8		6.7	-2.8	-2.1	20.3	26.5	23.3
Europe Cap Appr (341/FECAX)	H***	1.14	1 (30)	29.41	1435.5		7.8	-1.8	-1.8	26.5	26.6	19.8
Global Balanced (334/FGBLX)	B****	0.66	1 (30)	23.10	330.2		6.8	0.2	1.0	16.0	14.8	13.9
Int'l Discovery (305/FIGRX)	B****	1.15	1 (30)	42.19	11867.7		11.3	-0.6	3.0	27.0	25.3	21.5
Int'l Small Cap (318/FISMX)	H***	1.11	Closed	29.85	1663.3		19.7	1.0	7.9	29.1	29.6	
Int'l Small Cap Opp (1504/FSCOX)	H***	1.46	2 (90)	17.95	1550.7		13.7	0.2	3.5	35.6		
Int'l Value (1597/FIVLX)	B****	1.15	1 (30)	12.09	449.9		8.4	-1.9	0.3	21.7		
Japan (350/FJPNX)	H***	1.50	1.5(90)	18.22	1816.6		6.7	1.4	5.4	8.9	16.6	15.4
Japan Smaller Co (360/FJSCX)	H***	1.48	Closed	12.87	872.1		0.3	2.6	6.0	-3.7	6.2	12.9
Latin America (349/FLATX)	S**	2.15	1.5(90)	56.30	4885.5		25.9	1.6	15.8	55.7	57.0	48.2
Nordic (342/FNORX)	H***	1.50	1.5(90)	47.09	771.6		17.8	0.2	2.9	41.8	34.7	26.9
Overseas (94/FOSFX)	H***	1.19	1 (30)	50.58	8785.7		12.9	-0.3	3.4	27.2	24.2	19.5
Pacific Basin (302/FPBFX)	H***	1.25	1.5(90)	33.21	1161.0		21.4	3.2	11.8	38.6	29.3	22.3
Southeast Asia (351/FEAX)	S**	1.53	1.5(90)	38.21	3260.1		38.9	7.9	26.7	73.1	46.9	30.6
Worldwide (318/FWWFX)	H***	1.09	1 (30)	22.25	1512.8		10.6	-0.9	2.5	24.6	19.2	17.0
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.86	none	30.66	1930.3		4.2	-2.6	-1.1	15.7	12.8	12.7
NASDAQ Comp (1282/FNCMX)	H***	1.25	0.75(90)	34.24	179.8		5.7	-2.2	0.9	22.5	11.0	
Spart Ext Mkt Idx (398/FESEMX)	H***	1.18	0.75(90)	39.52	2348.2		4.6	-4.6	-1.9	17.5	16.1	17.2
Spart Int'l Index (399/FSIIX)	B****	1.10	1(90)	47.83	4357.7		8.6	-1.9	0.4	23.5	22.7	19.6
Spart 500 Index (317/FSMKX)	B****	1.00	none	100.98	8296.4		3.6	-3.1	-1.4	16.1	11.7	11.7
Spart Total Mkt Idx (397/FSTMX)	H***	1.03	0.5(90)	40.99	4463.6		3.8	-3.4	-1.5	16.4	12.8	12.9
Asset Mgr 50% (314/FAMX)	B****	0.54	none	16.53	9065.6		4.0	-1.3	-0.5	11.9	8.0	8.6
Asset Mgr 85% (347/FAMRX)	B****	0.87	none	14.17	546.6		6.1	-2.3	-0.1	17.1	13.3	14.0
Asset Mgr 70% (321/FASGX)	B****	0.72	none	17.07	3249.5		5.0	-2.0	-0.3	14.6	9.2	9.8
Asset Mgr 20% (328/FASIX)	B****	0.24	none	12.73	2439.7		2.5	-0.5	-0.3	7.5	7.5	8.0
Freedom 2000 (370/FFFBX)	B****	0.33	none	12.61	1760.3		3.1	-0.8	-0.2	8.6	6.1	5.9
Freedom 2005 (1312/FFVFX)	B****	0.54	none	11.86	947.7		4.4	-1.2	-0.2	12.1	8.9	
Freedom 2010 (371/FFFCX)	B****	0.57	none	14.89	14037.6		4.4	-1.3	-0.2	12.3	9.2	9.1
Freedom 2015 (1313/FFVFX)	B****	0.63	none	12.50	5825.8		4.8	-1.5	-0.2	13.6	10.6	
Freedom 2020 (372/FFFDX)	B****	0.75	none	15.86	19959.5		5.3	-1.9	-0.2	15.2	11.8	11.7
Freedom 2025 (1314/FFTWX)	B****	0.77	none	13.15	5135.3		5.5	-2.0	-0.3	15.7	12.3	
Freedom 2030 (373/FFFEY)	B****	0.88	none	16.46	13260.4		6.1	-2.3	0.0	17.3	13.3	12.9
Freedom 2035 (1315/FFTHX)	B****	0.89	none	13.65	3047.4		6.3	-2.2	0.0	17.5	13.6	
Freedom 2040 (718/FFFEY)	B****	0.92	none	9.74	6664.7		6.2	-2.5	-0.2	17.8	14.0	13.7
Freedom 2045 (1617/FFFGX)	B****	0.94	none	11.30	281.0		6.4	-2.3	0.0	18.3		
Freedom 2050 (1618/FFFHX)	B****	0.96	none	11.34	247.5		6.7	-2.3	0.2	18.8		
Freedom Income (369/FFFA)	B****	0.27	none	11.57	2442.8		2.8	-0.5	-0.2	7.5	5.6	5.2
Real Estate Income (833/FRIFX)	S**↓	0.42	0.75(90)	11.22	578.1		-4.5	-5.1	-6.8	2.0	6.5	
Real Estate (303/FRESX)	S**	1.75	0.75(90)	30.95	6918.9		-14.6	-7.4	-17.8	-0.6	17.9	18.0
Int'l Real Estate (1368/FIREX)	S**	1.35	1.5(90)	15.73	1167.3		-5.1	-3.3	-9.2	19.1		
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	S**↓	0.33	1(90)	8.75	9485.3	6.45	1.8	-3.6	-3.3	10.3	10.4	17.6
Floating Rate (814/FFRH)	S**↓	0.13	1(60)	9.53	3577.1	6.94	-0.5	-3.4	-2.7	2.7	4.1	
Focused High Inc (1366/FFHIFX)	S**↓	0.20	1(90)	9.69	58.8	7.14	-1.6	-3.2	-4.6	4.8		
GNMA Portfolio (15/FGMNX)	H***	0.25	none	10.64	3181.3	5.11	1.7	0.9	-0.1	5.3	3.7	3.6
Gov't Income (54/FGOVX)	H***	0.26	none	10.00	6225.4	4.86	2.2	1.2	0.4	5.2	3.7	3.7
High Income (455/SPHIX)	S**↓	0.22	1(90)	8.63	5039.1	7.71	-0.8	-3.3	-4.2	6.1	7.0	11.8
Inflation-Protected (794/FINPX)	H***	0.42	none	10.82	1278.7	2.77	3.3	2.0	0.4	3.7	3.7	5.6
Intermed Bond (32/FTHRX)	H***	0.21	none	10.15	8224.4	5.02	1.7	0.5	-0.4	4.8	3.4	4.2
Intermed Gov't Inc (452/FSTGX)	H***	0.22	none	9.97	694.8	4.78	2.5	1.1	0.6	5.1	3.2	3.2
Invest Grade Bond (26/FBNDX)	H***	0.26	none	7.23	11726.4	5.17	0.9	0.3	-0.9	4.7	3.9	4.7
Mortgage Securities (40/FMSFX)	H***	0.25	none	10.68	1544.6	5.35	-0.4	0.0	-1.8	3.0	3.2	3.6
New Markets Inc (331/FNMIX)	S**↓	0.31	1(90)	14.28	2281.3	6.40	-0.2	-1.4	-3.5	6.6	11.8	16.3
Short-Term Bond (450/FSHXB)	H***	0.12	none	8.77	7496.6	5.08	1.6	0.2	0.1	4.1	3.1	3.6
Spart Intermed Tr Idx (1561/FBIBX)	H***	0.38	none	9.87	668.8	4.84	2.5	1.9	0.3	5.9		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.60	none	9.68	14.3	4.96	1.6	2.7	-0.1	6.5		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.16	none	10.02	35.9	4.72	3.0	1.2	1.2	5.3		
Strategic Income (368/FSICX)	S**↓	0.19	none	10.38	4912.7	5.93	0.9	-0.9	-1.9	5.9	7.1	9.8
Strategic Real Rtn (1505/FSRRX)	H***	0.43	0.75(60)	9.99	2879.0	4.82	0.7	-1.2	-2.6	2.0		
Total Bond (820/FTBFX)	H***	0.24	none	10.27	5495.9	5.21	1.1	0.3	-0.9	5.0	4.3	
Ultra-Short Bond (812/FUSFX)	B****	0.06	0.25(60)	9.81	1025.0	5.34	1.0	-0.9	-0.3	3.1	3.2	
US Bond Index (651/FBIDX)	H***	0.27	none	10.74	7275.1	5.16	1.7	0.7	-0.4	5.2	3.9	4.6
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H***	0.20	0.5(30)	11.21	128.2	3.81	0.5	0.7	-0.4	3.9	3.7	4.0
CA Municipal Inc (91/FCTFX)	H***	0.18	0.5(30)	12.14	1580.1	3.89	0.8	0.8	-0.2	4.0	4.4	4.4
CA Short-Int TF (1534/FCSTX)	B****	0.10	0.5(30)	10.02	109.1	3.61	1.6	0.7	0.5	3.6		
CT Municipal Inc (407/FICNX)	H***	0.18	0.5(30)	11.17	433.9	3.78	0.9	1.0	-0.1	3.8	3.5	3.8
FL Municipal Inc (427/FFLIX)	H***	0.15	0.5(30)	11.27	398.8	3.93	0.9	0.8	0.0	3.9	4.0	4.1
Intermediate Muni (36/FLTMX)	H***	0.14	0.5(30)	9.85	1965.7	3.84	1.1	0.8	0.2	3.9	3.6	4.0
MA Municipal Inc (70/FDMMX)	H***	0.19	0.5(30)	11.72	1839.5	3.95	0.8	0.9	-0.2	4.3	4.4	4.5
MD Municipal Inc (429/SMDMX)	H***	0.19	0.5(30)	10.69	127.4	3.78	0.6	0.8	-0.3	3.8	3.7	3.9
MI Municipal Inc (81/FMHTX)	H***	0.17	0.5(30)	11.64	570.3	3.80	0.8	0.8	-0.1	3.9	3.8	4.2
MN Municipal Inc (82/FIMIX)	H***	0.16	0.5(30)	11.19	341.2	3.83	0.8	0.7	-0.2	3.8	3.7	3.9
Municipal Income (37/FHIGX)	H***	0.18	0.5(30)	12.56	4699.2	3.95	0.8	0.8	-0.2	4.2	4.5	4.7
NJ Municipal Inc (416/FNJHX)	H***	0.19	0.5(30)	11.34	585.8	3.82	0.7	0.9	-0.3	4.1	4.2	4.2
NY Municipal Inc (71/FTFMX)	H***	0.19	0.5(30)	12.59	1407.4	3.85	0.6	0.9	-0.2	4.0	4.1	4.4
OH Municipal Inc (88/FOHFX)	H***	0.19	0.5(30)	11.39	416.1	3.80	0.7	0.9	-0.2	4.1	4.1	4.3
PA Municipal Inc (402/FPXTX)	H***	0.16	0.5(30)	10.62	297.7	3.78	1.0	0.7	0.0	3.8	3.8	4.0
Short-Int Municipal (404/FSTFX)	B****	0.09	0.5(30)	10.16	1533.6	3.53	1.5	0.6	0.5	3.4	2.4	2.5
Tax-Free Bond (90/FTABX)	H***	0.19	0.5(30)	10.62	616.9	4.06	0.8	0.7	-0.3	4.4	4.6	4.8

JULY 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	0.93	13211.99	7.3	-1.3	1.7	20.8	11.7	11.1	6.9
S&P 500	1.00	1455.27	3.6	-3.1	-1.4	16.1	11.8	11.8	6.0
NASDAQ	1.24	2546.27	5.9	-2.1	1.0	22.6	11.3	14.6	5.3
Russell 2000	1.46	776.12	-0.8	-6.8	-4.4	12.1	13.4	16.0	7.8
Fidelity Monitor Income Model	0.25	87361.95	1.3	-2.0	-1.4	6.0	4.8	5.6	4.6
Fidelity Monitor G&I Model	0.68	185786.19	4.3	-2.2	-0.6	13.8	12.6	14.3	9.0
Fidelity Monitor Growth Model	1.03	208402.90	4.8	-3.6	-1.1	17.6	15.0	17.1	8.6
Fidelity Monitor Select System	1.04	385306.23	7.3	-2.6	-0.9	20.5	15.9	16.1	10.1
Fidelity Monitor Unique Opportunities	1.10	134108.94	5.9	-3.1	-1.0	14.9	18.9	21.8	

VIP CORNER

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

VIP INCOME MODEL

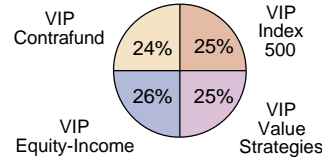


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2001: - 3.4%
1994: - 3.8%	2002: + 7.3%
1995: +16.9%	2003: + 9.9%
1996: + 6.9%	2004: + 5.1%
1997: +10.9%	2005: + 1.8%
1998: + 0.4%	2006: + 6.1%
1999: + 0.8%	*2007: + 3.7%
2000: - 2.4%	

VIP GROWTH MODEL

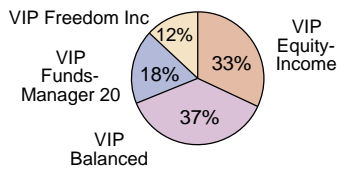


PAST PERFORMANCE

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: + 5.0%
2000: -10.3%	

VIP G & I MODEL

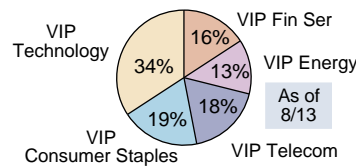


PAST PERFORMANCE

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: + 5.0%

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: + 6.3%	*2007: +4.8%
2005: +14.0%	

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

JULY 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 ***	12.79	13.42	14.7	1.5	7.0	32.5		
VIP Asset Manager	H ***	11.65	36.64	6.4	-0.6	1.8	12.8	7.5	8.2
VIP Asset Manager: Growth	H ***	11.80	24.32	8.0	-1.2	2.7	15.7	8.4	9.4
VIP Balanced	B *****	12.30	18.29	5.8	-1.9	-0.3	14.3	9.3	8.8
VIP Consumer Discretionary	H ***	11.28	12.40	-0.6	-5.7	-5.3	11.4	9.2	8.1
VIP Consumer Staples	B *****	9.86	9.86		-0.6	-1.4			
VIP Contrafund	B *****	12.81	47.64	7.6	-0.9	2.7	16.8	16.1	14.6
VIP Disciplined Small Cap	H ***	10.20	10.14	0.3	-6.9	-4.1	11.3		
VIP Dynamic Capital Appreciation	B *****	13.28	16.12	6.8	-2.6	1.2	19.1	17.6	
VIP Energy	B *****	15.59	26.97	22.3	-0.3	8.1	22.0	32.0	27.0
VIP Equity-Income	B *****	12.80	71.61	4.0	-3.9	-1.4	16.7	12.8	12.5
VIP Financial Services	H ***	11.57	14.10	-6.9	-7.5	-9.3	4.3	8.8	9.9
VIP Freedom 2005	B *****	11.76	11.93	4.7	-0.9	0.3	11.9		
VIP Freedom 2010	B *****	11.77	11.98	4.6	-1.0	0.3	12.0		
VIP Freedom 2015	B *****	12.05	12.33	5.2	-1.1	0.4	13.4		
VIP Freedom 2020	B *****	12.29	12.63	6.0	-1.4	0.4	15.1		
VIP Freedom 2025	B *****	12.40	12.79	6.1	-1.5	0.5	15.6		
VIP Freedom 2030	B *****	12.61	13.08	7.0	-1.8	0.7	17.2		
VIP Freedom Income	B *****	11.14	11.16	2.8	-0.3	0.2	7.1		
VIP FundsManager 20	B *****	10.75	10.68	2.5	-0.5	-0.3	7.2		
VIP FundsManager 50	B *****	11.02	10.94	3.7	-1.6	-0.6	11.5		
VIP FundsManager 70	B *****	11.22	11.14	4.7	-2.3	-0.6	15.1		
VIP FundsManager 85	B *****	11.33	11.25	5.6	-2.6	-0.6	17.3		
VIP Growth	B *****↑	12.39	68.64	13.1	0.9	7.4	23.2	10.9	10.1
VIP Growth & Income	B *****	12.53	20.62	5.6	-2.0	0.3	17.1	11.0	10.2
VIP Growth Opportunities	H ***	12.28	14.86	9.8	-2.2	1.3	28.1	11.0	10.5
VIP Growth Stock	B *****↑	11.59	11.82	11.3	0.7	4.4	21.9		
VIP Health Care	B *****	11.16	12.93	1.4	-3.3	-4.2	8.2	10.6	9.1
VIP High Income	S **↓	11.16	31.24	-0.8	-3.3	-4.1	6.0	6.2	11.0
VIP Index 500	H ***	12.16	39.34	3.1	-3.1	-1.6	15.1	10.8	10.8
VIP Industrials	B *****↑	13.71	19.80	13.2	-0.1	6.1	25.0	19.2	18.9
VIP Int'l Capital Appreciation	H ***	13.56	14.24	10.2	-1.0	2.0	23.4		
VIP Investment Grade Bond	H ***	10.56	29.50	0.7	0.5	-1.0	3.9	2.9	3.9
VIP Materials	B *****↑	10.42	10.41		-1.4	4.1			
VIP Mid Cap	B *****	13.31	23.84	10.7	-1.1	3.3	18.2	20.3	20.0
VIP Money Market		10.89	21.03	2.5	0.4	1.1	4.4	3.0	1.9
VIP Overseas	H ***	14.49	45.41	10.9	-1.5	1.4	24.2	21.8	17.5
VIP Real Estate	S **	12.25	19.45	-14.2	-7.8	-16.7	-1.0	18.5	
VIP Strategic Income	S **↓	10.94	11.98	0.6	-0.7	-1.9	5.1	6.1	
VIP Technology	B *****↑	13.05	12.15	12.0	0.6	8.4	33.4	14.4	15.9
VIP Telecommunications	B *****	10.64	10.62		-3.0	6.2			
VIP Utilities	H ***	13.95	14.04	5.7	-4.8	-8.0	19.6	20.5	19.4
VIP Value	B *****	12.49	12.87	6.0	-4.2	-2.4	17.6		
VIP Value Leaders	H ***	12.46	12.87	4.0	-4.6	-2.4	15.8		
VIP Value Strategies	H *****↓	13.04	16.56	9.3	-5.0	-2.3	24.1	14.6	
Fidelity Monitor VIP Income Model			20554.30	3.7	-0.8	0.0	9.3	5.3	6.2
Fidelity Monitor VIP G&I Model			26475.22	5.0	-2.1	-0.4	14.3	9.4	10.0
Fidelity Monitor VIP Growth Model			39802.59	5.0	-3.2	-0.6	15.1	13.6	12.3
Fidelity Monitor VIP Sector Model			19590.01	4.8	-2.9	-2.5	14.9	16.0	17.2

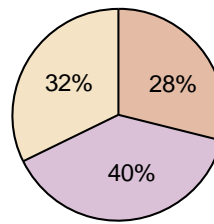
INCOME MODEL

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	\$20.36	1223.199	\$24904.33
Asset Mgr 20%	\$12.73	2718.956	\$34612.31
Floating Rate	\$9.53	2921.858	\$27845.31

8% Foreign Holdings	Balance as of 7/31/07:	\$87361.95
	Balance at start of 2007:	\$86264.24

Freedom Income
369/FFFX



Puritan
4/FPURX

As of
8/13

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: + 1.3%	

Our Income Model declined 2.0% in July. On 8/13 we will sell **Floating Rate High Income** and buy **Freedom Income**. The resulting asset mix: 34% stocks, 47% bonds, and 19% cash.

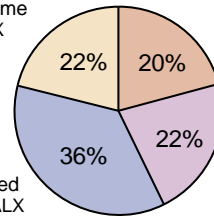
GROWTH AND INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Asset Mgr 20%	\$12.73	2964.398	\$37736.79
Puritan	\$20.36	2046.700	\$41670.81
Balanced	\$20.47	3246.298	\$66451.72
Equity-Income	\$59.67	669.128	\$39926.87

9% Foreign Holdings	Balance as of 7/31/07:	\$185786.19
	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: + 4.3%	

During July our Growth and Income Model declined 2.2%. The current asset mix is 64% stocks, 33% bonds, and 3% cash.

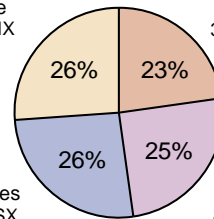
GROWTH MODEL

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

FUND	NAV	SHARES	BALANCE
Spartan 500 Index	\$100.98	475.171	\$47982.77
Value Discovery	\$18.94	2801.678	\$53063.78
Value Strategies	\$34.77	1532.678	\$53291.21
Equity-Income	\$59.67	906.069	\$54065.14

11% Foreign Holdings	Balance as of 7/31/07:	\$208402.90
	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: +4.8%	

Our Growth Model was down 3.6% in July, compared to a 3.1% loss for the S&P 500. Current asset mix is 99% stocks, 1% cash.

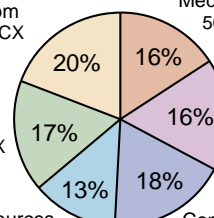
SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Medical Delivery	\$50.08	1235.325	\$61865.08
Insurance	\$68.22	902.564	\$61572.92
Consumer Staples	\$60.83	1161.102	\$70629.83
Natural Resources	\$34.13	1468.738	\$50128.03
Software	\$71.22	920.627	\$65567.04
Telecom	\$55.98	1349.470	\$75543.33

23% Foreign Holdings	Balance as of 7/31/07:	\$385306.23
	Balance at start of 2007:	\$359086.92

Telecom
96/FSTCX



Medical Delivery
505/FSHCX

Wireless
963/FWRLX

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: +7.3%	

Our Select System was off 2.6% in July, versus a 3.1% S&P loss. On 7/16 we sold **Utilities Gth** (\$62.61), putting a fourth in **Med. Delivery** (\$5313), and the rest in **Natural Resources** (\$35.87). Asset mix is 99% stocks, 1% cash. See page 1 for upcoming switch.

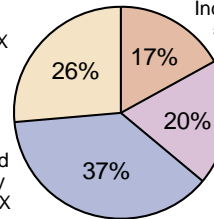
UNIQUE OPPORTUNITIES MODEL

Aims for a long-term return of 14% by emphasizing resource scarcity and global opportunities.

FUND	NAV	SHARES	BALANCE
Industrial Equip.	\$34.92	666.244	\$23265.24
Int'l Value	\$12.09	2177.189	\$26322.22
Lev. Co. Stock	\$33.78	1469.947	\$49654.81
Equity-Income	\$59.67	584.325	\$34866.67

29% Foreign Holdings	Balance as of 7/31/07:	\$134108.94
	Balance at start of 2007:	\$126671.24

Trend
5/FTRNX



Industrial Equip
510/FSCGX

Leveraged
Company
122/FLVXC

As of
8/13

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: +5.9%	

We were off 3.1% in July. On 7/16 we sold **Util. Growth** (\$62.61), putting a fourth in **Leveraged Company** (\$36.16) and the rest in **Industrial Equip.** (\$36.91). Asset mix is 98% stocks, 2% cash. On 8/13 we will sell **Equity-Income** and buy **Trend**.

Choose "Medium" if you don't like losses but can accept a short-term decline to improve your long-term return. Opt for "High" if you want to maximize long-term returns, and the prospect of riding through a bear market does not bother you.

Then make a rough estimate of the money you'll need from your portfolio in each of the next eight years (if you won't need anything from your portfolio, use zero). Add up what you'll need in the first three years, and invest it according to the box on the left. For years four through eight, invest according to the center column. The rest of your portfolio (which may be all of it, if your living expenses are covered by non-investment sources) can be allocated to the "8 years or more" box in the right-hand column.

Why did you reverse your position so quickly on Floating Rate High Income?

Shortly after Bear Sterns' sub-prime hedge funds lost most of their value, the daily losses in the floating rate loan sector began to rival those of the high-yield bond group. **Floating Rate High Income** was not behaving as its standard deviation numbers had suggested.

Compared with other floating rate loan funds, Fidelity takes a conservative approach, and as of 6/30 the fund had a 14% cash position. Until recently, we felt **Floating Rate**'s downside exposure to an event like the 1998 credit crunch wouldn't be much more than a year's worth of income. But in July, the fund's daily losses suggested it might be worse than that.

Perhaps the Bear Sterns hedge funds are now being forced to liquidate floating rate notes to offset sub-prime derivative losses, or perhaps other hedge funds are unwinding leveraged bets that involve floating rate notes. The notes themselves don't carry much default risk, so their recent behavior can only be explained by selling pressures far in excess of the norm, or by a nearly complete absence of buyers.

In any case, it's not a good sign when a low risk fund in a low risk asset class starts losing half a percent a day. It means a large portion of investors will eventually be selling as they get surprised by negative numbers in an asset class with a reputation for stability.

We had already planned to move into **Freedom Income** in the fall, a change that would modestly boost our stock exposure at a seasonably favorable time. But given the floating rate loan situation, it doesn't make any sense to delay. ■

& **Income** and **Equity-Income** were both down 3.7%, and **Utilities** lost 3.8%.

BOND FUNDS

Income Model holdings are listed on page 7. Our favorite fund for income is **Freedom Income**. We downgraded **Floating Rate High Income** to sell.

Fears of an economic slowdown gave a boost to treasuries. **Spartan Long-Term Treasury Index** gained 2.7%, and **Spartan Int. Treasury Index** rose 1.9%. But high-yield bonds and floating rate notes suffered significant losses. **Focused High Income** was off 3.2%, **High Income** lost 3.3%, **Floating Rate** slid 3.4%, and **Capital & Income** was down 3.6%.

Muni bond funds posted gains of 0.6% to 1.0%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Our buys include **Wireless, Telecom, Computers, Consumer Staples, Paper & Forest Products, Health Care, Pharmaceuticals, Natural Resources, and Industrial Equipment**.

Gold jumped 5.6%, **Energy Services** climbed 4.9%, and **Computers** was up 1.4%. Most financial sectors landed on the bottom end. **Financial Services** and **Insurance** both lost 7.4%, **Banking** was down 7.6%, and **Home Finance** fell 12.3%. ■

Happenings

Rich Fentin, manager of **Value**, is taking a leave of absence from Fidelity. Matthew Friedman, who runs **Value Strategies**, will be filling in. Also, Robert Galusza has been appointed manager for **Short-Term Bond** and **Ultra-Short Bond**. ■

JULY DISTRIBUTIONS

Asset Manager 20%	\$ 0.049/\$12.81 (7/6)
Asset Manager 50%	\$ 0.126/\$16.90 (7/6)
Balanced	\$ 0.10 / \$21.16 (7/6)
Convertible Securities	\$ 0.11 / \$29.76 (7/6)
Equity-Income	\$ 0.25 / \$63.08 (7/6)
Equity-Income II	\$ 0.09 / \$25.31 (7/6)
Fidelity Fund	\$ 0.10 / \$39.66 (7/6)
Freedom Income	\$ 0.04 / \$11.66 (7/6)
Growth & Income	\$ 0.09 / \$33.75 (7/6)
Growth & Income II	\$ 0.02 / \$12.28 (7/6)
Puritan	\$ 0.14 / \$21.08 (7/6)
Strategic Dividend & Income	\$ 0.062/\$14.09 (7/6)
Strategic Real Return	\$ 0.153/\$10.14 (7/6)
Utilities	\$ 0.09 / \$21.45 (7/6)

Payouts for August include: **Asset Manager 20%**, **Growth Discovery**, **Fidelity Fifty**, **Fidelity Fund**, **Freedom Inc.**, **Growth & Income II**, and **Real Estate Income**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	98976.3	5.12	CT MM (418/FCMXX)	1767.8	3.24			
Select MM (85/FSLXX)	3598.5	5.18	MA MM (74/FDMXX)	4742.7	3.20	FL MM (428/FSFXX)	1269.4	3.28
Money Market (454/SPRXX)	7376.8	5.16	MI MM (420/FMIXX)	918.6	3.20	MA AMT TF (426/FMSXX)	734.3	3.41
Gov't MM (458/SPAXX)	502.6	5.09	NJ MM (417/FNJXX)	1974.6	3.22	AMT Tax-Free (460/FIMXX)	3421.6	3.40
US Treas. MM (415/FDLXX)	1785.1	4.62	NY MM (92/FNYXX)	4548.0	3.22	NJ AMT TF (423/FSJXX)	660.6	3.41
Tax-Free MM (275/FMOXX)	3575.8	3.28	OH MM (419/FOMXX)	1016.1	3.22	NY AMT TF (422/FSNXX)	1181.7	3.41
US Gov't Reser (50/FGRXX)	3228.5	5.14	AZ MM (433/FSAXX)	315.6	3.25	PA MM (401/FPTXX)	639.5	3.26
CA MM (97/FCFXX)	4801.5	3.21	CA AMT TF (457/FSPXX)	1703.3	3.40	Municipal MM (10/FTEXX)	17996.8	3.33